

# THIRD QUARTER 2010

October 20 2010

**TELE2**

# AGENDA

## **About Q3 2010**

Financial review

Guidance and Concluding remarks

# HIGHLIGHTS Q3

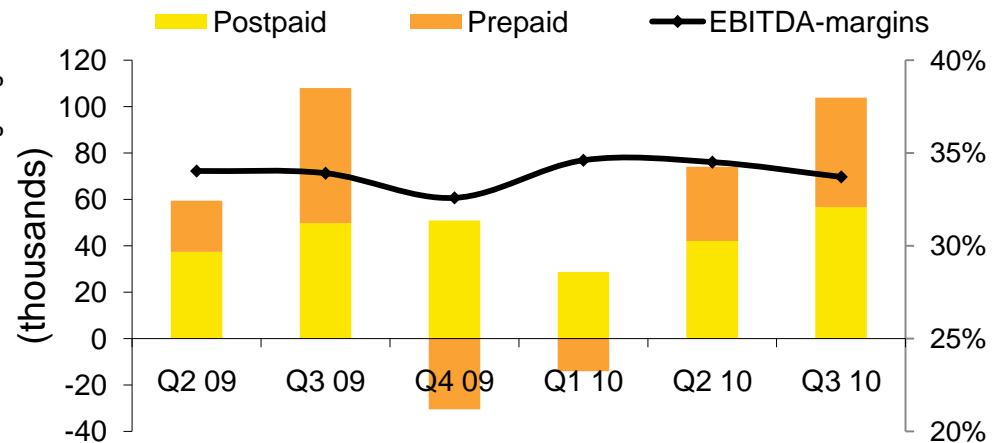
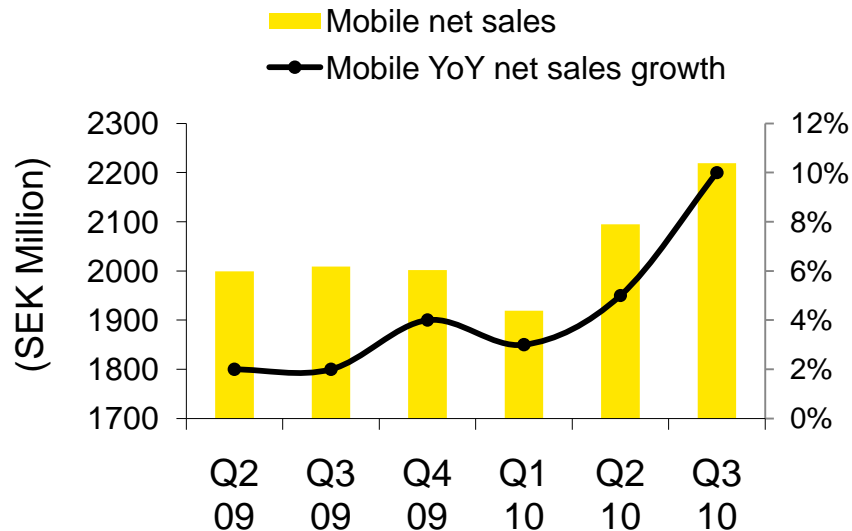
- **Group**

- Total customer base amounting to more than 30 million customers. Net customer intake for the group of almost 1.3 million
- Net sales grew by 2 percent. Currency-adjusted net sales grew by 6 percent, driven by mobile sales
- EBITDA grew by 13 percent. Currency-adjusted EBITDA grew by 17 percent. EBITDA margin amounted to 28 (25) percent

- **Nordic**
- **Russia**
- **Central Europe & Eurasia**
- **Western Europe**

# HIGHLIGHTS TELE2 SWEDEN

- Increased mobile revenue growth to 10 percent
- Adding 103,000 mobile customers
- Mobile EBITDA margin 34 (34) percent



# SHIFT TOWARDS SMART PHONES

- **Smartphones demanded by mass market**
  - Shift driven by increased variety of smartphones combined with an increased awareness of the possibilities of a mobile internet access



## Top 10 phone sales (Aug-Sep)

- 1 iPhone4
- 2 Sony Ericsson X10 Mini Pro
- 3 iPhone 3GS
- 4 Samsung Galaxy S
- 5 HTC Desire
- 6 Sony Ericsson X10 Mini
- 7 HTC Wildfire
- 8 Sony Ericsson X10
- 9 Sony Ericsson Elm
- 10 Nokia 6700 Slide

**Regular phone customers : Smartphone customers**

<b>Data usage per month (Mb)</b>	<b>1 : 40</b>
<b>MoU*</b>	<b>1 : 1.4</b>
<b>ASPU**</b>	<b>1 : 1.7</b>

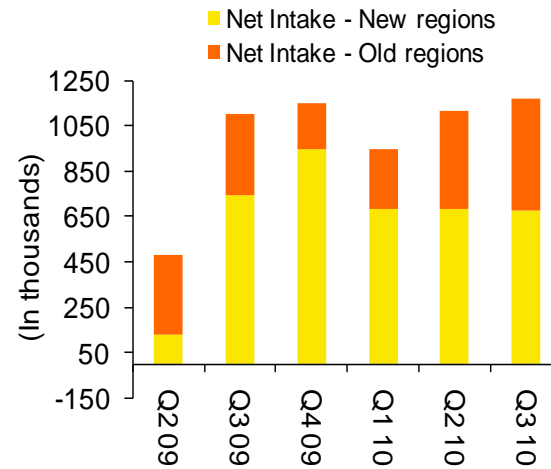
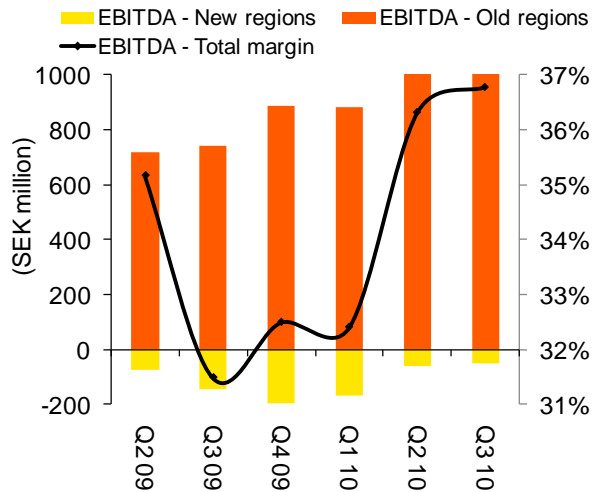
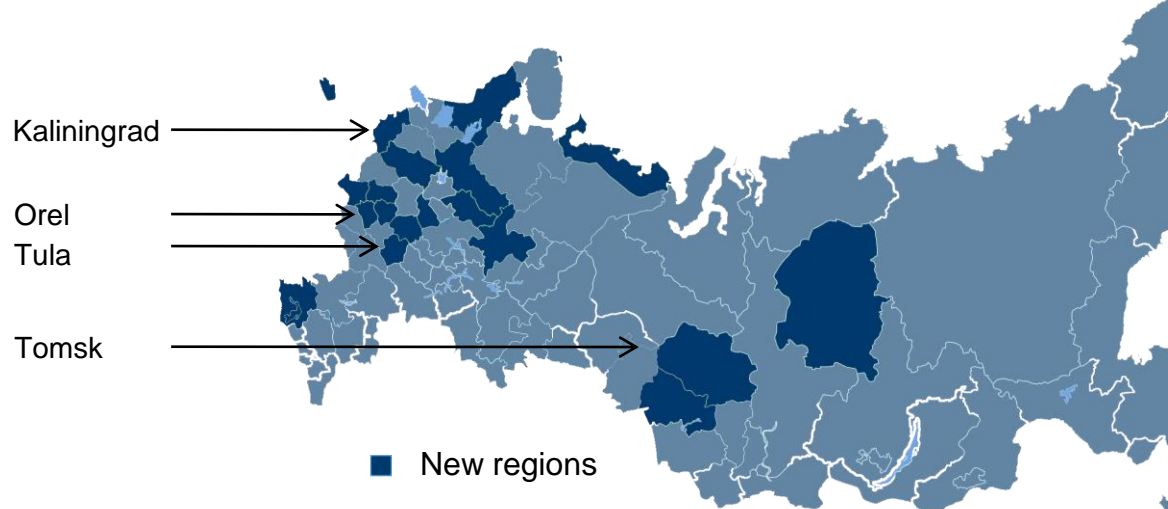
Proportion based scale where regular phone usage is base

\* Out-going minutes

\*\* ARPU Excluding operator revenue and installments

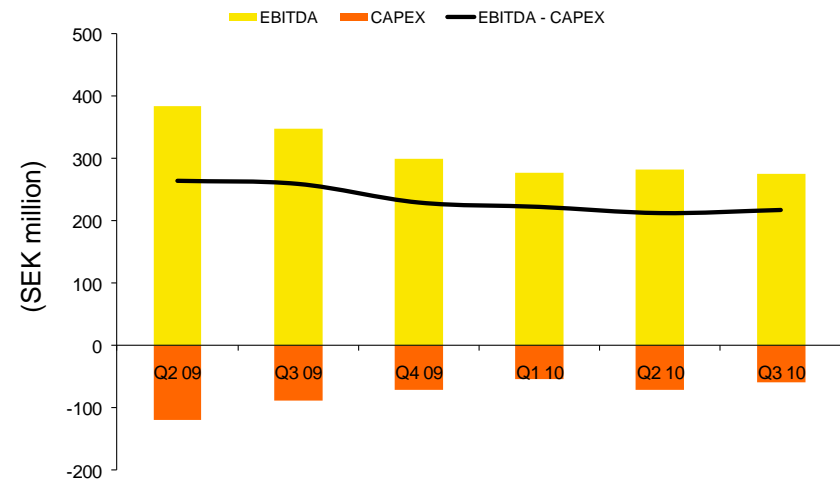
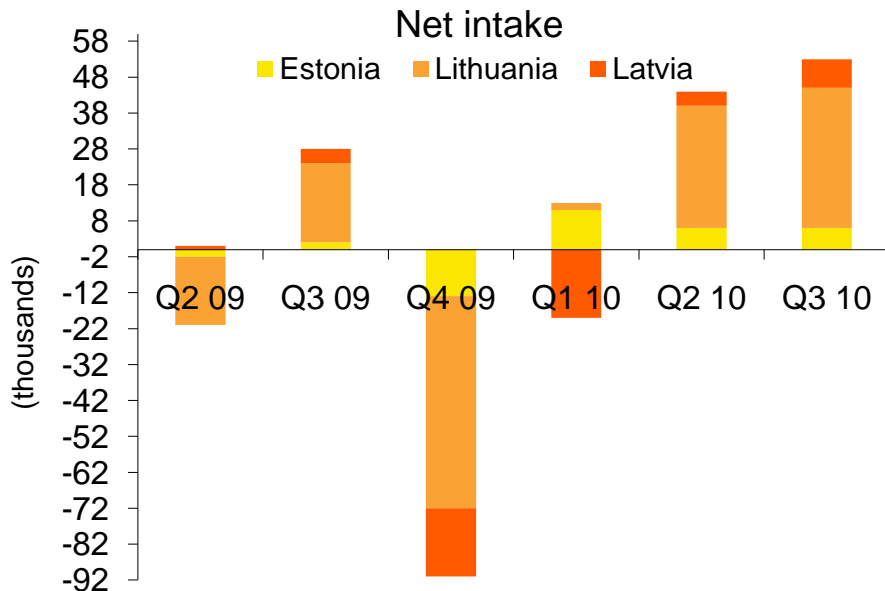
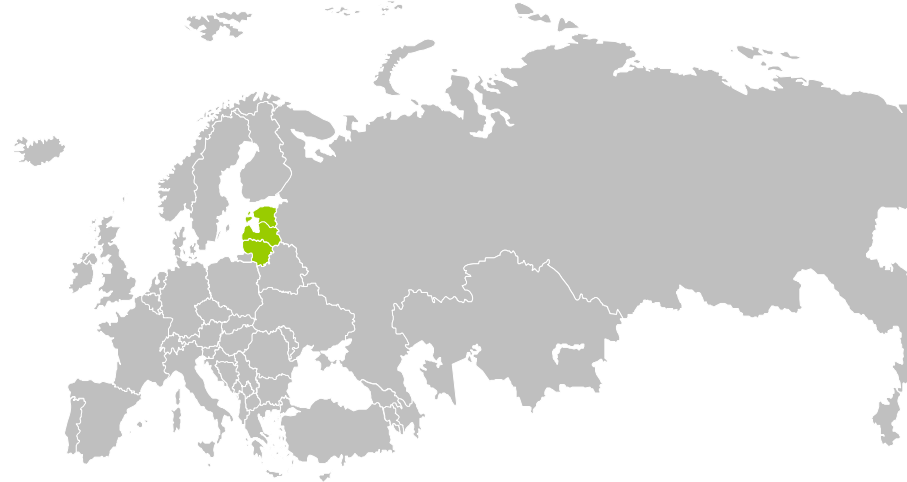
# HIGHLIGHTS TELE2 RUSSIA

- Third and fourth new regions now EBITDA break-even
- 1,170,000 (1,100,000) new customers in Q3 2010



