2019

Tele2 Annual Report

FINANCIAL CALENDAR 2020

MAY 11

Annual general meeting 2020
–
Stockholm

FEB 3

Full year report
January – December 2019

APR 21

Interim report
January – March 2020

JUL 15

Interim report
January – June 2020

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Interim report
January – September 2020

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CEO word

> "With the groundwork done in 2019 we look forward to executing on the next phase of business transformation, turning Tele2 into the smartest telco in the world.

2019 has been a transformative year as we finished the integration of Com Hem and set Tele2 up for its journey to become the smartest telco in the world. We completed the transactions in Kazakhstan and the Netherlands, changing the profile of the Tele2 Group to focus on our core Baltic Sea footprint where we have the scale and market position to drive sustainable growth. With a strong foundation in the Baltics, a clear focus on fixed-mobile-convergence in Sweden and a new business transformation program we can now execute on our goal to return to growth.

In 2019 Tele2 underwent significant changes, laying the foundation for our new vision to turn Tele2 into the smartest telco in the world and deliver growth while operating a more lean and efficient organization. The merger with Com Hem allowed us to launch a completely new strategy in the Swedish consumer market as we added fixed services to our toolbox. We launched the fixed-mobile-convergence (FMC) more-for-more strategy and managed to get 219,000 customers on FMC-benefits by the end of the year, representing about three quarters of the overlapping customer base. We carried out a major rebranding campaign of the Tele2 brand, lifting it into a premium position in the market. Following this campaign, which was the most well received marketing campaign in Tele2's history, we introduced new Tele2 family offers and implemented frontbook price adjustment on Tele2.

We launched a new mobile brand, Com Hem Mobile, and we are happy with the progress so far. In fact, we saw great momentum across all our mobile brands, leading to the first full-year positive net intake of mobile subscribers in four years.

While the Swedish B2B market remains challenging, we made efforts in 2019 to set us up for a future turnaround. We have separated the Large Enterprise and SME units for a more efficient and focused setup. As we see SME as an area where Tele2 is yet to reach its full potential, we put a lot of effort in developing our capabilities there. We end the year as a stronger challenger within SME as we have built up our sales capabilities, revamped the mobile portfolio and launched FMC offers.

The Baltics continued its great performance and we finally saw a turnaround in Estonia with end-user service revenue growth for the full year. We also took a step to strengthen our network position by entering a network sharing agreement in Latvia and Lithuania, using the knowledge we have from many years of successful network sharing in Sweden.

Launching the next phase of business transformation

With a more focused geographical footprint and the Com Hem integration completed we can now run Tele2 in a more efficient way. We changed the organizational structure to better reflect the current asset portfolio and strategy, shrinking the group structure and setting Tele2 up as a flatter organization.

With all this progress we have completed phase one of the Tele2 transformation, turning Tele2 into an integrated operator. This enables us to begin the next phase which starts with our new vision to become the smartest telco in the world, creating a society of unlimited possibilities. For us this means radical simplification and customer focus. It means doing things simpler within a flat and fast organization, always with a focus on simplification and delivering value for our customers. Everyone should have a clear mandate and accountability, within a fact-based and performance-driven operation. This mindset allows us to quickly adapt to the world around us, and continously modernize our operations. It also means working with distinctly positioned leading brands, providing our customers with smart combined offerings for mobile connectivity, broadband, and next generation TV and play services, covering the entire household and being an outstanding partner to businesses and the public sector.

We believe that this vision and the new governance model will drive positive change over the next few years as we launch a new business transformation program which is expected to reduce opex by at least SEK 1 billion over the next three years. While this transformation will result in a significant reduction of opex, that is not the goal in itself. We aim to operate smarter and reduce complexity which in the end means serving the customer in the best way possible while operating an efficient and fast organization.

Increasing focus on sustainability

This has been a year where we have seen a continued increase in the importance of sustainability for society as a whole. For us as a company we can clearly see how sustainability is ever higher on the agenda of our customers, investors and employees. This means that sustainability must be a foundation for our business. A focus for our efforts during the year has been to complete the integration of the sustainability efforts of Tele2 and Com Hem, following our merger. Our goal with this integration has been to take the best parts of both companies' previous work, and leverage this to ensure the best possible impact.

Our focus areas during the year have been: Environment, Ethics & Compliance, Privacy & Integrity, Child Protection and Diversity & Inclusion. These have remained the same as the previous year, as we still consider these to be the most material issues for us to work with. Among the activities that we have undertaken during the year, there are a few that we would like to highlight. As a part of our focus area Environment we have started reporting our carbon footprint to CDP, committed to setting science-based targets, taken the lead role in a new EU research project called AI4Green, and updated our environmental policy. In our focus area Ethics & Compliance we have produced an exit report from Kazakhstan, highlighting the transparency which has been a guiding principle during our presence in this market.

We have also launched new anti-corruption and fair competition policies, as well as an updated version of our whistleblower policy. Improving our gender balance is a key activity for us as a company, emphasized by our focus area Diversity & Inclusion. During the year we have committed to becoming a gender balanced company by 2023 on three levels: executive management team, managers, and all employees. To further this commitment, we have introduced a principle in our Swedish organization we call 2+1, meaning that we should strive to recruit two women for each man we hire.

2019 has been a year where we have continued to receive recognition for the work that we do within sustainability. We have maintained our MSCI AAA-rating which puts us in the top 9 percent globally in the telecommunication services industry, and we have improved our RobecoSAM score. We were ranked as the 2nd best Swedish company and 35th in the world in Equileap's global gender equality report. In the bi-annual "Walking the Talk" report by Misum at the Stockholm School of Economics we were given the highest "walk" score among all Swedish technology and telecommunications companies, praising our sustainability progress. I am proud of the progress that we have made in 2019, and pleased that we are recognized for the hard work that we do.

Looking forward

Thanks to the hard work and dedication of the Tele2 employees we have achieved a lot in just one year, completing phase one of Tele2's transformation and turning the company into an integrated operator. With the groundwork done in 2019 we look forward to executing on the next phase of business transformation, turning Tele2 into the smartest telco in the world.

Anders Nilsson
President and CEO

Board of directors

Carla Smits-Nusteling

Chairman of the Board, elected in 2019 | Board member since 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: Member 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

Andrew Barron

Deputy Chairman of the Board, elected in 2019 | Board member since 2018

Born: 1965 | **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: 56,140 B shares

Committee work: Chairman of the Remuneration Committee

Other current assignments: Board Member of Ocean Outdoor Limited

Previous assignments: Chairman of the Board of Com Hem Holding AB, Arris International plc, COO of Virgin Media inc. and MTG, CEO of Chellomedia, Executive Vice President of Walt Disney Europe and management consultant at McKinsey & Co

Education: Bachelor's Degree, MBA

Anders Björkman

Board member, elected in 2017

Born: 1959 | **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: 7,000 B shares

Committee work: Member of the Remuneration Committee

Other current assignments: Chairman of the Board of Ovzon AB, Vinnergi Holding AB, Maven Wireless AB and Board member of Allgon AB

Previous assignments: Chairman of the Board of Parktrade Europe AB, CEO of OnePhone Holding AB and its partnerships with British Telecommunications and KPN, CEO of Argnor Wireless Ventures, SEC and of Tele2 (between 1996 and 1999), Member of the Board of a number of Argnor Wireless Ventures portfolio companies, Non-Executive Member of the Board of Digital Trading Technologies Limited T/A Consumer Data Protection

Education: MSc from Chalmers University of Technology

Georgi Ganev

Board member, elected in 2016

Born: 1976 | **Nationality:** Swedish citizen

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

Holdings in Tele2: 1,030 B shares

Committee work: Chairman of the Nomination Committee

Other current assignments: CEO of Kinnevik AB (publ), Member of the Boards of Global Fashion Group and Babylon Health

Previous assignments: CEO of Dustin Group AB (publ) and Bredbandsbolaget, 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 in relation to the company's major shareholders

Holdings in Tele2: 2,000 B shares

Committee work: Member of the Audit Committee

Other current assignments: Chairman of the Board of Global Fashion Group

Previous assignments: Member of the Board of Directors at Kinnevik AB (publ), 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, CCO of MTS, Vice President Business Marketing of Orange, Member of the Boards of Bima Milvik, Bayport, Josen Partners and Partan Limited

Education: BA in Business Studies from Brighton University

Eva Lindqvist

Board member, elected in 2018

Born: 1958 | **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: 2,891 B shares

Committee work: Chairman of the Audit Committee

Other current assignments: Member of the Board of SWECO AB (publ), NORDLO AB, Acast AB, Bodycote plc and Keller Group plc. Elected Member of the Royal Swedish Academy of Engineering Sciences

Previous assignments: Member of the Board of Chip First AB, Tarsier Studios AB, Mr Green & Co AB, Kährs Holding AB (publ), Com Hem Holding AB, ASSA ABLOY AB (publ), Alimak Group AB (publ) and Caverion Oy. Senior Vice President of TeliaSonera's mobile operations, CEO of TeliaSonera International Carrier and senior positions at Ericsson

Education: MSc Engineering Physics, MBA

Lars-Åke Norling

Board member, elected in 2018

Born: 1968 | **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: 1,500 B shares

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

Other current assignments: CEO of Nordnet and Board Director of Millicom

Previous assignments: Investment Director at Kinnevik with responsibility for the TMT sector, CEO of dtac, CEO of digi, Executive vice president of Developed Asia at Telenor, CEO of Telenor Sweden, CTO/COO of Bredbandsbolaget

Education: MSc in Engineering Physics from Uppsala University, MSc in Systems Engineering from Case Western Reserve University, MBA from University of Gothenburg

Leadership team

Anders Nilsson

President and Group CEO

Joined the company in 2018

Born: 1967

Anders was previously CEO of Com Hem Holding AB. He has extensive experience of Scandinavian and international media, communications and digital services markets, developed over a 25-year career in senior leadership positions at Modern Times Group AB and Millicom International Cellular AB.

Holdings in Tele2[1]: 220,839 B shares

100,000 share rights (LTI 2018)

100,000 share rights (LTI 2019)

Mikael Larsson

EVP, Group CFO

Joined the company in 2018

Born: 1968

Mikael was previously CFO of Com Hem Holding AB. Prior to that Mikael was the CFO of Kinnevik AB (publ) for 13 years. He has also held positions at Arthur Andersen as an auditor and a consultant.

Holdings in Tele2[1]: 82,953 B shares

60,000 share rights (LTI 2018)

60,000 share rights (LTI 2019)

Stefan Backman

EVP, Group General Counsel

Joined the company in 2007

Born: 1975

Stefan has held several senior positions at Tele2. Prior to that, he worked at the Swedish Post and Telecom Authority (PTS) and at the Administrative Court of Stockholm.

Holdings in Tele2[1]: 13,500 B shares

31,500 share rights (LTI 2017)

31,500 share rights (LTI 2018)

27,000 share rights (LTI 2019)

Kim Hagberg

EVP, Chief Operations

Joined the company in 2013

Born: 1966

Kim was previously Product Management Director at Tele2, overseeing cross functional and cross market processes in which technologies become products. Before that, Kim worked for 12 years at different positions within Telia. She also has experience from the telecom supply chain with 8 years at different suppliers in Canada, France and Switzerland.

Holdings in Tele2[1]: 11,789 B shares

8,000 share rights (LTI 2017)

8,000 share rights (LTI 2018)

27,000 share rights (LTI 2019)

Samuel Skott

EVP, Chief Commercial Officer

Joined the company in 2005

Born: 1978

Samuel was previously EVP CEO Tele2 Sweden. He started his career at Tele2 in 2005 and has held several senior positions including Commercial Director for Customer & Product Design.

Holdings in Tele2[1]: 22,500 B shares

60,000 share rights (LTI 2017)

60,000 share rights (LTI 2018)

60,000 share rights (LTI 2019)

Karin Svensson

EVP, People & Change

Joined the company in 2018

Born: 1965

Karin was previously a self-employed Human Resources advisor. She was previously the Chief Human Resources Officer at Bisnode. Karin started her career with Accenture where she was a Partner for 11 years as well as Nordic HR Director and Human Capital Lead.

Holdings in Tele2[1]: 9,000 B shares

31,500 share rights (LTI 2018)

27,000 share rights (LTI 2019)

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

Shareholder information

Tele2 AB's shares are listed on Nasdaq Stockholm under the ticker symbols TEL2A and TEL2B.

Share performance

The Tele2 B-share rose by 20.3 percent during 2019, from SEK 113.0 to SEK 135.9, while the OMX Stockholm PI increased by 29.5 percent, the OMX Stockholm Telecommunications PI increased by 5.5 percent and Tele2's peer group[1] increased by an average of 7.1 percent. The highest closing price in 2019 was SEK 148.2 on September 27, and the lowest closing price was SEK 110.5 on January 2. The average closing share price was SEK 132.2. Total shareholder return for the Tele2 B-share was 29.8 percent in 2019 and 112.4 percent between December 31, 2016 and December 31, 2019.

Turnover and trading

In 2019, a total of 488.6 million Tele2 B-shares were traded on Nasdaq Stockholm for a value of approximately SEK 64.2 billion. An average of 2.0 million Tele2 B-shares were traded per trading day, representing a value of approximately SEK 256.6 million.

Shareholder remuneration policy

Tele2 will aim to maintain target leverage of 2.5–3.0x economic net debt/ underlying EBITDAaL 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 releveraging of underlying EBITDAaL growth.

Based on this policy, Tele2 is expected to distribute in excess of 100 percent of equity free cash flow to shareholders, through a combination of dividends and/or share repurchases.

Shareholder remuneration in 2019

During 2019, shareholders were remunerated by a total of SEK 7,153 million in the form of ordinary cash dividend of SEK 4.40 per share and extraordinary dividend of SEK 6.00 per share following the transactions in the Netherlands and Kazakhstan.

Proposed shareholder remuneration in 2020

For the financial year 2019, the Board of Directors of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) on May 11, 2020 that an ordinary dividend of SEK 5.50 be paid per ordinary A and B share, in two equal tranches in May and October, 2020. In addition, the Board proposes an extraordinary dividend of SEK 3.50 per ordinary A and B share, to be paid in May 2020.

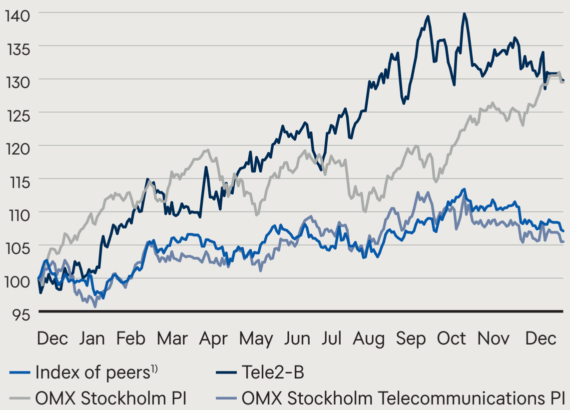
Share capital

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 to the company's net assets and profits while Class C shares are not entitled to dividends. Class A shares entitle the holder to 10 voting rights per share and Class B and C shares to one voting right per share. As of December 31, 2019, there were 22.6 million registered class A shares, 665.8 million class B shares (of which 0.5 million held in treasury) and 1.9 million class C shares (all of which held in treasury).

Shareholders

At December 31, 2019, Tele2 had 64,978 known shareholders. Kinnevik AB owns as of December 31, 2019, 27.2 percent of the capital and 42.0 percent of the voting rights. No other shareholder owns, directly or indirectly, more than 10 percent of the shares in Tele2. The 10 largest single shareholders represented 49.7 percent of the share capital and 59.5 percent of the votes. Foreign shareholders held 46.6 percent of the share capital and 36.0 percent of the votes.

TSR, Tele2-B share, peer index and sector index (indexed to 100)



[1] Peer group as deterimned by Tele2 includes: BT Group, Deutsche Telekom, Elisa, Freenet (Xet), Koninklijke KPN, NOS SGPS, Orange, Proximus, Swisscom, Sunrise Communications, Telecom Italia, Telefonica, Telenet Group Holding, Telekom Austria, Telenor, Telia Company, Vodafone

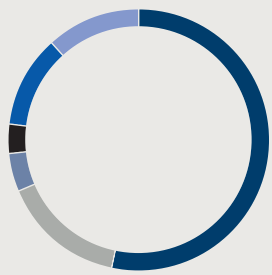
Source: Bloomberg

Top 10

As of December 31, 2019	Capital (%)	Votes (%)
Kinnevik	27.18	41.98
BlackRock	5.09	3.95
Government of Singapore (GIC)	2.95	2.28
Norges Bank	2.92	2.26
Vanguard	2.26	1.75
Swedbank Robur Funds	2.08	1.61
Nordea Funds	2.07	1.60
MFS Investment Management	1.80	1.39
Janus Henderson Investors	1.78	1.38
Adelphi Capital LLP	1.74	1.35
Total top 10	**49.7**	**59.5**

Source: Modular Finance

Ownership by country



Sweden	54%
United States	15%
United Kingdom	5%
Norway	3%
Other	11%
Unidentified	12%

Source: Modular Finance

Administrative 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 2019.

Figures presented in this report refer to continuing operations unless otherwise stated, with comparable figures for the previous year in parentheses. Tele2 Croatia is reported as a discontinued operation for all periods. Discontinued operations also include former operations, primarily in the Netherlands and Kazakhstan. See Note 36.

Financial overview

Revenue

Revenue increased by 27 percent due to the merger with Com Hem. Organically, revenue declined by 1 percent as the decline in Sweden offset growth in the Baltics. End-user service revenue was flat organically, as continued strong growth in the Baltics was offset by decline in Sweden, explained by continued decline in business end-user service revenue.

Underlying EBITDA

Underlying EBITDA grew by 65 percent mainly as a result of the merger with Com Hem and the implementation of IFRS 16 which removes the cost of operating leases from underlying EBITDA, starting January 1, 2019. Organic growth in underlying EBITDA excluding IFRS 16 was 6 percent, driven by cost reduction in Sweden and continued growth in the Baltics.

Operating profit

Operating profit increased by 22 percent as a result of organic growth in underlying EBITDA excluding IFRS 16 as well as the merger with Com Hem.

Profit after financial items

Interest expense, interest income and other financial items amounted to SEK -445 (-372) million. The increase compared to the previous year was driven by interest on lease liabilities following the implementation of IFRS 16 as well as a higher debt level in accordance with the new leverage policy. Profit after financial items amounted to SEK 3,579 (2,919) million.

Net profit

Net profit from total operations amounted to SEK 5,134 (992) million. The increase compared to the previous year was mainly due to the merger with Com Hem, capital gains from the sale of Tele2 Kazakhstan of SEK 1,598 million, organic growth of underlying EBITDA excluding IFRS 16 as well as an impairment of deferred tax assets in Luxembourg of SEK –1,134 million in 2018. Net profit was negatively affected by a goodwill impairment in Estonia of SEK -452 million.

Capex excluding spectrum and leases

Capex excluding spectrum and leases amounted to SEK 2,388 million compared to SEK 2,633 million in 2018 including Com Hem proforma. The decline versus the previous year was due to lower investments in IT as well as lower 4G network investments ahead of the 5G rollout.

Equity free cash flow

Equity free cash flow from continuing operations increased to SEK 4,329 (1,998) million or SEK 6.30 per share, mainly as a result of the merger with Com Hem and strong underlying cash generation. Equity free cash flow from total operations amounted to SEK 4,840 (1,757) million.

Dividend

To the Annual General Meeting on May 11, 2020, Tele2's Board of Directors proposes for the financial year 2019 an ordinary dividend of SEK 5.50 per share (SEK 3.8 billion), to be paid in two equal tranches in May and October 2020. In addition, the board proposes an extraordinary dividend of SEK 3.50 per share (SEK 2.4 billion), to be paid in May 2020. For further information on the proposed appropriation of the profit, see Note 25.

Economic net debt/underlying EBITDAaL (financial leverage)

Financial leverage was 2.5x economic net debt/underlying EBITDAaL as of December 31, 2019, down from 2.8x on December 31, 2018 due to a reduction in economic net debt and growth in underlying EBITDAaL. Economic net debt amounted to SEK 24,705 (27,849), reduced by SEK 3.1 billion as SEK 7.2 billion in shareholder remuneration was covered by cash flow generation, proceeds from divestments and repayment of the shareholder loan in Kazakhstan.

Events after the end of the financial year

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 2.1 billion. A capital gain of approximately SEK 0.2 billion, or SEK 0.4 billion excluding exchange rate differences recycled from other comprehensive income, is expected to be recognized in 2020.

The spread of the Covid-19 virus across the world has begun to have a socio-economic impact. During a time when physical contact is being avoided to contain spread of the virus, the importance of our services is greater than ever before. We at Tele2 therefore recognize our responsibility, and are constantly monitoring our operations and capabilities of continuing to provide our customers and the society with our services.

In this initial phase we recognize negative financial implications primarily related to international roaming and certain sectors within our B2B operation. As of today the financial impact is limited, but given the uncertainty in duration of the partial lock down of society across our footprint, it is too early for us to accurately assess the impact on our business activities and ability to fulfill the financial guidance for 2020.

Three-year summary

SEK million	2019	2018	2017
CONTINUING OPERATIONS			
End-user service revenue	19,921	14,047	13,039
Revenue	27,659	21,775	19,780
Underlying EBITDA	10,525	6,386	5,723
EBITDA	9,814	5,635	5,485
Operating profit	4,024	3,291	3,472
Profit after financial items	3,579	2,919	3,168
Net profit	2,601	1,108	2,434
Underlying EBITDAaL	9,258	6,386[1)]	5,723[1)]
Equity free cash flow	4,329	1,998	3,113
Key ratios			
Operating profit/loss margin	15%	15%	18%
Value per share (SEK)			
Equity free cash flow	6.30	3.76	6.19
CONTINUING OPERATIONS, INCLUDING COM HEM PROFORMA[2)]			
End-user service revenue	19,921	19,888	19,925
Revenue	27,659	27,832	26,916
Underlying EBITDA excl IFRS 16	9,344	8,768	8,448
Capex excluding spectrum and leases	2,388	2,633	2,260
Key ratios			
End-user service revenue growth, organic	-0%	-1%	N/A
Underlying EBITDA growth, organic (excl. IFRS 16)	6%	3%	N/A
Underlying EBITDA margin (excl. IFRS 16)	34%	32%	31%
TOTAL OPERATIONS			
Net profit	5,134	992	219
Total assets	79,784	82,644	39,725
Equity	34,805	36,362	17,132
Equity free cash flow	4,840	1,757	2,519
Key ratios			
Economic net debt to Underlying EBITDAaL	2.5x	2.8x	1.5x
Value per share (SEK)			
Net profit/loss	7.28	1.61	0.38
Net profit/loss, after dilution	7.24	1.60	0.38
Equity	50.59	52.89	34.30
Equity free cash flow	7.04	3.31	5.01
Dividend, ordinary	5.50[3)]	4.40	4.00
Dividend, extraordinary	3.50[3)]	6.00	—
Market price at closing day	135.85	112.95	100.80

1) Underlying EBITDAaL equals Underlying EBITDA since IFRS 16 has not been applied retroactively
2) Com Hem proforma is unaudited
3) Proposed dividend

The three-year summary includes certain alternative performance measures that are not defined by IFRS. For additional information please refer to section Definitions at the end of the document.

Tele2 at a glance

Tele2 has been a fearless challenger to the former government monopolies and other established telecom providers ever since Jan Stenbeck founded the company in Sweden in 1993, and owes its success in large parts to the strong culture instilled by the founder with a focus on being a customer focused champion at its core. The Group provides services to consumers and businesses including mobile services, fixed broadband, digital entertainment, fixed telephony, data network services and global IoT solutions.

During 2019 we continued the strategy to focus Tele2's geographical footprint toward the core Baltic Sea Region where we have the scale and market position to drive sustainable growth. The merger of Tele2 Netherlands and T-Mobile Netherlands closed on January 2, 2019. On May 31, 2019, Tele2 entered into an agreement to sell Tele2 Croatia to United Group, and the sale was completed on March 3, 2020. On June 28, 2019 Tele2 closed the divestment of Tele2 Kazakhstan. The integration with Com Hem was completed with a run rate of SEK 800 million in cost synergies at the end of 2019.

To align our governance model with the current asset portfolio and strategy, Tele2 has changed its organizational setup and simplified the group structure. Tele2 now has a separate organization overseeing all three Baltic countries and Germany, reporting to the Group CEO. The leadership team in Sweden has been extended and now includes representatives from all major business units to foster a culture of collaboration and efficient allocation of resources within an agile and flat organization.

To reflect the new organizational set up, the reporting structure was adjusted by combining the Sweden Consumer, the Sweden Business and the IoT Segments into one segment which now represents 81 percent of the Group's revenue. The three Baltic operations in Lithuania, Latvia and Estonia represents 17 percent of the Group's revenue, with the remaining revenue coming from Germany.

Tele2's new vision: Smartest telco in the world, creating a society of unlimited possibilities

With the integration of Com Hem and optimization of our geographical footprint completed, we can now begin the next phase of business transformation and launch our new vision to become the smartest telco in the world and create a society of unlimited possibilities. The strategic direction is aligned with the new vision and has three main pillars:

- Unique People & Culture: We walk the talk, being a value driven company, based on a diverse and inclusive organization. We always strive to attract, retain and develop the strongest talents.
- Winning Customer Focus: We work with distinctly positioned leading brands, providing our customers with smart combined offerings for mobile connectivity, broadband, and next generation TV and play services, covering the entire household. We aim to be an outstanding partner to businesses and the public sector.
- Radical Simplification: We have a passion for doing things simple and therefore act within a flat and fast organization, always with a focus on simplification and delivering value for our customers. Each one of us has a clear mandate and accountability, within our fact-based and performance-driven operation. This mindset allows us to quickly adapt to the world around us, and continuously modernize our operations.

We believe that this vision and the new governance model will drive positive change over the next few years as we launch a new business transformation program. We expect this program to help us return to revenue growth on a Group level and reduce annual opex in Sweden by at least SEK 1 billion in three years through removal of legacy IT-systems and transformation of the entire Swedish organization as we continue to go step-by-step to remove silos, reduce double functions and enable more efficient use of resources as well as further improving the service to our customers.

Sweden

Today's customers expect to use digital services and devices wherever they are and wherever they go, independently of access technology. But, the number of choices and options customers are facing today can sometimes be overwhelming. By providing a one stop shop for connectivity to all customers, we will simplify and facilitate a connected lifestyle.

The merger with Com Hem turned Tele2 into a truly integrated operator and enabled us to launch a new strategy in the consumer market, increasing customer satisfaction through the more-for-more fixed-mobile-convergence offering. By continuously improving the customer experience through added services, enhancements and upgrades, we will drive growth through churn reduction and price adjustments in the premium segment while optimizing our brand portfolio to take our fair share of all segments of the market and remain relevant for all customer demographics.

We believe TV will continue to play a vital role for our business and our role as aggregator of great content remains relevant as content becomes more and more fragmented across different services and devices. To better serve the changing behavior and viewing patterns of our customers, we will shape a TV offering for the future which is increasingly on-demand, personalized and available on any screen or device.

In the business segment we will continue our work to return to growth by creating a competitive and cost-efficient challenger on the B2B market, with high-quality connectivity at the heart of its service offering. The new organizational setup with SME and Large Enterprise running as separate units will increase focus and enable us to adapt our offering and properly serve customers in all segments of the market.

The Baltics

The structure of the telecommunications sector and the macroeconomic environment is favorable in these markets and we expect continued growth as we drive our mobile-centric-convergence strategy. In 2020, we are launching TV-services in all three markets to drive convergence with mobile telephony, mobile broadband and mobile TV-services. Over time we will evaluate the need to add fixed services to our portfolio as convergence in these markets matures.

The Netherlands

Our 25 percent stake in T-Mobile Netherlands (TMNL) is a great opportunity for Tele2 to extract value as the company executes on synergies and becomes a stronger challenger in the market. During 2019 TMNL made great commercial progress, taking market share in both the consumer and business market with a 2 percent organic growth in revenue compared to 2018. Realization of cost synergies led to double digit growth in EBITDA and significant cash flow generation. Over time we see an opportunity to crystalize value as we exit this market as per the agreement with our partner.

Leverage future technology shifts to serve our customers better

New technologies like 5G and DOCSIS 3.1 open new opportunities for operators to deliver more benefits at lower costs. 5G will be introduced in our networks during the coming years and will be a cost-efficient way to build network capacity, but it will also potentially enable completely new use cases.

To us, new technology is not a value in itself. We will only act when we see a clear upside in how we can serve our customers better. A priority for us the coming years is to evolve our business models and incorporate new technology to strengthen our relevance to the end customer in the future.

Proforma Group summary

Continuing operations SEK million	2019	2018 proforma[1)]	Organic %
END-USER SERVICE REVENUE			
Sweden	16,627	16,804	-1%
Lithuania	1,502	1,329	9%
Latvia	857	768	8%
Estonia	480	451	3%
Germany	454	536	-18%
Other	—	0	—
Total	**19,921**	**19,888**	**0%**
REVENUE			
Sweden	22,415	22,673	-1%
Lithuania	2,656	2,430	6%
Latvia	1,402	1,309	4%
Estonia	813	787	0%
Germany	457	539	-18%
Other	—	152	-100%
Internal sales, elimination	-84	-58	—
Total	**27,659**	**27,832**	**-1%**
UNDERLYING EBITDA EXCLUDING IFRS 16			
Sweden	7,592	7,110	7%
Lithuania	956	817	13%
Latvia	527	474	8%
Estonia	171	167	-0%
Germany	215	248	-16%
Other	-116	-50	—
Total	**9,344**	**8,768**	**6%**
CAPEX			
Sweden	2,035	1,895	7%
Lithuania	139	144	-7%
Latvia	122	112	6%
Estonia	90	87	-1%
Germany	1	0	0%
Other	2	394	-100%
Capex excluding spectrum and leases	**2,388**	**2,633**	**-10%**
Spectrum	68	723	
Rights-of-use assets (leases)	1,306	0	
Total	**3,762**	**3,355**	
of which:			
– Network	1,144	1,195	
– IT	741	928	
– Customer equipment	303	381	
– Other	201	128	
Capex excluding spectrum and leases	**2,388**	**2,633**	

1) Com Hem proforma is unaudited

Overview by segment

Sweden

2019 in brief

In 2019 the Swedish organization has undergone significant changes following the merger with Com Hem at the end of 2018. The integration with Com Hem was completed and cost synergies had an impact of approximately SEK 500 million in the year and reached an annualized runrate of SEK 800 million at the end of the year.

Revenue for the Sweden segment, which now includes the Sweden Consumer, the Sweden Business and the IoT segments, declined by 1 percent organically compared to 2018, mainly due to decline in consumer equipment revenue and business end-user service revenue. Despite the decline in revenue, underlying EBITDA excluding IFRS 16 increased by 7 percent organically, driven by cost reduction from the integration with Com Hem.

2020

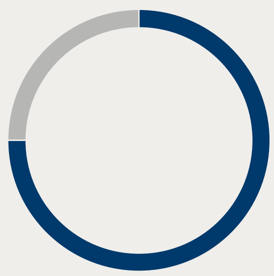
Early execution of the Com Hem integration enables us to start a new business transformation program in 2020. The program, which involves reduction of legacy IT systems and transformation across the entire organization, is expected to deliver at least SEK 1 billion of opex reductions over three years.

During 2020 we will begin the modernization of our networks in Sweden as we begin the rollout of 5G in the mobile network and remote PHY (next generation of cable technology) in the fixed coax network.

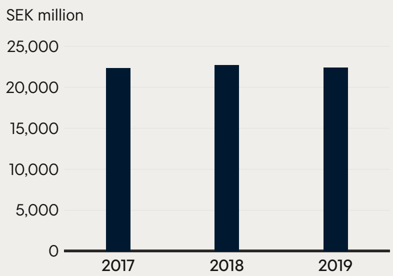
Financials SEK million	2019	2018 proforma[1)]	Organic %
Revenue	**22,415**	**22,673**	**-1%**
Underlying EBITDA	8,614	7,110	
Underlying EBITDAaL	7,515		
Underlying EBITDA excluding IFRS 16	**7,592**	**7,110**	**7%**
Underlying EBITDA margin excluding IFRS 16	34%	31%	
Capex			
Network	927	810	
IT	649	609	
Customer equipment	299	380	
Other	161	95	
Capex excluding spectrum and leases	**2,035**	**1,895**	
Spectrum	–	721	
Right-of-use-assets (leases)	1,073	–	
Capex	**3,109**	**2,616**	
Capex excluding spectrum and leases / revenue	9%	8%	

1) Com Hem proforma is unaudited

End-user service revenue per business area, 2019

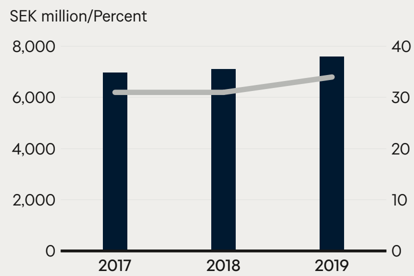


Revenue[1)]



1) Com Hem proforma is unaudited

Underlying EBITDA excluding IFRS 16[1)]



Sweden Consumer

2019 in brief

The main focus throughout 2019 has been to carry out the integration of Com Hem and align the strategy with the new market opportunities arising from the merger. The merger with Com Hem allowed us to combine fixed and mobile services and launch our new fixed-mobile-convergence (FMC) strategy. We rolled out the FMC strategy gradually throughout the year across all brands, reaching 219,000 customers on FMC-benefits at year-end, representing almost three quarters of the overlapping fixed and mobile customer base. This constitutes a growing pool of loyal, happy, full-service customers, providing a solid foundation that creates stability and potential for growth in the consumer business.

We executed a successful rebranding campaign of the Tele2 brand to reinforce its premium position, followed by increased list prices and the launch of a unique and advantageous multi-line scheme for families in September. Tele2 was recognized as having the best mobile network in Sweden in the P3 benchmark report, further strengthening the brand perception in the market.

Total consumer end-user service revenue declined by 1 percent in 2019 as growth in mobile and fixed broadband was offset by declines in digital TV and fixed telephony & DSL. The main drivers of growth in Sweden consumer are mobile postpaid and fixed broadband which grew end-user service revenue by 3 percent and 6 percent, respectively. In 2019, growth in these services was driven by volume rather than prices as ASPU was flat while volumes increased by 3 percent and 5 percent for mobile postpaid and fixed broadband, respectively. We believe that the improvements we are making to customer experience and the continued growth in consumption of these services, will support price adjustments and increase growth in coming years.

