OVERVIEW:
On 12/15/17, Tele2 Group announced that DTE and Tele2 have agreed to combine Tele2 Netherlands and T-Mobile Netherlands.
Good day, and welcome to the Tele2, Deutsche Telekom to merge Dutch operations conference call. Today’s conference is being recorded.

At this time, I would like to turn the conference over to Ms. Allison Kirkby, Group President, CEO. Please go ahead, ma’am.

Allison Kirkby - Tele2 AB (publ) - President & CEO

Thank you, operator. Good morning, and welcome, everyone.

We are absolutely delighted to be announcing that we are joining up our Dutch business with T-Mobile Netherlands this morning to create a much stronger customer champion for Dutch consumers and businesses going forward.

I'm dialing in from Amsterdam here this morning. And so Jon James, our CEO of Tele2 Netherlands, is here with me. And we also have Lars Nordmark, our Group CFO, on the line from Stockholm. And the three of us will be available for questions at the end.

So in keeping with our Way2Win and our purpose to fearlessly liberate a more connected life, this combination will strengthen our ability to deliver on this promise to our customers in a way that will enhance returns to our shareholders over time.
Turning to the transaction details on Page 4 in the presentation, which you can also find at our corporate website tele2.com, you will see that we've agreed with Deutsche Telekom to merge the T-Mobile Netherlands and the Tele2 Netherlands business. Tele2 will own 25% of the equity in this merged entity, and we will also receive EUR 190 million in cash at closing.

The merged entity will have a net debt of EUR 1.1 billion in the form of an intercompany loan receivable from Deutsche Telekom. As with any such deal, it is subject to regulatory approval. And we expect it to close in the second half of next year, so in the meantime, it will very much be business as usual for Tele2. And we will continue to invest behind our 2018 business plan and the momentum that we have so far since we relaunched the business back in 2015.

We really do believe there’s significant value to be created as a result of this deal, with synergies estimated to be in the region of more than EUR 1 billion. And they will be delivered and implemented over the first 3 years of the combination.

From a Tele2 Group perspective, this provides an immediate crystallization of value, an opportunity to derisk our Dutch asset and provides increased predictability in the cash flow of our group going forward.

Finally, should we choose, over time, not to participate in the Dutch market, the transaction also provides the opportunity to crystallize additional value through a sale or an IPO.

Moving on to the strategic rationale. We see it to be fourfold. First, we're combining 2 very complementary businesses with complementary brands, distribution, infrastructure and customer bases. As a result, we will create a much stronger competitor with a capacity for future investments and product innovation, to the benefit of Dutch customers that goes clearly beyond what Tele2 and T-Mobile could do on a stand-alone basis.

In particular, the combination allows for a sustainable integrated competitor to the existing FMC duopoly in the market, they hold around 80% of the market, in a capacity that we would not have as stand-alone players.

Secondly, by combining the 2 businesses, admittedly still far smaller than our 2 large competitors, we can achieve a scale to more efficiently invest in networks, product development; to compete for new spectrum; and to ultimately put ourselves in a position to accelerate investments into next-generation technologies such as 5G.

Third, there will be significant OpEx and CapEx synergies both from network optimization and in SG&A streamlining, which Lars will provide more later. In addition to cost synergies, we also see clear opportunities for new revenues both in the accelerated 5G launch and in us challenging the duopoly in the Dutch FMC market.

And finally, for the Tele2 Group, as I said earlier, this transaction means that we can crystallize value in the Netherlands after many years of investment and significantly bring forward cash returns from this market to the group. Joining forces with T-Mobile also means we can share the burden of spectrum and technology investments going forward, so overall, we clearly reduce the risk profile and cash flow volatility for Tele2 going forward.

So let me now hand over to Jon, who will take you into the commercial opportunities in a bit more detail.

Jonathan James - Tele2 Netherlands Holding N.V. - CEO

Thanks, Allison.

I, firstly, want to expand on the point that Allison made about the complementary nature of these 2 companies. One of the reasons that we're excited about the deal is that the assets of Tele2 Netherlands and of T-Mobile Netherlands are very complementary to each other and form together a strong, new customer champion.

