

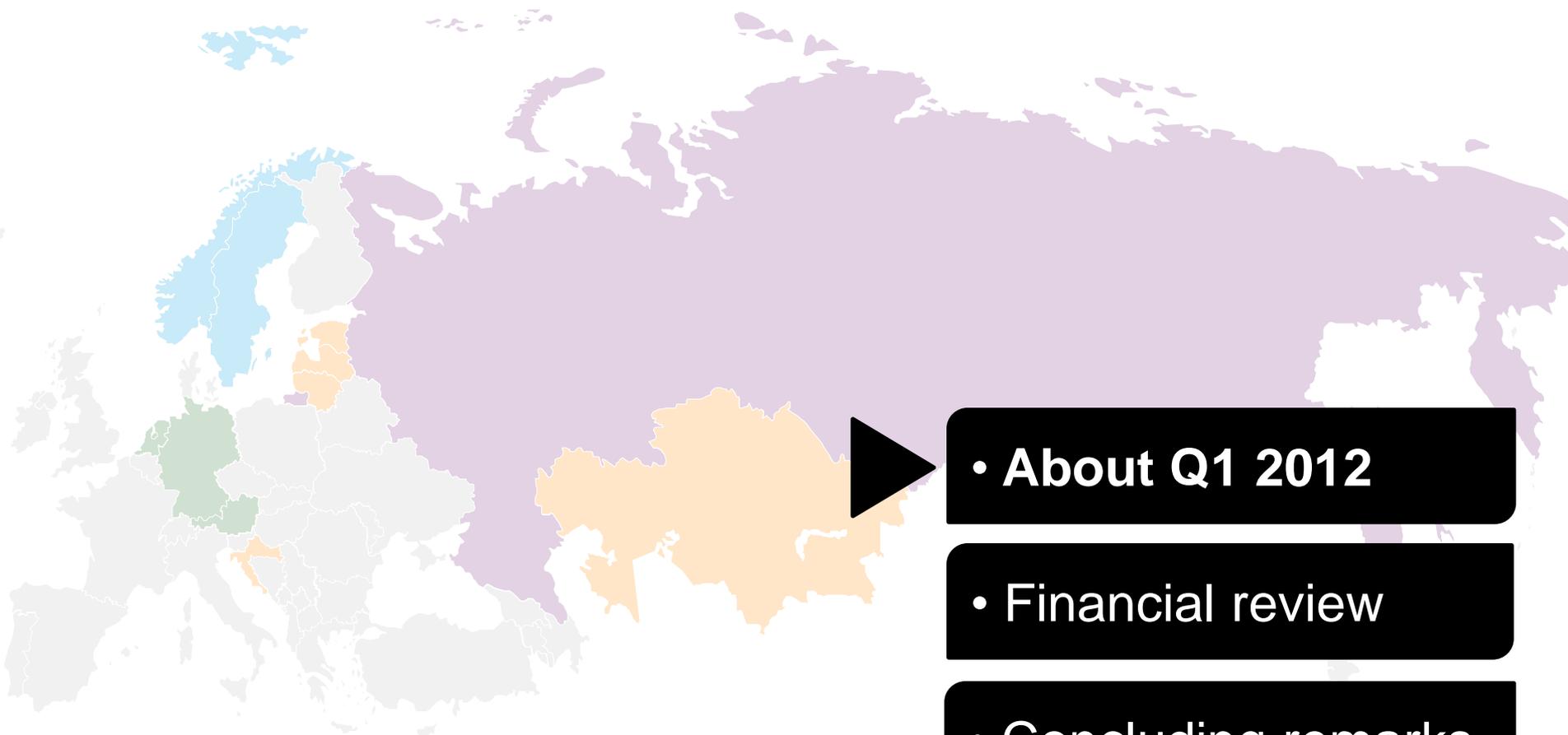
# FIRST QUARTER 2012

Tele2 AB

19 April 2012

The logo for Tele2, featuring the word "TELE2" in a bold, black, sans-serif font. The letters are slightly slanted to the right, and the number "2" is significantly larger than the other characters.

# Agenda



- **About Q1 2012**

- Financial review

- Concluding remarks

# Tele2 Group Q1 Highlights

## Q1 Financials

- Net sales (curr. adj.) for the Group grew by 8 % and amounted to SEK 10,481 million
- EBITDA amounted to SEK 2,571 (2,544) million, equivalent to an EBITDA margin of 25 (26) %

## Q1 Operational

- Tele2's customer base amounted to 34.8 million customers
- Tele2 Kazakhstan continued its successful launch of new regions, resulting in a net intake of 332,000 customers
- Tele2 Russia brought in 304,000 customers
- Continued diversification of credit portfolio

# Market Area Russia: Overview

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## Population

Apr. 140 million

## Tele2 Russia

- 43 regions of Russian Federation
- 20.9 million subscribers
- Mobile operator #4 in Russia in terms of subscribers and revenue

**Represents 29% of total net sales Q1 2012**

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## Focus

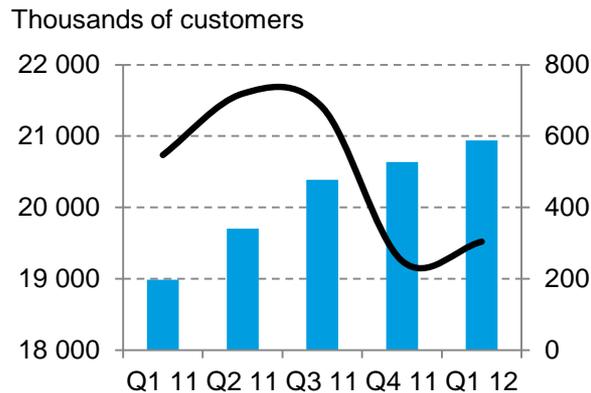
- Continue to grow customer base and maximize the 2G opportunity
- Evaluate possibilities to expand carefully through new licenses as well as by complementary acquisitions
- Make progress on technology neutrality

# Q1 Highlights Russia

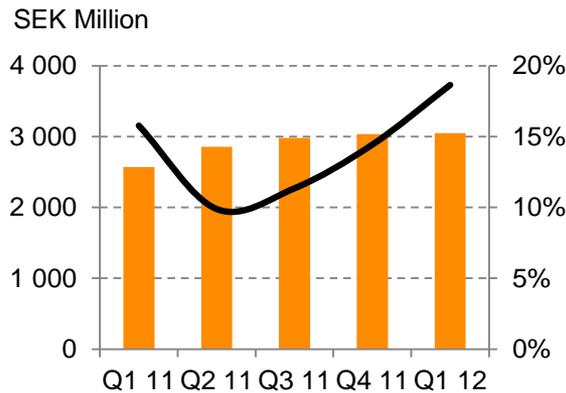
- Increased marketing spend in the quarter
  - New agreements with federal distribution channels
- Leading to improved customer intake in combination with higher ARPU



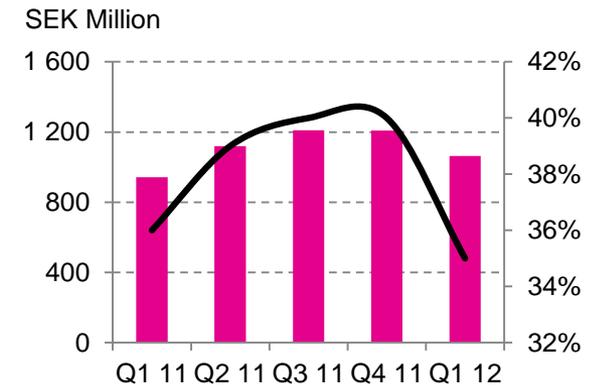
## CUSTOMER BASE and CUSTOMER INTAKE



## NET SALES and YoY NET SALES GROWTH



## EBITDA and EBITDA MARGIN



■ Customer base (left)  
 — Customer net intake (right)

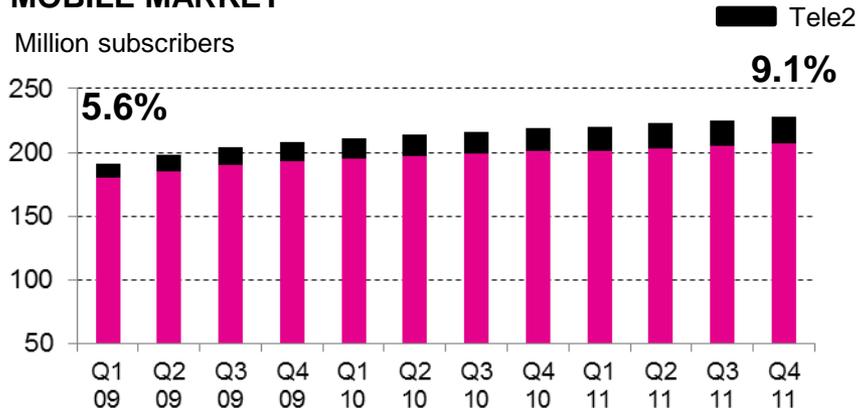
■ Net sales (left)  
 — YoY net sales growth (right)

■ EBITDA (left)  
 — EBITDA margin (right)

