

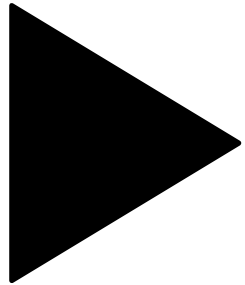
# THIRD QUARTER 2011

t2 AB

19 October 2011

**TELE2**

# Agenda



- **About Q3 2011**

- Financial Review

- Concluding remarks

# t2 Group Q3 highlights

## Q3 Financials

- In the third quarter, group net sales (curr. adj.) grew by 6 percent
- All time high EBITDA (curr. adj.) amounted to SEK 2 893 mn, corresponding to an increase of 8 percent
- EBITDA margin (curr. adj.) amounted to 28 percent

## Q3 Operational

- t2's customer base amounted to 33.5 million customers
- Russian subscriber base reached 20.4 million customers and subscriber base in Kazakhstan surpassed 1 million customers
- t2 acquired Network Norway

# Market Area Russia: Overview

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## Population

Apr. 140 million

## t2 Russia

- 43 regions of Russian Federation
- 20.4 million subscribers
- Mobile operator #4 in Russia in terms of subscribers and revenue

**Represents 30% of total net sales Q3 2011**

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## Focus

- Continue strong growth in customer intake, maximizing the 2G opportunity
- Ensure that newcomer and challenger regions reach the same operational trends as defender regions
- Evaluate possibilities to expand carefully its operations through new licenses as well as by complementary acquisitions

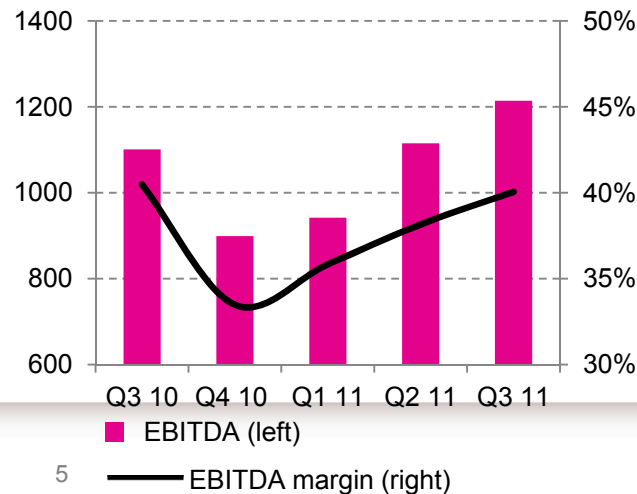
# Q3 Highlights t2 Russia

Region's position	Market share	EBITDA
Defender (10 regions)	Leader in the region (avg. 46%)	≥ 35% (avg. 47%)
Challenger (17 regions)	≥ 20% (avg. 31%)	< 35% (avg. 31%)
Newcomer (16 regions)	< 20% (avg. 17%)	≥ 0



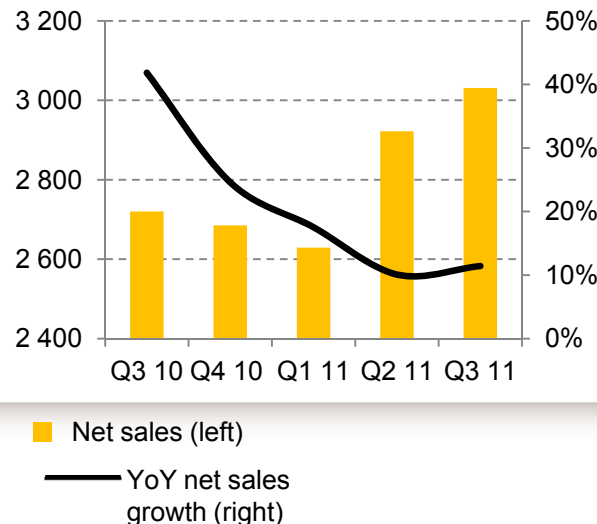
## EBITDA and EBITDA MARGIN

SEK Million



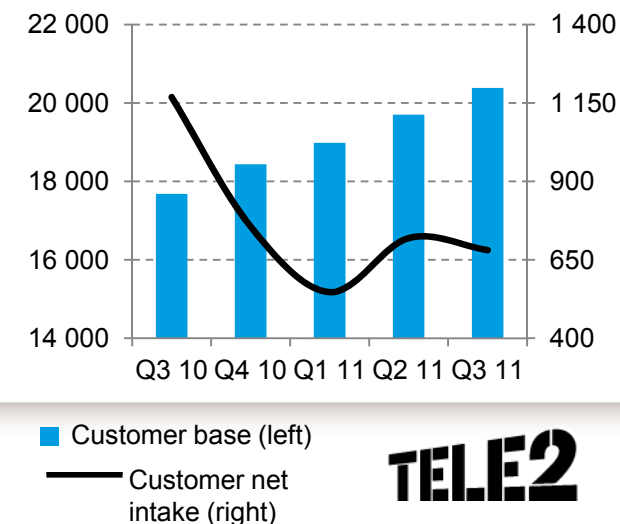
## NET SALES and YoY NET SALES GROWTH

SEK Million



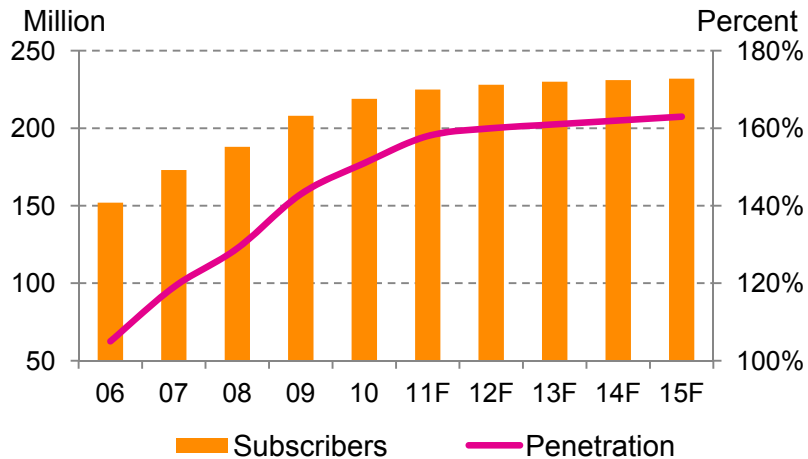
## CUSTOMER BASE and CUSTOMER INTAKE

Thousands of customers

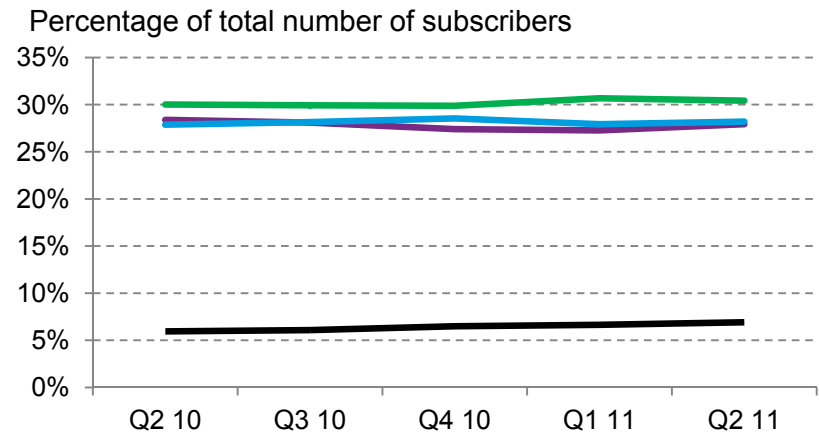


# Understanding Russia's mobile market

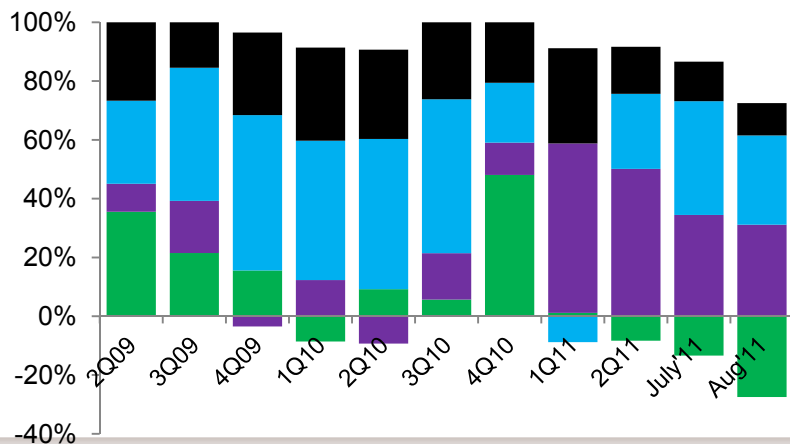
## MOBILE SUBSCRIBERS AND PENETRATION



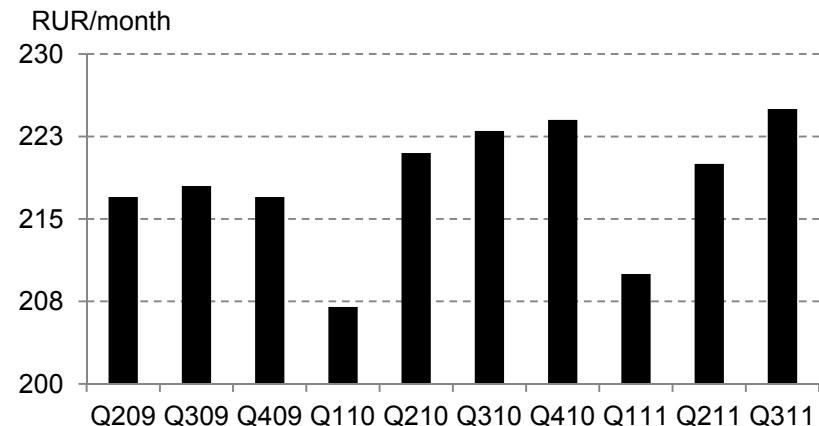
## SUBSCRIBER MARKET SHARE



## NET ADDITIONS



## ARPU DEVELOPMENT t2 RUSSIA



# t2 Russia: Regulatory update

With regards to regulation of use of frequencies in Russia, the following should be highlighted:

- The Regulator in principle admits that **Technology Neutrality** can be applied to 900/1800 MHz spectrum. However, to avoid GSM service quality deterioration if the LTE is launched alongside GSM frequencies, this topic has to be examined further. The study shall be finished by March 2012.
- The Regulator has also announced that it is possible for seven operators to run LTE services in Russia starting from 2015 onwards, and that the new LTE license tenders will be run by the end of Q1 2012.

