

# FOURTH QUARTER 2009

9 February 2010

**TELE2**

# AGENDA

**CEO review**

**Harri Koponen**

Financial review

Lars Nilsson

Concluding remarks

Harri Koponen

# HIGHLIGHTS Q4

- **Solid operational result**
- **Nordic**
  - Nordic mobile is returning to revenue growth
    - Push in postpaid segment according to plan
- **Russia**
  - Roll-out better than plan
  - 1 149 000 new customers
- **Central Europe**
  - Focus on maintaining market share in the Baltic region and cash flow contribution
- **Western Europe**
  - All countries delivering healthy EBITDA contribution
  - Strong performance in The Netherlands and Austria

# MARKET AREA NORDICS

## Mobile

- Positive revenue growth
- Solid customer intake in postpaid
- Secured No1 market share position in prepaid mobile internet in Sweden

## Market strategy

- Further develop and calibrate our increased focus on mobile postpaid



# MARKET AREA RUSSIA

## Mobile

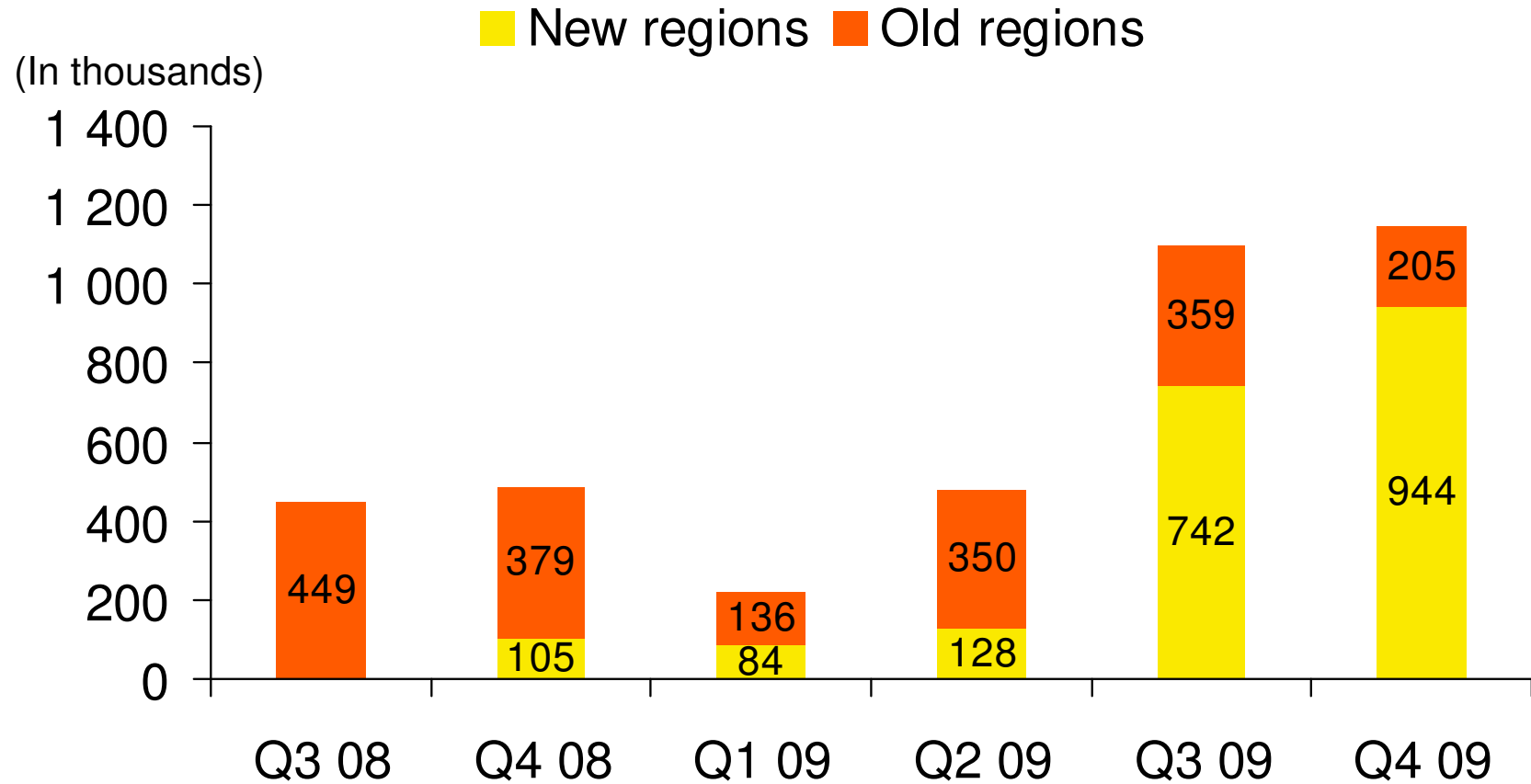
- Record high EBITDA margin in mature regions
- Record high net intake
  - New regions adding 944 000 customers

## Market strategy

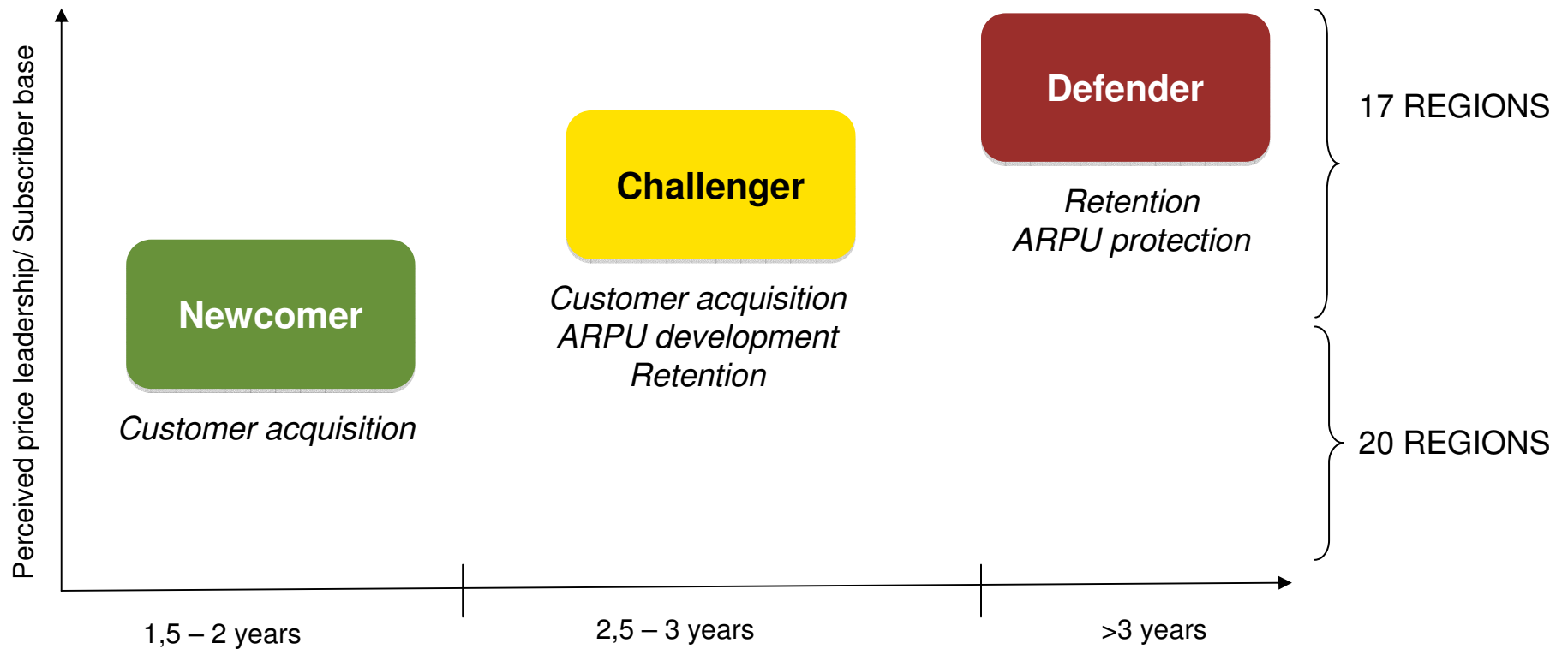
- Making the roll-out an efficient machinery
- Continue unique distribution strategy



# NET INTAKE RUSSIA



# CLEAR BUSINESS GOALS THROUGH EVOLUTION



# MARKET AREA WESTERN EUROPE

## Corporate segment

- Important contract wins

## Market strategy

- Investing for the future
- New mobile offering in the Netherlands
  - Full portfolio of mobile services
    - Combination package “Internet Home & Away”





# MARKET AREA CENTRAL EUROPE

## Mobile

- Defend market share and expand when possible
- Mobile internet service launched in Lithuania

## Market strategy

- Economic turmoil creates opportunities for a price leader



# TELE2 ALWAYS PROVIDES



# THE BEST DEAL



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# Q4 2009 GROUP RESULTS

SEK million	Q4 09	Q4 08	Change %
<b>Continuing operations, Net Sales</b>	<b>9,889</b>	<b>9,986</b>	<b>-1%</b>
<b>EBITDA</b>	<b>2,188</b>	<b>2,162</b>	<b>1%</b>
- EBITDA margin (%)	22.1%	21.7%	
Depreciation and joint venture	-888	-964	
- Depreciation of net sales (%)	9.0%	9.7%	
One-off items	-64	-19	
<b>EBIT</b>	<b>1,236</b>	<b>1,179</b>	
Normalized EBIT	1,300	1,198	
- Normalized EBIT margin (%)	13,1%	12,0%	
Financial items	-124	-593	
Taxes	-247	104	
Net result, continuing operations	865	690	
Net result, discontinued operations	184	204	
<b>Net result</b>	<b>1,049</b>	<b>894</b>	

# 2009 FULL YEAR GROUP RESULTS

SEK million	2009	2008	Change %
<b>Continuing operations, Net Sales</b>	<b>39,265</b>	<b>38,272</b>	<b>3%</b>
<b>EBITDA</b>	<b>9,185</b>	<b>8,169</b>	<b>12%</b>
- EBITDA margin (%)	23,4%	21,3%	
Depreciation and joint venture	-3,647	-3,679	
- Depreciation of net sales (%)	9,3%	9,6%	
One-off items	-11	-1 642	
<b>EBIT</b>	<b>5,527</b>	<b>2,848</b>	
Normalized EBIT	5,538	4,490	
- Normalized EBIT margin (%)	14,1%	11,7%	
Financial items	-500	-1,013	
Taxes	-426	-120	
Net result, continuing operations	4,601	1,715	
Net result, discontinued operations	-46	718	
<b>Net result</b>	<b>4,555</b>	<b>2,433</b>	

# TAXES

Taxes in income statement (MSEK)	One-Off	Normal	Reported
Q1	-196	-77	-273
Q2	-	-324	-324
Q3	862	-444	418
Q4	20	-267	-247
	<b>686</b>	<b>-1,112</b>	<b>-426</b>

Taxes in cash flow statement (MSEK)	One-Off	Normal	Reported
Q1	-359	-97	-456
Q2	-	-124	-124
Q3	-	-98	-98
Q4	-52	-153	-205
	<b>-411</b>	<b>-472</b>	<b>-883</b>

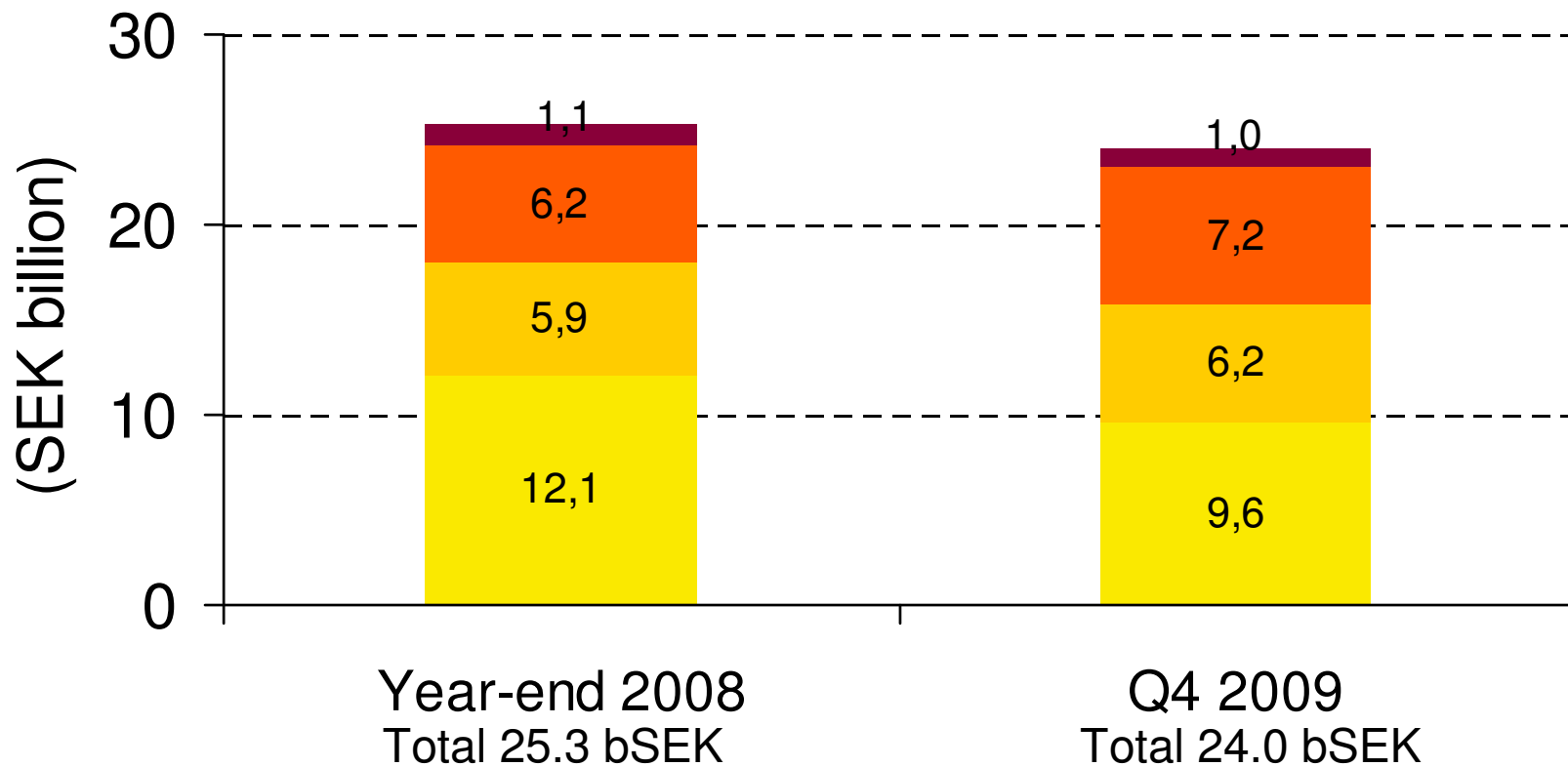
In 2010: Tele2 forecast a corporate tax rate of approximately 20 percent excluding one-off items

