

SECOND QUARTER 2023

July 18, 2023

TELE2
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Q2 highlights

- Continued topline growth momentum
- Solid cash generation in H1 – supporting our attractive shareholder remuneration
- High pace in IT transformation and rollout of real 5G
- Ranked Europe's #1 Climate Leader by the Financial Times
- Updated metrics for 2023 guidance and mid-term ambitions



Strong topline growth and equity free cash flow in Q2

SEK (YoY growth*)	Q2 23	YTD	The Group in Q2	Sweden B2C in Q2
End-user service revenue (EUSR)	5.3bn (+3.8%)	10.4bn (+3.7%)	<ul style="list-style-type: none"> – End-user service revenue growth of 4% in the quarter driven by the Baltics and Sweden B2B – Underlying EBITDAaL unchanged as end-user service revenue growth and transformation savings were offset by inflationary pressures – Equity free cash flow improved significantly YoY driven by working capital 	<ul style="list-style-type: none"> – Solid net intake for mobile postpaid and fixed broadband – Strong end-user service revenue growth in core connectivity – More back-book pricing effects in coming quarters
Underlying EBITDAaL	2.5bn (0%)	5.0bn (0%)	<h3>Sweden B2B in Q2</h3> <ul style="list-style-type: none"> – Continued solid and broad-based end-user service revenue growth – Solid net intake of mobile postpaid – Solutions revenue growth despite remaining supply chain issues 	<h3>The Baltics in Q2</h3> <ul style="list-style-type: none"> – Continued strong end-user service revenue growth driven by ASPU and volume growth across markets – Mobile postpaid customer bases continued to increase across markets – Strong underlying EBITDAaL growth despite significant inflationary pressures on costs
Capex ex. spectrum and leases	0.9bn	2.0bn		
EFCF	1.2bn	2.3bn		

