Q1 Interim Report 2025

Wednesday, 23rd April 2025

Operator: Good day, and thank you for standing by. Welcome to the Tele2 Q1 Interim Report 2025 Conference Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. To ask a question during the session, you will need to press star, one, one on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star, one, one again. Please be advised that today's conference is being recorded.

I would now like to hand the conference over to our speaker today, Jean Marc Harion, President and Group CEO. Please go ahead.

First Quarter 2025

Jean Marc Harion

President and Group CEO, Tele2

Introduction

Jean Marc Harion: Thank you, and good morning and welcome to Tele2's report call for the first quarter of 2025. With me here in Kista today I have Peter Landgren, our Group CFO, and, for Sweden, Petr Cermak, our Chief B2C Officer, and Stefan Trampus, our Chief B2B Officer.

Please turn to slide 2 for a brief recap on our transformation plan and progress so far.

2025: a transformation year for Tele2

2025, as you know, is a transformation year for Tele2. Our objective is to build a faster, simpler and more agile Tele2 by coming back to Tele2's original challenger culture, and I'm happy to present you today the progresses we have made over the first quarter of 2025 to simplify organisation, control our cost and prioritise our investment.

We have reduced our workforce by more than 450 positions at the Group level by 15th April. We have reopened and negotiated 20% of our largest contracts. We have implemented a new cost governance to scrutinise and challenge all our expenses, and we have now a new leadership team in place. And even more importantly, our cultural shift, especially our cost-consciousness focus, is strongly supported internally, and I want to take this opportunity to thank all Tele2 employees who actively contribute to get us back to the original Tele2.

Please turn to slide 3 for some financial highlights.

Highlights

I'm happy to report that our Q2 – Q1, sorry, equity cash flow has been improved already by the first steps of our ambitious transformation programme with the additional support of some one-offs. And user service revenue grew by 1% in Q1, driven by the Baltic's excellent performance.

We are facing some headwinds on the top line in Sweden, where our revenue growth has been burdened mainly by the migration of Boxer off the terrestrial network, with a higher revenue impact than expected. On the other hand, we have had a solid start to underlying EBITDAaL with a 6% growth in the quarter, largely due to the speed of our transformation.

The first workforce reductions have been implemented earlier than expected. In the Baltics, most of the restructuring has been executed in January and February. In Sweden, we have registered some early workforce savings already in Q1 due to consultant and voluntary leaves. Nevertheless, it's important to remember that the ongoing workforce reduction that will be executed during this year has only a limited impact in Q1.

Equity free cash flow amounted to SEK 2 billion, supported by some temporary items that we will detail later. In a nutshell, so far so good, but we are only at the beginning of our journey. The largest part of our transformation work is still ahead of us, and we keep focussing on operational optimisation.

Meanwhile, we reiterate all the components of our full-year guidance. And let me add two comments on the development of the company. During our transformation, we continue investing to improve our customers' experience. Our Net4Mobility 5G network, whose rollout will be completed by year-end, already offers the largest broadband reach in Sweden. The strengthening of our distribution channel plays a key role in our transformation. And we recently completed the revamping of tele2.se, and we also opened four new stores in Sweden, including in Stockholm.

In terms of sustainability, we are proud that our climate A rating with CDP was reaffirmed once again. We were also ranked number one in Sweden and among the top 40 companies worldwide in equity gender security ranking.

Please move to page 4 for more details on our results.

Transformation starting to pay off

As I said, end-user service revenue grew by 1% organically in Q1, mostly driven by the Baltics, whereas organic underlying EBITDAaL grew by 6%, driven by sharp cost control across all operations and the top-line growth in the Baltics. Our strong equity cash flow included a few items subject to reversals, namely working capital and CAPEX timing, in addition to a tax refund. Peter will walk you through the details in a moment.

Our leverage stands at 2.2x, ahead of the proposed first dividend payment. In Sweden, consumer end-user service revenue declined by 1%, as our growth in core connectivity was upset by a significant decline in Boxer TV following the decommissioning of terrestrial distribution at the beginning of the year. In Sweden Business, end-user service grew by 1%, alongside with continued solid mobile RGU growth.

Underlying EBITDAaL in Sweden grew by 3%, thanks to ongoing cost optimisation efforts. The Baltic grew end-user service revenue by 7% with strong growth in all markets. Underlying EBITDA grew by a massive 15%. The turnaround in Estonia continued to produce good results also in this quarter.

Let's move to slide 6 for more details on Swedish consumers.

Sweden

Mobile end-user service grew by 1%, driven by 3% in postpaid, partly upset by continued decline in prepaid. Fixed broadband grew end-user service revenue by 5%, mainly due to solid ASPU growth. While tele2 TV remained largely stable, end-user service revenue for DTV declined by 10%, largely driven by Boxer TV migration. For full-year 2025, we now anticipate Boxer revenue to be roughly SEK 225 million below '24, with a slightly negative year-on-year impact on EBITDAaL.

Looking forward to the rest of the year, we count on our recently launched TV Hub 2.0 service and the revision of our content portfolio to improve the profitability of our TV business.

Let's look at consumer KPIs on slide 7.

Sweden Consumer: Volume drop in TV due to migration

Mobile postpaid RGUs declined slightly in this seasonally low quarter, in which we also executed price adjustments. Similar to Q4, ASPU declined by 1% year-on-year, driven by increasing IFRS 15 fair value adjustment due to family discount and an increase in the customer base with a handset instalment plan. Excluding the fair value effect, ASPU grew by 1%. For Q2-Q4, we expect the price increase is introduced in March to drive postpaid ASPU up again.

