

# FOURTH QUARTER 2016

January 26, 2017

Tele2 AB

**TELE2**

# Group highlights – Q4 2016

	Q4 2016	% Change Reported	% Change LFL
Mobile end-user service revenue (SEK billion)	3.71	+14%	+6%
Net sales (SEK billion)	8.22	+18%	+2%
EBITDA (SEK billion)	1.46	+9%	+4%

# Delivering on our long term strategy



## Value Champion

- Sweden mobile end-user service revenue up 4%, excluding TDC
- Baltics mobile end-user service revenue up 12%
- Netherlands mobile customer base surpasses 1 million



## Focused Technology Choices

- Swedish and Baltics 4G population coverage above 99%
- Netherlands population coverage now >99% outdoor, >90% indoor
- Netherlands data on-loading on own network at 82%



## Step-Change Productivity

- Strong cash contribution from Sweden and Baltics
- Kazakhstan JV synergy progressing well, material EBITDA contribution
- Challenger program delivering, annual run-rate benefits of SEK >600 million

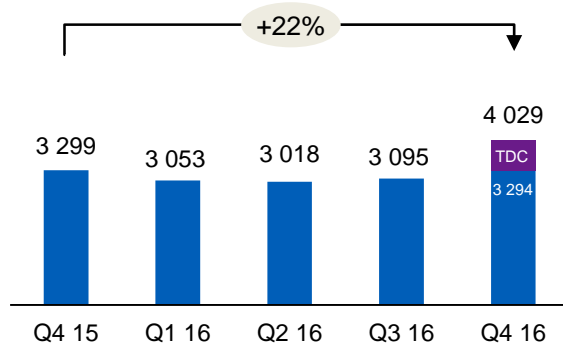


## Winning People & Culture

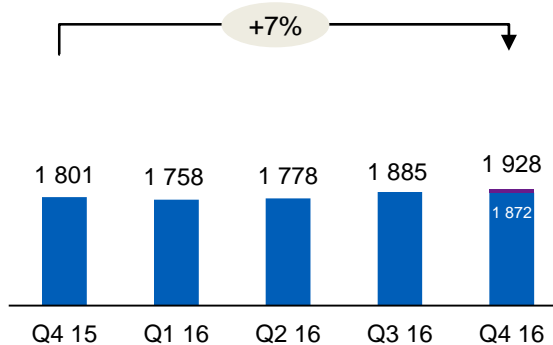
- TDC Sweden acquisition completed October 31, welcoming 800 colleagues
- Awarded BCG Global Child Forum prize and Allbright equality award
- Moved to new, activity-based and open-plan HQ

# Sweden – Financials

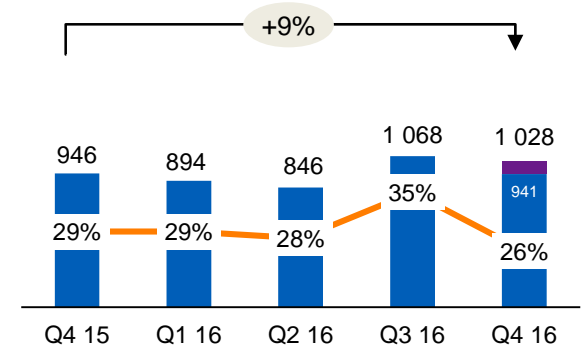
Net sales  
(SEK million)



Mobile end-user service  
Revenue (SEK million)



EBITDA and EBITDA margin  
(SEK million)

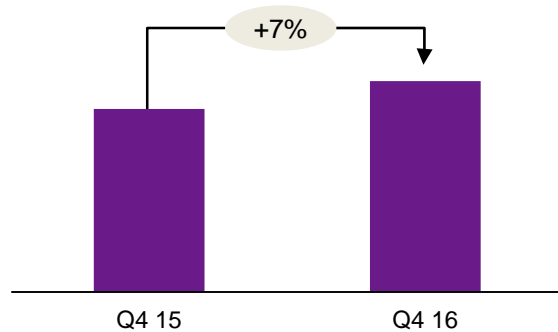


## Q4 Highlights

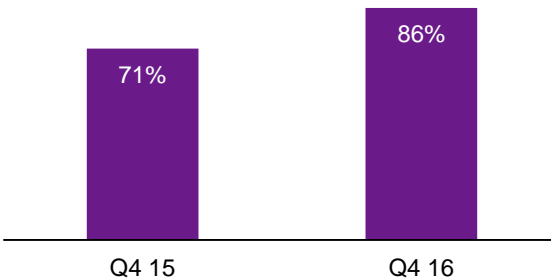
- TDC Sweden consolidated as of October 31, 2016
- Net sales flat (excl. TDC) due to the higher mobile growth being offset by lower fixed telephony and wholesale revenues
- Continued strong mobile end-user service revenue growth of 4%, excl. TDC, driven by consumer postpaid and large enterprise segment
- EBITDA, excl. TDC, flat year-on-year due to higher marketing spend

