INTERIM REPORT SECOND QUARTER 2016

TELE2

Q2 2016 HIGHLIGHTS

- Group mobile end-user service revenue up 2 percent like for like[1)]
- Sweden momentum improving but EBITDA down
- Netherlands significantly improved customer intake
- Baltic region continues to show healthy margin development
- Kazakhstan performance strong
- Net loss in the quarter mainly due to Netherlands investment
- 2016 financial guidance is unchanged (see p.5)

Net sales Q2 2016

6,668

SEK million

EBITDA Q2 2016

1,087

SEK million

Key Financial Data

	Q2			H1		
SEK million	**2016**	**2015**	**%**	**2016**	**2015**	**%**
Net sales	6,668	6,611	1	13,114	13,122	0
Net sales, like for like[1)]	6,672	6,623	1	13,255	13,105	1
Mobile end-user service revenue	3,350	3,324	1	6,518	6,508	0
Mobile end-user service revenue, like for like[1)]	3,352	3,283	2	6,626	6,432	3
EBITDA	1,087	1,393	–22	2,313	2,821	–18
EBITDA, like for like[1)]	1,087	1,369	–21	2,319	2,808	–17
EBIT	191	593	–68	346	1,295	–73
EBIT excluding one-off items (Note 3)	286	664	–57	806	1,380	–42
Net profit/loss	–60	309	–119	279	826	–66
Earnings per share, after dilution (SEK)	0.08	0.69	–88	0.91	1.84	–51

The figures presented in this report refer to Q2 2016 and continuing operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2015..

1) Like for like (LFL) is a non-IFRS measurement calculated at constant currency and pro forma for Altel which means numbers pre the acquisition February 29 are included in comparative periods. The numbers have not been reviewed by the company's auditors.

CEO word, Q2 2016

Tele2's second quarter results reflect a continuation of the improved momentum we experienced towards the end of the first quarter. Our Value Champion strategy and positioning is driving strong customer growth in the Netherlands and in Sweden we are seeing a return to mid single digit growth in mobile end-user service revenue both in Consumer postpaid and Large Enterprise. Our Challenger spirit is driving excellent progress in the integration of the Tele2/Altel JV in Kazakhstan, with respect to synergy realization and a step up in pricing. And as we roll out 4G across our footprint, we are particularly proud of the data monetization we are seeing in the Baltics.

"Our Value Champion strategy, combined with a relentless focus on offering the best wireless technologies with a challenger cost structure, will lead us to sustainable value creation for our customers, employees and our shareholders."

The most exciting news in the quarter was of course the announcement of our intention to acquire TDC, one of the strongest B2B service providers in Sweden. This is a highly complementary business which will be value accretive, drive growth in our most important market and which we look forward to closing and integrating later this year.

This quarter, Group mobile end-user service revenue, on a like for like basis, increased by 2 percent year on year. Group EBITDA declined, as expected, as a result of our mobile investment in the Netherlands but also lower EBITDA in Sweden which was negatively impacted by increased sales and marketing spend and non-recurring items. Our investment in the Netherlands continues to have an impact on CAPEX and Group cash flow, however this is balanced by strong cash generation in our established Swedish and Baltic businesses.

Swedish consumer mobile continues to be strong with postpaid growth of 5 percent year on year, driven by Comviq market share development. Competition in the B2B SME segment has subsided but the market remains tough, and is a drag to our overall revenue development. However, Large Enterprise continues to deliver strong progress, and during the quarter we added some important customers to our portfolio. It is with great excitement that we are now preparing for the closing of the acquisition of TDC, a merger that will step change Tele2's strategy to be the customer champion in both Consumer and B2B, and create significant shareholder value.

During the quarter OpenSignal announced that Tele2 Sweden had achieved the best score for 4G coverage ahead of all the other Nordic operators. Having now reached 87 percent geographic coverage we are increasingly providing our customers with a great connectivity experience, no matter where they are.

The Baltic region's underlying revenue growth continues to be strong thanks to an ever increasing demand for data combined with creative data centric pricing models. Our 4G coverage is now above 97 percent in the region, and in Lithuania the usage of 4G surpassed the usage of 3G for the first time. Despite the new roaming regulation hampering our progress in the Baltics, profitability improved in the quarter with EBITDA margin reaching 38 percent in Lithuania.

In the Netherlands, momentum has continued since the launch of the iPhone and the new SIM only line up. As a result, customer intake has almost doubled compared to the first quarter. Despite intense competition we stand out from the incumbent-like telcos with our Fun Rebel positioning and continue to take a substantial share of Dutch postpaid switchers. I am particularly proud that our Fun Rebel campaign with the "drown yourself in data" theme, was awarded a number of prestigious awards in the quarter, but most importantly in winning the SAN Accent award for the best ad campaign of the year. Data usage on our own network is increasing as we have now reached outdoor population coverage above 97 percent and indoor of 81 percent. During the quarter we also opened our 9th retail store. In our fixed consumer broadband business we continued the positive intake trend from the first quarter after many quarters of decline.

In Kazakhstan, on a like for like basis mobile end-user service revenue yet again grew double digits as a result of an increasing customer base and price increases. Despite substantially changing our pricing tariffs, we have managed to maintain a price leadership position resulting in a solid intake of more than 100,000 customers. Whilst our business is progressing positively, so is the integration of the joint venture and we have now finalized more than half of the integration milestones, enabling synergies to start filtering through and therefore a good EBITDA development.

The Challenger program is developing in line with expectations, well on track for the SEK 1bn target in 2018 and to date more than 75 projects have been initiated. Efficiency savings have been achieved by creating a platform for consolidation and de-duplication of tasks through the integration of roles in Sweden and Netherlands into the Shared Operations organization. The out-sourced Indian organization is now staffed with around 100 employees that support our Swedish and Dutch markets with financial and customer back office tasks.

At our AGM in May I highlighted the exciting trends and opportunities ahead for mobile connectivity and why I believe Tele2 is well positioned to take advantage of these trends. The trends reveal exponential growth of data, increased mobile internet penetration, increased handset penetration, as well as opportunities for growth in the IoT and 5G arena. Our Value Champion strategy, combined with a relentless focus on offering the best wireless technologies with a challenger cost structure, will lead us to sustainable value creation for our customers, employees and our shareholders.

Allison Kirkby,
President and CEO

Financial Overview

Tele2's financial performance is driven by a consistent focus on developing mobile services on own infrastructure, complemented in certain countries by fixed broadband services and business to business offerings. In addition to investing in mobile, the Group will concentrate on maximizing the return from fixed-line services.

Net customer intake amounted to 165,000 (540,000) customers in Q2 2016. The customer net intake in mobile services amounted to 196,000 (563,000), mainly driven by Kazakhstan and the Netherlands. The fixed broadband customer base decreased by –5,000 (–13,000) in Q2 2016, with a decline in Sweden, Austria and Germany. As expected, the number of fixed telephony customers fell in Q2 2016 by –26,000 (–10,000). On June 30, 2016, the total customer base amounted to 16,381,000 (14,341,000) including 1,788,000 customers from the acquired company Altel in Kazakhstan.

Net sales in Q2 2016 amounted to SEK 6,668 (6,611) million. Net sales was positively affected by strong equipment sales in Netherlands and Croatia, and continued strong growth of mobile end-user service revenue in Kazakhstan.

EBITDA in Q2 2016 amounted to SEK 1,087 (1,393) million, which is equivalent to an EBITDA margin of 16 (21) percent. EBITDA was primarily impacted by costs associated to the commercial push in the Netherlands following the 4G LTE network launch, Sweden non-recurring items and mobile marketing investments as well as declines in our fixed operations.

EBIT in Q2 2016 amounted to SEK 286 (664) million excluding one-off items and SEK 191 (593) million including one-off items. EBIT was negatively affected by one-off items totaling SEK –95 (–71) million, mainly attributable to costs related to the Challenger program of SEK –71 (–71) million (Note 3).

Profit before tax in Q2 2016 amounted to SEK 116 (463) million, impacted mainly by lower EBITDA, and a slight improvement in financial net.

Net profit/loss in Q2 2016 amounted to SEK –60 (309) million. Reported tax for Q2 2016 amounted to SEK –176 (–154) million. Tax payment affecting cash flow amounted to SEK –136 (–104) million during the quarter. Deferred tax assets amounted to SEK 2.0 billion at the end of the quarter.

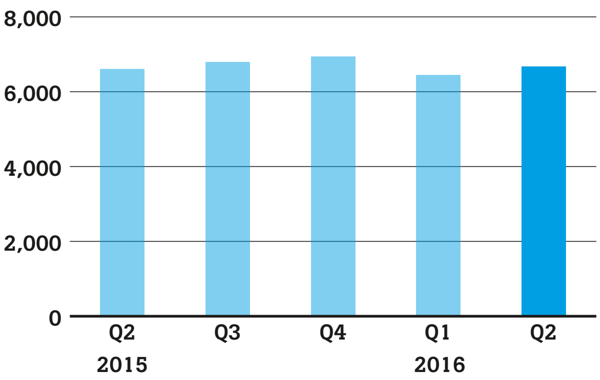
Free cash flow in Q2 2016 amounted to SEK 139 (–268) million, mainly affected by a positive change in working capital of SEK 183 (–404) million primarily related to Sweden and the external handset financing arrangement of SEK 461 million.

CAPEX in Q2 2016 amounted to SEK 820 (1,134) million, driven principally by investments in the Netherlands, Sweden and Kazakhstan, however at lower levels compared to same period a year ago.

Net debt amounted to SEK 11,765 (9,878) million and economic net debt amounted to SEK 11,739 (9,878) million on June 30, 2016 and December 31, 2015 respectively, or 2.26 times 12-month rolling EBITDA impacted by dividend payment. During the quarter, Tele2 completed the issuance of a 5-year SEK 3 billion bond in the Swedish bond market and announced the signing of a EUR 130 million loan agreement with the Nordic Investment Bank (NIB). Including a cancellation of the existing loan, debt increased in total by EUR 56 million (See Note 4 for further details). Tele2's available liquidity amounted to SEK 8,480 (7,890) million.

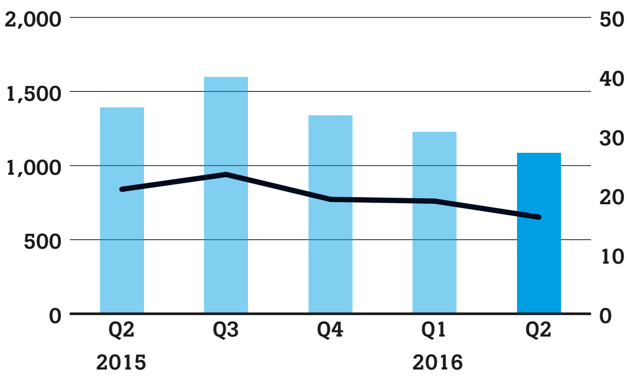
Net sales

SEK million



EBITDA / EBITDA margin

SEK million / Percent

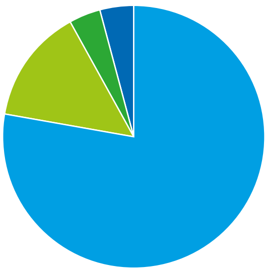


FINANCIAL SUMMARY

SEK million	Q2 2016	Q2 2015	H1 2016	H1 2015	FY 2015
Mobile					
Net customer intake (thousands)	196	563	239	881	1,126
Net sales	5,210	5,010	10,169	9,835	20,446
EBITDA	821	1,031	1,671	2,053	4,247
EBIT[1)]	242	526	599	1,059	2,241
CAPEX	580	830	1,304	1,438	3,024
Fixed broadband					
Net customer intake (thousands)	–5	–13	–11	–33	–57
Net sales	924	980	1,868	2,017	3,956
EBITDA	144	187	340	412	788
EBIT[1)]	–31	7	–7	56	102
CAPEX	114	156	418	322	636
Fixed telephony					
Net customer intake (thousands)	–26	–10	–72	–73	–199
Net sales	259	324	537	673	1,281
EBITDA	83	99	179	213	432
EBIT[1)]	66	84	150	181	374
CAPEX	8	7	15	19	35
Total					
Net customer intake (thousands)	165	540	156	775	870
Net sales	6,668	6,611	13,114	13,122	26,856
EBITDA	1,087	1,393	2,313	2,821	5,757
EBIT excluding one-off items[1)]	286	664	806	1,380	2,890
EBIT	191	593	346	1,295	2,447
CAPEX	820	1,134	1,974	2,072	4,227
EBT	116	463	620	1,138	2,012
Net profit/loss	–60	309	279	826	1,268
Cash flow from operating activities, continuing operations	993	744	1,946	1,583	3,481
Cash flow from operating activities	993	744	1,946	1,633	3,529
Free cash flow, continuing operations	139	–268	–15	–399	–519
Free cash flow	139	–268	–15	–364	–486

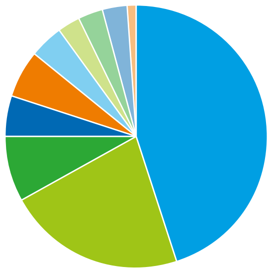
[1)] Excluding one-off items (Note 3)

Net sales per service area, Q2 2016



Mobile	78%
Fixed broadband	14%
Fixed telephony	4%
Other	4%

Net sales per country, Q2 2016



Sweden	45%
Netherlands	22%
Kazhakstan	8%
Croatia	5%
Lithuania	6%
Austria	4%
Latvia	3%
Estonia	3%
Germany	3%
Other	1%

Financial guidance

Tele2 AB gives the following guidance for 2016 for continuing operations in constant currency which is unchanged from previous quarter:

- Mobile end-user service revenue growth of mid single digits.
- Net sales of between SEK 26 and 27 billion.
- EBITDA of between SEK 4.6 and 5.0 billion.
- CAPEX level of between SEK 3.7 and 4.1 billion.