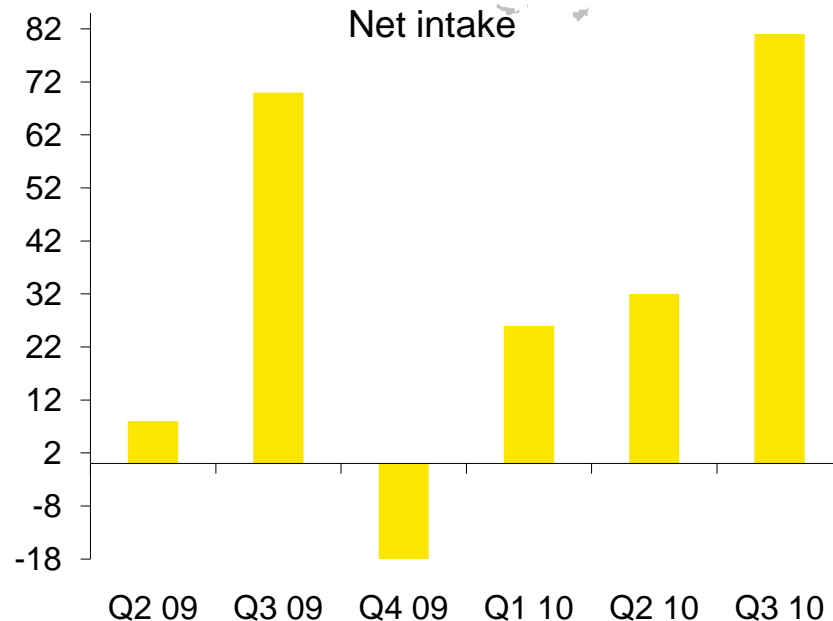
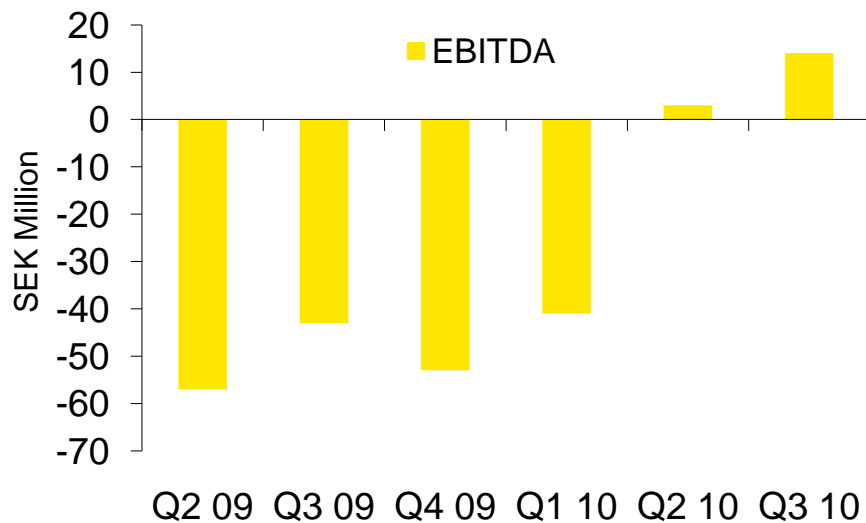
# HIGHLIGHTS TELE2 BALTIC REGION

- Stabilizing economy leading to better operational environment
- Strong net intake, adding 55,000 (28,000) customers in the region



# HIGHLIGHTS TELE2 CROATIA

- Next goal is to deliver positive free cash flow within a year
- 81,000 (70,000) new customers added in Q3 10



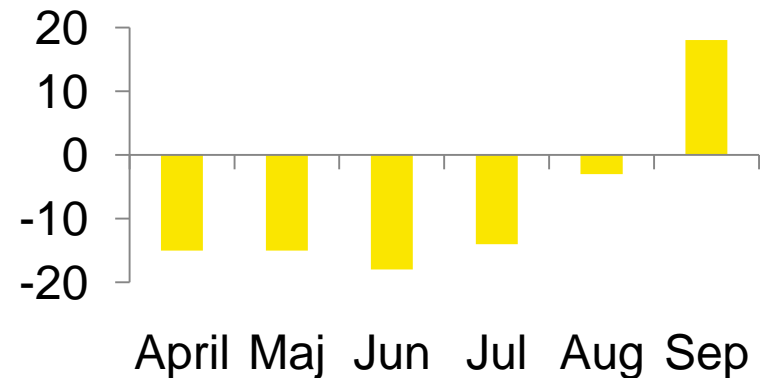


# HIGHLIGHTS TELE2 KAZAKHSTAN

- Preparing for re-launch under Tele2 brand 1H 2011
- Customer stock of 218 000 in Q3 2010.  
18,000 new customers added in September

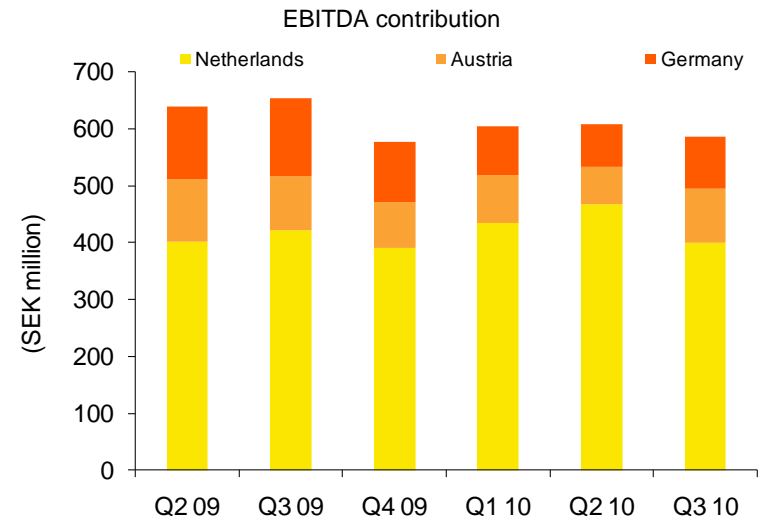


Net intake 2010



# HIGHLIGHTS TELE2 WESTERN EUROPE

- Netherlands
  - BBned acquisition completed
- Germany
  - Record high EBITDA margin in fixed telephony of 46 percent
- Austria
  - Continued good progress in restructuring program leading to sequential improvement of EBITDA contribution



# AGENDA

About Q3 2010

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# Q3 2010 GROUP RESULTS

SEK million	Q3 10	Q3 09	Change %
<b>Net Sales</b>	<b>9,998</b>	<b>9,829</b>	<b>2%</b>
<b>EBITDA</b>	<b>2,751</b>	<b>2,441</b>	<b>13%</b>
- EBITDA margin (%)	28%	25%	
Depreciation and joint venture	-876	-924	
- Depreciation of Net sales (%)	9%	9%	
One-off items	17	116	
<b>EBIT</b>	<b>1,892</b>	<b>1,633</b>	
Normalized EBIT	1875	1517	
- Normalized EBIT margin (%)	19%	15%	
Financial items	-16	199	
Taxes	608	401	
Net result, continuing operations	2,484	2,233	
Net result, discontinued operations	29	-478	
<b>Net result</b>	<b>2,513</b>	<b>1,755</b>	

# TAXES

<b>Taxes in income statement</b>	<b>YTD Sep 10</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>
Normal	-1,128	-441	-348	-339
One-Off	976	1049	-73	-
Total	-152	608	-421	-339

<b>Taxes in cash flow</b>	<b>YTD Sep 10</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>
Normal	-580	-152	-195	-233

- SEC tax dispute: Oral hearing will take place in the end of November, thereafter the outcome will be announced in 1-2 months
- The total value of the SEC tax dispute is SEK 4,6 billion

# CURRENCY MOVEMENTS (VS SEK)

YTD Avarage 2010 vs 2009	Q3 2010	Q2 2010	Q1 2010
EUR	-10%	-10%	-9%
RUB	0,5%	+/- 0	-2%

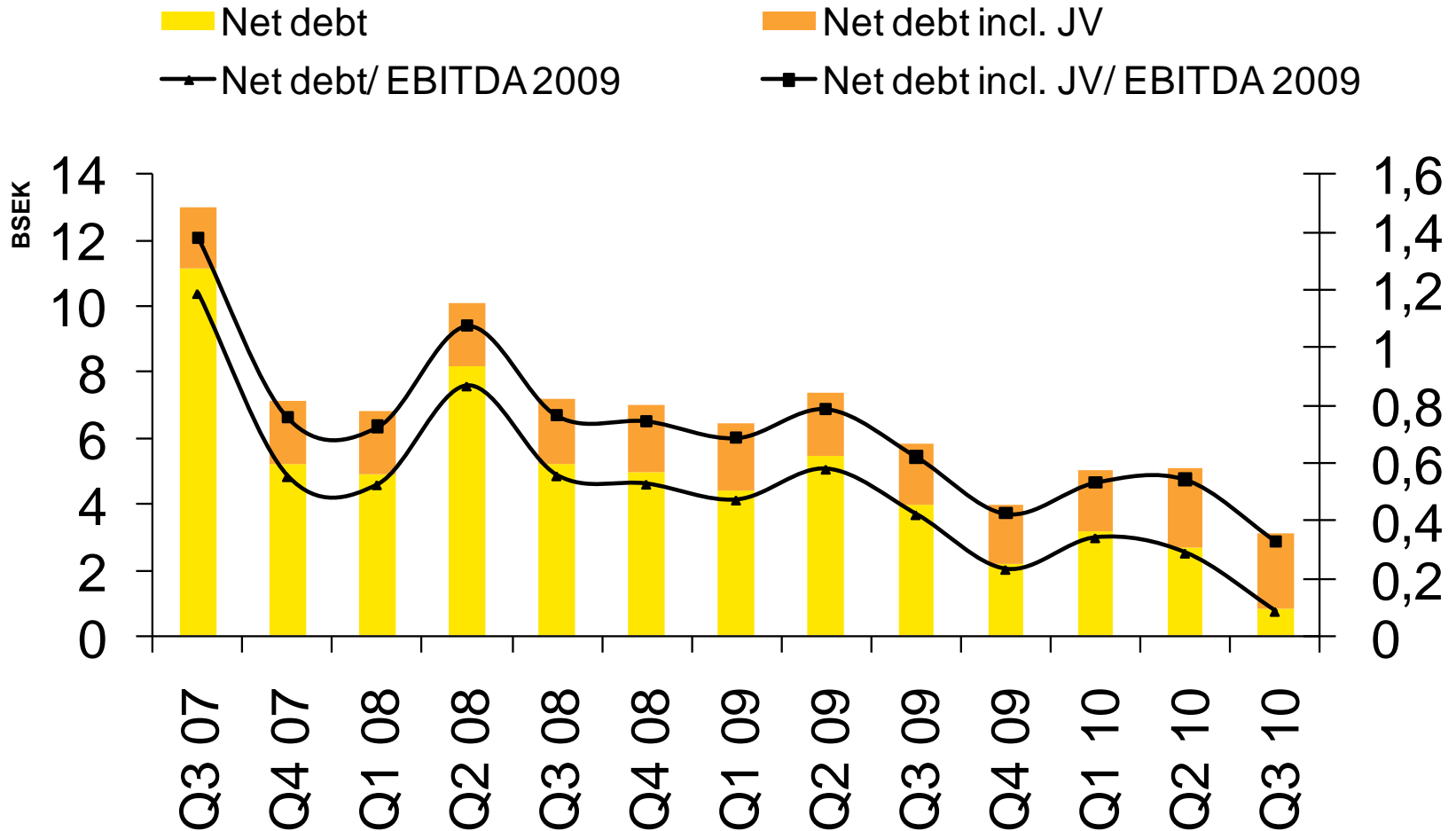
Fix rate vs 31/12-2009	Q3 2010	Q2 2010	Q1 2010
EUR	-12%	-8%	-6%
RUB	-7,5%	3%	1%

- EUR/RUB pegged currencies approximately:
  - 38% of sales and
  - 33% of EBITDA

# CASH FLOW FOR Q3 2010

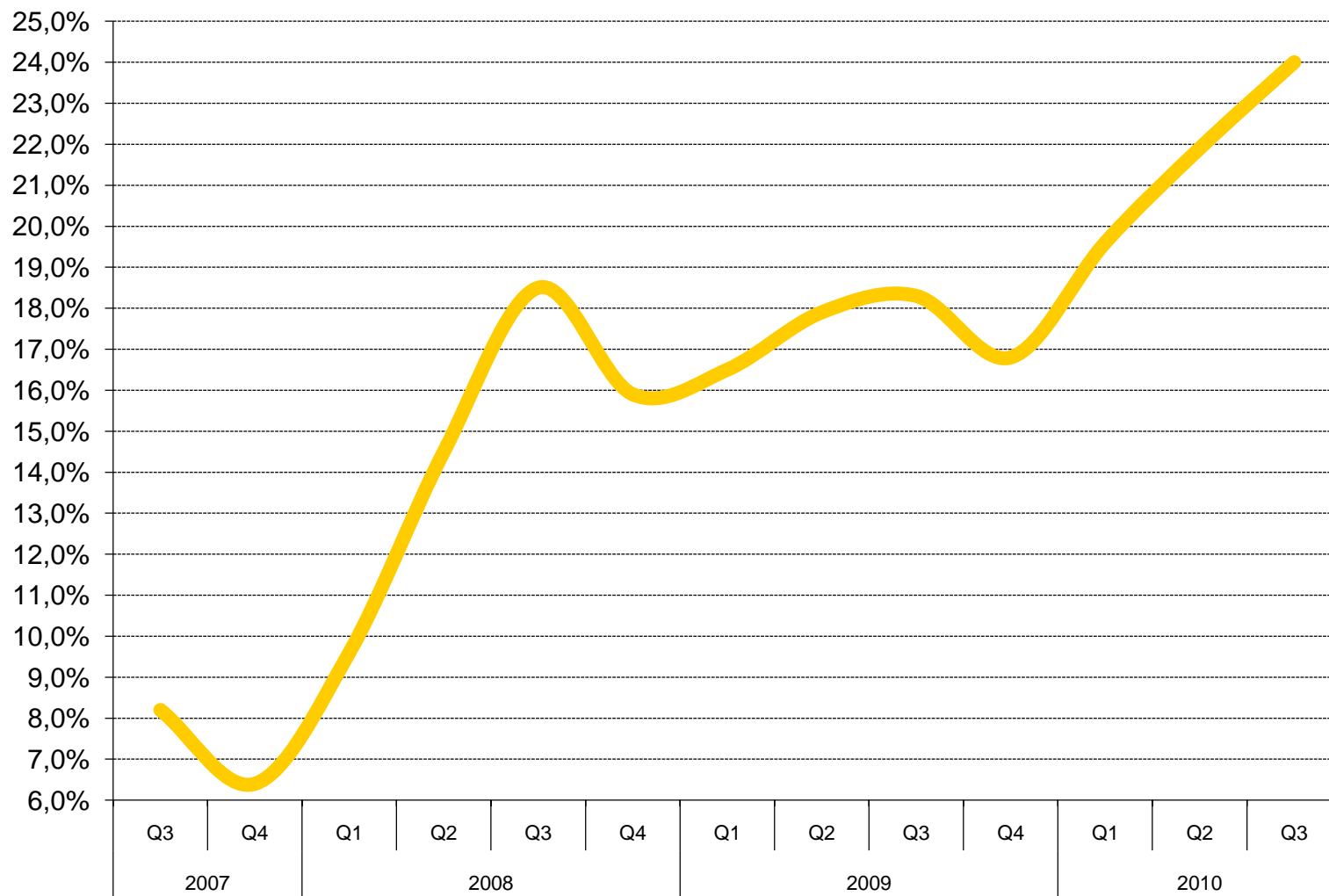
<b>SEK million</b>	<b>Q3 10</b>	<b>Q3 09</b>
<b>OPERATING ACTIVITIES</b>		
Cash flow from operations, less paid taxes	2,733	2,499
Taxes paid	-152	-98
Changes in working capital	39	186
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2,620</b>	<b>2,587</b>
<b>INVESTING ACTIVITIES</b>		
CAPEX	-923	-1,065
<b>Cash Flow after CAPEX</b>	<b>1,697</b>	<b>1,522</b>
Acquisition and sale of shares and participations, net	-96	-208
	<b>1,601</b>	<b>1,314</b>