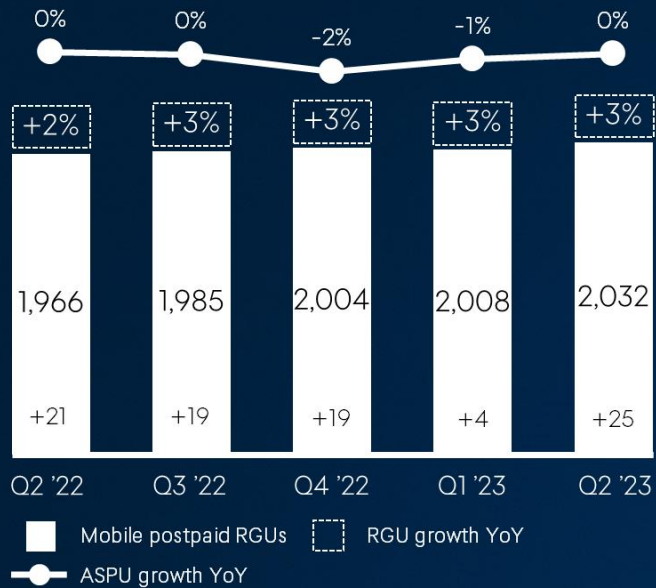
SWEDEN



Sweden consumer: Solid volume growth

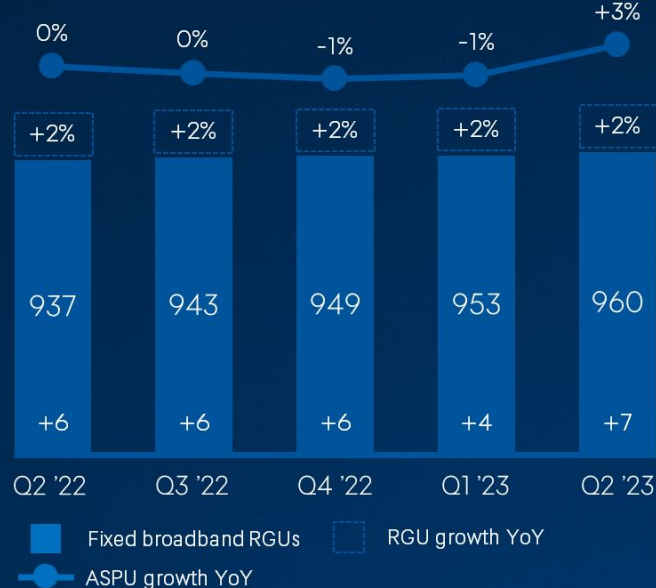
Mobile postpaid RGU & ASPU

Thousand QoQ and YoY growth %



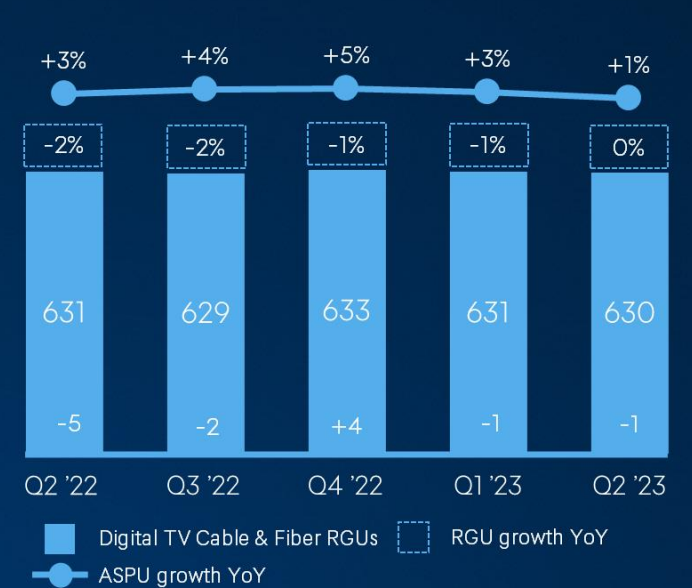
Fixed broadband RGU & ASPU

Thousand QoQ and YoY growth %



Digital TV Cable & Fiber RGU & ASPU

Thousand QoQ and YoY growth %



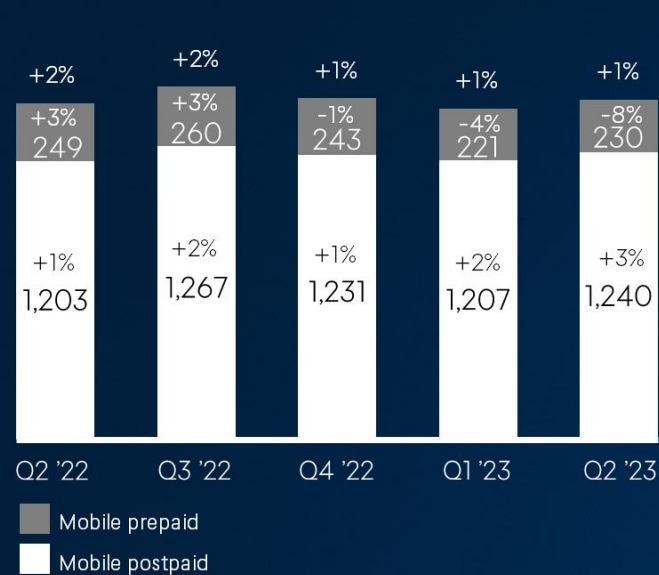
Q2 highlights

- Strong mobile postpaid net intake of 25,000 RGUs with healthy support from Tele2 Unlimited including the family proposition
- Solid volume growth for Fixed broadband driven by FMC and lower churn. ASPU supported by price increases
- Stable development within Digital TV Cable & Fiber following the migration to the Viaplay-infused packages