The Challenger Program

A group-wide program focused on increasing productivity was launched at the end of 2014. The program will build over 3 years and is expected to reap full benefits of SEK 1 billion per annum starting in 2018. The investment required will be SEK 1 billion, phased over 3 years. All program investments are, and will be, reported as one-off items, affecting EBIT. For more details, see Note 3.

Dividend Policy 2015-2017

In January 2015 Tele2 adopted a progressive dividend policy which aims to deliver 10 percent growth per annum in the following three year period.

Authorization to pay extraordinary dividends will be sought when the company has excess capital.

Pursuant to the approval received at the 2016 AGM, Tele2 has the authorization to repurchase up to 10 percent of its share capital.

Balance sheet

Tele2 believes the financial leverage should reflect the status of its operations, future strategic opportunities and obligations. It should also be in line with both the industry and the markets in which it operates. This would imply a target economic net debt to EBITDA ratio of 1.5–2.0x over the medium term. As communicated we will be above this range during the period of investments in the Netherlands.

Overview by country

Constant currency basis

Net sales

SEK million	2016 Q2	2015 Q2	Growth	2016 YTD	2015 YTD	Growth
Sweden	3,018	3,101	–3%	6,071	6,231	–3%
Netherlands	1,452	1,386	5%	2,893	2,779	4%
Kazakhstan	527	256	106%	877	466	88%
Croatia	369	334	10%	685	638	7%
Lithuania	387	371	4%	768	703	9%
Latvia	233	229	2%	465	443	5%
Estonia	167	164	2%	324	333	–3%
Austria	282	296	–5%	567	595	–5%
Germany	172	209	–18%	359	431	–17%
Other	61	40	53%	105	73	44%
Total, constant FX	**6,668**	**6,386**	**4%**	**13,114**	**12,692**	**3%**
FX effects		225	–3%		430	–3%
Total	**6,668**	**6,611**	**1%**	**13,114**	**13,122**	**0%**

EBITDA

SEK million	2016 Q2	2015 Q2	Growth	2016 YTD	2015 YTD	Growth
Sweden	846	908	–7%	1,740	1,884	–8%
Netherlands	–116	146	–179%	–147	286	–151%
Kazakhstan	44	5	780%	50	5	900%
Croatia	20	35	–43%	31	55	–44%
Lithuania	146	132	11%	288	256	13%
Latvia	71	69	3%	140	138	1%
Estonia	39	36	8%	74	74	–
Austria	38	42	–10%	88	92	–4%
Germany	60	26	131%	134	58	131%
Other	–61	–11	–455%	–85	–36	–136%
Total, constant FX	**1,087**	**1,388**	**–22%**	**2,313**	**2,812**	**–18%**
FX effects		5	0%		9	0%
Total	**1,087**	**1,393**	**–22%**	**2,313**	**2,821**	**–18%**

Sweden

Total net sales in Q2 2016 was SEK 3,018 (3,101) million and EBITDA amounted to SEK 846 (908) million.

Mobile end-user service revenue was slightly negative, including a non-recurring item related to adjustment on prepaid service balances. Excluding the adjustment, mobile end-user service revenue increased as a result of strong growth within the Consumer postpaid and B2B Large Enterprise whilst B2B SME continues to be a challenge due to the high level of competition. EBITDA was affected by increased sales and marketing initiatives and non-recurring items.

In the quarter, Tele2 reached 87 percent 2G and 4G mobile network coverage in the pursuit to reach 90 percent coverage by the end of this year and by that, securing our customers an excellent network quality experience wherever they are. In the quarter, OpenSignal ranked Tele2 the winner of best 4G coverage positioning us as number one of all Nordic operators. Customer satisfaction in customer service continues to be a world class benchmark with a CSAT (Customer Satisfaction) at 85 percent.

Mobile in Q2 2016, customer net intake was 14,000 (52,000) customers mainly driven by Comviq postpaid. Net sales amounted to SEK 2,705 (2,744) million. Mobile end-user service revenue was slightly negative due to a non-recurring item related to adjustment on prepaid service balances of SEK 35 million. Excluding the adjustment, mobile end-user service revenue was up 1.5 percent thanks to continued growth within consumer postpaid and B2B large enterprise. Tele2 continues to build momentum in the Tele2 brand with encouraging signs of improvement during the quarter. Tele2 added some additional and important large B2B customers in the quarter. EBITDA amounted to SEK 785 (843) million.

Fixed broadband Customer net intake amounted to –3,000 (–5,000) customers. Net sales decreased by 3 percent and amounted to SEK 170 (176) million. EBITDA amounted to SEK 13 (18) million.

Fixed telephony Tele2 saw a continued decrease in demand for fixed telephony as a consequence of the ongoing shift to mobile telephony. The EBITDA contribution in the quarter amounted to SEK 29 (35) million.

Netherlands

Total net sales in Q2 2016 was SEK 1,452 (1,390) million and EBITDA amounted to SEK –116 (147) million.

Mobile end-user service revenue grew as a result of an increased number of customers in the base with an increasing number coming from direct sales. Within the B2B segment, Tele2 is attracting the full range from very small to large enterprises and several Dutch municipalities.

During the quarter, Tele2 was awarded two very prestigious awards in the Netherlands for its Fun Rebel campaign with the "drown yourself in data" theme: the ACDN Light bulb for being the best creative campaign of a service company and the SAN Accent award for the best ad campaign of the year.

Tele2 continued to expand its LTE Advanced 4G network which has now reached above 97 percent outdoor population coverage and indoor population coverage of 81 percent.

Mobile Customer net intake in the quarter amounted to 57,000 (7,000) customers. Net sales grew 22 percent as a result of driving 4G VoLTE enabled handset sales from the mobile launch's commercial investments and amounted to SEK 721 (592) million. Mobile end-user service revenue grew 1 percent and amounted to SEK 336 (332) million. EBITDA, which is impacted negatively by the costs associated with mobile growth and further network rollout amounted to SEK –277 (–71) million.

Fixed broadband Tele2 has reversed the negative trend in customer net intake resulting in net intake of 2,000 (–5,000) customers. EBITDA amounted to SEK 90 (140) million. Within the B2B segment, Tele2 won the bid for fixed services for the Dutch Ministry of Defense.

Kazakhstan

Mobile: On a like for like basis[1]: Customer net intake in the quarter was 104,000 (740,000) customers. Net sales grew by 8 percent and amounted to SEK 531 (493) million. Mobile end-user service revenue grew 19 percent as a result of increasing number of customers, and amounted to SEK 396 (332) million. EBITDA amounted to SEK 44 (–14) million. Business expansion and network costs are impacting EBITDA negatively whilst improved operating leverage and efficiency synergies from the integration of the JV is having a positive impact.

[1] Not reviewed by the company's auditors.

Integration of the JV is progressing well and more than half of the integration milestones are complete. During the quarter, Tele2 made a step change in pricing for new propositions effective as of mid-May.

Croatia

Mobile Customer net intake amounted to 23,000 (19,000) customers, with a shift from pre to postpaid customers, and as a result of the recently launched new postpaid tariffs.

Net sales increased by 11 percent and amounted to SEK 369 (333) mainly due to higher equipment sales. Mobile end-user service revenue amounted to SEK 211 (210) million.

EBITDA in the quarter was SEK 20 (34) million, negatively affected by higher spectrum fees.

During the quarter the company launched a new mobile internet product as a fixed broadband substitution.

Lithuania

Mobile Customer net intake in the quarter was 0 (0) customers. Net sales amounted to SEK 387 (373) million, as a result of higher mobile end-user service revenue and increased sales of equipment. Mobile end-user service revenues grew 3 percent to SEK 229 (222) million, partly hampered by the new roaming regulation. EBITDA grew 11 percent and amounted to SEK 146 (132) million. EBITDA margin was strong at 38 (35) percent.

During the quarter, Tele2 entered into a partnership with Samsung, offering customers the chance to bring back their old phone after a period of 12 months and get a brand new one at a discount.

For the first time, the usage of 4G surpassed the usage of 3G in our network.

Latvia

Mobile Net customer intake in the quarter was 6,000 (10,000) customers. Net sales grew 1 percent compared to same period last year, and amounted to SEK 233 (230) million driven by strong demand for mobile data, shifting sales towards higher data buckets, and strong handset sales. Mobile end-user service revenue amounted to SEK 143 (145) million negatively impacted by the new roaming regulation. EBITDA was flat at SEK 71 (70) million, with maintained margins of 30 (30) percent.

Tele2 launched an in-market mobile video content offering, and had strong sales of handsets supporting LTE.

Estonia

Mobile In the quarter, net customer intake was 1,000 (0) customers, partly driven by increase of mobile broadband customers as a result of the new cooperation with the fixed internet and TV provider Starman. Net sales amounted to SEK 157 (151) million. Mobile end-user service revenue increased by 2 percent and amounted to SEK 105 (103) million, driven by a strong demand for data services. EBITDA amounted to SEK 35 (30) million.

During the quarter Tele2 launched price plan changes for all postpaid customers, with additional 50 roaming minutes for EU calls. Furthermore, as the first telecom operator on the market the company launched a mobile payments app enabling small payments over the phone.

After official regulatory approval for commercial services on the LTE 450 MHz frequency that was received in the quarter, Tele2 started pilot testing for the proof of concept.

Austria

Net customer intake in the quarter amounted to –1,000 (–5,000) customers, with a decline in residential fixed but a positive 5,000 new mobile B2B customers. Net sales amounted to SEK 282 (297) million. EBITDA amounted to SEK 38 (43) million, as a result of lower revenue. Tele2 Austria continued to increase the provision of mobile services in the B2B segment through new intakes from both existing as well as new customers.

Germany

Net customer intake continued to decline in line with expectations and net sales amounted to SEK 172 (209) million. With a continuous focus on profitability and cash contribution EBITDA increased by 131 percent compared to the same quarter last year and amounted to SEK 60 (26) million with an EBITDA margin of 35 (12) percent.

Besides a solid operational performance in line with expectations, additional non-recurring effects related to last year's strategic shift have positively affected the operational result in the quarter.

Other items

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors.

The risk factors considered to be most significant to Tele2's future development are the availability of frequencies and telecom licenses, new technology and integration of new business models, large scale cyber-attacks, data protection, operations in Kazakhstan, strategic change management, mobile network & service delivery interruptions, dependency on suppliers and business partners, Sweden dependency, geopolitical risks, and financial risks such as currency risk, interest risk, liquidity risk and credit risk. Please refer to Tele2's annual report for 2015 (Directors' report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

Company disclosure

Other

Tele2 will release its financial and operating results for the period ending September 30, 2016 on October 20, 2016.

The Board of Directors and CEO declare that the six-month interim report provides a fair overview of the parent company's and Group's operations, their financial position and performance, and describes material risks and uncertainties facing the parent company and other companies in the Group.