# GROUP FINANCIAL PROFILE

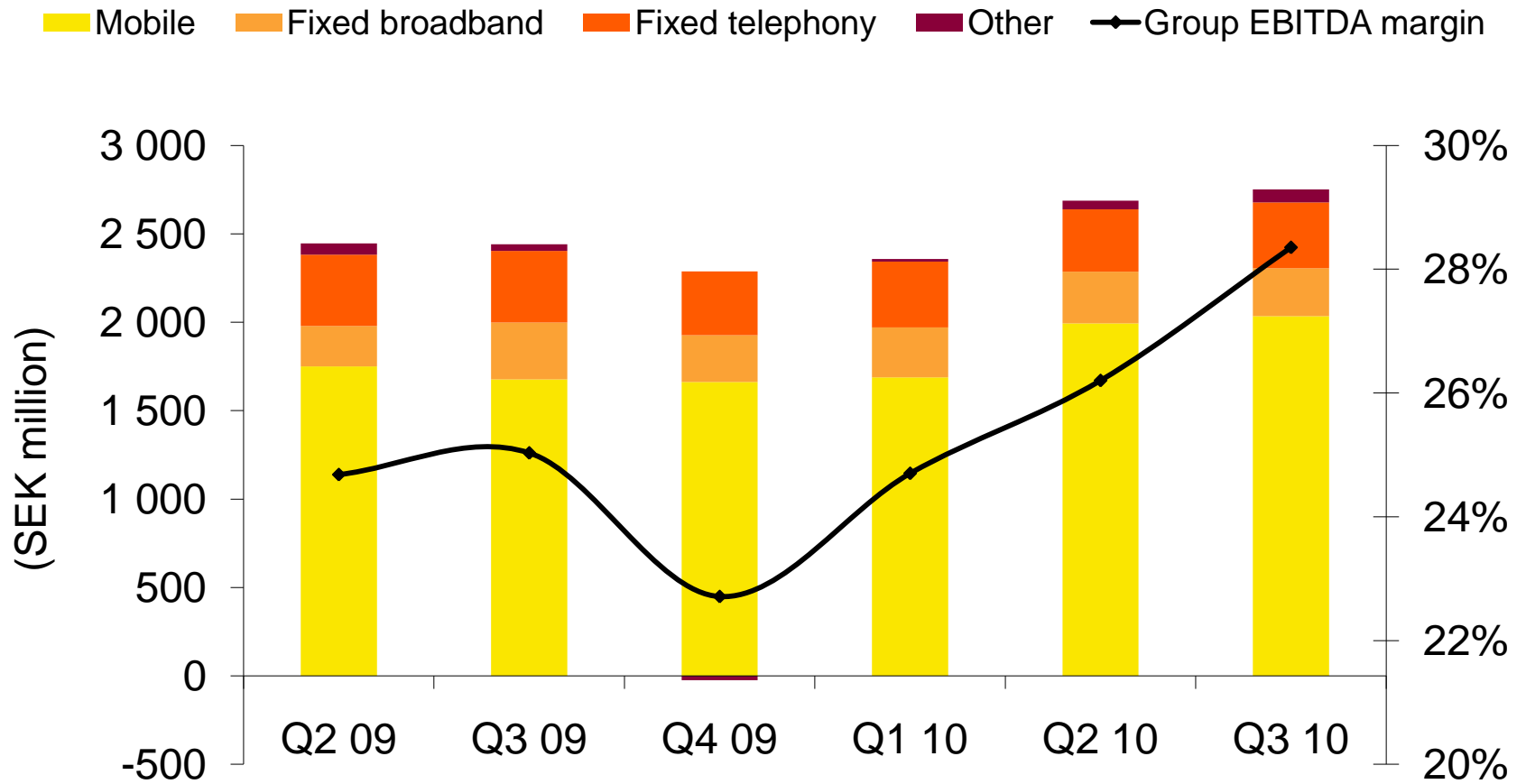




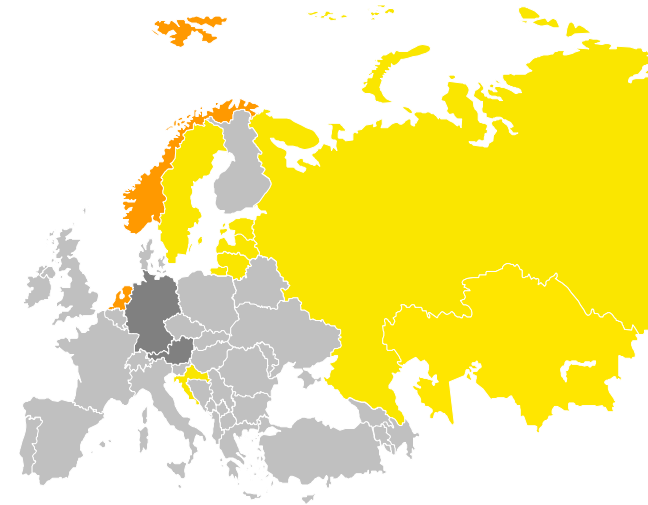
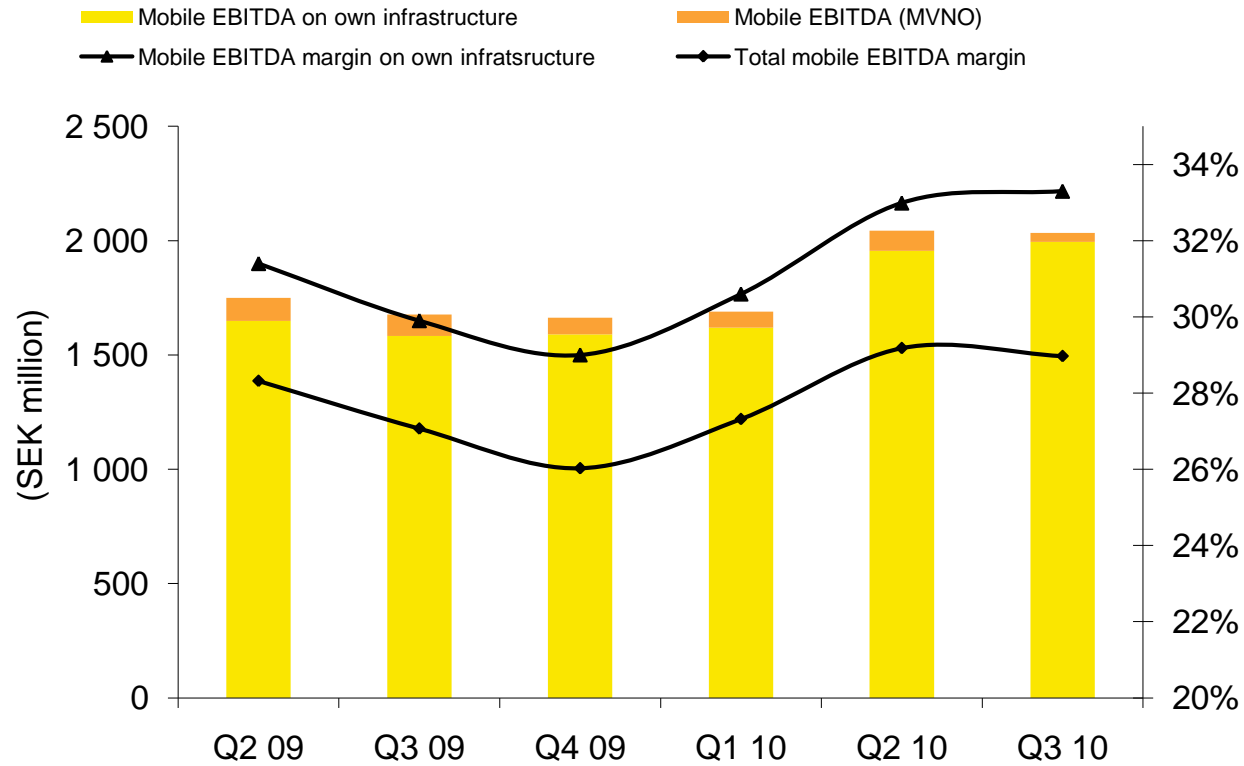
# ROCE



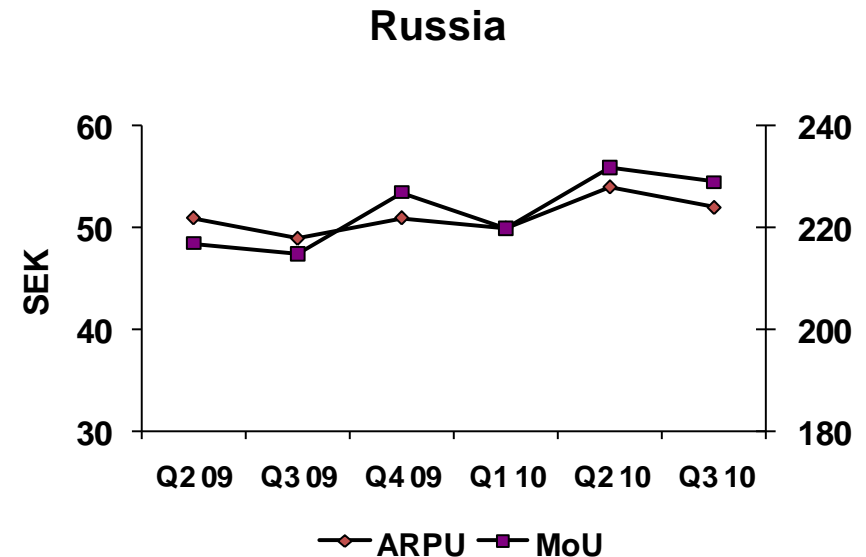
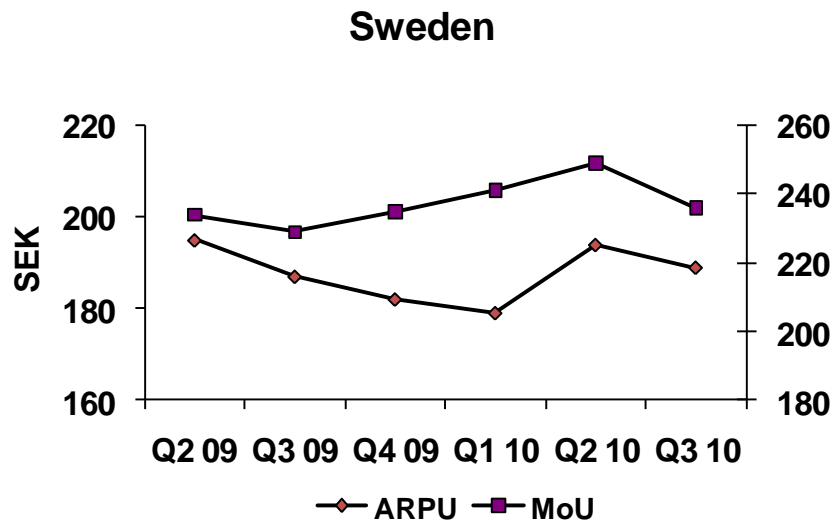
# GROUP EBITDA



# GROUP MOBILE EBITDA



# MoU AND ARPU DEVELOPMENT



- Robust ARPU development
  - Swedish and Russian ARPU grew more than 8 percent in one quarter