Operating data[1] Thousands	2019	2018 proforma[1]	Organic %
RGUs			
Mobile	2,962	2,947	1%
– Postpaid	1,875	1,817	3%
– Prepaid	1,088	1,131	-4%
Fixed	2,177	2,209	-1%
– Fixed broadband	873	827	5%
– Digital TV	1,022	1,057	-3%
– Cable & Fiber	665	658	1%
– DTT	357	399	-11%
– Fixed telephony & DSL	282	325	-13%
Addressable fixed footprint	3,314	3,114	6%

KPIs and financials	2019	2018 proforma[1]	Organic %
ASPU (SEK)[1]			
Mobile	159	155	3%
– Postpaid	206	205	1%
– Prepaid	81	79	3%
Fixed	231	232	0%
– Fixed broadband	247	247	0%
– Digital TV	255	261	-2%
– Cable & Fiber	231	241	-4%
– DTT	298	293	2%
– Fixed telephony & DSL	107	111	-4%
Financials (SEK million)			
Mobile	5,651	5,555	2%
– Postpaid	4,567	4,443	3%
– Prepaid	1,085	1,112	-2%
Fixed	6,092	6,243	-2%
– Fixed broadband	2,516	2,380	6%
– Digital TV	3,186	3,379	-6%
– Cable & Fiber	1,835	1,901	-3%
– DTT	1,351	1,479	-9%
– Fixed telephony & DSL	390	485	-20%
Landlord & Other	706	721	-2%
End-user service revenue	**12,450**	**12,520**	**-1%**
Operator revenue	818	779	
Equipment revenue	2,104	2,367	
Revenue	**15,372**	**15,666**	**-2%**

[1] Unaudited

2020

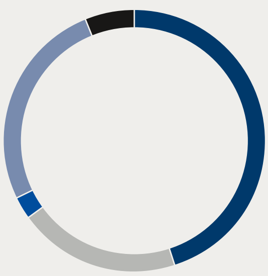
In 2020 and beyond our goal is to return to growth. The main driver for growth in 2020 will be price adjustments, supported by improvements made to customer experience. To support growth beyond 2020 we will continue developing our two new growth drivers, Penny and Comhem Play+ which were launched in February 2020.

Our new brand Penny will combine mobile postpaid, fixed broadband and video streaming, offering the customer a simple, purely digital experience. We believe that this type of brand caters to a new generation of customers which our other brands do not fully capture today. While we do not expect Penny to have any noticeable impact on the business in 2020, we believe that it fills a gap in our brand portfolio and allows us to take part of a growing segment which will become more important over time.

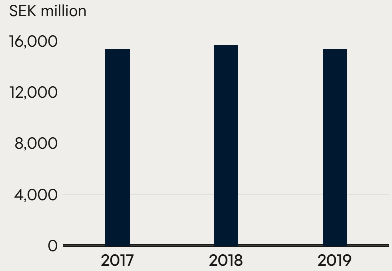
Comhem Play+ will initially be offered for free to all existing Tele2 Sweden consumer customers for 12 months. We expect Comhem Play+ to initially serve as an additional puzzle piece in the FMC-strategy, giving us another tool to improve customer satisfaction through the more-for-more strategy.

Over time we expect these two new growth drivers to contribute to sustainable growth as we enter two growing segments of the market where we have not been present before. Perhaps more importantly, the lean and purely digital nature of these services will help Tele2 transform into the next generation telco and remain relevant to the modern consumer.

End-user service revenue per service, 2019



Revenue[1)]



1) Com Hem proforma is unaudited

Sweden Business

2019 in brief

While the market remains challenging, we made progress in 2019 to prepare for a future turnaround. We have separated the Large Enterprise and SME units for a more efficient and focused setup. Within SME we have made great progress improving our abilities with better sales capabilities, a new mobile portfolio and FMC-offers. Within large enterprise we continue our efforts to defend our public sector customer base while managing the market price erosion, and focus sales efforts toward the private market where pricing is more benign.

During 2019, Tele2 won significant new and extended contracts with customers in both the private and the public sector, such as Ambea, Sveriges Riksbank, Scania, and Skövde kommun.

While mobile net intake continued to be positive with RGUs growing by 3 percent, price pressure, particularly in the public sector, drove a 9 percent decline in ASPU, resulting in a 4 percent decline in mobile end-user service revenue (excluding IoT). Mobile price pressure combined with decline in legacy fixed services resulted in total end-user service revenue decline of 2 percent for the year.

2020

In 2020 we will continue work to reduce silos and utilize infrastructure synergies from TDC and Com Hem while improving operational excellence in delivery, service and sales across the entire organization. We aim to keep up the positive volume momentum through a combination of cross- and up-sell activities on existing customers. We aim for gradual improvement as we leverage our new capabilities within SME to take market share and turn focus within large enterprise to the private sector where we see better profitability.

Sweden Business

Operating data[1)] Thousands	2019	2018 proforma[1)]	Organic %
RGUs			
Mobile (excl. IoT)			
– Postpaid	920	889	3%

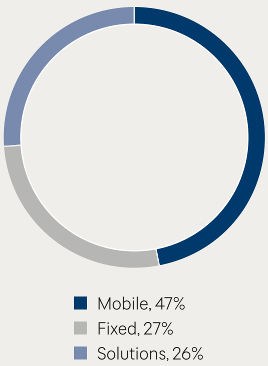
KPIs and financials	2019	2018 proforma[1)]	Organic %
ASPU (SEK)[1)]			
Mobile (excl. IoT)			
– Postpaid	165	181	-9%
Financials (SEK million)			
Mobile	1,974	1,996	-1%
Fixed	1,113	1,237	-10%
Solutions	1,090	1,051	4%
End-user service revenue	**4,177**	**4,284**	**-2%**
Operator revenue	131	127	
Equipment revenue	1,736	1,751	
Revenue	**6,044**	**6,163**	**-2%**

Sweden Wholesale

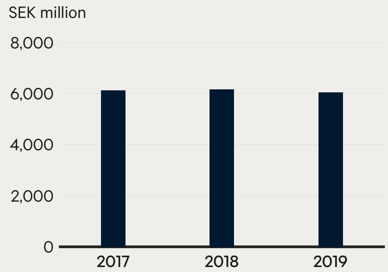
Financials	2019	2018 proforma[1)]	Organic %
Operator revenue	986	840	
Internal sales	13	4	
Revenue	**999**	**844**	**18%**

[1)] Unaudited

End-user service revenue (including IoT) per service, 2019



Revenue[1)]



[1)] Com Hem proforma is unaudited

Baltics

Lithuania

2019 in brief

In 2019 Tele2 Lithuania made changes to its consumer price portfolio to adapt to changing customer needs with increased data consumption, now offering only unlimited SMS and voice plans along with higher data buckets. Within the business segment, Tele2 focused on volume growth, introducing bundled services with attractive equipment offerings along with new insurance services and a fiber broadband solution for business customers.

Tele2 entered a network sharing agreement with Bite in Lithuania and Latvia. Given the success of our network JVs in Sweden, we are confident that this will help us improve network capacity and coverage for our customers, while reducing cost and capex and strengthen our mobile centric convergence strategy.

2020

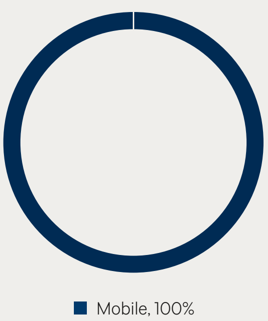
In 2020, Tele2 Lithuania will continue efforts to maintain its leading position in the consumer segment and focus on growth within the business segment. We expect the launch of a TV-service to further strengthen the mobile-centric-convergence strategy to continue the momentum of growing through both volume and price.

Operating data[1] Thousands	2019	2018	Organic %
RGUs			
Mobile	1,895	1,861	2%

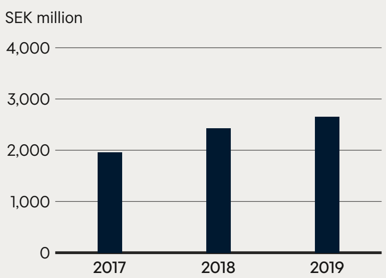
KPIs and financials	2019	2018	Organic %
ASPU (EUR)[1]			
Mobile	6.3	5.9	6%
Financials (SEK million)			
End-user service revenue	1,502	1,329	9%
Operator revenue	250	249	
Equipment revenue	859	822	
Internal sales	44	31	
Revenue	**2,656**	**2,430**	**6%**
Underlying EBITDA	1,019	817	
Underlying EBITDAaL	957		
Underlying EBITDA excluding IFRS 16	**956**	**817**	**13%**
Underlying EBITDA margin excluding IFRS 16	36%	34%	
Capex	157	144	
Capex excluding spectrum and leases	139	144	
Capex excluding spectrum and leases / revenue	5%	6%	

[1] Unaudited

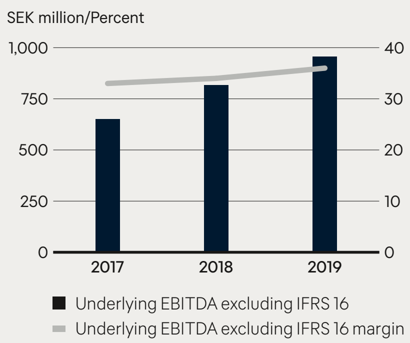
End-user service revenue per service, 2019



Revenue



Underlying EBITDA excluding IFRS 16



Latvia

2019 in brief

In 2019 Tele2 Latvia continued focusing on data monetization in combination with innovative, socially responsible and active marketing campaigns. Successful sales efforts combined with pre- to postpaid migration within the customer base drove continued strong growth in mobile end-user service revenue. Tele2 Latvia initiated 5G technology trials in its network to strengthen its position as a leader within network coverage and speed.

2020

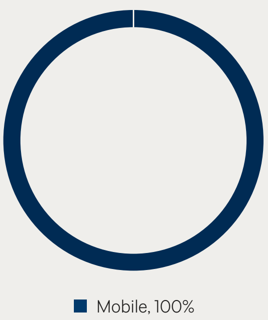
Tele2 aims to continue strengthening its market position with attractive commercial offers and targeted upselling campaigns, supported by continued leading quality of customer service and network performance. We expect to see continued growth within both the consumer and business segments through continued pre-to postpaid migration, development of digital distribution and self-service channels, and further strengthening of the network quality perception.

Operating data[1)] Thousands	2019	2018	Organic %
RGUs			
Mobile	954	951	0%

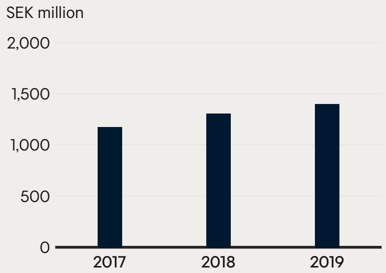
KPIs and financials	2019	2018	Organic %
ASPU (EUR)[1)]			
Mobile	7.1	6.6	8%
Financials (SEK million)			
End-user service revenue	857	768	8%
Operator revenue	195	202	
Equipment revenue	330	321	
Internal sales	20	17	
Revenue	**1,402**	**1,309**	**4%**
Underlying EBITDA	565	474	
Underlying EBITDAaL	526		
Underlying EBITDA excluding IFRS 16	**527**	**474**	**8%**
Underlying EBITDA margin excluding IFRS 16	38%	36%	
Capex	227	113	
Capex excluding spectrum and leases	122	112	
Capex excluding spectrum and leases / revenue	9%	9%	

1) Unaudited

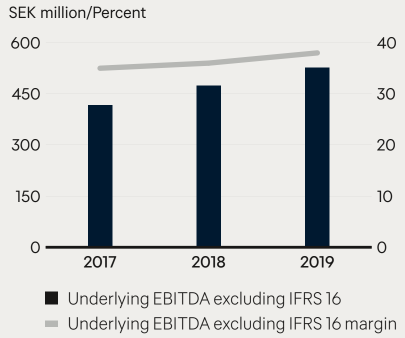
End-user service revenue per service, 2019



Revenue



Underlying EBITDA excluding IFRS 16



Estonia

2019 in brief

In 2019, Tele2 Estonia saw a clear turnaround both operationally and financially. With a new sales organization in place since Q1 2019 we saw substantial improvement in both volume and value customer intake. A new brand strategy coupled with simple and flexible pricing across all segments resulted in higher ASPU both among new customers and in our existing customer base. Sales improvements and growth in ASPU lead to end-user service revenue growth of 3 percent.

2020

In 2020, Tele2 Estonia will continue building on the operational momentum from 2019 while introducing a broader range of services and solutions. We will continue our strategy to delivering the best customer experience and the best value in the market.

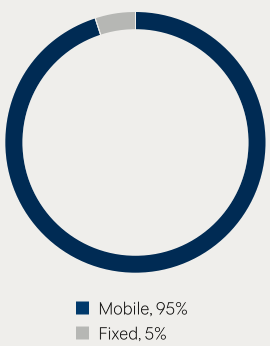
We will strengthen our consumer business by offering a TV-service over the mobile network and launch a fiber-to-the-home pilot in cooperation with the national electricity provider. Within the business segment we will continue our fiber-to-the-office campaign and launch ICT services to SME business customers by working with local Estonian IT partners.

Operating data[1] Thousands	2019	2018	Organic %
RGUs			
Mobile	437	437	0%

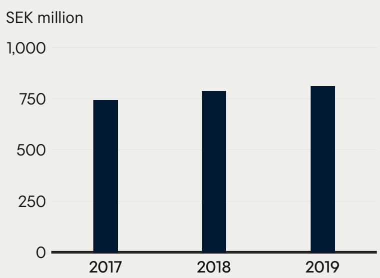
KPIs and financials	2019	2018	Organic %
ASPU (EUR)[1]			
Mobile	8.2	7.8	6%
Financials (SEK million)			
End-user service revenue	480	451	3%
Operator revenue	131	133	
Equipment revenue	196	197	
Internal sales	6	6	
Revenue	**813**	**787**	**0%**
Underlying EBITDA	226	167	
Underlying EBITDAaL	162		
Underlying EBITDA excluding IFRS 16	**171**	**167**	**-0%**
Underlying EBITDA margin excluding IFRS 16	21%	21%	
Capex	267	87	
Capex excluding spectrum and leases	90	87	
Capex excluding spectrum and leases / revenue	11%	11%	

[1] Unaudited

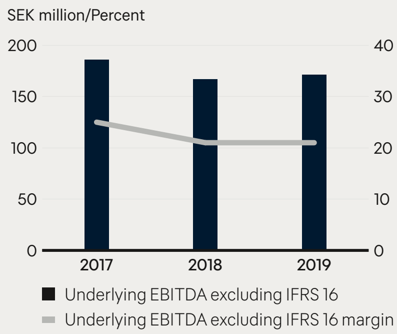
End-user service revenue per service, 2019



Revenue



Underlying EBITDA excluding IFRS 16



Other markets

Germany

2019 in brief

Tele2 Germany continued its strategic focus on value maximization through retention and up- and cross selling into the customer base.

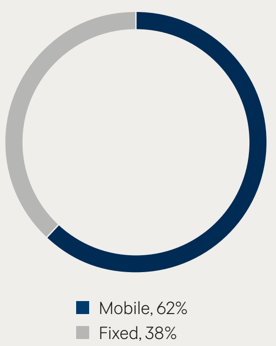
During the year, an agreement with the incumbent operator was reached to secure the continuation of the carrier pre-selection and call-by-call services beyond the end of regulation. Tele2 entered a 4G wholesale agreement which enable it to offer technologically advanced and competitively priced services to existing and new customers.

2020

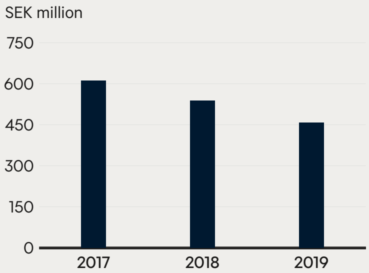
Key priorities for 2020 include retaining the fixed customer base and stabilizing the mobile customer base with attractive 4G offers. Underpinned by customer analytics and attractive value propositions these focus areas will support the overall strategy of value maximization.

Financials (SEK million)	2019	2018	Organic %
End-user service revenue	454	536	-18%
Operator revenue	0	1	
Equipment revenue	2	2	
Revenue	**457**	**539**	**-18%**
Underlying EBITDA	216	248	
Underlying EBITDAaL	215		
Underlying EBITDA excluding IFRS 16	**215**	**248**	**-16%**
Underlying EBITDA margin excluding IFRS 16	47%	46%	

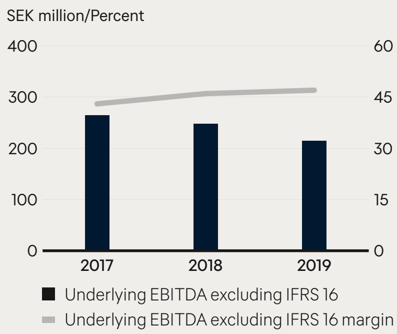
End-user service revenue per service, 2019



Revenue



Underlying EBITDA excluding IFRS 16



Discontinued operations

Croatia

2019 in brief

In 2019 Tele2 Croatia made further efforts to establish its position as an open and flexible challenger with simple and competitive propositions. Continued strong growth in both volume and ASPU lead to growth in end-user service revenue which, combined with lower spectrum fees, drove continued improvement in profitability.

2020

In 2020 Tele2 Croatia will continue to build its data-centric brand image and support continued growth by providing relevant propositions for consumers and businesses.

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.Please refer to Note 36 for more details.

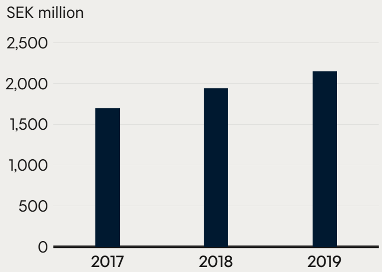
Operating data[1)] Thousands	2019	2018	Organic %
RGUs			
Mobile	945	897	5%

KPIs and financials	2019	2018	Organic %
ASPU (HRK)[1)]			
Mobile	79	76	4%
Financials (SEK million)			
End-user service revenue	1,246	1,111	11%
Operator revenue	285	269	
Equipment revenue	607	550	
Internal sales	12	8	
Revenue	**2,150**	**1,937**	**8%**
Underlying EBITDA	575	249	
Underlying EBITDAaL	444		
Underlying EBITDA excluding IFRS 16	**455**	**249**	**77%**
Underlying EBITDA margin excluding IFRS 16	21%	13%	
Capex	323	127	
Capex excluding spectrum and leases	168	127	
Capex excluding spectrum and leases / revenue	8%	7%	

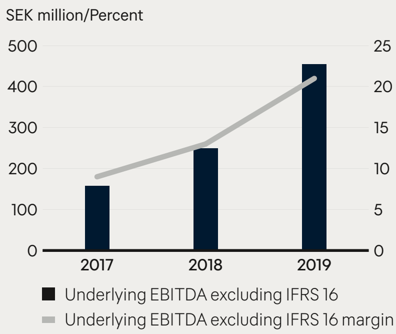
[1)] Unaudited

End-user service revenue per service, 2019

Revenue



Underlying EBITDA excluding IFRS 16



Enterprise risk management

Tele2 works proactively to identify and monitor the most significant risks through an enterprise risk management process, in relation to strategy, financial reporting and operations. The purpose of this process is to minimize surprises, improve decision making in order for Tele2 to achieve its strategic, financial, compliance and operational objectives and actively work to reduce the impact and likelihood of identified risks.

This section describes the Strategic Risk Management process and summarizes the most important risk and uncertainty factors. The process related to risk management for financial reporting and other operational risks is elaborated in the Governance section related to Internal Controls over Financial Reporting (sub-section 'Risk Assessment') on Page 35.

Strategic risk management

Risks which could threaten Tele2's ability to achieve its strategic objectives are assessed by the Leadership Team (LT). These risks could relate to our strategic initiatives, financial targets or the vision, but they could also relate to other risks in the Risk Universe on Page 35 considered to have a potential material effect on the group's strategic objectives.

The strategic risk management process begins with identification of risk areas. Each of these risk areas are then assigned to a risk owner (an individual LT member) who is responsible for breaking down the risk into quantifiable risk scenarios, for which potential impact and likelihood is then calculated. The risk owners are also responsible for identifying actions to mitigate the risks, where possible and to monitor and report any development to the rest of the LT.

The strategic risks are also reported and discussed with the Audit Committee and/or the full Board of Directors. A summary of the most important risks and uncertainty factors that are identified by Tele2 and how they are managed is presented below.

The strategic risk management process

The most important strategic risks

RISK	DESCRIPTION	RISK MITIGATION
Risks related to spectrum auctions	The winning of spectrum auctions is vital in order for Tele2 to conduct a substantial part of the business. A failure to obtain a spectrum license at a reasonable price, award of such license to one of Tele2's competitors and the burden of compliance to license requirements could result in Tele2 not being able to upgrade, maintain and expand its network.	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.
Risks related to regulations	Tele2's ability to effectively respond to introduction of and changes in legislation, regulations and decisions from authorities for telecommunication services can have a considerable effect on Tele2's business operations, cost control and the competitive situation in the operating markets (e.g. less flexibility in setting tariff structures for interconnection and roaming services, relaxation of regulation for access to incumbents' copper and fiber networks, introduction of the roaming regulation "Roam Like At Home (RLAH)" and General Data Protection Regulation (GDPR), potential regulation of cable services to multi-dwelling units, or the deregulation of open access to single dwelling units in Sweden, net neutrality and consumer protection legislation).	Tele2 closely monitors developments in the regulatory area in order to meet changes proactively. Tele2 also works actively with these types of topics and engages in ongoing dialogue with the relevant authorities and interest groups in order to achieve fair and balanced conditions for Tele2 to operate and develop in the markets, including promoting sufficient regulation which supports fair competition.
Risks related to conducting business in a highly competitive environment and changing technology	Increase in competitors' activity, new entrants, lower prices and new customer 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. IoT) or new forms of connectivity (e.g. VoIP, embedded SIM, 5G, fiber replacing cable), changed customer behavior (due to revenue migration from voice to data, shift from traditional broadcast linear TV to pay TV and OTT – over the top offerings, loss of content rights for linear TV), 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 the company's strategies to be able to benefit from their possibilities and safeguard against potential threats.
Risks related to strategy implementation and integration	Successful implementation of strategic initiatives, such as acquisitions (including integration), divestments and customer offerings (such as fixed mobile convergence offerings) is dependent upon Tele2's ability to transform the organization, financial and management information control systems and processes that are capable to foresee if the development of such offerings meets customer needs. Should Tele2 be unable to execute the business strategy and successfully implement strategic initiatives, it could impact the Group's business, financial condition and result of operations. Also, the efficient integration of acquisitions as well as the positive development of the acquired operations, are expected to enhance Tele2's results of operations both in the long and short term, but there is a risk that this does not occur.	To ensure successful execution of the strategy, Tele2 is continuously developing the financial and management information control systems, executing strong integration programs and attracting and retaining qualified management and personnel.

RISK	DESCRIPTION	RISK MITIGATION
Risks related to customer service and network quality	The mobile and fixed networks are important 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.
Risks related to network and IT integrity and personal data security	The Group's operations manage significant network and data volumes and therefore aims to ensure network integrity, data security and protect customers' personal data. Tele2 needs to protect assets such as personnel, customers, information, IT infrastructure, internal and public networks as well as office buildings and technical facilities. 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, as per the Data Protection Regulation, breaches of customer's personal information could potentially result in major fines and significant reputational damage.	Tele2 has high focus on network and IT security and is also working actively to be able to comply with regulatory requirements through strengthening of 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 Tele2 customer's personal data is secured and protected.
Risks in relation to external relationships	Tele2 conducts certain activities through joint operations in which Tele2 does not have and will not have a controlling interest. Such companies include Svenska UMTS-nät AB together with Telia Company and Net4Mobility Handelsbolag together with Telenor, T-Mobile Netherlands after the merger with Tele2 Netherlands and Bite to share networks in Latvia and Lithuania. Also, Tele2 is dependent on handset manufacturers such as Apple, Samsung and Huawei for attracting customers, equipment and network suppliers such as Huawei and Nokia for rolling out networks and terrestrial digital TV supplier such as Teracom to be able to offer good quality services. Also, Tele2 depends on agreements with other network operators to provide services in major parts of the Tele2 network. Any of these third party relationships impose risks, be it in the form of delays in roll-out, limitations for customized development, supplier dependency and lack of alternative suppliers, limitations on operating profitability or legal proceedings.	Tele2 continuously evaluates existing agreements and manages co-operations with partners through continuous dialogue or through legal options, if necessary. Also, Tele2 continuously manages and assesses the risks associated with the supply chain in order to maintain a competitive and well-functioning infrastructure.
Risk related to customer churn	Customer churn may increase due to Tele2's inability to deliver satisfactory services over the Tele2 network, unsatisfactory customer service, customers' reduced willingness to pay for converged offerings and Tele2's inability to respond to competitors' product and pricing activities. Also, landlords' termination of contracts or refusal to renew existing contracts or loss of a large B2B customer could contribute to increased customer churn. These could lead to increased costs and reduced revenue and could have a material adverse effect on Tele2's business, financial condition and results of operations.	Tele2 continuously works to improve the customer experience and increase customer satisfaction, which will continue to be the company's focus in future years.
Risks related to the ability to recruit and retain skilled personnel	To remain competitive and implement the strategy, and to adapt to changing technologies, Tele2 will need to recruit, retain and, where necessary, retrain highly skilled employees with the relevant expertise. The loss of key individuals or other employees who have specific knowledge of, or relationships with, customers in the markets in which Tele2 operates could have a material adverse effect on Tele2's business, financial condition and results of operations.	Tele2 has recruited a number of skilled employees and works continuously to provide incentives for them to retain and contribute to the continued development of the company.
Financial risks	Through the operations, the Tele2 Group is exposed to various financial risks such as currency risks, interest rate risks, liquidity risks, credit risks, risks related to tax matters and impairment of assets.	Financial risk management is mainly centralized to the Corporate Finance and M&A function (responsible for treasury and tax matters) and the Financial Planning and Reporting function (responsible for impairment recognition). The aim is to control and minimize Tele2'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.
Risks related to higher environmental costs	The transition to a low carbon economy is associated with transitional risk, e.g. policy, liability or technology risks, that may all incur additional costs. Climate change is increasingly driving regulation and taxation related to reduction of greenhouse gas emissions and the use of fossil fuels. Increasing scarcity of natural resources, particularly rare minerals used in network and consumer technology hardware, may lead to increased hardware costs. Increasing energy costs, Greenhouse Gas (GHG) emissions taxation and price increases caused by natural resource scarcity may incur additional costs.	Tele2 is working to reduce emissions of Greenhouse gases (GHG) as quickly as possible to reduce transitional risk, gradually transitioning to renewable energy when feasible, working to make Tele2's networks more energy efficient by taking a leading position in the AI4Green research project and investigating the possibilities to become a CO2 neutral operator during 2020. Tele2 also continues efforts to reduce e-waste and follow-up to ensure compliance with relevant environmental laws and regulations.
Risk related to unstable geopolitical conditions	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 the Baltic countries.	Tele2 is closely monitoring the development on world events and is kept informed by local management, government officials and independent sources.
Risks related to corruption and unethical business practices	Throughout the operations of Tele2, there are risks of corruption, especially in areas linked to market regulation, price setting, supply chain and third-party management and customer service. Actual or perceived corruption or unethical business practices may damage the perception of Tele2 and result in financial penalties and debarment from procurement and institutional investment processes. Fraud may significantly impact financial results.	Tele2's anti-corruption policy establishes the principles applied by Tele2 to prevent corruption within the business. All employees and business partners have been informed of the company's code of conduct and efforts to combat corruption and reduce the risk of unintentional mistakes. Tele2's guidelines for gifts, entertainment and hospitality, which are included in the anti-corruption policy have also been communicated throughout the organization, provide detailed information on how everyone at Tele2 should act in terms of external hospitality, as well as the rules governing giving and receiving gifts or other benefits. Fraud risks are monitored and managed through the internal security department.

Employees

Unique people and culture

To win, we continuously need to transform as a business. That's why we need highly motivated people.

At Tele2 we focus on creating a flat and lean organization to facilitate collaboration, information flow and speed. We believe in the power of the people; we are unique individuals and at the same time we do it together, as one smart strong team. Speaking our mind is an essential part of our culture; challenging old ways and bringing on new perspectives. It is a culture where Tele2 challenges its employees as much as they challenge Tele2 to deliver customer value by being Fearless, Open, Cost Efficient, Reliable and Flexible – it is called the Tele2 Way.

We have high ambitions:

- Walk the talk leadership, being a value-driven company
- Create a diverse and inclusive organization
- Attract, retain and develop the strongest talents

Walk-the-talk leadership, being a value-driven company

Leaders have an important role to serve as ambassadors and role models for Tele2's culture, and leaders hire and promote people who demonstrate Tele2's values. We have an ongoing dialogue around our values and behaviours with the leadership teams and employees to strengthen the culture awareness and aspiration, and a Leadership Forum to create involved and informed leaders. In 2020 we will further our efforts and introduce a new leadership program, My Leadership@Tele2 to strengthen the leadership capability of both new and seasoned leaders.

Create a diverse and inclusive organization

Diversity and inclusion are important to Tele2. Doubtlessly, diverse and inclusive teams perform better overall. Tele2's ambition is to always employ the best talent that the market has to offer; considering values, experience and competence that match with our strong culture. Tele2 also believes in open mindsets that never miss a great idea, independently of who it comes from, and in being inclusive and respectful of all our differences. This is based on a strong belief that teams perform best when they are diverse. Diverse teams have more fun, are more creative and challenge status quo. Taking action to drive this agenda is not only wise, it is paramount, and our goal is ambitious:

Build an inclusive environment where diverse talent can perform at their best, and achieve a gender balanced workforce with 50 percent women and 50 percent men by 2023.

To achieve our ambition we started by setting two clear principles:

- Principle 1: Hire the best.
- Principle 2: 2+1 external recruitment principle, i.e. recruiting two females for every male in all non-balanced teams in Tele2 Sweden.

While Tele2 Sweden has historically recruited around 30 percent females, we have now managed to turn the trend around. In our total external recruitment in 2019, we recruited 63 percent females and we are committed to continue following our principles until we reach our goal. This is supported by a number of activities such as a diversity council with employee involvement in designing plan and actions, unconscious bias awareness training for managers, and actions to increase retention. During 2019, our focus has been on gender diversity, but it is important to point out that our ambition for diversity and inclusion is not limited to gender.

Attract, retain and develop the strongest talents

At Tele2, we trust our people with great responsibility and accountability, as well as a big arena to play on. Internal development, moves and promotions are strongly supported and encouraged. At the same time we expect our people to have high ambitions and contribute to their own best abilities. To be bold and make a difference to be proud of. We take great pride in what we do, focusing on simplicity in every task we undertake, aiming for creating unlimited possibilities beyond expectations, both for our customers and for our employees.

Performance and talent development

We encourage a growth mindset with relevant feedback and continuous performance dialogue between manager and employee, as well as between peers. Tele2's values, the Tele2 Way, is an important starting point to our performance development approach. The approach seeks to ensure that all employees have clear and updated goals, and frequent and meaningful conversations with their manager around their aspirations, performance and drivers for engagement. Our approach to talent development aim to strengthen leadership succession to managerial and key roles, develop employees and minimize business risk in case key personnel leave the company.

Learning and development

Tele2 believes that talented employees develop most efficiently through exposure to challenging assignments together with extensive coaching and support. Most learning comes from experiences such as job rotations, participation in cross-functional projects and challenging work tasks. This is supplemented by mentoring, coaching and targeted training. Our Executive Trainee program and IT Talent program provide a great entry point for young professionals.

Reward and recognition

Tele2 offers competitive compensation and benefit packages in order to attract, retain and motivate employees. Tele2's compensation packages are determined with reference to the local market and Tele2 participates in salary benchmark surveys annually to ensure that our value proposition 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. Our top 100 key contributors at any level within the organization are invited to our Future Forum, and employee role models for our values are recognized at our annual Tele2 Awards.

Engagement

Engaged employees perform better, walk the extra mile and are personally motivated to make Tele2 an even better place to work. We conduct two to three employee surveys called 'My Voice' each year, measuring the engagement of our employees. All leaders are expected to act on the feedback, and for teams or individual leaders where scores are low, we agree on a development plan. At Tele2 we promise our people an opportunity to be part of building the smartest telco in the world, creating unlimited possibilities. If we cannot live up to our promises, we expect our people to tell us. Feedback is the only way for Tele2 to learn and improve, continuous improvement is what we are all about.

Facts

On December 31, 2019, the number of employees in Tele2 was 4,695 (5,376) excluding discontinued operations. Please refer to Note 33 for additional information regarding the number of employees, gender distribution and personnel costs.

WeAreTele2 (#WeAreTele2) is currently present at LinkedIn, Instagram, Facebook and Twitter.

The Board's proposal for guidelines for remuneration to senior executives

The Board proposes the following guidelines for determining remuneration for senior executives for 2020, to be approved by the Annual General Meeting in May 2020. The most recently approved guidelines are presented in Note 33.

Applicability

Senior executives covered by the provisions of these guidelines include the CEO and members of the Group Leadership Team ("senior executives"). For the purpose of these guidelines, senior executives also include Board Members, elected at General Meetings, to the extent such Board Members perform services within their respective areas of expertise outside of their Board duties. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. These guidelines do not impose restrictions to any remuneration decided or approved by General Meetings. Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Our approach to the remuneration guidelines

The remuneration policy provides a structure that aligns remuneration with the successful delivery of our long-term business strategy, interests and sustainability.

In short, the company's business strategy is the following.

Tele2's vision is to be the smartest telco in the world, creating a world of unlimited possibilities. We enable the transformation of businesses and the creation of tomorrow's infrastructure. Connecting people and technology far and wide, as well as right here around us. Simple. Sustainable. Smart. Tele2's values are Fearless, Open, Cost Efficient, Reliable and Flexible. These values together constitute "The Tele2 Way" – our way of relating to each other internally, and to the world around us. Tele2's culture and strong values, "The Tele2 Way", make the foundation for attracting and retaining driven and engaged talent.

For more information regarding the company's business strategy, please see www.tele2.com.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests and its sustainability, is that the company is able to attract and retain driven and engaged talent. To this end, it is necessary that the company offers 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.

General Meetings in Tele2 have separately resolved on long-term share and share-price related incentive plans. Going forward, any new long-term share and share-price related incentive plans will be resolved upon separately by the General Meetings and are therefore not covered by these guidelines since these guidelines do not impose restrictions to any remuneration decided or approved by General Meetings. The performance criteria used to assess the outcome of these long-term share and share-price related incentive plans are distinctly linked to the business strategy and thereby to the company's long-term value creation, including its sustainability. At present, these performance criteria comprise i.a. Tele2's absolute TSR and Tele2's TSR vs a defined Peer Group. However, such criteria may change in future long-term share and share-price related incentive plans. Current plans are also conditional upon the participant's own investment and certain holding periods of several years. For more information regarding these long-term share-related incentive plans, including the performance criteria which the outcome depends on, please see www.tele2.com/governance/remuneration.

Remuneration elements

Remuneration to the senior executives should comprise annual fixed base salary, variable short-term remuneration, variable long-term incentives, pension benefits and other benefits.

Annual fixed base salary

For defining the annual fixed base salary for the senior executives, the Remuneration Committee uses a similar methodology as for benchmarking other employees' fixed annual remuneration, utilizing external benchmark and reviewing peers. The Board considers the remuneration of employees and the average annual increases an important element in determining the annual salary increase for senior executives.

Variable short-term remuneration, including criteria for awarding

The variable short-term remuneration ("STI") shall be linked to predetermined and measurable criteria, measured over a period of maximum one year, which can be financial, such as EBITDA or revenue, or non-financial, such as sustainability. In addition, they may be individualized, quantitative or qualitative objectives. For senior executives, the financial criteria are weighted 80 percent and the non-financial criteria are weighted 20 percent. The criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy, "The Tele2 Way" or promote the senior executive's long-term development.

The variable short-term remuneration can amount to a maximum of 100 percent of the annual fixed base salary.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated and/or determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable cash remuneration to the senior executives. The evaluation for financial objectives shall be based on the latest financial information made public by the company.

Variable long-term incentives, including criteria for awarding

The structure of any variable long-term incentives shall ensure a long-term commitment for Tele2's development and value creation and may be both share and share-price related as well as cash based. Going forward, any long-term share and share-price related incentive plans will be resolved upon separately by the General Meetings and are therefore not covered by these guidelines.