Stockholm, July 21, 2016
Tele2 AB

Mike Parton,
Chairman

Sofia Arhall Bergendorff

Georgi Ganev

Cynthia Gordon

Lorenzo Grabau

Irina Hemmers

Carla Smits-Nusteling

Eamonn O'Hare

Allison Kirkby
President and CEO

Auditors' review report

Introduction

We have reviewed the interim report for Tele2 AB (publ) for the period January 1 – June 30, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, July 21, 2016
Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Q2 2016 PRESENTATION

Tele2 will host a presentation with the possibility to join through a conference call, for the global financial community at 10:00 am CEST (09:00 am BST/04:00 am EDT) on Thursday, July 21, 2016. The presentation will be held in English and also made available as a webcast on Tele2's website: www.tele2.com.

Dial-in information
To ensure that you are connected to the conference call, please dial in a few minutes before the start of the conference call to register your attendance.

Dial-in numbers
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APPENDICES

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TELE2 IS ONE OF EUROPE'S FASTEST GROWING TELECOM OPERATORS, ALWAYS PROVIDING CUSTOMERS WITH WHAT THEY NEED FOR LESS. We have 16 million customers in 9 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, content services and global M2M/IoT solutions. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2015, we had net sales of SEK 27 billion and reported an operating profit (EBITDA) of SEK 5.8 billion. For financial definitions, please see the last page of the Annual report 2015.

Income statement

SEK million	Note	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2015 Q2
CONTINUING OPERATIONS						
Net sales	2	13,114	13,122	26,856	6,668	6,611
Cost of services provided	3	–8,609	–8,007	–16,653	–4,294	–4,067
Gross profit		**4,505**	**5,115**	**10,203**	**2,374**	**2,544**
Selling expenses	3	–2,776	–2,560	–5,094	–1,400	–1,300
Administrative expenses	3	–1,416	–1,342	–2,917	–796	–696
Result from shares in joint ventures and associated companies		1	–5	–5	1	–5
Other operating income		64	161	401	27	75
Other operating expenses	3	–32	–74	–141	–15	–25
Operating profit, EBIT		**346**	**1,295**	**2,447**	**191**	**593**
Interest income/costs	4	–142	–186	–376	–73	–86
Other financial items	5	416	29	–59	–2	–44
Profit after financial items, EBT		**620**	**1,138**	**2,012**	**116**	**463**
Income tax	6	–341	–312	–744	–176	–154
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		**279**	**826**	**1,268**	**–60**	**309**
DISCONTINUED OPERATIONS						
Net profit from discontinued operations	11	–	1,718	1,718	–	1
NET PROFIT/LOSS		**279**	**2,544**	**2,986**	**–60**	**310**
ATTRIBUTABLE TO						
Equity holders of the parent company		407	2,544	2,986	36	310
Non-controlling interests	11	–128	–	–	–96	–
NET PROFIT/LOSS		**279**	**2,544**	**2,986**	**–60**	**310**
Earnings per share (SEK)	10	0.91	5.71	6.69	0.08	0.70
Earnings per share, after dilution (SEK)	10	0.91	5.67	6.65	0.08	0.69
FROM CONTINUING OPERATIONS						
ATTRIBUTABLE TO						
Equity holders of the parent company		407	826	1,268	36	309
Non-controlling interests		–128	–	–	–96	–
NET PROFIT/LOSS		**279**	**826**	**1,268**	**–60**	**309**
Earnings per share (SEK)	10	0.91	1.86	2.84	0.08	0.70
Earnings per share, after dilution (SEK)	10	0.91	1.84	2.82	0.08	0.69

Comprehensive income

SEK million	Note	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2015 Q2
NET PROFIT/LOSS		**279**	**2,544**	**2,986**	**–60**	**310**
OTHER COMPREHENSIVE INCOME						
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT/LOSS						
Pensions, actuarial gains/losses		–24	40	38	–19	40
Pensions, actuarial gains/losses, tax effect		6	–9	–9	5	–9
Components not to be reclassified to net profit/loss		**–18**	**31**	**29**	**–14**	**31**
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT/LOSS						
Exchange rate differences						
Translation differences in foreign operations	5	612	–403	–1,420	510	–213
Tax effect on above		–48	–86	305	–58	58
Reversed cumulative translation differences from divested companies	11	–	18	19	–	–
Translation differences		*564*	*–471*	*–1,096*	*452*	*–155*
Hedge of net investments in foreign operations		–99	–78	–49	–63	24
Tax effect on above		22	17	11	14	–5
Reversed cumulative hedge from divested companies	11	–	–107	–107	–	–
Hedge of net investments		*–77*	*–168*	*–145*	*–49*	*19*
Exchange rate differences		**487**	**–639**	**–1,241**	**403**	**–136**
Cash flow hedges						
Loss arising on changes in fair value of hedging instruments		–94	–21	–40	–47	7
Reclassified cumulative loss to income statement		32	39	83	17	20
Tax effect on cash flow hedges		14	–4	–10	7	–6
Cash flow hedges		**–48**	**14**	**33**	**–23**	**21**
Components that may be reclassified to net profit/loss		**439**	**–625**	**–1,208**	**380**	**–115**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**421**	**–594**	**–1,179**	**366**	**–84**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**700**	**1,950**	**1,807**	**306**	**226**
ATTRIBUTABLE TO						
Equity holders of the parent company		824	1,950	1,807	400	226
Non-controlling interests	11	–124	–	–	–94	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**700**	**1,950**	**1,807**	**306**	**226**

Balance sheet

SEK million	Note	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
ASSETS				
NON-CURRENT ASSETS				
Goodwill		8,539	9,293	8,661
Other intangible assets		4,777	4,742	4,437
Intangible assets		**13,316**	**14,035**	**13,098**
Tangible assets		13,016	11,714	11,592
Financial assets	4	1,188	1,527	1,463
Deferred tax assets	6	2,012	2,039	1,964
NON-CURRENT ASSETS		**29,532**	**29,315**	**28,117**
CURRENT ASSETS				
Inventories		703	552	692
Current receivables		7,404	6,196	7,201
Current investments		32	36	32
Cash and cash equivalents	7	149	309	107
CURRENT ASSETS		**8,288**	**7,093**	**8,032**
ASSETS		**37,820**	**36,408**	**36,149**
EQUITY AND LIABILITIES				
EQUITY				
Attributable to equity holders of the parent company		17,500	18,029	17,901
Non-controlling interests		–96	–	–
EQUITY	10	**17,404**	**18,029**	**17,901**
NON-CURRENT LIABILITIES				
Interest-bearing liabilities	4	6,073	5,381	5,619
Non-interest-bearing liabilities	6	796	688	697
NON-CURRENT LIABILITIES		**6,869**	**6,069**	**6,316**
CURRENT LIABILITIES				
Interest-bearing liabilities	4	7,034	6,152	5,372
Non-interest-bearing liabilities		6,513	6,158	6,560
CURRENT LIABILITIES		**13,547**	**12,310**	**11,932**
EQUITY AND LIABILITIES		**37,820**	**36,408**	**36,149**

Cash flow statement

(Total operations)

SEK million	Note	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
OPERATING ACTIVITIES										
Operating profit from continuing operations		346	1,295	2,447	191	155	364	788	593	702
Operating profit from discontinued operations		–	1,702	1,702	–	–	–	–	1	1,701
Operating profit		**346**	**2,997**	**4,149**	**191**	**155**	**364**	**788**	**594**	**2,403**
Adjustments for non-cash items in operating profit		1,847	–243	1,271	814	1,033	736	778	734	–977
Financial items paid/received	5	–105	–279	–470	–59	–46	–62	–129	–76	–203
Taxes paid		–203	–219	–349	–136	–67	–62	–68	–104	–115
Cash flow from operations before changes in working capital		**1,885**	**2,256**	**4,601**	**810**	**1,075**	**976**	**1,369**	**1,148**	**1,108**
Changes in working capital		61	–623	–1,072	183	–122	–194	–255	–404	–219
CASH FLOW FROM OPERATING ACTIVITIES		**1,946**	**1,633**	**3,529**	**993**	**953**	**782**	**1,114**	**744**	**889**
INVESTING ACTIVITIES										
CAPEX paid	8	–1,961	–1,997	–4,015	–854	–1,107	–1,073	–945	–1,012	–985
Free cash flow		***–15***	***–364***	***–486***	***139***	***–154***	***–291***	***169***	***–268***	***–96***
Acquisition and sale of shares and participations	11	44	4,886	4,893	5	39	–	7	–5	4,891
Other financial assets		1	1	–28	1	–	–29	–	1	–
Cash flow from investing activities		**–1,916**	**2,890**	**850**	**–848**	**–1,068**	**–1,102**	**–938**	**–1,016**	**3,906**
CASH FLOW AFTER INVESTING ACTIVITIES		**30**	**4,523**	**4,379**	**145**	**–115**	**–320**	**176**	**–272**	**4,795**
FINANCING ACTIVITIES										
Change of loans, net	4	2,497	2,305	2,276	2,202	295	228	–257	4,303	–1,998
Dividends	10	–2,389	–6,626	–6,626	–2,389	–	–	–	–6,626	–
Acquisition of non-controlling interests	10	–125	–	–	–	–125	–	–	–	–
Other financing activities		–	–2	–2	–	–	–	–	–2	–
Cash flow from financing activities		**–17**	**–4,323**	**–4,352**	**–187**	**170**	**228**	**–257**	**–2,325**	**–1,998**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**13**	**200**	**27**	**–42**	**55**	**–92**	**–81**	**–2,597**	**2,797**
Cash and cash equivalents at beginning of period		107	151	151	184	107	204	309	2,886	151
Exchange rate differences in cash and cash equivalents		29	–42	–71	7	22	–5	–24	20	–62
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**7**	**149**	**309**	**107**	**149**	**184**	**107**	**204**	**309**	**2,886**

Change in equity

		Jun 30, 2016			Jun 30, 2015			Dec 31, 2015		
		Attributable to			Attributable to			Attributable to		
SEK million	Note	equity holders of the parent company	non-controlling interests	Total equity	equity holders of the parent company	non-controlling interests	Total equity	equity holders of the parent company	non-controlling interests	Total equity
Equity, January 1		**17,901**	**–**	**17,901**	**22,680**	**2**	**22,682**	**22,680**	**2**	**22,682**
Net profit/loss for the period		407	–128	279	2,544	–	2,544	2,986	–	2,986
Other comprehensive income for the period, net of tax		417	4	421	–594	–	–594	–1,179	–	–1,179
Total comprehensive income for the period		**824**	**–124**	**700**	**1,950**	**–**	**1,950**	**1,807**	**–**	**1,807**
OTHER CHANGES IN EQUITY										
Share-based payments	10	12	–	12	25	–	25	40	–	40
New share issues	10	–	–	–	–	–	–	3	–	3
Repurchase of own shares	10	–	–	–	–	–	–	–3	–	–3
Dividends	10	–2,389	–	–2,389	–6,626	–	–6,626	–6,626	–	–6,626
Acquisition of non-controlling interests	10	465	484	949	–	–	–	–	–	–
Divestment to non-controlling interests	10	687	–456	231	–	–2	–2	–	–2	–2
EQUITY, END OF THE PERIOD		**17,500**	**–96**	**17,404**	**18,029**	**–**	**18,029**	**17,901**	**–**	**17,901**

