TELE2

Q2 Interim Report 2025

Thursday, 17th July 2025

Operator: Good day. And thank you for standing by. Welcome to the Tele2 Second Quarter Interim Report 2025 Conference Call. Please be advised that today's conference is being recorded. And now I'd like to hand the conference over to Jean-Marc Harion, President and Group Chief Executive Officer. Please go ahead, sir.

Second Quarter 2025

Jean Marc Harion

President and Group CEO, Tele2

Introduction

Thank you. And good morning. And welcome to Tele2's report call for the second quarter of 2025. With me today, I have Peter Landgren, our Group CFO; for Sweden, Petr Cermak, our Chief B2C Officer; and Stefan Trampus, our Chief B2B Officer; and for the Baltics, Petras Masiulis, our CEO of Baltics.

Please turn to Slide 2 for a brief recap of our transformation plans and progress so far.

2025: a transformation year for Tele2

2025 is a transformation year for Tele2. Our objective is to build a faster, simpler and more agile company by coming back to Tele2's original challenger culture. I'm happy to present the progress we have made over the first half year of 2025 to simplify our organization, control our costs and prioritize our investment.

We have reduced our workforce by more than 500 positions by the end of June. We have implemented a new cost governance to scrutinize and challenge all our expenses. We have reopened and renegotiated half of our 350 largest contracts.

We are investing in the development of our own channels and the reinforcement of our data analytics and AI expertise to depend less on third-party channels for the growth of top line in Sweden.

We have now a new leadership team in place, and even more importantly, our cultural shift, especially our cost consciousness focus, is strongly supported internally. I'm taking this opportunity to thank all Tele2 employees who actively contribute to getting us back to the original Tele2.

Please turn to slide 3 for some financial highlights.

Highlights

End user service revenue grew by 2% in Q2, consistent with our guidance targets despite the impact of the discontinuation of Boxer terrestrial TV in Sweden at the beginning of the year.

On the other hand, we have delivered an outstanding 15% growth of underlying EBITDAaL in the quarter, thanks to the fast execution of our transformation program with significant contribution from workforce reductions and other cost savings across operations. Equity free cash flow amounted to SEK 1.6 billion. Hence, another strong quarter following the SEK 2 billion generated in Q1. Based on the strong performance, we raised our full year EBITDAaL guidance to which I will come back at the end of our presentation.

For Sweden, key events during the second quarter include the launch of our new flexible TV and streaming portfolio, the opening of new stores and the revamp of tele2.se and the relaunch of Tele2 brand, where Tele2's most popular coworker ever, the sheep Frank, return after a few years of retirement. All these initiatives had been very well received by our customers.

In terms of sustainability, we are very proud of once again being named Europe's climate leader by Financial Times and Sweden's most sustainable company for the second year in a row and 23rd worldwide by TIME Magazine.

Please move to page 4 for more details on our results.

Transformation delivering results

As I said, end-user service revenue grew by 2% organically in Q2, driven by continued strong growth in the Baltics and accelerating growth in Sweden business. Excluding Boxer's impact, group end user service revenue grew by 3%. The 15% growth in underlying EBITDAaL was driven by the transformation in the Baltics revenue growth. Our strong equity free cash flow benefited from lower paid CapEx year-on-year, of which Peter will soon walk you through the details. When it comes to booked CapEx or CapEx-to-sales increased from even 11.5% in Q1 to 12.4% in Q2, leading to 12% for the first half year. Our leverage remained unchanged at 2.2x despite the dividend payment in May.

In Sweden Consumer, as already commented, connectivity growth continued to be offset by the decommissioning of terrestrial Boxer TV at the beginning of the year. In Sweden Business, end-user service revenue growth accelerated to 4% alongside continued solid mobile RGU growth. Baltics grew end-user service revenue by 7%. Underlying EBITDAaL grew by a massive 20% in the Baltics with double-digit growth across markets.Let’s move to slide 6 for more details on Swedish consumers.

Let’s move to slide 6 for more details on Swedish consumers.

Sweden

Sweden Consumer: Connectivity growth offset by Boxer

Mobile end-user service revenue grew by 2%, driven by 3% in Prepaid (sic - Postpaid), partly offset by continued decline in Prepaid. Fixed broadband grew end-user service revenue by 3%, mainly due to ASPU growth. While Tele2 TV remained stable, end-user service revenue for DTV declined by 9%, entirely driven by Boxer TV migration.

For full year 2025, we continue to anticipate Boxer revenue to be roughly SEK 225 million below 2024 with minor year-on-year impact on EBITDAaL as our Boxer business would have become loss-making in 2025.

Total Consumer end-user service revenue declined by 1% in the quarter. Excluding Boxer impact, consumer end-user service grew by 1%.

Let’s look at Consumer KPI’s on slide 7

Sweden Consumer: Volume stabilising in TV

Mobile Postpaid added 10,000 RGUs during Q2, following a seasonally slow Q1 in which we also executed price adjustments. Mobile ASPU declined by 1% year-on-year, again impacted by increasing IFRS 15 fair value adjustment in Tele2 customer base, which did not have a handset binding until 18 months ago. Excluding this adjustment, ASPU grew by 1%.

Fixed broadband declined by 1,000 RGUs in Q2, mostly in open fiber networks areas where we have observed quite aggressive competition during the quarter. On the other hand, ASPU grew by 2% due to price adjustments.

Our TV business stabilized its customer base as the RGU loss in Q2 was only 1/3 of the decline seen in the last couple of quarters. As in previous quarters, the entire RGU decline was due to Boxer. And I'm happy to see that our flexible TV and streaming portfolio has generated good customer intake offsetting Boxer customers loss. 60% of our non-group agreement customers are now on flex offers.

Please move to Slide 8 for our Sweden Business.

Sweden Business: Strong topline growth

In Q2, Sweden Business accelerated end-user service revenue rose to a strong 4% with all main product lines growing. Growth across our IoT and Large segments was partly offset by the Micro segment, which is still struggling due to continued economic conditions. This change in segment mix is reflected in the Mobile ASPU year-on-year evolution. Mobile grew by 4%, driven by our IoT business and continued solid RGU growth amongst large customers. Solutions grew by a strong 5%, while Fixed turned into slight growth for the first time in years

Please move to slide 9 for Sweden financial.