# Sweden – Continuing momentum

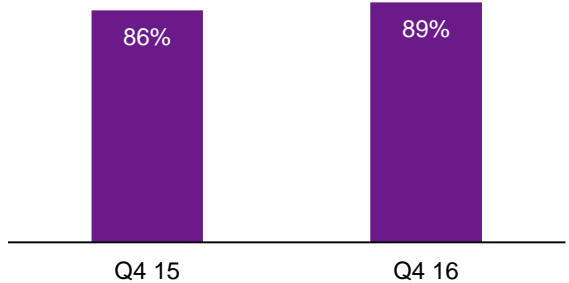
Consumer postpaid mobile end-user service revenue



Share of sales with bundle >0.5GB



Geographic coverage 2G/4G

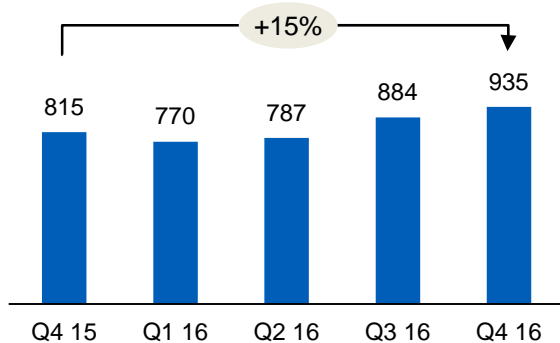


## Q4 Highlights

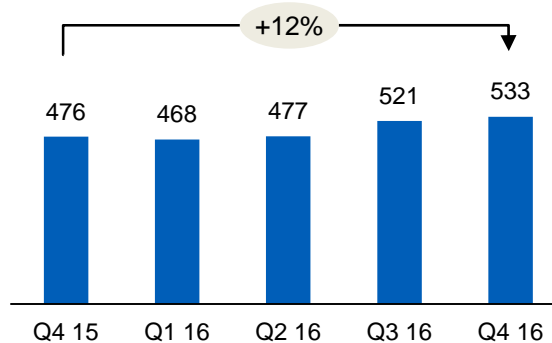
- Consumer postpaid mobile end-user service revenue up 7% driven by increased data monetization and strong Comviq customer growth
- Tele2 increasingly taking share of premium value buckets
- Highest sales for the Comviq Christmas campaign
- Strong revenue and EBITDA growth within the large enterprise segment with record profit levels in TDC

# Baltics – Financials

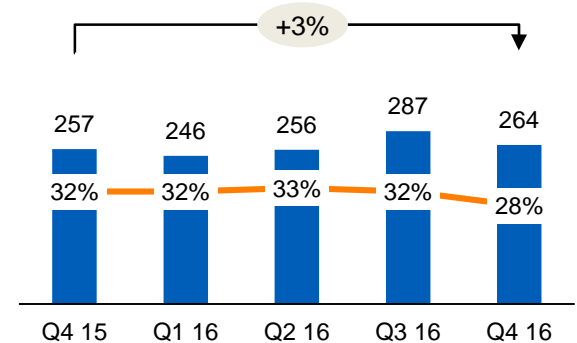
Net sales  
(SEK million)



Mobile end-user service  
revenue (SEK million)



EBITDA and EBITDA margin  
(SEK million)

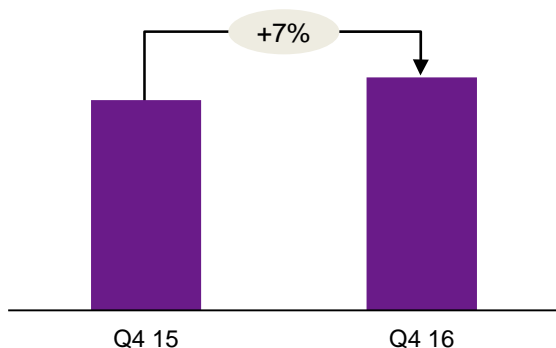


## Q4 Highlights

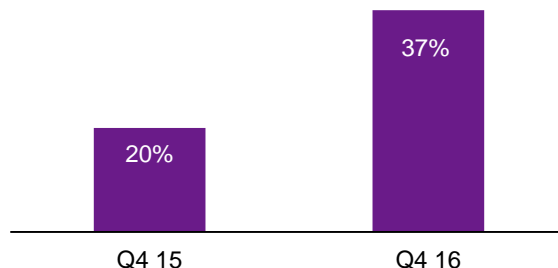
- Net sales growth driven by continued demand for data services and equipment sales
- Mobile end-user service revenue growth driven by prepaid to postpaid migration, data monetization and growth in mobile broadband
- EBITDA growth despite increased marketing investment into the mobile broadband segment in Lithuania