# Market Area Nordic: Overview

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## Population

14.4 million

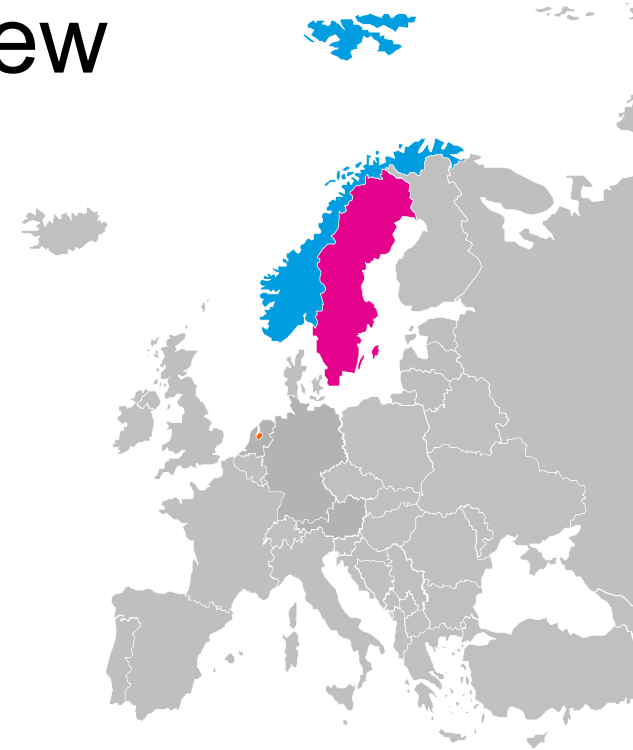
## t2 Sweden and t2 Norway

Home market and test bed for new services

## Represents 38% of total net sales Q3 2011

Sweden 31%; Norway 7%

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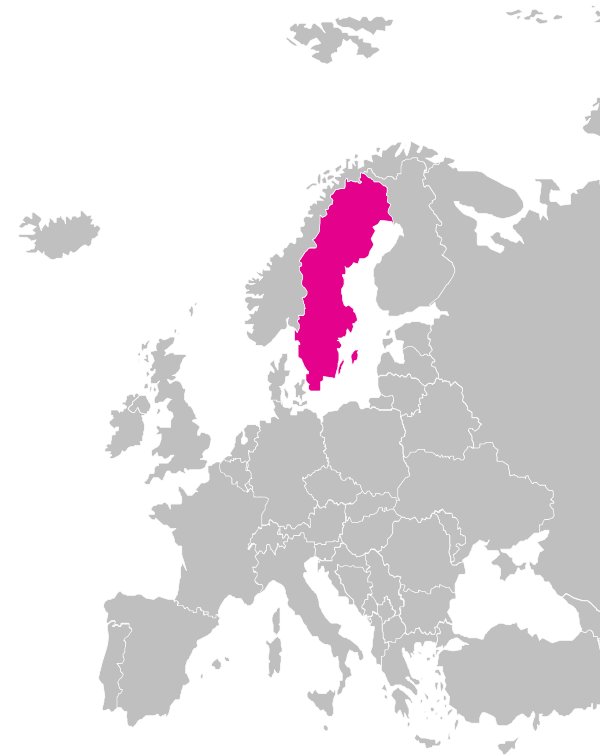
## Focus

- Sweden: Building on mobile growth and 4G roll-out coupled with household/corporate fiber strategy
- Norway: Integration of recently acquired Network Norway

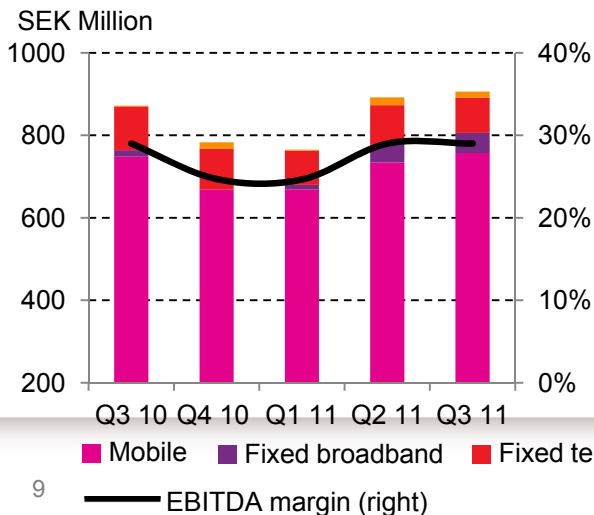


# Q3 Highlights t2 Sweden

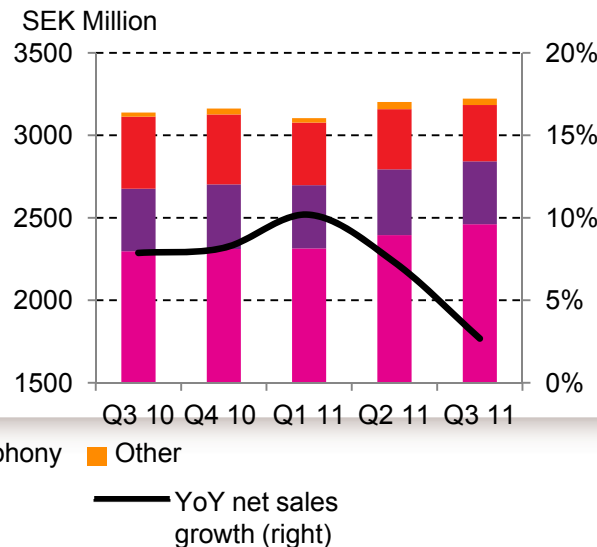
- Net sales grew by 3% amounting to SEK 3,222 mln and EBITDA amounted to SEK 861 mln
- Rationalisation within the Swedish organisation with savings target of SEK 100 mn in personnel cost annually  
 → SEK 45 mln one-off cost



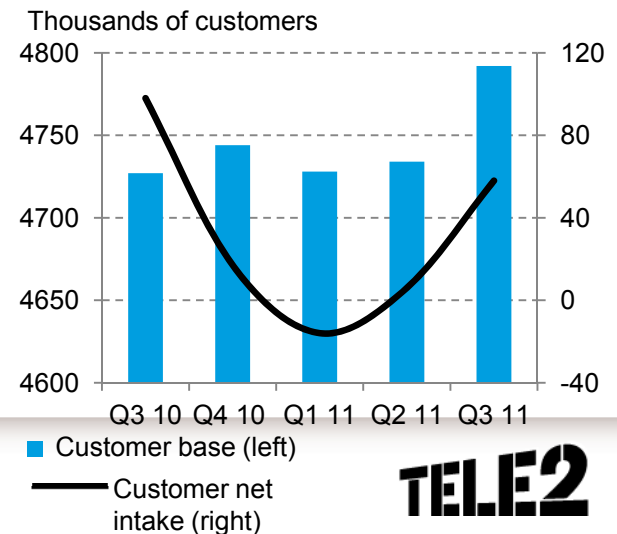
## EBITDA and EBITDA MARGIN



## NET SALES and YoY NET SALES GROWTH

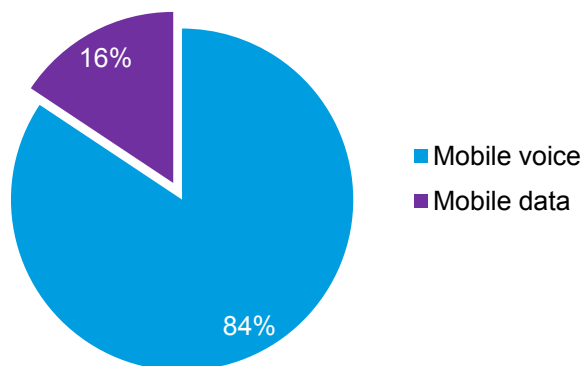


## CUSTOMER BASE and CUSTOMER INTAKE

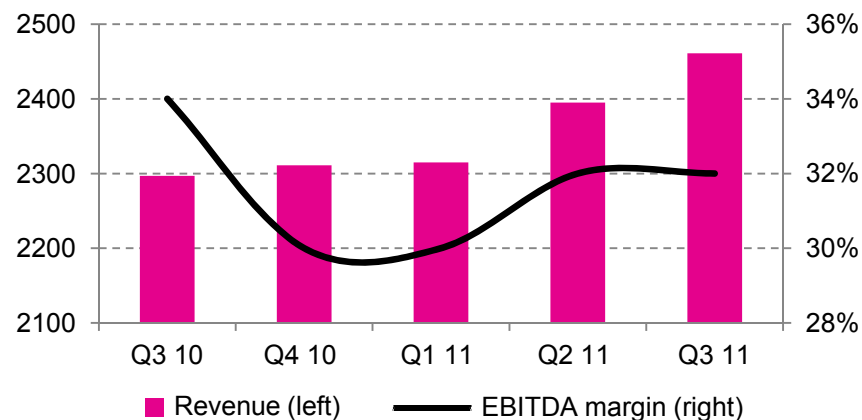


# Mobile operational performance

**MOBILE REVENUE DISTRIBUTION  
t2 SWEDEN**



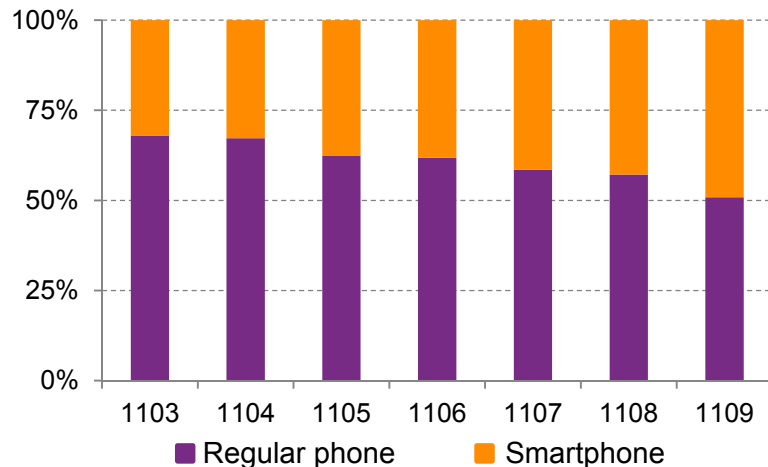
**MOBILE REVENUE  
and MOBILE EBITDA MARGIN t2 SWEDEN**  
SEK Million



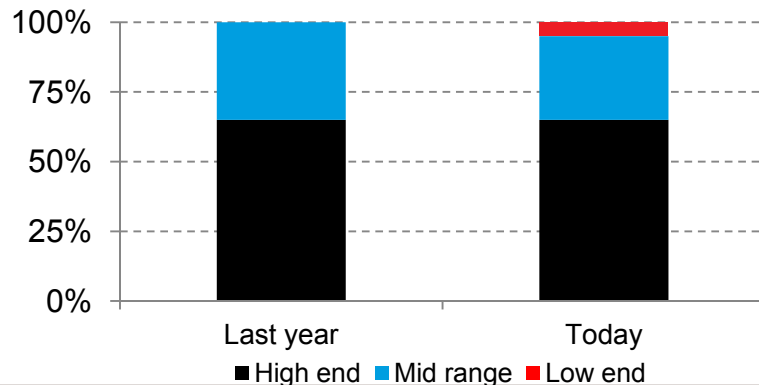
We believe mobile revenue will continue to grow driven by a strong customer demand for data