Sweden financials: 13% EBITDAaL growth

To summarize, our Swedish end-user service revenue was flat in Q2 as growth in Business was offset by the Boxer decommissioning on Consumer side. Underlying EBITDAaL grew by a massive 13%, thanks to workforce reduction, sharp cost control and ongoing renegotiations of large contracts. The cash conversion has improved to 63% over the last 12 months.

And let’s move to Baltic financials on slide 11.

Baltics

Baltics operational highlights: 20% EBITDAaL growth

Once again, our Baltic operations have performed excellently with continued strong top and bottom line growth in Q2. Total end-user service revenue continued to grow at 7% supported by previous and recent price adjustments. All markets continued to grow underlying EBITDAaL by double digits in Q2, leading to a 20% growth for the Baltics as a whole.

In addition to top line increase, the drivers of this outstanding performance are, like in Sweden, strict cost discipline and workforce reductions and improving the equipment margins. I'm particularly happy to see the turnaround in Estonia materialized so quickly.

Cash conversion increased to a strong 77% during the last 12 months, reflecting increasing EBITDAaL margin. It is important to add that we are strengthening the everyday collaboration between Baltics and Swedish organizations to ensure we are efficiently sharing operational best practice.

Let’s move to slide 12 for Baltic operating KPIs.

Baltics operational highlights: Broad-based ASPU growth

All markets delivered positive Postpaid net intake in the quarter, leading to a total increase of 19,000 RGUs. Prepaid declined by 21,000 RGUs, mainly impacted by the implementation in Q1 of prepaid registration in Lithuania. A look at our total Baltics Mobile business shows that 78% of Postpaid customers accounting for 88% of Mobile end-user service revenue, in turn implying a Postpaid ASPU roughly twice the level of Prepaid. Blending organic ASPU increased by a strong 12% driven by price adjustment and continued prepaid to postpaid migration.

And with that, I hand over to Peter who will go through the financial overview. Hello?

Financial Overview

Peter Landgren

Executive Vice President and Group CFO, Tele2

Introduction

So, hi. Now, I think the sound is in the right place. Good morning, everyone, and thanks, Jean-Marc, for the handover.

So please turn to Page 14. A few comments first on the group P&L for the quarter.

Group results

Total revenue grew by 1% organically with end-user service revenue up by 2%, driven by the Baltics and Sweden B2B. Equipment revenue was down in a slow handset market. Underlying EBITDA grew by 14% organically and underlying EBITDAaL by 15%, driven by sharp cost control across the group and the end-user service revenue growth. Items affecting comparability of SEK 83 million were related to restructuring costs as well as pension and inventory adjustments.

Net financial items decreased year-on-year, mainly thanks to reduced interest rates. In Q2, our average interest rate was 2.9% with a debt mix of 66% fixed rates and 34% floating rates. And income tax increased year-on-year, largely related to the higher taxable profits.

So let's move to the cash flow on Slide 15. Let’s move to the cash flow on slide 15.

Group cash flow

CapEx paid decreased by around SEK 190 million due to reduced investments from high levels in Q2 last year. Changes in working capital were quite neutral in the quarter. Redundancy provisions related to the workforce reduction have been partly consumed, as expected, balanced by decreased inventory levels.

Net financial items, excluding leasing decreased year-on-year due to the reduced interest rates along with some payment timing. So net-net, equity free cash flow added up to SEK 1.6 billion in the quarter, an improvement of SEK 450 million year-on-year. And over the last 12 months, equity free cash flow has reached SEK 8 per share.Let’s move to slide 16 for our capital structure.

So let's move to Slide 16 for our capital structure.

Leverage at 2.2x

End of Q2, economic net debt amounted to SEK 24.7 billion, reduced by some SEK 1.5 billion compared to end of 2024. This has been enabled by the cash generated in the business exceeding the payout of the first dividend tranche in May. Our leverage of 2.2x underlying EBITDA after lease remains below our target range, thanks to the strong EBITDAaL and cash generation.

And with that, I hand over to Jean-Marc for some comments on our 2025 guidance.

2025 Guidance

Jean Marc Harion

President and Group CEO, Tele2

2025 Guidance

2025 guidance updated

Thank you, Peter.

Following workforce reduction in the Baltics and in Sweden, we have reduced more than 500 positions out of the 600 to 700 full-time equivalent that we have planned for the year. Following the strong first half year, we feel confident enough to raise our 2025 guidance on underlying EBITDAaL from mid- to high single-digit organic growth to slightly above 10% organic growth. We remain confident in our ability to deliver on the other guidance parameters, namely, low single-digit organic growth on end-user service revenue, including around 1 percentage point drag from Boxer, and CapEx-to-sales to be in the range of 13% during this final year of intense 5G network rollout. We continue to expect a mid-range -- midterm range of 10%, 12% from 2026 onwards.

Now, I hand back to Peter for some additional comments regarding 2025 before we open up for Q&A.

Peter Landgren

Executive Vice President, Group CFO, Tele2

Additional Comments

Thank you, Jean Marc. A few comments on the first on the P&L

We continue to anticipate around SEK 500 million in restructuring costs this year related to the ongoing transformation. And just repeating again that on savings from workforce reductions, please be aware that roughly 80% of our workforce costs impact OpEx while the remaining share impact CapEx.

Also, I repeat what Jean-Marc said about the Boxer effect for the full year 2025. We continue to anticipate Boxer revenue roughly SEK 225 million below 2024, and with it, somewhat negative year-on-year impact on underlying EBITDAaL.

Finally, I have understood that we often get questions about our amortization of surplus values from acquisitions. The current annual run rate of SEK 1.4 billion to SEK 1.5 billion a year is expected to continue until 2027. After that, it will gradually decline and these expenses are not tax deductible.

And then a few comments on the cash flow for 2025. In Q4, we'll pay the final roughly SEK 370 million for the Swedish spectrum licenses that were secured back in 2023.

On change in working capital, we're, of course, pleased with the performance in the first half of the year, but continue to assume a quite neutral impact on a full year basis.

On net financial items, excluding leasing, we expect full year payments of around SEK 750 million.

And finally, regarding taxes, we still expect around SEK 1 billion of net payments in 2025, including the SEK 280 million refund we received in Q1.

And with that, I hand over to the operator for Q&A.