# “OUR” CURRENCIES

Currency	YTD Average 09 vs. 08	Fixing rate Dec 09 vs Dec 08
EUR / EUR pegged	10,6 %	- 5,3 %
RUB	- 8,9 %	- 9,4 %
USD	16,2 %	- 7,0 %

# NET ASSETS IN FOREIGN CURRENCIES

■ EUR ■ EUR pegged ■ RUB ■ Other





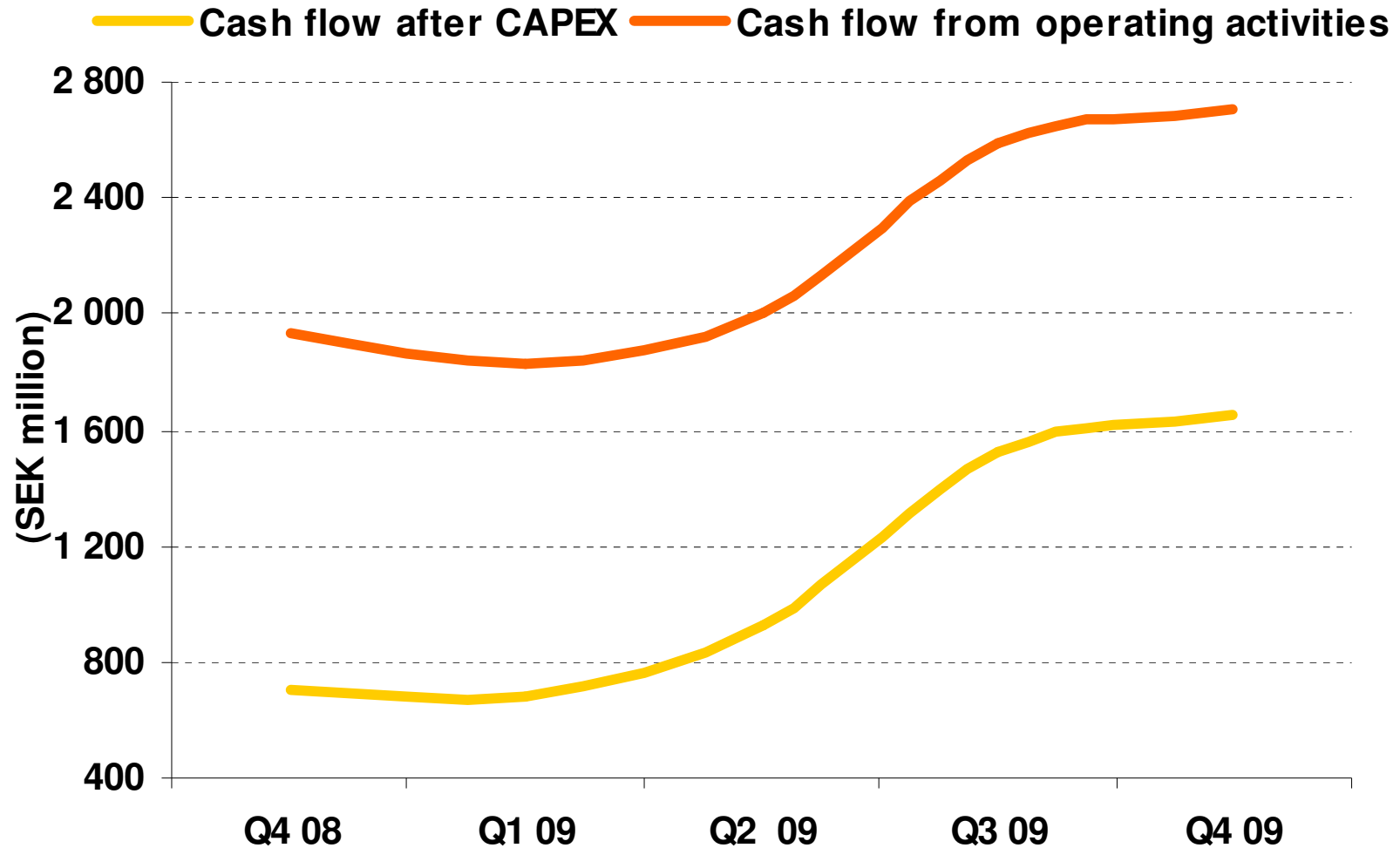
# CASH FLOW FOR Q4 2009

SEK million	Q4 09	Q4 08
<b>OPERATING ACTIVITIES</b>		
Cash flow from operations, other	2,485	1,930
Taxes paid	-205	-120
Changes in working capital	421	127
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2,701</b>	<b>1 937</b>
<b>INVESTING ACTIVITIES</b>		
CAPEX	-1,048	-1,233
<b>Cash Flow after CAPEX</b>	<b>1,653</b>	<b>704</b>
Acquisition and sale of shares and participations, net	344	106
	<b>1,997</b>	<b>810</b>

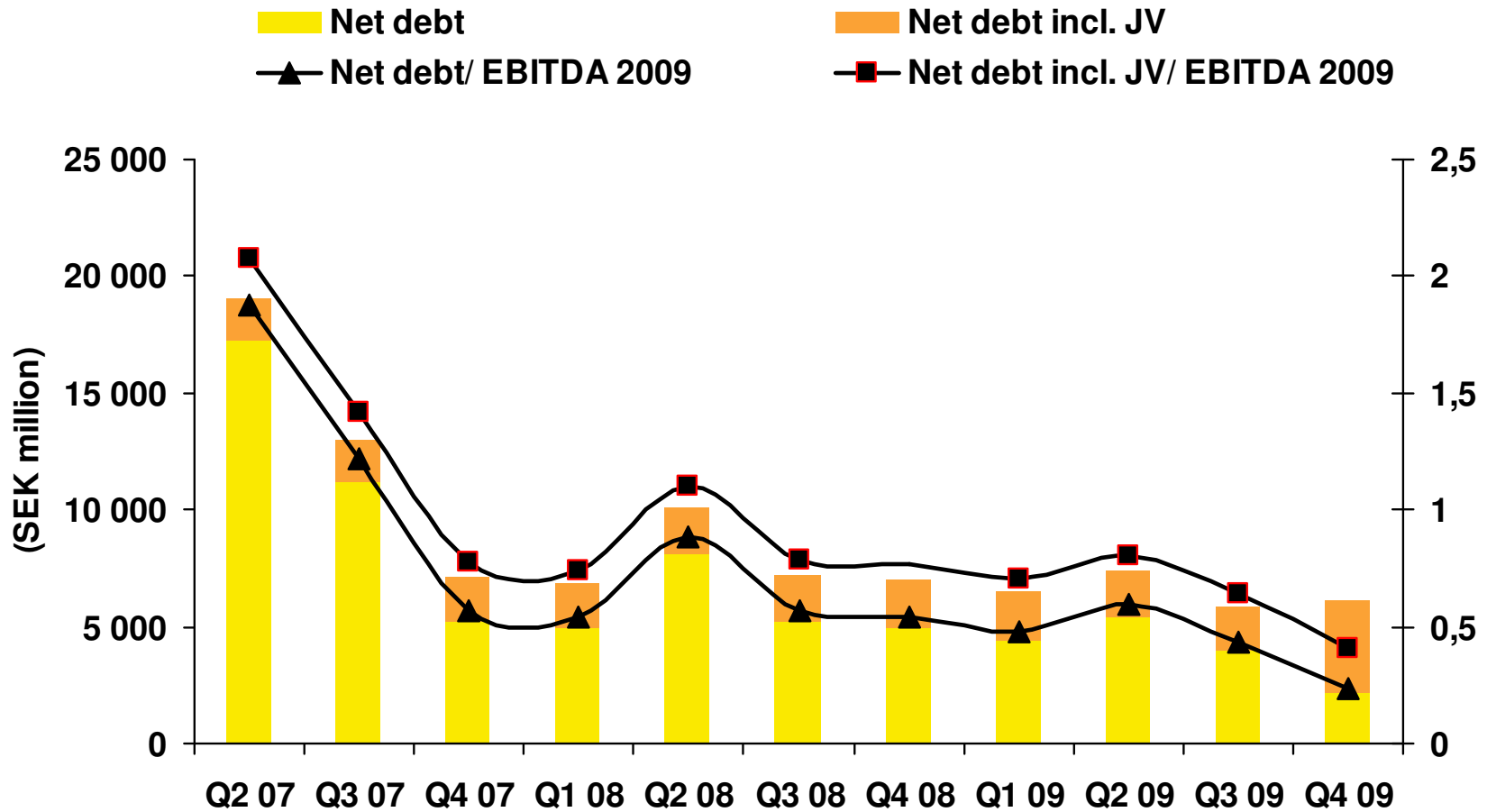
# CASH FLOW FOR FULL YEAR 2009

SEK million	2009	2008
<b>OPERATING ACTIVITIES</b>		
Cash flow from operations, other	8,870	8 166
Taxes paid	-883	-377
Changes in working capital	1 131	107
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>9,118</b>	<b>7,896</b>
<b>INVESTING ACTIVITIES</b>		
CAPEX	-4,340	-4,608
<b>Cash Flow after CAPEX</b>	<b>4,778</b>	<b>3,288</b>
Acquisition and sale of shares and participations, net	3	1,597
	<b>4,781</b>	<b>4,885</b>

