

# FIRST QUARTER 2009

22 April 2009

**TELE2**

# AGENDA

**CEO review**

**Harri Koponen**

Financial review

Lars Nilsson

Operating review of Mobile

Harri Koponen

Concluding remarks

Harri Koponen

# HIGHLIGHTS Q1

- Robust first quarter with good sales growth and solid EBITDA
- Nordic
  - New partnership in Sweden to build a joint LTE network
  - Swedish mobile operations benefiting from SUNAB JV with stable EBIT contribution
  - EBITDA contribution from Swedish fixed telephony and broadband expanding in the quarter
  - Good EBITDA development in Norway
- Russia
  - Roll-out of new regions accelerated during the quarter
  - EBITDA margin in old regions of 36 percent
- Central Europe
  - Stable EBITDA contribution in the Baltic region
    - Lithuania delivered a record high margin of 37 percent
  - Good operational momentum in Croatia during Q1 2009, adding in total 62,000 new customers
- Western Europe
  - The Dutch operation increased its EBITDA by 88 percent in the first quarter
    - Driven by fixed broadband development
  - The restructuring of the Austrian business delivered first positive EBIT result

# ECONOMIC IMPACT

- Macro economic conditions are still deteriorating
- The effects of the global recession can be observed in some parts of Tele2's operations
- The company has acted
  - Contingency plans in place to prevent an impact of the economic slowdown
  - Measures include scrutinizing both operational and capital expenditures
  - Aim to keep cash generation intact
- The current economic environment gives rise to investment opportunities

# FINANCIAL HIGHLIGHTS Q1 2009

- Robust financial performance in Q1 2009
  - Revenue of SEK 10,120 million, up 6 percent
  - EBITDA of SEK 2,227 million, up 34 percent
  - Cash flow after Capex SEK 682 (508) million
- Low financial gearing with net debt to EBITDA 0.7 times\*)
- Progressive view on dividend
  - Proposed total dividend SEK 5
- New credit facility of SEK 12,000 million
  - A solid financial position that is a good foundation to build upon in 2009

\*) Including obligations to JV

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# Q1 2009 GROUP RESULTS


| SEK million                             | Q1 09         | Q1 08        | Change %   |
|---|---------------|--------------|------------|
| <b>Continuing operations, Net Sales</b> | <b>10,120</b> | <b>9,527</b> | <b>6%</b>  |
| <b>EBITDA</b>                           | <b>2,227</b>  | <b>1,660</b> | <b>34%</b> |
| - EBITDA margin (%)                     | 22,0%         | 17,4%        |            |
| Depreciation and joint venture          | -894          | -930         |            |
| - Depreciation of net sales (%)         | 8,7%          | 9,1%         |            |
| One-off items                           | -4            | 83           |            |
| <b>EBIT</b>                             | <b>1,329</b>  | <b>813</b>   |            |
| Normalized EBIT                         | 1,333         | 730          |            |
| - Normalized EBIT margin (%)            | 13,2%         | 7,7%         |            |
| Financial items                         | -592          | -28          |            |
| Taxes                                   | -273          | -84          |            |
| Net result, continuing operations       | 464           | 701          |            |
| Net result, discontinued operations     | 184           | 49           |            |
| <b>Net result</b>                       | <b>648</b>    | <b>750</b>   |            |

# FINANCIAL ITEMS

| SEK million                                  | Q1 09       | Q1 08      | Diff        |
|--|-------------|------------|-------------|
| <b>External</b>                              |             |            |             |
| Net interest expenses                        | -139        | -88        | -51         |
| → Exchange rate differences, external        | -166        | 102        | -268        |
| Other financial items                        | -20         | -8         | -12         |
|  | <b>-325</b> | <b>6</b>   | <b>-331</b> |
| <b>Exchange rate differences, intragroup</b> | <b>-267</b> | <b>-34</b> | <b>-233</b> |
| <b>Financial items</b>                       | <b>-592</b> | <b>-28</b> | <b>-564</b> |
| → Stronger USD + 7 %                         |             |            |             |



# INTRAGROUP FX

| SEK million                           | Q1 09   | Q1 08       | Diff       |
|---------------------------------------|---|-------------|------------|
| Exchange rate differences, intragroup | -267  | -34         | -233       |
| Other comprehensive income            | -122  | -295        | 173        |
|                                       |  <b>-389</b> | <b>-329</b> | <b>-60</b> |

- Total intragroup FX affecting Q1 389 million SEK, partly reported in **Income statement** and partly in **Comprehensive income**

