FIRST QUARTER 2019

April 24, 2019

Tele2 AB

Group highlights – Q1 2019

SEK billion	**Q1 2019**	**% change organic**
Revenue	7.2	-1%
End-user service revenue	5.3	0%
Underlying EBITDA ex. IFRS 16	2.3	+8%
Capex ex. spectrum and leases	0.6	

Comments

- Organic growth of end-user service revenue of 0%, including
  - Mobile EUSR +3%
  - Fixed EUSR -3%

Organic is constant currencies and including Com Hem pro forma

Tele2 is becoming a true integrated challenger

Drive FMC in Sweden B2C

- Launch of Com Hem mobile in February
- Increasing penetration of FMC bundle benefits

Sweden B2B turnaround

- Continued customer growth
- Setting up B2B management and sales incentive structure to align with strategy
- Continued restructuring to focus on higher-margin network based ICT services

Build on the momentum in the Baltics

- Sustained momentum with 7% growth in mobile end-user service revenue and 16% in underlying EBITDA excluding IFRS 16

Cost transformation

- Cost synergies starting to materialize with SEK 50 million achieved in Q1
- Annualized run-rate of SEK 300 million at the end of Q1

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 growth in underlying EBITDA excluding IFRS 16 – 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 and leases, as we roll out 5G and Remote-PHY

4. **Maintain leverage at 2.5-3.0x**

   Growth in underlying EBITDAaL and cash from asset sales create room to re-lever and distribute additional cash to shareholders

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

Underlying EBITDA excluding IFRS 16: SEK 9.0bn

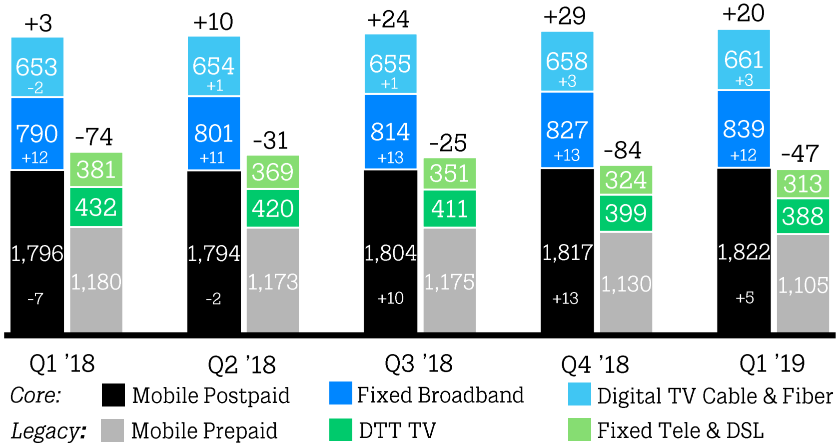
Capex: SEK 2.8bn excluding spectrum and leases

