A STRONGER CUSTOMER CHAMPION IN THE NETHERLANDS
Disclaimer

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Our Way2Win

Our Purpose
We fearlessly liberate people to live a more connected life

Where We Play
- Baltic Sea Challenger
- Investment Markets
- IoT
- Cash Generators

How We Win
- Positively Fearless Brands
- Connecting Things our Customers Love
- Digital First Customer Experience
- Challenger Cost Structure

Responsible Challenger

Winning People & Culture
Transaction highlights

**Key terms**
- Tele2 and T-Mobile to merge operations in the Netherlands
- Ownership of 25% for Tele2 and 75% for Deutsche Telekom
- Tele2 to receive EUR 190 million at closing
- Combined entity financed through intercompany loan receivable from Deutsche Telekom of EUR 1.1 billion

**Timeline and regulatory**
- Subject to regulatory approval
- Business as usual and continued investment in the period until closing
- Expected closing in H2 2018

**Value implications**
- Significant synergies with an estimated NPV of more than EUR 1 billion
- Improved cash flow and risk profile for the Tele2 Group
- Opportunity to crystallize significant long-term value
## Strategic rationale

### A stronger customer champion
- Uniting two mobile players with complementary brands, distribution, technologies and customer bases
- Strengthening competition and innovation for consumers and businesses
- Building a sustainable integrated competitor to the FMC duopoly

### Scale & investment capacity
- Secure scale for future investments in new technologies, spectrum and products
- Ability to accelerate 5G readiness

### Synergies
- Cost synergies include network optimization and SG&A
- Revenue opportunity through accelerated 5G launch and a stronger competitor to the Dutch duopoly

### Tele2 Group
- Crystallizing value in the Netherlands
- Sharing investments in future technologies and spectrum
- Reducing risk profile and cash flow volatility for the Tele2 Group
Complementary businesses

**TELE2**

- Fun Rebel
- Online strength
- 4G only
- Mobile & fixed
- Consumer & B2B

**Brand**

**Distribution**

**Technologies**

**Network**

**Customers**

**Quality network**

**Extensive shop network**

**2G, 3G & 4G**

**Primarily mobile**

**Primarily consumer**
Creating a stronger customer champion

- Ability to challenge converged duopoly
- Strong customer growth momentum
- Disruptive product positioning
- Scale to invest and ability to accelerate 5G
- Strengthened financial profile
Opportunity to challenge FMC duopoly

Mobile customers, 30 Sep 2017

- KPN: 35%
- T-Mobile: 18%
- Vodafone: 24%
- Tele2: 6%
- MVNOs: 17%

Broadband access lines, 30 Sep 2017

- Vodafone Ziggo: 44%
- KPN: 39%
- Others: 11%
- T-Mobile: 3%
- Tele2: 4%
Creating a strong #3 FMC player

Total mobile and fixed revenue Jan-Sep 2017

<table>
<thead>
<tr>
<th></th>
<th>KPN</th>
<th>VodafoneZiggo</th>
<th>T-Mobile</th>
<th>Tele2</th>
</tr>
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<tbody>
<tr>
<td>Value</td>
<td>4,395</td>
<td>3,014</td>
<td>1,014</td>
<td>467</td>
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</table>

EBITDA Jan-Sep 2017

<table>
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<tr>
<th></th>
<th>KPN</th>
<th>VodafoneZiggo</th>
<th>T-Mobile</th>
<th>Tele2</th>
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<tbody>
<tr>
<td>Value</td>
<td>1,739</td>
<td>1,306</td>
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Targeting synergies with NPV of EUR >1 bn

Opex & capex
- Migration to a single world-class RAN
- Integration of IT systems
- Optimization of go-to-market functions
- Lower administrative costs
- Full run-rate opex and capex synergies of EUR 150 million within 3 years

Revenue opportunity
- Significant strengthening of the consumer fixed and B2B opportunity
- Improved customer offering, capacity and quality

Integration
- Integration cost approximately EUR 150 million in first three years
**Structure**

- Deutsche Telekom to retain towers in separate entity
- Tower carve-out EUR ~35 million EBITDA impact for combined company

### Towers

- Amendments to the national roaming and network sharing agreements

### Additional terms

- Break fee of EUR 25 million, should the transaction not be approved by the relevant authorities

### Contingency

<table>
<thead>
<tr>
<th>EUR million, YTD September 2017</th>
<th>Tele2</th>
<th>T-Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>467</td>
<td>1,014</td>
</tr>
<tr>
<td>EBITDA</td>
<td>28</td>
<td>328</td>
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<tr>
<td>CAPEX</td>
<td>67</td>
<td>125</td>
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<tr>
<td>Mobile customers, millions</td>
<td>1.2</td>
<td>3.9</td>
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<tr>
<td>Spectrum, MHz</td>
<td>65</td>
<td>165</td>
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<tr>
<td>Retail branded stores</td>
<td>16</td>
<td>124</td>
</tr>
</tbody>
</table>
Governance

- Deutsche Telekom to have management control
- Tele2 to be represented at Supervisory Board

Financial structure

- Net debt for combined entity expected to start at EUR 1.1 billion
- Dividend policy 70% of Free Cash Flow when net debt / EBITDA goes below 2.5x

Exit provisions

- Exit provisions in place including a three-year lock-up
Tele2 Group looking forward

Operating Cash Flow, rolling 12 months

- Crystallizing value in investment markets
- Reduced cash flow volatility and risk profile
- Exposure to a stronger Dutch business through equity stake in combined entity
- Further strengthening of the Tele2 Group balance sheet

Q1 15  Q2 15  Q3 15  Q4 15  Q1 16  Q2 16  Q3 16  Q4 16  Q1 17  Q2 17  Q3 17

- Baltic Sea Challenger & Other Group Units
- Kazakhstan & Croatia
- Netherlands