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## PRESENTATION

**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Good morning, everyone, and a warm welcome to Tele2's second quarter 2013 interim report. With me today I have Mats Granryd, of course, President and CEO; and also, Lars Nilsson, our Chief Financial Officer. And in the crowd, we also today have Roxanna Zea, our Chief Strategy Officer as well.

I would like to welcome everyone joining us by telephone, but also, of course, via the web, which is quite possible.

But I guess, without any further delay, Mats, I would like to hand it over to you with the possibility to give an introduction to the quarter.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Yes, thank you very much, Lars. It's a pleasure to be here in a very sunny and warm Stockholm.

So, the second quarter of Tele2, good customer intake, we added 455,000 net intakes, now 15.1 million customers. And I'm sure you have noticed that we have changed somewhat of the accounting principles of how we calculate active subscribers, so we have deducted some 800 -- or a little bit more than 800,000 customers predominantly from Kazakhstan, but also from Norway; that is not affecting anything, except we have more of an active customer base now than what we've had before.

Sales up 6% on the mobile side, up to SEK5.4 billion; EBITDA SEK1.5 billion, I think that's spot on. And CapEx is pretty much on the same level as we have anticipated. Maybe a slight downturn on CapEx, but that is due to a pushing out of the 4G license auction in Norway.

So all in all, we feel that it's a strong quarter and a quarter that delivers on our promise or commitment to the market. I would like to highlight the sales -- the net sales here on the mobile side. If you just look at the four major markets we have, if you look at the underlying service revenue growth, Sweden grew with 4%; Norway with 13%; Kazakhstan with 64%; and the Netherlands with a whopping 81%. So our mobile portfolio is growing very, very nicely.



We do have challenges still on the fixed side, predominantly in the Netherlands and Sweden, and we will cover them later. The mobile activities are doing very well and the mobile sales are roughly 75% of the total sales of Tele2.

So, let's now look into the different countries. Sweden, 42% of the total Group's sales; 20,000 customer added, net intake, very good; EBITDA 19%; and, as I said, in underlying service revenue growth of 4%, which is something that we are very proud of; and a good customer intake.

Now, if we look at some of the operational highlights in Sweden, I would like to say that the key market trend still prevails. The prepaid to postpaid migration is there; voice to data continues. We are improving our market share, mainly in the business segment. We are positioning the two brands, Comviq and Tele2 very clearly in the market. And we are working with customer relations, and I will cover them in some more details here.

Sales channels, as you know, we launched Comviq To Go end of last year, and we've had two quarters of testing out the ATM-type of machine in the convenience stores. That has proven to be a very good and successful concept, so good that we've now taken the decision in the second quarter to launch it nationwide. So we now have more than 100 points of sales of this type of ATM machine.

On the Tele2 side, we have opened our 51st store. And you can clearly see the difference in the brand perception; very nice stores on the Tele2 side and a very cost-effective ATM-type of machine on the Comviq side.

The prepaid to postpaid migration, last quarter, we had a 24% decrease of Comviq prepaid churning out to this quarter we had 28% decrease, which meant that the activities we are doing in the Comviq segment on prepaid is proving to be successful way of doing things. So that is something that we're happy with.

Smartphone development, we are pushing 81% of the Swedish market and a big trend shift second quarter of 2013. Samsung is now the number one brand. Altogether, as well as the number one, Samsung Galaxy S4 is the biggest product of postpaid sales in the second quarter.

53% of all handset sold were a Samsung handset; 42% Apple; and Sony 5%. One feature phone, and it's only those three brands; it's Samsung, it's Apple and it's Sony, no one else is there. 72% are included 4G; so 4G enabled handsets are becoming more and more in abundance in the Swedish market.

Looking somewhat on the business side, as I said, we are now number two and for those of you who don't read Swedish, the ad says we're not here to stay, which meant that we are aiming to become a number one player in the business side.

Now, I think we need to be humble enough to say that number one is a far distance away from us. So, you can turn it around and say it's actually a good growth opportunity. We're not close of hitting that ceiling but we are number two in the business segment now, which is also a trend shift where we have not been before.

Everything is underpinned by a great network. I think that is so important in such a competitive and intelligent market as Sweden. We have, I would argue, the best network in Sweden when it comes to 4G. We have the best coverage and we have the most deep network. I would also argue we had the fastest network and we had quite a lot of tests independently done that proves that. So this is something that we're very, very proud of.

Now, this might be somewhat of a farfetched assumption here, but since Sweden is, according to OpenSignal, the number one country when it comes to download speeds on the planet and we are the number one in Sweden, you could say that we have the fastest network in the world in Sweden. I think that's pretty impressive and that's something that we take great pride in.

And, of course, why is that so important? Well, you can see that the trend continues. The data consumption continues. Our 4G network is now pushing more traffic through than 3G, and this is the basis for our business. And it's just so important to stress the fact that this is such a prestige, pristine service that we do need to charge properly for. It is not a giveaway, by no means. Data connectivity is something that we will continue to increase prices and charge more heavily for in the future.

IT is something that we have spoken about for some time and we will continue to invest in that, both upsell of data -- data upsell ware -- data warehouse, in order to do a better segmentation in the market, as well as the billing side needs to be augmented. And all these three areas underpin not only an improved customer experience, but also better cost efficiency for us as a Company.

I would like to push out the number one, the data upsell, that's something that we have said before. And we have launched that now and early statistics, still very early, but nevertheless 35% of the customers reaching the bucket size limits opt to prolong or buy another bucket due to this notification that they get sent out. And I think that's a good starting point; that 35% of everyone reaching the limit wants to have more data, so we don't try and keep them down.

Also customer satisfaction, we have talked about that quite some time. And it is a real pleasure to show this graph and to see that we are doing such a good job in the Swedish market. We're not a world class yet, but the trend is very, very clear. And we are working with everything from soft skills at agent to IVR augmentation; a lot of communication making sure the processes internally are much more efficient.

And the next step of this will be to ensure a lower amount of incoming calls. We can handle the calls we have now in a good and better way, but we need to reduce the incoming calls, and that is something that we are working with as well.

Forward-looking statement in Sweden is unchanged for the full year of 2013, so sales and EBITDA are where they have been before. So that's Sweden.

So let's look at the Norway. 14% of the sales of the Company, 18,000 net intake; remember, first quarter we had a zero, a slight negative customer intake, and we are now back on track and in a growth mode in Norway. Underlying service revenue is up 13%, which we're very happy with.

And EBITDA margin is 4% roughly. We're not so concerned about that as for now. It's more important they get customers on board and building out our network. I think that the main activities in Norway, building out the network; migrating all the customers; and then also increase our market presence in Norway.

So if we do take a look at that, we have launched three stores in Norway; Strommen, Bergen and Fredistad. And a very good pickup, better than what we anticipated. And we will launch some more stores, but not nearly to the extent that we have in Sweden. We are more relying on online sales in Norway, but it is important for us to get the brand perception out into the market.

Norway is no different from the rest of the world going into bucket priced prices, bucket price plans, and we're doing the same thing in Norway. And it's proving to be a good and successful way of doing business. Our revenue market share is roughly 18%. Data is slightly lower; it's at 16%, so we have a good headroom to improve our data consumption and charge for that properly.

As I said network roll out is of key importance, and we are very much on track. We have 1,600 sites ready. We plan to do another 750 sites or so during 2013. And population coverage is 70-ish percentage points. Now we haven't lit up all the 70%, because we are concerned of the quality. So, in real effect, I would say that our population coverage might be in the low 60s or so. But the population coverage is becoming better and better. And the traffic on our own network is in the low 40s; 40% of the total traffic is on our own network.