Leverage: 2.8x economic net debt/underlying EBITDAaL

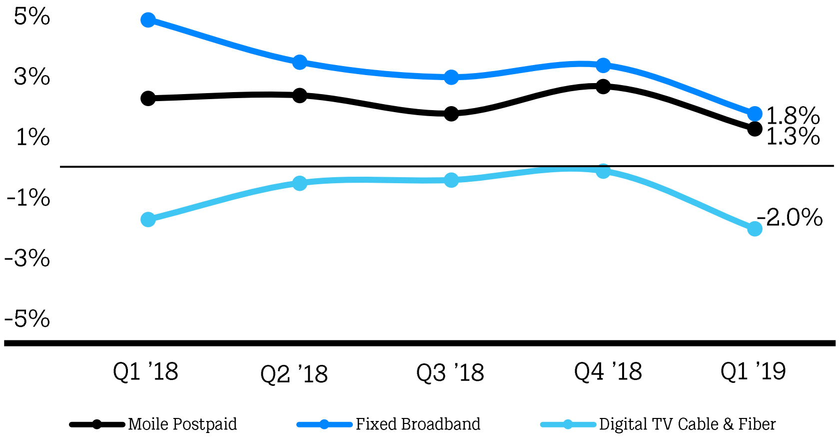
Sweden

Sweden Consumer – Operational highlights

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



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

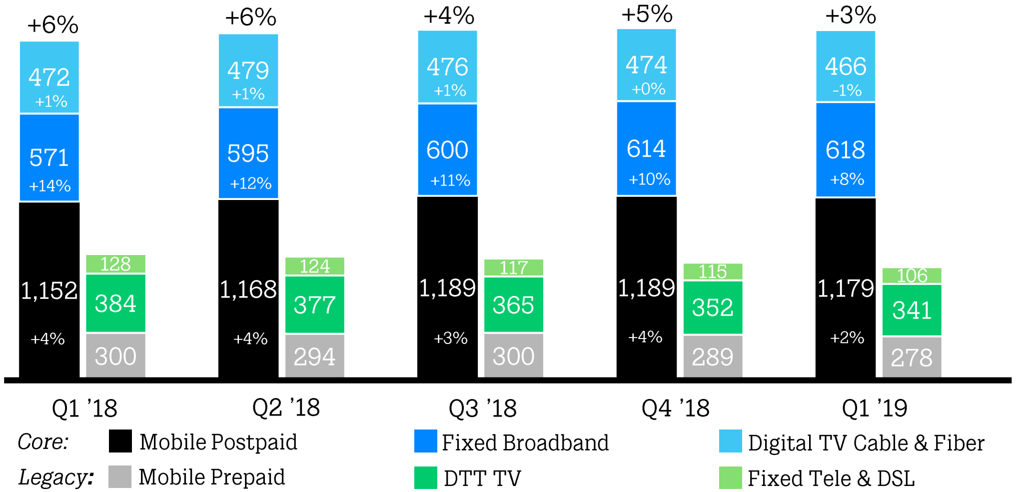


Q1 highlights

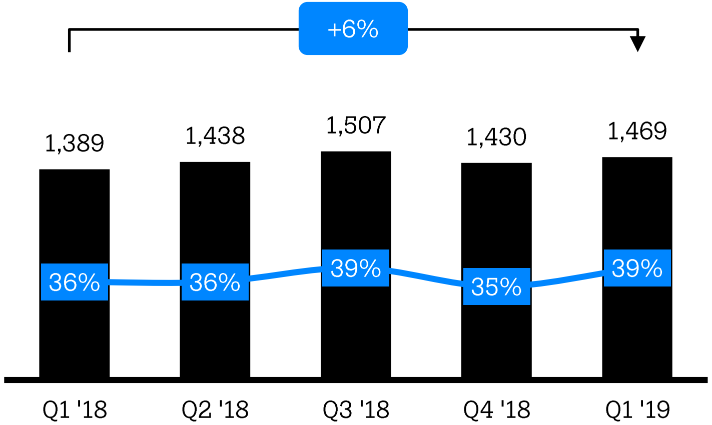
- Positive net adds in all core services, driven mainly by Comviq mobile postpaid and fixed broadband on both Com Hem and Boxer brands
- Total mobile ASPU up 2.5% due to pre to postpaid migration and postpaid ASPU growth of +1.3%, driven by upsell to larger data buckets and Unlimited
- Fixed broadband ASPU growth of +1.8% driven by upsell to higher speeds. Group agreements with some negative effect on Digital TV Cable and Fiber ASPU but positive effect on churn

Sweden Consumer segment – Financials

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



Underlying EBITDA ex. IFRS16 and margin
(SEK million, pro forma)