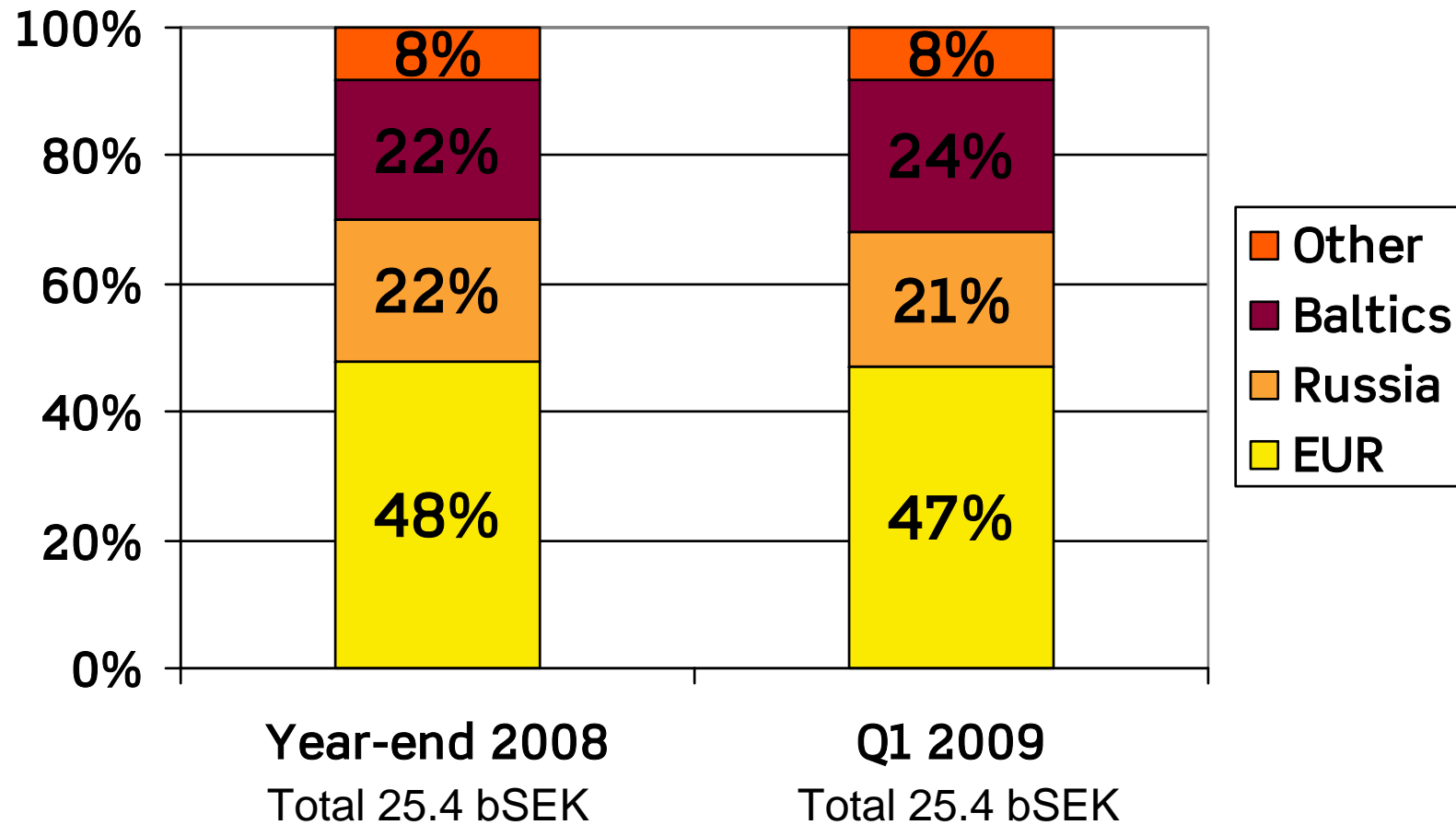
 Weaker RUB – 7 %

# “OUR” CURRENCIES

| Currency  | vs. Q1 2008 | vs. 31 dec 2008 |
|-----------|-------------|-----------------|
| EUR       | + 16 %      | -               |
| RUB       | - 5 %       | - 7 %           |
| ”BALTICS” | + 16 %      | -               |
| USD       | + 34 %      | + 7 %           |

- USD private placement 220 MUSD

# NET ASSETS IN FOREIGN CURRENCIES



# TAXES

- Reported tax for Q1 2009 amounted to SEK -273 million whereof -186 was related to the S.E.C tax dispute. Tax payment affecting cash-flow amounted to SEK 456 million
- In 2009 Tele2 forecasts a corporate tax rate of approximately 20% excluding one-off items
- The tax payment will affect 2009 cash flow by approximately 800 million
- Tax dispute
  - In Q1 2009, Tele2 announced that the company was not allowed to deduct a capital loss of SEK 13.9 billion, which was associated with the liquidation of S.E.C. S.A. in 2001
  - Tele2 will appeal the decision made by the County Administrative Court
  - Tele2 is of the opinion that the dispute will be settled in Tele2's favor and has only provisioned for a limited part

# CASH FLOW FOR Q1 2009

| SEK million                                 | Q1 09        | Q1 08        |
|---|--------------|--------------|
| <b>OPERATING ACTIVITIES</b>                 |              |              |
| Taxes paid                                  | -456         | -320         |
| Cash flow from operations, other            | 1,892        | 1,745        |
| Changes in working capital                  | 395          | 82           |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  | <b>1,831</b> | <b>1,507</b> |
| <b>INVESTING ACTIVITIES</b>                 |              |              |
| CAPEX                                       | -1,149       | -999         |
| <b>Cash Flow after CAPEX</b>                | <b>682</b>   | <b>508</b>   |
| Acquisition of shares and participations    | -59          | -398         |
| Sale of shares and participations           | -38          | -68          |
| Changes of long-term receivables            | 362          | 156          |
| <b>CASH FLOW AFTER INVESTING ACTIVITIES</b> | <b>947</b>   | <b>198</b>   |

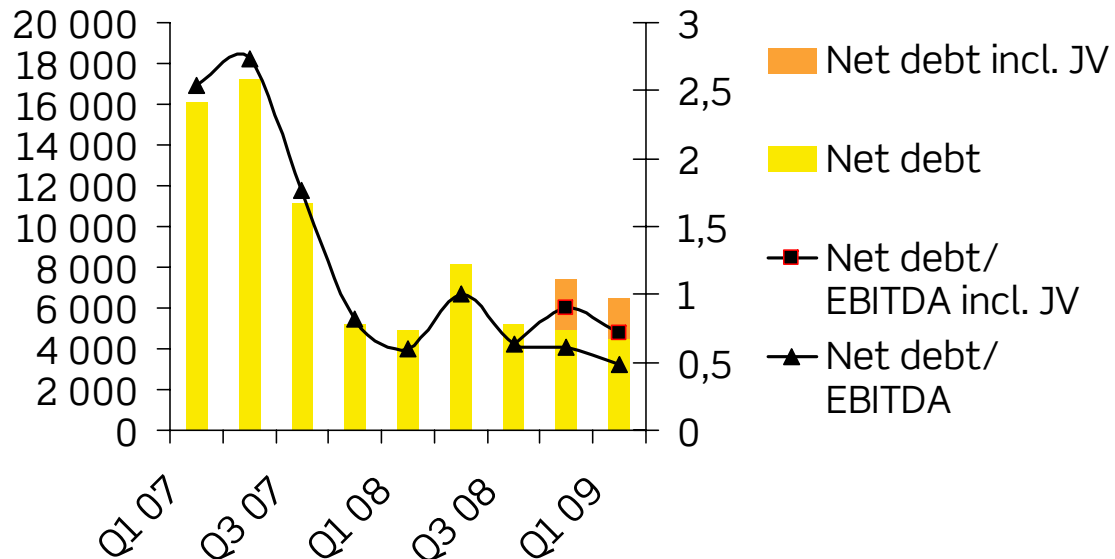
# DIVIDEND PROPOSAL

- Tele2's intention over the medium term is to pay a progressive ordinary dividend to its shareholders
- The board of Tele2 AB has decided to recommend an increase of the ordinary dividend by 11 percent to SEK 3.50 (3.15) per share
- The board has also decided to recommend a special dividend of SEK 1.50 (4.70) per share at the AGM

# BALANCE SHEET Q1 2009

| SEK million                   | Q1 09         | Q1 08         |
|-------------------------------|---------------|---------------|
| <b>Assets</b>                 |               |               |
| FIXED ASSETS                  | 34,446        | 32,866        |
| CURRENT ASSETS                | 11,815        | 15,485        |
| <b>ASSETS</b>                 | <b>46,261</b> | <b>48,351</b> |
| <br>                          |               |               |
| <b>Equity and liabilities</b> |               |               |
| SHAREHOLDERS' EQUITY          | 28,746        | 27,173        |
| LONG-TERM LIABILITIES         | 5,633         | 5,731         |
| SHORT-TERM LIABILITIES        | 11,882        | 15,447        |
| <b>EQUITY AND LIABILITIES</b> | <b>46,261</b> | <b>48,351</b> |

