# Q2 2022 Interim Report

Tuesday, 19th July 2022

## Second Quarter Highlights

Kjell-Morten Johnsen

*President and Group Chief Executive Officer, Tele2*

Thank you very much, operator. Good morning, everyone and welcome to Tele2's Report Call for the second quarter of 2022. With me, like the operator said, here in Kista I have Charlotte Hansson, our Group CFO, and Hendrik de Groot, our Chief Commercial Officer.

**Strong Quarter with Solid Top- and Bottom-line Growth**

*The Group*

So let us just turn straight into slide two for our quarterly highlights. I am very pleased to see that our efforts are paying off as we present the results for our second quarter. End-user service revenue grew by 3% for the Group, and it is great to see that all countries are contributing to that growth. Although we see some pressure on the cost side, we are able to convert the strong end-user service revenue growth, coupled with the execution of the Business Transformation Programme, to an underlying EBITDAaL growth of 3% for the Group.

*Sweden B2C*

I am happy to see that mobile postpaid within Sweden B2C shows a strong net intake this quarter, and at the same time we were able to maintain our mobile postpaid ASPU on a similar level. In fixed broadband we see continued strong growth, driven by volume, and within digital TV cable and fibre we show similar results as the previous quarter, ahead of the Viaplay deal, which we expect to come into effect during the second half.

*Sweden B2B*

We continue to see an improvement within Sweden B2B end-user service revenue, driven by mobile. The improvements within mobile is across all of our different segments and we are able to grow our business while stabilising ASPU. We see some headwinds in the quarter from disruptions in our supply chain, which impacts the activity within solutions.

*The Baltics*

In the Baltics, we experienced yet another quarter of fantastic performance, both in terms of top line and bottom line. Here we see higher costs from electricity than in Sweden, but we are still able to mitigate this through strong top-line growth. Spectrum auctions are ongoing in Estonia and Lithuania, and we have already concluded the spectrum auctions in Latvia with successful results.

**Sweden Consumer**

Let us then move over to the Swedish consumer segment on slide four. Mobile postpaid saw a strong net intake in the quarter, driven by FMC bundling and continued strong performance for Comviq. Despite the strong net intake in postpaid, we managed to keep the ASPU level stable. In fixed broadband, we see continued strong performance with good volume growth. In digital TV cable and fibre, we see continued contribution from Tele2 Play+, which helps us to growth the ASPU in the quarter. However, the overall customer base continues to decline, which reduces end-user service revenue growth.

**Sweden Consumer**

Turning to slide five. Mobile postpaid end-user service revenue grew by 2% in the quarter, driven by both prepaid and postpaid. We see continued end-user service revenue growth in fixed broadband of 2%, primarily driven by a larger customer base. Total end-user service revenue for digital TV declined by 3% in the quarter, primarily driven by continued decline in the legacy DTT TV, the terrestrial TV, due to a declining customer base.

**Sweden Business**

Let us then continue with B2B on the next slide. Mobile net intake continued to be strong in the quarter, driven by new contracts within both the SME and large segments, with 23,000 new mobile RGUs. The mobile ASPU, in absolute numbers, continued to be on similar levels as previous quarters, driven by the volume mix within SME and the profitability focus within large private and public.

Continued mobile volume growth was able to fully offset the decline in the legacy fixed business, resulting in Sweden B2B growing end-user service revenue by 3% in the quarter.

**Sweden Financials**

Then let us turn to slide seven for an overview of Sweden. End-user service revenue was +1% in Sweden, driven by Sweden B2B. Underlying EBITDAaL increased by 2% in the quarter compared to last year, driven by slight end-user service revenue growth and contribution from the Business Transformation Programme. We continue to see strong cash conversion of 66% as continued underlying EBITDAaL growth offsets higher CAPEX levels.

**Baltics Operational Highlights**

Now, let us move to Baltics on slide nine. We see similar trends to previous quarters in the Baltics, with strong volume and ASPU growth across all markets. Roaming continues to come back in a meaningful way and we are able to monetise data through our more-for-more strategy.