# Baltics – Data monetization continues

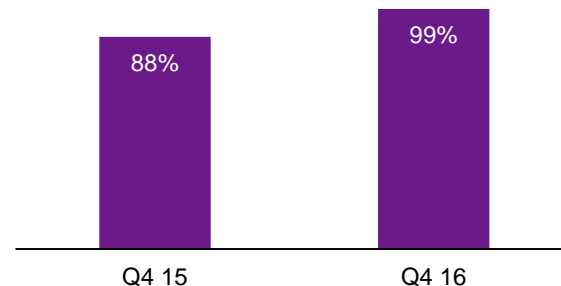
## ASPU development



## Share of 4G capable smartphones in base



## 4G population coverage

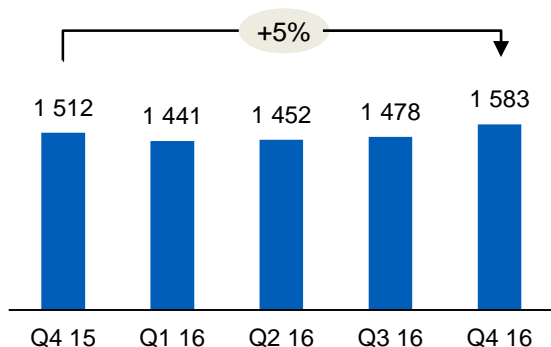


## Q4 Highlights

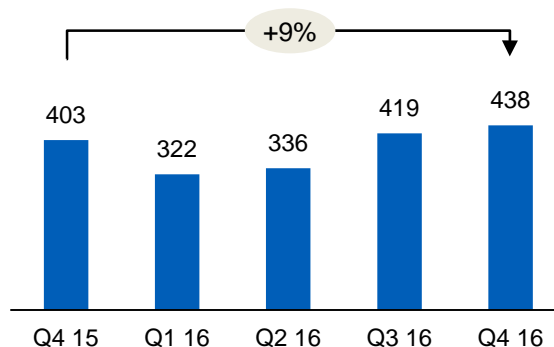
- Strong data monetization driven by ongoing prepaid to postpaid transition and data centric pricing
- Strong ASPU growth, especially in Lithuania, driven by mobile broadband and consumer postpaid
- 4G handset penetration continues to drive data consumption
- 99% network coverage drives higher data usage and purchase of top-up data buckets

# Netherlands – Financials

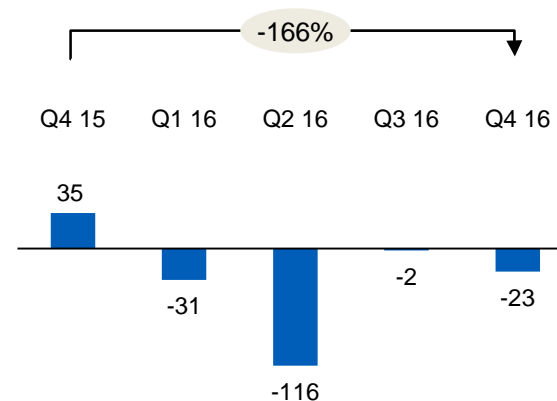
Net sales  
(SEK million)



Mobile end-user service  
revenue (SEK million)



EBITDA  
(SEK million)



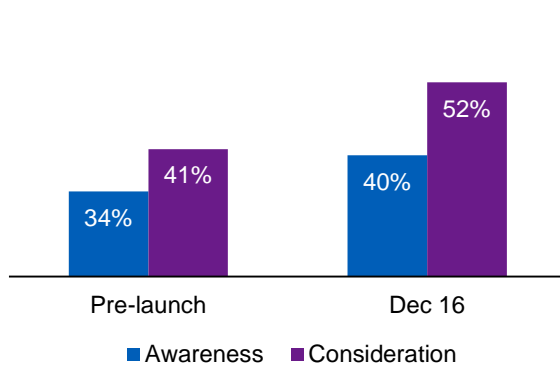
## Q4 Highlights

- Net sales up due to strong mobile momentum, slightly offset by decline in fixed
- Strong mobile end-user service revenue driven by 24% increase in customer base and solid ASPU development
- Excluding last year's VAT adjustment of SEK 90 million, underlying mobile end-user service revenue grew 40%
- EBITDA impacted by investments related to mobile launch and benefit of VAT adjustment in Q4 2015

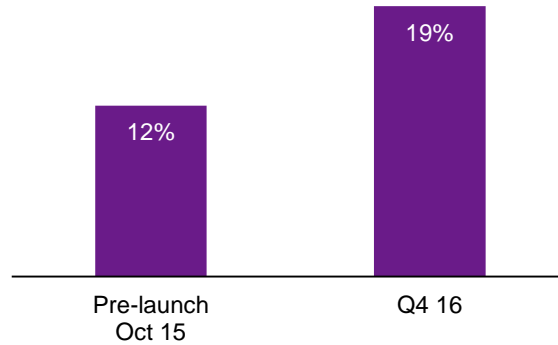


# Netherlands – Continuing momentum

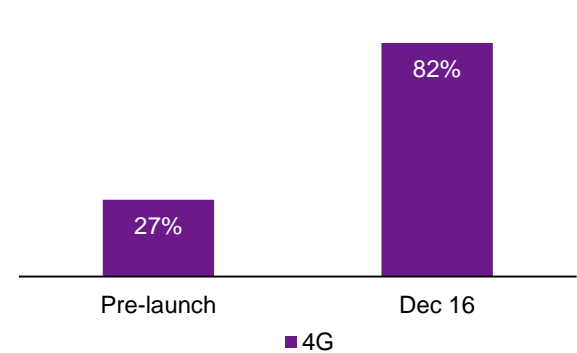
Spontaneous brand awareness & brand consideration (Memo2)



Share of total new postpaid (GfK)



