

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

EVENT DATE/TIME: JANUARY 30, 2015 / 9:00AM GMT



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

CORPORATE PARTICIPANTS

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

Mats Granryd *Tele2 AB - CEO*

Allison Kirkby *Tele2 AB - CFO*

CONFERENCE CALL PARTICIPANTS

Dominik Klarmann *HSBC Global Research - Analyst*

Henrik Herbst *Credit Suisse - Analyst*

Peter Nielsen *Kepler Cheuvreux - Analyst*

Ulrich Rathe *Jefferies & Co. - Analyst*

Erik Pers *Danske Markets - Analyst*

Lena Osterberg *Carnegie Investment Bank AB - Analyst*

Thomas Heath *Handelsbanken Capital Markets - Analyst*

Sunil Patel *BofA Merrill Lynch - Analyst*

Keval Khuroya *Deutsche Bank Research - Analyst*

Nicklaus Kristoffsen *Nordea Investments - Analyst*

Stefan Gauffin *Nordea Markets - Analyst*

PRESENTATION

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

Good morning, everyone, and welcome to Tele2's fourth quarter and full year 2014 conference call. My name is Lars Torstensson, and with me today I have Mats Granryd, our CEO and, of course also, Allison Kirkby, our CFO.

Today, you have the possibility of joining us either through phone or through the web link on tele2.com. We look forward to have a good discussion with you, and the presentation will be followed by a Q&A.

Without any further delay, I would like to invite Mats Granryd to take us through the presentation. So Mats, please.

Mats Granryd - *Tele2 AB - CEO*

Thank you, Lars, and good morning, everyone. We're happy to announce the fourth quarter results under the headline, data monetization continues. So if I then go to slide 3 immediately, sales of just shy of SEK6.9 billion, [EBITDA] 21%, and CapEx just above SEK1 billion.

The quarter has been another investment quarter, driven by CapEx that we have spent in the Dutch rollout. We have also taken a lot of investments when it comes to marketing in Sweden and in Kazakhstan. I would also say that 2014, on a whole, was when we delivered on our commitments, despite the uncertainty we had in Norway and the significant transition from fixed to mobile in the Netherlands. So we feel very happy with the result for the full year 2014.

Moving on then to slide 4, mobile end-user service revenue. I think we're one of the few operators in Europe that can, on a group level, show and demonstrate a solid 7% year over year growth on end-user service revenue; driven by 5% in Sweden, Netherlands 15%, Baltics 4% and Kazakhstan 12%. I think this is a very, very strong proof point of us being able to monetize data.



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

And if we flip to the next chart, we can see that this is the fourth consecutive quarter where we see end-user service revenue growing. As I said, 7% in this quarter, something we're very happy and proud of.

I will now go through some of the Ways2Win. I'm sure you remember our vision and our mission; it's underpinning from our corporate culture, the Tele2 Way. We remain very focused on mobile access, is the core for us; we will be present in Europe and Eurasia; and we will also focus on residential and business-to-business. We have shared this renewed strategy with our Board, with our employees and with you, our shareholders, and we did that at the Capital Markets Day in London in December.

This is our unique Way2Win. How to win will be the four key differentiators; the focused technology choices, the value champion, the step-change productivity, and winning people and culture. And everything we do from now on will be described along those four ways to win.

So if I then move to the next slide, we can see the significant events in the quarter. On the focused technology choices, we started to radiate January 1, 2015 in the Netherlands as planned. We have also managed to get the 90% 4G population coverage in Estonia.

Under the heading value champion, in November we launched Tele2.0 in Sweden and, by doing that, we continue to lead the market in offer-innovation, which strengthened our challenger position. I will go through in greater detail what that means.

Step-change productivity, we have launched a challenger program focused on increasing productivity. And as we have said, that program will build over the next three years and reap full benefit of roughly SEK1 billion per annum, starting in three years' time, in 2018.

Winning people and culture, we have completed the Tele2 Way management training of all top executives across the Group. Another proof point of us having a very strong and clear culture is that we are among the top three companies when it comes to employee engagement, and that is measured through a company that does the annual employer survey of us. And that is something that we're very proud of and we monitor and manage very carefully.

So if we look into the different countries then, Sweden, a good quarter when it comes to sales. Also a good quarter when it comes to the EBITDA. We launched, as I said, in November we introduced the new concept based on the value champion strategy, which we referred to Tele2.0.

The concept includes changes such as no binding periods, one subscription solution, trial periods for both consumer and business-to-business customers, and we've also removed the expiry dates for all top-ups. So if you top up today, that will be there for perpetual eternity, if you would like.

The reaction from customers and media has, so far, been very positive, and that encourage us that this is the right way forward. It's too early to see any financial impact, but the comments we see in media, in social media and consumers and business-to-business customers have been exclusively positive. And we have many statements on the appreciation of the increased transparency and flexibility.

We had a good quarter when it came to subscriber growth in postpaid Tele2, where we increased the base with 25,000 new customers.

We have had decline in mobile broadband, in prepaid as expected, and also a small decline in the business-to-business segment. So overall, we ended the quarter negatively, but in the prepaid payment on Tele2 we managed to increase.

I would also like to highlight the business-to-business side, where we have done a significant progress in the quarter. The latest report from [LDNRA] in Sweden shows that Tele2 business has gained the most mobile market share during the first half of the past year, with an increase of almost 1 percentage point, and we now have a market share of close to 18%.

Also, the Swedish Quality Index for the business market shows that customer satisfaction has improved substantially over the year, where Tele2 is taking the number one position for broadband, and number two position for mobile. So we're doing the right stuff.

Mobile EBITDA has grown with [16%] year over year, another proof point that we're on the right track when it comes to the Swedish operation.



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

I would like to take you through some of the slides when it comes to mobile data monetization, which is really interesting.

The first one to the left there, you can see that a year ago, first quarter of last year, roughly two-thirds of our new customers, they chose the smallest bucket. Only one-third chose a bigger bucket. Now that ratio has reversed, last quarter of last year. So we are now looking at two-thirds, roughly, are taking a bigger bucket, and only one-third a smaller bucket. And that is exactly the strategy of us being able to monetize data.