**Baltics Financials**

Turning to page 10. This ASPU and volume growth led to an end-user service revenue growth for all markets, and we saw the Baltics grow by 12%. The end-user service revenue growth in the quarter was able to offset the increased pressure from rising inflation rates and underlying EBITDAaL grew by 10%. We continue to see a high cash conversion for the Baltics due to the strong performance and relatively low CAPEX levels prior to the nationwide 5G rollout.

So, with that, I would like to hand it over to Charlotte, who will go through the financial overview.

# Financial Overview

Charlotte Hansson

*Group Chief Financial Officer, Tele2*

**Group Results**

Thank you, Kjell, and good morning, everyone. Please turn to page 12 in the presentation. Strong end-user service revenue growth in the Baltics and Sweden B2B, coupled with continued execution of the Business Transformation Programme, resulted in underlying EBITDA growth of 3%. We continue to see pressure on margins stemming from rising inflation rates, primarily from higher electricity costs in the Baltics.

Results from associated companies and JVs do no longer include results from the now divested T-Mobile Netherlands, which is why we see a decrease compared to Q2 2021.

Income tax significantly decreased compared to Q2 2021 as the income tax last year included the release of a provision yielding a positive non-cash effect of SEK 350 million.

Net profit from discontinued operations included a settled dispute from previously divested operations of SEK 226 million, which is why we see a significant step-down compared to last year in Q2.

**Group Cash Flow**

Let us continue with the cash flow on slide 13. CAPEX paid was higher in Q2 2022 compared to last year as we had two spectrum payments in this quarter. One related to our network joint venture, Net4Mobility, and one related to the second payment from the 700 MHz spectrum in auction in Latvia. At the same time, we have seen an increase in network CAPEX driven by the roll out of 5G.

Changes in working capital was negative in the quarter, driven by higher inventory levels primarily stemming from network equipment and handsets. While, at the same time, we temporarily see less impact from external handset financing in the quarter.

Taxes paid increased in Q2 2022 compared to last year, driven by improved operational performance in 2021 compared to 2020. We continue to see strong equity free cash flow generation, with SEK 750 million in the quarter, yielding an equity free cash flow from continuing operations of SEK 5.3 billion in the last 12 months.

Please move to slide 14 to go through the capital structure.

**Leverage at 2.5x**

*Economic net debt to underlying EBITDAaL*

At the end of the quarter, we saw economic net debt increase to SEK 24.9 billion as cash generation from our operations and proceeds from T-Mobile Netherlands did not fully offset the two dividend payments in May. Leverage remains in the lower part of the target range of 2.5x to 3x, ahead of the second tranche of the ordinary dividends in October.

Please turn to slide 15, where we will update you on the progress of the Business Transformation Programme.

**Business Transformation Programme Update**

During the quarter, we continued to execute on the Business Transformation Programme and made improvements primarily within our combined IT and tech organisation. This led to an annual run rate of SEK 650 million by the end of the quarter. The P&L effect of this was SEK 155 million in the quarter, with a net effect of SEK 75 million compared to Q2 2021.

We have now also finalised the migration of the Tele2 brand to the new IT stack and we are now preparing for the next phase of the programme, which is to migrate the remaining brands.

With that, I hand over to Kjell to go through our key priorities going forward.

## Key Priorities Going Forward

Kjell-Morten Johnsen

*President and Group Chief Executive Officer, Tele2*

Thank you, Charlotte. Then please turn to slide 16 for a summary.

With the first half of the year concluded, I am happy to see that we are on a steady course to deliver on our 2022 guidance. With the dividends for this year, we are able to significantly remunerate our shareholders in 2022 in accordance with our mid-term ambition, even during the more turbulent macroeconomic times.