Fixed broadband added 1,000 RGUs in Q1, whereas ASPU grew by a solid 5% due to price adjustments. Our TV business lost 25,000 RGUs in the quarter, entirely related to Boxer in this first quarter without terrestrial distribution. During the last few weeks, we have negotiated some content contracts, including a new partnership regarding global streaming service Max, and we launched a new flexible TV package offer with upgraded TV experience with TV Hub 2.0, making our entertainment proposition even more attractive for streamers and cord-cutters.

Please move to slide 8 for Sweden Business.

Sweden Business: Top-line growth despite headwinds

In Q1, Sweden Business reported 1% end-user service growth. Growth across our IoT and large segments was partly offset by the micro segment, which is particularly sensitive to economic conditions. Mobile grew by 1%, driven by our IoT business and solid RGU growth in SME and public, however, partly offset by an IoT-related network outage. Mobile ASPU was mainly impacted by a change in consumer mix year-on-year. Solutions grew by 2%, whereas Fixed declined by 3% as a result of the continued stabilisation following the copper closure.

Tele2 IoT was once again recognised in 2025 Gartner's – in 2025 Gartner's magic quadrant for managed IoT connectivity services worldwide, ranking among the top 15 in the world and the top 10 in Europe.

Please move to slide 9 for Sweden financial.

Sweden financials: Solid EBITDAaL growth

To summarise, our Swedish end-user service revenue was flat in Q1, as growth in business was offset by the slight decline in consumer. Underlying EBITDAaL grew by 3%, thanks to sharp cost control and ongoing renegotiation of large contracts. The cash conversion has improved to 60% over the last 12 months.

And let's move to Baltic financials on slide 11.

Baltics

I want to underline the excellent performance of our Baltic operations, which have delivered very strong top- and bottom-line growth in Q1. In the Baltics, total end-user service revenue continued to grow at a healthy 7% in Q1, with solid performance across markets, supported by previous and recent price adjustments. All markets grew underlying EBITDAaL by doubledigit in Q1, leading to 15% growth for the Baltics as a whole. In addition to top-line growth, strict cost control and workforce reduction have contributed to this excellent result.

Cash conversion increased to a strong 76% during the last 12 months, reflecting increasing EBITDAaL margin.

Baltics operational highlights: Broad-based ASPU growth

Let's move to slide 12 for Baltic operating KPIs.

All markets delivered positive postpaid net intakes in the quarter, with a special kudos for Tele2 Estonia turnaround. It is important to note that the prepaid base in Lithuania was impacted in Q1 by the introduction of prepaid SIM registration. As a result of this registration, the drop of 138,000 prepaid RGUs is due to churn of inactive users, prepaid-to-postpaid migration, and significantly lower growth intakes in the market. Blended organic ASPU increased by 7%, with healthy growth rates in all markets, driven by more formal strategy, price adjustment, and continued prepaid-to-postpaid migration.

With that, I hand over to Peter, who will go through the financial overview.

Financial Overview

Peter Landgren

Executive Vice President and Group CFO, Tele2

Introduction

Thank you, Jean Marc, and good morning, everyone. Please turn to page 14. First, a few comments on the Group P&L for the quarter.

Total revenue remained unchanged, while end-user service revenue grew by 1% organically, driven by the Baltics. Underlying EBITDA grew 7%, and underlying EBITDA after lease grew by 6%, driven by the end-user service revenue growth in the Baltics and sharp cost control across the Group. Items affecting comparability increased by SEK 100 million year-on-year to SEK 287 million in Q1, largely related to redundancy costs connected to the workforce reductions concluded mid-April.

Net financial items decreased somewhat year-on-year due to lower average interest rates on our outstanding debt, down from 3.2% in Q1 2024 to 2.9% this year. In Q1, we had a debt mix of 60% fixed rates and 40% floating rates.

Let's move to the cash flow on slide 15.

Group cash flow

Amortisation of lease liabilities decreased by around SEK 50 million, mainly due to a SEK 90 million reclass from working capital. Adjusted for that, our ongoing network expansion continued to increase amortisation levels year-on-year. CAPEX paid decreased by around SEK 160 million due to lower investments.

Changes in working capital were mainly impacted by elevated redundancy provisions related to the workforce reductions and a seasonal decrease in equipment receivables. Net financial items paid decreased slightly due to lower financing costs for our outstanding debt. Taxes paid and received decreased by around SEK 200 million, thanks to a tax refund of around SEK 280 million this quarter. Last year included settlements of taxes paid of SEK 93 million related to previous years.

All in all, equity-free cash flow added up to SEK 2 billion in Q1, an improvement of SEK 730 million year-on-year. It's certainly a very good start to the year, however, with support from the tax one-off, temporary tailwind from working capital, and somewhat low CAPEX intensity.

Equity free cash flow per share over the last 12 months reached around SEK 7.40 per share.

Let's move to slide 16 for our capital structure.

Leverage at 2.2x

End of Q1, economic net debt amounted to SEK 24 billion, some SEK 2.2 billion below full-year 2024, thanks to the cash generated in the business now in Q1. Our leverage ended at 2.2x underlying EBITDA after lease, which is below the lower end of our target range of 2.5-3.0x, ahead of the proposed dividend payment a few weeks from now. Adjusted for that dividend, the formal leverage would have been 2.4x.

And with that, I hand over to Jean Marc for some comments on our 2025 guidance.

2025 Guidance

Jean Marc Harion

President and Group CEO, Tele2

2025 Guidance

2025 guidance reiterated

Thank you, Peter.

