ANNUAL REPORT 2016

Calendar 2017

May 9

Annual General Meeting
2017
Stockholm

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Value creation from data monetization

2016 was a year of increasingly strong mobile momentum driven by 4G data monetization across our footprint. With a clear customer champion strategy focused on data monetization Tele2 remains at the forefront of the rapidly evolving telecom industry.

Tele2 has always believed in the industry shift from voice to data and the simultaneous evolution in consumer behaviour. Today this is more than ever evidenced by a surge in data consumption and rapidly increasing smartphone and connected device penetration.

We have set up our business with this evolution in mind, giving people the power to connect whatever they want, wherever they want, and whenever they want. To date this clear focus has enabled strong mobile momentum across the Group, driven by 4G data monetization, with mobile end-user service revenue up 5 percent in 2016. With the ever increasing demand for mobile bandwidth and the crucial role that connectivity now plays in people's lives, we intend to remain agile to stay ahead of the game. Looking forward, as a true challenger, our role should be to enable our current and future customers, whether they are enterprises or individuals, to live a more connected life.

As a Group, we have seen **financial performance build and improve** during the course of the year. The positive financial momentum has been driven by our relentless focus on offering the best wireless technologies, a high quality end-user network experience coupled with a challenger cost structure. However, due to investments into the Netherlands and to regain momentum in our most important market, Sweden, the EBITDA development was down year on year. And, as a result of a non-cash impairment of our Dutch business, we posted a net loss of SEK 2,164 million for the full year. The momentum in our Swedish business has now returned and revenue and EBITDA has grown solidly in the Baltics throughout the year. Meanwhile, we have seen a strong revenue growth and an increased customer base in our investment markets of the Netherlands and Kazakhstan.

We have made two important in-market consolidation moves in the year. In February, we concluded the closing of our joint venture with Altel in Kazakhstan and immediately launched 4G to Tele2 customers in the geography. And in October we acquired TDC Sweden to accelerate and strengthen our B2B strategy further in our most important market. We also reinforced our position in the exciting IoT-segment with the acquisition of Kombridge, a security services provider in the IoT space.

Just over two years ago, we launched the **Challenger Program** to step-change our productivity and improve our operating leverage. We have made significant progress and are ahead of plan to deliver SEK 1 billion of annual benefits by 2018. Since inception, we have realized SEK 600 million in annual benefits. Benefits to date have come from a number of simplification and transformational initiatives. These include closing down around 30 percent of our residential mobile products in a drive for a more simplified portfolio and commencing the move of our Network & IT functions to the Cloud, which sets us up for 5G and a more cost efficient future network. We have seen lower Customer Service costs across the Group as a result of productivity interventions and relocation of resources to off shored locations, such as our Indian BPO that now employs 350 people. We also restructured SG&A resources across our footprint, but most markedly in Germany, Sweden and Netherlands. These hands-on initiatives within the Challenger Program prove our commitment to challenge the way we work and set ourselves up for the future.

Despite a changing and highly competitive environment I am immensely proud of the strength of Tele2's unique **Winning People & Culture**. We continue to have world class employee engagement level scores and colleagues who live and breathe the Tele2 values. In November, we moved into our new head office in Stockholm, a building that was custom built for Tele2's challenger, collaborative and open culture, enabling the liberation of how our people work together to create a more modern and forward looking Tele2.

Data monetization and disciplined investments

In **Sweden**, the focus on data monetization in combination with the successful dual brand strategy resulted in a solid performance during the year. Tele2 and Comviq are highly complementary brands successfully targeting their different customer segments. Having the most satisfied customers is our ambition, so with 4G geographic coverage now above 89 percent we are providing an even better quality network and user experience in the most rural parts of Sweden. Tele2 customers continued to shift to bigger data buckets and the Comviq brand continued to transition from prepaid to post-paid, ending the year with all time high record sales. In the second half of the year, a new marketing concept called "Be content with more!" was launched under the Tele2 Residential brand, giving a flavour of the new Tele2 position to enable more connectivity to multiple devices through multi-SIM offers and large data buckets. A major highlight in Sweden was of course the acquisition of TDC Sweden, announced in June and completed in October. The integration of TDC Sweden is already underway and progressing well with a number of key customer contracts retained during the first few weeks of the combined sales force. This acquisition will be highly accretive and will accelerate and strengthen our B2B strategy further and enable us to create a unique customer champion in the Swedish large enterprise segment.

The **Baltic region** has continued to focus on the commercialization and monetization of data on the back of the newly rolled out 4G network. During the year, 4G rollout reached over 99 percent population coverage for the region. Tele2 customer satisfaction scores remain at high levels and as a consequence of our world class network and rising smartphone penetration, data demand has increased and we are experiencing a highly successfully shift in sales towards higher value data buckets. With strong macroeconomic conditions and 4G enabled smartphone penetration at only 37 percent in the base, we are well positioned for future data monetization across the Baltic region.

"The demand for mobile data continues and we are well positioned and set up to monetize this demand across our footprint."

At the end of the year, we celebrated the anniversary of the launch of our own 4G-only (the world's first) network in the **Netherlands**. The year has been one of well-targeted heavy investments into the mobile network and the brand in order to grow the mobile customer base which at the end of the year surpassed 1 million customers. The progress made to date, our data centric offering and award winning "Fun Rebel" positioning continues to support 4G data monetization and growth. Mobile end-user service revenue was up 8 percent in the year, fuelled by the doubling of our 4G customer base as well as ASPU improvement as customers increase their data consumption and bucket sizes. The network rollout continues to progress with outdoor population coverage reaching 99 percent and indoor population coverage reaching 90 percent. More than 80 percent of data is now on our own network, and having now provisioned more than 600,000 customers with VoLTE towards the end of the year, we expect the reliance on our 2G/3G roaming partner to reduce dramatically during 2017. In 2017, we will continue to build on our Fun Rebel platform and network rollout with the confidence that our investment strategy will deliver as we further establish ourselves as the pre-eminent challenger in the market. In our fixed consumer business, which has been under competitive pressure for several years, we saw some stabilization. But, considering the continued pressure in this segment and our competitive position within it, we will have a more disciplined investment strategy going forward.

In **Kazakhstan**, the integration process with Altel is progressing very well and we achieved our 2016 integration milestones as we realized synergies from headcount reduction, billing platform consolidation, upgraded a number of base stations to LTE and merged many of our co-located sites. As a result, we expect to complete the integration during 2017. Strong topline momentum continues with more than 250,000 mobile customers added this year. Kazakhstan has become a material contributor to Group EBITDA as we have continued to realize synergies, improve margins and benefit from the increased scale we have realized from being a much stronger player in the Kazakh market.

2016 was another year of exceptional growth for our small and fast developing **IoT** business. With several international recognitions for Tele2 IoT's operations during the year, our aim is to become one of the leading IoT players in the world as we fully leverage the potential of 5G.

Regulatory

2016 continued to see a high level of regulatory change and debate. We saw the first effects of roaming regulations on our businesses following the entry into force of the Telecom Single Market Regulation. The introduction of roam-like-at-home in 2017 will shake up the market further and is likely to have a negative impact on the EBITDA margin for our mobile operations in Europe. During the year the European Commission issued its proposal for a new European Electronic Communications Code. We rest firmly on our belief that healthy competition will best serve both consumers, innovation and the society at large. The regulatory framework in Europe should therefore continue to focus on enabling that competition balanced with the need for the telecom operators to get attractive returns on their investments, and so we remain proactive in Brussels and in our local markets to ensure that customer champions, like ourselves, are consulted and listened to.

A responsible challenger

Corporate Responsibility remains at the very core of our overall strategy and is embedded in all relevant decision making. We are regularly evaluating and assessing what is most important to all our stakeholders and where we can make the greatest difference to the societies we draw from and operate in. Our focus remains in the areas of ethics and compliance, privacy and integrity, diversity, environment and child protection. A concrete action is that all of our employees in all of our markets sign the Code of Conduct annually. This way, we build a responsible company from the inside out. Many of our employees also act as mentors to the social entrepreneurs of Reach for Change, sharing their knowledge and advice to help children live a better life. Together with Reach for Change, Tele2 started an integration and mentorship program to help some of the many unaccompanied refugee children in Sweden to integrate in society and come in contact with future potential employers. Our work to fearlessly stand up for children's rights is a part of our heritage and our DNA. For example, each month, we block about 500,000 websites with Child Sexual Abuse Images in our footprint. Our CR efforts continue to be recognized globally. In 2016, Tele2 successfully maintained its position on one of the leading sustainability indices, the FTSE4Good Index, and kept the A+ sustainability rating by Nordea. During the year, we were also recognized for our strong diversity efforts and awarded third place in AllBright's Equality Prize.

Looking forward

During the year, we have refreshed our purpose and our strategic choices in order to be fit for purpose for the years ahead. Recognising the potential of the connected life for a mobile focused operator and the increasing demands from customers, Tele2's **purpose is to fearlessly liberate people to live a more connected life**. We believe the connected life is a better life. The more people, places and things are connected, the more value is created. Tele2 has a history of challenging the monopolies, and going forward we will continue breaking down barriers to enable increased connectivity. We will do so by continuously challenging unfair pricing and complexity, but also by taking a leading position in encouraging and empowering the connected life for our customers. People need a champion to unlock the benefits of the connected life they want. Tele2 will be that champion.

Supporting our purpose, we have also refreshed our 'How To Win' choices. Fearless branding, Connecting things our customers love, offering a Digital first customer experiences, and driving our Challenger cost structure will be the key choices to achieving our purpose and our ambitions. We have also more clearly redefined our markets into: Baltic Sea Challengers of Sweden and Baltics, where we have well established and increasingly strong market and operating positions; Investment markets of Netherlands, Kazakhstan and Croatia where we are in an investment phase to build strong challenger businesses in the future; our IoT business, which is a small but rapidly growing part of Tele2; and, our Cash Generator markets of Germany and Austria, where cash generation is the priority. These choices and definitions will be in focus for 2017 and beyond. At the same time, our Responsible Challenger strategy and our unique Winning People & Culture remain at the foundation of everything we do and at the forefront of every decision we make.

During 2016 I have also formed a new Group Leadership Team that strikes the right balance between talent developed internally complemented by new ideas and perspectives brought in from the talent we have hired from outside the company.

As we close out a busy and highly energising 2016, we have strong momentum across our footprint. I am immensely proud of all the achievements this past year and I am grateful to all the Tele2 team who continues to make this company a great place to work. The demand for mobile data continues and we are well positioned and set up to monetize this demand across our footprint. This will enable us to continue to deliver long term and sustainable value for our customers, our employees and our shareholders.

Allison Kirkby
President and CEO

Tele2's Way2Win

Board of Directors

Mike Parton

Chairman of the Board, elected in 2007

Born: 1954

Nationality: British citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: 22,078 B shares

Committee work: Member of the Remuneration Committee and member of the Audit Committee

Other current assignments: Chairman of the Board of Arqiva, member of the Chartered Institute of Management Accountants and member of the Advisory Board of a UK charity called Youth at Risk

Previous assignments: Chairman of the Board and CEO of Damovo Group Ltd

Education: Trained as Chartered Management Accountant

Sofia Arhall Bergendorff

Board member, elected in 2016

Born: 1969

Nationality: Swedish citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: –

Committee work: –

Other current assignments: Director, Global Operations for Partnerships at Google

Previous assignments: Management consultant and various assignments at Google

Education: BA in Journalism from the University of Oregon and an MBA from INSEAD

Georgi Ganev

Board member, elected in 2016

Born: 1976

Nationality: Swedish citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: –

Committee work: Member of the Remuneration Committee and member of the Audit Committee

Other current assignments: CEO of Dustin Group AB (publ)

Previous assignments: CEO of Bredbandsbolaget and Chief Marketing Officer of Telenor Sweden

Education: M.Sc. in Engineering from Uppsala University

Cynthia Gordon

Board member, elected in 2016

Born: 1962

Nationality: British citizen

Independence: Independent in relation to the company and management but not independent in relation to the company's major shareholders

Holdings in Tele2: –

Committee work: –

Other current assignments: Member of the Board of Josen Partners and Partan Limited

Previous assignments: Executive Vice President and CEO of the Africa Division at Millicom International Cellular, CCO Group of Ooredoo, Vice President of Partnerships & Emerging Markets of Orange.

Education: BA in Business Studies from Brighton University

Board of Directors

Lorenzo Grabau

Board member, elected in 2014

Born: 1965

Nationality: Italian citizen

Independence: Independent in relation to the company and management but not independent in relation to the company's major shareholders

Holdings in Tele2: –

Committee work: Chairman of the Remuneration Committee

Other current assignments: Deputy Chairman of Zalando SE, as well as Non-Executive Director of Millicom International Cellular S.A. and of Qliro Group AB

Previous assignments: Chairman of Avito AB, Lazada S.A., Rocket Internet SE and Global Fashion Group SA. Non-Executive Director of Investment AB Kinnevik, Modern Times Group MTG AB, CTC Media, Inc., Softkinetic BV and Home24 AG. CEO of Investment AB Kinnevik. Partner and Managing Director at Goldman Sachs International, London

Education: Dottore in Economia e Commercio, Università degli Studi di Roma, La Sapienza, Italy

Irina Hemmers

Board member, elected in 2014

Born: 1972

Nationality: Austrian citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

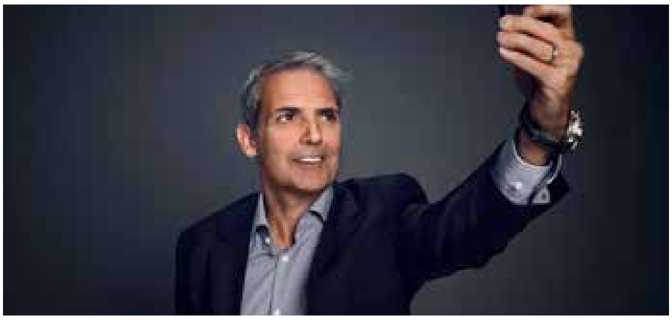
Holdings in Tele2: –

Committee work: Member of the Audit Committee

Other current assignments: –

Previous assignments: Non-Executive Director of Trader Corporation, Trader Media Group, Top Right Group and Hit Entertainment as well as partner at Eight Roads and Apax Partners

Education: M.Sc. in International Business and Economic Studies from Universität Innsbruck, Austria, and an MPA from John F. Kennedy School of Government, Harvard University, USA



Eamonn O'Hare

Board member, elected in 2015

Born: 1963

Nationality: Irish and British citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: –

Committee work: –

Other current assignments: Founder, Chairman and CEO of Zegona Communications and a Non-Executive Board Director of Dialog Semiconductor

Previous assignments: CFO and Board Director of Virgin Media

Education: B.Sc. Aeronautical Engineering, from Queen's University, Belfast, and MBA from London Business School

Carla Smits-Nusteling

Board member, elected in 2013

Born: 1966

Nationality: Dutch citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: 1,687 B shares

Committee work: Chairman of the Audit Committee

Other current assignments: Member of the Board of Directors of Nokia Oyj, Non-Executive Director at ASML, member of the management board of the Foundation Unilever NV Trust Office and Lay judge of the Enterprise Court of the Amsterdam Court of Appeal

Previous assignments: CFO of Koninklijke KPN N.V.

Education: M.Sc. Business Economics from Erasmus University, Rotterdam and Executive Master of Finance & Control from Vrije Universiteit Amsterdam

Executive Leadership Team

Allison Kirkby

President and Group CEO

Joined the company in 2014

Born 1967

SHND in Accounting, Glasgow Caledonian University. Fellow of the Chartered Institute of Management Accountants, FCMA. Chartered Global Management Accountant, CGMA. Allison is a Non-Executive Director and Chairman of the Audit Committee of Greggs PLC. She is also a Board Member of Reach for Change Foundation, and SecureValue Consulting Limited.

Holdings in Tele2[1)]:
31,250 B shares
24,000 share rights (LTI 2014)
31,500 share rights (LTI 2015)
100,000 share rights (LTI 2016)

Lars Nordmark

EVP, Group CFO

Joined the company in 2016

Born 1966

MBA in Business Administration and B.Sc. of Business Administration, University of Iowa

Holdings in Tele2[1)]:
32,750 B shares
60,000 share rights (LTI 2016)

Samuel Skott

EVP, CEO Tele2 Sweden

Joined the company in 2005

Born 1978

M.Sc. in Industrial Engineering & Economics, Institute of Technology Linköping University

Holdings in Tele2[1)]:
11,250 B shares
8,000 share rights (LTI 2014)
8,000 share rights (LTI 2015)
48,000 share rights (LTI 2016)

Jonathan (Jon) James

EVP, CEO Tele2 Netherlands

Joined the company in 2017

Born 1969

BA in Economics and History, Cambridge University

Holdings in Tele2: –

Guillaume van Gaver

EVP, International

Joined the company in 2016

Born 1971

B.Sc. from Institut Supérieur de Commerce de Paris. Graduated from the International Executive Program from INSEAD

Holdings in Tele2[1)]:
5,062 B shares
31,500 share rights (LTI 2016)

Executive Leadership Team

Richard Peers

EVP, Chief People & Change Officer

Joined the company in 2016

Born 1973

BLE (Hons), Aberdeen University. Fellow of the Institute of Chartered Accountants in England and Wales, FCA. Fellow of the Chartered Institute of Personnel and Development, FCIPD

Holdings in Tele2[1]:
5,323 B shares
31,500 share rights (LTI 2016)

Stina Andersson

EVP, Strategy & Business Development

Joined the company in 2016

Born 1983

M.Sc. in Finance, Stockholm School of Economics. CEMS Master in International Management from HEC Paris and Stockholm School of Economics

Holdings in Tele2: –

Stefan Backman

EVP, Group General Counsel

Joined the company in 2007

Born 1975

Master of Laws, Uppsala University

Holdings in Tele2[1]:
6,000 B shares
8,000 share rights (LTI 2014)
8,000 share rights (LTI 2015)
8,000 share rights (LTI 2016)

Fredrik Stenberg

EVP, Director of Shared Operations

Joined the company in 2004

Born 1975

M.Sc. in Vehicle Engineering, KTH – Royal Institute of Technology. B.Sc. of Business Administration, Stockholm University

Holdings in Tele2[1]:
6,750 B shares
8,000 share rights (LTI 2014)
8,000 share rights (LTI 2015)
8,000 share rights (LTI 2016)

[1] Allocated share rights at grant date, before compensation for dividend and share issue

Administration report

The Board of Directors and the CEO herewith present the annual report and consolidated financial statements for Tele2 AB (publ), corporate reg. no. 556410-8917 for the financial year 2016.

Figures for 2016 include the acquired entities TDC in Sweden and Altel in Kazakhstan from October 31, 2016 and February 29, 2016 respectively. Figures shown in parentheses correspond to the comparable period last year and continuing operations unless otherwise stated.

Financial overview

With 17 million customers in nine countries, Tele2 is one of Europe's fastest growing mobile telecom operators. Tele2 offers mobile services, fixed broadband and telephony, data network services, content services and global IoT solutions. Ever since Jan Stenbeck founded the company in Sweden in 1993, Tele2 has been a tough challenger to the former government monopolies and other established providers.

Tele2's financial performance is driven by a consistent focus on developing mobile services on own infrastructure, complemented by fixed broadband and B2B services in select countries. In 2016, mobile services accounted for 77 percent of net sales, and Tele2's primary portfolio, consisting of Sweden, the Baltics, the Netherlands and Kazakhstan, accounted for 88 percent of net sales.

In 2016, the Group generated net sales of SEK 28 billion and reported an operating profit (EBITDA) of SEK 5.3 billion.

Net customer intake

In 2016, net customer intake amounted to 241,000 (870,000) customers. The customer net intake in mobile services amounted to 384,000 (1,126,000) customers, mainly driven by positive customer intake in Kazakhstan and Netherlands. The fixed broadband base decreased by –21,000 (–57,000) customers in 2016, with declines in Sweden, Austria and Germany. As expected, the number of fixed telephony customers fell during the year. On December 31, 2016 the total customer base amounted to 16,666,000 (14,414,000) including 200,000 customers from the acquired company TDC in Sweden and 1,788,000 customers from the acquired company Altel in Kazakhstan (Note 15).

Net sales

Net sales amounted to SEK 28,292 (26,856) million. Excluding TDC Sweden, which was included as of October 31, 2016, net sales amounted to SEK 27,557 million. The positive development was driven by higher mobile end-user service revenue from customer growth in the Netherlands and Kazakhstan as well as data monetization across the footprint. Net sales were also positively impacted by increased equipment sales in all mobile operations. This positive development was partly offset by decreased net sales in fixed operations.

EBITDA

EBITDA amounted to SEK 5,334 (5,757) million, which is equivalent to an EBITDA margin of 18.9 (21.4) percent. Excluding TDC Sweden, EBITDA amounted to SEK 5,247 million as EBITDA was negatively impacted by declines in fixed operations and the commercial investment in the Netherlands following the 4G MNO launch.

EBIT

Operating profit/loss, EBIT, amounted to SEK –1,219 (2,447) million and EBIT excluding one-off items to SEK 2,071 (2,890) million, impacted by higher depreciation and amortization. EBIT was negatively affected by one-off items totalling SEK –3,290 (–443) million, mainly attributable to impairments of goodwill in the Netherlands and Kazakhstan of SEK –2,825 (–196 in Estonia) million, but also to restructuring costs of SEK –322 (–247) million related to the Challenger program, transaction related expenses and integration costs from the acquisition of TDC in Sweden and the merger of Tele2's and Kazakhtelecom's mobile operations in Kazakhstan of SEK –142 (–118 in Kazakhstan) million, sale of operations of SEK –1 (12) million and other one-off items of SEK 0 (106) million (Note 6).

Profit/loss before tax

Net interest expense and other financial items amounted to SEK –15 (–435) million. Other financial items were impacted by SEK 313 (–51) million related to changes in the fair value of the put option and the earn-out in Kazakhstan (Note 11). The average interest rate on outstanding liabilities was 2.7 (4.1) percent. Profit/loss after financial items, EBT, amounted to SEK –1,234 (2,012) million.

Net profit/loss

Net profit/loss amounted to SEK –2,164 (1,268) million. Earnings per share amounted to SEK –4.12 (2.75) after dilution. Income tax expenses for the year amounted to SEK –930 (–744) million, negatively impacted by SEK –140 million related to a revaluation of deferred tax assets in Luxembourg and positively by SEK 40 million related to a valuation of deferred tax assets in Germany (Note 12). Tax payments affecting cash flow amounted to SEK –403 (–349) million. Deferred tax assets amounted to SEK 1.7 billion at the end of the year. Net profit/loss in discontinued operations was affected by SEK –100 million related to provisions for Russian tax disputes (Note 36).

Free cash flow

Total free cash flow amounted to SEK 1,217 (–486) million, mainly affected by a positive change in working capital of SEK 819 (–1,072) million primarily related to Sweden and the external handset financing arrangement.

CAPEX

During 2016, Tele2 made investments of SEK 3,831 (4,227) million in tangible and intangible assets, driven principally by investments in the Netherlands, Sweden and Kazakhstan.

Net debt

Net debt amounted to SEK 10,628 (9,878) million and economic net debt amounted to SEK 10,437 (9,878) million on December 31, 2016, corresponding to 1.88 times 12 months rolling EBITDA. Tele2's available liquidity amounted to SEK 10,042 (7,890) million. Please refer to Note 25 for further information of financial debt.

The Challenger program

A group-wide program focused on increasing productivity was launched at the end of 2014. The program will build over three years and is expected to reap full benefits of SEK 1 billion per annum starting in 2018. The investment required is estimated at SEK 1 billion, phased over three years. In 2016, EBIT was negatively impacted by SEK –322 (–247) million by the program, which were reported as one-off items (Note 6).

Five-year summary

SEK million	Note	2016	2015	2014	2013	2012
CONTINUING OPERATIONS						
Net sales		28,292	26,856	25,955	25,757	25,993
Number of customers (by thousands)		16,666	14,414	13,594	13,582	14,229
EBITDA	6	5,334	5,757	5,926	5,891	6,040
EBIT		–1,219	2,447	3,490	2,548	2,190
EBT		–1,234	2,012	3,500	1,997	1,668
Net profit/loss		–2,164	1,268	2,626	968	1,158
Key ratios						
EBITDA margin, %		18.9	21.4	22.8	22.9	23.2
EBIT margin, %		–4.3	9.1	13.4	9.9	8.4
Value per share (SEK)						
Net profit/loss	24	–4.12	2.77	5.74	2.12	2.54
Net profit/loss, after dilution	24	–4.12	2.75	5.71	2.10	2.52
TOTAL						
Equity		18,196	17,901	22,682	21,591	20,429
Total assets		40,477	36,149	39,848	39,855	49,189
Cash flow from operating activities		5,017	3,529	4,578	5,813	8,679
Free cash flow		1,217	–486	432	572	4,070
Available liquidity		10,042	7,890	8,224	9,306	12,933
Net debt	25	10,628	9,878	8,135	7,328	15,187
Economic net debt	25	10,437	9,878	8,135	7,328	15,187
Net investments in intangible and tangible assets, CAPEX		3,831	4,240	3,976	5,534	5,294
Key ratios						
Debt/equity ratio, multiple		0.58	0.55	0.36	0.34	0.74
Equity/assets ratio, %		45	50	57	54	42
ROCE, return on capital employed, %	24	–4.5	14.0	10.1	48.0	15.4
Average interest rate, %		2.7	4.1	4.7	5.2	6.6
Value per share (SEK)						
Net profit/loss		–4.34	6.52	4.83	31.90	7.15
Net profit/loss, after dilution		–4.34	6.48	4.80	31.69	7.11
Equity		40.86	39.07	49.55	47.20	44.73
Cash flow from operating activities		11.10	7.70	10.00	12.71	19.01
Dividend, ordinary		5.23[1]	5.35	4.85	4.40	7.10
Extraordinary dividend		–	–	10.00	–	–
Redemption		–	–	–	28.00	–
Market price at closing day		73.05	84.75	94.95	72.85	117.10

[1] Proposed dividend.

The five-year summary includes certain alternative performance measures that are not defined by IFRS. For additional information please refer to section Definition in the end of the report.

Overview by country

Tele2's footprint includes both emerging and mature markets with its most sizeable operations in Sweden, the Baltics, the Netherlands and Kazakhstan. Sweden and the Baltics are categorized as established markets with strong cash generation and a strategic focus on data monetization; they make up what we call our Baltic Sea Challengers. The Netherlands, Kazakhstan and Croatia are categorized as Tele2's Investment Markets. In the Netherlands, significant investments have been made to support the growth of the 4G customer base on the back of the 4G launch. In Kazakhstan Tele2 is, after completing the jointly owned company between Tele2 Kazakhstan and Altel, focused on integrating the two businesses and creating a sustainable and strong number three operator. The markets where we play are diverse in terms of culture, economics and competitive pressure but they share the universal trend towards increased connectivity and mobility.

Tele2's purpose is to fearlessly liberate people to live a more connected life. We give people the power to connect whatever they want, wherever they want, and whenever they want. We believe the connected life is a better life. The more people, places and things are connected, the more value is created.

Tele2 has a history of challenging the monopolies, and going forward we will continue breaking down barriers to enable increased connectivity. We will do so by continuously challenging unfair pricing and complexity, but also by taking a leading position in encouraging and empowering the connected life for our customers. People need a champion to unlock the benefits of the connected life they want. Tele2 is that champion.

Tele2's markets are in different phases of maturity when it comes to mobile usage and demand for mobile services. They also have cultural, economic and competitive differences. Despite this, they share the universal trend towards mobility and mobile data, which is evident in all Tele2 countries. Tele2's position and strategic priorities vary across its footprint and while there are important local differences, Tele2's "How we win choices" support the overall objective for the Group and go beyond the local context, and thus apply to all countries where Tele2 operates.

How we win choices

- **Positively fearless brands** – Tele2 aims to have the most loved brands in each of our markets by making our customers positively aware and delightfully surprised with how we constantly reshape their connected lives. We are obsessed with understanding our customers' needs, and reinventing the products and propositions that will challenge the industry. Our challenger spirit will be seen in the way we act, communicate, and offer value to our customers.
- **Connecting things our customers love** – Tele2 aims to be the partner of choice for consumers and businesses who want to live a truly connected life. We will continue to strengthen our mobility first position and prepare for 5G and future network exploitation. We expect an explosion of connected consumer devices in the coming years, and we will aim to make it easier for our customers, both consumers and businesses, to connect the things they love the most.
- **Digital first customer experience** – The customer experience offered by the Telecom Industry is in the early stages of digital maturity. Tele2 puts the customer at the centre of its strategy and always strives to provide the best possible experience regardless of the channel. In the digital age, Tele2 will create a digital culture internally, with excellence in Big Data capabilities to create and provide a much improved and more seamless digital experience for our customers.
- **Challenger cost structure** – Tele2 always has and continues to aim to be the most cost efficient operator in the industry. Simplification, disciplined investment, consolidation and transformation are key themes that are enabling us to continue providing great value to our customers. Looking forward, we will leverage the efficiency opportunities arising from digital, cloud and technology transformation to have the most efficient operations.
- **Winning people & culture** – Tele2's culture and strong values, "The Tele2 Way", make the foundation for attracting and retaining driven and engaged talent. With an emphasis on leadership and embracing flexible and efficient ways of working we will continue to have one of the strongest cultures and team of people in the global telecom industry.

Our ambition

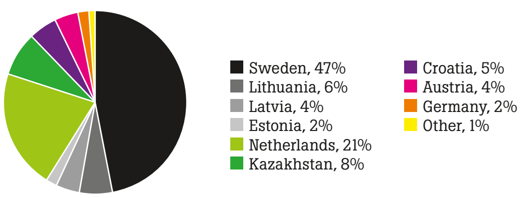
- **Happiest customers** – Tele2 shall be the operator of choice for service and value for money. As a result, customers will reward us with their loyalty.
- **Most engaged employees** – Tele2 shall be considered a great place to work and as a result will attract and retain the best people who can deliver on our ambitions.
- **Profitable growth** – Tele2 shall have the best Total Shareholder Return (TSR) within its peer group.

By having the happiest customers, the most engaged employees and a unique set of winning strategies, Tele2 shall deliver profitable growth and the best TSR within its peer group. These fundamental priorities and objectives will continue to guide Tele2's activities going forward.

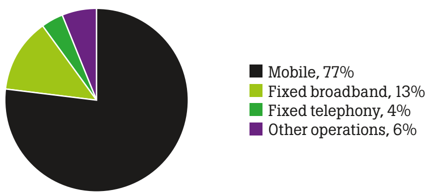
Tele2's Way2Win

Where we operate

Net sales per country



Net sales per service



Sweden

SEK million	2016	2015	Growth[1]
Number of customers (in thousands)	4,131	4,007	3%
Net sales	13,195	12,630	4%
of which mobile end-user service revenue	7,349	7,227	2%
EBITDA	3,836	3,844	0%

[1] affected by the acquisition of TDC Sweden on October 31, 2016

2016 in brief

Tele2 delivered a solid set of results, despite intense competition, driven by strong demand for mobile data as mobile end-user service revenue grew by 2 percent. EBITDA contribution for mobile services was SEK 3,436 (3,511) million, affected by increased investments in sales and marketing activities.

In 2016, Tele2 prioritized four areas:

- Maximizing its dual brand strategy which aims at targeting Tele2 and Comviq to different market segments
- Increasing customer satisfaction from further rollout of the 4G network
- Cost efficiency benefits from challenger program initiatives
- Growth in the Large Enterprise segment

Long term dual brand strategy

In 2016, Tele2 continued to develop its dual brand strategy. Following the successful introduction of Big Buckets in 2015, Tele2 continued to reinforce its number one position in the data segment under the Tele2 brand through the launch of a new marketing concept called "Be content with more!". The new concept aims to encourage customers to connect additional devices, e.g. their tablets, by having the option to include up to nine extra data-only SIM cards in their contracts without any additional fees. In 2016, Tele2 and Comviq were awarded second and third place respectively in the Swedish Quality Index, as Tele2 was ranked highest among the premium brands.

Further rollout of 4G network

During the year, Tele2 continued the rollout of the combined 2G and 4G networks in the joint operation Net4Mobililty. Customers are delighted with the network quality, and now that geographical coverage is at 89 percent, the user experience has got even better in rural Sweden.

Moreover, Tele2 and Telenor have signed an agreement to build a common nationwide network with 5G technology within the scope of the Net4Mobility joint operation.

Growth in Large Enterprise while SME remains competitive

The Large Enterprise segment continued to show solid mobile revenue growth, driven by a strong intake of customers within cloud services. During the year, Tele2 acquired significant new business and extended contracts with customers such as Swedbank, Attendo, LRF, EY, Region Östergötland, Örebro Kommun, Skatteverket, Knivsta kommun, Volvo IT/HCL, SECO Tools and Sandvik.

The acquisition of TDC Sweden was completed in the end of October 2016, and the combined organization has already succeeded in winning significant customer contracts together. Integration is progressing well with all 2016 milestones achieved.

The competitive environment in the SME segment continued in 2016, characterized by steep discounts and high equipment subsidies, thus negatively impacting the overall financial development in the segment.

In 2016, Tele2 was yet again recognized in the Swedish Quality Index, by maintaining the number one position for fixed telephony and broadband, and number two position for mobile.

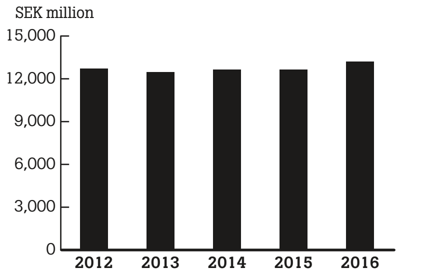
2017

Tele2 will continue to leverage on its dual brand strategy, positioning Comviq as the modern mobile price fighter and the Tele2 brand as the natural choice for a connected life. In the enterprise area, the aim is to regain positive momentum within the SME segment, and in the Large Enterprise segment begin to realize synergies and leverage on the strengths of the TDC Sweden acquisition.