Sweden consumer: Strong growth in core connectivity

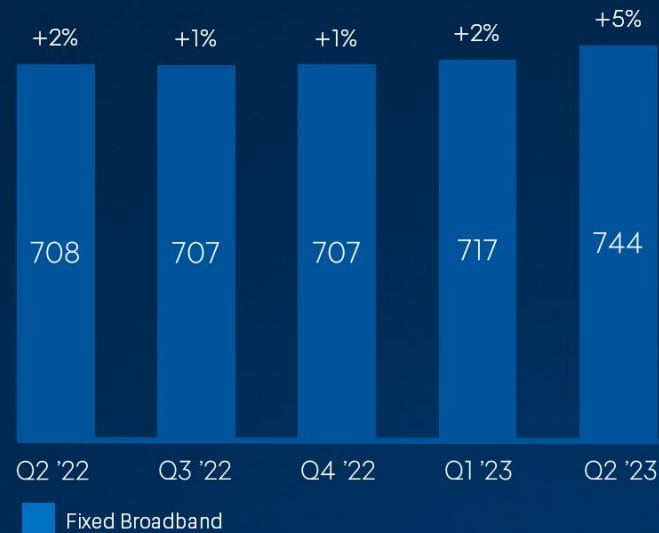
Mobile EUSR

SEK million, YoY growth %



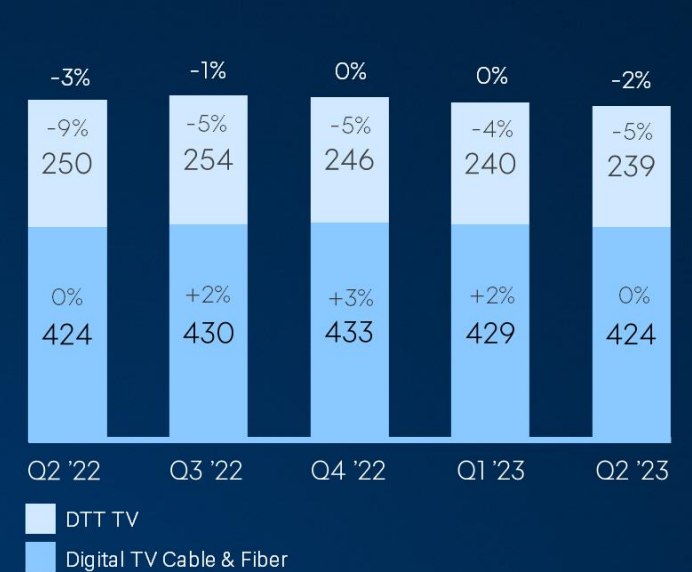
Fixed broadband EUSR

SEK million, YoY growth %



Digital TV EUSR

SEK million, YoY growth %



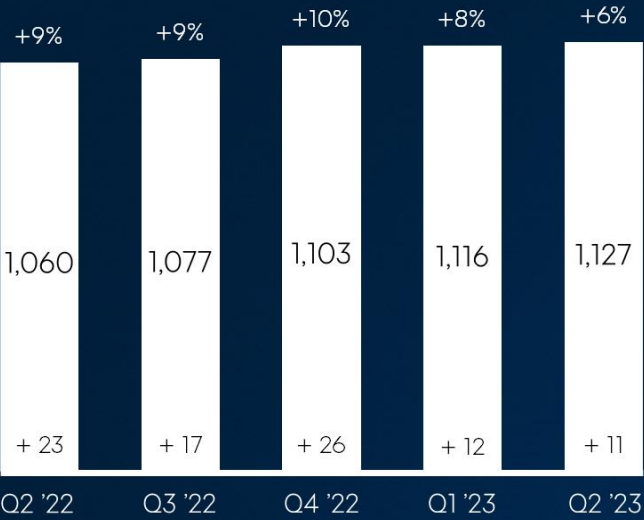
Q2 highlights

- Mobile end-user service revenue grew slightly thanks to improving postpaid growth, exceeding the first full quarter with prepaid registration
- Fixed broadband end-user service revenue grew 5% driven by solid volume and ASPU growth
- End-user service revenue for Digital TV declined slightly with stable sales in Digital TV Cable & Fiber and continued decline in the legacy DTT business

Sweden business: Sustained topline growth

Mobile RGU & net intake

Thousand QoQ and YoY growth %



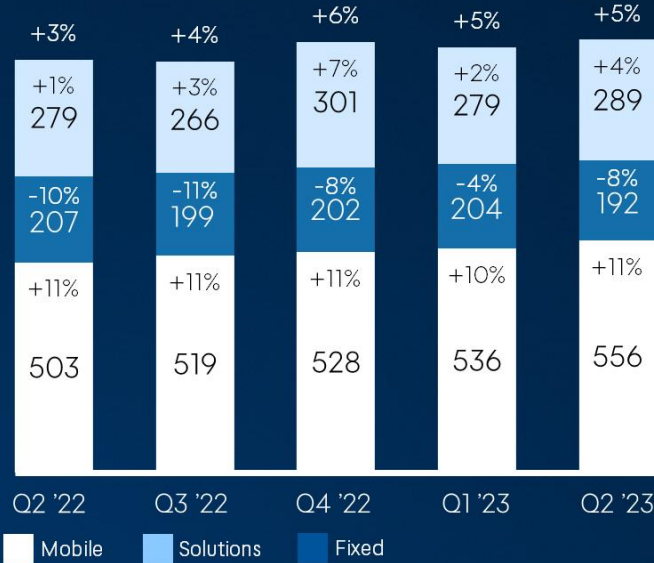
Mobile ASPU

YoY growth %



End-user service revenue

SEK million, YoY growth %



Q2 highlights

- Continued solid and broad-based end-user service revenue growth of 5%
- Net intake of 11,000 Mobile RGUs. Mobile ASPU remained stable
- Solid solutions revenue growth despite remaining supply chain issues