On the back of this, we feel that we want to be prudent in the way we look at our balance sheet, as we have done historically. This means that even if we have room to re-lever our balance sheet, we want to be cautious and make sure that we keep our financial strength going forward, while keeping our current leverage and dividend policy in the long term, so there is no change.

*Sweden*

In Sweden, we continue to roll out 5G with some bumps on the way, driven by supply chain challenges and semiconductor shortage. However, we are still committed to our goal of covering 90% of the population in Sweden by the end of 2023 and to have a CAPEX range of SEK 2.8 to 3.3 billion during 2022 and in the mid-term. Similarly, on the fixed side we continue to roll out Remote-PHY devices in order to gain the benefits from the investment as soon as possible. Both of these projects are key for us in order to increase customer satisfaction, which will support our more-for-more strategy for years to come. We will continue executing on the Business Transformation Programme to deliver at least SEK 1 billion of savings by the end of the second quarter of 2023.

*Sweden B2C*

In Sweden consumer, we will continue to balance value and volume in order to build sustainable growth, while gearing up our capabilities to address the 1.3 million non-FMC households. We will also continue to build our premium brand in order to increase customer satisfaction that we can monetise through reduced churn or price adjustments on the back of product improvements. The agreement with Viaplay is a key part in this strategy and we now have a more competitive offer out in the market.

We have started migrating linear customers onto our new TV propositions during Q2 and we expect to start to see financial impacts during the second half of this year.

*Sweden B2B*

In Sweden B2B, we will continue to build on the great results from the first half of the year in order to grow the business for the full year. However, as in any business it usually does not develop in a straight line and fluctuations should always be expected, but we are witnessing a very important and sustainable shift within B2B.

*Baltics*

In the Baltics, we experienced more pressure on the cost side than in Sweden, but we are able to mitigate this from the incredible top-line growth which filters down to underlying EBITDAaL. Going forward, we will build on this momentum while we prepare to start the nationwide roll out of 5G, once the auctions are concluded in Lithuania and Estonia. During the quarter, we also signed a wholesale agreement in Latvia for fixed infrastructure, which means that we now have FMC capabilities in all countries.

With the first half of the year behind us, we look to the second half of the year and beyond. I have expressed many times before that Tele2 is a growth company at heart, and we continue to show this quarter after quarter as we execute on our strategy to reach our guidance for 2022 and in the mid-term.

With that, I would like to hand it over to the operator for Q&A, please.

## Q&A

**Andrew Lee (Goldman Sachs):** Yeah. Good morning, everyone. I had a question just around your confidence, Kjell, in communicating your ability to deliver mid-term guidance, despite the macro backdrop. Particularly interesting on the top-line side of things and your ability to pass through higher costs to the customer and higher prices. What are you seeing there; do you see scope to introduce inflation-linked pricing in Sweden, like what we are seeing in the UK and Netherlands, for example, and do you think the price moves in Sweden so far this year suggest more inflationary pricing than in previous years? That is my key question.

Then just, if possible, I think the shares are being weighed on a little bit by your free cash flow weakness in the quarter. You have been pretty clear in terms of tax and working capital phasing, but clearly the investors are still a little bit concerned about that, so could you reassure us that it is phasing and that your free cash flow delivery for the full year should still be robust? Thank you.

**Kjell-Morten Johnsen:** Thank you, Andrew. Yes, we are quite confident when it comes to our ability to deliver what we have guided for this year. We think that we are going to see a quite decent second half of the year. The year will probably be, as we have said before, a little bit U-shaped, but we are already well underway to deliver on those targets; and the ability, of course, to do inflationary pricing. I would probably not use the term. I know it is very popular to talk about inflationary pricing and it is not a bad concept, but we will be doing pricing at different times in different parts of the business. As you can see in the Baltics, they are really able to keep it moving at a very good pace despite the highest inflation in Europe and the energy challenges they have, not to speak of the human challenges they have working with the uncertainty they have.

