

2020

Interim Report
Second Quarter



TELE2

Q2 2020 HIGHLIGHTS

- Revenue of SEK 6.7 billion, a decline by 2% compared to Q2 2019 on an organic basis
- End-user service revenue of SEK 4.9 billion, a decline by 2% compared to Q2 2019 on an organic basis mainly due to negative impacts from the pandemic
- Underlying EBITDAaL of SEK 2.3 billion, an organic increase of 4% compared to Q2 2019 driven by cost reductions from 2019 and activities to mitigate the pandemic impact
- Net profit from total operations of SEK 0.9 billion (SEK 1.29 per share), SEK 1.2 billion lower compared to Q2 2019 as net profit last year included capital gains from the divestment of the Kazakhstan operation of SEK 1.6 billion
- Equity free cash flow from continuing operations of 1.0 billion, flat compared to Q2 2019. Equity free cash flow from continuing operations for the last twelve months of SEK 5.3 billion or roughly SEK 7.70 per share
- Financial guidance for 2020 reinstated; underlying EBITDAaL roughly flat compared to 2019 and capex excluding spectrum and leases of SEK 2.5–3.0 billion. Mid-term guidance reiterated (financial guidance on page 6)
- The Board's proposal of an extraordinary dividend of SEK 3.50 per share reinstated
- Tele2 established 5G leadership in Sweden through launch of Sweden's first public 5G network
- Continued progress on the fixed mobile convergence (FMC) strategy in Sweden with 242,000 customers now on FMC-offers
- Kjell Morten Johnsen will replace Anders Nilsson as President and CEO of Tele2 on September 15, 2020

Key financial data

SEK million	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
Continuing operations						
End-user service revenue	4,861	4,964	-2%	9,791	9,882	-1%
Revenue	6,650	6,794	-2%	13,337	13,537	-2%
Operating profit	1,173	431		2,361	1,478	
Profit after financial items	1,055	311		2,085	1,257	
Underlying EBITDAaL	2,268	2,187	4%	4,504	4,438	1%
Capex excluding spectrum and leases	667	549		1,185	1,177	
Operating cash flow	1,601	1,638		3,318	3,261	
Operating cash flow, rolling 12 months ¹⁾				6,927	6,368	
Equity free cash flow	972	995		2,305	1,325	
Equity free cash flow, rolling 12 months				5,310	2,472	
Total operations						
Net profit	895	2,130		2,075	3,154	
Earnings per share after dilution (SEK)	1.29	2.98		3.00	4.38	
Equity free cash flow	974	1,095		2,256	1,533	
Economic net debt to underlying EBITDAaL				2.4x	2.4x	

¹⁾ Including Com Hem proforma.



Continuing and discontinued operations

Figures presented in this report refer to Q2 (April-June) 2020 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2019. Discontinued operations include the former operations, primarily in Croatia and Kazakhstan. See Note 9.

Non-IFRS measures

This report contains certain non-IFRS measures which are defined and reconciliated to the closest reconcilable line items in the section *Non-IFRS measures* on page 27. Note that organic growth rates exclude effects from currency movements. For further definitions of industry terms and acronyms, please refer to the Investor section at www.tele2.com.



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“Thanks to our efforts to refocus the company, Tele2 fared relatively well in a quarter that has been difficult for the sector and society as a whole”

CEO WORD – Q2 2020

Thanks to our efforts to refocus the company to defend underlying EBITDAaL, Tele2 fared relatively well in a quarter that has been difficult for the sector and society as a whole. We took a major step to assert our position as a leading telecommunications provider as we launched Sweden's first public 5G network in the quarter. We saw continued progress on our fixed mobile convergence (FMC) strategy with 242,000 customers now on FMC-offers and we continued to execute on the planned backbook price adjustments in Sweden. With a better view of the pandemic impact and a solid plan of mitigations we are reinstating our guidance for 2020 and planned extraordinary dividend.

Q2 2020 summary

We saw a full quarter of the COVID-19 impact which had a negative effect of SEK 135 million on underlying EBITDAaL on a Group level (SEK 95 million in Sweden and SEK 40 million in the Baltics). The impact was largely as expected with the main headwinds coming from lower international roaming, declining equipment and mobile prepaid sales and suspension of premium sports in TV. At the same time we have refused to stay reactive during the pandemic. Instead, we have pushed some parts of our transformation program forward, and we have launched our first 5G sites, as the only Swedish operator being able to provide real 5G speeds.

Despite the headwinds from COVID-19, we were able to grow underlying EBITDAaL by 4% on a Group level with 3% in Sweden and 8% in the Baltics. Underlying EBITDAaL was supported by last year's synergies which had an annualized run-rate of SEK 800 million at the end of 2019, translating into SEK 200 million of underlying EBITDAaL on a quarterly basis. Since we reinvested some of the roughly SEK 100 million of synergies that we realized in Q2 2019, the net effect compared to last year was more than SEK 100 million this quarter. In addition, we were able to do some short-term mitigating actions.

Group organic end-user service revenue (EUSR) declined by 2% in the quarter with the Baltics growing by 6% while Sweden declined by 3%. In Sweden, consumer EUSR declined by 2% as continued growth in mobile

postpaid (4%) and fixed broadband (5%) was offset by declining mobile prepaid (-11%), digital TV (-12%), and fixed telephony & DSL (-21%). Consumer mobile postpaid remained resilient with solid net intake of 18,000 revenue generating units (RGUs). Average spend per user (ASPU) declined by only 1% compared to Q2 2019 despite a ~3 percentage point headwind from roaming. Similarly, fixed broadband showed solid results in the quarter with net intake of 10,000 RGUs and slight ASPU growth, in-line with pre pandemic trends. Mobile prepaid volumes deteriorated significantly with a net intake of -41,000 as lower traffic to retailers and lack of tourism had a negative effect on sales. The decline in EUSR from digital TV accelerated due to lower sales and suspension of premium sports packages leading to an ASPU decline of 8%. We expect TV trends to improve in the second half of the year as sports return and price adjustments take effect.

On the back of product improvements throughout 2019 such as upgrades to broadband speed and mobile data, we continued to implement backbook price adjustments on part of the fixed broadband and mobile postpaid customer base in the quarter. We reached roughly half of the total expected effect from price adjustments in the Q2 results and we expect to reach the full effect in Q3. We have notified almost all affected customers already and see a limited impact on churn levels, giving us comfort that the more-for-more strategy works.

Swedish business EUSR declined by 6%, driven by continued price pressure, lower international roaming revenue, lower contract activation during the pandemic and continued decline in legacy fixed services.

Reinstating guidance

As we now have greater clarity on the impact of the pandemic and our ability to mitigate through cost reductions, we reinstate our guidance for 2020. Our focus for 2020 will be to defend underlying EBITDAaL. We base this on the assumption that the negative effect on underlying EBITDAaL from COVID-19 will be approximately SEK 100-120 million per quarter throughout the year. As the incremental benefit from last year's cost reductions abate in the second half of 2020, we will compensate the drop in underlying EBITDAaL

through additional cost reductions. We enter Q3 2020 with an annualized run-rate of SEK 100 million in structural cost reductions and will initiate further savings to reach our 2020 guidance.

We expect capex excluding spectrum and leases to be SEK 2.5-3.0 billion in 2020 as we begin the rollout of 5G and upgrade our fixed network in Sweden. With our long-term strategy intact, we reiterate our guidance of low single-digit EUSR growth, mid-single-digit growth in underlying EBITDAaL and annual capex excluding spectrum and leases of SEK 2.8-3.3 billion for the mid-term.

Reinstating the extraordinary dividend

With more certainty in our ability to defend underlying EBITDAaL this year and return to growth next year, the Board has decided to bring back its proposal to distribute an extraordinary dividend of SEK 3.50 per share this year. The Board expects to call for an Extraordinary General Meeting, to be held in early September 2020. Pending shareholder approval, the extraordinary dividend will be distributed on October 7 along with the second tranche of the ordinary dividend. Barring any unexpected deterioration in the market during the second half of the year, we expect to be comfortably within our target leverage range of 2.5-3.0x underlying EBITDAaL by the end of the year after the distribution of the extraordinary dividend and the second tranche of the ordinary dividend.