# Smartphone market development

## SMARTPHONE MARKET SHARE\*



## SMARTPHONE PRICE RANGE



## Sales of top ten mobile phones t2 Sweden (Sept 2011)

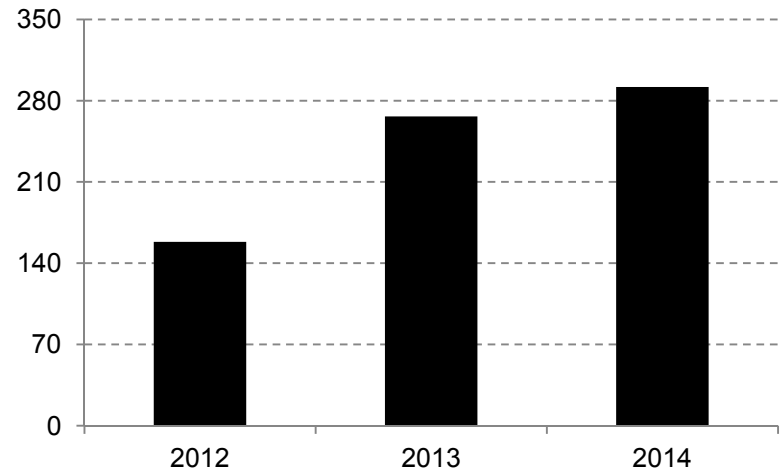
1. iPhone 4 16 Black
2. Samsung Galaxy S2
3. Huawei Sonic
4. SE Cedar
5. Samsung Galaxy Gio
6. ZTE Blade
7. Samsung Galaxy Ace
8. SE Xperia Ray
9. iPhone 4 32GB
10. HTC Sensation

\*Postpaid residential, quantity of handsets

# Benefits of mobile networks in JVs

- Significant benefits can be obtained from network sharing
- Net4Mobility rolling out state of the art 4G network with improved 2G capabilities through EDGE

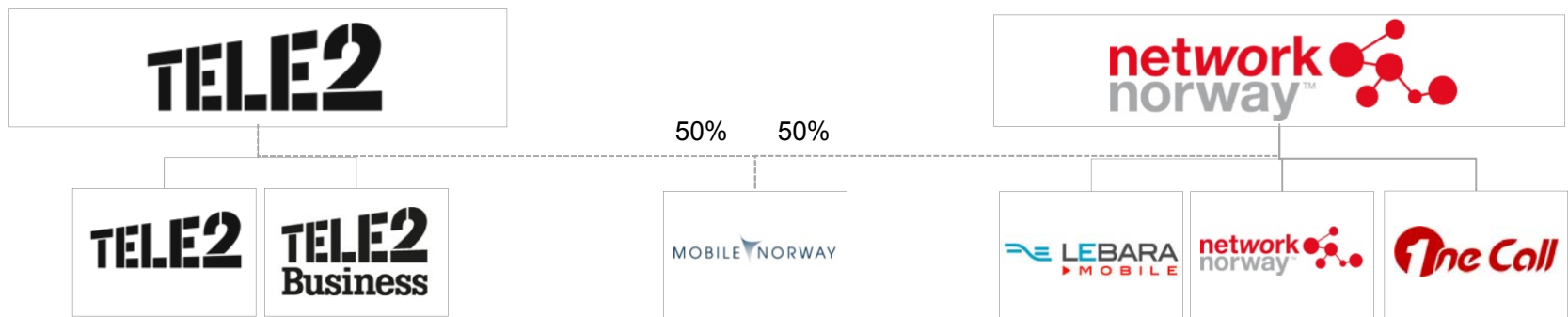
**MOBILE EBIT SAVING NET4MOBILITY**  
SEK Million



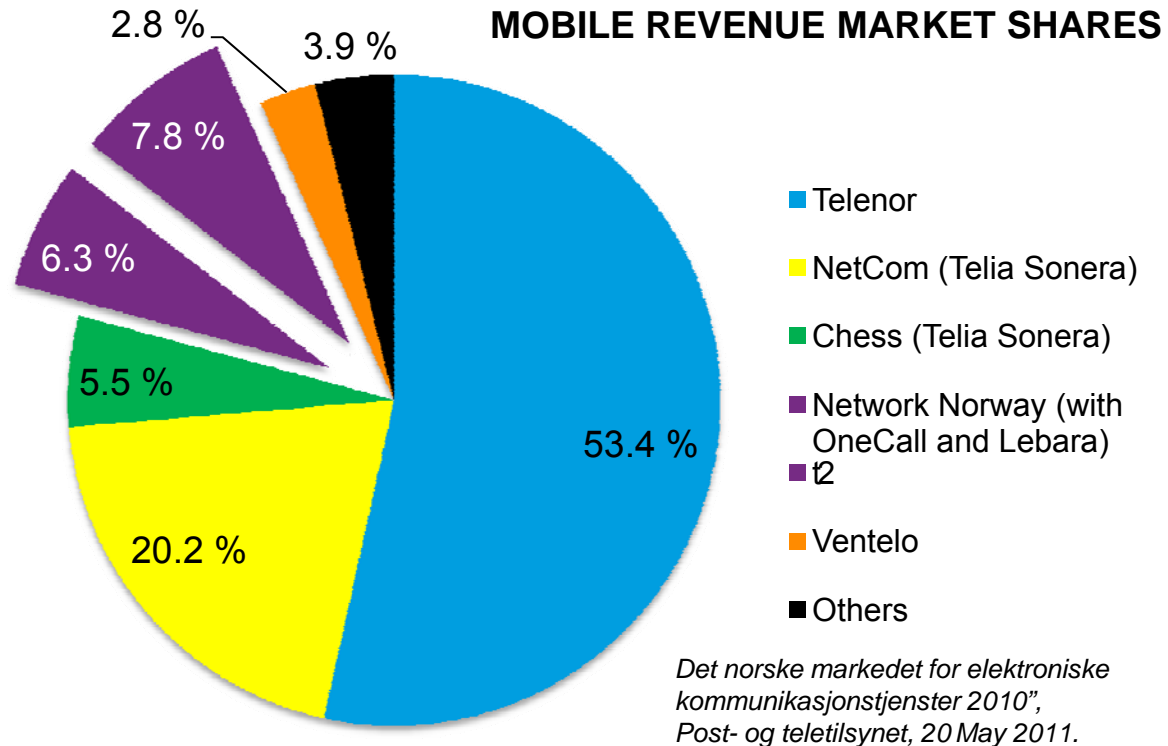
We are building Sweden's best 2G/4G network expecting to cover 99% of population by end 2012

# Q3 Highlights t2 Norway

- The t2 Norway / Network Norway / Mobile Norway integration continues at full speed
- New management team appointed on the 5th of October
- Revenue is SEK 705 mln and EBITDA is SEK -19 mln, the latter a consequence of reduced MTR



# Market shares on Norwegian market



Long term market share of 25% and alignment with t2 Group targets

# Market Area Western Europe: Overview

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## Population

106 million

Leading the group in business to business services and consumer fixed broadband

**Represents 20% of total net sales Q3 2011**

Netherlands 14%; Germany 3%; Austria 3%

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## Focus

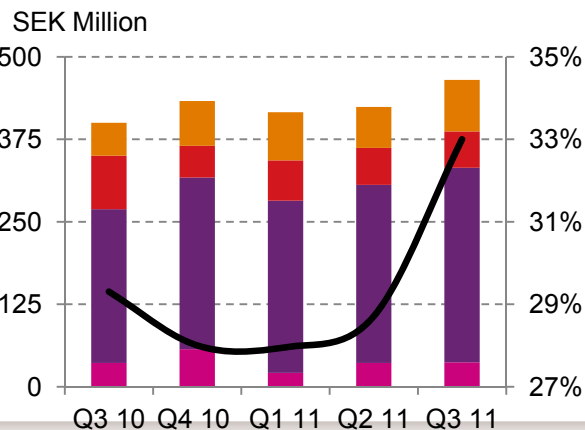
- Netherlands    Grow in mobile and SME
- Austria        Continue growth in B2B
- Germany        Grow FVM product

# Q3 Highlights t2 Netherlands

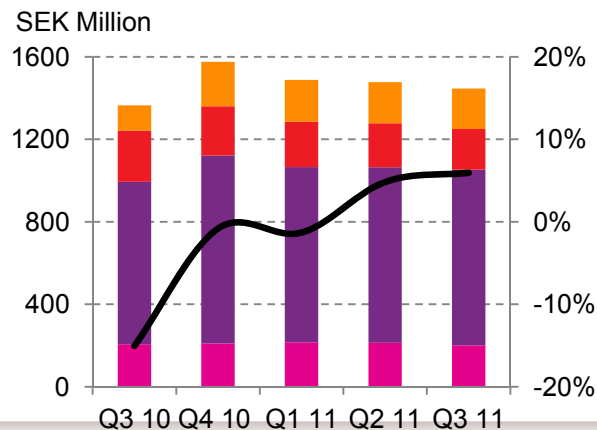


- t2 Netherlands reached EBITDA of 35% on broadband
- Re-organisation in Q2 becomes visible in bottom line result
- On-going evaluation of possibilities for t2 Netherlands to become MNO

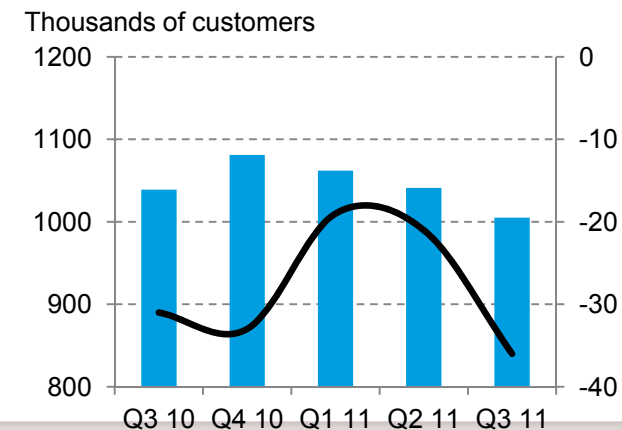
## EBITDA and EBITDA MARGIN



## NET SALES and YoY NET SALES GROWTH



## CUSTOMER BASE and CUSTOMER INTAKE





# Evaluating a move from MVNO to MNO

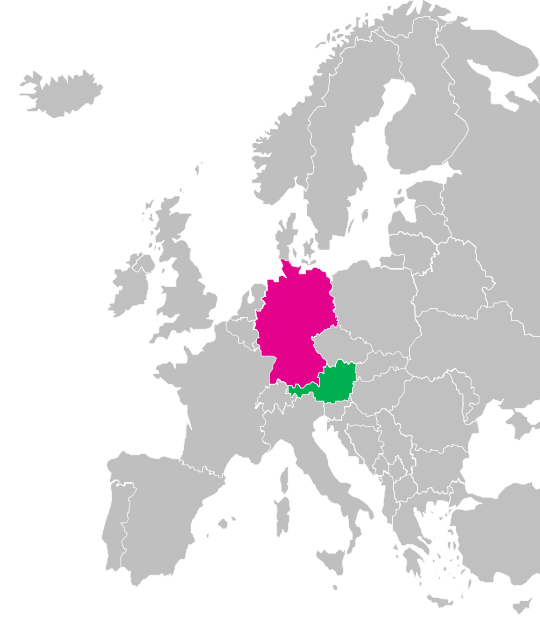
## RATIONALE

- Customers increasingly demand mobility
- Strong Group experience in mobile data networks
- The opportunity in NL is unique and *now*. The upcoming auction will set the scene till 2030