Here in Sweden, we are also developing quite well; you see the growth in B2B. So, I think that the competitive pressure is now, if anything, slightly better than it was a half year ago. It is still a bit high on commissions here and there; I do not think that is very rational and I think that that probably will adjust itself a little bit over time.

Charlotte will take us more through some of the equity free cash flow reasoning. What I would just like to say on that is that we do see, as part of our network rollout, the documentation around it, that there is a little bit of a lag in some of the accounting around this, but that will, by and large, adjust itself over time.

Shall we take this on the working capital now? I will leave for Charlotte to take that part of the question, please, Andrew.

**Charlotte Hansson:** Yes. So, when it comes to the working capital, I think it is important to remember that last year we had an exceptionally strong working capital with some extraordinary items when it comes to [inaudible] account payable and the tax situation at that point of time. Of course, this year we see some higher inventory levels, as mentioned before, and I also think that this is the situation of the overall supply chain environment market that we have right now, that we need to make sure that we can also deliver what we should to our customers, so we want to be prepared for that. Also, we know that this varies very much quarter by quarter. Since we talk about the 5G rollout, that is also something that we have increased some assets for that, but that is also, I would say, planned.

So I think those are the main highlights. We also mentioned the handset financing and that is also fluctuating between the quarters.

**Andrew Lee:** Thank you.

**Kjell-Morten Johnsen:** I think there is nothing in that that impacts when you talk about the medium-term outlook around the dividend story, so just to make that very clear.

**Andrew Lee:** Okay, thank you very much.

**Ondrej Cabejsek (UBS):** Hi and thank you for the presentation. I had one clarification and one question, please, if I may? So the question would be around the TV migration. So you mentioned, and we see this is the numbers, that you are expecting the biggest wave of the migration in the second half, probably most of it in the third quarter. Can you just talk to us a bit, however, about some of the early response that you are getting from some of the groups that you have already migrated in the third quarter, how that is going, and what the phasing is in terms of how, or rather when, you expect the full subscriber base to be migrated, please?

Then, just in terms of the clarification, Kjell, you mentioned in terms of the leverage that you would potentially be talking a bit of a more cautious approach. In that past, you have said that in terms of re-leveraging you are happy to be somewhere in the middle of the target range of 2.5x to 3x. Is this a signal to us that maybe in the short term you would target to be closer to the 2.5? Thank you very much.

**Kjell-Morten Johnsen:** I can take the leverage question first. So, yeah, you are right, we think that, over time, we would like to be around the middle of that range, and we decided to take one cautionary move here now by staying a little bit towards the lower end of the range, but still we will be paying out in October. We expect to return to a normal situation. We just feel that there is a lot of uncertainty in the world around us now and then it is a better to be a little bit extra prudent. We do have, today, the capacity to do some re-levering if the board should wish to do so. We just decided to be a little bit extra careful due to the uncertainty in the world around us.

Hendrik will then take the TV side of it.

**Hendrik de Groot:** Sure. Ondrej, good morning. On your question around the TV migrations, where we are at the moment is that, as we said earlier, during the summer we will migrate the total linear, but also our streaming base to the new packages. Fifty per cent of the migrations have technically happened and the rest will happen, now, in July and August, of which about one-third is in the Q2 number, so two-thirds still need to flow in and early on in the second half of the year. The customer reactions so far have been, I would say, quite positive if you, certainly, look at the level of price adjustment we have done in a value approach, right? We have given quite a lot of value, but also quite a price adjustment of SEK 40 to 50 typically per customer.

We see – and you can see that a little bit in the numbers on Boxer – that we have had an initial peak of some additional churn, which you see in the Q2 numbers, but typically afterwards we have seen a very low churn so far that we are quite happy with and we are still seeing a good, regular sales momentum. Basically, as it rolls out into the end of the year and into the full numbers, as we have said before we have a variable nature of the partnership, so ultimately it will be EBITDA-accretive between cost and revenues flowing into the numbers.