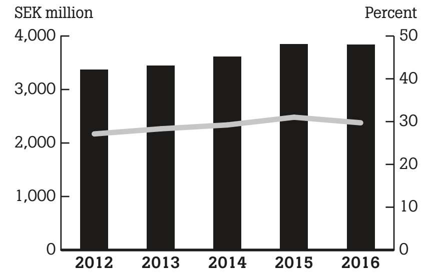
Tele2 expects mobile data demand to keep growing as customers become more and more mobile. Accordingly, Tele2 will increase its focus on monetizing data, optimizing the network, and driving sales towards bigger data offerings, thereby increasing customer value and lowering production cost. Tele2 will also continue to leverage on IT capabilities to modernize the customer experience and to make effective use of distribution channels while steering towards online activities and self-service.

Another focus area in 2017 is the introduction of the roam-like-at-home regulation within EU, which is likely to have a negative impact on the EBITDA margin.

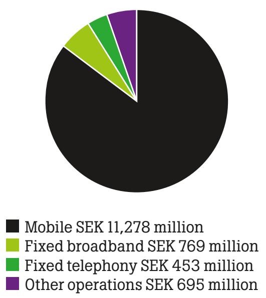
Net sales



EBITDA & EBITDA margin



Net sales per service



Lithuania

SEK million	2016	2015	Growth[1]
Number of customers (in thousands)	1,773	1,742	2%
Net sales	1,687	1,519	10%
of which mobile end-user service revenue	968	886	8%
EBITDA	567	538	4%

[1] in constant currency

2016 in brief

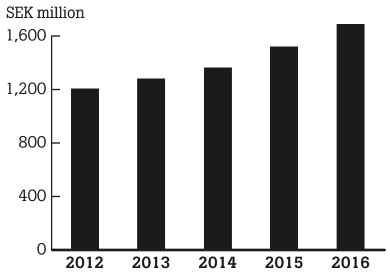
In 2016, Tele2 continued to focus on quality as the geographical 4G coverage was extended to 97 percent and the LTE Advanced network was upgraded to enable speeds of up to 375 Mbps. Tele2's customers benefitted from these services as data consumption more than doubled during the year.

The increase in data consumption strongly contributed to the growth in mobile end-user service revenue. In the second half of the year, Tele2 invested heavily into mobile broadband services to grow its market share in that segment. These investments together with some effect from the new roaming regulations had a negative impact on EBITDA development in the year.

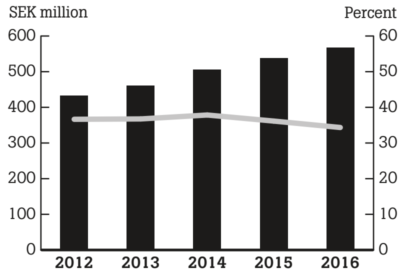
2017

In 2017, the company expects continued growth of data consumption which will be driven by growing network capacity, deeper 4G smartphone penetration and growth of data-driven services. Tele2 will concentrate on customer retention and acquisition, focusing on residential prepaid to postpaid migration, mobile broadband and B2B growth. Another focus area will be the implementation of the roam-like-at-home regulation within EU, which is likely to have a negative impact on the EBITDA margin.

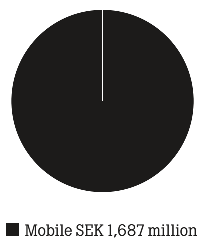
Net sales



EBITDA & EBITDA margin



Net sales per service



Latvia

SEK million	2016	2015	Growth[1]
Number of customers (in thousands)	945	958	−1%
Net sales	996	939	5%
of which mobile end-user service revenue	600	580	2%
EBITDA	318	295	7%

[1] in constant currency

2016 in brief

In 2016, the mobile market was characterized by price stability, EU roaming regulations and 4G infrastructure development. In this environment, Tele2 managed to accelerate its attraction to a higher profile and valuable customer base. This was achieved through the efficient deployment of its 4G network, new product introductions, and as a result, excellent data monetization.

Successful efforts

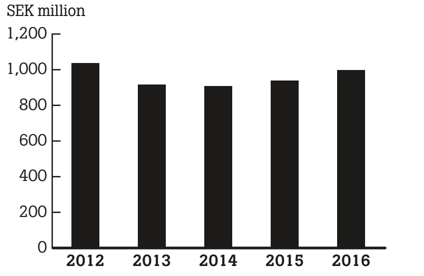
2016 was a growth year for Tele2. Revenues from a focused data monetization strategy secured growth in net sales and mobile end-user service revenue. This was due to the implementation of innovative offers, the transition of customers from prepaid to postpaid, and ensuring the strongest postpaid commercial presence in the market. Tele2 also continued its 4G rollout, resulting in 99 percent population and 97 percent geographical coverage at the end of the year, making Tele2 the market leader in terms of coverage as well as in mobile data performance, according to regulatory measurements.

During the second half of 2016, the company also secured valuable 5G frequency spectrum for future business development.

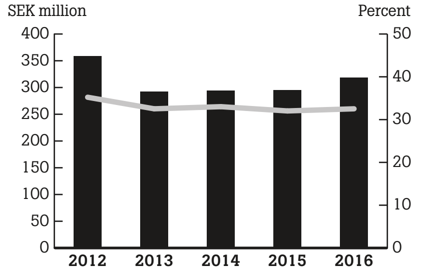
2017

Tele2 aims to continue to build on its positive momentum with a focus on sales, customer service excellence and new commercial offers to strengthen its market position. The key focus areas in 2017 are further data service revenue growth both in the residential and B2B segments, development of digital distribution channels and strengthening of indoor coverage, as well as implementation of the industry-wide roam-like-at-home regulation within EU, which is likely to have a negative impact on the EBITDA margin.

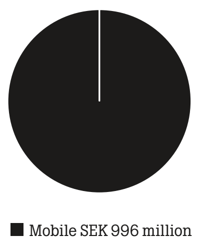
Net sales



EBITDA & EBITDA margin



Net sales per service



Estonia

SEK million	2016	2015	Growth[1]
Number of customers (in thousands)	479	487	–2%
Net sales	693	675	1%
of which mobile end-user service revenue	431	412	3%
EBITDA	168	156	6%

[1] in constant currency

2016 in brief

2016 was characterized by continued high demand for data services, resulting in solid mobile end-user service revenue growth for Tele2. Despite the competitive environment and aggressive price pressure from roaming regulations, Tele2 managed to increase its EBITDA.

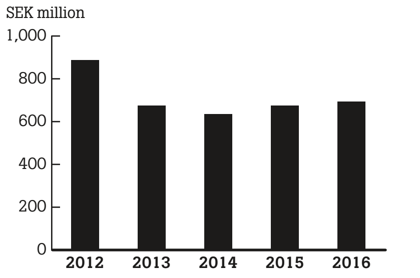
During the year, Tele2 successfully finalized the official legal merger with Televõrgu, thus further enabling the expansion of offerings to business customers. The first year of the fixed mobile convergence strategy for B2B proved to be a success with a record number of state tenders won. In the mobile broadband segment, Tele2's launch of an unlimited offering was successful and contributed to an increased market share.

In 2016, 4G population coverage reached 99 percent, thus creating a strong foundation for continued data monetization. Tele2 continued to offer the highest 4G speeds in Estonia, reaching maximum speeds of 375 Mbps. The company started its store renovation program to build out a new style of concept stores. This program is expected to be finalized during 2017.

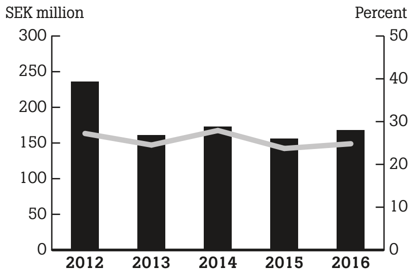
2017

The key priorities for Tele2 Estonia in 2017 are to continue monetizing increased data usage and to invest in digitalizing sales and customer service channels. In B2B, focus will be on building up a full fixed mobile convergence product portfolio to provide a one-stop-shop for business customers. Another important topic is the implementation of the roam-like-at-home regulation within EU, which is likely to have a negative impact on the EBITDA margin.

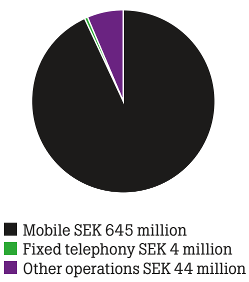
Net sales



EBITDA & EBITDA margin



Net sales per service



Netherlands

SEK million	2016	2015	Growth[1]
Number of customers (in thousands)	1,438	1,243	16%
Net sales	5,954	5,744	2%
of which mobile end-user service revenue	1,515	1,404	7%
EBITDA	–172	445	–138%

[1] in constant currency

2016 in brief

2016 was the first full year as a full mobile network operator. Tele2 continued to expand its LTE Advanced network, which reached over 99 percent outdoor population coverage and indoor population coverage of 90 percent. In addition, the company rolled out VoLTE to a large part of its customer base and built a strong high street presence by expanding the retail footprint to 15 own stores at the end of the year.

Mobile end-user service revenue grew on the back of the MNO launch at the end of 2015 and the Fun Rebel brand positioning. EBITDA amounted to SEK –172 (445) million, reflecting the network and commercial investment in the 4G only MNO rollout to grow the mobile customer base, as well as continued pressure in the fixed broadband and telephony markets.

In 2016, an impairment of goodwill of SEK 2,481 million was recognized as a consequence of the reassessment of future cash flow generation in the Netherlands (Note 6). The competitive landscape has intensified after the approval of the Vodafone/Ziggo merger, as the merger may lead to a duopoly and a further increase in fixed mobile converged offers.

Mobile

In 2016, Tele2 cemented its position in the Dutch market, offering high speed, great coverage and big data buckets for the lowest price in combination with a complete line-up of the most popular 4G VoLTE enabled handsets. Tele2 was the first operator to launch VoLTE services to a large base of customers. At the end of the year, Tele2 had provisioned more than 600,000 customers with around 170,000 customers actively using VoLTE. The company's focus on implementing an effortless customer experience generated results as customer satisfaction significantly improved throughout the year. All this together enabled Tele2 to reach an average intake of around 20 percent of the switchers' market, adding more than 200,000 new mobile customers and reaching a mobile customer base of more than 1 million at the end of the year, with more than 80 percent of these being 4G customers.

In line with its strategy, Tele2 successfully targeted high value subscribers which contributed to increased ASPU levels. The successful brand campaigns, disruptive data driven propositions and further expansion of the retail footprint enabled Tele2 to grow its share of direct sales to 55 percent.

Fixed broadband

In 2016, Tele2 managed to stabilize its customer base in the highly competitive fixed broadband market. Tele2 further expanded VULA, offering customers high speed broadband connectivity. At the end of the year, the total fixed broadband base was 350,000 (344,000).

Expansion of the business portfolio

Tele2 continued to develop new B2B services in line with the growing demand for converged services. Apart from adding several new large clients to its already impressive customer list, Tele2 also gained momentum as a provider of mobile services in the B2B market.

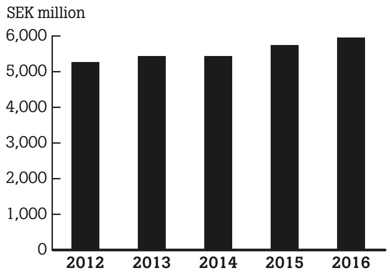
2017

In 2017, Tele2 will continue its commercial and mobile network rollout. By the end of the year, the ambition is that the majority of customers will no longer need any fallback onto the legacy 2G and 3G technologies, but will be able to solely rely on Tele2's modern 4G network. This will ensure a world class 4G customer experience for all customers everywhere they go, with higher speeds and quicker call setup based on more modern handsets and network technologies.

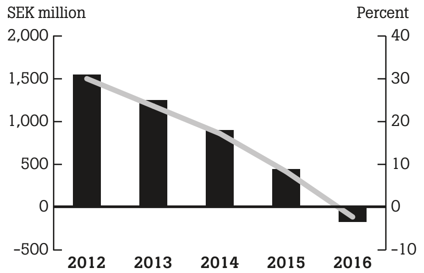
The company will continue to build its distinctive Fun Rebel brand presence by continuing to offer customers the possibility to drown themselves in data in a carefree experience at a great price. Focus forward will be on attracting high-end 4G data hungry customers with attractive 4G VoLTE handsets and 4G propositions.

Another focus area in 2017 is the introduction of the roam-like-at-home regulation within EU, which is likely to have a negative impact on the EBITDA margin.

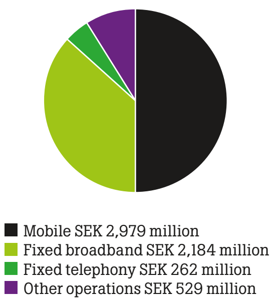
Net sales



EBITDA & EBITDA margin



Net sales per service



Kazakhstan

SEK million	2016	2015	Growth[1]
Number of customers (in thousands)	6,440	4,400	46%
Net sales	2,152	1,754	94%
of which mobile end-user service revenue	1,555	1,287	91%
EBITDA	221	54	550%

[1] in constant currency and affected by the acquisition of Altel on February 29, 2016

2016 in brief

2016 has been a successful year for the operations in Kazakhstan. On February 29, 2016, the deal between Tele2 and Kazakhtelecom, with the brand name Altel, to create a jointly owned company was completed. During the year, the jointly owned company launched 4G services for Tele2 customers in all regions across the country and allowed Altel customers to use Tele2's wider network coverage immediately following the merger. By the end of the year, all targeted integration milestones for 2016 had been successfully achieved. A significant number of base stations have been upgraded to 4G and many co-located sites have been merged. Furthermore, the two individual billing systems were seamlessly integrated, new co-branded shops (Tele2 and Altel) were launched, and call centers were merged.

The jointly owned company aims to improve data monetization to ensure a sustainable business going forward. As a step in that direction, new tariffs were introduced during 2016. Mobile end-user service revenue grew as a result of an increasing customer base and higher ASPU through the new tariffs. In 2016, the Kazakh operation delivered a substantial EBITDA contribution to the Group as a result of improved operating leverage, synergies from the integration of the jointly owned company and through successful efforts to reduce the MTR rates which contribute positively to the gross margin.

An impairment of goodwill of SEK 344 million was recognized in the beginning of 2016 referring to the Kazakhstan cash generating unit. The impairment was due to the macro environment, including the Tenge devaluation which implied weaker consumer purchasing power and higher expenses. In addition, intense competitive pressure eroded pricing power for all market participants. This also resulted in the beginning of 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 (Note 15), with a positive effect in the income statement of SEK 413 million reported under financial items.

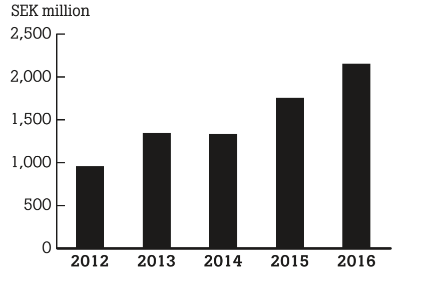
The put option obligation in Kazakhstan was replaced with an earn-out obligation representing 18 percent economic interest in the jointly owned company in Kazakhstan. As a result of the improved performance in Kazakhstan in the latter part of the year and to cover for the estimated earn-out obligation, which is based on fair value, the earn-out obligation was on December 31, 2016 valued to SEK 100 million and reported under financial items.

2017

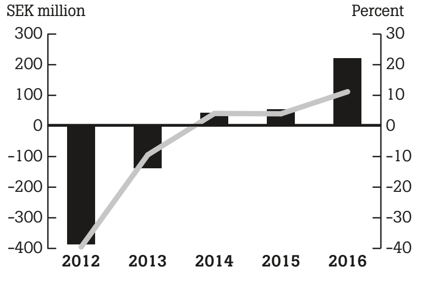
In 2017, we aim to complete the technical integration of Tele2 and Altel networks which will allow the company to fully leverage on the synergies of the combined network and maintain the leading market position in 4G.

Positive signs of an economic recovery in Kazakhstan together with the increasing scale and synergy benefits being realized by the jointly owned company create a solid basis for expected sustainable growth of operating results in 2017.

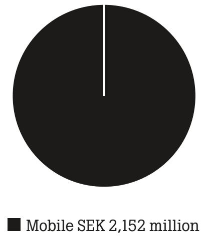
Net sales



EBITDA & EBITDA margin



Net sales per service



Croatia

SEK million	2016	2015	Growth[1]
Number of customers (in thousands)	801	785	2%
Net sales	1,529	1,429	5%
of which mobile end-user service revenue	866	839	1%
EBITDA	102	138	–28%

[1] in constant currency

2016 in brief

Following 2015, a year of heavy network investment, 2016 saw the release of new services and propositions to the market. In February, Tele2 launched its 4G network with 90 percent population coverage from day one. In March, a new communication platform was introduced as well as a new shop concept and a new postpaid tariff portfolio. The new positioning is focused around modern flexibility for the best price by providing customers flexibility in their selection, and transparency and simplicity in day to day usage. During the summer, new mobile broadband offerings were launched and towards the end of the year Tele2 expanded its services into mobile payments by being the first operator in the market to offer direct carrier billing for the Google Play store.

In 2016, Tele2 increased the customer base by 16,000, purely driven by postpaid as the company's new positioning fueled growth particularly in the residential segment. EBITDA decreased mainly as a result of higher spectrum fees.

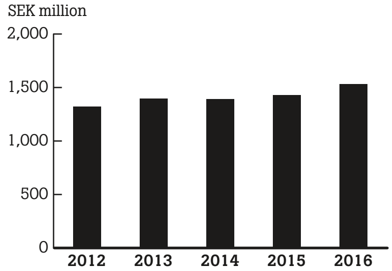
Significant investments made by Tele2 in securing a high quality network paid off as the company's network received the highest results in the data category in P3 Communications benchmark carried out during the first half of the year.

2017

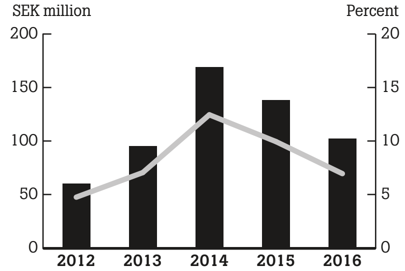
Tele2 will continue to focus on improving the customer experience and being digital first. The positive momentum in postpaid residential is expected to continue and the company will further develop and expand its focus in the mobile broadband and B2B segments. However, the introduction of the roam-like-at-home regulation within EU is likely to have a negative impact on the EBITDA margin.

Tele2 aims at providing customers with new high quality services and thereby achieving a greater customer experience. Regulatory and legislative stability in the country is a necessity to do so.

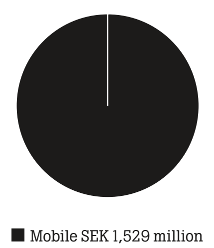
Net sales



EBITDA & EBITDA margin



Net sales per service



Austria

SEK million	2016	2015	Growth[1]
Number of customers (in thousands)	217	233	−7%
Net sales	1,148	1,188	−4%
of which mobile end-user service revenue	4	–	
EBITDA	185	203	−10%

[1] in constant currency

2016 in brief

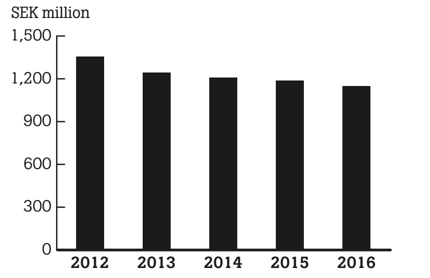
During the year, Tele2's focus was to manage the decline in the fixed residential segment whilst growing in the Large Enterprise B2B segment. The positive development in the B2B segment was however more than offset by the decline in the residential segment.

Continuous efforts to deliver on operational excellence targets resulted in achieving high efficiencies as well as indirect cost reductions, whilst at the same time maintaining high level scores in customer satisfaction.

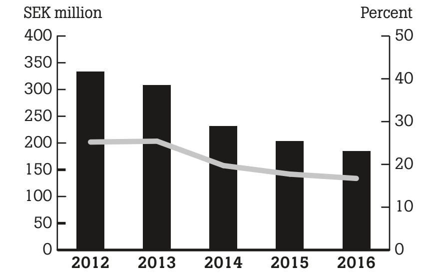
2017

Focus in 2017 will be on strengthening a more focused strategy where Large Enterprise is prioritized. In the Large Enterprise segment, focus will be on continued growth in fixed as well as mobile through new intake and retention. In the residential and SME segments, Tele2 will continue a retention strategy at an optimized cost and investment level. Several operational efficiency initiatives have been launched, which aim to positively contribute to the profitability in 2017.

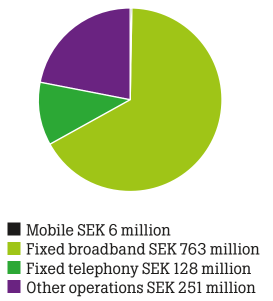
Net sales



EBITDA & EBITDA margin



Net sales per service



Germany

SEK million	2016	2015	Growth[1]
Number of customers (in thousands)	442	559	–21%
Net sales	708	831	–16%
of which mobile end-user service revenue	382	436	–14%
EBITDA	295	165	77%

[1] in constant currency

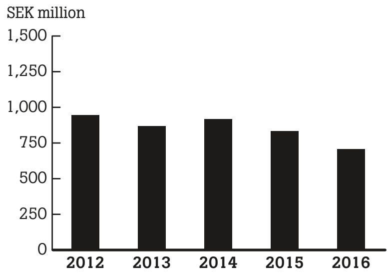
2016 in brief

Following the strategic shift in 2015, Tele2 continued to focus on profitability and cash contribution from all services. With successful retention measures in place, Tele2 managed to limit the expected decline in the customer base. In addition to a solid operational performance, several substantial non-recurring effects positively impacted the operational result and thus contributed to the increased EBITDA margin of 42 percent compared to 20 percent in 2015.

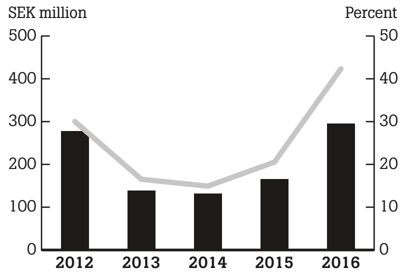
2017

Tele2 will continue to focus on profit and cash contribution from all services in 2017. The positive regulatory outcome for preselection and open call by call gives Tele2 more predictability on the regulatory side for 2017.

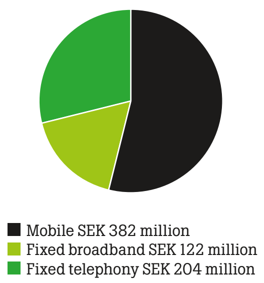
Net sales



EBITDA & EBITDA margin



Net sales per service



Risks and uncertainty factors

Tele2 works proactively to identify and monitor the most significant risks through an enterprise risk management process. The purpose of this process is to minimize surprises and improve decision making in order for Tele2 to achieve its strategic, financial, compliance and operational objectives. A description of the risk management process can be found in the Tele2 Corporate Governance report available on Tele2's website www.tele2.com. A summary of the top risks identified and how they are managed is presented below.

The top risks

Spectrum auctions, availability of frequencies and telecom licenses
Tele2's ability to retain customers may be hampered by not being able to obtain required spectrum licenses or frequencies at a reasonable price or at all. Due to this, Tele2 may not be able to upgrade, maintain and expand its network. Hence, Tele2 has put in place processes to ensure compliance with license requirements to increase chances of renewal and extension of existing licenses or obtaining new licenses. Tele2 also works in close contact with regulators and industry associations to become aware of upcoming license distributions or redistributions, but the outcome of such distributions is coupled with uncertainty.

Changes in regulatory legislation
Changes in legislation, regulations and decisions from authorities for telecommunication services can have a considerable effect on Tele2's business operations and the competitive situation in its operating markets (e.g. less flexibility in setting tariff structures for interconnection and roaming services). Access regulation, which ensures access to incumbents copper and fiber networks, may be relaxed with the review of the European Telecoms Regulatory Framework, as a result of which the competitive pressure on the Group will increase. Price regulation, in the area of access and interconnect, have great impact on Tele2, and could also result in a risk for disputes with other operators. Tele2 works actively with telecom regulators and industry associations, in order to promote sufficient regulation which supports fair competition in its operating markets.

The Supreme Court of the Netherlands found in the final instance that mobile contracts that are bundled with a free or discounted device are to be treated as consumer credit or installment purchases. Accordingly, such contracts are subject to the Dutch consumer credit law. Tele2 Netherlands is currently working on implementing necessary requirements to ensure compliance as of May 1, 2017.

Competition, new business models, technology and market dependency
Increase in competitors' activity, new entrants, lower prices and customer offerings (e.g. Fixed Mobile Convergence offerings), new technology and market dependency could lead to adjustments in the business model, changes in the company's business and pricing strategy, development of new market segments (e.g. machine-to-machine/IoT) or new forms of connectivity (e.g. VoIP and embedded SIM), changed customer behavior (such as revenue migration from voice to data), decrease in customer growth rates and loss of market share and competitive position. Tele2's senior executives closely monitor technological advances and competitive market changes to adapt its strategies to be able to benefit from their possibilities. Also, growing the business in markets such as the Netherlands, is not only a way of growing local market shares and revenues, but also a way of reducing dependence on the bigger markets (e.g. Sweden).

Strategy implementation, acquisitions (including integration) and divestments
Should Tele2 be unable to execute its business strategy, implement new or announced strategic initiatives and realize benefits of strategic initiatives already carried out or execute transactions associated with acquisitions (including integration) and divestments, it exposes the company to risks such as adverse impacts on the Group's business, financial condition and result of operations, diversion of management's attention from existing business, potential impairment of intangible assets and incurrence of liabilities or claims from acquired businesses. Executing strategy and managing growth have required continued development of the Group's financial and management information control systems, the integration of acquired assets with existing operations through strong integration programs, attracting and retaining qualified management and personnel as well as continued training and supervision of such personnel.

Operations in Kazakhstan
Pursuant to completion of the transaction with Kazakhtelecom to merge mobile operations of Tele2 Kazakhstan and Altel on February 29, 2016, there is a risk that the leverage on the synergies of the combined entity will not be achieved and could further be affected if future commercial and funding discussions are not successful with Kazakhtelecom. The political, economic, regulatory and legal environment, prevailing corporate governance codes, business practices and the reporting and disclosure standards are still developing and are less predictable than in countries with more mature institutional structures. These circumstances increases the need for thorough ethical considerations when doing business in Kazakhstan. The Group holds a controlling interest and operational control over the jointly owned company. There is also continuous focus on driving successful commercial discussions with Kazakhtelecom. The ethical risk is managed through measures taken to align with the Tele2 way of working and our Code of Business Conduct thereby ensuring transparency of operations.

Mobile networks & service delivery interruptions
The mobile networks are Tele2's major assets and a pre-requisite to be able to deliver a qualitative and profitable service. Any incident or disruption as well as delays in roll-out and upgrades could have serious consequences. Tele2 manages this risk by ensuring changes and upgrades are made in a controlled manner, ensuring redundancy of systems and networks, ensuring back-up of data and performing restoration testing, and by closely monitoring systems and network performance and incidents on a 24/7 basis.

Network and IT integrity and personal data security
The Group's operations manages significant network and data volumes and therefore aims to ensure network integrity, data security and protect customers' personal data. Along with increased digitalization, cyber-attacks are increasing and becoming more advanced and could, if not properly mitigated, lead to major disruptions on customer services and on internal IT infrastructure. Also, a new Data Protection Regulation will be effective May 25, 2018 where breaches of customer's personal information could potentially result in major fines and significant reputational damage. Tele2 is working actively to be able

to comply with any such requirement through strengthening of its systems and processes, updated security systems and software to prevent intrusions and attacks, performance of frequent penetration testing, and ensuring solid processes for incident management and escalation to ensure that our customer's personal data is secured and protected.

External relationships (joint operations, suppliers and business partners)

Tele2 is dependent on handset manufacturers such as Apple and Samsung for attracting customers and on equipment and network suppliers for rolling out networks to be able to offer good quality access services. In Sweden and the Netherlands, Tele2 has reached agreements with other telecom operators to build and operate common network infrastructures. In some other countries, Tele2 depends on agreements with other network operators to provide mobile and roaming services. Any of these third party relationships impose risks, be it in the form of delays in roll-out, limitations for customized development, limitations on operating profitability or legal proceedings. Tele2 continuously evaluates existing agreements and manages co-operations with its partners through continuous dialogue or through legal options, if necessary.

Macroeconomic and geopolitical risks

Since Tele2 operates in a global environment, it is and will be affected by the general economic environment, political uncertainties, local business risks as well as laws, rules and regulations in individual countries, thereby affecting demand for the company's services. Also, depending on how the situation evolves the changed geopolitical situation following the Crimea crisis could potentially affect some of Tele2's operations, particularly in the countries bordering Russia such as Kazakhstan and the Baltic countries. Tele2 is therefore closely monitoring the development on world events and is kept informed by local management, government officials and independent sources.

Financial Risks

Through its operations, the Tele2 Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk, credit risk, risks related to tax matters and impairment of assets. Additionally, there is a risk that Tele2 may not be able to obtain sufficient funding for its operations. Financial risk management is mainly centralized to the Group Treasury function, tax matters to the Group Tax function and impairment recognition to the Group Financial Reporting function. The aim is to control and minimize the Group's financial risks as well as financial costs, and optimize the relation between risk and cost. Further information on financial risk management can be found in Note 2.

Employees

On December 31, 2016, the number of employees in Tele2 was 6,880 (5,758). Please refer to Note 32 and Note 33 for additional information regarding Number of employees, split per gender and age groups, and Personnel costs.

Tele2´s performance and value driven organization is the foundation for attracting and retaining the right people. Tele2 is an organization where great leadership creates a fertile environment for highly engaged employees. Tele2 are constantly focusing on creating agile and lean ways of working and continuously improving the balance between long and short-term perspectives.

Tele2´s culture embraces diversity and includes people in decision making. A culture where Tele2 challenges its employees, as much as they challenge Tele2, to deliver outstanding customer value. We call it the Tele2 Way.

Focus areas

Tele2´s main focus areas within people management are stated below.

Leadership and Tele2 Way

Tele2 is a strongly value driven organization where our leaders serve as models and ambassadors to our culture. Historically, Tele2´s values along with the Code of Conduct have been the main guiding principles in professional behaviors of Tele2's leaders. Considering the enormous importance of leadership on employee engagement and business results, Tele2 developed the leadership profile based on corporate values and leadership capabilities. The profile sets out Tele2´s expectation of leaders and therefore shapes how Tele2 recruits and develops leaders. Tele2´s leadership profile supplements the Tele2 Way's "Walk-the-Talk", Tele2's embedded training for managers on Tele2 history, strategy and values.

Performance and Talent management

Tele2 has a common performance management process for the whole Group, which provides a consistent way of setting goals and assessing performance. It also serves as a foundation for talent management. All employees are assessed in two dimensions: what and how, i.e. goal completion as well as professional behavior based on Tele2's corporate values, the Tele2 Way.

When it comes to managing talent, Tele2 strongly supports and encourages internal promotions, both horizontal and vertical. Tele2 continues to focus on increasing employee diversity. For gender diversity, Tele2´s aim is that the percentage of female managers and leaders reflects the percentage of total female employees within the company as a whole.

The mapping of top performers, top talents and key roles are conducted every year through Talking Talent sessions. The purpose of the talent management process is to ensure long-term succession to managerial and key roles, develop the company's existing workforce and minimize business risk if key position holders leave the company.

Learning and Development

Tele2 believes that talented employees develop quickest through exposure to stretching work assignments together with great coaching support. Most learning comes from experiences, such as job rotations, participation in cross-functional projects and challenging work tasks. This is supplemented by mentoring and coaching relationships and official training programs such as academic courses and e-learning.

Reward and Recognition

Tele2 offers competitive compensation and benefit packages in order to attract, retain and motivate employees. Tele2's packages are determined by the local market and Tele2 participates in local salary surveys annually to ensure that its offerings remain competitive in terms of base salary, short-term incentives, long-term incentives and benefits. The company believes in pay for performance; high-performing individuals should be rewarded well.

Engagement
Engaged employees perform well, walk the extra mile and are personally motivated to make Tele2 an even better place to work.

Every year, Tele2 conducts an employee survey called 'My Voice'. The survey measures:
- Managers´ leadership capabilities by means of the Leadership Index (LSI);
- Employee engagement;
- Tele2's internal attractiveness as an employer by means of the Net Promoter Score (NPS);
- Tele2 Way Index (TWI), assessing how well Tele2 lives its corporate values.

A total of 91 percent of all employees participated in the 2016 survey. My Voice showed that a total of 81 (85) percent of Tele2's employees are fully engaged and satisfied which is in line with high-performing benchmarked companies. All managers and organizational units each year identify engagement-related goals. Tele2 is very proud of its results and will continue focusing on building engagement further.

Employer branding
Tele2 has a common global employer branding standard which consists of employer brand offer with guidance for implementation of the concept, career web page, employer branding movie, image library as well as LinkedIn account. The implementation of the concept is localized, i.e. each country defines which channels and activities to use based on local needs and requirements.

Corporate Responsibility (CR)

Responsible Challenger
Tele2 has long seen CR as playing a key role in business decisions and believes it paves the way for delivering the best value to shareholders. As mobile connectivity grows, so too does Tele2's potential impact on society, making it essential to conduct business in a responsible and sustainable way and utilize Tele2's knowledge and expertise to address some of the challenges faced by society today and in the future. Tele2 works hard at being a 'Responsible Challenger', which is a status the company must constantly earn through its actions. Tele2 therefore takes a proactive approach to CR and always aims to be on top of CR topics that matter most to Tele2's stakeholders. Tele2 focuses on developing the opportunities where the company can contribute in a positive way and uses well-governed CR processes to spot and reduce potential risks and strengthen the business.

Since Tele2 decided in 2015 to incorporate CR into the foundation of the Group strategy, Tele2 has continued throughout 2016 to concentrate on what it means to be a 'Responsible Challenger' and doing what it takes to walk the talk in areas where the company can make the greatest difference. The 'Responsible Challenger' strategy defines five main focus areas: ethics & compliance, privacy & integrity, diversity, child protection, and environment.

Tele2's continuous evaluation of CR processes helps Tele2 stay in control of the issues that are important to the stakeholders. Tele2 continues to keep up high standards and have been recognized for the transparency efforts and focused approach to CR. Tele2 is top-rated (A+) by Nordea for the Environmental, Social, and Governance (ESG) work and was ranked number one in 2015 by Transparency International in a comparison of the largest Sweden based companies for transparency in corporate reporting and tops its list in the international context. After a review in 2016, Tele2 has successfully maintained its position on one of the leading sustainability indices, the FTSE4Good Index series, which is designed to measure the performance of companies demonstrating strong ESG practices.