## AUCTION CONDITIONS

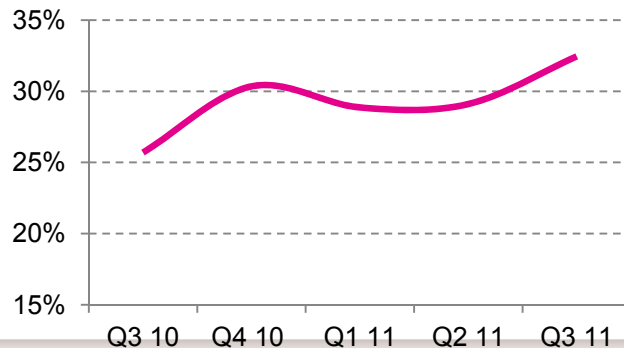
- Auction planned for Q2 2012
- 2x10 MHz reserved in the valuable 800 MHz band for new entrants
- Auction start price per 2x5MHz 800 license is EUR 35 mln
- Roll out obligation for low frequencies will be stricter than for high frequencies

# Q3 Highlights t2 Germany and t2 Austria

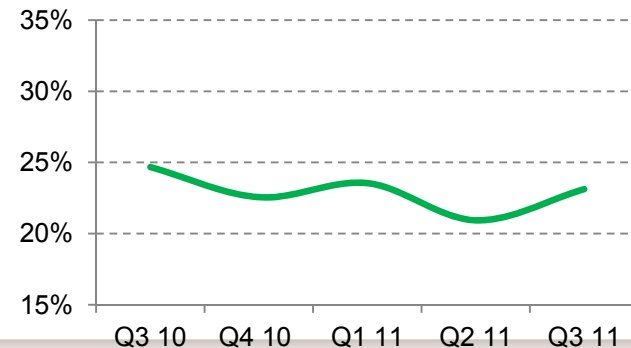


- Both markets are strong cash flow contributors to the Group
- t2 Germany: Fixed via Mobile product has taken off; 14,000 customers migrated from existing customers base
- t2 Austria: Strong sales performance and improved profitability within B2B

**t2 GERMANY  
EBITDA MARGIN**



**t2 AUSTRIA  
EBITDA MARGIN**



# Market Area Central Europe and Eurasia: Overview

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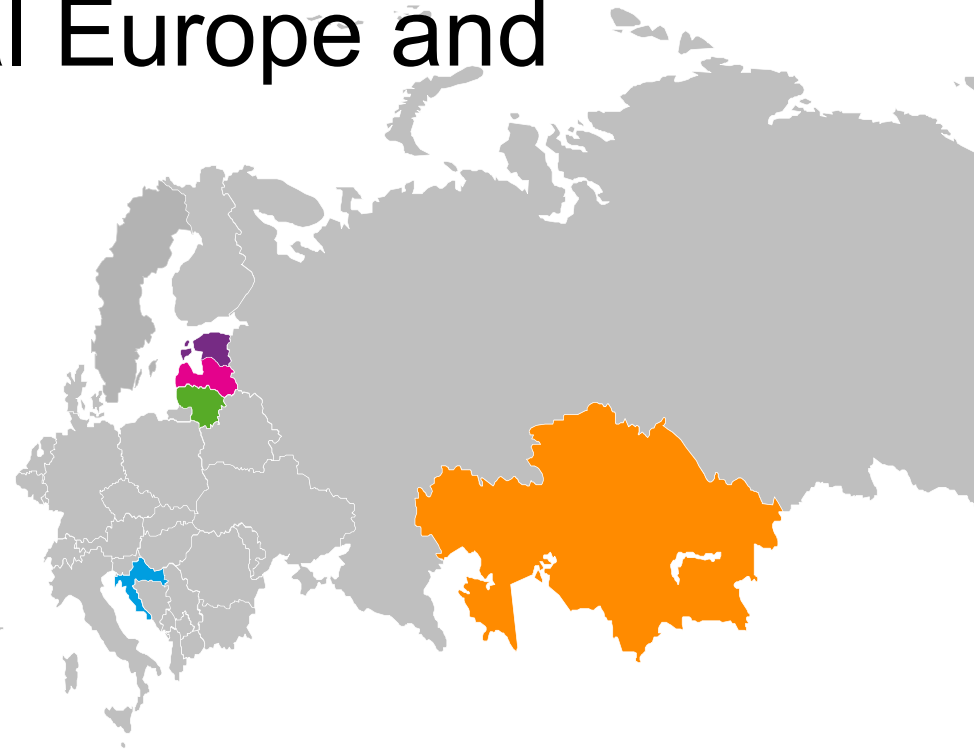
## Population

28 million

## Represents 13% of total net sales Q3 2011

Estonia 2%; Latvia 3%; Lithuania 3%;  
Croatia 4%; Kazakhstan 1%

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## Focus

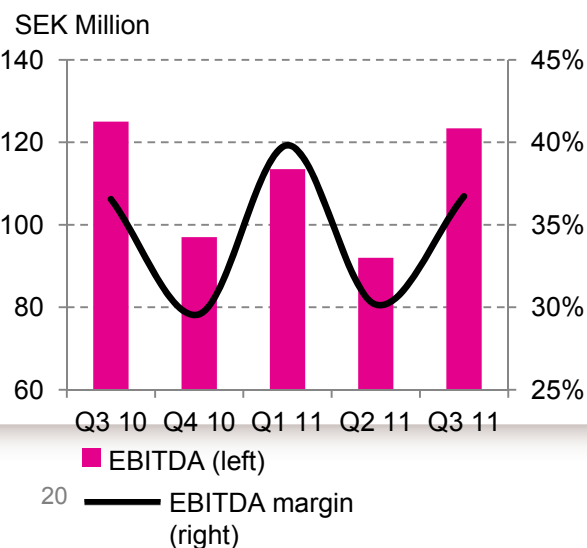
- Stability and improvements in Baltics
- Growth in revenue, profits and market share in Croatia
- Establish t2 in all regions and continue to grow rapidly in Kazakhstan

# Q3 Highlights t2 Lithuania

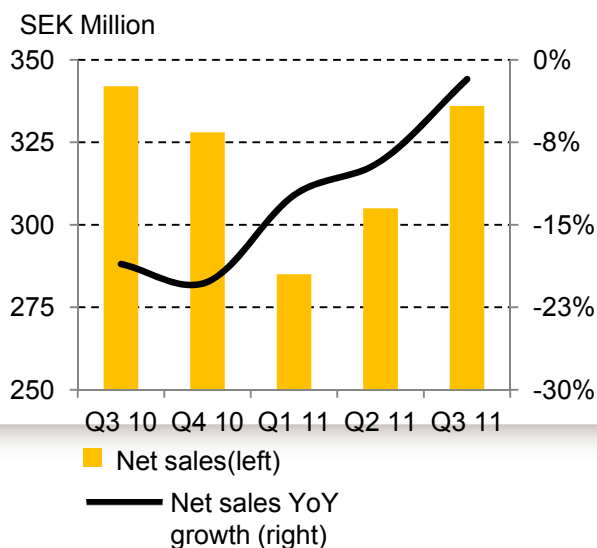


- t2 Lithuania had a positive net intake of 22,000 customers
- EBITDA margin amounted to 37% (37%)

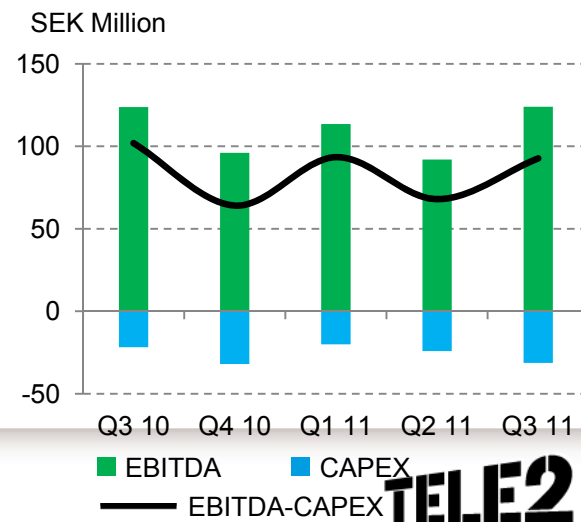
## EBITDA and EBITDA MARGIN



## NET SALES and YoY NET SALES GROWTH



## EBITDA-CAPEX

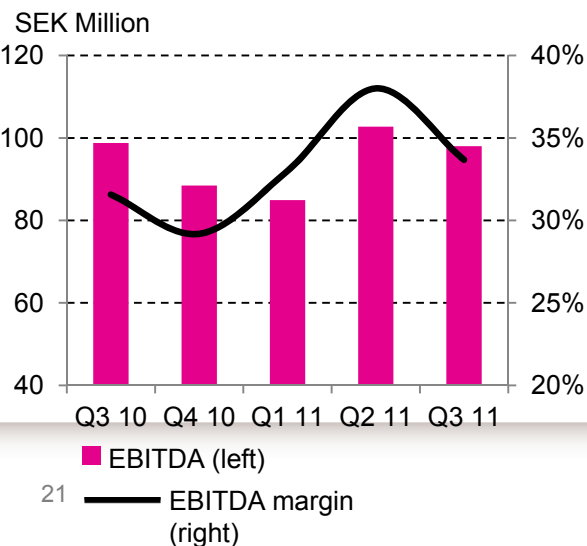


# Q3 Highlights t2 Latvia

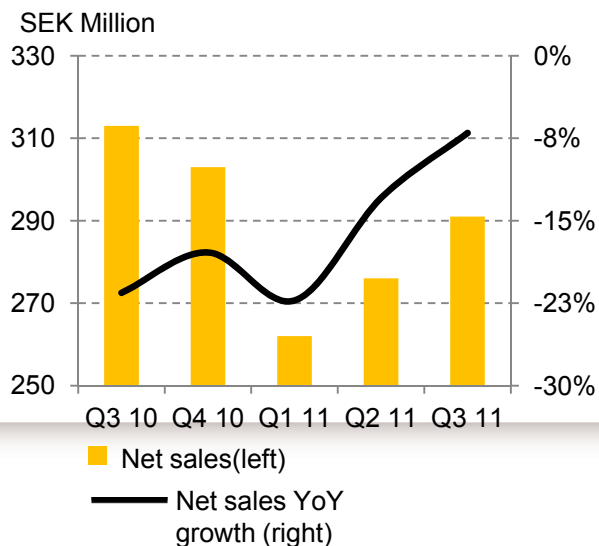


- t2 Latvia had a positive net intake of 13,000 customers
- t2 reached an EBITDA margin of 34% (32%)