Both brands are strong yet distinctly different from each other. The Tele2 brand, which is intended to be retained, has a strong fun rebel positioning in the market. T-Mobile is well known for high-quality and strong network performance. We appeal to different segments with our brands.
In terms of distribution, the 2 businesses are highly complementary. Tele2 has a particularly strong online sales presence, while T-Mobile is strong in the retail market, has extensive retail distribution network.

Tele2 has a highly efficient 4G-only network already significantly shared with T-Mobile, which is complemented by T-Mobile's 2G, 3G and 4G networks.

We both have B2C fixed offerings and will be able to take the best elements of our respective infrastructures.

And lastly but not least, Tele2 has an extensive fixed-fiber infrastructure connecting a significant part of the country's business locations. And together with T-Mobile's mobile infrastructure and our shared sales, assets, the merged entity will have the assets to offer a highly competitive offering in the B2B market.

As we put these businesses together, we believe that the net result will be a significantly stronger customer champion. We'll be in a position to truly challenge the converged duopoly in the Dutch market.

We're going into this business combination with strong momentum in both businesses, with the 2 companies having taken in a combined 760,000 new postpaid customers in the last 24 months, based on our competitive offerings to consumers and businesses. With the combination, we now have the scale to be in the front line of investments in new technologies such as 5G. And behind that, the new company will have a very solid financial base with combined revenues of around EUR 2 billion. And we are targeting run rate synergies of some EUR 150 million per year.

The combined business, as I say, will be significantly stronger than the stand-alone entities and will have an opportunity to take on the FMC duopoly in the Dutch market. We see this as a significant growth opportunity. As you can see from the pie charts on Slide 8, 2 of our competitors have a clear majority of the market on the fixed and mobile side, including FMC, representing 60% of the mobile market and over 80% of fixed broadband in terms of volume.

This transaction creates a strong #3 player which will have the resources to mount a strong long-term challenge to the market share of the incumbents both in mobile, in fixed consumer and in B2B, to the benefit of customers and businesses. And that opportunity in market share for this strong #3 FMC player is even more strongly reflected in the revenue and bifurcation profit pool available to the new merged entity. The 2 large FMC operators have more than 80% of the fixed and mobile revenues, and these 2 also generated around 90% of EBITDA in the market as well as of EBITDA minus CapEx in the first 9 months of this year.

Hopefully, this gives a sense of the scale of the opportunities we can see. This transaction will give us better scale, significant synergies and will give us the improved investment capacity to tackle the opportunity in front of us.

With that, I'm going to hand over to Lars.

Lars Nordmark  - Tele2 AB (publ)  - Group CFO and EVP

Thank you, Jon. And good morning, everybody.

Looking at the synergies in more detail on Slide 10, we see significant OpEx and CapEx synergies in many areas estimated to be worth over EUR 1 billion in terms of net present value. Let me give you a little more flavor on the different areas.

The mobile networks of Tele2 and T-Mobile can be optimized and merged into a single world-class radio access network. We can integrate the IT systems of the 2 companies and accelerate the journey towards the best-in-class digital customer experience. There will also be synergies realized through optimization of the distribution and go-to-market areas and a reduction of G&A costs.

Overall, we believe that this will generate OpEx and CapEx savings which, at a full run rate, should reach approximately EUR 150 million per year. Moreover, it is our ambition to achieve the run rate synergies within 3 years.
Besides the revenue opportunity, as mentioned earlier, we see a significant opportunity to challenge the existing FMC duopoly both in the consumer and B2B side. The new company will be able to offer a better customer experience as a result of an improved quality together with increased capacity. When it comes to integration costs, we estimate these at approximately EUR 150 million.

Turning to Page 11. The structure of the transaction is that Tele2 will own 25% and Deutsche Telekom 75% of the combined entity’s equity. Deutsche Telekom will put its tower assets into a separate company and retain full ownership in that company. As an effect of this tower carve-out, the combined company will see a cost for renting the space in towers, which will have an impact of around EUR 35 million on its EBITDA.