So, following the first quarter, we remain confident in our capacity to execute our transformation and our ability to deliver on our 2025 guidance, which we reiterate on all parameters. We target low-single-digit organic growth on end-user services revenue, including around one percentage point drag from Boxer. As stated in Q4, Swedish consumers have executed back-book adjustments in Q1, with the majority realised in March.

The Baltics will continue to benefit from pricing going forward, both recent and those implemented from summer last year. We are well on track to deliver on our mid-to-high single-digit organic growth on underlying EBITDAaL. Following workforce reductions in the Baltic and in Sweden, we have reduced more than 450 positions of the 600 to 700 full-time equivalents that are planned for the year.

In 2025, our CAPEX-to-sales ratio will be in the range of 13% during this final year of intense 5G network rollout. We continue to expect a mid-term range of 10-12% from 2026 onwards.

And I hand back to Peter for some additional comments regarding 2025, before we open up for Q&A.

Closing Comments

Peter Landgren

Executive Vice President, Group CFO, Tele2

Additional Comments

Thank you, Jean Marc. A few comments on the P&L for 2025.

Regarding one-off items, we currently assume around SEK 500 million on restructuring costs this year, of which SEK 288 million was reported in Q1.

On savings from workforce reductions, please remember that roughly 80% of our workforce costs impact OPEX, while the remaining share impacts CAPEX. Also, I repeat what Jean Marc just said about the Boxer effect. For the full-year 2025, we currently anticipate Boxer revenue roughly SEK 225 million below 2024 levels, and with a somewhat negative year-on-year impact on underlying EBITDAaL.

And then a few indications on the cash flow for 2025. In Q1, we'll pay the final roughly SEK 370 million for the Swedish spectrum licences that we secured in 2023. On changes in working capital, despite the positive development in Q1, we still don't plan for any major impact on a full-year basis.

And on the timing of financial items paid, last year's phasing between the quarters is indicative also to the 2025 phasing, with higher payment in Q2 and especially Q4.

And let's finish with some words on taxes. For the full-year 2025, we currently estimate net tax payments of around SEK 1 billion, including the SEK 280 million refund we received in Q1. Looking forward, our normalised P&L tax should be, in general, around 20% of profit after financial items. Our annual taxes paid should be, over time, some SEK 300 million higher than our normalised P&L tax, referring to non-tax-deductible amortisation of surplus values from acquisitions.

And with that, I hand over to the Operator for Q&A.

Q&A

Operator: Thank you. As a reminder, to ask a question, please press star, one, one on your telephone and wait for your name to be announced. To withdraw your question, please press star, one, one again. Please stand by while we compile the Q&A roster.

We will now take the first question from the line of Andrew Lee from Goldman Sachs. Please go ahead.

Andrew Lee (Goldman Sachs): Good morning, everyone. Thank you. I have two questions. Firstly, on the Swedish end-user service revenue growth outlook. And then, secondly, just on your cost-cutting.

So, on Sweden, you saw a negative inflection in the first quarter, which you laid out was partly driven by Boxer headwinds and the IoT outage in business. But you obviously kept the low-single-digit guide for FY25. Could you just give us a bit more clarity just on what gives you the confidence in this? Maybe talk through the building blocks to improving the Swedish end-user service revenue growth through to the end of the year. Maybe include some commentary on the Swedish consumer pricing environment. You obviously commented on your own price rises.

On the cost-cutting, any help you can give us in terms of understanding the amount of drop-through cost savings from your headcount reductions you've made in Q1 or already in Q2 would be really helpful. If you can't give specific numbers around that, maybe on a broader basis, if you could just help us understand the amount of cost savings that are dropping through from the headcount reductions or anything that's getting in the way of those cost savings making it through to the bottom line. Thank you.

Jean Marc Harion: Thank you for your question. I believe that Petr is the right person to answer your first one about the evolution of consumer revenue in Sweden in the rest of the year. And Peter will take over the second question about the cost-cutting. So, Petr.

Petr Cermak: If you look at the first quarter, we have seen a decline in Boxer in particular. That was a little bit larger than we planned. We have still seen a healthy growth in the core connectivity, which is mobile and broadband. Going forward, our pricing is always front-loaded. We have executed a pricing in March that went through. And therefore, from Q2 and onwards, you will start seeing an impact.

We have executed pricing on broadband and mobile on about 80% of the base. There is a little tail to remain for the rest of the year due to bindings. And we will later do the pricing on entertainment, meaning on TV, largely in quarter two. So you will see from next quarter the impact of the pricing, and you can do the comparisons.

Now, to your point about the market dynamics, I think it's still net positive. We see pricing across the brands, both on the front book and on the back book. These numbers are this time lower than what they were in previous years. That is due to lower inflation in the country. But we see there is quite a significant productivity now on the market, including sales and activity in external retail, which is something that all the operators will need to review going forward.

Jean Marc Harion: Okay. And Peter on the cost-cutting?

Peter Landgren: Yes. Thanks for that question. I would say that, first, I think we should remember that some savings have already been materialised in Q1, as Jean Marc pointed out, from consultancy leaves and voluntary leaves, so some help already there. Then from mid-April, we will see the benefits or reap the benefits in the financials of the more than 450 positions that Jean Marc mentioned, about 100 of them roughly in the Baltics and the rest in Sweden. And then from mid-April, we will see those benefits and maybe just keep in mind that we also have salary increases in Sweden coming in from mid-April. That's worth to note.

Andrew Lee: Thank you. Can I just add just one quick follow-up question on your commentary on – on Petr's commentary around the Swedish growth? So, given the March price rise you highlighted, should we expect already in the second quarter that you get that, that we're back at low-single-digit Swedish end-user service revenue growth, or will it take time for that to come through throughout the year?