**Ondrej Cabejsek:** Thank you. Can I just clarify, so we have seen some impact, you said about 50% technically, in terms of ARPU, for example, towards the end of the second quarter already or…? Because the pricing can be set very high, right?

**Hendrik de Groot:** No, sorry. One-third of the base has been migrated and sits in the Q2 numbers, two-thirds still have to flow in in the second half of the year.

**Ondrej Cabejsek:** So was there a lot of down spend then? Because we do not see much in terms of the service revenue trend in TV with the scale of the pricing uplift that, I think, at least I would have expected. So can you maybe elaborate on that a bit, please?

**Hendrik de Groot:** No, if you look at the overall numbers you see that we are balancing out on the ASPU and on the revenues quite nicely in terms of the DTV revenues being pretty much stable on a year-on-year basis, and also on the DTT side you see that the revenues are stabilising on a quarter-on-quarter basis.

So I think we are seeing what we are expecting. Of course, as also we have been saying, we still are balancing out value versus volume, right, in the total numbers, and, again, later on in the year two-thirds of the base will flow into the numbers and will, in our outlook, fully stabilise the TV business line.

**Ondrej Cabejsek:** Thank you very much.

**Andreas Joelsson (Danske Bank):** Good morning and thanks for taking my question. It relates to the B2B side in Sweden. Clearly, a significant improvement over the past couple of quarters and, Kjell, you mentioned that you see this as sustainable. Can you just explain what makes you confident that this improvement is sustainable?

**Kjell-Morten Johnsen:** Yeah, and that goes beyond the numbers. When I look at how we run our B2B business now and look a bit back in time, I see a strong team that has a clear strategy and also that are building a clear delivery culture. So if this would have been one part of B2B delivering a loss and pulling the train off then I would be less optimistic, but what I see is a strong group of people who clearly have gotten their act together and that platform is a strong platform. I have said it before, I do not think the B2B business ever has been as strong in Tele2 as it is today.

So these markets can, of course, have their ups and downs as overall markets, but the strength that we have within the organisation now means that we can weather quite a lot of headwinds also, if that were to come. So I am quite positive.

**Andreas Joelsson:** Perfect, thanks.

**Terence Tsui (Morgan Stanley):** Oh, thank you. Good morning, everyone. I have got one question, please, on the Swedish consumer mobile market. I was just wondering whether you can just say a few points around what you are seeing around the competitive dynamics? I noticed in Q2 quite a bit of a step-up in promotional activity. You guys were running some promotions at the high end, with discounts of, say, up to 30%. I think Telenor took down their price for unlimited 5G. So are you seeing signs of promotional activity picking up or is it still pretty seasonal in your view? Thank you.

**Kjell-Morten Johnsen:** Hendrik?

**Hendrik de Groot:** Yeah. Terence, hi. So if you look at the overall market and also our results, we all benefit, I think, from good market recovery post-COVID that we pointed out was still around in the first quarter. For us in particular, we are quite okay with our commercial execution in the quarter. If you look at the overall competitiveness and activity in the market, it has been quite a busy quarter. We have seen quite a number of operators coming out with their new mobile front books, we have seen price adjustments across Q2 but also across H1, across the mobile and fixed portfolios, and new top-line ATL marketing messages from Telenor and Telia, so it has been very busy.

In that context then, I would say the positive note in all of that is that the price adjustments, but also the activity that is really focusing on a higher campaign pricing approach, more driving the value into the market, is supportive to ASPU development. So this is also what we have been saying and we have been executing on. So for the first quarter of this year to really move to the mid-tier in terms of our campaign pricing, and I think we see that replicated across the market.

On the sub-brand side there is still some targeted pressure around, but of course I think that would be a normal characteristic of the market. Typically, what you see is we have been, for example, campaigning very much on 50GB for SEK 299 and also for one month on unlimited for SEK 399, and you see these are the sort of pricing levels that we are seeing in the market.