Customer care, customer satisfaction equally important as in Sweden, obviously. And you can see a fantastic -- I must say a fantastic improvement in the Norwegian customer care department; they are now very close to working class. It's a great achievement and it will, no doubt, pay off in the future.

Forward-looking statements are the same as we've had before; there is no change.

Netherlands 18% of the total revenue from Tele2; 49,000 customer net added, a very good quarter again on our MVNO offering; and, as I said, 81% increase of our net sales in mobile.



EBITDA is 24%, and that is a concern obviously and it comes from our fixed business, which is in decline, especially in the fixed residential side. And we'll speak some more about that in the future, but that is where we see the decline in EBITDA.

In Netherlands the key things are obviously network rollout; to make sure that we launch -- or we start to build out our 4G network; obviously, as well to continue to see good progress on the MVNO offering and how to mitigate the fixed decline in the market.

So let's start with the rollout, we're going to start rollout in August, in a couple of weeks ' time. We have secured vendors for radio, core and IMS. We will not disclose that today. And the reason for that is that we only have a letter of intent, we have not negotiated the firm contract yet. It is a very tedious process to do that, but we hope to be able to do that in a couple of weeks ' time. And we will surely send out the press release once that is done.

We think that we will have in the neighborhood of 3,500 to 4,000 sites once we're ready. And we will build a high quality 4G on the network in the Netherlands, and we're taking the first steps right now.

I said that net intake was good, 49,000 and you can see the chart here to your left, we are the black guys and we are continuously, [say] beaten, but we are having a greater net intake than our competitors, quarter after quarter. All the way back to second quarter a year ago, we have taken in more net adds than our competitors. So we do have -- we're doing something right in the Dutch market, that's for sure.

And we have also built up a good retail distribution system in The Netherlands. You can see that we almost have one-third of all sales that is conducted through retail chains in Netherlands comes to Tele2. So it's not too worried that we don't have enough reach; I think we do have enough reach. And you can see that we have signed up the biggest retail chains, Media Markt, Dixons, etc., in the Dutch market.

On the business side, large enterprise is doing fine. We're gaining market share; in the SME segment as well doing okay. And we are launching new products, fixed to mobile convergence, a mobile soft switch, as an example.

However, we do need to make sure that we mitigate the fixed decline. And last quarter we thought about Reggefiber that we signed up, the offshoot from KPN on the fiber side. We said that they had a little bit more than one million customers that they passed. They're adding 300,000 to 350,000 households per annum. And we now have maybe 3,500 customers through Reggefiber. So what we do is that we buy the last mile fiber through Reggefiber, and then we connect that to our fiber ring that we are anyway building out for our 4G network.

So this is a way for us to mitigate, or try to mitigate the downfall of our fixed ADSL offering that is still going to be important, but it's losing ground from a technology perspective. Now, we think that the ADSL will continue to decrease before we get really a good effect from the fiber side. So we think that the downfall on fixed in The Netherlands will continue for the duration of 2013, until we see a turning point later on.

Customer satisfaction are doing -- needs to be doing a better job. As you can see, we're flattish. Lately, we have done a better job. We have changed some of the processes, but we do need to continue to work hard on this. We are at the 65-70 percentage points, and we do need to push up to 80%/85%. So this is something that we work quite hard with.

No changes in the guidance in The Netherlands; it's the same as we have said before. Revenue, EBITDA, cash flow and, also, our prediction of EBITDA positive, that's once we have launched our network.

So then, moving into Central Europe and Eurasia; 25% of the sales of the Group come from this area. And we'll start with Germany and Austria.

You can see, Germany, we have a slightly worse, from an EBITDA perspective, in the second quarter. And that's partly due to us taking some marketing expenditure in the second quarter, since we have launched a mobile offering -- a service provider mobile offering in Germany, and I'll go through that in greater detail.

Austria, I think, is doing a great job in keeping the EBITDA up. And we have lately seen as well improved result from the residential side, which we have been struggling with. But that is now coming back slightly at least. And, of course, this is the business that is our core offering in Austria.



So let's look into Germany then. The trend that we have tried to show here is quite obvious. Fixed line customers are decreasing, have been doing so for many, many years, and we need to find a way to continue to do business in Germany. So we looked into a very low risk, low investment-type of activity, and that will be a service provider.

So we're buying literally all activities from E-Plus, which is the KPN offspring -- or KPN subsidiary in Germany. We have our own SIM card, but the rest is being procured from E-Plus. We don't have our own HLR. So this is an even lighter set up than an MVNO set up.

So, what is then our proposition? Well, it's only two activities. We believe that the market size could be up to 40 million customers. It's a voice-only product, predominantly. For the first 12 months, EUR9.95 all-you-can-eat voice. And after 12 months, you have EUR14.95 for all you can eat. If you want to have SMS, you need to buy that for another EUR5 per month.

And then we have the data package, if you would like, which is 500 megabytes at 7.2 megabits per second. And that will then cost you EUR14.95 or EUR15 and up to EUR20, depending on the first 12 months and afterwards. And we do have an SMS option again for the EUR5 per month extra.

And we do -- as I said, we think this could be a market for us to be in, and we have slightly more than 3,000 customers already. Sorry about that -- we have 3,000 customers roughly right now and we have signed up Lothar Matthaeus as the celebrity testimonial to this offering, which I think is pretty neat. And let's see how this progresses in the future. It's something we hope for.

So, if we look at the Baltic States; Estonia, intense price competition, intense price competition; three operators in a very, very small market. Latvia, stable financials, even though also very strong competition in Latvia, but I think they're doing a great job in keeping EBITDA up.

And then our star is, of course, Lithuania. We're now number one, regardless of how we measure. And we have a margin of 41% in the second quarter. Doing very, very well, and that's also the biggest country of the three Baltic States.

Croatia, actually, doing okay, however, too slow; we're adding 13,000 customers. 7% in the second quarter on EBITDA, this is okay but it's not satisfactory, by no means. We have a 17% or so revenue market share in Croatia, which is improving but it's going very, very slow. So this is something that we continue to push internally to speed up things.

Moving on to Kazakhstan; doing well for us, 300,000-plus customers added; as I said, 64% mobile revenue growth in the quarter. And we are now reaching, pretty close to reaching the same network capabilities as our competitors, and I will talk a little bit more about that.

One thing that I think is important to note in Kazakhstan is that ARPU; we have managed to grow ARPU with some 12% or so over the past year, compared Q2 2012 to Q2 2013. So the ARPU is improving.

Two things that we need to do in Kazakhstan is to continue to build up network, as I said, and then, of course, of course, to make sure that we break even the second half of this year.

If you remember, our previous quarters we had subscriber market share; that was at 13%/14%, I believe. We have now changed that to the more accurate revenue market share, and now we're at 8.5%; literally doubling it one year ago. I think we're at 4.8% or so, second quarter of last year, and now it is 8.5%. So it's going in the right trend, no strange things there.

And, as you can see, the population coverage is at 83%. We do need to hit 88%, or thereabouts, in order to be happy.

Traffic development, I think this is a difficult chart maybe, but it's important to show this; that incoming minutes from other networks in percentage of outgoing minutes. We, of course, want people to terminate as many calls as possible in our own networks; terminating it in another network means that we need to pay out termination rates. So the bigger we get, the more traffic will actually be terminated in our own network. And you can see that on the chart that that is happening, as we speak.

