Operator: Ladies and gentlemen, thank you for standing by and welcome to the Tele2 Q4 Interim Report 2020. After the speaker presentation, there will be a question and answer session. To ask a question during this session, you need to press star one on your telephone. You are limited to just one question per person if possible.

I must advise you that this conference is been recorded today. I'll now like to hand the conference over to your speaker Kjell Johnsen. Please go ahead sir.

Highlights and Strategic Initiatives

Kjell Morten Johnsen

President and Group CEO, Tele2 AB

Kjell Morten Johnsen: Thank you very much and good morning everyone. Welcome to the Q4 Full Year 2020 Report call for Tele2. With me today, I have Mikael Larsson, our CFO and Samuel Skott, our Chief Commercial Officer. Today, we will walk you through the results for the quarter and the full year, our progress and the outlook for 2021 and beyond, followed by a Q&A session, where we can address your questions.

Development

Let me just start saying that it feels quite good now coming into the beginning of 2021, seeing how many things have come into place that we were working on last time we spoke. Since last time we spoke, we’ve gotten a clarity around our vendors for both Core and RAN, and we have the Spectrum auction behind us. And we have put together the management team of the company with a couple of very important hires, so we are moving now much more into an execution phase, which is always a good feeling.

Highlights and Strategic Initiatives

Moving on to the highlights and strategic initiatives, we delivered on the revised guidance for 2020. Despite a challenging year, where we have seen headwinds stemming from the COVID-19 pandemic, we were able to achieve a 2% growth in underlying EBITDAaL. This was done by quick shifting focus to the fund underlying EBITDAaL and mitigate headwinds from the pandemic such as loss of international roaming revenue, less equipment sales, less mobile prepaid sales and loss of premium content within our TV business.

At the same time, we continue to execute on our business transformation program, which ended the year with a run rate of SEK 250 million. In the beginning of October, we finalized the reorganization of Sweden B2B by merging the SME and large enterprise units. This new setup would allow us to better coordinate our B2B initiatives, and simultaneously focus on the different market segments.

We also consolidated the B2B and B2C support operations for further efficiency. Furthermore, we consolidated the IT and tech organization. Closer collaboration between tech and IT will be crucial to spend the next few years modernizing both the networks and the IT/tech to create a solid foundation, which will be the backbone for the entire company.

A few weeks ago, we presented a new extended group leadership team and appointed two new members representing the two areas that I just mentioned – Sweden B2B and
Technology. These will be key strategic focus areas going forward, so it is essential that they are represented in the top management team, which coordinates the strategic direction of the company.

In April 2020, Tele2 became the first telco in the Nordics and the Baltics to be climate neutral in its own operations. As a next step, we launched the new sustainability strategy with clear goals, which are both concrete and ambitious. In January, Tele2 together with Telenor through our network joint venture, 100 Mhz and a Swedish 3.5 Ghz spectrum auction for SEK 665.5 million, which is at the low end of the price range compared to previous European auctions.

Finally, we now have spectrum clarity on regulatory requirements and agreements with vendors. With all uncertainty removed, we can now execute on the 5G rollout.

Even during the pandemic, Tele2 remains a cash generative company with a strong balance sheet. During 2020, we paid SEK 6.2 billion to our shareholders through an ordinary dividend of SEK 5.5 and an extraordinary dividend of SEK 350, which included the proceeds from the sale of Tele2 Croatia. For the fiscal year of 2020, the board proposes a 9% increase to the ordinary dividend to SEK 6.

We are also, of course, committed to maintaining leverage within the 2.5 to 3 times range, as underlying EBITDAAL grows throughout the year. With that, I’d like to move over to the group results on the next slide.

**Group results**

The pandemic impact was largely as expected in the quarter with the main headwind being lower international roaming revenue. As a result, end-user revenue declined by 2% on a group level. During the year, we also saw headwinds from the pandemic in the form of declining mobile prepaid sales and suspension of premium sports in TV, resulting in end-user's service revenue declining by 1% for the full year.

Excluding these headwinds, Tele2 would have seen slight growth in both Q4 and the full year 2020. Despite the pandemic impact of SEK 70 million on underlying EBITDAAL in the quarter, Tele2 performed well with an underlying EBITDAAL growth of 3% for the group during the quarter and 2% growth for the full year on an organic basis.

This was driven by a strong performance in the Baltic markets and cost savings related to the business transformation program. For a full year, we were also helped by benefits from previous year's synergy realization from the merger with Com Hem.

In Sweden Consumer, we signed a multi-year contract with TV4, securing both linear and streamed content rights for our TV business. We saw a continued momentum in broadband and mobile postpaid's end-user service revenue on the back of our more-for-more strategy. This was however, offset by the pandemic effect on roaming, premium TV revenue and prepaid sales.

Once again, excluding these negative effects, Sweden B2C would have seen slight growth this quarter. In Sweden, the B2B market remains competitive within all segments, and while we saw positive net intake, mobile revenue was affected by roaming and price pressure.

We launched new product portfolios including new price plans for SME in January in order to boost sales. In the Baltics, there were nationwide lockdowns in Lithuania and Latvia. Despite
this, we saw strong momentum during the quarter, delivering strong top line growth, which filtered through to underlying EBITDAaL.

**Swedish Consumer**

Let’s move over to the Swedish consumer segment, slide five. Mobile postpaid net intake has been very strong throughout the year. This quarter, we made a decision to take our foot off the gas a bit while competitors did the opposite, particularly, within the premium end of the market. This resulted in negative net intake for mobile postpaid, however, after this holiday season, it appears that the market is pretty much back to normal.

Postpaid ASPU declined by 1% as roaming took about 2 percentage points of the ASPU growth, which would otherwise have been positive on back of the price adjustments. Strong volume growth in the previous quarters led to a 3% growth in mobile postpaid service revenue.

It is worth noting that for the full year even with the drag from roaming, postpaid service revenue grew more than in 2019, and excluding the effect of roaming, both mobile postpaid and total consumer mobile service revenue had the highest growth in several years. This proves to me that the strategy is working, and will continue to work after the pandemic.

 Fixed broadband which has showed steady growth quarter after quarter, continue to do so with a 6% growth driven by ASPU and net intake.