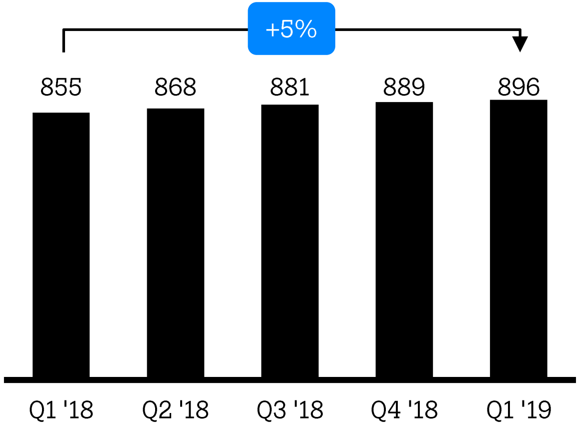


Q1 highlights

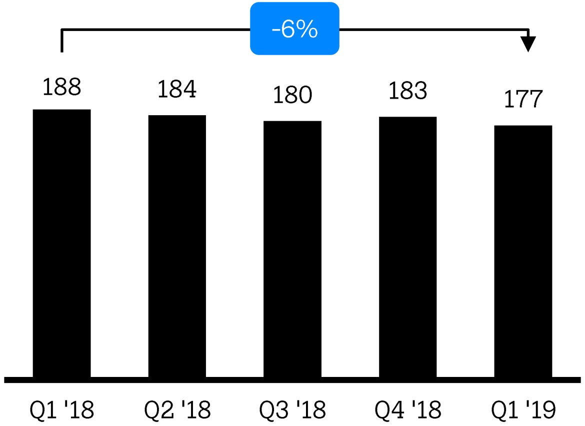
- Core services growing +3%, offset by -11% decline in legacy services
- Stable end-user service revenue within Mobile. Fixed declining 2% driven by continued pressure within legacy services
- Underlying EBITDA growth excluding IFRS 16 of +6%, as synergies start to materialize

Sweden Business – Operational highlights

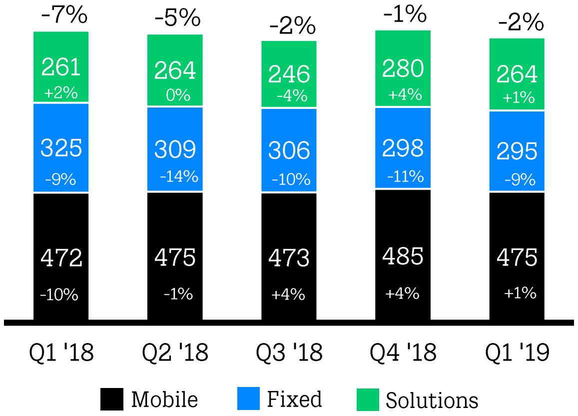
Mobile RGUs
(thousands, pro forma)



Mobile ASPU
(SEK, pro forma)