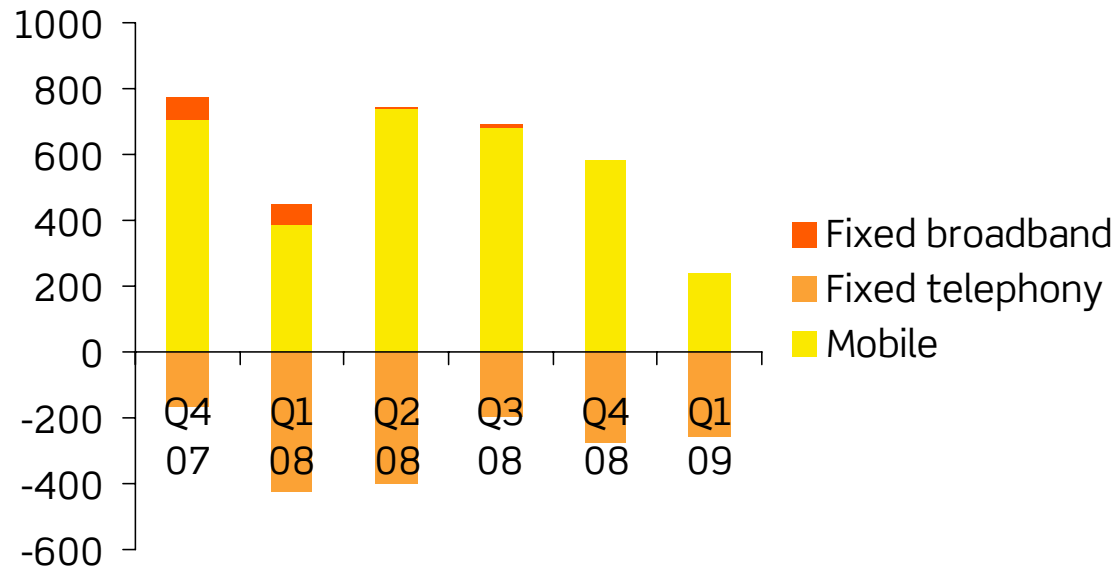
# GROUP FINANCIAL PROFILE



- Net debt amounted to SEK 4,433 (4,935) million in Q1 2009
  - 0.5 times FY 2008 EBITDA
  - 0.7 times FY 2008 EBITDA including guarantees to JV

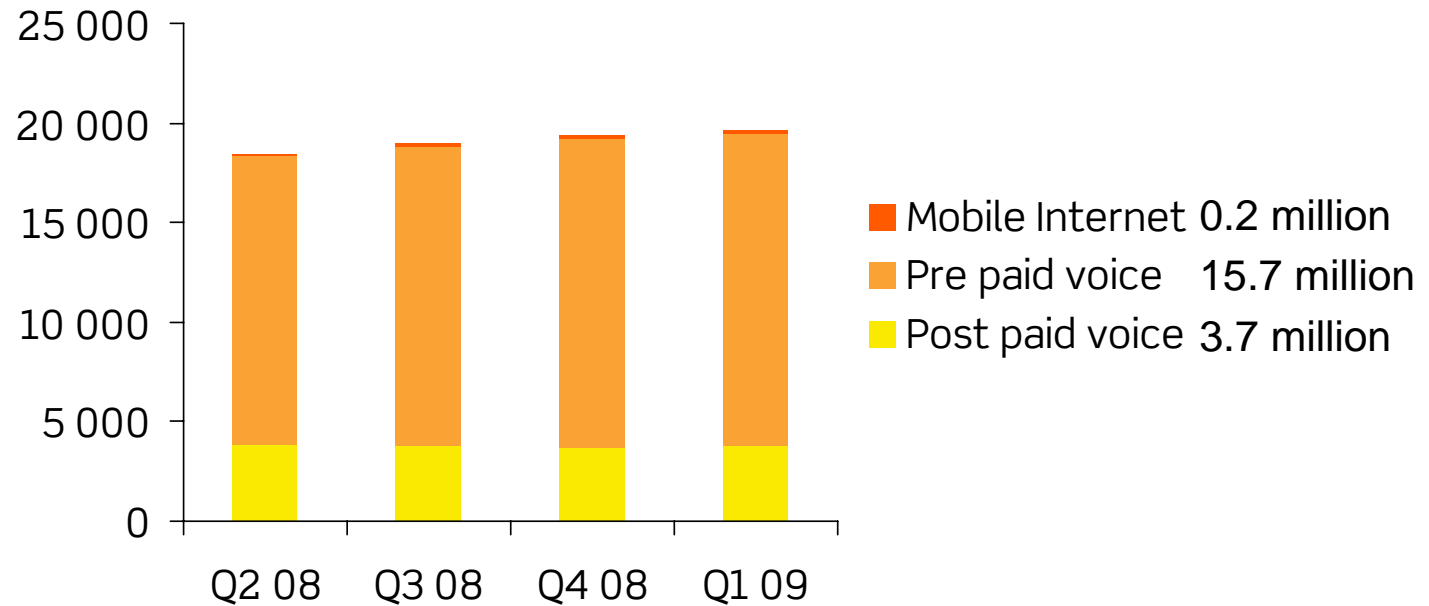


# NET INTAKE PER SEGMENT



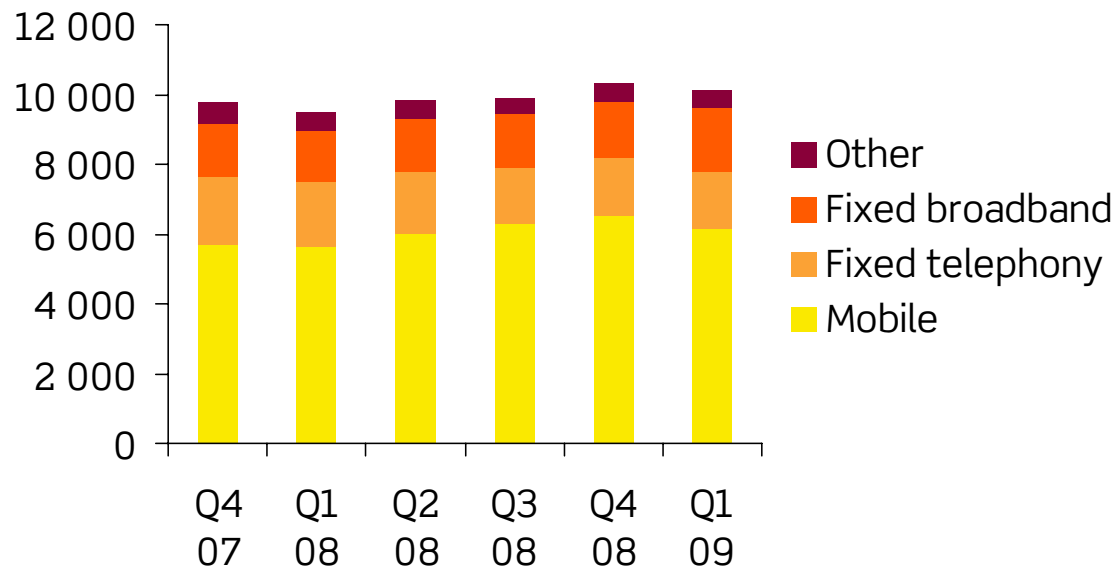
- Tele2 has experienced a general slowdown in customer activity affecting overall intake
- Mobile customer base increasing by 239,000 new users