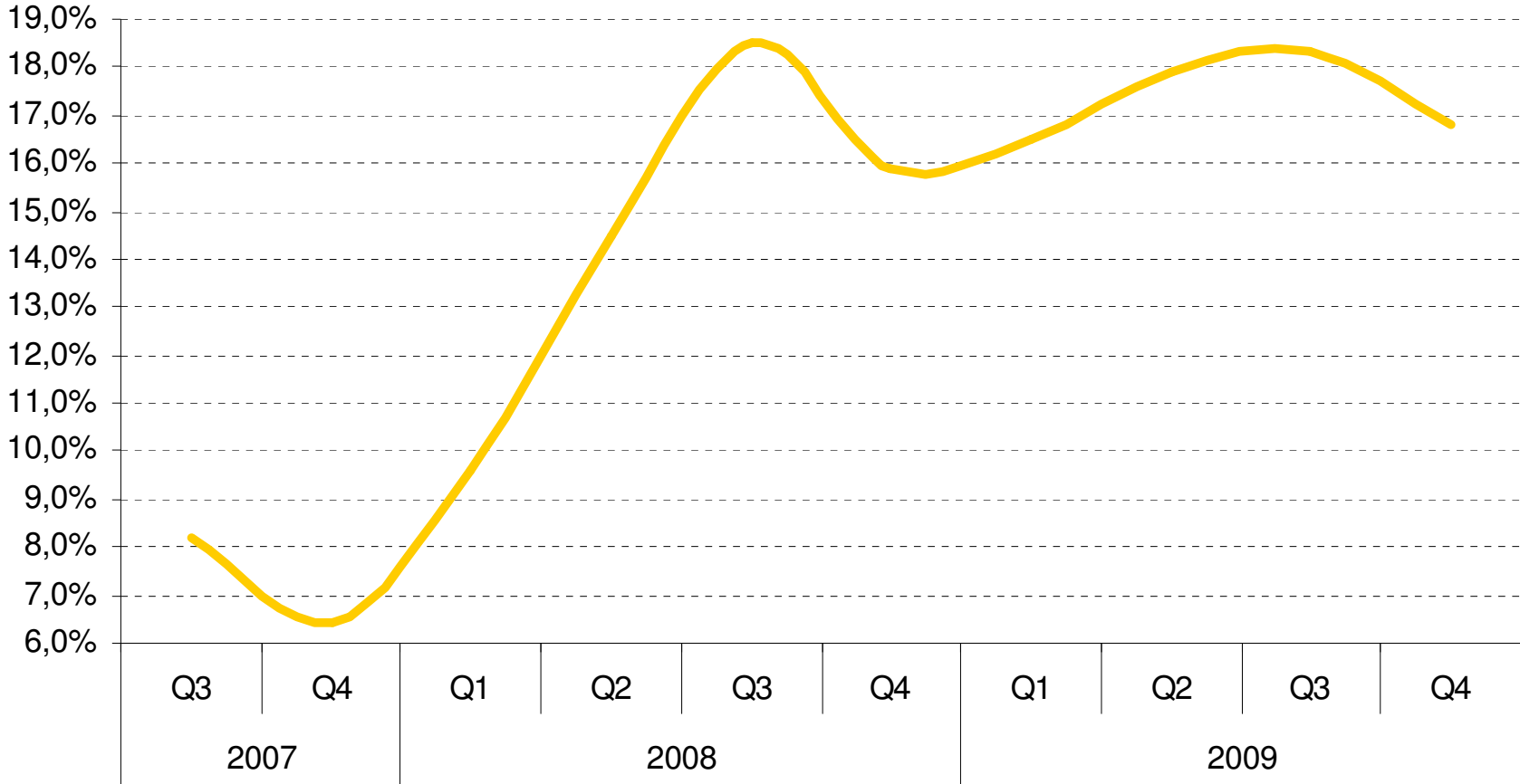
# CASH FLOW DEVELOPMENT



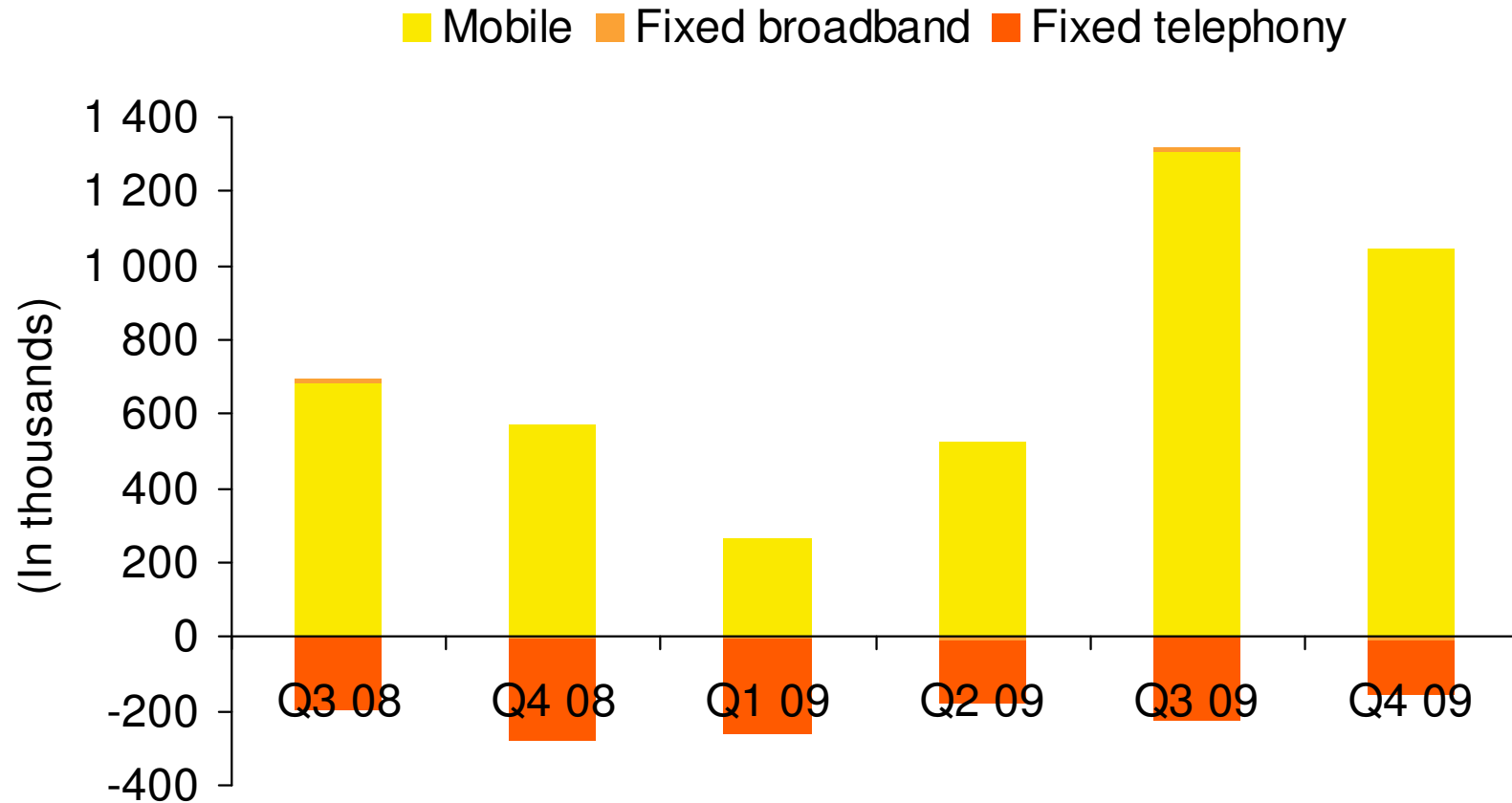
# GROUP FINANCIAL PROFILE



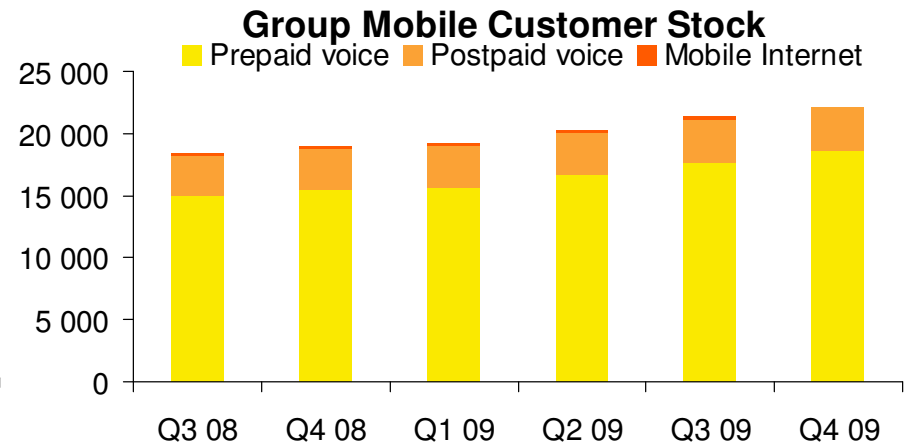
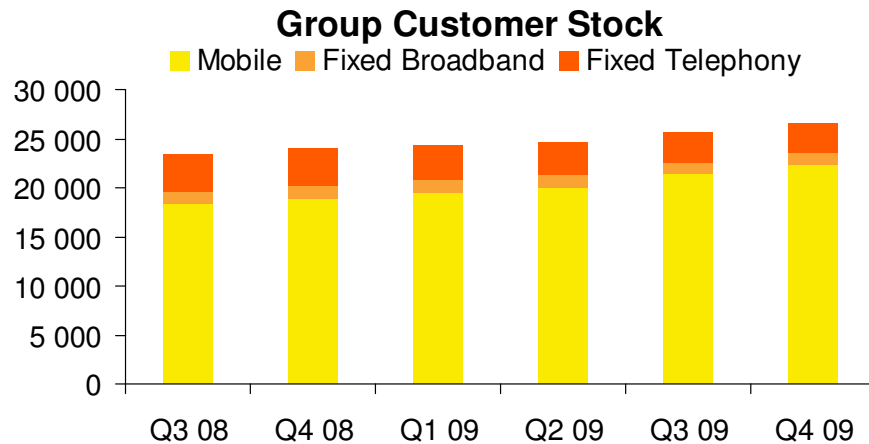
# ROCE



# NET INTAKE PER SEGMENT

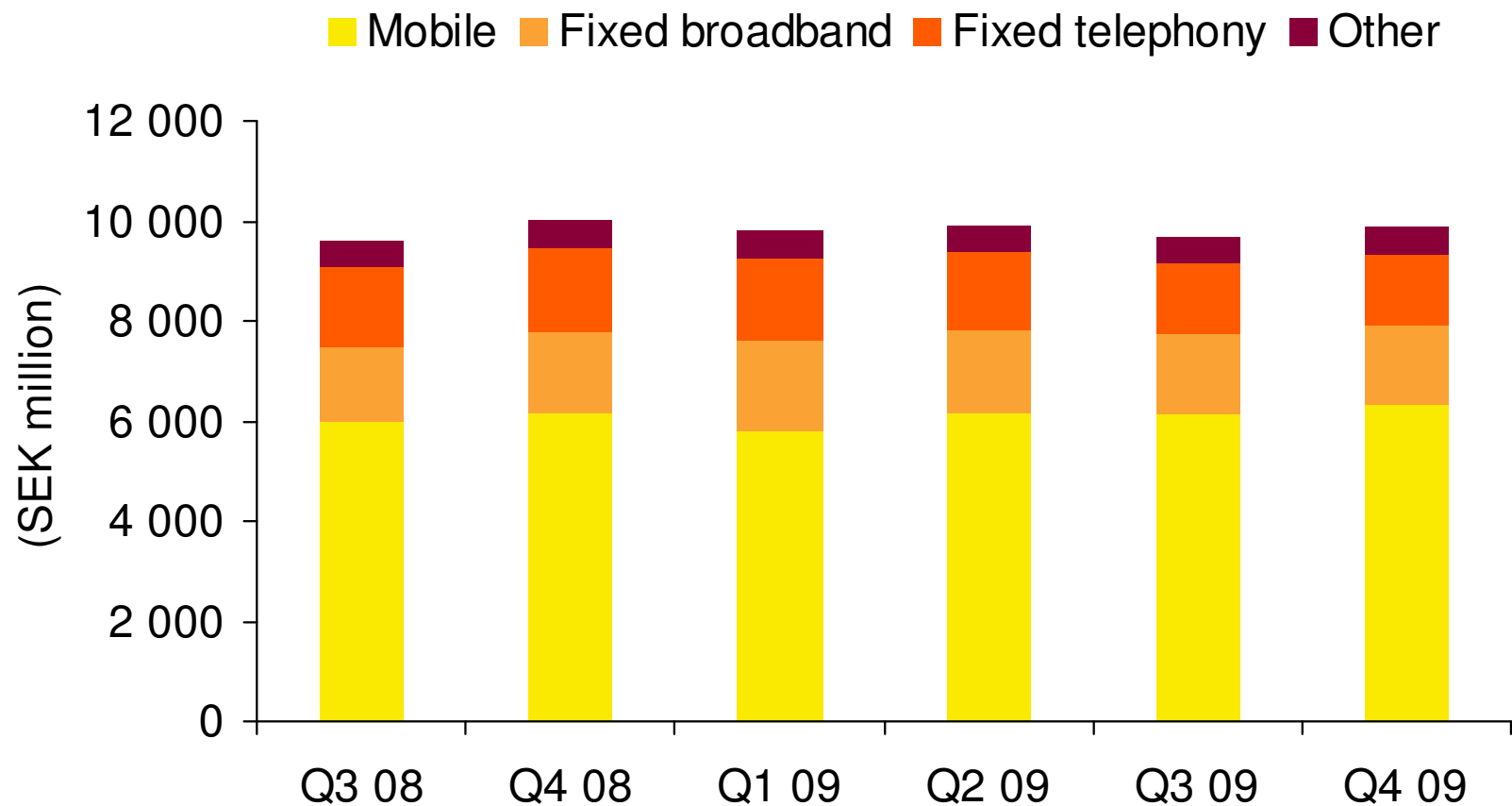


# GROUP CUSTOMER STOCK



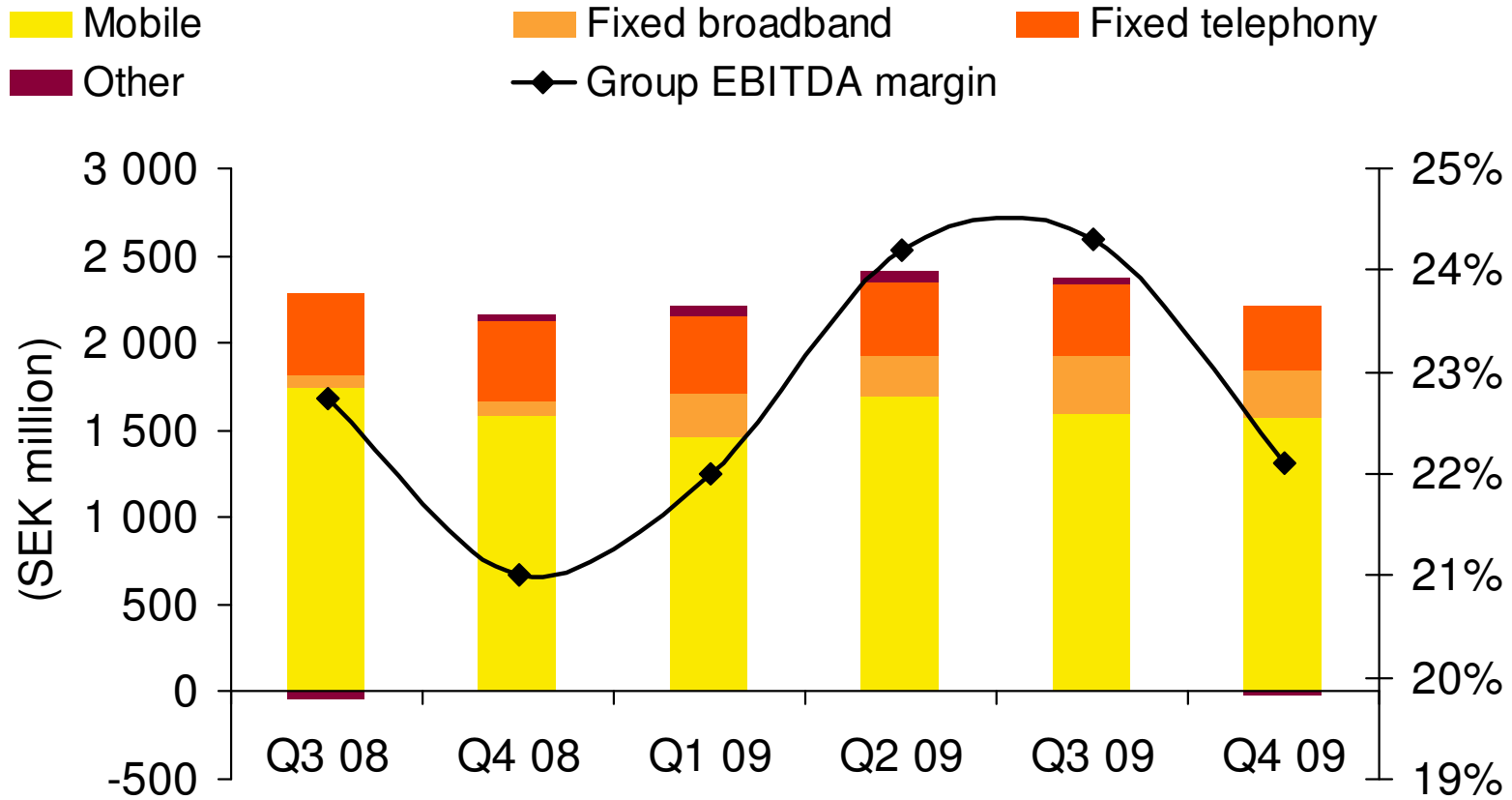
- Strong intake in the Mobile segment
  - Driven by Russia adding 1 149 000 new customers