Jean Marc Harion: Yeah, I would recommend that you take – you put what Petr said in the perspective of, first, the reality of the market, and, second, the reality for accounting rules. Let's not forget that we need to transform the revenue growth into IFRS 15 revenue and

EBITDAaL, and that, of course, has an impact, especially in a market where handsets are binded and subsidised by the operators. And the second point is, of course, that when we adjust the prices, and of course, it comes – from in different forms depending on the segment, we as well, and it's not only Tele2, but the operators balance the price increases with the promotions and incentives, for instance, to buy a family bundle and so on.

So, yes, we see a positive trend. In a nutshell, I believe that the most positive observation that we can make on the Swedish market is that customers have now accepted that telecommunication price should slightly increase year after year to reflect on the overall cost of living increase, the salary increase and so on, which is good. Telecommunication service cannot be an exception in an overall economy where all the prices are increasing, but the translation of the price adjustment into revenue and EBITDA growth is, I would say, always more complex than it looked like because of the promotion impact, and of course, this market remains a very vivid market, and the IFRS transformation, I would say.

Andrew Lee: Thank you.

Operator: Thank you. We will now take the next question from the line of Andreas Joelsson from Carnegie Investment Bank. Please go ahead.

Andreas Joelsson (Carnegie): Good morning, everyone. Just one question from me. When you go through an exercise like you have done now and looking through the costs and the processes and the organisation, the experience is that you might find additional things that you can do that you didn't think of initially. So, just curious how these last couple of months have made you view the potential on costs and CAPEX in the company over time, and potentially also how you can use what you have found to turn the service revenue growth pace over time. I'm not talking about short-term here, but your view of those impacts that you can do on the company. Thanks.

Jean Marc Harion: You're totally right. I believe that here I speak on behalf of the entire global leadership team in Tele2. You know, this first phase of the transformation of the company was driven across all the divisions in all the areas of the business in Sweden and in the Baltics. So it was a kind of overall simplification of our organisation with the systematic challenge of all our costs and systematic reopening of our largest contracts. And of course, this has brought some results, but you're perfectly right. And we knew that when we started the transformation. This exercise has opened our eyes as well on some areas where there is still more complexity that we would like to see. And this will be, of course, the focus for our second and third step of the transformation. And here we are going to analyse deeper some areas in order to see what we can do to improve. For instance, on the B2B, we have done a lot of things to simplify our portfolio.

Maybe Stefan wants to say something about that to give you an example of how we proceed.

Stefan Trampus: Hello, Andreas. In the B2B business, what we're doing is to improve both capabilities, but also some profitability elements. And one area that we are looking into is a portfolio update, where we're working on prioritising services that support volume in the connectivity business. We're also prioritising services and products that have volume and economics of scale, also that provides the sufficient profitability and the margin that we see that we want to have long term, and, of course, also proves that it has a good sales potential on the long term.

And I would say the last thing to mention in regards to the portfolio, what we will acknowledge looking forward is that we will have product services that have a low impact on the workload. So that's things that we're doing on the portfolio. Maybe I can also elaborate a little bit other aspects of what we're doing.

We're looking at IT modernisation, which I was talking about during the last call that we had for Q4, where we're doubling down on modernisation of our IT infrastructure, where we become more efficient in our way of working. We will have better customer experience with the modernisation that we're doing, where we will increase quality, efficiency, etc. And of course, this will also allow us to grow more profitable when we handle our products more efficiently. But it will also mean that we will focus on some products and be able to grow in a better way. So, a couple of things that we're doing.

Andreas Joelsson: Thank you.

Jean Marc Harion: And this is only for B2B, of course, just as an example.

Andreas Joelsson: Very good. Thank you.

Operator: Thank you. We will now take the next question from the line of Stefan Gauffin from DNB. Please go ahead.

Stefan Gauffin (DNB): Yes, hello. A couple of questions relating to the personnel reductions. So you mentioned 100 persons in the Baltics. Is that sort of the final number for the Baltics? And could you provide a split per market? Secondly, with the remaining reductions in Sweden, will that primarily happen in Q2, or when should we expect those to happen?

I'll have one follow-up question after, but we can take these first.

Jean Marc Harion: Okay. Thank you for your question. Peter is going to answer these two questions.

Peter Landgren: Yes. Hi Stefan. So we'll not provide a more deep split than that. Roughly 100 in the Baltics and the rest in Sweden is what we can share. And, looking forward, the timing on that is something that we'll not talk about right now. We'll take a step back and see how this will progress going forward, and then we'll come back with more information during the year.

Jean Marc Harion: But, you know, we partly answered this second question in the previous answer, meaning that what we are going to do as the next step is, of course, take the consequence of some of our specific simplification in some areas. And this, of course, will require deeper analysis, and the work is ongoing, but not ready yet.

You had a third question?

Stefan Gauffin: Yes. So, this is perhaps just a clarification. You mentioned that in Lithuania, there was a deferral of cost until later. Can you quantify this impact, and will this hit the Q2 numbers?

Peter Landgren: I can comment on that. Yes, it's about market timing and marketing spend, where we had quite low spending in Q1, and will come back later. We'll not give any specific numbers on that. But still, underlying, we have strong focus in the Baltic EBITDA.

Stefan Gauffin: Okay, but if I look at the deviation versus consensus, it's around SEK 40 million in Lithuania, and is the bulk of this explained by this deferral of cost?

Peter Landgren: No, not the bulk of it, and besides that, it's difficult for us to comment on exactly the expectations externally, but – so it's a good underlying result as well in the Baltics and in Lithuania.