Looking forward

Over the next few months, Tele2 will continue to monitor the impact of the pandemic and execute on mitigating actions to defend the underlying EBITDAaL, generate cash and maintain a strong balance sheet. Doing so successfully will enable Tele2 to pick up where we left off before the pandemic and continue executing on the mid-term growth strategy and business transformation program.

This is my last quarter as President and CEO of Tele2. Leaving was not an easy decision for me and there is no good time to leave a great company, but we have a highly capable and motivated team to make the next chapter of our strategy happen and I will cheer them on from the sideline. The sign of a resilient company is its ability to adapt quickly. Tele2's progress so far during these difficult times, switching focus away from growth, toward defending underlying EBITDAaL, demonstrates that this company is resilient and will remain so. I would like to extend my sincere gratitude to everyone who made this journey possible and supported the team and me. It has been a true honor.

Anders Nilsson

President and Group CEO

Financial overview

Analysis of income statement

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
End-user service revenue	4,861	4,964	9,791	9,882
Revenue	6,650	6,794	13,337	13,537
Underlying EBITDAaL	2,268	2,187	4,504	4,438
Reversal lease depreciation and interest	315	316	621	609
Underlying EBITDA	2,583	2,502	5,125	5,048
Items affecting comparability	-120	-271	-159	-532
EBITDA	2,463	2,231	4,967	4,515
Depreciation/amortization	-1,323	-1,276	-2,638	-2,522
– of which amortization of surplus from acquisitions	-301	-298	-602	-596
– of which lease depreciation	-299	-296	-588	-570
– of which other depreciation/amortization	-723	-682	-1,448	-1,356
Impairment	—	-452	—	-452
Result from shares in associated companies and joint ventures	32	-73	32	-63
Operating profit	1,173	431	2,361	1,478
Net interest and other financial items	-118	-120	-276	-221
Income tax	-199	-204	-407	-426
Net profit	855	107	1,677	831

Revenue decreased by 2% organically as growth in the Baltics was offset by decline in Sweden. EUSR declined by 2% organically, as growth in the Baltics was offset by decline in Sweden, explained mainly by COVID-19 related headwinds in Sweden consumer and continued decline in Sweden business EUSR.

Underlying EBITDAaL increased by 4% as a negative impact from the global pandemic of SEK 135m for the Group and decline in EUSR in Sweden was offset by continued growth in the Baltics, the effect from the 2019 cost reductions and mitigation measures.

Items affecting comparability of SEK -120 (-271) million included initial restructuring cost related to the business transformation program in Sweden which was announced in the Q4 2019 report. For more details please refer to Note 3.

Operating profit increased to SEK 1,173 (431) million mainly due to an impairment in Tele2 Estonia during Q2 2019.

Analysis of cash flow statement

SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Continuing operations				
Underlying EBITDA	2,583	2,502	5,125	5,048
Items affecting comparability	-120	-271	-159	-532
Amortization of lease liabilities	-262	-239	-634	-594
Capex paid	-728	-583	-1,329	-2,166
Changes in working capital	-90	-53	16	241
Net financial items paid	-209	-156	-312	-255
Taxes paid	-219	-225	-435	-485
Other cash items	17	21	32	69
Equity free cash flow	972	995	2,305	1,325
Equity free cash flow, rolling 12 months ¹⁾			5,310	2,472
Total operations				
Equity free cash flow, continuing operations	972	995	2,305	1,325
Equity free cash flow, discontinued operations	2	101	-49	208
Equity free cash flow	974	1,095	2,256	1,533

¹⁾ Reconciliation of equity free cash flow rolling 12 months are presented in an excel document (Q2 2020-financials to the market) on Tele2's website www.tele2.com

Capex paid increased to SEK -728 (-583) million due to increased investments into network and timing of customer equipment capex.

Changes in working capital of SEK -90 (-53) million reflects elevated inventory levels as a precaution during the pandemic, offsetting a positive effect from introduction of external handset financing in Lithuania.

Net financial items paid increased to SEK -209 (-156) million due to timing of bond coupon payments.

Equity free cash flow from continuing operations amounted to SEK 5.3 billion over the last twelve months or roughly SEK 7.70 per share.

Analysis of financial position

Total operations SEK million	Jun 30 2020	Dec 31 2019
Bonds	21,875	20,305
Commercial papers	—	1,100
Financial institutions and other liabilities	3,952	3,912
Cash and cash equivalents	-3,265	-448
Other adjustments	-229	-164
Economic net debt	22,333	24,705
Lease liabilities	5,230	6,111
Net debt	27,563	30,816
Underlying EBITDAaL, rolling 12 months²⁾	9,323	9,702
Economic net debt to Underlying EBITDAaL	2.4x	2.5x
Unutilized overdraft facilities and credit lines	8,902	8,716

²⁾ Includes all operations owned and controlled by Tele2 at the end of each reporting period.

Economic net debt of SEK 22.3 billion (24.7 billion year-end 2019), was reduced by SEK 2.4 billion driven by cash generation in the business and proceeds of SEK 2.0 billion from the sale of Tele2 Croatia fully covering the first tranche of the ordinary dividend of SEK 1.9 billion, paid out in May.

Economic net debt/underlying EBITDAaL (financial leverage) of 2.4x (2.5x year end 2019) was temporarily below our leverage target range of 2.5-3.0x. We expect financial leverage to return to the target range once the second half of the ordinary dividend of SEK 5.50 per share (SEK 1.9 billion) and the proposed extraordinary dividend of SEK 3.50 (SEK 2.4 billion) is paid out to shareholders in October 2020.

Financial guidance

Financial guidance – 2020 financial guidance reinstated – mid-term guidance reiterated

Tele2 AB provides the following guidance for continuing operations in constant currencies.

Full-year 2020

Due to the uncertainty related to the global pandemic, Tele2 temporarily suspended its financial guidance for 2020 in Q1 2020. As we now have greater clarity on the impact of the pandemic and our ability to mitigate with cost reductions, we reinstate our guidance for 2020. The guidance for 2020 assumes a negative quarterly impact on underlying EBITDAaL from the pandemic of SEK 100–120 million for the rest of the year.

New guidance for full-year 2020

- Roughly flat underlying EBITDAaL compared to 2019
- Capex excluding spectrum and leasing assets of SEK 2.5–3.0 billion

Mid-term

- Low single-digit growth of end-user service revenue
- Mid-single-digit growth of underlying EBITDAaL
- Annual capex excluding spectrum and leasing assets of SEK 2.8–3.3 billion during the roll-out of 5G and Remote-PHY

Dividend

The Annual General Meeting on May 11, 2020 approved an ordinary dividend of SEK 5.50 per ordinary A and B share, to be paid out in two equal tranches. The first tranche of SEK 2.75 was paid out to shareholders on May 18, 2020 and the second tranche will be paid out on October 7, 2020.

In addition, the Board intends to call for an Extraordinary General Meeting to propose an extraordinary dividend of SEK 3.50 per ordinary A and B share, also to be paid on October 7, 2020.

