

FOURTH QUARTER 2018

February 13, 2019

Tele2 AB

TELE2

Group highlights – Q4 2018

| <i>SEK billion</i> | Q4 2018 <i>Pro forma</i> | % change organic |
|----------------------------------|------------------------------------|-----------------------------------|
| Revenue | 7.8 | 3% |
| End-user service revenue | 5.4 | 1% |
| Adjusted EBITDA | 2.2 | 11%* |
| Operating cash flow, rolling 12m | 5.6 | |

Comments

- Organic growth of end-user service revenue of 1%, including
 - Mobile EUSR +3%
 - Fixed EUSR -2%
- Organic adjusted EBITDA growth of 4%, adjusting for non-underlying items in Sweden and Croatia

*Including non-underlying items, see comments

Organic is constant currencies and including Com Hem pro forma

Operating cash flow = Adjusted EBITDA - CAPEX

Tele2 is becoming a true integrated challenger

Drive FMC in Sweden B2C

- FMC through more-for-more, and increase customer satisfaction to drive superior growth versus the overall market
- FMC benefits in existing base – drive customer satisfaction, monetized through churn reduction and pricing power
 - Sell mobile into fixed base – Com Hem mobile service launching in February
 - Sell fixed into mobile base – gradual ramp up to build penetration over time

Sweden B2B turnaround

- New leadership and focus – priority to turn the business into profitable growth and take market share
- Grow high-margin OnNet and rationalize product portfolio

Build on the momentum in the Baltics

- Build on great underlying momentum in Lithuania and Latvia while fixing operational challenges in Estonia
- Develop mobile centric convergence and evaluate fixed mobile convergence

Cost transformation

- Target of SEK 900m in 3 years, up from SEK 450m in 5 years. Aiming for 50% run-rate by end-2019
- FTE reduction mainly in corporate structure and overlapping functions – evaluate future transformation in areas such as network, IT and brand portfolio

Growth and cost initiatives drive cash flow

1 Low-single digit end-user service revenue growth – SEK 450m of revenue synergies

Expected to be flat in 2019, which is a transition year, and low-single digit growth in the mid-term driven by strategy initiatives

2 Mid-single digit adjusted EBITDA growth – SEK 900m of cost synergies

Driven by front-loaded synergies in 2019 and a mix of cost reduction and revenue growth mid-term

3 Capex – Low capital intensity compared to industry over investment cycle

SEK 2.9-3.2bn in 2019, and SEK 3.0-3.5bn/year in the mid-term, excluding spectrum, as we roll out 5G and Remote-PHY

4 Maintain leverage at 2.5-3.0x

Growth in adjusted EBITDA and cash from asset sales create room to re-lever and distribute additional cash to shareholders. Blended interest rate low at 1.3%

Shareholder Remuneration

Ordinary dividend up 10% to SEK 4.40/share (SEK 3.0bn)
Additional remuneration from asset sales to be announced