# AGENDA

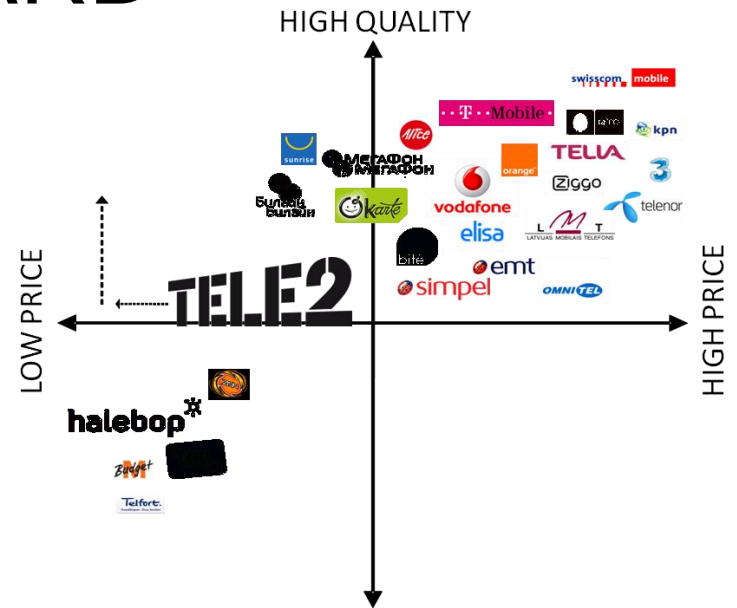
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# TELE2 GOING FORWARD

- Best Deal position
- Targeting a long-term mobile EBITDA margin on own infrastructure of at least 35 percent



- All operations should have the ambition of reaching ROCE of at least 20 percent
- The capability to reach a top 2 position, in terms of customer market share, in an individual country or region

# GROUP OUTLOOK (CHANGED)

- Tele2 forecasts a corporate tax rate of approximately 22 percent excluding one-off items in 2010. The tax payment will affect cash flow by approximately SEK 800 million in 2010
- The oral hearing of the SEC tax dispute is expected to be conducted the 26 of November and a verdict will be announced 1-2 month(s) later
- Tele2 forecasts that CAPEX level in 2010 will not exceed SEK 4,000 million
  - Earlier SEK 4,200-4,400 million

# SWEDEN OUTLOOK (UNCHANGED)

- Tele2 will continue to target the postpaid segment, which in the longer term will lead to:
  - Increased ARPU
  - Lower churn
- In the short term, this strategy will lead to higher total acquisition costs resulting in:
  - An EBITDA margin in the range of 33-35 percent depending on customer intake in 2010



# RUSSIA OUTLOOK (CHANGED)

- Subscriber base should be able to reach 19-20 million by YE 2011
- Maintain ARPU growth at 5 percent by 2011
- EBITDA 2010-2011
  - Old regions' EBITDA margin should stabilize at 45 percent
  - Most New regions' EBITDA will break-even by 18 months (2 years) from launch
  - Russia's total EBITDA margin should develop in the range of 34-37 (27-32) percent
- Capex 2010-2011
  - Accumulated Capex in Russia should be in the range of SEK 3,500-4,000 million
  - Earlier SEK 4,500-5,000 million
  - Selected acquisitions – when available and under right conditions

# KAZAKHSTAN OUTLOOK (UNCHANGED)

- Subscriber base should aim to reach 400,000-450,000 by YE 2010
- Blended ARPU should be in the range of SEK 40-45
- EBITDA should approximately be:
  - SEK -250 million in 2010
  - SEK -400 to -450 million in 2011
- Accumulated Capex should be in the range of SEK 1,400-1,600 million by YE 2011
- Operations in Kazakhstan should be able to reach breakeven within 2 years from the commercial re-launch, which is planned in 1H 2011

# CROATIA OUTLOOK (NEW)

- Tele2 Croatia will reach free cash flow break-even by 2H 2011

# CONCLUDING REMARKS

## **Nordic**

- Accelerated mobile revenue growth

## **Russia**

- Record high customer intake and EBITDA

## **Central Europe and Eurasia**

- Improving economy leading to stable cash flow contribution

## **Western Europe**

- Solid operational performance

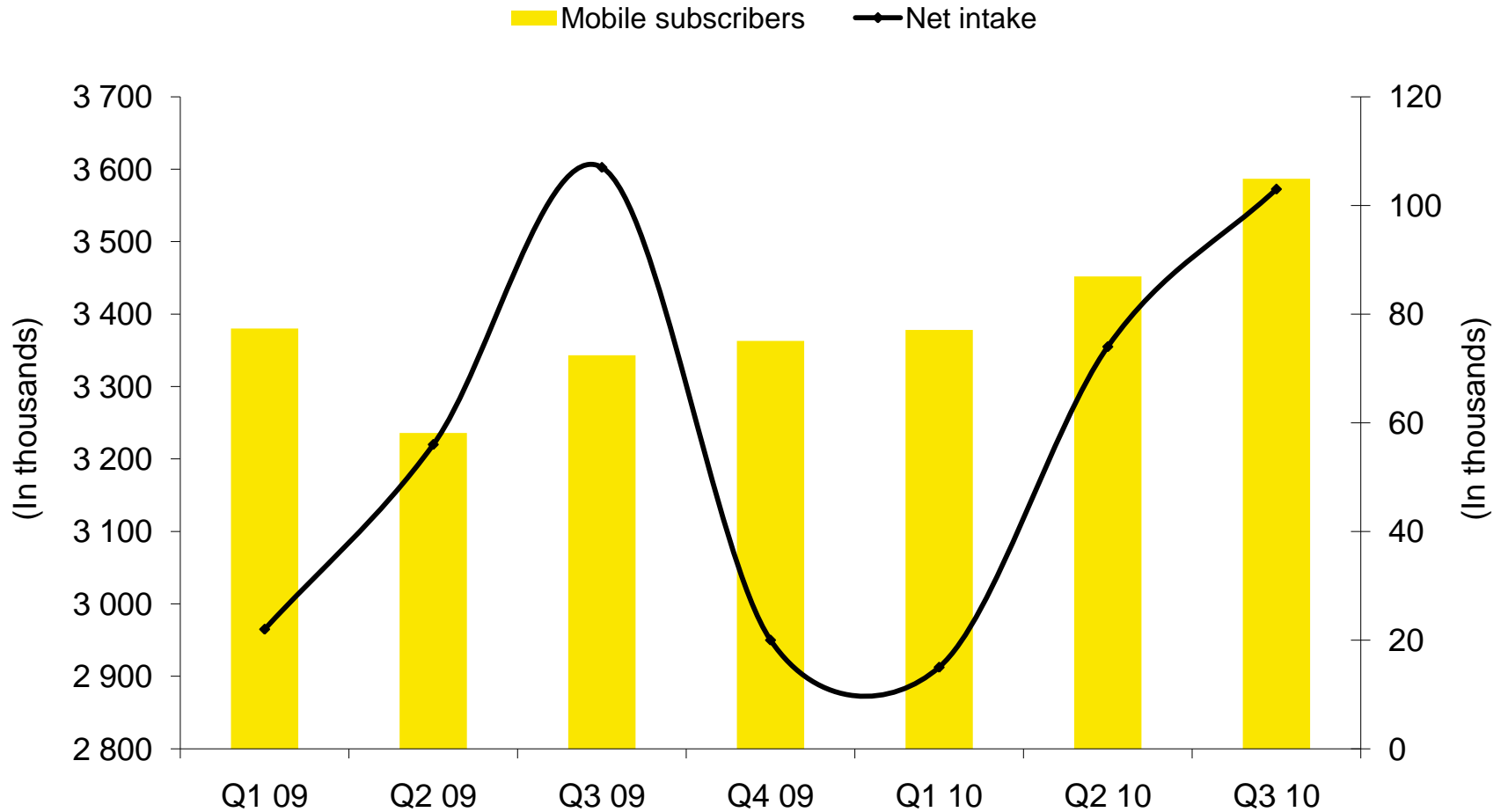
## **2010 an investment year**

- Russia
- Kazakhstan
- Sweden
  - 4G
  - Spring Mobil
- Norway
  - 3G
- Netherlands
  - BBned