Financial policy

- Tele2 will seek to operate within a range for economic net debt to underlying EBITDAaL of between 2.5–3.0x, and to maintain investment grade credit metrics
- Tele2's policy will aim to maintain target leverage by distributing capital to shareholders through:
 - An ordinary dividend of at least 80 percent of equity free cash flow; and
 - Extraordinary dividends and/or share repurchases, based on remaining equity free cash flow, proceeds from asset sales and re-leveraging of underlying EBITDAaL growth

Group summary

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
END-USER SERVICE REVENUE						
Sweden	4,008	4,144	-3%	8,088	8,282	-2%
Lithuania	404	368	9%	798	719	9%
Latvia	222	219	1%	446	418	5%
Estonia	123	116	6%	250	226	9%
Germany	103	116	-11%	209	237	-13%
Total	4,861	4,964	-2%	9,791	9,882	-1%
REVENUE						
Sweden	5,356	5,516	-3%	10,787	11,035	-2%
Lithuania	679	648	4%	1,318	1,261	3%
Latvia	338	347	-3%	677	669	0%
Estonia	195	194	0%	394	376	3%
Germany	104	116	-11%	210	238	-13%
Internal sales, elimination	-23	-27	-15%	-50	-43	18%
Total	6,650	6,794	-2%	13,337	13,537	-2%
UNDERLYING EBITDAaL						
Sweden	1,816	1,755	3%	3,638	3,597	1%
Lithuania	272	244	11%	510	474	6%
Latvia	133	132	1%	258	247	3%
Estonia	39	35	11%	82	71	15%
Germany	42	53	-22%	83	110	-25%
Other	-33	-32	5%	-67	-60	13%
Total	2,268	2,187	4%	4,504	4,438	1%
CAPEX						
Sweden	595	463	29%	1,059	1,013	5%
Lithuania	27	30	-10%	45	57	-21%
Latvia	27	38	-29%	40	69	-43%
Estonia	18	18	-3%	40	38	4%
Germany	0	0	N/A	1	0	N/A
Capex excluding spectrum and leases	667	549	21%	1,185	1,177	0%
Spectrum	—	1		—	67	
Right-of-use assets (leases)	91	437		417	692	
Total	758	987		1,602	1,936	
<i>of which:</i>						
– Network	315	283		529	541	
– IT	176	184		337	378	
– Customer equipment	135	18		239	143	
– Other	42	65		80	115	
Capex excluding spectrum and leases	667	549		1,185	1,177	

Overview by segment

Sweden

Tele2 Sweden took a major step to assert its position as a leading tele-communications provider through the launch of Sweden's first public 5G network in the quarter.

While no nationwide quarantine has been ordered by the Swedish government, Tele2 Sweden is affected by international travel restrictions and the global pandemic's overall effect on economic activity. Effects from the pandemic were mainly related to reduction of international roaming, declining mobile prepaid sales and suspension of premium sports packages in TV.

Revenue decreased by 3 percent driven by lower end-user service revenue explained mainly by COVID-19 related headwinds in Sweden consumer and continued decline in Sweden business.

Underlying EBITDAaL increased by 3 percent in the quarter as mitigating activities and benefits from last year's cost reductions offset the roughly SEK 95 million of headwinds related to the global pandemic.

Financials SEK million	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
End-user service revenue	4,008	4,144	-3%	8,088	8,282	-2%
Revenue	5,356	5,516	-3%	10,787	11,035	-2%
Underlying EBITDA	2,086	2,033	3%	4,170	4,133	
Underlying EBITDAaL	1,816	1,755	3%	3,638	3,597	1%
Underlying EBITDAaL margin	34%	32%		34%	33%	
Capex						
Network	265	239		444	443	
IT	163	163		312	344	
Customer equipment	133	16		235	142	
Other	34	44		67	85	
Capex excluding spectrum and leases	595	463		1,059	1,013	
Right-of-use-assets (leases)	51	398		341	638	
Capex	646	861		1,400	1,651	
Capex excluding spectrum and leases / revenue	11%	8%		10%	9%	

Sweden Consumer

On the back of product improvements throughout 2019 such as upgrades of broadband speed and mobile data, we continued to implement backbook price adjustments on part of the fixed broadband and mobile postpaid customer base in the quarter. We see some effects of it in the quarter but expect the full effect in the second half of the year as more price adjustments become effective, including in digital TV.

Our FMC customer stock continued to grow with 242,000 customers now on FMC offers. We continue to see lower churn on this customer segment compared to single play connectivity customers.

Mobile postpaid saw continued strong net intake driven by the Tele2 family offer and bundled offers on Comviq. This was offset by negative net intake in mobile prepaid where sales were impacted by the pandemic. Mobile end-user service revenue grew by 1% as strong postpaid net intake

and backbook price adjustments offset headwinds from international roaming, lower variable revenue and the decline in mobile prepaid.

Fixed broadband EUSR increased by 5%, driven by strong net intake throughout the year.

The decline in digital TV EUSR accelerated to -12% due to lower activity in key sales channels during the pandemic and suspension of premium sports packages leading to a drop in ASPU.

	Apr-Jun 2020	Apr-Jun 2019	Jun 30 2020	Jun 30 2019	Organic %
	Net intake		RGU base		
RGUs (thousands)					
Mobile	-23	31	2,936	2,958	-1%
– Postpaid	18	19	1,923	1,841	4%
– Prepaid	-41	12	1,013	1,117	-9%
Fixed	-14	-10	2,140	2,191	-2%
– Fixed broadband	10	13	893	852	5%
– Digital TV	-13	-7	994	1,041	-5%
– Cable & Fiber	-5	2	657	663	-1%
– DTT	-8	-9	337	378	-11%
– Fixed telephony & DSL	-11	-15	253	298	-15%
Addressable fixed footprint	33	71	3,375	3,249	4%

	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
ASPU (SEK)						
Mobile	159	158	1%	159	156	2%
– Postpaid	203	204	-1%	204	204	0%
– Prepaid	78	81	-5%	79	79	1%
Fixed	225	233	-3%	227	232	-2%
– Fixed broadband	248	247	0%	247	247	0%
– Digital TV	237	258	-8%	243	257	-5%
– Cable & Fiber	209	234	-11%	215	235	-8%
– DTT	292	300	-3%	294	294	0%
– Fixed telephony & DSL	100	107	-7%	103	109	-6%
Revenue (SEK million)						
Mobile	1,404	1,394	1%	2,821	2,766	2%
– Postpaid	1,163	1,123	4%	2,322	2,234	4%
– Prepaid	241	272	-11%	499	532	-6%
Fixed	1,450	1,533	-5%	2,938	3,063	-4%
– Fixed broadband	660	627	5%	1,306	1,244	5%
– Digital TV	712	808	-12%	1,467	1,615	-9%
– Cable & Fiber	413	464	-11%	855	930	-8%
– DTT	299	344	-13%	613	685	-11%
– Fixed telephony & DSL	78	98	-21%	165	204	-19%
Landlord & Other	174	178	-2%	349	354	-1%
End-user service revenue	3,028	3,105	-2%	6,109	6,183	-1%
Operator revenue	167	220		329	410	
Equipment revenue	518	489		985	974	
Revenue	3,713	3,813	-3%	7,423	7,568	-2%

Sweden Business

Competition remained intense with price pressure within the SME segment and the public sector in the large enterprise segment where all players focus on defending the customer base. Within SME, Tele2 continue executing on the FMC offers launched in Q1 2020 and initiated a project to improve digital sales channels. Within large enterprise, Tele2 launched several proactive initiatives to offer products and solutions aimed at supporting customers during the pandemic.

Lower contract activation in large enterprise during the pandemic led to a negative net intake. New contracts signed include Rang-Sells, Primär, Ambea and renewals with Region Östergötland, Swedavia and Scania.

Total EUSR declined by 6% due to continued price pressure, lower international roaming revenue, lower contract activation during the pandemic and continued decline in legacy fixed services.

The decline in wholesale revenue was mainly driven by lower revenue from inbound roaming.

Sweden Business

	Apr-Jun 2020	Apr-Jun 2019		Jun 30 2020	Jun 30 2019	Organic %
	Net intake			RGU base		
RGUs (thousands)						
Mobile (excluding IoT)						
– Postpaid	-11	17		940	913	3%
	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
ASPU (SEK)						
Mobile (excluding IoT)						
– Postpaid	142	162	-13%	150	167	-10%
Revenue (SEK million)						
Mobile	457	482	-5%	945	982	-4%
Fixed	258	276	-7%	507	571	-11%
Solutions	265	282	-6%	528	545	-3%
End-user service revenue	980	1,040	-6%	1,980	2,098	-6%
Operator revenue	36	35		71	59	
Equipment revenue	397	378		820	826	
Revenue	1,412	1,452	-3%	2,870	2,983	-4%

Sweden Wholesale

Financials SEK million	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
Operator revenue	230	242		492	474	
Internal sales	1	10		3	10	
Revenue	232	251	-8%	494	485	2%

Baltics

Lithuania

Due to the global pandemic, Lithuania remained in a nationwide quarantine and Tele2 Lithuania's stores remained closed for most of the quarter. While the quarantine was lifted and stores opened up toward the end of the quarter, the pandemic had a negative effect on equipment and mobile prepaid sales as well as international roaming revenue.