In TV, we see ASPU and service revenue beginning to stabilize with a return of premium sports content. However, the decline is still larger than pre-pandemic levels as churn of sports packages from Q2 and Q3 2020 remains a drag on ASPU. We expect our TV business to stabilize over the next few quarters as this effect fades. The TV business will also be supported by the new linear and streamed content rights that we secured and monetization of content play service throughout 2021.

Total end-user service revenue declined by 1% as growth in mobile postpaid and fixed broadband was offset by COVID-19 headwinds. Let us continue to B2B.

**B2B**

Mobile net intake was positive in the quarter driven by implementation of new contracts within the large enterprise segment. The market remains tough, but price pressure in addition to the headwinds caused by the pandemic resulting in the declining mobile ASPU year-on-year.

Together with a continued decline in both solutions and legacy fixed services, end-user service revenue continued to decline in the quarter. While the pandemic is making it more difficult to turn B2B to growth, we clearly have non-pandemic related issues here. This is one of our main focus areas going forward, and while we expect the near future to remain tough, we are taking steps to stabilize this business over time.

**SME**

In SME, where we sell fairly simple services and market ASPU levels are attractive, we need to improve net intake both through churn reduction and more new sales. We have now simplified our price plans to make it easier for customers to choose Tele2, and stay on as customers.
Large Enterprise

In large enterprise, we have a different situation where chasing revenue has resulted in a race to the bottom to win contracts that end up having very low profitability. Here, we need to make some tough choices to focus on profitability and contribute to market repair.

Sweden Growth

Then moving to Sweden growth, end-user service revenue decline in Sweden by 3% driven by continued price pressure within B2B and headwinds related to the COVID-19 pandemic. Underlying EBITDAaL increased by 2% as the SEK 50 million impact on the pandemic was offset by continued execution of the business transformation program, and somewhat lower commercial spending consumer.

We continue to see strong cash conversion of 68%, but at slightly lower levels year-on-year, as we have initiated investments related to the 5G rollout in Sweden, and IT investments related to the business transformation program.

Baltics

Moving to the Baltics, net intake was negative in the quarter for all three countries due to a seasonal churn in mobile prepaid. Despite the lockdown in Lithuania and Latvia, we saw strong ASPU growth in both countries due to continue monetization of data through our more-for-more strategy. In Estonia, high data consumption within the consumer segment was partly offset by lower roaming revenues.

Growth/Revenue

And moving to slide ten, we’re happy to see continued strong end-users service revenue growth in the quarter of 8% in the Baltics despite headwinds from the pandemic. In spite of a negative impact of the pandemic of SEK 20 million in the quarter, underlying EBITDAaL was able to grow by 10% primarily driven by higher end-user service revenue.

Strong growth in underlying EBITDAaL together with low capital intensity as we are in between business investment cycles led to an 82% cash conversion. So with that intro, I’d like to hand it over to Mikael, please.

Financial Overview

Mikael Larsson

EVP and Group CFO, Tele2 AB

Revenue breakdown

Mikael Larsson: Thank you, Kjell, and good morning everyone. Please turn to page 12.

Roaming

On this slide, you can see each revenue line excluding roaming. Please keep in mind that there are non-roaming related effects from the pandemic as well. The outbound roaming revenue dropped by 72% compared to previous year equal to SEK 66 million with mobile postpaid within Sweden B2C and B2B being most affected.

Like self-health, consumer postpaid is holding up very well. Thanks to price adjustments and volume growth, the underlying growth of 5% excluding roaming is stronger than it was before
the pandemic. Similarly broadband continues to perform very well growing 6% in the quarter driven by both volume and price.

**Sweden Consumer**

Total Sweden Consumer end-user service revenue excluding roaming declined by 1% in the quarter, as growth in mobile postpaid and fixed broadband was offset by decline in legacy services and non-roaming related pandemic headwinds.

**B2B**

In Sweden B2B, end-user service revenue excluding roaming declined by 6% driven by continued price pressure in the market and decline in fixed legacy services.

**Baltics**

In the Baltics, we saw continued strong momentum, resulting in 11% growth excluding roaming, driven by higher ASPU through monetization of increased data consumption. And for the group, this led to roughly flat end-user service revenue excluding roaming.

If we were to exclude other pandemic headwinds as well, end-user service revenue would have shown slight growth this quarter both for Sweden B2C and the group.

**Group results**

Please move on to slide 13 for a walkthrough of the group results. Underlying EBITDA increased by 1% organically in the quarter as strong, continued strong EBITDA development in the Baltics and execution of the business transformation program was offset by top line decline in Sweden and roughly SEK 70 million negative impact from the pandemic. Items affecting comparability was inflated as roughly SEK 2 billion was related to translation differences recycled in the income statement in conjunction with the closure of our previous operation in Luxembourg with no impact to total assets or equity.

The increase in operating profit was mainly related to the recycle translation differences, but also driven by a growth in underlying EBITDA and contribution from our share of profits in T-Mobile Netherlands. Income tax includes a positive effect of SEK 1.3 billion related to the closure of the business in Luxembourg.

**Cash flow**

Let us continue by looking at cash flow on slide 14. Capex paid increased to SEK 729 million in the quarter, driven by investments in IT related to the business transformation program, and network investments related to 5G and a higher than usual customer equipment Capex related to the digitalization of the previous analog TV service.

Changes in working capital trended negatively as equipment receivables increased due to seasonally high equipment phase. This negative effect will however be reversed in coming quarters.

Taxes paid increased since Q4 last year included repaid preliminary tax in Sweden. We continue to deliver strong equity free cash flow. And over the last 12 months, our continuing operations this year generated SEK 4.8 billion or roughly SEK 6.96 per share.

**Capital structure**

Please move to slide 15, capital structure. Economic net debt rose by SEK 3.3 billion in the quarter, as we paid out SEK 4.3 billion in October through ordinary as well as extraordinary
dividend. Leverage of 2.6 end of the year is still in the lower end of our target range 2.5 to 3 times. Even with a 9% increase in ordinary dividend communicated today, we would be comfortably below 3 times, and we remain committed to keep leverage within our target range by distributing any excess cash to shareholders.