Focus areas
Ethics & compliance
Ethics & Compliance touches all parts of the business and Tele2 places great importance on upholding high ethical standards, whether it is in carrying out everyday tasks or when entering into new commercial relationships. This approach to doing business starts with our people, and that is why all Tele2 employees are required to annually sign the Tele2 Code of Conduct, which is supported by legal compliance and framed by the guiding principles for Business and Human Rights provided by the UN Global Compact. All employees are obliged to complete an e-learning video training in conjunction with each signing of the Code of Conduct to renew their commitment yearly to maintaining honest and ethical business conduct. Tele2 expects its business partners and affiliates to uphold the same standards, and ask any party doing business with Tele2 to sign and adhere to the Business Partner Code of Conduct requirements. Compliance is followed up through several activities which are described both in the Corporate Governance Report and on the Tele2 corporate website.

Since completing the acquisition transaction in Kazakhstan between Tele2 Kazakhstan and Kazakhtelecom's mobile business Altel, the integration process has also focused on training the new entity to comply with Tele2's corporate responsibility standards. To set up a program, information was used from the Human Rights Due Diligence performed in the context of the merger. The Human Rights Due Diligence included three gap analyses, one for each entity: Tele2 Kazakhstan, Kazakhtelecom, and Altel. The entities were assessed on their policies, systems, and management processes in place with respect to CR. For example, they were evaluated regarding policy commitment to respect human rights and participation in any initiatives such as UN Global Compact. As the initial results showed gaps, our focus has been on designing trainings and initiating other means to make progress in reducing the differences – under the 'Responsible Challenger' umbrella. The newly formed entity has taken a number of actions to implement Tele2's corporate governance standards, procedures, and Code of Conduct, which started with the Tele2 standard process of signing the Code of Conduct and viewing the corresponding e-learning movie. Thereafter, Tele2 have conducted specialized face-to-face Code of Conduct training courses for employees regarding anti-corruption, conflict of interest, privacy, freedom of expression, and Tele2's whistle blower policy. The sessions were first carried out for the Tele2 Group's leadership team and Tele2 Kazakhstan's leadership team, followed by 100 managers. The training will continue into 2017 for all Tele2 employees in Kazakhstan. A Summary Report has been prepared covering the first year of operation in the new jointly owned company, as a follow-up to the commitment made to the market at the time the transaction was announced.

Privacy & integrity
Tele2 is committed to safeguarding and respecting our customers' rights to privacy, integrity and freedom of expression, all of which are governed by principles of international human rights and are upheld in Tele2's Code of Conduct. Like all telecommunications companies, Tele2 is subject to the national laws in each of our markets that oblige

operators to comply with requests from government authorities and law enforcement agencies to disclose customer information. These requirements are based on specific legal grounds, for example, when asked to provide information that is deemed essential to investigations concerning national security or public safety. Tele2 complies with and operates in accordance with the laws in all its markets, but Tele2 does not disclose information or takes any action that goes beyond what is required by law. Tele2 maintains clear internal processes for assessing requests and, where possible, Tele2 engages in a dialogue with authorities, challenges any requests that do not meet the requirements stipulated by national laws, and stresses the importance of human rights considerations. Tele2 is dedicated to transparency in this area and in 2016, Tele2 Kazakhstan published a summary available to the public in Kazakh and Russian, which outlines how Tele2 balances government demands with commitment to international human rights.

Tele2 acts as a champion for customers and is not afraid to act in situations where local laws diverge from the principles in the Group's Code of Conduct. One example is the so-called data retention case where Tele2 Sweden ceased the storage of data according to the Swedish law on electronic communication (LEK). Tele2 deemed that there no longer were legal grounds to store data after a ruling by the European Court of Justice whereby the data retention directive on which LEK has been built was declared null and void for being in conflict with international human rights. After the Swedish Post and Telecom Authority (PTS) filed an injunction against Tele2 Sweden in June 2014 to resume storage of data in accordance with LEK, Tele2 Sweden complied. The Swedish Court of Appeal referred the case to the European Court of Justice in April 2015 for a preliminary ruling on LEK's compatibility with the European Convention on human rights. On December 21, 2016 the European Court of Justice ruled that a targeted national measure for data retention can only be provisioned for the purpose of fighting serious crime, and agreed with Tele2 that Swedish data retention requirements are therefore not compatible with EU law. The Swedish Court of Appeal will now try the case based on the guidance received from the European Court of Justice.

In response to the growing importance of data protection, Tele2 has taken a number of steps. The company has appointed a Group Privacy Officer during 2016 to oversee privacy questions on a group level and to support the business in building robust processes to comply with relevant regulations. Tele2 has also established a Data Protection Committee during 2016 that meets quarterly and consists of the General Counsel, Group Director of Security, Group Director of Product Management, Group Director of Communications, Chief Procurement Officer and the Group Privacy Officer.

Diversity

Tele2 sees diversity as a way to maximize business potential and Tele2 constantly seek new ways to engage with and drive diversity initiatives. By promoting diversity internally and fostering a work environment that respects multiple perspectives, Tele2 can continue to improve its way of working and offer products and services that reflect its diverse customer-base. Tele2 has also engaged in community outreach programs and partnerships as another way to work with diversity in many of Tele2's markets in 2016. For example, Tele2 Sweden and Reach for Change piloted a mentor program that matched unaccompanied refugee minors with Tele2 employees, in order to strengthen the mentees' opportunities in the Swedish job market while also exposing Tele2 employees to new perspectives. The initiative was considered successful by all involved, with a majority of mentees reporting to have new professional contacts, improved Swedish language, and better understanding of Swedish labor market as a result of the program. In addition to the above, Tele2 has led and participated in initiatives targeting gender diversity – Girls make IT Happen in Latvia as well as Datatjej (Data Girl) in Sweden. Both initiatives promoted women in technology by raising awareness and providing mentoring activities. In 2016, Tele2 was recognized for its strong diversity efforts and awarded third place in AllBright's Equality Prize in Sweden.

Child protection

Tele2 is serious about protecting children and takes a clear stand to stop the distribution of child sexual abuse images online. Through a close collaboration with INTERPOL, whenever authorities classify content online as child sexual abuse images, Tele2 takes action and blocks the site immediately. On average, Tele2 blocks 500,000 searches for child abuse materials each month in all countries where Tele2 operate. Tele2 also does this within its own organization, meaning that Tele2 has processes in place for detecting and blocking if any employee tries to access such content. Externally, Tele2 partners with Reach for Change for improving children's lives through social innovation and has recently been recognized for significant efforts in the area of child protection by NetClean in its 2016 report. Tele2 has also received top scores from Global Child Forum in its 2016 Nordic Benchmark Report, which highlights Tele2 as an industry leader and as a company that successfully incorporates responsibility for children's rights into governance structures, starting with the highest governing body: the Board of Directors. With our efforts, Tele2 hopes to set a good example for others by showing the significant impact that businesses can have in areas that require greatest attention, such as protecting those in society who need it most.

Environment

With regards to the environment, Tele2 works to enable smarter solutions and empower customers to reduce their environmental footprint through the connectivity Tele2 provide. In the global arena, Tele2 recognizes that the ICT industry as a whole and the solutions enabled by IoT play an important role in bridging the gap for society to achieve EU's Environmental targets and the UN Sustainable Development Goals. For example, in 2016 Tele2 IoT announced its partnership with Northstar, a leading energy storage provider, where Tele2 has deployed Tele2 IoT's Product Cloud in order to enable the use of smart batteries and connected energy solutions in the industrial market. Tele2 IoT has also been working together with Vattenfall, one of the largest energy companies in Europe, to connect Vattenfall's chargers for electric vehicles and facilitate smart and reliable infrastructure solutions that pave the way for the electric car transition. These are just some of the examples of how Tele2 IoT is leading the way for a connected society and continues to build partnerships and encourage environmentally conscious innovation.

Tele2 also contributes to reaching EU and UN climate goals by applying new smart energy-efficient solutions to its business. Tele2 continues to look for ways to reduce its own impact through monitoring emissions and energy consumption and encouraging initiatives in its local markets, such as Tele2 Lithuania's switch to 100% green energy. For Tele2, smart environmental choices go hand in hand with our cost conscious attitude. For example, Tele2 makes efforts to implement environmentally conscious technical upgrades in the mobile network and is exploring ways to reduce electricity consumed by base stations.

During 2016, Tele2 has initiated an energy optimization project in Net4Mobility, which includes the utilization of energy efficiency features that allow energy consumption in base stations to be adjusted in relation to the amount of traffic on the network at any given time. By optimizing energy consumption in this way, there is potential to reduce energy-related operating costs while also conserving energy in base stations, which account for Tele2's largest source of indirect greenhouse gas emissions.

Review by the Board

The Tele2 Corporate Responsibility Advisory Group (CRAG) has been composed of board members Mike Parton, Carla Smits-Nusteling, and Sofia Arhall Bergendorff, Tele2's CEO, the Group General Counsel and the Director of Corporate Responsibility. During the four CRAG meetings that took place in 2016, the discussions involved the CR strategy and performance, progress in Kazakhstan, diversity and inclusion work, the EU directive on non-financial disclosures, and efforts within the area of privacy and integrity. During the last CRAG meeting of 2016, it was decided to give CR even more visibility into the organization and integrate CR further into the Corporate Governance structure. Going forward, CR matters will therefore be put on the agenda of every Audit Committee meeting and will also be reviewed at Board meetings. In addition, a full CR strategy discussion will be held every October at the annual Board Strategy session.

For additional reporting and information about Tele2's CR work, please refer to Note 38 and the corporate website for the GRI-index, in accordance with G4 from the Global Reporting Initiative.

Work of the Board of Directors

The Board of Directors is appointed by the Annual General Meeting for terms extending until the next Annual General Meeting. At the Annual General Meeting in May 2016, Sofia Arhall Bergendorff, Georgi Ganev and Cynthia Gordon were appointed as new Board members, Erik Mitteregger left the Board, while the other Board members were re-elected. In addition, Mike Parton was re-elected as Chairman of the Board of Directors.

The Board is responsible for the company's organization and management, and is composed in such a way as to enable it to effectively support and manage the work of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, divestments, corporate transactions, major investments, and establishes the framework of Tele2's operations by defining the company's financial goals and guidelines. In 2016, the Board convened 11 times at different locations in Europe. In addition, 5 per capsulam meetings and 5 telephone conference meetings were held.

In order to carry out its work more effectively, the Board has appointed members for a Remuneration Committee and an Audit Committee with special tasks. These committees are the Board's preparatory bodies and do not reduce the Board's overall and joint responsibility for the handling of the company and the decisions made. Furthermore, where needed, the Board appoints members to form preparatory working groups on topics of special interest, such as questions regarding dividends, capital structure and questions regarding corporate responsibility related risks and opportunities.

The Remuneration Committee's main work includes presenting recommendations to the Board regarding remuneration and terms of employment for CEO and other senior executives. The recommendations, including recommendations for long-term incentive programmes are submitted by the Board to the AGM for adoption.

The Audit Committee has the primary task of assisting the Board in its supervision and review of the internal and external audit processes, and reviewing and ensuring the quality of the company's external financial reporting. Furthermore, the Audit Committee supervises the internal control functions of the company.

Additional information is stated in Tele2's separate Corporate Governance Report available on Tele2's website www.tele2.com. Remuneration to the Board is stated in Note 33.

Proposal of remuneration guidelines for senior executives

The Board proposes the following guidelines for determining remuneration for senior executives for 2017, to be approved by the Annual General Meeting in May 2017.

The objectives of Tele2's remuneration guidelines are to offer competitive remuneration packages to attract, motivate, and retain key employees within the context of an international peer group. The aim is to create incentives for the management to execute strategic plans and deliver excellent operating results, and to align management's incentives with the interests of the shareholders. Senior executives covered by the proposed guidelines include the CEO and members of the Leadership Team ("senior executives").

Remuneration to the senior executives should comprise annual base salary, and variable short-term incentive (STI) and long-term incentive (LTI) programs. The STI shall be based on the performance in relation to established objectives. The objectives shall be related to the company's overall result and the senior executives' individual performance. The STI can amount to a maximum of 100 percent of the annual base salary.

Over time, it is the intention of the Board to increase the proportion of variable performance-based compensation as a component of the senior executives' total compensation.

Other benefits may include e.g. company cars and for expatriated senior executives e.g. housing benefits for a limited period of time. The senior executives may also be offered health care insurances.

The senior executives are offered defined contribution pension plans. Pension premiums for the CEO can amount to a maximum of 25 percent of the annual salary (base salary and STI). For the other senior executives pension premiums can amount to a maximum of 20 percent of the annual salary (base salary and STI).

The maximum period of notice of termination of employment shall be 12 months in the event of termination by the CEO and six months in the event of termination by any of the other senior executives. In the event of termination by the company, the maximum notice period during which compensation is payable is 18 months for the CEO and 12 months for any of the other senior executives.

Under special circumstances, the Board may deviate from the above guidelines. In such a case, the Board is obligated to give account of the reason for the deviation during the following Annual General Meeting.

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board of Directors.

There are no deviations during 2016 compared with the remuneration guidelines for senior executives approved by the Annual General Meeting in May 2015 and May 2016.

The guidelines for 2016 as proposed by the Board and approved by the Annual General Meeting in May 2016 are stated in Note 33 Personnel costs.

Parent company

Tele2 AB's shares are listed on the Nasdaq Stockholm Large Cap list under the ticker symbols TEL2 A and TEL2 B. Tele2's fifteen largest shareholders on December 31, 2016 hold shares corresponding to 54 percent of the capital and 65 percent of the voting rights, of which Investment AB Kinnevik owns 30 percent of the capital and 48 percent of the voting rights. No other shareholder owns, directly or indirectly, more than 10 percent of the shares in Tele2.

The Board of Directors received authorization from the Annual General Meeting in May 2015 to purchase up to 10 percent of the shares in the company, which the Board has not made use of.

In 2016, Tele2 issued 55.8 million new shares with preferential rights for existing shareholders increasing the total equity with SEK 2.9 billion.

For further information on the number of shares and their conditions and important agreements which cease to apply if control over the company is changed, see Note 24 Equity, numbers of shares and earnings per share.

The parent company performs Group functions and conducts certain Group wide development projects. In 2016, the parent company paid to its shareholders an ordinary dividend of SEK 5.35 per share for 2015, corresponding to a total of SEK 2,389 million.

The Board's proposed appropriation of profit for fiscal year 2016 is stated in Note 24.

Consolidated income statement

SEK million	Note	2016	2015
CONTINUING OPERATIONS			
Net sales	4, 5	28,292	26,856
Cost of services provided and equipment sold	6	–20,725	–16,653
Gross profit		**7,567**	**10,203**
Selling expenses	6	–5,716	–5,094
Administrative expenses	6	–3,156	–2,917
Result from shares in joint ventures and associated companies	16	–	–5
Other operating income	7	153	401
Other operating expenses	8	–67	–141
Operating profit/loss	4, 6	**–1,219**	**2,447**
Interest income	9	18	8
Interest expenses	10	–330	–384
Other financial items	11	297	–59
Profit/loss after financial items		**–1,234**	**2,012**
Income tax	12	–930	–744
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		**–2,164**	**1,268**
DISCONTINUED OPERATIONS			
Net profit/loss from discontinued operations	36	–100	1,718
NET PROFIT/LOSS	4	**–2,264**	**2,986**
ATTRIBUTABLE TO			
Equity holders of the parent company		–1,962	2,986
Non-controlling interests		–302	–
NET PROFIT/LOSS		**–2,264**	**2,986**
Earnings per share, SEK	24	–4.34	6.52
Earnings per share, after dilution, SEK	24	–4.34	6.48
FROM CONTINUING OPERATIONS			
ATTRIBUTABLE TO			
Equity holders of the parent company		–1,862	1,268
Non-controlling interests		–302	–
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		**–2,164**	**1,268**
Earnings per share, SEK		–4.12	2.77
Earnings per share, after dilution, SEK		–4.12	2.75

Consolidated comprehensive income

SEK million	Note	2016	2015
NET PROFIT/LOSS		**–2,264**	**2,986**
OTHER COMPREHENSIVE INCOME			
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT/LOSS			
Pensions, actuarial gains/losses	33	–16	38
Pensions, actuarial gains/losses, tax effect	12	3	–9
Total components not to be reclassified to net profit/loss		**–13**	**29**
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT/LOSS			
Exchange rate differences			
Translation differences in foreign operations		1,094	–1,420
Tax effect on above	12	–117	305
Reversed cumulative translation differences from divested companies	15	–	19
Translation differences		*977*	*–1,096*
Hedge of net investments in foreign operations		–149	–49
Tax effect on above	12	33	11
Reversed cumulative hedge from divested companies	15	–	–107
Hedge of net investments		*–116*	*–145*
Total exchange rate differences		**861**	**–1,241**
Cash flow hedges			
Gain/loss arising on changes in fair value of hedging instruments	2	–83	–40
Reclassified cumulative loss to income statement	2	68	83
Tax effect on cash flow hedges	12	3	–10
Total cash flow hedges		**–12**	**33**
Total components that may be reclassified to net profit/loss		**849**	**–1,208**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**836**	**–1,179**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–1,428**	**1,807**
ATTRIBUTABLE TO			
Equity holders of the parent company		–1,117	1,807
Non-controlling interests		–311	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–1,428**	**1,807**

Consolidated balance sheet

SEK million	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	13	7,729	8,661
Other intangible assets	13	5,821	4,437
Total intangible assets		**13,550**	**13,098**
Tangible assets			
Machinery and technical plant	14	11,193	8,749
Other tangible assets	14	3,183	2,843
Total tangible assets		**14,376**	**11,592**
Financial assets			
Shares in joint ventures and associated companies	16	9	7
Other financial assets	17	1,315	1,564
Total financial assets		**1,324**	**1,571**
Deferred tax assets	12	1,702	1,964
TOTAL NON-CURRENT ASSETS		**30,952**	**28,225**
CURRENT ASSETS			
Inventories	18	655	692
Current receivables			
Accounts receivable	19	2,584	2,163
Current tax receivables		43	103
Other current receivables	20	3,772	3,236
Prepaid expenses and accrued income	21	2,193	1,591
Total current receivables		**8,592**	**7,093**
Current investments	22	21	32
Cash and cash equivalents	23, 31	257	107
TOTAL CURRENT ASSETS		**9,525**	**7,924**
TOTAL ASSETS	4	**40,477**	**36,149**

SEK million	Note	Dec 31, 2016	Dec 31, 2015
EQUITY AND LIABILITIES			
EQUITY			
Attributable to equity holders of the parent company			
Share capital	24	634	564
Other paid-in capital		7,836	4,985
Reserves		1,063	205
Retained earnings		8,941	12,147
Total attributable to equity holders of the parent company		**18,474**	**17,901**
Non-controlling interest	24	–278	–
TOTAL EQUITY		**18,196**	**17,901**
NON-CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	25	7,503	4,158
Provisions	26	1,252	874
Other interest-bearing liabilities	25	275	587
Total interest-bearing liabilities		**9,030**	**5,619**
Non-interest-bearing			
Deferred tax liability	12	1,066	697
Total non-interest-bearing liabilities		**1,066**	**697**
TOTAL NON-CURRENT LIABILITIES		**10,096**	**6,316**
CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	25	2,946	4,827
Provisions	26	147	52
Other interest-bearing liabilities	25	308	493
Total interest-bearing liabilities		**3,401**	**5,372**
Non-interest-bearing			
Accounts payable	25	3,462	2,746
Current tax liabilities		109	85
Other current liabilities	25	1,037	502
Accrued expenses and deferred income	27	4,176	3,227
Total non-interest-bearing liabilities		**8,784**	**6,560**
TOTAL CURRENT LIABILITIES		**12,185**	**11,932**
TOTAL EQUITY AND LIABILITIES	4	**40,477**	**36,149**

Consolidated cash flow statement

(total operations)

SEK million	Note	2016	2015
OPERATING ACTIVITIES			
Cash flow from operations before changes in working capital			
Operating profit/loss from continuing operations		–1,219	2,447
Operating profit/loss from discontinued operations	36	–100	1,702
Operating profit/loss		**–1,319**	**4,149**
Adjustments for non-cash items in operating profit			
Depreciation and amortization	6	3,258	2,873
Impairment	6	2,832	211
Result from shares in joint ventures and associated companies	16	–	5
Gain/loss on sale of fixed assets and operations	7, 8, 36	101	–1,858
Incentive program		1	40
Interest received		17	10
Interest paid		–236	–290
Finance items paid		–53	–190
Taxes paid	12	–403	–349
Cash flow from operations before changes in working capital	31	**4,198**	**4,601**
Changes in working capital			
Inventories	18	228	–217
Operating receivables		48	–1,088
Operating liabilities		543	233
Changes in working capital	31	**819**	**–1,072**
CASH FLOW FROM OPERATING ACTIVITIES		**5,017**	**3,529**
INVESTING ACTIVITIES			
Acquisition of intangible assets	31	–532	–622
Acquisition of tangible assets	31	–3,292	–3,413
Sale of tangible assets	31	24	20
Acquisition of shares in group companies	15	–2,877	–
Sale of shares in group companies	15	–2	4,892
Capital contribution to/repayment from associated companies	15	–1	–4
Sale of associated companies and holdings of securities	15	4	5
Other financial assets, lending		–	–32
Other financial assets, received payments		13	4
Cash flow from investing activities		**–6,663**	**850**
CASH FLOW AFTER INVESTING ACTIVITIES		**–1,646**	**4,379**
FINANCING ACTIVITIES			
Proceeds from credit institutions and similar liabilities	25	7,392	3,781
Repayment of loans from credit institutions and similar liabilities	25	–6,098	–1,346
Proceeds from other interest-bearing liabilities	25	72	–
Repayment of other interest-bearing lending	25	–16	–159
Dividends	24	–2,389	–6,626
New share issue	24	2,910	3
Repurchase of own shares	24	–	–3
Dividends to non-controlling interests		–	–2
Acquisition of non-controlling interests	24	–125	–
Cash flow from financing activities		**1,746**	**–4,352**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**100**	**27**
Cash and cash equivalents at beginning of the year	23	107	151
Exchange rate differences in cash and cash equivalents	23	50	–71
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23, 31	**257**	**107**

For cash flow from discontinued operations, please refer to Note 36.
For additional cash flow information, please refer to Note 31.

Change in consolidated equity

		Attributable to equity holders of the parent company							
SEK million	Note	Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1, 2015		**561**	**4,985**	**–440**	**1,853**	**15,721**	**22,680**	**2**	**22,682**
Net profit		–	–	–	–	2,986	2,986	–	2,986
Other comprehensive income for the year, net of tax		–	–	–112	–1,096	29	–1,179	–	–1,179
Total comprehensive income for the year		**–**	**–**	**–112**	**–1,096**	**3,015**	**1,807**	**–**	**1,807**
OTHER CHANGES IN EQUITY									
Share-based payments	33	–	–	–	–	40	40	–	40
New share issue	24	3	–	–	–	–	3	–	3
Repurchase of own shares	24	–	–	–	–	–3	–3	–	–3
Dividends	24	–	–	–	–	–6,626	–6,626	–	–6,626
Dividends to non-controlling interests		–	–	–	–	–	–	–2	–2
EQUITY AT DECEMBER 31, 2015		**564**	**4,985**	**–552**	**757**	**12,147**	**17,901**	**–**	**17,901**
Equity at January 1, 2016		**564**	**4,985**	**–552**	**757**	**12,147**	**17,901**	**–**	**17,901**
Net loss		–	–	–	–	–1,962	–1,962	–302	–2,264
Other comprehensive income for the year, net of tax		–	–	–128	986	–13	845	–9	836
Total comprehensive income for the year		**–**	**–**	**–128**	**986**	**–1,975**	**–1,117**	**–311**	**–1,428**
OTHER CHANGES IN EQUITY									
Share-based payments	33	–	–	–	–	1	1	–	1
Share-based payments, tax effect	33	–	–	–	–	1	1	–	1
New share issue	24	70	2,840	–	–	–	2,910	–	2,910
Taxes on new share issue costs	24	–	11	–	–	–	11	–	11
Dividends	24	–	–	–	–	–2,389	–2,389	–	–2,389
Acquisition of non-controlling interests	24	–	–	–	–	469	469	489	958
Dividends to non-controlling interests	24	–	–	–	–	687	687	–456	231
EQUITY AT DECEMBER 31, 2016		**634**	**7,836**	**–680**	**1,743**	**8,941**	**18,474**	**–278**	**18,196**

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretations Committee (IFRS IC) as endorsed by the EU at the date of publication of this annual report. The Group also applies the Swedish Financial Reporting Board recommendation RFR 1 *Supplementary Accounting Rules for groups* which specifies additional disclosures required under the Swedish Annual Accounts Act.

The financial reports are prepared on the basis of historical cost, apart from financial instruments which are normally carried at amortized cost, with the exception of other non-current securities and derivatives which are carried at fair value.

Change in accounting principles

From 2016 the new standards, amendments and interpretations presented below are applied.

New and amended IFRS standards and IFRIC interpretations

The amended IFRS standards (IAS 1, IAS 16, IAS 27, IAS 28, IAS 38, IFRS 10, IFRS 11, IFRS 12 and annual improvements to IFRSs 2012–2014), which became effective January 1, 2016, have had no material effect on the consolidated financial statements.

New regulations

The following new and revised standards have been issued by the International Accounting Standards Board (IASB) and endorsed by the EU:

- IFRS 9 Financial Instruments (effective for annual periods beginning on January 1, 2018) and
- IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after January 1, 2018)

IASB has also issued, which have not yet been endorsed by the EU:

- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after January 1, 2016, the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard),
- Amendments to: IAS 7 *Disclosure Initiative* and IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after January 1, 2017),
- *Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for annual periods beginning on or after January 1, 2018),
- Amendments to: IFRS 2 *Classification and Measurement of Sharebased Payment Transactions* and IFRS 4 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (effective for annual periods beginning on or after January 1, 2018),
- IFRS 16 *Leases* (effective for annual periods beginning on January 1, 2019) and
- Amendments to: IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (no decided effective date).

IFRS 9 replaces IAS 39 Financial instruments: Recognition and Measurement. The new standard implies new basis for the classification and measurement of financial instruments, a forward-looking impairment model and greater flexibility for hedge accounting. The standard is estimated to have no material effect for Tele2.

IFRS 15 replaces all previously published standards and interpretations concerning revenue recognition and provides detailed guidance for example for bundled offers, contract modifications, assessments whether the company is acting as principal or agent in the whole or part of a contract with a customer and expenses directly associated with signing a customer contract. The standard also contains more extensive disclosure requirements compared to current standards. The new standard will be applied retroactively at which comparable periods will be restated and presented when IFRS 15 is applied the first time. The work is ongoing to prepare changes in processes and systems to address the changes needed. Tele2's current preliminary opinion is that the existing accounting principles concerning revenue recognition of bundled offers related to the allocation between equipment and services is in line with IFRS 15. The model that Tele2 applies today need to be somewhat adjusted to completely fulfil the requirements in the new standard. For example under IFRS 15 Tele2 is an agent for certain sales of equipment through dealers which will result in revenues being reported net of the cost for the equipment. This will result in somewhat decreased net sales but not affect EBITDA. For contract modifications IFRS 15 provides guidelines to whether the changes should be recorded retroactively or prospectively. Expenses directly associated with the signing of customer contracts may include retailer sales provisions and sales bonuses. These initial expenses shall be activated and amortized over the contract length if they are recoverable. If the contract period is less than one year the expenses may be recognized as cost when incurred. Today these initial expenses are recognized as cost in the period in which they occur. The effects to the financial statements will be further analysed and presented in Tele2's interim reports before the new standard becomes effective.

IFRS 16 replaces the previous leasing standard and related interpretations and brings in a new definition of a lease that will be used to identify whether a contract contains a lease. For a lessee IFRS 16 introduces a single accounting treatment; the recognition of a right-of-use asset and a lease liability. For lessors the finance and operating lease distinction and accounting remains largely unchanged. IFRS 16 will most likely bring a large number of new assets and liabilities onto the balance sheet and will have an impact on reported profit and performance measures such as for example EBITDA and CAPEX. The effects on the Tele2 financial statements will be analysed and presented before the new standard becomes effective.

The other new and revised standards are estimated to have no material effect for Tele2.

Consolidation

Subsidiaries

The consolidated accounts include the parent company and companies in which the parent company directly or indirectly holds more than 50 percent of the voting rights or in any other way has control. Control is achieved when Tele2 is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The consolidated accounts are prepared in accordance with the acquisition method. This means that consolidated equity only includes the subsidiary's equity that has arisen after the acquisition and the consolidated income statements only include earnings from the date of acquisition until the date of divestment, if the subsidiary is sold. The Group's acquisition value of the shares in subsidiaries consists of the total of the fair value at the time of the acquisition of what was paid in cash, incurred liabilities to former owners or emitted shares, the value of the non-controlling interests in the acquired subsidiary and the fair value of the previously owned share. Contingent consideration is included in the

Continued Note 1

acquisition value and is reported at its fair value at the time of the acquisition. Subsequent effects from the revaluation of contingent consideration are reported in the income statement. Acquired identifiable assets and assumed liabilities are reported initially at their fair value at the time of the acquisition. Exemptions from this principle are made for acquired tax assets/liabilities, employee benefits, share-based payment awards and assets held for sale which are measured according to the principles described below for each item. Exemptions are also made for indemnity assets and reacquired rights. Indemnity rights are valued according to the same principle as the indemnified item. Reacquired rights are valued based on the remaining contractual period even if other market participants would consider the possibilities for contract renewal when doing the valuation. Reported goodwill is measured as the difference between on the one hand the total purchase price for the shares in the subsidiary, the value of the non-controlling interests in the acquired subsidiary and the fair value of the previously owned share and on the other hand the Group's reported value of acquired assets and assumed liabilities. Acquisition related costs (transaction costs) are recognized as expenses in the period in which they arise.

Non-controlling interest is reported at the time of the acquisition either at its fair value or at its proportional share of the Group's reported value of the acquired subsidiary's identified assets and liabilities. The choice of valuation method is made for each business combination. Subsequent profit or loss and other comprehensive income that are related to the non-controlling interests are allocated to the non-controlling interest even if it leads to a negative value for the non-controlling interest.

The acquisition of a non-controlling interest is accounted for as a transaction between the equity holders of the parent company and the non-controlling interest. The difference between paid purchase price and the proportional share of the acquired net assets is reported in equity. Thus no goodwill arises in connection with such transactions.

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interests and
- the previous carrying amount of the assets (including goodwill), and liabilities and any non-controlling interests

Any gain or loss is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to that subsidiary are reclassified to profit or loss.

Joint arrangements

Joint arrangements are arrangements of which two or more parties have a joint control. Joint arrangements are classified either as joint operation or joint venture. For joint operations Tele2 reports its part of assets, liabilities, revenues and expenses and its share of joint assets, liabilities, revenues and expenses line by line in the consolidated financial statements. Sales and other transactions with joint operations are eliminated in the consolidated financial statements. For Tele2 joint operations consists of jointly owned companies. Joint ventures are arrangements where Tele2 has right to the net assets and are accounted for under the equity method. This means that the Group's carrying amount of the shares in the joint venture corresponds to the Group's share of equity after application of the Group's accounting principles as well as any residual value of consolidated surplus values. The Group's share of the joint venture's profit or loss after tax is reported under "Operating profit", along with depreciation of the acquired surplus value.

At the acquisition of a share in a joint arrangement a purchase price allocation is prepared at the acquisition date. The acquisition date is the date when the Group becomes a part to and jointly shares the control of the joint arrangement. The starting-point for the purchase price allocation consists of the acquisition value of the share in the joint arrangement. The acquisition value is allocated on the Group's share of the acquisition date fair values of acquired assets and assumed liabilities including related deferred taxes and any goodwill.

Associated companies

Associated companies are companies in which Tele2 has a voting power of between 20 percent and 50 percent or has significant influence in some other way.

Associated companies are accounted for in accordance with the equity method. This means that the Group's carrying amount of the shares in the company corresponds to the Group's share of equity after application of the Group's accounting principles as well as any book value of consolidated surplus values. The share of the company's profit or loss after tax is reported under "Operating profit", along with depreciation of the acquired surplus value.

Foreign currency

The accounts of all foreign group companies, joint arrangements and associated companies are prepared in the currency used in the primary economic environment of each company, i.e. the functional currency which for all group companies, joint arrangements and associated companies is the local currency.

The assets and liabilities of foreign group companies, joint arrangements and associated companies are translated into Tele2's reporting currency (SEK) at the closing exchange rates, while revenues and expenses are translated at the period's average exchange rates. Exchange rate differences arising from translation are reported in other comprehensive income. When foreign group companies, joint arrangements and associated companies are divested, the accumulated exchange rate difference attributable to the sold operation is recognized in the income statement.

Goodwill and adjustments at fair value that are made in connection with the acquisition of a foreign operation are treated as assets and liabilities in the functional currency of the acquired operation.

Discontinued operations

A discontinued operation is a component of the Group which either has been disposed of or is classified as held for sale, and represents a separate line of business or geographical area of operation. A discontinued operation is reported separately from continuing operations in the income statement, and comparable information for prior periods is re-presented.

Assets classified as held for sale and associated liabilities are presented separately on the face of the balance sheet. Prior periods are not affected. Assets classified as held for sale are valued at the lower of carrying value and fair value less costs to sell (Note 36).

Revenue recognition

Net sales include customer related revenue from services within mobile and fixed telephony, broadband and cable TV, such as connection and installation charges, subscription charges, call charges, data and information services and service revenues. Net sales also include interconnect revenue from other operators and income from the sale of products such as mobile phones and modems. Revenues are reported at fair value which usually is the selling value, less discounts and VAT.

Connection charges are recognized at the time of the sale to the extent that they cover the connection costs. Any excess is deferred and amortized over the estimated contract period. Subscription charges for mobile and

Continued Note 1

fixed telephony services, cable TV, ADSL, dial-up internet, leased capacity and internet connection for direct access customers are recognized in the period covered by the charge. Call charges and interconnect revenue are recognized in the period during which the service is provided. Revenue from the sale of products is recognized at the time the product is supplied to the customer. Revenue from the sale of cash cards is recognized based on the actual use of the card up until the expiry date, where any unused portion is recognized as revenue.