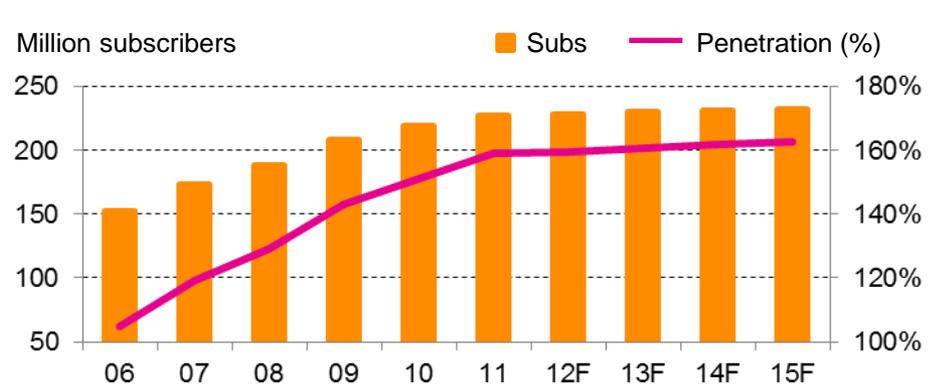


# The Russian mobile market

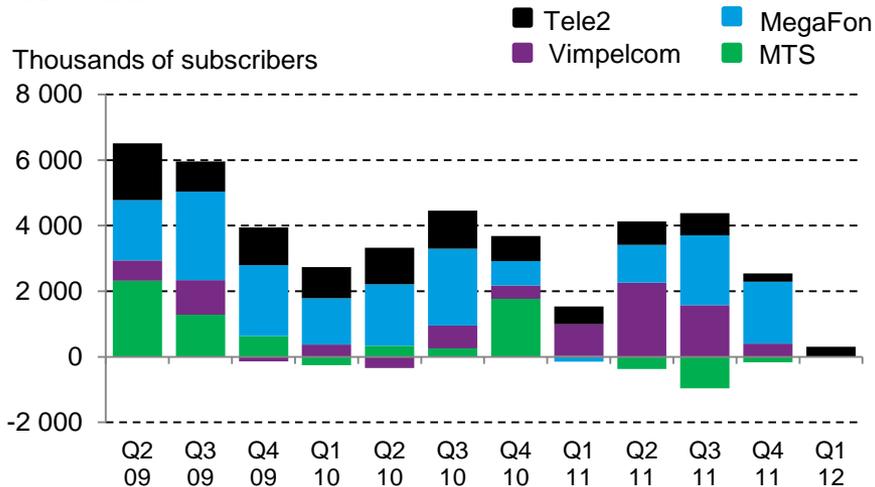
## TELE2 SUBSCRIBERS AS PART OF TOTAL RUSSIAN MOBILE MARKET



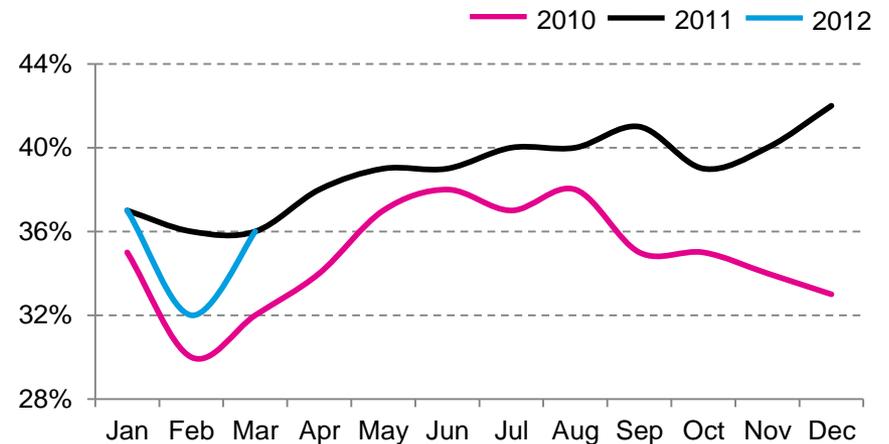
## MOBILE SUBSCRIBERS AND PENETRATION



## NET ADDITIONS

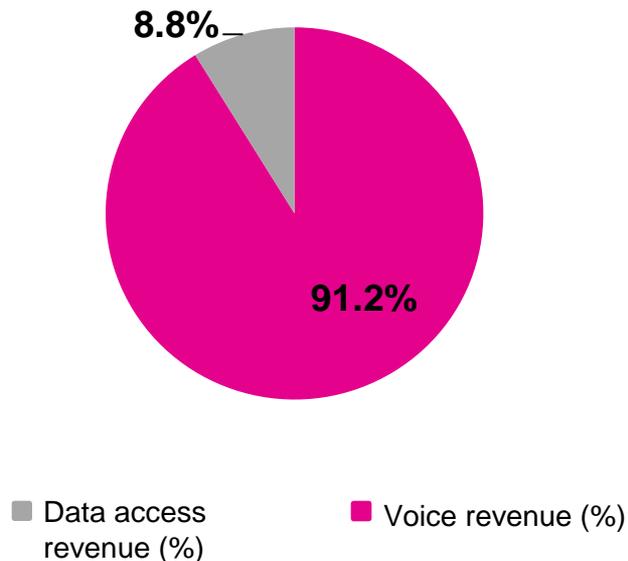


## TELE2 RUSSIA EBITDA MARGIN

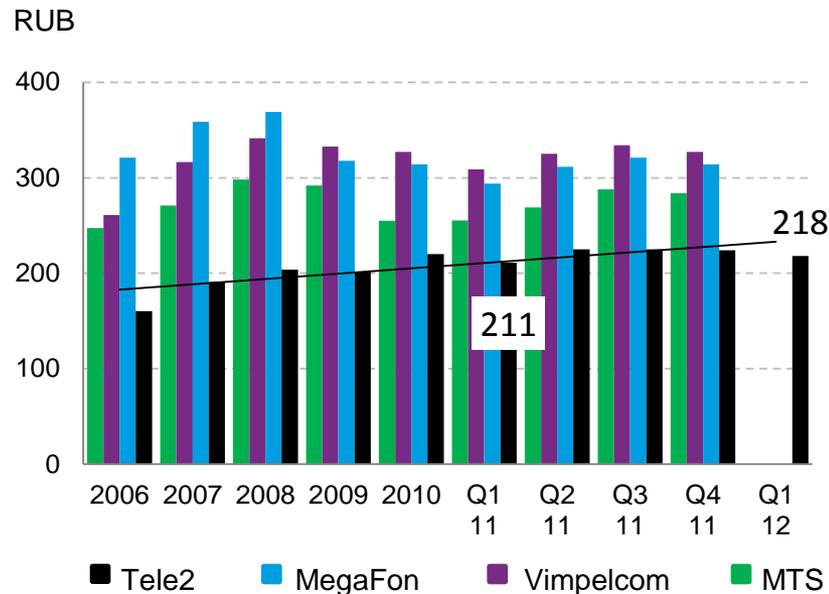


# Revenue source development

**TELE2 RUSSIA:  
REVENUE SPLIT Q1 2012**



**ARPU DEVELOPMENT**



The share of data revenue grows and is comparable to the market level. ARPU is growing.

# Regulatory update: Tele2 Russia

## Technology neutrality update

- Technology neutrality discussion supported by a number of operators
- Tele2 has completed LTE1800 trials in cooperation with NIIR\* in late March
- Tele2 expects the decision on technology neutrality before the end of 2012

## LTE license tender update

- Tele2 perceives that it likely that several LTE 800/2600 licenses will be tendered before the end of 2012 and the tender terms will be established by the new government

\* NIIR = (Radio Research and Development Institute)

# Tele2 Russia forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the total operations in Russia in 2012:

- Tele2 expects the subscriber base to reach 21.5-22 mln.
- Tele2 expects a percentage growth of ARPU in low single digits (earlier to remain stable) in local currency.
- Tele2 expects an EBITDA margin of between 37-39 (earlier 39-40) percent.
- Tele2 expects capex of between SEK 1,300 - 1,500 mln.



# Market Area Nordic: Overview

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## Population

14.4 million

## Tele2 Sweden and Tele2 Norway

Home market and test bed for new services

## Represents 40% of total net sales Q1 2012

Sweden 29%; Norway 11%

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## Focus

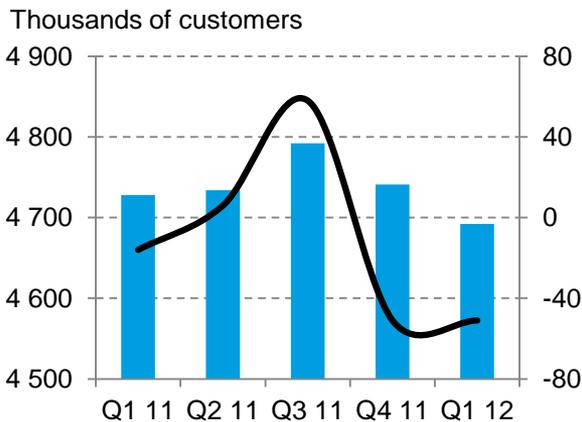
- Sweden: Build on mobile growth and 4G roll-out coupled with household / corporate fiber strategy
- Norway: Roll out own network and focus on bucket-price subscriptions

# Q1 Highlights Tele2 Sweden

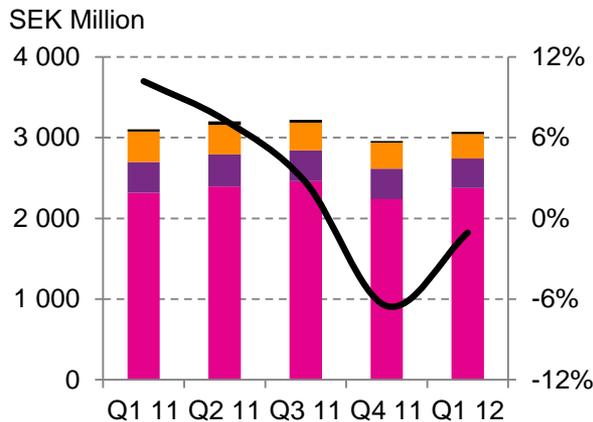
- Net sales (external) amounted to SEK 3,071 mln and EBITDA amounted to SEK 774 mln
- Net intake in Q1 boosted by temporary campaign on postpaid subscriptions



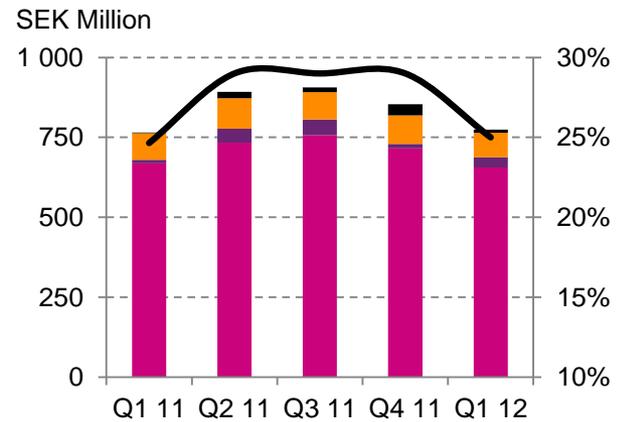
## CUSTOMER BASE and CUSTOMER INTAKE



## NET SALES and YoY NET SALES GROWTH



## EBITDA and EBITDA MARGIN



■ Customer base (left)  
 — Customer net intake (right)

■ Mobile ■ Fixed broadband ■ Fixed telephony ■ Other  
 — YoY net sales growth (right)

— EBITDA margin (right)



# Temporary campaign to defend price position

**Igår var  
3 billigast.**  
Idag är allt som vanligt igen.



**Allt ingår  
345  
kr/mån**

**Maxi Unlimited för 345 kr/mån:**

- ✓ Valfri smartphone ingår
- ✓ Ring obegränsat inom Sverige
- ✓ Fria SMS och MMS inom Sverige
- ✓ Fri surf

Välkommen till våra butiker, tele2.se eller någon av våra återförsäljare.

**TELE2**

**Bara en kan vara  
billigast. Inte tre.**



**Allt ingår  
345  
kr/mån**

**Maxi Unlimited för 345 kr/mån:**

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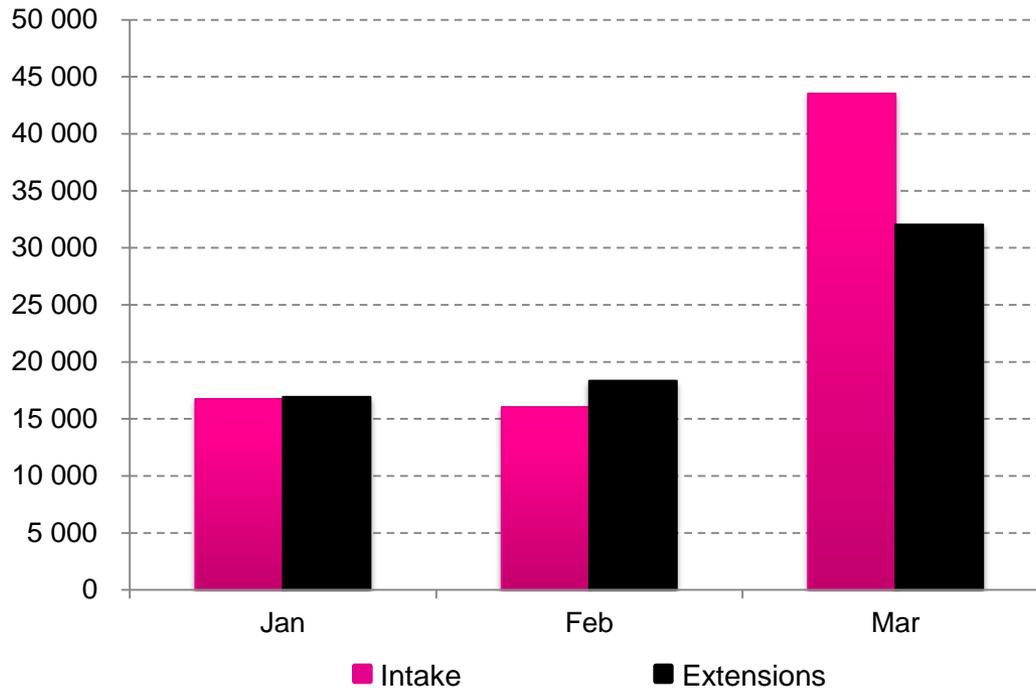
**TELE2**

