2020

Annual and Sustainability Report

TELE2

Contents

Audited (unless otherwise stated)

TELE2

Our vision

"The smartest telco in the world, creating a society of unlimited possibilities."

Our Strategy

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

Distinctly positioned leading brands, aiming to win the customer through FMC. We aim to be an outstanding partner to businesses and the public sector.

Radical Simplification

Our mindset allows us to quickly adapt to the world around us, and continuously modernize our operations.

The Tele2 Way

The Tele2 Way defines who we are and how we do things.

OPEN
Have no prestige and be honest with the facts. Good and bad.

RELIABLE
We deliver on our promises both to customers and colleagues.

FEARLESS
Dare to be unconventional. Make clear prioritizations. Execute fast.

COST EFFICIENT
Keep it simple. Keep it smart. Focus on things that brings value.

FLEXIBLE
The world and our customers are constantly changing. So must we.

TELE2

What we do

We are an integrated provider of fixed and mobile connectivity and entertainment services across our markets.

MOBILE TELEPHONY

Monetize rising data consumption
We offer mobile connectivity and handset related data services in all our markets.

HIGH-SPEED BROADBAND

The backbone of a convergent offering
We offer fixed connectivity through our fiber and coax networks in Sweden and mobile broadband services in Sweden and the Baltics.

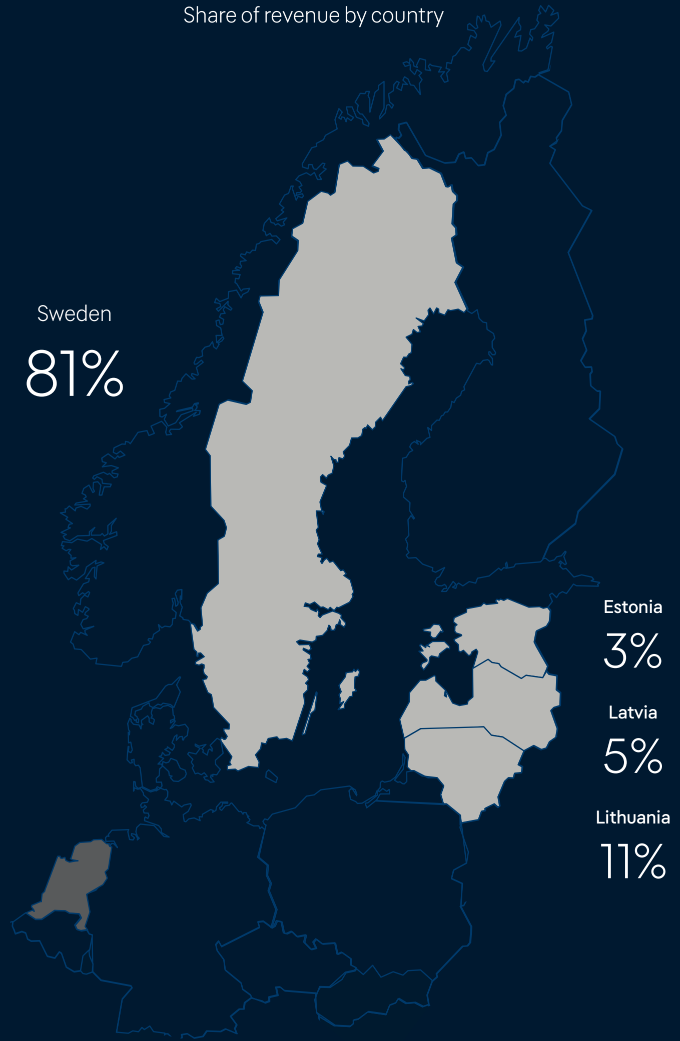
DIGITAL TV

Leading TV provider
We aggregate content across our markets in Sweden and the Baltics offering both linear and streaming services.

Where we operate

Tele2 is a Baltic Sea Challenger driving a strategy based on fixed mobile convergence in Sweden and mobile centric convergence in the Baltics. Tele2 also owns 25% in T-Mobile Netherlands.