# GROUP Q1 2009 MOBILE



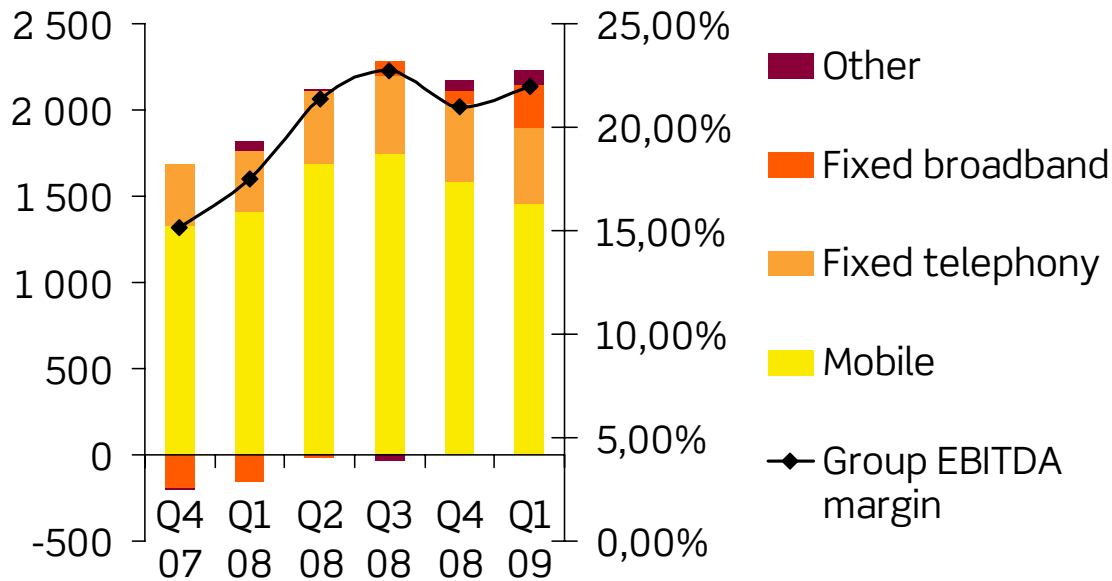
- Total number of mobile customers 19.6 million Q1 2009

# GROUP Q1 2009 NET SALES



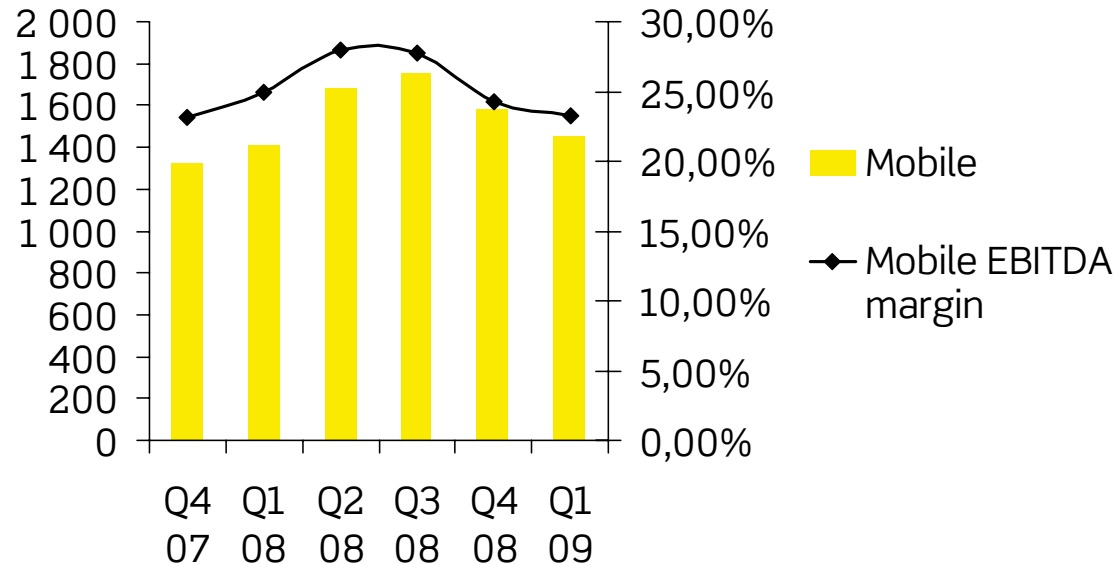
- Mobile net sales SEK 6 175 million, up 9 percent
  - Favorable currency movement contributed by approximately SEK 500 million in quarter
- Fixed Broadband net sales SEK 1 807 million, up 24 percent
  - Main driver fixed broadband in Tele2 Netherlands

# GROUP Q1 2009 EBITDA



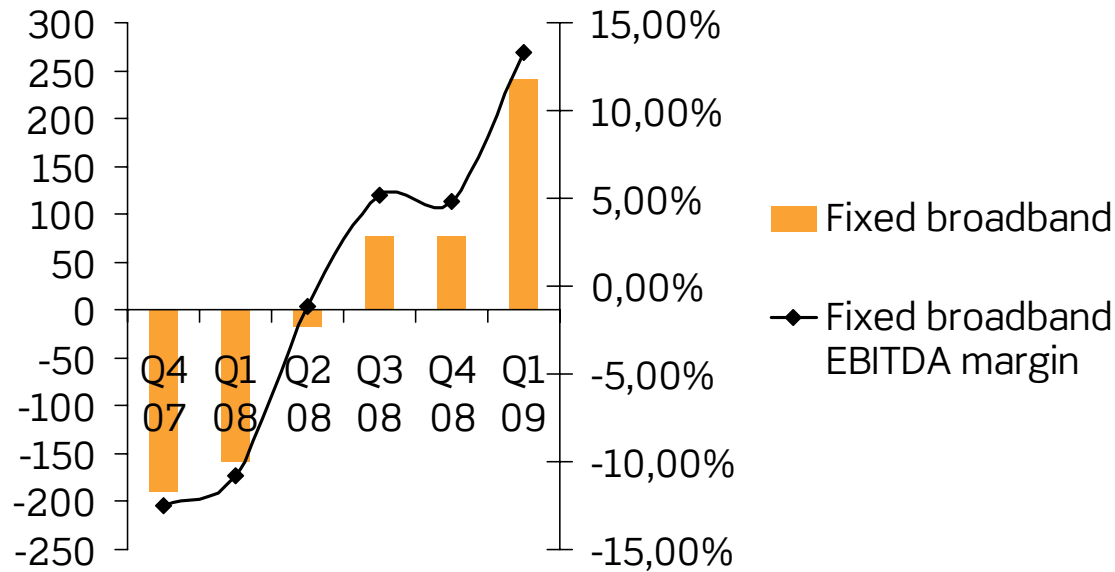
- Group EBITDA margin 22 percent
  - Lithuania delivering new record EBITDA margin of 37 percent
  - Improved performance in the Dutch and Austrian fixed broadband operations
  - Launch costs in Russia together with increased marketing and 3G traffic expenses weighted on the mobile performance