We can see that the top-ups has increased with 10% quarter over quarter, and a whopping 150% year over year. Again, roughly one-fifth of all customers are reaching the limit, and roughly 50% of that 20% are topping up an average top-up twice in a month. Also very encouraging signs.

The bigger bucket has led to an ASPU uplift of 13%; also very, very good, because we will be able to reap the benefit of that, going forward. And as you can see to the right-hand side there, year over year 5% end-user service revenue growth, and EBITDA on the mobile side of 10%, also something that we feel very happy and proud of. And for us, that's a proof point that the monetization of data continues.

Moving then on to Netherlands. We have a 13th consecutive quarter of continued mobile customer growth, and we've also managed to stabilize the fixed broadband customer base. We added 22,000 net intake on mobile side, and just 1,000 on the fixed side. However, we have changed that from a big decline to be flat to slightly positive, something that we're happy with.

Netherlands, during 2015, will be a heavy investment year. We will come back to that, and I think Alison will touch upon that in greater detail, going forward.

The plan for network rollout, which is really the key and the focus for us during 2015, broadly looks as it does on page 13. We started first quarter, as I said, with radiating, and we continue to build out network during 2015. And some time at the beginning of 2016, will be the national coverage -- we expect to have a national coverage.

For us, it is really important that the customer base is on 4G handsets, since we will only have a 4G network. And as you can see, we have managed to increase that with the 300% over the past year. We are now up at 30% of our customer base are on 4G handsets, and that will, of course, continue, and it's important for us to continue to drive that.

Kazakhstan, solid quarter, a little bit more than 200,000 net intake, which we're very happy with. Sales is at an all-time high; we've never managed to get that much money in Kazakhstan. And as you can see to the right-hand side, the data usage is also continued to grow at a staggering pace.

The EBITDA is developing as we had expected.

Two more graphs underpinning that not only data is growing, but also voice traffic is growing. We have 65% more minutes in Kazakhstan.

We have also introduced something called gross intake quality index, and this is an index showing the quality of the customer that we're taking in. So the month after activation, how much money are we actually spending on our network.

Now, if we would have the poor quality of the customers we take in, the quality index would be much, much lower. But as you can see, it is growing, and the customers are spending money on the month when it's activated, as well as the following month. And this is something that is important.

We have largely achieved this through the change we did with our retailers going into a revenue-sharing scheme, beginning of last year, where we are sharing profits on the customers, going forward. The same trick as we did in Russia [exactly].

In Croatia, on slide 16, very good progress. We have secured in the 1,800 band 15 megahertz, so we will be able to continue to improve the quality of our network. And as you can see, it's a very strong year-on-year EBITDA development.

JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

The fourth quarter in Croatia is a slow quarter, with a large churn. Net intake was minus [54,000], which is to be expected. And EBITDA slightly slower, where you have a lot of churning out of the network. But it is still on a much higher level than last year, so we're doing good progress in Croatia.

Lithuania, I would say, is stable as a rock. 36% EBITDA, nice sales, and we have also acquired our distributor, adding 50 shops to our operations. And we've also launched some music services through Deezer. Lithuania is going from [clarity] to clarity.

Latvia, also a solid performance in the quarter. Strong end-user service revenue. We have launched HD voice.

And Estonia also somewhat recovering. You can say that the spike in EBITDA is, of course, through the capital gain that we did when we divested some spectrum to TeliaSonera, which we did not need. We got SEK20 million for that. We also have, as I said previously, managed to get 90% population coverage on our 4G network.

Ending off with Austria and Germany. Austria, focusing on the MVNO setup; we do need to have that mobility piece for us to continue to be successful in the business-to-business segment. As you know, we are number two in the business-to-business segment, but we have missed out on the mobile piece. Now we're fixing that, correcting that, with the MVNO setup. And there will be investments during 2015 in creating that.

In Germany, not much to say to all operations. We had a good intake of 9,000 mobile customers, otherwise it is chugging along.

I would like to end with this slide to show and demonstrate that data monetization is improving our EBITDA. If you look at the left-hand slide at the Company level, we have a 6% EBITDA on mobile growth year over year in the quarter.

Now if we take out the operations where we are not on our own network, so we take out the Netherlands where we are an MVNO, Germany, and Austria, we would have an 18% year-over-year growth on our own network.

That's why it is so important to have operations on our own network. This spurs us further to build out the network in the Netherlands as quickly as we can. I think we have a good future, since we are able to continue to monetize our data.

So with those words, I would like to hand over to Allison. Allison, please.

Allison Kirkby - Tele2 AB - CFO

Thank you. Good morning, everyone. Let me take you through the Group numbers. Total net sales were up 4.4% in the quarter, as Mats said, very much driven by strength in mobile end-user service revenue, but also a significant increase in equipment sales in the quarter, partly offset by declines in our fixed business.

EBITDA is down 5%. Mobile, again as Mats explained, was up 6%, and that is despite sales and marketing investments in Sweden and Kazakhstan in the quarter, and a systems outage that we also saw early in the quarter in October.

But lower profitability of our fixed broadband business, and investments in our MNO rollout in the Netherlands, obviously had a negative impact, a planned negative impact in the quarter, taking us to be 5% down.

One-off items include again from a 2010 dispute in Sweden, offset slightly by very initial challenger program investments, we invested SEK10 million in the quarter behind the challenger program, which takes EBIT to SEK735 million, very much in line with the same quarter with last year.

Net profit is SEK494 million, higher than last year due to lower taxes. And if you include Norway, our net profit was SEK409 million, up significantly versus the same period last year.

JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Looking at the total year, full-year sales were just shy of SEK26 billion, and EBITDA was SEK5.926 billion, both ahead of the expectations that we set out to you in the summer.

So we believe a strong result, considering the significantly reduced contribution from our Dutch business as we prepare for MNO rollout there.