Q&A

Operator: Thank you. As a reminder, to ask a question, please press star, one, one on your telephone and wait for your name to be announced. To withdraw your question, please press star, one, one again. Please stand by while we compile the Q&A roster.

We will now take the first question from the line of Andrew Lee from Goldman Sachs. Please go ahead.

Andrew Lee (Goldman Sachs): I had a couple of questions, one on the Swedish service revenue growth and then, I guess, unsurprisingly on the cost-cutting side of things.

On the Swedish service revenue growth, obviously, people's understanding of what's going on beneath the bonnet is not helped by the Boxer temporary headwinds, which we know reduce into the second half and also by this fair value approach, the IFRS approach.

So can I just check with you, if we strip those impacts out, is your underlying Swedish service revenue growth about 2.5% to 3% in 2Q, and therefore, as the effects of Boxer reduces and the fair value approach kind of -- doesn't unwind but doesn't have any incremental impact in the second half, should we see -- should we be expecting to see close to that 2.5% to 3% underlying Swedish service revenue growth delivered in -- sorry, if I set off an alarm.

Just basically, if you could give us a bit more color on what the underlying Swedish service revenue growth is? And any commentary on the market environment to support that would be helpful.

And then just on the cost cutting, a much more straightforward question. Obviously, really impressive delivery so far. Could you just help us understand how much of that is simply a pull-forward of the plans you gave us six months ago? And then how much of this is just you're finding more scope for efficiencies? So reassure us that this isn't just a pull-forward on the cost savings would be helpful.

Jean Marc Harion: I just need to ask, we are - due to the season, we are in different locations so I don't understand where the fire alarm takes place. Is it in Kista or is it somewhere else?

Peter Landgren: Hello everyone, we have a fire alarm in Kista.

Jean-Marc Harion: Okay. So I was just trying to ask Peter to help me answering the first question you raised just in order to be precise because we already partly answered this question in our presentation, trying to state what the growth of our end-user revenue in Sweden for Consumer business was without the fair value restatement and within the Boxer impact, but I prefer Peter to come and say a precise answer on that because you were expecting to -- you are trying to understand what would be the impact in H2.

So let's wait for Peter to be able to take the call probably from our side. And I will start with the second part of the questions about the transformation pace. Can you just rephrase because we were partly distracted by this fire alarm.

Andrew Lee (Goldman Sachs): I was just asking, obviously I'm just trying to -- any help you could give us on how much of the cost-cutting that you're -- that boosted your guidance for this year and it's obviously delivered a big beat in Q2, how much of that is just a pull-forward of your explicit headcount reduction plan? And how much of it is you just finding more and more areas for efficiencies.

Jean-Marc Harion: No, I believe what we have done is just to accelerate the plan. So we don't come with, I would say, with a new ambition. We just -- regarding at least the workforce reduction, we gave ourselves an objective, which was to reduce the workforce before the end of 2025 by around 15%. Depending on the positions impacted, this would have -- this would translate into a reduction of the workforce between 600 and 700 people positions, both full-time employees and full-time consultants.

We have been able to reduce workforce by 500 people already at the end of June and now we are digging into the more detailed part of the organization. We have seen it is for efficiency improvement. But we don't expect this second wave to be, I would say, as big and as impacting as the first one. It's more about specific improvement in some specific areas. And in the meantime, what we have done is to become -- to make ourselves in control of -- to take the control of our costs much faster than expected. And this is clearly thanks to the involvement of the team.

Yes, it was part of the DNA of the company to be cost conscious and we just rejuvenated this spirit. We've been able, for instance, to reopen a lot of contracts and this will have an impact as well on H2 because some of these contracts, of course, were renegotiated in Q1, but a lot of them as well in Q2 with a progressive impact over the next 12 or 18 months.

So we are just stating here that we are sooner than expected in the transformation period and that translates in this good performance for Q2 EBITDAaL. I don't know where Peter is.

Peter Landgren: Yes. Sorry, do you hear me now?

Jean-Marc Harion: Yes, yes. Loud and clear.

Peter Landgren: So sorry, everyone, I'm at the parking lot in Kista and I haven't really followed what happened until now. So maybe if there was a question in the beginning from Andrew, of course, that should be repeated.

Andrew Lee (Goldman Sachs): That was it. It was just the Swedish service revenue growth, what the underlying is when you strip out the Boxer in the fair value approach. And therefore, what we should be thinking about for the second half given the Boxer headwinds reduce and the fair value, I think, impact should drop out at some point?

Peter Landgren: Yes. Thanks for the question.

If I start with Boxer on the Swedish Consumer end-user service revenue, Boxer has an impact of roughly 2 percentage points. And that's, of course, an impact that will -- I mean, we will have the impact also in Q3 and to some extent Q4 because the main impact was on the decommissioning of the terrestrial network in the new year, yes. So that's on that on fair value.

I mean, we will always have IFRS 15 and fair value implications, that's here to stay. But the additional impact then from the Tele2 customer base, as you say, will dilute and so it will be somewhat less of an impact then from later in the year. But I don't think we should call out specific growth implication on that one.

Andrew Lee(Goldman Sachs): Okay. And if we strip them out for this quarter, what's the underlying Swedish service revenue growth? Is it right that it's about 2.5% to 3%?

Peter Landgren: Yes. For the total group, it’s around 3% then instead of (multiple speakers).

Andrew Lee(Goldman Sachs): Thank you, that is very helpful.

Operator: Our next question comes from the line of Ondrej Cabejsek from UBS.

Ondrej Cabejsek (UBS): Congratulations on these exceptional results. I've got two questions around the cost base, of course, is the main topic.

So I guess the first one is you mentioned after 1Q that kind of the next phase of the cost-cutting would be a breakaway from the third-party channels. It's kind of a 2026 project kind of saving money on distribution. But already in this presentation, you're saying that you're moving to kind of more in-house channels. Is that something that you've again accelerated? Is this sort of thing that's already impacting the numbers thus far? And then -- and if you could maybe give us an indication of the potential there for the cost savings, regardless of whether that started or not?

And then also second question, please. You mentioned in 1Q that you already did something like 20% of the 350 contracts that you're trying to renegotiate or open 20% of them. If you can update us on kind of where you are on that. And again, any indication of how big of an impact these 350 contracts or the ones that have at least thus far been then renegotiated can have on the cost base.

