

2020

Tele2 Full Year and
Fourth Quarter Report



TELE2

Q4 2020 HIGHLIGHTS

- End-user service revenue of SEK 4.8 billion declined by 2% compared to Q4 2019 on an organic basis due to negative impact from the pandemic.
- Revenue of SEK 6.9 billion, a decline by 3% compared to Q4 2019 on an organic basis.
- Underlying EBITDAaL of SEK 2.3 billion increased by 3% organically compared to Q4 2019 despite the pandemic impact, driven by strong performance in the Baltics and cost savings.
- Net profit from total operations of SEK 4.1 billion increased by SEK 3.2 billion compared to Q4 2019. The increase was mainly due to translation differences in Luxembourg of SEK 3.3 billion, with no impact on equity (see Note 3).
- Full year 2020 results delivered on guidance with underlying EBITDAaL growth of 2% (guidance of roughly flat) and capex excluding spectrum and leases of SEK 2.7 billion (guidance of SEK 2.5–3.0 billion).
- The Board of Directors proposes an ordinary dividend of SEK 6.00 per share, a 9% increase from last year.
- Financial guidance for the mid-term reiterated. Issuing 2021 guidance of roughly flat end-user service revenue and 2–4% growth in underlying EBITDAaL compared to 2020, assuming international roaming at a similar level to 2020. Capex excluding spectrum and leasing assets expected to be SEK 2.8–3.3 billion in 2021.

Key financial data

SEK million	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
Continuing operations						
End-user service revenue	4,809	4,909	-2%	19,184	19,466	-1%
Revenue	6,884	7,163	-3%	26,554	27,203	-2%
Operating profit	3,557	1,125		7,371	3,812	
Profit after financial items	3,444	1,004		6,855	3,367	
Underlying EBITDAaL	2,348	2,298	3%	9,239	9,043	2%
Capex excluding spectrum and leases	879	705		2,717	2,387	
Operating cash flow	1,469	1,593		6,523	6,656	
Operating cash flow, rolling 12 months				6,523	6,656	
Equity free cashflow	872	1,225		4,799	4,159	
Equity free cash flow, rolling 12 months				4,799	4,159	
Total operations						
Net profit	4,118	943		7,408	5,134	
Earnings per share after dilution (SEK)	5.95	1.36		10.71	7.24	
Equity free cashflow	885	1,484		4,879	4,840	
Economic net debt to underlying EBITDAaL		2.6x			2.5x	



Continuing and discontinued operations

Figures presented in this report refer to Q4 (October-December) 2020 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2019. Discontinued operations include the former operations, primarily in Germany, Croatia and Kazakhstan. See Note 10.

Non-IFRS measures

This report contains certain non-IFRS measures which are defined and reconciliated to the closest reconcilable line items in the section *Non-IFRS measures* on page 28. Note that organic growth rates exclude effects from currency movements. For further definitions of industry terms and acronyms, please refer to the Investor section at www.tele2.com.

CEO LETTER – Q4 2020

As we close the final quarter of a challenging year, I feel inspired by the resilience and flexibility of Tele2. At the onset of the pandemic, the company quickly shifted focus and managed to grow underlying EBITDAaL for the full year despite the pandemic. While successfully mitigating near term headwinds, we also executed on initiatives that will bring long term benefits such as the launch of 5G, the business transformation program, annual price adjustments in Sweden consumer and consolidation of the Swedish B2B unit. In January 2021, we presented a new extended leadership team with two new appointments representing key strategic focus areas Sweden B2B and Technology.

While our experience from 2020 gives us confidence that we are well equipped to handle the challenges in the year ahead, we do not expect to go back to business as usual yet. As it is now clear that we will have to continue living with the pandemic for some time this year, we expect EUSR to be roughly flat in 2021 and underlying EBITDAaL to grow 2-4% on a Group level. This assumes that international roaming remains at very low levels for most of the year. We will compensate for the lack of meaningful EUSR growth by reducing cost as we ramp up the business transformation program. We will also continue to invest into growth initiatives offsetting some of the cost savings realized in Sweden. We expect the program to deliver a run-rate of roughly half the three-year target of SEK 1 billion of cost savings by the end of 2021, which should translate to a SEK 250 million impact during the year in addition to what was realized in 2020.

One thing that the pandemic has made clear is how important telecommunications services are to both businesses and consumers. Even after the pandemic is behind us, our role as an essential part of society will remain and we should benefit from increasing demand for connectivity. So even though we face near-term challenges, we have full confidence in our mid-term strategy. We therefore reiterate our mid-term guidance of low single-digit EUSR growth, mid-single-digit underlying EBITDAaL growth and capex excluding spectrum and leases of SEK 2.8-3.3bn annually. This guidance includes a return to sustainable growth in Sweden consumer driven by price and volume growth in mobile postpaid and fixed broadband. It includes continued delivery in the Baltics, offsetting initial decline in Sweden B2B which should stabilize gradually. Underlying EBITDAaL growth will be further supported by the business transformation program which is set to end 2022 with a run-rate of at least SEK 1 billion in cost reduction.

The capex guidance includes the full rollout of 5G in all our markets and Remote-PHY in Sweden. After securing spectrum and finalizing the vendor procurement process we will now, together with Telenor, roll out a nationwide 5G radio access network in Sweden. We see both Remote-PHY and 5G as investments into customer satisfaction as these upgrades allows us to provide our customers with more of what they want such as increased speed and coverage, lower latency and increased capacity. These two major network upgrades will support our more-for-more strategy for years to come as they are monetized through increased pricing power and customer loyalty.

Due to recent regulatory developments, the rollout will be done in a shorter amount of time than originally planned. On one hand this may cause us to exceed the guided capex range slightly in a single year, but on the other hand we will return to low capex levels faster, we will not spend more capex in total than originally planned, and we will be able to provide 5G services faster which means that we can also monetize them faster. Even during the peak rollout period, the network sharing arrangements will allow Tele2 to spend significantly less capex than most of our peers and remain one of the most capital efficient operators in Europe.



“

I feel inspired by the resilience and flexibility of Tele2.

In April 2020, Tele2 became the first telco in the Nordics and the Baltics to be climate neutral in its own operations. Following that, we conducted comprehensive analysis of our past and future sustainability efforts, including input from over 9,000 employees, consumers, B2B customers and investors. Based on that, we have launched a new sustainability strategy with clearly defined focus areas and an ambition to lead in sustainability. With this strategy in place, we can make a significant sustainability impact while also increasing internal efficiency, find new business opportunities and win more customers.

Despite headwinds from the pandemic, Tele2 remains a cash generative company and we intend to distribute that cash to shareholders. For this year, the Board proposes an ordinary dividend of SEK 6.00 per share (SEK 4.1 billion), paid out in two tranches in May and October 2021. In addition, with continued growth in underlying EBITDAaL we remain committed to maintain leverage within the target range of 2.5-3.0x.

During 2021 we will continue to mitigate the effects of the ongoing pandemic, but we will also focus on the crucial strategic opportunities and challenges ahead to deliver on our mid-term guidance after the pandemic is over. We will continue executing on the FMC more-for-more strategy and optimize our brand portfolio to bring Sweden consumer back to growth. We will be more dynamic in our approach to the Swedish B2B market and push where we need to, but pull back where it does not make financial sense. We will continue executing on the business transformation program and invest in our network to maintain our 5G leadership. I feel confident in our ability to succeed and exceed expectations as we apply the same resilience to 2021 as we did in 2020.

Kjell Johnsen
President and Group CEO

Financial overview

Analysis of revenue

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
Mobile	1,443	1,427	1%	5,726	5,651	1%
- Postpaid	1,193	1,160	3%	4,721	4,567	3%
- Prepaid	250	268	-7%	1,005	1,085	-7%
Fixed	1,455	1,508	-3%	5,840	6,092	-4%
- Fixed broadband	677	640	6%	2,653	2,516	5%
- Digital TV	707	777	-9%	2,878	3,186	-10%
- Cable & Fiber	424	451	-6%	1,693	1,835	-8%
- DTT	283	326	-13%	1,185	1,351	-12%
- Fixed telephony & DSL	71	90	-21%	309	390	-21%
Landlord & Other	171	176	-3%	694	706	-2%
Sweden Consumer	3,069	3,111	-1%	12,260	12,450	-2%
Sweden Business	969	1,061	-9%	3,889	4,177	-7%
Baltics	771	738	8%	3,035	2,839	8%
End-user service revenue	4,809	4,909	-2%	19,184	19,466	-1%
Operator revenue	593	653	-8%	2,341	2,511	-7%
Equipment revenue	1,483	1,600	-7%	5,029	5,225	-4%
Revenue	6,884	7,163	-3%	26,554	27,203	-2%

End-user service revenue decreased by 2% organically due to headwinds related to the pandemic including loss of international roaming revenue.