Share of revenue by country



CEO Word

The world experienced major upheaval in 2020 due to the ever growing pandemic. Flexibility became even more important as the lives of people, companies and governments were changed in ways that virtually none of us had expected. In this context, I am very happy and proud to see that we have executed on our transformation agenda, delivered a robust performance financially and technically while still putting the safety of our employees at the top of the priority list. I would like to thank all Tele2 employees for delivering and taking so much responsibility throughout a challenging year!

Financially, we closed the year delivering on our major targets given reasonable adjustments for the pandemic. While recording minor shortfalls on revenues, a fair picture including some adjustments for lost roaming and premium TV takes us into positive growth territory. Our successful focus on cost allowed us to end the year with an organic underlying EBITDAaL increase of 2% year-over-year. We also concluded our international consolidation by divesting our German business and our Croatian business, followed by an extraordinary dividend to our shareholders despite the pandemic. All the while, the development of our 25% holding in T-Mobile Netherlands continued to look very promising.

Our Sweden Consumer segment saw a good uptake of mobile postpaid subscriptions and continued conversion from prepaid. Both Tele2 and Comviq are well positioned to serve their designated segments of the Swedish market. Despite the uncertainties surrounding 5G, Tele2 became the first operator to launch real 5G in a public network in Sweden. In TV, the lack of premium content left Com Hem with a sharply reduced portfolio for our customers, but the trend definitely improved throughout the second half of the year. We had a steady intake of broadband customers and the analogue-to-digital TV switch, combined with the ongoing Remote-PHY upgrade to our fixed infrastructure, will allow us to enhance our services even further going forward. The B2B market in Sweden has been challenging for some time. In 2020, we initiated fundamental improvements of our internal delivery chain and our interfaces to support our market facing unit.

While we will vigorously defend our position in the SME segment, we will be more granular and value focused than before in the large enterprise and public segments. Going forward, 5G-enabled value chains represent an interesting opportunity for stronger relationships with our key customers and we look forward to developing these opportunities together with them.

In the Baltics, I am impressed by the way all three markets have navigated through the pandemic. Lithuania has ceaselessly continued its impressive momentum and growth, while Tele2 Latvia was first in launching 5G and achieved the fastest 4G download speeds for the fourth consecutive year. In Estonia, we continued the turnaround that started in 2019 and managed to drive growth in end-user service revenue through both volume and value.

I can proudly conclude that we held to our sustainability commitments throughout the pandemic. Tele2 became the first operator within the Nordics and Baltics to be climate neutral in its own operations and we initiated a new partnership with Civil Rights Defenders and the Swedish Prince Carl Philip and Princess Sofia's Foundation. We proudly maintained our top rating from MSCI ESG (AAA), increased our ISS ESG rating to C+ (prime) and achieved a CDP climate change rating of B–, above industry, EU and global averages. Perhaps most importantly, we initiated the renewal of our sustainability strategy, including gathering input from more than 9,000 internal and external stakeholders. As such, our new strategy will both provide business opportunities and contribute to the society and the environment.

In 2021, we will move ahead and launch our consolidated premium brand, creating a true converged offering to the Swedish market. We are moving towards an IT-architecture that enables both more flexibility in our go to market as well as significant cost reductions as we decommission old systems throughout 2022. Overall, the brand consolidation contributes in a major way to both our commercial ambitions and the mid-term financial ambitions. Furthermore, we see this as a step back from unnecessary brand proliferation with limited value to customers in the Swedish market.

"We will now focus on execution as we build on Tele2's strong foundations to become smarter, provide even better customer experience and deliver more value to our shareholders.

We have now put in place an experienced management team and made key decisions with regard to how we organize our business going forward. Our 5G rollout is set in motion and we have clarity that makes us confident in our stated mid-term targets. As such, we have proposed a 9% increase in ordinary dividend and reserved the opportunity to consider further shareholder remuneration during 2021. We will now focus on execution as we build on Tele2's strong foundations to become smarter, provide even better customer experience and deliver more value to our shareholders.