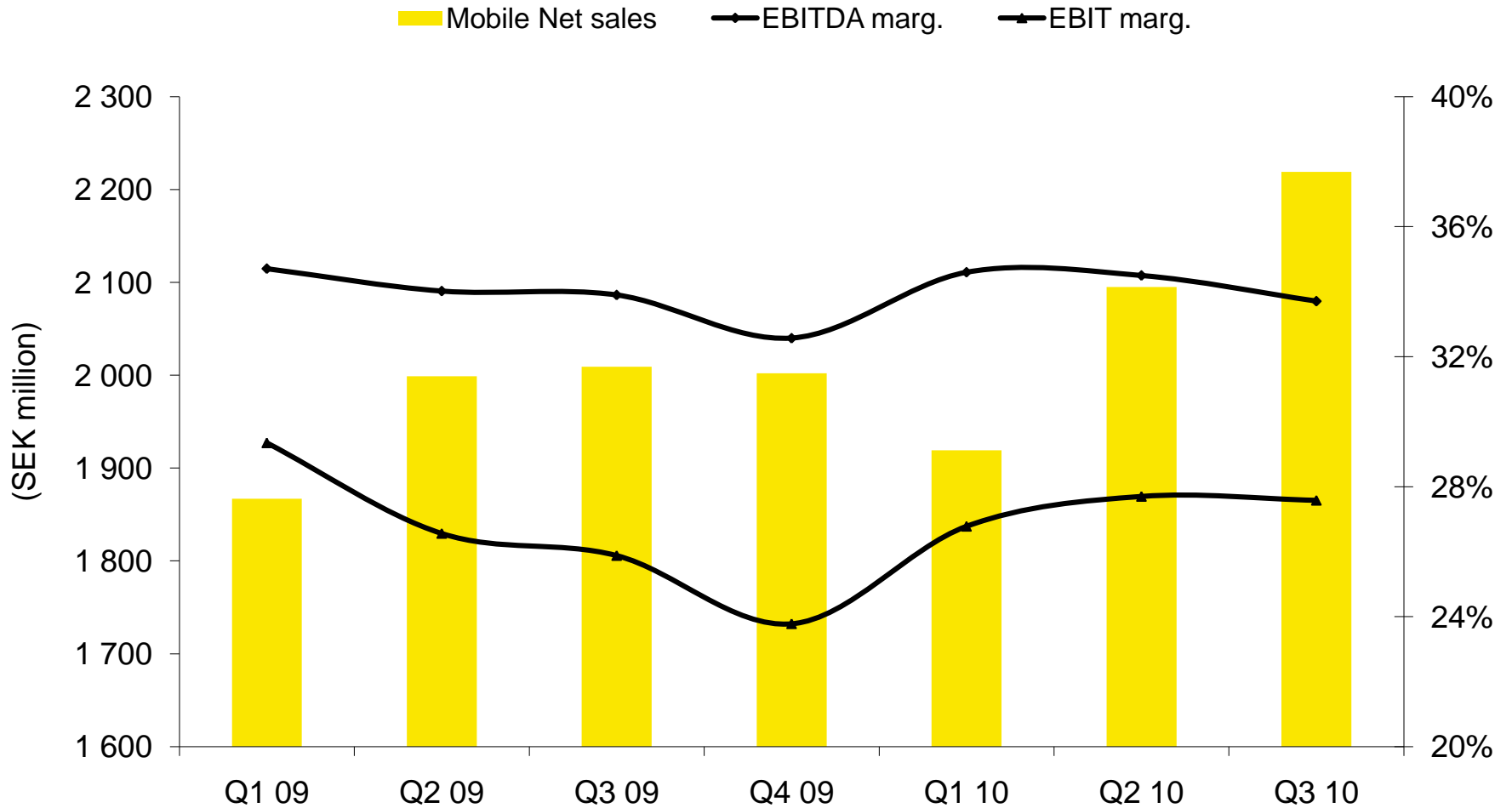
# Q&A

# Appendix A

# TELE2 SWEDEN MOBILE

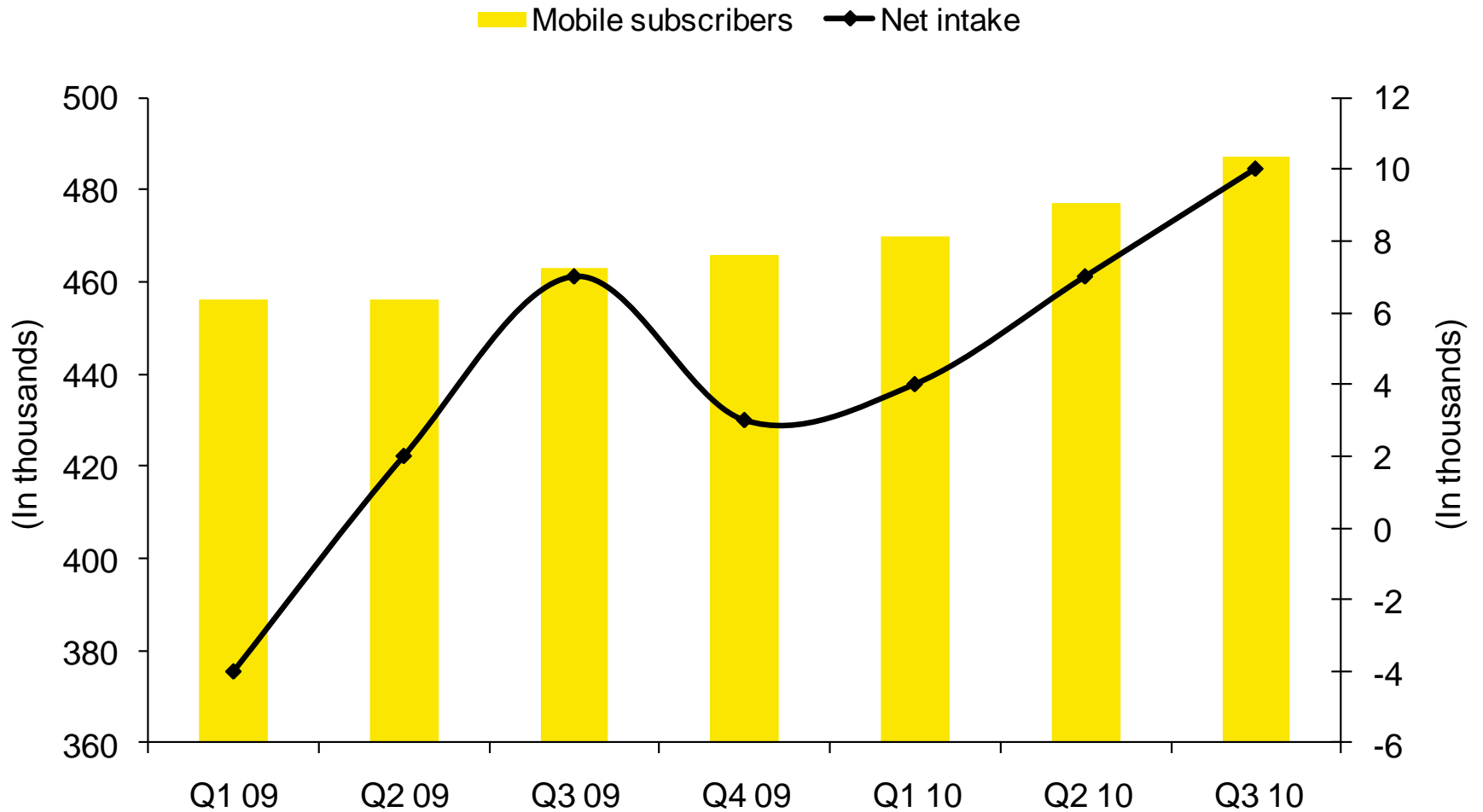


# TELE2 SWEDEN MOBILE (contd)

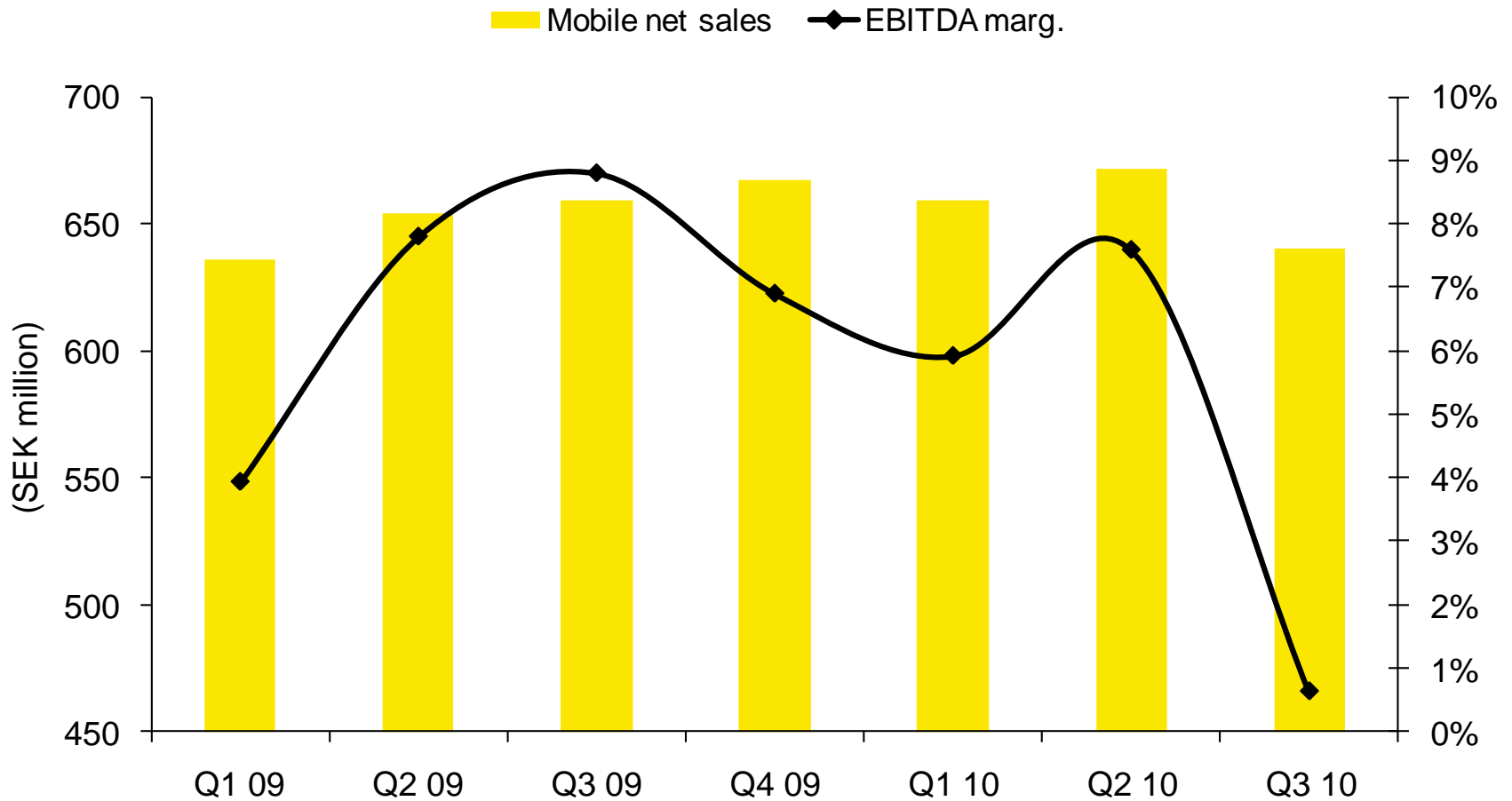




# TELE2 NORWAY MOBILE

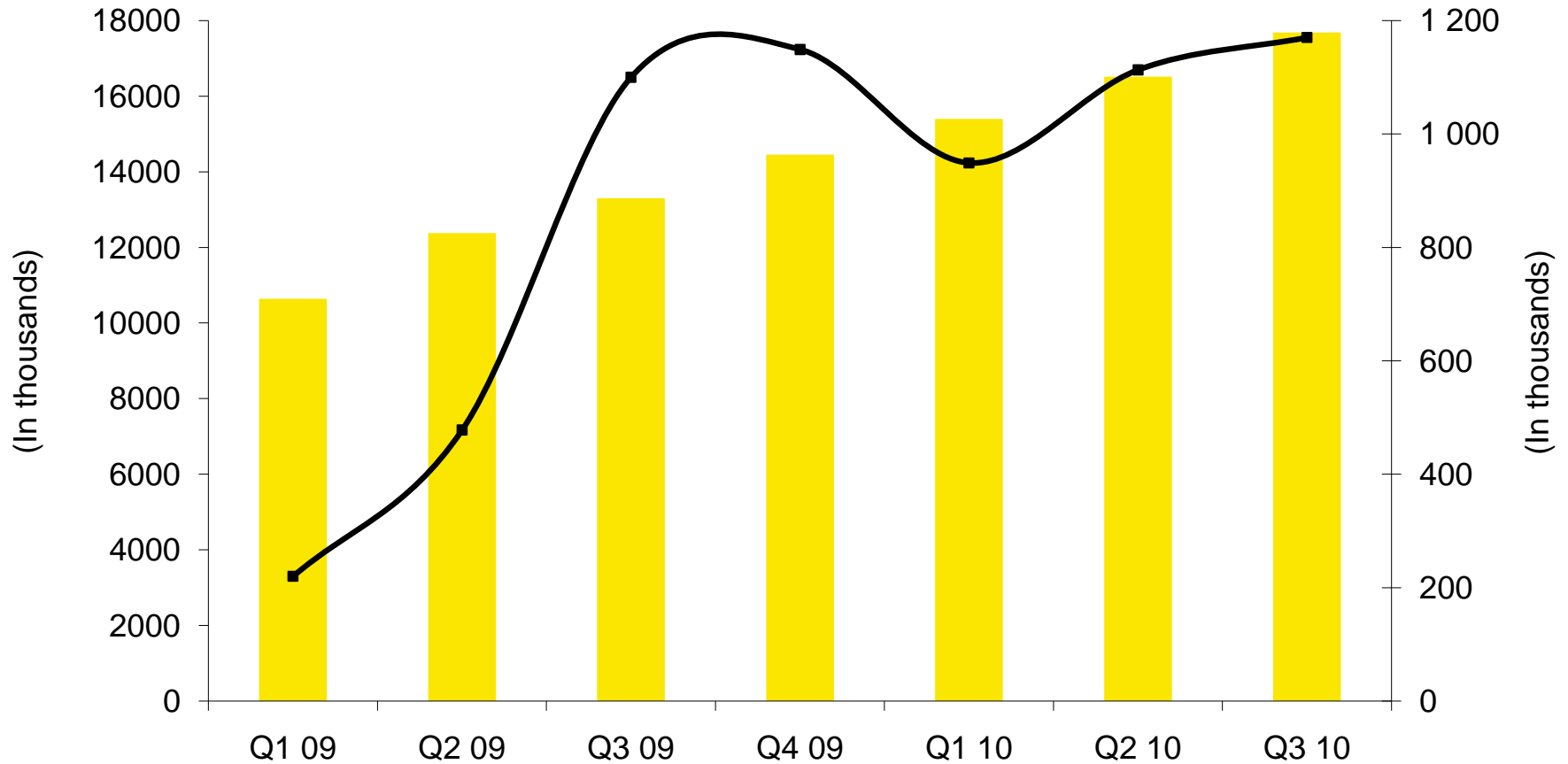


# TELE2 NORWAY MOBILE (contd)

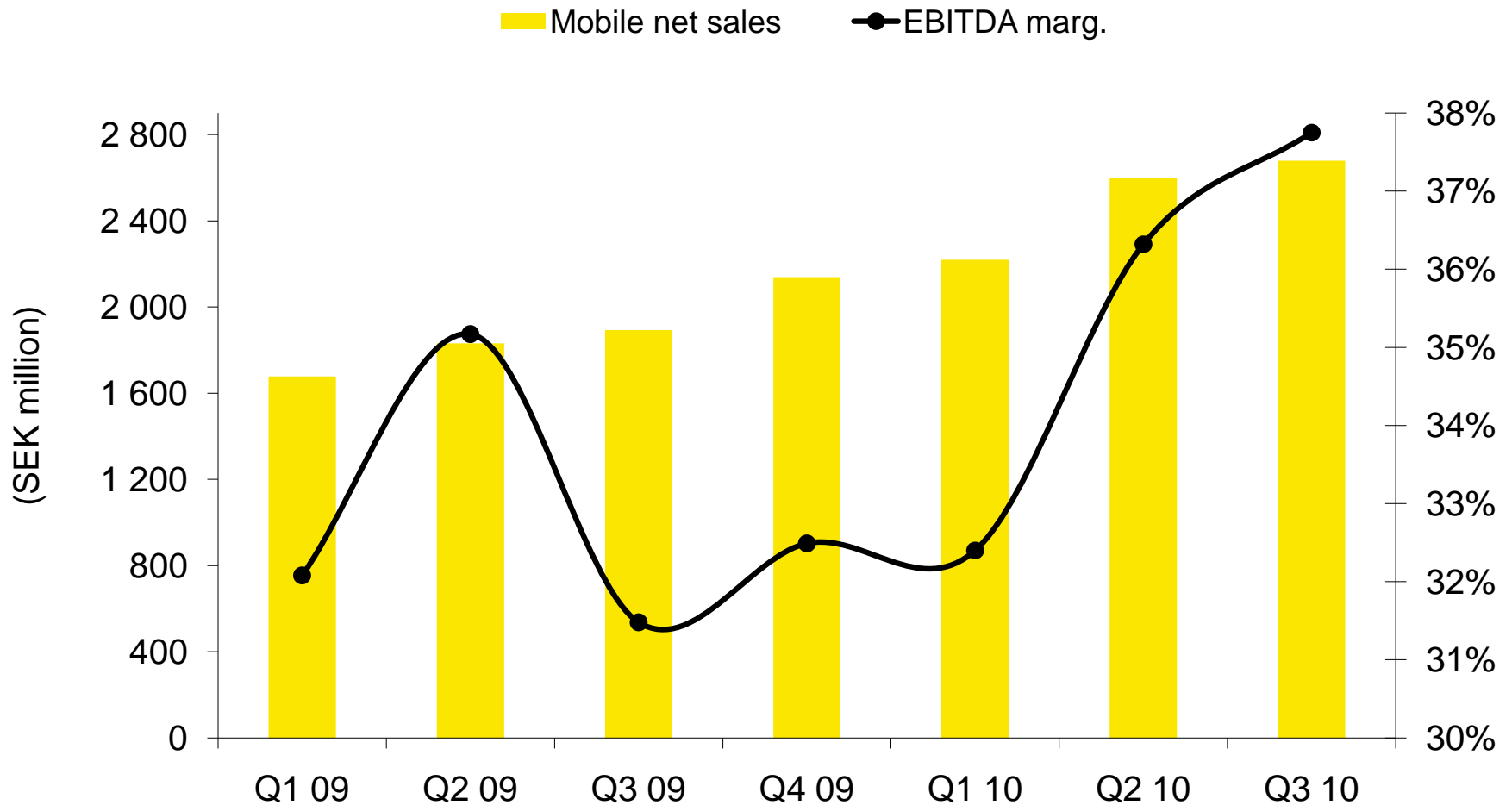


# TELE2 RUSSIA MOBILE

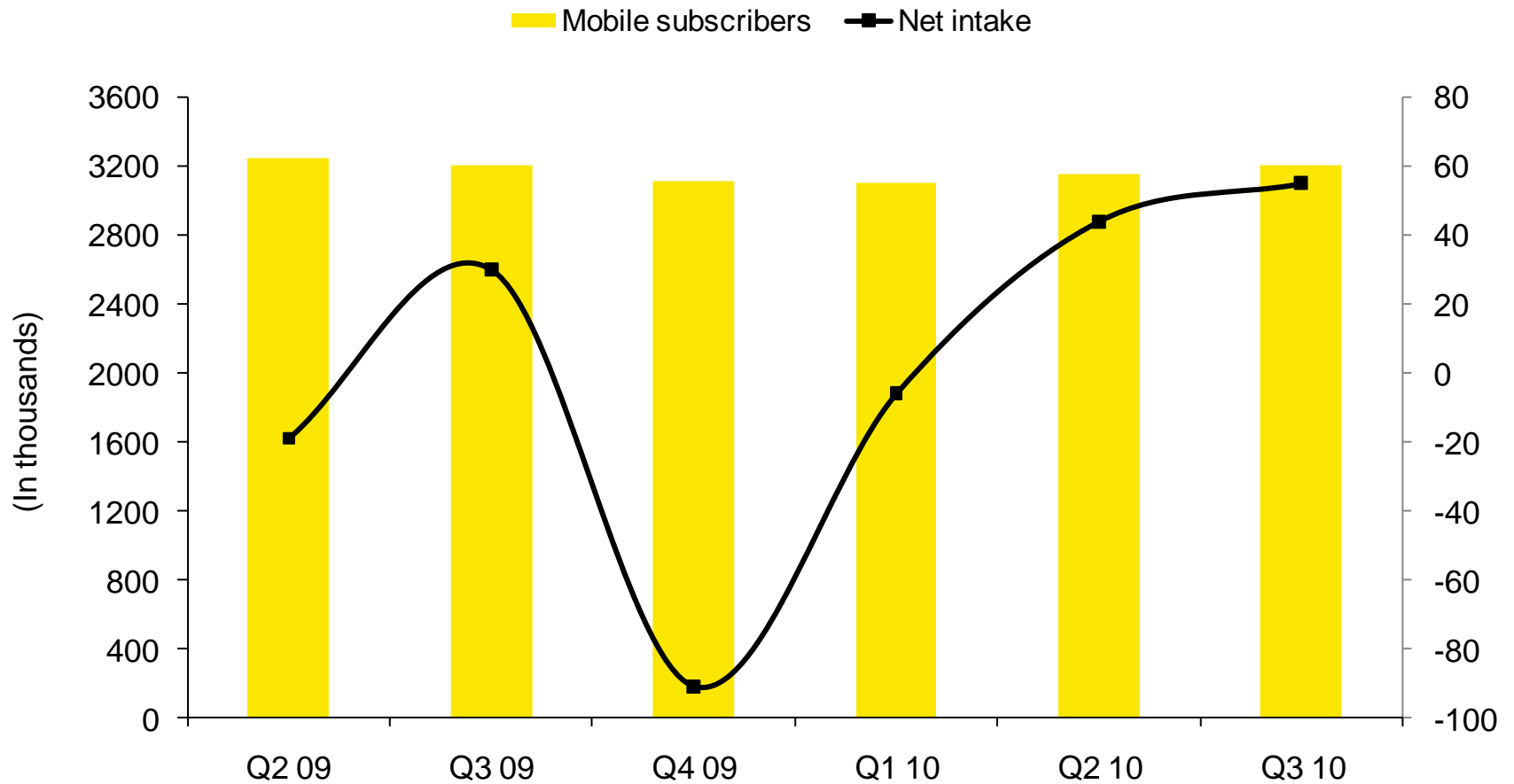