148,000 subscriptions sold between 8 March - 11 April of which  
65,000 in Q1 2012

# Mobile postpaid intake and extensions

## GROSS INTAKE AND EXTENSIONS Q1 2012

Subscribers



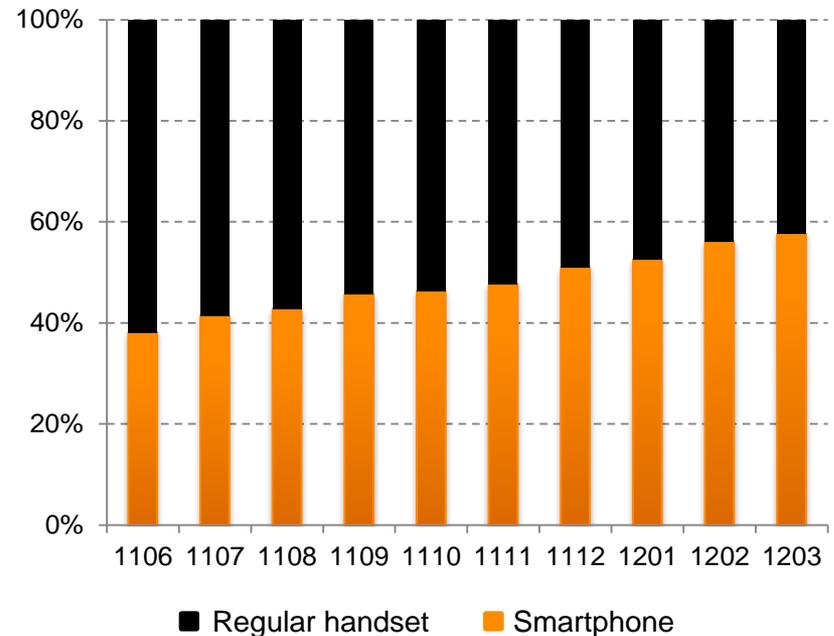
Large share of extensions on current customer stock, majority opting for 24 month subscriptions. March intake boosted by temporary campaign

# Smartphone market development

## Sales of top ten mobile phones Tele2 Sweden (Q1 2012)

1. iPhone 4S 16GB
2. Samsung Galaxy S2
3. iPhone 4 8GB
4. Samsung Galaxy S2 LTE
5. Nokia Lumia 800
6. Samsung E1080
7. HTC Wildfire
8. Samsung Galaxy Nexus
9. iPhone 4S 32GB
10. Sony Xperia S

## SMARTPHONE INSTALLED BASE\*

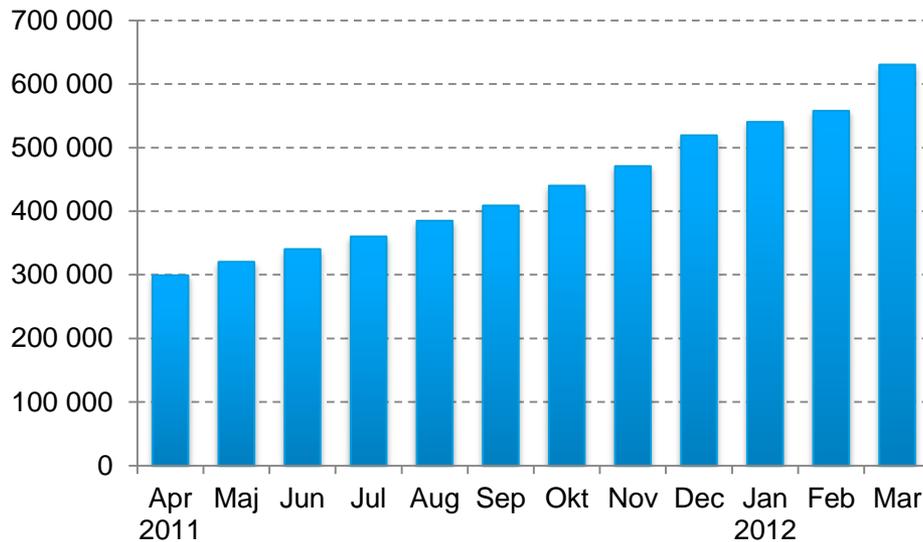


\* Postpaid residential, quantity of handsets

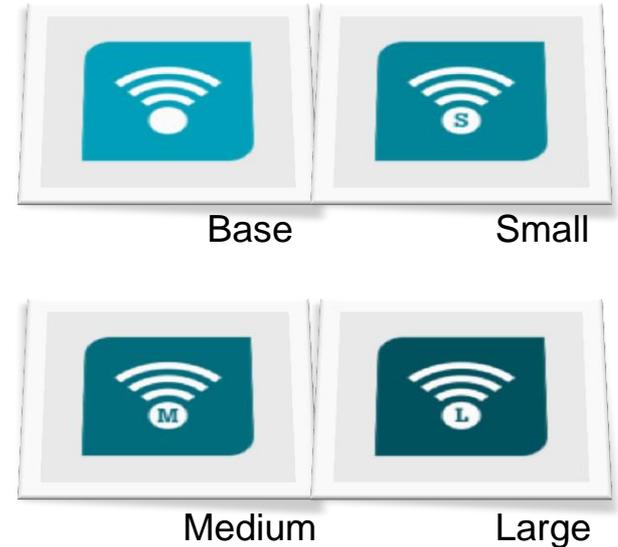
# Growth in sales of data packages

## DATA PACKAGE CUSTOMER STOCK Q1 2012

Subscribers



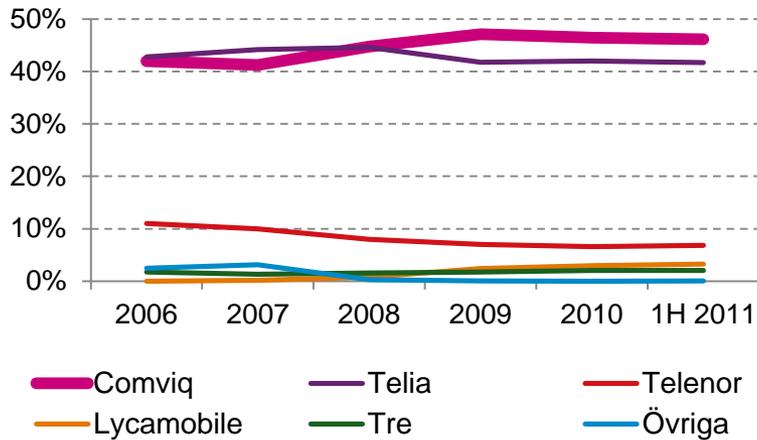
## MOBILE SURF PACKAGES



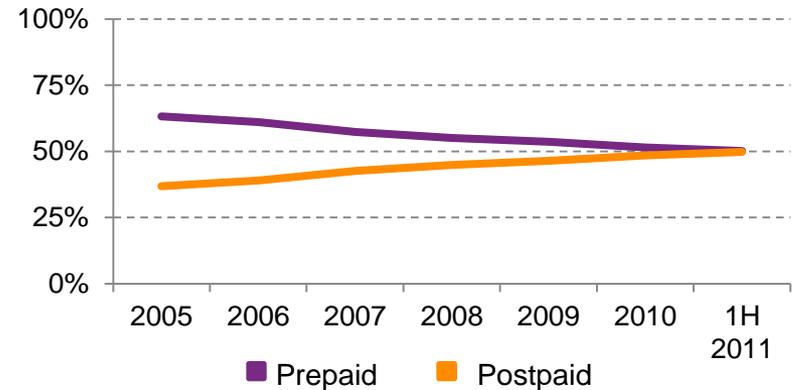
Number of customers with data packages either in subscription or as added packages continues to increase

# Prepaid to postpaid migration

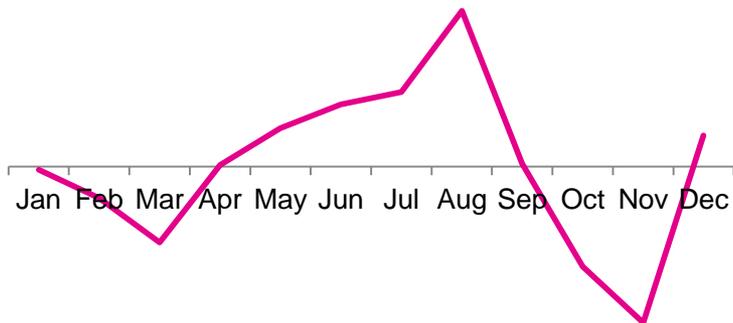
**PREPAID MARKET SHARES 2006-2011\***



**SHARE OF PRE- AND POSTPAID SUBSCRIPTIONS\***



**NET INTAKE SEASONAL EFFECTS**

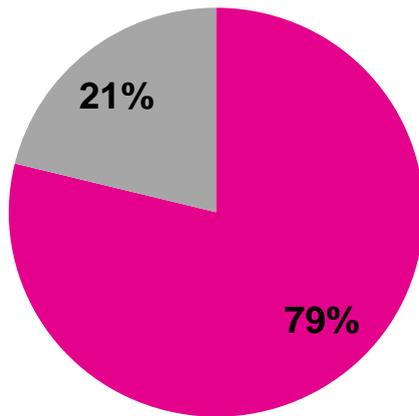


Seasonal peaks in intake are followed by increased churn three months later

\*Source: The Swedish Post and Telecom Authority (PTS)

# Sweden: Mobile operational performance

## MOBILE REVENUE SPLIT

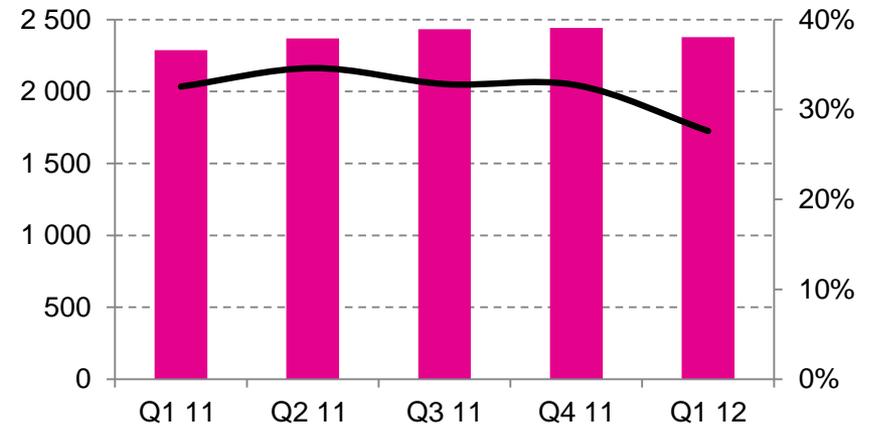


■ Data access revenue (%)

■ Voice revenue (%)

## MOBILE REVENUE and MOBILE EBITDA MARGIN

SEK Million



■ Revenue (left) — Mobile EBITDA margin (right)

Mobile revenue will continue to grow driven by a strong customer demand for data

# Tele2 Sweden forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the Swedish mobile operations in 2012:

- Tele2 expects mobile service revenue to grow by approximately 3-5 (earlier 2-4) percent.
- Tele2 expects an EBITDA margin of between 30-32 (earlier 33-35) percent **assuming a stable market environment.**