FY2018 Starting Point – pro forma

End-user service revenue: SEK 21.4bn

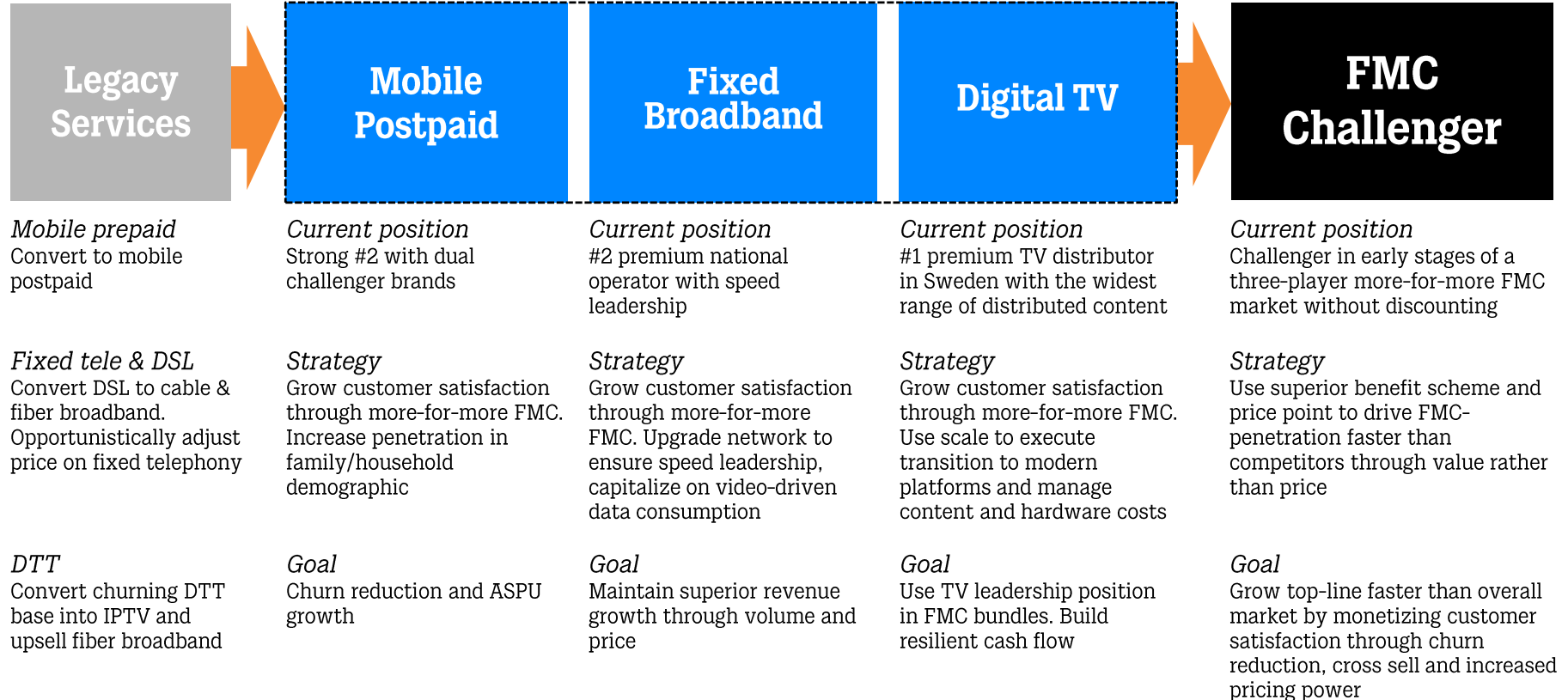
Adjusted EBITDA: SEK 9.0bn

Capex: SEK 2.8bn excluding spectrum

Leverage: 2.8x economic net debt/adjusted EBITDA

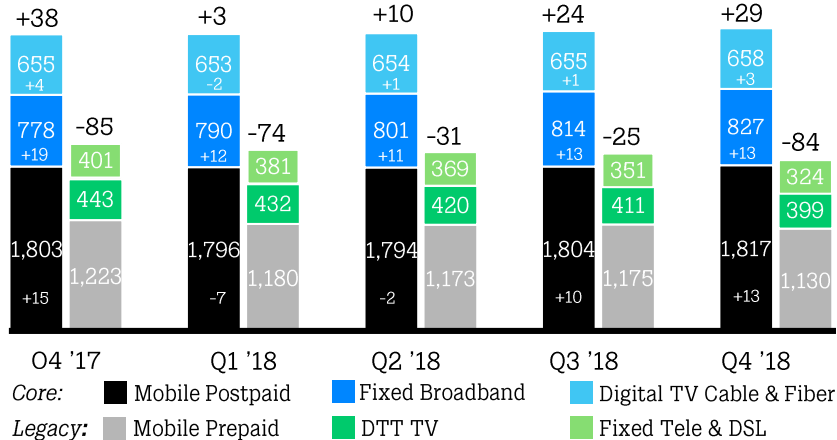
Sweden

Sweden Consumer – Strategy focused on FMC

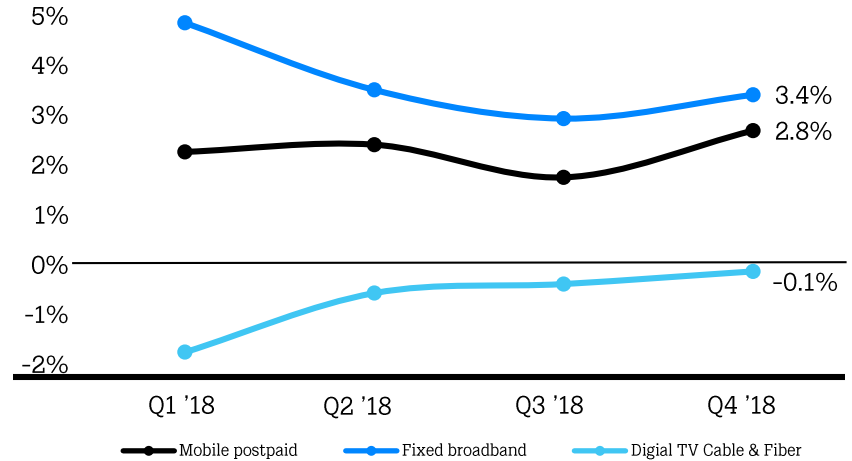


Sweden Consumer – Operational highlights

RGUs & net adds – core and legacy services
(thousands, pro forma)



ASPU year-on-year growth
(%, pro forma)