- **Sweden Consumer** decreased by 1%, driven by mobile prepaid and digital TV where the decline was elevated due to COVID-19. This offset continued growth in fixed broadband, driven by both volume and price, and mobile postpaid where the effect of price adjustments along with a larger customer base compensated for lower roaming.
- **Sweden Business** decreased by 9%, due to continued price pressure in the market, loss of roaming revenue and decline in legacy fixed services.
- **Baltics** showed strong growth of 8% organically despite a second lockdown during the quarter. This was driven by strong ASPU (Average Spend Per User) growth due to continued successful monetization of data consumption.

Total revenue decreased by 3% organically. Lower operator revenue was mainly explained by reduced termination rates charged between operators. Equipment revenue declined due to lower equipment sales in Sweden Consumer and Sweden Business.

Analysis of income statement

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Revenue	6,884	7,163	26,554	27,203
Underlying EBITDAaL	2,348	2,298	9,239	9,043
Reversal lease depreciation and interest	313	343	1,245	1,266
Underlying EBITDA	2,661	2,640	10,484	10,309
Items affecting comparability	1,963	-104	1,844	-711
EBITDA	4,624	2,536	12,329	9,598
Depreciation/amortization	-1,322	-1,390	-5,269	-5,220
- of which amortization of surplus from acquisitions	-301	-305	-1,203	-1,199
- of which lease depreciation	-299	-320	-1,182	-1,185
- of which other depreciation/amortization	-722	-765	-2,883	-2,836
Impairment	—	-1	—	-469
Result from shares in associated companies and joint ventures	255	-20	311	-97
Operating profit	3,557	1,125	7,371	3,812
Net interest and other financial items	-112	-121	-517	-445
Income tax	1,032	-251	378	-936
Net profit	4,476	753	7,233	2,431

Underlying EBITDAaL increased by 3% organically as the effect of declining revenue and a negative impact of approximately SEK 70 million from the pandemic was offset by continued strong growth in the Baltics and cost reduction in Sweden. The cost savings were primarily related to the business transformation program initiated in 2020.

Items affecting comparability of SEK 1,963 (-104) million included SEK 2,033 million related to translation differences, recycled from the income statement in conjunction with the closure of the operation in Luxembourg, with no impact on total assets or equity. Items affecting comparability also included restructuring costs of SEK -54 (-101) million, incurred in the ongoing business transformation program. Refer to Note 3 for more detail.

Operating profit increased to SEK 3,557 (1,125) million, with stronger underlying EBITDA and contribution from shares in associated companies, as well as inflated items affecting comparability.

Income tax of SEK 695 million included a positive effect of SEK 1,280 million related to the translation differences in Luxembourg mentioned above. Refer to Note 3 for more detail.

Analysis of cash flow statement

SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Continuing operations				
Underlying EBITDA	2,661	2,640	10,484	10,309
Items affecting comparability	1,963	-104	1,844	-711
Amortization of lease liabilities	-272	-283	-1,168	-1,124
Capex paid	-729	-616	-2,704	-3,289
Changes in working capital	-414	-318	-337	-44
Net financial items paid	-86	-81	-467	-408
Taxes paid	-254	-42	-916	-686
Other cash items	-1,998	29	-1,937	112
Equity free cash flow	872	1,225	4,799	4,159
Equity free cash flow, rolling 12 months ¹⁾			4,799	4,159
Total operations				
Equity free cash flow, continuing operations	872	1,225	4,799	4,159
Equity free cash flow, discontinued operations	13	259	80	681
Equity free cash flow	885	1,484	4,879	4,840

¹⁾ Reconciliation of equity free cash flow rolling 12 months are presented in an excel document (Q4 2020-financials to the market) on Tele2's website www.tele2.com.

Capex paid increased to SEK -729 (-616) million due to increased investments into the network, IT investments related to the business transformation program and higher customer equipment capex in Sweden in connection with the digitalization of the analogue TV service.

Changes in working capital of SEK -414 (-318) million turned negative due to timing of equipment receivables in Sweden following seasonally high equipment sales.

Taxes paid increased to SEK -254 (-42) million due to repaid preliminary tax in Sweden in Q4 2019.

Other cash items includes a reversal of the SEK 2,033 million (included in items affecting comparability) related to the closure of the former operations in Luxembourg as the cash impact is neutral.

Equity free cash flow from continuing operations of SEK 872 (1,225) million in the quarter decreased due to higher capex paid, higher negative change in working capital and higher taxes paid. Over the last twelve months, SEK 4.8 billion was generated, equivalent to roughly SEK 7 per share.

Analysis of financial position

Total operations SEK million	Dec 31 2020	Dec 31 2019
Bonds	21,175	20,305
Commercial papers	—	1,100
Financial institutions and other liabilities	3,954	3,912
Cash and cash equivalents	-970	-448
Other adjustments	-217	-164
Economic net debt	23,942	24,705
Lease liabilities	5,327	6,111
Net debt	29,269	30,816
Underlying EBITDAaL, rolling 12 months¹⁾	9,239	9,702
Economic net debt to Underlying EBITDAaL	2.6x	2.5x
Unutilized overdraft facilities and credit lines	8,560	8,716

¹⁾ Includes all operations owned and controlled by Tele2 at the end of each reporting period.

Economic net debt of SEK 23.9 billion (24.7 billion at year-end 2019) was reduced by SEK 0.8 billion during 2020, driven by cash generation in the business and proceeds of SEK 2.0 billion from the sale of Tele2 Croatia, fully covering the total shareholder remuneration of SEK 6.2 billion.

Economic net debt to underlying EBITDAaL (financial leverage) of 2.6x (2.5x year end 2019) was within the leverage target range of 2.5-3.0x at the end of December.

Financial guidance

Financial guidance

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

Full-year 2021

The guidance for 2021 includes an assumption that international roaming will be at a similar level to 2020.

- Group end-user service revenue roughly flat compared to 2020.
- Group underlying EBITDAaL growth of 2-4% compared to 2020.
- Capex excluding spectrum and leasing assets of SEK 2.8–3.3 billion.

Mid-term

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

Dividend

For the financial year 2020, the Board of Directors of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) on April 22, 2021 that an ordinary dividend of SEK 6.00 be paid per ordinary A and B share, in two equal tranches in May and October, 2021.

Financial policy

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

Group summary

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
END-USER SERVICE REVENUE						
Sweden	4,038	4,171	-3%	16,149	16,627	-3%
Lithuania	420	392	11%	1,631	1,502	10%
Latvia	226	217	8%	901	857	6%
Estonia	125	129	1%	503	480	6%
Total	4,809	4,909	-2%	19,184	19,466	-1%
REVENUE						
Sweden	5,569	5,890	-5%	21,601	22,415	-4%
Lithuania	760	703	12%	2,812	2,656	7%
Latvia	369	366	4%	1,424	1,402	3%
Estonia	214	226	-2%	819	813	2%
Internal sales, elimination	-28	-23	23%	-102	-84	21%
Total	6,884	7,163	-3%	26,554	27,203	-2%
UNDERLYING EBITDAaL						
Sweden	1,942	1,901	2%	7,608	7,515	1%
Lithuania	263	240	13%	1,043	957	10%
Latvia	138	131	9%	556	526	7%
Estonia	42	46	-4%	173	162	8%
Other	-38	-21	81%	-140	-117	20%
Total	2,348	2,298	3%	9,239	9,043	2%
CAPEX						
Sweden	756	595	27%	2,399	2,035	18%
Lithuania	48	51	-4%	120	139	-12%
Latvia	42	27	61%	104	122	-14%
Estonia	33	32	4%	93	90	5%
Other	—	0	-100%	—	2	-100%
Capex excluding spectrum and leases	879	705	25%	2,717	2,387	14%
Spectrum	—	0		—	68	
Right-of-use assets (leases)	602	552		1,182	1,306	
Total	1,481	1,257		3,899	3,761	
<i>of which:</i>						
– Network	456	332		1,301	1,144	
– IT	242	212		740	740	
– Customer equipment	161	94		516	303	
– Other	21	67		159	201	
Capex excluding spectrum and leases	879	705		2,717	2,387	

Overview by segment

Sweden

In Sweden, the good momentum in consumer fixed broadband and mobile postpaid end-user service revenue continued in the quarter. However, it did not fully compensate for the headwinds from the pandemic as commercial activity was affected by the second wave of COVID-19. EUSR decreased by -3% driven by COVID-19 related headwinds and continued price pressure within Sweden Business. The COVID-19 headwinds were mainly related to loss of international roaming revenue but also lower activity within mobile prepaid and loss of revenue from churn of premium TV packages in previous quarters.