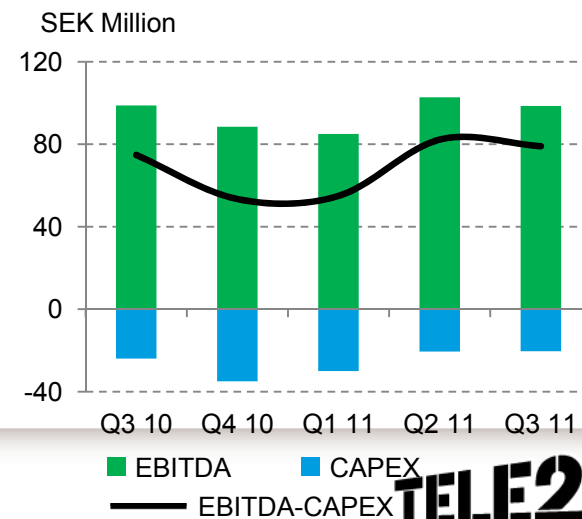
## EBITDA and EBITDA MARGIN



## NET SALES and YoY NET SALES GROWTH



## EBITDA-CAPEX

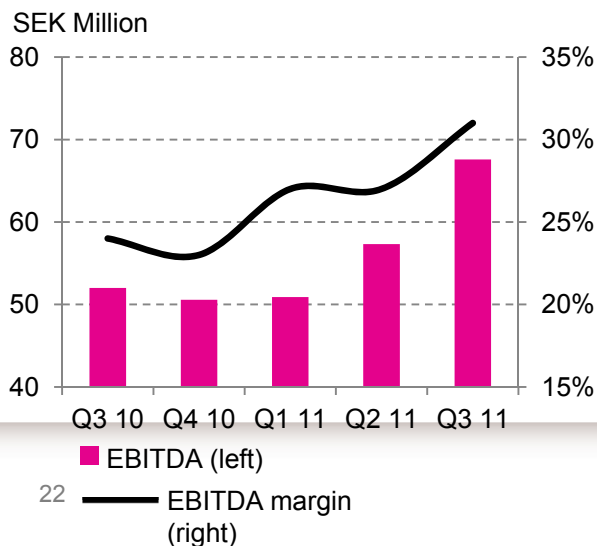


# Q3 Highlights t2 Estonia

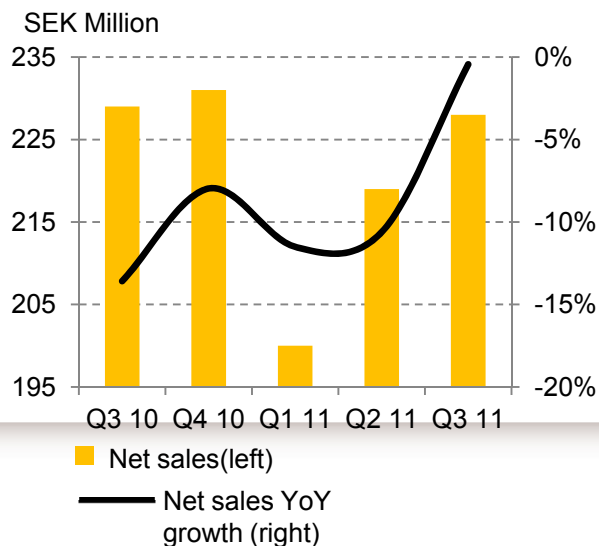


- Substantial efforts to increase efficiency show results
- t2 Estonia reached an EBITDA margin of 31% (24%)

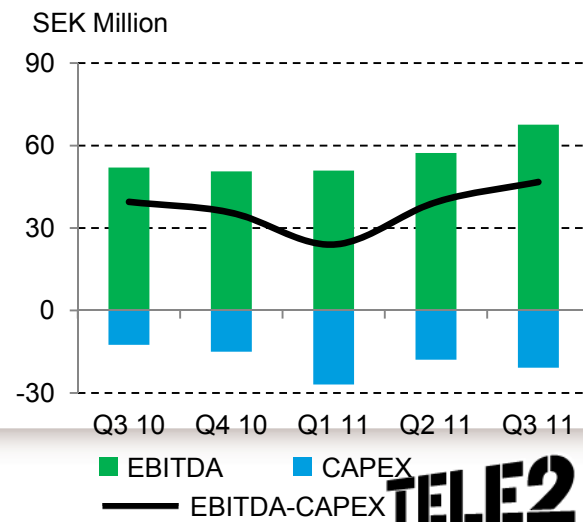
## EBITDA and EBITDA MARGIN



## NET SALES and YoY NET SALES GROWTH



## EBITDA-CAPEX

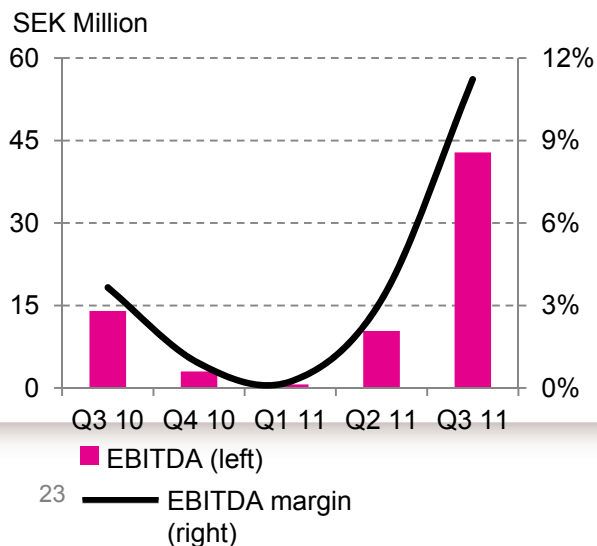


# Q3 Highlights t2 Croatia

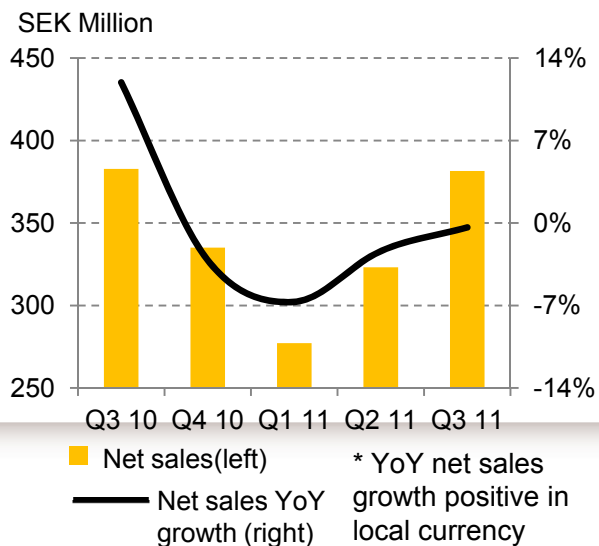


- Positive free cash flow of SEK 86 mln
- Solid net intake of 45,000 customers
- EBITDA margin amounted to 11% (4%)

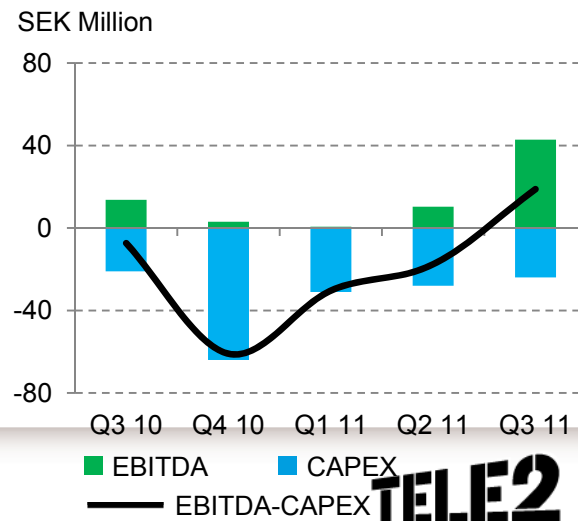
## EBITDA and EBITDA MARGIN



## NET SALES and YoY NET SALES GROWTH\*



## EBITDA-CAPEX



# t2 Croatia forward looking statement

**The following assumptions should be taken into account when estimating the Croatian mobile operations in 2011:**

- t2 expects Croatia to reach an EBITDA margin of 20 percent by Q3 2013 (earlier free cash flow break-even by 2H 2011)

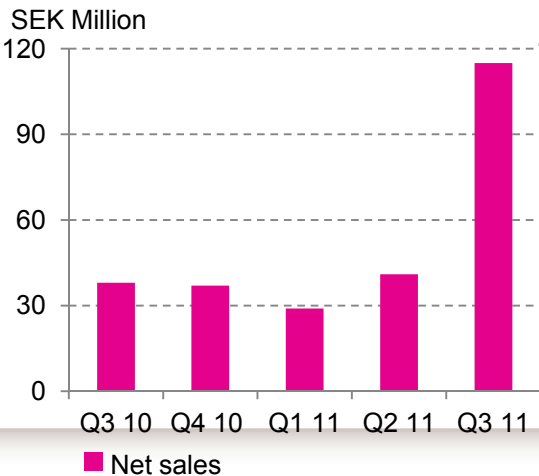


# Q3 Highlights t2 Kazakhstan

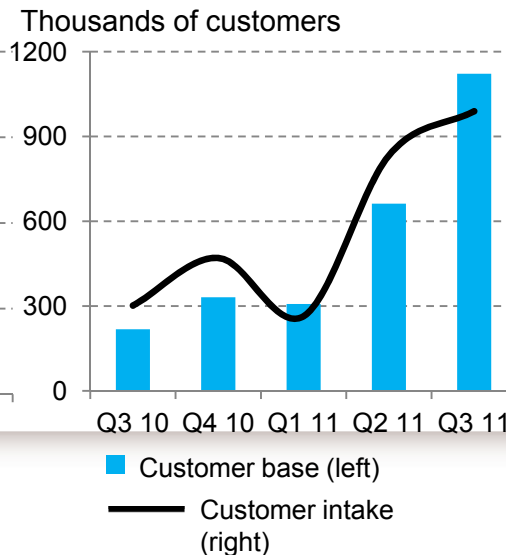
- Commercial launch of t2 brand completed in 8 regions
- Solid net intake of 459,000 customers
- Total number of customers surpassed 1.1 million