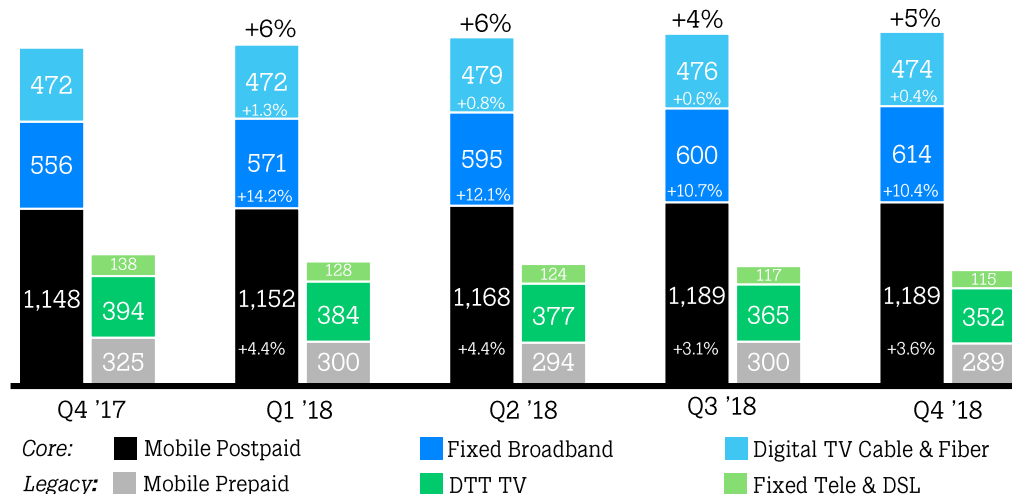
Q4 highlights

- Mobile postpaid net intake of +13k driven by continued strong growth of Comviq postpaid
- Mobile ASPU +3.3% driven by postpaid ASPU growth of +2.8% and continued pre- to postpaid migration
- Continued growth of fixed broadband RGUs on both Com Hem and Boxer brands
- Fixed broadband ASPU growth of +3.4%, Digital TV ASPU stable

Sweden Consumer segment – Financials

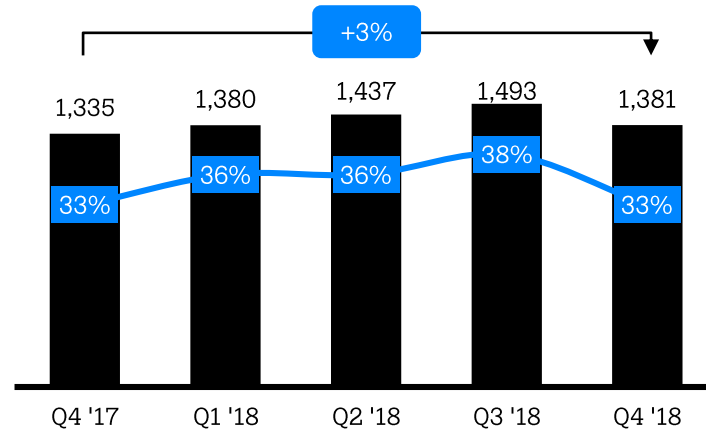
End-user service revenue

(SEK million, pro forma, year-on-year growth %)



Adjusted EBITDA and margin

(SEK million, pro forma)

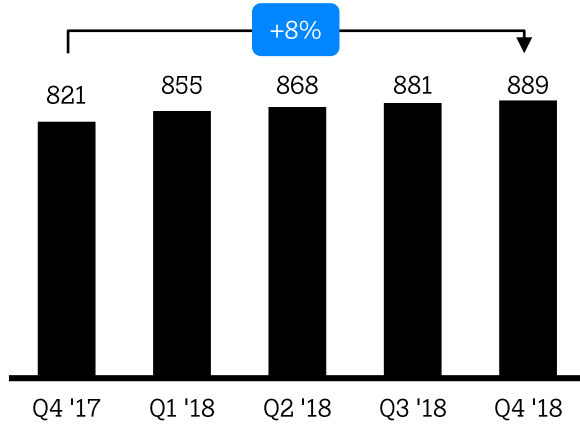


Q4 highlights

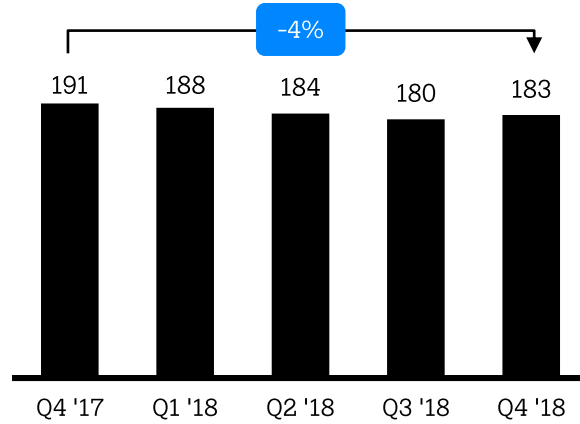
- Stable EUSR within both Fixed and Mobile
- Core services growing +5%, offset by -12% decline in legacy services
- Adjusted EBITDA growth of +3%, including net non-underlying items of SEK -36 million. Underlying growth of +6%, helped by lower expansion costs and first cost synergies

Sweden Business – Operational highlights

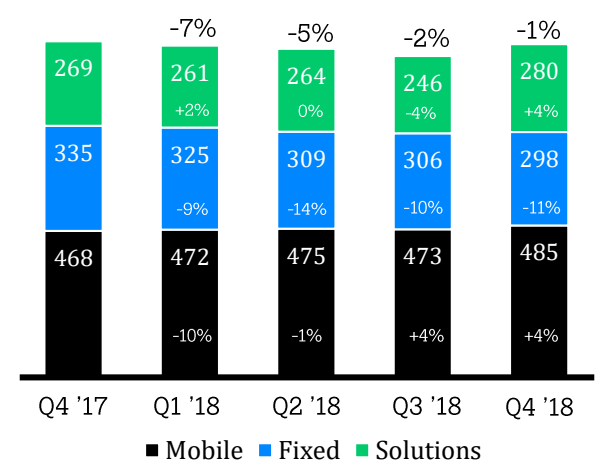
Mobile RGUs
(thousands, pro forma)