Kjell Johnsen
President and CEO

Tele2 at a glance

Tele2 believes in unleashing the unlimited opportunities that connectivity provides to all our customers. Ever since Tele2 was founded in 1993, we have continued to be a fearless challenger to prevailing norms and dusty monopolies. Today our fast networks enable mobile and fixed connectivity, telephony, data network services, TV, streaming and global IoT solutions for millions of customers. We are a value driven company and we aim to be the smartest telco in the world, creating a society of unlimited possibilities.

Tele2 is a strong cash generative company and shareholder remuneration is at the core of Tele2's equity strategy. From 2011 to 2020 we have distributed roughly SEK 62,4 billion to shareholders through dividends. Going forward we are committed to maintaining leverage within the 2.5–3.0x range as underlying EBITDAaL grows and distribute at least 80% of equity free cash flow to shareholders.

During 2020 we continued the strategy to focus Tele2's geographical footprint towards the core Baltic Sea Region where we have the scale and market position to drive sustainable growth. In March 2020, the sale of Tele2 Croatia to United Group was completed. In December 2020, Tele2 entered into an agreement to sell its German business to the Tele2 Germany management.

Tele2, like society as a whole, has been impacted by the COVID-19 pandemic in 2020. Tele2 closed its offices in March and was able to quickly adapt to a digitalized working environment and an operational focus to mitigate the negative effects from the pandemic. As society turned more digital, the importance of connectivity has become more clear than ever. After the pandemic is over, Tele2's role as an essential part of society will remain and Tele2 will continue to meet the increasing demand for connectivity.

Tele2 made significant progress in the area of sustainability in 2020. In April 2020, Tele2 became the first telco in the Nordics and the Baltics to be climate neutral in its own operations. As a next step, a new sustainability strategy was developed and launched early 2021 including four new focus areas which will be integrated into management's short-term incentives.

In Q2 2020, Tele2 took a major step to assert its position as a leading telecommunications company by offering its customers Sweden's first public 5G network in around 30 cities. After securing spectrum in the Swedish 3.5GHz auction in January, 2021, Tele2 can now begin the wider rollout of 5G in Sweden, securing continued delivery of reliable and faster connectivity to customers.

Sweden

After the completion of the Com Hem integration in Sweden, we now have the opportunity to turn Tele2 into a more flat and fast organization. To this end, we launched a business transformation program in 2020, which will kickstart our journey toward becoming the smartest telco in the world. Inspired by our vision, the business transformation program will drive radical simplification and relentless customer focus. We expect this to lead to at least SEK 1 billion of cost reductions over three years, as we will remove a large number of legacy systems in sync with transformation across the entire Swedish organization.

Tele2's strategy in the consumer market is to increase customer satisfaction through more-for-more fixed-mobile-convergence offerings. 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 remain relevant to all customer demographics. In 2020, phase one of this strategy was largely completed with most of the addressable FMC-base of customers who have both fixed and mobile services from our brands now on FMC offers. In 2021 we will launch phase two of the FMC strategy by merging our premium brands and offer our customers one unified FMC experience.

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 launched our own streaming service, Comhem Play+ in 2020, becoming an aggregator of streamed video in addition to linear. In 2020, the focus was on building a customer base and in 2021 we will continue to do so while benefiting from the investments made in 2020.

In Sweden Business we will work to become more dynamic in our approach to the different segments in the market and promote closer collaboration with the Technology organization for a cost-efficient, high-quality connectivity service. We merged the SME and Large Enterprise units to allow better coordination, and consolidated Sweden Business and Sweden Consumer support functions. In SME we will start rolling out our new product portfolio to boost sales and in Large Enterprise we will continue modernizing our product portfolio and focus on profitability rather than volume.

The Baltics

In the Baltics we see telecommunication markets and macro-economic environments that are favorable despite impact from the pandemic. We are able to grow both top-line and bottom-line by successfully executing on our mobile-centric-convergence and more-for-more strategy by monetizing the increased data consumption of our customers. In 2021 we expect to start the broader roll-out of 5G and successfully launch our network sharing joint-venture with Bite in Lithuania and Latvia. We will also investigate the need to add fixed services in each of these market in order to move to a fixed mobile-convergence strategy.