Sweden financials: Topline growth improving

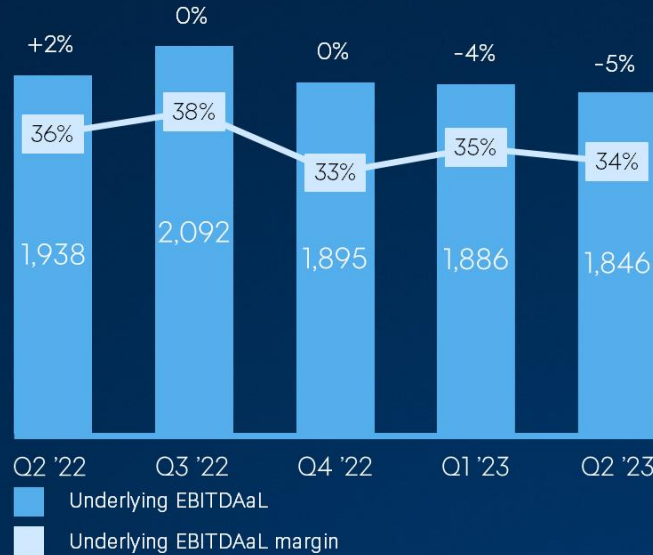
End-user service revenue

SEK million, YoY growth %

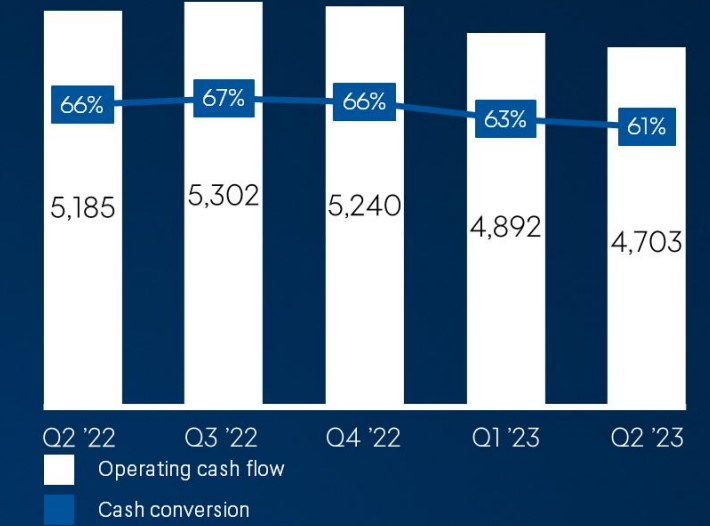


Underlying EBITDAaL & margin

SEK million, YoY growth %



Operating cash flow and cash conversion, LTM, SEK million



Q2 highlights

- End-user service revenue grew by 2% driven by continued strong performance in B2B and improving performance in B2C
- Underlying EBITDAaL fell by 5% as inflation and content costs exceeded end-user service revenue and transformation benefits ahead of more back-book pricing effects in coming quarters
- Continued strong cash conversion of 61% despite increasing capex runrate