Data usage on own network

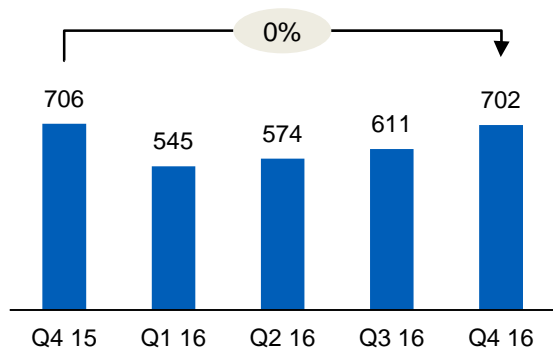


## Q4 Highlights

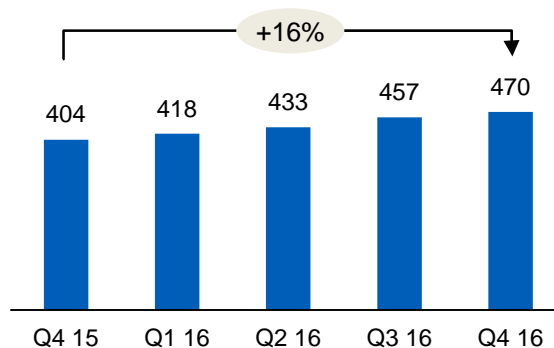
- Awareness and consideration remain at high levels supported by our ongoing innovative “Fun Rebel Campaign”
- Maintaining a solid market share of new postpaid contracts, 58k net intake in the quarter, despite increased competitive pressure
- Good progress in data on-loading on own network driven by network rollout now at >99% outdoor and >90% indoor coverage
- Doubled our 4G customer base year-on-year to >800k, of which >600k are provisioned for VoLTE and 170k active

# Kazakhstan – Financials

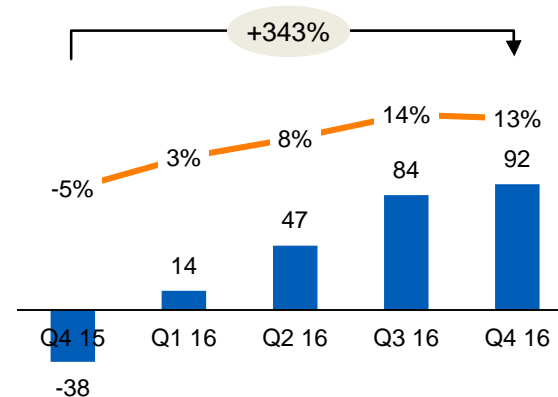
Net sales, LFL  
(SEK million)



Mobile end-user service  
revenue, LFL (SEK million)



EBITDA and EBITDA margin, LFL  
(SEK million)

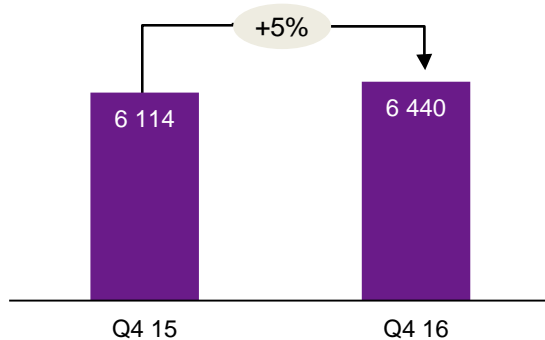


## Q4 Highlights

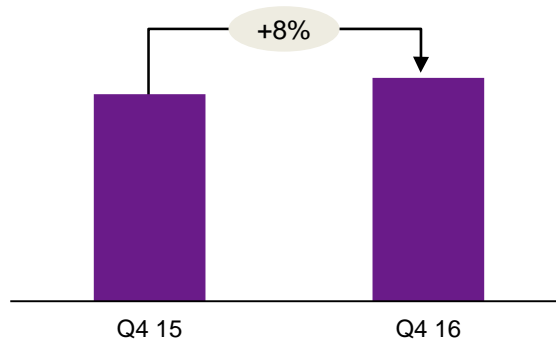
- Net sales stable due to a heavy Altel equipment sales campaign in Q4 2015
- Significant mobile end-user service revenue growth due to higher ASPU and an increasing customer base
- Positive EBITDA development driven by revenue growth, improved operating leverage and synergies from JV integration

# Kazakhstan – Strong performance

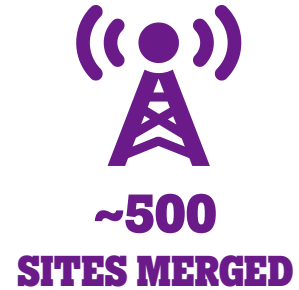
Customer base, LFL  
(thousands)



ASPU development, LFL



Integration



## Q4 Highlights

- Customer base continues to grow year-on-year, despite competitive pressure
- Strong ASPU growth driven by our continued focus on improving data monetization
- JV integration well on track with all 2016 integration KPI targets met. ~500 base station sites merged as integration progresses into 2017
- New Altel campaign launched to promote speed, data usage and improved brand consideration

# Challenger program on track

	Baseline	2016 target	2018 target
<b>Simplify</b> % of products harmonized on shared platforms	30%	40% ✓	60%
<b>Discipline</b> % of spend strategically sourced & procured	40%	75% ✓	80%
<b>Consolidate</b> % of reduction in IT OpEx as share of revenue	0%	5% ✓	20%
<b>Transform</b> % of staff in Shared Operations	12%	18% ✓	25%