Improvements, mainly within B2B, support functions and the technology organization, were executed through the business transformation program

resulting in annualized run-rate savings of SEK 250 million at the end of the quarter. Savings totaled SEK 50 million in the quarter and SEK 95 million within the year.

Underlying EBITDAaL increased by 2% as the negative impact from the pandemic of roughly SEK 50 million was offset by continued execution of the business transformation program and somewhat lower commercial spend.

Capex excluding spectrum and leases increased by SEK 162 million due to 5G related network investments, IT investments related to the business transformation program and temporarily higher customer equipment capex in connection with the digitalization of the analogue TV service.

Financials SEK million	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
End-user service revenue	4,038	4,171	-3%	16,149	16,627	-3%
Revenue	5,569	5,890	-5%	21,601	22,415	-4%
Underlying EBITDA	2,211	2,188		8,676	8,614	
Underlying EBITDAaL	1,942	1,901	2%	7,608	7,515	1%
Underlying EBITDAaL margin	35%	32%		35%	34%	
Capex						
Network	362	283		1,073	927	
IT	221	167		681	649	
Customer equipment	159	92		508	299	
Other	15	52		137	161	
Capex excluding spectrum and leases	756	595		2,399	2,035	
Right-of-use-assets (leases)	506	390		987	1,073	
Capex	1,262	984		3,387	3,109	
Capex excluding spectrum and leases / revenue	14%	10%		11%	9%	

Sweden Consumer

We continued to execute on our Fixed Mobile Convergence (FMC) strategy with 270,000 customers now on FMC offers. During the quarter we saw intensified competition in the mobile market with a higher level of promotions primarily in the premium segment. We saw good traction with new broadband and TV offers which we launched during black Friday. In TV we secured attractive linear and streamed content rights through a multi-year deal with TV4.

Mobile postpaid net intake was negative as we scaled back market activity somewhat while competition intensified. We saw the full impact from the price adjustments made earlier in the year. However, this was partly offset by headwinds from the pandemic, primarily international roaming and continued decline within mobile prepaid, resulting in mobile EUSR growth of 1%.

Fixed broadband EUSR grew by 6% driven by strong net intake aided by the digital switch made in Q3 and higher ASPU on the back of backbook price adjustments made earlier in the year.

The decline in TV EUSR continued but at a lower rate than previous quarters as the EUSR from premium sports packages is back. However, total EUSR from premium sports packages declined compared to Q4 2019 as some customers cancelled the service in Q2 and Q3 2020 during the sports lockdown caused by the pandemic.

	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019	Organic %
RGUs (in thousands)	Net intake		RGU base		
Mobile	-28	-29	2,956	2,962	0%
– Postpaid	-10	11	1,931	1,875	3%
– Prepaid	-18	-41	1,025	1,088	-6%
Fixed	-16	-4	2,122	2,177	-3%
– Fixed broadband	8	10	911	873	4%
– Digital TV	-13	-10	979	1,022	-4%
– Cable & Fiber	-2	1	662	665	0%
– DTT	-11	-11	317	357	-11%
– Fixed telephony & DSL	-11	-4	232	282	-18%
Total RGUs	-44	-34	5,079	5,139	-1%
Addressable fixed footprint	116	24	3,521	3,314	6%

	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
ASPU (SEK)						
Mobile	162	160	1%	161	159	1%
– Postpaid	205	207	-1%	207	206	0%
– Prepaid	81	81	0%	79	81	-3%
Fixed	228	231	-1%	226	231	-2%
– Fixed broadband	249	246	1%	248	247	0%
– Digital TV	239	252	-5%	240	255	-6%
– Cable & Fiber	213	226	-6%	213	231	-8%
– DTT	293	300	-3%	293	298	-2%
– Fixed telephony & DSL	100	105	-6%	100	107	-6%
Revenue (SEK million)						
Mobile	1,443	1,427	1%	5,726	5,651	1%
– Postpaid	1,193	1,160	3%	4,721	4,567	3%
– Prepaid	250	268	-7%	1,005	1,085	-7%
Fixed	1,455	1,508	-3%	5,840	6,092	-4%
– Fixed broadband	677	640	6%	2,653	2,516	5%
– Digital TV	707	777	-9%	2,878	3,186	-10%
– Cable & Fiber	424	451	-6%	1,693	1,835	-8%
– DTT	283	326	-13%	1,185	1,351	-12%
– Fixed telephony & DSL	71	90	-21%	309	390	-21%
Landlord & Other	171	176	-3%	694	706	-2%
End-user service revenue	3,069	3,111	-1%	12,260	12,450	-2%
Operator revenue	175	204		676	818	
Equipment revenue	559	637		1,989	2,104	
Revenue	3,803	3,951	-4%	14,926	15,372	-3%

Sweden Business

During the quarter we merged the SME and Large Enterprise units to allow for better coordination, and consolidated the Sweden Business and Sweden Consumer support functions to increase efficiency.

Competition remained intense during the quarter driving price pressure for both new sales and renewals. In Large Enterprise we continue our efforts to modernize the product portfolio and saw increased handset and accessories sales as a result, opening up opportunities for more bundling and cross-selling in 2021. In SME we continued customer migration to our target

IT architecture which we expect to give enhanced customer experience and improve commercial capabilities in upselling, cross-selling and internal efficiency. Positive mobile net intake was driven by new contracts within Large Enterprise. New contracts signed include HCL, Wallenstam, Upplands-Bro Kommun and Haninge Kommun.

Total EUSR declined by 9% driven by continued decline in legacy fixed services, price pressure and headwinds from the pandemic. The decline in wholesale revenue was primarily related to lower roaming.

Sweden Business

	Oct-Dec 2020	Oct-Dec 2019		Full year 2020	Full year 2019	Organic %
	Net intake			RGU base		
RGUs (in thousands)						
Mobile (excluding IoT)						
– Postpaid	11	3		947	920	3%
	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
ASPU (SEK)						
Mobile (excluding IoT)						
– Postpaid	139	163	-15%	145	165	-12%
Revenue (SEK million)						
Mobile	466	502	-7%	1,866	1,974	-5%
Fixed	238	271	-12%	980	1,113	-12%
Solutions	265	288	-8%	1,043	1,090	-4%
End-user service revenue	969	1,061	-9%	3,889	4,177	-7%
Operator revenue	29	40		119	131	
Equipment revenue	517	569		1,684	1,736	
Revenue	1,515	1,671	-9%	5,692	6,044	-6%

Sweden Wholesale

Financials SEK million	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
Operator revenue	250	266		978	986	
Internal sales	1	1		5	13	
Revenue	251	268	-6%	984	999	-2%

Baltics

Lithuania

Due to the continued pandemic, Lithuania went into a second nationwide lockdown during the quarter. Despite the lockdown, Tele2 Lithuania managed to return to pre-quarantine levels of equipment sales mainly due to Christmas campaigns and digital sales. International roaming revenue and prepaid intake continued to be affected negatively by the pandemic.

The net intake of -5,000 mobile RGUs in the quarter was mainly driven by seasonal churn in mobile prepaid.

Upselling in connection with contract renewals drove an ASPU increase of 11% compared to Q4 2019.

End-user service revenue increased by 11% driven by growth in ASPU. Underlying EBITDAaL increased by 13% driven by higher end-user service revenue and strong contribution from equipment sales.