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

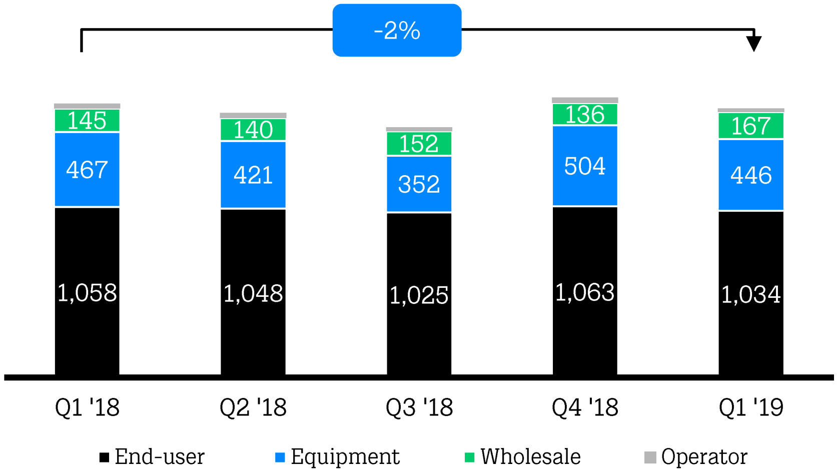


Q1 highlights

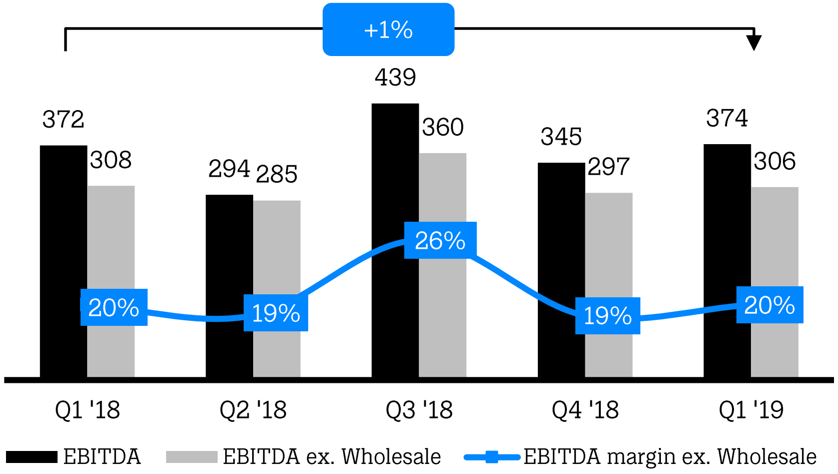
- Increase in mobile RGU base of 5% as customer wins continue; new or extended contracts in the quarter include Rejlers, GDL Logistics, NCC, Toshiba and Linköping University
- Price competition still having an effect on ASPU
- Continued efforts to achieve end-user service revenue stabilization

Sweden Business segment – Financials

Revenue
(SEK million, pro forma)



Underlying EBITDA ex. IFRS16 and margin
(SEK million, pro forma)

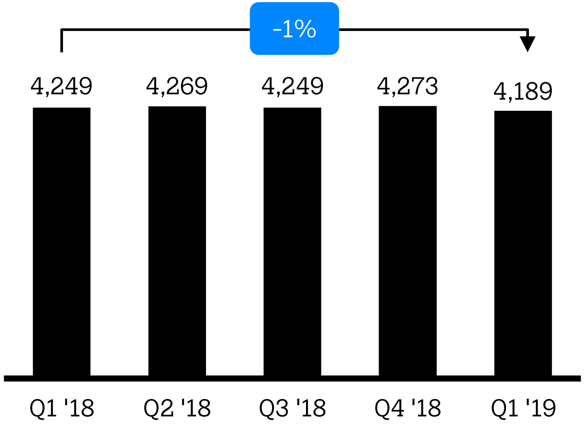


Q1 highlights

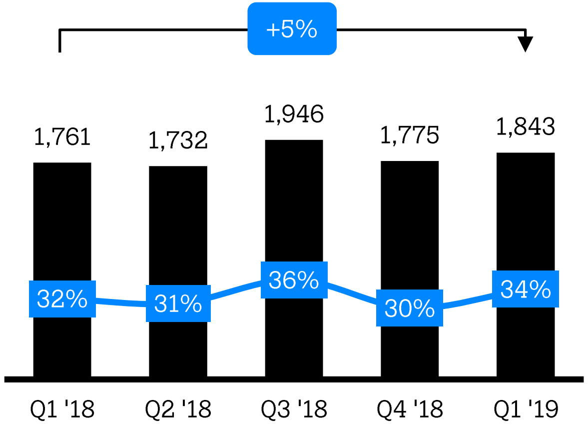
- Slightly negative growth in total revenue due to declines in end-user service revenue and equipment revenue
- Underlying EBITDA growth of 1% excluding IFRS 16
- Refining business scope to achieve profitable growth

Sweden overview

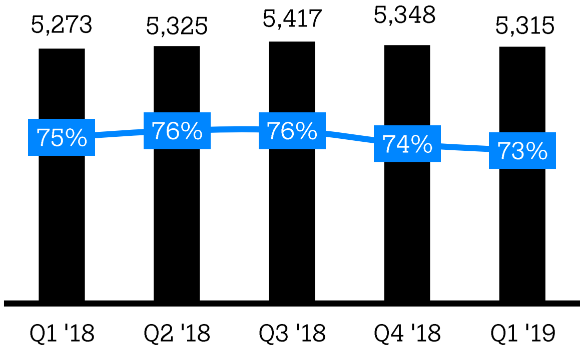
Total end-user service revenue
(SEK million, pro forma)



Underlying EBITDA ex. IFRS 16 and margin
(SEK million, pro forma)



Underlying EBITDAaL - Capex* and cash conversion, rolling 12m (SEK million, pro forma)