■ Mobile subscribers    — Net intake



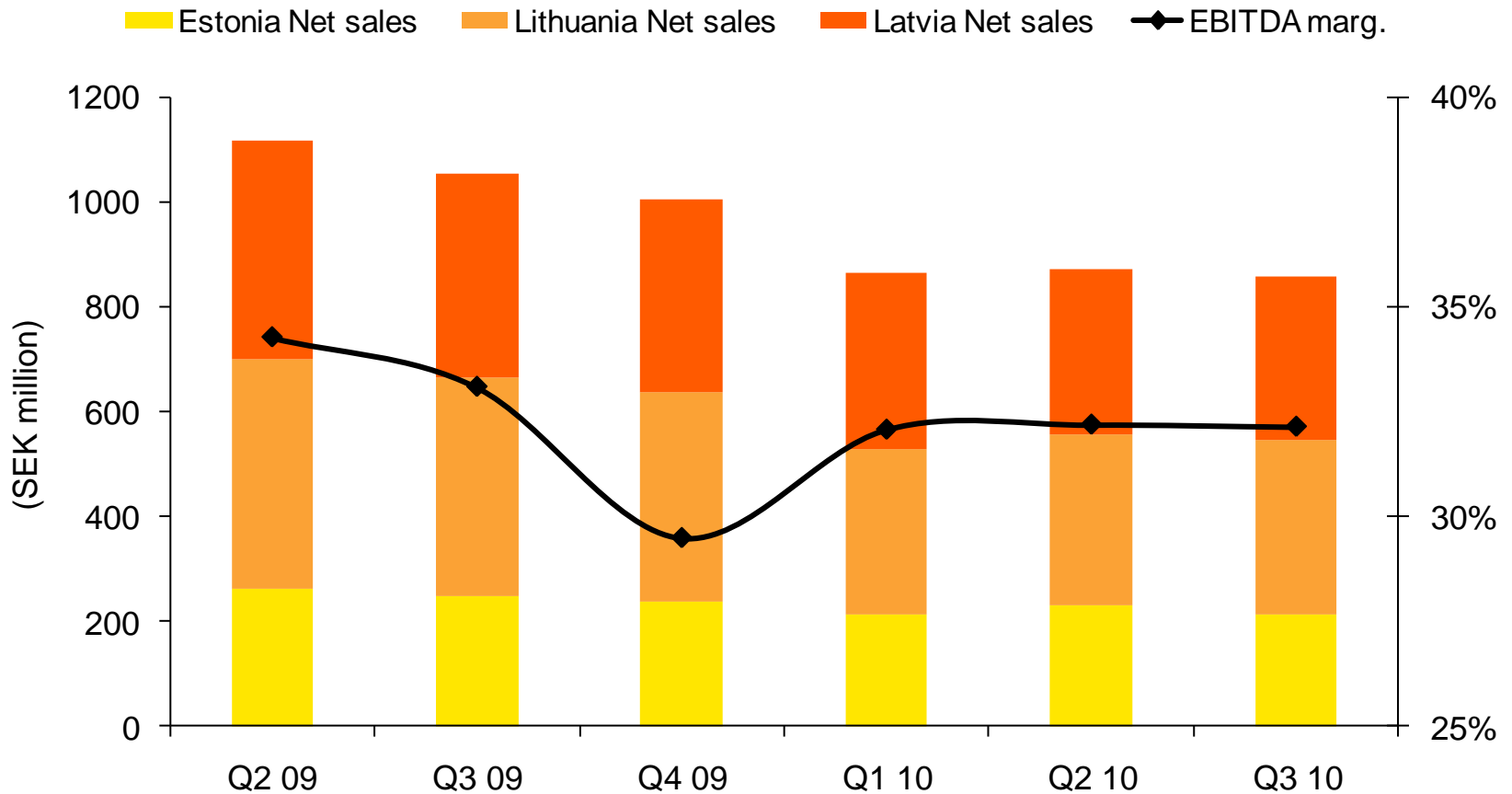
# TELE2 RUSSIA MOBILE (contd)



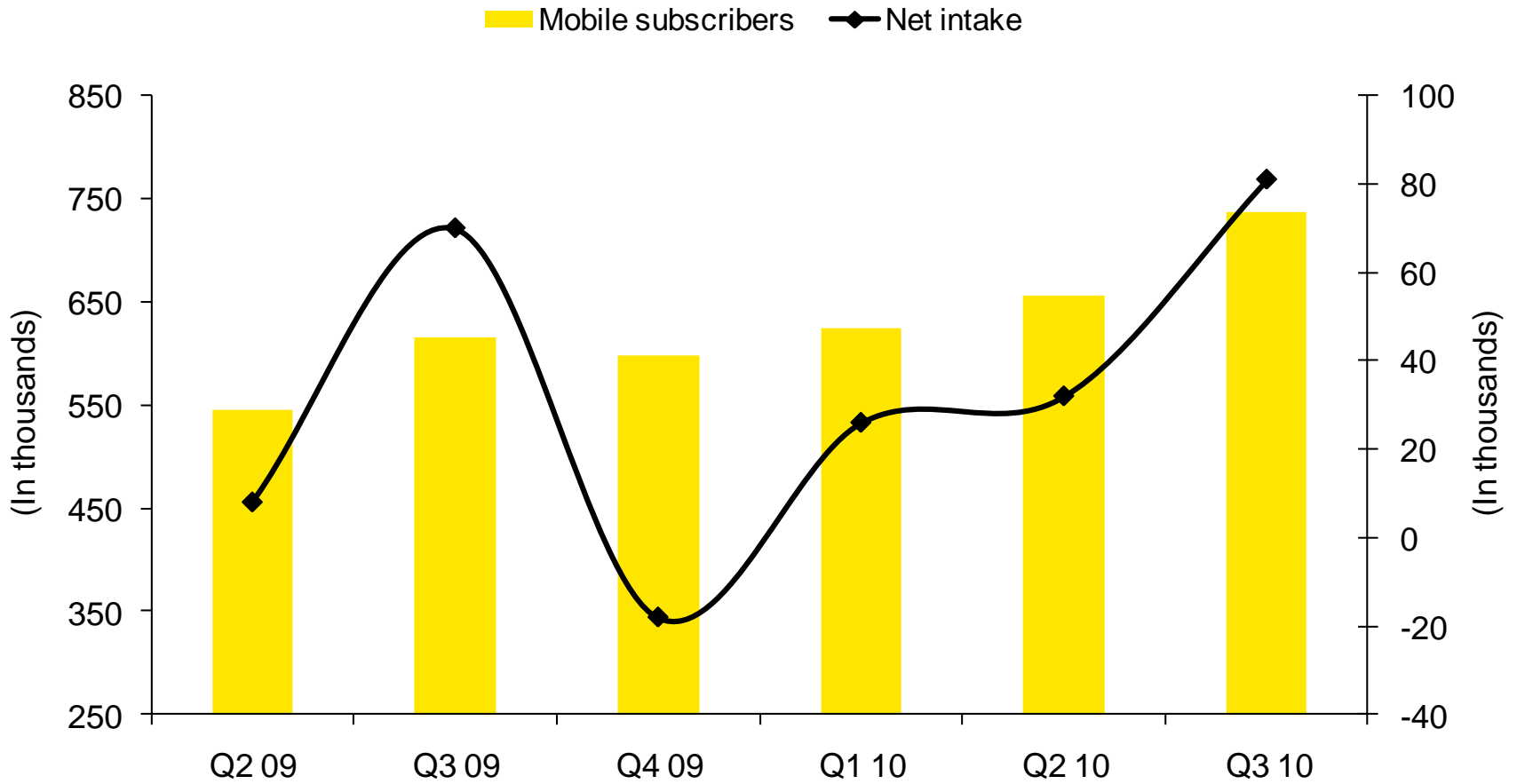
# TELE2 BALTIC MOBILE



# TELE2 BALTIC MOBILE (contd)

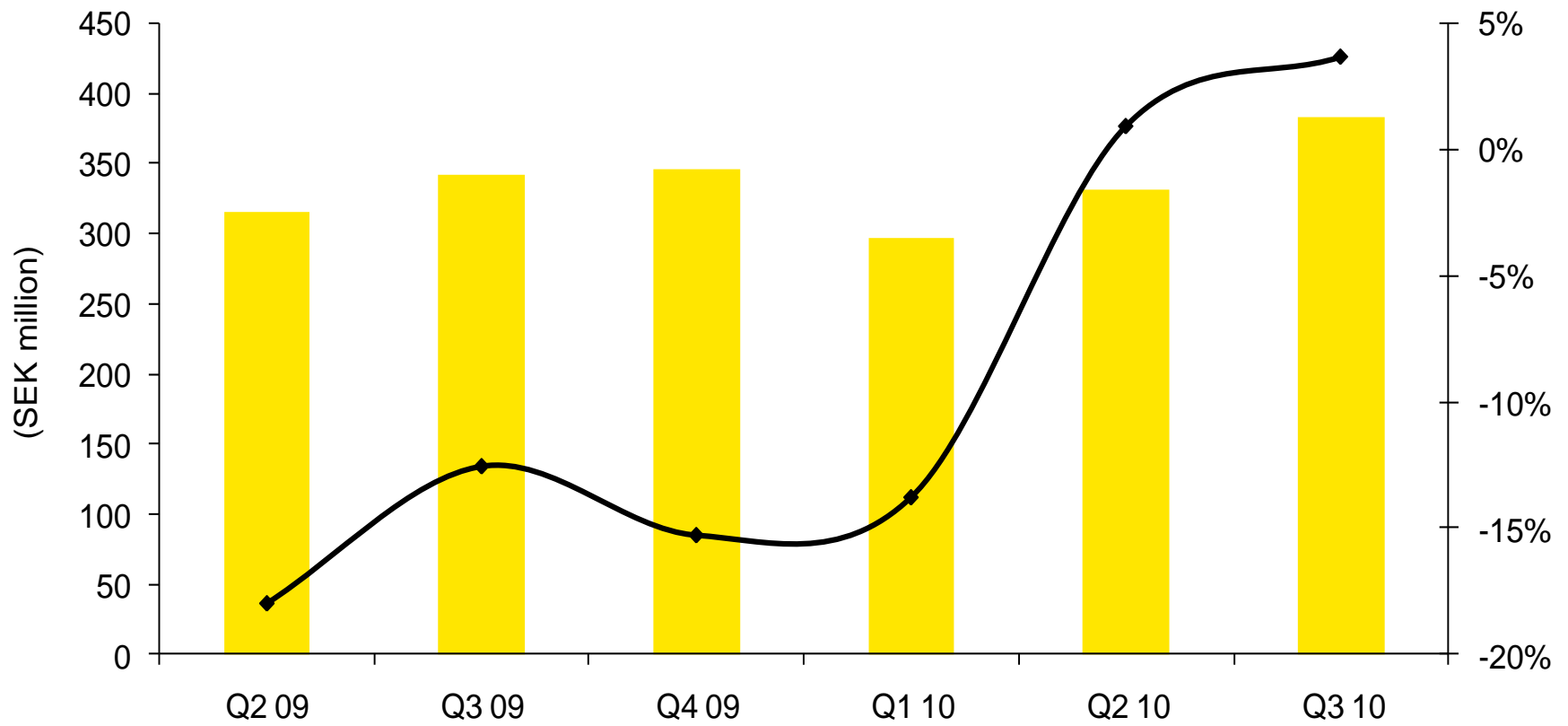


# TELE2 CROATIA MOBILE



# TELE2 CROATIA MOBILE (contd)

■ Mobile Net sales    ◆ EBITDA marg.