Jean-Marc Harion: Okay. So I will take two questions because I don't know where they are in the fire alarm or if there is another alarm.

Peter Landgren: I'm still here, at least I think the rest is unfortunately not there yet, but might be.

Jean-Marc Harion: Okay. So regarding the distribution, it's an important point that you raised. And I confirm what I already stated in our previous results presentation, it's critical for us to become less dependent on third-party channels, but not only for cost reason. It's because as well a lot of churn in the Swedish market is generated by this third-party channel, which artificially moves the customers from one operator to another one.

So this is something that, in our view, is not beneficial for the customers because they are driven from one operator to another one just for the benefit of these third-party distributors. And we want to limit our dependency to these distributors. So that's why we are reinforcing our interactions with the customers. That's why we are opening new shops, that's why we are revamping our website and we are taking a number of initiatives. I don't know if we will leave one specific channel at a certain point in time, but that's for sure that the contribution of these third-party channels we want to be reduced in one year from now. And we are working on it. And once again, and I will not give you any numbers related to that, it's not about to reduce the annual cost of acquisition of new customers. It's about increasing the investment in the customer acquisition meaning that we want to acquire the customer in a transparent way in direct relation with the clarity on what they are buying and what we provide them for the price they pay. And of course, improve the lifetime and value and so on. So it's not only a question of cost. It's a question of revenue and loyalty.

Regarding the other topics related to the contracts, we are in a kind of systematic approach. So it's a kind of day-to-day exercise. The good thing is that now we have turned it into a collective exercise across the company. It was not -- I would say, not very difficult for the Tele2 employees to get back to these roots, which used to be one of the original values of Tele2 and who is now, again, one of our values because we have changed our values and cost consciousness, it’s one of the new values that we have reimplemented in the company

And we have reopened, I would say, almost half of the biggest 350 contracts meaning that, to be honest, I believe that, unfortunately, we have picked the lowest hanging fruits. There are still contracts that we will reopen because they have a remediation date, we couldn't reopen it before the termination. But over time, of course, we will have to climb higher in the tree to pick the fruits.

But we will see in the meantime the benefits -- the continuing benefits of the renegotiation of the contract in the coming quarters. So that's my answers to your two questions.

Operator: We will now take our next question from the line of Erik Lindholm-Rojestal from SEB.

Erik Lindholm-Rojestal (SEB): Congratulations on strong results here. A couple of questions from me, if I may.

So very strong delivery on EBITDAaL growth in Q2 over 3. But you have guided for slightly above 10% with the EBITDAaL growth for the year. You have already delivered almost 11% for H1 with a higher pace in Q2. Is there any reason for you expecting a lower pace in H2? Any growth investments coming in or something else you are seeing? I will pause there and come back with a follow-up.

Jean-Marc Harion: I will take advantage of Peter returning back in his room after the fire alarm to transfer the question to him.

Peter Landgren: Yes. Thanks, Jean-Marc. Thanks, Erik, for the question. So what we say on our EBITDAaL guidance, I would say that this -- in this way that so far, of course, we are satisfied with development in the first half of the year in 10.6% organic growth, which has been enabled by our transformation activities and also the Baltics top line growth. And those benefits is something that they are here to stay. So we're confident that we'll have benefits from them also in the second half of the year. And that's why we're confident to today raise our guidance.

Then I think we still should keep in mind that we experienced a macro headwind and a weak consumer confidence that we need to be aware of in the remainder of the year. And we have had a great discipline on the cost side so far and some of that might need to be reinvested to secure the growth going forward as well.

To give you some flavor and two examples, we have an ongoing 5G rollout, which is great for our quality, but brings not only CapEx but some extra OpEx as well along the way. And we have been very disciplined for good reasons with our commercial investments like marketing in the first half of the year. And now the more intense season is starting and we might need to reinvest a bit there, as you know. So that's how we look at the guidance.

Jean-Marc Harion: Yes. Just to elaborate on that, what we see in the market are, of course, that the consumers are, not surprisingly, a little bit cautious about their spending due to the economic environment. Two proofs of that, we see that there is a drop in handset sales compared to last year, not in Tele2, specifically, but on all the markets, all the channels. We see as well the level of bankruptcies, the SME bankruptcies remaining relatively high. So that makes us a little bit careful. But this is the reason why we decided to transform urgently Tele2 because we want to be able to react. We are the value-for-money reference in this market. So we need to help customers in this period of time. But that explains as well that we remain careful for the second half of the year.

Erik Lindholm-Rojestal (SEB): All right. And then, I mean, just coming back on that then, I mean, is it fair to say then that Q2 is maybe the peak of EBITDAaL growth for the year and you see a slightly lower pace for H2? Or is that the right way to characterize it?

Jean-Marc Harion: Peter?

Peter Landgren: Yes. I don't think we should elaborate too far on exactly how each quarter will develop. But we're absolutely satisfied with the development in Q2 with very strong performance, both in Sweden with 13% and extraordinary growth of 20% in the Baltics. But otherwise, I would refer back to the comments from me and Jean-Marc on how we think the full year will land.

Erik Lindholm-Rojestal (SEB): Perfect. And just a final question. So leverage down to 2.2x. So leverage down to 2.2x. Will come down, I guess, clearly, with all growth you're seeing in H2. This gives, of course, a lot of room for different capital allocation options. But is there any pocket that you will look at doing M&A in? Or is returning capital to shareholders top of the priority list there with this balance sheet?

Peter Landgren: So if I start again on the leverage side, as you see, we have a very strong balance sheet and I think that's something that is very, very positive to start with. And as you know, we start with we have the second tranche of the ordinary dividends that will be paid out in October, it's SEK 2.2 billion. And besides that, I think we repeat what we have already said that the focus right now is on execution this year, on the transformation. And after that, let's see what the Board might suggest in relation to capital structure and M&A. I think it's a little bit speculative on -- if anything would happen there.

Operator: We will now take our next question from the line of Andreas Joelsson from DNB Carnegie.

Andreas Joelsson (DNB Carnegie): It's Andreas here. I hope everyone is okay after the fire alarm. I have a question on the top line going forward.

Clearly, you have rejuvenated Tele2 on the cost side. But can you give some more flavor on what you do and prepare for rejuvenating the top line as well? I guess, you are collecting and analyzing a lot of data as you have done in other countries where you have operated before. So can you explain a little bit what you do with all this data and how you plan to sort of structure in general terms the offerings when we leave 2025?