# GROUP Q4 2009 NET SALES

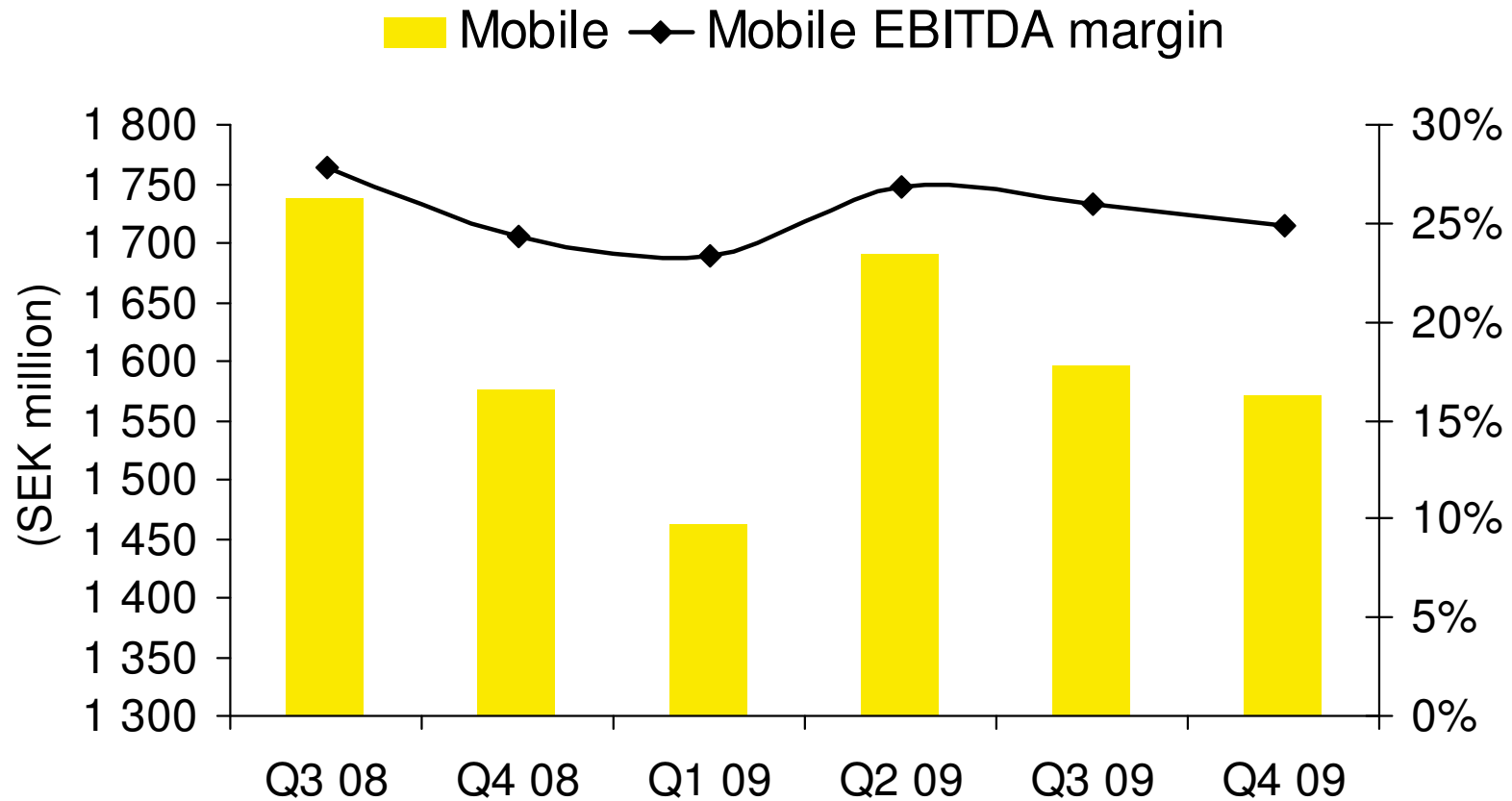




# GROUP Q4 2009 EBITDA

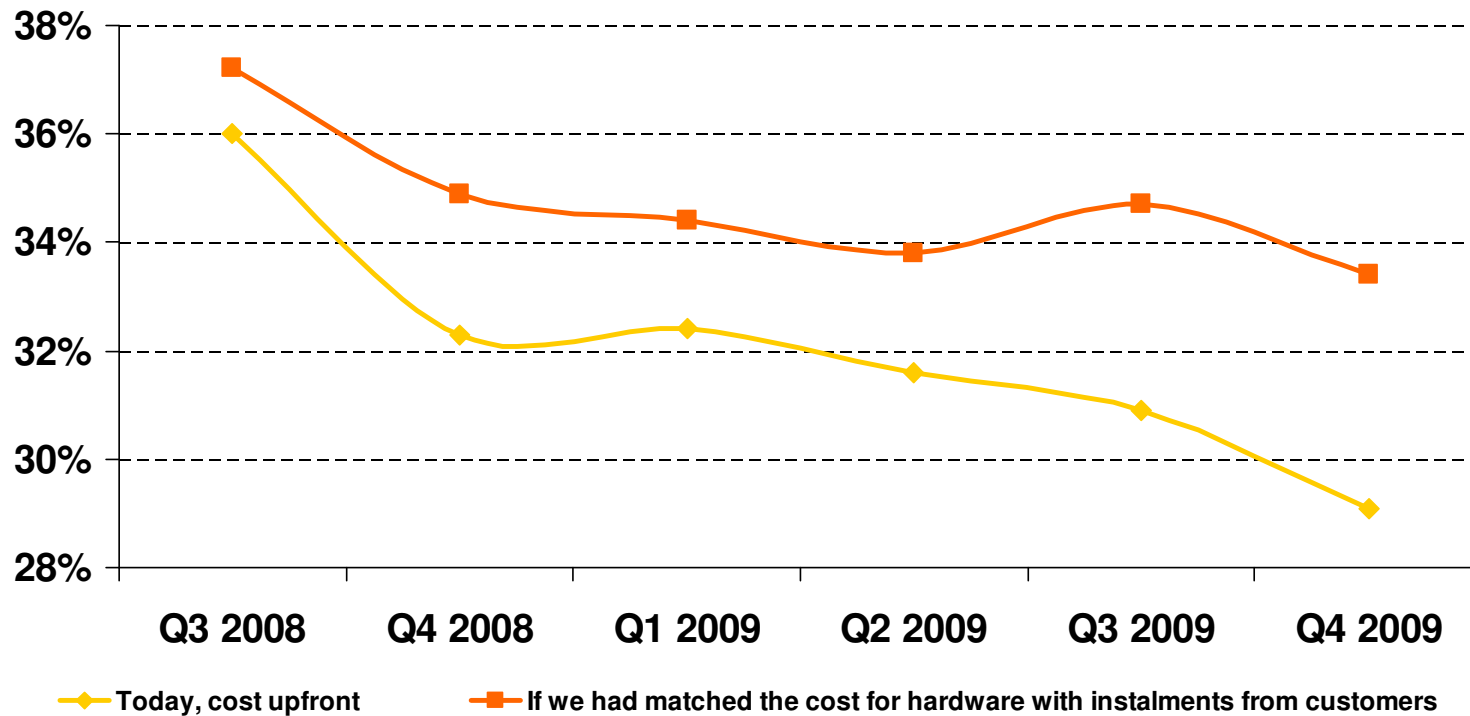


# MOBILE Q4 2009 EBITDA

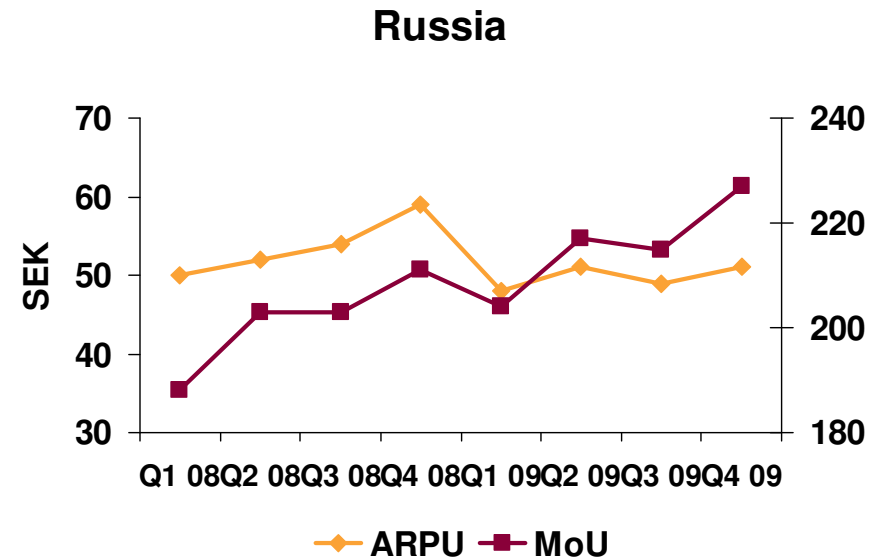
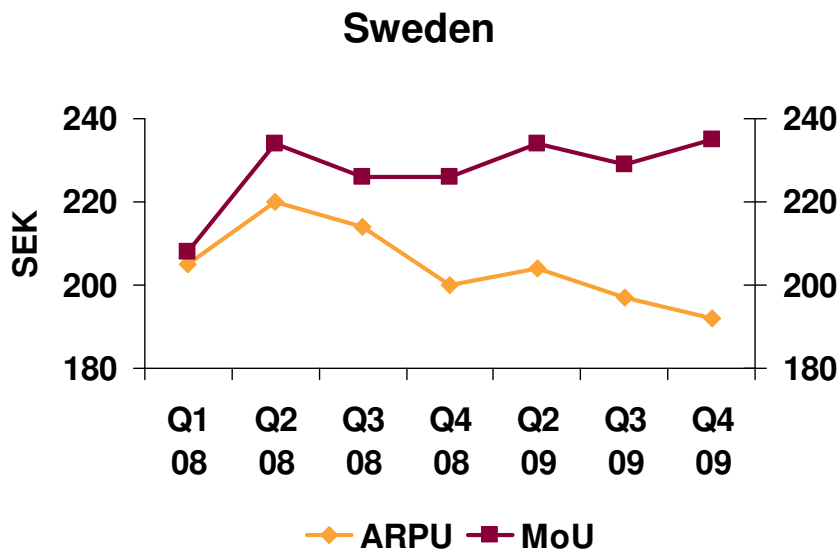


# SWEDISH MOBILE MARGIN

Temporary negatively affected by increased costs for hardware related to post-paid customers