EBIT at SEK3.5 billion includes the sale of our fiber business that we announced earlier in 2014, which means that we ended with a net profit at SEK2.6 billion, a significant improvement versus last year. And if you include discontinued operations it was SEK2.2 billion.

Moving on to how that translated into cash flow; in the quarter cash from operating activities was SEK1.32 billion. And that was invested back into CapEx of just over SEK1 billion, and financing activities of SEK270 million, taking us to a small cash outflow in the quarter of SEK32 million.

For the full year, cash from operations was SEK4.578 billion, which includes a full-year working capital outflow of SEK860 million, very much driven by increased equipment sales. And the outcome of that you see in both accrued handset sales, in increased supplier payments, and in higher inventories.

All very much planned as we encourage the transition from 3G to 4G enabled handsets across our business, but particularly in anticipation of our launch of the MNO in the Netherlands..

If you look at cash flow excluding both Norway and Russia, so you can see continued operations cash flow the quarter is not significantly different; Norway has only a minor effect in the quarter. But in the year, cash flow shows after investing activities at SEK1.62 billion, more than double last year's SEK788 million as a result of lower CapEx. If you recall, we had to pay for the Dutch license in last year's results.

So that takes us to our debt position; no change versus the third quarter at SEK7.9 billion. And that takes us very much to the low end of our current leverage target, just above the 1.25 times.

However, in anticipation of the dividend that we'll pay out in May, our leverage is now towards the upper end of our target range of 1.25 to 1.75 times. But I'll get back to that when we discuss guidance in a couple of minutes.

I just want to touch on the challenger program very initially. As I said, fuller details will be explained alongside our second quarter results, but I just want to remind you that the challenger program is a multiyear program that will step change our productivity.

Benefits will start to build over the next three years, and we aim to be generating SEK1 billion per annum productivity gains by 2018.

Investment will equal the annual target saving, accruing at a slightly faster rate to the benefits over the next two years in particular.

The program is, in fact, building momentum today. We now have 20 initiatives in the pipeline, with seven already started. And those seven that have already started are focused very much on product harmonization, product simplification, and further network and IT consolidation.

This is the timetable on slide 27 that we shared at the Capital Markets Day. No change to that, but I just want to remind you that we already plan to invest around SEK200 million of the SEK1 billion in 2015.

These costs will be treated as exceptional restructuring costs and, therefore, will be excluded from the EBITDA guidance that I'm just about to tell you. In terms of benefits in 2015, these will be minimal.

So guidance; first of all, the 2015 guidance. Total sales will be broadly in line with this year at between SEK25.5 billion and SEK26.5 billion.

We are now introducing a guidance on our mobile end-user service revenue, because that's the real determinant of the underlying health of our business, and we expect mobile end-user service revenue will continue to grow nicely next year, expecting it to deliver a mid single-digit level of growth.

JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

EBITDA will be in the SEK5.8 billion to SEK6 billion range as continued growth from data monetization in our established markets will be offset by planned declines in the Netherlands, where we are still in transition from an MVNO to a MNO throughout the course of 2015.

Also, I should remind you that next year we intend to launch a MVNO in Austria, and that also has an impact next year.

CapEx is expected to be higher next year, in the SEK3.8 billion to SEK4 billion range. We continue to increase CapEx investment in the Netherlands and also, we expect Sweden CapEx to increase next year as we fulfill our geographic coverage expectations. As you recall, we had a very low CapEx spend in Sweden this year.

Moving on to some guidance on both our leverage and our dividend. We are also taking the opportunity to reset our targets and our dividend policy for the coming three years.

Having reviewed our gearing relative to our peers, and to remain investment grade, we are shifting our leverage target slightly upwards to a 1.5 to 2 times net debt to EBITDA, so that we can be very much in line with our peers.

And we are also announcing today that we are maintaining our progressive dividend policy, but we specifically aim to deliver an annual 10% dividend per share growth, starting with this year's dividend, which will be paid out to shareholders after the AGM in May.

And on that note, I'm going to pass back to Mats.

Mats Granryd - *Tele2 AB - CEO*

All right. Thank you very much Allison. So the conclusion then, Q4 in short; we believe that mobile data monetization continues. We see a positive momentum in end-user service revenue for the 14th consecutive quarter.

Tele2.0 has led to a game changing move in the Swedish telecom market, very positively received, and we have launched our 4G network in the Netherlands. And in Kazakhstan, we had the highest ever quarterly mobile end-user service revenue; proof points that I think our strategy is working.

So the key priorities then for 2015; to further drive data monetization. Focused technology choices, well, this is going to be 2015 and it's all about rolling out the network in the Netherlands as quickly as possible.

Value champion is to realize our ambitions for the Tele2.0 launch in Sweden. The challenger program is what we are focusing on when it comes to step changing our productivity. And winning people and culture is to have an accelerated knowledge sharing across the Group. That is what we're going to focus on during 2015.

So with those words, I will hand over to Lars Torstensson.

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

Thank you, Mats, and thank you, Allison, for going through the quarter.

That concludes our formal presentation for Q4 and full year, and we would like to open up for Q&A. So operator, could you compile questions please?



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Dominik Klarmann, HSBC.

Dominik Klarmann - HSBC Global Research - Analyst

Let's start with Swedish mobile; I'm just wondering if you can give us more detail on what's driving that 5% service revenue growth. How much is B2B market share gain versus up-selling in the B2C area?

And then on the latest tariff changes on the Comviq brand, what triggered that I think two or three weeks ago, why do you double data allowances now?

And then on the higher net debt to EBITDA target range, is that just a function of the basically the dividend growth commitment, or should we read more M&A appetite into that as well? Yes, let's start with that, thanks.

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

Thanks, Dominik; that's three good questions. The first one market share gain, well, the 5% revenue growth that we are producing what that is coming from, that is for you Mats. And then also increased data buckets on Comviq, Mats is doing that one as well.

And then, of course, Allison, if you could do the net debt to EBITDA, our reason around that one. So Mats, would you like to start there?