Number of customers

by thousands	Note	Number of customers 2016 Jun 30	2015 Jun 30	Net intake 2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Sweden												
Mobile		3,714	3,630	–27	9	120	14	–41	27	84	52	–43
Fixed broadband		64	75	–6	–10	–15	–3	–3	–3	–2	–5	–5
Fixed telephony		179	221	–17	–21	–46	–8	–9	–13	–12	–11	–10
		3,957	**3,926**	**–50**	**–22**	**59**	**3**	**–53**	**11**	**70**	**36**	**–58**
Netherlands												
Mobile		932	841	88	28	31	57	31	3	–	7	21
Fixed broadband		347	355	3	–14	–25	2	1	–4	–7	–5	–9
Fixed telephony		48	64	–7	–11	–20	–3	–4	–4	–5	–5	–6
		1,327	**1,260**	**84**	**3**	**–14**	**56**	**28**	**–5**	**–12**	**–3**	**6**
Kazakhstan												
Mobile		6,402	4,196	214	899	1,103	104	110	38	166	471	428
		6,402	**4,196**	**214**	**899**	**1,103**	**104**	**110**	**38**	**166**	**471**	**428**
Croatia												
Mobile		801	818	16	–5	–16	23	–7	–78	67	19	–24
		801	**818**	**16**	**–5**	**–16**	**23**	**–7**	**–78**	**67**	**19**	**–24**
Lithuania												
Mobile		1,751	1,763	–18	–47	–68	–	–18	–37	16	–	–47
		1,751	**1,763**	**–18**	**–47**	**–68**	**–**	**–18**	**–37**	**16**	**–**	**–47**
Latvia												
Mobile		947	974	–7	–1	–17	6	–13	–27	11	10	–11
		947	**974**	**–7**	**–1**	**–17**	**6**	**–13**	**–27**	**11**	**10**	**–11**
Estonia												
Mobile		480	484	–4	–4	–4	1	–5	–2	2	–	–4
Fixed telephony		1	3	–2	–	–	–	–2	–	–	–	–
		481	**487**	**–6**	**–4**	**–4**	**1**	**–7**	**–2**	**2**	**–**	**–4**
Austria												
Mobile		5	–	5	–	–	5	–	–	–	–	–
Fixed broadband		98	106	–4	–2	–6	–2	–2	–2	–2	–1	–1
Fixed telephony		122	137	–9	–11	–17	–4	–5	–3	–3	–4	–7
		225	**243**	**–8**	**–13**	**–23**	**–1**	**–7**	**–5**	**–5**	**–5**	**–8**
Germany												
Mobile		191	244	–28	2	–23	–14	–14	–12	–13	4	–2
Fixed broadband		49	57	–4	–7	–11	–2	–2	–2	–2	–2	–5
Fixed telephony		250	373	–37	–30	–116	–11	–26	–35	–51	10	–40
		490	**674**	**–69**	**–35**	**–150**	**–27**	**–42**	**–49**	**–66**	**12**	**–47**
TOTAL												
Mobile		**15,223**	**12,950**	**239**	**881**	**1,126**	**196**	**43**	**–88**	**333**	**563**	**318**
Fixed broadband		**558**	**593**	**–11**	**–33**	**–57**	**–5**	**–6**	**–11**	**–13**	**–13**	**–20**
Fixed telephony		**600**	**798**	**–72**	**–73**	**–199**	**–26**	**–46**	**–55**	**–71**	**–10**	**–63**
TOTAL NUMBER OF CUSTOMERS AND NET INTAKE		**16,381**	**14,341**	**156**	**775**	**870**	**165**	**–9**	**–154**	**249**	**540**	**235**
Acquired companies	11			1,788	–	–	–	1,788	–	–	–	–
Changed method of calculation	2			23	–28	–50	–4	27	–22	–	–28	–
TOTAL NUMBER OF CUSTOMERS AND NET CHANGE		**16,381**	**14,341**	**1,967**	**747**	**820**	**161**	**1,806**	**–176**	**249**	**512**	**235**

Net sales

SEK million	Note	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Sweden										
Mobile		5,434	5,511	11,228	2,705	2,729	2,953	2,764	2,744	2,767
Fixed broadband		343	364	715	170	173	179	172	176	188
Fixed telephony		231	285	541	112	119	125	131	139	146
Other operations		63	72	147	31	32	42	33	42	30
		6,071	**6,232**	**12,631**	**3,018**	**3,053**	**3,299**	**3,100**	**3,101**	**3,131**
Netherlands										
Mobile	2	1,412	1,145	2,535	721	691	747	643	592	553
Fixed broadband		1,085	1,193	2,326	539	546	557	576	578	615
Fixed telephony		135	176	333	64	71	75	82	84	92
Other operations		267	279	552	130	137	134	139	137	142
		2,899	**2,793**	**5,746**	**1,454**	**1,445**	**1,513**	**1,440**	**1,391**	**1,402**
Kazakhstan										
Mobile		877	874	1,754	527	350	383	497	475	399
		877	**874**	**1,754**	**527**	**350**	**383**	**497**	**475**	**399**
Croatia										
Mobile		685	636	1,429	369	316	416	377	333	303
		685	**636**	**1,429**	**369**	**316**	**416**	**377**	**333**	**303**
Lithuania										
Mobile		776	717	1,539	390	386	405	417	381	336
		776	**717**	**1,539**	**390**	**386**	**405**	**417**	**381**	**336**
Latvia										
Mobile		471	450	948	238	233	248	250	232	218
		471	**450**	**948**	**238**	**233**	**248**	**250**	**232**	**218**
Estonia										
Mobile		303	294	608	157	146	155	159	152	142
Fixed telephony		2	3	7	1	1	2	2	2	1
Other operations		19	39	62	9	10	11	12	11	28
		324	**336**	**677**	**167**	**157**	**168**	**173**	**165**	**171**
Austria										
Mobile		1	–	–	1	–	–	–	–	–
Fixed broadband		379	387	775	186	193	192	196	192	195
Fixed telephony		65	75	146	32	33	35	36	36	39
Other operations		122	135	267	63	59	62	70	69	66
		567	**597**	**1,188**	**282**	**285**	**289**	**302**	**297**	**300**
Germany										
Mobile		194	226	437	93	101	102	109	112	114
Fixed broadband		61	73	140	29	32	32	35	34	39
Fixed telephony		104	134	254	50	54	59	61	63	71
		359	**433**	**831**	**172**	**187**	**193**	**205**	**209**	**224**
Other										
Mobile		30	–	–	17	13	–	–	–	–
Other operations		78	76	153	45	33	37	40	40	36
		108	**76**	**153**	**62**	**46**	**37**	**40**	**40**	**36**
TOTAL										
Mobile		**10,183**	**9,853**	**20,478**	**5,218**	**4,965**	**5,409**	**5,216**	**5,021**	**4,832**
Fixed broadband		**1,868**	**2,017**	**3,956**	**924**	**944**	**960**	**979**	**980**	**1,037**
Fixed telephony		**537**	**673**	**1,281**	**259**	**278**	**296**	**312**	**324**	**349**
Other operations		**549**	**601**	**1,181**	**278**	**271**	**286**	**294**	**299**	**302**
		13,137	**13,144**	**26,896**	**6,679**	**6,458**	**6,951**	**6,801**	**6,624**	**6,520**
Internal sales, elimination		**–23**	**–22**	**–40**	**–11**	**–12**	**–8**	**–10**	**–13**	**–9**
Sweden, mobile		–	–1	–1	–	–	–	–	–	–1
Lithuania, mobile		–8	–11	–20	–3	–5	–4	–5	–8	–3
Latvia, mobile		–6	–4	–9	–5	–1	–2	–3	–2	–2
Estonia, mobile		–	–2	–2	–	–	–	–	–1	–1
Netherlands, other operations		–6	–1	–2	–2	–4	–1	–	–1	–
Other, other operations		–3	–3	–6	–1	–2	–1	–2	–1	–2
TOTAL		**13,114**	**13,122**	**26,856**	**6,668**	**6,446**	**6,943**	**6,791**	**6,611**	**6,511**

Mobile external net sales split

SEK million	Note	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Sweden, mobile										
End-user service revenue		3,618	3,638	7,368	1,821	1,797	1,841	1,889	1,829	1,809
Operator revenue		445	465	956	227	218	245	246	254	211
Service revenue		4,063	4,103	8,324	2,048	2,015	2,086	2,135	2,083	2,020
Equipment revenue		1,042	1,084	2,272	496	546	706	482	500	584
Other revenue		329	323	631	161	168	161	147	161	162
		5,434	**5,510**	**11,227**	**2,705**	**2,729**	**2,953**	**2,764**	**2,744**	**2,766**
Netherlands, mobile										
End-user service revenue	2	658	637	1,404	336	322	403	364	332	305
Operator revenue		88	83	169	45	43	42	44	43	40
Service revenue		746	720	1,573	381	365	445	408	375	345
Equipment revenue		666	425	962	340	326	302	235	217	208
		1,412	**1,145**	**2,535**	**721**	**691**	**747**	**643**	**592**	**553**
Kazakhstan, mobile										
End-user service revenue		659	686	1,287	394	265	253	348	371	315
Operator revenue		210	179	451	130	80	127	145	99	80
Service revenue		869	865	1,738	524	345	380	493	470	395
Equipment revenue		8	9	16	3	5	3	4	5	4
		877	**874**	**1,754**	**527**	**350**	**383**	**497**	**475**	**399**
Croatia, mobile										
End-user service revenue		413	407	839	211	202	207	225	210	197
Operator revenue		98	98	208	52	46	36	74	55	43
Service revenue		511	505	1,047	263	248	243	299	265	240
Equipment revenue		174	131	382	106	68	173	78	68	63
		685	**636**	**1,429**	**369**	**316**	**416**	**377**	**333**	**303**
Lithuania, mobile										
End-user service revenue		455	432	886	229	226	224	230	222	210
Operator revenue		109	97	198	54	55	50	51	51	46
Service revenue		564	529	1,084	283	281	274	281	273	256
Equipment revenue		204	177	435	104	100	127	131	100	77
		768	**706**	**1,519**	**387**	**381**	**401**	**412**	**373**	**333**
Latvia, mobile										
End-user service revenue		283	282	580	143	140	146	152	145	137
Operator revenue		97	92	185	48	49	47	46	46	46
Service revenue		380	374	765	191	189	193	198	191	183
Equipment revenue		85	72	174	42	43	53	49	39	33
		465	**446**	**939**	**233**	**232**	**246**	**247**	**230**	**216**
Estonia, mobile										
End-user service revenue		207	200	412	105	102	106	106	103	97
Operator revenue		36	35	70	20	16	17	18	18	17
Service revenue		243	235	482	125	118	123	124	121	114
Equipment revenue		60	57	124	32	28	32	35	30	27
		303	**292**	**606**	**157**	**146**	**155**	**159**	**151**	**141**
Austria, mobile										
End-user service revenue		1	–	–	1	–	–	–	–	–
		1	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**
Germany, mobile										
End-user service revenue		194	226	436	93	101	102	108	112	114
Equipment revenue		–	–	1	–	–	–	1	–	–
		194	**226**	**437**	**93**	**101**	**102**	**109**	**112**	**114**
Other, mobile										
End-user service revenue		30	–	–	17	13	–	–	–	–
		30	**–**	**–**	**17**	**13**	**–**	**–**	**–**	**–**
TOTAL, MOBILE										
End-user service revenue		**6,518**	**6,508**	**13,212**	**3,350**	**3,168**	**3,282**	**3,422**	**3,324**	**3,184**
Operator revenue		**1,083**	**1,049**	**2,237**	**576**	**507**	**564**	**624**	**566**	**483**
Service revenue		**7,601**	**7,557**	**15,449**	**3,926**	**3,675**	**3,846**	**4,046**	**3,890**	**3,667**
Equipment revenue		**2,239**	**1,955**	**4,366**	**1,123**	**1,116**	**1,396**	**1,015**	**959**	**996**
Other revenue		**329**	**323**	**631**	**161**	**168**	**161**	**147**	**161**	**162**
TOTAL, MOBILE		**10,169**	**9,835**	**20,446**	**5,210**	**4,959**	**5,403**	**5,208**	**5,010**	**4,825**