	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019	Organic %
RGUs (in thousands)	Net intake		RGU base		
Mobile	-5	-7	1,884	1,895	-1%

	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
ASPU (EUR)						
Mobile	7.2	6.5	11%	6.9	6.3	9%
Revenue (SEK million)						
End-user service revenue	420	392	11%	1,631	1,502	10%
Operator revenue	65	61		262	250	
Equipment revenue	260	235		869	859	
Internal sales	15	14		50	44	
Revenue	760	703	12%	2,812	2,656	7%
Underlying EBITDA	281	257		1,111	1,019	
Underlying EBITDAaL	263	240	13%	1,043	957	10%
Underlying EBITDAaL margin	35%	34%		37%	36%	
Capex	74	53		177	157	
Capex excluding spectrum and leases	48	51		120	139	
Capex excluding spectrum and leases / revenue	6%	7%		4%	5%	

Latvia

Due to the global pandemic, Latvia went into a second nationwide lock-down during the quarter which impacted commercial activity in the stores. International roaming revenues and prepaid intake continued to be affected negatively by the pandemic.

The net intake of -6,000 mobile RGUs in the quarter was driven by seasonal churn in mobile prepaid while mobile postpaid saw positive momentum. Mobile ASPU increased by 6% in local currency driven by growth in mobile broadband and continued data monetization.

End-user service revenue increased by 8% in local currency, driven by ASPU growth and positive net intake in mobile postpaid. Underlying EBITDAaL increased by 9%, primarily driven by higher end-user service revenue.

	Oct-Dec 2020	Oct-Dec 2019		Full year 2020	Full year 2019	Organic %
RGUs (in thousands)	Net intake			RGU base		
Mobile	-6	-8		970	954	2%
	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
ASPU (EUR)						
Mobile	7.5	7.1	6%	7.4	7.1	5%
Revenue (SEK million)						
End-user service revenue	226	217	8%	901	857	6%
Operator revenue	42	49		177	195	
Equipment revenue	92	95		309	330	
Internal sales	9	5		38	20	
Revenue	369	366	4%	1,424	1,402	3%
Underlying EBITDA	149	141		599	565	
Underlying EBITDAaL	138	131	9%	556	526	7%
Underlying EBITDAaL margin	37%	36%		39%	38%	
Capex	70	34		176	227	
Capex excluding spectrum and leases	42	27		104	122	
Capex excluding spectrum and leases / revenue	11%	7%		7%	9%	

Estonia

Tele2 Estonia continued to be affected by headwinds from the pandemic during the quarter, primarily related to international roaming revenue, equipment sales and mobile prepaid volumes.

Mobile net intake was slightly negative, mainly driven by seasonal churn in mobile prepaid. Mobile ASPU increased by 1% as continued monetization of higher data consumption in the consumer segment was offset by lower ASPU within the business segment and lower revenue from international roaming.

End-user service revenue increased by 1%, driven by ASPU growth. Underlying EBITDAaL decreased by 4% primarily due to higher spend on sales and marketing during the quarter.

	Oct-Dec 2020	Oct-Dec 2019		Full year 2020	Full year 2019	Organic %
RGUs (in thousands)	Net intake			RGU base		
Mobile	-1	-2		437	437	0%
	Oct-Dec 2020	Oct-Dec 2019	Organic %	Full year 2020	Full year 2019	Organic %
ASPU (EUR)						
Mobile	8.8	8.8	1%	8.7	8.2	6%
Revenue (SEK million)						
End-user service revenue	125	129	1%	503	480	6%
Operator revenue	32	32		130	131	
Equipment revenue	54	63		178	196	
Internal sales	2	2		8	6	
Revenue	214	226	-2%	819	813	2%
Underlying EBITDA	59	75		237	226	
Underlying EBITDAaL	42	46	-4%	173	162	8%
Underlying EBITDAaL margin	20%	20%		21%	20%	
Capex	75	186		159	267	
Capex excluding spectrum and leases	33	32		93	90	
Capex excluding spectrum and leases / revenue	15%	14%		11%	11%	

Associated companies

Associated companies are accounted for in accordance with the equity method. This means that Tele2's share of the company's profit or loss after tax is reported under Operating profit, along with amortization of the Group surplus values.

The Netherlands

Tele2 owns 25% of T-Mobile Netherlands. This section shows 100% of the company, as reported by Deutsche Telekom¹⁾.

During Q3 2020 T-Mobile Netherlands (TMNL) continued to attract new customers across all services except mobile communications prepaid. Revenue increased by 1% despite continued roaming headwinds and decline within the business segment.

EBITDAaL increased by 7%, mainly driven by the successful execution of synergies from the merger between TMNL and Tele2 Netherlands.

During Q3 2020, TMNL paid EUR 200 million, the first of two equal payments, for spectrum in the 700, 1,400 and 2,100 MHz bands acquired in July 2020 (not included in Cash capex in the table below).

In October 2020, TMNL announced its intention to acquire the MVNO Simpel. The acquisition was approved by the authorities and closed in December, 2020.

	Jul-Sep 2020	Jul-Sep 2019	Sep 30 2020	Sep 30 2019	Organic %
Customers (in thousands)	Net intake		Customer base		
Fixed Network					
- Fixed Network Access Lines			661	601	10%
- Broadband Customers			647	586	10%
Mobile Communications					
- Contract	62	80	5,368	5,106	5%
- Prepaid	-42	-7	393	422	-7%
Total mobile			5,761	5,528	4%

	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
ARPU (EUR)	15	16	-6%	15	16	-6%
Contract	16	17	-6%	16	17	-6%
Prepaid	3	3	0%	3	3	0%
Financials (EUR million)²⁾						
Service revenue - Mobile communications	278	277	0%	814	793	3%
Product view	484	479	1%	1,441	1,398	3%
- Fixed network	95	90	6%	287	270	6%
- Mobile communications	390	390	0%	1,154	1,129	2%
Segment view	484	479	1%	1,441	1,398	3%
- of which Consumer	358	353	1%	1,071	1,034	4%
- of which Business	96	97	-1%	292	292	0%
Total revenue	484	479	1%	1,441	1,398	3%
EBITDA	163	153	7%	482	437	10%
EBITDAaL	141	132	7%	419	372	13%
EBITDAaL margin	29%	28%		29%	27%	
Cash capex (before spectrum)	74	58	28%	217	183	19%

¹⁾ As reported by Deutsche Telekom in the financial results for the third quarter 2020 on November 12, 2020 (except net debt, which reflects the TMNL position and includes intragroup debt). Definitions and accounting rules may differ from Tele2 Group reporting. Net debt is reported on a bi-annual basis with a quarter lag. Net debt as of June 30, 2020 can be found in the Tele2 Q3 2020 report or Q4 2020 excel sheet.

²⁾ Financials are adjusted for special factors.

Other items

Risks and uncertainty factors

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

In the long term, the risk factors considered to be most significant to Tele2's future development are spectrum auctions, regulation, market competitiveness and changing technology, strategy implementation and integration, network and IT infrastructure and quality, data protection and cyber security, external relationships, suppliers and joint ventures, customer churn, recruitment of skilled personnel, geopolitical conditions, environmental costs, corruption and unethical business practices and financial risks such as currency risk, interest risk, liquidity risk, credit risk, risks related to tax matters and impairment of assets. Please refer to Tele2's 2019 Annual Report (Administration report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

Events after the reporting period

As announced on January 12, 2021, Tele2 has made changes to its Leadership Team. The Group's Leadership Team is described at Tele2's website, www.tele2.com, under the Governance section.

On January 19, 2021, Tele2 and Telenor bought 100 MHz in the Swedish 3.5GHz spectrum auction through its network joint venture Net4Mobility. The spectrum is valid until December 31, 2045, and was purchased for SEK 665.5 million, of which 50 percent will be funded by Tele2.

Financial calendar

Tele2 will release its financial and operating results for the period ending March 31, 2021 on April 22, 2021.

The Annual Report for 2020 will be released on March 25, 2021 and will be available on www.tele2.com.

Auditors' review report

This interim report has not been subject to specific review by the company's auditors.

Board's assurance

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

Stockholm, February 2, 2021

Tele2 AB

Carla Smits-Nusteling
Chairman

Andrew Barron
Deputy Chairman

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Georgi Ganev

Lars-Åke Norling

Kjell Johnsen
President and CEO

Q4 2020 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CET (09:00 am GMT/04:00 am EST) on Tuesday, February 2, 2021. The presentation will be held in English and also made available as a webcast on Tele2's website: www.tele2.com.