**Terence Tsui:** Okay, great. Thanks for the colour, Hendrik.

**Hendrik de Groot:** Yeah.

**Ulrich Rathe (Jefferies):** Yeah, thanks very much. My first question is on the supply chain mention. Could you elaborate a little bit where you are seeing pressures? Is it on the network equipment side, which I think is a CEO comment in the report so focuses on the network equipment side, or does it extend to devices? On the network side, is it really mostly the round or parts of it? A bit more colour on that would be great.

Also, coming back to an earlier answer on the confidence on B2B, that answer, the way you framed it, was very much that Tele2's own team and strategy has been put together in a very powerful way, but you did not comment at all about the market. How would you view the market side of that confidence in the B2B trend sustainability from here? Thank you.

**Kjell-Morten Johnsen:** Yeah. So on the supply chain, there has been some delays in parts of the round supplies, and I will keep it at that because I do not want to sing aloud to one of the vendors in any special way. At this stage, where we have been in the first half of this year, it does not really make a huge difference because we are in the ramp-up phase. We expect, if things go the way we have been promised, quite substantial deliveries in the second half, so we should be able to make up for quite a bit of this.

We've had some disruptions related to our Solutions business and that can be, since you are delivering a more complex package, if you miss a router, you miss a router or things like that. So I wouldn't say it's been a big issue for us. We've been able to successfully mitigate a lot of disruptions there. So I wouldn't call it out as a major issue but it has had some impact on the business.

Going to the B2B side, I felt it was important to focus a bit on our own capabilities, because I think without it, we wouldn't be where we are, for sure. The market is relatively okay. I don't want to all out any wild activities there. We do see the odd contract here and there where we think people are a little bit too volume-focused, but it's not a major issue for us. We see a relatively healthy competition and we think overall the market is probably as good as you can expect from a B2B market, where you are happy to get a little bit of sustainable growth.

**Titus Krahn (Bank of America):** Just one question on the Baltics and maybe on a read-across from that segment. Just given that inflation is running a bit ahead of the rest of Europe and Sweden, do you see an impact on demand yet and also do you see an impact on how competitive act, given they have higher costs to face? Are they potentially more rational? And related to this, is there any read-across for your Swedish business as well?

**Kjell-Morten Johnsen:** Very interesting question. And I think we're watching the Baltics both with excitement but also as a way of seeing what could be ahead of us, just like you are saying in your question. I think the teams have done a great job of being able to mitigate the very high inflation that we've seen, and when I speak to our people in the Baltics, I don't get the impression that there's still a major share-of-wallet issue. Remember, they came out from low ARPU levels. But you know, if inflation were to continue anywhere close to these numbers over a long period of time, then of course there would be a legitimate concern. If inflation stabilises within the next 12 months to a lower level, then I think we will ride it out relatively okay.

And clearly, I'm not an economist to make this kind of projections but I wouldn't expect to see the same inflation levels in Sweden. I think also the wage development in Sweden works differently than it does in the Baltics, so the impact will be different. The read-across would be that I think the industry, and you guys and everyone, are very alert to the need to compensate for higher inflation. It's in our minds and other industries do the same, so people in the street, in a way, see that this is happening. And I think that if we see a stabilisation of inflation over the next 12 months, we should be able to come through this in good shape.

**Titus Krahn:** And maybe just as a follow-up, in the Baltics do you see that competitors are already factoring that in? Or has not much changed compared to, say, last year or the year before?

**Kjell-Morten Johnsen:** Well, I think people are trying to compensate for it. It's a little bit different from market to market there, and I don't want to comment on individual competitors in a three-player market. I think that's going a bit too far. We see that players are trying to follow the same trajectory of compensating for inflation, and I think we've done really well also compared to the competition in these markets, which I'm very happy to see. So the trend is for trying to ride it out by compensating and taking cost-cutting measures.

**Francesca Schild (BNP Paribas Exane):** I've just got one question on handset financing. So the report discusses the lower levels of handset financing this quarter and just on that, are you able to expand on this and if possible, what contribution did handset financing have to cash flow this year versus last year?