As part of the agreement, amendments have also been made to the other commercial agreements between the companies, including national roaming and network-sharing agreements.

We firmly expect this merger to be approved, but there’s also a break fee of EUR 25 million in place should this not be the case.

In the period until closing, we will report Tele2 Netherlands as a discontinued operation in our financial reporting. After closing, our share of the combined entity will be reported according to the equity method.

Let’s turn to the next page. Deutsche Telekom will have the majority owner and management control in the combined entity. However, Tele2 is to be represented at a Supervisory Board. The combined entity will have a net debt of EUR 1.1 billion in the form of intercompany loan receivable from Deutsche Telekom. And regarding dividends, the parties have agreed on a dividend policy based on 70% payout of free cash flow. These dividends will be initiated when the net debt-to-EBITDA goes below 2.5x net debt-to-EBITDA.

There are certain exit provisions as part of the agreement. Specifically, both parties are subject to a lockup, under which none of the owners can sell in the first 3 years without approval from the other side. Subsequently, there will be possibility for each party to trigger an IPO for the sale of its stake.

And with that, I’d like to hand over back to Allison.

Allison Kirkby - Tele2 AB (publ) - President & CEO

Thank you, Lars.

So before we go into Q&A, I’d just likely — like to briefly touch on the Tele2 Group going forward following this transaction.

During the last 5 quarters, we have shown a real acceleration towards our investment markets being cash flow breakeven. This transaction will allow an even faster acceleration and will finally crystallize value from the multiyear Dutch investments.

Looking forward, we’ll see reduced cash flow volatility and a lower risk profile at the same time as providing exposure to an exciting growth and value-creating opportunity through our 25% stake in a true customer champion that will challenge the existing duopoly in the Dutch market.

The cash proceeds from the deal will obviously, of course, strengthen our group balance sheet.

So in summary, this in-market consolidation is a fantastic opportunity for us to fearlessly liberate a more connected life sustainably for Dutch consumers and businesses and will deliver both short- and long-term value for our shareholders, our customers and our employees.

And at this point, I’d just like to say a huge thank you to the fearless Dutch team that have taken Tele2 on a momentous journey over the last few years and have taken to such a position of strength that we’re able to take the next important step here in the Dutch market.

So that concludes our prepared presentation. And Jon, Lars and I are now very happy to take your questions. Operator?
QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll now take our first question from Peter Nielsen from ABG.

Peter-Kurt Nielsen - ABG Sundal Collier Holding ASA, Research Division - Lead Analyst

Yes, just 2 questions, Allison, please, if I may. Firstly, how likely do you -- considering what we've seen in other markets in terms of consolidation and EU approval, etc., how likely do you think it is that this will be approved by the authorities, primarily I guess the EU Commission; and under which remedies? How far are you prepared to go in order to get this approved, please? And then just secondly, if this should not be approved by the regulators, or if the conditions, the remedies should prove prohibitive from your perspective, how should we view this move as a sign of your belief and confidence in the Dutch business on a stand-alone basis going forward?

Allison Kirkby - Tele2 AB (publ) - President & CEO

Thank you, Peter. Well, we are confident that this deal should be approved. We are creating a very pro-competitive, much stronger customer FMC champion in the Dutch market. We're up against a duopoly that has 80% market share and 90% of EBITDA in the market. So we fundamentally believe this is going to create proper competition to the duopoly and allow both of us to be stronger together than we were as individual stand-alone companies. It will also allow us to accelerate investment into new technologies such as 5G. And we do see all of that as positive for Dutch consumers and enterprises. Remedies, I will comment on that we're just about to embark on the process. We have good dialogue both here locally in The Hague and also in Brussels. And obviously, the process kicks off today, and we're very well prepared for that. If not approved, we have a very strong stand-alone business today. Obviously, over the long term, we believe it's better for the Dutch consumer for this combination to happen, but if not approved, we will continue on our existing plan. But we do believe this combination brings more scale to bring technologies faster and product innovations faster to market that will be better for our customers.

Operator

We'll now take our next question from Lena Osterberg from Carnegie.