And gross margin also developing nicely, exactly what we have said.



This is an interesting chart. 24% or so of our total revenue out of Kazakhstan comes from data. And I think that is manifest to our good 3G network in Kazakhstan.

Customer satisfaction fantastic; well above world class, doing a fantastic job. Yes, the product is easier. It's only pre-paid, literally. But still, it is a fantastic job that they're doing there.

Forward-looking statement is the same, except that we have taken down the revenue slightly, so Lars will talk more about that. But it is two main reasons. One is, of course, the termination rates are coming down. And the second thing is that we have a ForEx, a very strong Swedish krona, which is not helping us in this situation. The rest is the same.

And just a final word on corporate responsibility; that we're proud of what we have done in the corporate responsibility arena. And we will continue to inform on activities and actions that we have taken.

With all sorts, Mr. Nilsson, over to you.

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**Lars Nilsson - Tele2 AB - CFO**

Thank you. Hello, everyone. Yet another quarter and yet another set of numbers.

In front of you here you see the P&L for the quarter. And, as Mats said before, we have -- if you look at the net sales, they are down 4%. But if they are adjusted for currency effects, we are down some 2%. And, as you know, we have a growth in mobile, but then we have a shrinking fixed broadband sales.

EBITDA level at 20%, SEK1.5 million; and I think that is in line with our expectations as well as the expectations from the market.

We have lower depreciation compared with a year ago, and you know why. And I will talk a little bit about that later on.

And then I will also bring to your attention, of course, even if we should now focus on the existing new Tele2, of course, we have a quite big number there when it comes to discontinued operations. And that's, of course, the sale of Russia, so that SEK13.3 billion for the quarter.

And you can also, if you look at the comprehensive income, you can also see another part of this gain, which is SEK1.7 million, which is FX related. So if you will look at the full effect, you have to look at the P&L as well as what will happen with our equity.

Year-to-date numbers, it's the same trend as you saw for the quarter; a margin of 20% and net profit of SEK14.5 million in the P&L statement.

Currencies, as Mats talked about before, we have seen a stronger krona compared with last year. So the euro is down 4%, and the tenge -- Kazakhstan tenge, 7%. And that is, as Mats said, the reason for us taking down the expectations for sales numbers in Kazakhstan. And then also actually the Norwegian krone has come down compared with the Swedish krona.

Depreciation has come down compared with a year ago. If you remember, we had a write-down of the Swedish network in connection with us going into Net4Mobility. The same we did in the Baltics, where we had a swap around of the equipment there. And we also have this written off of the surplus from our acquisition in Kazakhstan. So now we are down to a level below 11%, and I think 11% is quite a good benchmark for us, going forward.

Financial items, nothing spectacular at all; we have an interest cost of some SEK50 million. And you can see the same in our cash flow statement, SEK50 million.

Taxes; as you can see now, we have a higher actual tax rate in the P&L statement, which is natural. So you can see for the quarter SEK234 million. But we can still utilize our loss carried forward, so the cash flow taxes for the period was only SEK7 million. But I think we should look for the full

half-year -- over the half-year, where we have cost of SEK434 million, but our paid-out taxes are SEK162 million. And our forecast for the full year when it comes to cash flow there is SEK250 million.

Cash flow here is for the full operation. And, of course, we are very, very proud to show you, I think this will be the only time I will show this number, such a high number, for a quarter. We actually had a cash flow of SEK17.9 billion. And that is, of course, a lot of things happened in the quarter; we received all the proceeds from Russia. And then you also know that the major part of this we were giving out to our shareholders.

But I think it's even more important to look at the Company without Russia for the quarter, very stable. We generated after CapEx some SEK500 million. And if we look at year-to-date numbers, there you can see that we have a CapEx of SEK3 billion, and you know that we bought the license in Holland for SEK1.4 billion in the first quarter.

Change in working capital, minus SEK500 million; SEK250 million of that is linked to handsets, us building up the portfolio, and especially here it's in Netherlands. So, if you can see -- if you look at the revenues for Netherlands in the Mobile, of course, it's a lot of -- its underlying revenues, but it's also handset sales. The rest, SEK250 million, is more temporary items, which I believe that we can cancel during the year.

Yes, we have changed the debt profile as you know. Here you can see that we are coming down from SEK15.8 billion to SEK8.1 billion. But as you -- as I told you before, there was a lot of rock and roll in Q2, with a lot of cash coming in, but also a lot of cash going out to our shareholders.

Here you can see our debt profile. We have then unutilized sources, our revolving credit facility, which we are not using today. And so I think we have a quite pleasant situation here when it comes to opportunities, going forward. Here you can see us being an actor in the debt capital market.

And debt position, SEK8.1 billion, I've told you before. And you can see that we are within the range, the range between SEK1.25 billion and SEK1.75 billion.

Group financials; Group net sales I will talk a little bit more about on the following slides. If you look at the CapEx you can see what happened in Q1, and that was boosted by what happened in Holland.

And, of course, return on capital employed, we are now another Company, and without Russia it's not a picture. But, of course, this also shows you that we are in investment phase, and we definitely will see this improves over time, when we deliver upon our projects; Kazakhstan, Norway and Holland.

I don't know if we should spend so much time about it, but I think you have -- you are aware of that that we took away some 844,000 customers, by being even more prudent in looking on the definition on inactive customers.

So these customers had extremely low ARPU, and they were in a way inactive, because the customer had not paid anything for the last few months, but they still had a voicemail open, and therefore there was some traffic. But the -- we have looked into this now in a thorough way, so we have just taken them out.

And what you can see on this chart here, you can see the net intake without these churn numbers. So you can see, as we all know, the growth is coming in in the mobile segment. And then the fixed telephony is gradually coming down, as we know; and fixed broadband slightly down as well.

And we will bring your attention to what's happened with a breakdown on our revenue development. And please be aware at the numbers you see here, they are FX adjusted. They are FX adjusted, so you can't reconcile them exactly with the numbers we are showing on our other slides. These are that we have used FX rate as of end of June.

And what you can see here is what we talked about before; you see, I would say, a solid mobile growth, if you compare quarter with quarter. You see the development in fixed broadband, and as well as fixed telephony coming down.



Other revenue, that's wholesale revenue, and also revenues from our international carrier business, and there we have been less active. International carrier business is not generating on the bottom line. So it's more us changing strategy.

We have also now looked deeper into, and I would like to show, how we see the Mobile segment. So we have divided the revenue into three parts; the operator revenue, the equipment revenue and the underlying revenue.

So if you compare this quarter with a same quarter a year before, you can see the underlying revenue a growth of 9%, which we are very proud of, and very satisfied of. We see equipment revenue grow by 28%. I don't know if we are proud of it, but it's part of the business; it's part of the business. And then the operator revenue coming down, as a consequence of mobile termination rates coming down; you can see that clearly, for example, in Norway, but also in Kazakhstan. So I hope that this will give you even better -- a better insight in what's going on in the mobile segment.

By that, Mats, I'll leave the floor to you.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Thank you very much, Lars. So just to conclude this quarter then.

Three things I would like to highlight; strong customer intake in all our markets, especially in the key markets. 20,000 in Sweden; 22,000 in Norway; Netherlands 49,000; Kazakhstan 309,000; that's a good, solid net intake of mobile customers, all in all, 455,000.

And as Lars said, the Mobile growth development I think we're very proud of, the 9%, as you saw, split up by 4% in Sweden; 13% in Norway; 64% in Kazakhstan; and 81% in the Netherlands.