Mobile ASPU
(SEK, pro forma)



End-user service revenue
(SEK million, pro forma, year-on-year growth %)

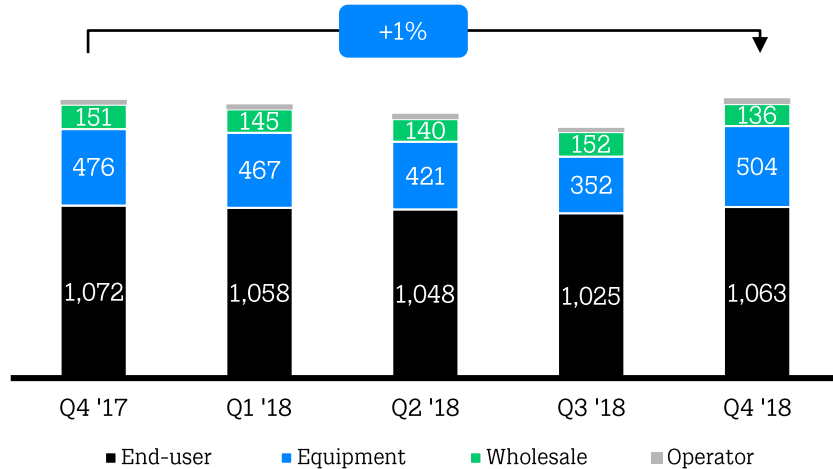


Q4 highlights

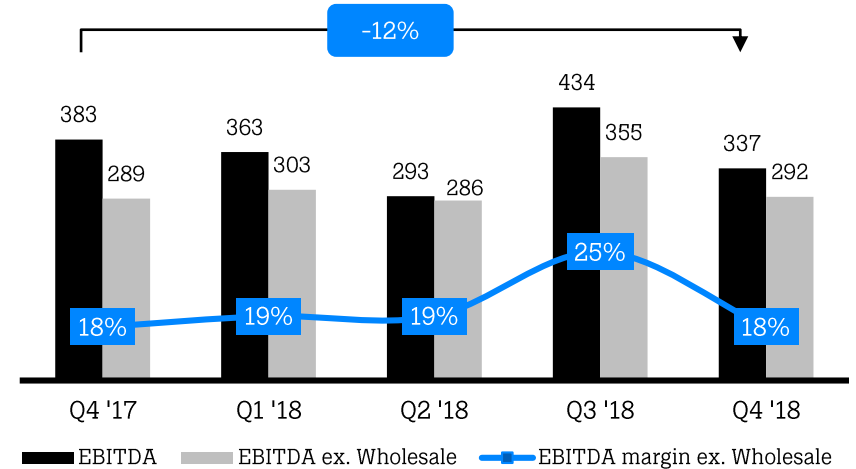
- End-user service revenue stabilization, driven by Mobile and Solutions
- Price competition still having an effect on ASPU
- Increase of RGU base of 8% as customer wins continue; new or extended contracts in the quarter with Gothenburg Municipality, Region Dalarna, Region Kronoberg, Haldex and Scania

Sweden Business segment – Financials

Revenue
(SEK million, pro forma)



Adjusted EBITDA and margin
(SEK million, pro forma)

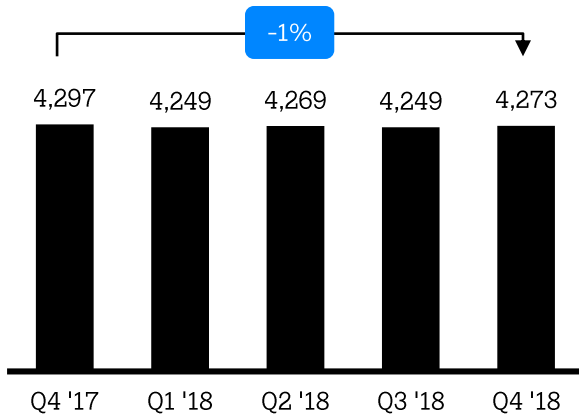


Q4 highlights

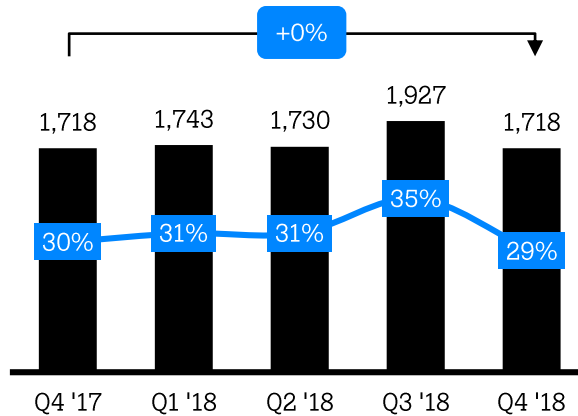
- Stable overall revenue as growth in Equipment offset decline in Wholesale
- Adjusted EBITDA contribution stable excluding Wholesale
- Refining business scope to achieve profitable growth

