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PRESENTATION

Operator

Please go ahead.

Louise Tjeder - *Tele2 AB - Head of IR*

Hello. Good morning, everyone, and a warm welcome to Tele2's full-year and fourth-quarter 2015 conference call and webcast. This is Louise Tjeder speaking and together with me today I have our President and CEO, Allison Kirkby; and our EVP, New Growth & Strategy, Lars Torstensson.

After the formal presentation there will be a chance to ask questions, either over the phone or via the web.

And, with that, I hand over the word to you. Alison?

Allison Kirkby - *Tele2 AB - CEO*

Good morning, everyone, and thank you for joining us on this rainy morning in Stockholm as we present our fourth quarter of 2015. So let's start with the highlights.

As value champions, our mobile end-user service revenue has continued to grow. And we enjoyed a solid quarter in consumer postpaid in Sweden, with data monetization continuing across the Group and particularly strong in the Baltics.

In terms of technological developments, as you all know, we launched our 4G-only network in the Netherlands in mid-November and now have 4G coverage of at least 90% in all of our major markets. Also the network swap in Croatia is completed and we're ready for 4G launch there in the coming week.

On productivity, mobile margin in Sweden increased to 28%.

We also announced our JV in Kazakhstan, which I'm delighted to say has just, in the last 36 hours, received the final regulatory approvals required and we will, therefore, close in the current quarter, as was always planned. This will create a more sustainable and significant player in the Kazakh market, whilst de-risking our investment.

Challenger program remains on track to achieve the SEK1 billion of savings that we set out to achieve by 2018.

In terms of people and culture, in a year of significant change for our customers in Sweden in terms of offering them greater flexibility, greater transparency, greater simplicity, as well as the ongoing great network experience, we were delighted that Comviq and Tele2 have been awarded number 1 and 2 for the most satisfied Swedish telecoms customers in 2015; a large step-up from the past.

We also established shared operations in Chennai in India and expanded those already up and running in Riga in Latvia.

And, as you'll have seen this morning in the press release, I'm delighted to announce today three new leadership team-members.

Lars Nordmark will join us in April as Executive Vice President and CFO. Lars is a Swedish national with extensive experience in telecoms and currently CFO at Sweden's Securitas Direct.

We also have new CEOs of Sweden and the Netherlands businesses. Samuel Skott and Malin Holmberg are both promoted from our internal talent pool, which reflects the strength of the Tele2 bench and the strength of the succession planning we have as we manage succession.

With this new leadership team in place, we remain absolutely focused on further data monetization across the Group.

So, as I just mentioned, monetization of data remains our key priority and we continued to see growth in the quarter, with mobile end-user service revenue up 2%.

We've also shown this in constant currency here, which represents a much clearer picture of the underlying figures and shows a 5% increase. And we will continue to report in constant currency going forward as, obviously, there are some currency headwinds at the moment and excluding the currency impact is a much better reflection of the true underlying health of the business.

Mobile EBITDA was down 4%, as expected, and average data usage was up 94%.

Moving to the quarterly trends in mobile end-user service revenue, you can see we have another quarter of growth, but this is very much distorted by currencies. So, as you'll see in the next page, on a constant currency basis we saw an increase of just under 5% in the quarter and very consistent with our mid-single-digit objective for the year.

By market, Sweden has been stable. Baltics growth has been very good, driven by data-centric pricing. And underlying growth in Kazakhstan was 25%, excluding the impact of the significant devaluation of the Kazakh tenge.

And, as you can see from the bar on the right, we continue to see enormous demand for data across our footprint.

So let's get into each of the markets in a little bit more detail.

In Sweden our total revenue was impacted by low equipment sales and declines in both fixed, prepaid and business. In business the decline was driven by a decline in SME, given the price aggression that we're seeing in that market, which we have chosen to not really participate in.

We saw strong EBITDA growth of 8% in the quarter and 6% year on year. And, further to my comments earlier, consumer mobile postpaid grew mid-single digit, which was very much driven by Comviq and continues to reinforce the success of our dual-brand strategy.

Mobile EBITDA margin grew 2 percentage points in the quarter, up to 28%, which means for the full year we delivered a mobile EBITDA margin of 31%.

Now moving on to some of the more customer-centric KPIs in our business.

Our initiatives this year in Sweden and our value champion strategy have resulted in Tele2.0 providing greater flexibility, transparency and simplicity, which has led to increased customer loyalty and churn down 20% in the quarter compared to last year.

Net intake was up 27,000 and grew across all segments, but particularly in mobile postpaid.

As well as the award for Comviq and Tele2 in residential, we were also awarded number 1 in B2B fixed telephony and broadband in Sweden by our customers.

So this ends a year of good top-line and strong bottom-line growth in our core Swedish business.

Our dual-brand strategy, decoupling, big buckets and the removal of subsidies in the Tele2 brand, has had a major impact on how customers view us and the value we therefore generate from them and puts us in a very strong position for further growth moving forward.