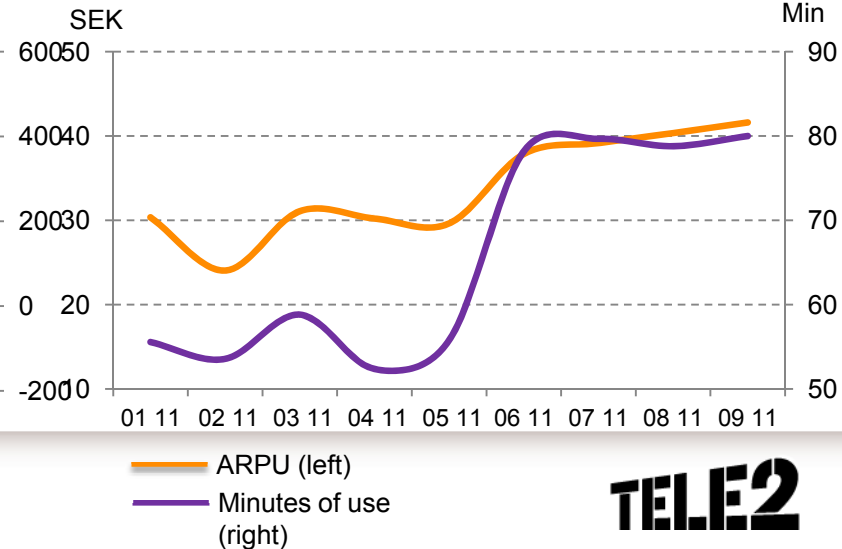
## NET SALES



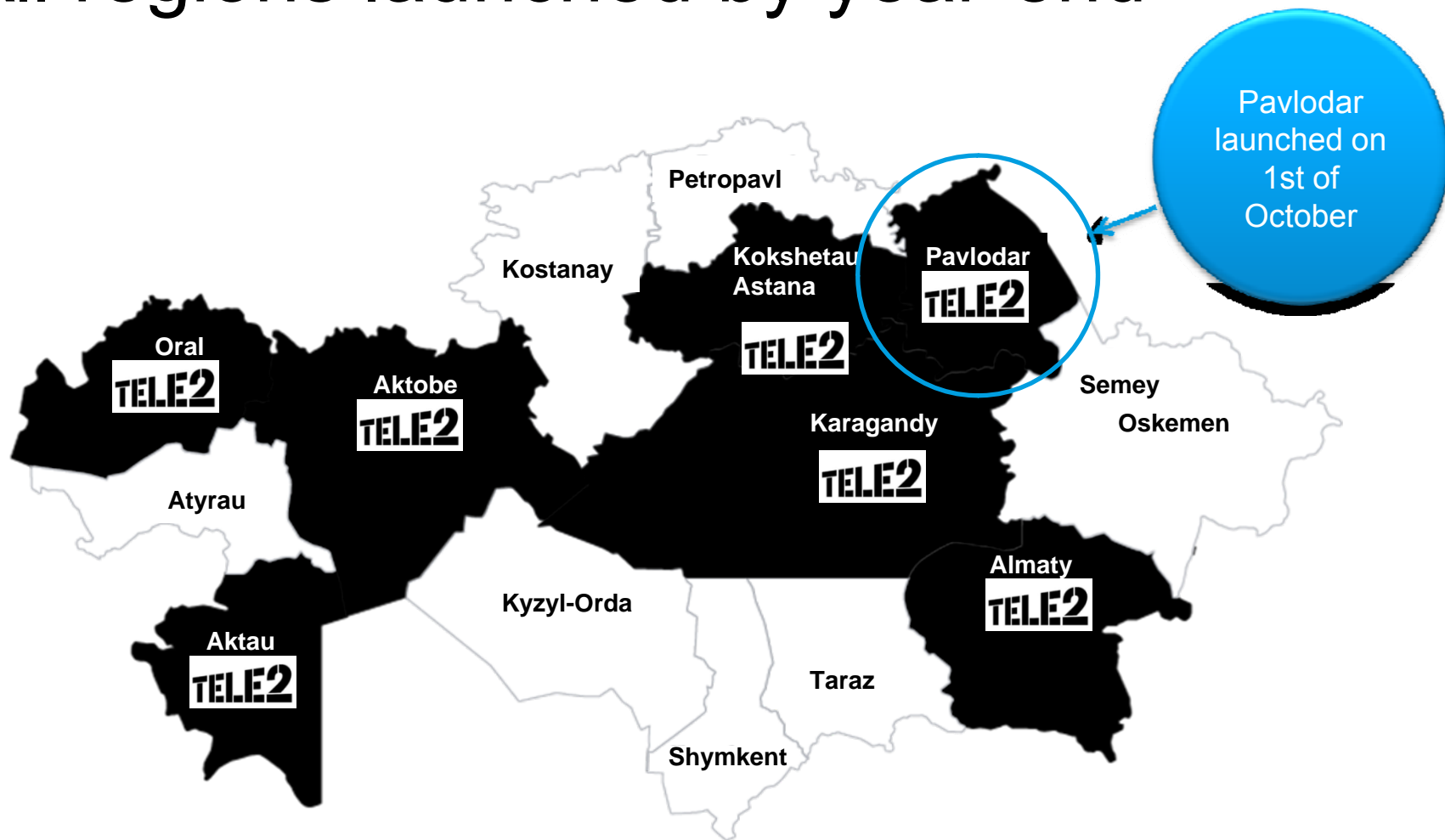
## CUSTOMER BASE and CUSTOMER INTAKE



## ARPU and MINUTES OF USE



# All regions launched by year-end



# t2 Kazakhstan forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the total operations in Kazakhstan:

- t2 expects the subscriber base to reach 2.3-2.5 million by year-end 2012
- t2 expects an EBITDA contribution in 2011 of appr. SEK -400 (earlier -500) million
- t2 expects capex to be appr. SEK 1,000 million (earlier in the range of SEK 1,200-1,400 million) by year-end 2011
- t2 expects to reach EBITDA break-even by 2H 2013
- t2 expects to reach a long-term mobile customer market share of 30 percent

# Agenda



- About Q3 2011

- **Financial Review**

- Concluding remarks

# Q3 2011 Group results

SEK million	Q3 11	Q3 10	Change %
<b>Net Sales</b>	10 340	9 989	+3.5%
<b>EBITDA</b>	2 893	2 751	+5.2%
- EBITDA margin (%)	27.9%	27.5%	
Depreciation and Joint Ventures	-923	-885	
- Depreciation of Net sales (%)	9%	9%	
One-off items	-20	17	
<b>EBIT</b>	1 950	1 892	+3.1%
Normalized EBIT	1 970	1 875	
- Normalized EBIT margin (%)	19%	19%	
Financial items	-263	-16	
Taxes	-428	608	
Net profit/loss	1 259	2 484	
Net result, discontinued operations	1	29	
<b>Net result total operations</b>	1 260	2 513	

One-off item of  
SEK 1,049 mln  
affecting Q310

# Currency movements (vs. SEK)

## YoY difference in YTD Ave FX rates, 2011 vs. 2010

EUR	-6.6%
RUB	-8.3%

## End of Q3 spot rate vs. 31/12-2010

EUR	+3.0%
RUB	-4.3%

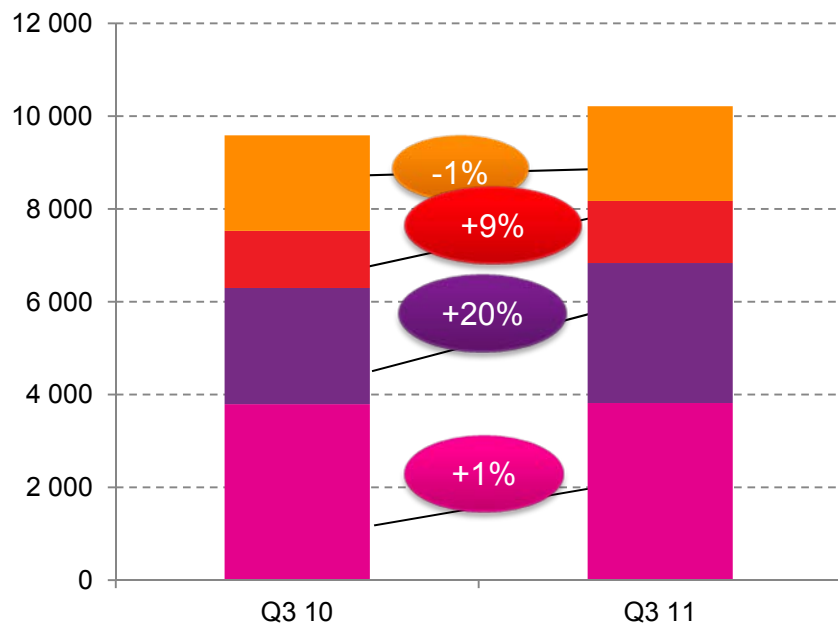
EUR/EUR pegged and RUB currencies  
approximately 2/3 of sales and EBITDA

# Currency-adjusted sales and EBITDA

(excl. one-off)

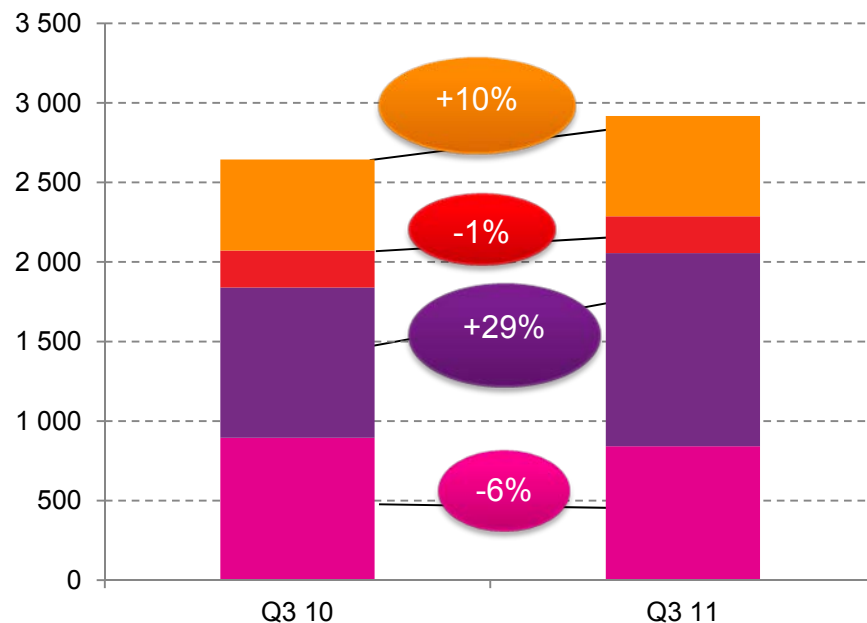
## CURRENCY-ADJUSTED SALES, TOTAL +6%

SEK Million



## CURRENCY-ADJUSTED EBITDA, TOTAL +8%

SEK Million



■ MA Western Europe ■ MA Central Europe and Eurasia ■ MA Russia ■ MA Nordic

# Taxes

<b>Taxes in income statement</b>	<b>YTD</b>	<b>Q3 11</b>	<b>Q3 10</b>
Normal	-1 196	-428	-441
One-Off	-	-	1 049
Total	-1 196	-428	608