Lena Osterberg - Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware Equipment, & Financial Analyst

Yes, congratulations. I have 2 questions. First of all, the -- you also mentioned in the release that you have renegotiated your national roaming agreement and also the network-sharing agreement. Could you maybe say a little bit more on what that will do for you as of the first quarter and also, if this new network-sharing agreement is more extensive and enables you to take out some synergies also if the transaction is not approved? And then my second question was just to understand fully the balance sheet. Will the only debt on the company be the intercompany loan, or is there anything else? And in that case, how much is the current net debt-EBITDA of the combined company? Or do you expect (inaudible) when you merge?

Allison Kirkby - Tele2 AB (publ) - President & CEO

Okay, thank you, Lena. I'll take the first question, and then I'll hand over to Lars to take the balance sheet question. The NRA and NSA contracts are between ourselves and T-Mobile. They are commercially sensitive. I can't give you any information on that, Lena, but obviously, they will benefit us now going forwards. And I don't want to think about if this deal doesn't get approved. I'm focused very much on this deal should get approved because it very much benefits Dutch consumers and businesses. Lars, do you want to take the balance sheet question?
Lena Osterberg - Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware Equipment, & Financial Analyst

I have a quick follow-up on this question. Can I just -- or on the approval there. What makes you so confident that it will get approved? Because all the other deals that have tried, going from 4 to 3 operators and have not succeeded with the current competition commissioner. What makes you [overall] confident?

Allison Kirkby - Tele2 (publ) - President & CEO

Well, every situation is very different. We -- it's not as if -- we are creating a stronger #3. We're not creating a stronger #2 or a new #1. It's a stronger #3 that is up against a duopoly with 80% of the market share and 90% of the EBITDA and roughly the same cash flow generation. So we believe this is a different situation to some of the other deals, but as I said, every situation is different. And we'll obviously have to go through the process with both the local and the EU Commission, so -- but we believe the Dutch market deserves to have a strong #3 player. Lars, do you want to take the balance sheet question?

Lars Nordmark - Tele2 (publ) - Group CFO and EVP

Yes, sure. So Lena, the -- you're correct. The only debt is the EUR 1.1 billion. And please also bear in mind that we get EUR 190 million cash up front. There is no external debt sitting at the local entity at the moment.

Operator

We'll now take our next question from Nick Lyall from SocGen.

Nick Lyall - Societe Generale Cross Asset Research - Equity Analyst

Just a quick one. Could you confirm, Allison, firstly, it's an EC process, I'm assuming. There's no sort of funny local market…

Lars Nordmark - Tele2 (publ) - Group CFO and EVP

Yes.

Nick Lyall - Societe Generale Cross Asset Research - Equity Analyst

Ruling here is it? And I think you mentioned also it might be DTE who's dealing with the regulatory process, so could you just confirm that, firstly? And do you think you get any leverage because of the EC discussions on joint dominance? Is that in your thinking here? Or rather, when DTE negotiates with EC, you think that might help you out? And then the final one is on the exit strategy and rules. Is it just a straight lockup after 3 years? Or is there anything else that we should bear in mind in terms of valuation or any other rules you have to think about?

Allison Kirkby - Tele2 (publ) - President & CEO

Nick, thank you. It -- no, it's an EC process, no funny local market ruling, but we'll obviously have to work with the local ministry and ACM, first and foremost, too. I -- yes, Deutsche Telekom will be leading the process because they are the majority shareholder, but we will be actively working with them along the way. And we've been -- very much as part of the whole transaction preparation, we've had a team of our own regulatory people working with Deutsche Telekom's regulatory team as well. So it will be very much a combined effort, but Deutsche Telekom will lead the
process. Not quite sure what you mean by the joint dominance question and leverage, but obviously, both parties will proactively work at the European level to push this forward for the benefit of Dutch consumers. And, Lars, do you want to take the final question, on the lockup?

**Lars Nordmark** - Tele2 AB (publ) - Group CFO and EVP

Yes. So Nick, there's a 3-year lockup. And I would say the exit provisions, besides that, is pretty customary (inaudible).