EBITDA

SEK million	Note	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Sweden										
Mobile		1,602	1,736	3,515	785	817	841	938	843	893
Fixed broadband		33	51	96	13	20	17	28	18	33
Fixed telephony		62	76	166	29	33	56	34	35	41
Other operations		43	21	67	19	24	32	14	12	9
		1,740	**1,884**	**3,844**	**846**	**894**	**946**	**1,014**	**908**	**976**
Netherlands										
Mobile	2–3	–520	–177	–410	–277	–243	–150	–83	–71	–106
Fixed broadband	3	214	301	545	90	124	116	128	140	161
Fixed telephony	3	29	31	50	11	18	7	12	13	18
Other operations	3	130	133	260	60	70	62	65	65	68
		–147	**288**	**445**	**–116**	**–31**	**35**	**122**	**147**	**141**
Kazakhstan										
Mobile		50	9	54	44	6	–5	50	9	–
		50	**9**	**54**	**44**	**6**	**–5**	**50**	**9**	**–**
Croatia										
Mobile		31	55	138	20	11	29	54	34	21
		31	**55**	**138**	**20**	**11**	**29**	**54**	**34**	**21**
Lithuania										
Mobile		288	257	538	146	142	138	143	132	125
		288	**257**	**538**	**146**	**142**	**138**	**143**	**132**	**125**
Latvia										
Mobile		140	138	295	71	69	78	79	70	68
		140	**138**	**295**	**71**	**69**	**78**	**79**	**70**	**68**
Estonia										
Mobile		68	59	133	35	33	37	37	30	29
Fixed telephony		1	2	3	1	–	–	1	1	1
Other operations		5	13	20	3	2	4	3	5	8
		74	**74**	**156**	**39**	**35**	**41**	**41**	**36**	**38**
Austria										
Mobile		–35	–10	–30	–20	–15	–14	–6	–7	–3
Fixed broadband		84	50	126	38	46	36	40	24	26
Fixed telephony		32	42	83	15	17	20	21	20	22
Other operations		7	11	24	5	2	7	6	6	5
		88	**93**	**203**	**38**	**50**	**49**	**61**	**43**	**50**
Germany										
Mobile		70	–14	14	30	40	18	10	–9	–5
Fixed broadband		9	10	21	3	6	6	5	5	5
Fixed telephony		55	62	130	27	28	36	32	30	32
		134	**58**	**165**	**60**	**74**	**60**	**47**	**26**	**32**
Other										
Mobile		–23	–	–	–13	–10	–	–	–	–
Other operations		–62	–35	–81	–48	–14	–34	–12	–12	–23
		–85	**–35**	**–81**	**–61**	**–24**	**–34**	**–12**	**–12**	**–23**
TOTAL										
Mobile		**1,671**	**2,053**	**4,247**	**821**	**850**	**972**	**1,222**	**1,031**	**1,022**
Fixed broadband		**340**	**412**	**788**	**144**	**196**	**175**	**201**	**187**	**225**
Fixed telephony		**179**	**213**	**432**	**83**	**96**	**119**	**100**	**99**	**114**
Other operations		**123**	**143**	**290**	**39**	**84**	**71**	**76**	**76**	**67**
TOTAL		**2,313**	**2,821**	**5,757**	**1,087**	**1,226**	**1,337**	**1,599**	**1,393**	**1,428**

EBIT

SEK million	Note	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Sweden										
Mobile		1,108	1,244	2,544	534	574	589	711	597	647
Fixed broadband		–15	4	15	–11	–4	–5	16	–7	11
Fixed telephony		55	66	148	26	29	51	31	31	35
Other operations		24	8	40	9	15	20	12	4	4
		1,172	**1,322**	**2,747**	**558**	**614**	**655**	**770**	**625**	**697**
Netherlands										
Mobile	2–3	–694	–292	–669	–366	–328	–223	–154	–137	–155
Fixed broadband	3	–39	42	42	–39	–	–1	1	12	30
Fixed telephony	3	20	20	29	6	14	2	7	7	13
Other operations	3	99	100	193	45	54	46	47	48	52
		–614	**–130**	**–405**	**–354**	**–260**	**–176**	**–99**	**–70**	**–60**
Kazakhstan										
Mobile		–149	–150	–225	–92	–57	–59	–16	–61	–89
		–149	**–150**	**–225**	**–92**	**–57**	**–59**	**–16**	**–61**	**–89**
Croatia										
Mobile		–3	–17	–20	3	–6	–13	10	–10	–7
		–3	**–17**	**–20**	**3**	**–6**	**–13**	**10**	**–10**	**–7**
Lithuania										
Mobile		237	216	445	121	116	110	119	110	106
		237	**216**	**445**	**121**	**116**	**110**	**119**	**110**	**106**
Latvia										
Mobile		75	80	173	40	35	43	50	37	43
		75	**80**	**173**	**40**	**35**	**43**	**50**	**37**	**43**
Estonia										
Mobile		24	9	30	11	13	8	13	8	1
Fixed telephony		–4	2	3	–3	–1	–	1	1	1
Other operations		–1	5	9	1	–2	5	–1	1	4
		19	**16**	**42**	**9**	**10**	**13**	**13**	**10**	**6**
Austria										
Mobile		–41	–10	–34	–23	–18	–17	–7	–7	–3
Fixed broadband		40	2	29	16	24	11	16	–2	4
Fixed telephony		25	33	66	11	14	16	17	17	16
Other operations		–1	3	6	1	–2	1	2	1	2
		23	**28**	**67**	**5**	**18**	**11**	**28**	**9**	**19**
Germany										
Mobile		65	–21	–3	27	38	16	2	–11	–10
Fixed broadband		7	8	16	3	4	4	4	4	4
Fixed telephony		54	60	128	26	28	37	31	28	32
		126	**47**	**141**	**56**	**70**	**57**	**37**	**21**	**26**
Other										
Mobile		–23	–	–	–13	–10	–	–	–	–
Other operations		–57	–32	–75	–47	–10	–39	–4	–7	–25
		–80	**–32**	**–75**	**–60**	**–20**	**–39**	**–4**	**–7**	**–25**
TOTAL										
Mobile		**599**	**1,059**	**2,241**	**242**	**357**	**454**	**728**	**526**	**533**
Fixed broadband		**–7**	**56**	**102**	**–31**	**24**	**9**	**37**	**7**	**49**
Fixed telephony		**150**	**181**	**374**	**66**	**84**	**106**	**87**	**84**	**97**
Other operations		**64**	**84**	**173**	**9**	**55**	**33**	**56**	**47**	**37**
		806	**1,380**	**2,890**	**286**	**520**	**602**	**908**	**664**	**716**
One-off items	3	–460	–85	–443	–95	–365	–238	–120	–71	–14
TOTAL		**346**	**1,295**	**2,447**	**191**	**155**	**364**	**788**	**593**	**702**

CAPEX

SEK million	Note	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Sweden										
Mobile		296	344	664	117	179	185	135	215	129
Fixed broadband		24	29	95	6	18	50	16	20	9
Fixed telephony		5	5	12	4	1	3	4	3	2
Other operations		12	6	13	9	3	3	4	4	2
		337	**384**	**784**	**136**	**201**	**241**	**159**	**242**	**142**
Netherlands										
Mobile		474	563	1,210	260	214	332	315	327	236
Fixed broadband		372	263	471	94	278	140	68	124	139
Fixed telephony		8	8	15	3	5	4	3	4	4
Other operations		39	44	77	17	22	21	12	22	22
		893	**878**	**1,773**	**374**	**519**	**497**	**398**	**477**	**401**
Kazakhstan										
Mobile		185	255	532	106	79	154	123	136	119
		185	**255**	**532**	**106**	**79**	**154**	**123**	**136**	**119**
Croatia										
Mobile		84	105	272	31	53	93	74	81	24
		84	**105**	**272**	**31**	**53**	**93**	**74**	**81**	**24**
Lithuania										
Mobile	8	180	64	114	30	150	22	28	26	38
		180	**64**	**114**	**30**	**150**	**22**	**28**	**26**	**38**
Latvia										
Mobile		42	42	113	17	25	51	20	19	23
		42	**42**	**113**	**17**	**25**	**51**	**20**	**19**	**23**
Estonia										
Mobile		37	41	77	16	21	18	18	15	26
Other operations		–	5	7	–	–	1	1	3	2
		37	**46**	**84**	**16**	**21**	**19**	**19**	**18**	**28**
Austria										
Mobile		5	22	38	2	3	7	9	11	11
Fixed broadband		21	29	68	13	8	31	8	12	17
Fixed telephony		2	6	8	1	1	2	–	–	6
Other operations		4	5	10	3	1	4	1	–	5
		32	**62**	**124**	**19**	**13**	**44**	**18**	**23**	**39**
Germany										
Mobile		1	2	4	1	–	2	–	–	2
Fixed broadband		1	1	2	1	–	1	–	–	1
		2	**3**	**6**	**2**	**–**	**3**	**–**	**–**	**3**
Other										
Other operations		182	233	425	89	93	99	93	112	121
		182	**233**	**425**	**89**	**93**	**99**	**93**	**112**	**121**
TOTAL										
Mobile		**1,304**	**1,438**	**3,024**	**580**	**724**	**864**	**722**	**830**	**608**
Fixed broadband		**418**	**322**	**636**	**114**	**304**	**222**	**92**	**156**	**166**
Fixed telephony		**15**	**19**	**35**	**8**	**7**	**9**	**7**	**7**	**12**
Other operations		**237**	**293**	**532**	**118**	**119**	**128**	**111**	**141**	**152**
TOTAL	8	**1,974**	**2,072**	**4,227**	**820**	**1,154**	**1,223**	**932**	**1,134**	**938**

Five-year summary

SEK million	Note	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015	2014	2013	2012
CONTINUING OPERATIONS							
Net sales		13,114	13,122	26,856	25,955	25,757	25,993
Numbers of customers (by thousands)		16,381	14,341	14,414	13,594	13,582	14,229
EBITDA		2,313	2,821	5,757	5,926	5,891	6,040
EBIT		346	1,295	2,447	3,490	2,548	2,190
EBT		620	1,138	2,012	3,500	1,997	1,668
Net profit		279	826	1,268	2,626	968	1,158
Key ratios							
EBITDA margin, %		17.6	21.5	21.4	22.8	22.9	23.2
EBIT margin, %		2.6	9.9	9.1	13.4	9.9	8.4
Value per share (SEK)							
Net profit		0.91	1.86	2.84	5.89	2.17	2.61
Net profit after dilution		0.91	1.84	2.82	5.86	2.15	2.59
TOTAL							
Equity		17,404	18,029	17,901	22,682	21,591	20,429
Total assets		37,820	36,408	36,149	39,848	39,855	49,189
Cash flow from operating activities		1,946	1,633	3,529	4,578	5,813	8,679
Free cash flow		–15	–364	–486	432	572	4,070
Available liquidity		8,480	8,139	7,890	8,224	9,306	12,933
Net debt	4	11,765	10,327	9,878	8,135	7,328	15,187
Economic net debt	1, 4	11,739	10,327	9,878	8,135	7,328	15,187
Net investments in intangible and tangible assets, CAPEX		1,974	2,085	4,240	3,976	5,534	5,294
Investments/divestments in shares and other financial assets		–45	–4,887	–4,865	–439	–17,235	215
Key ratios							
Equity/assets ratio, %		46	50	50	57	54	42
Debt/equity ratio, multiple		0.68	0.57	0.55	0.36	0.34	0.74
Return on equity, %		4.6	16.5	14.7	10.0	69.5	15.6
ROCE, return on capital employed, %	10	3.6	14.3	14.0	10.1	48.0	15.4
Average interest rate, %		2.9	4.6	4.1	4.7	5.2	6.6
Value per share (SEK)							
Net profit		0.91	5.71	6.69	4.96	32.77	7.34
Net profit after dilution		0.91	5.67	6.65	4.93	32.55	7.30
Equity		39.21	40.43	40.13	50.90	48.49	45.95
Cash flow from operating activities		4.36	3.66	7.91	10.27	13.06	19.53
Dividend, ordinary		–	–	5.35	4.85	4.40	7.10
Extraordinary dividend		–	–	–	10.00	–	–
Redemption		–	–	–	–	28.00	–
Market price at closing day		73.55	96.40	84.75	94.95	72.85	117.10

Parent company

Income statement

SEK million	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year
Net sales	12	26	53
Administrative expenses	–49	–60	–121
Operating loss, EBIT	**–37**	**–34**	**–68**
Exchange rate difference on financial items	–75	12	106
Net interest expenses and other financial items	–126	–134	–269
Loss after financial items, EBT	**–238**	**–156**	**–231**
Tax on loss	52	39	56
NET LOSS	**–186**	**–117**	**–175**

Balance sheet

SEK million	Note	Jun 30, 2016	Dec 31, 2015
ASSETS			
NON-CURRENT ASSETS			
Tangible assets		1	1
Financial assets		13,680	13,666
NON-CURRENT ASSETS		**13,681**	**13,667**
CURRENT ASSETS			
Current receivables		6,219	5,987
Cash and cash equivalents		4	3
CURRENT ASSETS		**6,223**	**5,990**
ASSETS		**19,904**	**19,657**
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity	10	5,549	5,549
Unrestricted equity	10	2,735	5,346
EQUITY		**8,284**	**10,895**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	4	4,958	4,204
NON-CURRENT LIABILITIES		**4,958**	**4,204**
CURRENT LIABILITIES			
Interest-bearing liabilities	4	6,603	4,479
Non-interest-bearing liabilities		59	79
CURRENT LIABILITIES		**6,662**	**4,558**
EQUITY AND LIABILITIES		**19,904**	**19,657**

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim report for the Group has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board.

The amended IFRS standards (IAS 1, IAS 16, IAS 38, IAS 27 and IFRS 11), which became effective January 1, 2016, have had no material effect on the consolidated financial statements.