Revenues from data and information services such as data buckets, text messages and third party services are recognized when the service is provided. When Tele2 acts as an agent for another supplier, the revenue is reported net, i.e. only the part of the revenue that is allocated to Tele2 is reported as revenue.

To enterprise customers, Tele2 offers long-term CaaS agreements (communication as a service) which mean functional based solutions for complete telecom services that may include switchboard services, fixed and mobile telephony, data communication and other customized services. Generally there is no option for the customer to acquire the equipment at the end of the service contract period. Revenues for CaaS agreements are recognized over the contracted period, but part of the fixed fee is deferred to cover costs at the end of the contract.

Service and construction contract revenues for system installations are recognized using the percentage of completion method at which the revenues are recognized gradually during the contract as the services are performed. The stage of completion is determined by services performed to date as a percentage of total services to be performed. Revenues related to the part of the contract consisting of providing services and maintenance on delivered communication equipment are recognized monthly in line with the terms of the underlying service contracts.

Revenue recognition for agreements containing multiple deliverables
For customer agreements containing multiple deliverables or parts, the contracted revenue is allocated to each part, based on its relative fair value to the total fair value of the offering. Services invoiced based on usage are not included in the allocation. Revenues for each part are recognized in the period the component is delivered to the customer. If functionally important parts have not been delivered and the fair value of any of these is not available, revenue recognition is postponed until all important parts have been delivered and the fair value of non-delivered parts has been determined.

Operating expenses

Operating expenses are classified according to function, as described below. Depreciation and amortization and personnel costs are stated by function. Total costs for depreciation and amortization are presented in Note 6 and total personnel costs are presented in Note 33.

Cost of services provided and equipment sold
Cost of services provided and equipment sold consists of costs for renting networks and capacity, interconnect charges as well as costs for equipment sold (e.g. hand-sets) to the extent the costs are covered by recognized revenues. The cost of services provided and equipment sold also includes the part of the cost for personnel, premises, purchased services and depreciation and amortization of non-current assets attributable to the production of sold services.

Selling expenses
Selling expenses include costs for the internal sales organization, purchased services, personnel costs, rental costs, bad debt losses as well as depreciation and amortization of non-current assets attributable to sales activities. Advertising and other marketing activities as well as costs for discounts and subsidies for equipment sold are also included and are expensed as incurred.

Administrative expenses
Administrative expenses consist of the part of the personnel costs, rental costs, purchased services as well as depreciation and amortization of non-current assets attributable to the other joint functions. Costs associated with the Board of Directors, executive management and corporate functions are included in administrative expenses.

Other operating income and other operating expenses
Other operating income and other operating expenses include secondary activities, exchange rate differences in operating activities and gain/loss on the sale of tangible and intangible assets.

Employee benefits

The average number of employees (Note 32) as well as salaries and remuneration (Note 33) in companies acquired during each year are reported in relation to how long the company has been part of the Tele2 Group.

Share-based payments
Tele2 grants share-based instruments to certain employees.

Share-based payments are mainly settled with the company's own shares. The costs for share-based payments are based on the fair value of the share rights calculated by an independent party at the date of grant. These payments are reported as employee costs during the vesting period with a corresponding increase in equity. To the extent the vesting conditions in the program are linked to market conditions (TSR) and non-vesting conditions (investment in Tele2 shares), these factors are taken into consideration when determining the fair value of the share rights. Performance conditions (return on capital employed) and service conditions (being employed) are affecting the employee cost during the vesting period by the change in the number of shares that are expected to finally vest.

Tele2 records a liability for social security expenses, at each reporting period, for all outstanding share-based payments. The liability for social security expenses is calculated according to UFR 7 *IFRS 2 and social security contributions for listed enterprises*. The liability is revalued at the end of each reporting period and is based on the share-based payment's fair value at the end of the reporting date distributed over the vesting period.

Post-employment benefits
The Group has a number of pension schemes. The main part of Tele2's pension plans consist of defined-contribution plans (Note 33) for which the Group makes payments to public and private pension institutions. Fees with regard to defined-contribution pension plans are reported as an expense during the period in which the employees perform the services to which the contribution relates. The defined-contribution plans ensure a certain predefined payment of premiums and negative changes in the value of investments are not compensated by Tele2. Therefore Tele2 does not bear the risk at the time of pension payment. Only a small part of the Group's pension commitments relate to defined benefit plans. The net present value of the obligation for these are calculated separately for each defined benefit plan on the basis of assumptions of the future benefits earned during previous and currents periods. The obligation is reported in the balance sheet as the net present value of the obligation less the fair value of any plan assets.

The cost for the defined-benefit plans are calculated by application of the so called Projected Unit Credit Method, which means that the cost is distributed over to the employee's period of service. The calculation is performed annually by an independent actuary. The obligation is valued at the net present value of the expected future payments, taking into account assumptions such as expected future increases in salaries, inflation, health expenses and life span. Expected future payments are discounted with an interest rate that is effective on the closing day for first class commercial bonds or government bonds considering the estimated remaining tenor for each obligation. Actuarial gains and losses are

Continued Note 1

reported in other comprehensive income. For a number of the Group's employees in Sweden the retirement pension and family pension are secured by a pension plan in Alecta. According to an announcement from the Swedish Financial Reporting Board, UFR 10, this is a defined-benefit multi-employer plan. Alecta cannot provide sufficient information to determine an individual company's share of the total obligation and its plan assets, resulting in these pensions plans are reported as defined-contribution plans. The plan is financed by pension insurances.

Termination benefits

A cost for termination benefits is recognized only if the Group is committed by a formal plan to prematurely terminate an employee's employment without any possibility of withdrawing the commitment.

Income tax

Income taxes consist of current and deferred tax. Income tax is reported in the income statement except when the underlying transaction is reported in other comprehensive income or in equity. In those cases the related tax effect is also reported in other comprehensive income or in equity.

Current tax is tax that is to be paid or received in respect of the taxable profit (tax loss) for the year including any adjustment of current tax related to previous periods and tax on dividends from subsidiaries.

When accounting for deferred taxes, the balance sheet method is applied. The method implies that deferred tax liabilities and assets are recognized for all temporary differences between the carrying amount of an asset or liability and its tax base, as well as other tax-related deductions or deficits. The following temporary differences are not considered: temporary difference that arises at the initial recognition of goodwill and the initial recognition of assets and liabilities that are not part of a business combination and at the time of the transaction affect neither accounting nor taxable profit/loss. An item which alters the time when an item is taxable or deductible is considered a temporary difference. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

The recognition of deferred tax assets takes into account tax loss carry-forwards and temporary differences where it is probable that losses and temporary differences will be utilized against future taxable profits. In cases where a company reports losses, an assessment is made of whether there is any convincing evidence that there will be sufficient future profits.

Valuation and accounting of deferred taxes in connection with business combinations is made as part of the measurement of assets and liabilities at the time of acquisition. In these circumstances, the deferred tax assets are assessed at a value corresponding to what the Group expects to utilize. Deferred income tax liabilities are recognized on temporary differences related to subsidiaries, joint arrangements and associates, except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

If a deferred tax liability exists and tax loss carry-forwards exist for which a deferred tax asset previously hasn't been recognised, a deferred tax asset is reported to the extent it can be netted against the deferred tax liability.

Current and deferred tax assets and liabilities are netted only among group companies within the same tax jurisdiction. This form of reporting is only applied when Tele2 intends to offset tax assets and liabilities.

Non-current assets

Intangible assets (Note 13) and tangible assets (Note 14) with a finite useful life are reported at acquisition value with deductions for accumulated depreciation and amortization. Depreciation and amortization are based on the acquisition value of the assets less estimated residual value at the end of the useful life and are recognized on a straight-line basis throughout the asset's estimated useful life. Useful lives and residual values are subject to annual assessments. Useful lives for fixed assets are presented below.

Intangible assets	
Licences, utilization rights and software	2–25 years
Trademarks	5 years
Customer agreements	1–7 years
Tangible assets	
Buildings	5–30 years
Modems	2–3 years
Machinery and technical plant	2–30 years
Equipment and installations	2–10 years

At the end of each reporting period an assessment is made of whether there is any indication of impairment of any of the Group's assets over and above the depreciation according to plans. If there is any indication that a non-current asset has declined in value, a calculation of its recoverable amount is made.

The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell, which is the value that is obtainable from the sale of the asset to an independent party less costs of disposal. The value in use consists of the present value of all cash flows from the asset during the utilization period as well as the addition of the present value of the fair value less costs to sell at the end of the utilization period. If the estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

Impairments are reported in the income statement. Impairments that have been recorded are reversed if changes are made in the assumptions that led to the original impairment. The impairment reversal is limited to the carrying amount, net of depreciation according to plan, had the original impairment not occurred. A reversal of impairment is reported in the income statement. Impairment of goodwill is not reversed.

Intangible assets

Tele2 holds a number of licences entitling it to conduct telephony operations. The expenses related to the acquisition of these licences are recognized as an asset and amortized on a straight-line basis through the duration of the licence agreements.

Goodwill is measured as the difference between on the one hand the total purchase price for the shares in the subsidiary alternatively the acquired assets and liabilities, the value of the non-controlling interest in the acquired subsidiary and the fair value of the previously owned share, and on the other hand the Group's reported value of acquired assets and assumed liabilities less any write-downs.

Goodwill is allocated to the cash generating units that are expected to obtain benefits as a result of the acquisition and is, along with the intangible assets with indefinite lives and intangible assets that are not yet ready to use, subject to annual impairment testing even if there is no indication of a decline in value. Impairment testing of goodwill is at the lowest level at which goodwill is monitored for internal management purposes and for which there are separately identifiable cash flows (cash generating units). The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value less costs to sell. The most important factors that have influenced this year's impairment testing are presented in Note 13.

In the case of reorganization or divestment involving a change in the composition of cash generating units to which goodwill has been allocated, the goodwill is allocated to the relevant units. The allocation is based on the relative value of the part of the cash generating unit to which the reorganization or divestment relates, and the part that remains after the reorganization or the divestment.

Customer agreements are valued at fair value in conjunction with business combinations. Tele2 applies a model where the average historical customer acquisition cost or, alternatively, the present value of expected future cash flows, is applied to value customer agreements.

Tele2 capitalizes direct development expenses for software which are specific to its operations if the recognition criteria are fulfilled. These

Continued Note 1

expenses are amortized over the utilization period, which begins when the asset is ready for use. Expenses relating to the planning phase of the projects as well as expenses of maintenance and training are expensed as incurred. Other expenses relating to development work are expensed as they arise, since they do not meet the criteria for being reported as an asset. Tele2 doesn't conduct own research activities.

Tangible assets
Buildings relate to assets intended for use in operations. The acquisition value includes the direct costs attributable to the building.

Machinery and technical plant include equipment and machinery intended for use in operations, such as network installations. The acquisition value includes the direct costs attributable to the construction and installation of networks.

Additional costs for extension and value-increasing improvements are reported as an asset, while additional costs for repairs and maintenance are expensed during the period in which they arise.

Equipment and installations comprise assets used in administration, sales and operations.

Costs for modems that are rented to or used for free by customers are capitalized.

Borrowing costs
Borrowing costs which are directly attributable to the acquisition, construction or production of an asset which requires considerable time to complete for its intended use are included in the acquisition value of the asset. Other borrowing costs are expensed in the period in which they arise.

Leases
Leases are classified as finance or operating leases.

Tele2 as finance lessee
A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the consolidated accounts, the leased object is recognized as a tangible asset at the lower of its fair value and the present value of the minimum lease payments, and a corresponding amount is recognized as a lease obligation under financial liabilities (Note 14, Note 25 and Note 30). The asset is depreciated on a straight-line basis over the shorter of the lease term and its useful life, with the estimated residual value deducted at the end of the utilization period. Lease payments are apportioned between interest and repayment of the outstanding liability.

Tele2 as operating lessee
A lease is classified as an operating lease if substantially all the economic risks and rewards of ownership of an asset remain with the leasing company. Payments are expensed in the income statement on a straight-line basis over the leasing period.

Tele2 as operating lessor
Rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. The leased asset is kept on the balance sheet and depreciated over its estimated useful life.

Dismantling costs
When there is a legal or constructive obligation to a third party, the estimated cost of dismantling and removing the asset and restoring the site/area is included in the acquisition value. Any change to the estimated cost of dismantling and removing an asset and restoring the site is added to or subtracted from the carrying amount of the particular asset.

Inventories
Inventories of materials and supplies are valued in accordance with the first-in, first-out principle at the lower of acquisition value and net realizable value. Tele2's inventories essentially consist of telephones, SIM cards, modems and other equipment held for sale.

Financial assets and liabilities
Financial assets recognized in the balance sheet include other financial assets, accounts receivable, other current receivables, current investments and cash and cash equivalents. Financial liabilities recognized in the balance sheet include liabilities to credit institutions and similar liabilities, other interest-bearing liabilities, accounts payable and other current liabilities. Financial assets and liabilities due for payment more than one year after the end of the reporting period is reported as non-current. Other financial assets and liabilities are reported as current.

Acquisitions and sales of financial assets are recognised on the trade date, which is the date that the Group has an undertaking to acquire or sell the asset. Financial liabilities are recognized in the balance sheet when Tele2 becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the rights to receive benefits have been realized, expired or the company loses control over the asset. The same applies to components of a financial asset. In instances where Tele2 retains the contractual rights to the cash flows from a financial asset but assumes a contractual obligation to pass on those cash flows to a third party (a pass through obligation), the financial asset is only derecognized when substantially all risks and rewards of ownership of the financial asset has been transferred and the following conditions exist:

- Tele2 has no obligation to pay amounts to the third party unless Tele2 collects equivalent amounts from the original asset,
- Tele2 is prohibited by the terms of the transfer arrangement from selling or pledging the original asset other than as security to the third party for the obligation to pay it cash flows, and
- Tele2 has an obligation to pass on or remit the cash flows that it has collected on behalf of the third party without material delay.

A financial liability is derecognized when the contractual obligation is discharged or extinguished in some other way. The same applies to components of a financial liability.

Financial instruments are initially recognized at the acquisition date fair value and subsequently to either fair value or amortized cost based on the initial categorization. The categorization reflects the purpose of the holding and is determined on initial recognition.

Measurement of the fair value of financial instruments
Various measurement methods are used to estimate the fair value of financial instruments not traded on an active market. When determining the fair value of interest swaps and currency derivatives official market listings are used as input in calculations of discounted cash flows. The fair value of loan liabilities is measured using generally accepted methods, such as discounting expected future cash flows at prevailing interest rates.

Calculation of amortized cost of financial instruments
Amortized cost is calculated by using the effective interest method, which means that any premiums or discounts and directly attributable costs or income are recognized on an accrual basis over the life of the contract using the calculated effective interest rate. The effective interest rate is the rate which gives the instrument's cost of acquisition as a result when discounting the future cash flows.

Offsetting financial assets and liabilities
Financial assets and liabilities are offset and the net amount is presented in the balance sheet when a legal right of set-off exists and the Group intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets
Tele2's other non-current securities mainly consist of holdings of unlisted shares, and these are classified as "Assets at fair value through profit or loss". Assets in this category are initially reported at acquisition value, i.e. fair value at the time of acquisition, and valued thereafter on a

Continued Note 1

continuous basis at fair value. Transaction costs are recognized in the income statement. The fair value change is reported in the income statement among other financial items. If Tele2 has not been able to determine a reliable fair value, the securities are valued at cost.

Tele2's accounts receivables and other receivables are categorized as "Loans and receivables" initially reported at fair value and subsequently at amortized cost. For accounts receivables and other receivables, with a short maturity, the subsequent valuation is done at the nominal amount. On each closing day, an impairment assessment of these assets is made based on the time each individual accounts receivable has been overdue. Any impairment loss is reported as an operating expense.

Cash and cash equivalents are categorized as "Loans and receivables" initially reported at fair value and subsequently at amortized cost. Cash and cash equivalents consist of cash and bank balances as well as current investments with a maturity of less than three months from the time of acquisition.

Restricted cash and cash equivalents are reported as current investments if they may be released within 12 months and as non-current financial assets if they are to be restricted for more than 12 months.

Financial liabilities

Financial liabilities are categorized as "Financial liabilities valued at amortized cost". These are initially measured at fair value and then at amortized cost using the effective interest method. Direct costs related to the origination of loans are included in the acquisition value. For accounts payables and other financial debts, with a short maturity, the subsequent valuation is done at the nominal amount.

Derivatives and hedge accounting

Exchange rate fluctuations on loans in foreign currency and changes in value of other financial instruments (currency derivatives) that meet the hedge accounting requirements of net investment in foreign operations are reported on a continuous basis in other comprehensive income. The ineffective portion of the exchange rate fluctuation and the change in value are reported in the income statement under other financial items. When divesting foreign operations, the previously recognized accumulated exchange rate difference attributable to the divested operation is recycled to the income statement.

Cash flow hedges are reported in the same way as hedges of net investments in foreign operations. This means that the effective portion of the gain or loss on an interest swap which meets the criteria for cash-flow hedge accounting is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss within financial items. When cash flows relating to the hedged item are reported in profit or loss, amounts are transferred from equity to offset them. For more information regarding cash flow hedges, please refer to Note 2 and Note 25.

When a hedging instrument related to future cash flows is due, sold, divested or settled or the Group discontinues the hedge relation before the hedged transaction has occurred and the forecasted transaction is still expected to occur, the accumulated reported gain or loss remains in the hedge reserve in equity and is reported in the income statement when the transaction occurs. If the hedged transaction is no longer expected to occur, the hedging instrument's accumulated gain or loss is immediately reported in the income statement.

Other derivatives are measured at their fair value through profit or loss.

Receivables and liabilities in foreign currency

Receivables and liabilities of the Group denominated in foreign currencies are translated into Swedish crowns by applying the period-end rates.

Gains or losses on foreign exchanges relating to regular operations are included in the income statement under Other operating income/expenses. Gains or losses on foreign exchanges in financial assets and liabilities are reported within profit/loss from financial items.

When long-term lending to/borrowing from Tele2's foreign operations is regarded as a permanent part of the parent company's financing of/borrowing from foreign operations, and thus as an expansion/reduction of the parent company's investment in the foreign operations, the exchange rate changes of these intra-group balances are reported in Other comprehensive income.

A summary of the exchange rate differences reported in other comprehensive income is presented in the statement of comprehensive income and the differences which affected profit or loss for the year are presented in Note 3.

Equity

Equity consists of registered share capital, other paid-in capital, hedge reserve, translation reserve, retained earnings, profit/loss for the year and non-controlling interests.

Other paid-in capital relates to share premiums from the issues of new shares. Additional direct costs attributable to the issue of new shares are reported directly against equity as a reduction, net after taxes, of proceeds from the share issue.

The hedge reserve includes translation differences on external loans in foreign currencies and changes in values of financial instruments (currency derivatives) which are used to hedge net investments in foreign operations and the effective portion of gains or losses on interest swaps used to hedge future interest payments.

Translation reserve includes translation differences attributable to the translation of foreign operations into Tele2's reporting currency as well as translation differences on intra-group balances which are considered an expansion/reduction of the parent company's net investment in foreign operations.

Non-controlling interests represent the value of minority shares in subsidiaries included in the consolidated accounts. The reporting and valuation of non-controlling interests are presented in the section regarding consolidation above.

Number of shares and earnings per share

Earnings per share before dilution are calculated by dividing the profit or loss of the year attributable to the parent company's owners by the weighted average number of outstanding shares during the period. To calculate earnings per share after dilution the weighted average numbers of outstanding shares are adjusted for the dilutive effect of the total potential number of shares consisting of share based instruments settled with shares. The shared based instruments have a dilutive effect if the exercise price plus the fair value of future services is below the quoted price and the dilutive effect increases when the size of this difference increases (Note 24).

Provisions

Provisions are reported when a company within the Group has a legal or constructive obligation as a result of past events, and it is probable that payments, which can be reliably estimated, will be required in order to settle the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities

A contingent liability exists if there is a possible obligation related to a past event and whose existence is confirmed only by one or several uncertain future events, and when there is an obligation that is not reported as a liability or a provision because it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be calculated with sufficient reliability. Disclosure is presented unless the probability of an outflow of resources is remote.

Segment reporting

Segment

Since the risks in Tele2's operations are mainly linked to the various markets in which the company operates, Tele2 follows up and analyses its business on country level. Hence each country represents Tele2's operating segments apart from the segment Other. The segment reporting

Continued Note 1

is in line with the internal reporting to the chief operating decision maker, which is Tele2's "Leadership Team" (LT).

The segment Other mainly includes IoT (internet of things), the parent company Tele2 AB and central functions, and other minor operations.

Tele2 Sweden (Tele2 Sverige AB) is split into core operations and central group functions. Core operations is reported in the segment Sweden and central functions are included in the segment Other. The core operations of Tele2 Sweden comprise the commercial activities within Sweden, including the communications services of mobile, fixed telephony, fixed broadband, business solutions and domestic carrier business. The central functions of Tele2 Sweden comprise the activities which provide services for the benefit of Tele2 AB's shareholders, other group companies (including the core operations of Sweden), and to divested operations. These services are provided for example from group-wide departments such as group finance, procurement, legal, product development, shared service center, network and IT, and international carrier.

Assets in each segment include all operating assets that are utilized by the segment and consist mainly of intangible and tangible assets, shares in associated companies, inventories, accounts receivable, other receivables, prepaid expenses and accrued revenues. Goodwill is distributed among the Group's cash generating units, identified in accordance with Note 13.

Liabilities in each segment include all operating liabilities that are utilized by the segment and consist mainly of accounts payable, other non-interest-bearing liabilities, accrued expenses and deferred income.

Assets and liabilities not allocated to segments include current and deferred taxes and items of a financial nature.

Segment information is presented in Note 4.

The same accounting principles are applied to the segments and the Group.

Internal pricing

The sales of services in the Tele2 Group are made on market terms. Group-wide costs are invoiced to operations that have used the services.

Services

Services that are offered within the segments are mobile telephony, fixed broadband and fixed telephony.

The mobile service comprises various types of subscriptions for residential and business customers as well as prepaid cards. Mobile also includes mobile broadband, fixed telephony via mobile network (FVM), IoT (internet of things), and mobile carrier. Tele2 either owns the networks or rents them from other operators a set-up called MVNO.

Fixed broadband includes direct access & LLUB, i.e. our own services based on access via copper cable, and other forms of access, such as fibre networks, wireless broadband and metropolitan area networks. Fixed broadband also includes resold broadband. The product portfolio within direct access & LLUB includes telephony services (including IP telephony), internet access services (including Tele2's own ADSL and fibre) and TV services.

Fixed telephony includes resold products within fixed telephony.

Other operations mainly include business solutions, carrier operations and wholesale.

Choice of accounting principles

When choosing and applying Tele2's accounting principles, the Board and the President have made the following choices:

Choice of accounting principle for put options

Put options issued or received by Tele2 in connection with business combinations, where the put options give the minority owner a right to sell its shares or part of its shares to Tele2, are initially, at the acquisition date, recognized as a non-controlling interest. The non-controlling interest is then immediately reclassified as a financial liability. The financial liability is subsequently recognized at its fair value at each reporting date, with the fair value changes reported within financial items in profit or loss.

An alternative method, not chosen by Tele2, would be to initially report both a non-controlling interest and a financial liability with opposite booking of the liability directly to equity and the following changes in the liability's fair value reported in profit or loss. Another alternative is to report on a current basis a non-controlling interest which is reclassified as a financial liability at each reporting period. The difference between the reclassified non-controlling interest and the fair value of the financial liability would be reported as a change of the non-controlling interest within equity.

Customer acquisition costs

Customer acquisition costs are normally expensed in profit or loss.

When companies and operations are acquired, customer agreements and customer contacts acquired as part of the acquisition are fair valued and capitalized as intangible assets.

Goodwill – choice of level for goodwill impairment testing

Goodwill arising from business combinations is allocated to the cash-generating units which are expected to receive future economic benefits, in the form of synergies, for example, from the acquired operation. If separate cash-generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets are monitored for internal management purposes, which is the operating segment.

Estimates and judgments

As part of preparing the consolidated financial statements management is required to make certain estimates and judgments. The estimates and judgments are based on historical experience and a number of other assumptions aimed at providing a decision regarding the value of the assets or liabilities which cannot be determined in any other way. The actual outcome may vary from these estimates and judgments.

The most crucial assessments and estimates used in preparing the Group's financial reports are as follows:

Joint arrangements

Tele2 is in Sweden part of two joint arrangements concerning mobile networks that are classified as joint operations, Svenska UMTS-nät AB (together with Telia Company) and Net4Mobility HB (together with Telenor). Tele2 has chosen to classify these two joint arrangements as joint operations as Tele2 is considered through agreements between the parties to have the rights to the assets and obligations for the liabilities as well as corresponding revenues and expenses related to each arrangement. As basis for the classification additional decisive factors are that the parties in each arrangement have the rights to substantially all of the economic benefits from the assets in each operation and the jointly owned companies are dependent on its owners for settling its liabilities on a continuous basis.

Revenue recognition

Revenue recognition in Tele2 requires management to make judgments and estimates in a number of cases, mainly to determine fair values and the period in which the revenue should be recognized. Many agreements bundle products and services into one customer offering which for accounting purposes require allocating revenue to each part based on its relative fair value using accounting estimates. Determining whether revenues should be recognized immediately or be deferred require management to make judgments as to when the services and equipment have been provided, the fair value of each part as well as estimates regarding the remaining contract period. Please refer to Note 17 and 20 concerning receivable for sold equipment and Note 21 for other accrued revenues.

Valuation of acquired intangible assets

When acquiring businesses, intangible assets are measured at fair value. If there is an active market for the acquired assets, the fair value is measured based on the prices on this market. Since there are often no active markets for these assets, valuation models have been developed to estimate the fair value. Examples of valuation models are discounted cash

Continued Note 1

flows models and estimates of Tele2's historical costs of acquiring equivalent assets. Please refer to Note 15 for acquisitions during the year.

Impairment test goodwill
When estimating the recoverable amount of cash generating units for goodwill impairment purposes the Group makes assumptions regarding future events and key parameters. The assumptions made and sensitivity analyses are disclosed in Note 13. These kinds of assessments include some uncertainty. Should the actual outcome for a specific period differ from the expected outcome, the expected future cash flows may need to be reconsidered, which could lead to a write-down.

Valuation of non-current assets with a finite useful life
If the recoverable amount falls below the book value, an impairment loss is recognized. At each balance sheet date, a number of factors are analysed in order to assess whether there is any indication of impairment. If such indication exists, an impairment test is prepared based on management's estimate of future cash flows including the applied discount rate. Please refer to Note 13 and Note 14.

Useful lives of non-current assets
When determining the useful life of groups of assets, historical experience and assumptions about future technical development are taken into account. Depreciation rates are based on the acquisition value of the non-current assets and the estimated utilization period less the estimated residual value at the end of the utilization period. If technology develops faster than expected or competition, regulatory or market conditions develop differently than expected, the company's evaluation of utilization periods and residual values will be influenced.

Valuation of deferred income tax receivables
Recognition of deferred income tax takes into consideration temporary differences and unutilized loss carry-forwards. Deferred tax assets are reported for deductible temporary differences and loss carry-forwards only to the extent that it is considered probable that they can be utilized to offset future taxable profits. Management updates its assessments at regular intervals. The valuation of deferred tax assets is based on expectations of future results and market conditions, which are naturally subjective. The actual outcome may differ from the assessments, partly as a result of future changes in business circumstances, which were not known at the time of the assessments, changes in tax laws or interpretations or the result of the taxation authorities' or courts' final examination of submitted tax returns. See further Note 12.

Provisions for disputes and damages
Tele2 is party to a number of disputes. For each separate dispute an assessment of the most likely outcome is made, and reported in the financial statements accordingly, see Note 26 and Note 29.

Valuation of accounts receivable
Accounts receivables are valued on a current basis and reported at amortized cost. Reserves for doubtful accounts are based on various assumptions as well as historical experience of collection patterns, see Note 19.

Other information

Tele2 AB (publ) is a limited company, with its registered office in Stockholm, Sweden. The company's registered office (phone +46 8 5620 0060) is at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden. The annual report was approved by the Board of Directors on March 14, 2017. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 9, 2017.

NOTE 2 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Through its operations, the Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to the Group treasury function. The aim is to control and minimize the Group's financial risks as well as financial costs, and optimize the relation between risk and cost.

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers and 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. For a description of reclassifications made in the comparative numbers for 2015, please refer to Note 35.

	Dec 31, 2016					
	Assets and liabilities at fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	1 1)	1,171	–	–	1,172	1,172
Accounts receivables	–	2,584	–	–	2,584	2,584
Other current receivables	–	3,717	55 3)	–	3,772	3,772
Current investments	–	21	–	–	21	21
Cash and cash equivalents	–	257	–	–	257	257
Total financial assets	**1**	**7,750**	**55**	**–**	**7,806**	**7,806**
Liabilities to financial institutions and similar liabilities	–	–	–	10,449	10,449	10,343 3)
Other interest-bearing liabilities	124 2)	–	217 3)	242	583	597 3)
Accounts payable	–	–	–	3,462	3,462	3,462
Other current liabilities	–	–	–	1,037	1,037	1,037
Total financial liabilities	**124**	**–**	**217**	**15,190**	**15,531**	**15,439**

	Dec 31, 2015					
	Assets and liabilities at fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	9 1)	1,457	–	–	1,466	1,466
Accounts receivables	–	2,163	–	–	2,163	2,163
Other current receivables	–	3,188	48 3)	–	3,236	3,236
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 3)
Other interest-bearing liabilities	541 2)	–	231 3)	308	1,080	1,049 3)
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**

For the determination of fair values on financial assets and liabilities the following levels and inputs have been used:

1) Level 3: measured at fair value through profit/loss, which on initial recognition were designated for this type of measurement. Discounted future cash flow models are used to estimate the fair value.

2) Level 3:
- earn out (2016) and put option (2015) Tele2 Kazakhstan. The fair value is based on the transaction entered into with Asianet and Kazakhtelecom. The valuation is based on discounted future cash flows on the assumptions further described in Note 13, Note 15 and Note 25.
- deferred consideration for business acquisitions is based on expected future cash flows, please refer to Note 15.

3) Level 2: observable market data have been used as input to determine the fair value of interest- and foreign exchange rate derivatives, loans with fixed interest rate and other non-current interest bearing liabilities valued at fair value at initial recognition with subsequent measurement at amortized cost.

Continued Note 2

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

	2016		2015	
SEK million	Assets	Liabilities	Assets	Liabilities
As of January 1	**9**	**541**	**9**	**887**
Changes in fair value:				
–put-option Kazakhstan	–	–413	–	51
–earn-out Kazakhstan	–	100	–	–
Divestment of shares	–8	–	–	–
Payment of liability	–	–125	–	–
Other contingent considerations	–	24		–
Exchange rate differences[1]	–	–3	–	–397
As of December 31	**1**	**124**	**9**	**541**

1) recognized in other comprehensive income

Since accounts receivables, accounts payables and other current liabilities are short-term, discounting of cash flows does not cause any material differences to their carrying amount.

During the year 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.

In 2016 and onwards, Tele2 Sweden 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 handsets and other equipment has been netted against the receivables in the balance sheet and resulted in a positive effect on cash flow. During 2016 the right of payment without recourse or remaining credit exposure for Tele2 corresponding to SEK 1,447 million has been transferred to third parties.

Net gains/losses on financial instruments amounted to SEK 310 (–123) million, of which loan and trade receivables amounted to SEK 4 (–68) million, derivatives to SEK –5 (–4) million and financial assets and liabilities at fair value through profit/loss to SEK 311 (–51) million.

The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. The value of reported derivatives at December 31, 2016 amounted on the asset side to SEK 55 (48) million and on the liabilities side to SEK 217 (231) million of which SEK 8 (19) million can be netted against the asset side.

Capital structure management

The Tele2 Group's view on capital structure management (equity and net debt) incorporates several inputs, of which the main items are listed below.

- In January 2015 Tele2 adopted a progressive ordinary dividend policy which aims to deliver 10 percent dividend growth per annum in the coming three year period. Financial year 2016 marks the final year of the current 3-year dividend policy. Tele2 expects to propose a dividend of SEK 4.00 per share for financial year 2017. By financial year 2019, Tele2 expects the dividend to be fully covered by the equity free cash flow generation of the Group. 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.
- 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 2.0–2.5 times over the medium term (earlier 1.5–2.0x).
- On a continuous basis, Tele2 will diversify its financing both in terms of duration and funding sources. A stable financial position is important in order to minimize refinancing risk.

The Board of Directors reviews the capital structure annually and as needed.

Net debt amounted to SEK 10,628 (9,878) million and economic net debt amounted to SEK 10,437 (9,878) million on December 31, 2016, or 1.88 times 12 months rolling EBITDA. Tele2's available liquidity amounted to SEK 10,042 (7,890) million. For additional information please refer to Note 25.

Currency risk

Currency risk is the risk of changes in exchange rates having a negative impact on the Group's result and equity. Currency exposure is associated with payment flows in foreign currency (transaction exposure) and the translation of foreign subsidiaries' balance sheets and income statements to SEK (translation exposure).

The Group does not generally hedge transaction exposure. When considered appropriate, the translation exposure related to some investments in foreign operations is hedged by issuing debt or entering into derivative transactions in the currencies involved. In the hedge reserve in equity the total amount related to net investment hedges amounts to SEK –516 (–400) million. During the year SEK – (107) million related to divested companies were reclassified to profit/loss. Outstanding currency swaps designated for net investment hedging amounted to EUR 215 (270) million. The reported fair value on the currency swaps amounted to SEK 51 (48) million. The outstanding bond of NOK 178 (1,000) million is hedged for currency exposure via currency swaps, which reported fair value amounted to SEK –4 (–36) million.

After taking into account currency swaps, the borrowings in SEK million are carried in the following currencies (equivalent SEK amounts).