Jean Marc Harion: Seasonally.

Stefan Gauffin: Okay, thank you. Thank you.

Operator: Thank you. We will now take the next question from the line of Oscar Rönnkvist from ABG Sander Collier. Please go ahead.

Oscar Rönnkvist (ABG): Thank you. Good morning, all, and thanks for taking my questions. So, just the first one, on your EBITDA after leases guidance, so you obviously have still quite a wide range of mid-to-high-single-digit, and I think you already obviously delivered 6.3% organic EBITDAaL growth in Q1, and then you haven't really seen the impact from all of the workforce reductions that will also support Q2 a little bit. So can you just talk a little bit about why you keep at the lower end of that, and I mean, what impact are you building into that if we would see a deceleration in the underlying EBITDAaL growth for the next coming quarter? Thanks.

Jean Marc Harion: I believe that the answer comes from, I would say, a very straight and humble statement. We – so far, that's true that we have been fast in delivering the first results of our transformation, but to be honest, we have picked the lowest-hanging fruit in the tree, and now we need to go a little bit higher to take – to catch and collect the other fruits. So, of course, we are very happy, and I'm very proud of what the teams have delivered in terms of cost efficiency, contractor negotiation, but of course, as well, the largest part of the transformation is still ahead of us, and that's why we are, of course, optimistic about our ability to deliver the guidance that we have committed on, but we are – we still want to remain focused on the execution and the delivery. And when you mentioned the workforce reduction, yes, we have been able to execute the first tranche, but as we were commenting earlier, we now need to dig into a more detailed analysis to understand how we can rapidly simplify and improve and optimise processes in specific areas. And that's why we believe that we need to remain a little bit careful, because we know what we have done, and we are confident that we can deliver what we have committed on, but I don't want to give the impression – I don't want to give the impression to anybody that we consider it will be a walk in the park.

And, of course, we are very happy to have delivered this first result, but as I was commenting in my – in my letter in the quarterly report, you know, these past few weeks have been painful for the company and for a lot of our colleagues. So that's my only comment to your – to your question. I believe that we are on a good path, but we are not there yet.

Oscar Rönnkvist: Perfect. Thank you very much. Then just the next question on the ASPU trends, and I'm particularly looking at the fixed broadband in Swedish consumer and also the mobile ASPU in B2B. So, first on the broadband ASPU, we can see that decelerating from around 9% a few quarters ago down to around 5%. And as you mentioned, you've done some price increases that are going to take effect from March, but you obviously did that last year as well. So just if you could comment a little bit about the levels of price increases compared to the next year, and just looking at the, you know, ASPU trend, if we could still see that declining, given that the price increases will be, you know, slightly lower this year than compared to last year.

And also on the mobile, ASPU in B2B has fallen quite sharply as well. I think the peak at around 7% is now down to minus 4%, and you highlight that it's impacted by a change in customer mix. But just given the trend, is this, you know, purely driven by customer mix, or is it something underlying with the pressure on the mobile ASPU? Thanks.

Jean Marc Harion: Petr is going to answer on – for B2C Sweden, and Stefan will complete on B2B.

Petr Cermak: I guess part of the answer is what I said before. So there will be – you know, price increases have been executed largely in March, so there will be more effect visible to everyone in the – in the coming quarters. And there's one that's true for both broadband and mobile.

And the pricing – the pricing levels, as I said, were a little – the price increases were a little smaller than what they were, whatever, in past years, because generally the inflation has been lower in the country, and therefore the adjustments were lower.

Jean Marc Harion: All right. Stefan?

Stefan Trampus: Thanks, Oscar, for the question on B2B. If we zoom out a little bit, I think we start off with the macroeconomics for Swedish companies. I mean, it has continued to be a tough market environment. And what we've seen for some time is that many customers are struggling with growth. And I guess you can say that we see that in the reports that come in from the companies as well, which means that they need to address their cost base. And that's what they have done, and it also has affected us.

And what we've seen also for some quarters is that in the smaller segments, we have high bankruptcies with the customers that we are churning with high ASPU. In the SME and the large segments, we see that they are doing adjustments of their existing agreements due to the reduction of employees and clean out of subscriptions. We also see that they are downgrading to cheaper subscriptions in order to improve cost. So that's what we see on the private segment. On the other hand, on the public side, we have been successful with several new customers in the last couple of quarters. And these customers come with a lower ASPU, lower usage, etc.

So what we're seeing is a change in both, I would say, product segment mix, which is affecting both the ASPU, but also the overall mobile revenue development.

Oscar Rönnkvist: Got it. Thank you very much.

Operator: Thank you. We will now take the next question from the line of Eric Lindholm from SEB. Please go ahead.

Erik Lindholm (SEB Enskilda): Yes, good morning, and thank you for taking my question. So I wanted to start on the Baltics that start the year in a very strong fashion here. Is this sort of the pace we should expect for the coming quarters, or is there sort of more to come on the cost side also here going forward?

And then I wanted to follow up with a second question. There has been some renewed discussion recently about sort of a more supportive European Commission in regards to in-market consolidation. Can you give us your view here, perhaps? Would you welcome a further consolidation in Sweden, and what would Tele2's role be in such a consolidation? And also in the Baltic states, perhaps, how do you view your sort of Net4Mobility set-up in light of this? Thank you.

Jean Marc Harion: Okay, Peter is going to take the first question about the Baltics, and then will – I'll answer with him about the consolidation.

Peter Landgren: Yes. Hi, Eric. Thanks for the questions.