Sweden overview

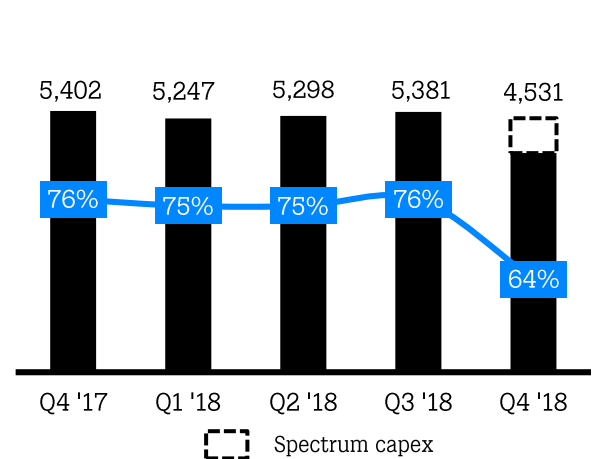
Total end-user service revenue
(SEK million, pro forma)



Adjusted EBITDA and margin
(SEK million, pro forma)



OCF and cash conversion, rolling 12m
(SEK million, pro forma)



Q4 highlights

- EBITDA growth of 3% excluding non-underlying effects of SEK -46 million, mainly related to provision for possible copy right levies
- Capex includes SEK 721 million related to 700 MHz auction
- Rolling 12 months cash conversion of 74% excluding spectrum

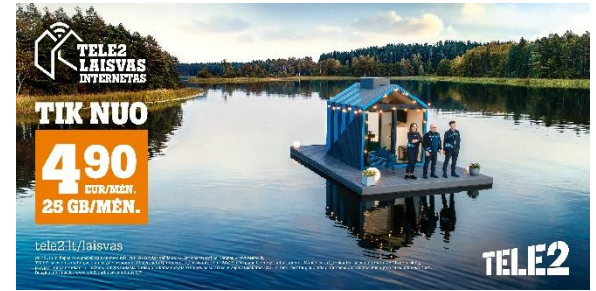
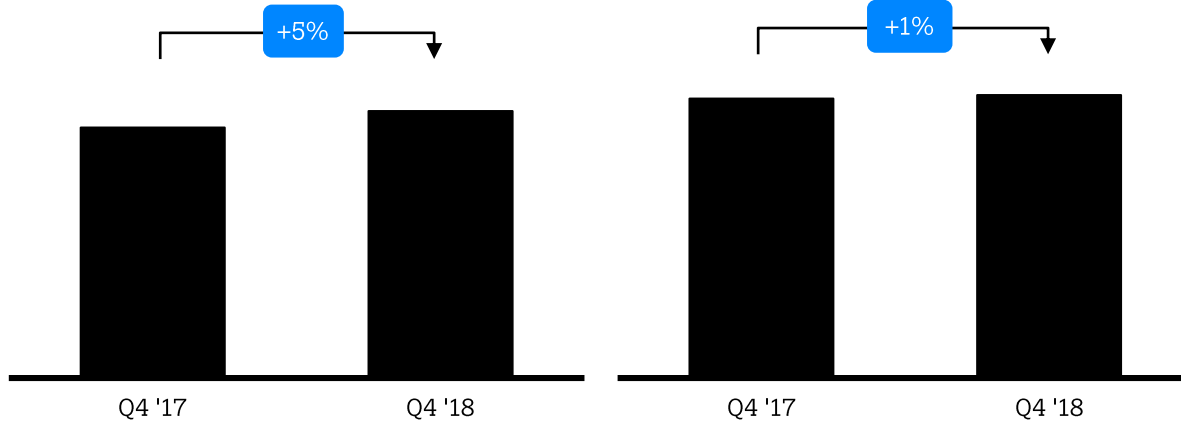
International