In the Baltics we saw strong growth where monetization was driven by data-centric pricing and continued trade-up in data buckets.

Mobile end-user service revenue in Lithuania and Estonia grew 8% and 10% respectively and this very much reflects the shift to postpaid and prepaid declining, as we anticipated.

Underlying EBITDA was up 5%, excluding the gains that we had from the sale of our frequency license in Estonia in the fourth quarter of last year.

And we're the first operator in the region to test triple-carrier aggregation LTE advanced with speeds above 300 megabits per second.

So, in summary, Baltics is becoming another pillar of data monetization potential for our Group.

So then the Netherlands. As communicated last quarter, the official launch of our 4G-only network had a negative impact. Our growth intake has improved since launch, but net intake was impacted by competitive pressures in the 3G SIM-only market, resulting in higher churn, mainly in 3G customers, than we had anticipated.

Monthly 4G handset sales, however, did increase through the quarter and this has continued into the New Year.

And in B2B our funnel remains strong and we announced a significant contract with the recycling company Van Gansewinkel. And I apologize to any Dutch on the line if that's a really bad pronunciation. In fact, in Q4 we actually had more intake in B2B than the whole of the previous three quarters.

In terms of VULA, that obviously kicks in during this quarter but we have launched first pilots and, therefore, are on track to launch a VULA product towards the end of the quarter.

So now looking at again some more of the more customer-centric KPIs in the Netherlands, we've continued to make good progress in the buildout and in building the business for the long term.

Our 4G network now has 95% outdoor population coverage, which has been reflected in recent positive consumer reviews on the TV show Kassa; one of the Netherlands' largest consumer review shows.

As you can also see here, brand awareness has improved significantly since launch, which will serve us well as we rebuild our brand in the Dutch market.

Our share of postpaid switchers, so that is the market of available customers coming out of contract, increased to 28% in December from an average of 16.7% in the first nine months of the year.

Handset sales are up 50% since launch, despite not being able to offer the full complement of high-end brands. And, just as a reminder, in the Dutch market the iPhone represents 45% of handset sales.

So, looking forward, measures are now underway to reduce churn, to offer a full range of handsets, to offer a competitive SIM-only offer targeted at 4G customers and to maximize the potential of VULA.

We are committed to our extensive and disciplined investment strategy in the Netherlands as we further establish ourselves as the pre-eminent challenger in an important European market that generates more than SEK6 billion of total mobile revenues.

And then in Kazakhstan we saw strong underlying sales growth of 35%. And net intake increased by 38,000 in what is an intensively competitive environment, which, in addition to significant devaluation, had an obvious impact on EBITDA in the quarter.

But we are delighted to announce that we now have the final regulatory approvals for our joint venture to proceed and we anticipate the deal will close this quarter.

Integration planning is well underway and the Kazakh Government have recently committed to technological neutrality. They've issued additional spectrum, which Alltel have bought on behalf of the new JV. So we have a very strong platform to launch 4G LTE to all of our customers as soon as we can after closing.

So let's look into the financials. These are the reported figures for the quarter and very much in line with our expectations.

This results in the full-year figures, as you can see here, where mobile end-user service revenue was up 6% as per guidance of mid-single-digit growth, and EBITDA in line with the revised guidance, driven by our early commercial launch in the Netherlands.

The Board of Directors have also recommended an increase of 10% in the ordinary dividend, in line with the three-year dividend policy that we launched this time last year.

Looking into the development of mobile end-user service revenue by market, you can see that Netherlands and Baltics are the key drivers in the quarter.

And on EBITDA Sweden is the main contributor, whilst you can see our investment continues in the Netherlands.

CapEx up 19% on the quarter and 23% for the year, with the focus on Kazakhstan and Netherlands but investment to rollout 4G and geographic expansion across all of our footprint.

In terms of free cash flow, you can see the waterfall here and you can see the cash outflow in Q4. The one-off items incurred are mainly the cash costs related to both Challenger Program, as was previously communicated, and Kazakhstan transaction costs now that that transaction has been announced.

On our balance sheet we maintain our medium-term range of 1.5 times to 2 times net debt to EBITDA.

However, our continued investment in the Netherlands will require to move above this in the near term, as we communicated last quarter. And we're obviously taking advantage of the very low interest rate environment to ensure that we have the most efficient debt portfolio to see us through this investment phase in the Netherlands.

So let me quickly update you on Challenger. This slide shows our progress towards our 2018 goals across the four pillars of the program.

From a simplification point of view, we started the program with 30% of products harmonized on shared platforms. We have started our journey towards doubling of that but those impacts will come later in the timetable of the Challenger Program.

In discipline we started the program with 40% of spend, strategically sourced and procured. And we're now seeing the spend that we manage strategically up to 67%; well underway towards our target of 80%.

From a consolidation point of view, it will be consolidation of resources that will drive down IT OpEx as a share of revenue. We started the program at IT OpEx as share of revenue at 3.5%. We've seen a slight improvement so far and now it's 3.4%, i.e., 4% lower, but that will ramp up over the coming years.