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 from the merger with Tele2 Netherlands and becomes a stronger challenger in the market. In addition to the continued operational progress during 2020, TMNL took strategic steps to further enhance the value of the company through the purchase of 5G spectrum and the acquisition of the MVNO Simpel. Over time we see an opportunity to crystalize value for our shareholders as we exit this market.

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 Board of Directors of Stichting Continuiteit Ahold Delhaize, Non executive director at Allegro.eu 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: 14,035 B shares

Committee work: Chairman of the Remuneration Committee

Other current assignments: Board Member of Ocean Outdoor Limited, Verisure and Openreach

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 Cambridge University, MBA Stanford University

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, Allgon AB, Elonroad 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: M.Sc. 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: N/A

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

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, Member of the Board of Eutelsat

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 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 SWECO AB, Acast AB, 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: M.Sc. 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 and 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: M.Sc. in Engineering Physics from Uppsala University, M.Sc. in Systems Engineering from Case Western Reserve University, MBA from University of Gothenburg

Leadership team

Kjell Johnsen

President and CEO, Tele2 Group

Joined the company in 2020

Born:1968

Kjell has broad international experience from senior management and board positions in different industries and countries, including Group COO of VEON, CEO Beeline Russia, Chairman of WindTre Italy and EVP Head of Telenor Europe.

Holdings in Tele2[1]: 100,000 B shares

100,000 share rights (LTI 2020)

Mikael Larsson

Executive Vice President, 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]: 97,953 B shares

60,000 share rights (LTI 2018)

60,000 share rights (LTI 2019)

60,000 share rights (LTI 2020)

Stefan Backman

Executive Vice President, 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 2018)

27,000 share rights (LTI 2019)

27,000 share rights (LTI 2020)

Kim Hagberg

Executive Vice President, 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]: 13,789 B shares

8,000 share rights (LTI 2018)

27,000 share rights (LTI 2019)

27,000 share rights (LTI 2020)

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

Yogesh Malik

Executive Vice President, CTIO

Joined the company and the leadership team in 2021

Born: 1972

Yogesh served as VEON's Group CTO and a member of VEON's executive board in 2014–2020. Prior to joining VEON, he was the CEO of Telenor India (Uninor), following a number of senior technology and business roles in Europe, North and South America, China and South Asia.

Holdings in Tele2[1]: Does not hold any shares or rights

Samuel Skott

Executive Vice President, 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 2018)

60,000 share rights (LTI 2019)

60,000 share rights (LTI 2020)

Karin Svensson

Executive Vice President, 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]: 13,500 B shares

31,500 share rights (LTI 2018)

27,000 share rights (LTI 2019)

27,000 share rights (LTI 2020)

Stefan Trampus

Executive Vice President, Tele2 B2B

Joined the company in 2018, joined the leadership team in 2021

Born: 1969

Stefan has experience from more than 20 years in the Swedish telecommunication industry, including senior roles such as Chief Sales Officer at Com Hem, Head of the B2B and Landlord business units at Com Hem and Head of Broadband Services at Telia Sweden. Stefan is also CEO of Tele2's subsidiary iTUX.

Holdings in Tele2[1]: 35,000 B shares

12,000 share rights (LTI 2018)

12,000 share rights (LTI 2019)

12,000 share rights (LTI 2020)

[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 share declined by 20.1% during 2020, from SEK 135.9 to SEK 108.6, while the OMX Stockholm PI increased by 12.9%, the OMX Stockholm Telecommunications PI decreased by 8.7% and Tele2's peer group[1] decreased by an average of 15.7%. The highest closing price in 2020 was SEK 154.10 on February 20, and the lowest closing price was SEK 105.55 on October 30. The average closing share price was SEK 125.68. In 2020, the Tele2 B share delivered a TSR of –13.4%.

Turnover and trading

In 2020, a total of 686.5 million Tele2 B shares were traded on Nasdaq Stockholm for a value of approximately SEK 85.2 billion. An average of 2.7 million Tele2 B shares were traded per trading day, representing a value of approximately SEK 334.9 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% 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% of equity free cash flow to shareholders, through a combination of dividends and/or share repurchases.