Baltics – Operational highlights

ASPU development

Mobile RGUs

Brand campaigns

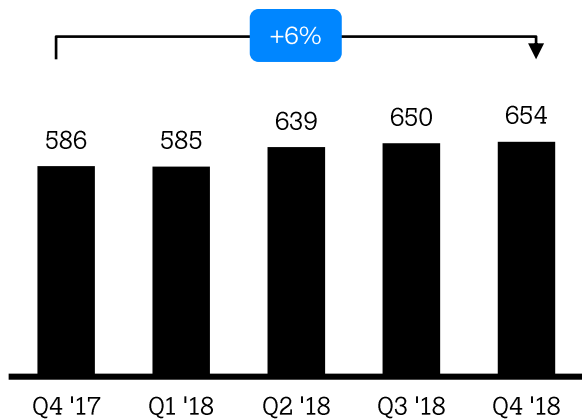


Q4 highlights

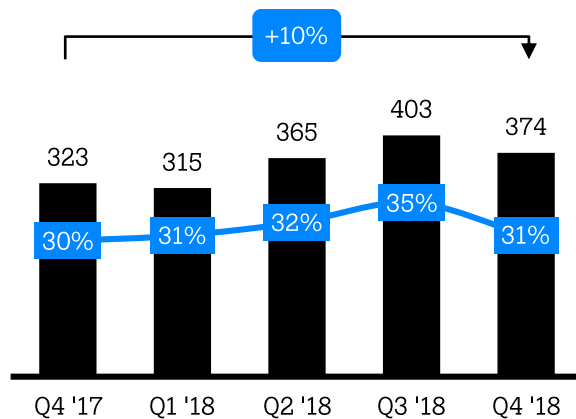
- ASPU growth driven by continued migration to postpaid and successful pricing, including backbook price increases in Lithuania
- Customer growth, despite challenges in Estonia, as consumer small-screen and mobile broadband more than offset prepaid decline
- Tele2 Lithuania awarded Golden Drum Grand Prix for its continued success with the Open Internet campaign

Baltics – Financials

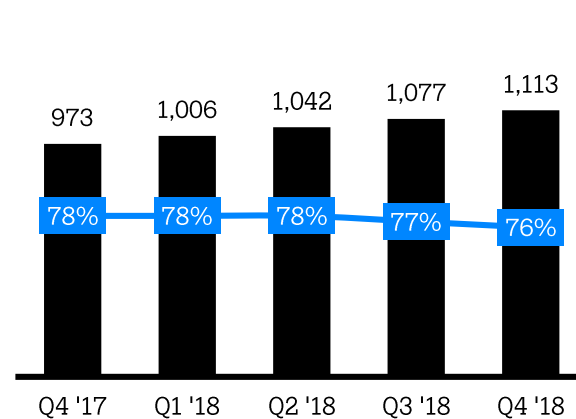
Mobile end-user service revenue
(SEK million)



Adjusted EBITDA and margin
(SEK million)



OCF and cash conversion, rolling 12m
(SEK million)

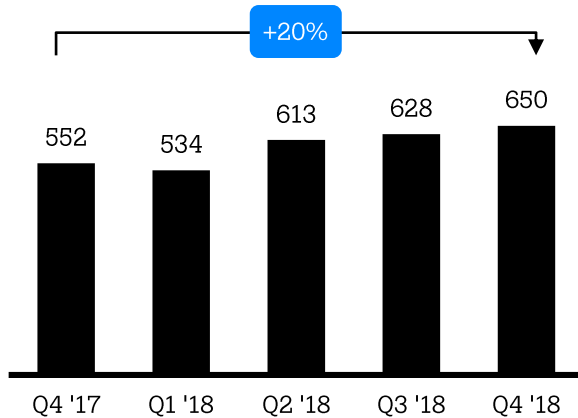


Q4 highlights

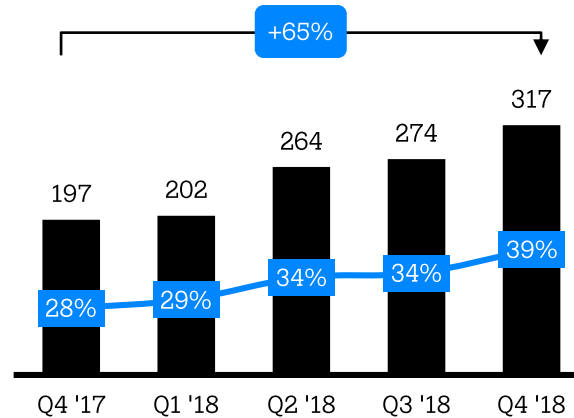
- Mobile end-user service revenue growth mainly led by ASPU increase, but also a higher customer base
- Adjusted EBITDA growth driven by mobile end-user service revenue growth and cost control
- Estonia executing on turnaround plan

Kazakhstan (discontinued) – Financials

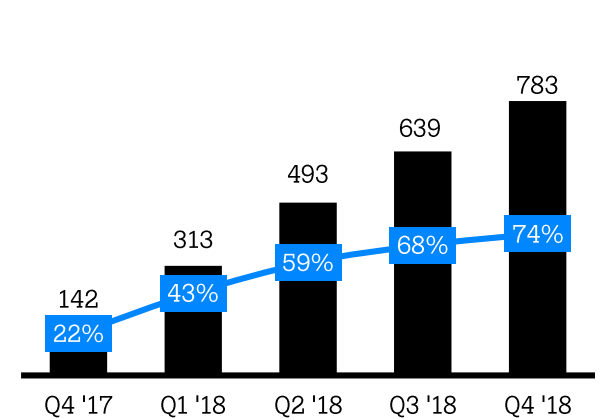
Mobile end-user service revenue
(SEK million)



Adjusted EBITDA and margin
(SEK million)



OCF and cash conversion, rolling 12m
(SEK million)



Q4 highlights

- Mobile end-user service revenue driven by 15% ASPU increase and 4% higher customer base
- Margin expansion driven by continued growth of mobile end-user service revenue and strong cost efficiency
- Shareholder loan repayments of KZT 10bn (SEK 246m) in Q4 resulting in KZT 88bn (SEK 2.1bn) outstanding at year-end
- Put option notice served to initiate divestment process