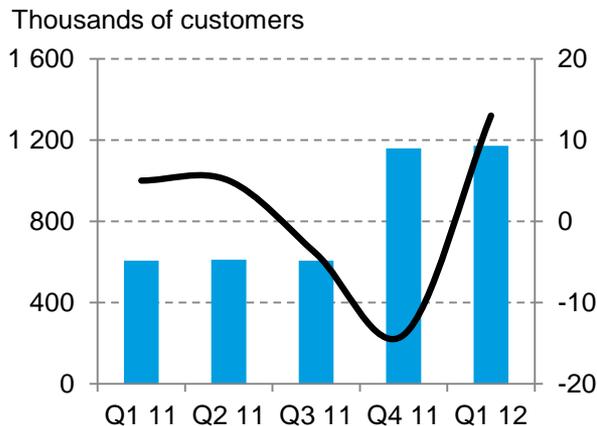


# Q1 Highlights Tele2 Norway

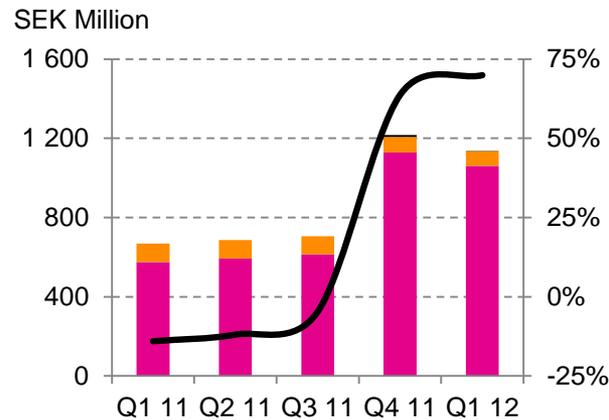
- Integration of Tele2 Norway completed
- Satisfactory intake of 16,000 mobile customers
- Tele2 Norway reported total external revenue of SEK 1,135 mln, of which SEK 1,060 mln was mobile revenue
- Mobile EBITDA contribution was SEK 15 (21) mln



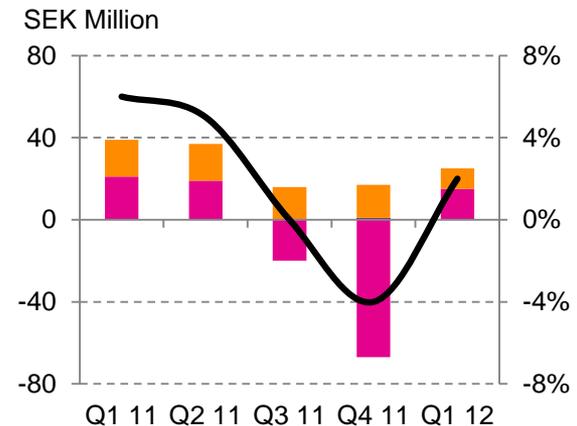
## CUSTOMER BASE and CUSTOMER INTAKE



## NET SALES and YoY NET SALES GROWTH



## EBITDA and EBITDA MARGIN



■ Customer base (left)

— Customer net intake (right)

■ Mobile ■ Fixed broadband ■ Fixed telephony ■ Other

— YoY net sales growth (right)

— EBITDA margin (right)

**TELE2**

# Tele2 Norway forward looking statement

**The following assumptions should be taken into account when estimating the operational performance of the total operations in Norway in 2012:**

- Tele2 expects a total revenue of between SEK 5,000-5,200 mln.
- Tele2 expects an EBITDA margin of between 2-3 percent.
- Tele2 expects capex of between SEK 850-950 mln.



# Market Area Western Europe: Overview

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## Population

106 million

Leading the group in business to business services  
and consumer fixed broadband

**Represents 19% of total net sales Q1 2012**

Netherlands 13%; Germany 2.5%; Austria 3.5%

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## Focus

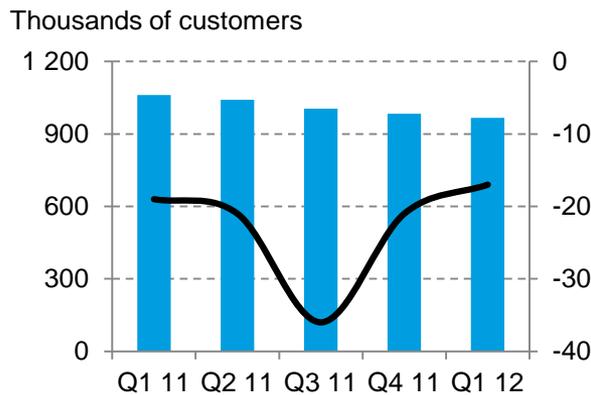
- Netherlands    Grow in mobile and B2B
- Austria        B2B & Integration of Silver Server
- Germany        Grow Fixed Via Mobile product

# Q1 Highlights Tele2 Netherlands

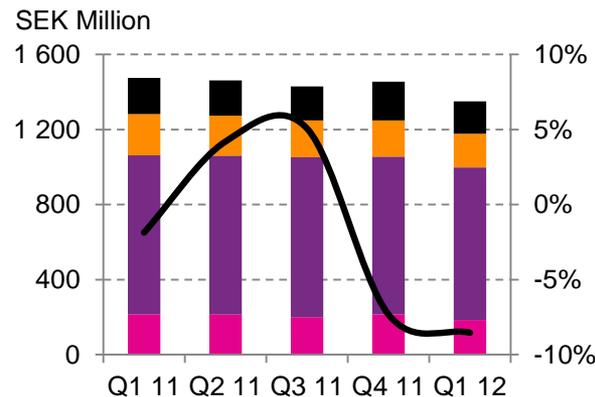
- Mobile growth realized mainly in high value postpaid segment
- Stable financial performance in a turbulent market
- On-going evaluation of possibilities for Tele2 Netherlands to become an MNO
- Significant intake of 13,000 mobile customers
- Secured government contract



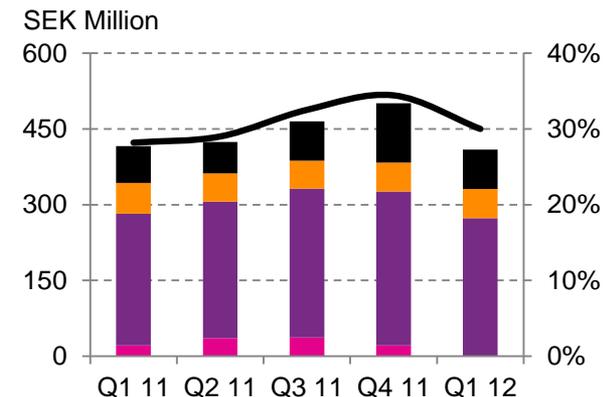
## CUSTOMER BASE and CUSTOMER INTAKE



## NET SALES and YoY NET SALES GROWTH



## EBITDA and EBITDA MARGIN



■ Customer base (left)  
 — Customer net intake (right)

■ Mobile ■ Fixed broadband ■ Fixed telephony ■ Other  
 — YoY net sales growth (right)

— EBITDA margin (right)



# Q1 Highlights Tele2 Germany and Tele2 Austria

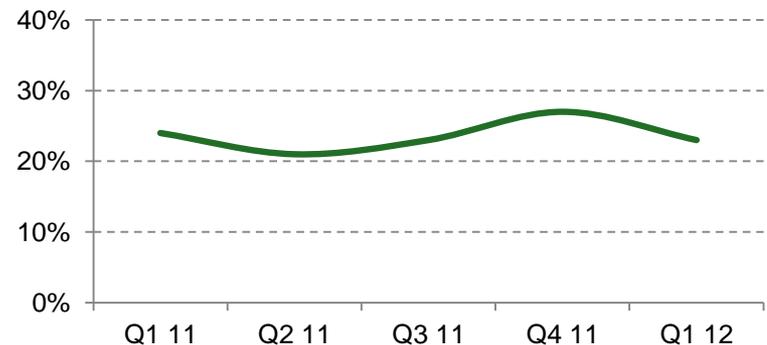
- Both Austria and Germany show stable profitability
- Tele2 Germany: Fixed via Mobile product still going strong with further growing customer base
- Tele2 Austria: Integration of Silver Server proceeding according to plan. This will further strengthen Tele2's position in the B2B market



**TELE2 GERMANY  
EBITDA MARGIN**



**TELE2 AUSTRIA  
EBITDA MARGIN**



# Market Area Central Europe and Eurasia: Overview

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## Population

28 million

## Represents 11% of total net sales Q1 2012

Estonia 1.9%; Latvia 2.3%; Lithuania 2.8%;  
Croatia 2.5%; Kazakhstan 1.5%

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## Focus

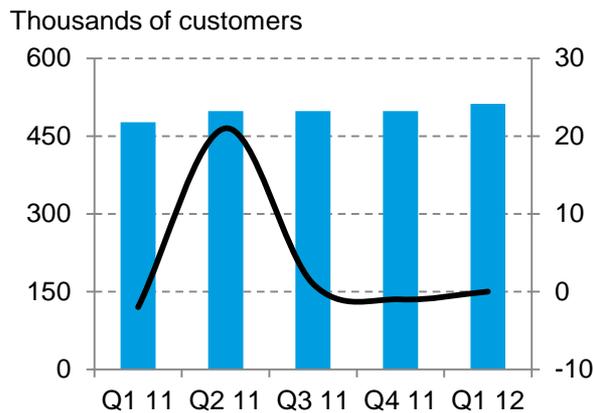
- Efficiency improvements in Baltics
- Need to grow in revenue, profits and market share in Croatia
- Launch two remaining regions and continue to grow rapidly in Kazakhstan

# Q1 Highlights Tele2 Estonia

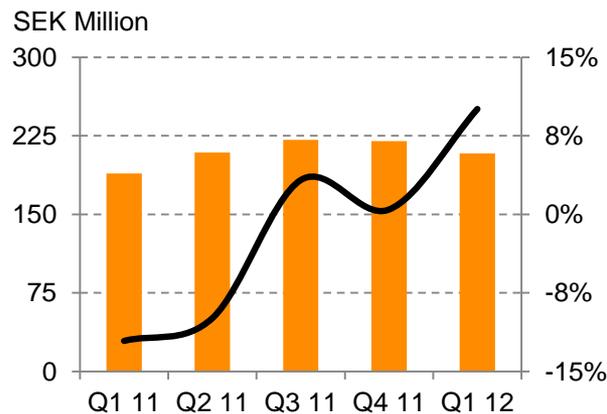


- Acquisition of company Televõrgu AS is completed on 17 February 2012
- Tele2 Estonia maintained a positive customer net intake

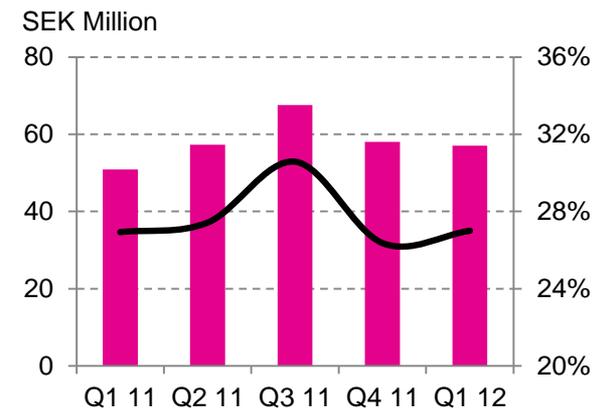
## CUSTOMER BASE and CUSTOMER INTAKE



## NET SALES and YoY NET SALES GROWTH



## EBITDA and EBITDA MARGIN



■ Customer base (left)  
 — Customer net intake (right)