While the net intake of mobile postpaid RGUs was positive, total net intake was negative due to the negative development in mobile prepaid.

Migration of customers to higher priced plans drove an ASPU increase of 9% compared to Q2 2019.

EUSR increased by 9% mainly driven by increased ASPU compared to Q2 2019. Underlying EBITDAaL increased by 11% in local currency driven by higher EUSR.

	Apr-Jun 2020	Apr-Jun 2019	Jun 30 2020	Jun 30 2019	Organic %
RGUs (thousands)	Net intake		RGU base		
Mobile	-25	18	1,853	1,875	-1%

	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
ASPU (EUR)						
Mobile	6.8	6.2	9%	6.7	6.1	9%
Revenue (SEK million)						
End-user service revenue	404	368	9%	798	719	9%
Operator revenue	67	63		129	123	
Equipment revenue	198	206		368	399	
Internal sales	11	11		24	20	
Revenue	679	648	4%	1,318	1,261	3%
Underlying EBITDA	289	259		543	504	
Underlying EBITDAaL	272	244	11%	510	474	6%
Underlying EBITDAaL margin	40%	38%		39%	38%	
Capex	34	38		70	67	
Capex excluding spectrum and leases	27	30		45	57	
Capex excluding spectrum and leases / revenue	4%	5%		3%	4%	

Latvia

Due to the global pandemic, Latvia remained in a nationwide quarantine and Tele2 Latvia's stores remained closed for most of the quarter. While the quarantine was lifted and stores opened up toward the end of the quarter, the pandemic had a negative effect on equipment and mobile prepaid sales as well as international roaming revenue.

While the net intake of mobile postpaid RGUs was positive and the new TV proposition started to gain traction, total net intake was negative due to the negative development in mobile prepaid.

Mobile ASPU increased by 2% compared to Q2 2019 driven by data monetization and growth in mobile broadband.

EUSR increased by 1% in local currency, driven by ASPU growth. Underlying EBITDAaL increased by 1% in local currency driven by higher EUSR.

	Apr-Jun 2020	Apr-Jun 2019	Jun 30 2020	Jun 30 2019	Organic %
RGUs (thousands)	Net intake		RGU base		
Mobile	-8	16	942	961	-2%

	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
ASPU (EUR)						
Mobile	7.3	7.2	2%	7.3	6.9	6%
Revenue (SEK million)						
End-user service revenue	222	219	1%	446	418	5%
Operator revenue	44	47		89	95	
Equipment revenue	64	75		123	147	
Internal sales	9	5		20	9	
Revenue	338	347	-3%	677	669	0%
Underlying EBITDA	144	141		279	266	
Underlying EBITDAaL	133	132	1%	258	247	3%
Underlying EBITDAaL margin	39%	38%		38%	37%	
Capex	51	60		72	161	
Capex excluding spectrum and leases	27	38		40	69	
Capex excluding spectrum and leases / revenue	8%	11%		6%	10%	

Estonia

Due to the global pandemic, Estonia remained in a nationwide quarantine and Tele2 Estonia's stores remained closed for most of the quarter. While the quarantine was lifted and stores opened up toward the end of the quarter, the pandemic had a negative effect on equipment and mobile prepaid sales as well as international roaming revenue.

While the net intake of mobile broadband and mobile postpaid RGUs within both business and consumer was solid in the quarter, total net intake was flat due to the negative development in mobile prepaid.

Mobile ASPU increased by 7% in local currency driven by upselling and continued gradual reduction of legacy discounts.

EUSR increased by 6% in local currency driven by growth in ASPU compared to Q2 2019. Underlying EBITDAaL increased by 11% in local currency driven by higher EUSR.

	Apr-Jun 2020	Apr-Jun 2019		Jun 30 2020	Jun 30 2019	Organic %
RGUs (thousands)	Net intake			RGU base		
Mobile	-0	8		428	439	-3%
	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
ASPU (EUR)						
Mobile	8.6	8.0	7%	8.6	7.8	10%
Revenue (SEK million)						
End-user service revenue	123	116	6%	250	226	9%
Operator revenue	33	34		67	65	
Equipment revenue	36	42		74	82	
Internal sales	2	2		4	3	
Revenue	195	194	0%	394	376	3%
Underlying EBITDA	56	47		115	94	
Underlying EBITDAaL	39	35	11%	82	71	15%
Underlying EBITDAaL margin	20%	18%		21%	19%	
Capex	27	28		59	57	
Capex excluding spectrum and leases	18	18		40	38	
Capex excluding spectrum and leases / revenue	9%	9%		10%	10%	

Other markets

Germany

The RGU base continued to decline with net intake of -7,000 in the quarter. The closing RGU base amounted to 236,000 (277,000) and EUSR declined by 11% as a result.

Underlying EBITDAaL decreased by 22% due to the decline in EUSR.

Financials SEK million	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
End-user service revenue	103	116	-11%	209	237	-13%
Equipment revenue	0	0		1	1	
Revenue	104	116	-11%	210	238	-13%
Underlying EBITDA	42	54		84	110	
Underlying EBITDAaL	42	53	-22%	83	110	-25%
Underlying EBITDAaL margin	40%	46%		39%	46%	

Other items

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors. The current spread of COVID-19 makes the importance of the services we provide greater than ever before. Nevertheless, this global pandemic adds uncertainty to our financial performance in 2020. As a consequence of the pandemic, we increased our bad debt provisions in Q1 2020. So far, realized credit losses have not increased materially, but we believe it is still too early to release these provisions. As our business model is resilient, the valuation of our segments shows no need for impairment, and when evaluating the credit market, we conclude that we have the ability to comfortably fund our business.

In the long term, the risk factors considered to be most significant to Tele2's future development are spectrum auctions, regulation, market competitiveness and changing technology, strategy implementation and

integration, network and IT infrastructure and quality, data protection and cyber security, external relationships, suppliers and joint ventures, customer churn, recruitment of skilled personnel, geopolitical conditions, environmental costs, corruption and unethical business practices and financial risks such as currency risk, interest risk, liquidity risk, credit risk, risks related to tax matters and impairment of assets. Please refer to Tele2's 2019 annual report (Administration report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

Other

Tele2 will release its financial and operating results for the period ending September 30, 2020 on October 20, 2020, and for the period ending December 31, 2020 on February 2, 2021.

Board's assurance

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

Stockholm, July 15, 2020
Tele2 AB

Carla Smits-Nusteling
Chairman

Andrew Barron
Deputy Chairman

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Georgi Ganev

Lars-Åke Norling

Anders Nilsson
President and CEO

Auditors' review report

Introduction

We have reviewed the interim report for Tele2 AB (publ) for the period January 1 - June 30, 2020. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm, July 15, 2020

Deloitte AB

Didrik Roos
Authorized Public Accountant

Q2 2020 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CET (09:00 am GMT/04:00 am EST) on Wednesday, July 15, 2020. The presentation will be held in English and also made available as a webcast on Tele2's website: www.tele2.com.

This information is information that Tele2 AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 07:00 am CET on July 15, 2020.