**Charlotte Hansson:** I think that in regards to the handset financing, it varies between the quarters as well. We don't have the same tailwind from it any longer and also that it's depending on the Baltic situation, that we have almost finalised that part, I would say. And I think that we don't give the details in numbers regarding this.

**Nick Lyall (Societe Generale):** Firstly, on remote PHY, can you give us a little bit of an update on the remote PHY roll-out? And also, is it just too small to see margins yet? Could you maybe tell us what sort of prices you're encountering for the PHY? Is it material in the P&L at all?

And then secondly, I think the answer to this one will be very short, so apologies for a second question, but is there anything you can help us with in the Kinnevik situation? What are your discussions like with them and any visibility on what their feeling is now about the holding in Tele2?

**Kjell-Morten Johnsen:** So on remote PHY, basically my orders to the team is just move as fast as you can on this to improve the user experience for our customers. It doesn't move the needle for the group on the CAPEX side where we are now, so I'm happy to say that it looks like we are able to go faster in terms of rolling out remote PHY. It's primarily a customer-satisfaction thing to build a higher NPS. A year and a half ago we had issues with our NPS, and that's clearly moving in the right direction and I'd like to do that as fast as we can. I think it will be clearly beneficial to the business in order to keep customers on and to be able to price them over time.

**Hendrik de Groot:** Just maybe a couple of snippets, Nick. I think the remote PHY is a central part of our programme. If you look at our numbers, we had a good beat on broadband this quarter. To an extent this also flows in from improving, as Kjell was saying, satisfaction levels and improving quality, which we're focusing on through an extensive programme that includes remote PHY. So we've seen churn notably reducing with the improving satisfaction, so that's clearly the part of the strategy that we're focusing on and we have, with the acceleration, we're pretty much on track for the year. We have a good beat rate now and we're still looking at how we can further accelerate it in time. So it's clearly a key element of our programme for our broadband connectivity to business.

**Kjell-Morten Johnsen:** And on your Kinnevik question, I mean we as management and I as CEO, we don't know any more than you about what Kinnevik's thoughts are around Tele2, if you think about a share sale. So that's basically, I think, a question you have to ask them. We shouldn't know and think about it either.

**Pontus Wachtmeister (SEB):** I was looking at your balance sheet. Current receivables are up about 500 million from the first quarter and then there's a new line in there called current investments, which is 82 million. Can you mention something on your receivables status and if that's just seasonal or if it's anything structural in there?

And then on the balance sheet and the interest cost. You mentioned 1.35% average interest cost and four-year maturity on average. You also said somewhere else that you have 40% of it is floating and 60% is fixed. Can you give us – how does the phasing look there in the coming year, given that we now see interest rate increases on the base rates?

**Charlotte Hansson:** Yes, we have some of the build-up of the CAPEX for Net4Mobility as well, so the network that we share with Telenor. So that was part of that. And I think that's actually what I can say at this point.

**Kjell-Morten Johnsen:** I think it's fair to say that it is a bit of a documentation grind that you have to go through to get these things and run through the system. So it's just a matter of time and documentation and going through, and then they fall back into the accounts where they should be.

**Charlotte Hansson:** Yes.

**Kjell-Morten Johnsen:** So it's not a risk factor towards any external party, if that's what your concern is.

**Pontus Wachtmeister:** No, I'm just curious that we see a sharp rise in the quarter. And that's my question exactly. If it's anything else rather than outstanding consumer payments or business [inaudible]?

**Kjell-Morten Johnsen:** It is to a large extent related to accounting and works that we do through Net4Mobility. So we have lots of benefits from working with Net4Mobility, it's great. Sometimes it causes us a little bit of extra work here and there.

Duration of our loan portfolio, we have said that our average interest rate is 1.35% and we have a duration of four years.