Mats Granryd - Tele2 AB - CEO

Yes, in Sweden the 5% is predominantly from the consumer segment, and it is the urge of people wanting to consume more data, and it is streamed media. It is the relationship we have with HBO Nordic; it is the relationship with have just launched with Viaplay as well that is driving that growth.

And I think we will see a continued strong growth on that sense, after our launch of Tele2.0, where flexibility will increase for our consumers, and hence, you will have an even bigger [show] of using data. So it is predominant on the consumer side, I should say.

On the Comviq larger bucket, and this is really the reason why we have a sub brand called Comviq. I don't know if you will remember, a couple of years ago we had a discussion among ourselves, if we should only have one brand. But after that spring, it must have been spring 2012, we had a price war with 3, in Sweden, and we decided that let's make sure that Comviq becomes the cushion; the one that takes all the price fights, if there will be more price fights.

And you can see now with all the other bigger brands, also 3 and Telenor launching their sub brands, Vimla and Hallon, Comviq has to respond to those activities. And the way we do it is not necessarily lowering prices, but actually increase the bucket sizes.

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

Of course, the good thing here, Dominik, as we discussed before, is of course, that the Tele2 brand is then unaffected from a pricing perspective. And that Comviq is taking the fight, so to speak, with other discount brands, as a result of that.

JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Mats Granryd - *Tele2 AB - CEO*

Yes, and maybe I should add in on that note, the focus we have on the business-to-business segment means that we have to have a more credible brand, if you like, which is the Tele2 brand. So it's really important to have a separation between Comviq and Tele2.

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

Yes. And Allison, on the net debt to EBITDA.

Allison Kirkby - *Tele2 AB - CFO*

Yes, as I said, Dominik, our gearing was set a number of years ago, when we were probably perceived to have more risk in our portfolio. And as we've been reviewing our capital structure with the Board just recently, and assessed ourselves relative to our peers, we saw opportunity to edge it up to the 1.5 to 2 times range, which will be very much in line with our peers.

So yes, it also obviously supports our commitment to a 10% dividend per share dividend growth, year over year, over the next three years. And as you would expect, we don't comment on M&A activity.

Dominik Klarmann - *HSBC Global Research - Analyst*

Sure, thank you. Can I just ask one further question on the underlying assumptions in terms of FX, especially around Kazakhstan, implicit in your guidance? Do you [expect] the devaluation there or just the current spot rate, or what's the underlying assumption there?

Allison Kirkby - *Tele2 AB - CFO*

Our guidance is very much based on constant FX rates.

Dominik Klarmann - *HSBC Global Research - Analyst*

Okay. Thank you.

Operator

Henrik Herbst, Credit Suisse.

Henrik Herbst - *Credit Suisse - Analyst*

I have two questions; one little bit more bigger picture, I guess, and one more detailed.

So firstly, in terms of -- you're seeing huge data usage growth in Sweden and on the back of that, and I guess, the US auction that just concluded, which fetched fairly high price on capacity spectrum, is the way you're thinking about capacity spectrum changing a bit, and the value of that?

And also, could the data usage growth lead to you investing more in your network, or do you need to invest more in your network, at some point?

And then secondly, if you could just give a few data points in terms of where you are now on data usage? What's your average usage; what did it grow year over year?

JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

And then on 4G users in particular, you guys have had a 4G handset now for one or two years. What kind of growth are you seeing off the very initial adoption? Thanks so much.

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

Thanks, Henrik, good questions. I assume they are more focused around Sweden, but we can maybe do some general answers on spectrum.

But the first one is how we look upon capacity spectrum, if the value of that increased? And then, of course, when it comes to Sweden, where we have the strongest data growth, do we need to invest in our network?

Mats, that is one for you. And I guess also if you could take at the same time, proof points on data growth in the Swedish market as well?

Mats Granryd - *Tele2 AB - CEO*

Sure. The capacity spectrum, I guess you refer that to the high frequency spectrum. And right now, honestly, we are more favoring lower spectrum bands, 800 or 900. Propagation is much better, as you know. If we have, as we have in the Netherlands, 800, coupled with 2.6, that is really the sweet spot, then you have a good combination of both.

In Sweden, we are blessed with, together with Telenor on our joint venture, Net4Mobility, to have a portfolio that is huge, more than 100 megahertz of spectrum. So I think, for the foreseeable future, we are perfectly okay when it comes to the spectrum bit.

But your question is actually very relevant if you take a much longer perspective on things. Capacity in densely populated areas will be key, but that is, I'm sure, in the 5G environment, and that's five, six years out from now. So right now, we are favorably looking at lower spectrum, 800, 900. But of course over time, high frequencies will also be really interesting.

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

It should be said also, Mats, if I may, a bit on that one, is that our stance when it comes to 5G, for example, is not to forget the low frequencies in that standardization process.

Mats Granryd - *Tele2 AB - CEO*

No, [it's not].

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

There's a lot of discussions around smaller cells and high frequencies, but we think that the robustness of the network needs to be in the lower frequencies.

Mats Granryd - *Tele2 AB - CEO*

And then I just have an anecdote on that, when 4G was launched, it was sort of exclusively targeting 2.6 gigahertz. And at that time, everyone said that higher spectrum, higher frequency is the future, which is right. But we took a bet very early on, that 900 would also be the spectrum where we would have equipment, handsets and radio equipment to be present on 900. And we were proven to be right in that bet.



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

And I'm sure 5G will have a similar thing. It's going to be maybe from 700, when TV spectrum is being freed up, all the way up to over 3 gigahertz of bandwidth. And the important thing is that equipment must be able to cater to swap and switch seamlessly over that big spectrum range.

Okay, so on data usage then, well, one point is that total data traffic grew with 31%, or a little bit more than 30% year over year, in the fourth quarter 2014. Again, the streaming media is almost half of that. Then you have network updates, one-fifth, the web browsing also roughly one-fifth, and messaging being a little bit less than 10% of that.