# Appendix B

# NET DEBT AND DIVIDEND TARGETS

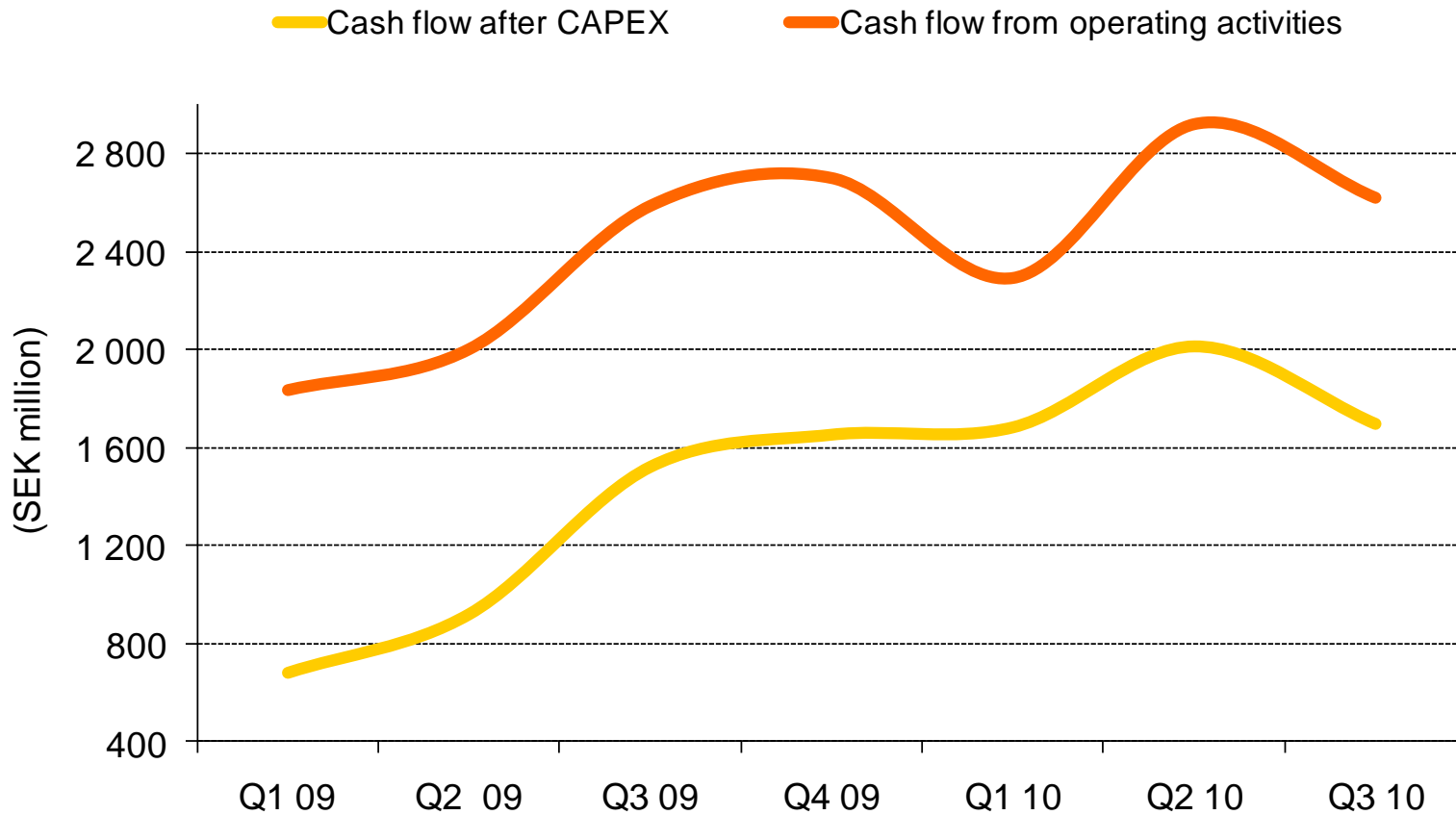
- Shareholder remuneration
  - “Tele2’s intention is to pay a progressive ordinary dividend to its shareholders over the medium term”
- Long-term financial leverage
  - “Tele2’s longer-term financial leverage, defined as the net debt /EBITDA ratio, should be in line with the industry and the markets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

# Appendix C

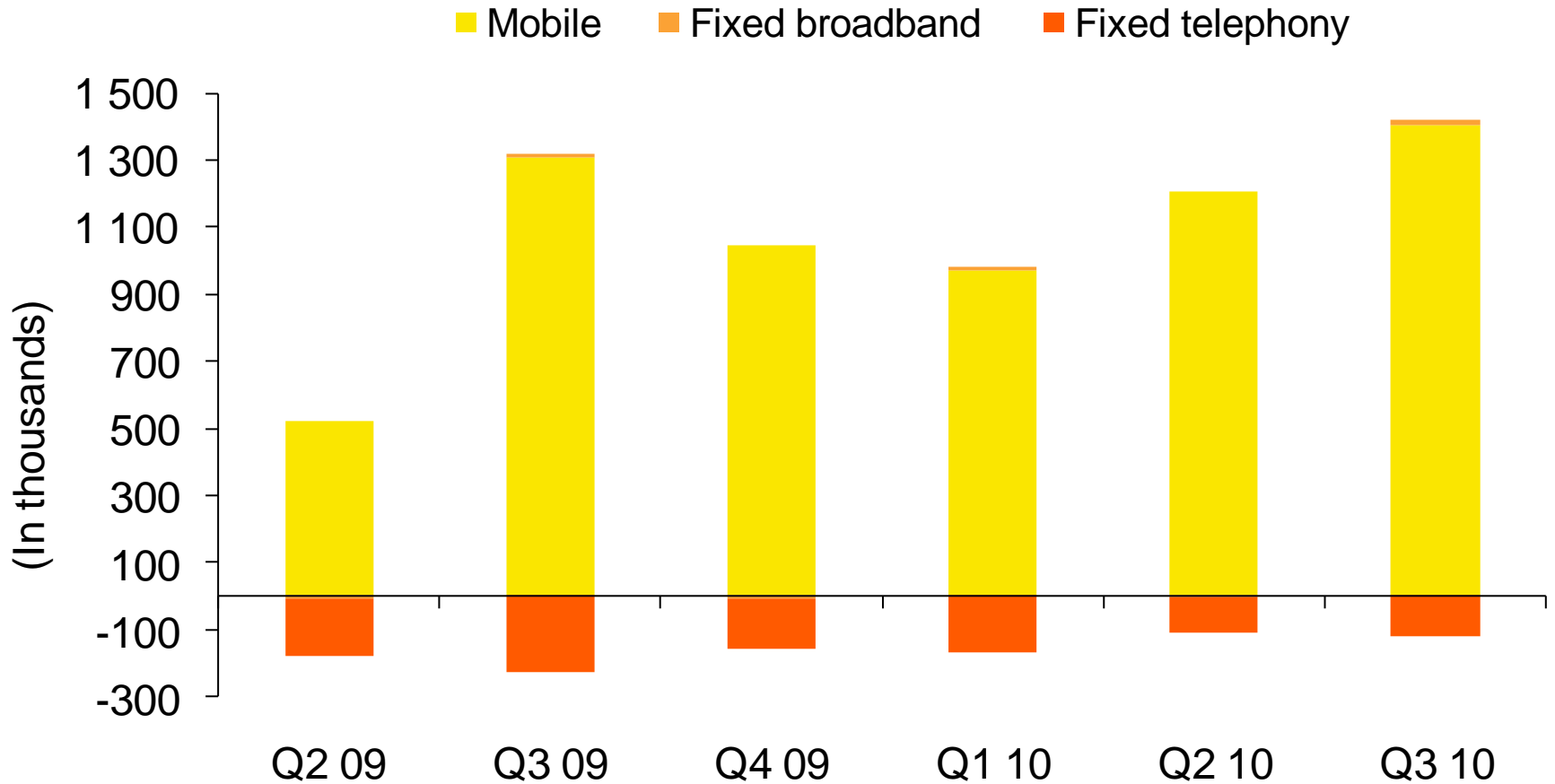
# FINANCIAL ITEMS Q3 2010

SEK million	Q3 10	Q3 09	Change
<b>External</b>			
Net interest expenses	-89	-111	22
Exchange rate differences, external	56	138	-82
Other financial items	-40	-10	-30
	<b>-73</b>	<b>17</b>	<b>-90</b>
Exchange rate differences, intragroup	57	182	-125
<b>Financial items</b>	<b>-16</b>	<b>199</b>	<b>-215</b>

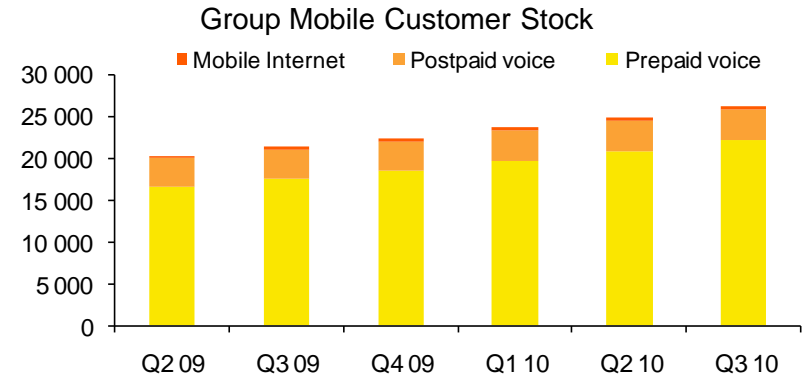
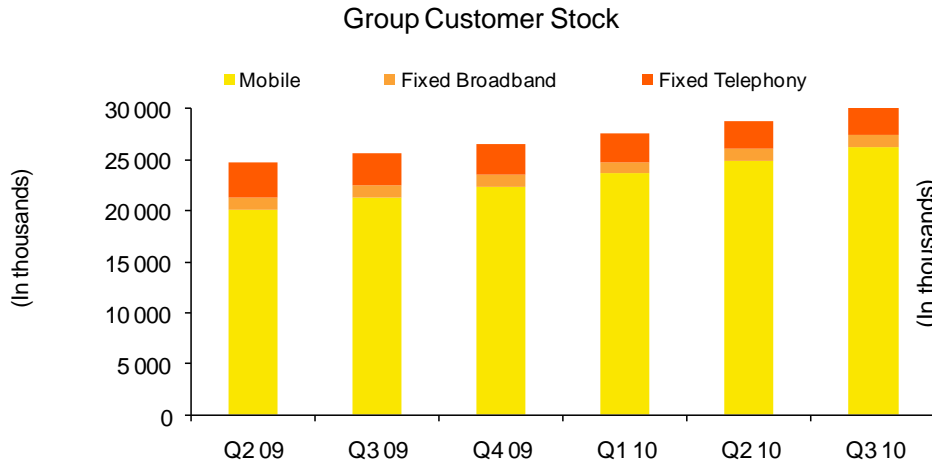
# CASH FLOW DEVELOPMENT