	Dec 31, 2016	Dec 31, 2015
SEK[1, 2]	6,928	5,699
EUR[1]	3,454	3,286
KZT[3]	67	–
NOK[2]	–	–
Total loans	**10,449**	**8,985**

1) Including adjustment for currency swaps designated to swap loans in SEK to EUR of SEK 2,052 (2,466) million
2) Including adjustment for currency swaps designated to swap loans in NOK to SEK of SEK –188 (–955) million
3) Loans guaranteed by the shareholder with non-controlling interest

In 2016, 47 (48) percent of net sales is related to SEK and 40 (41) percent to EUR. For other currencies please refer to Note 3. During the year, Tele2's results were foremost affected by fluctuations in KZT and EUR.

The Group's total net assets on December 31, 2016 of SEK 18,196 (17,901) million were distributed by currency in SEK million as follows (including loan and currency derivatives designated for hedge accounting).

	Dec 31, 2016	Dec 31, 2015
SEK	3,149	3,126
EUR[1]	11,941	13,037
KZT	2,316	1,087
HRK	790	677
USD	–	–26
Total	**18,196**	**17,901**

1) Loans and derivatives denominated in EUR designated for net investment hedging are included by SEK 3,463 (3,289) million

A five percent currency fluctuation against the Swedish krona would affect the Group's total net assets by SEK 752 (739) million.

Interest rate risk

Tele2 keeps a close watch on interest market trends and decisions to change the interest duration strategy are assessed regularly. Loans exposed to changes in interest rates over the next 12-months (i.e. short fixed interest rates) amounted to SEK 5,393 (6,568) million, carrying value, corresponding to 49 (65) percent. Calculated at variable interest-bearing liabilities at December 31, 2016 and assuming that loans carrying short fixed interest rates were traded per January 1, 2016 to 1 percent higher interest rate, this would result in an additional interest expense for 2016 of SEK 54 (66) million, and affect profit/loss after tax by SEK 42 (51) million. For additional information please refer to Note 25.

The capital amount of outstanding interest rate derivatives on December 31, 2016 amounts to SEK 3.2 billion converting variable interest rate to

Continued Note 2

fixed interest rate. The cash flows related to outstanding interest rate derivative is expected to affect the income statement during the remaining duration of the interest rate swaps. Official market listings have been used to determine the fair value of interest rate derivatives. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Outstanding interest rate derivatives for cash flow hedging are shown below.

			Dec 31, 2016		Dec 31, 2015	
Currency	Fixed interest rate terms %	Maturity	Capital amount, nominal	Reported fair value	Capital amount, nominal	Reported fair value
SEK	2.1575[1]	2021[1]	1,400	–144	1,400	–135
SEK	1.9695[1]	2021[1]	300	–23	300	–23
SEK	0.6080[1]	2021[1]	300	–8	300	–5
SEK	1.9495[1]	2021[1]	200	–15	200	–15
SEK	2.1575	2020	250	–18	250	–17
SEK	0.148	2021	700	–1	–	–
Total outstanding interest rate derivatives			**3,150**	**–209**	**2,450**	**–195**

[1] The interest rate derivatives have been renegotiated in 2016

The total change in fair values on the interest rate derivatives amounted to SEK –83 (–40) million and are recognized in other comprehensive income as cash flow hedges. Of the total change in fair value SEK 68 (83) million was reclassified to the income statement and included in interest costs for the year.

Liquidity risk

The Group's excess liquidity is invested on a short-term basis or used for loan repayments. Liquidity reserves consist of available cash, undrawn committed credit facilities and committed overdraft facilities. At the end of 2016, the Group had available liquidity of SEK 10.0 (7.9) billion. For additional information please refer to Note 23.

Tele2 has a EUR 0.8 billion credit facility with a syndicate of 11 banks which was refinanced in 2016. The facility has a tenor of five years with two one-year extension options. In the beginning of 2017, the facility was extended with one year to 2022. On December 31, 2016 the present facility was unutilized. Tele2 AB's EUR 3 billion Euro Medium-Term Note (EMTN) Program forms the basis for Tele2's medium and long term debt issuance in both international and domestic bond markets. On December 31, 2016 issued bonds under the Program amounted to SEK 8,390 (3,048) million. For additional information please refer to Note 25.

Undiscounted contractual commitments are presented below. The contractual maturity is based on the earliest date on which the Group may be required to pay.

		Dec 31, 2016				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	25	7,918	1,854	3,721	2,838	16,331
Commitments, other	29	1,792	942	28	80	2,842
Operating leases	30	1,812	1,339	739	1,110	5,000
Total contractual commitments		**11,522**	**4,135**	**4,488**	**4,028**	**24,173**

		Dec 31, 2015				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	25	8,748	3,859	1,102	7	13,716
Commitments, other	29	1,493	1,291	21	100	2,905
Operating leases	30	1,537	1,218	710	1,133	4,598
Total contractual commitments		**11,778**	**6,368**	**1,833**	**1,240**	**21,219**

[1] including future interest payments

Credit risk

Tele2's credit risk is mainly associated with accounts receivables, receivables related to sold equipment (handsets) and cash and cash equivalents. The Group regularly assesses its credit risk arising from accounts receivables and receivables related to sold equipment. As the customer base is highly diversified and includes individuals and companies, the exposure and associated overall credit risk is limited. Whenever favourable, companies within the Group are entitled to sell overdue receivables to debt collection agencies either as a one-time occasion or on ongoing basis. The Group makes provisions for expected credit losses.

Maximum credit exposure for accounts receivables amounts to SEK 2,584 (2,163) million and receivables related to sold equipment to SEK 3,739 (3,758) million.

NOTE 3 EXCHANGE RATE EFFECTS

The consolidated balance sheet and income statement are affected by fluctuations in subsidiaries' currencies against the Swedish krona. Net sales and EBITDA are distributed among the following currencies.

	Net sales				EBITDA			
	2016		2015		2016		2015	
SEK	13,425	47%	12,777	48%	3,647	68%	3,767	65%
EUR	11,186	40%	10,896	41%	1,364	26%	1,798	31%
KZT	2,152	8%	1,754	6%	221	4%	54	1%
HRK	1,529	5%	1,429	5%	102	2%	138	3%
Total	**28,292**	**100%**	**26,856**	**100%**	**5,334**	**100%**	**5,757**	**100%**

Tele2's operating profit for the year was mainly affected by fluctuations in KZT and EUR. The annual change of net sales and EBITDA was 7 (2) and –7 (–4) percent respectively, excluding exchange rate differences. FX-adjusted figures per country are presented below.

	Net sales			EBITDA			Net profit	
	2016	2015[1]	Growth	2016	2015[1]	Growth	2016	2015[1]
Sweden	13,195	12,630	4%	3,836	3,844	0%		
Lithuania	1,687	1,538	10%	567	544	4%		
Latvia	996	951	5%	318	298	7%		
Estonia	693	683	1%	168	159	6%		
Netherlands	5,954	5,814	2%	–172	451	–138%		
Kazakhstan	2,152	1,110	94%	221	34	550%		
Croatia	1,529	1,462	5%	102	141	–28%		
Austria	1,148	1,202	–4%	185	205	–10%		
Germany	708	841	–16%	295	167	77%		
Other	230	147	56%	–186	–82	–127%		
FX-adjusted	**28,292**	**26,378**	**7%**	**5,334**	**5,761**	**–7%**	**–2,164**	**1,284**
FX effects		478			–4			–16
Total	**28,292**	**26,856**	**5%**	**5,334**	**5,757**	**–7%**	**–2,164**	**1,268**

[1] constant currency basis (by using the 2016 exchange rates)

Assets and liabilities per country is presented in Note 4 and net assets per currency is presented in Note 2.

A five percent currency movement of all currencies against the Swedish krona would affect the Group's net sales and EBITDA on anannual basis by SEK 743 (704) million and SEK 84 (100) million, respectively.

Exchange rate differences which arise in operations are reported in the income statements and totals to the following amounts.

	2016	2015
Other operating income	52	38
Other operating expenses	–42	–65
Other financial items	2	1
Total exchange rate differences in income statement	**12**	**–26**

NOTE 4 SEGMENT REPORTING

The segment reporting is based on country level. Services offered within the segments are mobile telephony, fixed broadband, fixed telephony and other operations (mainly business solutions, carrier operations and wholesale). Additional information regarding split on services per sergment is presented in Note 5, Note 6 and Note 14.

The segment Other mainly includes IoT (internet of things), the parent company Tele2 AB and central functions, as well as other minor operations. Tele2 Sweden is split into core operations and central group functions. Core operations is reported in the segment Sweden and central functions are included in the segment Other. For additional information please refer to section Segment reporting in Note 1.

	2016											
	Sweden	Lithuania	Latvia	Estonia	Netherlands	Kazakhstan	Croatia	Austria	Germany	Other	Undistributed and internal elimination	Total
INCOME STATEMENT												
Net sales												
External	13,195	1,687	996	693	5,954	2,152	1,529	1,148	708	230	–	28,292
Internal	1	16	23	1	11	–	–	2	–	3	–57	–
Net sales	**13,196**	**1,703**	**1,019**	**694**	**5,965**	**2,152**	**1,529**	**1,150**	**708**	**233**	**–57**	**28,292**
EBITDA	**3,836**	**567**	**318**	**168**	**–172**	**221**	**102**	**185**	**295**	**–186**	**–**	**5,334**
Depreciation/amortization and other impairment	–1,187	–112	–133	–105	–1,022	–489	–75	–129	–19	8	–	–3,263
One-off items (Note 6)												
Impairment of goodwill and other assets	–	–	–	–	–2,481	–344	–	–	–	–	–	–2,825
Sale of operations	3	–	–	–	–	–	–	–	–	–4	–	–1
Acquisition costs	–35	–	–	–	–	–	–	–	–	–26	–	–61
Integration costs	–36	–	–	–	–	–45	–	–	–	–	–	–81
Challenger program	–115	–	–1	–5	–77	–	–1	–10	–7	–106	–	–322
Operating profit/loss	**2,466**	**455**	**184**	**58**	**–3,752**	**–657**	**26**	**46**	**269**	**–314**	**–**	**–1,219**
Interest income	–	–	–	–	–	–	–	–	–	–	18	18
Interest costs	–	–	–	–	–	–	–	–	–	–	–330	–330
Other financial items	–	–	–	–	–	–	–	–	–	–	297	297
Income tax	–	–	–	–	–	–	–	–	–	–	–930	–930
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**2,466**	**455**	**184**	**58**	**–3,752**	**–657**	**26**	**46**	**269**	**–314**	**–945**	**–2,164**
OTHER INFORMATION												
CONTINUING OPERATIONS												
CAPEX	896	228	68	71	1,441	514	130	65	3	415	–	3,831
Non-cash-generating profit/loss items												
Depreciation/ amortization and impairments	–1,187	–112	–133	–107	–3,503	–833	–75	–129	–19	8	–	–6,090
Sales of fixed assets and operations	12	–	–	–	–3	–10	5	–	–	–5	–	–1
Incentive program	–	–	–	–	–	–	–	–	–	–1	–	–1
	Dec 31, 2016											
BALANCE SHEET												
Assets	14,132	2,278	2,076	1,491	10,727	3,881	1,377	398	94	2,932	1,091	40,477
Liabilities	4,952	362	250	185	1,833	1,499	603	306	110	1,056	11,125	22,281

Instead of only reporting non-current assets by segment, total assets by segment have beeen reported as this is more relevant for Tele2.

	2015											
	Sweden	Lithuania	Latvia	Estonia	Netherlands	Kazakhstan	Croatia	Austria	Germany	Other	Undistributed and internal elimination	Total
INCOME STATEMENT												
Net sales												
External	12,630	1,519	939	675	5,744	1,754	1,429	1,188	831	147	–	26,856
Internal	1	20	9	2	2	–	–	–	–	6	–40	–
Net sales	**12,631**	**1,539**	**948**	**677**	**5,746**	**1,754**	**1,429**	**1,188**	**831**	**153**	**–40**	**26,856**
EBITDA	**3,844**	**538**	**295**	**156**	**445**	**54**	**138**	**203**	**165**	**–81**	**–**	**5,757**
Depreciation/amortization and other impairment	–1,090	–93	–122	–114	–850	–279	–158	–138	–24	6	–	–2,862
Result from shares in joint ventures and associated companies	–7	–	–	–	–	–	–	2	–	–	–	–5
One-off items (Note 6)												
Impairment of goodwill and other assets	–	–	–	–196	–	–	–	–	–	–	–	–196
Sale of operations	12	–	–	–	–	–	–	–	–	–	–	12
Acquisition costs	–	–	–	–	–	–	–	–	–	–118	–	–118
Challenger program	–37	–	–	–7	–17	–1	–	–2	–70	–113	–	–247
Other one-off items	112	–	–	–	–	–6	–	–	–	–	–	106
Operating profit/loss	**2,834**	**445**	**173**	**–161**	**–422**	**–232**	**–20**	**65**	**71**	**–306**	**–**	**2,447**
Interest income	–	–	–	–	–	–	–	–	–	–	8	8
Interest costs	–	–	–	–	–	–	–	–	–	–	–384	–384
Other financial items	–	–	–	–	–	–	–	–	–	–	–59	–59
Income tax	–	–	–	–	–	–	–	–	–	–	–744	–744
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**2,834**	**445**	**173**	**–161**	**–422**	**–232**	**–20**	**65**	**71**	**–306**	**–1,179**	**1,268**
OTHER INFORMATION												
CONTINUING OPERATIONS												
CAPEX	784	114	113	84	1,773	532	272	124	6	425	–	4,227
Non-cash-generating profit/loss items												
Depreciation/ amortization and impairments	–1,090	–93	–122	–315	–850	–279	–158	–138	–24	6	–	–3,063
Sales of fixed assets and operations	127	–	–	1	–1	–	–	–1	–	–2	–	124
Incentive program	–	–	–	–	–	–	–	–	–	–40	–	–40
	Dec 31, 2015											
BALANCE SHEET												
Assets	11,006	1,967	1,986	1,429	11,708	2,252	1,286	422	143	1,715	2,235	36,149
Liabilities	2,789	379	250	156	1,871	504	618	299	179	463	10,740	18,248

NOTE 5 NET SALES AND NUMBER OF CUSTOMERS

Net sales

	Net sales		of which internal sales	
	2016	2015	2016	2015
Sweden				
Mobile	11,279	11,082	1	1
Fixed broadband	769	679	–	–
Fixed telephony	453	541	–	–
Other operations	695	329	–	–
	13,196	**12,631**	**1**	**1**
Lithuania				
Mobile	1,703	1,539	16	20
	1,703	**1,539**	**16**	**20**
Latvia				
Mobile	1,019	948	23	9
	1,019	**948**	**23**	**9**
Estonia				
Mobile	646	608	1	2
Fixed telephony	4	7	–	–
Other operations	44	62	–	–
	694	**677**	**1**	**2**
Netherlands				
Mobile	2,979	2,535	–	–
Fixed broadband	2,184	2,326	–	–
Fixed telephony	262	333	–	–
Other operations	540	552	11	2
	5,965	**5,746**	**11**	**2**
Kazakhstan				
Mobile	2,152	1,754	–	–
	2,152	**1,754**	**–**	**–**
Croatia				
Mobile	1,529	1,429	–	–
	1,529	**1,429**	**–**	**–**
Austria				
Mobile	8	–	2	–
Fixed broadband	763	775	–	–
Fixed telephony	128	146	–	–
Other operations	251	267	–	–
	1,150	**1,188**	**2**	**–**
Germany				
Mobile	382	437	–	–
Fixed broadband	122	140	–	–
Fixed telephony	204	254	–	–
	708	**831**	**–**	**–**
Other				
Mobile	75	–	–	–
Other operations	158	153	3	6
	233	**153**	**3**	**6**
TOTAL				
Mobile	**21,772**	**20,332**	**43**	**32**
Fixed broadband	**3,838**	**3,920**	**–**	**–**
Fixed telephony	**1,051**	**1,281**	**–**	**–**
Other operations	**1,688**	**1,363**	**14**	**8**
	28,349	**26,896**	**57**	**40**
Internal sales, elimination	–57	–40		
TOTAL NET SALES AND INTERNAL SALES	**28,292**	**26,856**	**57**	**40**

In 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.

FX-adjusted figures per country is presented in Note 3.

Net sales from external customers are comprised of the following categories.

	2016	2015
Sales of service	23,116	22,471
Sales of equipment	5,176	4,385
Total net sales	**28,292**	**26,856**

Mobile external net sales can be split into the following categories of revenues.

	2016	2015
Sweden, mobile		
End-user service revenue	7,349	7,227
Operator revenue	875	952
Service revenue	8,224	8,179
Equipment revenue	2,420	2,271
Other revenue	634	631
	11,278	**11,081**
Lithuania, mobile		
End-user service revenue	968	886
Operator revenue	220	198
Service revenue	1,188	1,084
Equipment revenue	499	435
	1,687	**1,519**
Latvia, mobile		
End-user service revenue	600	580
Operator revenue	200	185
Service revenue	800	765
Equipment revenue	196	174
	996	**939**
Estonia, mobile		
End-user service revenue	431	412
Operator revenue	79	70
Service revenue	510	482
Equipment revenue	135	124
	645	**606**
Netherlands, mobile		
End-user service revenue	1,515	1,404
Operator revenue	193	169
Service revenue	*1,708*	*1,573*
Equipment revenue	1,271	962
	2,979	**2,535**
Kazakhstan, mobile		
End-user service revenue	1,555	1,287
Operator revenue	513	451
Service revenue	2,068	1,738
Equipment revenue	84	16
	2,152	**1,754**
Croatia, mobile		
End-user service revenue	866	839
Operator revenue	235	208
Service revenue	1,101	1,047
Equipment revenue	428	382
	1,529	**1,429**
Austria, mobile		
End-user service revenue	4	–
Operator revenue	1	–
Service revenue	5	–
Equipment revenue	1	–
	6	**–**
Germany, mobile		
End-user service revenue	382	436
Equipment revenue	–	1
	382	**437**
Other, mobile		
End-user service revenue	75	–
	75	**–**
TOTAL, MOBILE		
End-user service revenue	**13,745**	**13,071**
Operator revenue	**2,316**	**2,233**
Service revenue	**16,061**	**15,304**
Equipment revenue	**5,034**	**4,365**
Other revenue	**634**	**631**
TOTAL MOBILE EXTERNAL NET SALES	**21,729**	**20,300**

Continued Note 5

Number of customers

by thousands	Note	Number of customers Dec 31, 2016	Dec 31, 2015	Net customer intake 2016	2015
Sweden					
Mobile		3,904	3,741	–32	120
Fixed broadband		62	70	–11	–15
Fixed telephony		163	196	–33	–46
Other operations		2	–	–	–
		4,131	**4,007**	**–76**	**59**
Lithuania					
Mobile		1,773	1,742	4	–68
		1,773	**1,742**	**4**	**–68**
Latvia					
Mobile		945	958	–9	–17
		945	**958**	**–9**	**–17**
Estonia					
Mobile		479	484	–5	–4
Fixed telephony		–	3	–3	–
		479	**487**	**–8**	**–4**
Netherlands					
Mobile		1,046	844	202	31
Fixed broadband		350	344	6	–25
Fixed telephony		42	55	–13	–20
		1,438	**1,243**	**195**	**–14**
Kazakhstan					
Mobile		6,440	4,400	252	1,103
		6,440	**4,400**	**252**	**1,103**
Croatia					
Mobile		801	785	16	–16
		801	**785**	**16**	**–16**
Austria					
Mobile		6	–	6	–
Fixed broadband		94	102	–8	–6
Fixed telephony		117	131	–14	–17
		217	**233**	**–16**	**–23**
Germany					
Mobile		169	219	–50	–23
Fixed broadband		45	53	–8	–11
Fixed telephony		228	287	–59	–116
		442	**559**	**–117**	**–150**
TOTAL					
Mobile		**15,563**	**13,173**	**384**	**1,126**
Fixed broadband		**551**	**569**	**–21**	**–57**
Fixed telephony		**550**	**672**	**–122**	**–199**
Other operations		**2**	**–**	**–**	**–**
TOTAL NUMBER OF CUSTOMERS AND NET CUSTOMER INTAKE		**16,666**	**14,414**	**241**	**870**
Acquired companies	15			1,988	–
Changed method of calculation				23	–50
TOTAL NUMBER OF CUSTOMERS AND NET CHANGE		**16,666**	**14,414**	**2,252**	**820**

In 2016, number of customers has changed with 23,000 (–50,000) customers without effecting the net intake due to implementation of new IT systems leading to more improved reporting of number of customers in Latvia and Lithuania (2015: Croatia and Sweden, the later also due to changed principle for twin cards).

No customer represent 10 percent or more of net sales.

NOTE 6 EBITDA AND EBIT

	Note	EBITDA 2016	2015	EBIT 2016	2015
Sweden					
Mobile		3,436	3,511	2,485	2,570
Fixed broadband		127	111	1	30
Fixed telephony		109	166	94	148
Other operations		164	56	69	–1
		3,836	**3,844**	**2,649**	**2,747**
Lithuania					
Mobile		567	538	455	445
		567	**538**	**455**	**445**
Latvia					
Mobile		318	295	185	173
		318	**295**	**185**	**173**
Estonia					
Mobile		152	133	56	30
Fixed telephony		1	3	1	3
Other operations		15	20	6	9
		168	**156**	**63**	**42**
Netherlands					
Mobile		–930	–410	–1,335	–669
Fixed broadband		439	545	–95	42
Fixed telephony		47	50	29	29
Other operations		272	260	207	193
		–172	**445**	**–1,194**	**–405**
Kazakhstan					
Mobile		221	54	–268	–225
		221	**54**	**–268**	**–225**
Croatia					
Mobile		102	138	27	–20
		102	**138**	**27**	**–20**
Austria					
Mobile		–67	–30	–79	–34
Fixed broadband		177	126	88	29
Fixed telephony		65	83	52	66
Other operations		10	24	–5	6
		185	**203**	**56**	**67**
Germany					
Mobile		133	14	121	–3
Fixed broadband		21	21	16	16
Fixed telephony		141	130	139	128
		295	**165**	**276**	**141**
Other					
Mobile		–64	–	–65	–
Other operations		–122	–81	–113	–75
		–186	**–81**	**–178**	**–75**
TOTAL					
Mobile		**3,868**	**4,243**	**1,582**	**2,267**
Fixed broadband		**764**	**803**	**10**	**117**
Fixed telephony		**363**	**432**	**315**	**374**
Other operations		**339**	**279**	**164**	**132**
		5,334	**5,757**	**2,071**	**2,890**
One-off items	4, 6			–3,290	–443
TOTAL EBITDA AND EBIT		**5,334**	**5,757**	**–1,219**	**2,447**

FX-adjusted figures per country is presented in Note 3.

Bridge from EBITDA to EBIT

	Note	2016	2015
EBITDA		**5,334**	**5,757**
Impairment of goodwill	6	–2,825	–196
Sale of operations	7, 15	–1	12
Acquisition costs	15	–61	–118
Integration costs	6	–81	–
Challenger program	6	–322	–247
Other one-off items	6, 8	–	106
Total one-off items		**–3,290**	**–443**
Depreciation/amortization and other impairment		–3,263	–2,862
Result from shares in joint ventures and associated companies	16	–	–5
EBIT		**–1,219**	**2,447**

Continued Note 6

One-off items for segment reporting

Impairment of goodwill

In 2016, an impairment loss on goodwill of SEK 2,481 million was recognized in cost of service provided referring to the cash generating unit Netherlands. The impairment loss was based on the estimated value in use of SEK 9.0 billion by using a pre-tax discount rate (WACC) of 13 percent. The impairment was recognized as a result of reassessment of future cash flow generation in Netherlands.

In the begining of 2016, an impairment loss on goodwill of SEK 344 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 eroded pricing power for all market participants. This also resulted in the beginning of the year 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 (Note 15), with a positive effect in the income statement of SEK 413 million reported under financial items.

In 2015, an impairment loss on goodwill of SEK 196 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 a 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.

Additional information is presented in Note 13.

Acquisition costs and integration costs

	Acquisition costs		Integration costs	
	2016	2015	2016	2015
TDC, Sweden	–35	–	–36	–
Altel, Kazakhstan	–24	–118	–45	–
Other acquisitions	–2	–	–	–
Total	**–61**	**–118**	**–81**	**–**
of which:				
–cost of service provided and equipment sold	*–*	*–*	*–15*	*–*
–selling expenses	*–*	*–*	*–5*	*–*
–administrative expenses	*–61*	*–118*	*–61*	*–*
of which:				
–redundancy costs			*–28*	*–*
–other employee and consultancy costs			*–36*	*–*
–exit of contracts and other costs			*–17*	*–*

Additional information is presented in Note 15.

Challenger program

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 as defined by Tele2's definition of EBITDA and in the income statement on the following line items.

	2016	2015
Cost of services provided and equipment sold	–19	–58
Selling expenses	–8	–34
Administrative expenses	–295	–155
Total Challenger program costs	**–322**	**–247**
of which:		
–redundancy costs	*–184*	*–105*
–other employee and consultancy costs	*–120*	*–119*
–exit of contracts and other costs	*–18*	*–23*

Other one-off items

In 2015, other operating revenues in Sweden was 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, as well as the result of dismantling 2G sites. Additional information is presented in Note 7.

In 2015, other operating expenses were negatively affected by SEK –6 million, related to the devaluation in Kazakhstan. Additional information is presented in Note 8.

Depreciation/amortization and impairment

By function

	2016	2015
Depreciation/amortization		
Cost of services provided and equipment sold	–2,568	–2,234
Selling expenses	–80	–94
Administrative expenses	–610	–524
Total depreciation/amortization	**–3,258**	**–2,852**
Impairment		
Cost of services provided and equipment sold	–2,832	–211
Total impairment	**–2,832**	**–211**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–6,090**	**–3,063**

By type of asset

	2016	2015
Depreciation/amortization		
Utilization rights, trademarks and software	–405	–358
Licenses (frequency)	–331	–334
Customer agreements	–103	–26
Construction in progress, intangible assets	–	–1
Buildings	–18	–10
Machinery and technical plant	–2,058	–1,855
Equipment and installations	–343	–268
Total depreciation/amortization	**–3,258**	**–2,852**
Impairment		
Goodwill	–2,825	–196
Machinery and technical plant	–2	–3
Construction in progress, tangible assets	–5	–12
Total impairment	**–2,832**	**–211**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–6,090**	**–3,063**

NOTE 7 OTHER OPERATING INCOME

	Note	2016	2015
Sale to joint operations		72	85
Exchange rate gains from operations		52	38
Sale of non-current assets		17	9
Sale of residential cable and fiber operations, Sweden	15	3	12
Gain on sale of sites to Net4Mobility, Sweden		–	112
Service level agreements, for sold operations		4	135
Other income		5	10
Total other operating income		**153**	**401**

In 2015, other operating revenues in Sweden was 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, as well as 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. The site transfers were completed in 2015 and resulted in a positive impact on Tele2's financial statement. Tele2 and Telenor are technically MVNO's with Net4Mobility and hence act as capacity purchasers.

NOTE 8 OTHER OPERATING EXPENSES

	Note	2016	2015
Exchange rate loss from operations		–42	–59
Devaluation in Kazakhstan		–	–6
Sale/scrapping of non-current assets		–17	–9
Sale of operation, Procure IT Right	15	–4	–
Service level agreements, for sold operations		–3	–64
Other expenses		–1	–3
Total other operating expenses		**–67**	**–141**

NOTE 9 INTEREST INCOME

	2016	2015
Interest, bank balances	7	3
Interest, penalty interest	10	5
Interest, other receivables	1	–
Total interest income	**18**	**8**

All interest income is for financial assets reported at amortized cost. Interest income related to impaired financial assets, such as accounts receivable, are not significant.

NOTE 10 INTEREST EXPENSES

	2016	2015
Interest, financial institutions and similar liabilities	–264	–265
Interest, other interest-bearing liabilities	–60	–87
Interest, penalty interest	–6	–15
Interest, related to disputes	–	–17
Total interest expenses	**–330**	**–384**

All interest expenses are for financial instruments not valued at fair value through the income statement.

NOTE 11 OTHER FINANCIAL ITEMS

	2016	2015
Change in fair value, put option Kazakhstan	413	–51
Change in fair value, earn-out Kazakhstan	–100	–
Exchange rate differences	2	1
EUR net investment hedge, interest component	–5	–3
NOK net investment hedge, interest component	–	–1
Sale of Modern Holding Inc	–2	–
Other finance expenses	–11	–5
Total other financial items	**297**	**–59**

In the beginning of 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 changed to zero (SEK 541 million) affecting financial items in the income statement positively by SEK 413 (–51) million. The reason for the change in fair value in the beginning of the year was due to the macro environment, including the Tenge devaluation which implied weaker consumer purchase power and higher expenses. In addition, intense competitive pressure eroded pricing power for all market participants.

The put-option obligation in Kazakhstan was in the beginning of 2016 replaced with an earn-out obligation representing 18 percent economic interest in the jointly owned company in Kazakhstan (see Note 15). To cover for the estimated earn-out obligation, that is based on fair value, the earn-out obligation was on December 31, 2016 valued to SEK 100 million and reported under other financial items in the income statement. The change in fair value at the end of 2016 was due to an improved outlook, in light of the positive business development during the year as well as reaching a significant share of the integration milestones. 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 deviation from the current assumptions regarding the fair value would impact the earn-out liability.

For information regarding the earn-out in Kazakhstan as well as EUR and NOK net investment hedges please refer to Note 2 and Note 25.

NOTE 12 TAXES

Tax expense/income

	2016	2015
Current tax expense, on profit/loss current year	–485	–345
Current tax expense/income, on profit prior periods	4	–53
Current tax expense	–481	–398
Deferred tax expense	–449	–346
Total tax on profit for the year	**–930**	**–744**

Theoretical tax expense

The difference between recorded tax expense for the Group and the tax expense based on prevailing tax rates in each country consists of the below listed components.

	2016		2015	
Profit/loss before tax	–1,234		2,012	
Tax expense/income				
Theoretic tax according to prevailing tax rate in each country	367	29.7%	–428	–21.3%
Tax effect of				
Impairment of goodwill, non-deductible	–689	–55.8%	–39	–1.9%
Change in fair value, put option Kazakhstan	91	7.4%	–10	–0.5%
Change in fair value, earn-out Kazakhstan	–22	–1.8%	–	–
Other non-deductible expenses/non-taxable revenues	–137	–11.1%	–181	–9.0%
Valuation of tax assets relating to tax loss carry-forwards from previous years	40	3.2%	–	–
Adjustment due to changed tax rate	–140	–11.4%	–	–
Expired tax loss carry-forwards	–9	–0.7%	–	–
Adjustment of tax assets from previous years	–42	–3.4%	58	2.9%
Change of not valued loss-carry forwards	–389	–31.5%	–144	–7.2%
Tax expense/income and effective tax rate for the year	**–930**	**–75.4%**	**–744**	**–37.0%**

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

In 2016, net taxes were negatively impacted by SEK –140 million due to revaluation of deferred tax assets in Luxembourg as a consequence of reduced tax rates in Luxembourg from January 1, 2017.

The teoretical tax rate was 29.7 (21.3) percent. The increase on the previous year's teoretical tax rate was mainly due to the fact that countries with a higher tax rate, such as Netherlands, having a relatively higher impact on the result than countries with lower tax rate, such as Sweden and the Baltics, as a result of the impairment of goodwill in the Netherlands.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items.

	Dec 31, 2016	Dec 31, 2015
Deferred tax assets		
Unutilized loss carry-forwards	1,591	1,850
Tangible assets	90	60
Receivables	5	13
Liabilities	76	73
Pensions	11	10
Total deferred tax assets	**1,773**	**2,006**
Netted against deferred liabilities	–71	–42
Total deferred tax assets according to the balance sheet	**1,702**	**1,964**
Deferred tax liabilities		
Intangible assets	–63	–34
Tangible assets	–696	–410
Other	–378	–295
Total deferred tax liabilities	**–1,137**	**–739**
Netted against deferred assets	71	42
Total deferred tax liabilities according to the balance sheet	**–1,066**	**–697**
NET OF DEFERRED TAX ASSETS AND TAX LIABILITIES	**636**	**1,267**

Continued Note 12

The movement in deferred income tax assets and liabilities during the year is as follows.

	Dec 31, 2016	Dec 31, 2015
Deferred tax assets/–liabilities as of January 1	1,267	1,704
Reported in income statement	–449	–346
Reported in other comprehensive income	–51	–28
Reported in equity	12	–
Acquired companies	–216	–
Exchange rate differences	73	–63
Deferred tax assets/–liabilities as of December 31	**636**	**1,267**

Tax loss carry-forwards

The Group's total tax loss carry-forwards (LCF) as of December 31, 2016 were 11,811 (11,452) million of which SEK 6,215 (6,791) million were recognized as a deferred tax asset and the remaining part, SEK 5,596 (4,661) million, were not recognized. Total tax loss carry-forwards expire according to below.

	Recognized		Not recognized		Total	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Expires in five years	–	–	592	476	592	476
Expires after five years	283	363	3,238	2,003	3,521	2,366
With expiration date	**283**	**363**	**3,830**	**2,479**	**4,113**	**2,842**
No expiration date	5,932	6,428	1,766	2,182	7,698	8,610
Total tax loss carry-forwards	**6,215**	**6,791**	**5,596**	**4,661**	**11,811**	**11,452**

	Dec 31, 2016	Dec 31, 2015
Deferred tax assets		
Companies reported a profit this year and previous year	1,595	1,807
Companies reported a profit this year but a loss the previous year	–	60
Companies reported a loss this year	107	97
Total deferred tax assets	**1,702**	**1,964**

Deferred tax assets were reported for deductible temporary differences and tax loss carry-forwards to the extent convincing evidence showed that these can be utilized against future taxable profits. Deferred tax assets concerning operations which reported losses in 2016 were related to Netherlands. The operation in Netherlands has during two years reported losses as a result of the role-out of the new mobile business and are expected to show profits within a few years.

