

# SECOND QUARTER 2014

16<sup>th</sup> of July 2014  
Tele2 AB

**TELE2**

# Q2 2014 in brief

# Tele2 Group – Financial overview

Net sales  
(SEK billion)

**6.34**

(6.42)

EBITDA  
(SEK billion)

**1.47**

(1.47)

EBITDA margin  
(percent)

**23**

(23)

CAPEX  
(SEK billion)

**0.85**

(0.71)

## Q2 Financial Highlights

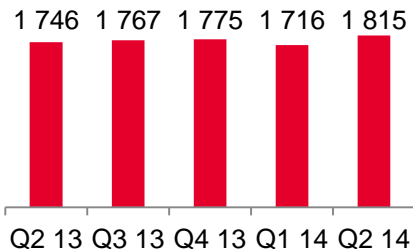
- Sale of Norwegian operations for a cash value of SEK 5.3 billion
- Total mobile net customer intake 286,000
- Mobile end-user service revenue grew by 7 percent

# Mobile end-user service revenue

## Sweden

(SEK million)

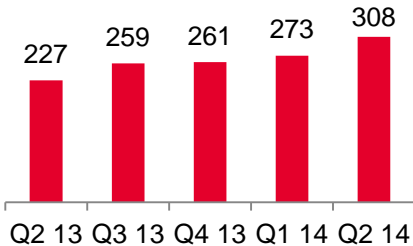
4%



## Netherlands

(SEK million)

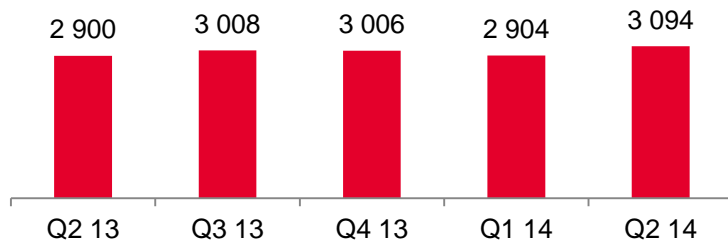
36%



## Tele2 Group

(SEK million)

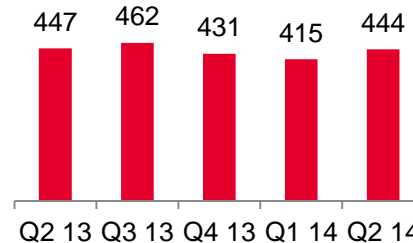
7%



## Baltics

(SEK million)

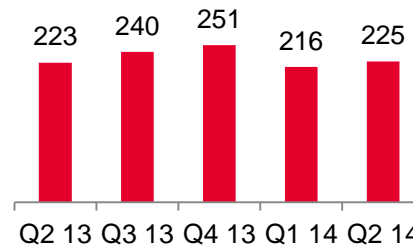
-1%



## Kazakhstan

(SEK million)

1%  
(21%\*)



Note: Mobile end-user service revenue excludes interconnect and equipment sales.

\*Kazakhstan growth adjusted for currency fluctuations mainly due to devaluation.

# Significant events in the quarter



Solid progress in both consumer mobile and B2B



MNO roll out is gathering pace, CAPEX is up over 40 percent quarter-on-quarter



Strong net intake of 213,000



Encouraging performance with 45,000 net intake and 10 percent EBITDA margin

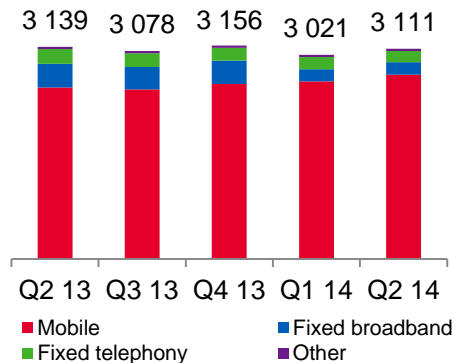


Sale of Norwegian operations for a cash value of SEK 5.3 billion

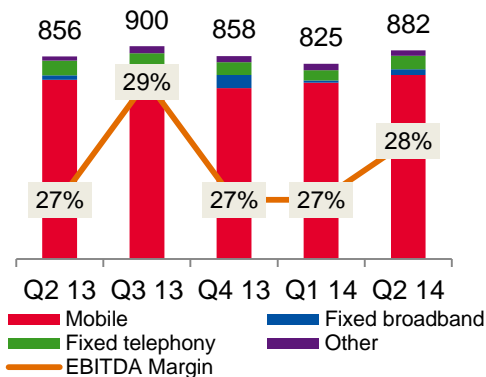
# Country Performance

# Tele2 Sweden

Net sales  
(SEK million)