And, in terms of transformation, we had 12% of staff in shared operations at the start of the program. We aim to double that to 25% by the end. Our new organization that was launched in October has already taken us to 15% and that will ramp up during 2016.

So what initiatives did we start in 2015? We started the work to harmonize our new product development. We started application rationalization in billing systems, particularly in Austria.

We've built a common global infrastructure for developing future business opportunities in the ICB and roaming area. We are driving return on marketing investment tools in Sweden and in Austria.

We've started field force outsourcing in Austria, again, and transmission network optimization in Kazakhstan.

And we have started the offshoring of back-office customer operations to support Sweden, the (inaudible) in India. And back-office finance work has been transferred from finance Sweden and Netherlands to Riga in Latvia. And, as we've previously announced, we have restructured our German operation to align to our strategy for that market going forward.

So we're still very much on track for the roadmap that we set out in December 2014.

So this takes me to guidance.

Mobile end-user service revenue will remain at mid-single-digit percent growth for the coming year.

Net sales will be in the SEK26 billion to SEK27 billion range. And the big impact on the net sales line is the headwinds from foreign currency, particularly in the Kazak tenge, as we go into this year. And, obviously, continued declines in fixed.

From a CapEx point of view, the guidance range of SEK3.7 million to SEK4.1 million.

And, from an EBITDA point of view, our guidance reflects our continued commitment to our business in the Netherlands and the acceleration of the investment required in this market.

This investment will deliver long-term value for our business, our employees and our shareholders. But we will invest in 2016 to reap the longer term benefits.

So, in summary, our priorities are very much in line with what we've previously articulated.

First and foremost, in our core business we will continue to maximize our dual-brand strategy in Sweden.

We will also continue to accelerate our investment in the Netherlands to establish ourselves as the pre-eminent challenger in a large European market that doesn't have a challenger today.

We will integrate our JV in Kazakhstan and establish a platform for more sustainable top- and bottom-line growth in the future.

We will monetize our investments in 4G and in our networks in the Baltics and Croatia and continue to execute on the Challenger Program.

And, with my new leadership team in place, we remain absolutely focused on further data monetization across our business and delivering long-term shareholder value from our total portfolio.

That's a reminder of our Way2Win and I would be very happy now to open to you for questions.

QUESTIONS AND ANSWERS

Louise Tjeder - *Tele2 AB - Head of IR*

Thank you, Allison. That concludes our formal presentation regarding the results for full-year and fourth-quarter 2015. We will now be happy to take any questions you may have so please, operator, let's start with the first question.

Operator

(Operator Instructions). Stefan Gauffin, Nordea.

Stefan Gauffin - *Nordea Markets - Analyst*

I have a few questions, mostly relating to guidance and the Netherlands.

First of all, if you just can explain the EBITDA guidance. Consensus ahead of the report was at SEK5.5 billion. You guide for SEK4.6 billion to SEK5 billion. And, I guess, a large share of the deviation is coming from the Netherlands. And last quarter you stated an EBITDA loss of SEK200 million to SEK300 million per quarter. Can you explain where you see this in 2016?

Secondly, this quarter, adjusted for one-offs, you had an EBITDA loss of SEK240 million in the Netherlands. And that yielded 3,000 net adds. And I guess that, now the market is treating higher investments as higher costs, can you explain why you see that increased investments will give a positive return to the shareholders?

And, also, if you can give an indication on, if you don't see better results, how long time you will continue to invest.

Thirdly, how large share of the subscriber base in the Netherlands is low-end SIM-only subscribers affected by the increased competition?

And then fourth, how much of the increased cost is variable related to subscriber intake? And how much is more fixed investments? Thank you.

Allison Kirkby - *Tele2 AB - CEO*

Okay, that was a lot of questions. We'll need to try and limit those in future, otherwise nobody will get a chance to put a question in. Anyway, Stefan, let me take them from the top.

So, in terms of guidance. Yes, as we communicated last quarter and are reiterating today, 2016 is a year of investment in the Netherlands mobile. We expect to be above the high end of the range that we communicated last quarter, with respect to investments very much focused on incentivizing and acquiring Dutch customers. So they are variable in nature.

And we will do that to ensure we gain the momentum required to deliver on our long-term ambition. This is a big market with a huge potential for our 4G challenger brand to enter and we're investing for the long term.

In addition to the investment in the Netherlands, you should expect Kazakhstan progress to be limited this year. We're seeing significant currency headwinds. And you might have seen that Alltel took pricing down again in recent weeks. And now the cost of a gig to a consumer is only [$0.10] in that market.

So the JV gives us a great platform for the future, but we need to be cautious about what we can expect from Kazakhstan in the near term.

And then just another headwind that's coming this year, I don't know whether people have factored that in, is obviously the impact of the new roaming legislation, which particularly impacts our Baltic business.