This information is information that Tele2 AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 07:00 am CET on February 2, 2021.

Dial-in information:

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

Dial-in numbers:

SE: +46 (0) 8 50 69 21 80
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Condensed consolidated income statement

SEK million	Note	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Revenue	2, 3	6,884	7,163	26,554	27,203
Cost of services provided and equipment sold	2, 3	-4,015	-4,321	-15,098	-16,427
Gross profit		2,870	2,842	11,456	10,776
Selling expenses	2, 3	-1,106	-1,059	-4,467	-4,288
Administrative expenses	2, 3	-504	-649	-2,087	-2,590
Result from shares in associated companies and joint ventures	4	255	-20	311	-97
Other operating income	3	2,098	65	2,350	292
Other operating expenses	3	-56	-54	-193	-281
Operating profit	3	3,557	1,125	7,371	3,812
Interest income		8	8	23	29
Interest expenses		-111	-118	-491	-483
Other financial items		-10	-11	-49	10
Profit after financial items		3,444	1,004	6,855	3,367
Income tax	3	1,032	-251	378	-936
Net profit, continuing operations		4,476	753	7,233	2,431
Net profit discontinued operations	10	-358	190	175	2,703
Net profit, total operations		4,118	943	7,408	5,134
Continuing operations					
<i>Attributable to:</i>					
Equity holders of the parent company		4,476	753	7,233	2,431
Net profit, continuing operations		4,476	753	7,233	2,431
Earnings per share (SEK)	8	6.50	1.10	10.51	3.54
Earnings per share, after dilution (SEK)	8	6.46	1.09	10.45	3.52
Total operations					
<i>Attributable to:</i>					
Equity holders of the parent company		4,118	943	7,408	5,004
Non-controlling interests		—	0	—	131
Net profit, total operations		4,118	943	7,408	5,134
Earnings per share (SEK)	8	5.98	1.37	10.76	7.28
Earnings per share, after dilution (SEK)	8	5.95	1.36	10.71	7.24

Condensed consolidated comprehensive income

SEK million	Note	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
NET PROFIT		4,118	943	7,408	5,134
Components not to be reclassified to net profit					
Pensions, actuarial gains/losses		5	40	58	-104
Pensions, actuarial gains/losses, tax effect		-1	-8	-12	22
Components not to be reclassified to net profit/loss		4	32	46	-82
Components that may be reclassified to net profit					
Translation differences in foreign operations		-292	-233	-184	197
Tax effect on above		—	8	-4	-29
Reversed cumulative translation differences from divested companies	3, 10	-1,832	16	-1,480	-247
Tax effect on above	3, 10	-1,280	—	-1,438	-168
Translation differences in associated companies	4	-350	-197	-278	150
Translation differences		-3,754	-406	-3,384	-98
Hedge of net investments in foreign operations		164	96	129	-51
Tax effect on above		-35	-21	-28	11
Reversed cumulative hedge from divested companies	10	—	—	-143	721
Tax effect on above	10	—	—	41	-169
Hedge of net investments		129	75	-1	512
Exchange rate differences		-3,626	-331	-3,385	414
Profit arising on changes in fair value of hedging instruments		8	19	27	29
Reclassified cumulative profit/loss to income statement		-4	-8	-21	-14
Tax effect on cash flow hedges		-1	-3	-1	1
Cash flow hedges		3	8	5	16
Components that may be reclassified to net profit/loss		-3,623	-322	-3,380	429
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-3,619	-290	-3,334	347
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		499	653	4,074	5,482
<i>Attributable to:</i>					
Equity holders of the parent company		499	652	4,074	5,502
Non-controlling interests		—	0	—	-21
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		499	653	4,074	5,482

Condensed consolidated balance sheet

SEK million	Note	Dec.31 2020	Dec.31 2019
ASSETS			
Goodwill		29,651	29,744
Other intangible assets		17,269	18,397
Intangible assets		46,921	48,140
Tangible assets		7,540	7,900
Right-of-use assets		5,349	5,713
Shares in associated companies and joint ventures	4	7,018	6,983
Other financial assets	5	737	756
Capitalized contract costs		493	374
Deferred tax assets		245	330
Non-current assets		68,303	70,197
Inventories		824	710
Current receivables		5,174	5,715
Cash and cash equivalents	6	970	448
Current assets		6,968	6,874
Assets classified as held for sale	10	140	2,713
TOTAL ASSETS		75,411	79,784
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company		32,751	34,805
Equity	8	32,751	34,805
Interest-bearing liabilities	5	27,234	27,752
Non-interest-bearing liabilities		4,311	4,360
Non-current liabilities		31,545	32,112
Interest-bearing liabilities	5	4,881	5,066
Non-interest-bearing liabilities		5,679	6,379
Current liabilities		10,561	11,445
Liabilities directly associated with assets classified as held for sale	10	554	1,421
TOTAL EQUITY AND LIABILITIES		75,411	79,784

Condensed consolidated cash flow statement

Total operations SEK million	Note	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Operating activities					
Net profit		4,118	943	7,408	5,134
Adjustments for non-cash items in net profit		-1,826	1,791	1,750	4,760
Changes in working capital		-406	-271	-342	-179
Cash flow from operating activities		1,886	2,463	8,816	9,716
Investing activities					
Additions to intangible and tangible assets		-729	-665	-2,749	-3,607
Acquisition and sale of shares and participations	9	-45	-379	2,098	4,310
Other financial assets, lending		0	3	-3	-0
Cash flow from investing activities		-773	-1,042	-654	703
Financing activities					
Proceeds from loans		1,538	-51	3,402	3,981
Repayments of loans		-2,163	-28	-4,837	-7,639
Dividends paid	8	-4,304	-1,513	-6,198	-7,153
Cash flow from financing activities		-4,929	-1,592	-7,633	-10,811
Net change in cash and cash equivalents		-3,816	-171	529	-392
Cash and cash equivalents at beginning of period		4,800	607	448	404
Exchange rate differences in cash and cash equivalents		-14	11	-7	436
Cash and cash equivalents at end of the period	6	970	448	970	448

Condensed consolidated statements of changes in equity

Total operations SEK million	Note	Dec 31, 2020								
		Attributable to equity holders of the parent company						Total	Non-controlling interests	Total equity
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings				
Equity at January 1		863	27,378	-207	3,306	3,465	34,805	—	34,805	
Net profit		—	—	—	—	7,408	7,408	—	7,408	
Other comprehensive income for the period, net of tax		—	—	4	-3,384	46	-3,334	—	-3,334	
Total comprehensive income for the period		—	—	4	-3,384	7,454	4,074	—	4,074	
Other changes in equity										
Share-based payments	8	—	—	—	—	65	65	—	65	
Share-based payments, tax effect	8	—	—	—	—	5	5	—	5	
Dividends	8	—	—	—	—	-6,198	-6,198	—	-6,198	
Equity at end of the period		863	27,378	-202	-78	4,791	32,751	—	32,751	

Total operations SEK million	Note	Dec 31, 2019								
		Attributable to equity holders of the parent company						Total	Non-controlling interests	Total equity
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings				
Equity at January 1		863	27,378	-734	3,252	5,576	36,334	28	36,362	
Net profit		—	—	—	—	5,004	5,004	131	5,134	
Other comprehensive income for the period, net of tax		—	—	527	54	-82	499	-152	347	
Total comprehensive income for the period		—	—	527	54	4,921	5,502	-21	5,482	
Other changes in equity										
Share-based payments	8	—	—	—	—	102	102	—	102	
Share-based payments, tax effect	8	—	—	—	—	19	19	—	19	
Dividends	8	—	—	—	—	-7,153	-7,153	—	-7,153	
Divestment of non-controlling interest	10	—	—	—	—	—	—	-7	-7	
Equity at end of the period		863	27,378	-207	3,305	3,465	34,805	—	34,805	

Parent company

Condensed income statement

SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Revenue	4	12	34	41
Administrative expenses	-40	-32	-165	-155
Other operating expenses	3	-4	6	-98
Operating loss	-33	-24	-124	-212
Dividend from group company	—	—	22,000	—
Interest revenue and similar income	33	35	146	149
Interest expense and similar costs	11	6	-1,201	-432
Profit/loss after financial items	11	17	20,820	-495
Appropriations, group contribution	1,290	275	1,290	275
Tax on profit/loss	-459	-120	-205	-15
Net profit/loss	841	171	21,906	-235