EBITDA  
(SEK million)



A strong quarter with many new and extended business contracts

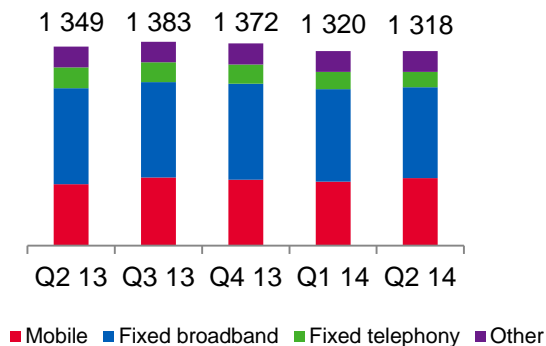


## Q2 Highlights

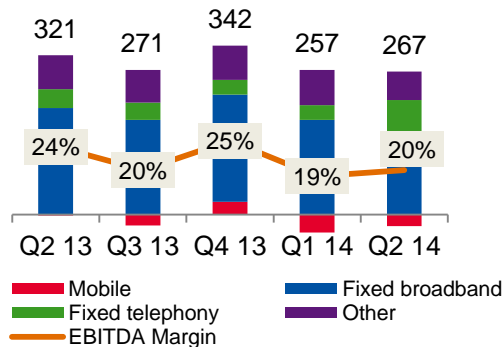
- **Overall:** End-user service revenue grew by 4 percent in the quarter
- **Residential:** Almost 60 percent of customer stock now on bucket price plans and over 90 percent of sold handsets were 4G enabled, demonstrating the strong demand for mobile data
- **Business:** The mobile service revenue growth continued and an all-time high of 55 percent\* of the Swedish business market is now considering choosing Tele2 as an operator

# Tele2 Netherlands

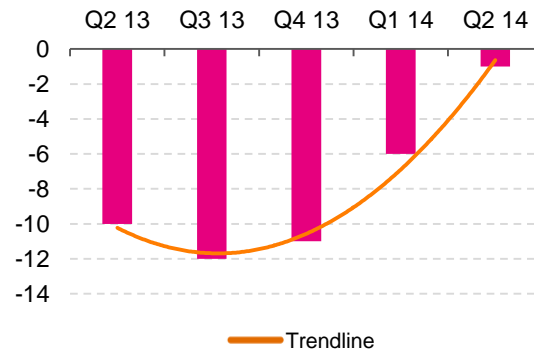
Net sales  
(SEK million)



EBITDA  
(SEK million)



Net intake Fixed Broadband  
(Thousands)



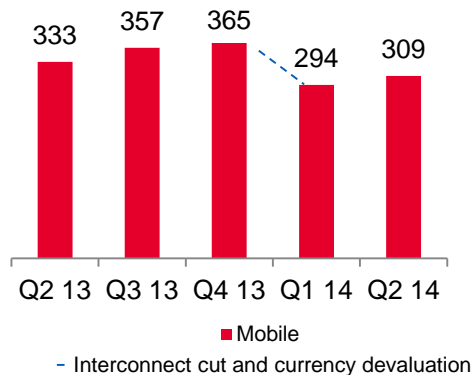
## Q2 Highlights

- **Consumer Mobile:** Only mobile operator showing growth for 10th consecutive quarters
- **MNO:** Roll out is gathering pace, CAPEX is up over 40 percent quarter-on-quarter
- **Consumer Broadband:** Expanded high speed bandwidth (VDSL) footprint from 1.5 million to 3.8 million households
- **B2B:** Added several big accounts to portfolio including KLM & Nuon