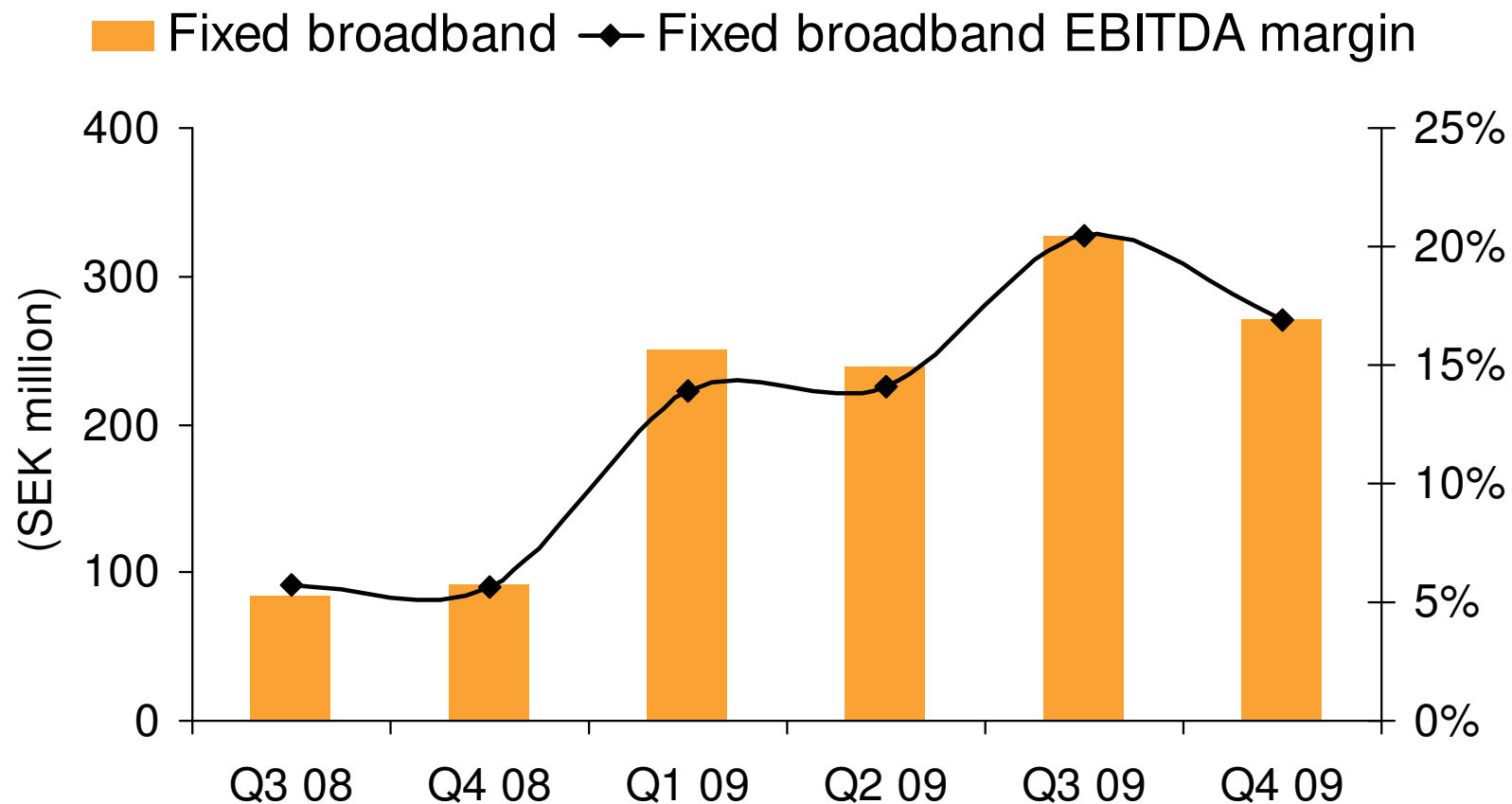


# MoU AND ARPU DEVELOPMENT

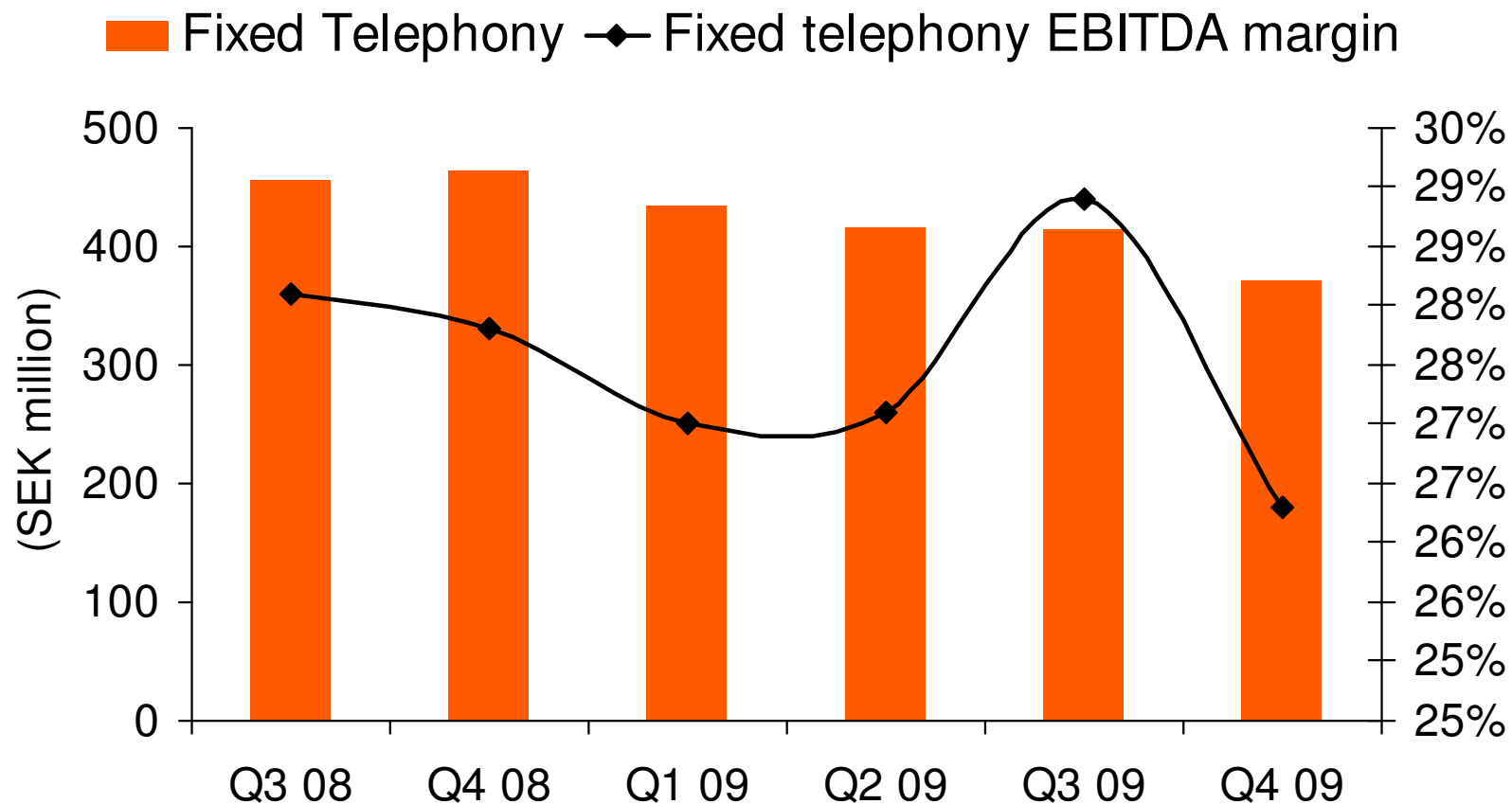


- Relatively strong development despite challenging economical times
  - Swedish ARPU being driven down by an increasing customer base in Mobile Internet and softness in corporate customer MoU

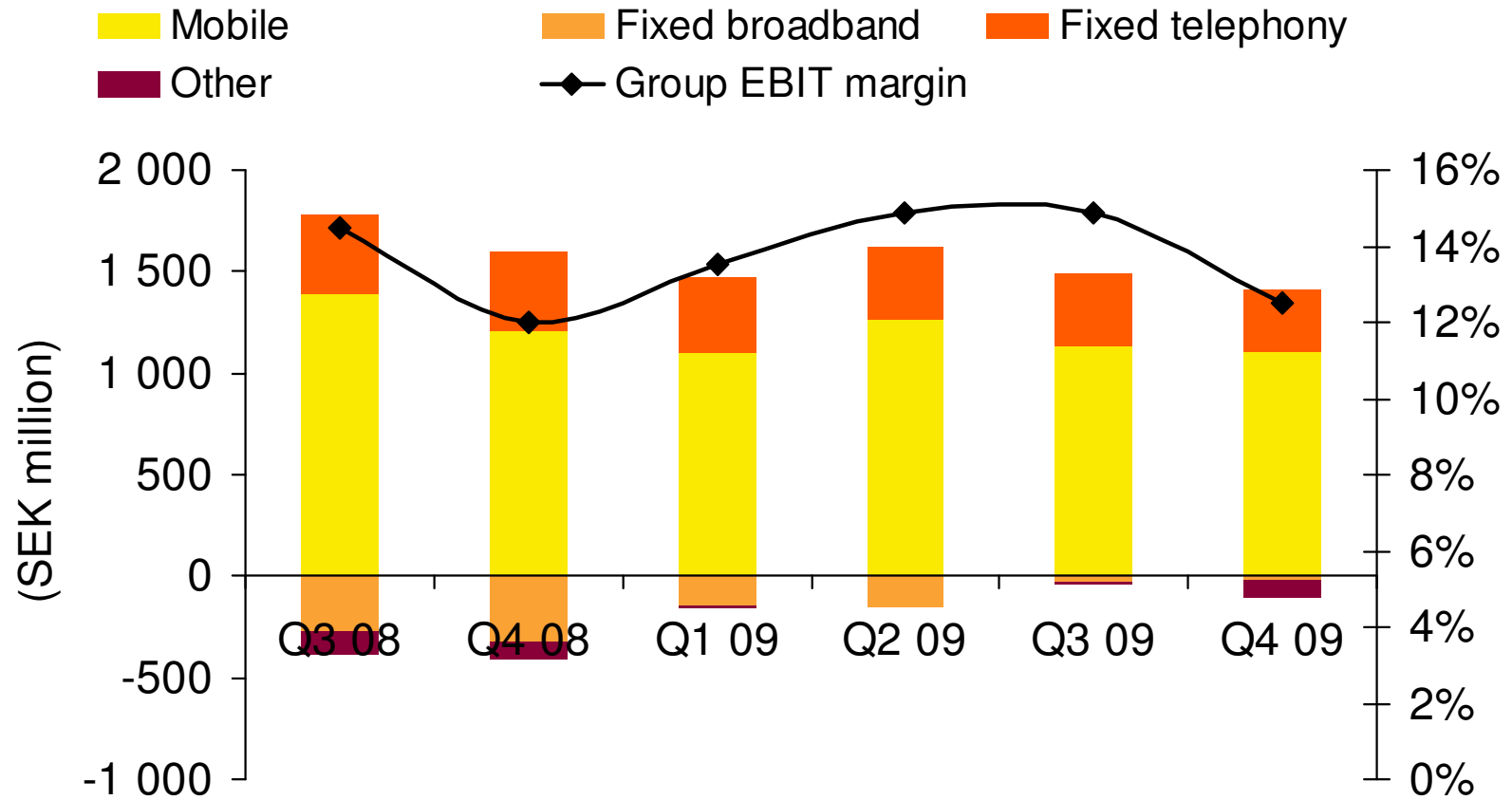
# FIXED BROADBAND Q4 2009 EBITDA



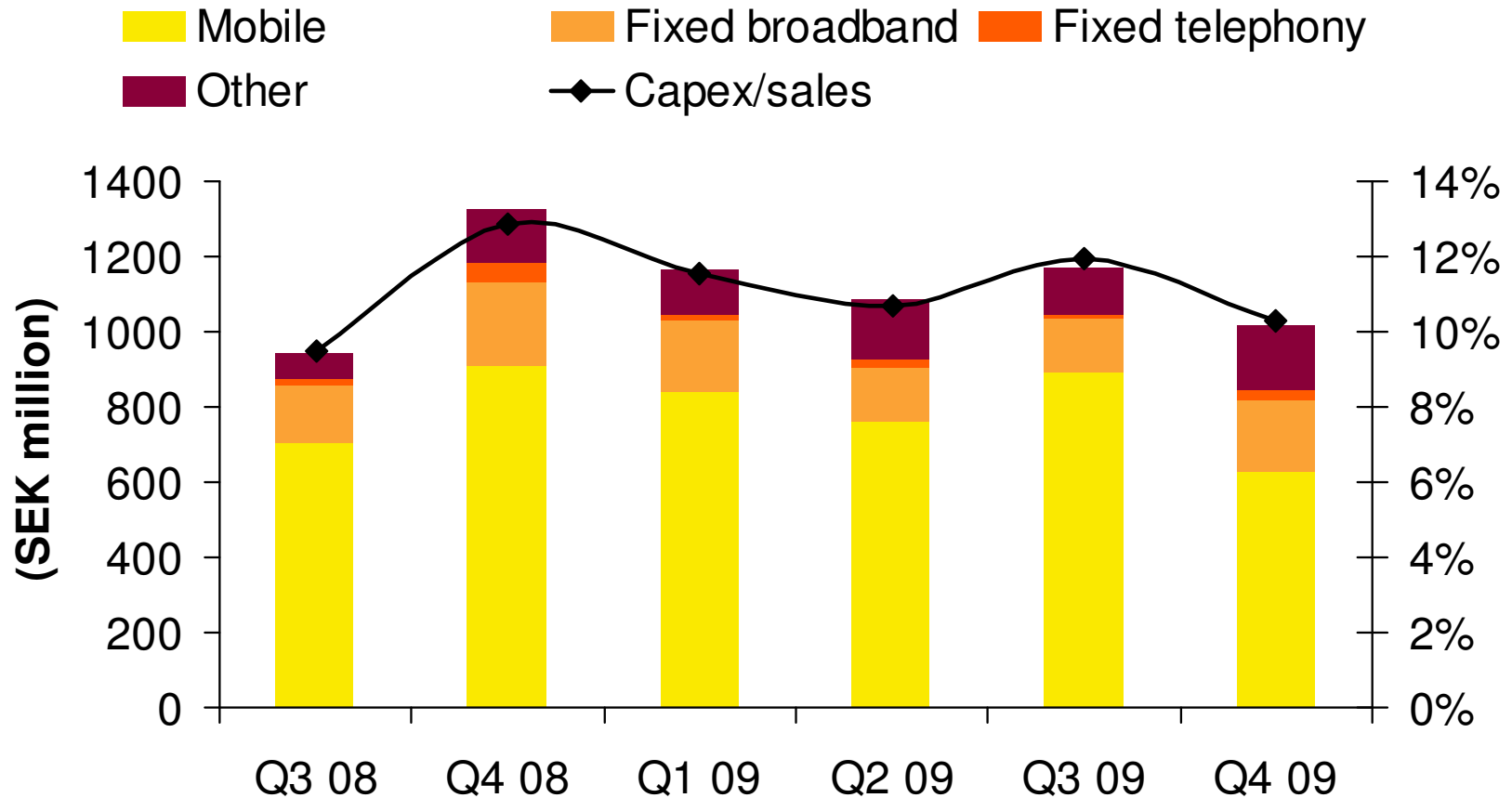
# FIXED TELEPHONY Q4 2009 EBITDA



# GROUP Q4 2009 EBIT



# GROUP Q4 2009 CAPEX



In 2010: Tele2 forecast a CAPEX level in the range of SEK 4,600 – 4,800 million



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# CONCLUDING REMARKS

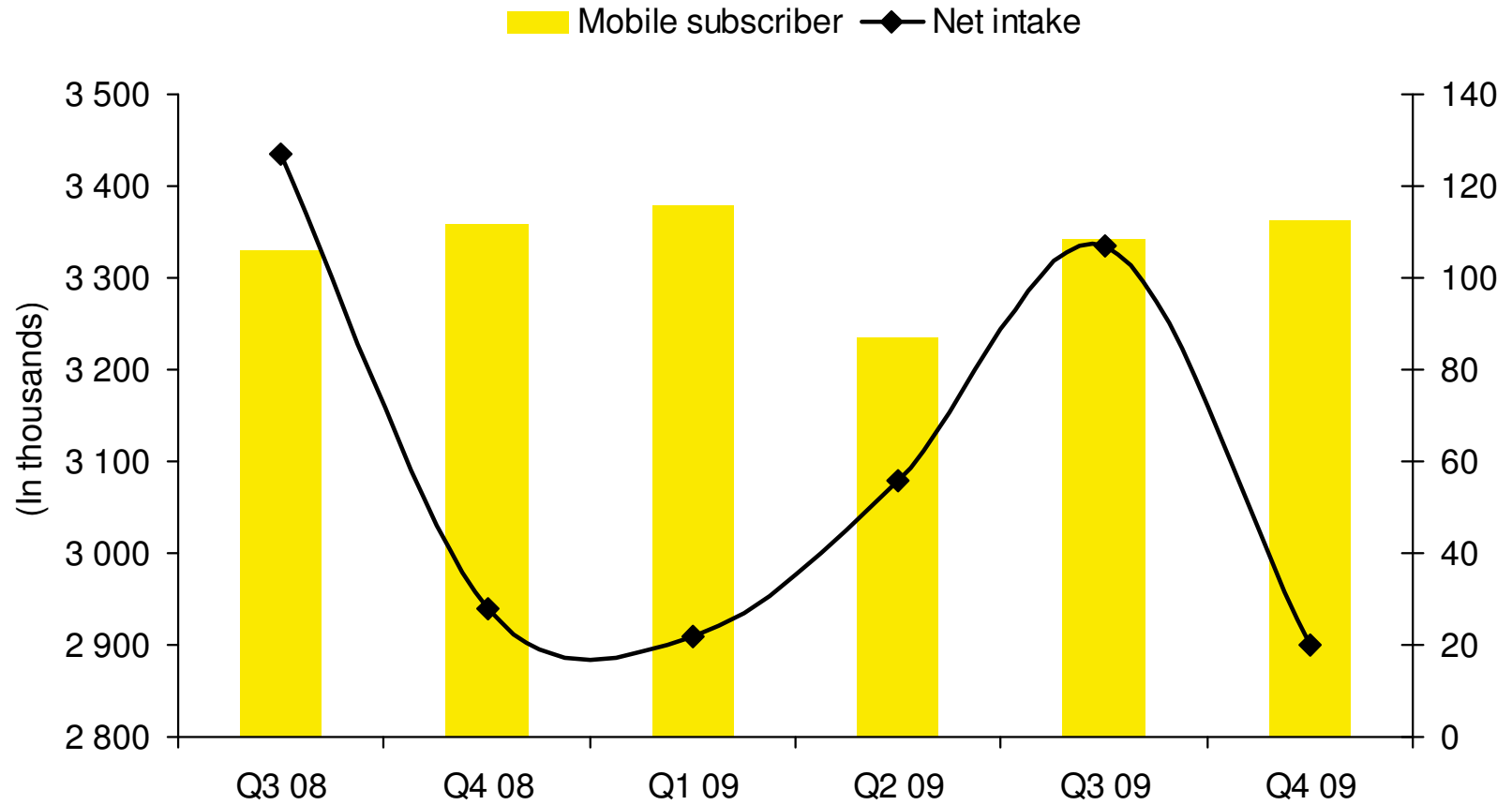
## Top priorities 2010

- Investment year
- Targeting a long term mobile EBITDA margin on own infrastructure at least 35 percent
- Best Deal
  - Expected quality
  - Perceived price leader