On the Baltics, I think we can see now in Q1 a quite strong top-line growth with support from all markets and both solid customer intake on postpaid overtime and also those pricing activities, different facing in each market, but helping growth now in Q1. On top of that, our Baltic colleagues are quite fast in executing on saving initiatives in an impressive way, leading to this growth of 15% year-on-year organically. I don't think you can count on that it should be even more. It's a great quarter with 15% growth, and we can't count on such a great delivery every quarter, but a good start of the year in the Baltics.

Jean Marc Harion: And to answer your second question about the consolidation, I will not elaborate more than I – and I used to do in previous exchanges with all of you. First, we are focusing on our – on the execution of our transformation plan, and this is all that matters for us in the short term. Second, in Sweden, if a consolidation is on the table, we will – we will, of course, pay special attention to the consequences on the competitiveness in the market and which remedies have to be granted to the remaining players in order to keep the competitiveness of the market that it is today.

Saying that, I don't believe that consolidation would be – would happen any time soon – will happen any time soon in Sweden, but I may be – I may be wrong. And regarding Net4Mobility, we are working with Telenor on the completion of the rollout of our 5G network. As I said, the quality of the network is promising, extremely promising.

So, we have already today the largest 5G broadband reach in Sweden when the rollout is not complete yet. So, this is, of course, a key investment for us to deliver this quality of network. Then, of course, we need to prepare for the future because after the end of the rollout, we'll need to make sure that Net4Mobility will not only deliver the best network quality in Sweden, but as well the most cost-efficient quality. But that, I would say, is more for 2026.

Erik Lindholm: Perfect. Thank you.

Operator: Thank you. We will now take the next question from the line of Fredrik Lithell from Handelsbanken. Please go ahead.

Fredrik Lithell (Handelsbanken Capital Markets): Thank you very much, and thank you for taking my questions as well. I have two, of which the first one is really a follow-up on both, Jean Marc, your comment about renegotiating large contracts and then also, Stefan, that you commented on your B2B segment that you're looking to focus more on product and services with low impact on the workload. So would you consider sort of leaving some partial revenues behind in order to improve your efficiency as part of improving your efficiency in the organisation? In general, and maybe also, Stefan, in the B2B world, it would be interesting to hear.

The second question is really just housekeeping, net working capital. You had a positive effect from the redundancy provisions in Q1. Should we expect that sort of to continue in Q2, or was that the bigger chunk that came in and thereby will start to reverse in Q2, or should we expect it to reverse from Q3? Thank you.

Jean Marc Harion: Okay. I will – will let Peter answer the second part of your question. Let me take with Stefan the first – the first one. Definitely, in the – in the overall renegotiation of all our contracts, we focus on the profitable growth rather than revenue without profitability. So that is, I would say, equally important when it comes to all the areas we are scrutinising. So one good example of that is the decision we made about Boxer. Of course, it impacts our revenue and marginally our EBITDA in 2025 for a very small amount, but it's a necessary move, and we made the decision, the conscious decision to decommission the terrestrial distribution because it was becoming loss-making, and we knew that, of course, we would – we would be impacted in – son the revenue side. We have – we have made such a bold move as well, not alone, together with other operators to announce years in advance the decommissioning of the switch-off of 2G and 3G in the country because we know that the technology will go to an end, and it's extremely important that we keep in mind the gross margin of every single activity. We have renegotiated a number of content contracts, for instance, in order to increase the profitability for content distribution, and B2B is no exception.

Stefan, you may answer the question on B2B?

Stefan Trampus: Yeah, no, to elaborate more on that, Fredrik. Yes, I mean, what we're doing is reviewing the portfolio, which means that we will sunset some services and products. This is something we've done in the past. As you might recall, last year we closed down the copper services that we had in order for modernising our portfolio. We have a broad portfolio. We have long contracts with our customers, which have led to that we have been ending up with a really broad portfolio, and that this is something we are working on.

We will sunset some services and products by the end of the year. We will simplify the portfolio, but at the same time, we are doing, as I was referring to, IT modernisation and also automation initiatives. And those, we will become more efficient on handling some of our products and services, which means that we will be able to grow profitably with some of the products that we have today. So, yes, you will see a change in regards to portfolio, but then it won't be sort of a revolution as such.

Jean Marc Harion: No, it's an evolution.

Stefan Trampus: Evolution.

Fredrik Lithell: Very clear. Thank you.

Peter Landgren: Yes, on your question on working capital and specifically several provisions, the majority of those provisions will start to be consumed in April, meaning that it's [inaudible] working capital, as you – as you were indicating.

Fredrik Lithell: Okay, that's perfect. Thank you. Very clear.

Operator: Thank you. We will now take the next question from the line of Joshua Mills from BNP Paribas Exane. Please go ahead.

Joshua Mills (BNP Paribas Mills): Hi, guys. Thanks for taking the questions. Both of mine were on the B2B trends on slide 8, if that's possible.

The first one was just regarding the IoT-related network outage. Could you give a bit more colour about what happened with that and whether the issue is fully resolved, or we should expect to see any spillover effect into the second quarter?

And then the second question is just around the pricing strategy in B2B on the standalone contracts. I think you gave some useful colour on the consumer price increases you're pushing through. How are you doing this on the B2B side, and is there any more colour you can give about the timing of the B2B price increases as well? Thanks very much.

Jean Marc Harion: Okay, of course, Stefan is going to answer both questions.

Stefan Trampus: Yeah. On the IoT part, this was an isolated event, a network outage that we had in Q1, and it will not flow into Q2 or Q3, etc. So we took that hit in Q1. So that's clear.