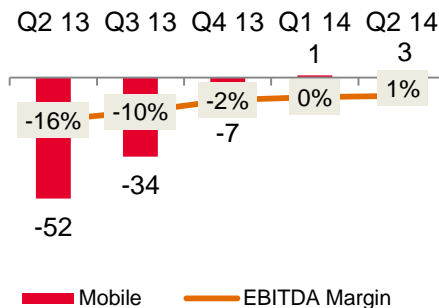


# Tele2 Kazakhstan

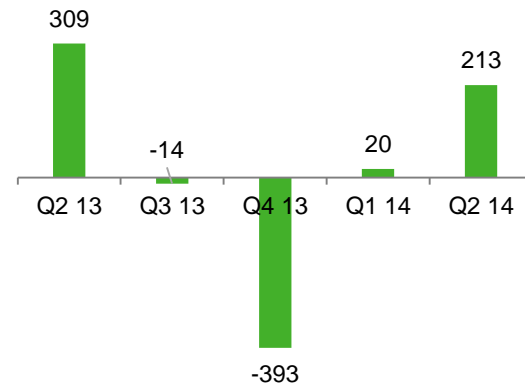
Net sales  
(SEK million)



EBITDA  
(SEK million)



Net intake  
(Thousands)



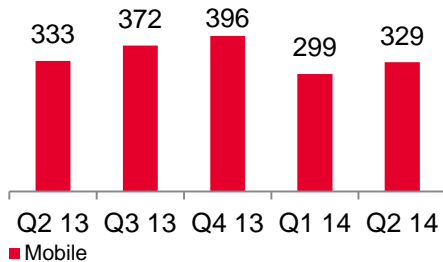
## Q2 Highlights

- Continued commercial momentum with 213,000 net intake and significant growth within data services
- Increased customer base as well as increased usage has resulted in Q2 2014 revenue of SEK 309 million, which is 5 percent higher than Q1 2014
- Currency adjusted mobile end-user service revenue grew by 21% in the quarter

# Tele2 Croatia and Tele2 Lithuania

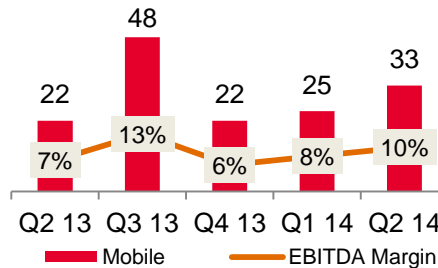
## Croatia Net sales

(SEK million)



## Croatia EBITDA

(SEK million)

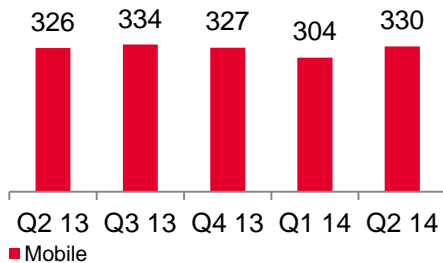


## Croatia Q2 Highlights

- Strong net intake at 45,000
- YoY EBITDA growth 50 percent
- More uncertain regulatory environment as local government unexpectedly announced the increase of radio frequency fees by three times by December 2014

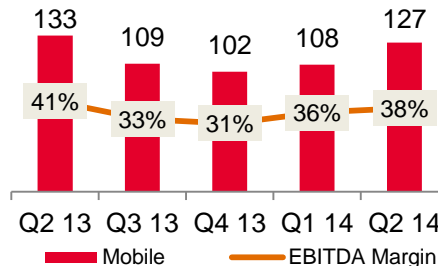
## Lithuania Net sales

(SEK million)



## Lithuania EBITDA

(SEK million)



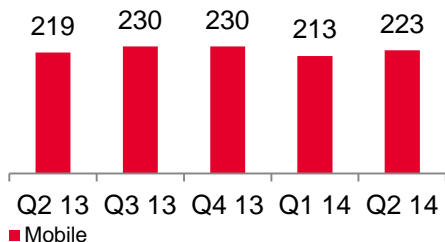
## Lithuania Q2 Highlights

- Continued to deliver strong results with EBITDA margin at 38 percent
- Key focus is on 3G/LTE network rollout to ensure provision of high quality data services in the future
- Awarded most efficient company

# Tele2 Latvia and Tele2 Estonia

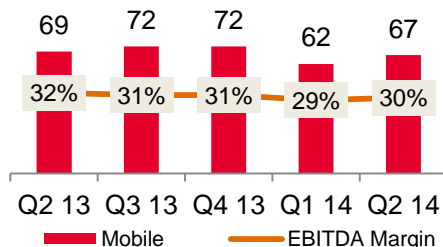
## Latvia Net sales

(SEK million)