Financial Overview

Group results Q4 2018

| SEK million | ① | Q4 2018 | Q4 2017 |
|---|---|--------------|---------------|
| Revenue | | 7,122 | 5,714 |
| Adjusted EBITDA | | 1,956 | 1,315 |
| Adjusted EBITDA margin (%) | | 27.5% | 23.0% |
| Items affecting comparability | ② | -114 | -53 |
| D&A | ③ | -888 | -557 |
| JVs and associated companies | | -4 | -1 |
| Operating profit | | 950 | 704 |
| Interest income/expenses | | -96 | -78 |
| Other financial items | | -18 | 0 |
| Taxes | ④ | -1,175 | -165 |
| Net profit, continuing operations | | -339 | 461 |
| Discontinued operations | | 10 | -1,413 |
| Non-controlling interests | | -76 | -91 |
| Net profit, equity holders of parent | | -405 | -1,043 |

Comments

- ① Legal basis, with Com Hem included from 5 Nov, 2018
- ② Items affecting comparability includes SEK 243m of costs relating to the Com Hem merger, and SEK 149m positive reversal of previously impaired assets in Croatia following strong financial performance
- ③ D&A includes SEK 201m amortization of surplus value from acquisitions
- ④ Tax cost includes SEK -1,030m change of deferred tax asset values

Group cash flow Q4 2018




| SEK million | 1 | Q4 2018 | Q4 2017 |
|---|---|-----------|------------|
| Adjusted EBITDA, continuing operations | | 1,956 | 1,315 |
| Adjusted EBITDA, discontinued operations | | 521 | 389 |
| Financial items paid/received | 2 | -343 | -133 |
| Taxes paid | | -121 | -126 |
| Changes in working capital | 3 | -508 | -209 |
| Capex paid | 4 | -1,129 | -844 |
| Other cash items | 5 | -290 | -161 |
| Equity free cash flow, total operations | | 86 | 231 |
| Of which equity free cash flow, discontinued operations | | -255 | -284 |
| Of which equity free cash flow, continuing operations | | 341 | 515 |

| Comments | |
|----------|---|
| 1 | Legal basis, with Com Hem included from 5 Nov, 2018, for total operations |
| 2 | Including payments related to financing of merger consideration and refinancing of Com Hem debt |
| 3 | Negative change in working capital including SEK -293m impact from the Netherlands (adjusted against sales proceeds in Q1 2019) |
| 4 | Lower than booked capex mainly because 700 MHz license is paid in Q1 2019 |
| 5 | Including payments related to transaction and integration costs |

Full year 2018 vs. Guidance



Tele2

SEK billion, including Kazakhstan

| | Guidance | Actual |
|--------------------|-------------------------|---|
| Mobile EuS | Mid-single digit growth | 5%  |
| Adjusted EBITDA | 7.0-7.2 | 7.2  |
| Capex ex. spectrum | 1.9-2.2 | 2.1  |

Com Hem

SEK billion, previous accounting principles

| | Guidance | Actual |
|-------------------|-------------------------|---|
| | | |
| Underlying EBITDA | Mid-single digit growth | 4%  |
| Capex | 1.0-1.1 | 1.1  |

Synergy update

| | Total | Revenue | Cost |
|----------------|------------|----------|----------|
| Old target | SEK 900m | SEK 450m | SEK 450m |
| Updated target | SEK 1,350m | SEK 450m | SEK 900m |
| Change | +50% | Same | +100% |

- Total synergies upgraded by 50% with cost synergies up 100%
- Timing of cost synergies upgraded from 5 to 3 years with 50% run-rate by end of 2019
- Restructuring cost of SEK 1.0 billion, up from SEK 600 million
- Revenue synergy initiatives started with FMC benefits and Com Hem mobile to be launched in February
- Expect modest contribution from revenue synergies in 2019 with gradual ramp up to drive growth in coming years
- Cost synergies are front-end loaded and will be major contributor to adjusted EBITDA growth in the next three years

Financial guidance

Not including effects from IFRS16

| | End-user service revenue | Adjusted EBITDA | CAPEX (SEK bn excl. spectrum) |
|--------------------------|---------------------------------|--------------------------------|--|
| Mid-term ambition | Low-single digit growth | Mid-single digit growth | 3.0-3.5 |
| 2019 | Around 2018 level | Mid-single digit growth | 2.9-3.2 |

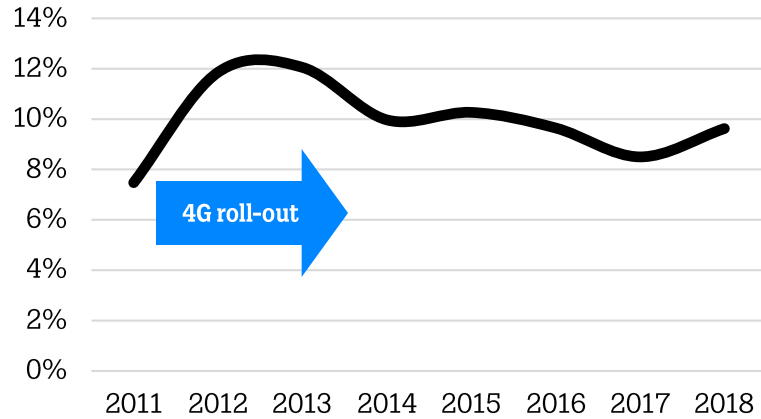
- Ramp-up of initiatives in 2019 in a low-growth environment
- FMC cross-sell and monetization of customer satisfaction to drive growth in mid-term