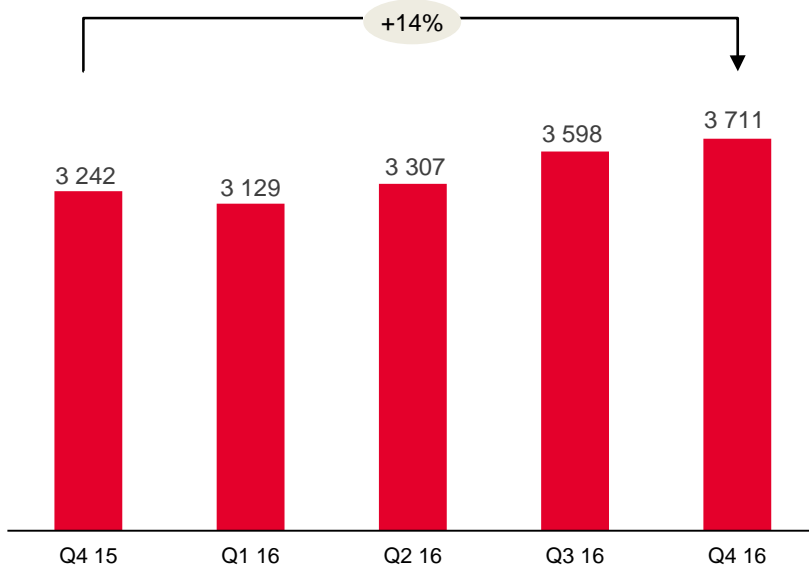
## Key progress areas

- Product simplification initiative progressing. 950 products closed year to date
- Further progress made on consolidating key cost categories into strategic sourcing, reaching level above 75% by year end
- Continued consolidation of Network & IT organizations into Shared Operations, with Baltics and Croatia joining in Q4 2016, enabling further economies of scale
- Productivity improvement program implemented in Sweden, reducing more than 200 FTEs
- Announced reduction of additional 75 FTEs in Netherlands

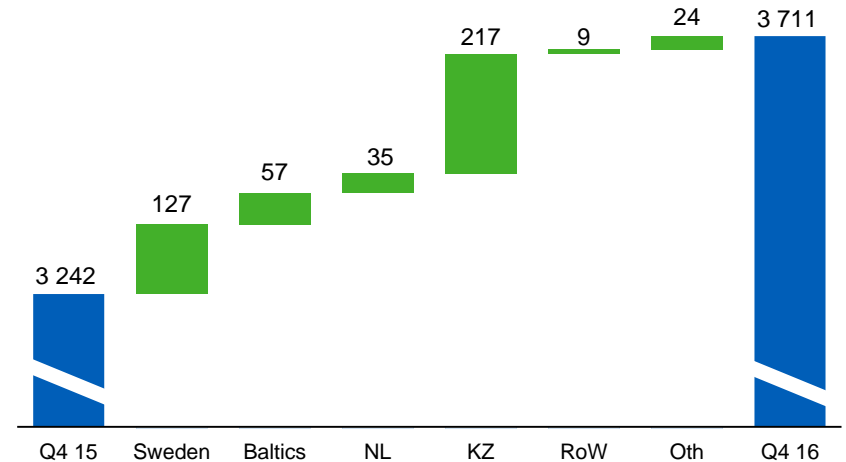
# Financial Overview

# Mobile end-user service revenue

Tele2 Group  
(SEK million)

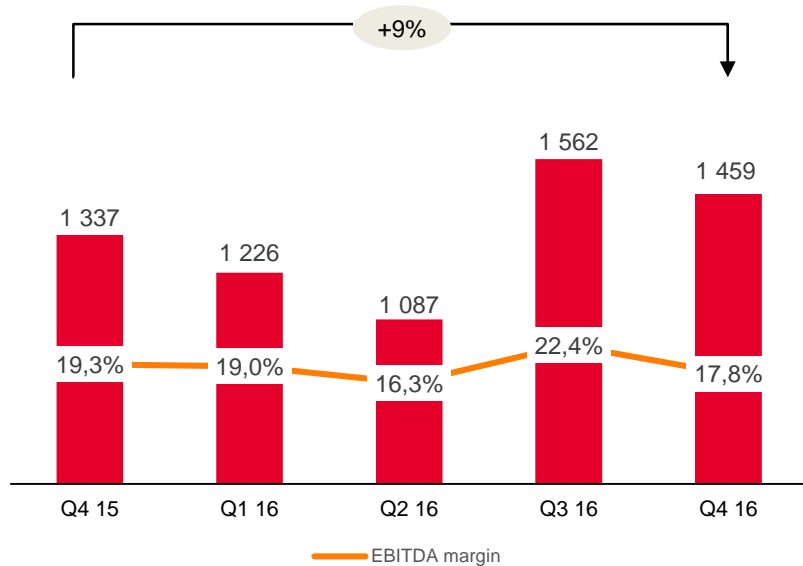


Development per market  
(SEK million)