And, of course, our focus on network rollout and cost efficiency, that is underpinning everything we do, continuously. And I think these three things, they will continue to be important, and they will also enable us to continue to be the challenger in a very challenged industry.

So with those words, over to you, Mr. Lars.

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## QUESTIONS AND ANSWERS

**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Thank you very much. So that was our presentation for the second quarter exactly, and we would like to open up for questions. We could start here in the room. We start with [Stefan].

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**Mats Granryd** - *Tele2 AB - President & CEO*

It's the guy who raises the hand that should have the microphone, or the body.

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**Stefan Gauffin** - *Nordea - Analyst*

Stefan Gauffin, Nordea; a couple of questions on both Sweden and the Netherlands.

If we start with Sweden, yes, there was a positive subscriber intake, but Three reported this morning, and they still out-perform you on subscriber intake. And they have also launched a new brand, Halon, and you stated that you gained market share in the B2B segment, but what about the B2C segment? Can you just talk a little bit about competition, and how you see the subscriber development compared to this?



**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

Okay, I'm going to do the same drill as I always did, just to repeat the question just shortly if someone didn't hear you; but, Mats, competition and the competitive environment on the business to consumers.

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**Mats Granryd** - Tele2 AB - President & CEO

I think that the Raspberry or Halon thing that Three has launched has been not visible for us, honestly. I see that the Swedish market has become much more stable and much more sound, business-wise, than it was -- than it has been before.

And as I said, we still have a churn-out from our prepaid customer base from Comviq, even though it has now reduced down with 28%, as I said. So I think we will continue to push our Comviq offering, and we will see a continuous decline in that churning-out of prepaid customers.

I, also, am convinced that our superiority when it comes to network quality, our 4G network, and also our customer care activities, will stop that trend, yes.

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

When it comes to just the Comviq brand, we've seen churn coming down a lot as well, but if you look at also the outflow customers in the prepaid base that has also been improving a lot during the quarter as well.

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**Mats Granryd** - Tele2 AB - President & CEO

Yes. The churn has come down from the prepaid side as well. So we're talking about prepaid opposed to migration, yes, that's still there. But the prepaid segment is the segment that will continue to be a segment for many more years. We are sure about that.

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

Just to give you some stats, the outflow of the Comviq prepaid was only, I should say, 6,000 customers, compared to two quarters ago, when it was more than 70,000; significant reduction in churn there when it comes to the prepaid side.

So the new brand is working well and the new distribution is working well. Then the question is what -- it specifically against Three, we are very much focused on what we can do with the Comviq brand, and we feel good now that the brand is working for us.

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**Mats Granryd** - Tele2 AB - President & CEO

Yes, the brand is working. We have a strategy and we're just implementing and executing on that strategy. And I'm sure that that is the right way going forward.

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

Now, I think we'll take --

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**Mats Granryd** - Tele2 AB - President & CEO

[We have] one more, I think.

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

One more, sorry.

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**Stefan Gauffin** - Nordea - Analyst

Yes, one more relating to the Netherlands where you have a very strong revenue growth, but as you also indicate, some of that is driven by handset sales. And it seems to be a pickup of sales in Q1 and now even stronger in Q2. Could you say how much of the revenues in the Netherlands that are handset sales in the quarter?

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**Mats Granryd** - Tele2 AB - President & CEO

Yes. However, the 81%, that is underlying revenue, that's nothing to -- we have taken the equipment out.

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

So if you take the total sales growth, that was 96%. But if you just look at our own service revenue, that was 81%. I know you need something to base that on, of course, but that's the problem.

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**Mats Granryd** - Tele2 AB - President & CEO

[That's why it was done].

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

We haven't that. I don't know, Lars, if you have anything to share, otherwise maybe we can --

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**Lars Nilsson** - Tele2 AB - CFO

We can come back to that. Of course, we have the numbers.

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

Yes.

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**Stefan Gauffin** - Nordea - Analyst

Thank you.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Very good. And then we take -- yes, the queue has patiently been waiting.

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**Unidentified Audience Member**

Thank you. So also on the Netherlands, can you tell us how much of the intake is postpaid? Also, could you talk about why are the customers signing up? What's your key products and key selling points there? And why are they less happy than you would like them to be? You talked about the weak customer satisfaction. That's the first one.

And then also, I was curious about the Kazakhstan. I think you showed a graph showing that you have more incoming calls than outgoing calls. Does that mean that you also have now a positive interconnect net, so to speak, in terms of cash? Thank you.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

So first, the Dutch market. When it comes to the mix between prepaid/postpaid and also maybe touch upon the customer care graph as well that we showed; and then, of course, Kazakhstan when it comes to the net, when it comes to incoming/outgoing, so interconnect net to speak shortly.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Yes. So Netherlands postpaid, by far the most dominant; maybe 90% or even more are postpaid.

And then on the customer care, I think that we have a cultural difference maybe compared to other companies -- countries. We have maybe not focused as much on customer care as we have done in Sweden.

Remember, the Netherlands is a complex product portfolio [and] very similar to Sweden, so there is no reason why they should not be at the same level as Sweden. But they have had several problems of IT systems; problems with technology on their fixed installments that have hampered the customer care development. But we're working diligently on fixing that, because we see other markets succeeding.

And then you had the incoming calls there. We don't have a positive net yet. We, unfortunately, are not that big, right. So the big guys normally have the positive net when it comes to incoming calls. So we still terminate more calls outside than what we do inside.

So the bigger we get the better that becomes, and I think that's what the graph showed. And, of course, the termination rate coming down is also helping the net in and outflow of money.

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**Lars Nilsson** - *Tele2 AB - CFO*

If I can add there, that's about your market share, by 8% revenue market share, of course, you can't have the possible net there, so it's about us growing the business.

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**Mats Granryd** - *Tele2 AB - President & CEO*

But we see that it improves.

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**Lars Nilsson** - *Tele2 AB - CFO*

That's what we can see right now.

**Mats Granryd** - *Tele2 AB - President & CEO*

And it should improve as we grow.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Then when it comes to our offer, specifically in the Dutch market, we have the same type of volume offer that we have in Sweden in the Netherlands. We call it Tele2 Mix in the Netherlands, with a fair amount of flexibility when it comes to how you can create your own package; voice, SMS and data in combination then.

It should be said that we are, of course, now pursuing 4G SIM and 4G handsets to be able to make use of that the day when we rollout our own network, our 4G network, maybe to start to offload very quickly onto the network, when that is possible.

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**Mats Granryd** - *Tele2 AB - President & CEO*

When that is ready.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Yes. So, operator, we would like to see if there's a question from the telephone conference as well.

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**Operator**

Peter Nielsen, Cheuvreux.

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**Peter Nielsen** - *Kepler Cheuvreux - Analyst*

A couple of questions please. Firstly, on a more conceptual nature, there seems to be a school or thought developing, at least among some people in the industry in Europe at the moment, that a mobile over there needs access to fixed broadband as well in a potentially converging world.

Now, obviously, in recent years, you've taken a different view. Would be interested to hear any comments from Mats, or potentially Roxanna, on how the management and the Board views Tele2's position in this respect in, say, Sweden and Kazakhstan -- sorry, and the Netherlands.

And secondly, related to Germany, Mats, you launched a service provider there on the mobile side and you say you need to find a way to stay in Germany. Obviously, you have a strategy of being a mobile network-based operator and, nonetheless, you're launching a service provider there. Just out of interest, why? Is it a principle for you, you want to remain in Germany?