On the pricing perspective, we have, as we – most of us know, broad portfolio, a lot of different segments, and the contract setups look really different. Many of our large customers have overlapping contracts, subcontracts, from a time perspective. So it's a fragmented contractual setup. But in the private segment, we have indexes in those contracts. And we have different kinds of index clauses that we utilise for doing price increases. It's labour indexes, it's KPI indexes, etc, etc. So, this is something that we are yearly conducting price increases on and addressing these contracts.

On the public segment, it's far less opportunities to do index increases. And that's because we come from an environment where we had low inflation in Sweden. And when these contracts were set up, the setup of that, and that is a general thing, is very few contracts with the possibility of index increases on the public segment.

So, as a general comment, I hope that explains a little bit how it looks like for B2B.

Joshua Mills: That's very helpful. And maybe just on the timing of those price increases, have you already actioned some in Q1, or is it more of a trend that comes through in the second, third quarters of the year?

Stefan Trampus: I would say the majority of this will be on the first half of this year. We've done already some in the beginning of the year. Some will come into effect in Q2, so depending a little bit on the timing when the contract expires and depending on what product line it is. But the majority in the first half of the year. And I will also say that the KPI index this year is quite low. It's a low single digit. It's 1.6%. So, unfortunately, the inflation, the KPI was not high this year.

Joshua Mills: Got it. Thank you.

Operator: Thank you. We will now take the next question from the line of Ondrej Cabejsek from UBS. Please go ahead.

Ondrej Cabejsek (UBS): Good morning, everyone. Thank you for the presentation. And also, thank you for the improving granularity around various accounts within your guidance. I think that is a well-appreciated change in communication. I've got two questions, please. I'll go one by one.

So the first one is just on the tax refunds. I believe this is the third year in a row where we have got a tax refund. If you could just please elaborate or clarify around, you know, the nature of these, where these are coming from and if you expect these going forward. I know you, Peter, said that you – we should be thinking about, you know, cash taxes higher over time. So does that suggest that, even in the coming years, there would be some kind of mitigating impacts in the form of refunds, for example, '26, '27, and so forth?

Jean Marc Harion: Okay, that's for Peter. It's his favourite topic.

Peter Landgren: Yeah, it's my favourite topic. Thank you, Ondrej, for that.

So, looking at the tax refunds, the nature of it is that we're paying, especially in Sweden, then preliminary taxes during the year, and then we conclude the year, and then there might be settlements. And for a couple of years, we have, as you indicate, paid a little bit too much in preliminary taxes, and we have had the refunds with different timing and different amounts. We're – going forward, I don't think you should count on such big settlements. That's not – it's not how we want it to be defined. But it's of course highly dependent also on our performance. The better results we do, the lesser refunds we'll get. So, that's why we also try to indicate how you should think around long-term tax levels.

Hopefully, that answers.

Ondrej Cabejsek: Yes, Peter, thank you. And then my second question, I know we already touched upon on this call on the fixed broadband growth trend. So I was wondering, more on the cost side there, because obviously, in the past, I think there's been a lot of pressure on margins from open city network fees and generally wholesale costs for the fibre network. At the same time, you are clearly deciding to kind of, say, maybe invest less into your current footprint and maybe outsource more. So I was wondering, number one, what has been the inflation thus far in the cost base for the – for the kind of parts of the network that you're renting out, compared to previous years? And then, just going forward, how to think about the, you know, the – or if you could maybe just give us some insight into how you're thinking around the, I guess, you know, CAPEX versus OPEX debate in areas where you're deciding to potentially, you know, as opposed to previously upgrading the network to now outsourcing more of it.

Thank you very much.

Jean Marc Harion: I would say, on a general note, we believe that the regulation of the networks, especially on the SDU side, is taking too long. We are waiting impatiently for a BTS decision in this remit, because, at the end of the day, it impacts the customers negatively. And that's true that, on the wholesale side, the situation in Sweden is not only complicated, but in – for a large remit, unfair, because we depend on the local decision of the infrastructure owners. And this has to be regulated if we want to give access to broadband, fixed broadband to all the customers. So this is a message that we, of course, pass to the regulation authorities, and we will, of course, stand on the side of our customers in order to accelerate this regulation. Saying that, of course, in general, we have a very pragmatic approach when it comes to delivering our fixed broadband services.

We want, of course, to use our own network, which provides an excellent quality. We made a decision to change our approach for the RFI upgrade of these networks. I already commented that at the beginning of the year when we disclosed our full-year results. The reason is because we don't see the benefit of a – for the customer of a systematic upgrade to RFI, but we continue doing it reactively everywhere we see a need to improve the capacity of the network. And when, of course, it's easier for the customer to get access to our service via an existing infrastructure not operated by Tele2, we are keen to use it. But here, of course, we come back to the comment I was making about the wholesale price. We need to have a fair regulation for the wholesale price, not only for SDUs, but as well in some areas for MDUs.

Petr, you want to …?

Petr Cermak: Yeah, no, so on the SDU in particular, right, so we want to provide the services, but today we are – we are forced to buy – forced to buy the entire lines of the business access products, and we are waiting for unbundling of the loops. So, yes, there's some small – there's some small CAPEX involved whenever we unbundle a loop for our customers, but it comes with – it should come with the saving of the costs, and we are just waiting for BTS to actually announce this and put it in motion. But we are ready, and we are committed to the growth.

Ondrej Cabejsek: Thank you. If I may sneak in a quick follow-up on that. So, just on the timing, from my latest understanding is that the market definition process could be finished this year, but then the actual pricing regulation could only kick in much later. Is that your latest understanding of the situation as well?