**Nick Lyall** - Societe Generale Cross Asset Research - Equity Analyst

Sorry. Just to come back, Allison, on -- but on the joint dominance point, I suppose my only point was to say that the -- with the EC looking quite closely at the Dutch market, is that why you've picked now to do it? Do you think there's a bit more sort of leverage because the EC is maybe concerned about the competitive conditions in the Dutch market, so that gives you and DTE a much better shot at this at the moment? Or has that not played into your thinking at all?

**Jonathan James** - Tele2 Netherlands Holding N.V. - CEO

Nick, it's Jon here. I think it's fair to say that the drivers for this transaction are the ones that we went through in the presentation, which is fundamentally, we think we can together deliver scale, synergies and so on that will make us a stronger competitive force and will be good for both businesses. So it's absolutely not the case that the regulatory tail is wagging the dog here, absolutely not. We weren't gaining it those terms.

**Operator**

Our next question comes from Sunil Patel from Bank of America.

**Sunil Praful Patel** - BofA Merrill Lynch, Research Division - VP

So I just have 2 questions on my side. Can you just map out the time line between now and the second half of the year when you expect to have approvals? What are the various steps here? The second question is have you had informal discussions with the ACM and, I guess, more importantly the commission on this considering the precedents that we've had in U.K. and Denmark. And what is the feedback from them? Or is that not how the process works?

**Allison Kirkby** - Tele2 AB (publ) - President & CEO

Okay, on the first question. I'll hand over to Jon for the second one. On the first one, we now start the pre notification with the EC immediately. After the formal notification, the EC has 25 working days to determine to either approve the transaction or to start an in-depth Phase 2 investigation. A Phase 2 investigation takes 90 working days provided the so-called clock is not stopped for various reasons, but the clock can stop at any time. So a very active, busy phase ahead. And, Jon?

**Jonathan James** - Tele2 Netherlands Holding N.V. - CEO

Yes. And as far as your question on whether we've had prior discussions with the ACM, obviously, we have an ongoing relationship with the ACM and the ministry to whom they make their specific recommendations, but as Allison says, the regulatory conversation related to this transaction specifically is starting now with the regulators.
DECEMBER 15, 2017 / 7:30AM, DTE.DE - T-Mobile NL and Tele2 NL to Join Forces Conference Call

Operator

Your next question comes from Joshua Mills from Goldman Sachs.

Joshua Andrew Mills - Goldman Sachs Group Inc., Research Division - Equity Analyst

Just one from me. I mean throughout this presentation and your discussion, you've talked about becoming a more credible, stronger competitor to Vodafone and KPN. I just wondered if you had specific plans to enhance your fixed-line convergence offering and how soon we could get details on that. And whether or not those decisions will be based on any assumption around what happens with regards to cable wholesale regulation. So effectively, is this deal a platform to exploit potentially more attractive wholesale terms on the cable side? Or are the business cases that you've laid out purely based on mobile?

Jonathan James - Tele2 Netherlands Holding N.V. - CEO

Thanks for the question. It's Jon here. I mean in general terms, we're not going to speculate about the commercial strategy of the potential new entity. The -- but it's stating the obvious to point out that T-Mobile already offers a converged FMC offering to consumers with its mobile and a fixed-line offering and that Tele2 already offers a very strong FMC proposition to business-to-business customers using its fixed network and our mobile asset. The combination of those 2, the combination of the very strong mobile spectrum and tower assets of T-Mobile with the fixed network strengths that Tele2 have obviously gives us a very strong position to push harder in FMC and to become a very strong #3 FMC operator taking on these very large market shares that we've talked about. So I think that you can expect a lot from us on that front. The -- you asked about cable wholesale regulation and whether this deal was in some way dependent or upon assumptions about that. I mean, similar to my earlier answer, we're driven by the fundamental business and consumer benefits of bringing these 2 companies together. That really has driven the transaction, and we are -- we have not been banking on particular changes in regulation to guide the transaction.

Operator

Our next question comes from Leon Bogaard from ANP News.

Leon Bogaard

Can you say something about possible job losses and other ways to save costs? And about the possible IPO, will that one be -- take place in Amsterdam?