Dial-in information:

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

Dial-in numbers:

SE: +46 (0) 8 50 69 21 80
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Contacts

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Condensed consolidated income statement

SEK million	Note	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Revenue	2	6,650	6,794	13,337	13,537
Cost of services provided and equipment sold	2, 3	-3,810	-4,411	-7,598	-8,374
Gross profit		2,840	2,383	5,738	5,163
Selling expenses	2, 3	-1,191	-1,171	-2,349	-2,216
Administrative expenses	2, 3	-563	-691	-1,138	-1,367
Result from shares in associated companies and joint ventures		32	-73	32	-63
Other operating income		92	77	166	152
Other operating expenses	3	-37	-94	-88	-191
Operating profit	3	1,173	431	2,361	1,478
Interest income		5	8	10	14
Interest expenses		-111	-129	-261	-242
Other financial items		-12	2	-26	7
Profit after financial items		1,055	311	2,085	1,257
Income tax		-199	-204	-407	-426
Net profit, continuing operations		855	107	1,677	831
Net profit discontinued operations	9	40	2,022	397	2,323
Net profit, total operations		895	2,130	2,075	3,154
Continuing operations					
<i>Attributable to:</i>					
Equity holders of the parent company		855	107	1,677	831
Net profit, continuing operations		855	107	1,677	831
Earnings per share (SEK)	7	1.25	0.16	2.44	1.21
Earnings per share, after dilution (SEK)	7	1.24	0.15	2.43	1.20
Total operations					
<i>Attributable to:</i>					
Equity holders of the parent company		895	2,056	2,075	3,024
Non-controlling interests		—	74	—	130
Net profit, total operations		895	2,130	2,075	3,154
Earnings per share (SEK)	7	1.30	2.99	3.02	4.40
Earnings per share, after dilution (SEK)	7	1.29	2.98	3.00	4.38

Condensed consolidated comprehensive income

SEK million	Note	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
NET PROFIT		895	2,130	2,075	3,154
Components not to be reclassified to net profit					
Pensions, actuarial gains/losses		62	10	41	-98
Pensions, actuarial gains/losses, tax effect		-13	-2	-8	21
Components not to be reclassified to net profit/loss		49	8	33	-77
Components that may be reclassified to net profit					
Translation differences in foreign operations		-322	153	70	309
Tax effect on above		1	-17	-4	-32
Reversed cumulative translation differences from divested companies	9	—	514	352	-264
Tax effect on above	9	—	-290	-158	-168
Translation differences in associated companies		-404	92	31	233
Translation differences		-724	451	291	77
Hedge of net investments in foreign operations		196	-44	-15	-92
Tax effect on above		-42	9	3	20
Reversed cumulative hedge from divested companies	9	—	—	-143	721
Tax effect on above	9	—	—	41	-169
Hedge of net investments		154	-35	-114	480
Exchange rate differences		-570	416	178	557
Profit arising on changes in fair value of hedging instruments		3	-2	12	3
Reclassified cumulative profit/loss to income statement		-4	1	-11	-2
Tax effect on cash flow hedges		0	-1	-0	4
Cash flow hedges		-0	-3	1	4
Components that may be reclassified to net profit/loss		-570	414	178	561
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-521	422	211	484
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		374	2,551	2,286	3,637
<i>Attributable to:</i>					
Equity holders of the parent company		374	2,631	2,286	3,659
Non-controlling interests		—	-80	—	-22
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		374	2,551	2,286	3,637

Condensed consolidated balance sheet

SEK million	Note	Jun 30 2020	Dec 31 2019
ASSETS			
Goodwill		29,755	29,744
Other intangible assets		17,945	18,397
Intangible assets		47,699	48,140
Tangible assets		7,496	7,900
Right-of-use assets		5,323	5,713
Shares in associated companies and joint ventures		7,048	6,983
Other financial assets	4	710	756
Capitalized contract costs		452	374
Deferred tax assets		277	330
Non-current assets		69,007	70,197
Inventories		921	710
Current receivables		5,315	5,715
Cash and cash equivalents	5	3,265	448
Current assets		9,501	6,874
Assets classified as held for sale	9	20	2,713
TOTAL ASSETS		78,528	79,784
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company		33,336	34,805
Equity	7	33,336	34,805
Interest-bearing liabilities	4	26,166	27,752
Non-interest-bearing liabilities		4,232	4,360
Non-current liabilities		30,398	32,112
Interest-bearing liabilities	4	6,735	5,066
Non-interest-bearing liabilities		7,787	6,379
Current liabilities		14,522	11,445
Liabilities directly associated with assets classified as held for sale	9	272	1,421
TOTAL EQUITY AND LIABILITIES		78,528	79,784

Condensed consolidated cash flow statement

Total operations SEK million	Note	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Operating activities					
Net profit		895	2,130	2,075	3,154
Adjustments for non-cash items in net profit		1,159	67	2,219	1,417
Changes in working capital		-90	-84	-13	32
Cash flow from operating activities		1,964	2,112	4,281	4,602
Investing activities					
Additions to intangible and tangible assets		-728	-720	-1,372	-2,391
Acquisition and sale of shares and participations	8	1	2,343	2,132	4,695
Other financial assets, lending		-1	-5	-3	-5
Cash flow from investing activities		-728	1,619	757	2,300
Financing activities					
Proceeds from loans		1,711	2,132	1,790	3,888
Repayments of loans		-247	-1,729	-2,113	-6,366
Dividends paid	7	-1,894	-1,513	-1,894	-1,513
Cash flow from financing activities		-429	-1,110	-2,217	-3,991
Net change in cash and cash equivalents		806	2,621	2,821	2,910
Cash and cash equivalents at beginning of period		2,471	914	448	404
Exchange rate differences in cash and cash equivalents		-12	179	-4	398
Cash and cash equivalents at end of the period	5	3,265	3,713	3,265	3,713

Condensed consolidated statements of changes in equity

Total operations SEK million	Note	Jun 30, 2020							
		Attributable to equity holders of the parent company					Total	Non- controlling interests	Total equity
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings			
Equity at January 1		863	27,378	-207	3,306	3,465	34,805	—	34,805
Net profit		—	—	—	—	2,075	2,075	—	2,075
Other comprehensive income for the period, net of tax		—	—	-113	291	33	211	—	211
Total comprehensive income for the period		—	—	-113	291	2,107	2,286	—	2,286
Other changes in equity									
Share-based payments	7	—	—	—	—	30	30	—	30
Share-based payments, tax effect	7	—	—	—	—	4	4	—	4
Dividends	7	—	—	—	—	-3,787	-3,787	—	-3,787
Equity at end of the period		863	27,378	-320	3,597	1,818	33,336	—	33,336

Total operations SEK million	Note	Jun 30, 2019							
		Attributable to equity holders of the parent company					Total	Non- controlling interests	Total equity
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings			
Equity at January 1		863	27,378	-734	3,252	5,576	36,334	28	36,362
Net profit		—	—	—	—	3,024	3,024	130	3,154
Other comprehensive income for the period, net of tax		—	—	484	229	-77	635	-152	484
Total comprehensive income for the period		—	—	484	229	2,946	3,659	-22	3,637
Other changes in equity									
Share-based payments	7	—	—	—	—	61	61	—	61
Share-based payments, tax effect	7	—	—	—	—	11	11	—	11
Dividends	7	—	—	—	—	-3,026	-3,026	—	-3,026
Divestment of non-controlling interest	9	—	—	—	—	—	—	-6	-6
Equity at end of the period		863	27,378	-250	3,481	5,568	37,039	—	37,039

Parent company

Condensed income statement

SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Revenue	10	7	21	18
Administrative expenses	-42	-41	-80	-80
Other operating expenses	-2	-39	-4	-110
Operating loss	-33	-73	-63	-172
Interest revenue and similar income	31	39	75	75
Interest expense and similar costs	103	-146	-213	-286
Profit/loss after financial items	101	-180	-200	-382
Tax on profit/loss	-21	39	43	78
Net profit/loss	79	-141	-157	-304

Condensed balance sheet

SEK million	Note	Jun 30 2020	Dec 31 2019
ASSETS			
Financial assets	4	63,612	47,291
Non-current assets		63,612	47,291
Current receivables		3,788	5,391
Cash and cash equivalents		0	8
Current assets		3,789	5,399
TOTAL ASSETS		67,401	52,690
EQUITY AND LIABILITIES			
Restricted equity	7	5,848	5,848
Unrestricted equity	7	17,699	21,611
Equity		23,547	27,460
Interest-bearing liabilities	4	20,478	21,644
Non-current liabilities		20,478	21,644
Interest-bearing liabilities	4	5,008	3,367
Non-interest-bearing liabilities	4	18,367	220
Current liabilities		23,375	3,586
TOTAL EQUITY AND LIABILITIES		67,401	52,690

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim financial information for the Group for the six and three month period ended June 30, 2020 has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 *Reporting for legal entities* and other statements issued by the Swedish Financial Reporting Board. In all respects other than those described below, Tele2 has presented the financial statements for the period ended June 30, 2020 in accordance with the accounting policies and principles applied in the 2019 Annual Report. The description of these principles and definitions is found in Note 1 in the Annual Report 2019.