Q1 highlights

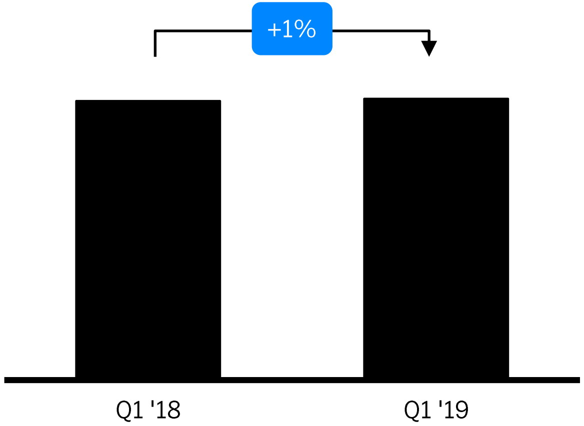
- Underlying EBITDA growth excluding IFRS 16 of 5% driven primarily by cost synergies within Consumer
- Stable cash generation when adjusting for the payment of the 700 MHz spectrum
- Rolling 12 months cash conversion of 73%

*Capex ex. spectrum and leases
Cash conversion = (Underlying EBITDAaL – Capex) / Underlying EBITDAaL

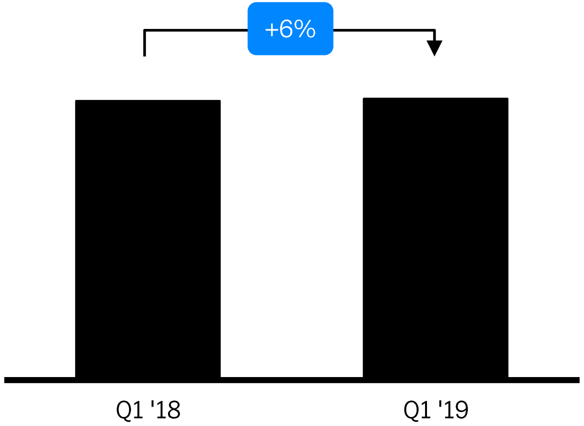
International

Baltics – Operational highlights

Mobile RGUs



ASPU development



Brand campaign

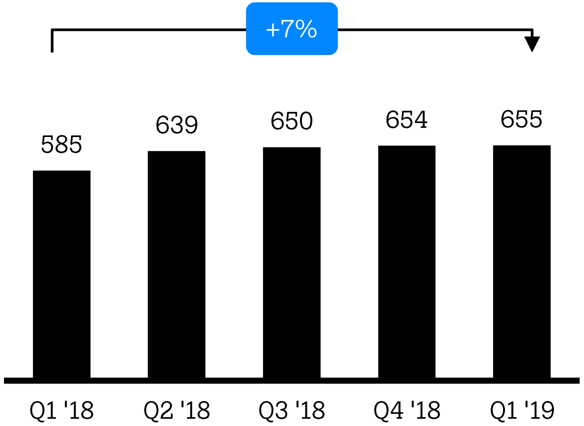
Q1 highlights

- ASPU growth in all three markets led by Lithuania
- RGU growth, despite challenges in Estonia, as consumer small-screen and mobile broadband more than offset prepaid decline

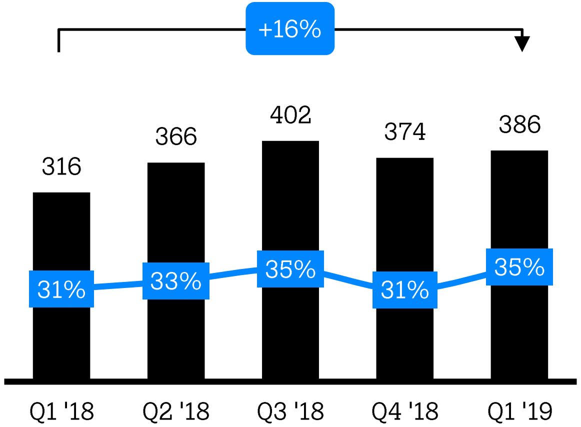
Organic Adjusted for local currency and M&A

Baltics – Financials

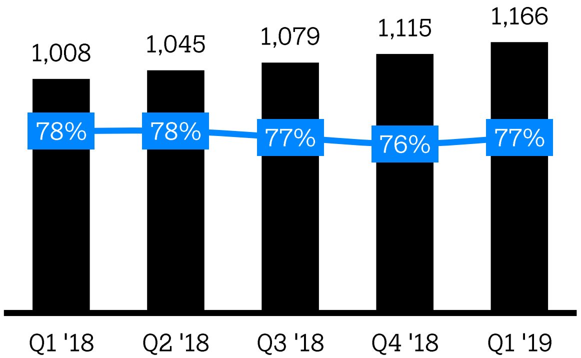
Mobile end-user service revenue
(SEK million)