Data is growing, as we said, and we have another stat for you, if you're really interested. We have, in the fourth quarter of last year, little bit more than 20,000 terabytes being pushed through our network, which is an astonishing amount. And the vast majority of that comes from 4G. The average data consumption on mobile, is now roughly 2 gigabytes of data.

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

It should be said that that is all technologies.

Mats Granryd - *Tele2 AB - CEO*

All technologies, and for smartphones, so you take out the mobile broadband activities. Yes, so it is truly doubling. And you can say that when a customer moves from 3G to 4G, the data consumption is doubling. So that move is important for us and the consumer, obviously, as well. Literally in Sweden, almost all new handsets are sold, 98% or thereabouts are 4G enabled. So Sweden is becoming a 4G heaven, if you would like.

Henrik Herbst - *Credit Suisse - Analyst*

Okay. And when a customer moves to 4G, what happens with data usage after that, if you look a year out, or two years out? Does it continue to grow or (multiple speakers)?

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

What has been a big driver, Henrik, has of course, been the adoption of the streaming video services. And yes of course, if you look at the same store sales metric, you're looking just at one customer specifically. If he or she is starting to use streaming video, of course you have a very strong ramp up in data usage as well. And that's why now we can say that we have 2 gigabyte per month, independent of technology.

But of course, that is driven predominantly with people having 4G handsets, so that is a very strong driver. So yes, the killer app is, of course, streaming video here, and that has been really helpful for driving more data in our network.

Mats Granryd - *Tele2 AB - CEO*

Mind you, we can also say that we have roughly 1 million customers now on our phones, on 4G handsets, in Sweden. And that's up 2.5 times from last year.

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

Yes.



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Henrik Herbst - *Credit Suisse - Analyst*

Okay. Thanks very much.

Operator

Peter Nielsen, Kepler Cheuvreux.

Peter Nielsen - *Kepler Cheuvreux - Analyst*

Just firstly on the costs to come, the restructuring charges, whatever you call them, for this year. I appreciate you'll give us more information midyear, but could you tell us a bit about when this SEK200 million will come? I presume it will be mainly second half loaded. But also, where you expect to see them pop up, and how much of this will have a cash effect, please.

And then just a quick question relating to Swedish mobile, and your guidance for next year, or for this year, sorry. Have you resigned to the fact that your Swedish mobile margin will remain below 30%, or do you still have hopes and ambitions of raising that? And when do you think we will start to see that? I think I'll leave it here, thank you.

No, just one more question related to the leverage, the leverage guidance you gave. Any comment on -- that will presumably come down obviously when you close the deal in Norway. Thank you.

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

Okay, that's three good questions, Peter. The first one is around how costs will ramp in the challenger program in 2015.

The second one is around our guidance, if that has any read across towards Swedish mobile margin. And the second one is, of course, leverage guidance, how that should be interpreted -- seen from the Norwegian perspective and proceeds from Norway.

I guess that they are all for you, Allison.

Allison Kirkby - *Tele2 AB - CFO*

Yes, in terms of the challenger program, the costs will very much ramp up during the year, and it will be most likely more a second half cost than a first half cost. It will mainly be in the form of OpEx, very minor CapEx expected. And yes, you should plan on it being -- the majority of it having a cash impact in this year.

In terms of the leverage guidance, obviously we will discuss Norway when we get the feedback from the competition authority. So this guidance will hold true whether Norway is sold or not. But we'll explain more on the Norway proceeds when the competition authority updates us on February 5.

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

And then on Swedish mobile margin as well?

Allison Kirkby - *Tele2 AB - CFO*

Swedish mobile margin is already in excess of 30%, and our expectations is that margin will continue to expand in the coming years.



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

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

Does it help, Peter?

Peter Nielsen - *Kepler Cheuvreux - Analyst*

Yes, I'm not quite sure about the Swedish mobile margin but thank you, yes.

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

Is that more your assumption or --?

Peter Nielsen - *Kepler Cheuvreux - Analyst*

No, is the margin above 30%

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

For the full year, the margin is about 30%, but then, of course, we believe that also 2015 and onwards that margin will continue to expand.

Peter Nielsen - *Kepler Cheuvreux - Analyst*

Okay. Thank you.

Operator

[Ulrich Rathe, Jefferies].

Ulrich Rathe - *Jefferies & Co. - Analyst*

Two questions maybe, one on Kazakhstan. TeliaSonera yesterday, when asked about the potential impact on Alltel, suggested that really a bit above the [fray] there because Tele2 has been a challenger, and they have been dealing with a challenger for some time. And now really what's happening is there's just another challenger, so they suggested that maybe what will happen in 2015 is more a battle between Tele2 and Alltel rather than involving Telia. I was just wondering how you view the situation and the big picture, and what you expect for 2015 on that front specifically?

And second question is on the Netherlands. You have still relatively low intake but very high equipment sales which, I assume, then goes mostly into the existing customer base. Could you confirm that? And then also maybe explain a bit whether that is something to do with churn you're seeing, whether this is actually a retention measure, or whether it's simply that you need customers on 4G handsets and that's the reason why you're selling so many handsets? Or is there also a churn issue there? Thank you.

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

Thanks, Ulrich. I'm just going to repeat them. When it comes to our view on competition in the Kazak market, I think we're going to refrain from commenting on TeliaSonera's view. But we have our own and I think Mats is going to share that.



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

And then on Netherlands, when it comes to the equipment sales, what that is indicating is that the retention measures or migration of 4G customers, and me and Allison will share that one as well. But, Mats, if you start.

Mats Granryd - *Tele2 AB - CEO*

So Alltel is a challenger, you're absolutely right; we've had a price war, if you would like, with Alltel and we have responded. We haven't done exactly what they have but we have responded with something we call Super+ in Kazakhstan, and I think that has buckled the trend now.

So yes, there is a price war; Alltel has been very active during the fourth quarter. But with the latest response from us on Super+, where we haven't matched the prices but we have done something, we're moving into a bucketized price plan, as we have done in many other markets. It seems to be cooling off a little bit and we're happy for that.