But, putting those factors aside, we're expecting continued progress in Sweden and positive momentum from the commercialization of our 4G investment in Baltics and Croatia and Challenger Program benefits will also start to kick in.

In terms of how are we viewing the impact, so far? These results reflect six weeks of the launch; only six weeks. And, as you recall, we only launched in a small subset of the market during those first six weeks.

We didn't launch an aggressive SIM-only offer, because we didn't want it going into 3G handsets. We didn't have the full range of premium handsets. And we didn't have a bundled offer with fixed. Those elements are all planned to kick in in this first quarter.

What surprised us in the quarter was the scale of the churn, particularly in 3G. We've seen a significant reaction from MVNOs. So from two sub-brands/MVNOs we have gone very aggressive on 3G SIM-only deals. That's not a market we want to go after. And 80% of our churn were those low-end 3G low-profitability customers. So that is not an indication. And, in any case, it's just too early to comment.

But, as I said, we start to ramp up in the full range of the propositions during the first quarter. And I said most of the investment will very much be variable. So that's why we're going to be above the previous range that we communicated previously.

What is the percent of subscriber base now on 3G? Is that -- I'm trying to read --

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Louise Tjeder - *Tele2 AB - Head of IR*

How large?

Stefan Gauffin - *Nordea Markets - Analyst*

Yes, that's fair.

Allison Kirkby - *Tele2 AB - CEO*

Is that fair, okay? So I think it's about 40% of our subscriber base is still 3G. And I would expect we might continue to see further churn there.

But, as I said, they are low profitability to us and we're really focused on the 4G end of the market. And that's where we saw good progress. So, even with a limited range of handsets at launch, we were getting 28% of the available switching market in December. And we've not yet got a full range of handsets, which will kick in in the first quarter.

Louise Tjeder - *Tele2 AB - Head of IR*

Stefan, you had also a fourth question and that is if, Allison, you could quantify how much incremental and variable costs there will be due to --?

Allison Kirkby - *Tele2 AB - CEO*

I'm saying it's all variable. So it's all marketing investment, basically.

Stefan Gauffin - *Nordea Markets - Analyst*

Okay. Thank you.

Allison Kirkby - *Tele2 AB - CEO*

What we did see in the quarter is positive trends in terms of how much [on-load] is on our own network now. So, certainly, that's great progress for the future.

Operator

Peter Nielsen, Kepler Cheuvreux.

Peter Nielsen - *Kepler Cheuvreux - Analyst*

I'll just take one question, please, related to Swedish mobile. It's now been a bit more than a year since you introduced the new, quite fundamental changes to your Swedish mobile pricing in the Tele2 brand. With 12 months' hindsight, I'd like to ask how you assess it now.

You obviously talked about the positive impact on churn and customer satisfaction. But, on the other hand, it does seem from our side that most of your net adds in this year has been, or last year, sorry, have been within the Comviq brand. And we have seen a gradual decline in mobile service revenue growth.

How would you, as I said, with a full year's hindsight, how will you now assess the impact of the changes you made more than 12 months ago? Thank you.

Allison Kirkby - *Tele2 AB - CEO*

We are very happy with the development that we've had in the Swedish consumer mobile in the past year.

The dual-brand strategy -- and the way you've got to look at this is we had to differentiate those two brands. They were both playing in the price-fighting segment of the market and were at risk of, therefore, cannibalizing in each other.

So we have differentiated them much clearer. Tele2 is about value and customer service and Comviq is about price fighting. And, as a result of that, we have had good, sustained postpaid growth throughout the year and, again, another quarter of 5% growth in the fourth quarter.

With Comviq, you're right. It's performing better than Tele2. But what we have seen in Tele2 is decoupling big buckets and the removal of subsidies has had a major impact on how customers view us and, therefore, the value we generate from them because we have less churn in Tele2 now. We have more loyal customers in Tele2 now, whose average ASPU has gone up over 10% in the last 15 months.

What's dragging us down in the quarter is more in the B2B segment. Large enterprise continues to grow but, just as we saw in the third quarter, it was another fairly aggressive quarter from a price competition point of view. And so we saw B2B overall decline by 3%. We chose not to participate on some of the aggressive deals that were out there because we didn't see them as value creative.

So that was a disappointment in the quarter but I am happy that our dual-brand strategy continues to work in Sweden.

Peter Nielsen - *Kepler Cheuvreux - Analyst*

Okay. Thank you.

Operator

San Dhillon, Royal Bank of Canada.

Sanvir Dhillon - *RBC Capital Markets - Analyst*

Two questions, if I may. I'm perhaps I'm asking a bit too much here. On the Netherlands could you provide a mobile EBITDA loss guidance for 2016, like you had done for 2015?

And, quickly, since the quarter end I assume you haven't seen any competitive change in the low-end SIM-only environment versus 4Q in December?

And, quickly, on Swedish B2B you mentioned that there has been far more competitive intensity in the B2 -- in the SME segment. TDC yesterday announced a strategic revenue of its business in Sweden. Would that be an asset that's of interest to you? Thanks.