## Latvia EBITDA

(SEK million)

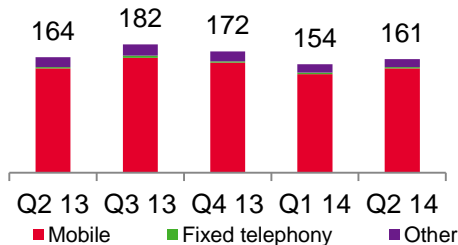


## Latvia Q2 Highlights

- Network-swap finalized
- Attention to service excellence and performance is defending our position in a highly competitive pricing environment
- Awarded best customer service

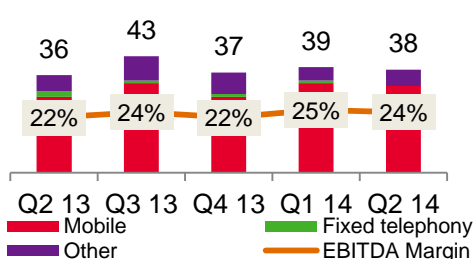
## Estonia Net sales

(SEK million)



## Estonia EBITDA

(SEK million)



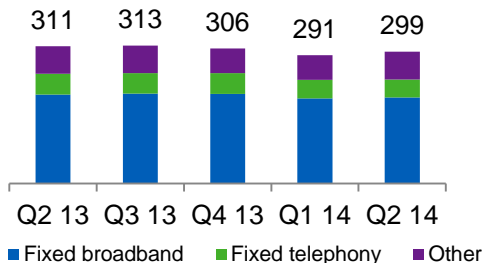
## Estonia Q2 Highlights

- Key focus continues to be on improved intake through number portability
- Solid financial performance despite difficult market conditions

# Tele2 Austria and Tele2 Germany

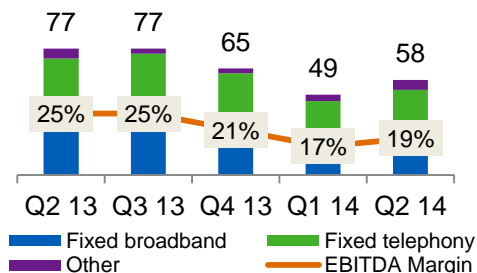
## Austria Net sales

(SEK million)



## Austria EBITDA

(SEK million)

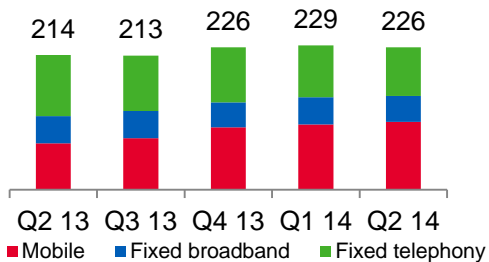


## Austria Q2 Highlights

- Focus is growing B2B customer base and improving brand awareness
- EBITDA margin affected by our investment in growth and marketing spending to increase brand awareness

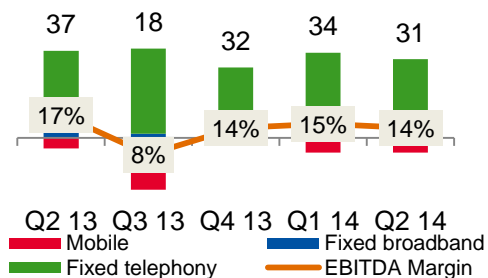
## Germany Net sales

(SEK million)



## Germany EBITDA

(SEK million)



## Germany Q2 Highlights

- Mobile intake was very strong at 18,000
- Key focus in mobile intake now to improve quality of intake and reduce bad debts
- EBITDA margin affected by investment in mobile growth

# Financial Overview

# Group result Q2 2014

SEK million

	Q2 2014	Q2 2013	▲%
<b>Net sales</b>	<b>6,343</b>	<b>6,424</b>	<b>-1.3%</b>
<b>EBITDA</b>	<b>1,466</b>	<b>1,474</b>	<b>-0.5%</b>
EBITDA margin (%)	23.1%	22.9%	0.2%
Depreciation & associated companies	-680	-705	-3.5%
Depreciation of net sales (%)	-10.7%	-10.9%	0.2%
One-off items	1	3	
<b>EBIT</b>	<b>787</b>	<b>772</b>	<b>1.9%</b>
Normalized EBIT	786	769	2.2%
Normalized EBIT margin (%)	12.4%	12.0%	0.4%
<b>Financial items</b>	<b>239</b>	<b>-148</b>	
Taxes	-208	-255	
<b>Net profit, continuing operations</b>	<b>818</b>	<b>369</b>	<b>121.7%</b>
Discontinued operations	-114	13,214	
<b>Net profit</b>	<b>704</b>	<b>13,583</b>	<b>-94.8%</b>