Shareholder remuneration in 2020

During 2020, shareholders were remunerated by a total of SEK 6,198 million in the form of an ordinary cash dividend of SEK 5.50 per share and an extraordinary dividend of SEK 3.50 per share following the transaction in Croatia.

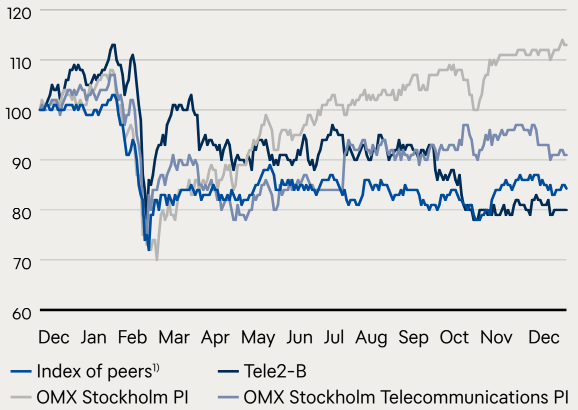
Proposed shareholder remuneration in 2020

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

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 on 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, 2020, there were 22.6 million registered class A shares, 667.8 million class B shares (of which 1.7 million held in treasury) and 0 class C shares.

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

Shareholders

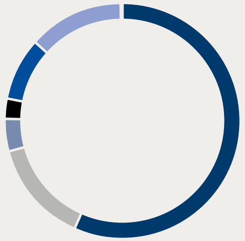
At December 31, 2020, Tele2 had 84,672 known shareholders and the market capitalization of the company was SEK 74,730 million. Kinnevik AB owns as of December 31, 2020, 27.2% of the capital and 42.0% of the voting rights. No other shareholder owns, directly or indirectly, more than 10% of the shares in Tele2. The 10 largest single shareholders represented 48.4% of the share capital and 58.4% of the votes. Foreign shareholders held 43.3% of the share capital and 33.5% of the votes.

Top 10 shareholders

As of December 31, 2020	Capital (%)	Votes (%)
Kinnevik	27.2	42.0
BlackRock	6.2	4.8
Handelsbanken Funds	2.4	1.9
Norges Bank	2.2	1.7
Vanguard	2.2	1.7
Swedbank Robur Funds	2.0	1.6
Adelphi Capital LLP	1.7	1.4
Janus Henderson Investors	1.6	1.2
Nordea Funds	1.5	1.1
SEB Funds	1.4	1.1
Total top 10	**48.4**	**58.4**

Source: Modular Finance

Ownership by country



Source: Modular Finance

TELE2

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 2020.

Figures presented in this report refer to continuing operations unless otherwise stated, with comparable figures for the previous year in parentheses. Tele2 Croatia and Tele2 Germany are reported as discontinued operations for all periods. Discontinued operations also include former operations, primarily in the Netherlands and Kazakhstan. See Note 33.

Financial overview

Revenue

Revenue declined by 2% and end-user service revenue declined 1% organically for the group as continued growth in the Baltics was offset by decline in Sweden, primarily explained by headwinds caused by the COVID-19 pandemic.

Underlying EBITDAaL

Underlying EBITDAaL grew by 3% organically as growth in the Baltics, continued execution of the business transformation program and synergies from the merger between Tele2 and Com Hem offset the pandemic headwinds.

Operating profit

Operating profit increased by 93% as a result of organic growth in underlying EBITDA, contribution from shares in associated companies, as well as increased items affecting comparability related to translation differences, recycled from the income statement in conjunction with the closure of the operation in Luxembourg in Q4 2020.

Net profit

Net profit from total operations amounted to SEK 7,408 (5,134) million. The increase compared to the previous year was mainly driven by organic growth in underlying EBITDA, contribution from shares in associated companies, inflated items affecting comparability and lower income tax which included a positive effect of SEK 1,280 million related to the translation differences in Luxembourg mentioned above.