And just thirdly, on Kazakhstan, where you've obviously shaved off almost one-fourth of your subscriber base now, does that mean that the market here, targets you've had for Kazakhstan are no longer relevant? Thank you.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Okay, so just a little bit of a repeat. Fixed to mobile convergence, what our view is there. I don't know if we would like to make use of Roxanna, but we can try it ourselves first. Then we have, of course, Germany, service provider, how we'd like to have our own infrastructure and now we're going service provider then in Germany, so are we staying. And then when it comes to our market share target in Kazakhstan as well.

**Mats Granryd** - *Tele2 AB - President & CEO*

Yes, so on the fixed to mobile convergence, that is a good question, and something that we're continuing evaluating. I think that the need for speed is going to be almost unlimited, and people will opt for the fastest and most convenient way of reaching that speed.

So I think that our 4G offering in markets where we have a 4G speed -- 4G coverage of network, from the mobile side, is going to be a fantastic product to bridge the downfall of slower fixed connections. So that's on the one side.

And then, on the other side, people that are really wanting to have really high speeds, the 200 megabits per second and above, then it's only fiber. So I think we will see those two technologies working in pair and sometimes one will over trump the other ones.

But I think that the ADSL and other technology will continue to be less and less important; still important for many more years, but less and less important in the future. But this fixed to mobile convergence is something that we've spoken about for the last, what, 15 years or at least 10 years. And we will continue to evaluate this quarter by quarter, basically.

The good question on Germany, because this is somewhat out of character for Tele2; I completely agree with you on that. And a service provider is possibly the easiest and lightest way of trying to become a mobile operator.

We're doing it more maybe as an experiment, you can say. We believe there is a market, as I said, of maybe up to 40 million customers. We don't think that this is going to be a groundbreaking activity, but it will give us maybe some more cash and experiment to see how that market -- if there is a position to be taken, to just provide a voice, attractive voice, easy-to-use voice bundle. So it's more of a test maybe you can say.

And then the last one was the --

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Market share target in Kazakhstan.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Market share target in Kazakhstan, which has not changed, has not changed. Just because we changed from subscriber to revenue, market share has not changed.

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**Lars Nilsson** - *Tele2 AB - CFO*

No. And the SIM card, we [show on the outlook], so it's a little bit out of definition also, so they were not true customers. But the only relevant way to measure your position is revenue market share.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

And it should be said also PK, that we have introduced the same kind of a sales method that we had in Russia with the revenue share model with the retailers. I think it's also helpful when it comes to avoiding inactive customers, such as these that we have churned out now as well; I think that could be mentioned.

We're back to Germany, I just want to -- like to ask, Mats, but this is an investment-light approach?

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**Mats Granryd** - *Tele2 AB - President & CEO*

Very light. We haven't done more than maybe EUR5 million or so of investments and predominately, the marketing area are making sure that we have the flow of how to get customers in. This is an online approach, no -- very limited presence in the market from other physical locations. But as I said, it's a little bit of an experiment, let's see how it goes. And it is, you're absolutely right, slightly out of character of Tele2.

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**Peter Nielsen** - *Kepler Cheuvreux - Analyst*

Okay. Thank you.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Thanks, PK. And, operator, could we have another question please?

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**Operator**

Laurie Fitzjohn, Citigroup.

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**Laurie Fitzjohn** - *Citi - Analyst*

Just going back to Sweden, the service revenue growth fell from 3.5% to 1%, but yet the minutes growth accelerated up to 15%. So just looking to understand the dynamic a bit more; are we seeing a bit of dilution as customers migrate onto unlimited voice plans? How far through this migration are you? And then in this context is this the beginning of a more negative trend, or should we expect the service revenue growth to increase and improve through the year?

And then secondly just briefly on the lower cash taxes, can you just give us an update on the current size of tax asset? And for how long you think the cash tax should remain below the P&L tax? Thanks.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

This is when it's good that I repeat the question.

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**Mats Granryd** - *Tele2 AB - President & CEO*

I'm so happy that you remembered the question.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

No, because I expect you to -- pick another question. But, of course, when it comes to service revenue trends in Sweden

It has been slowing down somewhat in Q2 versus Q1. Is that something that we are concerned about? Do we seek to stabilize recovery from these levels? And what are we doing to mitigate it, so to speak?

And then at last actually a question for you, Lars, it's around cash tax and how you view cash tax developing going forward when it comes to the tax-loss carry forwards we have, and how we can utilize them? Shall we start with you Mats or?



**Mats Granryd** - *Tele2 AB - President & CEO*

Yes. No, I think we should not be too, how should we say it, too concerned about one sequential one quarter for another quarter, I think that would be the wrong assumption.

I think we will see a stabilization or positively a -- somewhat of an increase when it comes to underlying service revenue. People continue to use the mobile phone. And, as you saw on the graph, data consumption is growing almost exponentially, so that's going to help the situation as well. And one could say the second quarter was slow equipment sales, which is also maybe a way for people to start using their handset, their devices, more. So I feel, and I see more positive trends now than I have seen in a long time actually.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

And with regards to Sweden, we've done a lot of interesting initiatives, for example the possibility of topping up data subscriptions when you reached your limit, something that has been quite good.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Good that you said that, Lars, because it is -- you know that's been one of our problems, and one of the key concerns of many customers that they use their buckets, and then once the bucket is consumed we push them down to literally zero speed; they have some speed but very low speed.

And, of course, being a high user -- high usage consumer I then get very frustrated, and I call my customer care and say what's going on, your network is so poor I don't get any throughput, but in effect they have consumed all their data. So by launching this data upsell by package, we would be able to mitigate those two things in one blow; getting more revenue for people wanting to consume and also less frustration, more happy customers.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

This is something we've been trialing during Q2, so to speak.

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**Mats Granryd** - *Tele2 AB - President & CEO*

And it might sound strange why we haven't done this before, but it is an IT investment that has to be in place and we have been not so quick on that, unfortunately. Now though it is working.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Very good. And then also when it comes -- as we said before we're seeing stabilization of the Comviq base. The Comviq brand is coming through well and then hopefully that can also benefit --

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**Mats Granryd** - *Tele2 AB - President & CEO*

And I think we have succeeded very well in positioning the two brand, in Sweden. The Comviq brand on the cost conscious customers we have launched totally new ads when it comes to commercials on TV, etc., which has been a very positive reception on that; and then, of course, continued to push the more qualitative brand, the Tele2 out in the market. So we have positioned the two brands I think in a good distance between the two of them.



**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

Let's talk tax.

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**Mats Granryd** - Tele2 AB - President & CEO

Let's talk tax.

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**Lars Nilsson** - Tele2 AB - CFO

Finally, for many years we have been able to have quite a -- run this Company in a quite tax effective way when it comes to cash taxes, we have utilized a huge loss carry forward, and also by pushing down debt from Sweden to other countries.

As you know, the tax legislation in Sweden has changed, and that changed last year, so that will change also out environment a little bit. But still we have -- as you've seen in the balance sheet, we have a huge loss carry forwards and we will be able to utilize them going forward.

And right now if you look where the cash out so far this year it's in Holland, because there we have not -- we have sort of consumed our loss carry forwards. So there are some countries where I still see that we for the coming two years or so have to pay some tax, but otherwise we should be able to utilize what we have in the balance sheet.

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**Laurie Fitzjohn** - Citi - Analyst

Thanks.