Cash conversion = operating cash flow / underlying EBITDAaL

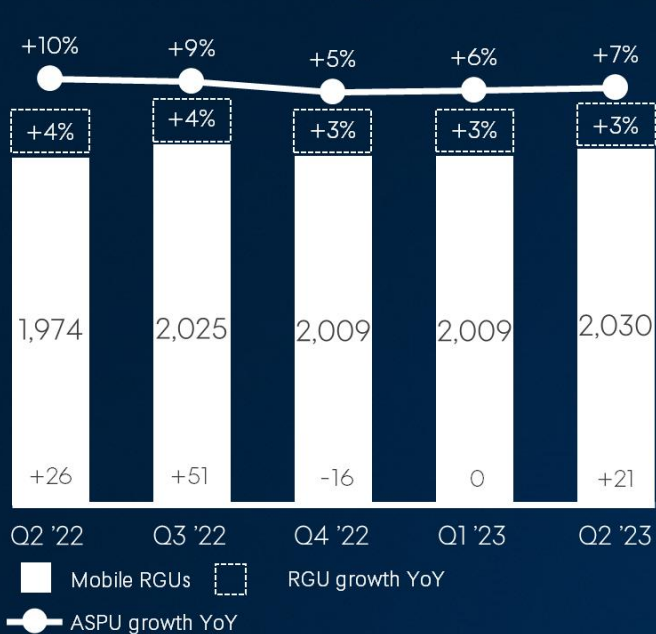
BALTICS



Baltics operational highlights: Strong ASPU growth

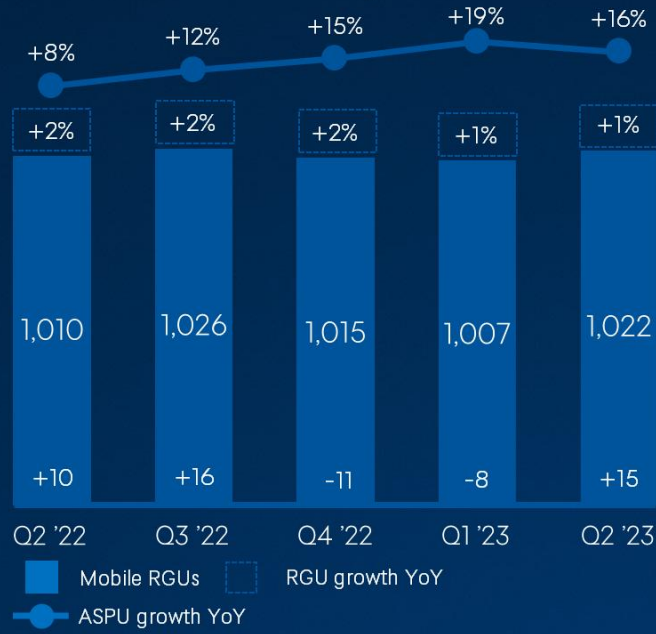
Lithuania – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



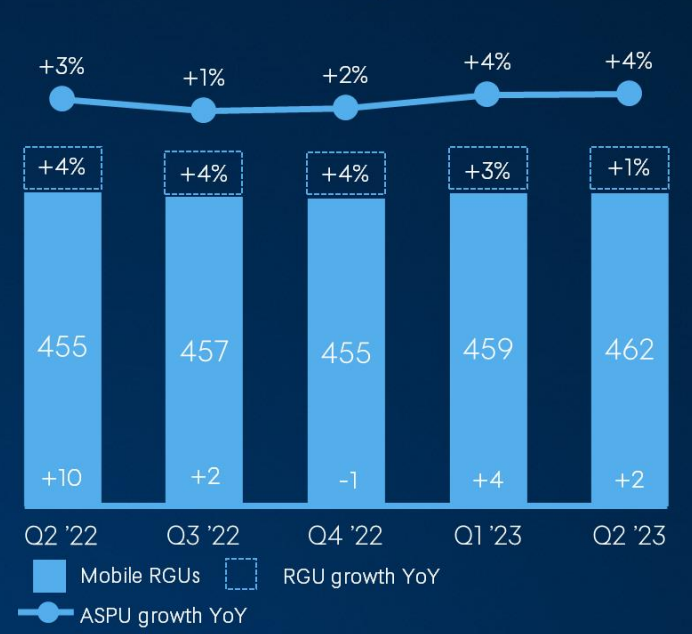
Latvia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



Estonia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



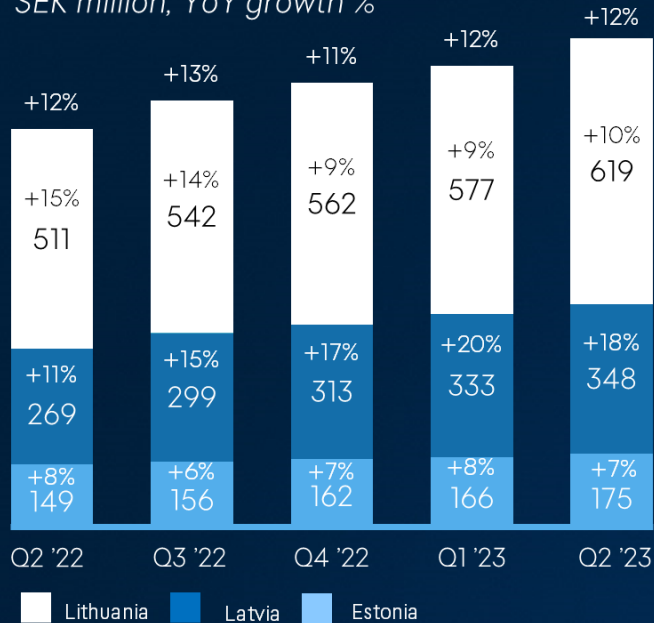
Q2 highlights

- The mobile postpaid customer bases continued to increase across markets, and so did all prepaid customer bases this quarter
- Continued strong blended organic ASPU growth of 9% driven by more-for-more strategy, price adjustments and to some extent prepaid to postpaid migration