# MOBILE Q1 2009 EBITDA



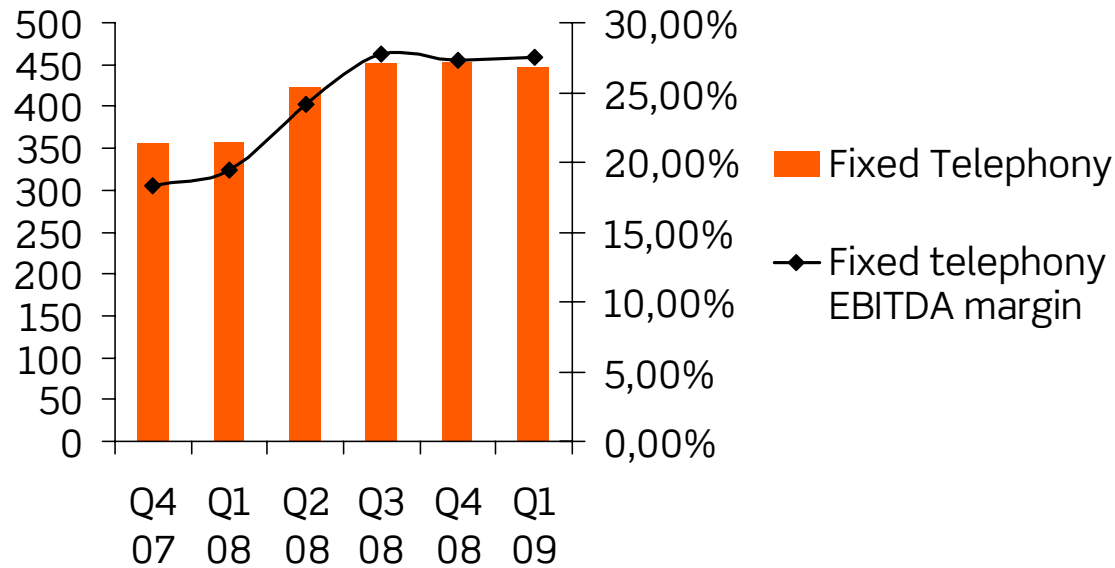
- Mobile EBITDA margin 23 percent
  - Launch costs in Russia affecting the quarter. FY 2009 expecting opex of SEK 500-700million related to the roll-out of the 17 new licenses
  - Swedish mobile operations affected by higher marketing costs due better post-paid intake and a larger part of the total traffic being carried on the 3G network
  - Stable performance in the Baltic region

# FIXED BROADBAND Q1 2009 EBITDA



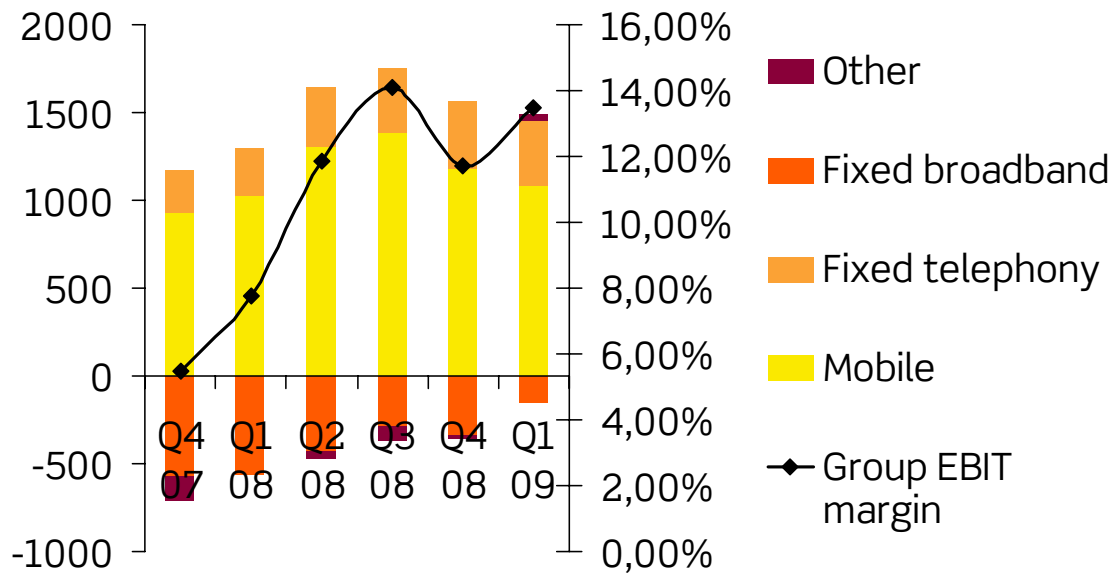
- Fixed broadband EBITDA margin 13 percent
  - Excellent performance in Tele2 Netherlands driven by continued success in the B2B and consumer segment
  - The Austrian operations benefiting from the restructuring process

# FIXED TELEPHONY Q1 2009 EBITDA



- Fixed telephony EBITDA margin 27 percent
  - Focus on maintaining relative performance

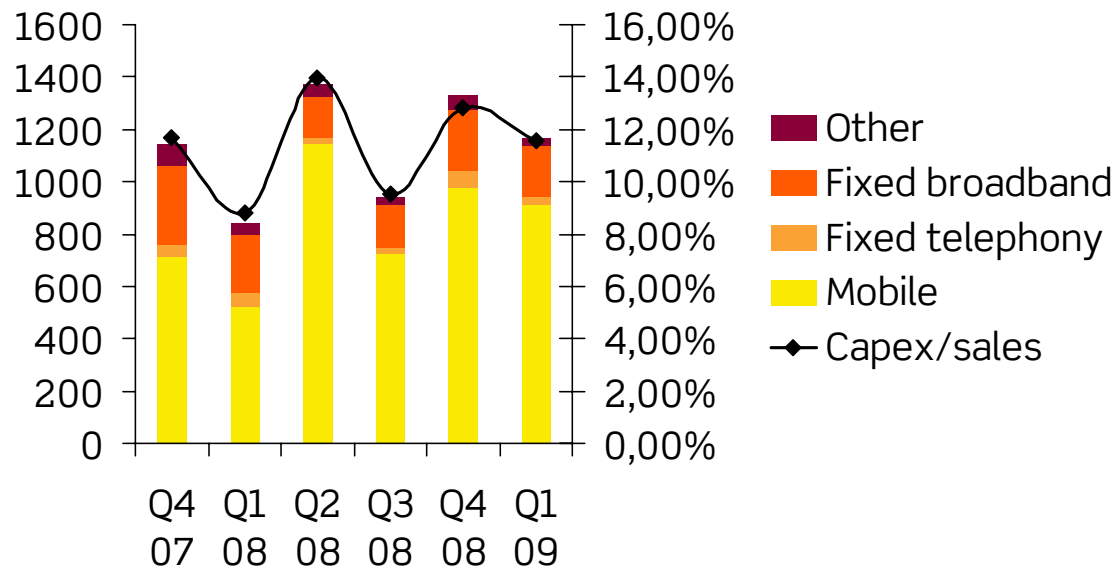
# GROUP Q1 2009 EBIT



- Group EBIT margin 13% percent excluding one-off item
- Improved operational performance in fixed broadband and fixed telephony lifting EBIT performance
  - Benefits with SUNAB giving stable EBIT contribution from Sweden mobile



# GROUP Q1 2009 CAPEX



- Group Capex SEK 1,168 million or 12 percent of net sales
  - FY 2009 expectation in the range of SEK 4,700-4,900 million, affected by FX movement
- Expansion in Russia the main driver
  - FY 2009 expectation in the range of SEK 1,300-1,500 million related to roll-out of new licenses

# FINANCIAL SUMMARY

- Overall solid operational performance
- EBIT positive in all markets except for Croatia
- All segments showing strong results
- Robust liquidity profile after refinancing and strong cash flow

However, the effects of the global recession can be observed in some parts of Tele2's operations