The amendments to IFRSs applicable from January 1, 2020 have no effects to Tele2's financial reports for the six month period ended June 30, 2020.

From January 1, 2020 Tele2 changed the measure of segment profit/loss to underlying EBITDAaL, please refer to the section Non-IFRS measures for the definition. In addition, the definition for operating cash flow (OCF) has been changed and is calculated as underlying EBITDAaL less capex excluding spectrum and leases.

Figures presented in this report refer to April 1 – June 30 (Q2), 2020 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2019.

NOTE 2 REVENUE AND SEGMENTS

Revenue per segment

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Sweden	5,356	5,516	10,787	11,035
Lithuania	679	648	1,318	1,261
Latvia	338	347	677	669
Estonia	195	194	394	376
Germany	104	116	210	238
Total including internal sales	6,673	6,821	13,387	13,580
Internal sales, elimination	-23	-27	-50	-43
TOTAL	6,650	6,794	13,337	13,537

Internal sales

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Sweden	2	10	3	10
Lithuania	11	11	24	20
Latvia	9	5	20	9
Estonia	2	2	4	3
TOTAL	23	27	50	43

Revenue split per category

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Sweden Consumer				
End-user service revenue	3,028	3,105	6,109	6,183
Operator revenue	167	220	329	410
Equipment revenue	518	489	985	974
Total	3,713	3,813	7,423	7,568
Sweden Business				
End-user service revenue	980	1,040	1,980	2,098
Operator revenue	36	35	71	59
Equipment revenue	397	378	820	826
Total	1,412	1,452	2,870	2,983
Sweden Wholesale				
Operator revenue	230	242	492	474
Internal sales	1	10	3	10
Total	232	251	494	485
Lithuania				
End-user service revenue	404	368	798	719
Operator revenue	67	63	129	123
Equipment revenue	198	206	368	399
Internal sales	11	11	24	20
Total	679	648	1,318	1,261
Latvia				
End-user service revenue	222	219	446	418
Operator revenue	44	47	89	95
Equipment revenue	64	75	123	147
Internal sales	9	5	20	9
Total	338	347	677	669
Estonia				
End-user service revenue	123	116	250	226
Operator revenue	33	34	67	65
Equipment revenue	36	42	74	82
Internal sales	2	2	4	3
Total	195	194	394	376
Germany				
End-user service revenue	103	116	209	237
Equipment revenue	0	0	1	1
Total	104	116	210	238
Internal sales, elimination	-23	-27	-50	-43
CONTINUING OPERATIONS				
End-user service revenue	4,861	4,964	9,791	9,882
Operator revenue	577	641	1,176	1,225
Equipment revenue	1,212	1,189	2,370	2,429
TOTAL	6,650	6,794	13,337	13,537

Underlying EBITDAaL

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Sweden	1,816	1,755	3,638	3,597
Lithuania	272	244	510	474
Latvia	133	132	258	247
Estonia	39	35	82	71
Germany	42	53	83	110
Other	-33	-32	-67	-60
TOTAL	2,268	2,187	4,504	4,438

NOTE 3 OPERATING PROFIT

Reconciling items to reported operating profit/loss

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Underlying EBITDAaL	2,268	2,187	4,504	4,438
Reversal lease depreciation and interest	315	316	621	609
Underlying EBITDA	2,583	2,502	5,125	5,048
Acquisition costs	-3	-42	-4	-86
Restructuring costs	-114	-227	-153	-382
Disposal of non-current assets	-2	-2	-2	-4
Other items affecting comparability	-0	1	-0	-61
Items affecting comparability	-120	-271	-159	-532
EBITDA	2,463	2,231	4,967	4,515
Depreciation/amortization	-1,323	-1,276	-2,638	-2,522
Impairment	—	-452	—	-452
Result from shares in associated companies and joint ventures	32	-73	32	-63
Operating profit	1,173	431	2,361	1,478

Acquisition costs

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Com Hem, Sweden	-0	-30	-0	-73
Other	-3	-13	-3	-13
Acquisition costs	-3	-42	-4	-86

Restructuring costs

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Redundancy costs	-65	-192	-70	-303
Other employee and consultancy costs	-18	-32	-34	-67
Exit of contracts and other costs	-32	-3	-48	-12
Restructuring costs	-114	-227	-153	-382
Reported as:				
– Cost of services provided	-17	-75	-21	-93
– Selling expenses	-54	-93	-68	-169
– Administrative expenses	-44	-58	-64	-120

Disposal of non-current assets

Disposal of non-current assets are reported as other operating income and other operating expenses.

Other items affecting comparability

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Provision for roaming dispute, Sweden	—	1	—	-55
Adjustment of expected credit loss rate, Lithuania	—	0	—	18
Incentive program: adjustment of performance level	—	0	—	-24
Total	—	1	—	-61
Reported as:				
– Costs of services provided	—	0	—	-59
– Selling expenses	—	0	—	11
– Administrative expenses	—	0	—	-13

Impairment

In Q2 2019, a goodwill impairment of SEK 452 million was recognized in Estonia. Please refer to the 2019 Annual Report for further information.

NOTE 4 FINANCIAL ASSETS AND LIABILITIES

As of the date of this report, Tele2 has a credit facility with a syndicate of ten banks maturing in 2024.

In June 2020, Tele2 issued SEK 1.7 billion of five year bonds. The issuance was divided in a floating rate tranche of SEK 1.2 billion with a coupon of STIBOR 3m +1.2 percentage points and a fixed rate tranche of SEK 500 million with a coupon of 1.375 percent. The notes have been issued under

Tele2's EMTN program and are listed for trading on the Luxembourg Stock Exchange.

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds, lease liabilities and accounts payables. For the category "Liabilities to financial institutions and similar liabilities" the reported value amounted on June 30, 2020 to 25,391 (24,899) million and the fair value to SEK 25,978 (25,652) million.

During the first six months 2020, 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.

Parent company

During the second quarter of 2020, a Group internal company restructuring was carried out, with the subsidiary Com Hem AB merging with Tele2 Sverige AB. As a result of the restructuring, Tele2 AB's shares in subsidiaries increased by SEK 14 billion with a corresponding increase in net debt to Group companies. The transaction has had no effect on the Group's financial statements.

NOTE 5 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations (Svenska UMTS-nät AB and Net4Mobility HB, Sweden and SIA Centuria, Latvia), for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at June 30, 2020 to SEK 56 million (December 31, 2019: SEK 65 million). Other transactions with joint operations and other related parties are presented in Note 37 of the 2019 Annual Report.

NOTE 6 CONTINGENT LIABILITIES

Total operations SEK million	Jun 30 2020	Dec 31 2019
Tax deduction exchange loss	352	350
Total contingent liabilities	352	350

On April 1, 2019 Tele2 was notified that the Swedish Tax Agency rejects Tele2's claim for a deduction of an exchange loss of SEK 1.8 billion related to a conversion of a shareholder loan to Tele2 Kazakhstan from USD to Kazakh Tenge in connection to the establishment of Tele2's previously jointly owned company in Kazakhstan. The tax authority has in September 2019 partly accepted the claimed deduction with SEK 0.7 billion. The additional tax claim on the remainder amounts to SEK 241 million and a tax surcharge and interest of SEK 111 million. Tele2 has appealed the decision and assesses it as probable that the appeal will be successful. No provision has been recognized.

NOTE 7 EQUITY, NUMBER OF SHARES AND INCENTIVE PROGRAMS

Number of shares

	Jun 30 2020	Dec 31 2019
Total number of shares	690,341,597	690,341,597
Number of treasury shares	-1,714,023	-2,411,044
Number of outstanding shares	688,627,574	687,930,553
Number of outstanding shares, weighted average	688,156,673	687,532,589
Number of shares after dilution	692,645,695	691,192,229
Number of shares after dilution, weighted average	691,154,910	690,751,970

As a result of share rights in the LTI 2017 being exercised during Q2 2020, Tele2 delivered 683,346 B-shares in treasury shares to the participants in the program. As a result of early vesting of the LTI 2017–2019 being exercised in Q1 2020, Tele2 delivered 13,675 B-shares in treasury shares to some of the participants in the program at a weighted average share price of SEK 137.62.