Jean Marc Harion: I don't believe that we have a clearer or more precise view on the timing, and that's part of the problem.

Ondrej Cabejsek: Understood. Thank you very much.

Operator: Thank you. We will now take the next question from the line of Ajay Soni from JP Morgan. Please go ahead.

Ajay Soni (JP Morgan): Hi, guys. Thanks for taking my question. Just two quick ones.

The first one around the wage increases you're expecting in Q2. Have you announced what they will be this year for Sweden? Because I think last year they were just a touch above 3%.

And then the second question is around your mid-term guidance. So what's holding you – what's holding you back from adding this back into the presentation, and do you have a timeline of when you expect to reinstate the mid-term guidance? Thank you.

Jean Marc Harion: Yeah. Peter?

Peter Landgren: Yes. Thanks for the questions, Ajay. On the salary increases, it's between 3.0% and 3.4% in Sweden, depending a bit on how you count, but let's call it 3.4% in totality. And I would say, on the mid-term guidance, it's more that we're right now focused on this year of transformation. And once we're getting longer into this year and see where we stand, we can come back on this question.

Jean Marc Harion: It's much too early to say anything for the reason that I mentioned already. For the moment, we remain humbly focused on what is still to be delivered.

Ajay Soni: That's very helpful. Thank you.

Operator: Thank you. We will now take the next question from the line of Keval Khiroya from Deutsche Bank. Please go ahead.

Keval Khiroya (Deutsche Bank): Thank you, [inaudible]. So you've talked quite a bit about [inaudible] –

Jean Marc Harion: We cannot hear you. Hello? We cannot hear you.

Operator: We will pass to the next question, coming from the line of Siyi He from Citi. Please go ahead.

Siyi He (Citi Investment Research): Hello. Good morning. Thank you for taking my questions. I have two questions. Hopefully, they're quick ones.

The first one is on the KPI trend in Sweden. It seems that the trend has moderated somewhat this quarter. Just wondering if you can elaborate what the key driver is. Is it just because of seasonality, or because there is more focus in internal transformation? And looking forward, how should we think about the [inaudible] trend going forward or whether there will be some more investment that you need to do to improve the trend?

And the second question is really a clarification of the free cash flow movement. Just adding all the comments you had – you made, Peter, on the tax and net working capital and also interest, it seems to me that there could be quite a decent 15-20% increase in free cash flow for this year. I'm just wondering if that is a correct ballpark we should think of. Thank you.

Jean Marc Harion: Maybe regarding the first part of your question, let me summarise what we already commented. The results on Sweden, of course, are mixed results when it comes to the top line because we see some positive trends on the core connectivity services, meaning on the B2C side, but on the B2B as well. That's true that we are very happy with the evolution of our postpaid revenue, fixed broadband revenue, plus 3%, plus 5%.

In the meantime, postpaid revenue has been impacted by the decline of prepaid. Fixed broadband, we commented on that, has to be mitigated with the impact of Boxer. So that gives, I would say, a mixed picture on the – on the Swedish side with, of course, what Stefan commented on B2B with different trends depending on the segment and the impact of the economic constraints on the small enterprises and the micro-enterprises. Another picture on the development of large and public accounts.

So all in all, we have delivered, I would say, quite a mixed picture on the top line for Sweden, but the most important is that we secured the delivery of the EBITDAaL, thanks to the first impact of our transformation plan. And we hope that the trend will continue, especially with the impact of the workforce reduction in Q2, Q4.

So that, saying that, regarding the free cash flow, Peter?

Peter Landgren: I think – thanks for your question, Siyi, on – I think our intention with being a bit more transparent on the different components, one of the purposes is that we can leave the maths to you. I don't – I don't think we should elaborate on exactly where we are, but you know most of the components by our indications.

Siyi He: Thank you very much.

Operator: Thank you. We will now take the next question from the line of Felix Henriksson from Nordea. Please go ahead.

Felix Henriksson (Nordea): Hi. Thanks for taking my questions. I have a couple.

Firstly, on the soft guidance on restructuring items, SEK 500 million for 2025, is that number applicable for both P&L as well as cash flow? And secondly, I mean, how should we think about the ideal balance sheet setup for you guys? You're, again, well below your leveraged target range and below even if we sort of include the first tranche of the dividend. So what is the reason for operating with such a conservative balance sheet, as opposed to engaging in additional shareholder remuneration? Thank you.

Peter Landgren: Thanks, Felix, for the question. I'll start with the restructuring costs. I would specifically comment on the P&L impact and how it will impact cash flow, which is dependent on the nature of the asset. And I can – I can mention on the – I think we have a financial policy, let's say, SEK 2.5 billion in leverage right now. As Jean Marc pointed out, it's early days. After the dividend it will be a SEK 2.40 pro forma. I think it's wise to deliver first and then come back for the cash flow and see if we have any room for improvement.

Jean Marc Harion: Exactly. Much too early to make any other comments or – and, of course, decisions.

Felix Henriksson: Okay, thank you. I had a bit of a hard time on hearing the answers to the first question. The line was breaking out a bit.

Peter Landgren: Okay, sorry for that. What I said was that the SEK 500 million assumed restructuring costs for the full year is the P&L indication, and on cash flow it depends a bit on the nature of those restructuring costs now taking out.

Felix Henriksson: Got it, thank you.

Jean Marc Harion: I think it was the last question?

Operator: There is no more time for questions at this time. This concludes today's conference call. Thank you for participating. You may now disconnect.

Jean Marc Harion: Thank you.

Peter Landgren: Thank you.

Jean Marc Harion: Goodbye.

[END OF TRANSCRIPT]