Allison Kirkby - *Tele2 AB - CEO*

On the final point, we don't comment on M&A.

On the second comment, we've seen the same competitive pressure in January as we saw in December from low-end SIM-only and very aggressive 3G deals on legacy iPhone products.

And then on the first question, as I said on our guidance, we are expecting to invest above the higher end of the range that we communicated in the third quarter.

Sanvir Dhillon - *RBC Capital Markets - Analyst*

Okay. Cheers, guys.

Operator

Nick Lyall, Societe Generale.

Nick Lyall - *Societe Generale - Analyst*

Can I ask two, please? On the -- firstly on the Netherlands, does it -- this doesn't make you rethink at all any of your pricing strategies, do you? Do you need to be a bit more aggressive in the with-handset market, do you think, given the attrition at the bottom end of the market, really to make an impression?

And then secondly, it looks like CapEx has risen a bit versus consensus as well. Possibly, again, it's the Netherlands and Sweden. But could you detail some of the changes or some of the raised CapEx items for next year as well, please? Thanks.

Allison Kirkby - *Tele2 AB - CEO*

So, Nick, as I said earlier, these results reflect the first six weeks of launch so we are very much on -- we're not changing anything but we're learning every day what it takes to succeed in the Dutch market.

We didn't launch with a full range of handsets. We will have the full range of handsets during this first quarter. And, now that we have seen some movement in the market, we will obviously take those into consideration when we launch the new handsets during this quarter.

In terms of attrition at the bottom end, we don't want to go after calorie-free 3G customers. They're just not profitable to us. So we're willing to take a bit of pain there but we are looking at how we drive a SIM-only offer into customers that have got 4G handsets. And that's something that we're thinking about switching on during the first quarter as well.

In terms of CapEx, I think its continued rollout in the Netherlands. We really caught up on ourselves towards the end of 2015. And it's probably just some slippage out of 2017 that will come into 2016 now, if we keep up the progress, the great progress, we've had on coverage and in the densification, in particular, that we now need to get indoor coverage up.

And Sweden. As always, Sweden, we never -- we're now above the 85% geographic coverage that we aimed for the year and we are aiming to be at 90% by the end of 2016. And, at the moment, we're just factoring in that we might get there during the course of 2016 but sometimes that gets slowed down due to things outside of our control. But that is what's in the guidance that covers us for all those further rollouts.

Nick Lyall - *Societe Generale - Analyst*

That's great. Do you have a number on where you are on indoor coverage just now in the Dutch market?

Allison Kirkby - *Tele2 AB - CEO*

72%.

Nick Lyall - *Societe Generale - Analyst*

72%. Thanks very much.

Allison Kirkby - *Tele2 AB - CEO*

And our real focus now is getting that up and investing in densification.

Nick Lyall - *Societe Generale - Analyst*

Thank you.

Operator

Andreas Joelsson, DNB.

Andreas Joelsson - *DNB Markets - Analyst*

Again, a question on the Netherlands. You have previously stated you have a pragmatic view on the Netherlands. Can you explain a little bit more what that means and if you are extremely committed to the guidance that you give now for entire 2016 and give it another year?

And then also on Sweden mobile, end-user revenues grew by a little bit less than 2% for 2015. How are you thinking to accelerate that going forward?

Allison Kirkby - *Tele2 AB - CEO*

In Netherlands, as I've said, we've just launched. We are very determined to have an impact and build a great business over the long term there that returns significant value to our shareholders. So we're determined but we're also disciplined.

And we are determined enough to invest above the previous levels that we spoke about in the third quarter because we are seeing great early traction to the brand. We're seeing great customer reaction to the quality of our network. And we're already getting just under 30% of the available switching market, even without a disruptive SIM-only deal, the full range of handsets and without a broadband offer.

So I remain of the view that this is a long-term investment and we're determined to be successful in a way that does return shareholder value, but we'll be determined to take market share.

In terms of Sweden mobile, you'll recall we have really transformed that business over the last five years and built two real pillars of strength in both the Comviq and Tele2 brand.

Comviq is continuing to grow very nicely and we are very happy with the progress we're making there. Tele2 customer base has stabilized and churn is very low now. And so that is a good platform for the future. And in terms of B2B, there have been some headwinds in the quarter.

Where do I see growth? I see there's still growth in trading up our customers. We still only have around 750,000 customers on the new pricing plans and we have over 3 million customers. So there is definitely trade-up opportunity.

We launched a new bring-back offer to make us more competitive against those that subsidize handsets in December. The communication on that has been a bit confusing, I must admit, and the consumer has not yet really seen the full value of that. So we're working on the communication to improve that going forward so that they can really see that they can get a decoupled, large-data bucket and the latest handset at a great price with Tele2 as well.

And then B2B. We continue to get momentum in the large-enterprise segment and we're obviously looking at how do we stay competitive in the SME segment, despite not being dragged into prices wars that some of our competitors are pursuing at the moment.