Jonathan James - Tele2 Netherlands Holding N.V. - CEO

Leon, it's Jon here. Let me take the first question and then hand over to Allison. The message, at this stage, from both Tele2 and T-Mobile, it's very much business as usual. We'll continue to operate as entirely separate and competitive businesses. Obviously, if we were to receive regulatory approval, we do believe there would be synergies and efficiencies that could be achieved, but I'm -- it's too early to speculate about any more detail than we've given in the presentation.

Allison Kirkby - Tele2 AB (publ) - President & CEO

And it's also too early to speculate where the IPO would be listed as it's a number of years away.
Leon Bogaard
But can you exclude possible job losses? Because you say we will save EUR 150 million on annual basis in the future when we combine, but there must be a plan to get to that number.

Jonathan James - Tele2 Netherlands Holding N.V. - CEO
Yes, I understand the question, Leon, but as I said, we're continuing to operate as stand-alone businesses and not -- we're not going to speculate on how we might achieve synergies beyond the detail we've already given in the presentation.

Robert Slorach - Handelsbanken Capital Markets AB, Research Division - Research Analyst
Just a couple of things I was curious about. The EUR 1.1 billion intercompany loan, if you could just tell us what kind of the interest rate level on that is will be very interesting. And then longer term, we've discussed kind of your ambitions on these fixed access market, which, I mean, your ownership there of infrastructure would still be pretty limited. I'm just curious about longer-term CapEx-to-sales levels for the entity as it will stand after this deal. If you could give us any kind of color on that will be very helpful.

Allison Kirkby - Tele2 AB (publ) - President & CEO
Thank you, Robert. The intercompany loan is at market arm's length [competitive]roughly rates. It's a separate company, and it has to be treated on an arm's length basis from Deutsche Telekom in Bonn. In terms of the fixed access infrastructure, I missed the start of that question, but on the CapEx-to-sales, you'd expect to be in line with industry averages going forward once we're through the integration phase. Could you repeat the fixed access infrastructure question again?

Robert Slorach - Handelsbanken Capital Markets AB, Research Division - Research Analyst
No, just wondering whether the lack of fixed access infrastructure with this deal would make you more ambitious on building anything of the kind yourselves and whether that could push up the CapEx-to-sales level, but I think you kind of addressed that already.

Allison Kirkby - Tele2 AB (publ) - President & CEO
Sure. Thank you, Robert.

Thomas Heath - Danske Bank Markets Equity Research - Analyst
Thomas Heath here with Danske Bank. 2 questions, if I may. Firstly, the -- if you can give some color on the rationale for carving out the tower assets. What's the logic there, rather than including it in the JV? And then secondly, when you say EUR 150 million synergies, is that off the base of the last 9 months for 2017? Or is that on sort of projected run rate EBITDA for the separate units at the time of closing in mid-2018? The reason I'm asking,
of course, T-Mobile is relatively flattish profit-wise but Tele2 has had a fantastic EBITDA trajectory so there's quite a big difference from 2017 and what we could expect in 2018 standalone anyhow.

Allison Kirkby - Tele2 AB (publ) - President & CEO
Yes, I'll let Lars handle the second question, on the synergies. On the first question, that's very much a corporate decision made by Deutsche Telekom to carve out towers assets into a separate company. And I think it's something that they have been working towards for quite some time, and so they used the opportunity of the transaction to carve those out. And, Lars, do you want to take the synergy question?

Lars Nordmark - Tele2 AB (publ) - Group CFO and EVP
Yes, sure. So the way to look at it, Thomas, is that about EUR 150 million we'll probably get about EUR 110 million on OpEx and about EUR 40 million of CapEx. On the OpEx side that's about 7% of the total kind of OpEx base of the combined entity, which is pretty much in line with the average that we've seen. And on the CapEx side, we see opportunities there on overlapping mobile and fixed platforms and also some opportunities on the -- in the rollout areas and densification. So...

Thomas Heath - Danske Bank Markets Equity Research - Analyst
Right, so you're more thinking in terms of a percentage of the total combined cost bases regardless of when it starts?