Certain financial measures are presented in this interim report that are not defined by IFRS. It is the view of Tele2 that these measures give valuable additional information to investors and other readers of this report since they are used by management to manage and control the operating businesses. Definitions of these measures are mainly stated on the last page of the annual report 2015, with some clarification below.

- *EBITDA margin* – EBITDA in relation to net sales excluding one-off items
- *One-off items* – definition is stated in Note 3
- *Economic net debt* – definition and calculation are stated in Note 4
- *Economic net debt to EBITDA (Leverage)* – EBITDA rolling 12 months including only Tele2's share (49 percent) of EBITDA in Kazakhstan
- *Return on equity* – Profit/loss after tax attributable to holders of the parent company annualized to 12 months calculated as year-to-date amount adjusted pro rata, but adjusted so material capital gain/losses from disposal of discontinued operations are only included once
- *ROCE, return on capital employed* – EBIT and financial revenues annualized to 12 months calculated as year-to-date amount adjusted pro rata, but adjusted so material one-off items are only included once. Calculation is stated in Note 10.
- *Average interest rate* – Interest expense on loans (i.e. not including penalty interest etc) annualized to 12 months calculated as year-to-date amount adjusted pro rata, but adjusted so material one-off items are only included once. Average interest-bearing liabilities exclude provisions and debt related to equipment financing, balanced bank fees and adjusted for borrowings and amortizations during the period, and are calculated as an average of all the quarters' average.
- *Cash flow from operating activities per share* – Cash flow from operating activities in relation to the weighted average number of shares outstanding

As a result of the agreement with Kazakhtelecom, Tele2 introduced in Q1 2016 a new measure; economic net debt. Please refer to Note 4 for additional information.

In all other respects, Tele2 has presented this interim report in accordance with the accounting principles and calculation methods used in the 2015 Annual Report. The description of these principles and definitions is found in the 2015 Annual Report.

Disclosures in accordance with IAS 34 Interim Financial Reporting are presented either in the Notes or elsewhere in the interim report.

NOTE 2 NET SALES AND CUSTOMERS

In Q4 2015, net sales in Netherlands was positively affected by a net of SEK 90 million mainly due to benefit from a tax settlement with regards to VAT on postpaid subscriptions.

Customers

Due to implementation of new IT systems, leading to more improved reporting of number of customers, the customer stock has changed without effecting the net intake in Q2 2016 in Latvia with –4,000 customers, in Q1 2016 in Lithuania with 27,000 customers, in Q4 2015 in Croatia with –22,000 customers, and in Q2 2015 in Sweden with –28,000 customers (the later also due to changed principle for twin cards).

NOTE 3 OPERATING EXPENSES

EBITDA

In Q1 2016, the EBITDA in Netherlands was positively affected by SEK 73 million as a result of a resolved lease incentive in connection with termination of old property contracts of which mobile was impacted by SEK 47 million, fixed broadband SEK 19 million, fixed telephony SEK 3 million and other operations SEK 4 million.

Bridge from EBITDA to EBIT

SEK million	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2015 Q2
EBITDA	**2,313**	**2,821**	**5,757**	**1,087**	**1,393**
Impairment of goodwill	–331	–	–196	–5	–
Sale of operations	–	–	12	–	–
Acquisition costs	–18	–	–118	–15	–
Integration costs	–6	–	–	–4	–
Challenger program	–105	–85	–247	–71	–71
Other one-off items	–	–	106	–	–
Total one-off items	**–460**	**–85**	**–443**	**–95**	**–71**
Depreciation/amortization and other impairment	–1,508	–1,436	–2,862	–802	–724
Result from shares in joint ventures and associated companies	1	–5	–5	1	–5
EBIT	**346**	**1,295**	**2,447**	**191**	**593**

One-off items in segment reporting

One-off items comprise impairment losses and transactions from strategic decisions, such as capital gains and losses from sales of operations, acquisition costs, integration costs due to acquisition or merger, restructuring programs from reorganizations (i.e. Challenger program, costs for phasing out operations and personnel redundancy costs), as well as other items with the character of not being part of normal daily operations and that affects comparability.

Impairment of goodwill

In Q1 2016, an impairment loss on goodwill of SEK 326 million was recognized referring to the cash generating unit Kazakhstan. The impairment was due to the macro environment, including the Tenge devaluation which implied weaker consumer purchase power and higher expenses. In addition, intense competitive pressure during Q1 eroded pricing power for all market participants. This also resulted during Q1 2016, in a decrease in the value of the put option obligation to the former non-controlling interest in Tele2 Kazakhstan, which represents an 18 percent economic interest in the new jointly owned company (see Note 11), with a positive effect in the income statement of SEK 413 million reported under financial items (Note 5).

In Q3 2015, an impairment loss on goodwill of SEK 197 million was recognized referring to the cash generating unit Estonia. The impairment loss was based on the estimated value in use of SEK

1.2 billion by using pre-tax discount rate (WACC) of 9 percent. The impairment was recognized as a result of the underlying performance of the Estonian economy and Tele2's operation.

Acquisition costs

In Q2 2016, EBIT (administrative expenses) was negatively impacted by SEK –7 million concerning expenses related to the ongoing acquisition of TDC Sweden for which closing is expected in Q4 2016. For additional information please refer to Note 11.

In Q1 and Q2 2016 as well as Q4 2015, EBIT (administrative expenses) was negatively impacted by SEK –3, –9 and –118 million respectively concerning expenses related to the combination of the Tele2 and Kazakhtelecom mobile operations in Kazakhstan. For further information please refer to Note 11.

Integration costs

As a result of the acquisition of Altel and the ongoing merger with Tele2's present operations in Kazakhstan, integration costs are reported as one-off items and in the income statement on the following line items.

SEK million	2016 Jan 1– Jun 30	2015 Jan 1– Jun 30	2015 Full year	2016 Q2	2015 Q2
Costs of service provided	–1	–	–	–1	–
Administrative expenses	–5	–	–	–3	–
Total Challenger program costs	**–6**	**–**	**–**	**–4**	**–**
of which:					
–redundancy costs	*–5*	–	–	*–3*	–
–other costs	*–1*	–	–	*–1*	–

Challenger program: restructuring costs

At the end of 2014, Tele2 announced its Challenger program, which is a program to step change productivity in the Tele2 Group. The program will strengthen the organization further and enable it to continue to challenge the industry. The costs associated with the program are reported as one-off items and in the income statement on the following line items.

SEK million	2016 Jan 1– Jun 30	2015 Jan 1– Jun 30	2015 Full year	2016 Q2	2015 Q2
Costs of service provided	–13	–8	–58	–4	–4
Selling expenses	–5	–15	–34	–5	–15
Administrative expenses	–87	–62	–155	–62	–52
Total Challenger program costs	**–105**	**–85**	**–247**	**–71**	**–71**
of which:					
–redundancy costs	*–42*	*–30*	*–105*	*–37*	*–30*
–other employee and consultancy costs	*–60*	*–54*	*–119*	*–32*	*–40*
–exit of contracts and other costs	*–3*	*–1*	*–23*	*–2*	*–1*

Other one-off items

In Q3 2015, other operating revenues in Sweden were positively affected by SEK 112 million, concerning transactions related to sales of 2G sites to Net4Mobility, an infrastructure joint operation between Tele2 Sweden and Telenor Sweden, and the result of dismantling 2G sites. The mission for Net4Mobility is to build and operate a combined 2G and 4G network. From its establishment Tele2 and Telenor have transferred sites to the joint operation. These site transfers have now been completed resulting in a positive impact on Tele2's financial statement. Tele2 and Telenor are technically MVNO's with Net4Mobility and hence act as capacity purchasers.

In Q3 2015, other operating expenses were negatively affected by SEK 6 million, related to the devaluation in Kazakhstan. The total foreign exchange rate effect of assets and liabilities in Kazakhstan was reported in other comprehensive income and amounted at the time for the devaluation to SEK –416 million. Please refer to Note 5 regarding effects on change in fair value of put option Kazakhstan.

NOTE 4 FINANCIAL ASSETS AND LIABILITIES

Net debt and economic net debt

SEK million	2016 Jan 1– Jun 30	2015 Jan 1– Jun 30	2015 Full year	2014 Full year	2013 Full year	2012 Full year
Interest-bearing non-current and current liabilities	13,107	11,533	10,991	9,190	9,430	17,512
Excluding provisions	–1,072	–851	–926	–807	–679	–559
Excluding equipment financing	–82	–	–	–	–	–
Cash & cash equivalents, current investments and restricted funds	–182	–345	–139	–189	–1,413	–1,745
Other financial interest-bearing receivables (swap agreements etc)	–6	–10	–48	–47	–10	–21
Net debt for assets classified as held for sale	–	–	–	–12	–	–
Net debt	**11,765**	**10,327**	**9,878**	**8,135**	**7,328**	**15,187**
Excluding loan from Kazakhtelecom	–20	–	–	–	–	–
Excluding loan guaranteed by Kazakhtelecom	–6	–	–	–	–	–
Economic net debt	**11,739**	**10,327**	**9,878**	**8,135**	**7,328**	**15,187**

As a result of the agreement with Kazakhtelecom, Tele2 introduced in Q1 2016 a new measure; economic net debt. Economic net debt is defined as net debt excluding liabilities from Kazakhtelecom and liabilities guaranteed by Kazakhtelecom.

Financing

	Interest-bearing liabilities			
	Jun 30, 2016		Dec 31, 2015	
SEK million	Current	Non-current	Current	Non-current
Bonds NOK, Sweden[1)]	745	–	–	955
Bonds SEK, Sweden	2,693	3,739	500	2,548
Commercial papers, Sweden	2,909	–	3,784	–
Financial institutions	234	1,178	543	655
	6,581	**4,917**	**4,827**	**4,158**
Put option, Kazakhstan (Note 5)	–	–	125	416
Provisions	91	981	52	874
Other liabilities	362	175	368	171
	7,034	**6,073**	**5,372**	**5,619**
Total interest-bearing liabilities		**13,107**		**10,991**

1) The bonds in NOK are hedged for currency exposure via currency swaps

On June 3, 2016 Tele2 announced the signing of a EUR 130 million loan agreement with the Nordic Investment Bank (NIB). This included a cancellation of the existing loan from NIB of EUR 74 million. Thus the debt increased in total by EUR 56 million. The loan has a fixed interest rate and matures in 5 to 8 years.

On May 11, 2016 Tele2 completed the issuance of a 5-year SEK 3 billion bond in the Swedish bond market. The amount is split in one tranche of SEK 1 billion with a fixed rate coupon of 1.875 percent and one tranche of SEK 2 billion with a floating rate coupon of STIBOR 3m +1.65 percent. The bond is issued under the Tele2 EMTN program and is listed on the Luxembourg stock exchange.

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner Kazakhtelecom. In connection with the completion of the agreement with Kazakhtelecom during Q1 2016, the liability maturity period was extended to 2031 and as a consequence the loan was revalued to fair value at the remeasurement date. On June 30, 2016 the reported debt amounted to SEK 20 (247) million and the nominal value to SEK 292 (287) million. The change in book value was reported in equity, please refer to Note 10.

On February 3, 2016 Tele2 completed the issuance of a SEK 500 million bond in the Swedish bond market. The issue has a final maturity of 3 years with a floating rate coupon. The bond is issued under the Tele2 EMTN program and is not listed.

On January 13, 2016 Tele2 entered into a syndicated multi-currency revolving credit facility agreement amounting to EUR 800 million with 11 relationship banks. The facility has a tenor of five years with two one-year extension options and it replaced the previous revolving credit facility dated May 2012. The new facility further strengthens Tele2's financial position and secures a structure of diversified funding sources. The new facility was unutilized as of June 30, 2016.

Transfer of right of payment of receivables

In Q1 2016 and onwards, Tele2 has started to transfer the right for payment of certain operating receivables to financial institutions. The obligation that occur when receiving payment from financial institutions connected to the transfer of right of payment of receivables for sold equipment has been netted against the receivables in the balance sheet and resulted in a positive effect on cash flow. During Q1 and Q2 2016 the right of payment of SEK 283 and 461 million respectively was transferred.

Classification and fair values

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds and accounts payables. Classification of financial assets and liabilities including their fair value is presented below. During 2016, no transfers were made between the different levels in the fair value hierarchy and no significant changes were made to valuation techniques, inputs used or assumptions except for the valuation of the put option related to Tele2 Kazakhstan according to below.