Pension benefits

The senior executives are offered defined contribution pension plans, including health insurance. Defined contributions for pensions to the CEO and the other senior executives can amount to a maximum of 20 percent premium based on the annual fixed base salary and the STI, which could maximum lead to 40 percent of the annual fixed base salary.

Other benefits

Other benefits may include e.g. company cars, health care insurance and for expatriated senior executives e.g. housing benefits for a limited period of time. Such benefits may amount to not more than five percent of the annual fixed base salary.

Termination of employment

The maximum period of notice of termination of employment shall be twelve 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 eighteen months for the CEO and twelve months for any of the other senior executives.

Additionally, remuneration may be paid for non-compete undertakings and such remuneration shall compensate loss of income. The remuneration shall be paid during the time the non-compete undertaking applies, however not for more than six months. With regard to the CEO, the remuneration shall amount to not more than 60 percent of the CEO's average monthly remuneration (both fixed and variable) paid by the company during the twelve months preceding the time of termination and with regard to other senior executives, the remuneration shall amount to not more than 80 percent of the senior executive's monthly base salary at the time of the termination.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines

The Board has established a remuneration committee. The committee's tasks include preparing the Board's decision to propose guidelines for remuneration to senior executives. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the senior executives, the application of the guidelines for remuneration to senior executives as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and other senior executives do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Deviations made to the remuneration guidelines for senior executives in 2019 are presented in Note 33.

Sustainability

In 2019 Tele2 has seen an increase in both the interest and demands on how Tele2 works with sustainability, from several stakeholders. Customers, investors, employees and other stakeholders are taking a more active interest in how Tele2 works to become a more sustainable business. Tele2 sees sustainability as a strong foundation for its operations and has the ambition to lead in sustainability.

This approach is what determines how Tele2 engages with environmental, social and governance topics. Tele2's sustainability strategy has five focus areas, which are:

- Child protection
- Diversity and inclusion
- Ethics and compliance
- Environment
- Privacy and integrity

Sustainability targets were included in the executive short term incentive remuneration during 2019. These targets totalled 31, spread across the five focus areas. For each focus area Tele2 has also set long term goals. In the important external ratings that we use to benchmark our performance, this has had a positive effect. Tele2 was pleased to receive the 35th place globally in the Equileap Gender Equality Global Ranking in October, to maintain our AAA rating by MSCI, and to remain a FTSE4Good constituent.

Statutory sustainability report

Tele2 has prepared a sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines. The sustainability report has been prepared in accordance with disclosure requirements set out in the Swedish Annual Accounts Act chapter 6 paragraph 11. The scope and content of the sustainability report is defined in connection to the GRI content index in the sustainability report. The report is available on Tele2.com in PDF format.

Critical GRI Standards indicators

The eight indicators that are considered to be the most relevant for Tele2's stakeholders are presented below. These indicators are based on an independent reporting framework developed by the Global Reporting Initiative (GRI). The full GRI Index with all indicators material to Tele2's business are presented in the Sustainability Report.

Confirmed incidents of corruption and actions taken (GRI 205-3)

Tele2 had no incidents of corruption[1] reported, no incidents in which employees were dismissed or disciplined for corruption reported, and no incidents when contracts with business partners were terminated or not renewed due to violations related to corruption reported, during the year, nor the previous year[2]. Furthermore, there have not been any public legal cases regarding corruption brought against Tele2 or its employees reported during the year, nor the previous year.

Legal actions for anti-competitive behavior, anti-trust, and monopoly practices (GRI 206-1)

Zero (2018: one) legal actions pending or completed were identified during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.

Non-compliance with environmental laws and regulations (GRI 307-1)

No significant fines and non-monetary sanctions[3] for non-compliance with environmental laws or regulations have been reported during the year, nor the previous year.

Diversity of governance bodies and employees (GRI 405-1)

Gender distribution within the organization's governance bodies and among employees is presented in Note 33.

Incidents of non-compliance concerning the health and safety impacts of products and services (GRI 416-2)

Tele2 has had one (2018: one) reported incident of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services.

The incident occurred in Kazakhstan. It concerned the operation of a base station without the correct permit. This resulted in a non-significant fine (approximately 3 800 SEK). The necessary permit was acquired shortly after.

[1] Tele2 does not report on fraud committed against the company under this indicator. Attempts to defraud telecommunications companies through their services are common, and Tele2 has adequate measures in place to mitigate those attempts. Reporting figures on telecommunications fraud would create a skewed perspective and distract from more material cases of corruption if they would occur.

[2] In 2019 Tele2 Latvia discovered two cases in which employees tried to defraud the company. In one case a store employee fraudulently acquired devices, and stole 3 devices. In the other case a store employee stole money by tampering with money collection documentation. This has resulted in a review of procedures to prevent this happening again. Tele2 dismissed the employees involved.

[3] Significant fines and non-monetary sanctions are defined by Tele2 as exceeding EUR 250,000.

Incidents of non-compliance concerning marketing communications (GRI 417-3)

Tele2 has had zero (2018: four) incidents of non-compliance with regulations or voluntary codes concerning marketing communication, including advertising, promotions, and sponsorship, during the year. Of these incidents, zero (2018: two) resulted in a fine or penalty.

Substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI 418-1)

Reported substantiated complaints received during the year, concerning breaches of customer privacy, from outside parties and substantiated by Tele2 or from regulatory bodies, as well as reported identified leaks, thefts or losses of customer data discovered by Tele2, are stated below.

The reason for the increase of complaints in Sweden is most likely based on one or more of the following factors:

- A general increased awareness regarding protection of personal data in connection with the implementation of GDPR
- Tele2 GDPR awareness training for all employees (started in 2018)
- A dedicated Data Privacy Officer who has, and is still running GDPR related topics within Tele2

The increase of complaints in Sweden has not been found to be due to the integration of Com Hem.

Compliance with laws and regulations in the social and economic area (GRI 419-1)

No significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area have been reported during the year and during the last year.

	2019			2018		
	Total number of substantiated complaints received concerning breaches of customer privacy			Total number of substantiated complaints received concerning breaches of customer privacy		
Country	From outside parties and substantiated by Tele2	From regulatory bodies	Breaches of customer privacy discovered by Tele2	From outside parties and substantiated by Tele2	From regulatory bodies	Breaches of customer privacy discovered by Tele2
Sweden	11	–	–	2	–	1
Lithuania	1	–	–	5	–	–
Latvia	1	–	–	-	–	–
Estonia	1	–	–	2	–	–
Croatia	–	2	–	–	–	–
Germany	–	–	–	–	–	1
Kazakhstan[1)]	–	–	–	–	–	1
Netherlands[2)]	–	–	–	15	1	–
Total	**14**	**2**	–	**24**	**1**	**3**

1) Reporting until June 30, 2019 due to divestment
2) Divested January 2, 2019

Governance report

Introduction

The Corporate Governance Report is prepared in accordance with the Swedish Annual Accounts Act and the provisions of the Swedish Corporate Governance Code. Listing information is presented on Page 9. Previous years' Corporate Governance Reports and other corporate governance documents (which were published separately from the Annual Report) are available on the corporate website, www.tele2.com.

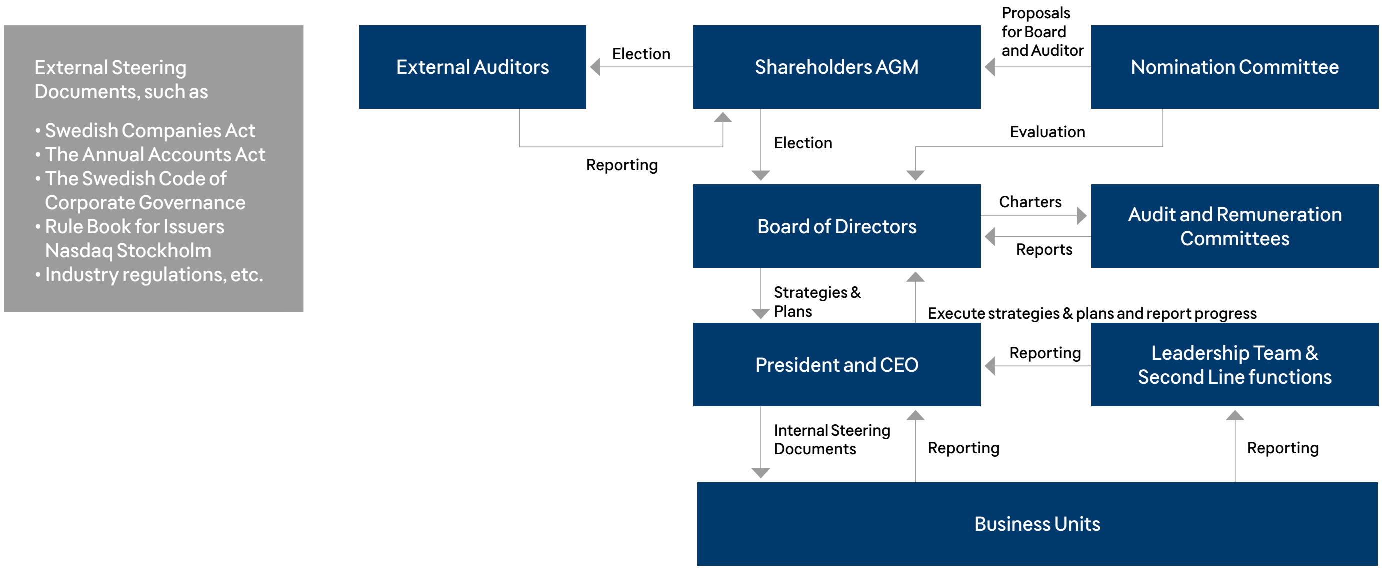
The Code is based on the principle of comply or explain, which means that companies can deviate from single rules in the Code, provided that they offer an explanation for the deviation. Tele2 deviates from the Code in the following respect:

Reference from the Code	Deviation and explanation
2.4 – Neither the company chair nor any other member of the board may chair the nomination committee.	Georgi Ganev was, up until the 2019 AGM, Chairman of the Company's Board of Directors as well as Chairman of the Nomination Committee. He has thereafter been Board member and Chairman of the Nomination Committee for the 2020 AGM. This constituted a deviation of the Swedish Corporate Governance Code. The other members of the Nomination Committee explained its appointment of Georgi Ganev as Chairman of the Nomination Committee as being in Tele2's and its shareholders' best interests and a natural consequence of Georgi Ganev having been appointed by Tele2's largest shareholder, Kinnevik. The deviation has been addressed with the appointment of Carla Smits-Nusteling as Chairman of the Board at the 2019 AGM and Andrew Barron as Deputy Chairman of the Board at the constitutional Board meeting following the 2019 AGM.

Overview of corporate governance at Tele2

Sound corporate governance at Tele2 means the establishment of an appropriate framework for decision making, assignment of responsibility and the implementation of transparent reporting that supports the understanding and monitoring of the development of the company. Tele2's overall corporate governance framework can be visualised as below:

Tele2's governance structure



General Meetings and Nomination Committee

Annual General Meeting

The 2019 Annual General Meeting ("AGM") was held on May 6, 2019. At the meeting, 915 shareholders were in attendance, personally or by proxy, representing 65 percent of the votes. Wilhelm Lüning, an external lawyer was elected Chairman of the meeting. Noted as present were the Chairman of the Board, Georgi Ganev (also Chairman of the Nomination Committee), the Board members, Eamonn O´Hare, Andrew Barron, Sofia Arhall Bergendorff, Anders Björkman, Cynthia Gordon, Eva Lindqvist, Lars-Åke Norling and Carla Smits-Nusteling, the President and CEO Anders Nilsson, CFO Mikael Larsson, General Counsel Stefan Backman and the auditor-in-charge Pontus Pålsson.

The following significant resolutions were adopted by the AGM:

- Approval of the Annual Report for 2018 and resolution on ordinary dividend of SEK 4,40 per share in two equal installments. The record date for the first dividend was decided as May 8, 2019 and the second as October 2, 2019. The dividend was paid out to the shareholders on May 13, 2019 and October 7, 2019 respectively;
- Discharge the directors of the Board and the CEO from liability for the financial year 2018;
- Approval of remuneration to the Board and auditor and procedures for the Nomination Committee;
- Re-election of Andrew Barron, Anders Björkman, Georgi Ganev, Cynthia Gordon, Lars-Åke Norling, Eva Lindqvist and Carla Smits-Nusteling as directors of the Board and election of Carla Smits-Nusteling as Chairman of the Board;
- Re-election of Deloitte as auditor until close of the 2020 AGM with Pontus Pålsson continuing as auditor-in-charge;
- Approval of guidelines for the remuneration to senior executives as well as the principles and scope for Tele2's long term share related incentive program 2019, including authorizations for the Board to resolve on a new issue of not more than 2,040,000 Class C shares and to repurchase all Class C shares in the company in order to transfer such shares to the participants in Tele2's long term incentive plans, of which 2,100,000 can be transferred to the participants under the 2019 LTI; and
- Authorize the Board to pass a resolution on one or more occasions for the period up until the next Annual General Meeting to repurchase so many Class A and/or Class B shares that Tele2's holding does not at any time exceed 10 per cent of the total number of issued Tele2 shares.

Extraordinary General Meeting

The Extraordinary General Meeting ("EGM") was held on August 22, 2019. At the meeting, 769 shareholders were in attendance, personally or by proxy, representing 62 percent of the votes. Charlotte Levin, an external lawyer was elected Chairman of the meeting. Noted as present were the Chairman of the Board, Carla Smits-Nusteling, the Board Members Anders Björkman, Eva Lindqvist, Lars-Åke Norling and Cynthia Gordon, President and CEO Anders Nilsson, CFO Mikael Larsson and General Counsel Stefan Backman.

The meeting resolved on an extraordinary dividend of SEK 6 per share. The record date was decided as August 26, 2019 and the dividend was paid out to the shareholders on August 29, 2019.

The minutes of the AGM and EGM are available on Tele2's corporate website, www.tele2.com.

Nomination Committee for the 2019 AGM

For the 2019 AGM, the Nomination Committee, consisted of; Georgi Ganev appointed by Kinnevik AB; John Hernander appointed by Nordea Investment Funds and Hans Ek appointed by SEB Investment Management AB. The Committee held three (3) meetings between the 2018 EGM and 2019 AGM, with additional internal discussions and interviews with Board members.

The Committee's work primarily focused on the continued development of the overall Board composition as well as on ensuring an orderly Chairman succession planning, with the overall aim to normalize the size of the Board as the Committee had advised the 2018 EGM. In its assessment of the degree to which the proposed Board met the requirement placed on it, the Nomination Committee reviewed the Board members' ability to devote the necessary time and commitment required, as well as the balance and diversity of contributions of experiences from different areas and geographic regions of the broader digital communications industry.

The Committee also had the benefit of a formal evaluation of the Board and its individual members. In its work, the Nomination Committee applied rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. Accordingly, the Committee gave particular consideration to the importance of an increased diversity on the Board, including gender, age and nationality, as well as depth of experiences, professional backgrounds and business disciplines. The Committee believed the composition of the Board to be fit-for-purpose in respect of the various dimensions of diversity, and will continue to pursue a high degree of diversity and gender balance in its efforts to compose the most capable Board.

The Committee submitted proposals to the 2019 AGM for the election of the Board and auditor, and their remuneration, Chairman of the AGM and the procedure for the Nomination Committee.

No compensation has been paid by Tele2 to any member of the Nomination Committee for their work.

Nomination Committee for the 2020 AGM

In accordance with the resolution of the 2019 AGM, Georgi Ganev, as representative for Kinnevik AB, has convened a Nomination Committee consisting of members appointed by the largest shareholders in terms of voting interest in Tele2 AB as of December 31, 2019. The members of the Nomination Committee for the 2020 AGM are shown in the table below:

Name	Representing	Share of votes
Georgi Ganev (Chairman)	Kinnevik AB	42.0%
John Hernander	Nordea Funds	1.6%
Jan Dworsky	Swedbank Robur Funds	1.6%

The Board

According to Tele2's Articles of Association, the Board shall consist of at least five and a maximum of nine members, to be elected by the AGM. The Articles of Association of Tele2 are available on the corporate website, www.tele2.com.

At the 2019 AGM, Tele2's shareholders re-elected Carla Smits-Nusteling, Anders Björkman, Georgi Ganev, Cynthia Gordon, Eva Lindqvist, Andrew Barron and Lars-Åke Norling as directors of the Board. Sofia Arhall Bergendorff and Eamonn O´Hare left the Board as they declined re-election. Furthermore, Carla Smits-Nusteling was elected as Chairman of the Board. At the constitutional board meeting following the 2019 AGM, the Board elected Andrew Barron as Deputy Chairman of the Board.

The President and CEO, CFO and General Counsel/Company Secretary also attend the Board meetings except for when their own work is being evaluated. Other employees participate in the Board meetings to discuss specific matters, or as required by the Board.

Independence of the Board

The Board's assessment regarding each member's position of independence in relation to the company, its shareholders and the management is mentioned in the Board member profiles on Pages 6-7. None of the Board members are part of the senior management of the company, nor are they union representatives. Three of the total seven Board members as at end of 2019 were women.

Tele2 meets the Code's requirement that the majority of the members be independent in relation to the company and its executive management. Five of the total seven Board members as at the end of 2019 are independent of the company, its executive management and, additionally, its major shareholders.

The Board's responsibility and work procedures

The Board's work procedures are established every year and govern the organization of the Board's duties and its meetings, as well as written instructions for the Board's work and evaluation of its performance. Furthermore, the Board has issued "Instructions to the Managing Director" to the President and CEO regarding his responsibilities towards the Board, and to establish his authority to execute the company's management, including any limitations thereto.

The Board:

- Oversees Tele2's overall long-term strategies and goals,
- Approves budgets, business plans, financial reports, investment and personnel proposals,
- Makes decisions regarding acquisitions and disposal of business interests,
- Monitors the CEO's work and the company's performance, and
- Evaluates the quality of the company's internal control functions, risk management and financial reports, and communicates with the company's auditors directly and through regular reports from the Audit Committee and the company's CFO.

The Board's work in 2019

During the 2019 financial year, the Board convened five (5) times in Stockholm. In addition, six (6) per capsulam meetings and four (4) telephone conference meetings were held.

Below is a summary of the main topics handled by the Board during 2019:

- Appointment of key personnel,
- Review and approval of financial reports,
- Review and follow-up of internal controls, risk management and corporate governance,
- Treasury matters,
- Corporate responsibility matters, including data privacy, corruption risks and ethical business practices,
- Human resources matters, including talent management, succession planning and remuneration guidelines,
- Strategy review, including review of growth opportunities, product portfolio, business model challenges and marketing strategies,
- Several matters regarding acquisition and divestment opportunities, including the divestment of Tele2´s equity shares in Tele2 Kazakhstan and Tele2 Croatia,
- Progress of integration between Com Hem and Tele2 Sweden, including realization of revenue and cost synergies,
- Review of the budget for 2020 and strategic plan for 2020-22,
- Evaluation of the Board and the CEO,
- Auditors' reports.

Attendance of Board members

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings, including telephone and per capsulam meetings	15	8	4
Carla Smits-Nusteling	15/15	8/8	-
Sofia Arhall Bergendorff[1]	6/6	-	-
Anders Björkman	15/15	-	4/4
Georgi Ganev[2]	15/15	3/3	4/4
Cynthia Gordon[3]	15/15	5/5	
Lars-Åke Norling	15/15	8/8	4/4
Andrew Barron	15/15	-	4/4
Eamonn O'Hare[1]	5/6	-	-
Eva Lindqvist	14/15	8/8	–

1) Left the Board at the AGM 2019
2) Left the AC after the AGM 2019. Attended all 3 meetings before the AGM
3) Joined the AC after the AGM 2019. Attended all 5 meetings after the AGM

The Board members are all compensated for their Board work in accordance with the resolution passed at the AGM. Details of compensation are shown in Note 33. In addition, Board members are reimbursed traveling expenses for Board work, according to submitted receipts. There is no outstanding share or share price related incentive program for the Board.

Annual Evaluation of the Board

The Chairman of the Board ensures that an annual self-assessment of the Board's work is performed, where the Board members are given the opportunity to share their views on working methods, Board material, their own and other Board members' work, as well as the scope of their assignment. In 2019 an internal self-assessment was performed.

The Board also receives reports from the Audit and Remuneration Committees and evaluates their work. The evaluation is presented to the Nomination Committee.

Committees and auditor

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 a capital structure committee working with questions on shareholder remuneration and capital structure.

Audit Committee

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.

When performing its work, the Audit Committee is guided by a written charter and instructions that the Board has determined, as well as the provisions contained in the Code. The Board has delegated the following decision making powers to the Audit Committee:

- The right to establish procedures for accounting, internal control and auditing,
- The right to determine the procedure for receiving and managing complaints received by the company with regard to accounting, internal control or audit issues.

At the statutory Board Meeting following the 2019 AGM, the Board appointed Eva Lindqvist as the Chairman of the Audit Committee, and Carla Smits-Nusteling, Lars-Åke Norling and Cynthia Gordon as ordinary members. Tele2 meets the independence requirements of the Code vis-à-vis the Audit Committee, also mentioned in the Board member profiles on Pages 6-7.

The Audit Committee usually meets in connection with Board meetings or the publication of external financial reports. The Audit Committee has met or participated through call four (4) times in 2019 to review, assess and approve the release of the group's financial results. The Committee also met four (4) times in Stockholm in connection with the Board meetings. Also, the Committee met through call one (1) time to discuss the conclusion of the PCAOB audit for the year 2018. The President and CEO and the CFO together with the General Counsel, Head of Internal Audit, Head of Financial Planning and Reporting, Head of Investor Relations and the company's external auditors were also present at the meetings, as required. Other management representing Tax, IT, Sustainability and Security were also present in part or some of the meetings.

In 2019, the primary matters dealt with by the Audit Committee were the approval of financial reports, capital structure, tax, reports from the external auditor including PCAOB audit, follow-up of internal audits and risk assessments, corporate responsibility and compliance and information regarding significant financial and control projects. The Audit Committee, through its Chairman, also meets with the external auditor independently to exchange views regarding the company's accounting and control environment. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported regularly to the Board of Directors.

Remuneration Committee

The Remuneration Committee's main work includes presenting recommendations to the Board regarding remuneration and terms of employment for executive management. These recommendations and guidelines regarding remuneration for executive management are also submitted to the President and CEO. The recommendations, including recommendations for long-term incentive programs, are submitted by the Board to the AGM for adoption.

Following their adoption at the AGM, the Board applies the remuneration guidelines.

When performing its work, the Remuneration Committee is guided by a written charter and instructions that the Board has determined.

The Board appoints the members and the Chairman of the Remuneration Committee. At the statutory Board meeting following the 2019 AGM, Andrew Barron was appointed Chairman of the Remuneration Committee and Anders Björkman and Lars-Åke Norling were appointed members of the Committee.

During 2019, the Remuneration Committee held four (4) meetings.

Refer to Note 33 for information regarding remuneration to senior executives.

Auditor

At the AGM 2019, the audit firm Deloitte AB, Sweden, was elected external auditor until the AGM 2020 in compliance with the proposal from the Nomination Committee. Pontus Pålsson is the auditor in charge. He is an authorized public accountant and partner at Deloitte responsible for audit quality in Deloitte's Nordic organization. In addition to his assignment at Tele2, he is amongst others, part of the audit teams for Atlas Copco and Boliden.

During 2019, Deloitte performed services for Tele2 besides the ordinary audit assignments, for example with regard to comfort letters. All non-audit services performed by the auditor are approved by the Audit Committee. Refer to Note 34 for information regarding fee to the auditors.

Internal control over financial reporting

The internal controls over Tele2's financial reporting aims to provide reasonable assurance of the reliability of internal and external financial reporting, and to ensure that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies.

Tele2's system for internal controls and risk management is based on the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, also referred to as "the COSO model". This section reproduces the key elements of Tele2's application of this model and how it assists the Board and the Leadership Team in providing assurance over the financial reporting as well as operational, compliance and strategic objectives.

OUR VISION	Smartest telco in the world creating a society of unlimited possibilities				
Internal Control Integrated Framework	**Control Environment** – Assigned responsibilities – The Tele2 Way – Tele2´s Code of Conduct	**Risk Assessment** – Strategic risks, – Operational risks – Financial and Reporting risks – Compliance risks	**Information & Communication** – Policies & Procedures – Trainings – IT tools	**Control Activities** – Process controls – Period-end closing activities – IT General Controls	**Monitoring** – Management review – Central Functions – Internal Audit
OUR VALUES	Fearless	Open	Cost-Efficient	Reliable	Flexible

Control environment

The Board of Directors bears overall responsibility for internal controls related to financial reporting. As a result, the Board has established a written work plan, "Work and delegation procedures for the Board of Directors of Tele2 AB", that clarifies its responsibilities and regulates the Board's and its committees' internal distribution of work. Furthermore, the Board has appointed an Audit Committee with a written charter, the primary task of which is to ensure that established principles for financial reporting and internal controls are adhered to and that appropriate relations are maintained with the company's auditors. Results of internal and external audits, which are reported to the Audit Committee, as well as management's reporting on risks and incidents forms the basis for the Board's evaluation of the internal controls over financial reporting.

Responsibilities for maintaining Internal Control over Financial Reporting

The Tele2 Group and its geographical footprint has undergone significant change during the past two years. After the merger of its Swedish operations with Com Hem, the Swedish market is approximately 80% of the total Tele2 Group. Due to this, the governance responsibilities towards maintaining Internal Control over Financial reporting has also been restructured during 2019.

The responsibility for maintaining an effective control environment and ongoing work on internal controls has been assigned to the President and Group CEO and documented in the "Instructions to the Managing Director of Tele2 AB". The President and Group CEO has, in turn, allocated responsibility for maintaining internal controls to the Tele2 Group Leadership team and his direct reports. This is explained in the table at the bottom of the page.

Control environment, Tele2 values and the Tele2 Code of Conduct

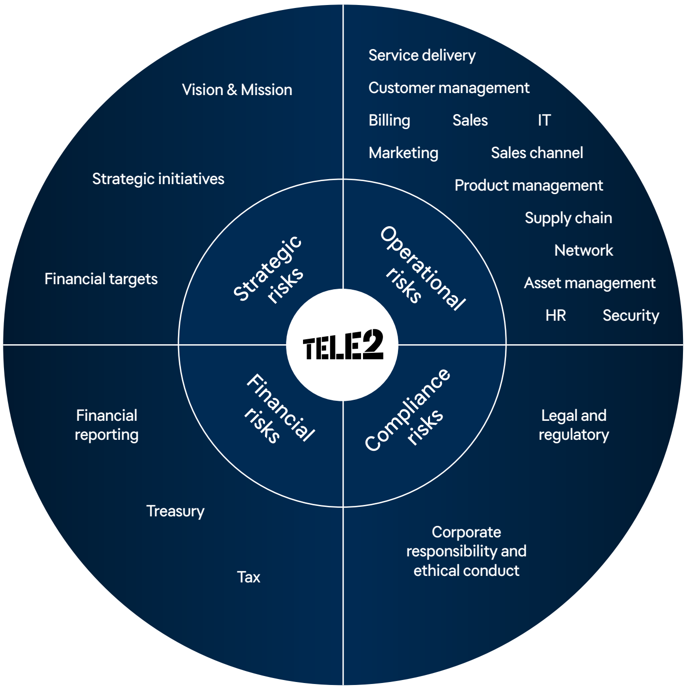
The overall control environment in Tele2 (including that over its financial reporting) is much influenced by our common values which are reflected in all parts of our business, from trainings for new employees to developing corporate strategy. There are also control activities in place to ensure that the values are, not only known by employees and managers, but also that we act in accordance with them, i.e. that we "walk the talk". All employees are evaluated against these common values and managers are required to conduct training on "The Tele2 Way" in order to discuss and gain greater insight into the company's values and practices. Another key aspect of the overall control environment is the Executive Management's enforcement of the Tele2 Code of Conduct and, as part of this, the four-eyes principle, which means that important decisions and contracts signed on behalf of Tele2 should always be made by at least two persons. The Code of Conduct is signed by all employees upon joining Tele2 and then reconfirmed annually. All employees are accountable for compliance with the code of conduct. When entering into a contractual arrangement with Tele2, suppliers and other business partners also need to give their assurance regarding compliance with Tele2's standards by signing Tele2's Business Partner Code of Conduct. The Code of Conduct is available on the company's intranet and on Tele2's corporate website www.tele2.com.

<table>
<tr><th></th><th>Sweden</th><th>Rest of Tele2 Group</th></tr>
<tr><td>1st line of defence</td><td rowspan="2">– The President and Group CEO and his Leadership team based out of the Swedish operations are responsible for ensuring internal controls over all COSO related objectives.
– The Swedish finance organization led by the Group CFO has the specific responsibilities for ensuring correct and timely financial reporting through functions such as Financial Planning and Reporting, Accounting and Financial Control, Business Control, Corporate Finance and M&A and Investor Relations.
– Other departments belonging to the Swedish organization that vital to maintaining a sound control environment are for example Legal and Regulatory, Security, Purchasing, Corporate Responsibility and People & Change (HR).
– Each of these departments are also responsible for maintaining internal control for the whole Tele2 Group by issuing group wide policies (including the group wide Code of Conduct), procedures, Financial Manuals etc. and following up on related issues.
– A combination of Group management being responsible for internal control over the Swedish market and also assuming the responsibility of defining and monitoring adherence to group policies, results in the merging of the 1st and 2nd lines of defences for the Swedish operations.</td><td>– CEOs of local operations and their line managers are responsible for ensuring internal controls over all COSO related objectives pertaining to their respective markets, with their local finance organizations having the specific responsibilities for ensuring correct and timely financial reporting, thereby assuming the role of the 1st line of defence.</td></tr>
<tr><td>2nd line of defence</td><td>– The Swedish finance organization and other departments, that are responsible for issuing group wide policies and procedures for maintenance of internal control require adherence to these policies and procedures from the local country operations and hence assumes the role of the 2nd line of defence.</td></tr>
<tr><td>3rd line of defence</td><td colspan="2">Independently of area of responsibility, be it geographic or corporate, Tele2's Internal Audit function is responsible for evaluating the operations of the company to evaluate and identify any shortcomings in internal controls over financial reporting as well as in other areas. Significant findings are reported to the Board of Directors through the Audit Committee.</td></tr>
</table>

Risk assessment

Tele2's operational risk management is integrated into the financial reporting and operational processes to ensure accountability, effectiveness, efficiency, business continuity and compliance with corporate governance, legal and other requirements. First and second "line of defence" is inherently responsible for the risk identification and risk mitigation related to their respective market or corporate area for financial reporting and other operational processes. On top of this, Internal Audit performs a risk assessment for each market and function (including financial reporting) which forms the basis for the annual internal audit plan. This risk assessment considers the fact that there is risk both from how we operate and from where we operate, as illustrated in the Risk Universe below.

Tele2 Risk Universe



Other inputs to this risk assessment and the internal audit plan include results of prior audits, known incidents and reporting issues, external risk benchmarks and external assessments of countries' general corruption levels, etc. The internal audit plan is reviewed and approved by the Board through the Audit Committee.

Information and communication

Corporate policies and procedures are available for employees on the company's intranet or directly through the relevant central function. Manuals and guidelines of significance to financial reporting are regularly updated and continuously communicated to the employees concerned. Monthly closings follow a pre-defined process and are preceded by monthly meetings with all senior finance managers. Feedback is also provided to the reporting subsidiaries regarding their financial reporting processes. The company management reports regularly to the Audit Committee and the Board according to established procedures.

Controls such as IT and access security, change management and monitoring of systems performance and interfaces for IT systems supporting the financial reporting are of high importance for the internal controls over financial reporting. Requirements related to these areas are described in policies and standards. Compliance to these requirements are followed up on a continuous basis.

Control activities

For Sweden, the President and CEO with his Leadership Team bear the responsibility for the implementation of control activities in compliance with central policies and governance documents (including the Financial Manual), as well as for managing any further risks that they may identify. This includes controls in the financial reporting processes as well as controls in other processes which could be expected to impact financial reporting. These controls comprise a mix of detailed controls at transaction level and analyses based on aggregated data.

For the rest of the Tele2 Group, similar responsibility lies with the country CEOs and their line managements.

In conjunction with monthly consolidation and reporting to management, Financial Planning and Reporting also performs a review of the figures reported.

The Audit Committee reviews every interim and annual report prior to publication. The company's financial reporting procedures are also evaluated regularly.

Monitoring

Monitoring means ensuring that the control activities described and referred to in the previous section are appropriate and performed as intended. This follow-up is performed at various levels within the company.

Follow-up within the Swedish operations

Due to the merge of the first and second line defences, the President and CEO with his Leadership team are responsible for follow up on controls and compliance with the company's policies and governance documents. Where needed, this is performed through reviews with the help of experts in the respective areas. For example, the Security organization identifies risk of fraud and the Purchasing organization together with the Legal department follows up on the application of Tele2's Code of Conduct for business partners, and the controlling functions led by the Group CFO clarify and follow up on matters related to financial reporting and instructions in the Financial Manual.

Follow-up within the rest of the Tele2 Group

The 1st line of defence, the line managers in the markets follow up on controls in their respective areas with the help of their own staff.

In addition, compliance with the company's policies and governance documents are followed up by the Swedish functions (in their role as a 2nd line of defence) such as legal, security and finance (including financial reporting, clarification and adherence to the Financial Manual through regular interactions between finance teams of countries and the Swedish Financial Planning and Reporting team).

Follow-up assisted by Internal Audit

Independently of line responsibilities and without any limitation by area of responsibility, Internal Audit follows up compliance with Tele2's rules and control activities through the performance of internal audits and other activities. The internal audits naturally also take into account the risk of errors in the financial reporting and are intended to ensure compliance with the Financial Manual, particularly when reviewing the account closing process. Significant risks and issues noted by Internal Audit are communicated to both the Audit Committee and to the relevant corporate functions for the purpose of not only correcting errors, but also enhancing or clarifying policies and other governance documents, and thereby reducing the risk of future errors. During 2019, around 500 man days of internal audit were performed.