Lars Nordmark - Tele2 AB (publ) - Group CFO and EVP
Yes, (inaudible). Yes, correct.

Operator
Our next question comes from Victor Höglund from SEB.

Victor Höglund - SEB, Research Division - Analyst
Yes, I have mostly the same questions. There was just one question, if I may add here. Looking on fixed-mobile conversion in general, would you say that that's higher up on Tele2's agenda now as a combined group? Or is this strictly a focus for Netherlands?

Allison Kirkby - Tele2 AB (publ) - President & CEO
It -- well, our purpose is to fearlessly liberate a more connected life for our customers. And in the Netherlands, being very much an FMC market, then it is an opportunity for us here in the Dutch market. But it -- FMC is very different market to market. And we do what is in the best interests of providing connectivity to our customers, subject to what each market needs and wants to do.

Victor Höglund - SEB, Research Division - Analyst
But in general, would you say then that markets are moving more towards that, considering your view? Or is this more Netherlands?
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Allison Kirkby - Tele2 AB (publ) - President & CEO

It’s more Netherlands. We haven’t seen any FMC move in our major Swedish, Baltic markets recently.

Operator

Our next question comes from Stefan Gauffin from DNB.

Stefan Gauffin - DNB Markets, Research Division - Analyst

I have a question relating to why the cash proceed of EUR 190 million rather than a higher ownership stake in the company. Are there any sort of management control thresholds that made T-Mobile want to control 75%?

Allison Kirkby - Tele2 AB (publ) - President & CEO

No, there was no threshold that draws that. We wanted to crystallize some value upfront. And we wanted to get a material but minority stake in the new entity going forward. So there was nothing in particular that drove that, apart from we wanted a mix of equity and some cash.

Operator

Our next question comes from Dimitri Kallianiotis from Redburn.

Dimitri Y. Kallianiotis - Redburn (Europe) Limited, Research Division - Research Analyst

I just have one quick question actually. The others have been asked. Just regarding the breakup fee, it looks very low at EUR 25 million, so I just wanted to ask you if it’s a reflection of the high risk that the deal, in your view, could potentially be blocked.

Allison Kirkby - Tele2 AB (publ) - President & CEO

No. We believe that is a fee that protects us against should the deal not be approved. And although it’s separate to the breakup fee, we have as a part of the deal also renegotiated certain aspects of the national roaming agreement and the network-sharing agreement.

Operator

(Operator Instructions) We’ll now take our next question from Ottavio Adorisio from Societe Generale.

Ottavio Adorisio - Societe Generale Cross Asset Research - Equity analyst

I have 3 questions from my side. The first one is on the gearing. You talk about a 2.5x net debt-to-EBITDA before the company starts paying a dividend, so my question is that, would that take into account the capitalization of the lease considered with IFRS 16 that you need to consolidate the debt from the EUR 35 million the company will be paying to DTE for the towers? The second is on any intercompany revenues between Tele2 and(536,629),(773,647) and DTE to take into account. And the third, it’s basically a follow-up from all the question that have been asked so far about your fixed-to-mobile offering. So this basically will -- the deal will give you significant synergies in mobile, but doesn’t basically address at all the issue on the fixed-line access. So my question is that are you -- you currently offer, both you and DTE, fixed-to-mobile deals, but you do on a wholesale basis. Are you happy with the current wholesale terms being given to you and to DTE? Or you’ll be basically pressing for better terms going forward.
Allison Kirkby - Tele2 AB (publ) - President & CEO

Jon will take the last question, and then Lars will take the gearing and the intercompany revenue questions. But, Jon, why don’t you go first on the FMC?