Underlying EBITDA ex. IFRS 16 and margin
(SEK million)



Underlying EBITDAaL - Capex* and cash conversion, rolling 12m (SEK million)



Q1 highlights

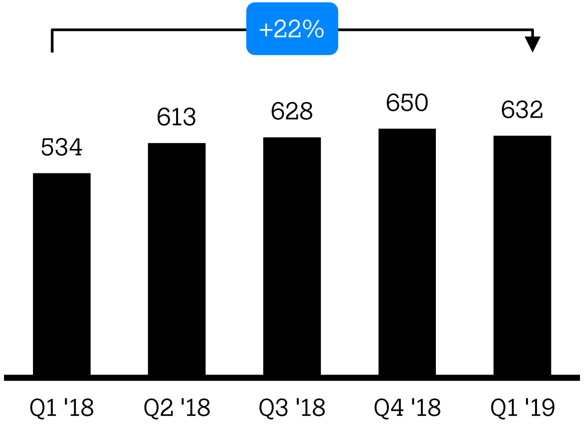
- Mobile end-user service revenue growth driven by both volume and ASPU
- Lithuania growing mobile end-user service revenue by 11% and underlying EBITDA excluding IFRS 16 by 25%
- Growth in underlying EBITDA excluding IFRS 16 with all markets contributing

Organic Adjusted for local currency and M&A

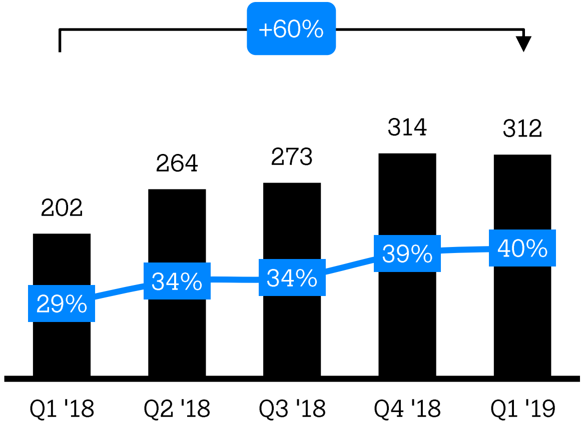
*Capex ex. spectrum and leases
Cash conversion = (Underlying EBITDAaL – Capex) / Underlying EBITDAaL

Kazakhstan (discontinued) – Financials

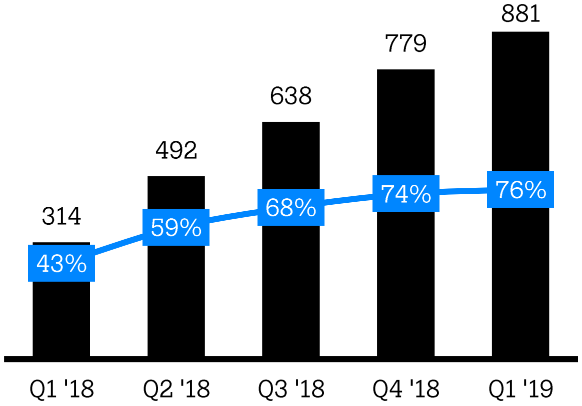
Mobile end-user service revenue
(SEK million)



Underlying EBITDA ex. IFRS 16 and margin
(SEK million)



Underlying EBITDAaL - Capex* and cash conversion, rolling 12m (SEK million)



Q1 highlights

- Mobile end-user service revenue driven by 19% ASPU increase and 2% increase in RGUs
- Margin expansion driven by continued growth of mobile end-user service revenue and strong cost efficiency
- Shareholder loan repayments of KZT 5.6bn (SEK 134m) in Q1 resulting in KZT 84bn (SEK 2.0bn) outstanding at year-end
- Divestment process on track to close at mid-year

Organic Adjusted for local currency and M&A

*Capex ex. spectrum and leases
Cash conversion = (Underlying EBITDAaL – Capex) / Underlying EBITDAaL

Financial Overview

Accounting changes

Somewhat increased scope of *Items affecting comparability* to make *Underlying EBITDA* cleaner

We add "reported" EBITDA to align with the industry

P & L with IFRS 16
Revenue
Underlying EBITDA
+/- Items affecting comparability
= EBITDA
- Depreciation & Amortization
of which RoU asset depreciation
+/- JVs and associated companies
= Operating profit
- Financial items
of which lease interest
= Profit after financial items
...