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

Very good, so we have two more people in the audience that need to ask questions, and that is Mr. (inaudible), so he's going to get it, then we just have Thomas.

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**Sven Skold** - Swedbank - Analyst

Sven Skold, Swedbank. I'd like to get back to the strategic question and follow up on Peter-Kurt's question there.

When it comes to 4G versus fiber and the Swedish market, you have a different position in Sweden than in Kazakhstan, you are on the fixed line side. What's your take on the market? Sometimes you say you're going to build fibers. The next day we hear you're going to sell cable vision. And where are you?

And I know I asked this before and what's your take on the fixed line side on Sweden?

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

So on the Swedish fixed line operations, how being or not being for us?

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**Mats Granryd** - *Tele2 AB - President & CEO*

Yes, that's -- it's a good question, and I am sorry if we have been flip-flopping this one, but I think we have a very good strategy. And the strategy is -- again, speed is everything.

For the business to business customers we are building dedicated fiber lines, if they so require.

When it comes to consumers, we don't see a business case worthwhile pursuing when it comes to fiber. So we're then pursuing a wholesale model very similar to the one that we have in the Netherlands, in the Swedish market.

And then, of course, we have already an installed base of fixed line customers for fixed voice and fixed broadband and TV and so on. And that's the question on how handle those, and that's something that we are working with right now.

It is -- they are there and they provide a good cash flow for us, but long term and from a strategic perspective we think that we will be able to provide the service to them in a different way. So continue to be bill out copper lines, or ADSL or such means to the households, we will not continue doing.

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**Sven Skold** - *Swedbank - Analyst*

May I also ask, TeliaSonera is building a fiber [huddle] in Sweden and I think many of the customers are -- well, they have to be TeliaSonera clients for around three years I think, is there an opportunity on those networks once the first three years have passed?

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**Mats Granryd** - *Tele2 AB - President & CEO*

Absolutely; absolutely, and we're fairly convinced that there will be other players as well in the market. Either you need to be focused on what you do here, I think that if we would start pushing out large investments, pushing in CapEx to build fiber to the home, fiber to the home, you would ask me completely different questions, I'm pretty sure.

And we -- on the residential side, we think wholesale model is better, more effective and for a vast majority 4G will be absolutely sufficient, the 4G rather.

So I think the convergence as we spoke about previously, the need for speed will be and you will see 4G and fiber will be the winners in this race, three, five years down the line, and we can see the trends already now. So we need to mitigate and we need to manage this transition in the lower speed technology into the more faster speed technology.

On the mobile side is easy. On the fixed side is more complicated. And the way that we have said it, business we do the fiber, because we can find a business case; for the residential we are looking and opting for wholesale model.

And remember, it's just at the very beginning of this, just in the very beginning. So three years down the line you will most likely ask me a similar question again, and we will have seen some movement. And it's not anything that's going to change overnight; it's going to take some time.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Very good. Thank you, Sven. And I'm going to see if there's a question from the telephone conference this time.

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**Operator**

Ulrich Rathe, Jefferies.



**Ulrich Rathe** - *Jefferies - Analyst*

Several, hopefully, short questions; first, on the Netherlands, could you update on your efforts to find a national roaming partner please?

Second on the change to the CapEx guidance, could you give some color -- I understand there's generally better prices, but could you give some color whether part of the downgrade is also that in the big growth areas you are also going towards the lower end of the range, or whether it's really all the other units, i.e., outside of Norway, Netherlands and Kazakhstan?

And my last question is Kazakhstan's revenue momentum, I notice that you reiterated this mid-term CAGRs until 2015. Does this mean that ultimately you have, you continue to have high hopes for Kazakhstan revenues to pick up to prior growth assumptions and it's something really happening this year, because of FX and regulation? Or is it simply that you can make up the slack you might have in Kazakhstan mid-term vis-a-vis earlier plans in other operations? Thank you.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Thank you, Ulrich. So we have three questions; network roaming partner or MVNO host more or less in the Netherlands, if there are any additional details to give?

When it comes to CapEx guidance, where is that lower guidance coming from? And is it from our mid markets or is it from the small markets.

And then when it comes to our view on revenue growth in Kazakhstan, then are we -- how do we view it? Are we giving up on strong growth in Kazakhstan, or do we see it to be still good for many years to come?

Shall we start with you, Mats, on the national roaming in --?

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**Mats Granryd** - *Tele2 AB - President & CEO*

National roaming in Netherlands.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Netherlands.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Yes. We have an MVNO arrangement today with T-Mobile, and that will continue, obviously. And our 4G build out is based on our own building it out. And I will see if we can find a partner. It's not so relevant. The national roaming MVNO 2G/3G is the place, and that we feel fine with. So that's okay, yes.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Yes. And when it comes to Kazakhstan and our view on revenue churn?

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**Mats Granryd** - *Tele2 AB - President & CEO*

Yes. Revenue will continue to grow in Kazakhstan, absolutely, and termination rates coming down. We see an ARPU uplift, as I said, 12.5% a quarter year over year, which is encouraging.

One should say that operators in Kazakhstan, Beeline and Kcell are good operators; they are reacting faster than the operators in Russia. So the climate is highly competitive, but has been so for some time. And we have started to do other measures in order to boost sales, such as revenue share with our retailers, the same set-up as we had in Russia. So we believe a continued good sales growth in Kazakhstan.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

And as we said, Ulrich, we're not changing our target when it comes to market share either. So we will continue to push to reach --

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**Mats Granryd** - *Tele2 AB - President & CEO*

Yes, absolutely.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

And then, Lars, when it comes to CapEx.

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**Lars Nilsson** - *Tele2 AB - CFO*

Yes, the CapEx, the changed CapEx guidance is not the result of us taking down our ambition, not at all. The major driver for this change is actually the delay in the LTE auction in Norway. And it's not only us buying the license; it's, of course, also investments connected with that. So that's the major change.

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**Ulrich Rathe** - *Jefferies - Analyst*

Thank you, Mats.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Ulrich, would you like to follow up, or are you fine with that?

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**Ulrich Rathe** - *Jefferies - Analyst*

Thank you very much. No, that's very clear. Thank you.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Thank you, Ulrich. So operator, do we have another question please?

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**Operator**

Akhil Dattani, JPMorgan.

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**Akhil Dattani** - *JPMorgan - Analyst*

Just a couple of points to follow up. Firstly, on Kazakhstan, if we take the current run rate of adds you're doing and we take your Q2 ARPU that you've delivered, it would still seem that you're likely to come towards the low end of your revenue guidance. I just wonder if you can help us understand why you've chosen not to maybe lower that range a little bit further. Do you have a more optimistic outlook into H2?

And I guess tying into that, if we look at your EBITDA losses in local currency, the Q2 loss actually looks to be higher than Q1, versus the improving loss trends we've seen the last few quarters. So I just wonder if you can give us a bit more color on what you're doing operationally in that market. Are you starting to get a little bit more aggressive to try and improve the momentum? And maybe some color around when you expect to achieve EBITDA break-even would also be useful.

And then a second question would be on mobile termination rates. I just wondered, given the chart that you've provided towards the back of the presentation slides, showing the impact of MTR cuts this year, could you help us understand, both for the full year this year and next year, what you think will be the full-year MTR drag? Just so we understand how that unwinds and what sort of improvement that might offer into next year.

And then, you mentioned about the delayed Norway spectrum process for LTE. Could you just help us understand, or maybe clarify for us, what sort of caps are being applied to this and what your expectations are in terms of how much of a better position you might come out of through that process? Thanks a lot.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

That's a lot of questions; good questions now in the queue, but we're going to try to work them through.