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

And then when it comes to the Dutch market, of course, that is exactly what you were saying, Ulrich, is that we now have a very strong plan to move customers from 3G plans to 4G plans and that journey has begun. And we have now around 30% of our total customer base on 4G handsets.

Of course, with the current set up of us being dependent on an MVNO host is something that we would like to get out of as quickly as possible. Of course, this will continue then to make us both more competitive, but also to decrease our cost of goods sold significantly as we move customers to our 4G network. So you're correct, this is the start of us moving our customers to a 4G environment and then, over time, also to our own 4G network.

Ulrich Rathe - *Jefferies & Co. - Analyst*

Thank you. Would you be willing to comment on churn levels in the Netherlands and how they have maybe increased after the initial push past the two year contract time period? Logically, I would assume that churn goes up a bit; is this something you can confirm and you're willing to share figures on?

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

We're not going to go into specifics, but I think that currently we are looking very much forward to get our own network in place. As an MVNO, it is tough for us to be as competitive as we would like to be in the current market environment.

We know that now going into Q1 we are getting the capabilities in place; of course, that's going to ramp throughout the year. But as you see in our guidance for next year, we are anticipating much more activity in the Dutch market to drive the movement of existing customers to the 4G environment. And of course, to finalize the 4G rollout as well, which is very important for us; that's something that we now are, of course, trying to accelerate as much as we can.

Allison Kirkby - *Tele2 AB - CFO*

And just to comment, absolute churn has actually been quite stable in the Netherlands since the end of the first quarter in 2014. So we haven't seen it substantially increasing at all.

Ulrich Rathe - *Jefferies & Co. - Analyst*

That's very helpful. Thank you very much.

JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Operator

Erik Pers, Danske [Bank].

Erik Pers - Danske Markets - Analyst

I have a couple of questions. Firstly Austria, can you give us just a very brief description of the business plan there for the MNO, and what is the size of that investment on EBITDA whatever? You mentioned it in connection with the EBITDA guidance.

Secondly, just curious about how you think about CapEx needs in the little bit longer term. Your current guidance now for this year implies 15% CapEx to sales, I think. Is this to be seen as an investment year still, or this a normal level, in your view?

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

Thanks, Erik, those are very relevant. When it comes to the business plan MVNO investments, I'm going to take a stab at that one. And then, Allison, if you would like to also look at CapEx needs longer term.

Mats Granryd - Tele2 AB - CEO

Lars, just before, we are becoming an MVNO, not an MNO.

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

MVNO that's very important.

Mats Granryd - Tele2 AB - CEO

(Multiple speakers) the question was MNO.

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

Exactly that. So just to give some clarity, we were out in Q4 talking a little bit about us having the ambition to become an MVNO on T-Mobile's network in Austria. Our ambition is to use that MVNO to become more competitive on the business-to-business side, which is very important to emphasize.

Yes, that will mean investments, and what we're looking at is probably somewhere between SEK70 million to SEK80 million in investments for next year, something that we are sharing with you today also in our new guidance. That is, of course, something that just to set up the MVNO and also get the marketing initiatives in place as well. So that is something that we look forward very much to do to become even more competitive on the business-to-business side. So SEK70 million to SEK80 million on that end.

Then we have, of course, when it comes to CapEx needs longer term --?



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Allison Kirkby - Tele2 AB - CFO

CapEx will definitely peak in 2015 and you will expect to go back down to this year's levels and below in the coming years. But certainly 2015 is the peak, driven by the Netherlands and the geographic expansions [we do].

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

And as you know, we talked about I think longer term that 12%, 13% is maybe a more sustainable level.

Allison Kirkby - Tele2 AB - CFO

Exactly.

Erik Pers - Danske Markets - Analyst

Thank you, very clear.

Operator

Lena Osterberg, Carnegie.

Lena Osterberg - Carnegie Investment Bank AB - Analyst

Yes, another question on Holland. Now that you say that 30% of your handsets are 4G in the subscriber base, could you maybe say something about, assuming that you migrate all those customers over to your network momentarily, what would the impact be on your EBITDA, just so that we understand what is the scale benefit of having the customers on to your own network versus running the MVNO situation as you have it today?

And also I was wondering a little bit about, if Norway goes to plan, what should we assume in terms of your spending out of that money? Is there any M&A you would like to do? I know you said you wouldn't want to comment on that, but if we look at the situation in Kazakhstan, do you see any potential for consolidating that market?

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

Yes. When it comes to scale benefits, me and Allison is going to take a stab at that one. And on Norway, Mats, are you okay with that one? Should we start with the Netherlands?

One thing that I thought, just to repeat is, of course, when it comes to what we said on the Capital Markets Day is that the cost of goods sold, or the benefit of being on our own network, is that costs are 85% lower on our own network environment than it is compared to being on an MVNO. Of course, that is significantly lower and the carrot for us to move to our own network environment. And Allison?

Allison Kirkby - Tele2 AB - CFO

I think, Lena, for perspective if we had been on our own network, and we had [still] 4G enabled handsets in our base in 2014, our profitability would have been SEK150 million to SEK200 million higher in the Netherlands. That gives you a bit of perspective of the benefit of MNO versus MVNO.



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Lena Osterberg - *Carnegie Investment Bank AB - Analyst*

That's quite a big difference.

Allison Kirkby - *Tele2 AB - CFO*

That's why we need to get on and roll out the MNO. And, of course, get 4G handsets into as much possible.

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

And we want to be very clear here because there's been a lot of discussions around the annual guidance that we have given now for 2015. Of course, that means that we are going to spend a lot of time to make this happen in 2015, and that is well reflected in the guidance that we have as well.

Allison Kirkby - *Tele2 AB - CFO*

You shouldn't expect an improvement in Dutch profitability. 2015 is still a rollout year, so you expect the losses to increase in 2015 and that's reflected in our guidance.

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

And that would include both finalizing network and then moving customers to a 4G [environment].