Condensed balance sheet

SEK million	Note	Dec 31 2020	Dec 31 2019
ASSETS			
Financial assets	5	69,110	47,291
Non-current assets		69,110	47,291
Current receivables		1,551	5,391
Cash and cash equivalents		0	8
Current assets		1,551	5,399
TOTAL ASSETS		70,661	52,690
EQUITY AND LIABILITIES			
Restricted equity	8	5,848	5,848
Unrestricted equity	8	37,392	21,611
Equity		43,240	27,460
Interest-bearing liabilities	5	21,497	21,644
Non-current liabilities		21,497	21,644
Interest-bearing liabilities	5	5,530	3,367
Non-interest-bearing liabilities		393	220
Current liabilities		5,923	3,586
TOTAL EQUITY AND LIABILITIES		70,661	52,690

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim financial information for the Group for the twelve and three month period ended December 31, 2020 has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 *Reporting for legal entities* and other statements issued by the Swedish Financial Reporting Board. In all respects other than those described below, Tele2 has presented the financial statements for the period ended December 31, 2020 in accordance with the accounting policies and principles applied in the 2019 Annual Report. The description of these principles and definitions is found in Note 1 in the Annual Report 2019. Disclosures as required by IAS 34 p. 16 A are presented both in the financial statements and notes as well as in other parts of the interim report.

The amendments to IFRSs applicable from January 1, 2020 have no effects to Tele2's financial reports for the twelve month period ended December 31, 2020.

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

Figures presented in this report refer to October 1 – December 31 (Q4), 2020 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2019.

NOTE 2 REVENUE AND SEGMENTS

Revenue per segment

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Sweden	5,569	5,890	21,601	22,415
Lithuania	760	703	2,812	2,656
Latvia	369	366	1,424	1,402
Estonia	214	226	819	813
Total including internal sales	6,913	7,186	26,656	27,287
Internal sales, elimination	-28	-23	-102	-84
TOTAL	6,884	7,163	26,554	27,203

Internal sales

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Sweden	2	1	6	13
Lithuania	15	14	50	44
Latvia	9	5	38	20
Estonia	2	2	8	6
TOTAL	28	23	102	84

Revenue split per category

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Sweden Consumer				
End-user service revenue	3,069	3,111	12,260	12,450
Operator revenue	175	204	676	818
Equipment revenue	559	637	1,989	2,104
Total	3,803	3,951	14,926	15,372
Sweden Business				
End-user service revenue	969	1,061	3,889	4,177
Operator revenue	29	40	119	131
Equipment revenue	517	569	1,684	1,736
Total	1,515	1,671	5,692	6,044
Sweden Wholesale				
Operator revenue	250	266	978	986
Internal sales	1	1	5	13
Total	251	268	984	999
Lithuania				
End-user service revenue	420	392	1,631	1,502
Operator revenue	65	61	262	250
Equipment revenue	260	235	869	859
Internal sales	15	14	50	44
Total	760	703	2,812	2,656
Latvia				
End-user service revenue	226	217	901	857
Operator revenue	42	49	177	195
Equipment revenue	92	95	309	330
Internal sales	9	5	38	20
Total	369	366	1,424	1,402
Estonia				
End-user service revenue	125	129	503	480
Operator revenue	32	32	130	131
Equipment revenue	54	63	178	196
Internal sales	2	2	8	6
Total	214	226	819	813
Internal sales, elimination	-28	-23	-102	-84
CONTINUING OPERATIONS				
End-user service revenue	4,809	4,909	19,184	19,466
Operator revenue	593	653	2,341	2,511
Equipment revenue	1,483	1,600	5,029	5,225
TOTAL	6,884	7,163	26,554	27,203

Underlying EBITDAaL

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Sweden	1,942	1,901	7,608	7,515
Lithuania	263	240	1,043	957
Latvia	138	131	556	526
Estonia	42	46	173	162
Other	-38	-21	-140	-117
TOTAL	2,348	2,298	9,239	9,043

NOTE 3 OPERATING PROFIT AND TAX

Reconciling items to reported operating profit/loss

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Underlying EBITDAaL	2,348	2,298	9,239	9,043
Reversal lease depreciation and interest	313	343	1,245	1,266
Underlying EBITDA	2,661	2,640	10,484	10,309
Acquisition costs	0	-1	-6	-72
Restructuring costs	-54	-101	-261	-570
Disposal of non-current assets	2,016	-7	2,002	-10
Other items affecting comparability	—	5	109	-59
Items affecting comparability	1,963	-104	1,844	-711
EBITDA	4,624	2,536	12,329	9,598
Depreciation/amortization	-1,322	-1,390	-5,269	-5,220
Impairment	—	-1	—	-469
Result from shares in associated companies and joint ventures	255	-20	311	-97
Operating profit	3,557	1,125	7,371	3,812

Acquisition costs

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Com Hem, Sweden	3	2	3	-52
Other	-3	-3	-9	-20
Acquisition costs¹⁾	0	-1	-6	-72

¹⁾ Reported as other operating expenses.

Restructuring costs

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Redundancy costs	-16	-73	-120	-417
Other employee and consultancy costs	-24	-16	-69	-97
Exit of contracts and other costs	-14	-13	-73	-56
Restructuring costs	-54	-101	-261	-570
Reported as:				
– Cost of services provided	-22	-11	-52	-134
– Selling expenses	-21	-21	-130	-203
– Administrative expenses	-10	-69	-79	-233

Disposal of non-current assets

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Recycled translation differences	2,033	—	2,033	—
Other	-17	-7	-31	-10
Disposal of non-current assets²⁾	2,016	-7	2,002	-10

²⁾ Reported as other operating income and other operating expenses.

The translation reserve includes all exchange differences arising from the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the currency in which the Group's financial statements are presented (SEK). As of December 31, 2019 accumulated translation reserves related to the operations in Luxembourg amounted to SEK 3,308 million. Tele2 has gradually reduced its operations in Luxembourg and has completed the shut down of operational activities in its entirety as of Q4 2020. There are no longer any operations or staff left in Luxembourg, and the companies concerned are dormant and Tele2 has divested or otherwise terminated the business carried out through Luxembourg. Furthermore, Tele2 will begin a winding-up process. Against this background, the Luxembourg business has been considered to be disposed of in Q4 and thus the accumulated translation differences of SEK 3,313 million relating to those activities have been recycled to the income statement of which SEK 2,033 million is included in Other operating income and SEK 1,280 million in Income tax.

Other items affecting comparability

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Provision for roaming dispute, Sweden	—	5	—	-54
Provision for legal dispute, Sweden	—	—	109	—
Adjustment of expected credit loss rate, Lithuania	—	0	—	18
Incentive program: adjustment of performance level	—	-0	—	-24
Total	—	5	109	-59
Reported as:				
– Costs of services provided	—	5	109	-57
– Selling expenses	—	0	—	11
– Administrative expenses	—	-0	—	-13

In Q3 2020, a provision was released related to a legal dispute in Sweden where we have now reached an agreement.

Impairment

In 2019, an impairment of SEK 469 million was recognized, largely related to goodwill in Estonia. Please refer to Note 12 in the 2019 Annual Report for further information.

NOTE 4 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

SEK million	Dec 31 2020	Dec 31 2019
T-Mobile Netherlands		
Cost at January 1	6,976	—
Investments	—	6,904
Share of profit for the year	313	-78
Exchange rate differences	-278	150
Total T-Mobile Netherlands	7,011	6,976
Other associated companies and joint ventures	7	7
Total shares in associated companies and joint ventures	7,018	6,983

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

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

In November 2020, Tele2 issued SEK 1.5 billion of seven year bonds. The issuance was divided in a floating rate tranche of SEK 1.0 billion with a coupon of STIBOR 3m +1.03 percentage points and a fixed rate tranche of SEK 500 million with a coupon of 1.125 percent. The notes have been issued under Tele2's EMTN program and are listed for trading on the Luxembourg Stock Exchange.

In June 2020, Tele2 issued SEK 1.7 billion of five year bonds. The issuance was divided in a floating rate tranche of SEK 1.2 billion with a coupon of STIBOR 3m +1.2 percentage points and a fixed rate tranche of SEK 500 million with a coupon of 1.375 percent. The notes have been issued under Tele2's EMTN program and are listed for trading on the Luxembourg Stock Exchange.