NOTE 13 INTANGIBLE ASSETS

		Dec 31, 2016						
	Note	Utilization rights, trademarks and software	Licenses (frequency)	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
Acquisition value								
Acquisition value at January 1		3,871	4,257	2,265	480	10,873	12,910	23,783
Acquisition value in acquired companies	15	208	148	1,073	–	1,429	1,561	2,990
Investments		118	146	–	396	660	–	660
Sales and scrapping		–3	–1	–	–	–4	–	–4
Reclassification		372	71	–	–440	3	–	3
Exchange rate differences		53	161	120	3	337	583	920
Total acquisition value		**4,619**	**4,782**	**3,458**	**439**	**13,298**	**15,054**	**28,352**
Accumulated amortization								
Accumulated amortization at January 1		–2,338	–1,463	–2,200	–	–6,001		–6,001
Amortization		–405	–331	–103	–	–839		–839
Sales and scrapping		3	1	–	–	4		4
Exchange rate differences		–33	–50	–115	–	–198		–198
Total accumulated amortization		**–2,773**	**–1,843**	**–2,418**	**–**	**–7,034**		**–7,034**
Accumulated impairment								
Accumulated impairment at January 1		–273	–117	–45	–	–435	–4,249	–4,684
Impairment		–	–	–	–	–	–2,825	–2,825
Exchange rate differences		–	–6	–2	–	–8	–251	–259
Total accumulated impairment		**–273**	**–123**	**–47**	**–**	**–443**	**–7,325**	**–7,768**
TOTAL INTANGIBLE ASSETS		**1,573**	**2,816**	**993**	**439**	**5,821**	**7,729**	**13,550**

CAPEX per service within each country is presented in Note 14.

Continued Note 13

	Dec 31, 2015						
	Utilization rights, trademarks and software	Licenses (frequency)	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
Acquisition value							
Acquisition value at January 1	3,516	4,559	2,487	595	11,157	13,719	24,876
Investments	87	49	–	453	589	–	589
Sales and scrapping	–90	–18	–	–55	–163	–5	–168
Reclassification	450	61	–	–510	1	–	1
Exchange rate differences	–92	–394	–222	–3	–711	–804	–1,515
Total acquisition value	**3,871**	**4,257**	**2,265**	**480**	**10,873**	**12,910**	**23,783**
Accumulated amortization							
Accumulated amortization at January 1	–2,095	–1,314	–2,393	–	–5,802		–5,802
Amortization	–358	–334	–26	–1	–719		–719
Sales and scrapping	71	11	–	1	83		83
Exchange rate differences	44	174	219	–	437		437
Total accumulated amortization	**–2,338**	**–1,463**	**–2,200**	**–**	**–6,001**		**–6,001**
Accumulated impairment							
Accumulated impairment at January 1	–273	–122	–47	–	–442	–4,216	–4,658
Impairment	–	–	–	–	–	–196	–196
Sales and scrapping	–	–	–	–	–	5	5
Exchange rate differences	–	5	2	–	7	158	165
Total accumulated impairment	**–273**	**–117**	**–45**	**–**	**–435**	**–4,249**	**–4,684**
TOTAL INTANGIBLE ASSETS	**1,260**	**2,677**	**20**	**480**	**4,437**	**8,661**	**13,098**

Goodwill

In connection with the acquisition of operations, goodwill is allocated to the cash generating units that are expected to receive future financial benefits such as for example synergies as a result of the acquired operations. In the event that separate cash generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets are controlled and monitored internally, which is on country level.

	Dec 31, 2016	Dec 31, 2015
Sweden	2,672	1,110
Lithuania	808	771
Latvia	1,158	1,106
Estonia	672	641
Netherlands	2,263	4,554
Kazakhstan	147	470
Austria	9	9
Total goodwill	**7,729**	**8,661**

Allocation of goodwill and test for goodwill impairment

Tele2 tests goodwill for impairment annually by calculating the recoverable value for the cash-generating units to which goodwill are allocated. The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value less costs to sell.

The most important criteria in the calculations of values in use are growth rates, profit margins, investment levels and discount rates. The expected revenue growth rate, profit margin and investment level are based on sector data as well as management's assessment of market-specific risks and opportunities, including expected changes in competition, the business model used by Tele2 and the regulatory environment. Management's assessment of the range of revenues, profits and investments are limited to Tele2's current telecom licences and assets. The discount rate takes into account the prevailing interest rates and specific risk factors in a particular cash-generating unit. The discount rate before tax (WACC) varies between 9 and 18 (9 and 15) percent.

Tele2 calculates future cash flows based on the most recently presented three-year plan. In two (one) cases we extend the business case for an additional seven years until the forecasted cash flow growth is considered more stable. For the period after this, annual growth of up to 2 (up to 2) percent is assumed. These rates do not exceed the average long-term growth for the sector as a whole nor do they exceed the expected long term GDP growth rates in the markets. In 2016, Tele2 recognized goodwill impairment loss of the cash generating unit Netherlands (Estonia) of SEK 2,481 (196) million and an impairment loss in Kazakhstan of SEK 344 million in the beginning of 2016. For additional information see Note 6.

Changes to important assumptions

The carrying amounts of cash-generating units for which impairment losses were recognized in 2016, i.e. Netherlands and Kazakhstan (Estonia), have been written down to its value in use. A subsequent negative development to any important assumption would therefore give rise to further impairment losses.

For the other cash-generating units to which goodwill have been allocated Tele2 assesses that reasonable possible changes in the major assumptions should not have such significant effects that they individually would reduce the value in use to a value that is lower than the carrying value on the cash generating units.

The value in use calculations, used for all cash-generating units, are based on the following assumptions per country.

	WACC pre tax		Forecast period, in years		Growth rate after the forecast period	
	2016	2015	2016	2015	2016	2015
Sweden	10%	11%	3	3	0%	0%
Lithuania	10%	10%	3	3	2%	2%
Latvia	9%	9%	3	3	2%	2%
Estonia	9%	9%	3	3	2%	2%
Netherlands	13%	15%	10	10	2%	0%
Kazakhstan	18%		10		1%	
Austria	10%	10%	3	3	–2%	0%

NOTE 14 TANGIBLE ASSETS

	Note	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
		Dec 31, 2016						
Acquisition value								
Acquisition value at January 1		259	2,015	2,127	4,401	31,710	*574*	36,111
Acquisition value in acquired companies		175	36	58	269	962	–	1,231
Acquisition value in divested companies	15	–	–1	–	–1	–	–	–1
Investments		9	46	2,819	2,874	297	–	3,171
Dismantling costs		–	–	–	–	288	–	288
Sales and scrapping		–6	–57	–14	–77	–924	*–1*	–1,001
Reclassification		–119	412	–2,868	–2,575	2,572	–	–3
Exchange rate differences		26	84	111	221	848	*11*	1,069
Total acquisition value		**344**	**2,535**	**2,233**	**5,112**	**35,753**	***584***	**40,865**
Accumulated depreciation								
Accumulated depreciation at January 1		–143	–1,392	–	–1,535	–22,006	*–446*	–23,541
Accumulated depreciation in divested companies	15	–	1	–	1	–	–	1
Depreciation		–18	–343	–	–361	–2,058	*–25*	–2,419
Sales and scrapping		5	54	–	59	908	*1*	967
Reclassification		1	–13	–	–12	12	–	–
Exchange rate differences		–7	–53	–	–60	–419	*–10*	–479
Total accumulated depreciation		**–162**	**–1,746**	**–**	**–1,908**	**–23,563**	***–480***	**–25,471**
Accumulated impairment								
Accumulated impairment at January 1		–4	–7	–12	–23	–955	–	–978
Impairment		–	–	–5	–5	–2	–	–7
Sales and scrapping		–	–	8	8	2	–	10
Exchange rate differences		–	–	–1	–1	–42	–	–43
Total accumulated impairment		**–4**	**–7**	**–10**	**–21**	**–997**	**–**	**–1,018**
TOTAL TANGIBLE ASSETS		**178**	**782**	**2,223**	**3,183**	**11,193**	***104***	**14,376**

Machinery and technical plant in Kazakhstan of SEK 0 (51) million is pledged for loan in Kazakhstan according to Note 25.
Finance leases relate to the expansion of transmission capacity in Sweden and Austria, please refer to Note 30.

	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
	Dec 31, 2015						
Acquisition value							
Acquisition value at January 1	241	1,827	2,102	4,170	30,609	*579*	34,779
Investments	9	76	3,047	3,132	506	–	3,638
Dismantling costs	–	–	–	–	196	–	196
Sales and scrapping	–2	–136	–13	–151	–494	*–24*	–645
Reclassification	58	348	–2,685	–2,279	2,278	*28*	–1
Exchange rate differences	–47	–100	–324	–471	–1,385	*–9*	–1,856
Total acquisition value	**259**	**2,015**	**2,127**	**4,401**	**31,710**	***574***	**36,111**
Accumulated depreciation							
Accumulated depreciation at January 1	–140	–1,323	–	–1,463	–21,119	*–448*	–22,582
Depreciation	–10	–268	–	–278	–1,855	*–30*	–2,133
Sales and scrapping	1	134	–	135	466	*24*	601
Reclassification	–1	1	–	–	–	–	–
Exchange rate differences	7	64	–	71	502	*8*	573
Total accumulated depreciation	**–143**	**–1,392**	**–**	**–1,535**	**–22,006**	***–446***	**–23,541**
Accumulated impairment							
Accumulated impairment at January 1	–4	–7	–	–11	–1,048	–	–1,059
Impairment	–	–	–12	–12	–3	–	–15
Sales and scrapping	–	–	13	13	–	–	13
Reclassification	–	–	–13	–13	13	–	–
Exchange rate differences	–	–	–	–	83	–	83
Total accumulated impairment	**–4**	**–7**	**–12**	**–23**	**–955**	**–**	**–978**
TOTAL TANGIBLE ASSETS	**112**	**616**	**2,115**	**2,843**	**8,749**	***128***	**11,592**

Continued Note 14

CAPEX

	2016	2015
Intangible assets	660	591
Tangible assets	3,171	3,649
Total CAPEX	**3,831**	**4,240**
Less intangible assets in discontinued operations	–	–2
Less tangible assets in discontinued operations	–	–11
TOTAL CAPEX IN CONTINUING OPERATIONS	**3,831**	**4,227**

The difference between CAPEX and paid CAPEX is presented in Note 31.

	CAPEX	
	2016	2015
Sweden		
Mobile	665	628
Fixed broadband	78	93
Fixed telephony	12	12
Other operations	141	51
	896	**784**
Lithuania		
Mobile	228	114
	228	**114**
Latvia		
Mobile	68	113
	68	**113**
Estonia		
Mobile	71	77
Other operations	–	7
	71	**84**
Netherlands		
Mobile	865	1,210
Fixed broadband	501	471
Fixed telephony	13	15
Other operations	62	77
	1,441	**1,773**
Kazakhstan		
Mobile	514	532
	514	**532**
Croatia		
Mobile	130	272
	130	**272**
Austria		
Mobile	7	38
Fixed broadband	48	68
Fixed telephony	4	8
Other operations	6	10
	65	**124**
Germany		
Mobile	1	4
Fixed broadband	2	2
	3	**6**
Other		
Other operations	415	425
	415	**425**
TOTAL		
Mobile	**2,549**	**2,988**
Fixed broadband	**629**	**634**
Fixed telephony	**29**	**35**
Other operations	**624**	**570**
TOTAL CAPEX	**3,831**	**4,227**

In 2016, CAPEX for Lithuania was affected by SEK 125 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 2016 and the remaining part will be paid over 15 years of the license lifespan.

Other refers mainly to investments in central systems.

NOTE 15 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

	2016	2015
ACQUISITIONS		
TDC, Sweden	–2,910	–
Altel, Kazakhstan	42	–
Kombridge, Sweden	–9	–
Total group companies	**–2,877**	**–**
Capital contributions to joint ventures	–1	–4
Total joint ventures and associated companies	**–1**	**–4**
TOTAL ACQUISITION OF SHARES AND PARTICIPATIONS	**–2,878**	**–4**
DIVESTMENTS		
Tele2 Norway	–	4,904
Residential cable and fiber operations, Sweden	–	–6
Settlements of previous years' divestment of Tele2 Russia	–2	–6
Total group companies	**–2**	**4,892**
Adworx, associated company in Austria	–	5
Other divestments of other securities	4	–
Total associated companies and other securities	**4**	**5**
TOTAL SALE OF SHARES AND PARTICIPATIONS	**2**	**4,897**
TOTAL CASH FLOW EFFECT	**–2,876**	**4,893**

Acquisitions

TDC, Sweden

On June 21, 2016 Tele2 announced that Tele2 had signed a contract to acquire 100 percent of TDC Sweden for SEK 2.9 billion on a debt free basis. The transaction was approved by regulatory authorities on October 7, 2016 and the acquisition was completed on October 31, 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. TDC Sweden had 809 full time employees at the end of 2015.

Goodwill in connection with the acquisition is related to Tele2's expectation to obtain synergies. Tele2 estimates annualized run rate OPEX and CAPEX synergies to amount to SEK 300 million, with additional one-off CAPEX synergies estimated to amount to SEK 200 million. Positive effects of cross-selling are also expected. Estimated costs and investments for the integration and other one-off costs required to achieve synergies amount to SEK 750 million. Acquisition costs and integration costs have been reported as operating costs in the income statement and is stated in Note 6.

TDC Sweden affected Tele2's net sales in 2016 by SEK 735 million and EBITDA by SEK 87 million.

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

Continued Note 15

around 23 percent. The business combination with Kazakhtelecoms mobile operation has created 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.

In order to complete the transaction with Kazakhtelecom, 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 216 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 2.6 billion) and a pre-existing interest free subordinated loan of KZT 11.7 billion (SEK 319 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 December 31, 2016 valued at an estimated fair value of SEK 100 million. For additional information, please refer to Note 25.

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. Acquisition costs and integration costs have been reported as operating costs in the income statement and is stated in Note 6. Altel and Tele2 Kazakhstan have been merged during 2016, and the effect from Altel on Tele2's net sales and EBITDA in 2016 is impracticable to disclose.

Kombridge, Sweden

On August 22, 2016 Tele2 acquired 100 percent in the Sweden based company Kombridge AB. Since 2010, Kombridge has offered security services, connected device management and application management for Internet of Things (IoT) applications and services. The goodwill of SEK 9 million consists of the value Tele2 gets by adding and integrating the expertise, the product and the platform from Kombridge with Tele2's business.

Net assets at the time of acquisition

Assets, liabilities and contingent liabilities included in the acquired operations are stated below. The valuations of acquired assets and assumed liabilities are still preliminary.

	TDC, Sweden	Altel, Kazakhstan	Kombridge, Sweden	Total
Patents and software	127	7	8	142
Licenses	–	148	–	148
Customer agreements	990	81	2	1,073
Trademarks	–	66	–	66
Tangible assets	573	658	–	1,231
Financial assets	26	14	–	40
Deferred tax assets	–	31	1	32
Inventories	140	37	–	177
Current receivables	776	152	2	930
Cash and cash equivalents	130	42	1	173
Non-current interest-bearing liabilities	–21	–55	–	–76
Deferred tax liabilities	–217	–29	–2	–248
Current liabilities	–1,354	–312	–2	–1,668
Acquired net assets	**1,170**	**840**	**10**	**2,020**
Goodwill	1,552	–	9	1,561
Purchase price shares	**2,722**	**840**	**19**	**3,581**
Fair value of equity interest 51 percent in Khan Tengri Holding at acquisition	–	–840	–	–840
Payment of debt to former owner	330	–	–	330
	3,052	**–**	**19**	**3,071**
Deferred contingent consideration	–12	–	–9	–21
Less: cash and cash equivalents in acquired companies	–130	–42	–1	–173
NET CASH OUTFLOW (+)	**2,910**	**–42**	**9**	**2,877**

Divestments

Procure IT Right, Sweden

On August 31, 2016 Tele2 sold its Swedish procurement consulting operation for a sales price of SEK 1 million. The sale resulted in a capital loss of SEK 4 million. The operation affected Tele2's net sales in 2016 by SEK 28 (45) million and EBITDA by SEK 1 (3) million.

Net assets at the time of divestment

Assets, liabilities and contingent liabilities included in the divested operation at the time of divestment is stated below:

	Procure IT Right, Sweden
Current receivables	11
Cash and cash equivalents	1
Current non-interst-bearing liabilities	–7
Divested net assets	**5**
Capital loss	–4
Sales price, net sales costs	**1**
Less: cash and cash equivalents in divested operations	–1
NET CASH INFLOW (+)	**–**

Discontinued operations

Please refer to Note 36 for information.

Effects from acquisitions and divestments

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

2016	Tele2 Group, reported	Acquired operations			Divested operations	Tele2 Group, adjusted
	Tele2 Group	TDC, Sweden	Altel, Kazakhstan	Kombridge, Sweden	Procure IT Right, Sweden	Tele2 Group, pro forma
Net sales	28,292	2,848	137	7	–28	31,256
EBITDA	5,334	320	6	–	–1	5,659
Net profit/loss	–2,164	8	–22	–	–	–2,178

NOTE 16 JOINT VENTURES AND ASSOCIATED COMPANIES

	Holding		Book value of shares		Result from shares	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	2016	2015
4T Sverige AB, Sweden	–	–	–	–	–	–7
Adworx Internetservice GmbH, Austria	–	–	–	–	–	2
SNPAC Swedish Nr Portability Adm.Centre AB, Sweden	40%	20%	7	4	–	–
GH Giga Hertz HB as well as 15 other trading companies with licenses, Sweden	–	33.3%	–	3	–	–
Altlorenscheuerhof SA, Luxembourg	33.3%	33.3%	2	–	–	–
Total joint ventures and associated companies			**9**	**7**	**–**	**–5**

Result from shares in joint ventures and associated companies

	2016	2015
Sale of shares	–	–5
Total result of shares in joint ventures and associated companies	**–**	**–5**

Extracts from the income statements of joint ventures and associated companies

	2016	2015
Net sales	88	45
Operating profit	2	–
Profit/loss before tax	–	–
Net profit/loss	–	–

Shares in joint ventures and associated companies

	Dec 31, 2016	Dec 31, 2015
Acquisition value		
Acquisition value at January 1	7	13
Investments	5	4
Capital loss	–	–5
Divestments	–3	–5
Total shares in joint ventures and associated companies	**9**	**7**

Extracts from the balance sheets of associated companies

	Dec 31, 2016	Dec 31, 2015
Tangible assets	1	1
Current assets	56	25
Total assets	**57**	**26**
Equity	20	18
Current liabilities	37	8
Total equity and liabilities	**57**	**26**

NOTE 17 OTHER FINANCIAL ASSETS

	Dec 31, 2016	Dec 31, 2015
Receivable from sold equipment	848	1,138
Prepayment T-Mobile Netherlands, Mobile site access	205	229
VAT receivable, Kazakhstan	117	90
Pension funds	143	98
Non-current holdings of securities	1	9
Restricted bankdeposits	1	–
Total other financial assets	**1,315**	**1,564**

As part of the Network Sharing Agreement, Tele2 Netherlands has agreed with T-Mobile to prepay part of the mobile site access rent cost to finance the investments of T-Mobile to modernize their network.

Non-current securities consist of shares in the companies listed below.

	Holding (capital/votes)	Dec 31, 2016	Dec 31, 2015
Modern Holdings Inc, US	–	–	6
Radio National Skellefteå AB, Sweden	–	–	2
Estonian Broadband Development Foundation, Estonia	13%	1	1
Total non-current securities		**1**	**9**

NOTE 18 INVENTORIES

	Dec 31, 2016	Dec 31, 2015
Finished products & goods for resale	599	690
Other	56	2
Total inventories	**655**	**692**

Tele2's inventories mainly consist of telephones. In 2016 inventories was expensed by SEK 5,065 (4,491) million, of which SEK 38 (9) million was related to write-downs.

NOTE 19 ACCOUNTS RECEIVABLE

	Dec 31, 2016	Dec 31, 2015
Accounts receivable	3,244	2,786
Reserve for doubtful accounts	–660	–623
Total accounts receivable, net	**2,584**	**2,163**

	Dec 31, 2016	Dec 31, 2015
Reserve for doubtful accounts		
Reserve for doubtful accounts at January 1	623	579
Reserves in companies acquired during the year	14	–
Provisions	70	141
Recovery of previous provisions	–74	–75
Exchange rate differences	27	–22
Total reserve for doubtful accounts	**660**	**623**

	Dec 31, 2016	Dec 31, 2015
Accounts receivable, overdue with no reserve		
Overdue between 1–30 days	365	250
Overdue between 31–60 days	94	51
Overdue more than 60 days	46	117
Total accounts receivable, overdue with no reserve	**505**	**418**

NOTE 20 OTHER CURRENT RECEIVABLES

	Dec 31, 2016	Dec 31, 2015
Receivable from sold equipment	2,891	2,620
Receivable on Kazakhtelecom	405	–
Receivable on Net4Mobility, joint operation in Sweden	144	220
Receivable on suppliers	133	15
VAT receivable	66	254
Derivatives	55	48
Prepayment T-Mobile Netherlands, Mobile site access (Note 17)	35	32
Receivable on Svenska UMTS-nät, joint operation in Sweden	17	19
Other	26	28
Total other current receivables	**3,772**	**3,236**

Derivatives consists of currency swaps, valued at fair value. The effective part of the swaps was reported in the hedge reserve in other comprehensive income and the ineffective part was reported as interest costs and other financial items, respectively, in the income statement. The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. For additional information please refer to Note 2.

NOTE 21 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2016	Dec 31, 2015
Traffic revenues, from end-users	483	354
Traffic revenues, from other telecom operators	518	458
Subscription fees etc, from end-users	245	144
Accrued income, other	111	76
Rental cost	294	244
Frequency usage	181	169
Prepaid expenses, other	361	146
Total prepaid expenses and accrued revenues	**2,193**	**1,591**

SEK 43 (18) million of the balance sheet item is estimated to be paid more than 12 months after the closing date.

NOTE 22 CURRENT INVESTMENTS

	Dec 31, 2016	Dec 31, 2015
Restricted funds	21	32
Total current investments	**21**	**32**

NOTE 23 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

Available liquidity

	Dec 31, 2016	Dec 31, 2015
Cash and cash equivalents	257	107
Unutilized overdraft facilities and credit lines	9,785	7,783
Total available liquidity	**10,042**	**7,890**

	Dec 31, 2016	Dec 31, 2015
Unutilized overdraft facilities and credit lines		
Overdraft facilities granted	1,240	1,018
Overdraft facilities utilized	–305	–543
Total unutilized overdraft facilities	**935**	**475**
Unutilized credit lines	8,850	7,308
TOTAL UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES	**9,785**	**7,783**

Tele2's share of liquid funds in joint operations, for which Tele2 has limited disposal rights, amounted at December 31, 2016 to SEK 60 (34) million and was included in the Group's cash and cash equivalents.

No specific collateral is provided for overdraft facilities or unutilized credit lines.

Exchange rate difference in cash and cash equivalents

	Dec 31, 2016	Dec 31, 2015
Exchange rate differences in cash and cash equivalents at January 1	3	–16
Exchange rate differences in cash flow for the year	47	–55
Total exchange rate differences in cash and cash equivalents for the year	**50**	**–71**

NOTE 24 SHARES, EQUITY AND APPROPRIATION OF PROFIT

Number of shares

	A shares		B shares		C shares		Total
	Change	Total	Change	Total	Change	Total	
As of January 1, 2015		**20,260,910**		**425,523,429**		**2,999,000**	**448,783,339**
New share issue	–	20,260,910	–	425,523,429	2,300,000	5,299,000	451,083,339
Reclassification of C shares to B shares	–	20,260,910	3,400,000	428,923,429	–3,400,000	1,899,000	451,083,339
As of December 31, 2015		**20,260,910**		**428,923,429**		**1,899,000**	**451,083,339**
New share issue	2,532,613	22,793,523	53,284,060	482,207,489	–	1,899,000	506,900,012
Total number of shares as of December 31, 2016		**22,793,523**		**482,207,489**		**1,899,000**	**506,900,012**

	2016	2015
Number of outstanding shares	502,350,065	446,188,367
Number of shares in own custody	4,549,947	4,894,972
Number of shares, weighted average	452,146,472	458,213,317
Number of shares after dilution	505,041,442	461,282,587
Number of shares after dilution, weighted average	454,887,620	461,108,030

In 2016, Tele2 issued, with preferential rights for existing shareholders, 55,816,673 new shares (2,532,613 A-shares and 53,284,060 B-shares) corresponding to a total amount of SEK 2,910 million, after new issue costs of SEK –48 million, of which SEK 70 million is reported as an increase in share capital. The terms of the right issue entailed that every existing share entitled the holder to one subscription right of a share. Eight subscription rights of shares entitled the holder to subscribe for one new share of the corresponding share class to a subscription price of SEK 53 per share. The new issue was carried out in order to maintain the Tele2's financial strength, in connection with the acquisition of TDC Sweden.

In 2015, Tele2 issued, and immediately repurchased, 2,300,000 new C shares to be used for future exercises of LTIs, resulting in an increase in share capital of SEK 3 million. In 2015, 3,400,000 C shares were reclassified to B shares.

The share capital in Tele2 AB is divided into three classes of shares: Class A, B and C shares. All types of shares have a quota value of SEK 1.25 per share and Class A and B shares have the same rights in the company's net assets and profits while Class C shares are not entitled to dividend. Shares of Class A entitle the holder to 10 voting rights per share and Class B and C shares to one voting right per share.

There are no limitations regarding how many votes each shareholder may vote for at general meetings of shareholders. The Articles of Association make no stipulation that limits the right to transfer the shares.

In the case of a bid for all shares or a controlling part of the shares in Tele2, the financing facility may be accelerated and due for immediate repayment. In addition, some interconnect agreements and some other agreements may be terminated.

Continued Note 24

Shares in own custody

	B shares		C shares		Total
	Change	Total	Change	Total	
As of January 1, 2015		**61,366**		**2,999,000**	**3,060,366**
New share issue/repurchase of own shares	–	61,366	2,300,000	5,299,000	5,360,366
Reclassification of C shares to B shares	3,400,000	3,461,366	–3,400,000	1,899,000	5,360,366
Delivery of own shares under LTI program	–465,394	2,995,972	–	1,899,000	4,894,972
As of December 31, 2015		**2,995,972**		**1,899,000**	**4,894,972**
Delivery of own shares under LTI program	–345,025	2,650,947	–	1,899,000	4,549,947
Total number of shares in own custody as of December 31, 2016		**2,650,947**		**1,899,000**	**4,549,947**

Shares in own custody amount to 0.9 (1.1) percent of the share capital.

In 2016, Tele2 delivered 345,025 (465,394) B-shares in own custody to the participants in the LTIP program, as a result of share rights in the LTI 2013 (LTI 2012 and LTI 2011) being exercised.

Outstanding share rights

	Dec 31, 2016	Dec 31, 2015
Incentive program 2016–2019	1,195,370	
Incentive program 2015–2018	837,616	1,093,535
Incentive program 2014–2017	668,560	897,508
Incentive program 2013–2016	–	841,263
Total number of outstanding share rights	**2,701,546**	**2,832,306**

Further information is provided in Note 33.

Number of shares after dilution

	Dec 31, 2016	Dec 31, 2015
Number of shares	506,900,012	451,083,339
Number of shares in own custody	–4,549,947	–4,894,972
Number of outstanding shares, basic	502,350,065	446,188,367
Number of outstanding share rights	2,701,546	2,832,306
Excluding share rights to be settled in cash	–10,169	–
Adjustment for previous periods for bonus element in the share issue	–	12,261,914
Total number of shares after dilution	**505,041,442**	**461,282,587**

Earnings per share

	Earnings per share		Earnings per share, after dilution	
	2016	2015	2016	2015
Net profit/loss attributable to equity holders of the parent company	–1,962	2,986	–1,962	2,986
Weighted average number of shares	452,146,472	446,032,991	452,146,472	446,032,991
Adjustment for previous periods for bonus element in the share issue	–	12,180,326	–	12,203,928
Weighted average number of shares, adjusted	452,146,472	458,213,317	452,146,472	458,236,919
Incentive program 2016–2019			804,813	
Incentive program 2015–2018			970,707	674,162
Incentive program 2014–2017			777,542	1,038,774
Incentive program 2013–2016			188,086	942,717
Incentive program 2012–2015			–	209,258
Incentive program 2011–2014				6,200
Weighted average number of share rights			2,741,148	2,871,111
Weighted average number of outstanding shares after dilution			**454,887,620**	**461,108,030**
EARNINGS PER SHARE, SEK	**–4.34**	**6.52**	**–4.34**	**6.48**

Proposed appropriation of profit

The Board propose that, from the SEK 6,026,417,755 at the disposal of the Annual General Meeting, a dividend of SEK 5.23 per share should be paid to shareholders, corresponding on December 31, 2016 to SEK 2,627,290,840, and that the remaining amount, SEK 3,399,126,915, should be carried forward.

Based on this annual report, the consolidated financial statements and other information which has become known, the Board has considered all aspects of the parent company's and the Group's financial position. This evaluation has led the Board to the conclusion that the dividend is justifiable in view of the requirements that the nature and scope of and risks involved in Tele2's operations have on the size of the company's and the Group's equity as well as on its consolidation needs, liquidity and financial position in general.

For information regarding dividend policy please refer to Note 2.

Subsidiaries with material non-controlling interests

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.

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.

In 2016, the transaction with Kazakhtelecom resulted in a positive effect in equity attributable to the equity holders of the parent company of SEK 1,156 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 2016 to the former non-controlling shareholder Asianet in Tele2 Kazakhstan for its 49 percent stake.

For additional information, please refer to Note 15.

The tables below show summarized financial information for Tele2 Kazakhstan before intra-group eliminations. No other material non-controlling interests exist.

	Tele2 Kazakhstan	
	2016	2015
Income statement		
Net sales	2,152	1,754
Operating loss	–657	–232
Loss before tax	–1,018	–2,144
Net loss	–1,028	–2,144

	Tele2 Kazakhstan	
	Dec 31, 2016	Dec 31, 2015
Balance sheet		
Intangible assets	631	725
Tangible assets	2,458	1,334
Financial assets	118	91
Deferred tax assets	6	–
Current assets	792	193
Total assets	**4,005**	**2,343**
Non-current liabilities	3,164	4,770
Current liabilities	1,386	695
Total liabilities	**4,550**	**5,465**
Net assets	**–545**	**–3,122**

	Tele2 Kazakhstan	
	2016	2015
Cash flow statement		
Cash flow from operations before changes in working capital	–154	–366
Changes in working capital	193	31
CASH FLOW FROM OPERATING ACTIVITIES	**39**	**–335**
Cash flow from investing activities	–386	–555
CASH FLOW AFTER INVESTING ACTIVITIES	**–347**	**–890**
Cash flow from financing activities	447	863
NET CHANGE IN CASH AND CASH EQUIVALENTS	**100**	**–27**
Cash and cash equivalents at beginning of the year	1	31
Exchange rate differences in cash and cash equivalents	9	–3
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**110**	**1**

Continued Note 24

ROCE, return on capital employed

ROCE is calculated according to below.

	2016	2015	2014	2013	2012
Operating profit/loss, total operation	–1,319	4,149	3,102	16,339	5,653
Financial income, total operation	18	9	26	55	24
Annualised return	**–1,301**	**4,158**	**3,128**	**16,394**	**5,677**
in relation to					
Total assets	40,477	36,149	36,015	39,407	49,189
Non-interest bearing liabilities	–9,850	–7,257	–7,227	–8,781	–11,248
Provisions for asset dismantling	–1,160	–771	–634	–488	–211
Capital employed for assets classified as held for sale	–	–	3,098	395	–
Capital employed, closing balance	**29,467**	**28,121**	**31,252**	**30,533**	**37,730**
Capital employed, average	28,794	29,687	30,893	34,132	36,859
ROCE, %	**–4.5**	**14.0**	**10.1**	**48.0**	**15.4**

NOTE 25 FINANCIAL LIABILITIES

	Dec 31, 2016	Dec 31, 2015
Liabilities to financial institutions and similar liabilities	10,449	8,985
Other interest-bearing liabilities	583	1,080
Total interest-bearing financial liabilities	**11,032**	**10,065**
Accounts payable	3,462	2,746
Other current liabilities	1,037	502
Total non-interest-bearing financial liabilities	**4,499**	**3,248**
TOTAL FINANCIAL LIABILITIES	**15,531**	**13,313**

Financial risk management and financial instruments are presented in Note 2.

Financial liabilities fall due for payment according to below.

	Dec 31, 2016		Dec 31, 2015	
	Nominal value	Recorded value	Nominal value	Recorded value
Within 3 months	4,828	4,828	7,140	7,139
Within 3–12 months	2,925	2,925	1,437	1,429
Within 1–2 years	42	42	3,438	3,425
Within 2–3 years	1,624	1,624	269	250
Within 3–4 years	271	271	615	615
Within 4–5 years	3,328	3,328	448	448
Within 5–10 years	2,456	2,456	5	5
Within 10–15 years	356	57	2	2
Total financial liabilities	**15,830**	**15,531**	**13,354**	**13,313**

Interest-bearing financial liabilities

Interest-bearing financial liabilities fall due for payments as follows:

	Within 1 year	Within 1–2 years	Within 2–3 years	Within 3–4 years	Within 4–5 years	Within 5–15 years	Total
Variable interest rates[1]	1,802	16	1,109	4	1,264	1,198	5,393
Fixed interest rates	1,452	26	515	267	2,064	1,315	5,639
Total interest-bearing liabilities	**3,254**	**42**	**1,624**	**271**	**3,328**	**2,513**	**11,032**

[1] exposed to changes in interest rates over the next 12 months

Collateral provided

	Dec 31, 2016	Dec 31, 2015
Fixed assets	–	51
Total collateral provided for own liabilities	**–**	**51**

Liabilities to financial institutions and similar liabilities

			Dec 31, 2016		Dec 31, 2015	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Bonds NOK	NIBOR +2.35%	2017	188	–	–	955
Bonds SEK	STIBOR +2.85%	2017	1,389	–	–	1,498
Bonds SEK	fixed: 4.875%	2017	764	–	–	800
Bonds SEK	variable interest rates	2019	–	499	–	–
Bonds SEK	STIBOR +0.87%	2019	–	999	–	–
Bonds SEK	STIBOR +2.45%	2020	–	250	–	250
Bonds SEK	fixed: 1.875%	2021	–	1,000	–	–
Bonds SEK	STIBOR +1.65%	2021	–	1,991	–	–
Bonds SEK	STIBOR +1.55%	2022	–	999	–	–
Bonds SEK	variable interest rates	2022	–	499	–	–
Bonds SEK	variable interest rates		–	–	500	–
Total bonds			**2,341**	**6,237**	**500**	**3,503**
Commercial paper	fixed: 0.03%	2017	300	–	3,784	–
Nordic Investment Bank (NIB)	fixed interest rates	2021–2024	–	1,235	–	677
Syndicated loan facilities[1]	variable interest rates	2022	–	–36	–	–22
Development Bank of Kazakhstan[2]	fixed interest rate	2018–2024	–	67	–	–
Utilized bank overdraft facility	variable interest rates		305	–	543	–
			2,946	**7,503**	**4,827**	**4,158**
Total liabilities to financial institutions and similar liabilities				**10,449**		**8,985**

[1] In the beginning of 2017, the facility was extended with one year to 2022
[2] The outstanding liability is guaranteed by the non-controlling shareholder Kazakhtelecom

Tele2 has a EUR 0.8 billion credit facility with a syndicate of 11 banks. The facility has a tenor of five years with two one-year extension options. In the beginning of 2017, the facility was extended with one year to 2022. The loans can be drawn in several currencies and the interest base is the relevant IBOR for that currency. On December 31, 2016, the syndicated loan facility was unutilized and prepaid upfront fees to be recognized in profit/loss over the remaining contract period amounted to SEK –36 (–22) million. The facility is conditioned by covenant requirements which Tele2 expects to fulfil.