# GROUP NET INTAKE PER SEGMENT

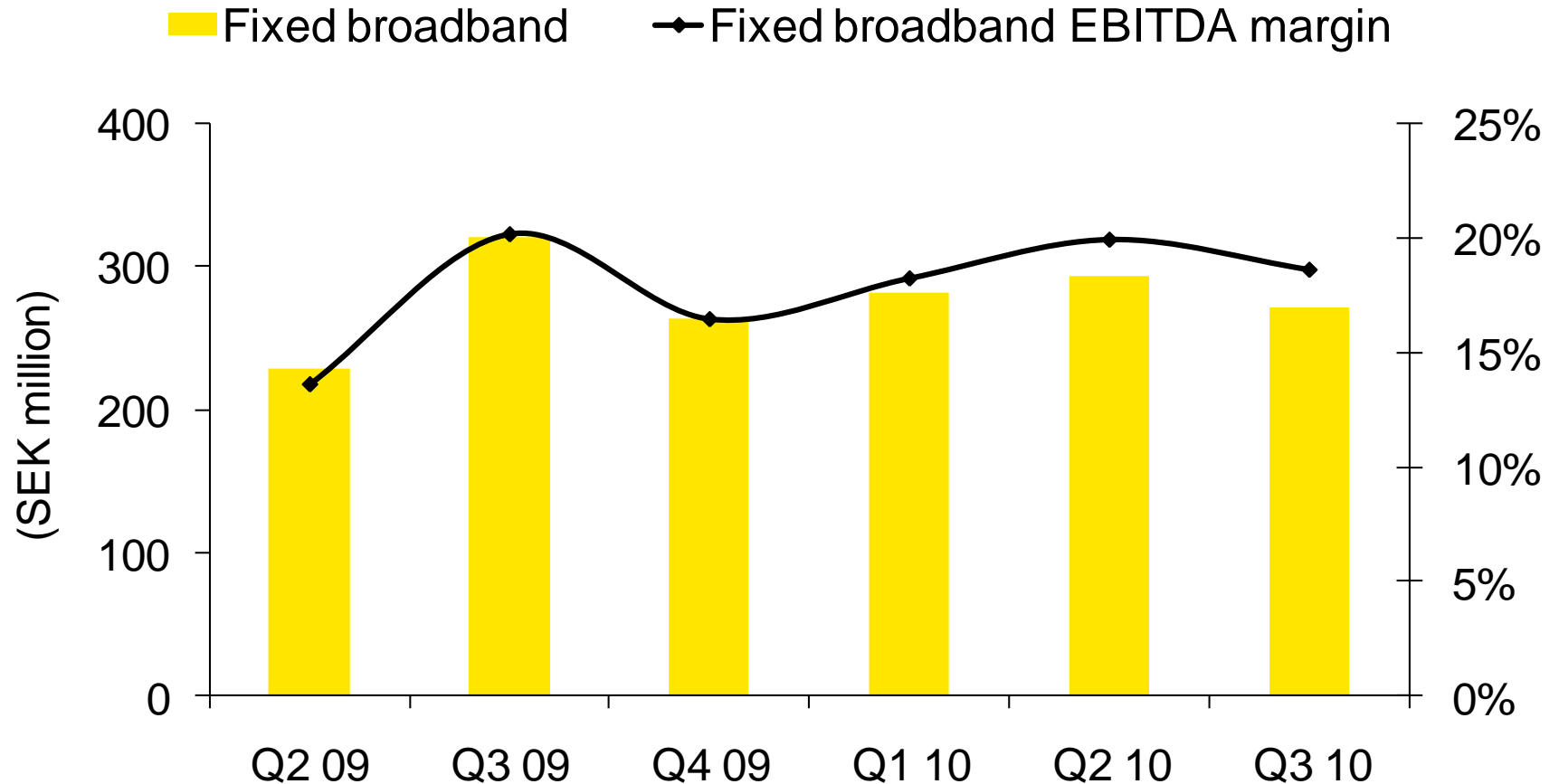


# GROUP CUSTOMER STOCK



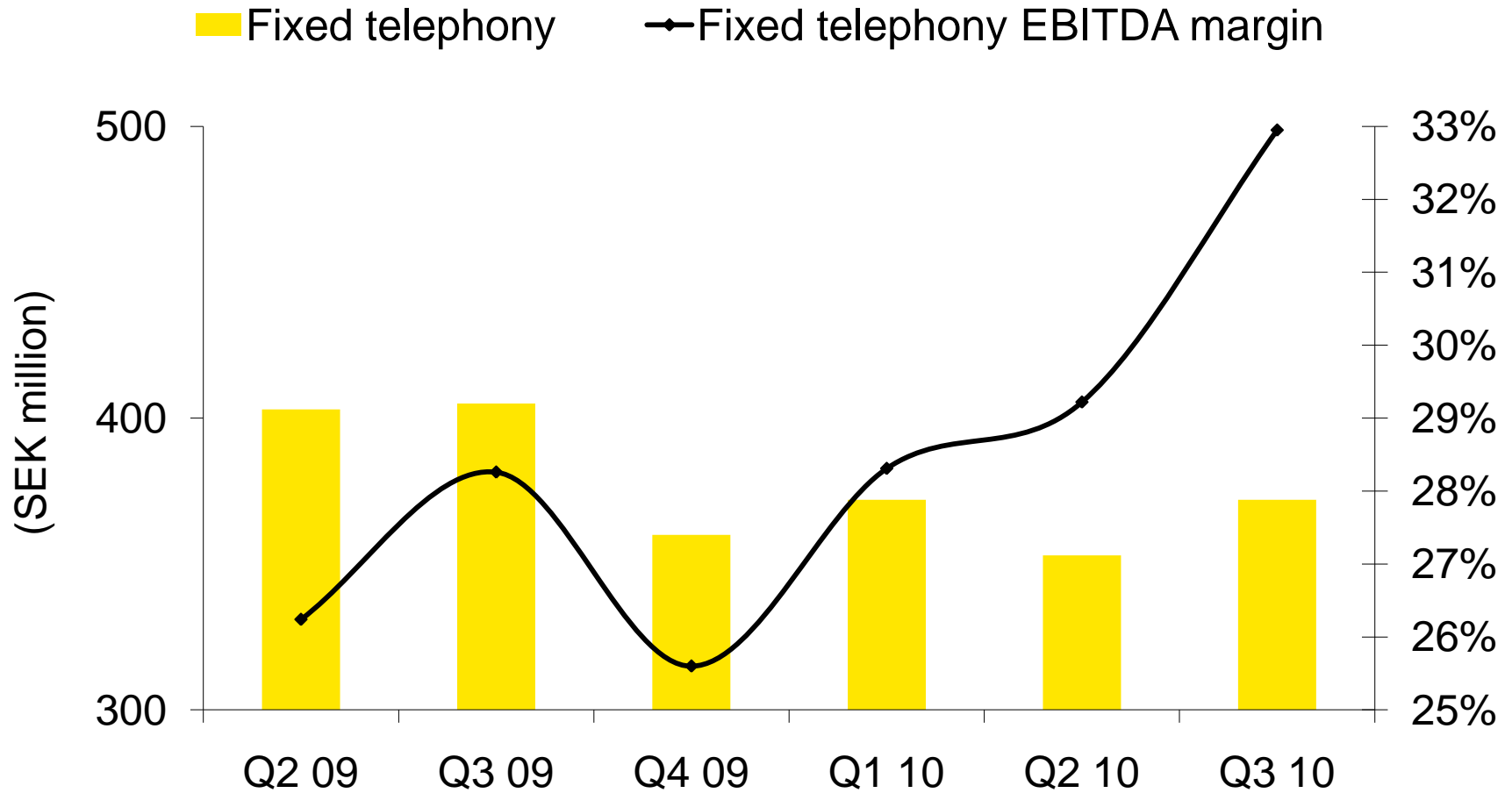
- Strong intake in the mobile segment
  - Driven by Russia adding 1,170,000 new customers

# GROUP FIXED BROADBAND EBITDA

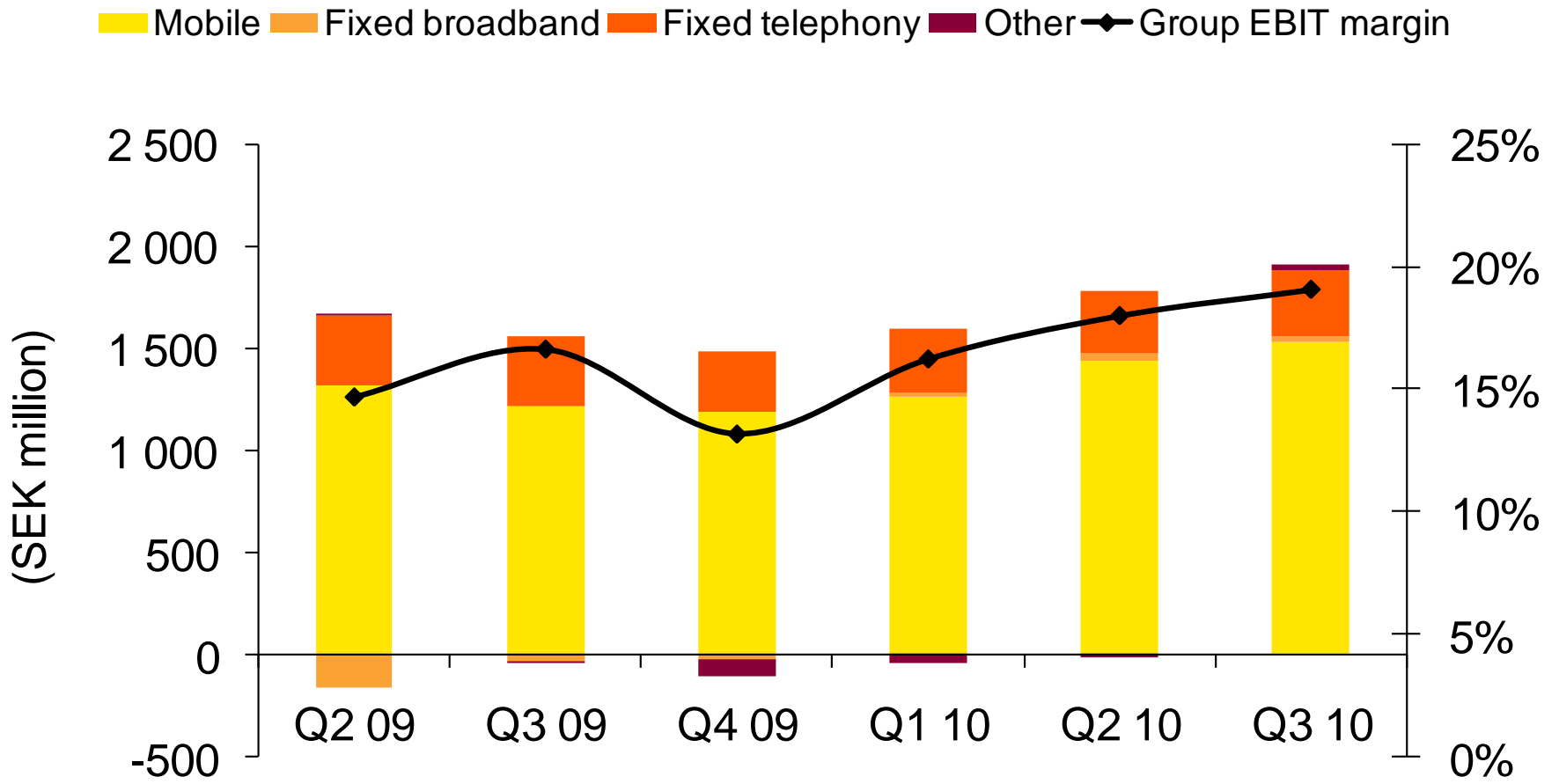




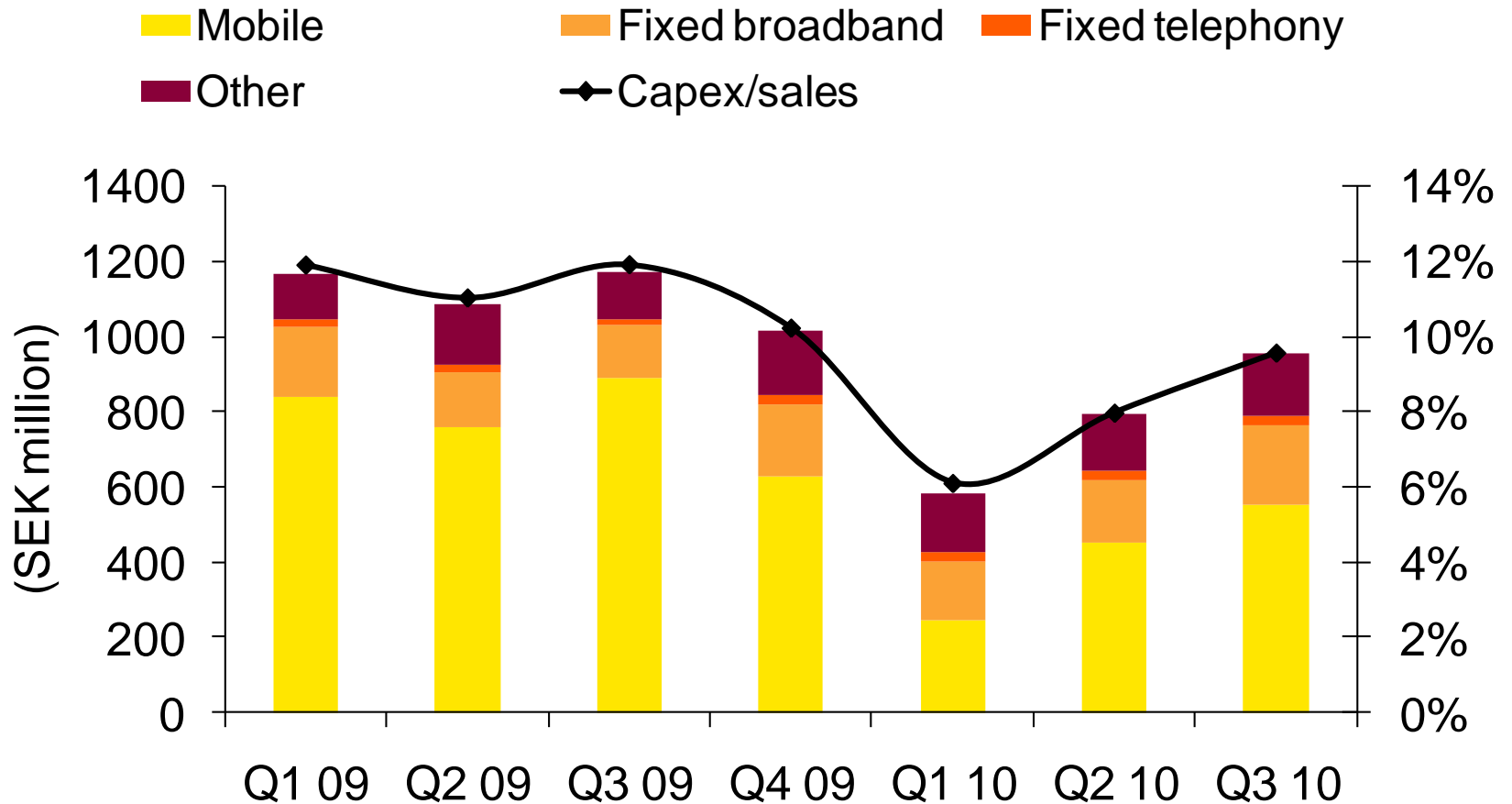
# GROUP FIXED TELEPHONY EBITDA



# GROUP EBIT



# GROUP CAPEX



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

**TELE2**