Louise Tjeder - *Tele2 AB - Head of IR*

We take some questions from the web in between and then a few after that. So the first question is, Allison, can you quantify the roaming impact in 2016?

Allison Kirkby - *Tele2 AB - CEO*

It's around SEK100 million and will build to SEK200 million by 2017. I think we guided on that previously. And that particularly hits the Baltic markets.

Louise Tjeder - *Tele2 AB - Head of IR*

So the next question is, how sustainable is EBITDA margin in Sweden? Is 35% sustainable?

Allison Kirkby - *Tele2 AB - CEO*

Well, we're not at 35% yet. So the mobile margin was 31% for the year and continued low-single-digit momentum on the top line. And Challenger Program implications in our cost base will take us towards that 35% over the medium term.

Louise Tjeder - *Tele2 AB - Head of IR*

And the third question is regarding brand awareness in the Dutch market, if that plateaued in December?

Allison Kirkby - *Tele2 AB - CEO*

No. It continued to grow based on -- well, I guess towards the end of the month, when it becomes Christmas time, that's always a seasonal time where they are more aware of other things. That's probably just the timing of the different campaigns so I wouldn't read into a week of December results.

Louise Tjeder - *Tele2 AB - Head of IR*

And now we take a fourth question and that is, when do you think dividend will be covered?

Allison Kirkby - *Tele2 AB - CEO*

Well, as you know, we launched a three-year progressive dividend policy this time last year. We're in the second year of that and our Board of Directors are recommending to the AGM in May for another 10% dividend per share increase this year.

Certainly during this period of investment in the Netherlands it is not covered, and that's why we have taken our leverage up to cover that over the short term. But we're still very much committed to the dividend policy that we launched last year.

Louise Tjeder - *Tele2 AB - Head of IR*

Thank you, Allison. Can we take a few more questions? Operator, please can you give us the next question?

Operator

Roman Arbuzov, UBS.

Roman Arbuzov - *UBS - Analyst*

I've got three short ones. So, on the Netherlands, can you actually tell us how many customers you have lost on 3G and how many customers you've gained on 4G? Is that possible, please?

Then, secondly, on the CapEx. In terms of the Netherlands, obviously, CapEx is remaining at elevated levels. So in terms of the Netherlands' CapEx, specifically, if we aim for roughly same level year on year, would that be roughly correct?

And also, thirdly, I just wanted to check in terms of the Swedish end-user mobile service revenue growth. Historically you've talked about the 3% to 5% and then, I think, the expectations have moved towards 3%. So I just wanted to check. Is it still 3% or is it the low-single digit that you've just mentioned?

Allison Kirkby - *Tele2 AB - CEO*

So Netherlands, I'm not going to give that level of detail to you on what we've lost and what we've gained, but 80% of our churn in the quarter was 3G, if that helps you.

In terms of CapEx in Netherlands, in 2106 it's quite flat. What we have got going in this year, obviously, is the VULA CapEx investment as well. So mobile does come down a bit, but VULA offsets some of that. But it is quite flat. And, as I said earlier, because we are ahead of where we expected to be in terms of the rollout, we're probably bringing in a bit of investment that we previously expected to have in 2017 into 2016 as well.

In terms of Swedish, I always said over the medium term we would have a Group mid-single-digit mobile end-user service revenue target. And Sweden would be low and our investment markets would be mid to high. When I talk low for Sweden, I'm talking in the 2% to 3% range.

Roman Arbuzov - *UBS - Analyst*

Thank you very much. And then this applies to 2016 as well, or not, the 2% to 3% for Sweden?

Allison Kirkby - *Tele2 AB - CEO*

Yes.

Roman Arbuzov - *UBS - Analyst*

Okay. Thank you.

Operator

Henrik Herbst, Credit Suisse.

Henrik Herbst - *Credit Suisse - Analyst*

I had a couple of questions. Firstly on Swedish mobile, I was just wondering if you could give a little bit more color on what's going on. I think you said last quarter the consumer ASPU, the Tele2 brand, was growing 5%. If you can give an update in terms of how that is evolving and what that growth rate was in Q4.

And then also in terms of your take-up of different bundles, I think you've previously said 30% approximately take more than 5 gigabytes, if that's (technical difficulty) 5-gigabyte bundle, if that's changed.

And then secondly, I was just wondering in terms of your net adds, it seems like you've changed the definition a little bit. And if you can explain what's driving that.

And then also if you have any restrictions on your current adds, in terms of if you have any covenants on net debt-to-EBITDA leverage or anything else? Thanks very much.

Louise Tjeder - *Tele2 AB - Head of IR*

So the first question is on Swedish mobile, what is going on on the consumer side and do you have any comment on the consumer ASPU levels Q4? Could you comment on that, please?

Allison Kirkby - *Tele2 AB - CEO*

So Swedish mobile consumer ASPU, Comviq is obviously -- we took Comviq down last December. So that's trended down over the year.