Capex excluding spectrum and leases

Capex excluding spectrum and leases amounted to SEK 2,717 (2,387) million. The increase versus the previous year was primarily driven by 5G related network investments and IT investments related to the business transformation program and temporarily higher customer equipment capex in connection with the digitalization of the analogue TV service.

Equity free cash flow

Equity free cash flow from continuing operations increased to SEK 4,799 (4,159) million or SEK 6.93 per share, mainly as a result from growth in underlying EBITDA, strong cash conversion and less capex paid as the spectrum payment from the 700 MHz auction in 2018 was paid in 2019. Equity free cash flow from total operations amounted to SEK 4,879 (4,840) million.

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 April and October 2021. For further information on the proposed appropriation of the profit, see Note 23.

Economic net debt/underlying EBITDAaL (financial leverage)

Financial leverage was 2.6x (2.5x) as of December 31, 2020. While economic net debt was reduced, leverage increased as the figures from 2019 includes underlying EBITDAaL from former operations. Economic net debt amounted to SEK 23,942 (24,705) million, reduced by SEK 0.8 billion as SEK 6.2 billion in shareholder remuneration was covered by cash flow generation and proceeds from the divestment of Tele2 Croatia.

Events after the end of the financial year

As announced on January 12, 2021, Tele2 has made changes to its Leadership Team. The Group's Leadership Team is described under the section Leadership team and can be found on page 9–10.

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.

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 statutory sustainability report is defined in connection to the GRI content index in the sustainability report and can be found on page 57.

Three-year summary

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 report.

SEK million	2020	2019	2018
CONTINUING OPERATIONS			
End-user service revenue	19,184	19,466	13,512
Revenue	26,554	27,203	21,236
Underlying EBITDA	10,484	10,309	6,137
EBITDA	12,329	9,598	5,387
Operating profit	7,371	3,812	3,047
Profit after financial items	6,855	3,367	2,674
Net profit	7,233	2,431	889
Underlying EBITDAaL	9,239	9,043	6,137[1]
CapEx excluding spectrum and leases	2,717	2,387	1,983
Operating cash flow	6,523	6,656	4,154
Equity free cash flow	4,799	4,159	1,796
Key ratios			
Operating profit margin	28%	14%	14%
Value per share (SEK)			
Equity free cash flow	6.97	6.05	3.38
CONTINUING OPERATIONS, INCLUDING COM HEM PROFORMA[2]			
End-user service revenue	19,184	19,466	19,353
Revenue	26,554	27,203	27,293
Underlying EBITDAaL	9,239	9,043	8,497[1]
Capex excluding spectrum and leases	2,717	2,387	2,632
Key ratios			
End-user service revenue growth, organic	−1%	0%	−1%
Underlying EBITDAaL growth, organic	2%	6%	3%[1]
Underlying EBITDAaL margin	35%	33%	31%[1]

SEK million	2020	2019	2018
TOTAL OPERATIONS			
Net profit	7,408	5,134	992
Total assets	75,411	79,784	82,644
Equity	32,751	34,805	36,362
Equity free cash flow	4,879	4,840	1,757
Key ratios			
Economic net debt to Underlying EBITDAaL	2.6x	2.5x	2.8x
Value per share (SEK)			
Net profit/loss	10.76	7.28	1.61
Net profit/loss, after dilution	10.71	7.24	1.60
Equity	47.56	50.59	52.89
Equity free cash flow	7.09	7.04	3.31
Dividend, ordinary	6.00[3]	5.50	4.40
Dividend, extraordinary	—	3.50	6.00
Market price at closing day	108.60	135.85	112.95

1) Underlying EBITDAaL equals Underlying EBITDA since IFRS 16 has not been applied retroactively.
2) Com Hem proforma 2018 is unaudited.
3) Proposed dividend.