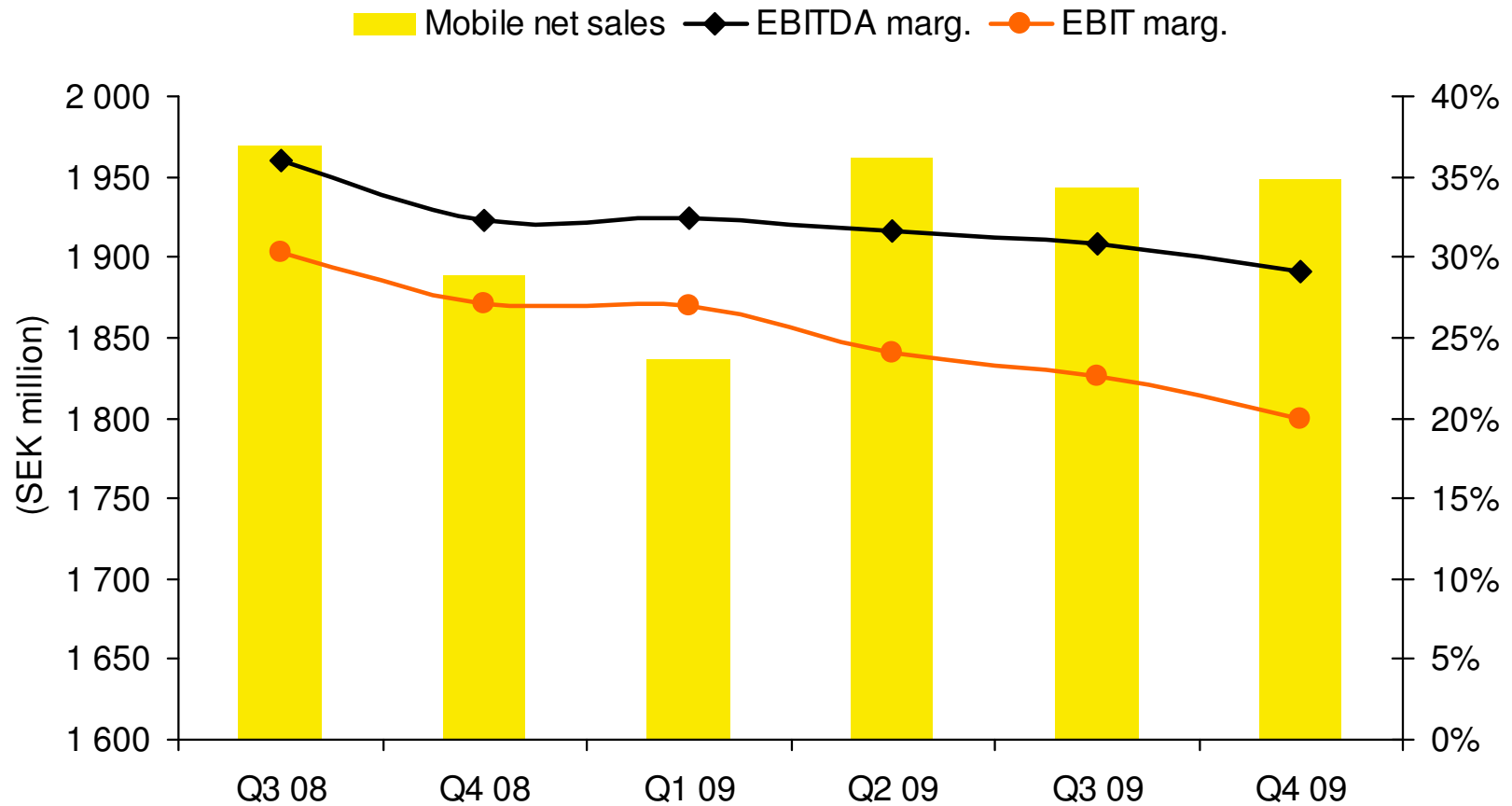
# Q&A

# Appendix A

# TELE2 SWEDEN MOBILE

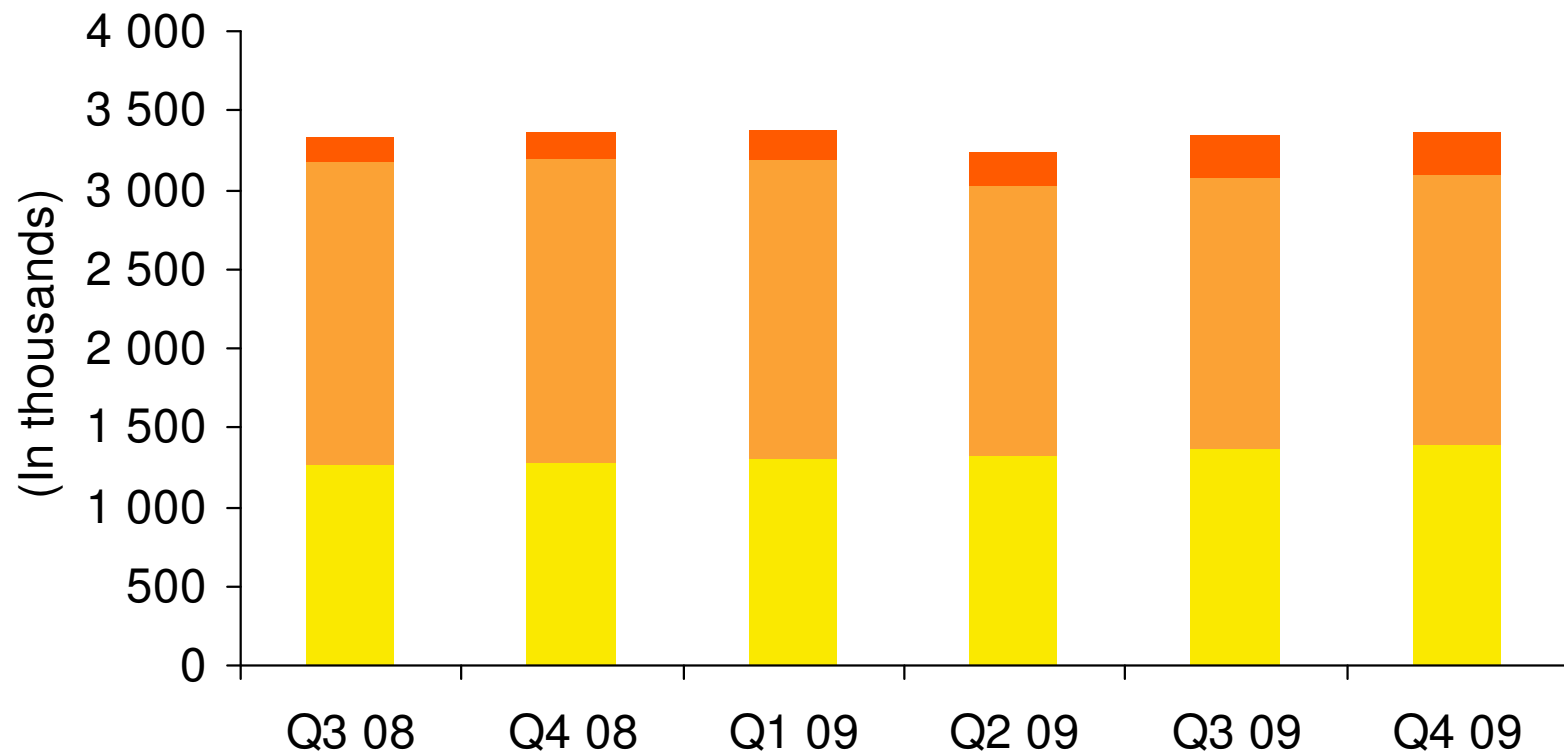


# TELE2 SWEDEN MOBILE (contd)

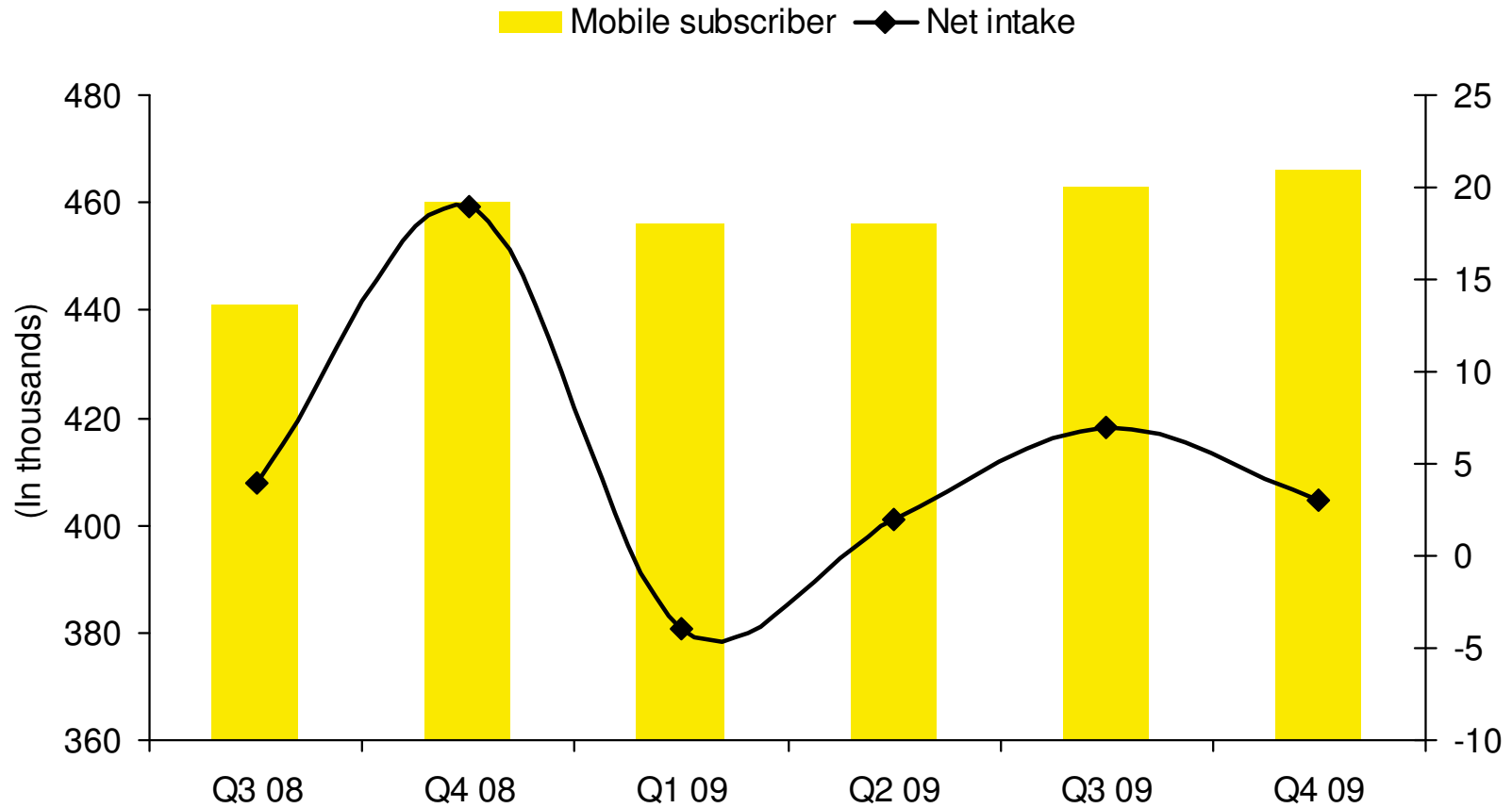