Tele2 has been growing mid-single digit, has flattened out in the quarter. Some of that is less top-ups in the quarter and some of that is the way we account for certain services, the accounting treatment has changed. So, for example, when you used to buy an insurance you recognized it all upfront and now we phase it over the period of the contract.

So underlying is still up. But certainly, in absolute terms, because of the change in definition, it's flattened out in the quarter because of less top-ups.

But where are we versus our plan? When we launched Big Buckets and we decoupled, we're very much in line with plan.

Net adds, did we change the definition? I'm looking at my team here and I'm not aware of any change in definition.

Louise Tjeder - *Tele2 AB - Head of IR*

Henrik, could you clarify (multiple speakers) --?

Henrik Herbst - *Credit Suisse - Analyst*

Net adds.

Allison Kirkby - *Tele2 AB - CEO*

Maybe we could take that offline and somebody will get back to you later. But (multiple speakers) --

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Lars Torstensson - *Tele2 AB - EVP, New Growth & Strategy*

Maybe, Henrik, you're referring to the change -- are you referring to a specific country or a -- because we did (multiple speakers) --

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Henrik Herbst - *Credit Suisse - Analyst*

Not net adds. Net debt.

Allison Kirkby - *Tele2 AB - CEO*

Oh, net debt. Oh, sorry. No change in net debt definition.

Henrik Herbst - *Credit Suisse - Analyst*

I think it says in a note in your -- but maybe we can take that offline.

Allison Kirkby - *Tele2 AB - CEO*

Okay, sorry. No change. And then in terms of restrictions on our debt, no, our covenants are 3 times, 3.5 times.

Henrik Herbst - *Credit Suisse - Analyst*

Okay. Thanks.

Operator

Keval Khiroya, Deutsche Bank.

Keval Khiroya - *Deutsche Bank Research - Analyst*

I've got two questions on the Netherlands, please. Firstly, can you tell us how much of your traffic is now on your own 4G network?

And, related to that, could you again give us an update on where you see just the MVNO costs and also your fixed production costs for the Netherlands in 2016 versus the level in 2015?

And the, second question, you've obviously highlighted that you're getting a very impressive share of the postpaid switches market in the Netherlands. How large is that market now, given, obviously, the likes of KPN are suggesting that their postpaid churn is falling very quickly, given they are now converged?

Allison Kirkby - *Tele2 AB - CEO*

So in terms of on-load in our network, we're getting above 40% now is on our network. And I think, as we communicated last quarter, we expected total fixed production costs to be up around SEK100 million year on year.

What we are seeing, though, is that our key mobile costs have actually stabilized and we didn't see that increase in the quarter because we're slightly ahead of plan in the percentage on-load on to our own network.

In terms of share of switchers and the scale that is of the market, so it excludes SIM only. So this was just a handset piece that I showed you. So it's only one-half of the market.

And I'm not quite sure, does it include bundled products? We can maybe get back to you on that. We'll come back to you on that one.

Keval Khiroya - *Deutsche Bank Research - Analyst*

Okay, that's great. Thank you.

Operator

Sunil Patel, Bank of America.

Sunil Patel - *BofA Merrill Lynch - Analyst*

Just two questions from me. When you talk about the Netherlands, I think you talked about some of the aggressiveness in the 3G market. But when I look at 4G pricing, competitors are very competitive, especially T-Mobile. Do you think your discount to reach a 20% market share by 2020 is enough? And is some of the investment going into maybe tweaking your pricing?

And I think the second question I had is you've previously talked in the Netherlands about heading towards breakeven, I believe, in 2017; obviously not necessarily for the full year but towards that. Is that still your profile, considering that your loss is going to be bigger in 2016 than you previously communicated?

Allison Kirkby - *Tele2 AB - CEO*

So we're only six weeks in to the launch at the moment, Sunil. So our medium-term objectives still stand but we're learning more every month.

In terms of what is happening in terms of 4G pricing, yes, we have seen competition come down since we launched. They've not matched us and, in fact, some even started to go back up again. So that has allowed us to reassess what investment we want to put in behind the full range of handsets, when we have them, and the bundled product, when we're able to offer 100 megabits per second on fixed broadband.

So, yes, a lot of the incremental investment is to shore up our competitiveness when we launch the next phases of our products and propositions.

Operator

Johanna Ahlqvist, SEB.

Johanna Ahlqvist - *SEB Equities - Analyst*

Two questions, if I may. The first one relating to Sweden. And, given the fact that you show both the churn is coming down, customer satisfaction coming up and the handset decline versus last year, shouldn't you expect margin to be better in Sweden? Or is it something else than the B2B side that is mitigating in the other direction?

And the second question relates to the dividend policy that you have. Do you see any risk for increasing losses in Holland or other aspects that you could think of that could trigger you to change your dividend policy? Thank you.

Allison Kirkby - *Tele2 AB - CEO*

So, I think, in terms of Sweden profitability, we were up 2 margin points in the quarter year on year. And the fourth quarter is always the heaviest investment quarter and we got to 31% for the year. So I'm actually very happy with the progress that we made in Sweden margin over the course of 2015.