Jean-Marc Harion: Yes. I assume that your question is more about the consumer business in Sweden. We are growing nicely in B2B in Sweden and the growth is spectacular in the Baltics. So of course, we can comment on that, but I assume that your question is more focused on the Consumer -- the Swedish Consumer business. So Petr, do you want to comment on that?

Petr Cermak: Yes. I can comment. Can you hear me, by the way?

Jean-Marc Harion: Yes.

Petr Cermak: Yes, brilliant. So thank you for the question. We are -- in Q2, we have seen more intense competition on the offers, both on the ATL and BTL and in the retail.

What we are -- we have relaunched Frank, the new brand, which will give us a boost in brand recognition and so on. Yes, we are preparing series of your new portfolios and new products on both mobile and broadband. We have launched TV, which is now a future-proof flex model, which we believe in. So we are preparing the rest of the revenue growth post this quarter, yes.

Jean-Marc Harion: Yes. On the new flex model is now used by 60% already for non-group customers, meaning customers we interact directly with. We have very good feedback from that. And of course, we're investing -- we continue investing massively on 5G because we believe that there are a lot of untapped potential for 5G in Sweden. And so that's it. We are using this data in order to maximize the impact of the service we launch and as well to improve the quality of the direct interaction with the customers.

Andreas Joelsson (DNB Carnegie): Just a follow-up on that. I guess you have renegotiated some content-related contracts with -- and I guess, it's too early to see the impact of that. But do you see that costs will be reduced in absolute terms from those renegotiations?

Jean-Marc Harion: No, the renegotiation of some of our content contracts, the ones that we could renegotiate, were triggered first by this new flex offer that we introduced. And we introduced this flex offer because we see that this is now a prerequisite from the new generation of TV watchers and viewers.

People want to be in control of what they watch and they want to pay for what they use and watch and not for bundle. At least this is how the new generation of viewers behave. And that's why our flex offer has been received in a very positive way by the customers. That, of course, was the opportunity for us as well to renegotiate a number of contracts using the competition between all the platforms and the content players. And yes, this has impacted positively our cost base as well.

But I would say it has a double benefit for us, meaning that in terms of revenue, usage, customer and in terms of cost savings where we pay more and more for the content actually used by our customers. And that's one of the areas -- one of the many areas of improvement of our P&L structure.

Operator: We will now take our next question from the line of Fredrik Lithell from Handelsbanken.

Fredrik Lithell (Handelsbanken): I have maybe two questions. B2B have seen an improved trend, RGU is up. And even though ASPU is down, you have a good progress in growth despite the fact that we see sluggish developments on the corporate side. Could you sort of maybe pick that apart a little bit in what is it that drives the B2B for you? Is it public or the private sector? Or is it large or small enterprises? So that's the first question there.

The second one I have is right-of-use assets has been on a much higher level the last three quarters now compared to historical levels. So could you explain what that sort of -- what that means? Is that taking CapEx down? Is it helping your cost transformation by taking into the balance sheet or what? Would be interesting to hear.

Jean-Marc Harion: Okay. So I will ask Stefan to answer your first question about B2B, and Peter will take over about the balance sheet.

Stefan Trampus: Thanks, Jean-Marc, and thank you, Fredrik, for the question. And in regards to the B2B development, I mean, you're quite right about the sluggish development we went through into recession in 2023 in the autumn. And that has, of course, have affected us, and we've seen that in -- during the past couple of quarters last year.

But I'm really happy that despite this, I think it's very -- I think it's important to note that this is the 16th quarter of consecutive growth that we have for B2B despite this development.

And looking at the last quarter, I think it's a healthy mix from a product perspective. We see growth on both Mobile, IoT revenues, Cloud PBX, networking solutions, where it comes from managed services and service agreements. So it's quite broad. If we look at from a segment perspective, I would single out SME and the public sector on the Mobile side. The Micro segment that Jean-Marc was alluding to has had difficulties more so than other companies or larger companies. So that is something that is still a concern of us. We've seen bankruptcies being high also going into this year. So I would say we're not out of the woods yet. And of course, going forward, it will be important for us to see that the macro returns.

But I would say that the results that we see is on the back that we are supporting our customers with their needs, and it's paying off in terms of both the customer base and revenues. So I'm really happy about how all my teams are performing in regards to both the ongoing transformation, but also handling and focusing on supporting our customers, and that is really paying off. Thank you. Hope that gives you color.

Fredrik Lithell (Handelsbanken): Yes, absolutely. Just a follow-up on that. I mean, we see that the ASPU is down and has the sort of -- it has continued to decline at a bit bigger clip. Is that an effect of the mix that you point out? Public sector, for example, do you have sort of other price parameters that is influencing your ASPU in a negative way because public sector is driving on faster. Is that fair?

Stefan Trampus: Well, we talked about it the last -- during the last quarterly call and I think the explanation that I have then is the same for this quarter. And you're correct in regards to segment mix, there's a change in the segment mix. The smallest Micro segment comes with a higher ASPU. And of course, where we have a higher increase of our RGUs in the public segment as we've had, that affects the ASPU.

But it's not only the sort of the segment mix. We also see that during this recession that both SME and Large segments, they have done adjustments on the engagement that we have and they have reduced number of employees. They have cleaned out subscriptions. They have been downgrading to cheaper subscriptions, et cetera. So of course, it's a mix, I would say, both by segment mix and a product change thing.

But one thing, I think, is important to highlight here is that now looking at the quarter-on-quarter development, meaning Q2 versus Q1, we see a stabilization on the ASPU. But year-on-year, we have a clear decline.

Peter Landgren: Okay. And on the balance sheet question on the right-of-use assets, I think I can answer in two ways on that one. The growth we have seen last year is primarily due to a growing network, and with that, more leases and also some other contracts. That's one way to look at it.

I think the other thing is that these assets and the related liabilities are quite sensitive to contract assessment and also the length of those contracts. And that's why when we look at our numbers and since IFRS 16 is a quite sensitive topic, we have chosen to look at our financials in a way excluding IFRS 16 in a sense that we're looking at underlying EBITDA after lease and also our cash flow after the amortization there, making those judgments a little bit less sensitive and looking more on the true developments no matter how we charge IFRS 16. So that's what I would say there.