Update

Let’s move to slide 16 with an update on the business transformation program we started a year ago. So far, we have executed according to plan and at the end of 2020, we have reached an annualized run rate of SEK 250 million with savings of SEK 50 million affecting the P&L in the quarter, and SEK 95 million for the full year.

As in previous quarters, we continue to realize cost savings primarily in the B2B support and tech organizations. At the end of 2021, we aim to achieve roughly half of the total program, and by the end of 2022, we will have an annual run rate of at least SEK 1 billion.

Guidance

Please turn to slide 17, we’ll talk about the guidance for 2021 and the mid-term. We now introduce guidance for 2021 where we expect roughly flat end-user service revenue and 2% to 4% growth in underlying EBITDAaL compared to 2020. The guidance assumes international roaming at a similar level to 2020.

We expect Capex excluding spectrum and leases to be SEK 2.8 billion to SEK 3.3 billion, driven by investments in both the mobile and fixed network through the broader rollout of 5G and Remote-PHY in Sweden.

For end-user service revenue, we expect continued decline in the beginning of 2021, phasing into growth toward the end of the year. We expect to see tough comparables in Q1 as effects from the pandemic will remain a drag since the headwinds began only in March 2020.

We expect some roaming to return in the latter part of the year, but given the headwinds in the beginning, we expect the effect to be neutral for the full year 2021. Furthermore, we expect Sweden B2B to take some time to stabilize as demand is affected by the pandemic, and the price pressure in the market continues.

In Sweden Consumer, we expect gradual improvements as pandemic had headwinds roll off, and momentum in mobile postpaid and fixed broadband continues, so our more-for-more strategy. We expect continued growth in the Baltics to provide support for the group.

We will compensate for the lack of meaningful end-user service revenue growth by taking out costs through of the business transformation program, which would deliver roughly SEK 250 million of P&L savings in addition to what we saw in 2020. At the same time, we will invest in the growth initiatives in order to reach our mid-term guidance, which will offset some of the cost savings realized.

We today reiterate our mid-term guidance of low-single digit growth in end-user service revenue, mid-single digit growth in underlying EBITDAaL, in Capex excluding spectrum and leases up SEK 2.8 billion to SEK 3.3 billion annually during the rollout of 5G and Remote-PHY. In this guidance, we aim for sustainable growth in Sweden Consumer and continued growth in the Baltics, initially offsetting decline in Sweden B2B, which should gradually stabilize.
The business transformation program will continue to give tailwind to underlying EBITDA. While we may see Capex in the higher end of the guided range or even slightly above in a single year during the peak of the 5G rollout, a faster rollout also means that we will return to low Capex levels faster and make return on our 5G investment more rapidly. And with that, I will like to hand back to Kjell for some further reflections on Capex.

**Reflections on Capex**

*Kjell Morten Johnsen*

*President and Group CEO, Tele2 AB*

**Kjell Morten Johnsen:** Yeah, thank you, Mikael. And then before we conclude, I'd like to build on what Mikael just said, and have a closer look at the phasing of Capex. So let's have a look at slide 18.

**Capex**

Capex goes through different phases as we rollout new generations of technologies over time, in order to deliver a leading service to the customers. On the left hand side is an illustration of the Capex to sales levels in Sweden from the recent years. During the rollout of 4G, we saw an increase for a couple of years and then the reversal back to levels of 10% or slightly less.

5G Remote-PHY, which will again enable us to increase the value of the service we deliver to customers should be seen in this context. As illustrated in the chart on the right, Tele2 is one of the most capital efficient telcos in Europe. Even when we entered the peak of the 5G rollout, this would be true. And the reason is, that we essentially only pay for half of the investment in the radio access network through the network sharing arrangements.

**Conclusion**

So in conclusion, thanks to our network JV, we will invest less than most of our peers, but get the same benefits. In the end, this translates to a very good cash conversion even during heavy investment cycles.

**Spectrum**

Then turning to our final slide, with the spectrum auction and then this election behind us, we can now start a broader rollout of our 5G network in Sweden. The new spectrum is already activated and we now provide customers with speeds over 1 gigabit per second in more than 30 Swedish cities. We aim to have over 90% geographical coverage and reach 99% of the population within three years.

We see 5G as an investment into customer satisfaction, which will support our more-for-more strategy for years to come up. On the fixed side, we would upgrade our network by implementing Remote-PHY in our cable footprint. This will be key to maintaining the reliable growth we see in our broadband business.

In Sweden B2C, we'll take a major step this year as we consolidate our brand portfolio. By merging our premium brands, we will not only strengthen our presence in the premium end of the market, but also do our part to support sustainable growth in the Swedish consumer market.
**Strategy**

A strategy would further focus on fixed mobile convergence, churn reduction and building pricing power through increased customer satisfaction is the rising tide that will lift all boats. Our brand strategy also includes taking our foot off the gas when it comes to Penny. While Penny still has a place in the group as a way to take back share from the fixed resellers in the open lawns and as a model for a digital and lean telco, we do not want to contribute to brand proliferation in the SIM-only markets.

In Sweden B2B, we will use our new portfolio to drive more sales and reduce churn in our SME business where we have good margins. In large enterprise, we will be more selective and focus on profitability, especially in the public sector. In the Baltics, we will build on the current momentum and execute our mobile centric convergence strategy.

We will prepare for 5G and activate the network joint venture in Lithuania and Latvia. We will continue executing on the business transformation program to deliver at least SEK 1 billion of savings by the end of 2022. With our 5G roadmap clearly established, now is a natural time to look at the best and most efficient way forward when it comes to the infrastructure portfolio.

While we already have an efficient set up, we will be open to any opportunities that may arise over time. We are confident that our strategy will lead to growing cash flow, which we intend to continue distributing to our shareholders. And finally, we look forward to providing more details about our strategy on our Capital Markets Day, which will be on 25th May. We will issue a formal invitation with all the details soon. So with that, I hand it over to the operator for Q&A.

**Q&A**

**Operator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. As a reminder, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. And we have a few questions and your first question comes from the line of Andrew Lee from Goldman Sachs. Please ask your question. Your line is open.

**Andrew Lee (Goldman Sachs):** Yeah, good morning everyone. I had a question, fairly obviously on your revenue growth outlook. You're still guiding to low-single digit revenues across the group and so just trying to dig in on the Swedish side of that, so two out of the question.