<b>Taxes in cash flow</b>		<b>Q3 11</b>	<b>Q3 10</b>
Normal	-785	-235	-152

Deferred tax assets amounted to SEK 3.2 (3.3) billion

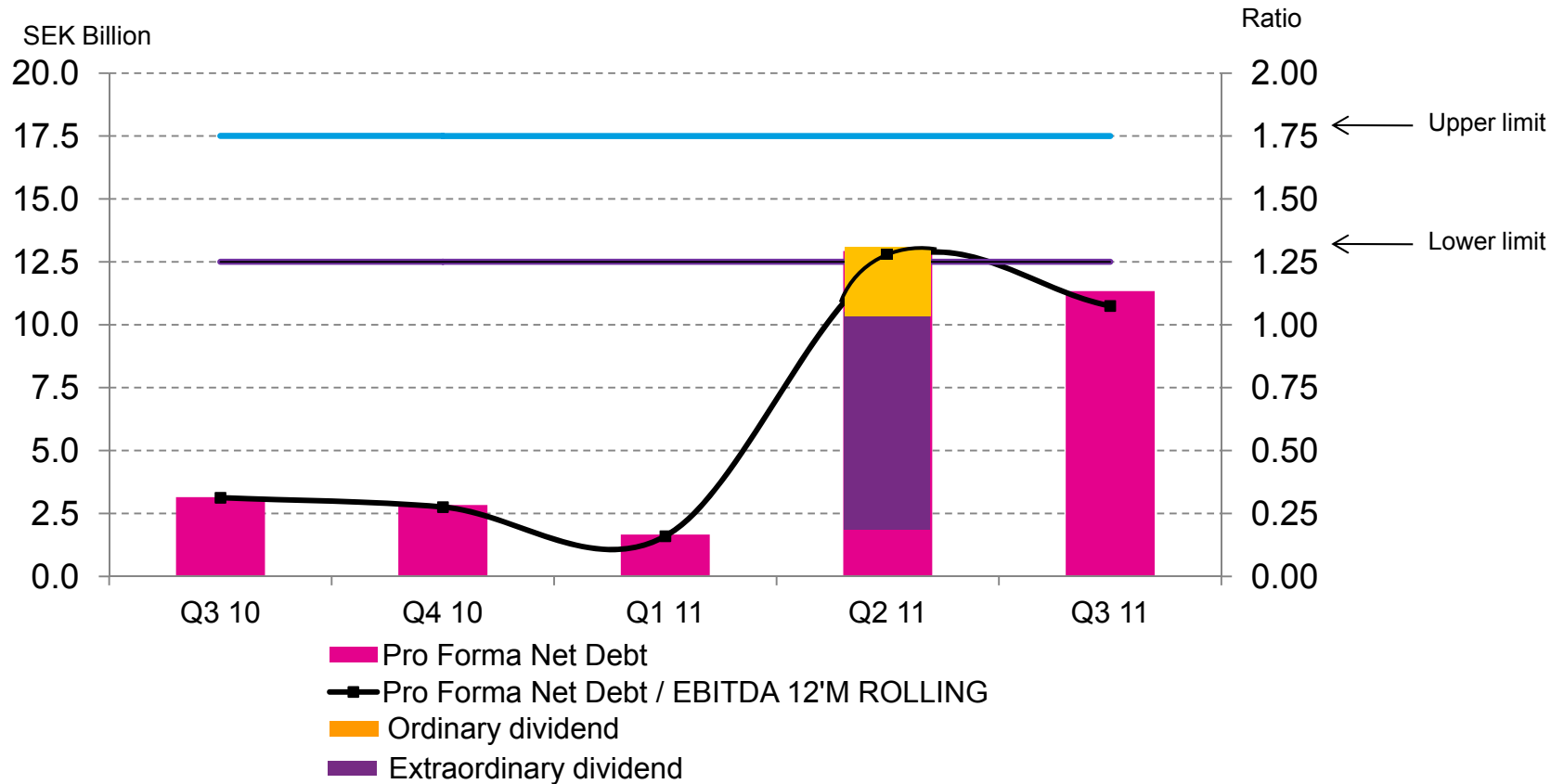


# Cash flow for Q3 2011

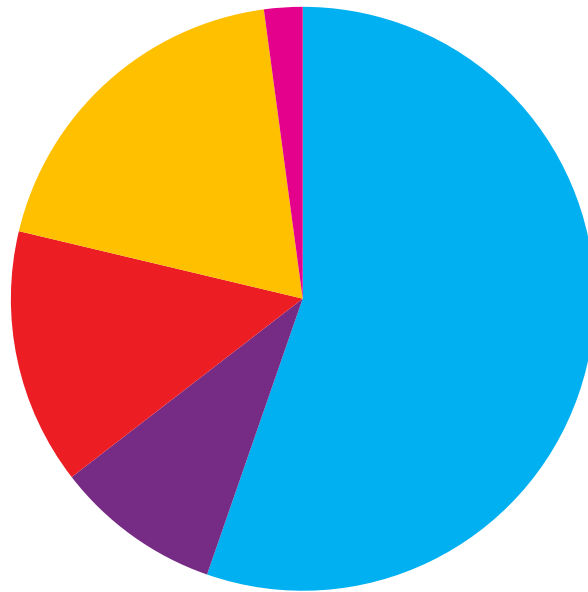
<b>SEK million</b>	<b>Q3 11</b>	<b>Q3 10</b>
<b>OPERATING ACTIVITIES</b>		
Cash flow from operations, before paid tax	<b>2833</b>	<b>2733</b>
Cash flow from operations, paid taxes	-235	-152
Changes in working capital	77	39
<b>Cash flow from operating activities</b>	<b>2675</b>	<b>2 620</b>
<b>INVESTING ACTIVITIES</b>		
CAPEX	-1 073	-923
<b>Cash flow after CAPEX</b>	<b>1 602</b>	<b>1 697</b>

# Group financial profile

## PROFORMA NET DEBT INCL. JV / EBITDA 12'M ROLLING



# Debt profile September 2011



■ RCF (SEK)	7.8 bn
■ RCF (EUR)	1.3 bn
■ Kazakhstan debt	2.0 bn
■ Rubel bond	2.7 bn
■ Off balance sheet	0.3 bn

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**Gross debt position SEK 14.1 bn**

Net debt amounts to 11.2 bn

# Bal. sheet consideration / Fin. leverage



Prudent assessment based on (a) status of operations, (b) future strategic opportunities, (c) competitive landscape and (d) general macroeconomic status

# Net debt and dividend targets

## Shareholder remuneration

“t2 will seek to pay a progressive or ordinary dividend of no less than 50 percent of net income excluding one-off items. Extraordinary dividends and the authority to purchase t2’s own shares will be recommended or sought when the anticipated total return to shareholders is deemed to be greater than the achievable returns from the deployment of the capital within the group's operating segments or the acquisition of assets within t2’s economic requirements.”

## Balance sheet

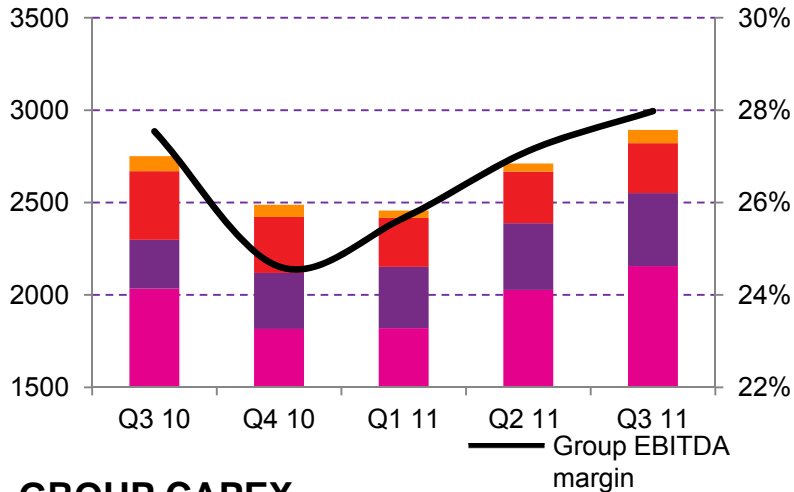
“t2 has a target net debt to EBITDA ratio of between 1.25 and 1.75 times over the medium term. The company’s longer term financial leverage should be in line with the industry and the markets in which it operates and reflect the status of its operations, future strategic opportunities and contingent liabilities.”