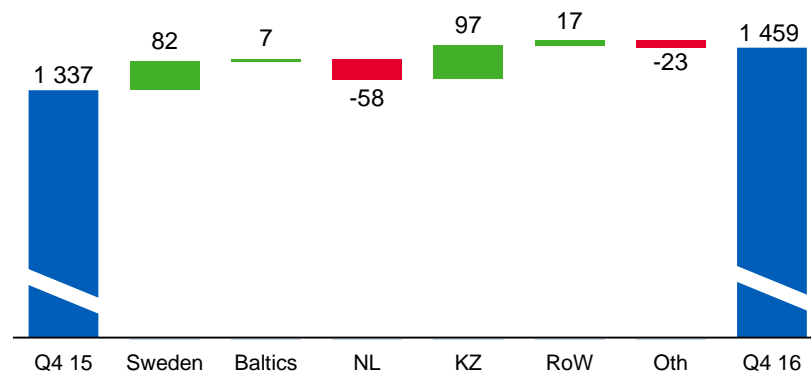


# EBITDA

## Tele2 Group (SEK million)

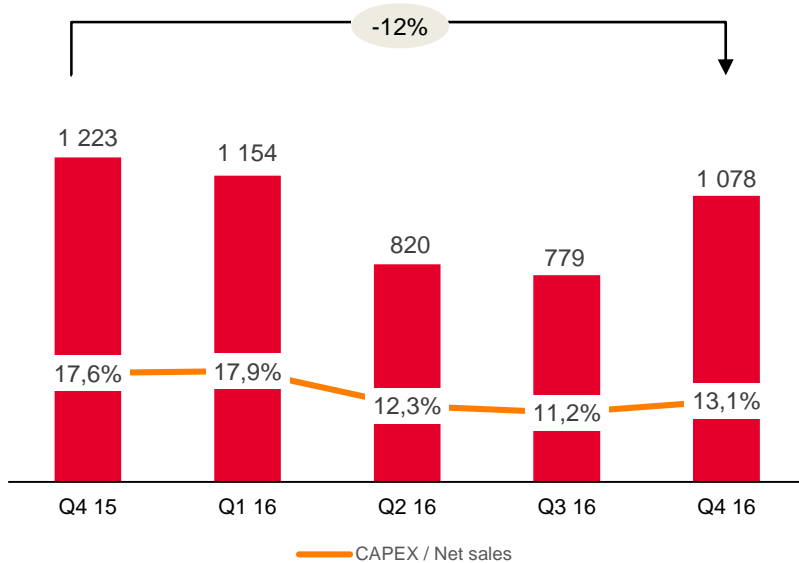


## Development per market (SEK million)

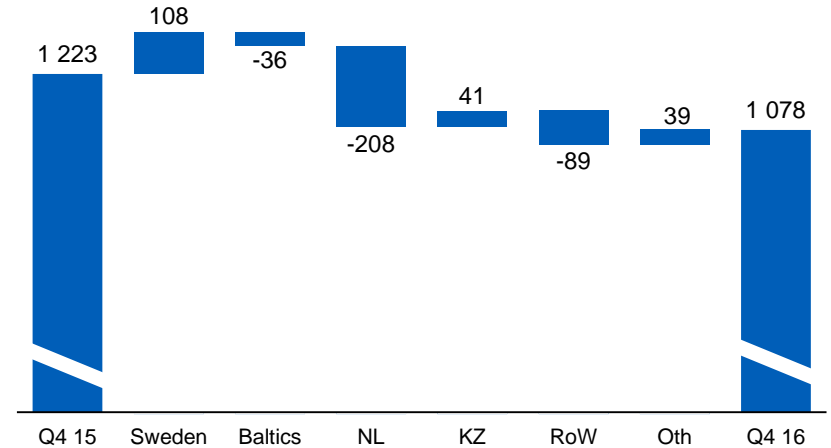


# CAPEX

## Tele2 Group (SEK million)



## Development per market (SEK million)

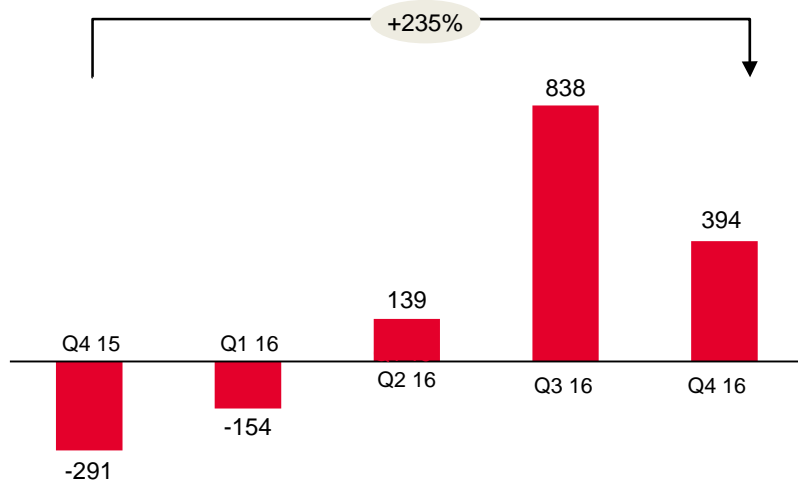