	Jun 30, 2016					
SEK million	Assets and liabilities at fair value through profit/loss (level 3)	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	1	1,073	–	–	1,074	1,074
Accounts receivables	–	2,219	–	–	2,219	2,219
Other current receivables	–	3,461	6	–	3,467	3,467
Current investments	–	32	–	–	32	32
Cash and cash equivalents	–	149	–	–	149	149
Total financial assets	**1**	**6,934**	**6**	**–**	**6,941**	**6,941**
Liabilities to financial institutions and similar liabilities	–	–	–	11,498	11,498	11,889
Other interest-bearing liabilities	–	–	281	256	537	548
Accounts payable	–	–	–	2,427	2,427	2,427
Other current liabilities	–	–	–	710	710	710
Total financial liabilities	**–**	**–**	**281**	**14,891**	**15,172**	**15,574**

	Dec 31, 2015					
SEK million	Assets and liabilities at fair value through profit/loss (level 3)	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	9	1,349	–	–	1,358	1,358
Accounts receivables	–	2,163	–	–	2,163	2,163
Other current receivables	–	3,296	48	–	3,344	3,344
Current investments	–	32	–	–	32	32
Cash and cash equivalents	–	107	–	–	107	107
Total financial assets	**9**	**6,947**	**48**	**–**	**7,004**	**7,004**
Liabilities to financial institutions and similar liabilities	–	–	–	8,985	8,985	9,240
Other interest-bearing liabilities	541	–	231	308	1,080	1,049
Accounts payable	–	–	–	2,746	2,746	2,746
Other current liabilities	–	–	–	502	502	502
Total financial liabilities	**541**	**–**	**231**	**12,541**	**13,313**	**13,537**

Changes in financial assets and liabilities valued at fair value through profit/loss in level 3 is presented below.

	Jun 30, 2016		Dec 31, 2015	
SEK million	Assets	Liabilities	Assets	Liabilities
As of January 1	**9**	**541**	**9**	**887**
Changes in fair value	–	–413	–	51
Divestment of shares	–8	–	–	–
Payment of liability		–125	–	–
Exchange rate differences*	–	–3	–	–397
Total	**1**	**–**	**9**	**541**

* Recognised in other comprehensive income

In Q1 2016, an initial purchase price of SEK 125 million was paid to the former non-controlling shareholder Asianet in Tele2 Kazakhstan for its 49 percent stake. According to the agreement between the parties Asianet has right to 18 percent of the economic interest in the new jointly owned company, please refer to Note 11. The estimated fair value of the deferred consideration amounted on June 30, 2016 to SEK – (541) million. The fair value was calculated based on expected future cash flows of the jointly owned company, please refer to Note 5.

NOTE 5 OTHER FINANCIAL ITEMS

Other financial items in the income statement consist of the following items.

SEK million	2016 Jan 1– Jun 30	2015 Jan 1– Jun 30	2015 Full year	2016 Q2	2015 Q2
Change in fair value, put option Kazakhstan	413	30	–51	–	–43
Exchange rate differences	13	3	1	4	1
EUR net investment hedge, interest component	–3	–	–3	–2	–1
NOK net investment hedge, interest component	–	–1	–1	–	–
Sale of Modern Holding Inc	–2	–	–	–2	–
Other financial expenses	–5	–3	–5	–2	–1
Total other financial items	**416**	**29**	**–59**	**–2**	**–44**

In Q1 2016, part of the put option obligation to the former non-controlling interest in Tele2 Kazakhstan was settled and SEK 125 million was paid to the previous non-controlling interest. The remaining part of the fair value of the put option obligation was in Q1 2016 changed to zero, affecting financial items in the income statement positively by SEK 413 million. The fair value is calculated based on expected future cash flows of the jointly owned company. The reason for the change in fair value in Q1 2016 was due to the macro environment, including the Tenge devaluation which implied weaker consumer purchase power and higher expenses. In addition, intense competitive pressure during Q1 eroded pricing power for all market participants. The fair value estimate is sensitive to changes in key assumptions supporting the expected future cash flows for the jointly owned company in Kazakhstan. A positive deviation from the current assumptions would increase the earn-out liability.

In Q3 2015, the fair value of the put option of the business in Kazakhstan decreased by SEK 245 million affecting financial items in the income statement negatively by SEK 30 million and other comprehensive income positively by SEK 275 million mainly due to the devaluation of the Kazakhstan currency during the quarter. For further information please refer to Note 4.

In Q1 and Q3 2015, the cash flow was negatively affected by SEK 130 and 76 million respectively related to currency derivatives designated for hedge accounting.

NOTE 6 TAXES

During the first six months 2016, the effective tax rate was mainly affected by below stated items, indicating an underlying effective tax rate of 22 (21) percent.

SEK million	2016 Jan 1–Jun 30		2015 Jan 1–Jun 30		2015 Full year	
Profit before tax	**620**		**1,138**		**2,012**	
Income tax	–341	55.0%	–312	27.4%	–744	37.0%
Tax effect of:						
Impairment of goodwill, non-deductible	65	–10.5%	–	–	39	–1.9%
Not valued tax loss-carry forwards	248	–40.0%	58	–5.1%	144	–7.2%
Valuation tax loss-carry forwards	–40	6.5%	–	–	–	–
Result from JV and associated companies	–	–	–1	0.1%	–	–
Change in fair value, put option Kazakhstan, non-taxable	–91	14.7%	–15	1.3%	10	–0.5%
Non-deductible expenses/ non-taxable revenue	27	–4.4%	54	–4.7%	181	–9.0%
Adjustment of taxes from previous years	–3	0.5%	–27	2.4%	–58	2.9%
Adjusted tax expense and effective tax rate	**–135**	**21.8%**	**–243**	**21.4%**	**–428**	**21.3%**

Other non-deductible expenses/non-taxable revenues of SEK –27 (–181) million mainly relate to interest costs in Sweden. Tele2 claims these interest costs are deductible, but due to the uncertainty in how the tax legislation should be interpreted the interest costs have in the accounting been reported as non-deductible expenses until the tax rules have been further clarified by the courts, which may take several years.

In Q1 2016, net taxes were positively affected by a valuation of deferred tax assets in Germany of SEK 40 million.

NOTE 7 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations, for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at each closing date to the sums stated below.

SEK million	2016 Jun 30	2016 Mar 31	2015 Dec 31	2015 Sep 30	2015 Jun 30	2015 Mar 31
Cash and cash equivalents in joint operations	7	42	34	1	11	33

As part of the business combination in Q1 2016, of Tele2's and Kazakhtelecom's operations in Kazakhstan, Kazakhtelecom have 49 percent of the voting rights in the combined company. Tele2 and Kazakhtelecom sell and purchases telecommunication services from each other. Business relations and pricing between the parties are based on commercial terms and conditions. Apart from transactions with joint operations, and previously described transactions, no other significant related party transactions were carried out during 2016. Other related parties are presented in Note 37 of the Annual Report 2015.

NOTE 8 CAPEX
Bridge from CAPEX to paid CAPEX

SEK million	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2016 Q2	2015 Q2
CAPEX, continued operations	–1,974	–2,072	–4,227	–820	–1,134
CAPEX, discontinued operations	–	–13	–13	–	–
CAPEX, total operation	**–1,974**	**–2,085**	**–4,240**	**–820**	**–1,134**
This year's unpaid CAPEX and paid CAPEX from previous year	–4	81	205	–36	119
Received payment of sold non-current assets	17	7	20	2	3
Paid CAPEX	**–1,961**	**–1,997**	**–4,015**	**–854**	**–1,012**

In Q1 2016, CAPEX for Lithuania was affected by SEK 123 million related to licenses in the 900 and 1800 MHz bands. The new licenses will ensure continued operations after 2017 when the current licenses expire. They will also contribute to higher quality and lower costs, due to the quality and price ratio that Tele2 has opted for. SEK 26 million was paid during Q1 2016 and the remaining part will be paid over 15 years of the license lifespan.

NOTE 9 CONTINGENT LIABILITIES AND ASSETS

SEK million	Jun 30, 2016	Dec 31, 2015
Asset dismantling obligation	143	137
KPN dispute, Netherlands	218	212
Tax dispute, Russia	94	154
Total contingent liabilities	**455**	**503**

In May 2016, the Stockholm District Court ordered Telia to pay damages to Tele2 concerning Telia's abuse of its dominant position on wholesale ADSL-services. The judgement has been appealed by both parties. Due to the uncertainty in the final outcome Tele2 has not recognized any benefits from the judgement.

Tele2 has obligations to dismantle assets and restore premises within fixed telephony and fixed broadband in the Netherlands as well as in Austria. Tele2 assesses such dismantling as unlikely and consequently only reported this obligation as contingent liabilities.

Tele2 Netherlands is, in the ordinary course of its business, involved in several regulatory complaints and disputes pending with the appropriate governmental authorities. In a specific case regarding the rental fees of copper lines, which Tele2 Netherlands uses as part of its fixed operations, the regulator (ACM) has determined that the rental fees are to be adjusted with retroactive effect from 2009. On July 21, 2015 the Supreme Administrative Court (CBb) ruled that ACM had no powers to impose any deduction on the WPC IIA price caps from 2009 till now. This resulted in an additional claim from KPN of EUR 14.5 million for the first 3 years (2009–2011), which were previously deducted by ACM in their ruling. Together with the claim for the period 2012-July 2014 this has resulted in a total claim from KPN for the time period 2009-July 2014 amounting to EUR 23.2 million (SEK 218 million) which is subject to pending appeals and court cases expected to go on for several years. Our assessment is that it is unlikely that Tele2 will have to pay these fees and consequently no provision has been made.

The tax authorities in Russia are currently performing tax audits on several of Tele2's former subsidiaries in Russia. Per the sales agreement with the VTB-Group Tele2 is liable for any additional taxes payable as result of the tax audits. On June 30, 2016 (and December 31, 2015 respectively) Tele2 has won tax disputes equivalent to SEK 221 (187) million, of which the Russian tax authorities has appealed SEK 94 (154) million. In addition, Tele2 has lost tax disputes of SEK –19 (–16) million, of which Tele2 has appealed none. On June 30, 2016 (and December 31, 2015 respectively) total provisions for Russian tax disputes amounted to SEK 19 (16) million. Even though it cannot be ruled out that Tele2 may be liable to certain costs, Tele2 assesses that it is not likely that any additional taxes need to be paid and consequently no additional provisions have been made.

Additional contractual commitments are stated in Note 29 in the Annual Report 2015.

NOTE 10 EQUITY AND NUMBER OF SHARES

Number of shares

	Jun 30, 2016	Dec 31, 2015
Number of shares		
Outstanding	446,533,392	446,188,367
In own custody	4,549,947	4,894,972
Weighted average	446,286,124	446,032,991
After dilution	449,700,087	449,020,673
Weighted average, after dilution	448,896,040	448,904,102

As a result of share rights in the LTI 2013 being exercised during Q2 2016, Tele2 delivered 345,025 B-shares in own custody to the participants in the program.

Changes of number of shares during previous year are stated in Note 24 in the Annual Report 2015.

Dividend

In Q2 2016, Tele2 paid to its shareholders a dividend for 2015 of SEK 5.35 (4.85) per share. In 2015, Tele2 also paid an extraordinary dividend of SEK 10.00 per share. This corresponded to a total of SEK 2,389 (6,626) million.

Transactions with non-controlling interests

The transaction with Kazakhtelecom, which is described in Note 11, resulted in Q1 2016, in a positive effect in equity attributable to the equity holders of the parent company of SEK 1,143 million. The positive effect mainly refers to Kazakhtelecom's contribution of Altel to Tele2 in exchange for Kazakhtelecom becoming partly owner of Tele2 Kazakhstan. As part of setting up the new structure in Kazakhstan, an initial purchase price of SEK 125 million was paid during Q1 2016 to the former non-controlling shareholder Asianet in Tele2 Kazakhstan for its 49 percent stake.

Long-term incentive program (LTI)

All programs are based on the same structure and additional information regarding the objective, conditions and requirements related to the programs is stated in Note 33 of the Annual Report 2015.

LTI 2016

Number of share rights	2016 Jan 1–Jun 30
Allocated June 9, 2016	1,327,968
Total outstanding share rights	**1,327,968**

During the Annual General Meeting held on May 24, 2016, the shareholders approved a retention and performance-based incentive program (LTI 2016) for senior executives and other key employees in the Tele2 Group. The measurement period for certain retention and performance-based conditions for LTIP 2016 is April 1, 2016–March 31, 2019. The program has the same structure as last year's incentive program.