■ Net sales (left)  
 — YoY net sales growth (right)

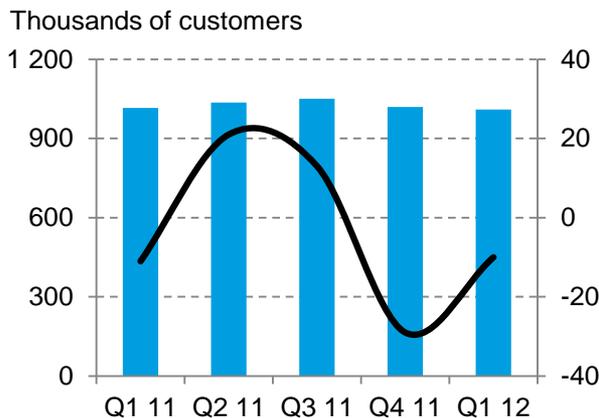
■ EBITDA (left)  
 — EBITDA margin (right)

# Q1 Highlights Tele2 Latvia

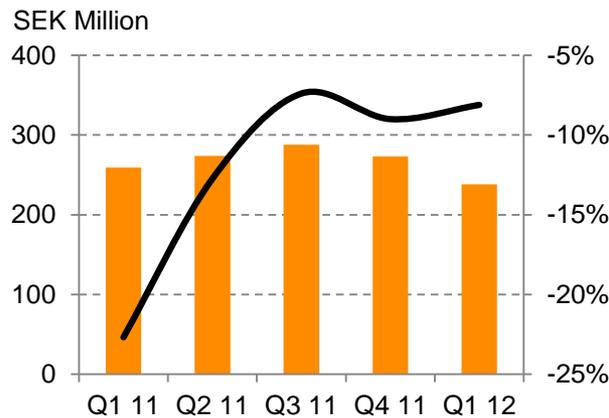
- Rights obtained for 2 x 20 MHz in the 2.6 GHz frequency band
- EBITDA margin amounted to 37%



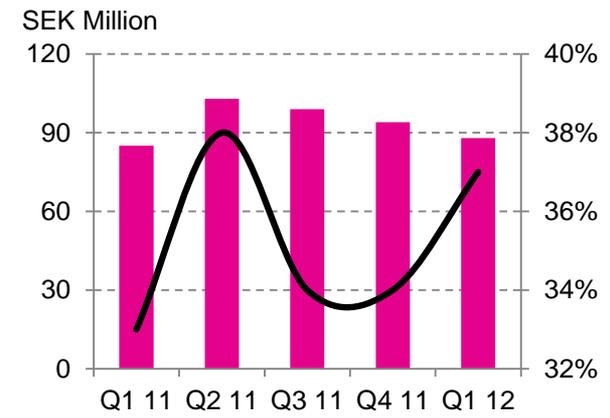
## CUSTOMER BASE and CUSTOMER INTAKE



## NET SALES and YoY NET SALES GROWTH



## EBITDA and EBITDA MARGIN



■ Customer base (left)  
 — Customer net intake (right)

■ Net sales (left)  
 — YoY net sales growth (right)

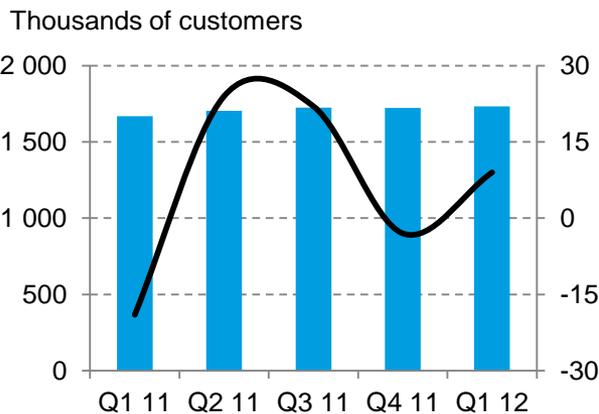
■ EBITDA (left)  
 — EBITDA margin (right)

# Q1 Highlights Tele2 Lithuania

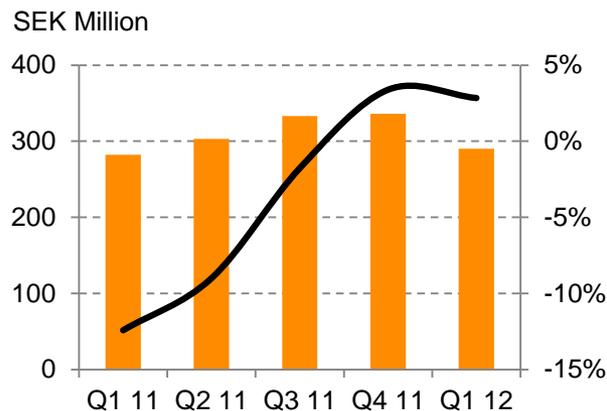
- Mobile license of obtained 2 x 20 MHz in the 2.6 GHz frequency band
- EBITDA margin amounted to 41% partly driven by seasonality



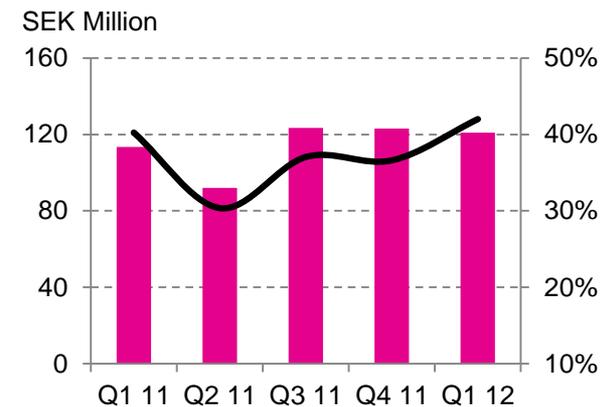
## CUSTOMER BASE and CUSTOMER INTAKE



## NET SALES and YoY NET SALES GROWTH



## EBITDA and EBITDA MARGIN



■ Customer base (left)  
 — Customer net intake (right)

■ Net sales (left)  
 — YoY net sales growth (right)

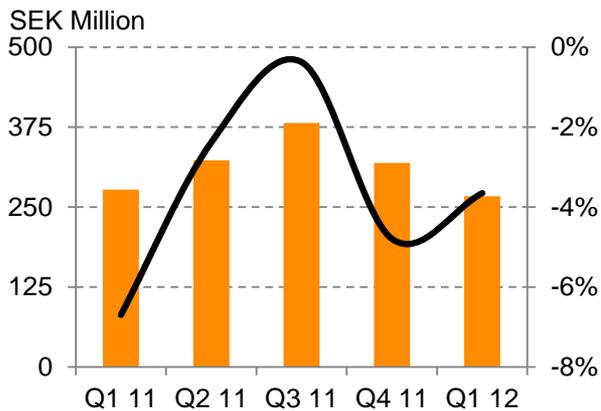
■ EBITDA (left)  
 — EBITDA margin (right)

# Q1 Highlights Tele2 Croatia

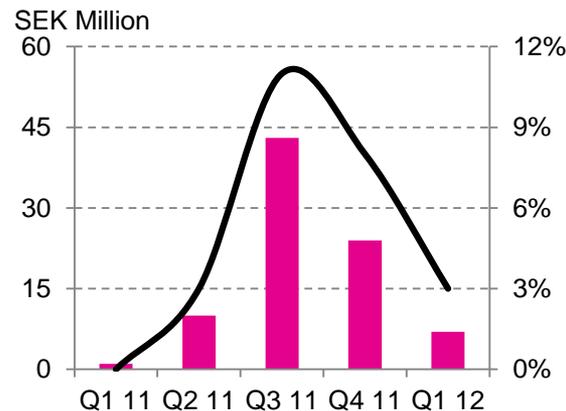
- Q1 result below expectation
- 6% revenue tax was re-stated from February 2012
- Positive customer net intake in all segments



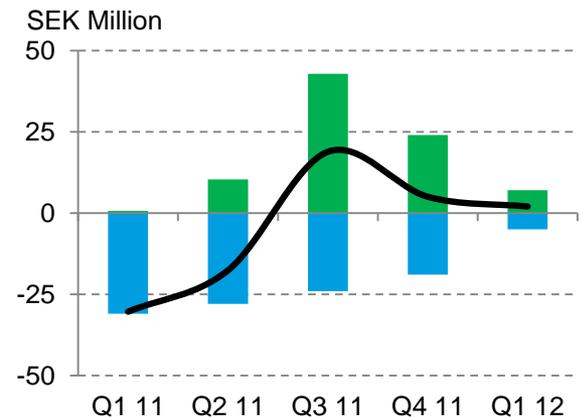
## NET SALES and YoY NET SALES GROWTH



## EBITDA and EBITDA MARGIN



## EBITDA-CAPEX



■ Net sales(left)

— Net sales YoY growth (right)

■ EBITDA (left)

— EBITDA margin (right)

■ EBITDA

■ CAPEX

— EBITDA-CAPEX

**TELE2**

# Tele2 Croatia forward looking statement

The following assumption should be taken into account when estimating the operational performance of the Croatian mobile operations in 2012:

- Tele2 expects Croatia to reach an EBITDA margin of 20 percent by Q3 2013.



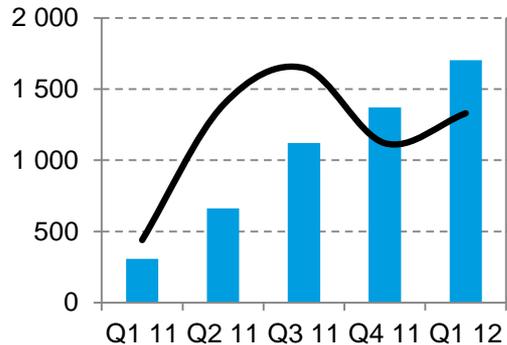
# Q1 Highlights Tele2 Kazakhstan

- Commercial launch of the Tele2 brand completed in 14 out of 16 regions
- More than 1 900 BTS on air
- Solid net intake of 332,000 customers
- Total number of customers amounted to 1.7 million



## CUSTOMER BASE and CUSTOMER INTAKE

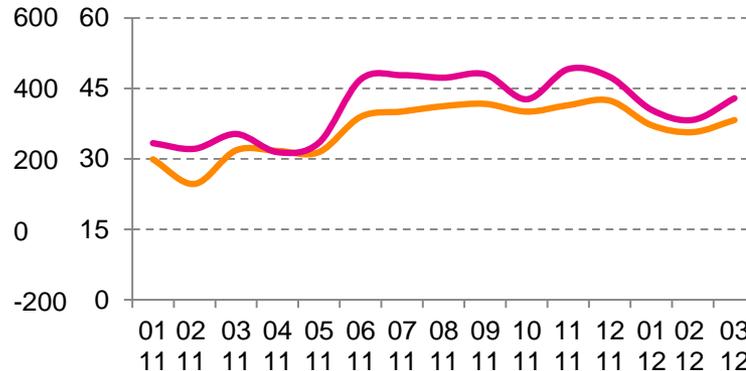
Thousands of customers



## ARPU (SEK) and MINUTES OF USE

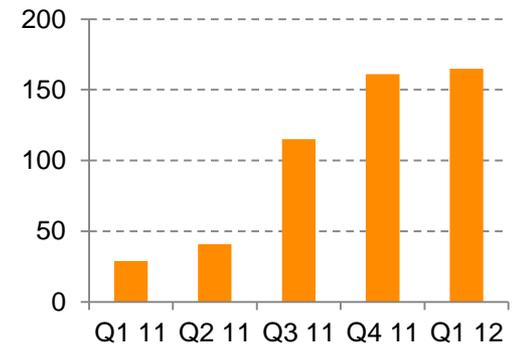
SEK

MoU



## NET SALES

SEK Million



■ Customer base (left)  
 — Customer intake (right)

— ARPU (left)  
 — Minutes of use (right)

■ Net sales



# Launch status Tele2 Kazakhstan



Two regions with the main cities of Shymkent and Taraz were launched in March. The commercial launch of the remaining two regions is expected in April.