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Financial statements – Group

Consolidated income statement

SEK million	Note	2019	2018
Revenue	3, 4	27,659	21,775
Cost of services provided and equipment sold	5	−16,596	−12,365
Gross profit		**11,063**	**9,410**
Selling expenses	5	−4,293	−3,614
Administrative expenses	5	−2,665	−2,229
Result from shares in joint ventures and associated companies	16	−97	9
Other operating income	6	297	185
Other operating expenses	7	−281	−470
Operating profit	4, 5	**4,024**	**3,291**
Interest income	8	29	15
Interest expenses	9	−483	−323
Other financial items	10	10	−64
Profit after financial items		**3,579**	**2,919**
Income tax	11	−978	−1,811
Net profit, continuing operations		**2,601**	**1,108**
Net profit/loss, discontinued operations	36	2,533	−116
Net profit, total operations	4	**5,134**	**992**
Continuing operations			
Attributable to:			
Equity holders of the parent company		2,601	1,108
Net profit, continuing operations		**2,601**	**1,108**
Earnings per share (SEK)	25	3.78	2.09
Earnings per share, after dilution (SEK)	25	3.77	2.07
Total operations			
Attributable to:			
Equity holders of the parent company		5,004	854
Non-controlling interests		131	138
Net profit, total operations		**5,134**	**992**
Earnings per share (SEK)	25	7.28	1.61
Earnings per share, after dilution (SEK)	25	7.24	1.60

Consolidated comprehensive income

Total operations SEK million	Note	2019	2018
NET PROFIT		**5,134**	**992**
Components not to be reclassified to net profit			
Pensions, actuarial gains/losses	33	-104	-39
Pensions, actuarial gains/losses, tax effect	11	22	8
Components not to be reclassified to net profit		**-82**	**-31**
Components that may be reclassified to net profit			
Translation differences in foreign operations		197	659
Tax effect on above	11	-29	-74
Reversed cumulative translation differences from divested companies	36	-247	—
Tax effect on above	36	-168	—
Translation differences in associated companies	16	150	-0
Translation differences		-98	586
Hedge of net investments in foreign operations		-51	-156
Tax effect on above	11	11	34
Reversed cumulative hedge from divested companies	36	721	—
Tax effect on above	36	-169	—
Hedge of net investments		512	-121
Exchange rate differences		**414**	**464**
Profit arising on changes in fair value of hedging instruments	2	29	-16
Reclassified cumulative profit/loss to income statement	2	-14	70
Tax effect on cash flow hedges	11	1	-16
Cash flow hedges		**16**	**38**
Components that may be reclassified to net profit		**429**	**502**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**347**	**471**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,482**	**1,463**
Attributable to:			
Equity holders of the parent company		5,502	1,321
Non-controlling interests		-21	142
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,482**	**1,463**

Consolidated balance sheet

SEK million	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Goodwill	12	29,744	30,158
Other intangible assets	12	18,397	19,604
Intangible assets		**48,140**	**49,763**
Machinery and technical plant	13	6,791	8,102
Other tangible assets	13	1,109	1,090
Tangible assets		**7,900**	**9,192**
Right-of-use assets	14	5,713	—
Shares in joint ventures and associated companies	16	6,983	13
Other financial assets	17	756	1,015
Capitalized contract costs	18	374	374
Deferred tax assets	11	330	367
Non-current assets		**70,197**	**60,723**
Inventories	19	**710**	**670**
Accounts receivable	20	2,032	2,509
Other current receivables	21	1,911	2,413
Prepaid expenses and accrued income	22	1,772	1,903
Current receivables		**5,715**	**6,824**
Current investments	23	0	2
Cash and cash equivalents	24	448	404
Current assets		**6,874**	**7,901**
Assets classified as held for sale	15, 36	**2,713**	**14,020**
TOTAL ASSETS	4	79,784	82,644

Consolidated balance sheet cont.

SEK million	Note	Dec 31, 2019	Dec 31, 2018
EQUITY AND LIABILITIES			
Share capital	25	863	863
Other paid-in capital		27,378	27,378
Reserves		3,098	2,517
Retained earnings		3,465	5,576
Attributable to equity holders of the parent company		**34,805**	**36,334**
Non-controlling interests	25	—	28
Equity		**34,805**	**36,362**
Liabilities to financial institutions and similar liabilities	26	21,572	21,664
Lease liabilities	31	4,501	15
Provisions	27	1,543	1,471
Other interest-bearing liabilities	26	135	89
Interest-bearing liabilities		**27,752**	**23,238**
Deferred tax liability	11	4,360	4,202
Other non-interest-bearing liabilities	26	—	2
Non-interest-bearing liabilities		**4,360**	**4,204**
Non-current liabilities		**32,112**	**27,443**
Liabilities to financial institutions and similar liabilities	26	3,326	6,406
Lease liabilities	31	1,142	2
Provisions	27	230	224
Other interest-bearing liabilities	26	368	132
Interest-bearing liabilities		**5,066**	**6,763**
Accounts payable	26	1,671	3,004
Current tax liabilities		422	347
Other current liabilities	26	781	689
Accrued expenses and deferred income	28	3,505	4,048
Non-interest-bearing liabilities		**6,379**	**8,088**
Current liabilities		**11,445**	**14,851**
Liabilities directly associated with assets classified as held for sale	15, 36	**1,421**	**3,988**
TOTAL EQUITY AND LIABILITIES	4	79,784	82,644

Consolidated cash flow statement

Total operations SEK million	Note	2019	2018
Operating activities			
Net profit		5,134	992
Adjustments for non-cash items in net profit			
- Depreciation/amortization and impairment	5	6,208	3,893
- Result from shares in joint ventures and associated companies	16	97	-9
- Gain/loss on sale of tangible assets		7	97
- Gain/loss on sale of operations		-1,853	-47
- Incentive program		102	43
- Financial items	32	217	120
- Income tax	32	128	-14
- Dividend from associated companies		0	17
- Deferred tax expense		-146	1,192
Changes in working capital			
- Inventories	19	-97	-8
- Accounts receivable		170	-258
- Other current receivables		161	340
- Other financial assets		346	-376
- Capitalized contract costs		-36	73
- Prepaid expenses and accrued income		-189	-10
- Accounts payable		-213	-350
- Accrued expenses and deferred income		-388	-162
- Other current liabilities		28	-450
- Provisions		38	78
Cash flow from operating activities		**9,716**	**5,160**
Investing activities			
Acquisition of intangible assets		-1,932	-936
Sale of intangible assets		1	12
Acquisition of tangible assets		-1,678	-2,488
Sale of tangible assets		2	9
Acquisition of shares in group companies	15	—	-6,400
Sale of shares in group companies	15	4,323	—
Capital contribution to/repayment from associated companies	15	-13	-6
Cash flow from investing activities		**703**	**-9,809**
Financing activities			
Proceeds from credit institutions and similar liabilities	26	1,867	17,627
Repayment of loans from credit institutions and similar liabilities	26	-5,321	-11,369
Amortization of lease liabilities	31	-1,269	-0
Proceeds from other interest-bearing lending	26	2,114	—
Repayment of other interest-bearing lending	26	-1,049	-19
Dividends paid	25	-7,153	-2,013
Cash flow from financing activities		**-10,811**	**4,225**
Net change in cash and cash equivalents		**-392**	**-424**
Cash and cash equivalents at beginning of the year	24	404	802
Exchange rate differences in cash and cash equivalents	24	436	26
Cash and cash equivalents at end of the year	24	**448**	**404**

Consolidated statements of changes in equity

Total operations SEK million	Note	Dec 31, 2019							
		Attributable to equity holders of the parent company							
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		**863**	**27,378**	**-734**	**3,252**	**5,576**	**36,334**	**28**	**36,362**
Net profit		—	—	—	—	5,004	5,004	131	5,134
Other comprehensive income for the year, net of tax		—	—	527	54	-82	499	-152	347
Total comprehensive income for the year		**—**	**—**	**527**	**54**	**4,921**	**5,502**	**-21**	**5,482**
Other changes in equity									
Share-based payments	33	—	—	—	—	102	102	—	102
Share-based payments, tax effect	11, 33	—	—	—	—	19	19	—	19
Dividends	25	—	—	—	—	-7,153	-7,153	—	-7,153
Divestment of non-controlling interest	36	—	—	—	—	—	—	-7	-7
Equity at end of the year		**863**	**27,378**	**-207**	**3,305**	**3,465**	**34,805**	**—**	**34,805**

Total operations SEK million	Note	Dec 31, 2018							
		Attributable to equity holders of the parent company							
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		**634**	**7,842**	**-651**	**2,670**	**6,709**	**17,203**	**-114**	**17,089**
Net profit		—	—	—	—	854	854	138	992
Other comprehensive income for the year, net of tax		—	—	-84	582	-31	467	4	471
Total comprehensive income for the year		**—**	**—**	**-84**	**582**	**823**	**1,321**	**142**	**1,463**
Other changes in equity									
Share-based payments	33	—	—	—	—	43	43	—	43
Share-based payments, tax effect	11, 33	—	—	—	—	14	14	—	14
Proceeds from issuance of shares	25	229	19,537	—	—	—	19,766	—	19,766
Dividends	25	—	—	—	—	-2,013	-2,013	—	-2,013
Equity at end of the year		**863**	**27,378**	**-734**	**3,252**	**5,576**	**36,334**	**28**	**36,362**

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

General

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards 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 consolidated financial statements 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, contingent considerations and derivatives which are carried at fair value. Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK) or other currency specified and are based on the twelve-month period January 1 to December 31 for items related to comprehensive income and cash flows, and as of December 31 for items related to financial position. Rounding differences occur.

To more properly reflect the underlying performance of the business, Tele2's measure of segment profit/loss has changed from adjusted EBITDA to underlying EBITDA. The change is a somewhat increased scope of items affecting comparability to make the underlying EBITDA clearer and made retroactively, please refer to Note 4. From 2020 Tele2 will change the measure of segment profit/loss to underlying EBITDAaL, please refer to the section Non-IFRS measures for the definition.

To reflect the new organizational setup communicated on December 3, 2019, Tele2 has adjusted its reporting structure and segment reporting. Previous periods have been restated. This includes combining the Sweden Consumer, the Sweden Business and the IoT Segments into one segment, please refer to Note 3 and 4. In connection with these changes, Tele2 has also adjusted the classification of revenue in the new Sweden Segment resulting in some revenue being reclassified from end-user service revenue into equipment and wholesale revenue, please refer to Note 3. These changes have no impact on total revenue and profitability for the Group.

Standards and interpretations applied for the first-time

The Group adopted the requirements of IFRS 16 Leases on January 1, 2019. Upon transition to IFRS 16, Tele2 has chosen to apply the modified retrospective approach and not restate prior periods. The adoption of the standard and the impact on Tele2's consolidated financial statements are presented in Note 35.

Tele2 has chosen early application of the changes to IFRS 9 prompted by the future change of reference rates, *Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39, and IFRS 7*. This amendment has not had any effect on the financial statements.

Other amended standards and new IFRICs (Amendments to: IFRIC 23 *Uncertainty over Income Tax Treatments*, IFRS 9 *Prepayment Features with Negative Compensation*, IAS *19 Plan Amendment, Curtailment or Settlement*, IAS 28 *Long-term Interests in Associates and Joint Ventures* and *Annual improvements to IFRSs 2015-2017 Cycle*) which became effective January 1, 2019, have had no material effect on the consolidated financial statements or are not applicable for Tele2.

New and revised accounting standards not yet adopted

The following new and revised standards have been issued by the International Accounting Standards Board (IASB) and endorsed by the EU but are not yet adopted by Tele2 as the adoption is to be made in the coming reporting periods:

- Amendments to: *References to the Conceptual Framework in IFRS Standards*, and IAS 1 and IAS 8 *Definition of Material* (effective for annual periods beginning on or after January 1, 2020)

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

- IFRS 3 *Business Combinations* (effective for annual periods beginning on or after January 1, 2020),
- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after January 1, 2021),
- Amendments to: IAS *1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (effective for annual periods beginning on or after January 1, 2022), and
- Amendments to: IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (postponed, no decided effective date).

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

Consolidation

Subsidiaries

The consolidated financial statements 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. All intercompany balances and transactions have been eliminated. 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 financial statements 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, transferred consideration, 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 transferred consideration and is reported at 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 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, reacquired rights and leasing arrangements. 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. Lease liabilities are measured at the present value of the remaining lease payments as if the acquired leases were new leases at the acquisition date. The right-of-use assets are measured at the same amount as the lease liabilities, adjusted to reflect favorable or unfavorable terms of the leases when compared with market terms. Reported goodwill is measured as the difference between 1) the transferred consideration 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 compared to 2) the fair value of acquired assets and assumed liabilities. Acquisition related expenses (transaction expenses) are recognized as cost 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 the transferred consideration 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 recognized in profit or loss. All amounts previously recognized 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. Joint operations, usually structured through separate vehicles, are joint arrangements in which Tele2 and one or more parties have rights to substantially all of the economic benefits from the assets of the arrangement. In addition, the liabilities incurred by the arrangement are satisfied by the cash flows received from the parties through their purchases of the output or capital contributions. Joint operations are reported according to the proportional method at which 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, please refer to section Estimates and judgements. 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 implied 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 residual 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 Group surplus values.

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

Revenues include services to consumers, business to business (B2B), landlords and other operators from mobile and fixed telephony, broadband, digital-TV and basic television services. This includes subscription and periodic charges, call charges, interconnect revenue from other operators, sale of prepaid cards, sale of equipment such as mobile phones and modems, connection and installation charges, data and information services and service revenues. Revenues are recognized less discounts and VAT.

For subscription and periodic charges for mobile and fixed telephony services, digital-TV, basic television services, ADSL, leased capacity and internet connection for direct access customers transfer the control of the service over time and the revenue is recognized on a straight line basis over the period. The fees are invoiced in advance or monthly after the service has been transferred to the customer, the payment term is typically up to 30 days. Periodic charges for basic television services to landlords are invoiced largely quarterly. When the fees are invoiced in advance and Tele2 has received the consideration or has and unconditional right to the consideration, Tele2 account for a contract liability which is recognized as revenue when the service has been transferred to the customer.

Call charges and interconnect revenue are recognized in the period during which the service is provided.

Revenue from the sale of prepaid cards and similar prepayments are recognized based on the actual use of the card up until the expiry date. The timing of revenue recognition related to the portion expected not to be exercised by the customer will be recognized as revenue in proportion to the customer use pattern. The timing difference between the payment and the revenue recognized is accounted for as a contract liability.

Revenue from sale of equipment is recognized when control of the equipment has been transferred to the customer and the group has the right to payment. The payment is made through monthly instalments or at the time of delivery. When there is a significant difference in timing between the payment and the revenue recognized for the equipment, the group adjust the transaction prices allocated to the equipment, for the time value of money.

Connection and installation charges and other upfront fees are recognized at the time of the sale to the extent that Tele2 delivered goods or service according to the same principles as for customer contracts containing multiple performance obligations as described above.

Revenues from data and information services such as data buckets, text messages and third party services are recognized when the service is provided.

Services to B2B customers, including functional based solutions for complete telecom and network services that may include switchboard services, fixed and mobile telephony, data communication and other customized services as well as system installations, are recognized over time using the percentage of completion method at which the revenues are recognized gradually during the contract as the services are performed as the customer simultaneously receives and consumes the benefits provided. The stage of completion is determined by services performed to date as a percentage of total services to be performed, based on cost incurred in relation to estimated total cost.

For customer agreements containing multiple deliverables or parts, the contracted revenue is allocated to each part, based on its relative fair value. Services invoiced based on usage are not included in the allocation. Revenues for each part are recognized in the period when control of the goods or service is transferred to the customer. When re-allocating revenue between equipment and services is made it can result in revenue recognition taking place at different time (earlier or later) than the goods or service is paid for. The time difference between the payment and the revenue recognized for the performance obligation is recognized as a contract asset or contract liability, for further information refer to Note 17, 21 and 28.

When Tele2 acts as an agent for another supplier, such as handset sales through third party resellers and content services, the revenue is reported net, i.e. only the part of the revenue that is allocated to Tele2 is reported as revenue when control of the goods is transferred to the customer or in the period during which the service is provided.

Most goods or subscriptions are sold with a right of return. Right to return vary normally from 14 days up to 30 days. If the right to return is expected to be utilized the revenue is recognized when the right has expired. Right to return does not apply for Tele2 when the good or subscription is sold through a third party.

Contract modifications occur due to changes in the price plan or when adding value added services. A change in the price plan will result in a new recognized revenue going forward. The value added services are distinct and priced at fair value and recognized as a new contract.

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 5 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 broadcaster costs, costs for networks and capacity, interconnect charges as well as costs for equipment sold (e.g. handsets) 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, including right-of-use assets, attributable to the production of sold services.

Selling expenses

Selling expenses include costs for the internal sales organization, purchased services, personnel costs, cost for right-of-use assets, bad debt losses as well as depreciation and amortization of non-current assets attributable to sales activities. Advertising and other marketing activities are also included and are expensed as incurred. Selling expenses also include the portion of Tele2's cost for handsets and other equipment for which Tele2 does not get full cost coverage.

Administrative expenses

Administrative expenses consist of the part of the personnel costs, purchased services as well as depreciation and amortization of non-current assets, including right-of-use 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

Share-based payments

Tele2 grants share-based payments to certain employees. Share-based payments are mainly settled with the company's own shares, so called equity-settled payments. Certain share-based payments are settled in cash, so called cash-settled payments.

The costs for equity-settled 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), these factors are taken into consideration when determining the fair value of the share rights and is not adjusted for performance. Non-market performance conditions (return on capital employed) and service conditions (employment period) are taken into account in employee cost during the vesting period by the change in the number of shares that are expected to finally vest.

Cash-settled share-based incentive programs are measured in the same way as equity-settled share-based payments with the difference that the share-based payment is remeasured at the end of each reporting period to fair value. Instead of recognizing an increase in equity the vested fair value is recognized as a liability in the balance sheet up until settlement.

Tele2 records a liability for social security expenses, at each reporting period, for all outstanding share-based payments. 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. Amounts paid or payable 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 current 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 defined-benefit pension plans may be funded (partly or wholly) and non-funded. In the funded plans, assets have been separated in a pension trust. These plan assets may only be used to pay benefits under pension agreements.

The cost for the defined-benefit plans are calculated by application of the Projected Unit Credit Method, which means that the cost is distributed over 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 corporate bonds, if available, considering the estimated remaining tenor for each obligation. In Sweden, in line with prior years, mortgage bonds are used for determining the discount rate. Actuarial gains and losses are 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. In situations when Alecta cannot provide sufficient information to determine an individual company's share of the total obligation and its plan assets, these pensions plans are being reported as defined-contribution plans. The plans are 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. Such assets and liabilities are however not recognized if the temporary difference arises at the initial recognition of goodwill or 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 recognized, a deferred tax asset is recognized for at least 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 12) and tangible assets (Note 13) owned by Tele2 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. Generally the estimated residual value for intangible asset is nil. Useful lives and residual values are subject to annual assessments. Useful lives for intangible and tangible assets are presented below.

Intangible assets	
Licenses, utilization rights and software	2–25 years
Trademarks	5 years
Customer agreements	5–15 years
Tangible assets	
Buildings	7–20 years
Modems	2–5 years
Machinery and technical plant	2–30 years
Equipment and installations	2–12 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 licenses entitling it to conduct telecom operations. The expenses related to the acquisition of these licenses are recognized as an asset and amortized on a straight-line basis through the duration of the license agreements.

Goodwill is measured as the difference between the transferred consideration 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 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 at least an 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 12.

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. The capitalized development expenses that are not yet finalized are subject to at least annually impairment testing. The 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 equipment 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

The Group has adopted the requirements of IFRS 16 Leases on January 1, 2019. Tele2 has chosen to apply the modified retrospective approach in the standard and not restate prior periods, as a consequence, the accounting principles for financial instruments are presented below according to IFRS 16 as well as IAS 17 separately.

Accounting principles according to IFRS 16 adopted from January 1, 2019

The assessment whether a contract is or contains a lease, is made at the inception of a contract. A lease is a contract (or part of a contract) that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of an identified asset.

Tele2 as lessee

For all lease agreements in which the Tele2 is the lessee, a right-of-use asset (Note 14) and a corresponding lease liability (Note 31) is recognized, except for short-term leases (defined as leases with a lease term of 12 months or less at commencement date) and leases for which the underlying asset is of low value (with a value as new below EUR 5,000). All lease agreements are reported from the date the leased assets is available for use of the Group. For short-term leases and low value leases, the lease payments are recognized as current operating expenses in the income statement. In addition, the practical expedient in IFRS 16 to not separate lease and non-lease components in a lease contract is applied for the lease categories Sites and base stations (typically non-lease component is electricity) and Leased lines (typically non-lease component is repair and maintenance). For all other lease categories the Group separate the lease components and exclude the service component at calculation of the lease liability. The lease term corresponds to the non-cancellable duration of the signed contracts except in cases where Tele2 is reasonably certain of exercising either an extension option or an early termination option that is included in the contract. IFRS 16 is not applied for intangible assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. When determining the incremental borrowing rate considerations take into account the currency where the asset is leased, the tenor of the contract and the underlying cashflows which the lease generates. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an operating expense in the period in which the event or condition that triggers those payments occurs. The lease liability subsequently increases with the interest on the lease liability (using the effective interest method) and reduces as the lease payments are made. The lease liability is remeasured (with a corresponding adjustment to the related right-of-use asset) whenever the previously determined lease term has changed, the lease payments change due to changes in an index or rate, there is a change in the assessment of exercise of a purchase option, a change in expected payment under a guaranteed residual value, or a lease contract is modified and the lease modification is not accounted for as a separate lease.

The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs, and are subsequently measured at cost less accumulated depreciation and any impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is measured and recognized. The costs are included in the related right-of-use asset, unless those costs are already included in a tangible asset. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

In the cash flow statement the amortization of the lease liability is presented in the financing activities while the interest component is presented in the operating cash flow. Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability is presented within operating cash flow.

Tele2 lessor

Leases for which Tele2 is a lessor are classified as finance or operating leases. 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. All other leases are classified as operating leases. When Tele2 act as finance lessor the assets in a financial lease contract are reported in the balance sheet as a financial receivable to an amount equal to the net investment in the lease contract corresponding to the discounted net present value applying a market based discount rate and a sales revenue in accordance with the principles for customary sales. The financial income arising from a finance lease is accounted for in accordance with a constant remuneration (fixed interest rate).

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

Accounting principles according to IAS 17 applied until December 31, 2018

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 financial statements, 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 13, Note 26 and Note 31). 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, including the effect of provided benefits.

Tele2 as finance lessor

When Tele2 act as finance lessor the assets in a financial lease contract are reported in the balance sheet as a financial receivable to an amount equal to the net investment in the lease contract corresponding to the discounted net present value applying a market based discount rate and a sales revenue in accordance with the principles for customary sales. The financial income arising from a finance lease is accounted for in accordance with a constant remuneration (fixed interest rate).

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 of owned and leased assets. 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 mobile phones, SIM cards, and customer premises equipment.

Contract assets and contract liabilities

A contract asset is Tele2's right to payment for goods and services already transferred to the customer if that right to payment is conditional on something other than the passage of time. For example in bundled contracts that include both equipment such as handset and telecom services, Tele2 will recognize a contract asset when it has fulfilled the contract obligation to deliver the handset but must perform the telecom service obligations before being entitled to payment. This is in contrast to a receivable, which is the right to payment that is unconditional, except for the passage of time. A contract liability is Tele2's obligation to transfer goods or services to a customer at the earlier of when the customer prepays consideration or the time that the customer's consideration is due for goods and services Tele2 will yet provide. Contract assets are included in the balance sheet items Receivable from sold equipment Note 17 and Note 21 and accrued income Note 22. Contract liabilities are included in the balance sheet item Deferred income Note 28.

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, lease liabilities (accounted for according to the section on leases above), 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 recognized 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 both the Group's business model for managing the assets and the contractual cash flow characteristics of the financial assets 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 that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

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 to 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 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.

Tele2's accounts receivables and other receivables are categorized as "Assets at amortized cost" initially reported at fair value and subsequently at amortized cost. An allowance for expected credit losses has to be calculated according to IFRS 9, no matter if a loss event has occurred or not. Tele2 applies the simplified approach to recognize expected credit losses for trade receivables and contract assets that result from transactions within the scope of IFRS 15 (Revenues from contracts with customers) and for finance lease receivables. For finance lease receivables this is a policy choice. The simplified approach applies a matrix model and is always based on lifetime expected credit losses considering information about historical data adjusted for current conditions and forecasts of future events and economic conditions, please refer to Note 20. Any impairment loss is reported as an operating expense.

Cash and cash equivalents are categorized as "Assets at amortized cost" 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. The general impairment model in IFRS 9 is applied to cash and cash equivalents and the identified impairment loss was immaterial.

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 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

The Group designates certain derivatives as hedging instruments in respect of cash flow hedges, interest rate risk in fair value hedges, and hedges of net investments in foreign operations.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows or fair values of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss. Note 2 describes the details of the fair values of the derivative instruments used for hedging purposes as well as the changes in the hedging reserve in equity.

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 Group designates only the intrinsic value of currency swap contracts, designated for hedging of net investments in foreign operations, as a hedged item, i.e. excluding the time value of the swap. The changes in the fair value of the aligned time value of the swap are recognized in the income statement. 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 26.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable).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.

For fair value hedges, the effective and ineffective portions of the change in fair value of the derivative, along with the gain or loss on the hedged item attributable to the risk being hedged, are recognized in the income statement in the same line.

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 2.

Capitalized contract costs

Costs to obtain a contract are capitalized as contract costs assets. These costs are incremental costs incurred when obtaining a contract with a customer and are typically internal and external sales provisions. When businesses are acquired, customer agreements acquired as part of the acquisition are fair valued and capitalized as intangible assets.

The asset is amortized on a straight-line basis over the average customer life period if the cost is assessed as recoverable at portfolio level. Amortization is recognized as an operating cost, in order for this cost to be reflected in the operational business.

Amortization periods:	
Consumer contracts	3–24 months
Business contracts	3–36 months

The asset is impaired in accordance with IFRS 15. An impairment exists if the carrying amount exceeds the amount of consideration Tele2 expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those good and services.

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 accounting policies relating to non-controlling interests are described in the section regarding consolidation above.

Number of shares and earnings per share

Basic earnings per share 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 diluted earnings per share 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. Share 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 25).

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 Other which is reported separately. Tele2 has chosen Underlying EBITDA as the profit or loss measure for the reportable segments. The segment reporting is in line with the internal reporting to the chief operating decision maker, which is Tele2's "Group Leadership Team". From 2020 Tele2 will change the measure of segment profit/loss to underlying EBITDAaL, please refer to the section Non-IFRS measures for the definition.

Other includes the parent company Tele2 AB and other minor operations.

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, digital-TV, fixed broadband, fixed telephony and DSL, business solutions and other operations.

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.

Digital-TV includes digital-TV delivered via fixed infrastructure and digital terrestrial television.

Fixed broadband includes any fixed Internet service for end-customer that is not xDSL-based (copper telephone cables) for the "last mile" connection. For Tele2 this mostly means either Vertical Fiber Coax, Fiber-to-the-Home (FTTH), or Fiber-to-the-Building (FTTB). Connection to customer can be direct access, local-loop unbundling (if not xDSL), or Open network (where Tele2 is Communication service provider).

Fixed telephony and DSL includes resold products within fixed telephony and xDSL-based subscriber services via copper telephone cables and internet via dial-up modem.

Business solutions consists of services to business customers that are complex and custom made, such as managed hardware, hosting, PBX services, consultancy, business LAN networks, services for landlords (ex. basic TV) and communication provider in open networks.

Judgement 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.

Goodwill – 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 consolidated financial statements are as follows:

Joint arrangements

In Sweden, Tele2 is, since earlier, part of two joint arrangements and from 2019 part of joint arrangement in Latvia with a branch in Lithuania. The arrangements concern mobile networks that are classified as joint operations, and consists of Svenska UMTS-nät AB (together with Telia Company) and Net4Mobility HB (together with Telenor) in Sweden and SIA Centuria (together with Bite) in Latvia and Lithuania. Tele2 has chosen to classify these joint arrangements as joint operations as Tele2 considered that, through the agreements between the parties, they 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 that 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 requires 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 21 concerning receivables for sold equipment and Note 22 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 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 12. These kinds of assessments, by nature, include some uncertainty related to projected growth rates, profit margins, investment levels and discount rates. 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 analyzed 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 12 and Note 13.

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 Group's evaluation of utilization periods and residual values will be influenced.

Leases

The main judgements for leases concerns determination of whether a contract (or part of a contract) contains a lease, the lease terms and the discount rate. Regarding the lease terms, a majority of the lease contracts in Tele2 includes options either to extend or to terminate the contract. When determining the lease term, Tele2 considers all relevant facts and circumstances that creates an economic incentive to exercise an extension option, or not to exercise a termination option. Economic incentive includes for example strategic plans, assessment of future technology changes, original capital invested and consideration of cost of finding and moving to a new location, any consideration of penalties Tele2 may be charged to terminate the contract and past practice regarding the period over which Tele2 has typically used particular types of assets (whether leased or owned), and economic reasons for doing so. The discount rate is determined on the basis of an estimate of the incremental borrowing rate for the current lease period and the currency. Please refer to Note 31.

Valuation of deferred income tax receivables and uncertain tax positions

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 on items related to deferred income taxes and uncertain tax positions 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. Please refer to Note 11.

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 consolidated financial statements accordingly, see Note 27 and Note 30.

Valuation of accounts receivable

Accounts receivables are valued on a current basis and reported at amortized cost. Reserves for doubtful accounts are based on lifetime expected credit losses considering information about historical data adjusted for current conditions and forecasts of future events and economic conditions, see Note 20.

Other information

Tele2 AB (publ), company registration nr 556410-8917, 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 for issuance on March 25, 2020. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 11, 2020.

NOTE 2 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Tele2's financing and financial risks are managed under the control and supervision of the Board of Directors. Financial risk management is centralized within the Corporate Finance and M&A function. This function is responsible for the various financial risks that the Group is exposed to such as currency risk, interest risk, liquidity risk and credit risk. The aim is to analyze and control the risks as set out under the current policy and guidelines as well as manage the cost of financial risk management. The risks are monitored, managed and reported on a continuous basis.

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, lease liabilities and accounts payables. Classification of financial assets and liabilities including their fair value is presented below.

SEK million	Dec 31, 2019					
	Assets and liabilities at fair value through profit/loss					
	Derivative instruments designated for hedge accounting	Other instruments (level 3)	Assets at amortized cost	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	–	7[1]	629	–	636	636
Accounts receivable	–	–	2,032	–	2,032	2,032
Other current receivables	154[3]	–	1,737	–	1,892	1,892
Cash and cash equivalents	–	–	448	–	448	448
Assets classified as held for sale	–	–	879	–	879	879
Total financial assets	**154**	**7**	**5,725**	**–**	**5,887**	**5,887**
Liabilities to financial institutions and similar liabilities	–	–	–	24,899	24,899	25,652[3]
Other interest-bearing liabilities	277[3]	–	–	5,869	6,146	6,150[3]
Accounts payable	–	–	–	1,671	1,671	1,671
Other current liabilities	–	–	–	781	781	781
Liabilities directly associated with assets classified as held for sale	–	–	–	810	810	813[3]
Total financial liabilities	**277**	**–**	**–**	**34,029**	**34,306**	**35,066**

SEK million	Dec 31, 2018					
	Assets and liabilities at fair value through profit/loss					
	Derivative instruments designated for hedge accounting	Other instruments (level 3)	Assets at amortized cost	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	–	7[1]	898	–	905	905
Accounts receivable	–	–	2,509	–	2,509	2,509
Other current receivables	33[3]	–	2,364	–	2,397	2,397
Current investments	–	–	2	–	2	2
Cash and cash equivalents	–	–	404	–	404	404
Assets classified as held for sale	–	–	2,659	–	2,659	2,659
Total financial assets	**33**	**7**	**8,836**	**–**	**8,876**	**8,876**
Liabilities to financial institutions and similar liabilities	–	–	–	28,070	28,070	28,136[3]
Other interest-bearing liabilities	113[3]	15[2]	–	109	237	237[2,3]
Accounts payable	–	–	–	3,004	3,004	3,004
Other current liabilities	–	–	–	692	692	692
Liabilities directly associated with assets classified as held for sale	–	764[2]	–	1,361	2,125	2,113[2,3]
Total financial liabilities	**113**	**779**	**–**	**33,236**	**34,128**	**34,182**

For the determination of fair values on financial assets and liabilities the following levels, according to IFRS 13, 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 Tele2 Kazakhstan. The fair value was based on the transaction entered into with Asianet and Kazakhtelecom. The valuation was based on discounted future cash flows on the assumptions further described in Note 36.
   - deferred consideration for business acquisitions was based on expected future cash flows, please refer to Note 26.
   - for the long-term incentive program IoTP, the fair value of the liability was determined with support from an independent valuation institute.

3) Level 2: observable market data of interest- and foreign exchange rates are used in discounted cash flow models based on contractual cash flows to estimate the fair value of interest-, fair value- 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.

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

SEK million	Dec 31, 2019		Dec 31, 2018	
	Assets	Liabilities	Assets	Liabilities
As of January 1	**7**	**779**	**1**	**456**
Business combinations	–	–	6	–
Changes in fair value, earn-out Kazakhstan[1]	–	149	–	332
Payment earn-out Kazakhstan	–	-913	–	–
Other contingent considerations:				
– paid	–	-12	–	-12
– other changes	0	-2	–	3
As of December 31	**7**	**–**	**7**	**779**

[1] Reported as discontinued operations, please refer to Note 36.

Since accounts receivables, accounts payables and other current liabilities are short-term, discounting of cash flows does not cause any material differences between the fair value and carrying value.

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.

Net gains/losses on financial instruments, including assets and liabilities directly associated with assets classified as held for sale, amounted to SEK −46 (−428) million, of which loan and trade receivables amounted to SEK −62 (−176) million, derivatives to SEK 161 (80) million and financial assets and liabilities at fair value through profit/loss to SEK −145 (−333) million.

The Group has derivative contracts which are covered by master netting agreements, with the right to set off assets and liabilities with the same party. This is not reflected in the accounting where gross accounting is applied. The value of reported derivatives at December 31, 2019 amounted on the asset side to SEK 154 (33) million and on the liability side to SEK 277 (113) million of which SEK – (7) 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.

The Board of Directors of Tele2 have set the following policies for financial leverage and shareholder remuneration:

- 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

On a continuous basis, Tele2 will diversify its financing both in terms of maturities 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.

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. Translation exposure related to certain investments in foreign operations is hedged by issuing debt or entering into derivative transactions in the currencies involved if assessed as needed. The hedges of net investments in foreign operations were 100 percentage effective in 2018 and 2019 and hence no ineffectiveness was recognized in the income statement. In the hedge reserve in equity the total amount related to net investment hedges amounts to SEK –202 (–714) million. On December 31, 2019 the Group had outstanding currency derivatives as economic hedges of loans in EUR amounting to EUR 860 (830) million. The derivatives hedge monetary items thus hedge accounting is not applied. The reported fair value on the derivatives amounted to SEK -229 (16) million net.

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

SEK million	Dec 31 2019	Dec 31 2018
SEK[1]	22,059	23,606
EUR[1]	2,840	4,404
HRK	—	60
Total loans	**24,899**	**28,070**

[1] Including adjustment for currency derivatives designated to minimize the exposure EUR to SEK of SEK 8,973 (8,528) million.

The consolidated balance sheet and income statement are affected by fluctuations in subsidiaries' currencies against the Swedish krona. Revenues and operating profit are distributed among the following currencies.

SEK million	Revenue			
	2019		2018	
SEK	22,402	81%	16,765	77%
EUR	5,258	19%	5,011	23%
Total	**27,659**	**100%**	**21,775**	**100%**

SEK million	Operating profit			
	2019		2018	
SEK	3,177	79%	2,046	62%
EUR	847	21%	1,245	38%
Total	**4,024**	**100%**	**3,291**	**100%**

A five percent currency movement of all currencies against the Swedish krona would affect the Group's revenues and operating profit/loss on an annual basis by SEK 263 (251) million and SEK 42 (62) million, respectively.

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

SEK million	2019	2018
Other operating income	35	67
Other operating expenses	-67	-91
Other financial items	23	-8
Total exchange rate difference in income statement	**-9**	**-32**

The Group's total net assets on December 31, 2019 of SEK 34,805 (36,362) million were distributed by currency in SEK million as follows (including loan and currency derivatives).

SEK million	Dec 31, 2019	Dec 31, 2018
SEK	24,126	23,132
EUR[1]	9,226	9,726
KZT	—	2,050
HRK	1,453	1,324
USD	—	130
Total	**34,805**	**36,362**

[1] Loans denominated in EUR designated for net investment hedging are included by SEK 3,391 (3,339) million.