We're talking about maybe more for, Lars, when it comes to roaming, well, when it comes to interconnect cuts, I should say, in the coming years. I don't know if it's possible for us to elaborate on it, but still.

And then, of course, how we look upon investments in Norway. But also, talking about how we look upon the spectrum auction as such as well; if -- how we will come out of that one, when it comes to what spectrum we are looking for, and so on?

Then when it comes to Kazakhstan, again, guidance and current run rate, how we feel about the revenue guidance that we put in there, if it's still too high, or do we feel comfortable with that? Maybe, Mats, if you would like to take that one on.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Should I start?

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Yes, I think you should start.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Then I will start. No, the revenue guidance in Kazakhstan is steep, obviously. However, we are committed to reach that. It is all about pushing our organization and making sure that we continue to stay focused; build out the network, as I said; be creative in marketing; maybe we need to lower prices; data growth to make sure that we grow (inaudible) as well.



We have a very good 3G network, one of the best in the country. But we are not covering as much of the population as we really would like. I think we need to get up to an 88% result. We're not there yet. So continue to build out our network, and to do creative activities when it comes to marketing and pricing.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Because we see positive development on ARPU side.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Yes, absolutely; absolutely. We have some room maybe to be more aggressive, and we need to gauge that; how much shall we push down the ARPU and grow the business instead. So it is a mix or a balancing act that we need to do.

But it is a good market. It's performing very much in line with what we have expected. Maybe on the downside is that our competitors are fast; they are good. They understand and try to mitigate what we are doing in our network, having more on the net calls free, etc.

So -- but we stay firm with our guidance, and we believe that, that's going to be what we achieve during 2013.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

And even though we saw the EBITDA result not getting better, we still are firm when it comes to our break-even target.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Yes, absolutely. And we're going to break-even second half of this year. And we have never disclosed exactly when, but it is during second half, no doubt.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

And now, Lars, just on --

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**Lars Nilsson** - *Tele2 AB - CFO*

I have been thinking a lot about this question about the operating revenues, because as you understand, it's a very, very mixed bag, if you look at the difference between this quarter and the quarter the same quarter the year before, of course, it's highly impacted by what's happened in Norway, where we have these mobile termination rate cuts.

But then, if these are not coming down, the termination rates, of course, we believe that these revenues will go up in certain parts of our portfolio, because we are growing the business. So we, actually, to -- for this to make some sense, we should really look at country by country, to be honest.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

So you could say when it comes to Norway, it was more dramatic this year, because we went from (multiple speakers).



**Lars Nilsson** - *Tele2 AB - CFO*

In Norway, it came down this year. And you can say -- compare this year with the year before, we started on a P&L level with minus SEK300 million. So it was really a significant change.

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**Lars Nilsson** - *Tele2 AB - CFO*

And also, going from asymmetric to symmetric, so the next time it's going to be cut, it's not going to be as significant, I would [assume]. So from that perspective, it should be less.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Another thing when it comes to Sweden that Swedish interconnect, that's a part of total revenue, it's also coming down quite significantly; it's important.

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**Lars Nilsson** - *Tele2 AB - CFO*

It's coming down a bit.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Yes, exactly. So overall, Akhil, honestly, on that one, I think --

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**Mats Granryd** - *Tele2 AB - President & CEO*

And we have the spectrum in Norway.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Exactly, spectrum in Norway, shall we take that first?

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**Mats Granryd** - *Tele2 AB - President & CEO*

Yes.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

How do you think -- you look upon it?

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**Mats Granryd** - *Tele2 AB - President & CEO*

No, the 800 is important for us. 900 we are reforming, and we hope obviously to get that back. We don't see any problems with that; and then 1,800 as well, to regain some of that 1,800. 800 megahertz will be important for us.

And I think the good news is that we now, through good lobby activities, have had caps on how much spectrum one individual operator can get, which would ensure us having more of an equal playing field going forward.



If we're not successful in 800, surely we can do good work in 900 megahertz and 1,800 to mitigate the downfall of 800 megahertz, but ideally we would like that 800 as well.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

And as you know, Akhil, we are hoping to be able to build a strong spectrum portfolio as well. That is what we are aiming for.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Spectrum will be so important going forward, with the increase of need of speed, and having the bandwidth in the air.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

I know that Thomas from Handelsbanken here has been eagerly waiting for asking a question. So please, Thomas.

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**Thomas Heath** - *Handelsbanken - Analyst*

A few questions, if I may. Firstly, on Sweden on retail and costs, you've been building out the store network now for quite a while, and it's grown to some size. It'd be great to hear if you have targets for how large this store chain could be.

Similarly, for Comviq To Go, it's also expanded quite a lot. And as you mentioned, the revamped IT system should also cost quite a lot of money. All these things indicate the costs should be able to come down next year. Is that correct? That's the first question.

And second on Norway, Telenor is acquiring a retail chain. You've started three stores. Why won't you be targeting 50 stores in Norway as well?

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Okay. When it comes to our -- the possible savings when it comes to us reaching target, when it comes to amount of stores in Sweden; IT systems coming to an end when it comes investment and so. Are we looking at the potential cost savings for next and then our ambition when it comes to stores in Norway? But I would like to talk with Lars.

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**Lars Nilsson** - *Tele2 AB - CFO*

If we look at the cost savings in connection with our investments in the new IT systems, for example, we are now converting our mobile postpaid customer into a totally new billing platform. So that -- this year you can say in a way we have doubled costs. And I foresee that the run rate -- or the costs for running the business it should come down, it must come down a little bit next year. But I think you will see the significant savings the year after, because we are still in this transition period.

And that's the same with our enterprise data warehouse system, which we, right now, are launching more or less; that will be a good cost savings in 2014, we will see -- 2015, we will see a little bit of that next year. So -- because we are just now in this tipping point, but it's a really good investment for the future and will increase the flexibility a lot.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Can I jump in there?



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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Yes, of course.

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**Mats Granryd** - *Tele2 AB - President & CEO*

I think not only we will save costs on the IT system, but also we will have a much better offering out to the customers, so it's going to help us in two dimensions.

When it comes to our stores you correctly said that we have pushed out quite a lot of Pillar 2 stores, up to 51 now. We will continue to expand but at a lower pace going forward. We are going to launch some more stores during 2013 and some more during 2014. But it's all about the demand and if we can recalculate -- get the payoff from those stores. Opening more stores than necessary is, obviously, not something we want to do.

And that goes for Comviq To Go as well. Comviq To Go is such an easy, simple product to launch, so I would think that we will be more aggressive in pushing that out than having a fully vamped store in a new location.

And that goes pretty much for Norway as well, we are -- we started with three and we might do a couple more, but we will never be as big in Norway as we are -- on stores as we are in Sweden. We have a strong foothold on online sales through our brand One Call and also MyCall, which is the previously Lebara in Norway. And they have a stronger history of being an online brand of procuring SIM cards, etc.. So we will have some stores but more from the flagship perspective in Norway.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Good, so operator you have another question? Operator, please we have a follow-up question from Thomas Heath first.

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**Thomas Heath** - *Handelsbanken - Analyst*

Just on Norway, any plans to do a Comviq To Go for One Call in Norway, given that you're very happy with To Go in Sweden?

And then last a follow-up on B2B, you've mentioned before that [PPC] is pushing more, are you seeing any traction of PPC on the net probability network? Thanks.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Yes, no -- do you want to repeat the question?