- Growth in 2019 mainly driven by cost reductions
- Growth in the mid-term driven by a combination of revenue growth and cost reduction

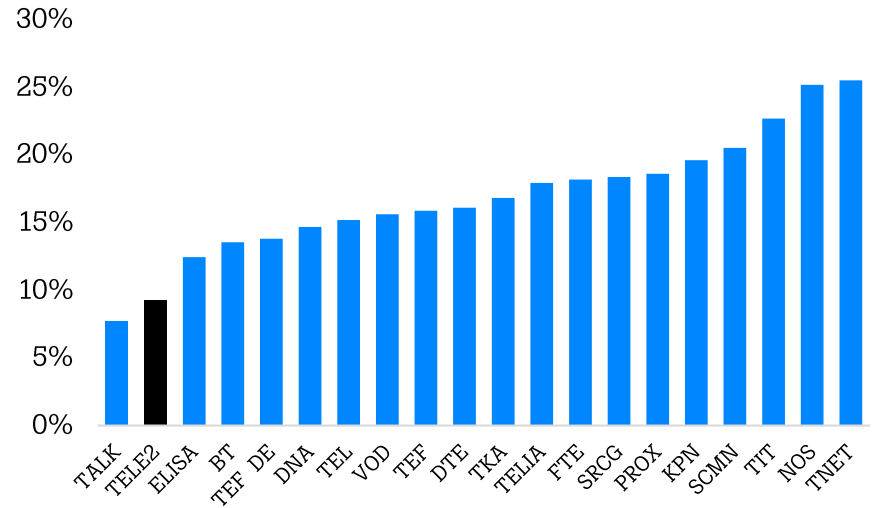
- Entering next phase in capex cycle with roll-out of 5G and Remote-PHY, starting towards the end of 2019

Leading capex efficiency

Tele2 capex/revenue in Sweden – phasing
(Pro forma, excluding spectrum)

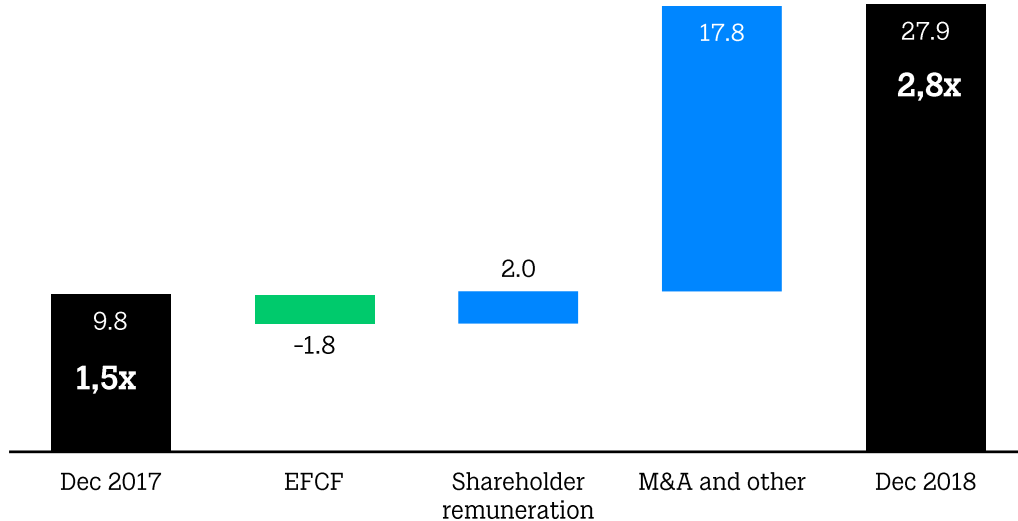


Capex / revenue – vs. European peers
(Group, excluding spectrum LTM)



Shareholder remuneration and leverage

Economic net debt to adjusted EBITDA, total operations (SEK billion)



Dividend to be paid 2019

- SEK 4.4 / share, total SEK 3.0bn
- Two equal tranches, May and Oct
- Distribution of proceeds from M&A communicated after completion of Kazakhstan divestment

IFRS 16

- Estimated liability increase of SEK ~5.8bn (continuing operations), of which ~50% uncommitted lease liabilities
- Positive effect on adjusted EBITDA, and higher capex
- No change to cash flow or credit worthiness
- Ambition to avoid impact on cash distribution capacity

To conclude...

Key priorities moving forward

Reignite EuS Revenue growth in Sweden

- B2C: Com Hem Mobile, launch FMC on the customer base
- B2B: High margin OnNet growth

Structural cost savings

- Cost synergies of 900m within 3 years
- Investigate further initiatives

Build on the momentum in the Baltics

Close the sale of Kazakhstan



THANK YOU!

TELE2