A five percent currency fluctuation against the Swedish krona would affect the Group's total net assets by SEK 534 (662) million. A strengthening of the SEK towards other currencies would impact net assets negatively.

Interest rate risk

Tele2 is exposed to interest rate risk because the Group borrows at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix of fixed and floating rate borrowings and by the use of interest rate swaps. The risk is monitored and evaluated regularly to align with the interest duration strategy, ensuring the most cost-effective strategy is applied. Interest bearing financial liabilities exposed to changes in interest rates over the next 12 months (i.e. short fixed interest rates) amounted to SEK 11,987 (12,492) million, carrying value, corresponding to 39 (44) percent of outstanding debt balance at the end of the year. Calculated at variable interest-bearing liabilities at December 31, 2019 and assuming that loans carrying short fixed interest rates were traded per January 1, 2019 to 1 percent higher interest rate and this rate was constant for 12 months, this would result in an additional interest expense for 2019 of SEK 120 (125) million, and affect profit/loss after tax by SEK 94 (97) million and other comprehensive income positively by SEK 24 (54) million in 2019. For additional information please refer to Note 26.

The capital amount of outstanding interest rate derivatives on December 31, 2019 amounts to SEK 3.2 (3.2) billion converting variable interest rate to fixed interest rate and EUR 250 million (SEK 2.6 billion) converting fixed rate to floating. The cash flows related to outstanding interest rate derivatives are expected to affect the income statement during the remaining duration of the interest rate swaps. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Outstanding interest rate derivatives for cash flow and fair value hedging are presented below.

Hedging instruments

	Average contracted fixed interest rate %		Notional principal value in currency million		Change in fair value for recognising hedge ineffectiveness SEK million		Fair value assets (liabilities) SEK million	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	2019	2018	Dec 31, 2019	Dec 31, 2018
Cash flow hedges (SEK)								
Outstanding interest rate swaps; Tele2 receives floating and pays fixed interest								
Within 1 year	2.1575	—	250	—	0	—	–1	—
Within 1 to 2 years	1.7070	2.1575	2,900	250	–43	–1	–47	–7
Within 2 to 3 years	—	1.7070	–	2,900	—	—	—	–98
Summary of cash flow hedges			**3,150**	**3,150**	**–43**	**–1**	**–47**	**–105**
Fair value hedges (EUR)								
Outstanding interest rate swaps; Tele2 receives fixed and pays floating interest								
After 5 years	2.1250	2.1250	250	250	1	0	154	9
Summary of fair value hedges			**250**	**250**	**1**	**0**	**154**	**9**
Total outstanding interest rate derivatives					**–42**	**–1**	**107**	**–96**

Hedging items

SEK million	Change in value used for calculating hedge ineffectiveness		Balance in cash flow hedge reserve for continuing hedges	
	2019	2018	Dec 31, 2019	Dec 31, 2018
Variable rate borrowings				
Cash flow hedges (SEK)	57	50	5	20
Fixed rate borrowings				
Fair value hedges (EUR)	144	9	–	–

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 2019, the Group had available liquidity reserves of SEK 9.2 (9.5) billion. For additional information please refer to Note 24.

Tele2 Sweden transfers the right for payment of certain operating receivables to financial institutions. During 2019 the right of payment transferred to third parties without recourse or remaining credit exposure for Tele2 corresponded to SEK 2,041 (1,516) million and resulted in a positive effect on cash flow.

At present, Tele2 has a credit facility with a syndicate of ten banks maturing in January 2024. The facility amounts to EUR 760 million and was unutilized on December 31, 2019.

Tele2 AB's EUR 5 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, 2019 issued bonds under the Program amounted to SEK 20,305 (20,580) million. For additional information please refer to Note 26.

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

SEK million	Note	Dec 31, 2019				
		Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	26, 31	7,703	7,918	10,852	9,047	35,521
Commitments, other	30	2,340	185	73	40	2,638
Total contractual commitments		**10,043**	**8,103**	**10,925**	**9,088**	**38,160**

SEK million	Note	Dec 31, 2018				
		Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	26	10,550	5,963	4,973	12,419	33,905
Commitments, other[2]	30	4,323	1,948	34	60	6,365
Operating leases[2]	31	1,419	1,106	668	821	4,015
Total contractual commitments		**16,292**	**9,017**	**5,675**	**13,300**	**44,284**

1) Including future interest payments. Within 1 year includes derivatives of SEK 277 (113) million.
2) Dec 31, 2018 has been adjusted to exclude commitments and operating leases related to the operations in Croatia held for sale.

Credit risk

Tele2's credit risk is mainly associated with accounts receivables, receivables related to sold equipment (handsets), cash and cash equivalents and financial derivatives with a positive mark-to-mark value not included under CSA agreements. 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. Companies within the Group are entitled to sell overdue receivables to debt collection agencies either as an one-time occasion or on ongoing basis if favourable. The Group makes provisions for expected credit losses, please refer to Note 20.

Maximum credit exposure for accounts receivables amounts to SEK 2,032 (2,509) million and receivables related to sold equipment to SEK 2,062 (2,745) million. In addition, assets classified as held for sale includes accounts receivables and receivables related to sold equipment by maximum credit exposure of SEK 270 (406) and 484 (1,599) million respectively.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparty are banks with high credit-ratings assigned by credible international credit-rating agencies. The Group has entered into ISDA agreements for derivative contracts with all counterpart banks that have derivatives with the Group. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As Tele2 presently does not have legally enforceable right to set off, these amounts have not been offset in the balance sheet. A Credit Support Annex (CSA) has in some cases also been entered into with counterparts. Under CSA agreements the parties agree to exchange collateral corresponding to the market value of outstanding derivatives. Liabilities to financial institutions in the form of cash pledged as collateral to reduce credit risk amounted on December 31, 2019 to SEK 199 (-) million. Maximum credit exposure for liquid funds amounted to SEK 448 (404) million and derivatives to SEK - (33) million.

NOTE 3 REVENUE

Revenue per segment

SEK million	2019	2018
Sweden	22,415	16,616
Lithuania	2,656	2,430
Latvia	1,402	1,309
Estonia	813	787
Germany	457	539
Other	–	152
Including internal sales	**27,743**	**21,833**
Internal sales, elimination	–84	–58
Total	**27,659**	**21,775**

Internal sales

SEK million	2019	2018
Sweden	13	4
Lithuania	44	31
Latvia	20	17
Estonia	6	6
Total	**84**	**58**

Certain wholesale business, previously managed centrally and reported in the segment Other, has in 2019 been integrated in the Swedish operations, as part of the reorganization initiated after the Com Hem merger. Revenue by currency is presented in Note 2.

Revenue split per category

Revenue can be split into the following categories of revenues.

SEK million	2019	2018
Sweden Consumer		
End-user service revenue	12,450	6,894
Operator revenue	818	643
Equipment revenue	2,104	2,297
Total	**15,372**	**9,834**
Sweden Business		
End-user service revenue	4,177	4,070
Operator revenue	131	127
Equipment revenue	1,736	1,741
Internal sales	0	—
Total	**6,044**	**5,938**
Sweden Wholesale		
Operator revenue	986	840
Internal sales	13	4
Total	**999**	**844**
Lithuania		
End-user service revenue	1,502	1,329
Operator revenue	250	249
Equipment revenue	859	822
Internal sales	44	31
Total	**2,656**	**2,430**
Latvia		
End-user service revenue	857	768
Operator revenue	195	202
Equipment revenue	330	321
Internal sales	20	17
Total	**1,402**	**1,309**
Estonia		
End-user service revenue	480	451
Operator revenue	131	133
Equipment revenue	196	197
Internal sales	6	6
Total	**813**	**787**
Germany		
End-user service revenue	454	536
Operator revenue	0	1
Equipment revenue	2	2
Total	**457**	**539**
Other		
Operator revenue	—	152
Total	**—**	**152**
Internal sales, elimination	-84	-58
CONTINUING OPERATIONS		
End-user service revenue	**19,921**	**14,047**
Operator revenue	**2,512**	**2,347**
Equipment revenue	**5,227**	**5,380**
TOTAL	27,659	21,775

Unsatisfied long-term outstanding customer contracts

SEK million	Dec 31, 2019	Dec 31, 2018
Outstanding amount of non-cancellable customer contracts that are (partly) unsatisfied	5,696	4,588

As of December 31, 2019, Tele2 had non-cancellable customer contracts with a duration up to 132 (132) months, which resulted in partly unsatisfied performance obligations at year end. Management expect that 51 (54) percent of the transaction price allocated to the partly unsatisfied contracts as of December 31, 2019 will be recognized as revenue during the year 2020 (2019). 32 (29) percent is expected to be recognized during 2021 (2020) and 17 (16) percent during 2022–2030 (2021–2029).

All usage-based revenue is excluded from this disclosure as that revenue is not fixed in a contract. Tele2 does not include binding revenue with an outstanding contract period of 12 months or less. Since Tele2 does not include all contracts and has primarily cancellable subscriptions, the amount of outstanding unsatisfied performance obligation does not amount to expected revenue for future periods.

NOTE 4 SEGMENT REPORTING

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. The segment reporting is in line with the internal reporting to the chief operating decision maker, which is Tele2's Group Leadership Team. Other includes the parent company Tele2 AB and other minor operations. For additional information please refer to section Segment reporting in Note 1.

SEK million	2019							
	Sweden	Lithuania	Latvia	Estonia	Germany	Other	Undistributed and internal elimination	Total
Income statement								
External	22,402	2,612	1,382	807	457			27,659
Internal	13	44	20	6			-84	
Revenue	**22,415**	**2,656**	**1,402**	**813**	**457**		**-84**	**27,659**
Underlying EBITDA	**8,614**	**1,019**	**565**	**226**	**216**	**-114**		**10,525**
Acquisition costs							-72	-72
Integration cost							-570	-570
Disposal of non-current assets							-10	-10
Other items affecting comparability							-59	-59
Items affecting comparability							**-711**	**-711**
EBITDA							**9,814**	**9,814**
Depreciation/amortization							-5,224	-5,224
Impairment							-469	-469
Result from shares in joint ventures and associated companies							-97	-97
Operating profit							**4,024**	**4,024**
Interest income							29	29
Interest expense							-483	-483
Other financial items							10	10
Income tax							-978	-978
Net profit, continuing operations							**2,601**	**2,601**
Other information								
Additions to intangible and tangible assets	2,035	139	190	90	1	2		2,456
Additions to right-of-use assets	1,072	18	37	177	1	1		1,306

SEK million	2018							
	Sweden	Lithuania	Latvia	Estonia	Germany	Other	Undistributed and internal elimination	Total
Income statement								
External	16,612	2,399	1,292	781	539	152		21,775
Internal	4	31	17	6			-58	
Revenue	**16,616**	**2,430**	**1,309**	**787**	**539**	**152**	**-58**	**21,775**
Underlying EBITDA	**4,729**	**817**	**474**	**167**	**248**	**-50**		**6,386**
Acquisition costs							-305	-305
Integration cost							-311	-311
Disposal of non-current assets							-58	-58
Other items affecting comparability							-77	-77
Items affecting comparability							**-750**	**-750**
EBITDA							**5,635**	**5,635**
Depreciation/amortization							-2,352	-2,352
Result from shares in joint ventures and associated companies							9	9
Operating profit							**3,291**	**3,291**
Interest income							15	15
Interest expense							-323	-323
Other financial items							-64	-64
Income tax							-1,811	-1,811
Net profit, continuing operations							**1,108**	**1,108**
Other information								
Additions to intangible and tangible assets	1,967	144	112	87	—	394		2,706

Acquisition costs and integration costs

SEK million	Acquisition costs		Integration costs	
	2019	2018	2019	2018
Com Hem, Sweden	-52	-305	-570	-210
TDC, Sweden	—	—	—	-101
Other	-20	—	—	—
Total	**-72**	**-305**	**-570**	**-311**
of which:				
- cost of service provided and equipment sold	—	—	-134	-24
- selling expenses	—	—	-203	-43
- administrative expenses	—	—	-233	-244
- other operating expenses	-72	-305	—	—
of which:				
- redundancy costs			-417	-181
- other employee and consultancy costs			-97	-102
- exit of contracts and other costs			-56	-28

Additional information is presented in Note 15.

Other items affecting comparability

Continuing operations SEK million	2019	2018
Costs of services provided	-57	-77
Selling expenses	11	—
Administrative expenses	-13	0
Total	**-59**	**-77**
Consists of:		
- Sweden: provision for roaming dispute	-54	—
- Sweden: provision for legal dispute	—	-109
- Sweden: provision release unfavorable contract	—	32
- Lithuania: adjustment of expected credit loss rate	18	—
- Incentive program: adjustment of performance level	-24	—

Impairment

In 2019, an impairment of SEK 469 million was recognized, largely related to goodwill in Estonia. For further information see Note 12.

Non-current assets

SEK million	Dec 31, 2019	Dec 31, 2018
Sweden	56,784	53,553
Lithuania	2,023	1,749
Latvia	2,132	1,855
Estonia	1,164	1,298
Germany	7	2
Croatia	—	868
Other	7,001	17
Total non-current assets	**69,110**	**59,341**

Non-current assets are based on the geographical location of the assets. These assets include non-current assets other than financial instruments, deferred tax assets, and postemployment benefit assets. Other primarily refers to the 25 percent ownership in T-Mobile Netherlands, for further information please refer to Note 16.

NOTE 5 DEPRECIATION/AMORTIZATION AND IMPAIRMENT

SEK million	2019	2018
By function		
Cost of services provided and equipment sold	-3,999	-1,717
Selling expenses	-300	-125
Administrative expenses	-924	-511
Total depreciation/amortization	**-5,224**	**-2,352**
Cost of services provided and equipment sold	-469	—
Total impairment/reversal of impairment (Note 12)	**-469**	**—**
Total depreciation/amortization and impairment/ reversal of impairment for the year	**-5,693**	**-2,352**

SEK million	2019	2018
By type of asset		
Amortization of surplus from acquisitions	-1,199	-314
Depreciation/amortization of other assets	-2,839	-2,038
Impairment (Note 12)	-469	—
Total depreciation/amortization and impairment intangible and tangible assets	**-4,507**	**-2,352**
Depreciation right-of-use-assets (leases)	-1,186	—
Total depreciation/amortization and impairment	**-5,693**	**-2,352**

NOTE 6 OTHER OPERATING INCOME

SEK million	2019	2018
Sale to joint operations	66	79
Exchange rate gains from operations	35	67
Sale of non-current assets	4	5
Service level agreements, for sold operations	171	16
Other income	22	18
Total other operating income	**297**	**185**

NOTE 7 OTHER OPERATING EXPENSES

SEK million	2019	2018
Exchange rate loss from operations	-67	-91
Acquisition costs (Note 4)	-72	-305
Sale/scrapping of non-current assets	-14	-63
Service level agreements, for sold operations	-128	-11
Other expenses	-1	-0
Total other operating expenses	**-281**	**-470**

NOTE 8 INTEREST INCOME

SEK million	2019	2018
Interest, penalty interest	12	8
Interest, other receivables	17	8
Total interest income	**29**	**15**

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 9 INTEREST EXPENSES

SEK million	2019	2018
Interest, financial institutions and similar liabilities	-371	-274
Interest, leases (Note 31)	-81	-22
Interest, other interest-bearing liabilities	-19	-15
Interest, penalty interest	-12	-12
Total interest costs	**-483**	**-323**

All interest costs are for financial instruments not valued at fair value through the income statement, except for interest costs related to derivatives amounting to SEK 14 (–68) million.

NOTE 10 OTHER FINANCIAL ITEMS

SEK million	2019	2018
Exchange rate differences	23	-8
EUR net investment hedge, interest component	—	-1
Other finance expenses	-13	-55
Total other financial items	**10**	**-64**

In 2018, other finance expenses mainly consist of costs associated with the bridge facility Tele2 obtained earlier in the year to finance the acquisition of Com Hem.

For information regarding EUR net investment hedges please refer to Note 2 and Note 26.

NOTE 11 TAXES

Tax expense/income

SEK million	2019	2018
Current tax expense, on profit/loss current year	-776	-605
Current tax expense/income, on profit prior periods	-24	-20
Current tax expense	**-800**	**-625**
Deferred tax expense/income	-178	-1,186
Total tax on profit for the year	**-978**	**-1,811**

Effective tax rate

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.

SEK million	2019		2018	
Profit before tax	3,579		2,919	
Theoretical tax expense/income				
Theoretic tax according to prevailing tax rate in each country	-784	-21.9%	-693	-23.7%
Tax effect of				
Result from associated companies	-21	-0.6%	2	0.1%
Write down of goodwill	-93	-2.6%	—	—
Reversal of write down of shares in group companies	-11	-0.3%	—	—
Non-deductible interest costs	-54	-1.5%	-54	-1.9%
Recognition of tax assets relating to tax loss carry-forwards and temporary differences from previous years	24	0.7%	51	1.8%
Write-down of previously recognized deferred tax assets	—	—	-1,134	-38.8%
Adjustment due to changed tax rate	3	0.1%	59	2.0%
Adjustment of tax assets from previous years	-28	-0.8%	-17	-0.6%
Other non-deductible items	-13	-0.4%	-25	-0.9%
Tax expense/income and effective tax rate for the year	**-978**	**-27.3%**	**-1,811**	**-62.0%**

The theoretical tax rate was 21.9 (23.7) percent. Sweden has a more central part of this year's result. Countries with higher tax rates have less impact on the result compared to the previous year.

In 2019, the effective tax rate was negatively affected by the goodwill impairment, referring to Estonia SEK -91 million and Kombridge SEK -2 million. The effective tax rate was also negatively affected by non-deductible interest costs, partly offset by a recognition of a deferred tax asset in Germany.

New tax rules in Sweden

On June 13, 2018 new tax rules and tax rates were enacted in Sweden. The new rules include a general limitation on interest deduction and a decrease of the corporate income tax rate from 22 to 20.6 percent. The decrease of tax rate takes place in two steps and the rules were effective from January 1, 2019. For the years 2019 and 2020 the tax rate is 21.4 percent and for 2021 and onwards the tax rate is 20.6 percent. Tele2 has in 2019 recognized a positive one time effect due to the changed tax rules of SEK 3 (59) million.

Deferred tax assets and liabilities

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

SEK million	Dec 31, 2019	Dec 31, 2018
Unutilized loss carry-forwards	74	185
Tangible and intangible assets	64	42
Receivables	75	29
Liabilities	70	78
Pensions	88	65
Other	5	41
Total deferred tax assets	**377**	**439**
Netted against deferred liabilities	-47	-72
Total deferred tax assets according to the balance sheet	**330**	**367**
Intangible assets	-2,928	-3,153
Tangible assets	-693	-568
Tax allocation reserve	-537	-365
Liabilities	-249	-187
Total deferred tax liabilities	**-4,407**	**-4,274**
Netted against deferred assets	47	72
Total deferred tax liabilities according to the balance sheet	**-4,360**	**-4,202**
Net of deferred tax assets and tax liabilities	**-4,031**	**-3,835**

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

SEK million	2019			
	Loss carry forwards	Temporary differences DTA	Temporary differences DTL	Total
Deferred tax assets/-liabilities as of January 1	185	182	-4,202	-3,835
Netted against deferred liabilities, opening balance	—	72	-72	—
Assets classified as held for sale	—	-52	—	-52
Reported in income statement	-106	59	-131	-178
Reported in other comprehensive income	-9	23	—	14
Reported in equity	—	19	—	19
Exchange rate differences	4	0	-1	3
Netted against deferred liabilities	—	-47	47	—
Deferred tax assets/-liabilities as of December 31	**74**	**256**	**-4,360**	**-4,030**

SEK million	2018			
	Loss carry forwards	Temporary differences DTA	Temporary differences DTL	Total
Deferred tax assets/-liabilities as of January 1	1,602	310	-997	915
Netted against deferred liabilities, opening balance	1	8	-9	—
Assets classified as held for sale	-216	-257	19	-454
Reported in income statement	-1,211	58	21	-1,132
Reported in other comprehensive income	-87	-12	1	-97
Reported in equity	—	4	10	14
Acquired companies	41	141	-3,310	-3,128
Exchange rate differences	55	1	-9	47
Netted against deferred liabilities	—	-72	72	—
Deferred tax assets/-liabilities as of December 31	**185**	**182**	**-4,202**	**-3,835**

Tax loss carry-forwards

The Group's total tax loss carry-forwards as of December 31, 2019 were SEK 5,402 (5,831) million, of which SEK 303 (728) million for which deferred tax asset were recognized and the remaining part, SEK 5,099 (5,103) million, were not recognized. Total tax loss carry-forwards expire according to below.

SEK million	Recognized		Not recognized		Total	
	Dec 31 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Expires in five years	2	—	—	1	2	1
Expires after five years	—	—	—	2	—	2
With expiration date	**2**	**—**	**—**	**3**	**2**	**3**
No expiration date	301	728	5,099	5,100	5,400	5,828
Total tax loss carry forwards	**303**	**728**	**5,099**	**5,103**	**5,402**	**5,831**

SEK million	Dec 31, 2019	Dec 31, 2018
Companies reported a profit this year and previous year	291	315
Companies reported a profit this year but a loss the previous year	39	52
Companies reported a loss this year	—	—
Total deferred tax assets	**330**	**367**

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.

Tax disputes

Tele2 Sweden has made a provision of 366 (361) million related to the years 2013–2018 as a result of tax disputes regarding the right to deduct interest expenses on intra-group loans. This provision is reported as a current tax liability. Tele2 Sweden has appealed decisions by the Swedish Tax Agency related to the years 2015, 2016 and 2017 and rulings from the Administrative Court in Stockholm related to the years 2013 and 2014.

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 109 million. Tele2 has appealed the decision and assesses it as probable that the appeal will be successful. No provision has been recognized.

NOTE 12 INTANGIBLE ASSETS

SEK million	Note	Dec 31, 2019						
		Utilization rights, trademarks and software	Licenses including frequencies	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
Cost at January 1		10,911	3,302	10,166	760	25,139	32,037	57,176
Changed accounting principle, IFRS 16	35	–91	—	—	—	–91	—	–91
Adjusted cost as of January 1		**10,819**	**3,302**	**10,166**	**760**	**25,047**	**32,037**	**57,084**
Cost for assets classified as held for sale	36	–66	–295	—	-3	–364	–105	–469
Additions		253	12	—	815	1,080	—	1,080
Disposals		–6	–128	—	–2	–135	—	–135
Reclassification		999	48	—	–1,022	25	—	25
Exchange rate differences		5	7	1	–0	13	71	84
Total cost		**12,005**	**2,947**	**10,167**	**548**	**25,666**	**32,002**	**57,669**
Accumulated amortization at January 1		–3,115	–1,429	–655	—	–5,199	–0	–5,199
Changed accounting principle, IFRS 16	35	48	—	—	—	48	—	48
Adjusted amortization as of January 1		**–3,067**	**–1,429**	**–655**	**—**	**–5,151**	**–0**	**–5,152**
Accumulated amortization for assets classified as held for sale	36	54	121	—	—	175	—	175
Amortization		–950	–206	–988	—	–2,144	–0	–2,144
Disposals		6	128	—	—	134	—	134
Exchange rate differences		–5	–4	–1	—	–10	—	–10
Total accumulated amortization		**–3,962**	**–1,390**	**–1,645**	**—**	**–6,996**	**–0**	**–6,996**
Accumulated impairment at January 1		–274	–61	—	—	–335	–1,878	–2,214
Accumulated impairment for assets classified as held for sale	36	3	61	—	—	65	105	170
Impairment		–3	—	–1	—	–4	–465	–469
Sales and scrapping		1	—	—	—	1	—	1
Exchange rate differences		–0	—	—	—	–0	–21	–21
Total accumulated impairment		**–273**	**—**	**–1**	**—**	**–274**	**–2,259**	**–2,532**
Total intangible assets		**7,770**	**1,557**	**8,522**	**548**	**18,397**	**29,744**	**48,140**

Of the total 2019 additions in intangible assets, SEK 453 (197) million consist of internally generated intangibles. Internally generated intangible assets and construction in progress mainly consists of internal IT development and software projects.

SEK million	Note	Dec 31, 2018						
		Utilization rights, trademarks and software	Licenses including frequencies	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
Cost at January 1		4,840	3,186	1,483	409	9,918	7,656	17,574
Cost for assets classified as held for sale	36	–213	–576	–274	–26	–1,089	–473	–1,561
Acquisitions through business combinations		6,092	36	8,962	12	15,102	24,657	39,760
Additions		87	798	—	909	1,794	—	1,794
Disposals		–420	–218	–9	–66	–713	—	–713
Reclassification		503	41	—	–478	66	—	66
Exchange rate differences		21	35	3	1	60	197	256
Total cost		**10,911**	**3,302**	**10,166**	**760**	**25,139**	**32,037**	**57,176**
Accumulated amortization at January 1		–3,012	–1,797	–663	—	–5,473	–0	–5,473
Accumulated amortization for assets classified as held for sale	36	74	336	274	—	683	—	683
Amortization		–569	–160	–272	—	–1,001	–0	–1,001
Disposals		410	209	9	—	628	—	628
Exchange rate differences		–18	–16	–3	—	–37	–0	–37
Total accumulated amortization		**–3,115**	**–1,429**	**–655**	**—**	**–5,199**	**–0**	**–5,199**
Accumulated impairment at January 1		–273	–127	—	—	–401	–2,138	–2,539
Accumulated impairment for assets classified as held for sale	36	—	—	—	—	—	339	339
Reversal of impairment		—	73	—	—	73	—	73
Exchange rate differences		–0	–8	—	—	–8	–79	–87
Total accumulated impairment		**–274**	**–61**	**—**	**—**	**–335**	**–1,878**	**–2,214**
Total intangible assets		**7,522**	**1,812**	**9,511**	**760**	**19,604**	**30,158**	**49,763**

Goodwill and other intangible assets with indefinite useful life

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 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 operating segment level. In 2019, Sweden Consumer, Sweden Business and IoT have been combined into one operating segment (Sweden), and the goodwill has been combined accordingly. In addition to goodwill, the Com Hem trademark is assessed to have an indefinite useful life. This asset originates from the merger with Com Hem in 2018. The lifetime was assessed to be indefinite, as Com Hem is a market leading premium brand, in which the company has continued to invest in also post-merger.

Cash generating units and operating segments SEK million	Goodwill		Trademark	
	2019	2018	2019	2018
Sweden	27,315	27,325	5,383	5,383
Lithuania	881	868	—	—
Latvia	1,263	1,244	—	—
Estonia	284	721	—	—
Total	**29,744**	**30,158**	**5,383**	**5,383**

Goodwill and trademark impairment test

Tele2 tests goodwill and other intangible assets with indefinite useful lives for impairment annually by calculating the recoverable value for the cash generating units to which these assets 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 of disposal. For all cash generating units the recoverable values have been determined based on value in use. The Com Hem trademark is tested for impairment as part of this process.

The key assumptions used in the calculations of values in use are growth rates, profit margins, investment levels and discount rates. The expected revenue growth rates, profit margins and investment levels 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. 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 11 (10 and 11) percent.

Tele2 calculates future cash flows based on the most recently presented three-year plan. In one case the business plan has been extended for additional two years, until the forecasted cash flow 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 2019, a goodwill impairment of SEK 455 million was recognized in Estonia. It was related to a reassessment of the estimated future cash generation, reflecting a lower starting point following last year's decline in profitability. After the impairment, the value attached to the Estonian operation was SEK 850 million on a debt free basis, derived from the value in use calculation with a pre-tax WACC of 11 percent. In addition, an impairment of SEK 13 million was recognized related to IoT in 2019, of which goodwill SEK 10 million. As IoT has revised its strategy, and is now targeting more focused growth, goodwill and surplus attached to the Kombridge acquisition have been written off.

Changes to assumptions

In 2019, the carrying amount in Estonia has been written down to its value in use. A subsequent negative deviation to the assumed development would therefore give rise to further impairment risks. However, the promising Estonian revenue growth in the second half of 2019 lowers such a risk.

For the other cash generating units to which goodwill have been assigned, Tele2 assesses that reasonable potential changes in the key assumptions should not have such significant impact that they individually would reduce the value in use to a value below the carrying value of the cash generating units.

The value in use calculations are based on the following assumptions per operating segment.

SEK million	WACC pre tax		Forecast period, in years		Growth rate after the forecast period	
	2019	2018	2019	2018	2019	2018
Sweden	9%	10%	3	3	0%	0%
Lithuania	11%	11%	3	3	2%	2%
Latvia	11%	11%	3	3	2%	2%
Estonia	11%	11%	5	3	2%	2%

NOTE 13 TANGIBLE ASSETS

SEK million	Note	Dec 31, 2019						
		Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Cost at January 1		218	1,324	716	2,258	21,946	***401***	24,204
Change in accounting principle, IFRS 16	35	–	–	–	–	–401	***–401***	–401
Adjusted cost at January 1		**218**	**1,324**	**716**	**2,258**	**21,545**	**–**	**23,803**
Cost for assets classified as held for sale	36	–	–81	–44	–124	–1,655	**–**	–1,779
Additions		13	46	862	921	455	**–**	1,376
Dismantling cost		–	–	–	–	50	**–**	50
Disposals		–3	–40	–5	–47	–97	**–**	–144
Reclassification		–	104	–776	–673	648	**–**	–25
Exchange rate differences		3	7	0	11	56	**–**	66
Total cost		**232**	**1,361**	**753**	**2,346**	**21,001**	**–**	**23,347**
Accumulated depreciation at January 1		–170	–990	–1	–1,161	–12,977	***–297***	–14,138
Change in accounting principle, IFRS 16	35	–	–	–	–	297	***297***	297
Adjusted accumulated depreciation at January 1		**–170**	**–990**	**–1**	**–1,161**	**–12,681**	**–**	**–13,841**
Accumulated depreciation for assets classified as held for sale	36	–	61	–	61	479	**–**	540
Depreciation		–10	–151	–5	–166	–1,728	**–**	–1,894
Disposals		3	32	5	40	91	**–**	131
Exchange rate differences		–3	–6	–0	–9	–30	**–**	–39
Total accumulated depreciation		**–180**	**–1,054**	**–1**	**–1,235**	**–13,868**	**–**	**–15,103**
Accumulated impairment at January 1		–	–8	–2	–10	–865	**–**	–875
Accumulated impairment for assets classified as held for sale	36	–	8	–	8	523	**–**	531
Exchange rate differences		–	–	–0	–0	–1	**–**	–1
Total accumulated impairment		**–**	**–**	**–2**	**–2**	**–342**	**–**	**–344**
Total tangible assets		**52**	**307**	**751**	**1,109**	**6,791**	**–**	**7,900**

Leases can be found in Note 14 as from 2019.

SEK million	Note	Dec 31, 2018						
		Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Cost at January 1		405	1,686	1,570	3,662	24,915	***401***	28,577
Cost for assets classified as held for sale	36	–201	–259	–688	–1,147	–2,191	**–**	–3,339
Acquisitions through business combinations		–	43	144	187	2,827	**–**	3,014
Additions		4	101	459	564	474	**–**	1,038
Dismantling cost		–	–	–	–	86	**–**	86
Disposals		–2	–292	3	–291	–5,095	**–**	–5,386
Reclassification		3	22	–777	–753	689	**–**	–64
Exchange rate differences		9	26	5	40	240	**–**	280
Total cost		**218**	**1,326**	**717**	**2,260**	**21,946**	***401***	**24,206**
Accumulated depreciation at January 1		–177	–1,239	–1	–1,417	–17,479	***–279***	–18,896
Accumulated depreciation for assets classified as held for sale	36	21	116	–	138	846	**–**	984
Depreciation		–9	–130	–0	–139	–1,307	***–18***	–1,447
Disposals		2	286	0	288	5,071	**–**	5,359
Reclassification		–	–	–	–	–	**–**	–
Exchange rate differences		–7	–22	–	–29	–109	**–**	–138
Total accumulated depreciation		**–170**	**–990**	**–1**	**–1,161**	**–12,977**	***–297***	**–14,138**
Adjusted accumulated impairment at January 1		–	–8	–4	–11	–980	**–**	–991
Accumulated depreciation for assets classified as held for sale	36	–	–	–	–	76	**–**	76
Reversal of impairment		–	–	1	1	74	**–**	75
Disposals		–	–	1	1	–	**–**	1
Exchange rate differences		–	–0	–0	–1	–37	**–**	–37
Total accumulated impairment		**–**	**–8**	**–2**	**–10**	**–867**	**–**	**–877**
Total tangible assets		**48**	**328**	**714**	**1,090**	**8,102**	***104***	**9,192**

NOTE 14 RIGHT-OF-USE ASSETS

On January 1, 2019 Tele2 changed the accounting principles for leases, by applying IFRS 16 Leases, please refer to Note 35. Tele2's leases consist mainly of lease of sites and base stations (including land), leased lines, premises, vehicles and other equipment, please refer to Note 31 for more information on leases.

SEK million	Note	Dec 31, 2019				
		Rent of space	Sites and base stations	Leased lines	Equipment	Total
Change in accounting principle, IFRS 16	35	955	2,593	2,810	62	6,420
Adjusted cost at January 1		**955**	**2,593**	**2,810**	**62**	**6,420**
Cost for assets classified as held for sale	36	−45	−408	−36	−4	−494
Additions		101	281	896	28	1,306
Other adjustments		−0	−0	−0	−1	−2
Exchange rate differences		1	6	2	0	9
Total cost		**1,012**	**2,472**	**3,672**	**85**	**7,240**
Change in accounting principle, IFRS 16	35	—	—	−344	—	−344
Adjusted accumulated depreciation at January 1		**—**	**—**	**−344**	**—**	**−344**
Depreciation		−164	−403	−589	−31	−1,186
Other adjustments		0	0	0	1	1
Exchange rate differences		1	1	−0	0	2
Total accumulated depreciation		**−163**	**−401**	**−933**	**−30**	**−1,528**
Total right-of-use assets	31	**849**	**2,070**	**2,739**	**54**	**5,713**

NOTE 15 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

Total operations SEK million	2019	2018
Acquisitions		
Com Hem, Sweden	—	-6,400
Total group companies	**—**	**-6,400**
Capital contributions to joint ventures and associated companies	-13	-7
Repayment of capital contributions associated companies	—	1
Total joint ventures and associated companies	**-13**	**-6**
Total acquisition of shares and participations	**-13**	**-6,406**
Divestments		
Tele2 Kazakhstan	2,343	—
Tele2 Netherlands	1,981	—
Total sale of shares and participations	**4,323**	**—**
Total cash flow effect	**4,310**	**-6,406**

Acquisitions

T-Mobile, the Netherlands

The divestment of Tele2 Netherlands was closed on January 2, 2019, please refer to Note 36. As part of the divestment Tele2 acquired 25 percent of the shares in the new combined company T-Mobile Netherlands Holding B.V. The fair value of the shares was estimated to SEK 6.9 billion. The transaction combines two mobile customer champions with complementary brands, technologies and customer bases. Based on current numbers the combined company has a revenue of around EUR 2 billion. Tele2's 25 percent of the share is reported as an associated company in the financial statements of Tele2, please refer to Note 16.

Com Hem, Sweden

On January 10, 2018 Tele2 announced the merger plan with Com Hem in Sweden through a statutory merger in accordance with the Swedish Companies Act, creating a leading integrated connectivity provider. The merger was approved by the shareholders in respective companies on September 21, 2018, unconditionally by the European Commission on October 8, 2018, and was implemented on November 5, 2018 by Tele2 absorbing Com Hem. Com Hem's shareholders received as merger consideration SEK 37.02 in cash plus 1.0374 B shares in Tele2 for each share in Com Hem outstanding as at completion of the merger. Hence, Com Hem's shareholders received 26.6 percent economic ownership in Tele2 and a total cash consideration of SEK 6,546 million. The number of shares issued by Tele2 as merger consideration amounted to 183,441,585 B shares. The fair value of these shares was determined based on the closing price of Tele2's B shares on November 5, 2018, amounting to SEK 107.75 per share.