# TELE2 SWEDEN MOBILE (contd)

■ Postpaid voice ■ Prepaid voice ■ Mobile Internet

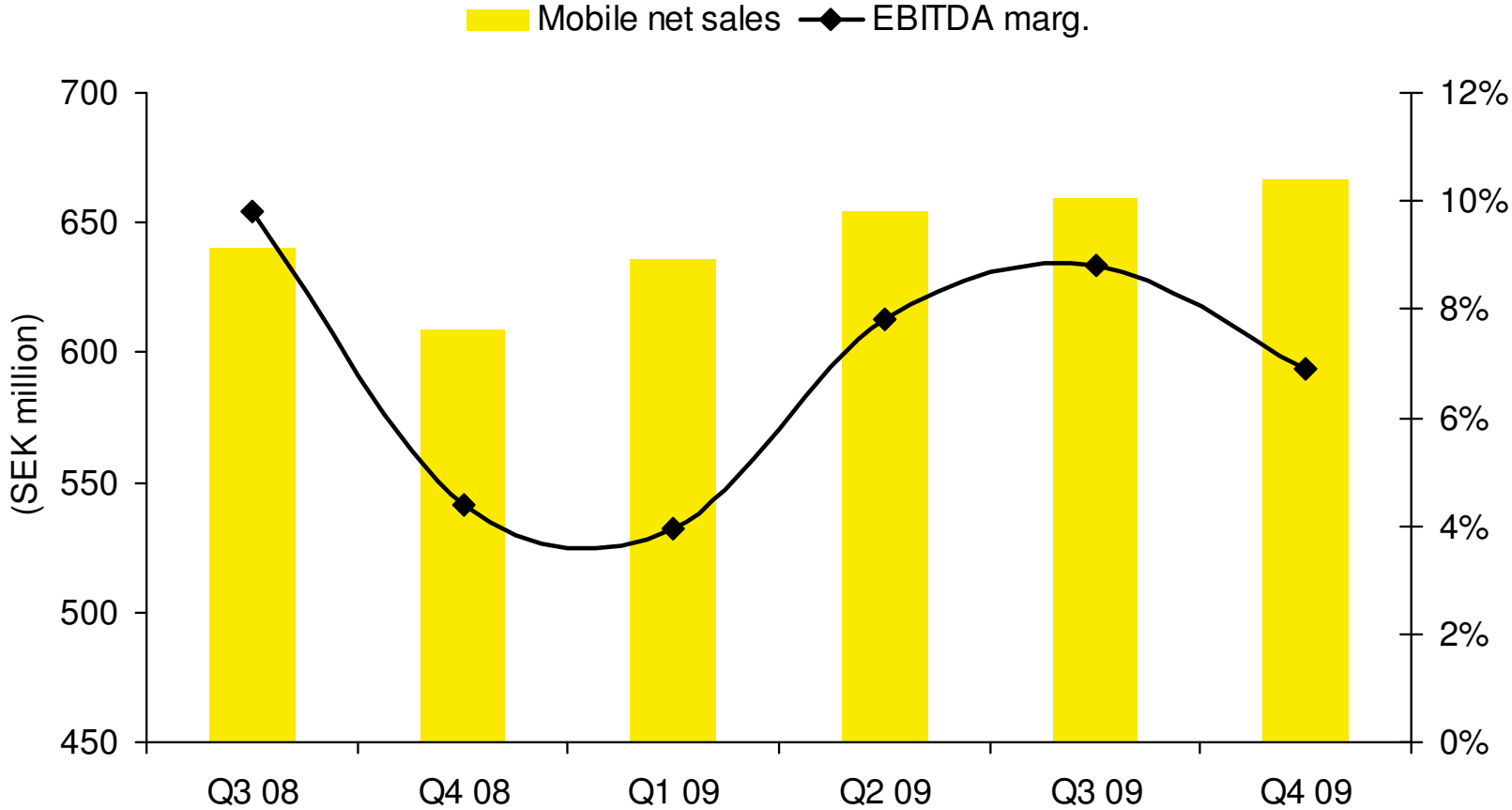


# TELE2 NORWAY MOBILE

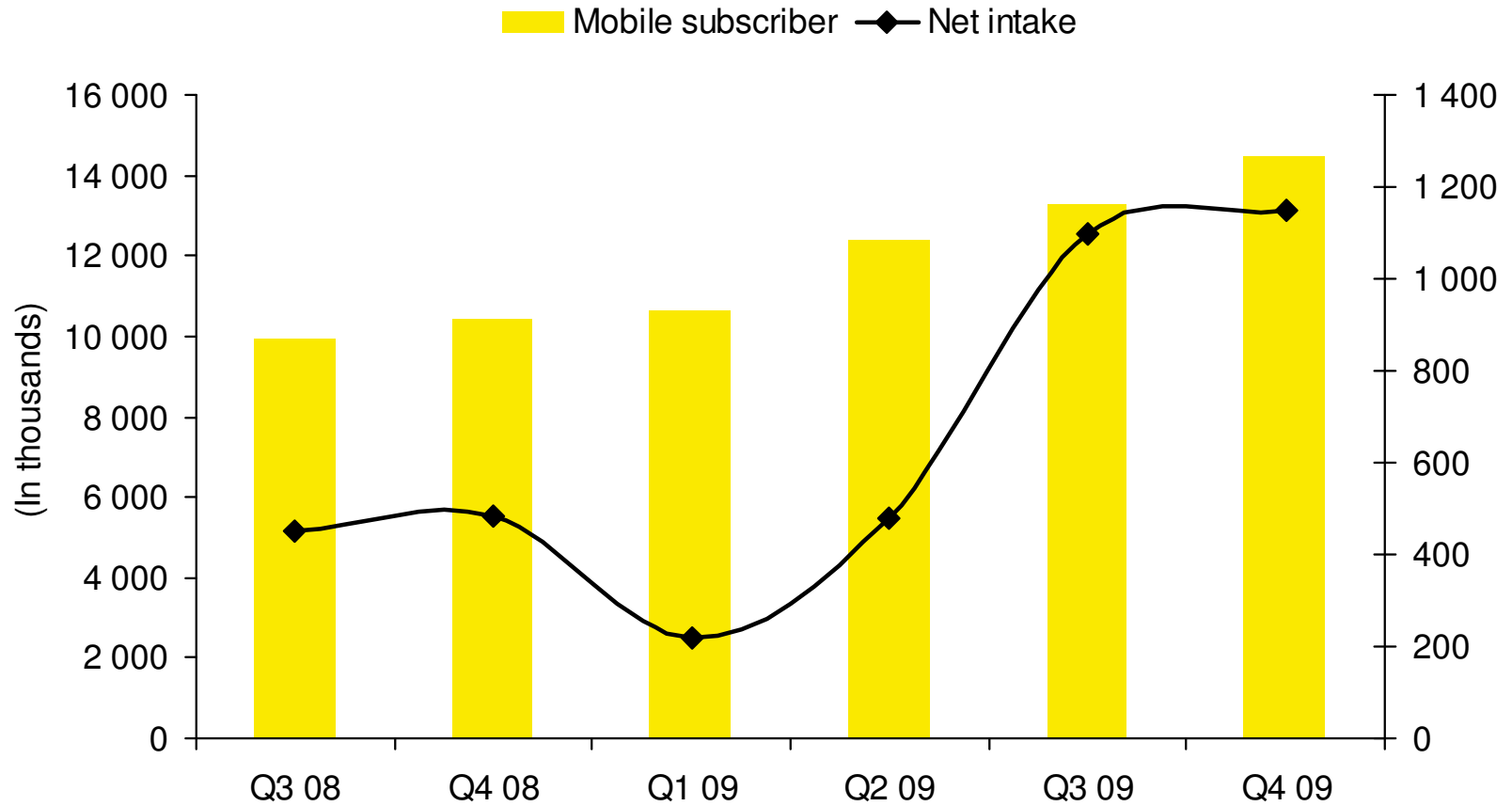




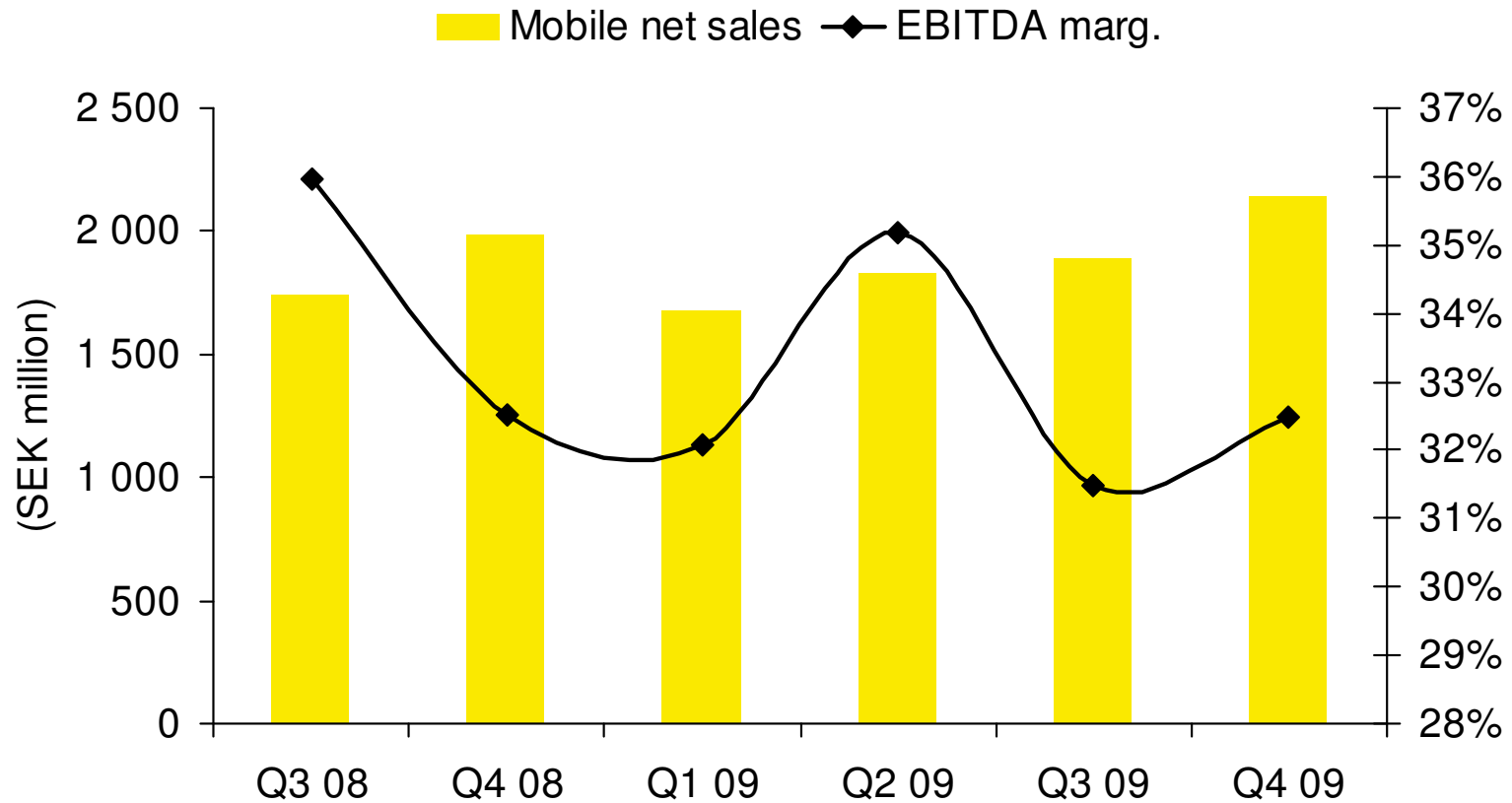
# TELE2 NORWAY MOBILE (contd)