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds, lease liabilities and accounts payables. For the category "Liabilities to financial institutions and similar liabilities" the reported value amounted on December 31, 2020 to SEK 24,669 (December 31, 2019: 24,899) million and the fair value to SEK 25,537 (December 31, 2019: 25,652) million.

During 2020, no transfers were made between the different levels in the fair value hierarchy and no significant changes were made to valuation techniques, inputs used or assumptions.

Parent company

During the second and third quarter of 2020, Group internal company restructurings were carried out, with the subsidiary Com Hem AB merging with Tele2 Sverige AB and the subsidiaries Com Hem Sweden AB and Tele2 Holding AB merging with the parent company Tele2 AB. As a result of the restructuring, Tele2 AB's shares in subsidiaries increased by SEK 22 billion with a corresponding increase in net debt to Group companies. The transaction has had no effect on the Group's financial statements. Since then, Tele2 AB has received dividends from subsidiaries, which reduced the debt to Group companies.

NOTE 6 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations (Svenska UMTS-nät AB and Net4Mobility HB, Sweden and SIA Centuria, Latvia), for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at December 31, 2020 to SEK 36 million (December 31, 2019: SEK 65 million). Other transactions with joint operations and other related parties are presented in Note 37 of the 2019 Annual Report.

NOTE 7 CONTINGENT LIABILITIES

Total operations SEK million	Dec 31 2020	Dec 31 2019
Tax deduction exchange loss	—	350
Total contingent liabilities	—	350

In Q4 2020, a provision was made related to the tax deduction on exchange losses on loans to Tele2 Kazakhstan, previously reported as contingent liability. It is presented under discontinued operations for Tele2 Kazakhstan, please refer to Note 10.

NOTE 8 EQUITY, NUMBER OF SHARES AND INCENTIVE PROGRAMS

Number of shares

	Dec 31 2020	Dec 31 2019
Total number of shares	690,341,597	690,341,597
Number of treasury shares	-1,714,023	-2,411,044
Number of outstanding shares	688,627,574	687,930,553
Number of outstanding shares, weighted average	688,392,123	687,532,589
Number of shares after dilution	692,609,831	691,192,229
Number of shares after dilution, weighted average	691,924,160	690,751,970

As a result of share rights in the LTI 2017 being exercised during Q2 2020, Tele2 delivered 683,346 B-shares in treasury shares to the participants in the program. As a result of early vesting of the LTI 2017-2019 being exercised in Q1 2020, Tele2 delivered 13,675 B-shares in treasury shares to some of the participants in the program at a weighted average share price of SEK 137.62. In Q1 and Q3 2020, 20,517 and 18,788 respectively of class A shares were reclassified into class B shares. Changes in shares during previous year are stated in Note 25 in the 2019 Annual Report.

Outstanding share right programs

	Dec 31 2020	Dec 31 2019
LTI 2020	1,499,975	—
LTI 2019	1,313,475	1,395,024
LTI 2018	1,168,807	1,154,334
LTI 2017	—	712,318
Total outstanding share rights	3,982,257	3,261,676

All outstanding long-term incentive programs (LTI 2018, LTI 2019 and LTI 2020) are based on the same structure, except for that LTI 2020 have an operating cash flow performance measure. Additional information regarding the objective, conditions and requirements related to the LTI programs is stated in Note 33 of the 2019 Annual Report. During 2020, the total cost

including social security costs for the long-term incentive programs (LTI) amounted to SEK 95 (145) million before tax, whereof items affecting comparability SEK 0 (45) million.

LTI 2020

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

The Extraordinary General Meeting held on September 11, 2020, resolved to deliver Class B shares under LTI 2020 by authorizing the Board to resolve on transfer of own Class B shares to the participants under LTI 2020 and to the participants in other outstanding equity-related incentive programs. In addition, the EGM resolved that Kjell Johnsen, new president and CEO of the Tele2 Group, shall be included as participant in LTI 2020 and entitled to receive the same rights under LTI 2020 as the CEO was entitled to pursuant to the resolution by the AGM on 11 May, 2020.

LTI 2017

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

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

Dividend

To the Annual General Meeting on April 22, 2021, Tele2's Board of Directors proposes for the financial year 2020 an ordinary dividend of SEK 6.00 per share (SEK 4.1 billion), to be paid in two equal tranches in May and October 2021.

The Annual General Meeting held on May 11, 2020 resolved on a dividend of SEK 5.50 (4.40) per share in respect of the financial year 2019 to be paid in two equal tranches during 2020. This corresponded to a total of SEK 3,788 (3,026) million distributed to the shareholders on May 18, 2020 and October 7, 2020. In addition, the Extraordinary General Meeting held on September 11, 2020 resolved on an extraordinary dividend of SEK 3.50 per share amounting to SEK 2,410 million which was paid along with the second tranche of the ordinary dividend on October 7, 2020.

NOTE 9 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Acquisitions				
Mobile payments, Lithuania	—	-4	—	-13
Other minor acquisitions	—	—	-6	—
Total acquisition of shares and participations	—	-4	-6	-13
Divestments				
Tele2 Kazakhstan	—	-0	—	2,343
Tele2 Netherlands	—	-375	—	1,981
Tele2 Croatia	-5	—	2,039	—
Tele2 Germany	-39	—	-39	—
Earn out settlement Tele2 Austria	-1	—	99	—
Other minor divestments	-0	—	6	—
Total sale of shares and participations	-45	-375	2,104	4,323
TOTAL CASH FLOW EFFECT	-45	-379	2,098	4,310

Information on acquisitions and divestments made in 2019 is provided in the 2019 Annual Report in Note 15 and Note 36, respectively. For information on the discontinued operations in Croatia and in Germany, please refer to Note 10.

NOTE 10 DISCONTINUED OPERATIONS

Tele2 Germany

On December 3, 2020 Tele2 announced the agreement to sell its German business to the Tele2 Germany management for an enterprise value of up to EUR 22.8 million, dependent upon the financial performance of the business until the end of 2024, and on December 11, 2020 the divestment was completed. On December 31, 2020 the estimated fair value of the future cash flows amounted to SEK 140 million. The fair value estimate is sensitive to changes in key assumptions supporting the expected future cash flows for Tele2 Germany. A deviation from the current assumptions regarding the fair value would impact the earn-out asset. A capital loss of SEK -25 million, or SEK 157 million in capital gain excluding negative exchange rate differences recycled from other comprehensive income, is reported. Tele2 Germany is reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods.

Tele2 Croatia

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

Tele2 Kazakhstan

Tele2 was notified in April 2019 that the Swedish Tax Agency has rejected Tele2's claim for a deduction of an exchange loss related to a conversion of a shareholder loan to the joint venture MTS in Kazakhstan from USD to Kazakh Tenge in connection with the establishment of Tele2's previous joint venture in Kazakhstan. After appealing the decision, the Administrative court has in December 2020 partly ruled in favour of Skatteverket. The remaining additional tax claim amounts to SEK 241 million and a tax surcharge and interest of SEK 114 million. Tele2 will appeal the decision to the Administrative Court of appeal. Based on the ruling in the Administrative Court it is Tele2's and its advisors opinion that, it is uncertain whether Tele2 ultimately will succeed in the dispute. Consequently, a provision of SEK 355 million has been recognized in Q4 2020 under discontinued operations.

Net assets at the time of divestment

SEK million	Croatia Mar 3, 2020	Germany Dec 11, 2020	Total
Other intangible assets	166	2	168
Tangible assets	835	1	837
Right-of-use assets	476	4	480
Financial assets	119	0	120
Capitalized contract costs	36	—	36
Deferred tax assets	54	12	66
Inventories	91	4	95
Current receivables	857	123	980
Cash and cash equivalents	32	39	71
Non-current provisions	-142	—	-142
Non-current interest-bearing liabilities	-1,139	-3	-1,142
Current interest-bearing liabilities	-133	-1	-135
Current non-interest-bearing liabilities	-505	-137	-643
Divested net assets	747	44	791
Capital gain, excluding sales costs	584	163	748
Sales price	1,332	207	1,539
Price adjustments, non-cash	—	-207	-207
Repayment of loans	739	—	739
Less: cash in divested operations	-32	-39	-71
TOTAL CASH FLOW EFFECT	2,039	-39	1,999

Income statement

All discontinued operations are included below. Tele2 Germany was divested on December 11, 2020. Tele2 Croatia was divested on March 3, 2020. Tele2 Netherlands and Tele2 Kazakhstan were divested in 2019. In Q3 2020, a positive effect of SEK 51 million was recognized related to the sold operation in the Netherlands, reflecting revised provisions connected to the transaction. The positive effect related to Austria refers to final settlement with Hutchison Drei Austria GmbH (Three Austria) for an earn-out attached to the divestment in 2017. Tele2 received the payment in January 2020.