Acquisition costs and integration costs have been reported as operating costs in the income statement and are stated in Note 4.

Com Hem affected Tele2's net sales in 2018 by SEK 1,110 million and underlying EBITDA by SEK 478 million.

Net assets at the time of acquisition

Assets, liabilities and contingent liabilities included in the acquired operations are stated below.

SEK million	Com Hem, Sweden (2018)
Utilization rights and software	468
Licenses	36
Customer agreements	8,962
Trademarks	5,624
Construction in progress, intangible assets	12
Tangible assets	3,014
Financial assets	9
Capitalized contract cost	37
Deferred tax assets	127
Inventories	9
Current receivables	427
Cash and cash equivalents	146
Non-current provisions	−494
Other non-current interest-bearing liabilities	−10,598
Deferred tax liabilities	−3,254
Current provisions	−40
Other current interest-bearing liabilities	−892
Current non-interest-bearing liabilities	−1,938
Acquired net assets	**1,655**
Goodwill	24,657
Purchase price shares	**26,312**
Paid with own shares	−19,766
	6,546
Less: cash and cash equivalents in acquired companies	−146
NET CASH OUTFLOW (+)	**6,400**

Divestments

Discontinued operations

Please refer to Note 36 for information regarding operations in Netherlands and Kazakhstan reported as discontinued operations.

NOTE 16 JOINT VENTURES AND ASSOCIATED COMPANIES

SEK million	Holding		Book value of shares		Result from shares	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
T-Mobile Netherlands Holding B.V., the Netherlands	25%	-	6,976	—	-78	—
UAB Mobilieji mokéjimai, Lithuania	33.3%	33.3%	—	6	-20	-8
SNPAC Swedish Nr Portability Adm.Centre AB, Sweden	40%	40%	6	5	1	0
Triangelbolaget D4 AB, Sweden	25%	25%	1	2	-0	1
Altlorenscheuerhof SA, Luxembourg	33.3%	33.3%	0	0	—	14
Total joint ventures and associated companies			**6,983**	**13**	**-97**	**9**

Tele2 has one material associated company, T-Mobile Netherlands Holding B.V., in which Tele2's ownership, voting power as well as consolidated share is 25 (-) percent. The shares were acquired as part of the divestment of Tele2 Netherlands, please refer to Note 15.

Shares in joint ventures and associated companies

SEK million	Dec 31, 2019	Dec 31, 2018
Cost at January 1	13	16
Investments	6,917	7
Repayment of capital contribution	—	-2
Dividend	—	-16
Share of profit for the year	-91	9
Impairment of investments	-6	—
Exchange rate differences	150	-1
Total shares in joint ventures and associated companies	**6,983**	**13**

Extracts from the income statements of joint ventures and associated companies

SEK million	T-Mobile, Netherlands		Other	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Revenue	20,229	—	70	65
Net profit	610	—	-39	27
Reconciliation of the above summarised financial information to the Group's share recognised in the consolidated income statement:				
Net profit of joint ventures and associated companies	610	—	-39	27
Proportion of the Group's share	153	—	-13	9
Amortization of acquisition fair value adjustments, net of tax	-231	—	—	—
Impairment of investments	—	—	-6	—
Group's share of total income from joint ventures and associated companies	**-78**	**—**	**-19**	**9**

Extracts from the balance sheet of joint ventures and associated companies

SEK million	T-Mobile, Netherlands		Other	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Intangible assets	8,936	—	19	19
Tangible assets	6,890	—	1	1
Right-of-use assets	3,290	—	—	—
Financial assets	463	—	0	—
Deferred tax assets	4,229	—	—	—
Current assets	8,343	—	37	47
Total assets	**32,152**	**—**	**57**	**67**
Equity	10,549	—	39	39
Non-current liabilities	15,372	—	1	1
Current liabilities	6,231	—	17	27
Total equity and liabilities	**32,152**	**—**	**57**	**67**
Reconciliation of the above summarised financial information to the carrying amount of the interest recognised in the consolidated balance sheet:				
Net assets of joint ventures and associated companies	10,549	—	39	39
Proportion of the Group's ownership	2,637	—	13	13
Goodwill	2,320	—	—	—
Other surplus values net of tax	2,018	—	—	—
Accumulated impairment	—	—	−6	—
Carrying amount of the Group's interest in joint ventures and associated companies	**6,976**	**—**	**7**	**13**

NOTE 17 OTHER FINANCIAL ASSETS

SEK million	Dec 31, 2019	Dec 31, 2018
Receivable from sold equipment	628	898
Pension funds	116	110
Non-current holdings of securities	7	7
Other long-term receivables	5	—
Total other financial assets	**756**	**1,015**

Receivable from sold equipment consists of instalment which is referring to equipment sold, such as handsets and other equipment. The equipment has been supplied to the customer and for which the revenue has been recognized. None of these receivables were due on the closing date. When the invoicing occurs, the amount invoiced is transferred from receivable from sold equipment to accounts receivable. The item also consists of effects of the time difference between when the performance obligation is satisfied and revenue recognized for the goods or service and the payments to be received. The contract asset arises due to sales of bundles. For information regarding loss allowance please refer to Note 20.

NOTE 18 CAPITALIZED CONTRACT COSTS

SEK million	Dec 31, 2019	Dec 31, 2018
Cost at January 1	374	357
Cost for assets classified as held for sale	-39	—
Additions	457	372
Expensed contracts costs	-418	-355
Total capitalized contract costs	**374**	**374**

Expensed contract costs consist of amortized capitalized contract costs. Amortization is recognized as an operating cost, in order for this cost to be reflected in the operational business.

NOTE 19 INVENTORIES

SEK million	Dec 31, 2019	Dec 31, 2018
Finished products and goods for resale	670	637
Other	40	33
Total inventories	**710**	**670**

Tele2's inventories mainly consist of mobile phones. In 2019 inventories were expensed by SEK 4,771 (4,614) million, of which SEK 3 (25) million was related to write-downs.

NOTE 20 ACCOUNTS RECEIVABLE

SEK million	Dec 31, 2019	Dec 31, 2018
Gross carrying amount	2,185	2,961
Loss allowance	–153	–452
Total accounts receivable, net	**2,032**	**2,509**

SEK million	Dec 31, 2019	Dec 31, 2018
Loss allowance at January 1	452	753
Assets classified as held for sale	-199	-267
Companies acquired during the year	—	9
Net change in loss allowance	-104	-73
Exchange rate differences	3	31
Total reserve for loss allowance	**153**	**452**

Receivable from sold equipment

SEK million	Dec 31, 2019	Dec 31, 2018
Gross carrying amount	2,101	2,791
Loss allowance	–39	–46
Total accounts receivable, net	**2,062**	**2,745**
of which non-current	628	898
of which current	1,434	1,847

SEK million	Dec 31, 2019	Dec 31, 2018
Loss allowance at January 1	46	51
Asset classified as held for sale	-18	—
Net change in loss allowance	11	-5
Total reserve for loss allowance	**39**	**46**

Loss allowance

Tele2 applies the simplified approach of IFRS 9 measuring expected credit losses for trade receivables and receivable from sold equipment. The simplified approach is always based on lifetime expected credit losses considering information about historical data adjusted for current conditions and forecasts of future events and economic conditions. Receivable from sold equipment consists of receivables on customers for equipment, such as handsets and other equipment, which have been supplied to the customer and for which the revenues have been recognized.

To measure the expected credit losses, accounts receivable and receivable from sold equipment have been grouped by credit risk characteristics and past due status. Tele2 has chosen to report the expected credit losses based on customer type since the risk is considered to be diverse. Business customers are defined as customer that uses Tele2's services primarily for business purposes, including public sector and non-profit organizations. A consumer is a customer which is not defined as a business customer. The expected credit losses are based on customers' payment history during a period of between 3 to 24 months together with the historical credit losses during the same period. The historical losses are adjusted to reflect macroeconomic and forward-looking information that can affect the customers' ability to pay, such as changed market expectations and the ability to sell outstanding account receivables.

Tele2 has identified and made specific reservations for customers whose ability to pay are considered to be differentiated from other receivables. Account receivables and receivable from sold equipment are written off when a payment no longer is considered to be likely. An indication is that the payment is more than 90 days overdue.

SEK million	Dec 31, 2019					
		Past due				
	Not due	1-30 days	31-60 days	61-90 days	> 90 days	Total
Accounts receivable						
Consumer						
Expected credit loss rate	0.78%	0.81%	3.50%	6.96%	40.72%	8.06%
Gross carrying amount	471	248	34	18	165	936
Loss allowance	-4	-2	-1	-1	-67	-75
Business						
Expected credit loss rate	0.39%	0.67%	3.11%	3.75%	47.21%	6.22%
Gross carrying amount	880	182	12	24	152	1,249
Loss allowance	-3	-1	0	-1	-72	-78
Total loss allowance accounts receivable	**-7**	**-3**	**-2**	**-2**	**-139**	**-153**
Receivable from sold equipment						
Consumer						
Expected credit loss rate	1.71%	—	—	—	—	1.71%
Gross carrying amount	1,702	—	—	—	—	1,702
Loss allowance	-29	—	—	—	—	-29
Business						
Expected credit loss rate	2.49%	—	—	—	—	2.49%
Gross carrying amount	399	—	—	—	—	399
Loss allowance	-10	—	—	—	—	-10
Total loss allowance receivables from sold equipment	**-39**	**—**	**—**	**—**	**—**	**-39**

SEK million	Dec 31, 2018					
		Past due				
	Not due	1-30 days	31-60 days	61-90 days	> 90 days	Total
Accounts receivable						
Consumer						
Expected credit loss rate	1.67%	2.03%	8.16%	35.17%	79.09%	20.67%
Gross carrying amount	615	306	56	19	305	1,302
Loss allowance	-10	-6	-5	-7	-241	-269
Business						
Expected credit loss rate	0.21%	0.59%	2.41%	63.52%	64.78%	11.03%
Gross carrying amount	1,215	136	31	23	254	1,659
Loss allowance	-3	-1	-1	-14	-164	-183
Total loss allowance accounts receivable	**-13**	**-7**	**-5**	**-21**	**-406**	**-452**
Receivable from sold equipment						
Consumer						
Expected credit loss rate	1.68%	—	—	—	—	1.68%
Gross carrying amount	2547	—	—	—	—	2547
Loss allowance	-43	—	—	—	—	-43
Business						
Expected credit loss rate	1.21%	—	—	—	—	1.21%
Gross carrying amount	244	—	—	—	—	244
Loss allowance	-3	—	—	—	—	-3
Total loss allowance receivables from sold equipment	**-46**	**—**	**—**	**—**	**—**	**-46**

The change in loss allowance relating to accounts receivable compared to last year can mainly be explained by the opportunity to sell bad debts older than 90 days.

When the receivable from sold equipment is invoiced, it is reclassified to accounts receivable.

NOTE 21 OTHER CURRENT RECEIVABLES

SEK million	Dec 31, 2019	Dec 31, 2018
Receivable from sold equipment	1,434	1,847
VAT receivable	24	39
Receivable on Net4Mobility, joint operation in Sweden	154	170
Receivable on suppliers	68	209
Receivable on Svenska UMTS-nät, joint operation in Sweden	11	14
Derivatives	154	33
Current tax receivables	19	16
Other	47	85
Total other current receivables	**1,911**	**2,413**

Receivable from sold equipment includes equipment sold with installment plans, such as handsets and other equipment. The equipment has been transferred to the customer and revenue has been recognized. None of these receivables were due on the closing date. When the invoicing occurs, the amount invoiced is transferred from receivable from sold equipment to accounts receivable. This item also includes contract assets, related to bundled sales. The receivable arises as an effect of timing differences between 1) satisfaction of the performance obligation and revenue recognition of goods and services and 2) payments. For information regarding loss allowance please refer to Note 20. For further information on derivatives, please refer to Note 2.

NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME

SEK million	Dec 31, 2019	Dec 31, 2018
Rental costs	323	212
Frequency usage	4	160
Interest expenses	—	90
Other prepaid expenses	176	212
Total prepaid expenses	**502**	**673**
Customers	709	681
Other telecom operators	451	498
Other accrued income	110	51
Total accrued income	**1,270**	**1,229**
Total prepaid expenses and accrued income	**1,772**	**1,903**

SEK 32 (46) million of accrued income is estimated to be paid more than 12 months after the closing date.

NOTE 23 CURRENT INVESTMENTS

SEK million	Dec 31, 2019	Dec 31, 2018
Restricted funds	0	1
Shares in other companies	—	1
Total current investments	**0**	**2**

NOTE 24 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

SEK million	Dec 31, 2019	Dec 31, 2018
Cash and cash equivalents	448	404
Unutilized overdraft facilities and credit lines	8,716	9,116
Total available liquidity	**9,164**	**9,520**

SEK million	Dec 31, 2019	Dec 31, 2018
Overdraft facilities granted	810	1,661
Overdraft facilities utilized	-23	-355
Total unutilized overdraft facilities	**787**	**1,306**
Unutilized credit lines	7,930	7,809
Total unutilized overdraft facilities and credit lines	**8,716**	**9,116**

Tele2's share of liquid funds in joint operations, for which Tele2 has limited disposal rights, amounted at December 31, 2019 to SEK 65 (60) 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

SEK million	Dec 31, 2019	Dec 31, 2018
Exchange rate differences in cash and cash equivalents at January 1	4	-2
Exchange rate differences in cash flow for the year	432	28
Total exchange rate differences in cash and cash equivalents for the year	**436**	**26**

NOTE 25 SHARES, EQUITY AND APPROPRIATION OF PROFIT

Number of shares

	A shares	B shares	C shares	Total
As of January 1, 2018	**22,793,523**	**482,207,489**	**1,899,000**	**506,900,012**
Reclassification of A shares to B shares	-145,831	145,831	—	—
New share issue	—	183,441,585	—	183,441,585
As of December 31, 2018	**22,647,692**	**665,794,905**	**1,899,000**	**690,341,597**
Reclassification of A shares to B shares	-50,047	50,047	—	—
Total number of shares as of December 31, 2019	**22,597,645**	**665,844,952**	**1,899,000**	**690,341,597**

	Dec 31, 2019	Dec 31, 2018
Total number of shares	690,341,597	690,341,597
Number of treasury shares	-2,411,044	-3,338,529
Number of outstanding shares	**687,930,553**	**687,003,068**
Number of shares, weighted average	687,532,589	531,098,522
Number of shares after dilution	691,192,229	690,115,713
Number of shares after dilution, weighted average	690,751,970	534,505,915

At December 31, 2019, Tele2 had 64,978 known shareholders. Kinnevik AB owned as of December 31, 2019, 27.2 percent of the capital and 42.0 percent of the voting rights. No other shareholder owned, directly or indirectly, more than 10 percent of the shares in Tele2. The 10 largest single shareholders represented 49.7 percent of the share capital and 59.5 percent of the votes.

On November 5, 2018, Tele2 performed a new issue of 183,441,585 class B shares as merger consideration in connection with the acquisition of Com Hem (please refer to Note 15). As a result, equity increased with SEK 19,766 million.

On September 10, 2018, 145,831 class A shares were reclassified into class B shares. On March 13 and September 6, 2019, 40,770 and 9,277 respectively of class A shares were reclassified into class B shares.

The share capital in Tele2 AB is divided into three classes of shares: Class A, B and Class C shares. All types of shares have a par 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 facilities may be accelerated and due for immediate repayment. In addition, some other agreements may be terminated.

Number of treasury shares

	B shares	C shares	Total
As of January 1, 2018	2,245,459	1,899,000	4,144,459
Delivery of own shares under LTI program	-449,039	—	-449,039
Delivery of own shares under LTI program, early vesting	-356,891	—	-356,891
As of December 31, 2018	**1,439,529**	**1,899,000**	**3,338,529**
Delivery of own shares under LTI program	-572,714	—	-572,714
Delivery of own shares under LTI program, early vesting	-354,771	—	-354,771
Total number of treasury shares as of December 31, 2019	**512,044**	**1,899,000**	**2,411,044**

Number of treasury shares amount to 0.3 (0.5) percent of the share capital. As a result of share rights in the LTI 2016-2019 being exercised during 2019 Tele2 delivered 354,771 (356,891) B-shares in treasury shares to some of the participants in the program. This was an early vesting of the programs following the merger with Com Hem.

As a result of share rights in the LTI 2016 (2018: LTI 2015) being exercised on April 29, 2019, Tele2 delivered 572,714 (May 4, 2018: 449,039) B-shares in treasury shares to the participants in the program.

Outstanding share rights

	Dec 31, 2019	Dec 31, 2018
Incentive program 2019-2022	1,395,024	—
Incentive program 2018-2021	1,154,334	1,482,420
Incentive program 2017-2020	712,318	1,050,018
Incentive program 2016-2019	—	801,040
Total number of outstanding share rights	**3,261,676**	**3,333,478**
of which will be settled in cash	—	220,833

Further information is provided in Note 33.

Number of shares after dilution

	Dec 31, 2019	Dec 31, 2018
Total number of shares	690,341,597	690,341,597
Number of treasury shares	-2,411,044	-3,338,529
Number of outstanding shares, basic	**687,930,553**	**687,003,068**
Number of outstanding share rights	3,261,676	3,333,478
Excluding share rights to be settled in cash	—	-220,833
Total number of shares after dilution	**691,192,229**	**690,115,713**

Earnings per share

Total operation	Earnings per share		Earnings per share, after dilution	
	2019	2018	2019	2018
Net profit attributable to equity holders of the parent company (SEK million)	5,004	854	5,004	854
Weighted average number of outstanding shares	687,532,589	531,098,522	687,532,589	531,098,522
Incentive program 2019-2022			836,692	
Incentive program 2018–2021			1,271,421	829,239
Incentive program 2017–2020			869,263	1,327,443
Incentive program 2016–2019			242,005	1,023,804
Incentive program 2015–2018			—	226,907
Weighted average number of share rights			**3,219,381**	**3,407,393**
Weighted average number of outstanding shares after dilution			**690,751,970**	**534,505,915**
Earnings per share, SEK	**7.28**	**1.61**	**7.24**	**1.60**

Proposed appropriation of profit

The Board proposes that, from the SEK 21,611,331,573 at the disposal of the Annual General Meeting, an ordinary dividend of SEK 5.50 per share should be paid to shareholders in two equal tranches in May and October 2020, corresponding to SEK 3,783,618,042 on December 31, 2019. In addition, the board proposes an extraordinary dividend of SEK 3.50 per share, to be paid in May 2020, corresponding to SEK 2,407,756,936 on December 31, 2019. And that the remaining amount, SEK 15,419,956,595, should be carried forward.

Based on this annual report, the consolidated financial statements and other information which has become available, 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.

NOTE 26 FINANCIAL LIABILITIES

SEK million	Dec 31, 2019	Dec 31, 2018
Liabilities to financial institutions and similar liabilities	24,899	28,070
Lease liabilities	5,642	17
Other interest-bearing liabilities	504	221
Total interest-bearing financial liabilities	**31,044**	**28,307**
Accounts payable	1,671	3,004
Other non-interest-bearing liabilities	781	692
Total non-interest-bearing financial liabilities	**2,452**	**3,696**
Total financial liabilities	**33,497**	**32,003**

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

Financial liabilities fall due for payment according to below.

SEK million	Dec 31, 2019		Dec 31, 2018	
	Nominal value	Recorded value	Nominal value	Recorded value
Within 3 months	4,488	4,465	9,951	9,952
Within 3–12 months	2,861	2,823	280	280
Within 1–2 years	4,158	4,098	2,023	2,023
Within 2–3 years	3,220	3,174	3,384	3,384
Within 3–4 years	2,545	2,515	2,588	2,588
Within 4–5 years	7,855	7,837	1,960	1,960
Within 5–10 years	8,453	8,497	11,788	11,796
Within 10–15 years	111	87	23	20
Total financial liabilities	**33,691**	**33,497**	**31,997**	**32,003**

Interest-bearing financial liabilities

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

SEK million	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	3,687	52	2,199	551	598	4,900	11,987
Fixed interest rates	1,149	4,046	975	1,965	7,239	3,685	19,058
Total interest-bearing liabilities	**4,836**	**4,098**	**3,174**	**2,515**	**7,837**	**8,584**	**31,044**

Liabilities to financial institutions and similar liabilities

SEK million Funding type	Interest rate terms	Maturity date	Dec 31, 2019		Dec 31, 2018	
			Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Bonds EUR	fixed 1.125%	2024	—	5,217	—	5,138
Bonds EUR	fixed 2.125%	2028	—	5,292	—	5,147
Bonds SEK	variable interest rates		—	—	500	—
Bonds SEK	variable interest rates		—	—	1,000	—
Bonds SEK	STIBOR +0.51%	2020	1,754	—	—	1,757
Bonds SEK	STIBOR +2.45%	2020	250	—	—	250
Bonds SEK	fixed 1.875%	2021	—	1,000	—	1,000
Bonds SEK	STIBOR 1.65%	2021	—	1,997	—	1,995
Bonds SEK	STIBOR 1.55%	2022	—	1,699	—	1,699
Bonds SEK	variable interest rates	2022	—	500	—	500
Bonds SEK	STIBOR +1.45%	2023	—	397	—	400
Bonds SEK	fixed 2%	2023	—	1,199	—	1,195
Bonds SEK	variable interest rates	2026	—	1,000	—	—
Total bonds			**2,004**	**18,302**	**1,500**	**19,081**
Commercial paper	fixed interest rates	2020	1,100	—	4,491	—
European Investment Bank (EIB)	fixed interest rates	2024	—	1,303	—	1,283
Nordic Investment Bank (NIB)	variable interest rates	2023–2026	—	1,985	—	1,324
Syndicated loan facilities	variable interest rates	2024	—	-18	—	-24
Short-term loan, collateral for outstanding interest rate derivatives	variable interest rate	2020	199	—		
Erste Bank	fixed interest rate		—	—	60	—
Utilized bank overdraft facility	variable interest rates		23	—	355	—
Total current and non-current liabilities to financial institutions and similar liabilities			**3,326**	**21,572**	**6,406**	**21,664**
Total liabilities to financial institutions and similar liabilities				**24,899**		**28,070**

As of the date of this report, Tele2 has a credit facility with a syndicate of ten banks maturing in 2024. The loans can be drawn in several currencies and the interest base is the relevant IBOR for that currency. The facility amounts to EUR 760 million and was unutilized on December 31, 2019 and prepaid upfront fees to be recognized in profit/loss over the remaining contract period amounted to SEK -18 (-24) million. The facility is conditioned by covenant requirements which Tele2 expects to fulfil.

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 5 billion. On December 31, 2019 issued bonds under the program amounted to SEK 20.3 (20.6) billion.

Tele2 AB's established Swedish commercial paper program enables Tele2 to issue commercial papers up to a total amount of SEK 8 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, 2019 outstanding commercial papers amounted to SEK 1.1 (4.5) billion.

As a further step towards the diversification of Tele2's funding sources, Tele2 AB entered into a new loan agreements with Nordic Investment Bank (NIB) of SEK 2 billion during January 2019, replacing the previous EUR 130 million agreement. In addition ,Tele2 has a loan agreement with the European Investment Bank (EIB) of EUR 125 (125) million.

The average interest rate on loans during the year was 1.5 (2.6) percent.

Other interest-bearing liabilities

SEK million	Dec 31, 2019		Dec 31, 2018	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Derivatives	277	—	113	—
Supplier financing, Lithuania license	8	80	8	86
Equipment financing	84	55	—	—
Deferred consideration for acquisitions	—	—	11	—
Incentive program, IoT	—	—	—	4
	368	**135**	**132**	**89**
Total other interest-bearing liabilities		**504**		**221**

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. To minimize counterparty risk, Tele2 has also entered into CSA agreements where collateral equal to the market value of the derivatives are exchanged from time to time. For additional information please refer to Note 2.

For information on leases please refer to Note 31.

Liabilities attributable to financing activities

SEK million	Liabilities Dec 31, 2018	Change in accounting principle, IFRS 16 (Note 35)	Adjusted liabilities at January 1, 2019	Cash flow from financing activities	Non-cash changes: Reclassification for assets held for sale (Note 36)	Non-cash changes: New and modified leases (Note 31)	Non-cash changes: Reclassification	Non-cash changes: Exchange rate	Non-cash changes: Fair value	Non-cash changes: Accrued interest and fees	Liabilities Dec 31, 2019
Bonds	20,581	—	20,581	-501	—	—	-90	158	144	13	20,305
Commercial paper	4,491	—	4,491	-3,390	—	—	—	—	—	-1	1,100
Nordic Investment Bank (NIB)	1,324	—	1,324	661	—	—	—	-3	—	2	1,985
European Investment Bank (EIB)	1,283	—	1,283	—	—	—	—	20	—	0	1,303
Syndicated loan facilities	-24	—	-24	—	—	—	—	—	—	6	-18
Short-term loan	—	—	—	199	—	—	—	—	—	—	199
Erste Bank	60	—	60	—	-60	—	—	—	—	—	—
Utilized bank overdraft facility	355	—	355	-332	—	—	—	—	—		23
Total liabilities to financial institutions and similar liabilities	**28,070**	**—**	**28,070**	**-3,362**	**-60**	**—**	**-90**	**175**	**144**	**22**	**24,899**
Leases	**17**	**5,897**	**5,913**	**-1,206**	**-479**	**1,322**	**—**	**10**	**—**	**81**	**5,642**
Derivatives	113	—	113	—	—	—	—	—	164		277
Deferred consideration for acquisitions	11	—	11	-9	—	—	—	—	-2	—	—
Equipment financing	—	—	—	13	—	—	126	—	—	—	139
Supplier financing, Lithuania license	93	—	93	-8	—	—	—	2	—	0	88
Incentive program, IoT	4	—	4	-5	—	—	—	—	1	—	—
Total other interest-bearing liabilities	**221**	**—**	**221**	**-9**	**—**		**126**	**2**	**163**	**0**	**504**
Total interest-bearing financial liabilities	**28,307**	**5,897**	**34,204**	**-4,577**	**-539**	**1,322**	**36**	**188**	**306**	**104**	**31,044**

SEK million	Liabilities Dec 31, 2017	Cash flow from financing activities	Non-cash changes: Reclassification for assets held for sale (Note 36)	Non-cash changes: Acquisition (Note 15)	Non-cash changes: Reclassification	Non-cash changes: Exchange rate	Non-cash changes: Fair value	Non-cash changes: Accrued interest and fees	Payment	Liabilities Dec 31, 2018
Bonds	8,534	8,020	—	4,000	—	13	9	5	—	20,581
Commercial paper	500	3,191	—	800	—	—	—	—	—	4,491
Nordic Investment Bank (NIB)	1,273	-5	—	—	—	55	—	1	—	1,324
European Investment Bank (EIB)	—	1,289	—	—	—	-6	—	—	—	1,283
Syndicated loan facilities	-29	-6,552	—	6,525	—	—	—	32	—	-24
Development Bank of Kazakhstan	246	-18	-220	—	—	-8	—	—	—	—
Erste Bank	—	—	—	—	60	—	—	—	—	60
Utilized bank overdraft facility	22	333	—	—	—	—	—	—	—	355
Total liabilities to financial institutions and similar liabilities	**10,546**	**6,258**	**-220**	**11,325**	**60**	**54**	**9**	**38**	**—**	**28,070**
Finance leases	**17**	**-0**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**17**
Earn-out, Kazakhstan	432	—	-764	—	—	—	332	—	—	—
Loan from Kazakhtelecom	26	—	-30	—	—	4	—	—	—	—
Derivatives	156	—	—	—	—	—	-43	—	—	113
Deferred consideration for acquisitions	21	-4	—	—	—	—	2	—	-8	11
Equipment financing	8	-8	—	—	—	—	—	—	—	—
Supplier financing, Lithuania license	96	-7	—	—	—	5	—	—	—	93
Incentive program, IoT	3	—	—	—	—	—	1	—	—	4
Total other interest-bearing liabilities	**742**	**-19**	**-794**	**—**	**—**	**9**	**292**	**—**	**-8**	**221**
Total interest-bearing financial liabilities	**11,305**	**6,238**	**-1,014**	**11,325**	**60**	**63**	**301**	**38**	**-8**	**28,307**

Other current liabilities

SEK million	Dec 31, 2019	Dec 31, 2018
VAT liability	490	305
Liability to Net4Mobility, joint operation in Sweden	124	122
Liability related to recourse on receivables from Tisak	—	54
Liability to Svenska UMTS-nät, joint operation in Sweden	44	46
Employee withholding tax	70	102
Debt to customers	33	30
Debt to other operators	12	—
Debt to content suppliers	1	23
Customer deposit	5	6
Other	3	2
Total other current liabilities	**781**	**689**

NOTE 27 PROVISIONS

SEK million	2019						
	Dis-mantling costs	Rented buildings, fiber and cables	Disputes	Claims and guarantees for divested operations	Other provisions	Pension and simi-lar com-mitments	Total
Provisions as of January 1	**830**	**17**	**2**	**39**	**412**	**395**	**1,695**
Provisions directly associated with assets classified as held for sale	-85	—	—	-39	—	—	-124
Additional provisions	14	—	—	—	76	26	116
Utilized/paid provisions	-0	-11	—	—	-30	-7	-48
Reversed unused provisions	-2	—	—	—	—	—	-2
Inflation, discount rates, actuarial and exchange rate effects	50	0	0	—	—	87	137
Total provisions as of December 31	**807**	**6**	**2**	**—**	**458**	**501**	**1,774**

SEK million	2018						
	Dis-mantling costs	Rented buildings, fiber and cables	Disputes	Claims and guarantees for divested operations	Other provisions	Pension and simi-lar com-mitments	Total
Provisions as of January 1	**848**	**29**	**1**	**54**	**36**	**112**	**1,081**
Provisions in acquired companies	—	—	—	—	266	268	535
Provisions directly associated with assets classified as held for sale	-134	—	—	—	-7	—	-141
Additional provisions	0	0	—	—	157	8	166
Utilized/paid provisions	—	-13	—	-15	-40	—	-68
Reversed unused provisions	—	—	—	-1	—	—	-1
Inflation, discount rates, actuarial and exchange rate effects	116	0	0	1	—	7	123
Total provisions as of December 31	**830**	**17**	**2**	**39**	**412**	**395**	**1,695**

SEK million	Dec 31, 2019	Dec 31, 2018
Provisions, current	230	224
Provisions, non-current	1,543	1,471
Total provisions	**1,774**	**1,695**

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

SEK million	Dec 31, 2019	Dec 31, 2018
Within 1 year	230	224
Within 1–3 years	31	22
Within 3–5 years	204	88
More than 5 years	1,308	1,360
Total provision	**1,774**	**1,695**

In connection with the merger with Com Hem a provision of SEK 266 million was recognized for an unfavourable fixed-price contract for the supply of transmission. The provision amounted to SEK 226 (226) million as of December 31, 2019, and will be released over the contract period ending December 31, 2024. In addition, other provision consists of a court case regarding copy right levies of SEK 200 (157) million. For pension and similar commitments please see Note 33.

Dismantling costs refer to dismantling and restoration of mobile and fixed network sites. Remaining provision as of December 31, 2019 is expected to be fully utilized during the coming 30 years.

NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	Dec 31, 2019	Dec 31, 2018
Personnel related expenses	820	793
External service expenses	339	365
Investments in non-current assets	94	231
Other telecom operators	309	396
Dealer commissions	96	91
Leasing and rental expenses	79	94
Interest costs	134	78
Other accrued expenses	194	281
Total accrued expenses	**2,066**	**2,329**
Contracts	665	909
Prepaid cards	182	217
Subscription fees	592	594
Total deferred income	**1,439**	**1,719**
Total accrued expenses and deferred income	**3,505**	**4,048**

When Tele2 receives a payment but are still to deliver the agreed goods and services, a contract liability (deferred income) arises. The line item ‘Contracts’ refers to revenue from contract services, B2B projects and pre-received capacity and IRU revenue.

Revenue recognized included in the opening contract liability amounts to SEK 1,255 (731) million.

NOTE 29 PLEDGED ASSETS

Liabilities to financial institutions in the form of cash pledged as collateral to reduce credit risk amounted on December 31, 2019 to SEK 199 (-) million, please refer to Note 2. Tele2 has no other significant pledged items.

NOTE 30 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Contingent liabilities

SEK million	Dec 31, 2019	Dec 31, 2018
Tax deduction exchange loss	350	—
Asset dismantling obligation, discontinued operations	—	159
Total contingent liabilities	**350**	**159**

On April 1, 2019 Tele2 was notified that the Swedish Tax Agency rejects Tele2’s claim for a deduction of an exchange loss, please refer to Note 11.

Other contractual commitments

SEK million	Dec 31, 2019	Dec 31, 2018
Commitments, investments	102	93
Commitments, other	2,536	6,271
Total future fees for other contractual commitments	**2,638**	**6,365**

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

NOTE 31 LEASES

On January 1, 2019 Tele2 changed the accounting principles for leases, by applying IFRS 16 Leases. Tele2 has chosen to apply the modified retrospective approach in the standard and not restate prior periods. Previous year only lease assets and lease liabilities related to financial leases according to IAS 17 Leases were reported. The assets were presented as part of the tangible assets and the liabilities as part of the Group's borrowings. Please refer to Note 35 for the adjustments reported at the adoption of IFRS 16 at January 1, 2019.

Tele2 as the lessee

Tele2's leases consist mainly of lease of sites and base stations (including land), leased lines, premises, vehicles and other equipment. The additions consisting of new and modified leases amounted in 2019 to SEK 1,306 million. The carrying value of the lease assets are stated in Note 14. Many of the leases across the Group are open ended contracts, that run until either party terminate, or contain extension and termination options. These terms are reflected in measuring the lease liabilities especially for the lease categories sites and base stations and leased lines, as the options are reasonably certain to be exercised based on Tele2's strategic plans, including assessment of future technology changes, and the importance of the underlying assets for the Group as well as costs associated with not extending the lease. The lease contracts contain no residual value guarantees.

Amounts recognised in income statement

SEK million	Note	Dec 31, 2019
Depreciation expense on right-of-use assets	14	-1,186
Interest expense on lease liabilities	9	-81
Expense relating to short-term leases		-122
Expense relating to leases of low value assets		-8
Expense relating to variable lease payments not included in the measurement of the lease liability		-1
Total lease expenses		**-1,398**

The total cash outflow for leases amounted to SEK 1,337 million. Of the total expense relating to short-term leases, SEK 104 million related to leases for which the transition expedient was applied. The variable payments constitute of insignificant amounts of the Group's entire lease payments and is expected to remain constant in future years.

Lease liabilities

The undiscounted lease liabilities are due for payment according to below. Approximately 40 percentage of the total liabilities are legally uncommitted but are per the definition of IFRS 16 determined to be enforceable and consequently included in the calculation of the lease liability.

SEK million	Dec 31, 2019
Within 1 year	1,202
Within 1–2 years	1,099
Within 2–3 years	1,013
Within 3–4 years	787
Within 4–5 years	729
Within 5–10 years	986
More than 10 years	96
Total undiscounted lease liabilities	**5,913**

Finance leases (IAS 17)

Finance leases relate to the expansion of transmission capacity in Sweden. The carrying value of the lease assets is stated in Note 13. The contract periods are running for 25 years and contain index clauses.