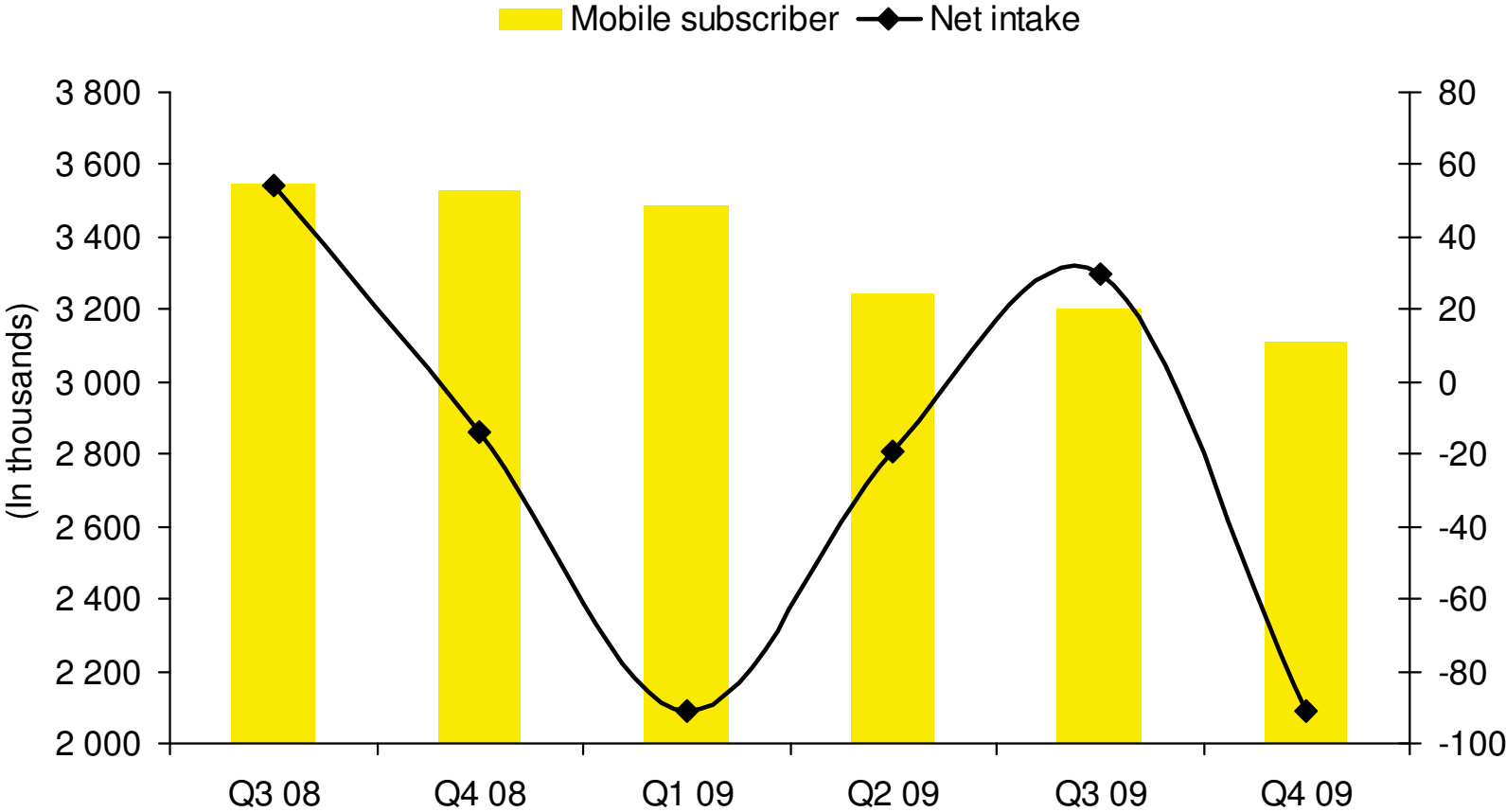
# TELE2 RUSSIA MOBILE



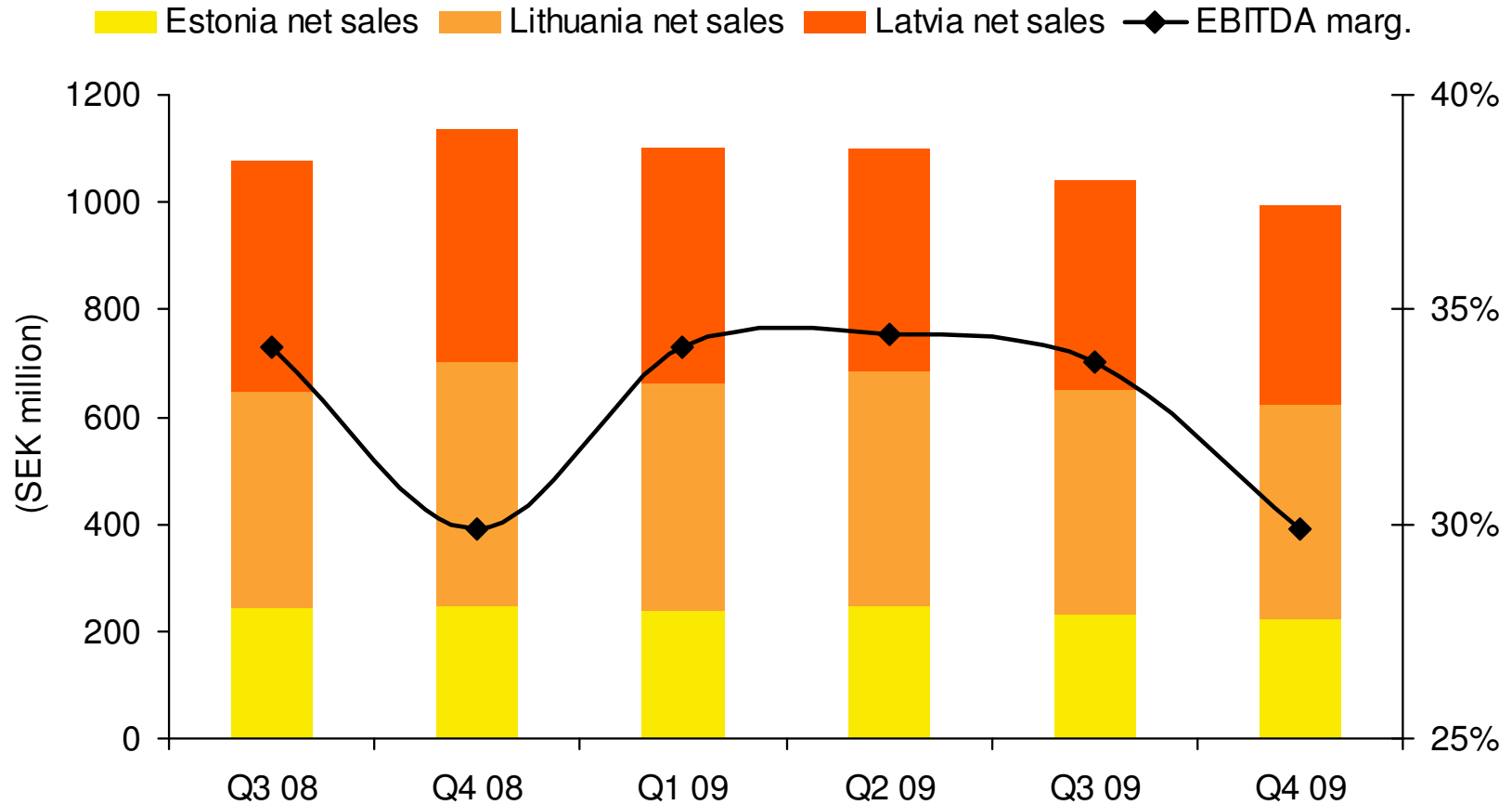
# TELE2 RUSSIA MOBILE (contd)



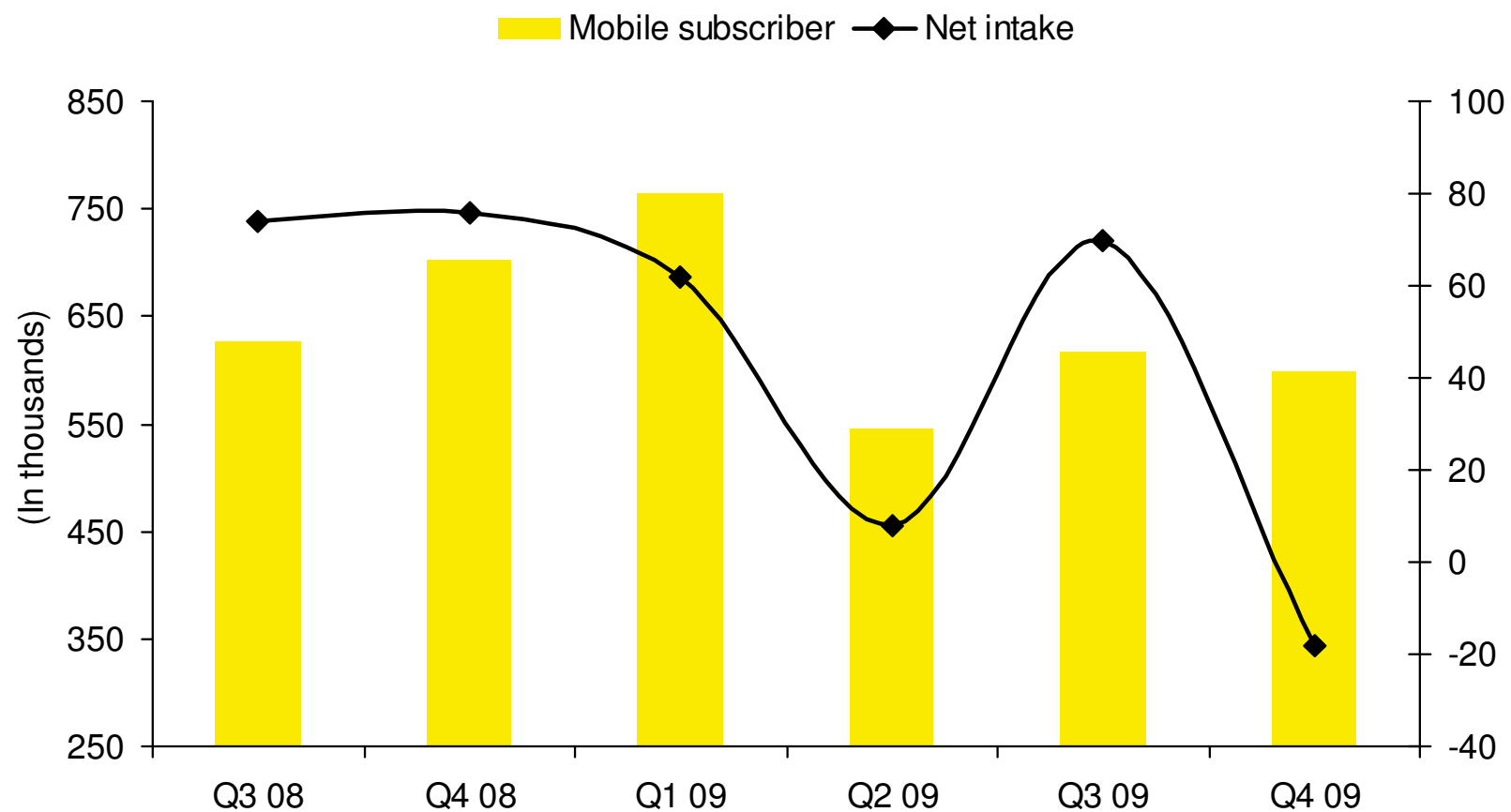
# TELE2 BALTIC MOBILE



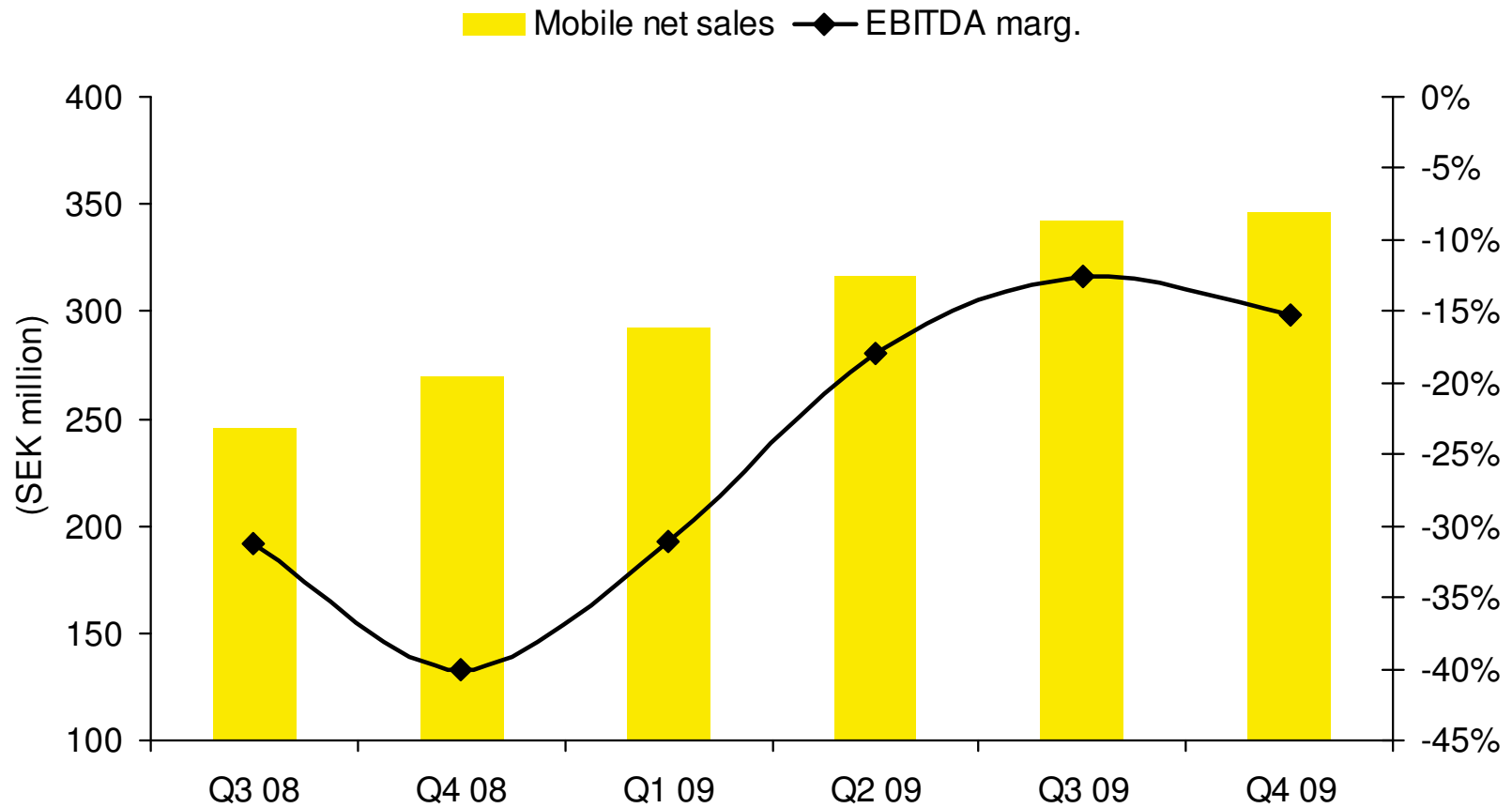
# TELE2 BALTIC MOBILE (contd)



# TELE2 CROATIA MOBILE



# TELE2 CROATIA MOBILE (contd)



# Appendix B



# SWEDEN OUTLOOK

- Tele2 will continue to target higher market share in the postpaid segment, which in the longer term will lead to:

- Higher customer intake
- Improved ARPU
- Lower churn

Resulting in

- Higher customer lifetime value

- In the short term, this strategy will lead to higher total acquisition costs

Resulting in

- EBITDA margin towards 30 percent in 2010

# RUSSIA OUTLOOK

- Subscriber base should be able to reach 18-19 million by YE 2011
- Maintain ARPU growth at 5% by 2011
- EBITDA 2010-2011
  - Old regions' EBITDA margin should evolve in the range of 40-45 percent
  - New regions' EBITDA margin should break even 2 years from launch
  - EBITDA contribution from new regions should be in the range of SEK -700 to -900 million
  - Russia's total EBITDA margin should develop in the range of 25-30 percent
- Capex 2010-2011
  - Accumulated Capex in Russia should be in the range of SEK 4.5-5.0 billion
- Selected acquisitions – when available and under right conditions

# NET DEBT AND DIVIDEND TARGETS

- Shareholder remuneration
  - “Tele2’s intention over the medium term is to pay a progressively increasing ordinary dividend”
- Long-term financial leverage
  - “Tele2’s longer-term financial leverage, defined as the net debt /EBITDA ratio, should be in line with the industry and the markets in which it operates”
- Short-term consideration
  - “The company needs to take the uncertainties in the financial markets into consideration and act accordingly”

# FINANCIAL ITEMS Q4

SEK million	Q4 09	Q4 08	Change
<b>External</b>			
Net interest expenses	-9	-86	77
Exchange rate differences, external	-61	-251	190
Other financial items	-24	8	-32
	<b>-94</b>	<b>-329</b>	<b>235</b>
Exchange rate differences, intragroup	-30	-264	234
<b>Financial items</b>	<b>-124</b>	<b>-593</b>	<b>469</b>

# FINANCIAL ITEMS 2009

SEK million	2009	2008	Change
<b>External</b>			
Net interest expenses	-358	-400	42
Exchange rate differences, external	3	-344	347
Other financial items	-65	-63	-2
	<b>-420</b>	<b>-807</b>	<b>387</b>
Exchange rate differences, intragroup	-80	-206	126
<b>Financial items</b>	<b>-500</b>	<b>-1,013</b>	<b>513</b>

# TELE2

**THE BEST DEAL**