And Norway, Mats.

Mats Granryd - *Tele2 AB - CEO*

Norway, I'll be fairly brief on that, Lena. You know that the competition authority will come with their ruling February 5. We remain positive that it will go through and, hence, there will be a proceed. But we refrain today from talking about what we are going to do with that potential proceeds until we have it, and that's more a prudent approach. But we have different possibilities, but I would like to refrain from that.

Lena Osterberg - *Carnegie Investment Bank AB - Analyst*

Thank you.

Operator

Thomas Heath, Handelsbanken.

Thomas Heath - *Handelsbanken Capital Markets - Analyst*

A few questions, if I may? Firstly, a follow-up to Allison's answer on profitability in the Netherlands. If costs or EBITDA losses are ramping up during 2015 as you start to launch that business more full out, should we expect the EBITDA loss to be even bigger in 2016 and 2015? That's what it would imply, I suppose, if it's ramping up costs during this year.

Secondly, as you launch now in the Netherlands, will you be pushing voice over 4G from the start, or is that a later transition?



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

And then thirdly, on Swedish pricing, you mention that Comviq replied to Hallon and Vimla. I just wanted to hear if you feel that Vimla is getting any traction or taking any customers. Thank you.

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

Thanks, Thomas. Profitability in FY16, that's for Allison. And then introduction of voice over LTE in the Netherlands, it's for Mats. And then Vimla, I guess -- so would you like to start with the Netherlands?

Allison Kirkby - *Tele2 AB - CFO*

Yes, Thomas. We're only giving guidance for 2015 today. It would be inappropriate for us to already be giving guidance on 2016.

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

Very clear. And then, Mats.

Mats Granryd - *Tele2 AB - CEO*

We are going to launch VoLTE when we have enough 4G handsets available in the market. That's going to happen in 2015 as well. If we don't have VoLTE we have CS fallback in place, so we will be able to cater for voice calls as well regardless.

On Comviq, Vimla and Hallon, yes, they have both done a fairly good job, decent job, to get customers on board. So they are gaining market share in that low segment.

Thomas Heath - *Handelsbanken Capital Markets - Analyst*

Perfect. Thank you; that's very clear.

Operator

Sunil Patel, Merrill Lynch.

Sunil Patel - *BofA Merrill Lynch - Analyst*

Two questions on my side. One is, you talked about the Swedish mobile pricing change you put through in the fourth quarter. What should we look for to see if this is successful? You say that you can't see it in the financials yet, but revenue growth quarter on quarter slowed, margins fell. What is that we should be looking for to say this is successful versus your old plans?

And in terms of Kazakhstan again, the EBITDA fell quite sharply QonQ, although your customer adds was high. What's the sort of sustainable level that you think you can actually achieve? I appreciate you have targets out of customers, but it seems like you go in between adds and EBITDA losses, backwards and forwards. What should we be thinking about by the end of 2015?



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

Thank you, Sunil. So the first one, the success of decoupling in Sweden, or Tele2.0, that's for Mats. And then the Kazakhstan and EBITDA assumptions I can have a stab at that one. But Mats, if you would like to start?

Mats Granryd - Tele2 AB - CEO

I think you're rightly said, it's too early, far too early. We see very positive sentiments in media, consumers. This is the business customers as well as in social media. That decoupling the handsets work from the same card and no binding periods. Binding periods review is a legacy thing; it's history. We want to challenge the industry to become much more transparent and to gain credibility in an industry that is tainted by lock-ins and hidden fees, and we are beyond that.

I think you will see -- and this is not things for one quarter, two quarters. It will take several quarters to see the positive benefits of it. Obviously, churn needs to be maintained at a low level; that's important. You will see an EBITDA, underlying service revenue growth, that will continue to be strong as we have seen; that is important. So net sales needs to be there as well as the increased data consumption is also very important.

That's pretty much how we run our business, to make sure that we have monetized the data and we have a good and solid customer interaction, customer quality, in all the touch points. So those are the metrics that I think you should be viewing. And as you rightly said, it is far too early to draw any conclusions right now on the fourth quarter.

Allison Kirkby - Tele2 AB - CFO

Just building on your comment on EBITDA margins, we're down in the quarter in Sweden. As we said, the fourth quarter was always going to be a heavy marketing and sales investment quarter behind both the value champion launch, or Tele2.0, and also the iPhone 6 launch.

And we also had the impact from a major systems outage in Sweden in the quarter, as well as some other seasonality costs as well, so that's why margin was down. It was no reflection of the success of the Tele2.0 launch.

Sunil Patel - BofA Merrill Lynch - Analyst

Just following up on that, when I look at your spreadsheet, your full year 2014 margin Sweden mobile I've got it [29.0%] just on the headline numbers. Because of the, I assume, greater shift to SIM only sales because of the relatively attractive nature of your price point there, should we be assuming that the margins will expand in 2015 versus that level?

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

As we said before, our assumption is that margin is going to continue to expand in our mobile business for the coming years, so that is correct, Sunil.

Sunil Patel - BofA Merrill Lynch - Analyst

Okay.

Lars Torstensson - Tele2 AB - EVP, Group Corporate Communication

And then when it comes to Kazakhstan, I should say that, as you know, we just broke even and any marketing initiative that we do which is, of course, having a fairly significant impact on our operational performance, as we still are chasing scale in the Kazak market.



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

We have not changed our longer term view when it comes to EBITDA contribution from our Kazak business, and we believe that this is 30-plus-% EBITDA margin business over the longer term. In Q4, as competition was quite active, we responded with, as Mats said, a new bucket price plan and also some marketing initiatives, of course, on top of that. And that was the whole delta.

It resulted, as you concluded as well, in high customer intake. Now, we think that this is sufficient going into Q1 and also the traction that we have in the market is also good. So as we see it, this should be sufficient to continue to be competitive, and we have also managed to keep our price leadership in the market as well.

Sunil Patel - *BofA Merrill Lynch - Analyst*

Okay. Thank you.