Operator: Our next question comes from the line of Ulrich Rathe from Bernstein.

Ulrich Rathe (Bernstein): A lot of my questions have been answered in the meantime. But one is there was a debate a little bit earlier into the quarter whether this period of renegotiations of your supplier contracts also involves you cutting back on purchasing simply from a tactical point of view because, obviously, it strengthens your negotiation position if you sort of show that you have flexibility to reduce volumes. So in as much as there is a debate here about what happens in the second half and that 2Q could be peak growth, could you comment on this effect, whether there are elements here in the second quarter of one-off-ish cost benefits simply from the renegotiation?

And my second question is with regards to the revenue outlook, Jean-Marc, in particular, based on your current assessment, would you be willing to give some sort of trend growth or growth potential outlook for longer-term growth potential in the Swedish Business from an end-user service revenue point of view, obviously.

Jean-Marc Harion: Okay. Thank you for your question. I'm not sure that I understood clearly the first one about the contract renegotiation and the one-off. Peter, can you help me on that?

Peter Landgren: Yes, so I can answer, if you like. So I think I understand the question. I think the short answer is that there is no material such impact. The benefits that we have from contract negotiations are more sustainable than that and no massive one-off effects from those discussions that will bounce back in a way. That's what we see.

Jean-Marc Harion: Yes. So that was -- that's the reason why I was not understanding clearly the question. There is no one-off impact. Regarding the revenue outlook, it's quite difficult to give you -- to share our forecast on our revenue development for the next quarters. I believe that the reason for that is, of course, related to the uncertainties of the environment that we commented already that we see materializing in what we commented on the Micro segment on B2B in Sweden with a lot of a lot of bankruptcies, at least the number of bankruptcies remaining high in this segment. The drop in handset sales in the market in general. We see a lot of uncertainties as well in a certain remit on -- in the Baltics due to the political -- the geopolitical environment. What we have done in order to, I would say, prevent us from these uncertainties is to make the company more agile. Basically, when you are not certain about the environment, you need to make sure that you can react fast and make a quick decision and adapt to the customers' constraints and behavior. We have a kind of commitment to the customer. We are the value-for-money brand, meaning that we are there to stand with the customers if they face some issues to get access to their services.

Saying that, we are taking a number of actions in order to accelerate our growth on the B2B side. That's something that was underlying Stefan's comment in his answer before. We are reprioritizing our portfolio, revising our portfolio of services in order to make sure that we will be able to grow in all the segments and sometimes offset the slowdown of -- in one segment with additional growth in another one with, I would say, equivalent or comparable profitability level. That is an exercise that was part of the transformation that we completed this year already, meaning the reprioritization and the revisiting of the services of B2B -- the portfolio of B2B services.

On the Consumer side, I believe that Petr partly commented on what we are doing in order to connect more directly with the customers. But as well to adapt to some specific situation, I commented briefly that we see some competition on the open fiber areas. I wouldn't say that the regulatory situation in this area is satisfactory, but we need to cope with that. And then of course, we don't want to trigger another price war. But in the meantime, when we see the need to respond, now we are in a position to respond. And that's one of the reason why we want to keep our margin of maneuver in H2 to reinvest in the market in order to fight back or to respond. But in some very specific areas, once again, we don't believe that anybody in the market wants to trigger a new price war.

And if I have to share with you a long-term outlook, I believe that our objective is to continue growing at the pace we are growing today our revenue over the next few years with a special focus on the Consumer market segment in Sweden. And of course, to sustain the growth that we see in the Baltics as well because usually we have Petras with us today in this call. We don't comment a lot on the Baltics performance, but they are doing a great job. And of course, they are an inspiration for us in terms of revenue growth.

Operator: Our next question goes to Viktor Hogberg from Danske Bank.

Viktor Hogberg (Danske Bank): Yes. You touched upon it briefly, yes, the Swedish broadband regulation. Just your take on the latest analysis from PTS thinking about access cost, do you think it's moving in the right direction? Just want to pick your brain on that topic a bit more and specifically for Tele2, that is.

Jean-Marc Harion: Yes. I would say my answer will be very short and straightforward. The regulation is evolving in the right direction, but not fast enough. There is half of the Swedish households, which are single dwelling units, villas, homes, houses, we need to have an open access to these households at a fair wholesale price. And of course, the access has to be negotiated together with the wholesale price. This will happen. The regulator is working on it, but we need it faster.

And then there is another problem that, I would say, transforms in the kind of ticking bomb in the market, which is the increase of the access fee by the landlord association. This is something that we have stated already clearly in the previous quarterly presentation. We stand on the side of our customers because, of course, we need to make sure that in this very critical value chain for getting access to homes. Nobody is taking a kind of an undue fee from the hand of the customers.

These are the two battles that we are ready to fight in order to make sure that everybody gets access to Internet -- broadband Internet at a share price in (inaudible).

Operator: Our conference call and webcast will be extended due to the fire alarm disruption. We will now take our next question from the line of Felix Henriksson from Nordea.

Felix Henriksson (Nordea): It's in two parts. First is regarding the personnel reductions. Can you comment on the timing of your incremental headcount reductions for the second half of the year, whether that's more tilted towards Q3 or Q4? And secondly, I think you've previously hinted that you will especially revisit your financial targets and capital allocation policy once the transformation process has been -- is further ahead. So should we expect you to provide some more information on this matter already in the second half of 2025 or rather after the fiscal year?

Jean-Marc Harion: Okay. I will take the first question and I will let Peter answer the second one. Regarding the reduction, the first part of the workforce reduction was, I would say, the consequence of the overall simplification of our organization, the reduction of layers, concentration of management role, prioritization, revision of a number of processes and so on. The next time -- and that was, of course, organized across the company and across the group both in Sweden and in the Baltics. And of course, this was executed at the end of H1 to the extent of more than 500 positions canceled in the organization. The next step will translate more over time because it's about the progressive improvement of some specific areas of the organization when we see that we have opportunities to improve the efficiency and the profitability. And we will communicate on that in due time because we are in the process of investigating the topics specifically with the employees, with the management, with the unions and so on. So it will be over time. It will be -- it will not be the kind of big move that we made in H1.

Peter Landgren: Okay. If I can continue on the second question from Felix. And the policy we have is still valid and unchanged. But as discussed, what we focus on right now is the transformation during this year. So even -- it's up to the Board to judge when or if that should be revisited, but I don't think you should expect that to happen in the near term or during this transformation year.