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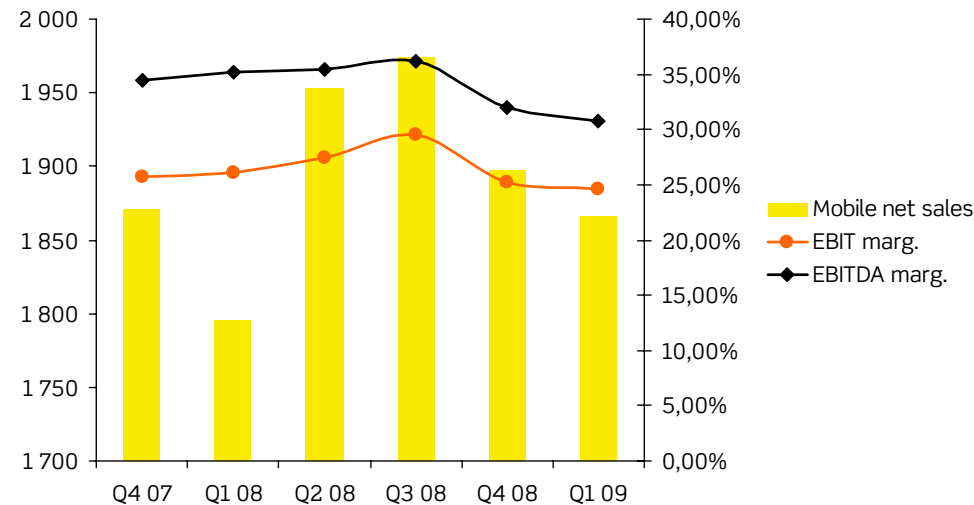
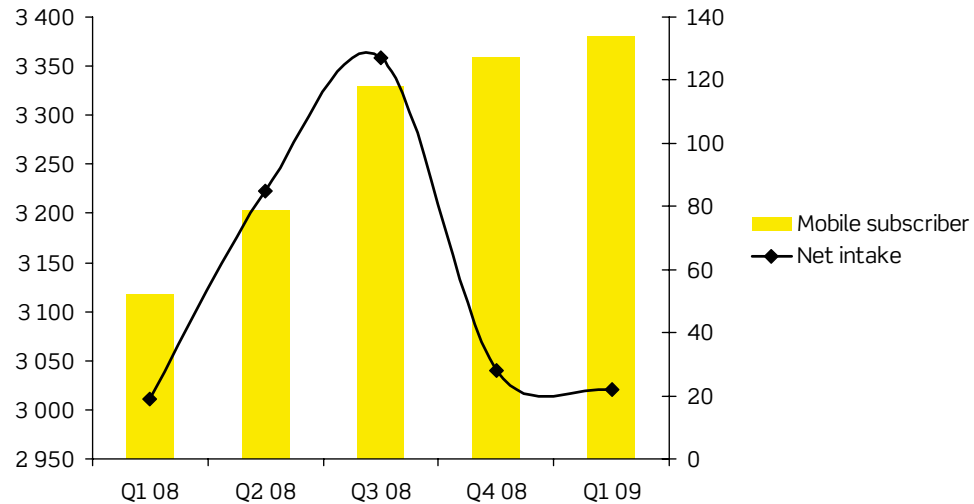
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# GENERAL MARKET TRENDS IN MOBILE

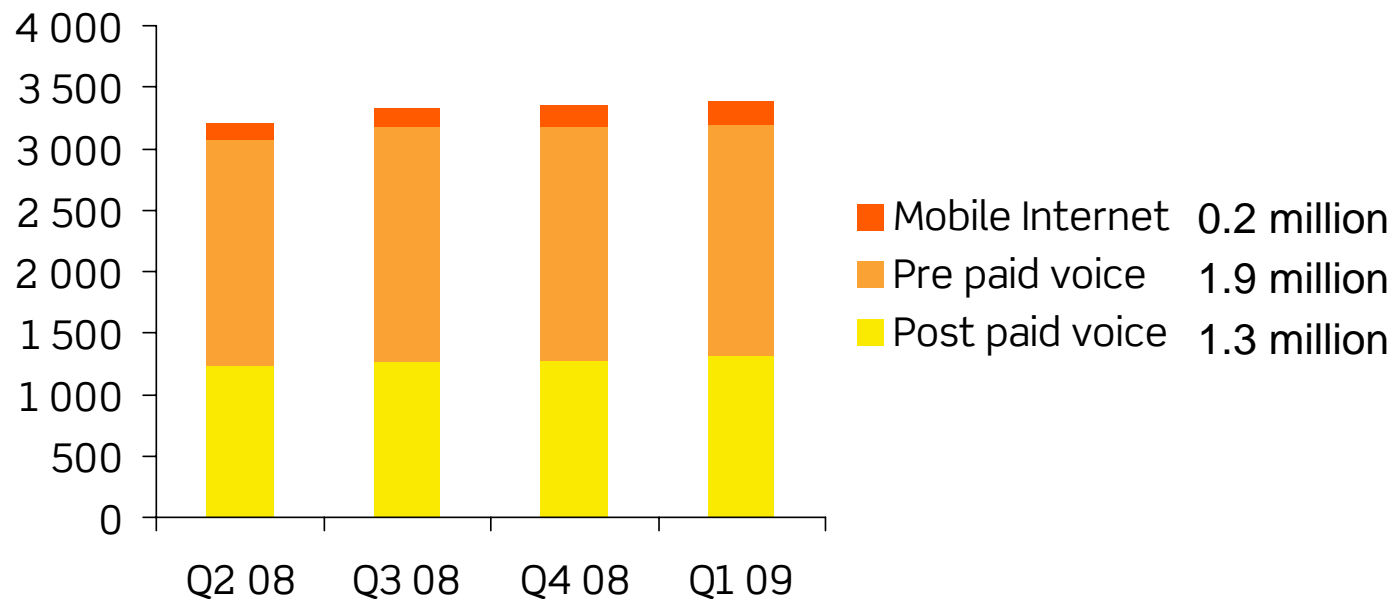
- Customer intake affected by current macro environment
  - More price sensitive and interested in SIM only offers
- No clear trend in MoU
  - Some markets showing slowdown in usage
- Pricing environment for basic voice fairly stable
- Good interest in mobile Internet services
- Operators having better pricing power

# TELE2 SWEDEN MOBILE



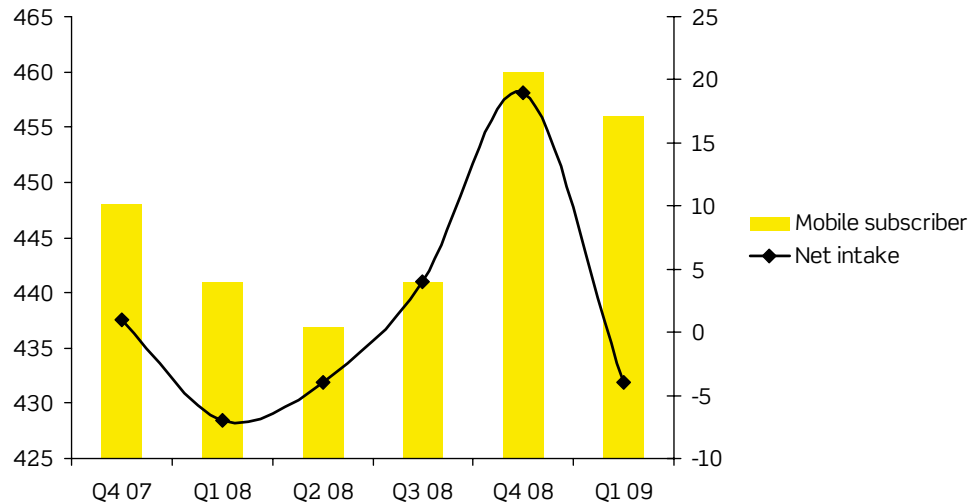
- Revenue growth of 3 percent
- Slowing customer activity in voice services
  - Lower pre-paid intake due to higher churn
  - Better post-paid intake and prolonged interest in SIM-only offers
- 15.000 new mobile Internet users
  - Total base 185,000
- MoU continue to grow, both voice and VAS
- New partnership regarding future LTE network deployment
- EBITDA 32 percent
  - More traffic carried over the 3G network/SUNAB JV
  - Higher intake of post-paid customers leading to increased marketing costs