# Tele2 Kazakhstan forward-looking statement

The following assumptions should be taken into account when estimating the operational performance of the total operations in Kazakhstan in 2012:

- Tele2 expects the subscriber base to reach 2.5-2.7 (earlier 2.3-2.5) mln.
- Tele2 expects an EBITDA contribution of between SEK -350 to -400 (earlier -325 to -375) mln.
- Tele2 expects capex of between SEK 550-600 mln.
- Tele2 expects to reach EBITDA break-even by 2H 2013.
- Tele2 expects to reach a long-term mobile customer market share of 30 percent.



# Agenda



- About Q1 2012

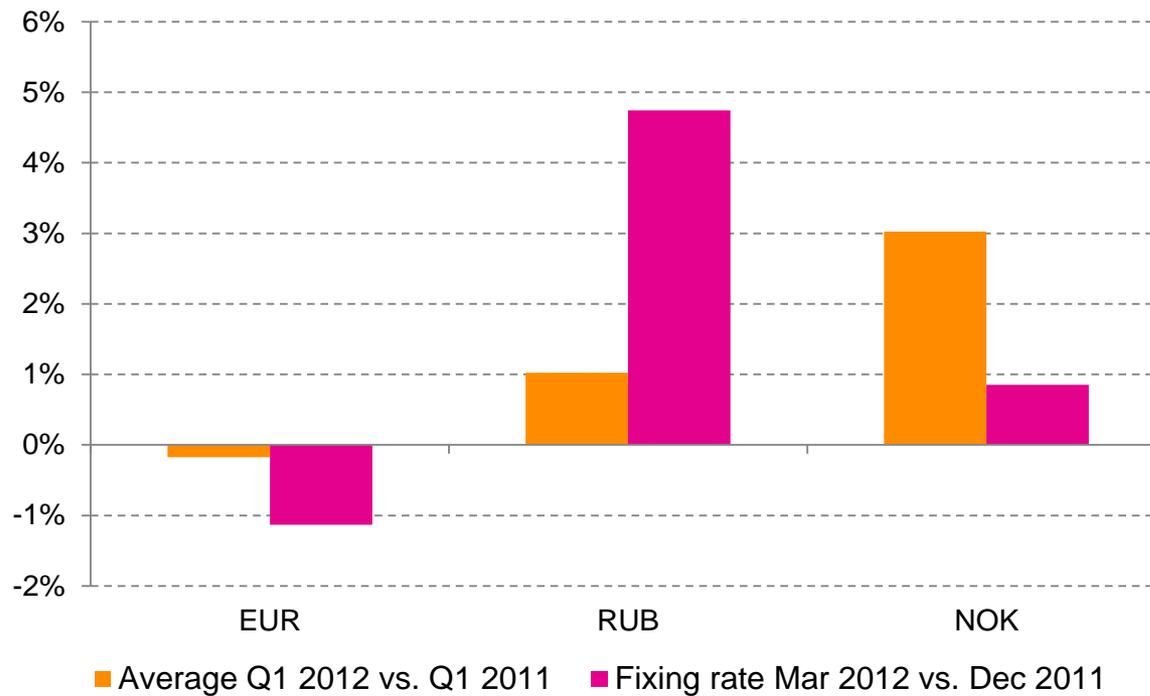
- **Financial review**

- Concluding remarks

# Group results

SEK million	Q1 2012	Q1 2011	▲ %	FY 2011
<b>Net sales</b>	<b>10 481</b>	<b>9 642</b>	8.7%	<b>41 001</b>
<b>EBITDA</b>	<b>2 571</b>	<b>2 544</b>	1.1%	<b>11 212</b>
EBITDA margin (%)	24.5%	26.4%	-1.9%	27.3%
Depreciaion & associated companies	-1 189	-970	22.6%	-4 158
Depreciation of net sales (%)	-11.3%	-10.1%	-1.3%	-10.1%
One-off items	1	99		-4
<b>EBIT</b>	<b>1 383</b>	<b>1 673</b>	-17.3%	<b>7 050</b>
Normalized EBIT	1 382	1 574	-12.2%	7 054
Normalized EBIT margin (%)	13.2%	16.3%	-3.1%	17.2%
<b>Financial items</b>	<b>-178</b>	<b>-74</b>	140.5%	<b>-674</b>
<b>Taxes</b>	<b>-336</b>	<b>-373</b>	-9.9%	<b>-1 472</b>
<b>Net profit</b>	<b>869</b>	<b>1 226</b>	-29.1%	<b>4 904</b>
<b>Discontinued operations</b>	<b>-</b>	<b>-13</b>	-100.0%	<b>-7</b>
<b>Net profit</b>	<b>869</b>	<b>1 213</b>	<b>-28.4%</b>	<b>4 897</b>

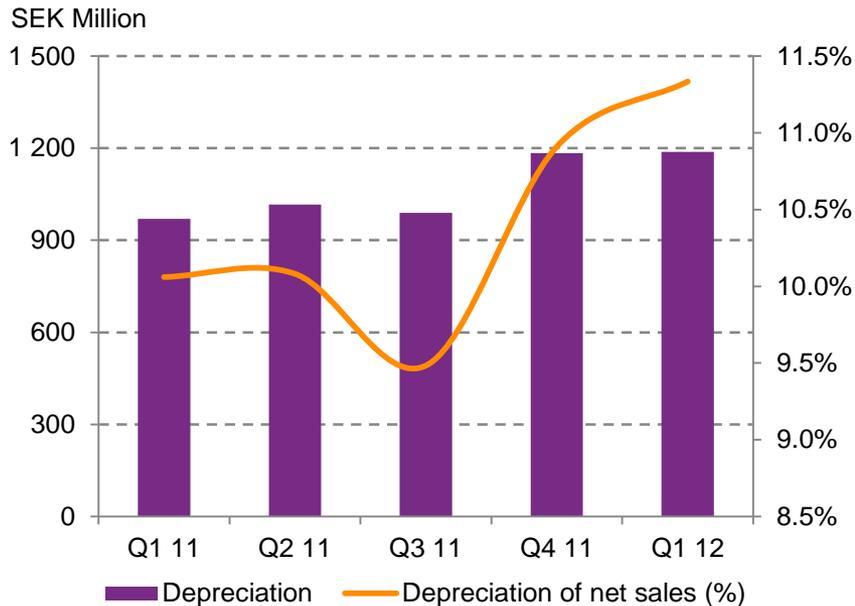
# Currency movements Q1 2012



**EUR/EUR pegged and RUB currencies represent 58% of external sales and 72% of EBITDA**

# Depreciation

## DEPRECIATION and DEPRECIATION % OF NET SALES



### Change Y-on-Y for Q1

- Acquisition of Network Norway (SEK 86 mln) of which surplus depreciation and amortisation of SEK 63 mln
- Upgrade/replacement of networks in the Baltics during 2012 - 2013 (SEK 69 mln)
- Sweden SEK 43 mln
- Kazakhstan SEK 19 mln

# Financial items

Financial items (MSEK)	Q1 2012	Q1 2011	FY 2011
Interst income/costs	-178	-41	-483
Exchange rate differences, external	-13	-9	-24
Exchange rate differences, intragroup	53	17	13
Other financial items	-40	-41	-180
<b>Total</b>	<b>-178</b>	<b>-74</b>	<b>-674</b>

# Taxes

Taxes in income statement (MSEK)	Q1 2012	Q1 2011	FY 2011
Normal	-336	-373	-1 580
One off	-	-	108
<b>Total</b>	<b>-336</b>	<b>-373</b>	<b>-1 472</b>

Taxes in cash flow statement (MSEK)	Q1 2012	Q1 2011	FY 2011
Normal	-202	-225	-948
One off	-	-	-
<b>Total</b>	<b>-202</b>	<b>-225</b>	<b>-948</b>

Deferred tax assets at year to date  
amounted to SEK 2.7 (Dec 2011: 3) billion

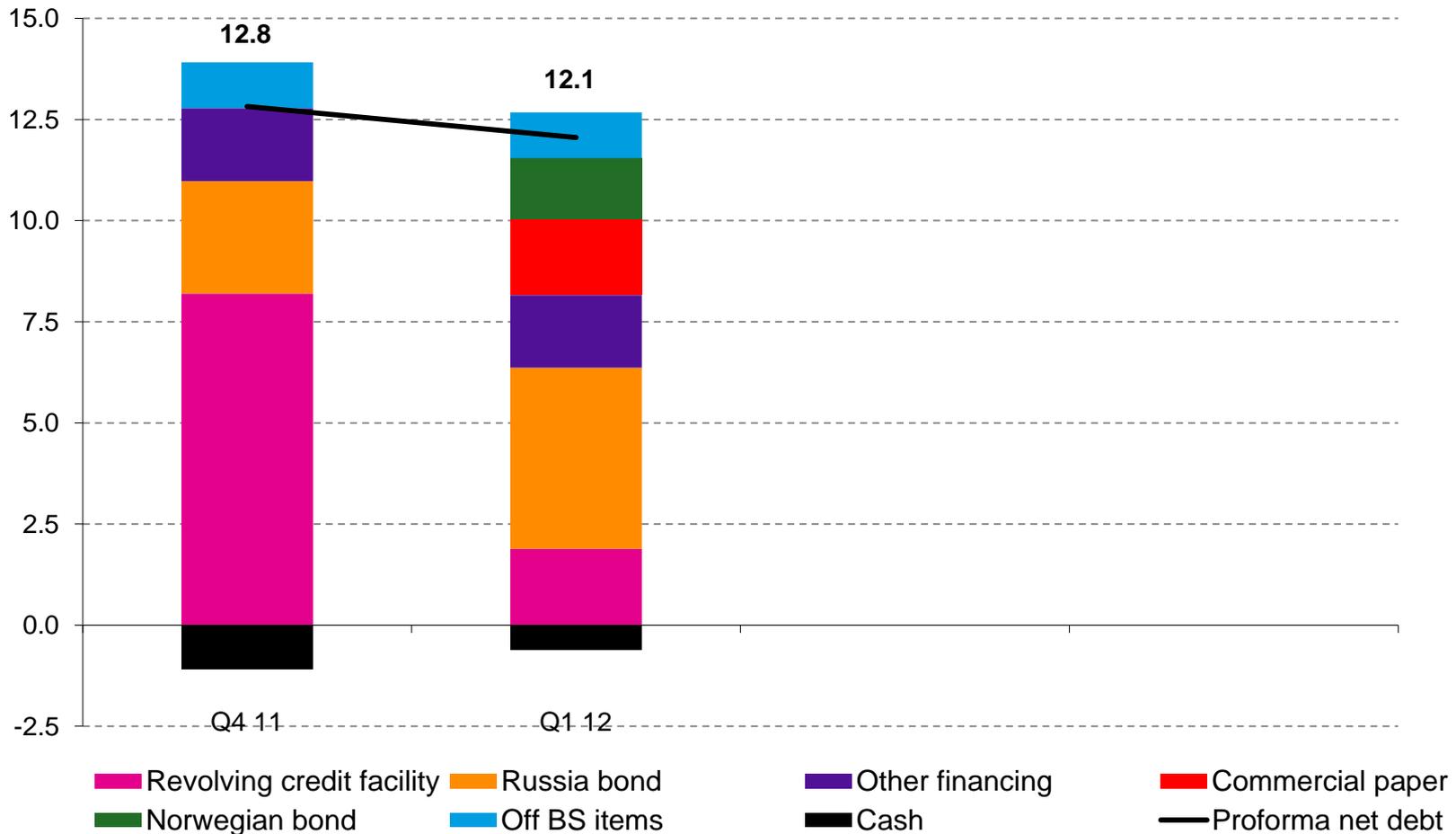
# Cash flow

Cash flow (MSEK)	Q1 2012	Q1 2011	FY 2011
<b>OPERATING ACTIVITIES</b>			
Before paid tax	2 517	2 664	10 895
Paid taxes	-202	-225	-948
Change in working capital	-419	-257	-257
<b>CF from operating activities</b>	<b>1 896</b>	<b>2 182</b>	<b>9 690</b>
<b>INVESTING ACTIVITIES</b>			
CAPEX	-830	-1 016	-5 572
% of net sales	7.9%	10.5%	13.6%
<b>CF after CAPEX</b>	<b>1 066</b>	<b>1 166</b>	<b>4 118</b>
Shares and participations	-198	3	-1 563
<b>Total</b>	<b>868</b>	<b>1 169</b>	<b>2 555</b>