# Group result YTD June

SEK million

	YTD 2014	YTD 2013	FY 2013	▲%
<b>Net sales</b>	<b>12,495</b>	<b>12,672</b>	<b>25,757</b>	<b>-1.4%</b>
<b>EBITDA</b>	<b>2,825</b>	<b>2,923</b>	<b>5,869</b>	<b>-3.4%</b>
EBITDA margin (%)	22.6%	23.1%	22.8%	-0.5%
Depreciation & associated companies	-1,324	-1,420	-2,909	-6.8%
Depreciation of net sales (%)	-10.5%	-11.1%	-11.2%	0.6%
One-off items	243	5	-434	
<b>EBIT</b>	<b>1,744</b>	<b>1,508</b>	<b>2,526</b>	<b>15.6%</b>
Normalized EBIT	1,501	1,503	2,960	-0.1%
Normalized EBIT margin (%)	12.0%	11.9%	11.5%	0.2%
<b>Financial items</b>	<b>96</b>	<b>-213</b>	<b>-551</b>	
Taxes	-439	-486	-1,024	
<b>Net profit, continuing operations</b>	<b>1,401</b>	<b>809</b>	<b>951</b>	<b>73.2%</b>
Discontinued operations	-222	13,783	13,639	
<b>Net profit</b>	<b>1,179</b>	<b>14,592</b>	<b>14,590</b>	<b>-91.9%</b>

# Cash flow

SEK million

	Q2 2014	Q2 2013	YTD 2014	YTD 2013	FY 2013
<b>OPERATING ACTIVITIES</b>					
Cash flow from operations, excl taxes and interest	1,459	1,481	2,854	4,229	7,117
Interest paid	-96	-50	-160	-224	-374
Taxes paid	-46	-7	-171	-339	-479
Change in working capital	-11	-63	-710	-730	-451
<b>Cash flow from operating activities</b>	<b>1,306</b>	<b>1,361</b>	<b>1,813</b>	<b>2,936</b>	<b>5,813</b>
<b>INVESTING ACTIVITIES</b>					
CAPEX paid	-1,032	-905	-2,094	-3,366	-5,241
<b>Cash flow after paid CAPEX</b>	<b>274</b>	<b>456</b>	<b>-281</b>	<b>-430</b>	<b>572</b>
Shares and other financial assets	-36	17,400	727	17,296	17,235
<b>Cash flow after investing activities</b>	<b>238</b>	<b>17,856</b>	<b>446</b>	<b>16,866</b>	<b>17,807</b>