B2B. It's more of a top-line issue in B2B rather than a bottom-line issue at the moment. And margins are generally lower in B2B than in consumer but I'm happy with the margin progress in Sweden.

Dividend policy. As we've communicated, we have a very strong cash-generative business in Sweden and the Baltics. A 31% EBITDA margin and cash CapEx of just over 6% in Sweden, that business throws off a lot of cash that gives us confidence in our dividend policy.

And the reason our leverage is going up during this investment phase is purely for the Netherlands. And we're able to take advantage of a low interest rate environment to be able to get the debt at very low interest rate to support that.

So, at this stage, we are still committed to our dividend policy.

Johanna Ahlqvist - *SEB Equities - Analyst*

Thank you.

Operator

Lena Osterberg, Carnegie.

Lena Osterberg - *Carnegie Investment Bank - Analyst*

One more question on the roaming impact. I think you said it will be SEK100 million for this year and SEK200 million for 2017. Was that on sales or EBITDA? Second --

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Allison Kirkby - *Tele2 AB - CEO*

Lena, that's EBITDA. I can tell you that now.

Lena Osterberg - *Carnegie Investment Bank - Analyst*

Okay. All right, good. Then, to return to the dividend and dividend cover question we had before, because you didn't really answer it. If I say 2018, do you expect to cover dividends by cash flow then? It's a very important question.

Allison Kirkby - *Tele2 AB - CEO*

Looking that far out, I would expect so. But it is a long way out, Lena.

Lena Osterberg - *Carnegie Investment Bank - Analyst*

That's why I gave you a long way out so you can answer it. (laughter)

Allison Kirkby - *Tele2 AB - CEO*

Looking that far out at the moment, yes.

Lena Osterberg - *Carnegie Investment Bank - Analyst*

Thank you.

Operator

Maurice Patrick, Barclays.

Maurice Patrick - *Barclays - Analyst*

Two quick questions. First of all in Sweden margins, thank you for your earlier answers, just how much -- obviously strong EBITDA growth, despite a lack in revenue growth. Was all the EBITDA growth due to lower churn, lower subsidies, or is there anything else, would be helpful?

And then the second question just on the Netherlands, not to do it to death too much, but when you talk about higher variable costs, is that because you expect more net intake at the same cost you expected beforehand, or higher cost per addition for the same number of customers? Thank you.

Allison Kirkby - *Tele2 AB - CEO*

Swedish margins --?

Louise Tjeder - *Tele2 AB - Head of IR*

The Swedish margins, the stronger EBITDA, is that due to lower churn and lower subsidies only? Or is there --?

Allison Kirkby - *Tele2 AB - CEO*

It's lower churn. It's lower subsidies. It's better channel mix. And, if you recall, in the fourth quarter last year we had higher marketing spend than normal because we were launching Tele2.0.

And then in Netherlands, the higher variable costs are mainly higher costs per addition.

Maurice Patrick - *Barclays - Analyst*

Very clear. Thank you.

Operator

James Britton, Nomura.

James Britton - *Nomura - Analyst*

I've got a question on the bring-back policy in the home market. So was this needed to keep the Tele2 brand competitive in what's still a pretty subsidized market, certainly from your rivals?

And were these cash-back payments expensed in the quarter? Or should we expect a move on working capital to reflect the payments?

Louise Tjeder - *Tele2 AB - Head of IR*

So the question is about bring back, if that was necessary to stay competitive for Tele2. And also the question if that was expensed in the quarter.

Allison Kirkby - *Tele2 AB - CEO*

So the first question was it needed -- well, we're always looking at how we offer the best value to our customers. And we previously saw moves -- you've seen Apple move themselves to offering a similar subscription-based thing in America. So, just looking around the world, we saw this as an opportunity to enhance the value proposition in the Swedish market of the Tele2 brand.

In terms of the cash-back payments, the way this works is we've been doing bring back for a number of years now in Sweden and that has been very successful to us. And we've built up a relationship with a third party who basically guarantees the value of the phones we get back from our customers. And it's that same contract that is allowing the bring-back campaign.

So that, in itself, doesn't have an impact on working capital. It does have an impact, sorry. My finance team are sitting here saying it does.

Louise Tjeder - *Tele2 AB - Head of IR*

So it doesn't affect P&L but it affects a slight change in working capital, due to that we are holding the receivables throughout the period of time that they choose to keep the phone before they hand it back. And we hold their receivable until we get the phone back and then release it towards the third party.

Allison Kirkby - *Tele2 AB - CEO*

Thank you, Louise.

James Britton - *Nomura - Analyst*

Very clear. Thank you.

Louise Tjeder - *Tele2 AB - Head of IR*

Okay. So that concludes our formal presentation regarding the results for the full-year and fourth-quarter 2015, the call, as such. And we will release our results for the first quarter 2016 on April 21. And thank you all for participating in today's press and analysts' call. Thank you very much.

Operator

Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.