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

SEK million	Dec 31, 2018	
	Present value	Nominal value
Within 1 year	2	2
Within 1–2 years	2	2
Within 2–3 years	2	2
Within 3–4 years	2	2
Within 4–5 years	2	2
Within 5–10 years	7	7
Total loan liability and interest		**18**
Less interest portion		-2
Total finance leases	**17**	**17**

Operating leases (IAS 17)

SEK million	2018
Leased lines	884
Other operating leases	478
Annual leasing expenses for operating leases	**1,361**

The cost of operating leases relates mainly to leased lines. Other assets that are held under operating leases relate to sites and base stations, 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 index clauses but no possibilities to acquire the asset.

Contractual future lease expenses are stated below.

SEK million	Dec 31, 2018
Within 1 year	1,419
Within 1–2 years	610
Within 2–3 years	496
Within 3–4 years	365
Within 4–5 years	303
Within 5–10 years	742
Within 10–15 years	53
More than 15 years	26
Total future expenses for operating leases	**4,015**

Operating leases with Tele2 as the lessor

Leasing income during the year amount to SEK 92 (87) million and relates mainly to rent from other operators placing equipment on Tele2 sites as well as leased equipment to customers. Contract periods range from 3 to 25 years and generally have no option to purchase the asset at the expiry of the lease period.

Contractual future lease income is stated below:

Operating leases

SEK million	Dec 31, 2019	Dec 31, 2018
Within 1 year	97	89
Within 1–2 years	25	20
Within 2–3 years	22	20
Within 3–4 years	21	17
Within 4–5 years	20	30
Within 5–10 years	78	70
Within 10–15 years	65	69
More than 15 years	75	70
Total future income for operating leases	**403**	**386**

NOTE 32 SUPPLEMENTARY CASH FLOW INFORMATION

SEK million	2019	2018
Interest received	32	48
Interest paid	-487	-529
Finance items paid	-11	-138
Dividend received	0	17
Taxes paid	-798	-643

NOTE 33 NUMBER OF EMPLOYEES AND PERSONNEL COSTS

Average number of employees (Full Time Equivalents)

The average number of employees and related gender distribution presented in the table below is calculated on the basis of full time equivalents.

	2019			2018		
	Total	*of whom women*	*of whom men*	Total	*of whom women*	*of whom men*
Sweden	3,092	*29%*	*71%*	2,864	*31%*	*69%*
Lithuania	515	*68%*	*32%*	489	*67%*	*33%*
Latvia	624	*46%*	*54%*	674	*46%*	*54%*
Estonia	302	*64%*	*36%*	319	*62%*	*38%*
Germany	38	*32%*	*68%*	43	*28%*	*72%*
Netherlands	5	—	*100%*	6	—	*100%*
Austria	4	*25%*	*75%*	6	*17%*	*83%*
Luxembourg	3	*33%*	*67%*	4	*50%*	*50%*
Continuing operations	**4,583**	***38%***	***62%***	**4,405**	***39%***	***61%***
Discontinued operations (Note 36)	864	*49%*	*51%*	2,500	*40%*	*60%*
Total average number of employees	**5,447**	***39%***	***61%***	**6,905**	***40%***	***60%***

Number of employees and gender distribution

On December 31, 2019 the number of employees in Tele2 was 4,695 (5,376) excluding discontinued operations, of which 42 (39) percent women and 58 (61) percent men. A breakdown by market and gender distribution is presented below.

Continuing operations	Dec 31, 2019			Dec 31, 2018		
	Total	*of whom women*	*of whom men*	Total	*of whom women*	*of whom men*
Sweden	3,038	*32%*	*68%*	3,686	*30%*	*70%*
Lithuania	639	*71%*	*29%*	580	*72%*	*28%*
Latvia	623	*52%*	*48%*	728	*50%*	*50%*
Estonia	345	*66%*	*34%*	331	*63%*	*37%*
Germany	43	*37%*	*63%*	44	*39%*	*61%*
Netherlands	3	—	*100%*	2	—	*100%*
Austria	2	—	*100%*	3	*33%*	*67%*
Luxembourg	2	—	*100%*	2	—	*100%*
Total numbers of employees	**4,695**	***42%***	***58%***	**5,376**	***39%***	***61%***

The Tele2 AB board consists of 43 (44) percent women and 57 (56) percent men, while the gender distribution among senior executives in the Group Leadership Team is 33 (13) percent women and 67 (87) percent men on December 31, 2019.

The enlarged Business Leadership Team, which is responsible for the Swedish day to day operations, also consists of 33 percent women and 67 percent men on December 31, 2019.

The gender distribution between board of directors and management in all active group companies is presented in the table below. Management refers to managing directors and persons reporting directly to the managing directors.

For all active group companies (excluding discontinued operations)	Dec 31, 2019		Dec 31, 2018	
	Women	Men	Women	Men
Board members	12%	88%	23%	77%
Management	33%	67%	37%	63%
Total	**24%**	**76%**	**31%**	**69%**

Personnel costs

SEK million	2019			2018		
	Board of Directors and CEO	*of which bonus*	Other em-ployees	Board of Directors and CEO	*of which bonus*	Other em-ployees
Sweden	32	*11*	2,100	75	*25*	1,800
Lithuania	7	—	176	6	*1*	144
Latvia	4	*1*	175	6	*1*	181
Estonia	4	*0*	86	3	*1*	78
Germany	3	*1*	31	3	*0*	38
Other countries	3	—	44	5	—	23
Continuing operations	**52**	***14***	**2,612**	**97**	***28***	**2,263**
Discontinued operations (Note 36)	7	*4*	182	39	*20*	955
Total salaries and remuneration	**59**	***17***	**2,794**	**136**	***48***	**3,219**

SEK million	2019			2018		
	Salaries and remu-nerations	Social security expenses	*of which pension expenses*	Salaries and remu-nerations	Social security expenses	*of which pension expenses*
Board of Directors and CEO	52	17	*3*	97	37	*4*
Other employees	2,612	1,256	*334*	2,263	1,043	*289*
Continuing operations	**2,664**	**1,272**	***337***	**2,360**	**1,080**	***293***
Discontinued operations (Note 36)	188	50	*24*	994	166	*44*
Total	**2,852**	**1,323**	***361***	**3,354**	**1,246**	***337***

Pensions

Continuing operations SEK million	2019	2018
Defined-benefit plans, retirement pension	-32	-28
Defined-contribution plans	-305	-265
Total pension expenses	**-337**	**-293**

The defined benefit plans relate essentially to Sweden, where companies included in the Group are affiliated to PRI Pensionsgaranti or Skandia. For companies affiliated to PRI Pensionsgaranti, the companies' obligation under the ITP-plan (ITP2) retirement pension are recognized as a liability in the balance sheet. The liability for retirement pension assigned to Com Hem is closed for new entries and premiums are instead paid to Alecta. Additional information regarding defined-benefit retirement plans is shown in the table below.

SEK million	2019	2018
Income statement		
Current service costs	-30	-27
Net interest cost	-5	-0
Curtailments/settlements	3	-1
Defined-benefit plans, retirement pension	**-32**	**-28**
Special employer's contribution	-5	1
Net cost recognized in the income statement	**-37**	**-27**

SEK million	Dec 31, 2019	Dec 31, 2018
Balance sheet		
Present value of funded obligations	-840	-717
Present value of non-funded obligations	-6	-7
Fair value of plan assets	494	466
Net	**-353**	**-258**
Special employer's contribution	-33	-27
Net asset (+) / obligation (-) in balance sheet	**-385**	**-285**
of which assets	116	110
of which liabilities	-501	-395
Movements		
Net asset (+) / obligation (–) at beginning of year	-285	7
Net asset/obligation at beginning of year, acquired operations	—	-266
Net cost	-37	-27
Payments	42	39
Actuarial gains/losses in other comprehensive income	-104	-39
Net asset (+) / obligation (–) in balance sheet at end of year	**-385**	**-285**

The defined-benefit pension plans under ITP2 are partly funded; Tele2's assets have been invested in Skandia and Com Hem's in Telia Company AB's (publ) pension fund. At December 31, 2019 the market value of Tele2's assets in Skandia amounted to SEK 294 (288) million. At December 31, 2019 the market value of the Com Hem share of the asset in the pension trust amounted to SEK 200 (178) million. Two smaller defined benefit plans of SEK 6 (7) million for management pension and conditional early retirement pension are non-funded.

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 IAS 19 requirements. The following key actuarial assumptions have been applied to calculate the commitments.

	Dec 31, 2019	Dec 31, 2018
Important actuarial assumptions		
Discount rate	1.7%	2.3%
Annual salary increases	3.0%	3.0%
Annual pension increases	3.0%	3.0%
Long-term inflation assumption	2.0%	2.0%
Average expected remaining years of employment	10 years	10 years

Remuneration for senior executives

SEK million	2019						
	Basic salary	Variable remuneration	Share-based payment cost	Other benefits	Termination benefit	Pension expenses	Total remuneration
CEO and President							
Anders Nilsson	7.5	10.7	3.4	0.3	–	2.4	24.3
Other senior executives	35.8	46.7	23.6	2.5	6.9	11.5	127.0
Total salaries and remuneration to senior executives	**43.3**	**57.4**	**27.0**	**2.8**	**6.9**	**13.9**	**151.3**

At the end of the year, the group other senior executives comprise of 5 (14) persons. The decrease is due to the changes in Tele2's leadership team effective as of December 3, 2019. Variable remuneration includes cash compensation for long-term incentive programs.

SEK million	2018						
	Basic salary	Variable remuneration	Share-based payment cost	Other benefits	Termination benefit	Pension expenses	Total remuneration
CEO and President							
Anders Nilsson	1.2	0.8	0.1	0.3	–	0.3	2.7
Allison Kirkby	7.4	17.3	5.9	3.8	16.0	–	50.4
Other senior executives	30.9	43.1	12.6	5.2	10.6	11.9	114.3
Total salaries and remuneration to senior executives	**39.5**	**61.2**	**18.6**	**9.3**	**26.6**	**12.2**	**167.4**

Guidelines for remuneration to senior executives 2019

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.

The structure of the LTI shall ensure a long-term commitment for Tele2's development and value creation, and may be both share and share price related as well as cash based. 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. Defined contributions for pensions to the CEO and the other senior executives can amount to a maximum of 20 percent (previously 25 percent for the CEO) of the annual remuneration (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 6 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.

Deviations

As previously announced by Tele2 and as described in Tele2's 2017 Annual Report, the Board of Directors of Tele2 decided to introduce an Integration and Retention Incentive plan, including 10 senior executives in Tele2's leadership team due to the merger between Tele2 and Com Hem. Payment under the Integration and Retention Incentive plan corresponds to 12 – 24 months base salary per participant paid out in two tranches, (i) at completion of the merger in November 2018, and (ii) one year after the completion of the merger i.e. November 2019.

Furthermore, the Tele2 Board of Directors decided to introduce an Incentive Award to the Group CEO corresponding to up to 24 months base salary, with payment in three tranches in November 2019-2021. The Incentive Award is conditional upon that the Group CEO being continuously employed as the managing director of Tele2 and that Tele2 achieves established objectives in relation to synergy and business transformation execution. In addition, the Incentive Award to the Group CEO include an extra incentive, which entitles him to 12 months base salary in November 2021 in case of exceptional performance of the Tele2 share.

The Board of Directors' reasons for introducing these integration, transformation and retention incentives were to incentivize a successful integration of Com Hem and achievement of synergy execution targets for the combined company post-closing and ensure retention among key employees.

The following deviations have been made to the remuneration guidelines for senior executives in 2019: the "Integration and Retention Incentive plan" for the senior executives and the incentive awards to the Group CEO have led to variable remunerations exceeding 100 percent of their respective fixed salary for 2019. The Incentive Award to the Group CEO can also lead to variable remunerations exceeding 100 percent of his fixed salary for 2020 and 2021.

Share rights

During 2019 the senior executives received 442,000 (641,000) share rights in the new incentive program for the year and 76,393 (29,406) share rights in previous years incentive programs as compensation for dividend. No premium was paid for the share rights.

Number of share rights	LTI 2019		LTI 2018	
	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2019	–	–	100,000	318,000
Allocated	100,000	342,000	–	–
Allocated, compensation for dividend	5,997	20,530	7,905	24,220
Adjustments for outcome of the performance conditions	–	–	–	-9,120
Exercised	–	–	–	-7,168
Reclassification as a result of changes in management group	–	-149,469	–	-119,808
Total outstanding rights as of December 31, 2019	**105,997**	**213,061**	**107,905**	**206,124**

Number of share rights	LTI 2017		LTI 2016	
	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2019	–	247,754	–	135,473
Allocated, compensation for dividend	–	17,741	–	–
Adjustments for outcome of the performance conditions	–	-14,732	–	-17,931
Exercised	–	-68,243	–	-117,542
Reclassification as a result of changes in management group	–	-71,160	–	–
Total outstanding rights as of December 31, 2019	**–**	**111,360**	**–**	**–**

Board of directors

SEK	Fees to the board		Fees to the board committees		Total fees	
	2019	2018	2019	2018	2019	2018
Carla Smits-Nusteling	1,700,000	575,000	120,000	220,000	1,820,000	795,000
Andrew Barron	850,000	287,500	100,000	22,500	950,000	310,000
Sofia Arhall Bergendorff	–	575,000	–	–	–	575,000
Anders Björkman	625,000	575,000	50,000	45,000	675,000	620,000
Georgi Ganev	625,000	1,575,000	–	200,000	625,000	1,775,000
Cynthia Gordon	625,000	575,000	120,000	55,000	745,000	630,000
Eva Lindqvist	625,000	287,500	240,000	55,000	865,000	342,500
Lars-Åke Norling	625,000	359,375	170,000	96,875	795,000	456,250
Eamonn O'Hare	–	575,000	–	–	–	575,000
Total fee to board members	**5,675,000**	**5,384,375**	**800,000**	**694,375**	**6,475,000**	**6,078,750**

Share-based payments

Share rights

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, by shares already held or shares purchased on the market in connection with 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.

	Average fair value/share rights at grant date (in SEK)	Number of participants at grant date	Measure period	Dec 31, 2019	Dec 31, 2018
LTI 2019	65	202	Apr 1, 2019 - Mar 31, 2022	1,395,024	
LTI 2018	66 and 65	242	Apr 1, 2018 - Mar 31, 2021	1,154,334	1,482,420
LTI 2017	70	206	Apr 1, 2017 - Mar 31, 2020	712,318	1,050,018
LTI 2016	51	193	Apr 1, 2016 - Mar 31, 2019	–	801,040
Total number of outstanding share rights				**3,261,676**	**3,333,478**
of which will be settled in cash				–	*220,833*

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

Total cost before tax for outstanding incentive programs and liability is stated below. The increased cost in 2019 is due to early vestings done during the year. These early vestings are a result of the Com Hem merger and the following reorganization.

SEK million	Actual costs before tax		Expected cumulative cost during the vesting period		Liability	
	2019	2018	2019	2018	Dec 31, 2019	Dec 31, 2018
LTI 2019	26	–	116	–	9	–
LTI 2018	51	30	134	110	20	6
LTI 2017	52	31	110	74	22	10
LTI 2016	25	18	59	25	–	11
LTI 2015	–	11	–	31	–	–
Total	**155**	**90**	**419**	**240**	**52**	**27**
of which cash based programs	*2*	*16*	–	–	–	–

At the Annual General Meeting held on May 6, 2019, the shareholders approved a retention and performance-based incentive program (LTI 2019) for senior executives and other key employees in the Tele2 Group. The program has the same structure as last year's incentive program (LTI 2018). The measurement period for retention and performance-based conditions for LTI 2019 is from April 1, 2019 until March 31, 2022.

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, 2019 – March 31, 2022 (the measure period), the participant maintaining employment within the Tele2 Group at the release of the interim report January – March 2022 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 entitle to in order to treat the shareholders and the participants equally.

The rights are divided into Series A (retention rights) and Series B (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 total shareholder return on the Tele2 shares (TSR) during the measure period being equal to the median TSR for a peer Group, as entry level, and exceeding the median TSR for the peer Group with 20 percentage points as the stretch target.

If the entry level is reached, the number of rights that vests is 100 percent for Series A and 50 percent for series B.

The program comprised a total number of 293,977 shares. In total this resulted in an allotment of 1,365,908 share rights, of which 293,977 Series A and 1,071,931 Series B.

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 99 million, of which social security costs to SEK 34 million.

The participant's maximum profit per share right in the program is limited to SEK 463, four times the average closing share price of the Tele2 Class B shares during February 2019 with deduction for the dividend distributed before the launch of LTI 2019.

The estimated average fair value of the granted rights was SEK 65 on the grant date, May 24, 2019. The following variables were used:

	LTI2019	
	Series A	Series B
Expected annual turnover of personnel	10%	10%
Weighted average share price	SEK 129.31	SEK 129.31
Expected life	2.92	2.92
Expected value reduction parameter market condition	80%	42%
Estimated fair value	SEK 103.80	SEK 54.10

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 2,040,000 Class C shares and subsequently to repurchase the Class C shares. The Board of Directors has not yet used its mandate.

Number of rights	LTI 2019		LTI 2018	
	2019	Cumulative	2019	Cumulative
Allocated at grant date	1,365,908	1,365,908	—	1,765,100
Outstanding as of January 1, 2019	—	—	1,482,420	—
Allocated, compensation for dividend	94,914	94,914	95,329	95,329
Forfeited	-43,228	-43,228	-86,017	-100,017
Adjustments for outcome of the performance conditions, cash settled	—	—	-64,675	-64,675
Adjustments for outcome of the performance conditions, equity settled	-20,125	-20,125	-152,635	-360,549
Exercised, cash settled	—	—	-21,797	-21,797
Exercised, equity settled	-2,445	-2,445	-98,291	-159,057
Total outstanding rights as of December 31, 2019	**1,395,024**	**1,395,024**	**1,154,334**	**1,154,334**

Number of rights	LTI 2017		LTI 2016	
	2019	Cumulative	2019	Cumulative
Allocated at grant date	—	1,432,558	—	1,324,968
Outstanding as of January 1, 2019	1,050,018	—	801,040	—
Allocated, compensation for dividend	66,023	113,670	2,730	107,575
Allocated, compensation for new issue	—	—	—	37,211
Forfeited	-41,718	-143,527	-37,281	-424,590
Adjustments for outcome of the performance conditions, cash settled	-27,930	-62,776	-13,442	-195,371
Adjustments for outcome of the performance conditions, equity settled	-75,654	-200,080	-91,730	-30,052
Exercised, cash settled	-39,461	-50,615	-53,528	-73,779
Exercised, equity settled	-218,960	-376,912	-607,789	-745,962
Total outstanding rights as of December 31, 2019	**712,318**	**712,318**	**—**	**—**

Corresponding principles and conditions have been used for 2017, 2018 and 2019 year incentive program for used measure period. For LTI 2017 there are differences in levels of retention and performance based conditions compared to LTI 2018 and LTI 2019.

		Retention and performance based conditions (ranges)			
	Maximum profit/right	Series A TSR	Series B ROCE	Series B TSR peer group	Series C TSR peer group
LTI 2017	SEK 315	>0%	5.5-8%		0-10%
LTI 2018	SEK 388	>0%		0-20%	
LTI 2019	SEK 463	>0%		0-20%	

As a result of the Com Hem merger and the following reorganization, early vestings was performed for some of the participants in LTI 2016-2019 programs. The exercise of the share rights was conditional upon the fulfilment of certain retention and performance-based conditions. To determine the number of share rights allowed for early vesting the actual outcome of the conditions as of the early vesting date has been compared with the conditions in the programs. If the conditions were fulfilled the number of share rights have been reduced proportionally with the remaining vesting period to the initial vesting period of three years. If the conditions were partly met, the number of share rights have also been reduced in proportion to the fulfillment level. The number of share rights exchanged in 2019 for shares in Tele2 amounts to 354,771 share rights at a weighted average share price of SEK 133.73.

The exercise of the share rights in LTI 2016 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2016 until March 31, 2019. The outcome of these performance conditions was in accordance with below and the outstanding share rights of 572,714 have been exchanged for shares in Tele2 during Q2 2019. The weighted average share price for share rights for the LTI 2016 at date of exercise amounted to SEK 130.63.

Serie	Retention and performance based conditions	Minimum hurdle (20%)	Stretch targets (100%)	Performance outcome	Allotment
A	Total Shareholder Return (TSR) Tele2		>=0%	103.9%	100%
B	Average normalized Return on Capital Employed (ROCE)	5.5%	8%	7.0%	68.0%
C	Total Shareholder Return (TSR Tele2 compared to a peer group)	>0%	>=10%	75.8%	100%

Cash settled, Tele2 Netherlands

As Tele2 Netherlands was sold, all participants in Netherlands received a cash-based settlement. The obligation was in 2018 reported as a liability and paid out to the participants in 2019. They were remeasured to fair value at the time of settlement, which was on 2nd of February 2019. The payment to participants amounted to SEK 13 million.

NOTE 34 FEES TO THE APPOINTED AUDITOR

SEK million	2019		2018	
	Deloitte	Other elected auditors	Deloitte	Other elected auditors
Audit fees	31	0	120	1
Audit-related fees	—	0	1	0
Consultation, all other fees	0	0	1	0
Total fees per appointed auditor	**31**	**0**	**122**	**1**
Total fees to the appointed auditor		**31**		**123**

The higher audit fee in 2018 is related to the audit performed in accordance with standards established by the Public Company Accounting Oversight Board (PCAOB) in the United States for the years ended December 31, 2015 to 2018, as required due to the merger with Com Hem. PCAOB related costs also affected 2019 by SEK 22 million. The PCAOB audit is now completed.

NOTE 35 CHANGES IN ACCOUNTING PRINCIPLES

IFRS 16 Leases

On January 1, 2019 Tele2 changed the accounting principles for leases, by applying IFRS 16 Leases. Tele2 has chosen to apply the modified retrospective approach in the standard and not restate prior periods.

IFRS 16 replaces the previous leasing standard IAS 17 and related interpretations and brings in a new definition of a lease that is used to identify whether a contract contains a lease, distinguishing between lease contracts and service contracts on the basis of whether there is an identified asset controlled by the lessee or not. For a lessee IFRS 16 introduces a single accounting treatment; the recognition of a right-of-use asset during the estimated lease term and, if payments are made over time, a lease liability (financing). Tele2 thus recognizes its long-term leases, previously classified as operating leases, as asset and liabilities. Instead of operating lease expenses, Tele2 recognizes depreciation and interest expenses in the income statement. In the cash flow statement the amortization of the lease liability is presented in the financing activities while the interest component is presented in the operating cash flow. Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are presented within operating cash flow. For lessors the finance and operating lease distinction and accounting remains largely unchanged.

Tele2's leases consist mainly of lease of sites and base stations (including land), leased lines, premises, vehicles and other equipment. Tele2 does not apply IFRS 16 for intangible assets. Tele2 applies the practical expedients in IFRS 16 and exclude short-term leases (lease term 12 months or less at commencement date) and leases for which the underlying asset is of low value (with a value as new below EUR 5,000) in the calculation of the lease liability and right-of-use asset and instead report the lease payments for those contracts as current operating expenses in the income statement. In addition, Tele2 applies the practical expedient to not separate lease and non-lease components in a lease contract for the lease categories Sites and base stations (typically non-lease component is electricity) and Leased lines (typically non-lease component is repair and maintenance). For all other lease categories Tele2 separate the lease components and exclude the service component at calculation of the lease liability. For the transition the incremental borrowing rate calculated at the initial date of application have been used. After the transition the implicit rate, to the extent available, is used for any signed new leases or modifications to existing leases. When determining the incremental borrowing rate considerations takes into account the country where the asset is leased, the tenor of the contract and the underlying cashflows which the lease generates.

The main judgements for leases concerns determination of whether a contract contains a lease and the lease terms. Regarding the lease terms, a majority of the lease contracts in Tele2 includes options either to extend or to terminate the contract. When determining the lease term, Tele2 considers all relevant facts and circumstances that creates an economic incentive to exercise an extension option, or not to exercise a termination option. Economic incentive includes for example strategic plans, assessment of future technology changes, original capital invested and consideration of cost of finding and moving to a new location, any consideration of penalties Tele2 may be charged to terminate the contract and past practice regarding the period over which Tele2 has typically used particular types of assets (whether leased or owned), and economic reasons for doing so.

At transition to the new standard Tele2 made a reassessment under IFRS 16 whether a contract is a lease or not which may differ from the assessment made under IAS 17. This concerns mainly leased capacity in the form of IRU which is included in the minimum lease payments under IAS 17 but not assessed to be a lease under IFRS 16. In addition, Tele2 at transition to the new standard applied the practical expedient and excluded any initial direct costs from the measurement of the right-of-use asset. The lease liability was calculated by discounting the remaining leasing payments using the estimated incremental borrowing rate per transition date January 1, 2019. Tele2 accounted for a right-of-use asset that corresponded to the leasing liability adjusted for any prepayments attributable to the lease. For leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at transition to IFRS 16, was the carrying amount of the lease asset and lease liability as of December 31, 2018. The transition to IFRS 16 had no effect on the Group's consolidated equity.

The effects of applying IFRS 16 on the opening balance January 1, 2019 is presented below. The data excludes the Dutch operations since Tele2 considered the effects of IFRS 16 on Tele2 Netherlands to have no or negligible impact going forward, as the company has been divested. Please refer to Note 36 for further information. The weighted average incremental borrowing rate applied at the discounting of the lease liability at transition January 1, 2019 amounted to 1 percent for continued operations and 2 percent including discontinued operations. Please refer to Note 31 for further information on Tele2's leases.

Balance sheet

SEK million	Jan 1, 2019 Adjusted	IFRS 16 Effect	Dec 31, 2018 Reported
ASSETS			
Goodwill	30,159	–	30,159
Other intangible assets	19,560	-44	19,604
Intangible assets	**49,719**	**-44**	**49,763**
Machinery and technical plant	7,998	-104	8,102
Other tangible assets	1,090	–	1,090
Tangible assets	**9,088**	**-104**	**9,192**
Right-of-use assets	6,076	6,076	–
Financial assets	1,028	–	1,028
Capitalized contract costs	373	–	373
Deferred tax assets	368	–	368
Non-current assets	**66,652**	**5,928**	**60,724**
Inventories	669	–	669
Current receivables	6,794	-31	6,825
Current investments	2	–	2
Cash and cash equivalents	404	–	404
Current assets	**7,869**	**-31**	**7,900**
Assets classified as held for sale	**14,588**	**568**	**14,020**
TOTAL ASSETS	89,109	6,465	82,644
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company	36,334	–	36,334
Non-controlling interest	28	–	28
Equity	**36,362**	**–**	**36,362**
Interest-bearing liabilities	27,977	4,739	23,238
Non-interest-bearing liabilities	4,206	–	4,206
Non-current liabilities	**32,183**	**4,739**	**27,444**
Interest-bearing liabilities	7,921	1,158	6,763
Non-interest-bearing liabilities	8,088	–	8,088
Current liabilities	**16,009**	**1,158**	**14,851**
Liabilities directly associated with assets classified as held for sale	**4,555**	**568**	**3,987**
TOTAL EQUITY AND LIABILITIES	89,109	6,465	82,644

The bridge between future minimum expenses according to the previous IAS 17 Leases standard and the change in the lease liability for continuing operations due to adoption of IFRS 16 is presented below.

SEK million	
Total future lease expenses for operating leases	**4,626**
Adjustment for:	
Discounting	-264
Not determined as leases according to IFRS 16 (mainly leased capacity)	-585
Short term leases	-114
Low value leases	-14
Extension options	2,248
Total adjustments	**1,271**
Change in lease liability due to adoption of IFRS 16	**5,897**

NOTE 36 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 2.1 billion. A capital gain of approximately SEK 0.2 billion, or SEK 0.4 billion excluding exchange rate differences recycled from other comprehensive income, is expected. Tele2 Croatia is reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods.

Tele2 Kazakhstan

On December 28, 2018 Tele2 announced that Tele2 has given notice to exercise the put option stipulated in the jointly owned company in Kazakhstan between Tele2 and Kazakhtelecom. The divestment of Tele2 Kazakhstan was closed on June 28, 2019. The Kazakhstan operation was sold for SEK 2.5 billion and the net proceeds to Tele2 after deducting cash and earn-out to Asianet, which was paid in July 2019, was SEK 1.4 billion. The capital gain amounted to SEK 1.6 billion, or SEK 2.3 billion excluding recycled exchange rate differences. The capital gain was affected negatively with SEK 0.7 billion related to reversal of exchange rate differences previously reported in other comprehensive income, as a result of the divestment reversed over the income statement but with no effect on total equity or cash flow. Tax attributable to exchange rate differences amounted to SEK 0.3 billion.

As of December 31, 2018, the estimated fair value of the deferred consideration to Asianet amounted to SEK 764 million, calculated based on expected future cash flows of Tele2 Kazakhstan.

Tele2 Netherlands

On December 15, 2017 Tele2 announced that Tele2 and Deutsche Telekom have agreed to combine Tele2 Netherlands and T-Mobile Netherlands. The divestment of Tele2 Netherlands was closed on January 2, 2019. The Dutch operation was sold for SEK 1.9 billion and 25 percent share in the combined company. The capital gain amounted to SEK 4 million, including costs for central support system for the Dutch operation and other transaction costs. In addition, the capital gain and taxes were affected positively with SEK 57 and 47 million respectively related to reversal of exchange rate differences previously reported in other comprehensive income, as a result of the divestment reversed over the income statement but with no effect on total equity or cash flow.

Net assets at the time of divestment

SEK million	Netherlands Jan 2, 2019	Kazakhstan Jun 28, 2019	Total
Goodwill	1,015	132	1,148
Other intangible assets	1,293	224	1,517
Tangible assets	5,300	2,118	7,418
Right of use assets	—	649	649
Financial assets	713	8	720
Capitalized contract costs	177	—	177
Deferred tax asset	—	359	359
Inventories	155	23	179
Current receivables	2,085	506	2,591
Cash and cash equivalents	45	132	178
Non-current provisions	-234	-116	-350
Non-current interest-bearing liabilities	—	-703	-703
Non-current non-interest-bearing liabilities	-88	-2,008	-2,097
Current provisions	—	-8	-8
Current interest-bearing liabilities	—	-167	-167
Current non-interest-bearing liabilities	-1,639	-852	-2,492
Non-controlling interest	—	-152	-152
Divested net assets	**8,822**	**146**	**8,968**
Capital gain, excluding sales costs	4	2,330	2,334
Sales price	**8,826**	**2,476**	**11,302**
Received shares in T-Mobile, non-cash	-6,904	—	-6,904
Price adjustments, non-cash	106	—	106
Less cash in divested operations	-47	-133	-180
Total cash flow effect	**1,981**	**2,343**	**4,323**

Income statement

All discontinued operations are stated below. Tele2 Netherlands was divested on January 2, 2019 and Tele2 Kazakhstan on June 28, 2019. The divestment of Tele2 Croatia was completed after the end of the financial year, on March 3, 2020.The positive effect for Austria refers to final settlement with Hutchison Drei Austria GmbH (Three Austria) for an earn-out related to the Austrian operations divested in 2017. Tele2 received the payment in January 2020.

SEK million	2019	2018
Revenue	3,813	11,390
Cost of services provided and equipment sold	-2,227	-7,341
Gross profit	**1,586**	**4,049**
Selling expenses	-509	-2,339
Administrative expenses	-292	-1,388
Other operating income	7	18
Other operating expenses	-4	-39
Operating profit	**788**	**301**
Interest income	3	8
Interest expenses	-97	-44
Other financial items	-145	-331
Profit/loss after financial items	**549**	**-66**
Income tax from the operation	-139	-10
Net profit/loss from the operation	**410**	**-76**
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain	**1,786**	**-40**
– of which Netherlands	61	-88
– of which Kazakhstan	1,598	—
– of which Austria, sold 2017	91	1
– of which Norway, sold 2015	37	—
– of which Russia, sold 2013	—	47
Income tax from capital gain	**337**	**—**
– of which Netherlands	47	—
– of which Kazakhstan	290	—
Net profit/loss	**2,533**	**-116**
Attributable to:		
Equity holders of the parent company	2,403	-254
Non-controlling interests	131	138
Net profit/loss	**2,533**	**-116**
Earnings per share (SEK)	3.50	-0.48
Earnings per share, after dilution (SEK)	3.47	-0.48

Balance sheet

Assets held for sale as of December 31, 2019 refer primarily to Tele2 Croatia and provisions for price adjustments and similar for the divestment of Tele2 Netherlands. As of December 31, 2018, assets held for sale refer to Tele2 Kazakhstan and Tele2 Netherlands.

SEK million	Dec 31, 2019	Dec 31, 2018
ASSETS		
Goodwill	—	1,144
Other intangible assets	167	1,545
Intangible assets	**167**	**2,689**
Machinery and technical plant	753	5,617
Other tangible assets	70	1,740
Tangible assets	**823**	**7,357**
Right-of-use assets	468	—
Financial assets	115	721
Capitalized contract costs	37	177
Deferred tax assets	53	393
Non-current assets	**1,663**	**11,337**
Inventories	62	180
Accounts receivable	270	406
Other current receivables	485	1,532
Prepaid expenses and accrued income	224	565
Current receivables	**979**	**2,503**
Current investments	9	0
Current assets	**1,050**	**2,684**
Asset classified as held for sale	**2,713**	**14,020**
LIABILITIES		
Interest-bearing	734	641
Non-interest-bearing	—	100
Non-current liabilities	**734**	**741**
Interest-bearing	129	813
Non-interest-bearing	559	2,434
Current liabilities	**687**	**3,247**
Liabilities directly associated with assets classified as held for sale	**1,421**	**3,988**

SEK million	2019	2018
Amounts recognized in other comprehensive income and accumulated in equity relating to assets held for sale attributable to:		
Equity holders of the parent company	-104	-339
Non-controlling interest	—	152
Total	**-104**	**-187**

Cash flow statement

SEK million	2019	2018
Cash flow from operating activities	970	1,372
Cash flow from investing activities	4,005	-1,613
Cash flow from financing activities	850	-18
Net change in cash and cash equivalents	**5,825**	**-259**

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 2019, 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 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, 4G and coming 5G network. The network enables Tele2 and Telenor to offer their customers mobile services for data communications and voice. The build-out has owner financing.

SIA Centuria, Latvia and Lithuania

In 2019 Tele2 and Bite have signed an agreement to create a joint arrangement with the mission to build, own and operate mobile networks in Latvia and Lithuania. Each party owns 50 percent of the company with a branch in Lithuania. The board and management of the company is jointly appointed by the two owners, and managed by a board with representatives from each company. The partnership includes sharing of active and passive network infrastructure and transmission for 2G, 3G, 4G as well as the upcoming 5G roll-out. The joint network will be built out gradually starting 2021, with the full network targeted to be established by December 31, 2023.

Extracts from the income statements, balance sheets and cash flow statements

Amounts below show summarized financial information for significant joint operations before inter-company eliminations.