# TELE2 SWEDEN MOBILE (contd)

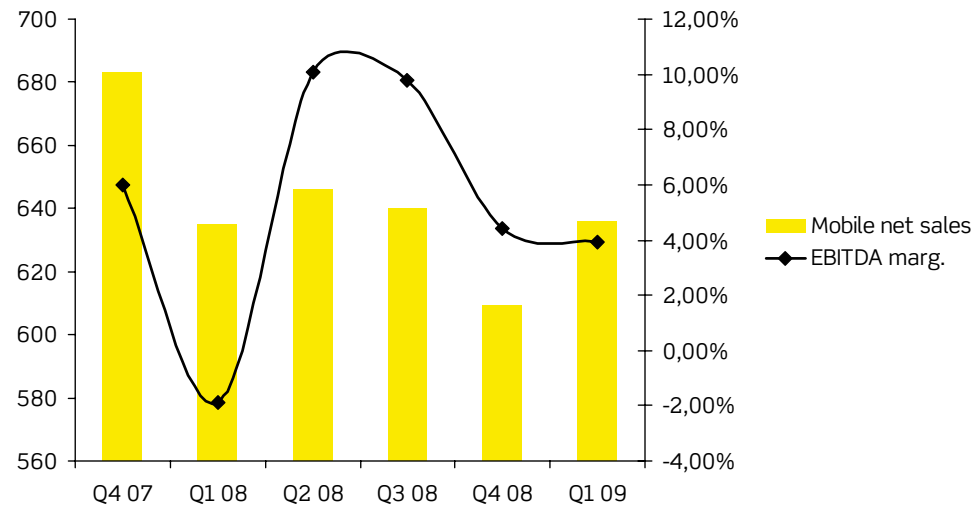


- Total number of mobile customers 3.4 Q1 2009

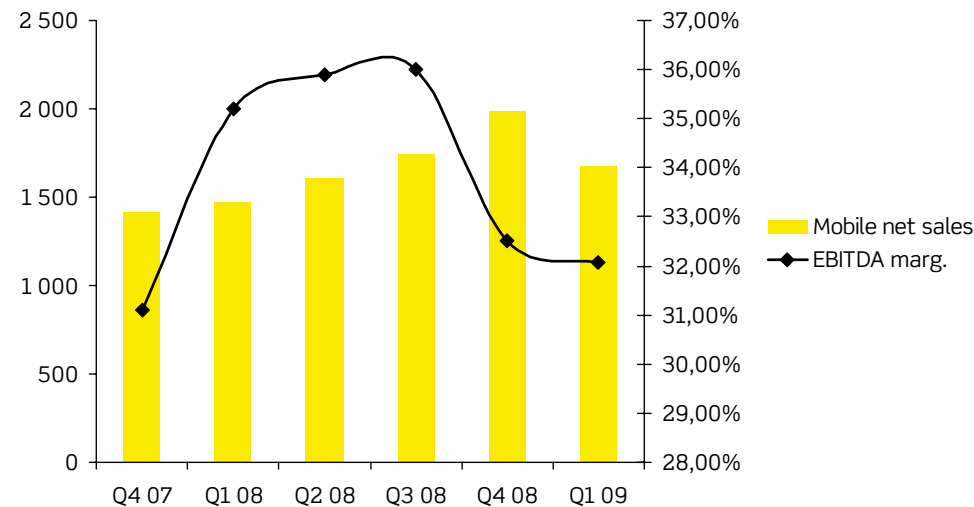
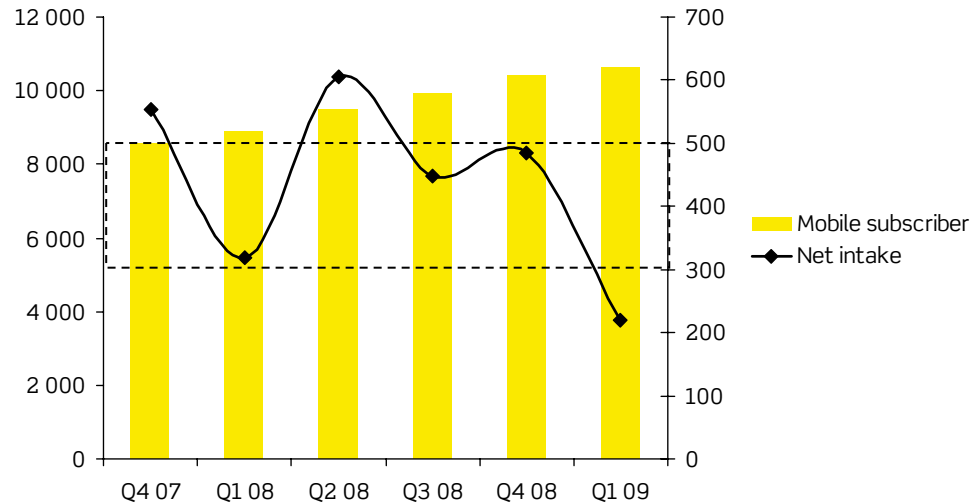
# TELE2 NORWAY MOBILE



- Tele2 staying the price leader despite tough market conditions
- Underlying customer intake 7,000 in Q1 2009
  - 11,000 customers cancelled due to inactivity
- ARPU positively impacted by a “cleaner” customer base
- EBITDA contribution despite lower termination rate from February
- Network Norway JV affecting EBIT by SEK -16 million