Operator: We will now take the next question from the line of Ajay Soni from JPMorgan.

Ajay Soni (JPMorgan): Just got couple. First is on the customer reaction to your price rises in March, April. Obviously, your Q2 net adds were broadly solid, maybe ARPU is slightly softer on the fixed side. So was there much in retention offers here to hold on to your customers with these price rises?

And the second one is just around the interest payments. You mentioned Q2 timing was -- there was a timing benefit for your interest costs. So are Q3 and Q4 more similar? Or is Q4 still expected to be seasonally higher?

Jean-Marc Harion: Okay. Once again, I will take the first one, maybe with the help of Petr if he has something to add. And Peter will answer the second one.

So the point is that the Swedish market has now entered the phase where annual price increases have been accepted by the customer. It's not surprising when you live in Sweden because this price is, of course, material but not really significant in terms of budget. At the end of the day, we are discussing about an essential service whose cost is still equivalent to a few cappuccinos per month. And in the meantime, in an economy where all the prices are increasing due to inflation and a number of reasons, it has been accepted and it's something very important for the market. It has been accepted by the consumer that the price would increase. Of course, there are always some segment of deal seekers who are ultra-price sensitive. But for the largest part of the customers, they have accepted these price increases. So we have seen some moves, but not significant moves in terms of churn and so on and we see a continuous acceptation of this move. Do you want to add something, Petr or --

Petr Cermak: Yes. I think, it was exactly as you say. On top, we have seen in quarter two higher promo activity on the market. So competitors launching promos to acquire customers. We have done the same. We will not allow customer loss. That said, we are not losing the customers. But in quarter two, the market has been more tougher. There has been more activity and that is also a little bit the result in some of the ASPUs that we see from the acquired customers.

Jean-Marc Harion: Yes, that's important to mention because from our side, the price increases are, of course, mixed with some promos and that's the usual way to deal with the price perception in the market. Peter, do you want to take the question about debt?

Peter Landgren: Absolutely. On the interest payments, our payments are quite volatile between the quarters since we're funded by, quite to a large extent, through bonds. And just like last year, it will be -- the majority will be paid in Q4. And as I said previously, on a full year basis, our present expectations are at SEK 750 million of interest payments, excluding leasing.

Operator: Our next question comes from the line of Joshua Mills from BNP Paribas Exane.

Joshua Mills (BNP Paribas Exane): I actually wanted to ask about the CapEx numbers. So your CapEx sales today or first half of the year is running about 12%, that's down maybe 20% in absolute terms versus 2024. So how much of that is due to phasing? Or are you actually delivering on some of the underlying efficiencies in this area as well? And if so, is it possible that we could end 2025 within the 10% to 12% CapEx-to-sales range you've targeted in the medium term a bit earlier than expected? It would be great to know if there's any specific phasing effects or investments you expect to make in the second half to get us back towards that 13%.

And then maybe just one quick follow-up on the cost side. I know you've talked about it a lot during the call. But if we were to use the SEK 650 million headcount target as a proxy for cost savings, i.e. another SEK 150 million versus the SEK 500 million you've done year-to-date, should we expect the cost reduction on headcount to come down again in Q3 and Q4 relative to Q2? Or is there a mismatch between when the employees leave the business and then when you account for it in your OpEx and EBITDA?

Jean-Marc Harion: Okay. I will take the two questions and let Peter complete on them, if he has something to add.

On the CapEx side, in a nutshell, we already commented in Q1 that we have made a number of prioritization decisions in order to focus our CapEx where we had to really invest. So we made a number of decisions, for instance, on Remote PHY upgrade for our HFC network because we had engaged into a kind of systematic upgrade of the fixed network of Tele2. We realized that it was only impactful for the customers in areas where we had a capacity issue. So we made the logical decision to move from a kind of proactive upgrade to a reactive upgrade. And we focused these upgrades only in areas where we need to improve the capacity.

We have as well seen the impact of -- we have stopped a number of projects that we were not considering as top priorities. And we see as well on the CapEx side the impact of the renegotiation of the contracts with a number of vendors. Saying that, when we look forward, we have a major source for investment in '25, which is the rollout of our 5G network within Net4Mobility. And as you can observe, we have been increasing the CapEx-to-sales ratio from 11.5% in Q1 to 12.4% in Q2, and we will continue. We have kind of hard deadline at the end of the year to complete this 5G network, and that's why we believe that we will deliver the CapEx guidance.

Regarding the headcount impact, this is as well something that we already commented or at least we anticipated in Q1. We started implementing -- executing on the workforce reduction at the beginning of the year with, of course, an impact that was faster in the Baltics. In Sweden, we had to wait for the conclusion of the negotiation with the unions. But they've been -- the workforce reduction has been implemented in the kind of long tail in June. So we will see something like seven to eight months' impact in 2025. For the other workforce reduction, as I commented, they will be delivered over time. And some of them will not materialize in '25 at least, we'll have no significant impact on the 2025 P&L because some of them will happen probably at the very end of the year. Peter, do you have anything to cover?

Peter Landgren: I think you covered it right well. So just to -- on the people cost side, to conclude, the absolute majority of the impact is there already in the Q2 numbers. But obviously, not all of it, but most of it. And on the CapEx side, I think you covered it.

Operator: Our next question comes from the line of Nick Lyall from Berenberg.

Nick Lyall (Berenberg): Just a couple of questions, please. Firstly, on the Swedish Consumer business, you've done a rebrand this quarter and brought back Frank and things like this. Have you looked at all about -- is this just about price rises each year? Or are you actually looking in this latest review at the scope to change package structures? Are you happy with the price positioning of the brand? So just be interested in what you've sort of concluded there.

And then secondly, back to SME in Business. Is it possible for you to quantify the SME revenue, please, and give us a couple of trends over the last few quarters? Just be interested to see if that revenue has started to slip because of insolvencies or not and what you're actually soaking up.