In Q1 2020, 20,517 of class A shares were reclassified into class B shares. Changes in shares during previous year are stated in Note 25 in the 2019 Annual Report.

Outstanding share right programs

	Jun 30 2020	Dec 31 2019
LTI 2020	1,493,552	—
LTI 2019	1,395,497	1,395,024
LTI 2018	1,129,072	1,154,334
LTI 2017	—	712,318
Total outstanding share rights	4,018,121	3,261,676

All outstanding long-term incentive programs (LTI 2018, LTI 2019 and LTI 2020) are based on the same structure, except for that LTI 2020 have an operating cash flow performance measure. Additional information regarding the objective, conditions and requirements related to the LTI programs is stated in Note 33 of the 2019 Annual Report. During the six months in 2020, the total cost including social security costs for the long-term incentive programs (LTI) amounted to SEK 46 (93) million before tax, whereof items affecting comparability SEK 0 (45) million.

LTI 2020

At the Annual General Meeting held on May 11, 2020, the shareholders approved a retention and performance based incentive program (LTI 2020) for senior executives and other key employees in the Tele2 Group. Subject to fulfilment of certain retention and performance based conditions during the periods January 1, 2020 – December 31, 2022 (the “Cash flow Measurement Period”) and April 1, 2020 – March 31, 2023 (the “TSR Measurement Period”) and the participant maintaining the invested shares at the release of the interim report for January – March 2023 and, with certain exceptions, maintaining the employment within the Tele2 Group, each right entitles the participant to receive one Tele2 share free of charge. Total costs before tax for outstanding rights in the incentive program are expensed over the three year vesting period. These costs are expected to amount to SEK 120 million, of which social security costs amount to SEK 42 million. To ensure the delivery of Class B shares under the program, the Annual General Meeting decided to authorize the Board of Directors to resolve on a directed share issue of a maximum of 3,000,000 Class C shares and subsequently to repurchase the Class C shares. The Board of Directors has not yet used its mandate. The AGM did not approve transfer of own Class B shares to the participants in LTI 2020, and the Board will therefore come back with a proposal or information regarding method for vesting according to the program.

LTI 2017

The exercise of the share rights in LTI 2017 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2017 until March 31, 2020. The outcome of these performance conditions was in accordance with below and the outstanding share rights of 683,346 have been exchanged for shares in Tele2 during Q2 2020.

Series	Retention and performance-based conditions	Minimum hurdle (20%)	Stretch targets (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		>=0%	86.0%	100%
Series B	Average normalized Return on Capital Employed (ROCE)	5.5%	8%	15.2%	100%
Series C	Total Shareholder Return Tele2 (TSR) compared to a peer group	>0%	>=10%	91.4%	100%

Dividend

The Annual General Meeting held on May 11, 2020 resolved on a dividend of SEK 5.50 (4.40) per share in respect of the financial year 2019 to be paid in two equal tranches during 2020. This corresponds to a total of SEK 3.8 billion. The first dividend payment was distributed to the shareholders on May 18, 2020 amounting to SEK 1,894 (1,513) million, the second dividend payment is estimated to be distributed to the shareholders on October 7, 2020. In addition, the board will propose to the Extraordinary General Meeting, an extraordinary dividend of SEK 3.50 per share (SEK 2.4 billion), to be paid along with the second tranche of the ordinary dividend in October 2020.

NOTE 8 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Acquisitions				
Mobile payments, Lithuania	—	-0	—	-4
Other minor acquisitions	—	—	-5	—
Total acquisition of shares and participations	—	-0	-5	-4
Divestments				
Tele2 Kazakhstan	—	2,344	—	2,344
Tele2 Netherlands	—	-0	—	2,355
Tele2 Croatia	-0	—	2,031	—
Earn out settlement Tele2 Austria	-0	—	100	—
Other minor divestments	1	—	6	—
Total sale of shares and participations	1	2,343	2,137	4,699
TOTAL CASH FLOW EFFECT	1	2,343	2,132	4,695

Information on acquisitions and divestments made in 2019 is provided in the 2019 Annual Report in Note 15 and Note 36, respectively. For information on the discontinued operations in Croatia, please refer to Note 9.

NOTE 9 DISCONTINUED OPERATIONS

Tele2 Croatia

On May 31, 2019 Tele2 announced the agreement to sell its Croatian business to United Group, and on March 3, 2020 the divestment was completed. The net proceeds to Tele2 was SEK 2.0 billion. A capital gain of SEK 0.2 billion, or SEK 0.4 billion excluding exchange rate differences recycled from other comprehensive income, is reported. Tele2 Croatia is reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods.

Net assets at the time of divestment

SEK million	Croatia Mar 3, 2020
Other intangible assets	166
Tangible assets	835
Right-of-use assets	476
Financial assets	119
Capitalized contract costs	36
Deferred tax assets	54
Inventories	91
Current receivables	857
Cash and cash equivalents	32
Non-current provisions	-142
Non-current interest-bearing liabilities	-1,140
Current interest-bearing liabilities	-133
Current non-interest-bearing liabilities	-505
Divested net assets	747
Capital gain, excluding sales costs	584
Sales price	1,331
Price adjustments, non-cash	-20
Repayment of loans	751
Less: cash in divested operations	-32
TOTAL CASH FLOW EFFECT	2,031

Income statement

All discontinued operations are included below. Tele2 Croatia was divested on March 3, 2020. Tele2 Netherlands and Tele2 Kazakhstan were divested in 2019. The positive effect related to Austria refers to final settlement with Hutchison Drei Austria GmbH (Three Austria) for an earn-out attached to the divestment in 2017. Tele2 received the payment in January 2020.

Discontinued operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Revenue	-2	1,391	327	2,651
Cost of services provided and equipment sold	1	-791	-192	-1,546
Gross profit	-1	599	134	1,105
Selling expenses	0	-166	-57	-314
Administrative expenses	0	-86	-36	-165
Other operating income	0	4	0	6
Other operating expenses	0	-0	-1	-1
Operating profit	-0	351	41	631
Interest income	—	2	—	3
Interest expenses	0	-58	-2	-91
Other financial items	—	-101	—	-129
Profit after financial items	-0	194	39	415
Income tax from the operation	0	-60	-8	-108
Net profit from the operation	-0	134	31	307
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain	40	1,598	250	1,679
– of which Croatia	30	—	243	—
– of which Netherlands, sold 2019	10	-10	-2	71
– of which Kazakhstan, sold 2019	—	1,608	—	1,608
– of which Austria, sold 2017	-0	—	9	—
Income tax from capital gain	—	290	116	337
– of which Croatia	—	—	116	—
– of which Netherlands, sold 2019	—	—	—	47
– of which Kazakhstan, sold 2019	—	290	—	290
NET PROFIT	40	2,022	397	2,323
<i>Attributable to:</i>				
Equity holders of the parent company	40	1,948	397	2,193
Non-controlling interests	—	74	—	130
NET PROFIT	40	2,022	397	2,323
Earnings per share (SEK)	0.05	2.83	0.58	3.19
Earnings per share, after dilution (SEK)	0.05	2.83	0.57	3.18

Balance sheet

Liabilities associated with assets held for sale as of June 30, 2020 refer to provisions for price adjustments and similar for divested operations. As of December 31, 2019, the now divested Tele2 Croatia is also included.

Discontinued operations SEK million	Jun 30 2020	Dec 31 2019
ASSETS		
Other intangible assets	—	167
Intangible assets	—	167
Tangible assets	—	823
Right-of-use assets	—	468
Financial assets	—	115
Capitalized contract costs	—	37
Deferred tax assets	—	53
Non-current assets	—	1,663
Inventories	—	62
Current receivables	20	979
Current investments	—	9
Current assets	20	1,050
Assets classified as held for sale	20	2,713
LIABILITIES		
Interest-bearing liabilities	190	734
Non-current liabilities	190	734
Interest-bearing liabilities	74	129
Non-interest-bearing liabilities	8	559
Current liabilities	82	687
Liabilities directly associated with assets classified as held for sale	272	1,421

Cash flow statement

Discontinued operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Cash flow from operating activities	2	295	13	518
Cash flow from investing activities	0	2,207	2,093	4,473
Cash flow from financing activities	0	1,859	-30	1,810
Net change in cash and cash equivalents	2	4,361	2,076	6,801

NOTE 10 EVENTS AFTER THE END OF THE SECOND QUARTER

On July 6, 2020 it was announced that Anders Nilsson will step down as President and CEO for the Tele2 Group on September 14, 2020. He will be replaced by Kjell Morten Johnsen who will start his position on September 15, 2020.