Discontinued operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Revenue	60	677	690	4,269
Cost of services provided and equipment sold	-26	-390	-339	-2,396
Gross profit	35	287	350	1,873
Selling expenses	-5	-98	-74	-514
Administrative expenses	-11	-100	-99	-366
Other operating income	0	2	2	12
Other operating expenses	0	-2	-1	-4
Operating profit	19	89	179	1,000
Interest income	0	0	0	3
Interest expenses	-17	-3	-19	-97
Other financial items	—	1	—	-145
Profit after financial items	2	87	160	762
Income tax from the operation	-6	-24	-51	-181
Net profit from the operation	-4	63	110	580
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain	-17	127	286	1,786
– of which Germany	-25	—	-25	—
– of which Croatia	2	—	247	—
– of which Netherlands, sold 2019	6	-0	55	61
– of which Kazakhstan, sold 2019	—	-0	—	1,598
– of which Austria, sold 2017	-0	91	8	91
– of which Norway, sold 2015	—	37	—	37
Income tax from capital gain	-337	—	-221	337
– of which Germany	—	—	0	—
– of which Croatia	—	—	116	—
– of which Netherlands, sold 2019	—	—	—	47
– of which Kazakhstan, sold 2019	-337	—	-337	290
NET PROFIT	-358	190	175	2,703
<i>Attributable to:</i>				
Equity holders of the parent company	-358	190	175	2,573
Non-controlling interests	—	0	—	131
NET PROFIT	-358	190	175	2,703
Earnings per share (SEK)	-0.52	0.27	0.25	3.74
Earnings per share, after dilution (SEK)	-0.52	0.27	0.25	3.72

Balance sheet

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

Discontinued operations SEK million	Dec 31 2020	Dec 31 2019
ASSETS		
Other intangible assets	—	167
Intangible assets	—	167
Tangible assets	—	823
Right-of-use assets	—	468
Financial assets	123	115
Capitalized contract costs	—	37
Deferred tax assets	—	53
Non-current assets	123	1,663
Inventories	—	62
Current receivables	16	979
Current investments	—	9
Current assets	16	1,050
Assets classified as held for sale	140	2,713
LIABILITIES		
Interest-bearing liabilities	149	734
Non-current liabilities	149	734
Interest-bearing liabilities	63	129
Non-interest-bearing liabilities	341	559
Current liabilities	405	687
Liabilities directly associated with assets classified as held for sale	554	1,421

Cash flow statement

Discontinued operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Cash flow from operating activities	13	338	143	1,142
Cash flow from investing activities	-45	-424	2,058	4,004
Cash flow from financing activities	0	-26	-31	849
Net change in cash and cash equivalents	-31	-112	2,170	5,995

NOTE 11 EVENTS AFTER THE END OF THE FOURTH QUARTER

As announced on January 12, 2021, Tele2 has made changes to its Leadership Team. The Group's Leadership Team is described at Tele2's website, www.tele2.com, under the Governance section.

On January 19, 2021, Tele2 and Telenor bought 100 MHz in the Swedish 3.5Ghz spectrum auction through its network joint venture Net4Mobility. The spectrum is valid until December 31, 2045, and was purchased for SEK 665.5 million, of which 50 percent will be funded by Tele2.

Non-IFRS measures

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

EBITDA

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

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

Underlying EBITDA

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

Underlying EBITDA: EBITDA excluding items affecting comparability.

Items affecting comparability: Disposals of non-current assets and transactions from strategic decisions, such as capital gains and losses from sales of operations, acquisition costs, integration costs due to acquisition or merger, restructuring programs from reorganizations as well as other items that affect comparability.

Underlying EBITDAaL and underlying EBITDAaL margin

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

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

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

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
Operating profit	3,557	1,125	7,371	3,812
Reversal:				
Result from shares in associated companies and joint ventures	-255	20	-311	97
Depreciation and amortization	1,322	1,391	5,269	5,689
EBITDA	4,624	2,536	12,329	9,598
Reversal, items affecting comparability:				
Acquisition costs	-0	1	6	72
Restructuring costs	54	101	261	570
Disposal of non-current assets	-2,016	7	-2,002	10
Other items affecting comparability	—	-5	-109	59
Total items affecting comparability	-1,963	104	-1,844	711
Underlying EBITDA	2,661	2,640	10,484	10,309
Lease depreciation	-299	-320	-1,182	-1,185
Lease interest costs	-14	-23	-63	-81
Underlying EBITDAaL	2,348	2,298	9,239	9,043
Revenue	6,884	7,163	26,554	27,203
Revenue excluding items affecting comparability	6,884	7,163	26,554	27,203
Underlying EBITDAaL margin	34%	32%	35%	33%

Non-IFRS measures – Capex paid and capex

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

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

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

SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
TOTAL OPERATIONS				
Additions to intangible and tangible assets	-729	-662	-2,750	-3,610
Sale of intangible and tangible assets	-0	-4	1	3
Capex paid	-729	-665	-2,749	-3,607
This period's unpaid capex and reversal of paid capex from previous period	-151	-114	16	758
Reversal received payment of sold intangible and tangible assets	0	4	-1	-3
Capex intangible and tangible assets	-879	-776	-2,734	-2,852
Additions to right-of-use assets	-602	-585	-1,204	-1,509
Capex	-1,481	-1,361	-3,938	-4,361
CONTINUING OPERATIONS				
Additions to intangible and tangible assets	-729	-613	-2,705	-3,292
Sale of intangible and tangible assets	-0	-4	1	2
Capex paid	-729	-616	-2,704	-3,289
This period's unpaid capex and reversal of paid capex from previous period	-150	-92	-11	837
Reversal received payment of sold intangible and tangible assets	0	4	-1	-2
Capex intangible and tangible assets	-879	-705	-2,717	-2,455
Additions to right-of-use assets	-602	-552	-1,182	-1,306
Capex	-1,481	-1,257	-3,899	-3,761

Non-IFRS measures – Operating cash flow

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

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

Continuing operations SEK million	Oct-Dec 2020	Oct-Dec 2019	Jan-Sep 2020	Jan-Sep 2019
Underlying EBITDAaL	2,348	2,298	9,239	9,043
Capex excluding spectrum and leases	-879	-705	-2,717	-2,387
Operating cash flow	1,469	1,593	6,523	6,656

Non-IFRS measures – Equity free cash flow

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

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

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

SEK million	Oct-Dec 2020	Oct-Dec 2019	Full year 2020	Full year 2019
TOTAL OPERATIONS				
Cash flow from operating activities	1,886	2,463	8,816	9,716
Capex paid	-729	-665	-2,749	-3,607
Amortization of lease liabilities	-272	-313	-1,188	-1,269
Equity free cash flow	885	1,484	4,879	4,840
CONTINUING OPERATIONS				
Cash flow from operating activities	1,873	2,125	8,672	8,572
Capex paid	-729	-616	-2,704	-3,289
Amortization of lease liabilities	-272	-283	-1,168	-1,124
Equity free cash flow	872	1,225	4,799	4,159

Non-IFRS measures – Net debt and economic net debt

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

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

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

Total operations SEK million	Dec 31 2020	Dec 31 2019
Interest-bearing non-current liabilities	27,234	27,752
Interest-bearing current liabilities	4,881	5,066
Reversal equipment financing	—	-139
Reversal provisions	-1,660	-1,774
Cash & cash equivalents, current investments and restricted funds	-970	-448
Derivatives	-217	-154
Net debt for assets classified as held for sale	—	513
Net debt	29,269	30,816
Reversal:		
Lease liabilities	-5,327	-6,111
Economic net debt	23,942	24,705

Organic

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

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

Reconciliation of figures are presented in an excel document (Q4 2020-financials to the market) on Tele2's website www.tele2.com.



TELE2