Jean-Marc Harion: Okay. On the B2C side, I believe that, no, it's not only about the price increases. We are introducing a number of new tariff plans. We are, I would say, adjusting our portfolio of services segment by segment in order to respond to the customer needs. Price increases are not special to Tele2. It's a market trend now. We are following the trend. But in the meantime, we are very eager to remain the value-for-money reference in the market, which we are. We are not, I would say, the cheapest brand, but we provide as well excellent offers for handsets and other services and good quality of network. So we believe that the value-for-money positioning of Tele2 remains valid, but needs to be reinvented in a different way depending on the segments that we consider. On the B2B SME side, Peter, I'm not sure that we communicated about the --

Peter Landgren: No, we're not too explicit on that one. I mean, in terms of size, our Large business is larger than our Micro business. That's a fact, but we're not too explicit on exactly the numbers here.

Jean-Marc Harion: But I'm afraid that we need to leave you in the -- we need to trust us in the -- when we refer to the evolution of the mix and how we balance it. What I believe is the most important output of this transformation that we have -- this first wave of transformation that we have completed is what I was commenting earlier is that we used to have some profitability issues in some company segment. And so it was difficult to compensate what we -- some slowdown in the Micro segment by increase in higher segment. Now, it's much more -- it makes much more sense to do that for us because of the revisiting of our portfolio and the increase of profitability on the higher segment, not only because of the prioritization of the portfolio, but as well because of some of efficiency and automation that was implemented by Stefan in his organization. We are now in the process of the accelerated implementation of a number of tools in order to automate the delivery and the support of our services, which improve the profitability.

Peter Landgren: And what we can add is, I mean, as we have also stated, the growth that we see in Q2 is thanks to the development within the Large segment and IoT. That's --

Stefan Trampus: Just to clarify there, I think -- when we talk about the Large segment, that is a combination of the SMEs, public and the private customers. And the Micro segment is employees. Roughly, I would say between 0 and 10 employees. And that's where we have difficulties, as Jean-Marc was alluding to. So -- and it has been visible in our numbers. Let's keep it at that comment, yes.

Operator: Our next question comes from Steve Malcolm from Redburn Atlantic.

Steve Malcolm (Redburn Atlantic): Yes. And I don't normally say this, congratulations. I can't remember seeing a European telco grew EBITDA 13% in the sort of northern market for long term. So well done on that. Just a couple of questions, one on B2B -- coming back to B2B on revenues and another on costs. It looks -- when I look at B2B Mobile, that the swing factor is and you do called out is IoT, which grew, I think, 11% in Q2, but only 3% in Q1. Can you sort of give us just a bit of a flavor of what you think the sort of mid- to long-term growth rate for the IoT business is and why it sort of stepped down in Q1 and why it recovered in Q2, that would be great.

And then just coming back to costs, it's a remarkable performance. And I think you've sort of been asked, I did drop off the call briefly. But when I analyze it, it looks like your OpEx fell by about 2% or 3% in Q1 in Sweden. It fell by about 8% to 9% in Q2. I mean, that is a huge step up. Can you just confirm that there was no sort of major renegotiations that landed in Q2. There wasn't sort of a huge pullback in marketing spend. There was nothing in terms of deferral because we were kind of getting the message that there was some cost deferral in Q1, it might drop into Q2. That clearly hasn't happened. And can you sustain that sort of high single-digit percentage decrease in OpEx for the second half of the year, which if you can, it obviously suggests that the guidance you've given is a bit conservative. So just sort of dig into that sort of massive step-up in cost reductions in Q1 and Q2 would be really helpful.

Jean-Marc Harion: Okay. Thank you for the questions. Stefan, can you answer the question about IoT. Peter and myself will take the second one.

Stefan Trampus: Yes, sure. And just to clarify, on the Mobile connectivity, it's evenly divided between -- the growth on the Mobile side, it's evenly divided between regular Mobile growth and IoT. So it's not just driven by IoT. It's 50-50 basically, more or less, split.

Steve Malcolm: No, I can see that. But if I look at Q1, I think your Mobile growth rate was 1%. In Q2, it was 4%. And the difference appears to be, because IoT was sort of quite but not weak, but it only grew 3% in Q1. It grew double digits in Q2. So clearly both are growing, but that was a swing factor, right?

Stefan Trampus: Yes. No, no, no. That is correct. From the IoT perspective, we had a little bit lower base development at the beginning of the year. So that is one explanation. Another explanation is that we have an FX effect because a lot of the IoT revenues are billed in euros.

And thirdly, we have this network outage that hit our revenue in Q1. So those are the three main reasons and that we saw coming back then in Q2.

Going forward, I mean, we have a really good position on IoT. We believe that we will be able to continue to grow, not maybe on the same percentage-wise because we're growing the base all the time. So growing the percentage on the same base, it will be harder. But we see ourselves well positioned. Some of you maybe noticed that we were given recognition by Gartner in the Magic Quadrant for connectivity in their latest report on IoT connectivity, which states and proves that we are in a good position in the market to continue to grow. And the whole IoT market is growing due to more things getting connected all the time. So we have good hopes for growth on IoT going forward as well.

Peter Landgren: And if I start with the second question and please chip in, Jean-Marc.

First, on specific one-offs. We called out last year that we had an impact from bad debt of some SEK 15 million to SEK 20 million or something like that, of course, slightly helping the year-on-year development this year, even though not massively. Then I would split it into two pieces. We have some structural savings. We have done the workforce reductions that we have talked about with the most impactful effect from mid-April, but also some phasing as we have talked about and also the undergoing renegotiation of contracts, which is helping, and in general, the cost discipline. So that is sustainable and will continue going forward as well. Then on top of that, as I mentioned earlier, there is some timing in certain costs and marketing is one such example where we have kept it disciplined in the first half of the year and we'll save the spending for the more intense sales season in the fall and also some development of our growing network, adding network OpEx as well. So it's mixed in that sense, but no big one-offs in the results.

Steve Malcolm (Redburn Atlantic): Okay. So if we look at the sort of minus 2% or 3% in Q1 and the sort of minus 7% or 8% in Q2, is it fair to say that some of the minus 8% comes back in the second half because you're rephasing the marketing, I guess, around the relaunch of Frank and things like that and some of the network OpEx you're thinking about.

Peter Landgren: Yes. That's some of it and then I'll not call out a specific number there. But the cost savings are real, but also, of course, some timing and sequencing in when costs are arriving, yes.

Operator: Right. I'm showing no further questions. We thank you all very much for your questions.

And with that, we conclude today's program. Thank you for your participation. You may now disconnect your lines.

[END OF TRANSCRIPT]