**Charlotte Hansson:** Yes, well the average is four years.

**Pontus Wachtmeister:** And we cannot assume a linear effect then of any base-rate increases from that level? Because you're up 30 million year-over-year in your interest costs.

That's like – the run rate is up a bit for the first half as well. So how it overlaps, basically? Is linear or is it one time or…?

**Kjell-Morten Johnsen:** Within that you have of course also the increase of 1 billion in net interest bearing debt, so from 24.9 to 25.9 billion, wasn't it?

**Charlotte Hansson:** Yes. So the underlying interest is actually quite flat.

**Pontus Wachtmeister:** So it's quite flat. So all the effects of the interest-rate increases we're seeing is coming next year then, gradually? Or the end of this year?

**Charlotte Hansson:** I would say it would be gradual.

**Adam Fox-Rumley (HSBC):** You gave some helpful commentary around the Baltics and the EBITDA performance. I just wondered, is there anything in the cost base today which is effectively benefiting from historic rates? I'm just trying to work out if there is any degree of catch-up that might come in the future from rising costs, or if we are seeing effectively the stock business in the numbers today? That would be helpful.

And then secondly, are you seeing any change on the demand side of things, in Sweden in particular, for convergent tariffs? Or is it more a function of how the industry's marketing is evolving?

**Kjell-Morten Johnsen:** On the Baltics cost I think the key thing for us to really be on top of is of course the wage inflation there, because that's going to be with us over time. And wages are going up there, so that is something that we are very much aware of and that we are discussing and how we are dealing with in terms of the efficiency of the business. And that's more of an issue in the Baltics than it is in Sweden, where collective bargaining results that we have in place here. So if you want me to single out one thing that we really have to work on there and make sure we're on top of, that would be the wage inflation.

I think, the way you formulated your question, you were thinking is there anything that we are benefiting from now in terms of legacy cost bases, that there will be an issue in the future? From the top of my mind I can't think of anything. I'm looking carefully at – no, I get a head shake.

And then the other part of your question related to the demand for convergent services versus the industry's desire to market these services. I think in a way it's a market that is partly for us to build. Because I think the way to really succeed with the convergent offerings is through simplified offerings that are easy to relate to for our customer base. So I think the demand is latent but it has to be spurred by us making it easy for people. I don't know if Hendrik wants to add something to that thinking?

**Hendrik de Groot:** I think it is a combination of the two. As Kjell was saying, the consumer, the market, they of course, what attracts them is simplicity and value, right? Or at least a perceived value. And of course, what's in the game for us is to pull share of wallet and to have lower operating costs in the end. And then it's a balance on how you get there, because we have I think a good market out here in Sweden, where we really drive and we see that holistically more happy now, also in the second quarter across the market, more towards a value game. And of course, you will also now there are some other markets where if you do it the wrong way, FMC can lead to quite a destructive characteristic, and certainly that's what we're not aiming for here.

So as long as do value-loading and the right combination of providing simplicity as well as value for the consumer that translates also to us, and I think we're doing the right thing. And as we've been highlighting in our results, we've just completed our customer migration to the IT stack. We still have a lot of capability to build. At the same time, we've also started to do some bundled propositions, more BTL but also some ATL around our broadband, that we're seeing already some benefits coming in. So it will be a balanced approach but surely we will proceed on it.

**Kjell-Morten Johnsen:** I'd like to thank you all for taking the time to talk to us and listen to us today, whether you're sitting in super-hot London or if you're sitting in Stockholm hoping to get out to your country home. I think we had a good two quarters beginning of this year and we are well on the way to deliver both on our guidance and also on the shareholder remuneration policy that we have in place. We intend to continue following the quarterly guidance and the remuneration policy and I think we are clearly seeing strength in all three major parts of our business: Baltics, B2C Sweden and B2B Sweden, and that's always good rather than having one part of the business pulling the whole train.

So with that remark, I'll just once again thank you for joining. I hope you will have a great summer break and look forward to talking to you in the fall.

[END OF TRANSCRIPT]