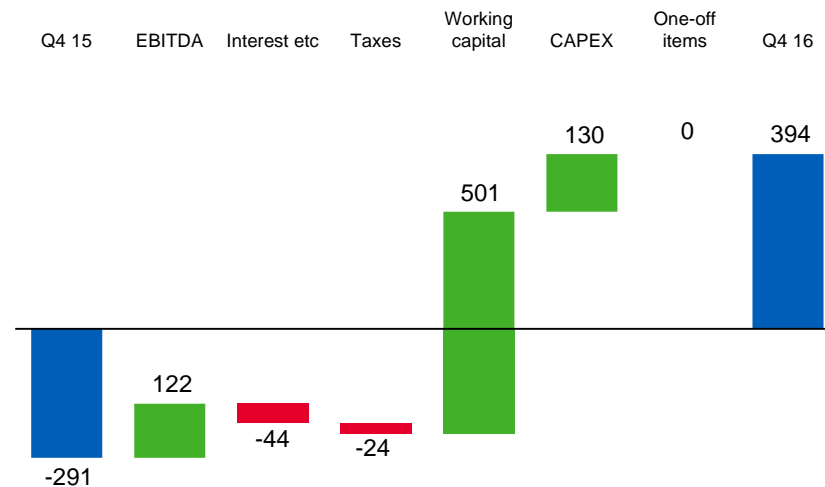
# Free cash flow

Total operations

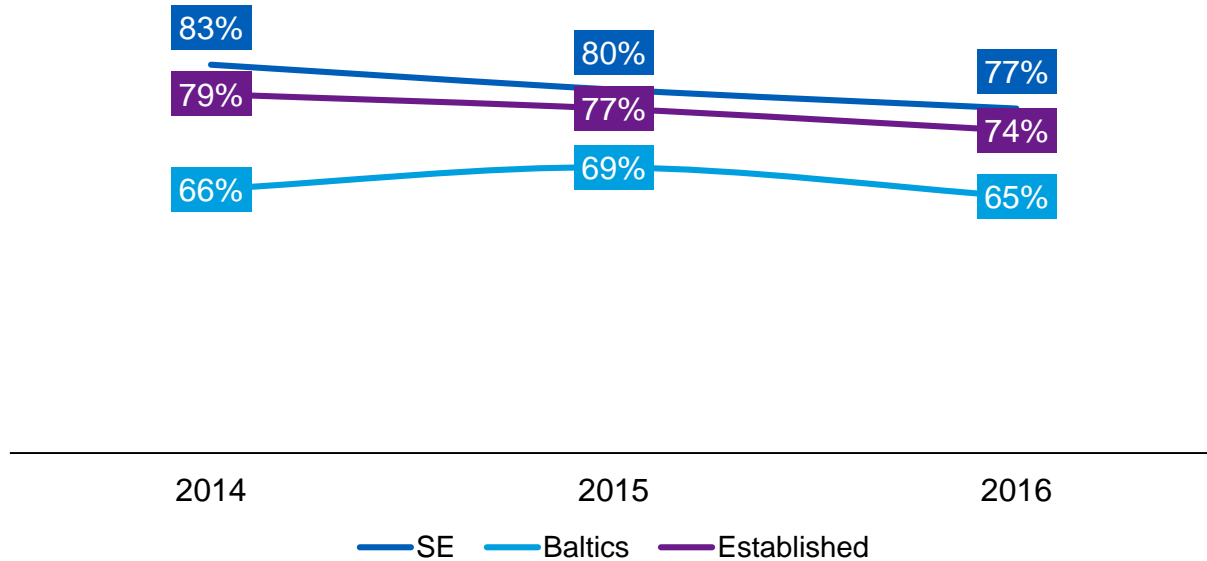
Tele2 Group  
(SEK million)



Development  
(SEK million)



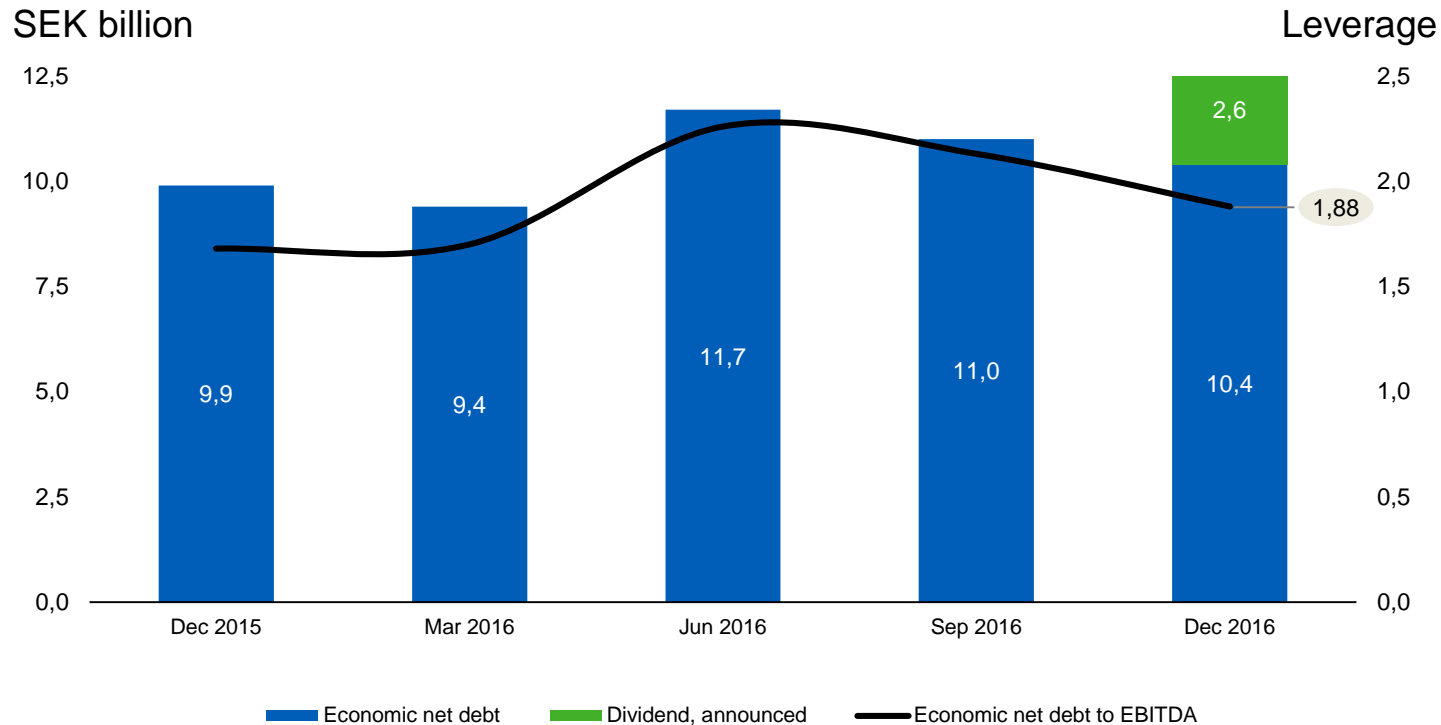
# Cash generation in established markets