Firstly, you're saying consumer growth in the second half and you said that your mid-term guide implies sustainable growth in Swedish Consumer. What level of sustainable growth is that? How do you think about that? Any color you can give on that part of the growth outlook.

And then secondly the B2B declines are continuing, but presumably, easier comps help in the second half of 2021, so what gives you any confidence the B2B headwinds for full, so that you can grow in 2022? Could you just kind of help us understand how you can turn around the business for us is largely a black box? Thank you.
Kjell Morten Johnsen: Okay, let me start on some of this and maybe then Samuel will also chip in. When it comes to the overall revenue picture, just go back to our presentation. You see that if you make the adjustments for the pandemic, we are in a relatively okay place and we need to build on that overall.

So what we expect to see is, of course, a year where comparables in the first quarter will be tougher, given that there was no pandemic in the first quarter of 2020, and of course, we want to build an exit speed towards the end of the year. So in consumer, of course, we're going to build on our more-for-more, but you are of course concerned around our B2B.

Since the quarter finished, we have launched a new portfolio, but small, which is a very big part of our B2B business, and we think that proposition is strong enough to stem the tide here a bit. We think that we will see a reduction of churn. We think we will have better sales proposition out to the market, and of course that's an important part of stabilizing B2B.

Having said that, I will be brutally honest with you when it comes to the public sector, some of these projects have lead times over year, year and a half, limited profitability, high uncertainty, we'll probably be cautious about investing into those, so that initially will limit the volume focused business here. But we like focusing more on the profitability and taking out some cost in that operation. We will be delivering profitable growth sooner we think than chasing volumes again.

But one key initiative in B2B is the success of our newly launched and simplified portfolio for sure. Anything on this?

Samuel Skott: I can just add on B2C. Hi everyone and good morning Samuel here. I think in terms of B2C, we expected to turn into growth during 2021. We see down the line performance of mobile postpaid and fixed broadband to continue underpinned by network investments in both fixed and mobile, and of course the FMC and the more-for-more strategy on top of that.

Adding to that, we still, of course, expect some decline in the legacy business and the TV business that we really think, and plan for that to stabilize partly as we're coming out of the pandemic, but also due to some good things that we're doing in the business. We talked about the long-term agreement with TV4, another stabilization initiative that we have for the TV business, also with the upside of starting to monetize our Com Hem play investments.

So there are clear reasons to believe in our plan for returning to growth on B2C in 2021.

Andrew Lee: So can I just as a follow-up, do you think that, let's say that – let's fast forward to kind of first half 2022, do you think that run rate of B2C growth will be enough to offset your B2B decline?

Mikael Larsson: At the group level, we will have – one growth factor is the growth around Sweden B2C. We also have growth for the Baltics and then it's our task then to stabilize B2B so that, and also see a better trend on the TV business. Putting these things together, you have a story for growth.

Andrew Lee: Okay, thank you.

Operator: Thank you, and your next question comes from the line off Terence Tsui from Morgan Stanley. Please ask a question. Your line is open.
**Terence Tsui (Morgan Stanley):** Yeah, thanks very much. Good morning everybody. I just had a question around the guidance please on EBITDA for 2021.

Just looking back to 2020, you’ve been guiding for flat and you delivered +2. Just thinking when we look out at towards the prospects for 2021, what areas do you think there could be some potential for upside surprises? And what areas do you see where there could be potential downside surprises on the guidance?

And then secondly just around a clarification on the dividend, even if you were not to make any disposals during the year, do you see the potential to releverage to pay extraordinary dividends during the year, and if so, how often would you review this? Is this on annually, is this semi-annually? Any color on that would be great, thank you.

**Mikael Larsson:** I think actually those questions can be answered in one-go because they’re both dependent on the same thing. You see that we have made assumptions about how the pandemic will develop, and that is the basis for our guidance. That’s our best estimate at this stage on how this is going to develop.

We need to get back to a better growth pattern at the end of the year. If the pandemic resolves earlier then of course that will be nice. If we start getting roaming revenues that can be an upside. These are things that are outside of our control.

So the pandemic would be an important aspect of that, so that we can get back to a normal life. Then course, potentially, there can be an upside, so that’s outside of our control. And if you look at where we are now, we have a robust balance sheet. We have increased our dividend by 9%.

We have said that we stick to our remuneration policy, and the board will, of course have the opportunity to look into and review dividend opportunity throughout the year, depending on how we see the business developing and the suggestion from management.

**Terence Tsui:** Okay, thanks all for the color.

**Operator:** Thank you. And your next question comes from the line of Nick Lyall from Société Générale. Please ask a question. Your line is open.

**Nick Lyall (Société Générale):** Thank you, good morning everybody. And could I ask two please? So I will just firstly back on the B2B question, this large enterprise and public sector revenue you’re talking about reviewing.

Could you give us some idea of the size of that revenue please, and also of the EBITDAaL impact because I’m assuming a very, very low margin. EBITDAaL impact is not much smaller, pretty, pretty small of that revenue that you cut. So could you give us a hand on that?

And then secondly back on the competition in B2C, Telia was talking more aggressively now about FMC and content as well. So is the scope for you both to grow pricing volumes and is there anything you have up your sleeves you think in terms of content that you’re watching closely? Thank you.

**Kjell Morten Johnsen:** Let me start with the second part. I think it's a good thing that Telia talks about FMC. It's a natural play for an incumbent, and of course, having bought a big
company for a big, lot of money, they also would like to apply that content to their customer base because that's the only way to monetize it, so for them to go FMC makes sense.

We are also the second player that has a natural FMC position. We have exposure, we have assets in all parts of that chain, and that is why this is a key part of our strategy to deliver on FMC. So this puts us and Telia a little bit apart from the other two as the most natural premium players in this market.

I think that's something that we both see, and it fits with a more-for-more strategy, less focus on volume, and then keeping churn levels under control, providing value to the market. So I kind of look positively on that.

On the B2B side, and I'll start, and maybe Mikael would chip in. The first short-term important step is what we're doing in the SME segment because clearly, the revitalized and simplified portfolio is a relatively big move. We're not contributing to a race to the bottom. We still have good margins and we're taking away discounts for the net effect, is not equal to what you see directly from comparing the packages, and we think that that should be powerful enough to move us towards stabilization.