Group summary

Continuing operations SEK million	2020	2019	Organic %
END-USER SERVICE REVENUE			
Sweden	16,149	16,627	−3%
Lithuania	1,631	1,502	10%
Latvia	901	857	6%
Estonia	503	480	6%
Total	**19,184**	**19,466**	**−1%**
REVENUE			
Sweden	21,601	22,415	−4%
Lithuania	2,812	2,656	7%
Latvia	1,424	1,402	3%
Estonia	819	813	2%
Internal sales, elimination	−102	−84	—
Total	**26,554**	**27,203**	**−2%**
UNDERLYING EBITDAaL			
Sweden	7,608	7,515	1%
Lithuania	1,043	957	10%
Latvia	556	526	7%
Estonia	173	162	8%
Other	−140	−117	—
Total	**9,239**	**9,043**	**2%**

Continuing operations SEK million	2020	2019	Organic %
CAPEX			
Sweden	2,399	2,035	18%
Lithuania	120	139	−12%
Latvia	104	122	−14%
Estonia	93	90	5%
Other	—	2	−100%
Capex excluding spectrum and leases	**2,717**	**2,387**	**14%**
Spectrum	—	68	
Rights-of-use assets (leases)	1,182	1,306	
Total	**3,899**	**3,761**	
of which:			
– Network	1,301	1,144	
– IT	740	740	
– Customer equipment	516	303	
– Other	159	201	
Capex excluding spectrum and leases	**2,717**	**2,387**	

Overview by segment

Sweden

2020 in brief

End-user service revenue declined by 3% organically compared to 2019 due to headwinds from the pandemic and continued decline within Sweden Business. The main headwinds caused by the pandemic were reduction of international roaming, less mobile prepaid sales and suspension of premium sports packages in TV. Despite the decline in end-user service revenue, underlying EBITDAaL increased by 1% organically, primarily driven by cost savings from the business transformation program and impact from the previous year's synergies from the Com Hem merger.

In 2020, a business transformation program was launched to unlock at least SEK 1 billion in opex reduction over three years. The program had an impact of approximately SEK 95 million in the year and reached an annualized run-rate of SEK 250 million at the end of the year. Tele2 Sweden took a key step to assert its place as a leading telecommunication provider through the launch of Sweden's first public 5G network.

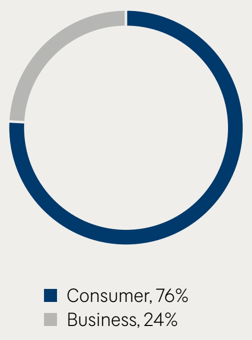
2021

In 2021 the business transformation program is expected to reach roughly half of the SEK 1 billion target by the end of the year. The main focus will be on reducing legacy IT system, drive simplification, streamline processes and consolidate the two premium consumer brands.

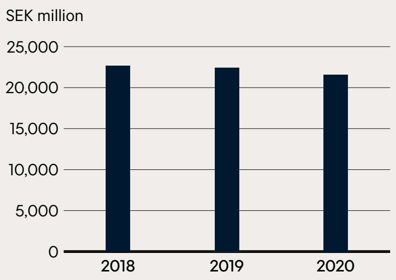
In January 2021, Tele2 and Telenor bought 100 MHz in the Swedish 3,5 GHz spectrum auction through its network joint venture Net4Mobility. With sufficient spectrum, Tele2 will now roll out 5G across the country with a target to cover 99% of the population in three years. The fixed network will be upgraded in parallel with the 5G rollout through the remote PHY rollout in the coax network.

Financials SEK million	2020	2019	Organic %
End-user service revenue	**16,149**	**16,627**	**−3%**
Revenue	21,601	22,415	−4%
Underlying EBITDA	8,676	8,614	
Underlying EBITDAaL	**7,608**	**7,515**	**1%**
Underlying EBITDAaL margin	35%	34%	
Capex			
Network	1,073	927	
IT	681	649	
Customer equipment	508	299	
Other	137	161	
Capex excluding spectrum and leases	**2,399**	**2,035**	
Right-of-use-assets (leases)	987	1,073	
Capex	**3,387**	**3,109**	
Capex excluding spectrum and leases / revenue	11%	9%	

End-user service revenue per business area, 2020

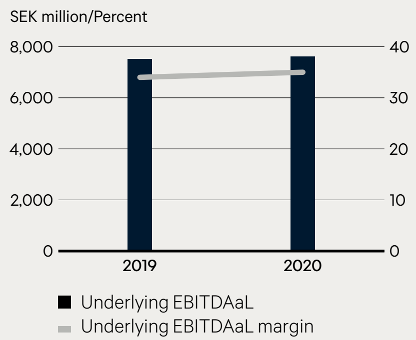


Revenue[1)]



[1)] Fiscal year 2018 includes Com Hem proforma and is unaudited.