Baltics financials: Outstanding track record

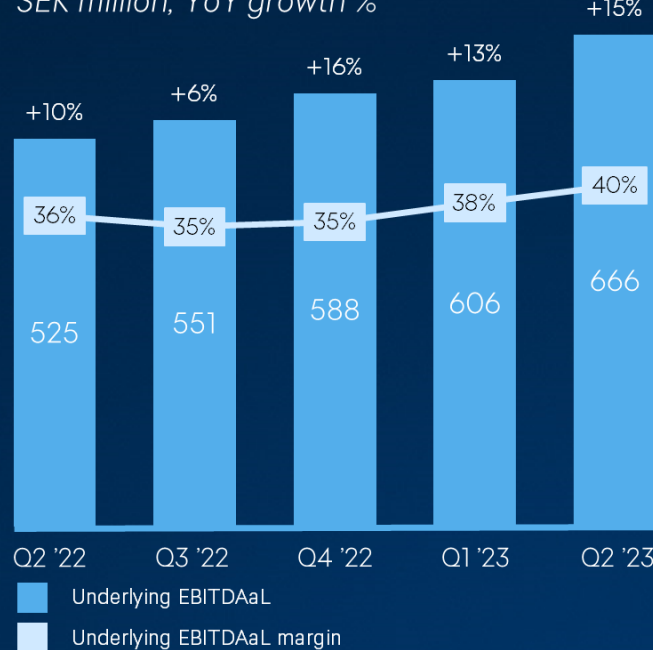
End-user service revenue

SEK million, YoY growth %



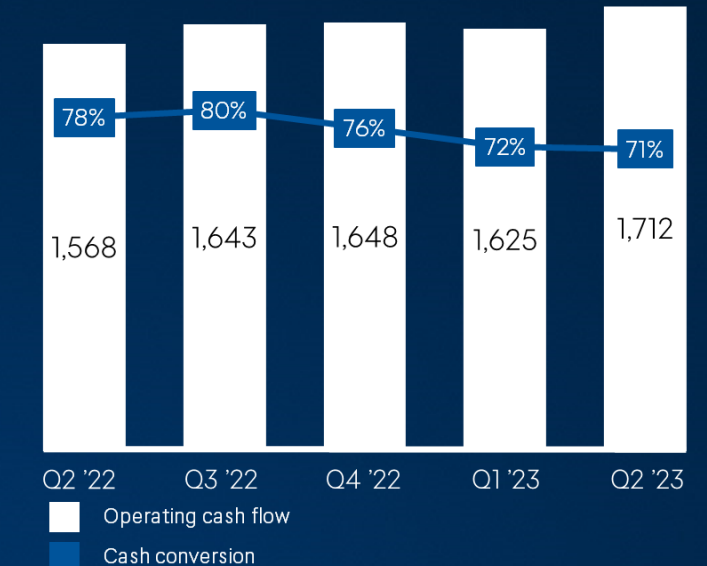
Underlying EBITDAaL & margin

SEK million, YoY growth %



Operating cash flow and cash conversion, LTM, SEK million

SEK million



Q2 highlights

- Continued strong end-user service revenue growth of 12% driven by both ASPU and volume growth in all markets
- Underlying EBITDAaL grew by 15% as service revenue growth and cost control exceeded increasing personnel costs
- Continued strong cash conversion of 71% thanks to strong underlying EBITDAaL despite significantly increasing capex runrate due to 5G rollouts

FINANCIAL OVERVIEW

Group results

SEK million		Q2 2023	Q2 2022
Revenue		7,153	6,820
Underlying EBITDA		2,882	2,790
Margin (%)		40.3%	40.9%
Items affecting comparability		-76	-88
D&A		-1,563	-1,560
Associated companies & JVs		0	-1
Operating profit		1,243	1,140
Net interest and other financial items	1	-156	-118
Income tax		-198	-175
Net profit, continuing operations		888	847
Net profit, discontinued operations		-1	1
Net profit, total operations		887	847

Comments

- 1 Net interest and other financial items increased due to higher financing costs for outstanding debt despite a SEK 77 million other financial gain related to bond repurchase