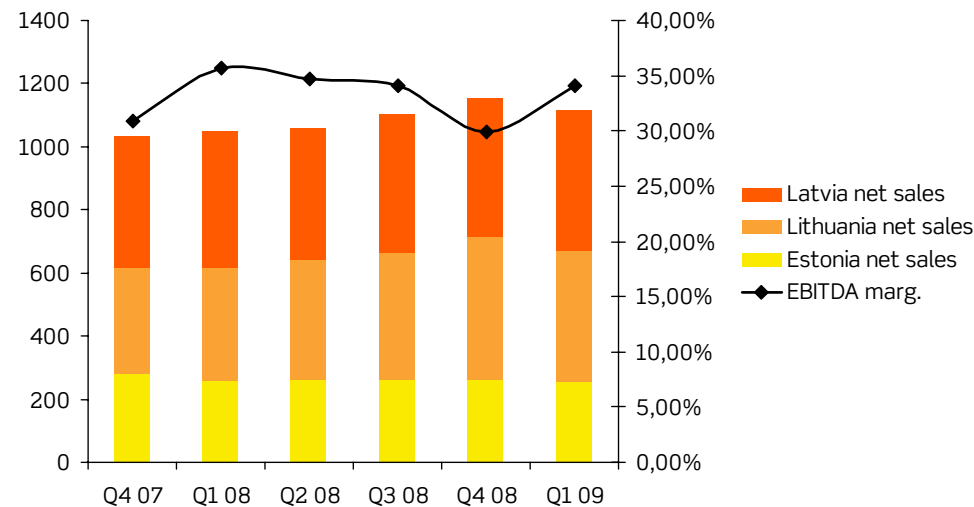
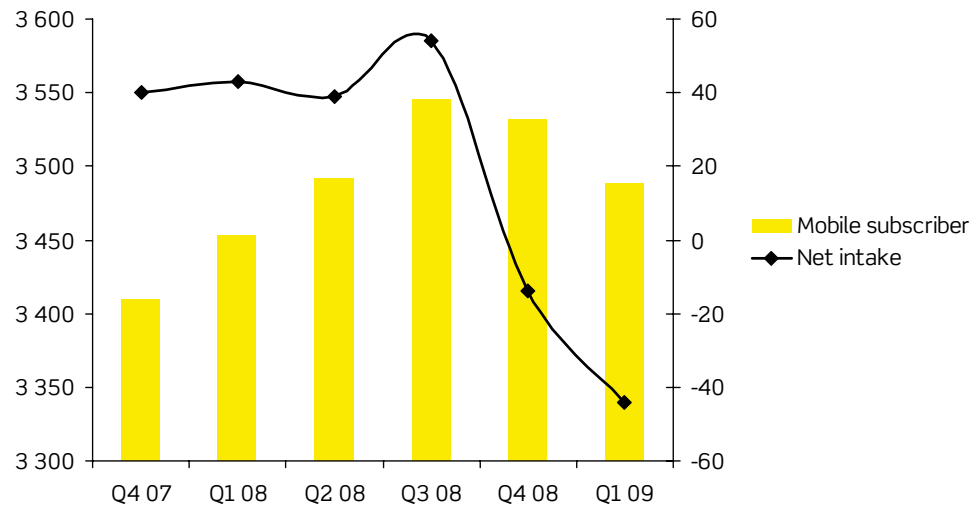
# TELE2 RUSSIA MOBILE



- Revenue growth in local currency 20 percent
  - Overall result affected negatively by FX movements
- More than 10.6 million customers
  - Net intake in the quarter lower than internal expectation
- Stable ARPU development despite economic weakness
- Roll-out of new GSM licenses accelerated in the quarter
  - Opex costs from new regions affecting total EBITDA in Q1 2009
- Improved network quality and data usage through the introduction of EDGE technology

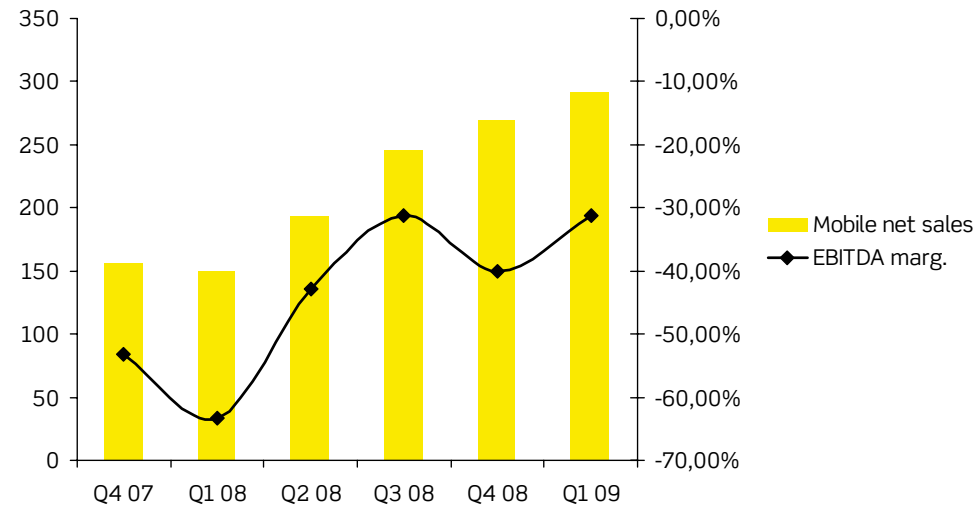
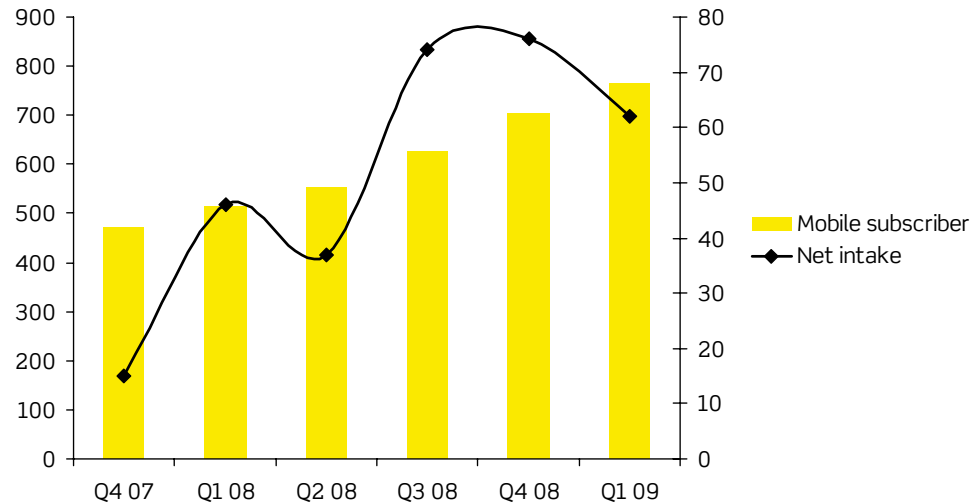


# TELE2 BALTIC MOBILE



- Challenging economic environment
  - Lithuania more stable than Estonia/Latvia
  - Price competition in Latvia fierce
- Robust EBITDA development despite current economic climate
  - Lithuania 37 percent EBITDA margin
- Price leadership creating opportunities
  - Focus on higher ARPU segments and enterprise customers

# TELE2 CROATIA MOBILE



- The Croatian operations developing according to plan
- Good customer intake in the quarter
  - Improved marketing strategy leading to improved customer perception
- Opex affected by higher marketing spending and acquisition costs

# REGULATION

## Mobile regulation

- Europe has been the foundation for many mobile operators
- Predictable regulatory agenda important to prolong this trend
- Frequency re-farming is a sign of proactive thinking of the national regulators in Sweden
  - Hopefully a data point that will become a trend throughout Europe

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# CONCLUDING REMARKS

- The quarter showed good revenue development together with solid EBITDA contribution
- The company has acted on economic slowdown
- Solid financial position a good foundation to build upon in 2009
- Top priorities in 2009
  - Tele2 will continue to focus on cost discipline in all parts of the organization
    - Tele2 should use its cost advantage to carefully move its position forward
  - Roll-out of new regions in Russia
  - Develop our mobile operations
    - Compose a product portfolio that goes in line with the needs of our customers
  - Tele2 will work harder in the corporate segment In both the Nordic and Western European regions

# Q&A