In the large segment and in public sector, we will not be as volume driven as before, and we think there is scope for focusing more on profitability going forward. But for the next six to nine months, the biggest effect will come from what we're doing in these mode of sales.

**Mikael Larsson:** If I may, you asked about how large the public sector is within the B2B portfolio, and we don't give out an exact percentage, but it's a double-digit number in percent of the B2B revenue. But however, you should also point out that within large enterprise and public sector, of course, we have good profitable contract as well.

It's just that the price pressure for some of them when they are renewed or too high, and the complexity too high so the EBITDA is too low for us, and that's what we are saying. We have to be more selective on exactly what services we sell to, but it's not that way we are stepping out of that segment, not at all.

**Kjell Morten Johnsen:** As I can add to that, I mean, to give you a – I'm not going to mention any names, but Mikael and I were reviewing one specific instance where we would have a sales effort going over a year and a half on a big contract with questionable profitability. And rather than locking up all of that capacity and then making all that effort for what would be an uncertain outcome and limited profitability, we decided to let it go.

And we can either then use that saved time and resource to invest into better prospects or we can take down some of our cost, and frankly, I think we'll do a combination of both.

**Nick Lyall:** That's great, thank you.

**Operator:** Thank you, and your next question comes from the line of Paul Sidney from Credit Suisse. Please ask your question. Your line is open.

**Paul Sidney (Credit Suisse):** Yeah, thank you very much. Good morning everyone, and just a couple of questions and apologies if it's really follow-on from questions you've already had. But could you just pull together the full year 2021 guidance? I mean, obviously, there's a lot of moving parts about COVID-19 impacts – roaming, TV subscription, content revenues, B2B.
Could you just give us an idea of what the assumptions are? And I think you mentioned you have made an assumption on COVID-19 impact. I’m just wondering if you could be a little bit more specific about the timing of any rebound?

And then just secondly more broadly, do you see scope for further Swedish price increases over 2021 in terms of continuing the more-for-more strategy? Kjell, I think you said in the previous call, you see your products as undervalued. So is the scope to perhaps push through another consumer price increase over 2021? Thanks.

Kjell Morten Johnsen: I think it’s the job and the obligation of any telco CEO to feel that the product is too cheap out in the market given all the value we provide for people, but okay, that’s kind of a statement just. If you breakdown the numbers and we’re not going to go into very deep, deep end on it. You know some of the key parameters here.

We are growing well in the Baltics. We are underlying adjusted for all of the pandemic and stuff, doing quite okay in consumer in terms of postpaid and broadband. And then is of course, our chance to stabilize TV where we get some help from the fact that we now have this long-term agreements with TV4, and so we can have both linear and streamed content, and of course we will have a more stable year, this year because we will – and touchwood, we will probably not have the kind of disruptions in terms of the premium customers that we had last year.

And then of course, I touched upon B2B, where there are different components, also that in the smaller parts, smaller segment we have already started the fight back in a measured way. And then in large, that is a little bit of a longer journey, but it’s enough for us in the short-term to see a more positive momentum in B2B small to start seeing a change of trends in that area. So if you combine it, Baltics plus mobile postpaid doing well. Broadband doing well and stabilization of those two areas then we’re back to what brings us up to growth in 2022.

Paul Sidney: That’s great. Thank you. And sorry, just to follow on, on the price increases over 2021. Is there anything?

Kjell Morten Johnsen: Samuel maybe?

Samuel Skott: Yeah. So Samuel here. The answer is yes. On the back of network investments in both mobile and fixed, and the continuation of our FMC, and more-for-more strategy, and the learnings of course of the pricing cycle we’ve done for both fixed and mobile in 2020, we will definitely continue on that path also in 2021.

Kjell Morten Johnsen: And one good observation here is that the industry hasn’t given away 5G completely as candy yet. We are reserving it for the premium brands, and for a little bit higher end packages. So the mid brands are not offering 5G yet so the monetization opportunity is still intact.

Paul Sidney: That’s great. Very helpful. Thank you very much.

Operator: Thank you. And your next question comes from the line of Frederic Boulan from Bank of America. Please ask your question, your line is open.

Frederic Boulan (Bank of America Merrill Lynch): Hi, good morning. Quick question, please on the on the Capex cycle. If you can, maybe give us a bit of color on the outlook for
the coming years considering the 5G rollout. You know, where do you see Capex in the next year, then, and where do you see it normalizing once you’re – the rollout of Remote-PHY project is completed?

**Kjell Morten Johnsen:** I think Mikael touched upon this that we see that through the full blast of 5G and Remote-PHY will be in the upper end of our corridor. And like Mikael said, it could actually be a good thing if in one year, we go slightly above because it would mean that we have a good rollout speed. After all, it’s good to get the coverage out there, so we demonetized. And then Mikael, correct me if I’m wrong, I think we should move back towards the middle of this channel already then by, say, 2024.

**Mikael Larsson:** Correct. I mean, the midterm guidance on the investment peak will be 20, latter part of 21, 22 and 23. And in addition to that, when we are coming into 24, the major part of the IT transformation will be will be done so you should see that kind of Capex go down as well.

**Frederic Boulan** Okay, and where do you think 24, 25 can look like from the normalization?

**Kjell Morten Johnsen:** I think it’s a little bit early to give guidance for 24 and 25. We will have to come back to that.

**Frederic Boulan:** Thank you very much.

**Kjell Morten Johnsen:** Thank you.

**Operator:** Thank you. And your next question comes from the line of Lena Österberg from Carnegie. Please ask a question; your line is open.

**Lena Österberg (Carnegie):** Good morning. Got two questions. First of all, I was wondering if you can shed some light on how your net promoter scores on TV have developed throughout the year. And also maybe a little bit on churn rates. How – also how they have trended. And if you feel comfortable by doing the large price increases you have indicated should come later this year. And then on the play side, would you maybe – could you provide us with how many customers you have there and how much you expect to charge for the play offer, once you start to charge for it? Thank you.