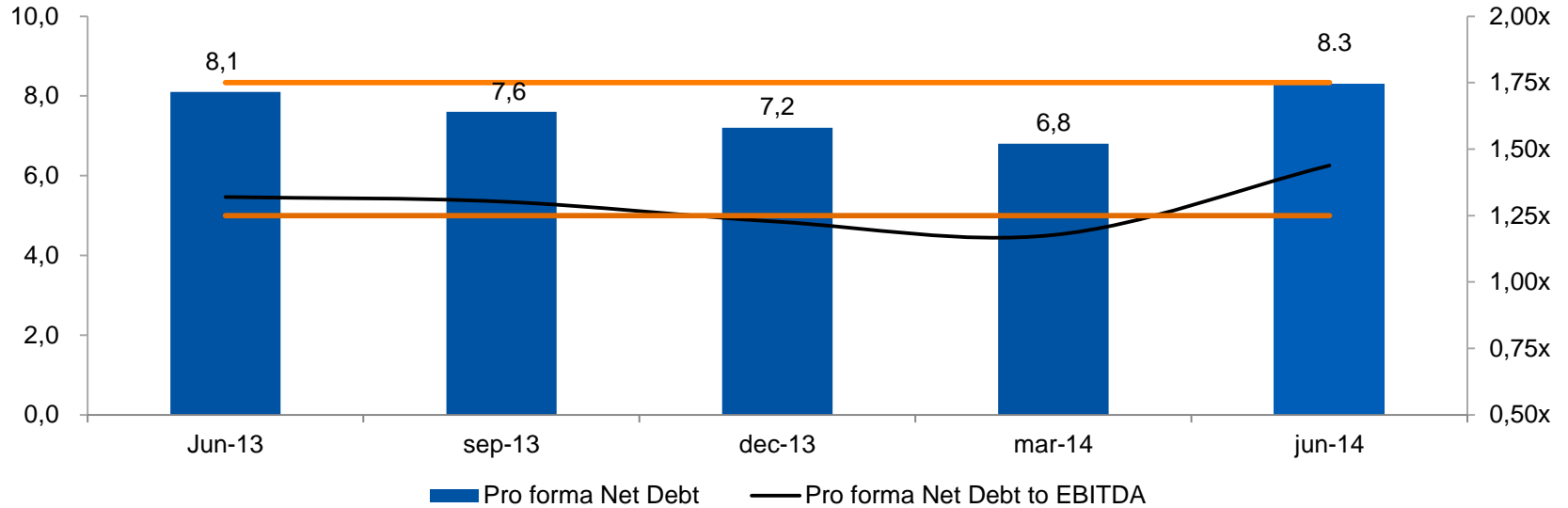
# Cash flow excl. Norway and Russia

SEK million

	Q2 2014	Q2 2013	YTD 2014	YTD 2013	FY 2013
<b>OPERATING ACTIVITIES</b>					
Cash flow from operations, excl taxes and interest	1,448	1,437	2,821	2,961	5,810
Interest paid	-98	-59	-163	-150	-298
Taxes paid	-46	-7	-171	-162	-302
Change in working capital	-149	-56	-625	-474	-237
<b>Cash flow from operating activities</b>	<b>1,155</b>	<b>1,315</b>	<b>1,862</b>	<b>2,175</b>	<b>4,973</b>
<b>INVESTING ACTIVITIES</b>					
CAPEX paid	-846	-743	-1,594	-2,746	-4,184
<b>Cash flow after paid CAPEX</b>	<b>309</b>	<b>572</b>	<b>268</b>	<b>-571</b>	<b>789</b>
Shares and other financial assets	-17	-4	739	-6	-11
<b>Cash flow after investing activities</b>	<b>292</b>	<b>568</b>	<b>1,007</b>	<b>-577</b>	<b>778</b>

# Debt position and ratio

Pro forma Net Debt / EBITDA 12m rolling <sup>(1)</sup>  
SEK billion / Ratio



# Tele2 has agreed to sell Tele2 Norway to TeliaSonera

## Attractive value

- Enterprise value of SEK 5.1 billion, equivalent to a cash value of SEK 5.3 billion
- 1.2x EV/Sales 2013, 42 x EV/EBITDA 2013
- Capital gain of around SEK 2 billion

## Successful monetisation of Norwegian operations

- Monetisation of Tele2's years of investments and build-out of a successful business in the Norwegian market
- Crystallises significant value through in-market consolidation

## Tele2 poised for continued success

- Attractive and diversified market mix and a strong spectrum portfolio driving growth
- 3 pillars of strength: Sweden. The Netherlands and Kazakhstan
- Robust balance sheet and progressive dividend policy

# Guidance – 2014 excluding Norway

Net Sales  
(SEK billion)

24.8 – 25.2

EBITDA  
(SEK billion)

5.7 – 5.8

CAPEX  
(SEK billion)

3.5 – 3.8

## Rationale

In addition to the sale of Tele2 Norway, the revenue part of the financial guidance has been impacted by:

- The devaluation of the Kazakhstan currency
- Generally lower handset sales within our mobile businesses

Both of these factors have a limited impact on EBITDA

# Conclusion

# Summary and priorities

## Summary

- Disposal of Tele2 Norway makes us stronger going forward and crystalizes value for shareholders
- Strong net intake driven by Kazakhstan, Croatia, the Netherlands and Germany
- Mobile end-user service revenue year-on-year growth of 7%

## Priorities

- Constant focus on MNO roll out in the Netherlands and Kazakhstan
- Cement the position of Tele2 Sweden as the leader in mobile data services
- Reassess our cost structure in anticipation of closing the Norwegian deal

# Q&A

**THE  
END**

**TELE2**