Income statement SEK million	2019		2018	
	Sv UMTS-nät, Sweden	Net4Mobility, Sweden	Sv UMTS-nät, Sweden	Net4Mobility, Sweden
Revenue	931	1,331	1,026	1,256
Operating profit	71	108	66	62
Profit/loss before tax	50	-172	49	195
Net profit/loss	40	-172	33	195

Balance sheet SEK million	Dec 31, 2019		Dec 31, 2018	
	Sv UMTS-nät, Sweden	Net4Mobility, Sweden	Sv UMTS-nät, Sweden	Net4Mobility, Sweden
Intangible assets	—	2,901	—	3,114
Tangible assets	1,186	2,186	1,485	2,354
Right-of-use assets	572	1,562	—	—
Deferred tax assets	83	—	94	—
Current assets	312	491	281	516
Total assets	**2,154**	**7,140**	**1,859**	**5,985**
Equity	677	-302	638	-130
Untaxed reserves	—	2,679	—	2,459
Non-current liabilities	974	3,987	928	1,501
Current liabilities	503	776	294	2,154
Total equity and liabilities	**2,154**	**7,140**	**1,859**	**5,985**

Cash flow statement SEK million	2019		2018	
	Sv UMTS-nät, Sweden	Net4Mobility, Sweden	Sv UMTS-nät, Sweden	Net4Mobility, Sweden
Cash flow from operating activities	506	894	476	636
Cash flow from investing activities	-3	-1,791	-26	-329
Cash flow from financing activities	-502	900	-449	-329
Net change in cash and cash equivalents	**-0**	**3**	**0**	**-22**
Cash and cash equivalents at beginning of the year	0	58	0	80
Cash and cash equivalents at end of the year	**0**	**62**	**0**	**58**

Other related parties

Senior executives and Board members

Information related to senior executives and Board members is presented in Note 33.

Kinnevik Group

Tele2 rents premises from Kinnevik.

Kazakhtelecom Group

Kazakhtelecom had 49 percent of the voting rights in the jointly owned company in Kazakhstan. Tele2 and Kazakhtelecom sold and purchased telecommunication services to and from each other. Business relations and pricing between the parties were based on commercial terms and conditions. On December 28, 2018, Tele2 gave Kazakhtelecom notice to exercise Tele2's put option on its shares in Tele2 Kazakhstan. The divestment of Tele2 Kazakhstan was closed on June 28, 2019. Additional information is presented in Note 36.

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).

SEK million	Revenue		Operating expenses		Interest revenue	
	2019	2018	2019	2018	2019	2018
Kinnevik	0	0	-2	-4	–	–
Kazakhtelecom	162	291	-25	-615	–	–
Other Related Companies	0	–	–	–	–	–
Joint ventures and associated companies	182	1	-11	-12	–	–
Joint operations	208	233	-1,097	-1,111	25	19
Total	**553**	**525**	**-1,136**	**-1,741**	**25**	**19**

SEK million	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities		Interest-bearing liabilities	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Kazakhtelecom	–	156	–	–	–	305	–	30
Other Related Companies	0	–	–	–	–	–	–	–
Joint ventures and associated companies	37	0	–	–	1	1	–	–
Joint operations	330	369	1,567	1,137	276	275	–	–
Total	**367**	**525**	**1,567**	**1,137**	**277**	**581**	**–**	**30**

NOTE 38 EVENTS AFTER THE END OF THE FINANCIAL YEAR

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 2.1 billion. A capital gain of approximately SEK 0.2 billion, or SEK 0.4 billion excluding exchange rate differences recycled from other comprehensive income, is expected to be recognized in 2020.

The spread of the Covid-19 virus across the world has begun to have a socio-economic impact. During a time when physical contact is being avoided to contain spread of the virus, the importance of our services is greater than ever before. We at Tele2 therefore recognize our responsibility, and are constantly monitoring our operations and capabilities of continuing to provide our customers and the society with our services.

In this initial phase we recognize negative financial implications primarily related to international roaming and certain sectors within our B2B operation. As of today the financial impact is limited, but given the uncertainty in duration of the partial lock down of society across our footprint, it is too early for us to accurately assess the impact on our business activities and ability to fulfill the financial guidance for 2020.

Financial statements – Parent company

Parent company's income statement

SEK million	Note	2019	2018
Revenue	2	41	60
Gross profit		**41**	**60**
Administrative expenses		-155	-129
Other operating income	3	0	3
Other operating expenses	4	-98	-359
Operating loss		**-212**	**-425**
Profit/loss from financial investments			
Result from shares in group companies	5	—	600
Other interest revenue and similar income	6	149	21
Interest expense and similar costs	7	-432	-369
Loss after financial items		**-495**	**-173**
Appropriations, group contribution		275	1,022
Tax on profit/loss for the year	8	-15	-52
Net profit/loss		**-235**	**796**

Parent company's comprehensive income

SEK million	2019	2018
NET PROFIT/LOSS	-235	796
Components that may be reclassified to net profit/loss		
Gain/loss arising on changes in fair value of hedging instruments	29	-16
Reclassified cumulative profit/loss to income statement	-14	70
Tax effect on cash flow hedges	1	-16
Components that may be reclassified to net profit	**16**	**38**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	16	38
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-219	834

Parent company's balance sheet

SEK million	Note	Dec 31 2019	Dec 31 2018
ASSETS			
Shares in group companies	10	38,764	38,764
Receivables from group companies	12	8,439	8,238
Deferred tax assets	8	31	35
Other financial assets	11	57	46
Non-current assets		**47,291**	**47,083**
Other receivables from group companies	12	5,230	15,665
Other current receivables	13	158	28
Prepaid expenses and accrued income	14	4	92
Current receivables		**5,391**	**15,786**
Cash and cash equivalents	15	8	25
Current assets		**5,399**	**15,810**
TOTAL ASSETS		52,690	62,893
EQUITY AND LIABILITIES			
Share capital		863	863
Restricted reserve		4,985	4,985
Restricted equity		**5,848**	**5,848**
Reserves		22,388	22,372
Retained earnings		-542	5,705
Net profit		-235	796
Unrestricted equity		**21,611**	**28,874**
Equity		**27,460**	**34,722**
Liabilities to financial institutions and similar liabilities	16	21,572	21,664
Pension and similar commitments		72	57
Other interest-bearing liabilities	16	—	1
Non-current liabilities		**21,644**	**21,722**
Liabilities to financial institutions and similiar liabilities	16	3,303	5,991
Provisions	17	16	17
Other interest-bearing liabilities	16	48	105
Interest-bearing liabilities		**3,367**	**6,112**
Accounts payable	16	1	25
Current tax liabilities		12	10
Other current liabilities	16	4	48
Other liabilities to group companies		5	82
Accrued expenses and deferred income	18	197	172
Non-interest-bearing liabilities		**220**	**337**
Current liabilities		**3,586**	**6,450**
TOTAL EQUITY AND LIABILITIES		52,690	62,893

Parent company's cash flow statement

SEK million	2019	2018
Operating activities		
Operating loss	-212	-425
Adjustments for non-cash items in net profit		
– Incentive program	20	15
Interest paid	-319	-291
Finance items paid	-9	-49
Changes in working capital		
– Operating receivables	10	-17
– Operating liabilities	-97	-40
Cash flow from operating activities	**-608**	**-807**
Investing activities		
Acquisition of shares in group companies	—	-6,541
Lending to group companies	10,787	-7,882
Cash flow from investing activities	**10,787**	**-14,423**
Cash flow after investing activities	**10,179**	**-15,230**
Financing activities		
Proceeds from credit institutions and similar liabilities	1,867	17,294
Repayment of loans from credit institutions and similar liabilities	-4,910	-26
Dividends paid	-7,153	-2,013
Cash flow from financing activities	**-10,196**	**15,255**
Net change in cash and cash equivalents	**-17**	**25**
Cash and cash equivalents at beginning of year	25	0
Cash and cash equivalents at end of the year	**8**	**25**

Parent company's statements of changes in equity

SEK million	Restricted equity		Unrestricted equity			Total equity
	Share capital	Restricted reserve	Hedge reserve	Share premium reserve	Retained earnings	
Equity at January 1, 2019	863	4,985	-20	22,393	6,501	34,722
Net loss	—	—	—	—	-235	-235
Other comprehensive income for the year, net of tax	—	—	16	—	—	16
Total comprehensive income for the year	**—**	**—**	**16**	**—**	**-235**	**-219**
Other changes in equity						
Share-based payments	—	—	—	—	102	102
Share-based payments, tax effect	—	—	—	—	8	8
Dividends	—	—	—	—	-7,153	-7,153
Equity at December 31, 2019	**863**	**4,985**	**-5**	**22,393**	**-777**	**27,460**
Equity at January 1, 2018	**634**	**4,985**	**-58**	**2,856**	**7,671**	**16,089**
Net profit	—	—	—	—	796	796
Other comprehensive income for the year, net of tax	—	—	38	—	—	38
Total comprehensive income for the year	**—**	**—**	**38**	**—**	**796**	**834**
Other changes in equity						
Share-based payments	—	—	—	—	43	43
Share-based payments, tax effect	—	—	—	—	4	4
Proceeds from issuances of shares	229	—	—	19,537	—	19,766
Dividends	—	—	—	—	-2,013	-2,013
Equity at December 31, 2018	**863**	**4,985**	**-20**	**22,393**	**6,501**	**34,722**

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.

Subsidiaries

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

Group contributions are reported as appropriations in the income statement.

Classification and measurement of financial instruments

IFRS 9 Financial Instruments is adopted, except regarding financial guarantees where the exception allowed in RFR 2 is chosen. Financial guarantees are included in contingent liabilities.

Internal loans are managed by the Group's Corporate Finance and M&A function and all internal credit facilities are reviewed on regular basis. Internal loans are managed to collect contractual cash flows and is therefore designated as amortized cost. Impairment losses are calculated based on expected credit losses.

Other information

The annual report has been approved by the Board of Directors on March 25, 2020. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 11, 2020.

NOTE 2 REVENUE

Revenue relates to sales to other companies within the Group.

NOTE 3 OTHER OPERATING INCOME

SEK million	2019	2018
Exchange rate gains from operations	0	3
Total other operating income	**0**	**3**

NOTE 4 OTHER OPERATING EXPENSES

SEK million	2019	2018
Acquisition cost, Com Hem	-51	-281
Integration cost, Com Hem	-45	-78
Other operating expenses	-3	—
Total other operating expenses	**-98**	**-359**

NOTE 5 RESULT OF SHARES IN GROUP COMPANIES

SEK million	2019	2018
Dividend from subsidiary	—	600
Total result of shares in group companies	**—**	**600**

NOTE 6 OTHER INTEREST REVENUE AND SIMILAR INCOME

SEK million	2019	2018
Interest, Group	148	21
Interest, Other	1	0
Total other interest revenue and similar income	**149**	**21**

NOTE 7 INTEREST EXPENSE AND SIMILAR COSTS

SEK million	2019	2018
Interest, credit institutions and similar liabilities	-367	-258
Exchange rate difference on financial liabilities	-52	-57
Other finance expenses	-13	-53
Total interest expenses and similar costs	**-432**	**-369**

In 2018, other financial expenses mainly consist of costs related to the merger with Com Hem.

NOTE 8 TAXES

SEK million	2019	2018
Current tax expense, on profit/loss current year	-3	3
Current tax expense, on profit/loss prior periods	—	-12
Current tax expense	**-3**	**-10**
Deferred tax expense/income	-12	-42
Total tax on profit/loss for the year	**-15**	**-52**

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

SEK million	2019		2018	
Profit/loss before tax	-220		848	
Tax effect according to tax rate in Sweden	47	-21.4%	-187	-22.0%
Tax effect of				
Non-taxable dividend from group company	—	—	132	15.6%
Negative net interest	-57	26.1%	—	—
Non-deductible expenses other	-1	0.3%	-1	-0.1%
Adjustment of tax assets from previous years	-4	1.8%	4	0.4%
Tax expense and effective tax rate	**-15**	**6.8%**	**-52**	**-6.1%**

With regards to the new interest limitation rules from FY 2019, the negative net interest that cannot be deducted appears as a permanent item. The negative net interest will instead be deducted in Tele2 Treasury AB and netted against positive net interest.

Deferred tax asset of SEK 31 (35) million is attributable to temporary differences for liabilities of SEK 16 (23) million and pensions of SEK 15 (12) million.

NOTE 9 TANGIBLE ASSETS

SEK million	Equipment and installations	
	Dec 31, 2019	Dec 31, 2018
Acquisition value at January 1	3	3
Total cost	**3**	**3**
Accumulated depreciation at January 1	-3	-3
Total accumulated depreciation	**-3**	**-3**
Total tangible assets	**—**	**—**

NOTE 10 SHARES IN GROUP COMPANIES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2019 mSEK	Dec 31, 2018 mSEK
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	13,520	13,520
Com Hem Sweden AB, 556859-4195, Stockholm, Sweden	6,000,000	SEK 1	100%	25,244	25,244
Total shares in group companies				**38,764**	**38,764**

SEK million	Dec 31, 2019	Dec 31, 2018
Acquisition value		
Acquisition value at January 1	38,764	13,520
Acquisitions	—	25,244
Total shares in group companies	**38,764**	**38,764**

On January 10, 2018 Tele2 announced the merger plan with Com Hem in Sweden through a statutory merger in accordance with the Swedish Companies Act, creating a leading integrated connectivity provider. The merger was approved by the shareholders in respective company on September 21, 2018, unconditionally by the European Commission on October 8, 2018, and was implemented on November 5, 2018 by Tele2 absorbing Com Hem Holding AB (registration number 556858-6613). Com Hem's shareholders received as merger consideration SEK 37.02 in cash plus 1.0374 B shares in Tele2 for each share in Com Hem outstanding as at completion of the merger. Hence, Com Hem's shareholders received 26.6 percent economic ownership in Tele2 and a total cash consideration of SEK 6,546 million. The number of shares issued by Tele2 as merger consideration amounted to 183,441,585 B shares. The fair value of these shares was determined based on the closing price of Tele2's B shares on November 5, 2018, amounting to SEK 107.75 per share.

Additional information regarding the acquisition is presented in Group Note 15.

The parent company's income statement does not include any part of Com Hem Holding AB's earnings before the merger, as no ownership existed before the merger. Net sales in Com Hem Holding AB amounted to SEK 14 million as of the merger date and the operating loss was SEK 216 million.

The value of net assets assumed in Com Hem Holding AB at the time for merger is stated below.

	Nov 5, 2018
Shares in group companies	2,942
Receivables from group companies	1,237
Deferred tax assets	42
Other financial assets	2
Current receivables	2
Cash and cash equivalents	5
Non-current interest-bearing liabilities	-3
Other non-current interest-bearing liabilities	-1
Current liabilities to group companies	-32
Other current interest-bearing liabilities	-184
Net assets assumed	**4,010**
Shares in group companies	22,302
Purchase price shares	**26,312**
Paid with own shares	-19,766
	6,546
Less: cash and cash equivalents in merged company	-5
NET CASH OUTFLOW (+)	**6,541**

A list of all subsidiaries, excluding dormant companies, is presented in Note 23.

NOTE 11 OTHER FINANCIAL ASSETS

SEK million	Dec 31, 2019	Dec 31, 2018
Pension funds	57	46
Total other financial assets	**57**	**46**

NOTE 12 RECEIVABLES FROM GROUP COMPANIES

SEK million	Dec 31, 2019	Dec 31, 2018
Acquisition value at January 1	23,904	13,062
Lending	2,142	18,915
Repayments	-12,063	-8,579
Other changes in cash pool	-315	507
Total receivables from group companies	**13,668**	**23,904**

NOTE 13 OTHER CURRENT RECEIVABLES

SEK million	Dec 31, 2019	Dec 31, 2018
Derivatives	154	9
Receivables on employees	—	10
Other	3	9
Total other current receivables	**158**	**28**

Derivatives consists of fair value interest swaps, valued at fair value. For fair value hedges, the effective and ineffective portions of the change in fair value of the derivative, along with the gain or loss on the hedged item attributable to the risk being hedged, are recognized in the income statement in the same line. For additional information please refer to Group Note 2.

NOTE 14 PREPAID EXPENSES AND ACCRUED INCOME

SEK million	Dec 31, 2019	Dec 31, 2018
Prepaid interest expenses	—	90
Prepaid expenses, other	4	1
Total prepaid expenses and accrued revenues	**4**	**92**

NOTE 15 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

SEK million	Dec 31, 2019	Dec 31, 2018
Cash and cash equivalents	8	25
Unutilized overdraft facilities and credit lines	7,930	7,809
Total available liquidity	**7,937**	**7,834**

NOTE 16 FINANCIAL LIABILITIES

SEK million	Dec 31, 2019	Dec 31, 2018
Liabilities to financial institutions and similar liabilities	24,875	27,655
Other interest-bearing liabilities	48	105
Total interest-bearing financial liabilities	**24,923**	**27,760**
Accounts payable	1	25
Other current liabilities	4	48
Total financial liabilities	**24,928**	**27,833**

Financial liabilities fall due for payment according to below.

SEK million	Dec 31, 2019	Dec 31, 2018
Within 3 months	1,602	6,169
Within 3–12 months	1,754	—
Within 1–2 years	2,997	2,008
Within 2–3 years	2,199	3,375
Within 3–4 years	1,750	2,579
Within 4–5 years	7,118	1,950
Within 5–10 years	7,508	11,753
Total financial liabilities	**24,928**	**27,833**

Interest-bearing financial liabilities

Liabilities to financial institutions in the form of cash pledged as collateral to reduce credit risk amounted on December 31, 2019 to SEK 199 (-) million, please refer to the Group's Note 2.

Liabilities to financial institutions and similar liabilities

Funding type	Interest rate terms	Maturity date	Dec 31, 2019		Dec 31, 2018	
			Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Bonds EUR	fixed 1.125%	2024	—	5,217	—	5,138
Bonds EUR	fixed 2.125%	2028	—	5,292	—	5,147
Bonds SEK	variable interest rates		—	—	500	—
Bonds SEK	variable interest rates		—	—	1,000	—
Bonds SEK	STIBOR +0.51%	2020	1,754	—	—	1,757
Bonds SEK	STIBOR +2.45%	2020	250	—	—	250
Bonds SEK	fixed 1.875%	2021	—	1,000	—	1,000
Bonds SEK	STIBOR 1.65%	2021	—	1,997	—	1,995
Bonds SEK	STIBOR 1.55%	2022	—	1,699	—	1,699
Bonds SEK	variable interest rates	2022	—	500	—	500
Bonds SEK	STIBOR +1.45%	2023	—	397	—	400
Bonds SEK	fixed 2%	2023	—	1,199	—	1,195
Bonds SEK	variable interest rates	2026	—	1,000	—	—
Total bonds			**2,004**	**18,302**	**1,500**	**19,081**
Commercial paper	fixed interest rates	2019	1,100	—	4,491	—
European Investment Bank (EIB)	fixed interest rates	2024	—	1,303	—	1,283
Nordic Investment Bank (NIB)	fixed interest rates	2021–2024	—	1,985	—	1,324
Syndicated loan facilities	variable interest rates	2023	—	-18	—	-24
Short-term loan, collateral for outstanding interest rate derivatives	variable interest rate	2020	199	—	—	—
Total liabilities to financial institutions and similar liabilities			**3,303**	**21,572**	**5,991**	**21,664**
				24,875		**27,655**

For additional information please refer to Group Note 26.

Other interest-bearing liabilities

SEK million	Dec 31, 2019 Current liabilities	Dec 31, 2019 Non-current liabilities	Dec 31, 2018 Current liabilities	Dec 31, 2018 Non-current liabilities
Derivatives	48	—	105	—
Incentive program, IoT	—	—	—	1
Total other interest-bearing liabilities	**48**	**—**	**105**	**1**

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

Other current liabilities

SEK million	Dec 31, 2019	Dec 31, 2018
VAT liability	0	10
Employee withholding tax	2	37
Other	1	1
Total current liabilities	**4**	**48**

NOTE 17 PROVISIONS

SEK million	Dec 31, 2019	Dec 31, 2018
Integration costs, Com Hem	16	17
Total provision	**16**	**17**

NOTE 18 ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	Dec 31, 2019	Dec 31, 2018
Interest costs	134	78
Personnel related expenses	63	68
External services expenses	—	27
Total accrued expenses and deferred income	**197**	**172**

NOTE 19 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

SEK million	Dec 31, 2019	Dec 31, 2018
Guarantee related to group companies	908	904
Total contingent liabilities	**908**	**904**

Operating leases

The parent company's operating lease expenses amounted in 2018 to SEK 2 million. Future lease expenses amounted to SEK 1 million due for payment in 2019.

NOTE 20 NUMBER OF EMPLOYEES

The average number of employees in the parent company is 11 (7), of whom 2 (2) are women and 9 (5) men.

NOTE 21 PERSONNEL COSTS

SEK million	2019 Salaries and remunerations	2019 Social security expenses	2019 *of which pension expenses*	2018 Salaries and remunerations	2018 Social security expenses	2018 *of which pension expenses*
Board and President	28	12	*2*	61	24	*—*
Other employees	77	58	*22*	77	33	*10*
Total	**106**	**70**	***24***	**138**	**57**	***10***

Personnel expenses directly recharged to Tele2 Sweden for some employees of the parent company working are netted with the cost in the income statement. The parent company's pension expenses relate to defined-contribution plans. Salary and remuneration for the CEO are presented in Group Note 33.

NOTE 22 FEES TO THE APPOINTED AUDITOR

Audit fees to the appointed auditor are SEK 23 (73) million and audit-related fees are SEK - (1) million. All other fees amount to SEK 0 (1) million. The higher audit fee in 2018 was related to the audit performed in accordance with standards established by the Public Company Accounting Oversight Board (PCAOB) in the United States for the years ended December 31, 2015 to 2018, as required due to the merger with Com Hem.

NOTE 23 LEGAL STRUCTURE

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

Company, reg. No., reg'd office	Note Group	Holding (capital/votes)
COM HEM SWEDEN AB, 556859-4195, Stockholm, Sweden		100%
Com Hem AB, 556181-8724, Stockholm, Sweden		100%
TMPL Solutions AB, 559079-9341, Uppsala, Sweden	17	12.1%
iTUX Communication AB, 556699-4843, Stockholm, Sweden		100%
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden		100%
Tele2 Treasury AB, 556606-7764, Stockholm, Sweden		100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden		100%
T-Mobile Netherlands Holding BV, 33301092, Hague, Netherlands	16	25%
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	16	40%
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	37	50%
Interloop AB, 556450-2606, Stockholm, Sweden		100%
Net4Mobility HB, 969739-0293, Stockholm, Sweden	37	50%
Tele2 IoT AB, 556078-0598, Kista, Sweden		100%
Kombridge AB, 556817-2059, Gothenburg, Sweden		100%
Tele2 IoT Latvia SIA, 40003681691, Riga, Latvia		100%
Tele2 IoT Austria GmbH, FN463093w, Vienna, Austria		100%
Tele2 IoT Netherlands, 72180137, Amsterdam, Netherlands		100%
UAB Tele2, 111471645, Vilnius, Lithuania		100%
UAB Tele2 prekyba, 302473332, Vilnius, Lithuania		100%
UAB Mobilieji mokéjimai, 304431143, Vilnius, Lithuania	16	33.3%
Viesoji istaiga Numerio perkelimas, 303386211, Vilnius, Lithuania		25%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania		100%
SIA Tele2, 40003272854, Riga, Latvia		100%
SIA Centuria, 40203227548, Riga, Latvia	37	50%
SIA Tele2 Shared Service Center, 40003690571, Riga, Latvia		100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia		100%
Estonian Broadband Development Foundation, Estonia	17	12.5%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany		100%
Tele2 Beteiligungs GmbH, HRB64230, Düsseldorf, Germany		100%
T&Q Netz GmbH Co KB, HRA21263, Düsseldorf, Germany	16	50%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia		100%
Tele2 Europe SA, R.C.B56944, Luxembourg		100%
Tele2 Luxembourg AB, 556304-7025, Stockholm, Sweden		100%
Tele2 Finance Luxembourg SARL, RCB112873, Luxembourg		100%
SECUREVALUE CONSULTING LTD, 9908070, London, UK	16	25%

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 25, 2020

Carla Smits-Nusteling
Chairman

Andrew Barron
Deputy Chairman

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Georgi Ganev

Lars-Åke Norling

Anders Nilsson
President and CEO

Our auditors' report was submitted on March 25, 2020

Deloitte AB

Pontus Pålsson
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 January 1 to December 31, 2019 except for the corporate governance statement on pages 30-35. The annual accounts and consolidated accounts of the company are included on pages 10-85 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 December 31, 2019 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 December 31, 2019 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. Our opinions do not cover the corporate governance statement on pages 30-35. 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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.

Revenue recognition and IT

Tele2 reports revenue of SEK 27,659 million for the financial year 2019. Tele2 has multiple revenue streams from millions of customers across many countries. Revenues are characterized by a large volume of low value transactions, but also instances of larger projects and bundled offerings requiring management estimates and judgment such as determining fair values and the period in which the revenue should be recognized. Appropriate billing and IT operations are key for service delivery and for accurate and complete financial reporting.

In Note 1 the Group's accounting principles for revenue recognition are described and in Note 3 revenue by segment and by category are presented.

Our audit procedures included, but were not limited to:

- evaluating whether the accounting principles applied by management for revenue are in accordance with IFRS,
- assessing adequacy of internal controls in IT systems critical for financial reporting,
- testing relevant revenue process controls, and
- testing different revenue streams through analytical procedures and on a sample basis to ensure appropriate revenue recognition.

Divestment of operations

In 2019 Tele2 divested the operations in the Netherlands and Kazakhstan for a consideration of SEK 4,323 million and entered into an agreement to divest Tele2 Croatia. The divestment of operations requires management's judgment and estimates to identify and separate the assets and liabilities sold as well as to determine the sale price per the agreement requiring management's assessment of multiple factors affecting the final sales price. Accounting for discontinued operations requires identifying and separating the financial effects from continuing and discontinued operations as well as ensuring that the criteria in IFRS are fulfilled to account for discontinued operations.

In Note 1 the Group's accounting principles for divestment of operations and discontinued operations are described and Note 36 provides financial information of the divested and discontinued operations.

Our audit procedures included, but were not limited to:

- assessing Tele2's policies and procedures for accounting for divested and discontinued operations for compliance with IFRS,
- reviewing management's calculation of the sales price and agree it to the terms of the sales agreement,
- reviewing and validating the capital gain recognized against supporting documents, and
- evaluating the appropriateness of disclosures made in the financial statements.

Valuation of goodwill

Tele2 reports goodwill of SEK 29,744 million as of December 31, 2019. On an annual basis management tests the carrying value of goodwill. The impairment assessments are complex and require management's estimates and judgement in determining the Group's cash generating units, the method selected for determining the recoverable amount as well as assumptions used regarding future growth rates, profit margins, investment levels and discount rates. In 2019 a write down of goodwill was recognized for Tele2 Estonia.

In Note 1 the Group's accounting principles for impairment testing of intangible assets are described, and Note 12 describes the key assumptions used by management when preparing the annual impairment assessments.

Our audit procedures included, but were not limited to:

- assessing Tele2's principles and procedures when preparing its impairment tests for compliance with IFRS,
- assessing the valuation methodology and valuation assumptions used by management with the support of our valuation specialists,
- assessing the reasonableness of the business and accounting assumptions used in the impairment assessment, such as management's projections and forecast data,
- testing the mathematical accuracy of the models used for impairment testing, and
- evaluating the appropriateness of disclosures made in the financial statements.

Adoption of new accounting standard – IFRS 16 Leases

The Group adopted the requirements of IFRS 16 Leases on January 1, 2019. On adoption of the standard Tele2 recognized SEK 6 420 million of right-of-use assets and lease liabilities. The implementation of IFRS 16 is complex requiring management's judgment and estimates in areas such as determining which contracts are in scope of the standard, treatment of renewal and extension options and the discount rate to be applied.

In Note 1 the Group's accounting principles for leases are described, and Note 14, 31 and 35 provides additional information.

Our audit procedures included, but were not limited to:

- evaluating the Group's lease accounting policy for compliance with IFRS 16 with the support of our accounting specialists,
- evaluating the model used to calculate the net present value of lease liabilities and key assumptions made by management such as discount rate and treatment of renewal and extension options,
- on a sample basis testing of individual contracts for appropriate measurement and recognition, and
- evaluating the appropriateness of disclosures made in the financial statements.

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 1-9 and 89-93. 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 intends 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.

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 January 1 to December 31, 2019 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 30-35 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Deloitte AB, was appointed auditor of Tele2 AB (publ) by the general meeting of the shareholders on the May 6, 2019 and has been the company's auditor since May 12, 2004.

Stockholm, March 25, 2020
Deloitte AB

Pontus Pålsson
Authorized public accountant

Definitions

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 relevant measure to present profitability aligned with industry standard.

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

Underlying EBITDA and underlying EBITDA margin

Tele2 considers underlying EBITDA and underlying EBITDA margin to be relevant measures 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 EBITDA margin: Underlying EBITDA in relation to revenue excluding items affecting comparability.

Underlying EBITDAaL

Tele2 considers underlying EBITDAaL to be a relevant measure of the business performance since it 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 EBITDA excluding IFRS 16

Tele2 considers underlying EBITDA excluding IFRS 16 to be a relevant measure to present during 2019 for comparability with 2018 and 2017 since IFRS 16 Leases has not been adopted retrospectively.

Underlying EBITDA excluding IFRS 16: Underlying EBITDA applying IAS17 accounting standard for leases for all periods.

Continuing operations SEK million	2019	2018
Operating profit	4,024	3,291
Reversal:		
Result from shares in joint ventures and associated companies	97	-9
Depreciation and amortization	5,693	2,352
EBITDA	**9,814**	**5,635**
Reversal, items affecting comparability:		
Acquisition costs	72	305
Integration costs	570	311
Disposal of non-current assets	10	58
Other items affecting comparability	59	77
Total items affecting comparability	**711**	**750**
Underlying EBITDA	**10,525**	**6,386**
Lease depreciation (according to IFRS 16)	-1,186	—
Lease interest costs (according to IFRS 16)	-81	—
Underlying EBITDAaL	**9,258**	**6,386**
Underlying EBITDA	10,525	6,386
Adjustment to report lease according to IAS 17	-1,182	—
Underlying EBITDA excluding IFRS 16	**9,344**	**6,386**
Revenue	27,659	21,775
Revenue excluding items affecting comparability	**27,659**	**21,775**
Underlying EBITDA margin	**38%**	**29%**

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 which 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	2019	2018
TOTAL OPERATIONS		
Additions to intangible and tangible assets	-3,610	-3,424
Sale of intangible and tangible assets	3	21
Capex paid	**-3,607**	**-3,403**
This period's unpaid capex and reversal of paid capex from previous period	758	-698
Reversal received payment of sold intangible and tangible assets	-3	-21
Capex intangible and tangible assets	**-2,852**	**-4,122**
Additions to right-of-use assets	-1,509	—
Capex	**-4,361**	**-4,122**
CONTINUING OPERATIONS		
Additions to intangible and tangible assets	-3,293	-1,810
Sale of intangible and tangible assets	2	19
Capex paid	**-3,291**	**-1,791**
This period's unpaid capex and reversal of paid capex from previous period	837	-896
Reversal received payment of sold intangible and tangible assets	-2	-19
Capex intangible and tangible assets	**-2,456**	**-2,706**
Additions to right-of-use assets	-1,306	—
Capex	**-3,762**	**-2,706**

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 which 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	2019	2018
TOTAL OPERATIONS		
Cash flow from operating activities	9,716	5,160
Capex paid	-3,607	-3,403
Amortization of lease liabilities	-1,269	-0
Equity free cash flow (eFCF)	**4,840**	**1,757**
CONTINUING OPERATIONS		
Cash flow from operating activities	8,746	3,789
Capex paid	-3,291	-1,791
Amortization of lease liabilities	-1,126	-0
Equity free cash flow (eFCF)	**4,329**	**1,998**

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 paid.

Continuing operations SEK million	2019	2018
Underlying EBITDAaL	9,258	6,386
Capex paid	-3,291	-1,791
Operating cash flow (OCF)	**5,967**	**4,595**

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 equipment financing, provisions, less cash and cash equivalents, current investments, restricted cash and derivatives.

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	Dec 31 2019	Dec 31 2018
Interest-bearing non-current liabilities	27,752	23,238
Interest-bearing current liabilities	5,066	6,763
Reversal equipment financing	-139	—
Reversal provisions	-1,774	-1,695
Cash & cash equivalents, current investments and restricted funds	-448	-406
Derivatives	-154	-33
Net debt for assets classified as held for sale	513	1,013
Net debt	**30,816**	**28,881**
Reversal:		
Lease liabilities	-6,111	-17
Liabilities to Kazakhtelecom	—	-30
Liabilities for earn-out obligation Kazakhstan	—	-764
Loan guaranteed by Kazakhtelecom	—	-221
Economic net debt	**24,705**	**27,849**

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 (Tele2-Q4-2019-financials) on Tele2's website www.tele2.com.

Financial metrics

Certain financial measures that are not defined by IFRS are presented in this report. Calculations are shown in the Notes and in section Non-IFRS measures. It is the view of Tele2 that these measures provide valuable additional information to investors and other readers of this report since they are used by management to manage and control the operating businesses.

Average interest rate
Annualized interest expense on loans (excluding penalty interest etc.) in relation to average interest-bearing liabilities excluding provisions, lease liabilities, debt related to equipment financing, balanced bank fees as well as adjusted for borrowings and amortizations during the period.

Average number of employees (FTE)
The average number of employees during the year, calculated on the basis of full time equivalents. Acquired/sold companies are reported in relation to the length of time the companies have been a part of the Tele2 Group.

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

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

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.

EBITDA
Operating profit/loss before depreciation/amortization, impairment as well as results from shares in joint ventures and associated companies. This metric is reported in accordance with IFRS 16 accounting standard for leases from January 1, 2019. Hence, EBITDA for periods before January 1, 2019 are not comparable to EBITDA after January 1, 2019.

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.

Economic net debt / Underlying EBITDAaL
Economic net debt divided by underlying EBITDAaL (rolling twelve months) for all operations owned and controlled by Tele2 at the end of each reporting period.

End-user service revenue
Revenue from end-users excluding equipment revenue. End-user service revenue is presented to provide a view of revenue attached to the customers usage of services provided by the company.

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

Equity per share
Equity attributable to parent company's shareholders in relation to the total number of outstanding shares.

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.

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

Net debt / Underlying EBITDA
Net debt divided by underlying EBITDA rolling twelve months.

Number of employees
Number of employees at the end of the period.

Operating cash flow (OCF)
Underlying EBITDAaL less capex paid.

Operating profit/loss (EBIT)
Revenue less operating expenses.

Organic growth
Calculated at constant currency, meaning that comparative figures have been recalculated using the currency rates for the current period, and excluding effects of divestments and acquisitions.

TSR
Total shareholder return including change in the share price and reinvested dividends.

Underlying EBITDA
EBITDA excluding items affecting comparability. This metric is reported in accordance with IFRS 16 accounting standard for leases from January 1, 2019. Hence, underlying EBITDA for periods before January 1, 2019 are not comparable to underlying EBITDA after January 1, 2019.

Underlying EBITDAaL
Underlying EBITDA as well as lease depreciation and lease interest costs according to IFRS 16. Tele2 considers underlying EBITDAaL to be a relevant measure of the business performance since it includes the cost of leased assets (depreciation and interest), which is not included in underlying EBITDA according to IFRS 16. This metric is used to calculate leverage.

Underlying EBITDA excluding IFRS 16
Underlying EBITDA applying the IAS 17 accounting standard for leases for all periods. Tele2 considers underlying EBITDA excluding IFRS 16 to be a relevant measure to present during 2019 for comparability with 2018 and 2017 since IFRS 16 Leases has not been adopted retrospectively.

Underlying EBITDA margin
Underlying EBITDA in relation to revenue excluding items affecting comparability.

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