**Kjell Morten Johnsen:** First, first of all, I mean, we still have work to do in terms of NPS in our – in on the TV side. And that is also one of the reasons why we invested into Remote-PHY. So we are we are preparing ourselves for a better – we want to focus on reliability, user experience. And this is a building block also for our broadband ambition. So we still think we have work to do there and we are on it. That’s part of our Capex story. But – Samuel?

**Samuel Skott:** Yeah, I can elaborate a bit. So NPS on TV, it's – I mean, we have higher ambitions than where we’re at. But we’ve seen improvements during the year; of course, took a bit of a hit during the uncertainty of the negotiations with TV4. It's always tough when customers feel insecure, but after that it’s been starting to go upwards again.

Churn rate has been stable. Of course, we’ve seen some elevated churn in the mobile space in Q4, given all the campaigns we’ve seen in the market, but I think overall we’re seeing the market kind of coming back to more of a normal level, if you will, in Q1 and that we’re seeing also in churn rates. So in terms of pricing, I mean, our pricing schemes are not based on all products having extreme high NPS every year, we don't do a full pricing take on everything
every year. It's more of a balanced approach. So in some areas, we see areas for pricing. And in some areas, we do more investments in more-for-more. And usually this shifts between the years but overall gives us an opportunity to continue pricing in a balanced fashion year after year.

**Lena Österberg:** Okay. And on the play customers?

**Samuel Skott:** On the play, we're not disclosing any numbers, but what we can say is that we've had substantial growth. But as we also said, we should have, because we're giving it away for free for a year. But now we're starting to charge customers here during Q1. So we will have to come back to this question throughout the year. But we're definitely going to monetize it. And the customers who got this campaign last year will start paying SEK 69 per month now. And then going forward, we will evaluate if that's the right pricing model, or if it's better to have it part of the more-for-more strategy bundle or a mix. But we have several monetization options for it. And we will explore those during the first half of this year.

**Lena Österberg:** Okay, thank you.

**Operator:** Thank you. And your next question comes from the line of Ulrich Rathe from Jefferies. Please ask a question. Your line now is open.

**Ulrich Rathe (Jefferies):** Thanks very much. If one wants to sort of talk about what – where you might have changed the direction of travel a little bit, we adjusted strategies, is it fair to say that the main three areas are de-emphasizing Penny a little bit, large enterprise, low margin focus and this fight back in SME. Is this it? Or is this missing other areas where you'd say you sort of changed your prior approach a little bit?

My second question is –

**Kjell Morten Johnsen:** I got the Penny part and the SME, what was the second thing?

**Ulrich Rathe:** The large enterprise more margin focused. And my second question, if I may, is, for this Capital Markets Day, I mean, what do you have in mind in terms of areas to talk about? I mean, what I'm trying to get at is, you know, presumably, today, you're holding back on some areas that you could talk about, because you have this Capital Markets Day coming up. So what are those areas? Is this the sort of the area of [inaudible] duration? Is it the infrastructure side of things which you're alluding to only here today, or are there other areas where you think that investors can gain more insight that you can give more color on what it's about? Thank you.

**Kjell Morten Johnsen:** So Ulrich, the objective of the Capital Markets Day will of course be to give you a better insight into some key areas of the business. But it's a bit too early for me to set the agenda; I'm actually planning to have a little discussion with the Board about the agenda also, before I announce it, but we will take a couple of parts of our operational business and you will have presentations, all of them. And we will put together a program and send it out with the invitations. It's a little bit early for us to discuss the exact agenda of it.

When it comes to the other area you touched upon, Penny and large and SME, I think I've addressed large and SME already. Penny is not moving – only moving itself what we do there. I mean, we have experimented and learned around Penny, but our broader strategy is
brand consolidation and FMC and of course, when we do brand consolidation at the top level in this organization, it makes no sense to contribute to a brand proliferation at the bottom end. So that is a very clear signal we are sending to everyone – you, the market, everyone who sees it – that this is our thinking. And I think that's an easier to understand position compared to what we have been perceived as in the past.

So yes, we're going to continue the brand consolidation, big time, this year. And we're going to work on the large and SME. The bigger journey in a way operationally is of course that we are now integrating technology in IT, which is going to make us more nimble and more efficient in how we go to market.

So one thing is the cost side of it, which is important. We're going to work now also on having a more – quicker, more agile workforce that can help Samuel and Stefan in their jobs with B2C or B2B in a better way than we've done in the past. And also, the focus that I talked about before, on reliability in our TV business combined with the efforts we do with to invest in Remote-PHY. So I kind of expanded a little bit on your list of key issues. But these are kind of the things that I'd like you to think about.

Ulrich Rathe: Brilliant. Thank you very much.

Operator: Thank you. And your next question comes from the line of Johanna Ahlqvist from SEB; please ask your question. Your line now is open.

Johanna Ahlqvist (SEB Enskilda): Thank you; two questions, if I may. The first one relates to your statement on infrastructure opportunities. I'm just wondering how you look upon this, because obviously, you had the network sharing on the mobile side in Sweden. So what other opportunities do you see? Is it mainly on – in Swedish fixed market? Or is it the Baltics that we should consider that where there are more opportunities? So that's the first question.

And the second question relates, again, to B2B. I mean, how do you look upon – now you obviously cut prices quite significantly on the SME offer. But isn't there a risk here that we sort of go into a negative spiral on SME with just prices and continuing down? Because obviously, if everyone would go down to your price of 349 it takes that everyone fix at that price point and do not give away any discounts in this industry. Usually it's not that good enough to be frank. So I'm just wondering how you see the risk and how you can sort of mitigate that in the long term. Thank you.

Kjell Morten Johnsen: Yeah, so on infrastructure. Let's just talk very, super quick about the Baltics. Yes, we are talking about the joint ventures there, we are; we're looking at options there. But when I talk about infrastructure, I'm mainly thinking pretty much like many others in this industry around our passive assets and the way we organize our value chain. And the approach to that has changed, of course, a lot over the last five to ten years. So we are a relatively asset light operator but we do see opportunities for us, maybe together with our partners Net4Mobility to visualize and crystallize value of passive infrastructure. And maybe there are ways we can organize our business more efficiently if we do these things together.
It's early days and we cannot really set any numbers or clear timelines on this because it's not entirely under the control of this management team. But it's something that is definitely worth looking into and we're doing that.