# Group financials

■ Mobile 
 ■ Fixed broadband 
 ■ Fixed telephony 
 ■ Other

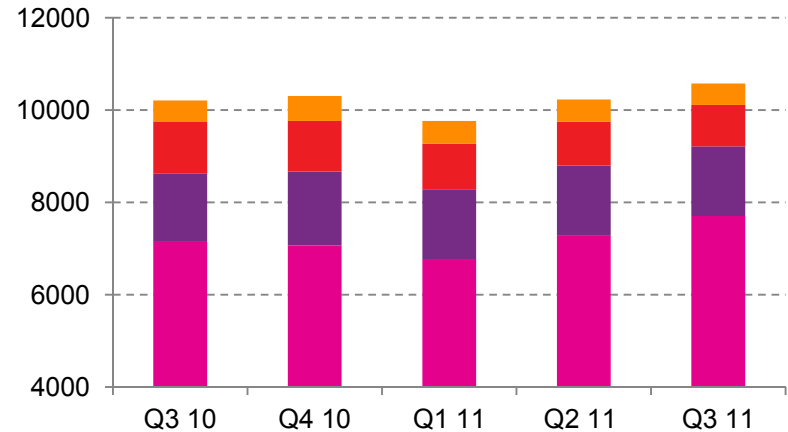
## GROUP EBITDA and GROUP EBITDA MARGIN

SEK Million



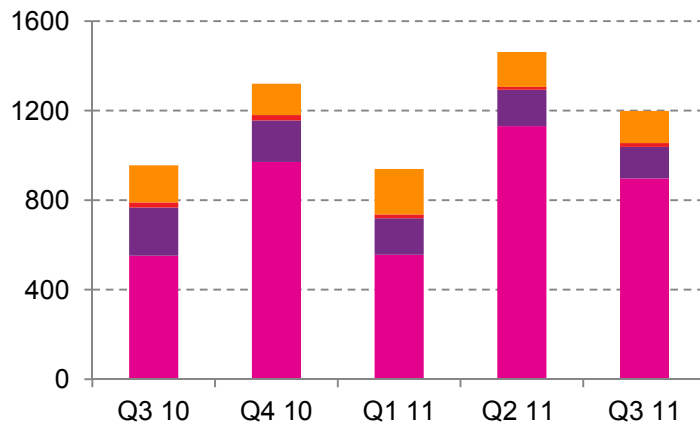
## GROUP NET SALES

SEK Million



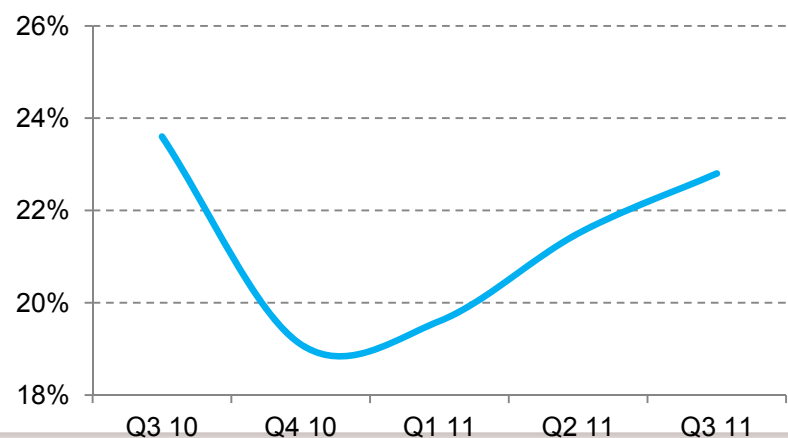
## GROUP CAPEX

SEK Million

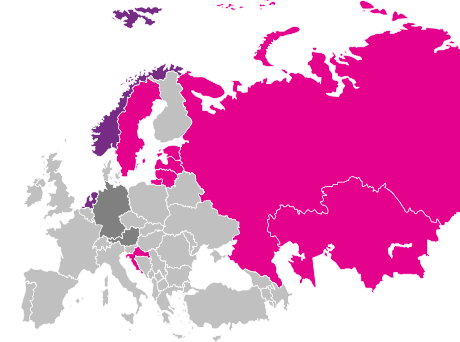


## ROCE

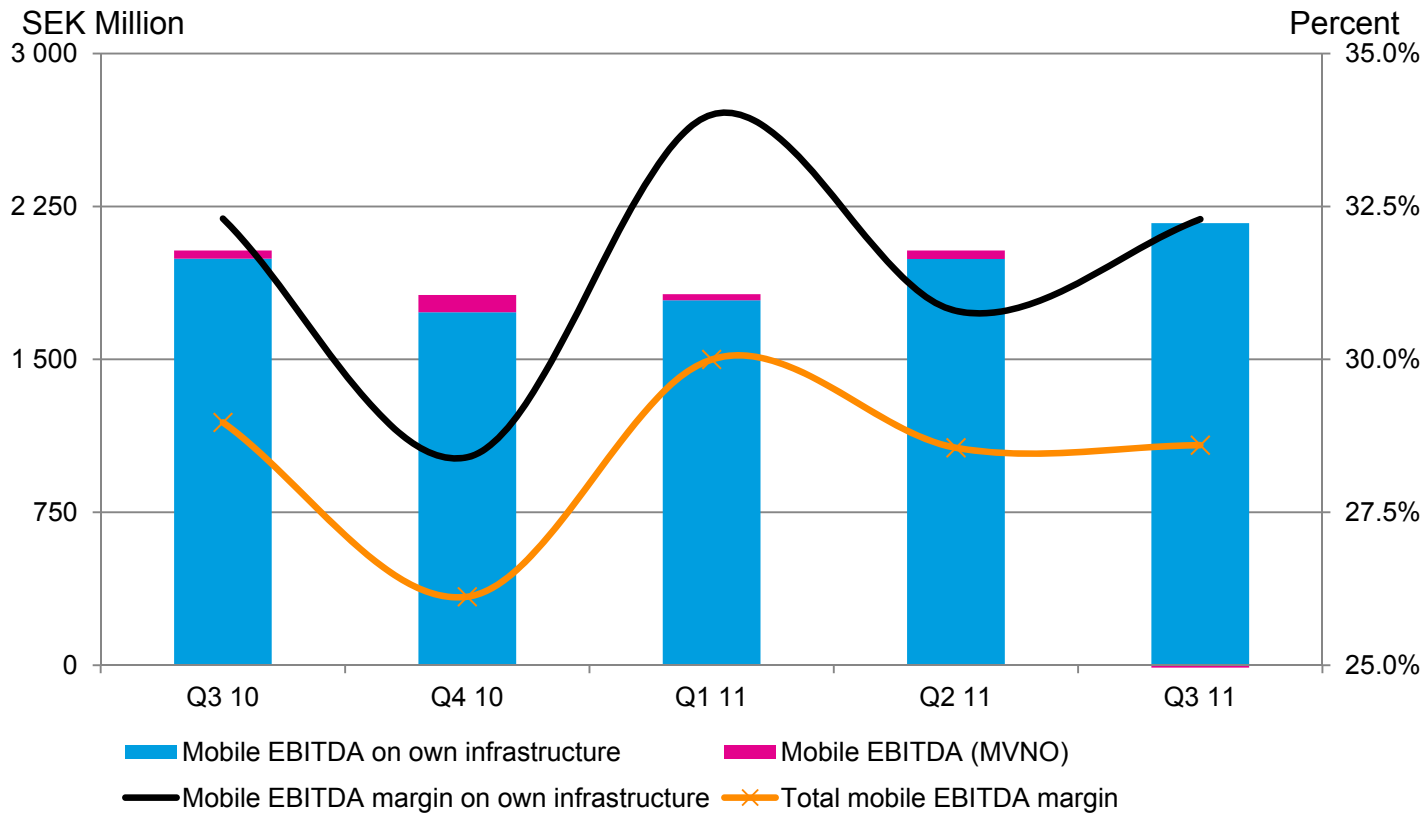
Percent



# Group mobile EBITDA



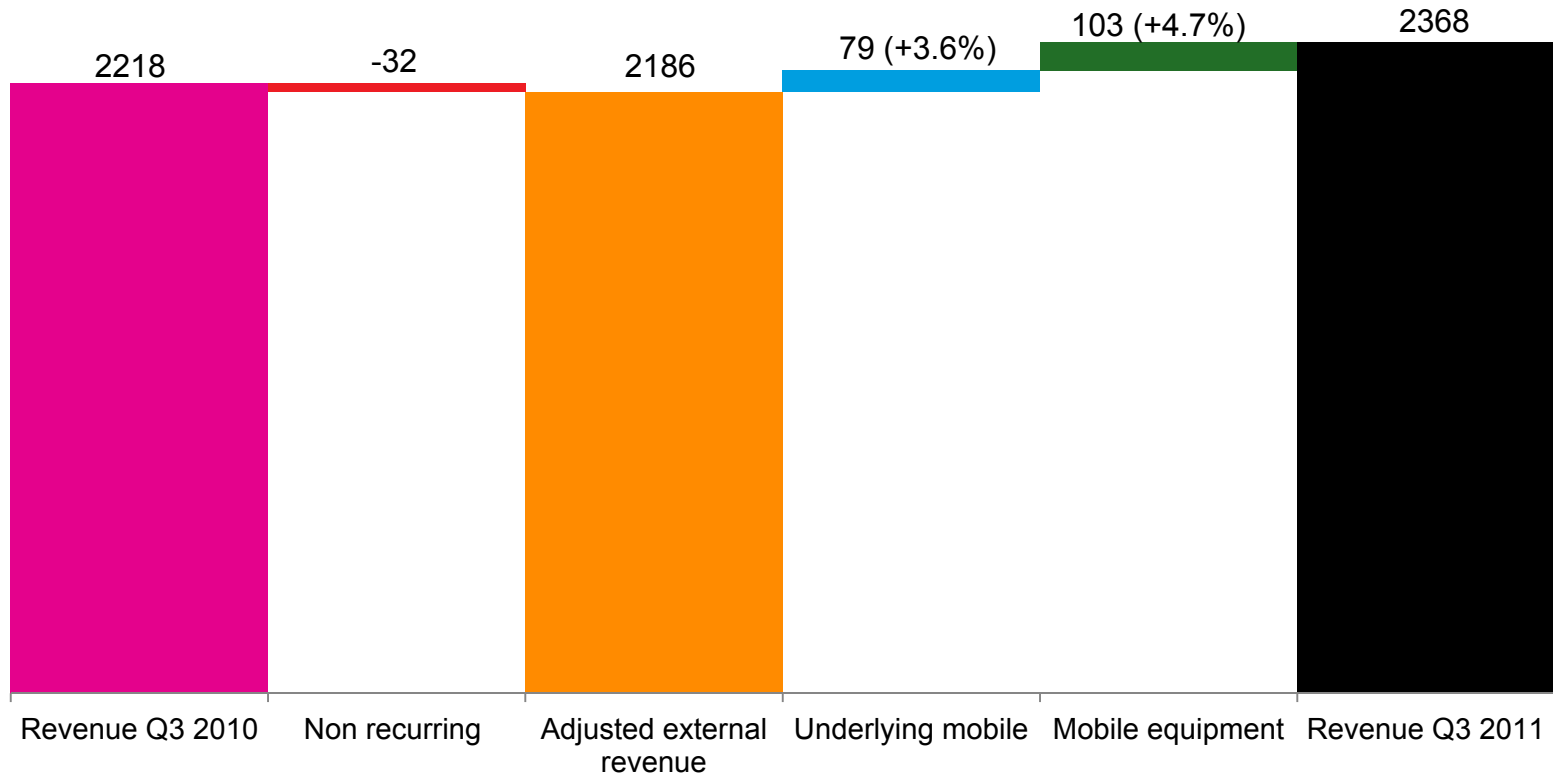
## GROUP MOBILE EBITDA



# Sweden mobile revenue explained

## SWEDEN MOBILE REVENUE WATERFALL

SEK Million

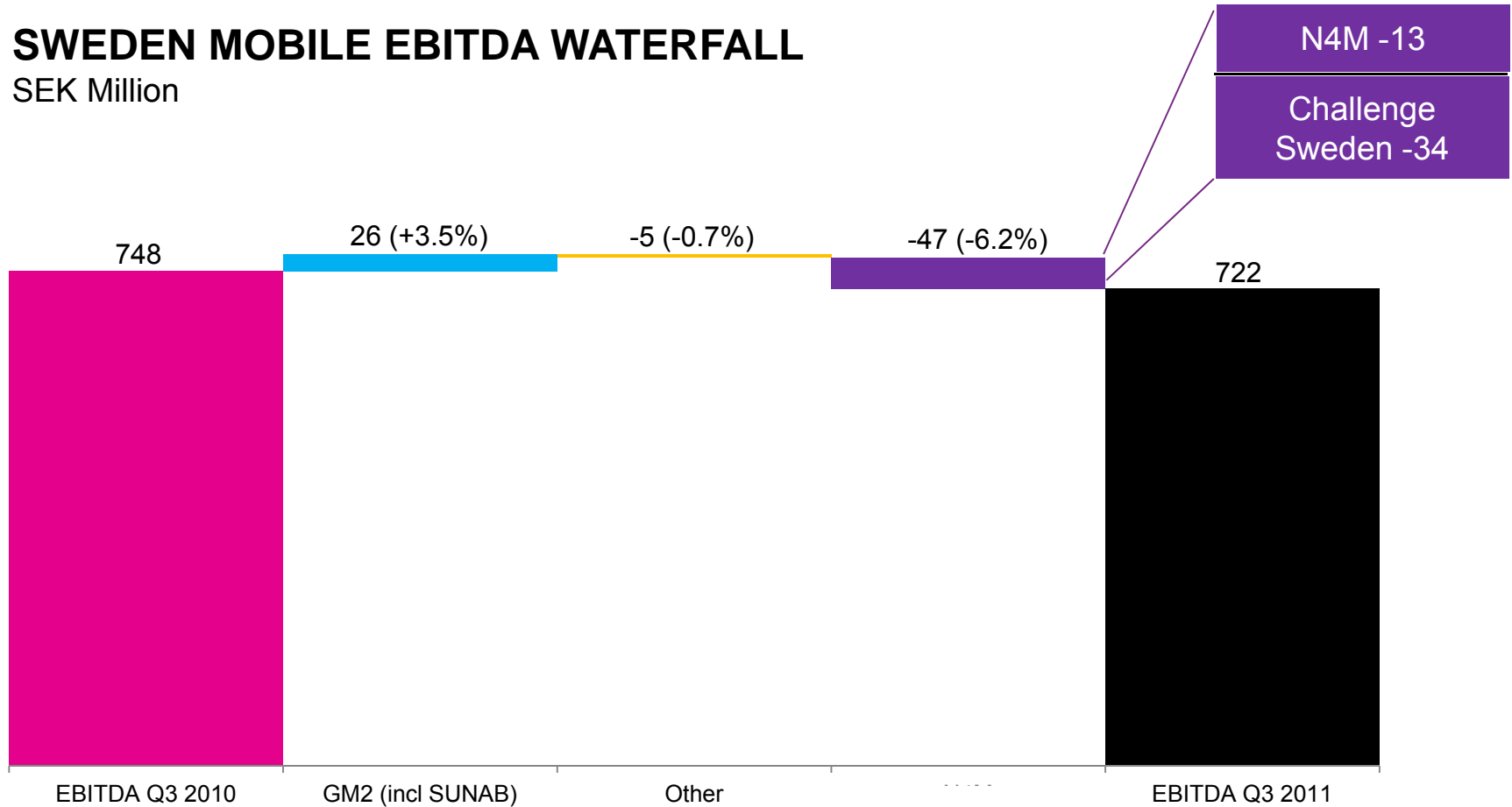




# Sweden mobile EBITDA explained

## SWEDEN MOBILE EBITDA WATERFALL

SEK Million



# Agenda



- About Q3 2011



- Financial Review



- **Concluding remarks**

# Concluding remarks

- We experience yet another record quarter in the third quarter of 2011.
- We and our industry have shown good resilience towards current financial turmoil.
- We constantly chase unnecessary costs in order to stay on our toes.
- We are part of a growth industry, where data is forecasted to grow.
- We offer the best of both worlds.

**Q&A**

**TELE2**

**TELE2**