Tele2 AB has issued bonds on the Norwegian bond market. On December 31, 2016 Tele2 had one outstanding bond of NOK 0.2 (1.0) billion. The bond is listed on Oslo børs.

Tele2 AB's Euro Medium-Term Note (EMTN) Program forms the basis for Tele2's medium and long term debt issuance in both international and domestic bond markets. The program enables Tele2 to issue bonds and notes up to a total aggregate amount of EUR 3 billion. On December 31, 2016 issued bonds under the program amounted to SEK 8.4 (3.0) billion.

Tele2 AB's established Swedish commercial paper program enables Tele2 to issue commercial papers up to a total amount of SEK 5 billion. Commercial papers can be issued with a tenor up to 12 months under the program. The commercial paper program is a complement to Tele2's core funding. On December 31, 2016 outstanding commercial papers amounted to SEK 0.3 (3.8) billion.

As a further step towards the diversification of Tele2's funding sources, Tele2 AB has prolonged and extended a loan agreement with Nordic Investment Bank (NIB) to 8 years and EUR 130 (74) million. Tele2 AB has also entered into a new 6-year loan agreement with the European Investment Bank (EIB) amounting to EUR 125 million. On December 31, 2016 the facility was unutilized.

The outstanding liability to Development Bank of Kazakhstan of SEK 67 (0) million is guaranteed by the non-controlling shareholder Kazakhtelecom.

The average interest rate on loans during the year was 2.7 (4.1) percent.

Continued Note 25

Other interest-bearing liabilities

	Dec 31, 2016		Dec 31, 2015	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Put option, Kazakhstan	–	–	125	416
Earn-out, Kazakhstan	–	100	–	–
Loan from Kazakhtelecom	–	24	121	126
Derivatives	217	–	231	–
Finance leases	16	32	16	45
Supplier financing, Lithuania license	7	93	–	–
Equipment financing	56	14	–	–
Deferred consideration, TDC and Kombridge	12	12	–	–
	308	**275**	**493**	**587**
Total other interest-bearing liabilities		**583**		**1,080**

In the beginning of 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 changed to zero (SEK 541 million) affecting financial items in the income statement positively by SEK 413 (–51) million. The reason for the change in fair value in the beginning of the year was due to the macro environment, including the Tenge devaluation which implied weaker consumer purchase power and higher expenses. In addition, intense competitive pressure eroded pricing power for all market participants.

The put-option obligation in Kazakhstan was in the beginning of 2016 replaced with an earn-out obligation representing 18 percent economic interest in the jointly owned company in Kazakhstan (see Note 15). To cover for the estimated earn-out obligation, that is based on fair value, the earn-out obligation was on December 31, 2016 valued to SEK 100 million and reported under other financial items in the income statement. The change in fair value at the end of 2016 was due to an improved outlook, in light of the positive business development during the year as well as reaching a significant share of the integration milestones. 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 deviation from the current assumptions regarding the fair value would impact the earn-out liability.

The fair value of the earn-out obligation was calculated based on expected future cash flows of the jointly owned company discounted at a pre-tax rate of 18.1 percent and perpetual growth rate of 1 percent after the ten year projection period. Key assumptions refer to expected growth rate, profit margins, investment levels and discount rate. Additional information is presented in Note 13 and Note 24.

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 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 December 31, 2016 reported debt amounted to SEK 24 (247) million and the nominal value was SEK 319 (287) million. The change in book value in the beginning of 2016 was reported in equity, please refer to Note 24.

Derivatives consist of interest swaps and currency swaps, valued at fair value. The effective part of the swaps was reported in the hedge reserve in other comprehensive income and the ineffective part was reported as interest costs and other financial items, respectively, in the income statement. The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. For additional information please refer to Note 2.

For information on finance leases, supplier financing and equipment financing please refer to Note 30, Note 14 and Note 2, respectively.

On December 31, 2016, a liability was reported for estimated deferred consideration to the former owner of TDC, Sweden. The estimated fair value of the deferred consideration amounted to SEK 12 million. The fair value was calculated based on expected future cash flows. At year end, a liability was also reported for contingent deferred consideration to the former owners of Kombridge, Sweden. The estimated fair value of the deferred consideration amounted on December 31, 2016 to SEK 12 million. The fair value was calculated based on expected future cash flows at which a maximum turnout has been assumed. Additional information is presented in Note 15.

Net debt and economic net debt

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Interest-bearing non-current and current liabilities	12,431	10,991	9,190	9,430	17,512
Excluding provisions	–1,399	–926	–807	–679	–559
Excluding equipment financing	–70	–	–	–	–
Cash & cash equivalents, current investments and restricted funds	–279	–139	–189	–1,413	–1,745
Other financial interest-bearing receivables (swap agreements etc)	–55	–48	–47	–10	–21
Net debt for assets classified as held for sale	–	–	–12	–	–
Net debt	**10,628**	**9,878**	**8,135**	**7,328**	**15,187**
Excluding liabilities to Kazakhtelecom	–24	–	–	–	–
Excluding loan guaranteed by Kazakhtelecom	–67	–	–	–	–
Excluding earn-out obligation Kazakhstan	–100	–	–	–	–
Economic net debt	**10,437**	**9,878**	**8,135**	**7,328**	**15,187**

Other current liabilities

	Dec 31, 2016	Dec 31, 2015
VAT liability	361	231
Liability to Kazakhtelecom	399	–
Liability to Net4Mobility, joint operation in Sweden	115	118
Liability to Svenska UMTS-nät, joint operation in Sweden	36	57
Employee withholding tax	80	61
Customer deposit	23	10
Debt to other operators	13	14
Other	10	11
Total current liabilities	**1,037**	**502**

NOTE 26 PROVISIONS

	2016						
	Dismantling costs	Rented buildings, fiber and cables	Disputes	Claims and guarantees for divested operations	Other provisions	Pension and similar commitments	Total
Provisions as of January 1	**771**	**12**	**12**	**72**	**–**	**59**	**926**
Provisions in acquired companies	51	31	–	–	–	–	82
Additional provisions	113	6	–	1	6	51	177
Utilized/paid provisions	–10	–1	–	–	–	–	–11
Reversed unused provisions	–2	–3	–10	–	–	–	–15
Effect from discounting	29	–	–	–	–	–	29
Changed inflation and discount rate	175	–	–	–	–	–	175
Exchange rate differences	33	–	1	2	–	–	36
Total provisions as of December 31	**1,160**	**45**	**3**	**75**	**6**	**110**	**1,399**

	Dec 31, 2016	Dec 31, 2015
Provisions, current	147	52
Provisions, non-current	1,252	874
Total provisions	**1,399**	**926**

Provisions are expected to fall due for payment according to below:

	Dec 31, 2016	Dec 31, 2015
Within 1 year	147	52
Within 1–3 years	76	43
Within 3–5 years	26	27
More than 5 years	1,150	804
Total provisions	**1,399**	**926**

Dismantling costs refer to dismantling and restoration of mobile and fixed network sites. Remaining provision as of December 31, 2016 is expected to be fully utilized during the coming 30 years.

NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2016	Dec 31, 2015
Personnel-related expenses	876	563
External service expenses	697	511
Investments in non-current assets	530	546
Traffic expenses to other telecom operators	398	453
Expenses for dealers	212	66
Leasing and rental expenses	138	153
Interest costs	71	41
Other accrued expenses	144	85
Deferred income, prepaid cards	273	268
Deferred income, other	837	541
Total accrued expenses and deferred income	**4,176**	**3,227**

NOTE 28 PLEDGED ASSETS

	Dec 31, 2016	Dec 31, 2015
Fixed assets	–	51
Current investments, bank deposits	21	32
Other non-current receivables, bank deposits	1	–
Total pledged assets	**22**	**83**

The opposite parties can only take over the pledged items in case Tele2 neglects its duty to pay its debts according to the agreements.

NOTE 29 CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

Contingent assets and liabilities

	Dec 31, 2016	Dec 31, 2015
Asset dismantling obligation	151	137
KPN dispute, Netherlands	222	212
Tax dispute, Russia	–	154
Total contingent liabilities	**373**	**503**

Contingent assets

In 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 and the Court of Appeal has granted leave to appeal. Due to the uncertainty in the final outcome Tele2 has not recognized any benefits from the judgement.

Contingent liabilities

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 only reports 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 222 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 relating to periods under Tele2's ownership as result of the tax audits. On December 31, 2016 Tele2 has won tax disputes equivalent to SEK 158 (187) million, of which the Russian tax authorities has appealed SEK 1 (154) million. In addition, Tele2 has lost tax disputes of SEK –129 (–16) million, of which Tele2 has appealed SEK –106 (–7) million. Due to a change in the assessments of certain tax disputes in 2016 additional provisions of totally SEK 100 million were recognized in discontinued operations. Total provisions for the Russian tax disputes as of December 31, 2016 amounted to SEK 129 (16) million. Even though it cannot be ruled out that Tele2 may be liable to certain costs and that new cases can be identified, Tele2 assesses that it is unlikely that any additional taxes need to be paid and consequently no additional provisions have been made.

Other contractual commitments

	Dec 31, 2016	Dec 31, 2015
Commitments, investments	493	578
Commitments, other	2,349	2,327
Total future fees for other contractual commitments	**2,842**	**2,905**

Other commitments mainly relate to commitments for ordered and contracted goods and services that can not be cancelled without economic effects.

NOTE 30 LEASES

Finance leases

Finance leases relate to the expansion of transmission capacity in Sweden and Austria. The carrying value of the lease assets is stated in Note 14. The contracts span over periods ranging from 5 to 25 years. Contracts with shorter lease periods contain purchase or extension options. Some of the agreements contain index clauses.

Total future minimum lease payments and their present value amount to:

	Dec 31, 2016		Dec 31, 2015	
	Present value	Nominal value	Present value	Nominal value
Within 1 year	17	17	18	18
Within 1–2 years	10	10	17	18
Within 2–3 years	4	5	11	12
Within 3–4 years	4	5	6	7
Within 4–5 years	4	4	4	5
Within 5–10 years	8	10	4	6
Within 10–15 years	1	1	1	2
Total loan liability and interest		**52**		**68**
Less interest portion		–4		–7
TOTAL FINANCE LEASES	**48**	**48**	**61**	**61**

Operating leases

	2016	2015
Leased capacity	1,582	1,391
Other operating leases	968	878
Annual leasing expenses for operating leases	**2,550**	**2,269**

Continued Note 30

The cost of operating leases relates mainly to leased capacity. Other assets that are held under operating leases relate to rented premises, machines and office equipment. Tele2 has a multitude of agreements relating to leased lines. The majority of these involve some type of initiation fee and thereafter monthly or quarterly fees. Most of the agreements have terms ranging from six months to three years with the option of extending the terms. Generally these agreements have no index clauses or possibilities to acquire the asset.

Contractual future lease expenses are stated below:

	Dec 31, 2016	Dec 31, 2015
Within 1 year	1,812	1,537
Within 1–2 years	766	704
Within 2–3 years	573	514
Within 3–4 years	407	368
Within 4–5 years	332	342
Within 5–10 years	740	755
Within 10–15 years	192	187
More than 15 years	178	191
Total future lease expenses for operating leases	**5,000**	**4,598**

Operating leases with Tele2 as the lessor

Leasing income during the year amount to SEK 92 (95) million and relates mainly to rent from other operators placing equipment on Tele2 sites as well as leased equipment (mainly modems) to customers. Contract periods range from 3 to 25 years.

Contractual future lease income are stated below:

	Dec 31, 2016	Dec 31, 2015
Within 1 year	88	77
Within 1–2 years	24	23
Within 2–3 years	19	16
Within 3–4 years	18	14
Within 4–5 years	16	13
Within 5–10 years	58	56
Within 10–15 years	42	45
More than 15 years	45	53
Total future lease income for operating leases	**310**	**297**

NOTE 31 SUPPLEMENTARY CASH FLOW INFORMATION

Cash flow from operating activities based on the net result (total operations)

	2016	2015
OPERATING ACTIVITIES		
Net profit/loss	–2,264	2,986
Adjustments for non-cash items in operating profit		
Depreciation/amortization and impairment	6,090	3,084
Result from shares in joint ventures and associated companies	–	5
Gain/loss on sale of fixed assets	–	–112
Gain/loss on sale of operations	101	–1,746
Incentive program	1	40
Unpaid financial items	–258	–37
Income tax	79	35
Deferred tax expense	449	346
Cash flow from operations before changes in working capital	**4,198**	**4,601**
Changes in working capital	819	–1,072
CASH FLOW FROM OPERATING ACTIVITIES	**5,017**	**3,529**

CAPEX

The difference between investments in intangible and tangible assets (CAPEX) in the balance sheet and paid CAPEX, net, in the cash flow statement is stated below.

	2016	2015
CAPEX	–3,831	–4,240
This year's unpaid CAPEX and paid CAPEX from previous year	6	205
Received payment of sold non-current assets	25	20
CAPEX paid	**–3,800**	**–4,015**

Of the year's investment in intangible and tangible assets, SEK 270 (297) million is unpaid on December 31, 2016 and has therefore not been reported as investments in the cash flow statement. Payment of the previous year's investment of SEK –264 (–92) million has been reported as investment in the cash flow for 2016. These items amount to a net of SEK 6 (205) million.

CAPEX per service within each segment are presented in Note 14.

NOTE 32 NUMBERS OF EMPLOYEES

Average numbers of employees

		2016			2015		
	Note	Total	*of whom women*	*of whom men*	Total	*of whom women*	*of whom men*
Sweden		2,147	*32%*	*68%*	1,933	*32%*	*68%*
Lithuania		406	*70%*	*30%*	360	*73%*	*27%*
Latvia		797	*42%*	*58%*	665	*41%*	*59%*
Estonia		281	*69%*	*31%*	264	*61%*	*39%*
Netherlands		994	*26%*	*74%*	988	*24%*	*76%*
Kazakhstan		949	*52%*	*48%*	836	*53%*	*47%*
Croatia		153	*49%*	*51%*	140	*44%*	*56%*
Austria		241	*24%*	*76%*	269	*23%*	*77%*
Germany		56	*25%*	*75%*	116	*28%*	*72%*
Luxembourg		3	*33%*	*67%*	3	33%	67%
		6,027	*40%*	*60%*	**5,574**	*39%*	*61%*
Discontinued operations	36	–	–	*100%*	29	*38%*	*62%*
Total average number of employees		**6,027**	***40%***	***60%***	**5,603**	***39%***	***61%***

Numbers of employees

On December 31, 2016, the number of employees in Tele2 was 6,880 (5,758) of which 38 (40) percent women and 62 (60) percent men. A breakdown per gender and age group etc is presented below.

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016		Dec 31, 2015	
	Total	Total	Women	Men	Women	Men
Managers						
< 30 years	1%	2%	5%	7%	5%	9%
30–50 years	10%	11%	26%	52%	27%	52%
> 50 years	1%	1%	3%	7%	2%	5%
Total managers	**12%**	**14%**	**34%**	**66%**	**34%**	**66%**
Other employees						
< 30 years	30%	32%	16%	18%	18%	19%
30–50 years	49%	48%	20%	36%	21%	35%
> 50 years	9%	6%	2%	8%	2%	5%
Total other employees	**88%**	**86%**	**38%**	**62%**	**41%**	**59%**
TOTAL	**100%**	**100%**				

	Dec 31, 2016		Dec 31, 2015	
	Women	Men	Women	Men
For all group companies				
Board members	47%	53%	40%	60%
Senior executives	37%	63%	37%	63%
Total	**41%**	**59%**	**38%**	**62%**

NOTE 33 PERSONNEL COSTS

		2016			2015		
	Note	Board of Directors and CEO	*of which bonus*	Other employees	Board of Directors and CEO	*of which bonus*	Other employees
Sweden		31	*6*	1,395	30	*10*	1,197
Lithuania		4	*–*	81	4	*–*	67
Latvia		3	*1*	162	2	*1*	143
Estonia		2	*2*	58	2	*1*	52
Netherlands		11	*1*	682	7	*1*	592
Kazakhstan		10	*1*	150	4	*1*	121
Croatia		3	*1*	46	5	*3*	48
Austria		4	*1*	155	4	*1*	162
Germany		2	*–*	68	4	*1*	129
Luxembourg		3	*1*	3	3	*1*	3
		73	***14***	**2,800**	**65**	***20***	**2,514**
Discontinued operations	36	–	*–*	–	–	*–*	26
Total salaries and remuneration		**73**	***14***	**2,800**	**65**	***20***	**2,540**

		2016			2015		
	Note	Salaries and remune-rations	Social security expenses	*of which pension expenses*	Salaries and remune-rations	Social security expenses	*of which pension expenses*
Board and President		73	15	*3*	65	19	*6*
Other employees		2,800	921	*225*	2,514	819	*176*
		2,873	**936**	***228***	**2,579**	**838**	***182***
Discontinued operations	36	–	–	*–*	26	5	*1*
Total		**2,873**	**936**	***228***	**2,605**	**843**	***183***

Pensions

	2016	2015
Defined-benefit plans, retirement pension	31	28
Defined-benefit plans, survivors' and disability pension	3	2
Defined-contribution plans	194	152
Total pension expenses	**228**	**182**

The defined benefit plans essentially relates to Sweden. Additional information regarding defined-benefit retirement plans is shown in the table below.

	2016	2015
Income statement		
Current service costs	–27	–30
Net interest cost	2	–
Curtailments/settlements	–6	2
	–31	**–28**
Special employer's contribution	–10	–1
Net cost recognized in the income statement	**–41**	**–29**

	Dec 31, 2016	Dec 31, 2015
Balance sheet		
Present value of funded obligations	–249	–198
Fair value of plan assets	303	249
Net	**54**	**51**
Special employer's contribution	–21	–12
Net asset (+) / obligation (–) in balance sheet	**33**	**39**
of which assets	*143*	*98*
of which liabilities	*–110*	*–59*

	2016	2015
Net asset (+) / obligation (–) at beginning of year	39	–22
Net cost	–41	–29
Payments	51	53
Actuarial gains/losses in other comprehensive income	–16	38
Exchange rate differences	–	–1
Net asset (+) / obligation (–) in balance sheet at end of year	**33**	**39**

The defined benefit pension obligation in Sweden is calculated using a discount rate based on interest on mortgage bonds. The Swedish covered mortgage bonds are considered high-quality bonds, the market is considered deep and the bonds are issued by large banks, thereby meeting IAS19 requirements. There are no outstanding commitments for retired and resigned employees no longer employed by Tele2, since their future pensions are limited by the return on paid fees. Consequently, these persons are not included in the reported pension liability.

	Dec 31, 2016	Dec 31, 2015
Important actuarial assumptions		
Discount rate	2.8%	3.3%
Annual salary increases	3.0%	3.0%
Annual pension increases	3.0%	3.0%
Average expected remaining years of employment	8 years	9 years

Remuneration for senior executives

	2016						
	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
CEO and President,							
– Allison Kirkby	7.7	6.2	0.4	2.3	–	–	**16.6**
Other senior executives	25.1	15.8	–3.0[1]	5.2	12.0[2]	7.9	**63.0**
Total salaries and remuneration to senior executives	**32.8**	**22.0**	**–2.6**	**7.5**	**12.0**	**7.9**	**79.6**

[1] Including reversal of previous years costs for terminated sharebased programs of SEK –4.5 due to terminated employment
[2] Remunerations during notice period

At the end of the year, the group Other senior executives comprises of 8 (9) persons.

	2015						
	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
CEO and President,							
– Mats Granryd	9.4	4.4	–0.2[1]	1.7	–	3.9	**19.2**
– Allison Kirkby (Sep-Dec)	2.5	1.2	0.6	1.8	–	–	**6.1**
Other senior executives	28.6	9.9	7.9[1]	4.6	–	6.8	**57.8**
Total salaries and remuneration to senior executives	**40.5**	**15.5**	**8.3**	**8.1**	**–**	**10.7**	**83.1**

[1] Including reversal of previous years costs for terminated sharebased programs due to terminated employment, where of SEK –1.6 million was related to Mats and SEK –0.9 million to other senior excecutives

During 2016 the senior executives received 442,500 (320,000) share rights in the new incentive program for the year, 27,433 (45,032) share rights in previous years incentive programs as compensation for dividend and 16,199 (-) share rights as compensation for dilution due to new share issue. No premium was paid for the share rights.

	LTI 2016		LTI 2015	
Number of share rights	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2016			31,500	220,500
Reclassification of opening balances due to changes in leadership team			–	24,000
Allocated	100,000	342,500		
Allocated, compensation for new share issue	–	–	2,303	13,276
Allocated, compensation for dividend	3,200	7,904	1,074	1,899
Forfeited	–	–95,500	–	–198,212
Total outstanding rights as of December 31, 2016	**103,200**	**254,904**	**34,877**	**61,463**

Continued Note 33

Number of share rights	LTI 2014 CEO	LTI 2014 Other senior executives	LTI 2013 CEO	LTI 2013 Other senior executives
Outstanding as of January 1, 2016	26,597	161,801	–	119,622
Reclassification of opening balances due to changes in leadership team	–	26,601	–	27,618
Allocated, compensation for new share issue	1,947	9,907	–	–
Allocated, compensation for dividend	906	1,216	–	–
Forfeited	–	–160,237	–	–
Adjustments for outcome of the performance conditions	–	–	–	–86,368
Exercised	–	–	–	–60,872
Total outstanding rights as of December 31, 2016	**29,450**	**39,288**	**–**	**–**

The market value of the share rights on December 31, 2016 was SEK 5.5 (2.3) million for the CEO and SEK 13.2 (16.8) million for other senior executives.

Remuneration guidelines for senior executives 2016

The following guidelines for determining remuneration for senior executives for 2016 were approved by the Annual General Meeting in May 2016.

The objectives of Tele2's remuneration guidelines are to offer competitive remuneration packages to attract, motivate, and retain key employees within the context of an international peer group. The aim is to create incentives for the management to execute strategic plans and deliver excellent operating results, and to align management's incentives with the interests of the shareholders. Senior executives covered by the guidelines include the CEO and members of the Leadership Team ("senior executives").

Remuneration to the senior executives should comprise annual base salary, and variable short-term incentive (STI) and long-term incentive (LTI) programs. The STI shall be based on the performance in relation to established objectives. The objectives shall be related to the company's overall result and the senior executives' individual performance. The STI can amount to a maximum of 100 percent of the annual base salary.

Over time, it is the intention of the Board to increase the proportion of variable performance-based compensation as a component of the senior executives' total compensation.

Other benefits may include e.g. company cars and for expatriated senior executives e.g. housing benefits for a limited period of time. The senior executives may also be offered health care insurances.

The senior executives are offered defined contribution pension plans. Pension premiums for the CEO can amount to a maximum of 25 percent of the annual salary (base salary and STI). For the other senior executives pension premiums can amount to a maximum of 20 percent of the annual salary (base salary and STI).

The maximum period of notice of termination of employment shall be 12 months in the event of termination by the CEO and six months in the event of termination by any of the other senior executives. In the event of termination by the company, the maximum notice period during which compensation is payable is 18 months for the CEO and 12 months for any of the other senior executives.

Under special circumstances, the Board may deviate from the above guidelines. In such a case, the Board is obligated to give account of the reason for the deviation during the following Annual General Meeting.

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board of Directors.

Board of directors

Total fees to the Board of Directors amount to SEK 5,964 (5,044) thousand following a decision by the Annual General Meeting in May 2016.

	Fees to the board		Fees to the board committees		Total fees	
SEK	2016	2015	2016	2015	2016	2015
Mike Parton	1,430,000	1,430,000	145,000	40,000	1,575,000	1,470,000
Sofia Arhall Bergendorff	550,000	–	–	–	550,000	–
Georgi Ganev	550,000	–	145,000	–	695,000	–
Cynthia Gordon	550,000	–	–	–	550,000	–
Lorenzo Grabau	550,000	550,000	79,000	184,000	629,000	734,000
Irina Hemmers	550,000	550,000	105,000	105,000	655,000	655,000
Erik Mitteregger	–	550,000	–	105,000	–	655,000
Eamonn O'Hare	550,000	550,000	–	–	550,000	550,000
Carla Smits-Nusteling	550,000	550,000	210,000	250,000	760,000	800,000
Mario Zanotti	–	179,299	–	–	–	179,299
Total fee to board members	**5,280,000**	**4,359,299**	**684,000**	**684,000**	**5,964,000**	**5,043,299**

Share-based payments

The objective of the long-term incentive programs (LTI) is to create conditions for retaining competent employees in the Tele2 Group. The program has been designed based on the view that it is desirable that senior executives and other key employees within the Group are shareholders in Tele2 AB. Participation in the Plan requires a personal investment in Tele2 shares, be it shares already held or shares purchased on the market in connection the application to participate in the Plan. By offering an allotment of retention rights and performance rights which are based on profits and other retention and performance-based conditions, the participants are rewarded for increasing shareholder value. Furthermore, the program rewards employees' loyalty and long-term growth in the Group. In that context, the Board of Directors is of the opinion that the program will have a positive effect on the future development of the Tele2 Group and thus be beneficial to both the company and its shareholders.

	Number of participants at grant date	Measure period	Dec 31, 2016	Dec 31, 2015
LTI 2016	193	Apr 1, 2016–Mar 31, 2019	1,195,370	–
LTI 2015	197	Apr 1, 2015–Mar 31, 2018	837,616	1,093,535
LTI 2014	198	Apr 1, 2014–Mar 31, 2017	668,560	897,508
LTI 2013	204	Apr 1, 2013–Mar 31, 2016	–	841,263
Total number of outstanding share rights			**2,701,546**	**2,832,306**

No share rights were exercisable at the end of the year.

Cost before tax for outstanding incentive programs and liability is stated below. The cost reduction in 2016 was an effect of the negative impact that the impairment in Tele2 Netherlands had on the vesting conditions in the LTI programs.

	Actual costs before tax		Expected cumulative cost during the vesting period		Liability	
	2016	2015	2016	2015	Dec 31, 2016	Dec 31, 2015
LTI 2016	6	–	34	–	2	–
LTI 2015	2	12	30	69	2	2
LTI 2014	–7	14	20	47	6	8
LTI 2013	–2	11	37	41	–	11
LTI 2012	–	16	–	45	–	–
Total	**–1**	**53**	**121**	**202**	**10**	**21**
of which cash based programs	*–2*	*1*	*1*	*3*	*–*	*3*

Continued Note 33

At 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.

In general, the participants in the program are required to own shares in Tele2. Thereafter, the participants were granted retention rights and performance rights free of charge. In the event delivery of shares under the program cannot be achieved at reasonable costs, with reasonable administrative efforts or due to market conditions, participants may instead be offered a cash-based settlement. Outstanding share rights that will be settled in cash are remeasured to fair value in each period and the obligation is reported as a liability.

Subject to the fulfilment of certain retention and performance-based conditions during the period April 1, 2016–March 31, 2019 (the measure period), the participant maintaining employment within the Tele2 Group at the release of the interim report January–March 2019 and subject to the participant maintaining the invested shares (where applicable) during the vesting period, each right entitles the employee to receive one Class B share in the company. Dividends paid on the underlying share will increase the number of shares that each retention and performance right entitles to in order to treat the shareholders and the participants equally.

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 1,324,968 share rights, of which 277,616 Series A, 523,676 Series B and 523,676 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	A	B	C	Total	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	262,677
Category 3	91	1,000	1	1.5	1.5	4	325,391
Total	**193**						**1,324,968**

Total costs before tax for outstanding rights in the incentive program are expensed over the three-year vesting period. 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	SEK 72.23	SEK 72.23	SEK 72.23
Expected life	2.87 years	2.87 years	2.87 years
Expected value reduction parameter market condition	70%	–	40%
Estimated fair value	SEK 50.60	SEK 72.20	SEK 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 2016		LTI 2015	
Number of rights	2016	Cumulative	2016	Cumulative
Allocated at grant date	1,324,968	1,324,968		1,241,935
Outstanding as of January 1, 2016			1,093,535	
Allocated, compensation for dividend	–	–	72,959	72,959
Allocated, compensation for new issue	37,211	37,211	26,210	26,210
Forfeited	−166,809	−166,809	−355,088	−503,488
Total outstanding rights as of December 31, 2016	**1,195,370**	**1,195,370**	**837,616**	**837,616**

	LTI 2014		LTI 2013	
Number of rights	2016	Cumulative	2016	Cumulative
Allocated at grant date		1,180,268		1,204,128
Outstanding as of January 1, 2016	897,508		841,263	
Allocated, compensation for dividend	58,946	168,234	–	139,134
Allocated, compensation for new issue	21,228	21,228	–	–
Forfeited	−309,122	−655,773	−32,224	−478,174
Performance conditions not reached, Norway	–	−43,665	–	−41,260
Performance conditions not reached, other	–	–	−444,634	−444,634
Exercised, cash settled, Norway	–	−1,732	–	−14,789
Exercised, cash settled, other	–	–	−19,380	−19,380
Exercised, equity settled, other	–	–	−345,025	−345,025
Total outstanding rights as of December 31, 2016	**668,560**	**668,560**	**–**	**–**
of which will be settled in cash	*10,169*	*10,169*	–	–

Corresponding principles and conditions have been used for 2014 and 2015 year incentive program except for the measure period and levels for retention and performance based conditions.

		Retention and performance based conditions		
	Maximum profit/right	Series A TSR	Series B ROCE	Series C TSR peer group
LTI 2015	SEK 329	> 0%	9–12%	> 10%
LTI 2014	SEK 355	> 0%	9–12%	> 10%

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 of 345,025 have been exchanged for shares in Tele2 and 19,380 share rights for cash during 2016. Weighted average share price for share rights in LTI 2013 at date of exercise amounted to SEK 75.74 during 2016.

Series	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
A	Total Shareholder Return Tele2 (TSR)		≥ 0%	24.2%	100%
B	Average normalised Return on Capital Employed (ROCE)	8%	12.5%	10.0%	51.3%
C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	–5.4%	0%

NOTE 34 FEES TO THE APPOINTED AUDITOR

Total fees to the appointed auditor (Deloitte) during the year related to continued operations amounted to SEK 17 (15) million of which audit fees amounted to SEK 10 (10) million, audit-related fees amounted to SEK 1 (1) million and other consultation fees amounted to SEK 6 (4) million. There was no tax-related consultation fees.

Audit fees consisted of fees expensed for the annual audit of the statutory financial statements and statutory audits of subsidiaries.

Audit-related fees consisted of fees expensed for assurance and other services which were closely related to the audit of the company's financial statements or which are normally performed by the appointed auditor, and consultations concerning financial accounting and reporting standards. Examples are limited reviews of quarterly reports, comfort letters and opinions.

All other fees included fees expensed for all other consultations, such as costs of investigations and analyses in conjunction with corporate acquisitions (due diligence).

NOTE 35 RECLASSIFICATIONS

Segment Sweden

In 2016, as a result of the acquisition of TDC Sweden, a reclassification within Tele2 Sweden in the segment reporting has been performed for all periods presented. Communication solutions beyond connectivity, such as LAN/WLAN, PBX and cloud services, have been moved from mobile and fixed broadband to other operations. The previous periods have been represented according to below.

	2015			
	Net sales	EBITDA	EBIT	CAPEX
Sweden				
Mobile	–146	–4	26	–36
–end-user service revenue	*–141*			
–operator revenue	*–4*			
–equipment revenue	*–1*			
Fixed broadband	–36	15	15	–2
Other operations	182	–11	–41	38
Total Sweden	**–**	**–**	**–**	**–**

VAT on sold handsets

In 2016, a reclassification was made of VAT related to sold handsets from current to non-current receivables. The reclassification was made to reflect its maturity. The previous periods have been represented according to below.

	Dec 31, 2015	Jan 1, 2015
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	108	9
CURRENT ASSETS		
Other current receivables	–108	–9
TOTAL ASSETS	**–**	**–**

NOTE 36 DISCONTINUED OPERATIONS

Discontinued operations in 2016 refer to provisions for Russian tax disputes related to the previously sold operations in Russia, with an effect on net profit/loss of SEK –100 (–6) million. For further information regarding the Russian tax disputes please refer to Note 29. In addition, 2015 refer to the divestment of the Norweigan operation.

The divested operations including capital gain, reported separately as discontinued operations in the income statement with a retrospective effect on previous periods, are stated below.