On B2B, you know, I think it's important that first of all, 3 enters the smaller segments with almost no legacy base. So their approach has been quite aggressive, but I'm not saying from their point of view that necessarily is wrong. We have responded in a way where we've taken away discounts. So the net cut is not equal to what – like I said before, to the headline numbers here. So there's a simplification going on here.

I kind of agree with your comments. It's kind of – it's the – it's the sort of problem of this industry that it – it moves very fast. On the offering side, we have to show that we are willing to defend our position, this is not – we are not going to be extremely volume focused going forward. So we have no intention of triggering any further moves in that area. And as we are really provoked into doing so.

Johanna Ahlqvist: Okay, thank you.

Operator: Thank you. And your next question comes from the line of Keval Khiroya from Deutsche Bank. Please ask a question; your line is open.

Keval Khiroya (Deutsche Bank): Thank you. I’ve just got a question on the Swedish consumer price rises. Obviously, in 2020, you had a more staggered approach to the price rises during the course of the year. It sounds like the price rise went pretty well. Do you now have confidence in putting just through a price rise just at one point in time, rather than a staggered one? And if so, could that lend more support from price rise in 21 than it did in 2020? Thank you.

Samuel Skott: So Samuel here. Not going to elaborate on all the details of pricing, of course, but I can tell you that one of the learnings from 2020 is that we don't need to do as staggered as we did. Especially we did it for mobile, since it was the first year and kind of a learning curve for us. So it will be less staggered in the future.

Keval Khiroya: Okay, thank you.

Operator: Thank you. And your next question comes from the line of Andre Kavisek from UBS. Please ask a question; your line now is open.

Andre Kavisek (UBS): Hi, thank you. Two questions, please. First one on what you've discussed already in terms of the top line, and then the streamlining of the brand portfolio. What risks do you see? Or how much of that risk is baked into the guidance from discontinuing some of the brands that you have? Or at least one of the brands that you have?

And second question on broadband. So this seems to be an increasingly important part of the business, of course, one of the reasons being SMC and going into 2022, two things are likely to happen. One is that we may see a regional fiber regulation in Sweden and second, potentially you exit Holland. So question is, would potentially some fiber M&A beyond the table from these proceeds? Are you confident that the regulatory model could improve your margins and the off-net expansion? Thank you.
Kjell Morten Johnsen: Yeah, well, in terms of brand consolidation, I see it as a positive; I think it will be helpful to the overall pricing power of the market. The closing down of the SIM-only part of Penny is not going to be a big play at all in terms of our guidance here. And then when we do the brand ex-consolidation, the idea is to consolidate the marketing spend around one brand, and have a more powerful presence.

These kinds of consolidations always have some element of risk to them, but it's an in-house operation. So I'm pretty confident that we can pull that one off, and I'm quite positive to doing so. You don't need to link Netherlands and domestic issues in Sweden; if we see that we have a very interesting opportunity, we should have the opportunity to pursue that irrespective of, of the assets in the Netherlands. So those are – those are separate issues.

Andre Kavisek: Okay, thank you. Maybe one short follow up on the first question, please. This is – presumably, for some time, you've already had clarity on which brand, exactly, you're going to be discontinuing this year, or is that still something that you're looking at?

Kjell Morten Johnsen: We look very much forward to getting back to that when we do the launch.

Samuel Skott: But yes, internally, we definitely know and have known for a while.

Andre Kavisek: Okay, thank you.

Operator: Thank you. And our next question comes from the line of Peter Nielsen from ABG; please ask a question. Your line now is open.

Peter-Kurt Nielsen (ABG): Thank you very much. Just a question on the TV business, please. Kjell, you’re saying you expect to stabilize the business this year. Could you discuss a little bit how you see it developing if the sort of return on TV for the sports et cetera, is enough to stabilize the traditional business, and how you think you can balance the structural decline here with Com Hem Play services, any color here, and to improve understanding would be great. Thank you.

Kjell Morten Johnsen: Yeah, so let's divide it up into some parts here. And maybe my colleagues will also fill in here. We have several elements here: we have boxer, as you know, which is a business based on a technology that will be sunset in a few years. And that has been known for a long, long time. So that was known also before Tele2 and Com Hem got merged.

So that that's running its course. And we will try to some of those customers over to other offerings, of course, as you move along. But from a technology point of view, that's the way that one goes.

And then of course, we're trying to stabilize the Com Hem business itself, with our TV4 contracts and with the added streaming opportunity that Com Hem Play gives to us which gives a new interface to the business. We want to also have an improved user experience, the digital changeover we had last year was an important part of that. And now with investments into Remote-PHY.

So we're taking actions to protect the linear TV business, which has been in secular decline before. So we want to put some effort into that. And then Samuel has talked about Com Hem Play as a lever either for an offering in itself with a price in the market or as a part of
our more-for-more in Com Hem where we use that as an infrastructure element and an upselling argument. And also as a simplification element for us if people move away from set top boxes.

So there are several levers to pull on TV. And please also remember that our model – I’m sure you’ve noticed, but some journalists sometimes don’t follow that so well – is that there’s much better balance between our cost structure and our revenue structure in terms of how there’s the link between our content cost and the eyeballs that are actually looking at our TV products. So we are not usually making huge upfront investments, and then trying to get as many eyeballs onto it as we can. So you want to expand Samuel?

**Peter-Kurt Nielsen:** That’s great. Thank you. Thank you Kjell. Much appreciated. That’s very helpful. Thank you.

**Operator:** Thank you. And your next question comes from the line of Steve Malcolm from Redburn. Please ask a question the line now is open.

**Steve Malcolm (Redburn):** Yeah, good morning, guys. Thanks for taking the question. I’m going to greedily go for three but hopefully they’re quite quick.

Just on Com Hem Play, are you confident that you’ve got enough content in your locker to support the charging of customers going forward? Or should we see the new deal with Telia as being partly to augment your content offering and increased costs to support the price rises?

Secondly, just on the sort of recovery in 2021, is it conceivable that you’ve had some COVID benefits that might start to lap this year? I’m thinking lower churn, maybe during sort of relative lockdown periods. Has that entered your thinking at all? Or do you see COVID as a pure headwind in the year?