Note: Cash generation defined as (EBITDA-CAPEX)/EBITDA,  
Established markets defined as Sweden and Baltics

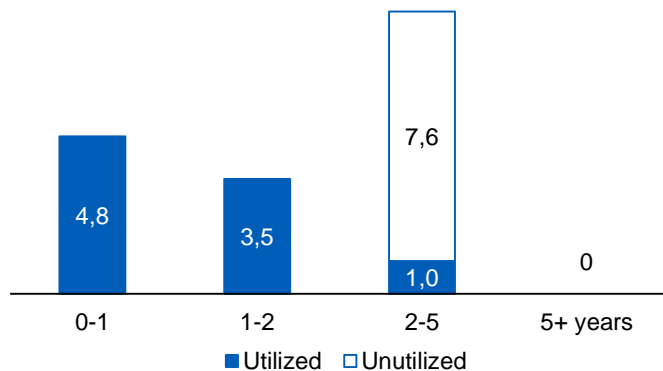
# Debt position and financial leverage

Economic net debt to EBITDA 12 m rolling



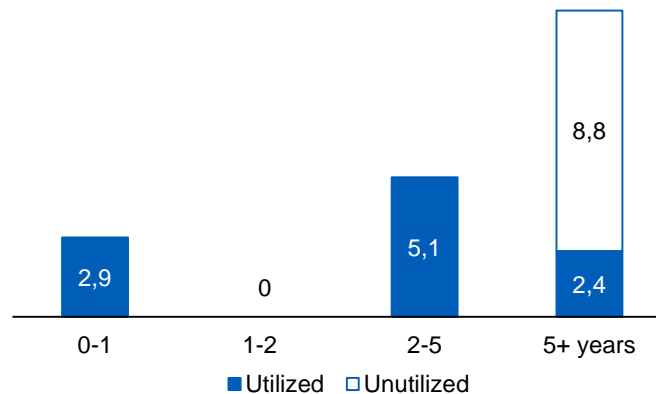
# SEK 16 billion of debt refinanced

Maturity profile in Q4 2015  
(SEK billion)



Average maturity of net financial debt 1,6 years

Maturity profile in Q4 2016  
(SEK billion)



Average maturity of net financial debt >5 years

# Financial guidance 2017

Mobile end-user service revenue	EBITDA (SEK billion)	Dividend policy
<b>Mid-single digit % growth*</b>	<b>5.9 – 6.2</b>	<b>2017: 4 SEK / share</b> <i>Covered by eFCF from 2019</i>
Net sales (SEK billion)	CAPEX (SEK billion)	Financial leverage
<b>31 – 32</b>	<b>3.8 – 4.1</b>	<b>2.0 - 2.5</b>

\*Based on LFL which is constant currencies and pro forma for Altel and TDC Sweden  
Dividend policy: 2017 dividend to be paid in 2018

# Summary

# Key priorities moving forward

- Growth from continued data monetization
- Sustain momentum in Sweden and Baltics
- Integration of TDC
- Further leverage our challenger strategy in Netherlands and Kazakhstan
- Execute on Challenger and synergy programs



Focused  
Technology  
Choices



Value  
Champion



Step-Change  
Productivity



Winning  
People &  
Culture

# Tele2's Way2Win

## Vision

We will be champions of customer value in everything we do

## Mission

We are challengers, fast-movers and will always offer our customers what they need for less

### Where we play



Mobile access



Our current footprint



Residential and Business



IoT

### How we win



Focused Technology Choices



Value Champion



Step-Change Productivity



Winning People & Culture

## Responsible Challenger

## The Tele2 Way



**THE  
END**

**TELE2**