Group cash flow

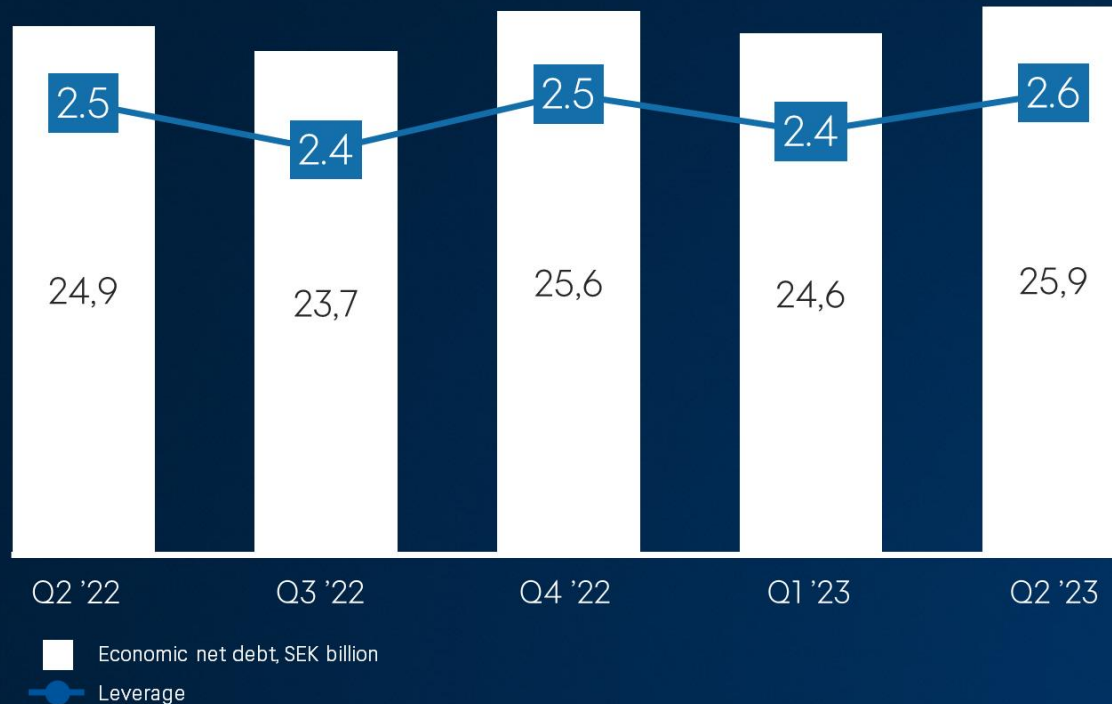
SEK million		Q2 2023	Q2 2022
Underlying EBITDA		2,882	2,790
Items affecting comparability		-76	-88
Amortization of lease liabilities		-293	-275
Capex paid	1	-889	-855
Changes in working capital	2	158	-323
Net financial items paid	3	-220	-162
Taxes paid		-408	-379
Other cash items		22	42
Equity free cash flow		1,176	750
Equity free cash flow LTM	4	4,097	5,359
Equity free cash flow LTM / share (SEK)		5.9	7.8

Comments

- 1 Capex paid increased slightly due to higher network investments
- 2 Changes in working capital were mainly impacted by lower levels of equipment receivable
- 3 Net financial items paid increased due to higher interest rates both on loans and leases
- 4 Equity free cash flow over the last twelve months amounted to SEK 4.1 billion, equivalent to SEK 5.9 per share

Leverage at 2.6x

Economic net debt to underlying EBITDAaL LTM



Comments

- Economic net debt increased by SEK 0.2 billion compared to year-end 2022. The first tranche of the ordinary dividend was largely covered by cash generated in the business
- Leverage of 2.6x remains in the lower part of the target range of 2.5–3.0x
- In May, Tele2 issued a EUR 500 million 6.5-year bond, and repurchased EUR 306 million of existing bonds
- Second tranche (SEK 3.40 per share) of the ordinary dividend to be paid in October

Business Transformation Program completed on target

	Realized in Q2 2023	Annualized run-rate Q2 2023	Annualized run-rate target H1 2023
Opex Reduction <i>SEK million</i>	240	1,005	>1,000

Comments

- Continued optimizations within networks and legacy IT in Q2 2023
- Annualized runrate at end of Q2 2023 SEK 1,005 million (SEK 925 million at the end of Q1 2023)
- Savings of 240 million realized in Q2 2023 with SEK 85 million net effect on underlying EBITDAaL growth (SEK 155 million realized in Q2 2022)
- Reached the target of at least SEK 1 bn in annual run-rate by the end of H1 2023

2023 financial guidance

	End-user service revenue	Underlying EBITDAaL	Annual capex ¹
New	Low to mid-single digit growth	Low-single digit growth	<14% of revenue
Previous	Low-single digit growth	Low-single digit growth	Upper end of SEK 2.8-3.3bn

Mid-term financial ambition

	End-user service revenue	Underlying EBITDAaL	Annual capex ¹
New	Low to mid-single digit growth	Mid-single digit growth	10-14% of revenue
Previous	Low-single digit growth	Mid-single digit growth	SEK 2.8-3.3bn

In line with standard practice, we will announce our 2024 financial guidance in relation to the full-year 2023 results.

In 2023–2024, we expect capex to sales in the upper end of the 10%-14% target range. A gradual decline is then anticipated, moving towards the lower end of the 10-14% range in 2025–2026.