Non-IFRS measures

This report contains certain financial measures that are not defined by IFRS but are used by Tele2 to assess the financial performance of the business. These measures are included in the report as they are considered important supplementary measures of operating performance and liquidity. They should not be considered a substitute to Tele2's financial statements prepared in accordance with IFRS. Tele2's definitions of these measures are described below, but other companies may calculate non-IFRS measures differently and these measures are therefore not always comparable to similar measures used by other companies.

EBITDA

Tele2 considers EBITDA to be a relevant measure to present profitability aligned with industry standard.

EBITDA: Operating profit/loss before depreciation/amortization, impairment as well as results from shares in associated companies and joint ventures.

Underlying EBITDA

Tele2 considers underlying EBITDA to be a relevant measure to present in order to illustrate the profitability of the underlying business, and as these are used by management to assess the performance of the business.

Underlying EBITDA: EBITDA excluding items affecting comparability.

Items affecting comparability: Disposals of non-current assets 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 as well as other items that affect comparability.

Underlying EBITDAaL and underlying EBITDAaL margin

Tele2 considers underlying EBITDAaL and the related margin to be relevant measures of the business performance since underlying EBITDAaL includes the cost of leased assets (depreciation and interest), which is not included in underlying EBITDA according to IFRS 16.

Underlying EBITDAaL: Underlying EBITDA as well as lease depreciation and lease interest costs according to IFRS 16.

Underlying EBITDAaL margin: Underlying EBITDAaL in relation to revenue excluding items affecting comparability.

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Operating profit	1,173	431	2,361	1,478
Reversal:				
Result from shares in associated companies and joint ventures	-32	73	-32	63
Depreciation and amortization	1,323	1,728	2,638	2,974
EBITDA	2,463	2,231	4,967	4,515
Reversal, items affecting comparability:				
Acquisition costs	3	42	4	86
Restructuring costs	114	227	153	382
Disposal of non-current assets	2	2	2	3
Other items affecting comparability	—	-1	—	61
Total items affecting comparability	120	271	159	532
Underlying EBITDA	2,583	2,502	5,125	5,048
Lease depreciation	-299	-296	-588	-570
Lease interest costs	-16	-20	-33	-39
Underlying EBITDAaL	2,268	2,187	4,504	4,438
Revenue	6,650	6,794	13,337	13,537
Revenue excluding items affecting comparability	6,650	6,794	13,337	13,537
Underlying EBITDAaL margin	34%	32%	34%	33%

Non-IFRS measures – Capex paid and capex

Tele2 considers capex paid relevant to present as it provides an indication of how much the company invests organically in intangible and tangible assets to maintain and expand its business. Tele2 believes that it is relevant to present capex to provide a view on how much Tele2 invests organically in intangible and tangible assets as well as in right-of-use assets (lease) to maintain and grow its business that is not dependent on the timing of cash payments.

Capex paid: Cash paid for the additions to intangible and tangible assets net of cash proceeds from sales of intangible and tangible assets.

Capex: Additions to intangible assets, tangible assets and right-of-use assets (lease) that are capitalized on the balance sheet.

SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
TOTAL OPERATIONS				
Additions to intangible and tangible assets	-728	-725	-1,372	-2,396
Sale of intangible and tangible assets	-0	6	0	6
Capex paid	-728	-720	-1,372	-2,391
This period's unpaid capex and reversal of paid capex from previous period	60	15	171	875
Reversal received payment of sold intangible and tangible assets	0	-6	-0	-6
Capex intangible and tangible assets	-667	-710	-1,201	-1,521
Additions to right-of-use assets	-91	-495	-439	-851
Capex	-758	-1,205	-1,640	-2,373
CONTINUING OPERATIONS				
Additions to intangible and tangible assets	-728	-588	-1,329	-2,171
Sale of intangible and tangible assets	-0	5	0	5
Capex paid	-728	-583	-1,329	-2,166
This period's unpaid capex and reversal of paid capex from previous period	61	39	144	926
Reversal received payment of sold intangible and tangible assets	0	-5	-0	-5
Capex intangible and tangible assets	-667	-550	-1,185	-1,245
Additions to right-of-use assets	-91	-437	-417	-692
Capex	-758	-987	-1,602	-1,936

Non-IFRS measures – Operating cash flow

Tele2 considers operating cash flow a relevant measure to present as it gives an indication of the profitability of the underlying business while also taking into account the investments needed to maintain and grow the business.

Operating cash flow: Underlying EBITDAaL less capex excluding spectrum and leases.

Continuing operations SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Underlying EBITDAaL	2,268	2,187	4,504	4,438
Capex excluding spectrum and leases	-667	-549	-1,185	-1,177
Operating cash flow	1,601	1,638	3,318	3,261

Non-IFRS measures – Equity free cash flow

Tele2 considers equity free cash flow to be relevant to present as it provides a view of funds generated from operating activities that also includes investments in intangible and tangible assets. Management believes that equity free cash flow is meaningful to investors because it is the measure of

the Group's funds available for acquisition related payments, dividends to shareholders, share repurchases and debt repayment.

Equity free cash flow: Cash flow from operating activities less capex paid and amortization of lease liabilities.

SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
TOTAL OPERATIONS				
Cash flow from operating activities	1,964	2,112	4,281	4,602
Capex paid	-728	-720	-1,372	-2,391
Amortization of lease liabilities	-262	-297	-653	-679
Equity free cash flow	974	1,095	2,256	1,533
CONTINUING OPERATIONS				
Cash flow from operating activities	1,962	1,817	4,268	4,085
Capex paid	-728	-583	-1,329	-2,166
Amortization of lease liabilities	-262	-239	-634	-594
Equity free cash flow	972	995	2,305	1,325

Non-IFRS measures – Net debt and economic net debt

Tele2 believes that net debt is relevant to present as it is useful to illustrate the indebtedness, financial flexibility, and capital structure. Furthermore, economic net debt is considered relevant as it excludes lease liabilities, and thereby consistently can be put in relation to underlying EBITDAaL when measuring financial leverage.

Net debt: Interest-bearing non-current and current liabilities excluding provisions, less cash and cash equivalents, current investments, restricted cash and derivatives. Net debt includes equipment financing from Q2 2020.

Economic net debt: Net debt excluding lease liabilities. Prior to the completion of the Kazakhstan divestment, also liabilities to Kazakhtelecom, liability for earn-out obligation in Kazakhstan and loan guaranteed by Kazakhtelecom are excluded.

Total operations SEK million	Jun 30 2020	Dec 31 2019
Interest-bearing non-current liabilities	26,166	27,752
Interest-bearing current liabilities	6,735	5,066
Reversal equipment financing	—	-139
Reversal provisions	-1,844	-1,774
Cash & cash equivalents, current investments and restricted funds	-3,266	-448
Derivatives	-228	-154
Net debt for assets classified as held for sale	—	513
Net debt	27,563	30,816
Reversal:		
Lease liabilities	-5,230	-6,111
Economic net debt	22,333	24,705

Organic

Tele2 believes that organic growth rates are relevant to present as they exclude effects from currency movements but include effects from divestments and acquisitions as if these occurred on the first day of each reporting period and are therefore providing an indication of the underlying performance.

Organic growth rates: Calculated at constant currency, meaning that comparative figures have been recalculated using the currency rates for the current period, but including effects from divestments and acquisitions as if these occurred on the first day of each reporting period.

Reconciliation of proforma figures are presented in an excel document (Q2 2020-financials to the market) on Tele2's website www.tele2.com.



TELE2