Operator

Keval Khuroya, Deutsche Bank.

Keval Khuroya - *Deutsche Bank Research - Analyst*

Just got a question on the Netherlands, please. Last year at the Investor Day, you highlighted that the Dutch market was very expensive and implicit in that was that the data bundle size is, obviously, relatively low. KPN's increased the size of data bundles materially this year. How do you feel about that now? Does it threaten your opportunities at all, given actually when we look at the Dutch pricing today it's actually fairly similar to Sweden, given the data buckets have gone up so much in size?

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

Thanks, Keval, good question. I think that is around how we view current pricing environment in the Netherlands. I think, Mats, that is a perfect view.

Mats Granryd - *Tele2 AB - CEO*

Yes, no, you're absolutely right. The price levels are pretty much the same; however, the bucket sizes has improved, or increased, I should say. So I think that just spurs us along to push out the rollout as quickly as humanly possible, because that's the remedy against that.

You should know, it still follows the plan that we had. There's nothing that is out of the extraordinary that we haven't thought of already, but it just proves that 2015 is the year when we are going to do everything we can in order to build out the network, and hence, the investments as well.

Keval Khuroya - *Deutsche Bank Research - Analyst*

That's great. Thank you.

Operator

[Nicklaus Kristoffsen, Nordea Investments].



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Nicklaus Kristoffsen - *Nordea Investments - Analyst*

I have two questions. Just firstly, your new commercial concept in Sweden is changing your business model somewhat, and I wonder if you can just share the dynamics and give some indication with regards to impact on the balance sheet, and hardware financing in particular?

Then, my second question is just a little bit of an update regarding the tax rate and how you see that development this year. I saw that you had around underlying 23% in 2014.

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

Nicklaus, could you repeat the last question again? Sorry.

Nicklaus Kristoffsen - *Nordea Investments - Analyst*

Yes, just regarding tax rate for this year, given that you had around 23% in 2014, underlying.

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

What you should assume for 2015?

Nicklaus Kristoffsen - *Nordea Investments - Analyst*

Yes.

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

Very good. So when it comes to the Swedish market and how we work with the Company in hardware financing and also tax rate, Allison, is that something you could have a stab at?

Allison Kirkby - *Tele2 AB - CFO*

Yes. In terms of how we treat on the balance sheet; no different from today. We're just decoupling the subscription from the cost of the handset. So for those customers that still want to buy a handset from us, we will continue to provide the financing for that. Of course, we are always looking at how we could more efficiently manage that financing, but you should assume that, as of today, no change on the balance sheet versus current.

And in terms of tax rates, it should be very similar next year to this year.

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

So 20% then?

Allison Kirkby - *Tele2 AB - CFO*

Yes.



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Nicklaus Kristoffsen - *Nordea Investments - Analyst*

Okay. Thank you.

Operator

[Ulrich Rathe, Jefferies].

Ulrich Rathe - *Jefferies & Co. - Analyst*

It's a follow-up actually. Could I ask you, you said at some point that in the Netherlands post-launch you expect to reach 10% market share within the year, I think, if I remember correctly? Could you just comment whether you would repeat that statement, given where you are and how trends are currently going? Is that still a go? Thank you.

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

Yes, definitely. We have a 20% market share target longer term for our Dutch business and that's very much valid. I think that everything is still in place for us to stay successful on that end.

I don't know, Mats, if you have any other comments there?

Mats Granryd - *Tele2 AB - CEO*

No, I just want to reemphasize that that is important for us, and we have a 17% growth in the mobile market share during 2014. [It might be] from low levels but still we are doing the right stuff there.

Ulrich Rathe - *Jefferies & Co. - Analyst*

Great. Thanks.

Operator

Dominik Klarmann, HSBC.

Dominik Klarmann - *HSBC Global Research - Analyst*

Just another one on the Netherlands. If, hypothetically, an established mobile operator came up for sale in total or in part, would that be interesting for you at all? Or do you basically rule that out as you think running your brand new 4G only network is much more economical in any case? So would inorganic scale be an option for you in the Netherlands, I guess is my question?

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

Dominik, it's a question I would, of course, love to discuss, but we do not comment any --



JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

Dominik Klarmann - *HSBC Global Research - Analyst*

All right, okay.

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

I understand that that is an interesting question, but sorry, Dominik, we stay put with a boring answer, no comment.

Operator

Stefan Gauffin, Nordea.

Stefan Gauffin - *Nordea Markets - Analyst*

Just a couple of questions on Sweden to finish off. You showed today that top-up represented SEK44 million in Q4. Could you give us an approximate split on how much Comviq accounted for of that?

Secondly, you had very high handset sales this quarter, and SEK180 million of that represented sales to distributors. Is that something that we should expect, going forward, or is that more of a one-off item?

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

Thanks, Stefan. The one is a split on the consumer postpaid intake, if Mats would like to take that, or Allison?

And then we have, of course, when it comes to sales to third-party vendors, of course, that's going to be [with you] also, Allison.

Allison Kirkby - *Tele2 AB - CFO*

Yes, we don't split our top-ups down between Tele2 and Comviq; that's not something that we provide. In terms of handset sales, yes, when we changed our contract with Apple at the end of 2013, that gave us the ability to sell to third parties.

We had high sales this year, as we commented in our report, over SEK400 million. It was particularly high in the fourth quarter behind the iPhone 6 launch. We are expecting similar levels moving into next year as well, but beyond next year, it's difficult to foresee beyond that.

Stefan Gauffin - *Nordea Markets - Analyst*

Okay. Thank you.

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

Thank you very much, Stefan. In that case, that concludes our full year and fourth quarter conference call. We look forward to continue the discussion individually, and you're always welcome to give any of us a call if you have any questions.

So with that, I would like to thank you very much for participating and we look forward to see you soon. Thank you very much and goodbye.

JANUARY 30, 2015 / 9:00AM, TEL2 B.ST - Q4 2014 Tele2 AB Earnings Call

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2015, Thomson Reuters. All Rights Reserved.