Income statement

	2016	2015
Net sales	–	301
Cost of services provided and equipment sold	–	–241
Gross profit	**–**	**60**
Selling expenses	–	–62
Administrative expenses	–	–31
Other operating income	–	1
EBIT	**–**	**–32**
Interest income	–	1
EBT	**–**	**–31**
Income tax from the operation	–	–3
NET LOSS FROM THE OPERATION	**–**	**–34**
Gain on disposal of operation including cumulative exchange rate gain	–100	1,734
Income tax from capital gain	–	18
	–100	**1,752**
NET PROFIT/LOSS	**–100**	**1,718**
Earnings per share, SEK	–0.22	3.75
Earnings per share, after dilution, SEK	–0.22	3.73

Cash flow statement

	2016	2015
OPERATING ACTIVITIES		
EBIT	–100	1,702
Adjustments for non-cash items in operating profit	100	–1,713
Cash flow from operations before changes in working capital	**–**	**–11**
Changes in working capital	–	59
CASH FLOW FROM OPERATING ACTIVITIES	**–**	**48**
INVESTING ACTIVITIES		
CAPEX paid	–	–15
Free cash flow	***–***	***33***
Sale of shares	–2	4,898
Cash flow from investing activities	**–2**	**4,883**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–2**	**4,931**

Additional information

	Net sales		EBITDA		EBIT	
	2016	2015	2016	2015	2016	2015
Mobile	–	289	–	–12	–	–33
Fixed telephony	–	14	–	2	–	1
Other operations	–	–	–	–1	–	–
	–	**303**	**–**	**–11**	**–**	**–32**
Internal sales, elimination	–	–2				
TOTAL	**–**	**301**	**–**	**–11**	**–**	**–32**

	2016	2015
EBITDA	**–**	**–11**
Depreciation/amortization and other impairment	–	–21
EBIT	**–**	**–32**

	Number of customers		Net intake	
In thousands	Dec 31, 2016	Dec 31, 2015	2016	2015
Mobile	–	–	–	–19
Fixed telephony	–	–	–	–1
Number of customers and net customer intake	**–**	**–**	**–**	**–20**
Divested companies			–	–1,156
Number of customers and net change	**–**	**–**	**–**	**–1,176**

	CAPEX	
	2016	2015
Mobile	–	13
Total	**–**	**13**

Additional cash flow information:

	2016	2015
CAPEX	–	–13
This year's unpaid CAPEX and paid CAPEX from previous year	–	–2
CAPEX paid	**–**	**–15**

NOTE 37 JOINT OPERATIONS AND OTHER RELATED PARTIES

Business relations and pricing between Tele2 and all related parties are based on commercial terms and conditions. During 2016, Tele2 engaged in transactions with the following related companies/persons.

Joint operations

Svenska UMTS-nät AB, Sweden
Tele2 is one of two turnkey contractors which plan, expand and operate the joint operation Svenska UMTS-nät AB's 3G network. Tele2 and Telia Company each own 50 percent and both companies have contributed capital to the 3G company. In addition to this, the build-out has owner financing.

Net4Mobility HB, Sweden
Net4Mobility is an infrastructure joint operation between Tele2 Sweden and Telenor Sweden, where each party owns 50 percent. The company's mission is to build and operate the combined 2G and 4G network. The network enable Tele2 and Telenor to offer their customers mobile services for data communications and voice. The build-out has owner financing.

Extracts from the income statements, balance sheets and cash flow statements
Amounts below shows summarized financial information for joint operations before inter-company eliminations.

	2016		2015	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Income statement				
Net sales	1,211	1,202	1,275	1,132
Operating profit	74	80	94	82
Profit/loss before tax	41	–318	37	–512
Net profit/loss	32	–318	29	–512

	Dec 31, 2016		Dec 31, 2015	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Balance sheet				
Intangible assets	–	2,075	–	2,277
Tangible assets	2,247	2,566	2,646	2,447
Deferred tax assets	120	–	129	–
Current assets	410	488	429	391
Total assets	**2,777**	**5,129**	**3,204**	**5,115**
Equity	571	–348	539	–30
Untaxed reserves	–	2,581	–	2,207
Non-current liabilities	1,822	2,014	2,300	1,799
Current liabilities	384	882	365	1,139
Total equity and liabilities	**2,777**	**5,129**	**3,204**	**5,115**

	2016		2015	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Cash flow statement				
Cash flow from operations before changes in working capital	512	627	530	542
Changes in working capital	10	–161	48	140
CASH FLOW FROM OPERATING ACTIVITIES	**522**	**466**	**578**	**682**
Cash flow from investing activities	–60	–550	–127	–517
Cash flow from financing activities	–462	185	–451	–173
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–**	**101**	**–**	**–8**
Cash and cash equivalents at beginning of the year	–	–	–	8
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**–**	**101**	**–**	**–**

Other related parties

Senior executives and Board members
Information for senior executives and Board members is presented in Note 33.

Kinnevik Group
Tele2 rents premises from Kinnevik and buys advertising from Metro. In addition, Tele2 has bought internal audit services from Audit Value, previously owned by Kinnevik.

Kazakhtelecom Group
As part of the business combination in the beginning of 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. Additional information is presented in Note 24.

Joint ventures and associated companies
Information about joint ventures and associated companies is presented in Note 16.

Transactions and balances

Transactions between Tele2 and joint operations are below included to 100 percent. In the consolidated financial statements the joint operations are however based on Tele2's share of assets, liabilities, revenues and expenses (50 percent).

	Net sales		Operating expenses		Interest revenue	
	2016	2015	2016	2015	2016	2015
Kinnevik	1	1	–11	–21	–	–
Kazakhtelecom	178	–	–456	–	–	–
Joint ventures and associated companies	9	5	–4	–34	–	–
Joint operations	227	262	–1,146	–1,136	28	46
Total	**415**	**268**	**–1,617**	**–1,191**	**28**	**46**

	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities		Interest-bearing liabilities	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Kinnevik	–	–	–	–	1	–	–	–
Kazakhtelecom	405	–	–	–	399	–	24	–
Joint ventures and associated companies	–	1	–	–	–	–	–	–
Joint operations	322	478	1,870	2,012	242	290	–	–
Total	**727**	**479**	**1,870**	**2,012**	**642**	**290**	**24**	**–**

NOTE 38 CORPORATE RESPONSIBILITY RESULTS

The 2016 GRI G4 Indicators, presented below, are the ones assessed to be most relevant for Tele2's stakeholders. A complete GRI index is presented on Tele2's website. Reported facts and figures are based on the reporting from each reporting entity and each reported case has been verified in accordance with Tele2's procedures for internal controls.

GRI G4 Indicators

Diversity and equal opportunities (G4-LA12)
Number of employees split on managers and other employees with breakdown per gender and age are presented in Note 32.

Environmental regulations (G4-EN29)
No significant fines[1], non-monetary sanctions or cases associated with environmental regulations brought through dispute resolution mechanisms have been reported during the year nor the previous year.

Corruption (G4-SO5)
Tele2 has not had any reported cases of corruption during the year nor the previous year. Furthermore, there has not been any reported concluded public legal cases related to corruption brought against Tele2 during the year nor the previous year.

Tele2's definition of corruption is when offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately. The definition excludes pure telecom fraud cases. For additional information please refer to Tele2's website, CR section.

Anti-competitive behaviour, anti-trust, and monopoly practices (G4-SO7)
Number of reported legal actions for anti-competitive behaviour, anti-trust, and monopoly practices, pending or completed, in which Tele2 has been identified as a participant during the year is stated below.

Country	2016	2015	Status of legal actions 2016
Kazakhstan	3	–	Closed, no remarks
Latvia	–	1	–

Laws and regulations (G4-SO8)
During the year, there was one reported case of sanction for non-compliance with applicable laws and regulations in Sweden. An injunction was issued by PTS in 2014 to resume data storage on the basis of the Swedish law on Electronic Communication. The case was appealed in Swedish administrative court and referred to the ECJ for a preliminary ruling. On 21 December 2016, the ECJ ruled in favour of Tele2[3]. The local court will now try the case on the basis of the guidance by the ECJ. During the previous year, one case of sanction was reported in Sweden. The case took place in Net4Mobility, the infrastructure joint operation between Tele2 Sweden and Telenor Sweden. However, there were no reported cases brought through dispute resolutions during the year nor the previous year.

Products and services health and safety impacts (G4-PR2)
Tele2 has had six (nine) reported non-compliance incidents concerning the products' and services' health and safety impacts during their life cycle. All six (nine) were in Kazakhstan and six (seven) resulted in a fine[2] and none (two) in a warning. There were no reported non-compliances with voluntary codes during the year nor the previous year.

Marketing communication, advertising and sponsorship (G4-PR7)
Number of reported incidents of non-compliance regarding marketing communication, advertising and sponsorship, resulting in fines, penalties, warnings or non-compliance with voluntary codes during the year are stated below.

	2016			2015		
Country	Fine or penalty[2]	Warning	Non-compliance with voluntary codes	Fine or penalty[2]	Warning	Non-compliance with voluntary codes
Netherlands	–	–	1	–	–	–
Kazakhstan	–	–	–	4	1	–
Croatia	–	1	–	–	–	–
Latvia	–	–	–	–	1	–
Estonia	1	1	–	–	–	–

Customer privacy and losses of customer data (G4-PR8)
Number of reported substantiated complaints during the year, regarding breaches of customer privacy and losses of customer data, from outside parties and substantiated by Tele2 or from regulatory bodies as well as reported leaks, thefts or losses of customer data is stated below.

	2016			2015		
Country	From outside parties and substantiated by Tele2	From regulatory bodies	Leaks, thefts or losses of customer data	From outside parties and substantiated by Tele2	From regulatory bodies	Leaks, thefts or losses of customer data
Sweden	7	3	–	4	1	5
Netherlands	8	1	–	–	–	11
Kazakhstan	–	7	–	–	–	–
Croatia	–	–	1	1	–	–
Lithuania	–	–	4	2	–	3
Austria	–	–	2	–	–	2
Germany	–	–	–	–	–	3

The use of products and services (G4-PR9)
No significant fines[1] have been reported during the year nor the previous year for non-compliance with laws and regulations concerning the use of products and services.

[1] Significant fines = defined by Tele2 as fines exceeding EUR 250,000 (equivalent to SEK 2.3 million)
[2] The fines have not been significant
[3] For more information on the case, please refer to the section Corporate Responsibility in the Administration Report

Parent company's financial statement

The parent company's income statement

SEK million	Note	2016	2015
Net sales	2	28	53
Gross profit		**28**	**53**
Administrative expenses		–105	–121
Operating loss		**–77**	**–68**
LOSS FROM FINANCIAL INVESTMENTS			
Interest expense and similar costs	3	–403	–163
Loss after financial items		**–480**	**–231**
Appropriations, group contribution		774	–
Tax on profit/loss for the year	4	–65	56
NET PROFIT/LOSS		**229**	**–175**

The parent company's comprehensive income

SEK million	Note	2016	2015
Net profit/loss		**229**	**–175**
OTHER COMPREHENSIVE INCOME			
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT/LOSS			
Gain/loss arising on changes in fair value of hedging instruments	10	–83	–40
Reclassified cumulative loss to income statement	10	68	83
Tax effect on cash flow hedges		3	–10
Total components that may be reclassified to net profit/loss		**–12**	**33**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–12**	**33**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**217**	**–142**

The parent company's balance sheet

SEK million	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
NON-CURRENT ASSETS			
Tangible assets			
Equipment and installations	5	1	1
Total tangible assets		**1**	**1**
Financial assets			
Shares in group companies	6	13,520	13,520
Deferred tax assets	4	58	109
Other financial assets	7	39	37
Total financial assets		**13,617**	**13,666**
TOTAL NON-CURRENT ASSETS		**13,618**	**13,667**
CURRENT ASSETS			
Current receivables			
Other receivables from group companies	8	8,515	5,982
Other current receivables		3	4
Prepaid expenses and accrued income		3	1
Total current receivables		**8,521**	**5,987**
Cash and cash equivalents	9	4	3
TOTAL CURRENT ASSETS		**8,525**	**5,990**
TOTAL ASSETS		**22,143**	**19,657**

SEK million	Note	Dec 31, 2016	Dec 31, 2015
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital		634	564
Restricted reserve		4,985	4,985
Total restricted equity		**5,619**	**5,549**
Unrestricted equity			
Reserves		2,687	–152
Retained earnings		3,110	5,673
Net profit		229	–175
Total unrestricted equity		**6,026**	**5,346**
TOTAL EQUITY		**11,645**	**10,895**
NON-CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	10	7,436	4,158
Pension and similar commitments		49	46
TOTAL NON-CURRENT LIABILITIES		**7,485**	**4,204**
CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	10	2,641	4,284
Other interest-bearing liabilities	10	209	195
Total interest-bearing liabilities		**2,850**	**4,479**
Non-interest-bearing			
Accounts payable	10	11	1
Other current liabilities	10	2	4
Other liabilities to group companies		15	2
Accrued expenses and deferred income	11	135	72
Total non-interest-bearing liabilities		**163**	**79**
TOTAL CURRENT LIABILITIES		**3,013**	**4,558**
TOTAL EQUITY AND LIABILITIES		**22,143**	**19,657**

The parent company's cash flow statement

SEK million	2016	2015
OPERATING ACTIVITIES		
Operating loss	–77	–68
Adjustments for non-cash items in operating profit		
Depreciation/amortization and impairment	–	1
Incentive program	–2	5
Interest paid	–210	–231
Finance items paid	–5	–1
Cash flow from operations before changes in working capital	**–294**	**–294**
Changes in working capital		
Operating receivables	–2	–1
Operating liabilities	46	1
Changes in working capital	**44**	**–**
CASH FLOW FROM OPERATING ACTIVITIES	**–250**	**–294**
INVESTING ACTIVITIES		
Lending to group companies	–1,742	–
Repayments from group companies	–	4,454
Cash flow from investing activities	**–1,742**	**4,454**
CASH FLOW AFTER INVESTING ACTIVITIES	**–1,992**	**4,160**
FINANCING ACTIVITIES		
Proceeds from credit institutions and similar liabilities	6,819	3,781
Repayment of loans from credit institutions and similar liabilities	–5,347	–1,315
Dividends	–2,389	–6,626
Repurchase of own shares	–	–3
New share issue	2,910	3
Cash flow from financing activities	**1,993**	**–4,160**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1**	**–**
Cash and cash equivalents at beginning of the year	3	3
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**4**	**3**

Change in the parent company's equity

		Restricted equity		Unrestricted equity			
SEK million	Note	Share capital	Restricted reserve	Hedge reserve	Share premium reserve	Retained earnings	Total equity
Equity at January 1, 2015		**561**	**4,985**	**–185**	**–**	**12,262**	**17,623**
Net loss	1	–	–	–	–	–175	–175
Other comprehensive income for the year, net of tax		–	–	33	–	–	33
Total comprehensive income for the year		**–**	**–**	**33**	**–**	**–175**	**–142**
OTHER CHANGES IN EQUITY							
Share-based payments	1	–	–	–	–	40	40
New share issue		3	–	–	–	–	3
Repurchase of own shares		–	–	–	–	–3	–3
Dividends		–	–	–	–	–6,626	–6,626
EQUITY AT DECEMBER 31, 2015		**564**	**4,985**	**–152**	**–**	**5,498**	**10,895**
Equity at January 1, 2016		**564**	**4,985**	**–152**	**–**	**5,498**	**10,895**
Net profit		–	–	–	–	229	229
Other comprehensive income for the year, net of tax		–	–	–12	–	–	–12
Total comprehensive income for the year		**–**	**–**	**–12**	**–**	**229**	**217**
OTHER CHANGES IN EQUITY							
Share-based payments		–	–	–	–	1	1
New share issue		70	–	–	2,840	–	2,910
Taxes on new share issue costs		–	–	–	11	–	11
Dividends		–	–	–	–	–2,389	–2,389
EQUITY AT DECEMBER 31, 2016		**634**	**4,985**	**–164**	**2,851**	**3,339**	**11,645**

Parent company's Notes

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board.

The parent company follows the same accounting policies as the Group (see Group Note 1) with the following exceptions.

Investments in subsidiaries
Shares in subsidiaries are recognized at cost, including expenses directly related to the acquisition, less any impairment.

Group contributions
Group contributions are reported as appropriations in the income statement.

Other information

The annual report has been approved by the Board of Directors on March 14, 2017. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 9, 2017.

NOTE 2 NET SALES

Net sales relates to sales to other companies in the Group.

NOTE 3 INTEREST EXPENSE AND SIMILAR COSTS

	2016	2015
Interest, credit institutions and similar liabilities	–262	–265
Exchange rate difference on financial liabilities	–132	106
Other finance expenses	–9	–4
Total interest expenses and similar costs	**–403**	**–163**

NOTE 4 TAXES

	2016	2015
Deferred tax expense/income	–65	56
Total tax on profit/loss for the year	**–65**	**56**

The difference between recorded tax and the tax based on prevailing tax rate consists of the below listed components.

	2016		2015	
Profit/loss before tax	294		–231	
Tax effect according to tax rate in Sweden	–65	–22.0%	51	–22.0%
Tax effect of				
Non-deductible expenses	–	–	–1	0.4%
Deductible expenses from previous years	–	–	6	–2.6%
Tax expense/income and effective tax rate	**–65**	**–22.0%**	**56**	**–24.2%**

Deferred tax asset of SEK 58 (109) million is attributable to loss-carry forwards of SEK 1 (56) million, liabilities of SEK 46 (43) million and pensions of SEK 11 (10) million.

NOTE 5 TANGIBLE ASSETS

	Equipment and installations	
	Dec 31, 2016	Dec 31, 2015
Acquisition value		
Acquisition value at January 1	3	3
Total acquisition value	**3**	**3**
Accumulated depreciation		
Accumulated depreciation at January 1	–2	–1
Depreciation	–	–1
Total accumulated depreciation	**–2**	**–2**
TOTAL TANGIBLE ASSETS	**1**	**1**

NOTE 6 SHARES IN GROUP COMPANIES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/votes)	Dec 31, 2016	Dec 31, 2015
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	13,520	13,520
Total shares in group companies				**13,520**	**13,520**

A list of all subsidiaries, excluding dormant companies, is presented in Note 16.

NOTE 7 OTHER FINANCIAL ASSETS

	Dec 31, 2016	Dec 31, 2015
Pension funds	39	37
Total other financial assets	**39**	**37**

NOTE 8 RECEIVABLES FROM GROUP COMPANIES

	Current receivables	
	Dec 31, 2016	Dec 31, 2015
Acquisition value at January 1	5,982	10,392
Lending	10,507	3,818
Repayments	–7,736	–7,944
Other changes in cash pool	–238	–284
Total receivables from group companies	**8,515**	**5,982**

Current receivables from group companies relate to balances in the cash pool.

NOTE 9 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

	Dec 31, 2016	Dec 31, 2015
Cash and cash equivalents	4	3
Unutilized overdraft facilities and credit lines	8,850	7,308
Total available liquidity	**8,854**	**7,311**

NOTE 10 FINANCIAL LIABILITIES

	Dec 31, 2016	Dec 31, 2015
Liabilities to financial institutions and similar liabilities	10,077	8,442
Other interest-bearing liabilities	209	195
Total interest-bearing financial liabilities	**10,286**	**8,637**
Accounts payable	11	1
Other current liabilities	2	4
TOTAL FINANCIAL LIABILITIES	**10,299**	**8,642**

Financial liabilities fall due for payment according to below.

	Dec 31, 2016	Dec 31, 2015
Within 3 months	710	4,484
Within 3–12 months	2,153	–
Within 1–2 years	–	3,350
Within 2–3 years	1,498	172
Within 3–4 years	250	194
Within 4–5 years	3,307	442
Within 5–10 years	2,381	–
Total financial liabilities	**10,299**	**8,642**

Interest-bearing financial liabilities

No specific collateral is provided for interest-bearing financial liabilities.

Liabilities to financial institutions and similar liabilities

			Dec 31, 2016		Dec 31, 2015	
Liabilities *(collateral provided)*	Interest rate terms	Maturity date	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Bonds NOK	NIBOR +2.35%	2017	188	–	–	955
Bonds SEK	STIBOR +2.85%	2017	1,389	–	–	1,498
Bonds SEK	fixed: 4.875%	2017	764	–	–	800
Bonds SEK	variable interest rates	2019	–	499	–	–
Bonds SEK	STIBOR +0.87%	2019	–	999	–	–
Bonds SEK	STIBOR +2.45%	2020	–	250	–	250
Bonds SEK	fixed: 1.875%	2021	–	1,000	–	–
Bonds SEK	STIBOR +1.65%	2021	–	1,991	–	–
Bonds SEK	STIBOR +1.55%	2022	–	999	–	–
Bonds SEK	variable interest rates	2022	–	499	–	–
Bonds SEK	variable interest rates		–	–	500	–
Total bonds			**2,341**	**6,237**	**500**	**3,503**
Commercial paper	fixed: 0.03%	2017	300	–	3,784	–
Nordic Investment Bank (NIB)	fixed interest rates	2021–2024	–	1,235	–	677
Syndicated loan facilities[1]	variable interest rates	2022	–	–36	–	–22
			2,641	**7,436**	**4,284**	**4,158**
Total liabilities to financial institutions and similar liabilities				**10,077**		**8,442**

[1] In the beginning of 2017, the facility was extended with one year to 2022

For additional information please refer to Group Note 25.

Other interest-bearing liabilities

	Current liabilities	
	Dec 31, 2016	Dec 31, 2015
Derivatives	209	195
Total other interest-bearing liabilities	**209**	**195**

Derivatives consisted of interest swaps, valued at fair value. For additional information please refer to Group Note 2.

Other current liabilities

	Dec 31, 2016	Dec 31, 2015
VAT liability	–	3
Employee withholding tax	2	1
Total current liabilities	**2**	**4**

NOTE 11 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2016	Dec 31, 2015
Interest costs	64	39
Personnel-related expenses	29	31
External services expenses	42	2
Total accrued expenses and deferred income	**135**	**72**

NOTE 12 CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

Contingent liabilities

	Dec 31, 2016	Dec 31, 2015
Guarantee related to group companies	1,471	1,466
Total contingent liabilities	**1,471**	**1,466**

Operating leases

The parent company's operating lease expenses amounted to SEK 2 (2) million during the year. Future lease expenses amount to SEK 1 (1) million and these are due for payment during the next year.

NOTE 13 NUMBERS OF EMPLOYEES

The average number of employees in the parent company is 6 (7), of whom 3 (4) are women.

NOTE 14 PERSONNEL COSTS

	2016			2015		
	Salaries and remunerations	Social security expenses	*of which pension expenses*	Salaries and remunerations	Social security expenses	*of which pension expenses*
Board and CEO	20	4	*–*	25	9	*3*
Other employees	29	11	*4*	29	13	*3*
Total salaries and remuneration	**49**	**15**	***4***	**54**	**22**	***6***

The parent company's pension expenses relate to defined-contribution plans. Salary and remuneration for the CEO are presented in Group Note 33.

NOTE 15 FEES TO THE APPOINTED AUDITOR

Audit fees to the appointed auditor are SEK 1 (1) million and audit-related fees are SEK 1 (1) million.

NOTE 16 LEGAL STRUCTURE

The table below lists all the subsidiaries, associated companies, joint ventures and other holdings that are not dormant companies or branches.

Company, reg. No., reg'd office	Note	Holding (capital/ votes)
SecureValue Consulting Ltd, 9908070, London, UK	16	33.3%
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden		100%
Tele2 Treasury AB, 556606-7764, Stockholm, Sweden		100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden		100%
Triangelbolaget D4 AB, 556007-9799, Stockholm, Sweden	16	25%
Svenska UMTS-nät Holding AB, 556606-7988, Stockholm, Sweden		100%
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	16	50%
Interloop AB, 556450-2606, Stockholm, Sweden		100%
Net4Mobility HB, 969739-0293, Stockholm, Sweden	16	50%
Tele2 IoT AB, 556078-0598, Kista, Sweden		100%
Kombridge AB, 556817-2059, Gothenburg, Sweden		100%
Tele2 Business AB, 556465-8507, Stockholm, Sweden		100%
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	16	40%
Tele2 Netherlands Holding NV, 33272606, Amsterdam, Netherlands		100%
Tele2 Nederlands BV, 33303418, Amsterdam, Netherlands		100%
Tele2 Retail BV, 63201488, Amsterdam, Netherlands		100%
Tele2 Finance BV, 66209218, Amsterdam, Netherlands		100%
Khan Tengri Holding B.V., 27313531, Amsterdam, Netherlands		49%/50.52%
Mobile Telecom Service LLP, 66497-1910-TOO, Almaty, Kazakhstan		100%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia		100%
Tele2 Holding Lithuania AS, 11920703, Tallinn, Estonia		100%
UAB Tele2, 111471645, Vilnius, Lithuania		100%
UAB Personalo valdymas, 302473332, Vilnius, Lithuania		100%
Viesoji istaiga Numerio perkelimas, 303386211, Vilnius, Lithuania	16	25%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania		100%
Tele2 Holding SIA, 40003512063, Riga, Latvia		100%
SIA Tele2, 40003272854, Riga, Latvia		100%
SIA Tele2 Shared Service Center, 40003690571, Riga, Latvia		100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia		100%
Estonian Broadband Development Foundation, Estonia	16	12.5%
Tele2 Europe SA, R.C.B56944, Luxembourg		100%
Tele2 Austria Holding GmbH, FN178222t, Vienna, Austria		100%
Tele2 Telecommunication GmbH, FN138197g, Vienna, Austria		100%
Tele2 Telecommunication GmbH s.r.o., 35820616, Bratislava, Slovakia		100%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany		100%
Tele2 International Call GmbH, HRB64239, Düsseldorf, Germany		100%
Collecta Forderungsmanagement GmbH, HRB 67126, Düsseldorf, Germany		100%
Tele2 Beteiligungs GmbH, HRB64230, Düsseldorf, Germany		100%
T&Q Netz GmbH Co KB, HRA21263, Düsseldorf, Germany	16	50%
FonExperten GmbH, HRB71231, Düsseldorf, Germany		100%
Tele2 Service GmbH, HRB79647, Düsseldorf, Germany		100%
IntelliNet Holding BV, 34126307, Amsterdam, Netherlands		100%
010033 Telecom GmbH, HRB 48344, Frankfurt, Germany		100%
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg		100%
SEC Finance SA, B104730, Luxembourg		100%
Tele2 Luxembourg AB, 556304-7025, Stockholm, Sweden		100%
Tele2 Finance Luxembourg SARL, RCB112873, Luxembourg		100%

The consolidated financial statements and Annual Report have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No.1606/2002 of 19 July 2002, on application of International Financial Reporting Standards and generally accepted accounting principles, and give a fair overview of the parent company's and Group's financial position and results of operations.

The administration report for the group and parent company gives a fair overview of the Group's and parent company's operations, financial position and results of operations, and describes significant risks and uncertainties that the parent company and companies included in the Group face.

Stockholm March 14, 2017

Mike Parton *Chairman*	Sofia Arhall Bergendorff	Georgi Ganev
Cynthia Gordon	Lorenzo Grabau	Irina Hemmers
Eamonn O'Hare	Carla Smits-Nusteling	Allison Kirkby *President and CEO*

Our auditors' report was submitted on March 14, 2017

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Tele2 AB (publ) corporate identity number 556410-8917

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Tele2 AB (publ) for the financial year 2016-01-01–2016-12-31. The annual accounts and consolidated accounts of the company are included on pages 9–72 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Allocation and cut-off of revenues

Tele2's revenues are generated from services and equipment provided to millions of customers in multiple geographies. Correct revenue recognition is dependent on well-functioning IT-systems supporting the recognition of revenues for the significant volume of transactions generated by Tele2's customers and that appropriate policies and procedures are in place to properly allocate revenues between service elements and equipment and also to the correct reporting period.

The group's policy for revenue recognition together with critical accounting estimates and judgments is described in note 1, and in note 4–5 revenues separated on different service and product offerings, and geographies are described.

Our audit procedures

Our audit procedures included, but were not limited to:

- assessing the group's accounting policy for revenue recognition for compliance with IFRS,
- assessing controls for IT-systems and procedures supporting revenue recognition,
- analysing revenues disaggregated on service and product offerings, geographies and time periods, and
- on a sample basis testing sales transactions for recognition in the appropriate accounting period and correct allocation between services and equipment.

Accounting for business combinations and earn out obligations

In 2016 Tele2 made two significant business combinations when acquiring Altel and TDC Sweden. The accounting for business combinations requires significant judgments and estimates to be made by management to determine the fair value of acquired assets and assumed liabilities. The acquisition of Altel was also associated with earn out obligations recognized at fair value to the former non-controlling owner of Tele2 Kazakhstan requiring management's judgment and estimates of their value and accounting treatment.

The group's accounting policy for business combinations is described in note 1 and in note 15 further disclosures regarding effects of the business combinations are made. In note 2 key assumptions used to determine the fair value on earn-out obligations to the former non-controlling owner of Tele2 Kazakhstan are presented.

Our audit procedures

Our audit procedures included, but were not limited to:

- review of purchase price allocations utilizing valuation specialists to review fair values assigned to acquired assets and assumed liabilities, and
- assessing the fair value of earn-out obligations to the former non-controlling owner of Tele2 Kazakhstan by analysing key valuation assumptions and evaluating the sensitivity of the key assumptions used by management to determine the fair value.

Valuation of intangible assets

As a result of historical acquisitions Tele2 carries significant amounts of intangible assets. On an annual basis management tests the carrying value of cash generating units to which goodwill have been allocated. These impairment assessments are complex and require management's estimates and judgment in determining the group's cash generating units as well as future growth rates, profit margins, investment levels and discounts rates for these units. In 2016 a significant write down of goodwill was recognized.

In note 1 the group's accounting policy for impairment testing intangible assets is described, and note 13 describes the key assumptions used by management when preparing the annual impairment tests for cash generating units to which goodwill have been allocated.

Our audit procedures

Our audit procedures included, but were not limited to:

- assessing Tele2's policies and procedures for preparing its impairment tests for compliance with IFRS,

- evaluating key assumptions made by management in testing cash generating units for goodwill impairment, and evaluating the sensitivity of the key assumptions, and
- review of the models used for discounting future cash flows for arithmetical correctness.

Accounting for income taxes
Accounting for and handling of income taxes are subject to complex rules including tax legislation occasionally requiring management's interpretation and judgment. The interpretations made by management may be challenged by different tax authorities and courts. Tele2's geographical footprint also requires adherence to tax legislation and transfer pricing requirements in many different countries. The accounting for deferred tax assets on tax loss carry forwards also requires management estimates and judgment regarding future profit levels.

In note 1 the group's accounting policy for income taxes together with critical accounting estimates and judgments is described and in note 12 additional disclosures of income taxes are provided. Note 29 includes disclosures regarding contingent tax liabilities.

Our audit procedures
Our audit procedures included, but were not limited to:

- review of tax calculations to assess if the income tax expense and tax assets and liabilities have been appropriately accounted for,
- assessing management's processes for compliance with income tax legislation and transfer pricing requirements in the different countries,
- assessment of management's process for provision for tax contingencies, and
- evaluating management's assessment of future profit levels for entities with deferred tax assets on tax loss carry forwards.

Other information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–8. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the

disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Tele2 AB (publ) for the financial year 2016-01-01–2016-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 14 March 2017

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Definitions

Certain financial measures are presented in this 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.

The figures shown in parentheses correspond to the comparable period last year and continuing operation unless otherwise stated.

EBITDA
Operating profit/loss before depreciation/amortization and impairments, acquisition costs, one-off items and result from shares in associated companies and joint ventures.

EBITDA and EBITDA margin are presented to illustrate the profitability of the underlying business, excluding one-off items and historical investment decisions.

EBITDA-margin
EBITDA in relation to net sales excluding one-off items.

One-off items
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.

EBIT
Operating profit/loss including depreciation/amortization and impairments, acquisition costs, one-off items and result from shares in associated companies and joint ventures.

EBIT and EBIT margin are presented to provide a view of the profit/loss generated from operating activities.

EBIT-margin
EBIT in relation to net sales.

EBT
Profit/loss after financial items.

EBT is presented to provide a view of the profit/loss generated from operating activities and financing thereof.

Cash flow from operating activities
Operating transactions affecting cash (cash flow) and change in working capital.

Free cash flow
Cash flow after paid net investments in CAPEX and paid dismantling costs, but before net investment in shares and other financial assets.

Free cash flow is presented to provide a view of funds generated from operating activities which also includes investments in intangible and tangible assets.

Available liquidity
Cash and cash equivalents including undrawn borrowing facilities.

Available liquidity is presented to illustrate the scope for future investments and acquisitions and to assess future financing needs.

Net debt
The net of non-operating interest-bearing assets and liabilities (i.e. not including provisions and interest-bearing receivables related to phones and other equipment, while cash and cash equivalents, restricted cash and derivatives however are included).

Net debt and debt/equity ratio are presented as such measures are useful to illustrate the financial position, and economic net debt is presented to illustrate the indebtedness excluding any loans raised or guaranteed by Kazakhtelecom.

Economic net debt
Net debt excluding liabilities to Kazakhtelecom, liabilities guaranteed by Kazakhtelecom and earn-out obligation Kazakhstan.

Economic net debt to EBITDA (Leverage)
Economic net debt in relation to EBITDA rolling 12 months including pro forma acquired companies but only including Tele2's share (49 percent) of EBITDA in Kazakhstan.

CAPEX
Investments in intangible assets and property, plant and equipment excluding capitalized dismantling costs.

Debt/equity ratio
Net debt in relation to shareholders' equity at the end of the period.

Equity/assets ratio
Shareholders' equity in relation to total assets.

Equity/assets ratio is presented as it is a measure to follow the financial position.

ROCE (return on capital employed)
EBIT and financial revenues annualized to 12 months calculated as year-do-date amount adjusted pro rata, but adjusted so material one-off items are only included once in relation to capital employed (the net of average total assets, non-interest bearing liabilities and provision for asset dismantling).

ROCE is presented as it illustrates the return regardless of how investments have been financed (equity or debt).

Average interest rate
Interest expense on loan (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 in relation to average interest-bearing liabilities excluding provisions, debt related to equipment financing, balanced bank fees as well as adjusted for borrowings and amortizations during the period, and are calculated as an average of all the quarters' average.

Average interest rate is presented to illustrate the cost of debt-financed investments.

Earnings per share
Profit/loss for the period attributable to the parent company shareholders in relation to the weighted average number of shares outstanding during the fiscal year.

Equity per share
Equity attributable to parent company shareholders in relation to the weighted average number of shares outstanding during the fiscal year.

Equity per share is presented as it is a measure of the carrying value per share.

Cash flow from operating activities per share
Cash flow from operating activities in relation to the weighted average number of shares outstanding during the fiscal year.

Cash flow from operating activities per share is presented as it illustrates funds generated from operating activities per share.

Average number of employees
The average number of employees during the year, in which an acquired/sold company is reported in relation to the length of time the company has been a part of the Tele2 Group.

Number of employees (FTE)
Number of employees at the end of the period recalculated to number of full time employees.

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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 17 million customers in 9 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, content services and global 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 2016, Tele2 reported net sales of SEK 28 billion and reported an operating profit (EBITDA) of SEK 5.3 billion.