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

I never know.

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**Mats Granryd** - *Tele2 AB - President & CEO*

I'm so eager.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Yes, exactly. When it comes to the Comviq To Go concept in Norway.

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**Mats Granryd** - *Tele2 AB - President & CEO*

No, I don't think so, I think that our One Call approach is absolutely fantastic and we're going to stick to that for some time.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

And on PPC?

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**Mats Granryd** - *Tele2 AB - President & CEO*

On PPC, no we don't see much change from the PPC activities in network.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Now operator we need to have another question, time is running fast for us.

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**Operator**

Barry Zeitoune, Berenberg.

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**Barry Zeitoune** - *Berenberg - Analyst*

Just a few questions. On the Dutch fixed business you mentioned earlier that you expect similar trends for the rest of this year and potentially some stabilization next year. What gives you any kind of confidence that we can start to see some stabilization in 2014 versus 2013?

And would it be possible for you to give us a bit more color in terms of the split between consumer and business within the Dutch fixed business and the different trends you're seeing for each segment?

And then my final question is just on CapEx, I just want to clarify that within your Norwegian CapEx guidance you are including expected costs for the LTE license in Norway?

And secondly, if you are seeing equipment costs go down would that make you re-evaluate your rollout expectations, in terms of might you take your rollout targets up in declining equipment costs -- in the face of declining equipment costs? Thank you.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Okay, back to our saying that we see similar trends on our broadband business in the Netherlands, how we believe we can offset that by introducing also fiber.

The other one if we could give some view on the different trends within business-to-business on the broadband side and business to consumer on the broadband side in the Netherlands.

CapEx in Norway including their license cost?

**Lars Nilsson** - Tele2 AB - CFO

That's very easy. In our earlier forecast we have included the license cost, but since the auction is postponed we are taking them out in the guidance now.

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

Okay and then when it comes to equipment cost and us being able to do wider rollouts or more ambitious rollouts, I guess we can address that question both on the Norway as well as the Netherlands to some extent, I guess. Mats?

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**Mats Granryd** - Tele2 AB - President & CEO

I'll start with the CapEx, it's not -- we're not constrained about money pushing into CapEx in Norway, it is actually physical limitation of finding sites and getting enough teams in place to do that rollout. So, if we do the 750 sites this year, we're very happy, and then we're going to do another 750 or so next year. So the constraint is not CapEx it's more getting the physical people and sites ready. And that's the same in the Netherlands as well, even though prices are very attractive still in the vendor community.

And then we had the bridge from -- on fixed in the Netherlands and you're absolutely right, we see the continued trend -- a negative trend 2013, and we hope that we will have a better position 2014. And why will it become better? Well, we hope that the Reggefiber and the fiber to business consumer has started to pick up and getting some momentum, but that is -- the jury is still out on that, so I think we need to be cautious on assuming too much of a positive pickup on the business to consumer side.

Now when it comes to the difference between business-to-business and business to consumer in the Netherlands, business to business we are taking the investment of building out fiber to the business-to-business side. And, hence, we are left affected to that.

We do need to have a strong mobile offering; that is more what the business to business consumers are wanting and asking. So from that perspective we are less hampered in the business to business side than what we are in the business to consumer.

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**Barry Zeitoune** - Berenberg - Analyst

So you can say that the trend on the business to business side is not the same so speak?

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**Mats Granryd** - Tele2 AB - President & CEO

Exactly. Yes, that might be a better way of putting it, so it's two different trends.

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**Lars Torstensson** - Tele2 AB - EVP, Group Corporate Communication

Exactly, yes.

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**Barry Zeitoune** - Berenberg - Analyst

Okay, can I just ask a follow-up on the CapEx point. How come you've taken -- if the change in Group CapEx guidance is the cost of the LCE license in Norway being taken out, why haven't you adjusted your Norwegian CapEx guidance as well?

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**Lars Nilsson** - *Tele2 AB - CFO*

As you saw there in the Norwegian CapEx guidance it's a range, as you know.

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**Barry Zeitoune** - *Berenberg - Analyst*

But the range is SEK900 million to SEK1 billion, so if you were taking out SEK300 million that should have moved down should it not?

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

You probably have a point there, Barry. We're going to -- let me -- us get back to you on that one then.

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**Barry Zeitoune** - *Berenberg - Analyst*

Okay, thank you.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

So, operator, we think we need to take a last question. Sorry, everyone, that will not be able to ask a question today. So, operator, could we have the last good one out there?

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**Operator**

Terence Tsui, Morgan Stanley, London.

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**Terence Tsui** - *Morgan Stanley - Analyst*

I've just got one question please, just on Norway, you made some comments on experiencing a margin squeeze that's due to the income that's national roaming tariffs, and you've asked the authorities to investigate. Can you just give us some indication on the timeline on this and maybe just remind us how high your EBITDA margins can reach? And what's the majority of traffic that's on your own network and you no longer have to pay these roaming fees? Thanks very much.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Thanks, Terence. So when it comes to -- I need to ask Pernilla, Terence can we take the question again? Sorry about that, it was a little bit [bad there].

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**Terence Tsui** - *Morgan Stanley - Analyst*

Yes sure, just in your Q2 report you made some comments on experiencing a margin squeeze, and that you've asked the authorities to investigate in Norway. Just can you give us some indication on a timeline on this? And maybe just remind us again what your margins could be once all the traffic is carried on your own network?

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

Yes, when it comes to the -- well, regulatory-wise, whole pricing on roaming this is specifically about and then what kind of margins can we reach on our network once that is done? Mats, would you like --?

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**Mats Granryd** - *Tele2 AB - President & CEO*

I think we have two agreements in place in Norway, one with NetCom and one with Telenor, obviously. And they are -- they will expire some time during 2014, mid-2014. And unfortunately, both of the contracts are a large chunk which is a fixed fee and is much smaller than is variable. So even if we start to push over our customers to our own network we will not see a -- sort of a linear improvement of our margin, because we have that large chunk of money that needs to go to them anyway. So that's the unfortunate situation.

We will, however, see a slight improvement quarter over quarter. And, of course, once we renegotiate the contract, once they're up, once we have built out the sufficient network some time mid-2014 where we will see margins similar to that of Sweden, I would think, in the high 20s or up to the 30s, 30% EBITDA.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

And then specifically when it comes to roaming regulations, Terence, it's -- I think that we are always pushing and we are concerned about the dominance of one of the operators in the Norwegian market being able to set the terms and conditions for roaming in -- for sparsely populated areas. And, of course, we're going to push this and we are asking the competition authorities to take a close look it to be able to safeguard the competitive environment, especially for a newcomer, like us, who are building out the network.

So that is why we're making this remark, we look quite seriously upon it, of course, as we would like to compete with the incumbent, but not just in the Oslo area but also, of course, in other parts of Norway. So hopefully that will help you out a little bit there.

That's it, I think at this time we need to [run] to investor lunch and we have seven minutes to do that. But I would first like to say that it was great to have this conference call. And next time we will meet like this again it's going to be October 22, which is the reporting date for Q3 2012.

But we are not further away than just a phone call or a tweet; I hope you follow us on our Twitter account as well. So let's keep talking and keep challenging each other when it comes to the Tele2 business plan.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Excellent.

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**Lars Torstensson** - *Tele2 AB - EVP, Group Corporate Communication*

So thank you and have a great summer.

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**Mats Granryd** - *Tele2 AB - President & CEO*

Excellent, thank you.

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