Key priorities going forward

Sustain growth momentum

Continued investments in network infrastructure

Rollout of real 5G and Remote-Phy

Healthy remuneration and investment capability

Efficient cash flow profile and solid balance sheet allows for healthy shareholder remuneration while investing

Operational efficiency with superior customer experience

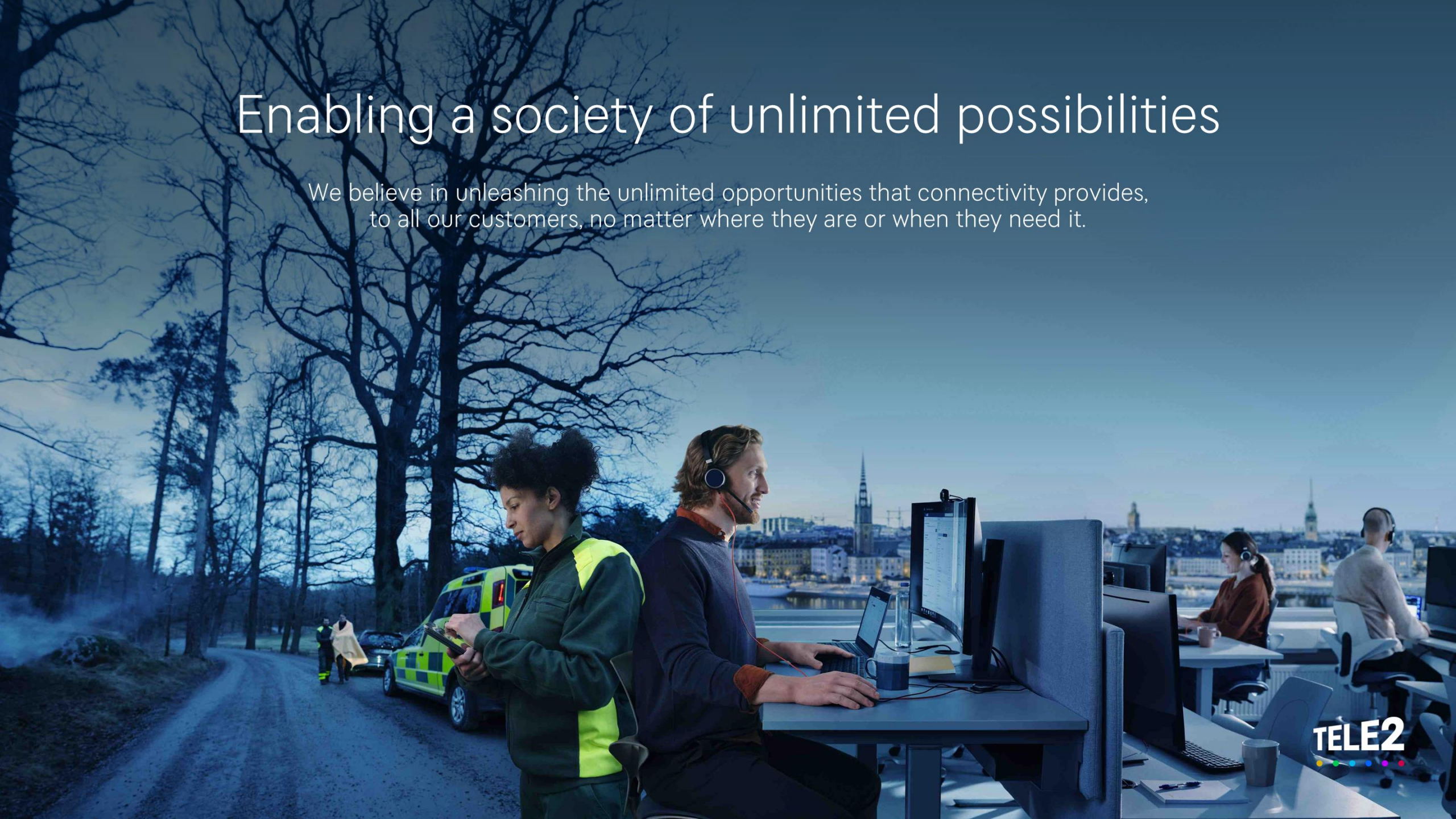
Focus on the digital customer journey ahead with all main brands on the same platform

Leading in sustainability

Continue to expand our circular economy solutions to meet customer demands

Enabling a society of unlimited possibilities

We believe in unleashing the unlimited opportunities that connectivity provides, to all our customers, no matter where they are or when they need it.



TELE2