The rights are divided into Series A (retention rights) and Series B and C (performance rights). The number of shares the participant will receive depends on which category the participant belongs to and on the fulfilment of the following defined conditions:

Series A Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period exceeding 0 percent as entry level.

Series B Tele2's average normalized return of capital employed (ROCE) during the measurement period being at least 5.5 percent as entry level and at least 8 percent as the stretch target.

Series C Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period being equal to the median (average for LTIP 2014 and 2015) TSR for a peer Group including Elisa, Iliad, Millicom International Cellular, TalkTalk Telecom Group, Telenor, TeliaSonera and TDC as entry level, and exceeding the median TSR for the peer Group with 10 percentage points as the stretch target.

If the entry level is reached, the number of rights that wests is 100 percent for Series A , 20 percent for series B and 50 percent (20 percent for LTIP 2014 and 2015) for Series C.

The program comprised a total number of 278,366 shares. In total this resulted in an allotment of 1,327,968 share rights, of which 278,366 Series A, 524,801 Series B and 524,801 Series C. The participants were divided into different categories and were granted the following number of share rights for the different categories:

			Share right per Series				
At grant date	No of participants	Maximum no of shares	wA	B	C	Tot	Total allotment
CEO	1	10,000	1	4.5	4.5	10	100,000
Other senior executives							
-category LT-1	4	7,500	1	3.5	3.5	8	228,000
-category LT-2	3	4,500	1	3.0	3.0	7	94,500
Category 1	43	2,000	1	1.5	1.5	4	314,400
Category 2	51	1,500	1	1.5	1.5	4	265,677
Category 3	91	1,000	1	1.5	1.5	4	325,391
Total	**193**						**1,327,968**

Total costs before tax for outstanding rights in the incentive program are expensed over the three-year vesting period, and these costs were initially expected to amount to SEK 60 million, of which social security costs amount to SEK 18 million.

The participant's maximum profit per share right in the program is limited to SEK 256, four times the average closing share price of the Tele2 Class B shares during February 2016 with deduction for the dividend paid in May 2016.

The estimated average fair value of the granted rights was SEK 51 on the grant date, June 9, 2016. The calculation of the fair value was carried out by an external expert. The following variables were used:

	Series A	Series B	Series C
Expected annual turnover of personnel	7.0%	7.0%	7.0%
Weighted average share price	72.23	72.23	72.23
Expected life	2.87 years	2.87 years	2.87 years
Expected value reduction parameter market condition	70%	–	40%
Estimated fair value	50.60	72.20	28.90

To ensure the delivery of Class B shares under the program, the Annual General Meeting decided to authorise the Board of Directors to resolve on a directed issue of a maximum of 1,820,000 Class C shares and subsequently to repurchase the Class C shares. The Board of Directors has not yet used its mandate.

LTI 2015

Number of share rights	2016 Jan 1–Jun 30	Cumulative from start
Allocated June 8, 2015		1,241,935
Outstanding as of January 1, 2016	1,093,535	
Allocated, compensation for dividend	72,959	72,959
Forfeited	–143,390	–291,790
Total outstanding share rights	**1,023,104**	**1,023,104**

The measurement period for the program is April 1, 2015–March 31, 2018.

LTI 2014

Number of share rights	2016 Jan 1–Jun 30	Cumulative from start
Allocated June 2, 2014		1,180,268
Outstanding as of January 1, 2016	897,508	
Allocated, compensation for dividend	58,946	168,234
Forfeited	–130,999	–477,650
Performance conditions not reached, Norway	–	–43,665
Exercised, cash settled, Norway	–	–1,732
Total outstanding share rights	**825,455**	**825,455**
of which will be settled in cash	*9,832*	*9,832*

The measurement period for the program is April 1, 2014–March 31, 2017.

LTI 2013

Number of share rights	2016 Jan 1–Jun 30	Cumulative from start
Allocated June 4, 2013		1,204,128
Outstanding as of January 1, 2016	841,263	
Allocated, compensation for dividend	–	139,134
Forfeited	–32,224	–478,174
Performance conditions not reached, Norway	–	–41,260
Performance conditions not reached, other	–444,634	–444,634
Exercised, cash settled, Norway	–	–14,789
Exercised, cash settled, other	–19,380	–19,380
Exercised, equity settled, other	–345,025	–345,025
Total outstanding share rights	**–**	**–**

The exercise of the share rights in LTI 2013 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2013 until March 31, 2016. The outcome of these performance conditions was in accordance with below and the outstanding share rights have been exchanged for shares in Tele2 or cash during Q2 2016. Weighted average share price for share rights in LTI 2013 at date of exercise amounted to SEK 75.74 during 2016.

	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		≥ 0%	24.2%	100%
Series B	Average normalised Return on Capital Employed (ROCE)	8%	12.5%	10.0%	55.6%
Series C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	–5.4%	0%

ROCE, return on capital employed

SEK million	2016 Jan 1–Jun 30	2015 Jan 1–Jun 30	2015 Full year	2014 Full year	2013 Full year	2012 Full year
EBIT, total operation	346	2,997	4,149	3,102	16,339	5,653
Financial income, total operation	15	7	9	26	55	24
Return[1]	**361**	**3,004**				
Annualised return	**1,053**	**4,299**	**4,158**	**3,128**	**16,394**	**5,677**
in relation to						
Total assets	37,820	36,408	36,149	36,015	39,407	49,189
Non-interest bearing liabilities	–7,309	–6,846	–7,257	–7,227	–8,781	–11,248
Provisions for asset dismantling	–880	–656	–771	–634	–488	–211
Capital employed for assets classified as held for sale	–	–	–	3,098	395	–
Capital employed, closing balance	29,631	28,906	28,121	31,252	30,533	37,730
Capital employed, average	**28,876**	**30,079**	**29,687**	**30,893**	**34,132**	**36,859**
ROCE, %	**3.6**	**14.3**	**14.0**	**10.1**	**48.0**	**15.4**

1) Including impairment of goodwill of SEK –326 (2015: capital gain for Norway of SEK 1,709) million

NOTE 11 BUSINESS ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments of shares and participations affecting cash flow were as follows:

SEK million	2016 Jan 1–Jun 30	2015 Full year
Acquisitions		
Cash in acquired company, Altel Kazakhstan	41	–
Capital contribution to joint ventures	–	–4
Total acquisition of shares and participations	**41**	**–4**
Divestments		
Norway	–	4,904
Residential cable and fiber operations, Sweden	–	–6
Modern Holdings Inc	4	–
Transaction costs, Russia	–1	–6
Proceeds from liquidation, Adworx Austria	–	5
Total sale of shares and participations	**3**	**4,897**
TOTAL CASH FLOW EFFECT	**44**	**4,893**

ACQUISITIONS

TDC, Sweden

On June 21, 2016 Tele2 announced that Tele2 has signed a contract to acquire 100 percent of TDC Sweden for SEK 2.9 billion on a debt free basis. The transaction is subject to approval by regulatory authorities, which is expected in Q4 2016.

TDC Sweden is a provider of B2B services in Sweden, serving both the public sector and many Swedish blue chip customers with their entire end-to-end connectivity and communication needs. TDC Sweden has a strong position in attractive product segments, and a solid track record of profitable growth, delivering net sales in 2015 of SEK 3.4 billion and an EBITDA of SEK 0.4 billion. The operations had 809 full time employees at the end of 2015.

Tele2 estimates annualized run rate OPEX and CAPEX synergies to amount to approximately SEK 300 million, with additional one-off CAPEX synergies estimated to amount to SEK 200 million. Positive effects of cross-selling are also expected. Preliminary estimates for the integration costs and other one-off costs required to achieve synergies amount to approximately SEK 750 million. Total acquisition costs of SEK –6 million have been reported as operating costs in the income statement.

In conjunction with the announcement of the acquisition, Tele2 proposed to undertake an equity issue with preferential rights to existing shareholders to a total amount of approximately SEK 3 billion. The issue is subject to the approval of an Extraordinary General

Meeting. The completion of the acquisition is not conditional on equity financing, as Tele2 has available funds and existing credit facilities in place to finance the acquisition. The issue is proposed in order to maintain Tele2's financial strength, is fully underwritten and has the support of Tele2's largest shareholder Kinnevik. The issue is expected to be completed in Q4 2016.

Combination of operations, Kazakhstan

On November 4, 2015 Tele2 announced the agreement with Kazakhtelecom to combine the two businesses' mobile operations in Kazakhstan, Tele2 Kazakhstan and Altel, in a jointly owned company. Necessary regulatory approvals for the transactions were received end of January 2016 and the transaction was completed on February 29, 2016.

Kazakhtelecom has subscribed for newly issued shares in the Dutch holding company Khan Tengri Holding B.V. (previously 100 percent owned by Tele2 after the buyout of Asianet), being the owner of Tele2 Kazakhstan, in exchange for 100 percent of the shares in Altel. The estimated fair value of identifiable net assets in Altel was SEK 840 million.

The business combination will strengthen the position of both companies in the Kazakhstan market by combining Tele2's existing operations in Kazakhstan with Kazakhtelecom's mobile business, Altel. The new business has more than 6 million customers and a market share of around 23 percent. The business combination with Kazakhtelecoms mobile operation will create a more sustainable and significant player in the market. The process of integrating the businesses is well underway and the expected synergies will be beneficial for both our customers and shareholders.

Tele2 has a 49 percent economic ownership in the jointly owned company and 51 percent of the voting rights. Tele2 has the right to appoint the CEO and all other management roles except for the CFO. Tele2 has concluded that Tele2 has the control over the jointly owned company as defined by IFRS and consequently the company is consolidated by Tele2. After three years Tele2 will under a put option be able to sell its 49 percent stake at fair value to Kazakhtelecom, which holds a symmetrical call option.

As part of the transaction Tele2 acquired Asianet's 49 percent stake in Tele2 Kazakhstan. The purchase price amounted to an initial payment of SEK 125 million and a deferred consideration equivalent to an 18 percent economic interest in the jointly owned company during a three year period. After three years Asianet has a put option on its 18 percent earn out interest and Tele2 has a symmetrical call option. The exercise price of the put and call options will be the fair market value of the 18 percent interest in the jointly owned company, where Asianet will receive, as deferred payment, the first KZT 8.4 billion (SEK 210 million) of any equity value attributable to a 49 percent stake. Therefore, the purchase agreement with Asianet means that Tele2's effective economic interest in the jointly owned company during the first three years will be 31 percent.

The financing of the jointly owned company has been provided with existing shareholder loans from Tele2 of KZT 97 billion (SEK 2.4 billion) and a pre-existing interest free subordinated loan of KZT 11.7 billion (SEK 292 million) from Kazakhtelecom with extended maturity to 2031. Future funding needs for the jointly owned company will be provided via bank debt guaranteed by Kazakhtelecom.

The current earn-out liability to the previous non-controlling shareholder Asianet on its pre-existing 49 percent stake in Tele2 Kazakhstan was on June 30, 2016 valued at fair value determined to be nil. For further information please refer to Note 4.

Altel is providing telecommunication services, including mobile services and internet services under the trademark ALTEL 4G in Kazakhstan. The business areas consist of prepaid mobile regular and mobile broadband. Total acquisition costs of SEK –130 million have been reported as operating costs in the income statement in 2016 by SEK –12 (–118) million respectively.

Net assets at the time of acquisition

Assets, liabilities and contingent liabilities included in the acquired operations of Altel as of February 29, 2016 are stated below. The valuation of acquired assets and assumed liabilities is still preliminary.

SEK million	Altel, Kazakhstan
Patents and software	7
Licenses	148
Customer agreements	81
Trademarks	66
Tangible assets	658
Financial assets	14
Deferred tax assets	31
Inventories	37
Current receivables	153
Cash and cash equivalents	41
Non-current interest bearing liabilities	–55
Deferred tax liabilities	–29
Current liabilities	–312
Acquired net assets	**840**
Purchase price shares	**840**
Fair value of equity interest 51 percent in Khan Tengri Holding at acquisition	–840
Less: cash in acquired companies	–41
NET CASH INFLOW (–)	**–41**

PRO FORMA

The table below shows how the acquired companies would have affected Tele2's net sales and result if they had been acquired on January 1, 2016.

	January 1 – June 30, 2016		
		Acquired operations	
SEK million	Tele2 Group	Altel, Kazakhstan	Tele2 Group, pro forma
Net sales	13,114	137	13,251
EBITDA	2,313	6	2,319
Net profit	279	–22	257

TELE2