Jonathan James - Tele2 Netherlands Holding N.V. - CEO

Yes. Ottavio, as you say, we currently have -- both companies currently have fixed-line access offerings. Tele2 offers FMC offerings only in B2B at the moment. And we have -- we sell our consumer fixed-line offering entirely separately from our mobile offering. Well, as you know, DTE has a combined FMC offering but only in B2C. And you ask whether we’re happy with the wholesale terms that we get from KPN; and the answer is, of course not. We have for some time, in common with other operators, been working closely with the regulator to approve the -- a broad range of wholesale terms available to operators in the market; that will continue, I’m sure. In the case of the merged entity, I think the attraction -- one of the attractions of the deal is that it does allow us, with the broad range of fixed assets that Tele2 has, together now with those that DTE has from its Vodafone acquisition, it allows us to pick and choose an optimum range of infrastructures, whether it be fiber for customers, whether it be using our core backhaul network and all the other range of wholesale offerings that are -- that we take at the moment and using our scale and the different technologies to optimize the economics of this deal. So I think we’ll have a better basis for FMC competition even without movement on the wholesale terms.

Lars Nordmark - Tele2 AB (publ) - Group CFO and EVP

And on the IFRS, we will give more details on this when we get closer to closing. Because at this point in time, it’s too early to go into the accounting details for the merged entity.

Allison Kirkby - Tele2 AB (publ) - President & CEO

And in terms of intercompany revenues, well, obviously, the new company will have access to the Tele2 grant and we’ll get some revenues too.

Ottavio Adorisio - Societe Generale Cross Asset Research - Equity analyst

And if I can follow up. I know that you don’t want to give -- or potentially you don’t have at the moment all the financials for the new co, but the EUR 35 million is fixed over the durations of, we’re talking about, next 10, 15 years; or will go down as you start to commission towers? And second, how much DT will be getting on top of this EUR 35 million? There will be any re-charge from either Tele2 or from DT on brand or software and so on?

Allison Kirkby - Tele2 AB (publ) - President & CEO

So Lars, do you want to take those questions?

Lars Nordmark - Tele2 AB (publ) - Group CFO and EVP

Yes. I think, on the EUR 35 million, it will be fairly stable over the next few years. And that will obviously, [also late in deal a bit], the timing on if we increase the number of sites or reduce in the beginning because of the commissioning. Your second question there, sorry, could you repeat that one?
Ottavio Adorisio - Societe Generale Cross Asset Research - Equity analyst

It's pretty straightforward. We've seen a lot of deals without going very far from all the funds we go, where the 2 shareholders basically get a lot of value out of the company by re-charging for software, branding and other items. So what's the agreement between you and DTE in terms of any re-charged from the 2 parents to the subsidiary in terms of -- for sure, for branding or for software or for any other service you would be providing through the new co?

Lars Nordmark - Tele2 AB (publ) - Group CFO and EVP

I mean, on that one, I would say that, as you know, there are certain functions in Bonn and certain functions here in Stockholm. I will say, on the re-charge for brand, this reflects very much what is customary out there in the market, so nothing particular that is very strange.

Ottavio Adorisio - Societe Generale Cross Asset Research - Equity analyst

But it's not strange. Have you got a number how much will be the re-charges, so can we best devise (inaudible) EBITDA?

Lars Nordmark - Tele2 AB (publ) - Group CFO and EVP

Right...

Allison Kirkby - Tele2 AB (publ) - President & CEO

No, that's too much detail for now. I think that's something we're going back to when we're closer to closing. We won't -- sorry, we're running out of time now. We have time for one last question.

Operator

Our final question comes from Irina Idriss (sic) [Irina Idrissova] from RBC.

Irina Idrissova - RBC Capital Markets, LLC, Research Division - Assistant VP

Just looking at the leverage based on the current EBITDA and looking at the dividend payout policy, is it reasonable for us to assume that there will be a dividend payout pretty much in the first year after the deal close, given that leverage currently is already close to 2.5x?

Allison Kirkby - Tele2 AB (publ) - President & CEO

That will depend very much on any upcoming spectrum auctions in that first year, so too early to say at this stage.

Thank you, everybody. I thank you for your time this morning. And if you have any other questions, Erik and Kristoffer or Lars and I and Jon are available anytime to take them. So I -- if I don't get the chance to talk to you before Christmas, I wish you all a fun and fearless festive season.

Operator

This concludes today's conference. Thank you for participating. You may now disconnect.
DECEMBER 15, 2017 / 7:30AM, DTE.DE - T-Mobile NL and Tele2 NL to Join Forces Conference Call

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