# Proforma financial debt profile

## SOURCES OF FUNDING

SEK Billion



# Bal. sheet consideration / Fin. leverage



Prudent assessment based on (a) status of operations, (b) future strategic opportunities, (c) competitive landscape and (d) general macroeconomic status

# Net debt and dividend targets

## Shareholder remuneration

“Tele2 will seek to pay a progressive ordinary dividend of no less than 50 percent of net income excluding one-off items. Extraordinary dividends and the authority to purchase Tele2’s own shares will be recommended or sought when the anticipated total return to shareholders is deemed to be greater than the achievable returns from the deployment of the capital within the group's operating segments or the acquisition of assets within Tele2’s economic requirements.”

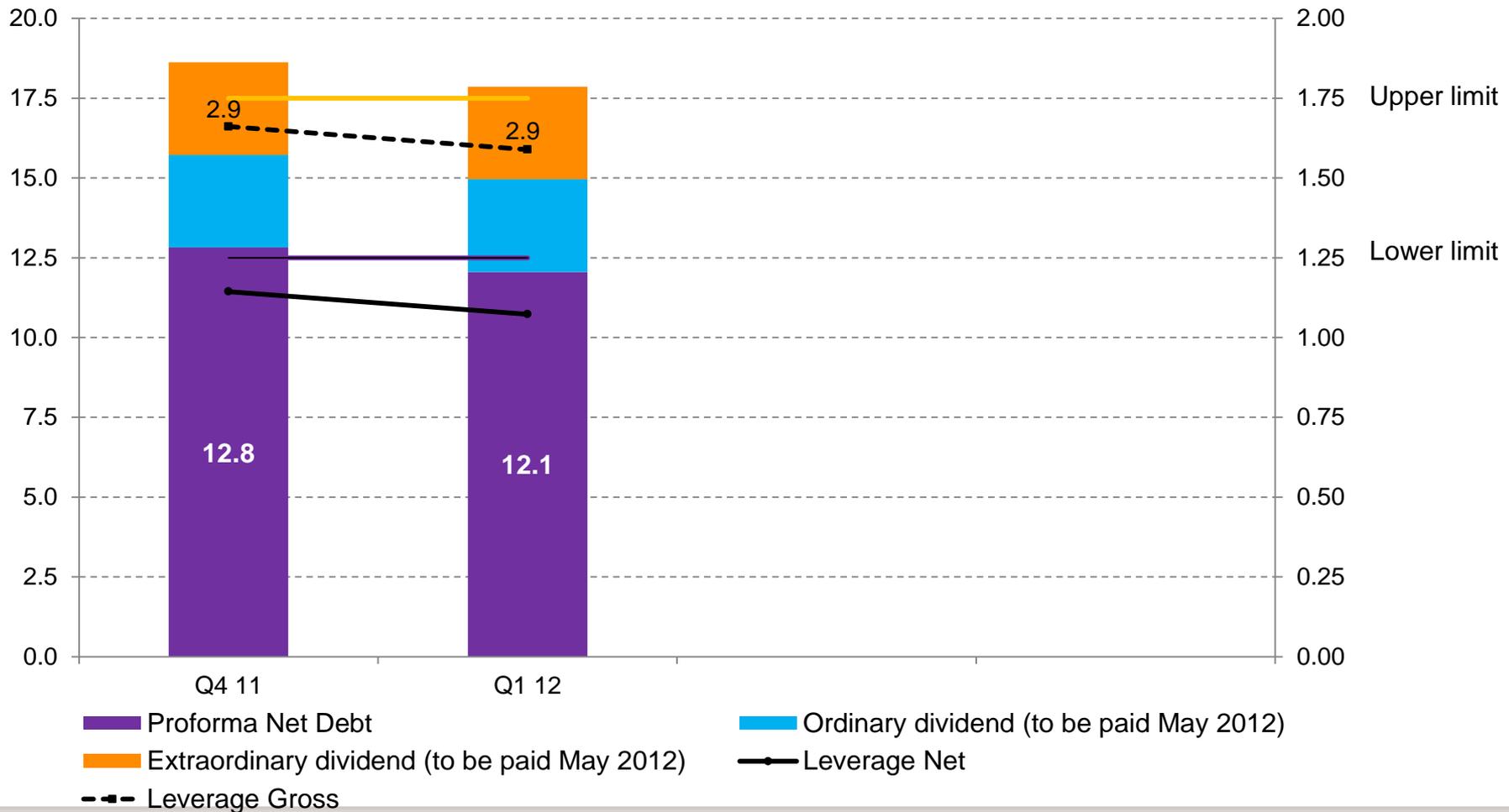
## Balance sheet

“Tele2 has a target net debt to EBITDA ratio of between 1.25 and 1.75 times over the medium term. The company’s longer term financial leverage should be in line with the industry and the markets in which it operates and reflect the status of its operations, future strategic opportunities and contingent liabilities.”

# Debt position and ratio

## PROFORMA FINANCIAL NET DEBT / EBITDA 12'M ROLLING

SEK Billion / Ratio



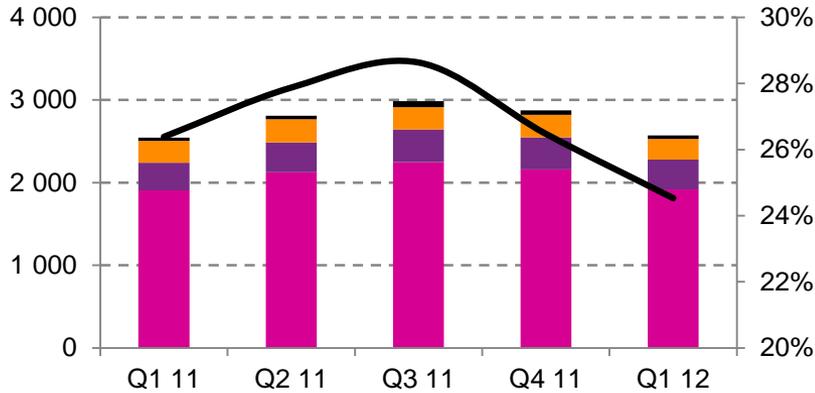
# Group financials

■ Mobile 
 ■ Fixed broadband 
 ■ Fixed telephony 
 ■ Other

## GROUP EBITDA and GROUP EBITDA MARGIN

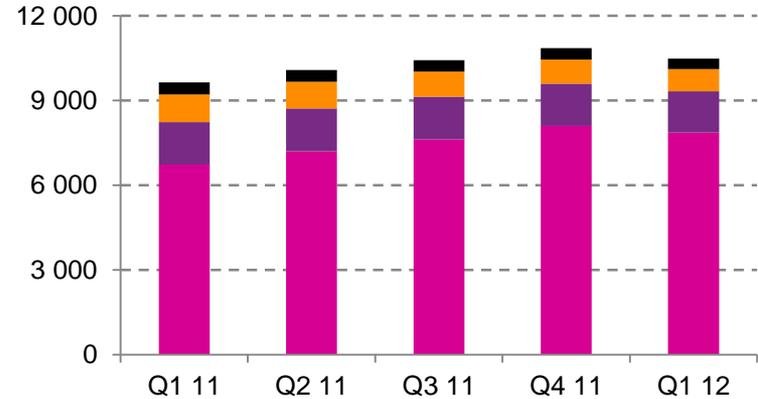
SEK Million

— Group EBITDA margin



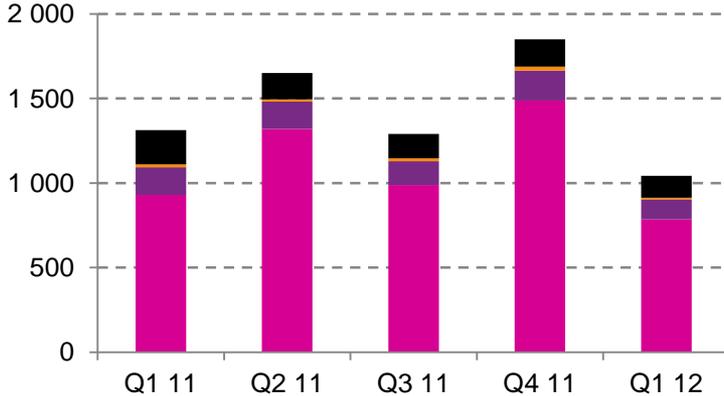
## GROUP NET SALES

SEK Million



## GROUP CAPEX (BS)

SEK Million



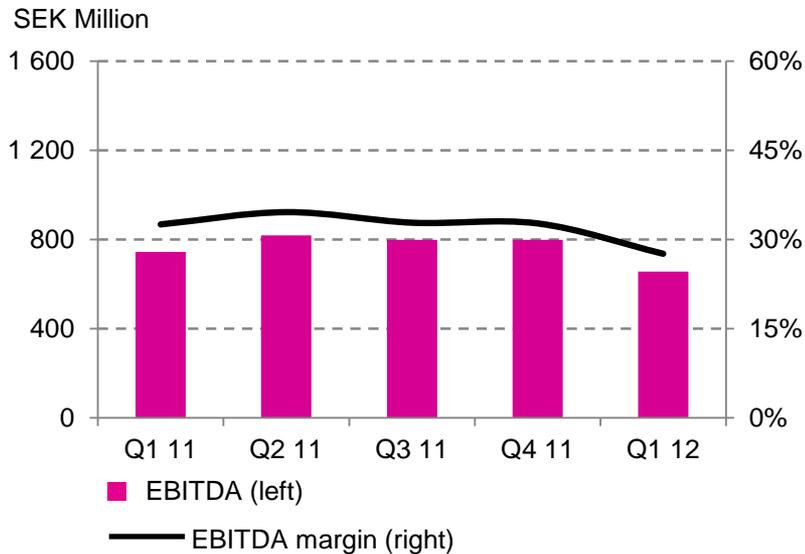
## ROCE (NORMALISED)