Underlying EBITDA
- Lease costs as booked before IFRS 16
= Underlying EBITDA excluding IFRS 16

We will use this measure for comparability during 2019

Underlying EBITDA
- RoU asset depreciation
- Lease interest
= Underlying EBITDAaL

We intend to keep this measure in coming years, and use it for leverage calculation

Note: *Underlying EBITDA excluding IFRS 16* and *Underlying EBITDAaL* are almost equal, but there is a small difference since lease interest is front-end loaded over the contract period. In addition, *Underlying EBITDA excluding IFRS 16* will be reported separately for Sweden Consumer and Sweden Business, but Underlying EBITDAaL will only be provided for Sweden as a whole.

RoU asset = Right-of-Use asset, i.e. leased assets

Group results Q1 2019

SEK million	①	**Q1 2019**	**Q1 2018**
Revenue		7,217	5,425
Underlying EBITDA		**2,659**	**1,460**
Margin (%)		32%	27%
Items affecting comparability	②	-262	-65
D&A	③	-1,303	-509
JVs and associated companies	④	10	14
Operating profit		**1,104**	**900**
Interest income/expenses		-109	-69
Other financial items		5	-13
Taxes		-231	-196
Net profit, continuing operations		**769**	**622**
Discontinued operations		255	-273
Non-controlling interests		-56	-6
Net profit, equity holders of parent	⑤	**968**	**343**

Comments

① IFRS 16 applied from Q1 2019, not retrospectively

② Items affecting comparability includes integration cost of SEK 155m for the Com Hem merger

③ D&A includes SEK 299m amortization of surplus value from acquisitions and SEK 303m depreciation of right-of-use assets (leased assets)

④ Including preliminary share of result from the merged Dutch business. Purchase price allocation not finalized

⑤ Significant profit improvement following the Group's restructuring over the past 12 months

Group cash flow Q1 2019

SEK million	①	**Q1 2019**	**Q1 2018**
Underlying EBITDA, continuing op.		2,659	1,460
Items affecting comp., continuing op.	②	-262	-65
EBITDA continuing operations		*2,397*	*1,395*
EBITDA discontinued operations		434	190
Amortization of lease liabilities	③	-382	-
Capex paid	④	-1,671	-840
Changes in working capital		116	-467
Financial items paid / received		-130	-88
Income taxes paid		-293	-145
Other cash items		-34	23
Equity free cash flow, total operations		**437**	**68**
Of which continuing operations		241	195
Of which discontinued operations	⑤	196	-127

Comments

① IFRS 16 applied from Q1 2019, not retrospectively

② Including SEK 199m related to the Com Hem merger, of which SEK 155m integration costs

③ Amortization of lease liabilities, offsets the increase in EBITDA driven by IFRS 16

④ Capex paid includes SEK 799m of payments related to spectrum capex, mainly 700 MHz in Sweden

⑤ Including Kazakhstan for Q1 2019 and both Netherlands and Kazakhstan for Q1 2018

Synergy update

	Benefit in quarter	Run-rate (Annualized at end of quarter)	Target (Run-rate at end of year 3)
Cost synergies (SEK million)	50	300	900
Revenue synergies	Important first steps taken towards target of SEK 450m in 5 years, including Com Hem mobile launch and FMC benefits		

Drivers

- Cost synergies driven by reductions in FTEs and consultants
- Integration costs of SEK 155m incurred in the quarter, with a total of SEK 365m having been incurred since the start of the integration

Financial guidance - unchanged

	End-user service revenue	Underlying EBITDAaL	CAPEX (SEK bn excl. spectrum and leased assets)
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

End-user service revenue:

- 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

Underlying EBITDAaL:

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

CAPEX:

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

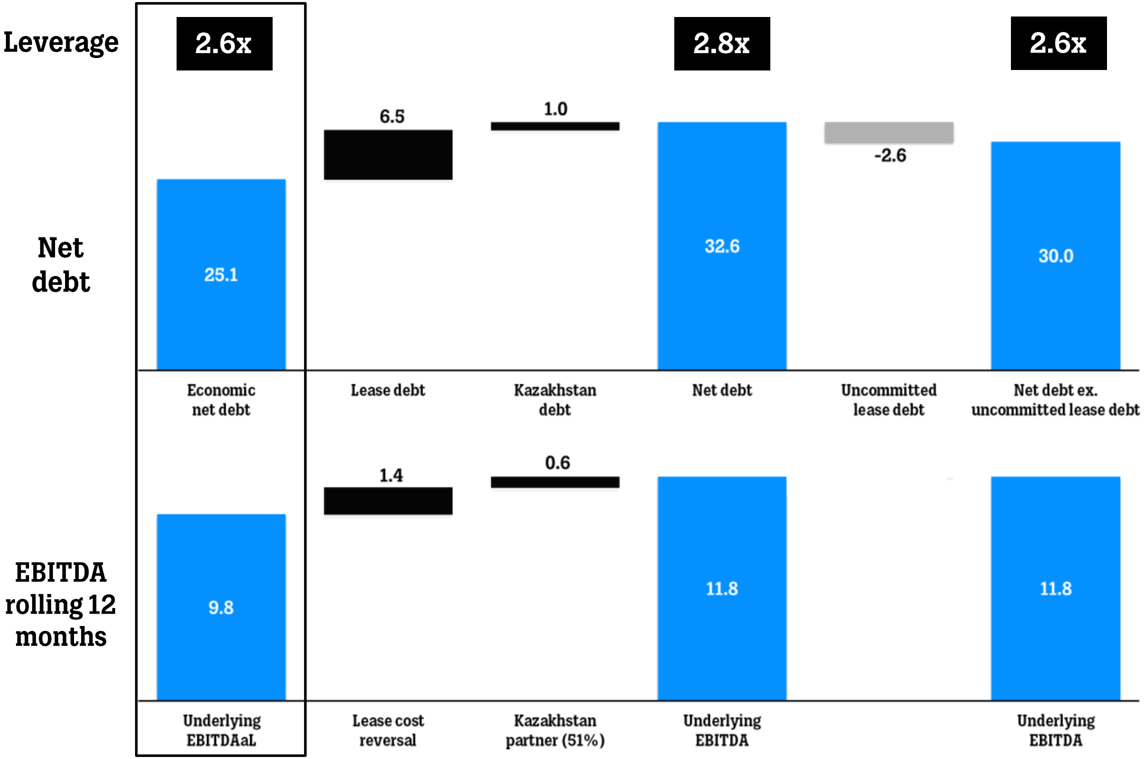
Based on continuing operations in constant currencies

*Underlying EBITDA ex. IFRS 16

Leverage at 2.6x

Economic net debt to underlying EBITDAaL

(SEK billion, as of 31 March 2019)



Comments

- Economic net debt to underlying EBITDAaL at 2.6x end March, down from 2.8x at end of 2018 due to cash flow generation and proceeds from sale of Dutch business
- Expect to stay within leverage target of 2.5x-3.0x after distribution of proceeds from sale of Kazakh and Dutch businesses
- Net debt / underlying EBITDA (including lease debt of SEK 6.5bn) at 2.8x end of March. Excluding uncommitted portion of lease debt (2.6bn), net debt / underlying EBITDA would also been at 2.6

Economic net debt excludes lease liabilities, liabilities to Kazakhtelecom, loan guaranteed by Kazakhtelecom and liability for earn-out obligation in Kazakhstan

To conclude…

Key priorities moving forward

Reignite EuS Revenue growth in Sweden

- B2C: Com Hem Mobile and FMC penetration in the customer base
- B2B: High margin OnNet growth

Structural cost savings

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

Build on the momentum in the Baltics

Close the sale of Kazakhstan

THANK YOU!

TELE2