And finally, just coming back to Capex, I’m still pretty unclear as to what the message is. You know, are you saying, you know, the spend will probably be above the top of the range in 21, 22, 23? Just 22 and 23? And how come things have moved on from the last quarter when you sort of guided towards lower end of the range in 2021? Thank you.

**Kjell Morten Johnsen:** Alright. That was interesting. On the content, the position of Tele2 has been and remains that we, by and large, balance the content cost with – like I explained before, with the viewership. So we have no plans or intentions of making multi billion dollars in – or multi billion kroner investment into content houses to take that out to our customer base.

So the strategy, by and large is the same: we have bought some content for the way we are developing Com Hem Play Plus, but it’s not of the magnitude at all, that you’ve seen from other players in the market. And it’s not a strategic shift from our side. When it comes to the recovery – and Samuel can chip in, but we primarily see COVID as a headwind. I don’t see that COVID has reduced churn, I would say in TV it has accelerated into the spring, for sure. And in terms of prepaid, it has naturally in the – during 2020 presented a limiting factor for us.

So I could be missing a point and I’m sure Samuel will correct me. On Capex, I must say I’m struggling a little bit to understand your comment, because what we said is that our Capex 2020 would not be the hitting the ceiling to put it like that. But we have been clear that we
are within the range that we have communicated for some time, for 21, for 22, for 23. And as we said that during the 5G and Remote-PHY is still planned to be in the range; will be in the upper end of the range. So I think we have been very, very clear about that multiple times. So I don't see any confusion.

**Steve Malcolm:** Okay, I just thought because the Huawei situation, spend in 21 might be a little lower.

**Kjell Morten Johnsen:** That's what I that's what I spent so much time saying in October, and I'm saying it again, we had it clear, we had dialogue with Nokia and Ericsson. Now you've seen that we have communicated Nokia and Ericsson. After signing those agreements with Nokia, and Ericsson, we reiterate our Capex guidance as being within the framework, but definitely in the upper end, because we want to move on fast with 5G and Remote-PHY. So don't be concerned about our capital guidance, we have that one under control.

**Steve Malcolm:** Okay, just coming back to content. I'm not I'm not suggesting for a second you're going to make multi-billion SEK investments. But I'm just wondering whether some of the extra revenues you get from charging customers for Com Hem Play might be soaked up with extra costs to make sure that they have enough value in their packages.

**Kjell Morten Johnsen:** In the short term that is that is the case and that is the way you experiment with a lever like Com Hem Play, but we are – it is at a level that it's hard to call it material at all. And if anything will be even tighter on that unless we see a massive uptake. So we think that we will should not need to invest very much into additional content, especially if we include Com Hem Play as a part of the TV offering with as a new interface, so to speak. So, again, we are not signaling a strategy shift here in terms of how we see the balance between content and our business.

**Steve Malcolm:** So we should think about most of that extra, you know, streaming revenue dropping to the bottom line, because your content is off – is strong enough to support that when you start charging customers. We try and model it, you know, to that degree of detail.

**Samuel Skott:** I think as Kjell has said, since we're still very early on, and we have not – one short – or very few customers are short, of course, currently, Com Hem Play is an investment to us. But it's not a huge investment and we will now go into monetization phase. But for 21 Com Hem Play will still be an investment case for us but one that has many levers to pull in terms of monetization. And as we go along and learn, we will make sure to put the right level of investment versus monetization into it.

But I think we have to be open as well with this is – I mean, we're in the learning cycle here. This is one of the growth initiatives we're doing. It's currently in investment, we have gained a lot of customers, but they're on free of charge campaign. Now we're going into the next phase of learning, which is monetization. And we're confident in the content we have on the platform, and it has improved and that we can see in NPS figures all along the year. So we're excited as we go into this phase, but of course streaming is a special world, where there's a lot of competition. But I'm excited, for sure, we will learn and I'm - this is something we will come back to every quarter and tell you about the development.

**Kjell Morten Johnsen:** And every single kroner that is planned for Com Hem and to invest into that opportunity is accounted for in our guidance.
Steve Malcolm: Great, thanks, guys. Thank you very much.

Operator: Thank you. And your last question comes from the line of Adam Fox-Rumley from HSBC. Please ask a question. Your line now is open.

Adam Fox-Rumley (HSBC): Thank you very much. I was wondering if you could talk about the sales incentives you have in place for B2B, please. Have you made any changes? Are any changes planned over the last, I don't know, three, six months? And are you confident that the visibility that you have and the day to day tracking of order intake you have is good enough? Or are you waiting for IT developments and improvements to make useful changes? Thank you very much.

Kjell Morten Johnsen: Yeah, the sales incentives in B2B are being changed; we will have less of a volume focus. I think one of the challenges in this market that frankly, maybe to Tele2 has contributed to as you go back in the past, has been a bit too much volume focus, and we will not drive our sales forces with a with a diehard volume focus going forward.

And I think as a fairly big player in this market, that's an important step from our side. So yes, sales intensive – incentives will be adjusted. Are we in the perfect situation when it comes to order intakes and these things? We are actually dependent on some upgrades of our IT there but I don't know how far we want to go into this Mikael?

Mikael Larsson: It doesn't limit anything from an external or from a business perspective.

Kjell Morten Johnsen: No. It's more a question of internal work.

Mikael Larsson: And the internal efficiency.

Adam Fox-Rumley: Okay, thanks very much.

Operator: Thank you, and there are no further questions at this time. Please continue.

Kjell Morten Johnsen: Well, then I would like to thank you all for joining this call, and thank you for good questions on during this Q&A, and I hope we have been able to give you a more clear picture on where we are and our plans going forward. Like I said initially, we are very excited about having gotten many things in place now. 5G vendors, 5G spectrum, management team in place, a couple of very important hires, launching new portfolio in B2B which has been a tough area for us. And we don't want to oversell early signs but not looking too bad. Looking okay, so it will be a very interesting year and we are full of energy. We're going to make it happen. Thank you very much.

Operator: That does conclude our conference for today. Thank you for participating. You may disconnect. Speakers, please stand by.

[END OF TRANSCRIPT]