Percent

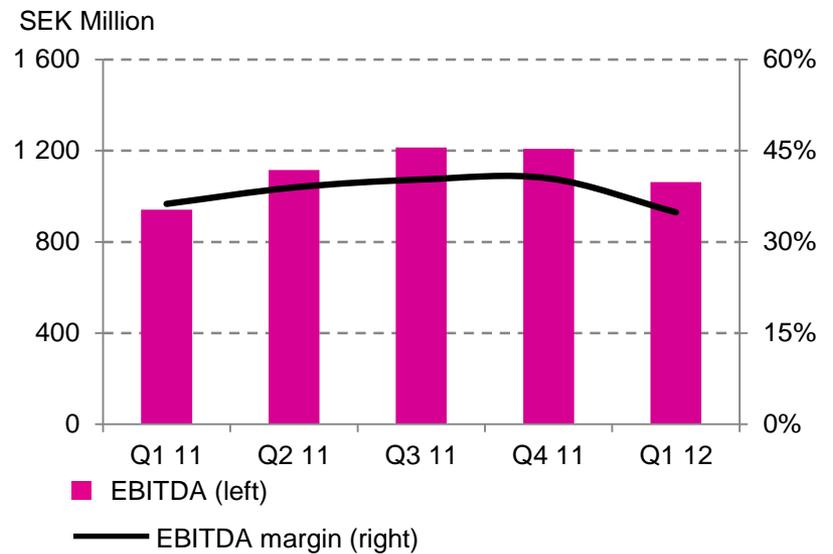


# Mobile EBITDA: Sweden and Russia

## SWEDEN EBITDA and EBITDA MARGIN (MOBILE)



## RUSSIA EBITDA and EBITDA MARGIN (MOBILE)



# Agenda



• About Q1 2012

• Financial review

• **Concluding remarks**

# Concluding remarks

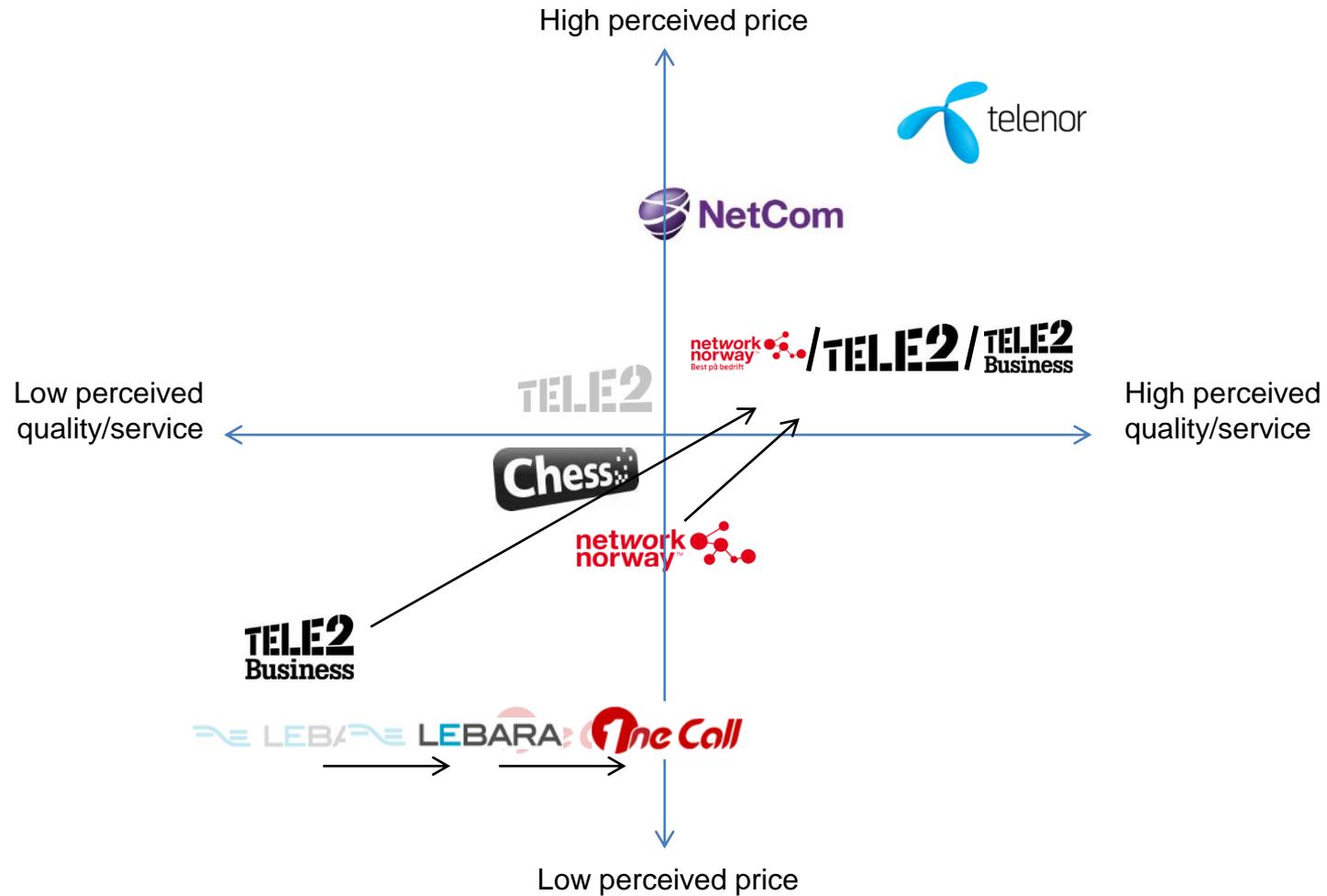
- **Create a strong network based operator in Norway**
- **Start exploiting 4G services in Sweden**
- **Evaluate MNO opportunities in the Netherlands**
- **Complete the launch of mobile services in all regions in Kazakhstan**
- **Progress within technology neutrality**

**TELLE2**

# Q&A

**TELE2**

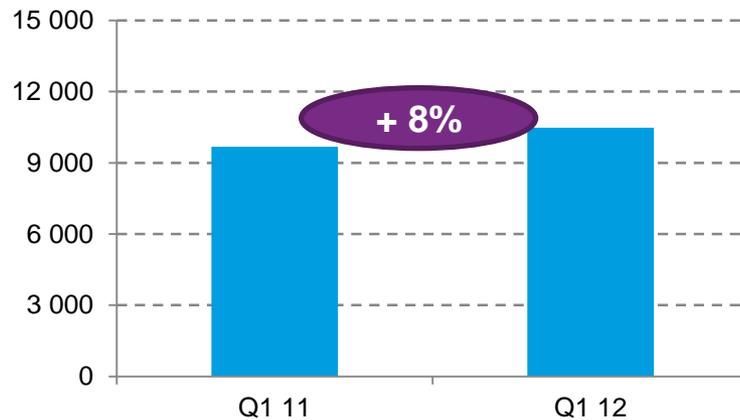
# Norway: Current market positions



# Currency-adjusted sales and EBITDA

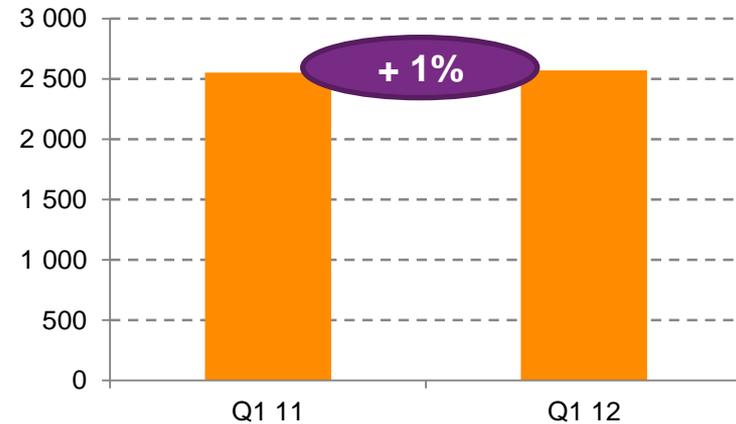
## CURRENCY-ADJUSTED SALES

SEK Million



## CURRENCY-ADJUSTED EBITDA

SEK Million

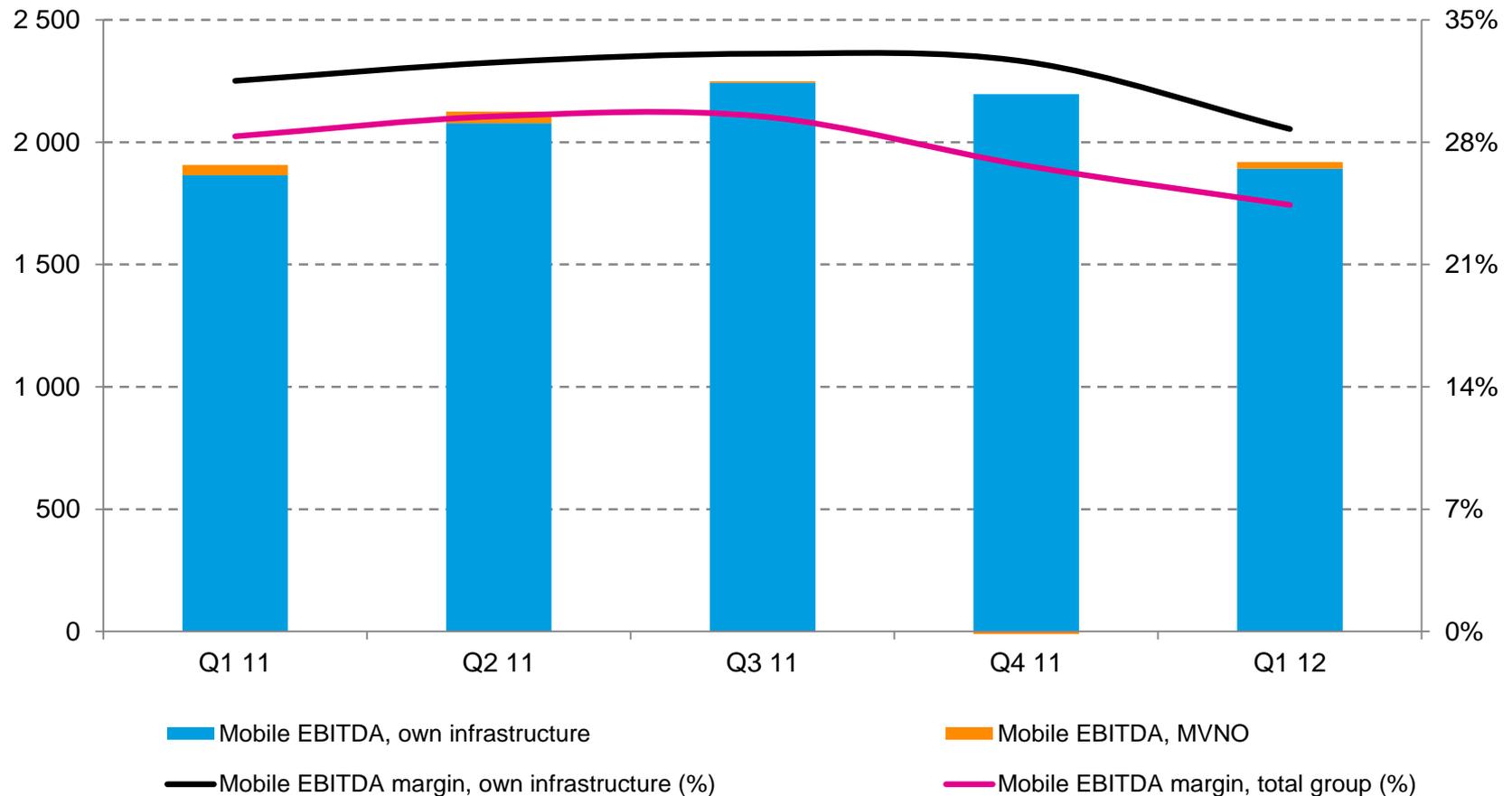


# Group mobile EBITDA



## GROUP MOBILE EBITDA

SEK Million



\* Norway, Netherlands and Germany are treated as MVNO