Underlying EBITDAaL



Sweden Consumer

2020 in brief

The main focus of 2020 has been continued execution of the fixed-mobile-convergence (FMC) more-for-more strategy to drive growth by increasing customer satisfaction. The FMC customer stock increased by roughly 25% to 270,000 customers. These customers continue to have significantly lower churn compared to single play customers. On the back of product improvements such as upgrades to broadband speed and mobile data, backbook price adjustments were successfully implemented on both the mobile and fixed customer base throughout the year. A new frontbook price portfolio was introduced for Tele2 mobile in September, further establishing Tele2 as a premium brand.

The new video streaming service Comhem Play+ was launched to future proof the TV business, meet the transition in consumer demand and participate in the growing video streaming market. Comviq Broadband was launched and FMC offers were introduced through Comviq as the first mid-tier FMC brand.

End-user service revenue declined by 2% as growth in mobile and fixed broadband was offset by declines in digital TV, exacerbated by pandemic effects on premium sports revenue, and continued decline in fixed telephony & DSL. Mobile end-user service revenue increased with 1% as strong volume growth and effects from price adjustments offset headwinds from the pandemic, negatively impacting international roaming revenue and mobile prepaid sales.

2021

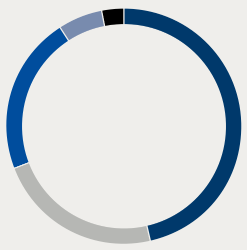
In 2021, the goal for Sweden Consumer is to return to growth through continued execution of the FMC more-for-more strategy.

The next phase of the FMC strategy involves optimizing the brand portfolio by merging the Tele2 and Com Hem into one premium brand. This will lead to more efficient cross selling and enable a genuine convergent customer experience with all services streamlined from front- to-back-end.

Tele2 will aim to maintain its 5G leadership through the broader rollout in Sweden and utilize 5G and remote-PHY to support the more-for-more strategy.

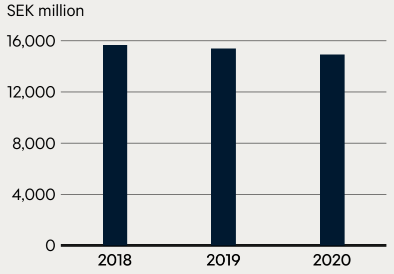
Investments made in 2020 and further development of Comhem Play+ is expected to increase the customer base of the service in 2021.

End-user service revenue per service, 2020



- Mobile, 47%
- Digital TV, 23%
- Fixed broadband, 22%
- Landlord & Other, 6%
- Fixed telephony & DSL, 3%

Revenue[1)]



1) Fiscal year 2018 includes Com Hem proforma and is unaudited.

	2020	2019	Organic %
RGUs (thousands)[1)]			
Mobile	2,956	2,962	0%
– Postpaid	1,931	1,875	3%
– Prepaid	1,025	1,088	–6%
Fixed	2,122	2,177	–3%
– Fixed broadband	911	873	4%
– Digital TV	979	1,022	–4%
– Cable & Fiber	662	665	0%
– DTT	317	357	–11%
– Fixed telephony & DSL	232	282	–18%
Total RGUs	**5,079**	**5,139**	**–1%**
Addressable fixed footprint	3,521	3,314	6%
ASPU (SEK)[1)]			
Mobile	161	159	1%
– Postpaid	207	206	0%
– Prepaid	79	81	–3%
Fixed	226	231	–2%
– Fixed broadband	248	247	0%
– Digital TV	240	255	–6%
– Cable & Fiber	213	231	–8%
– DTT	293	298	–2%
– Fixed telephony & DSL	100	107	–6%
Revenue (SEK million)			
Mobile	5,726	5,651	1%
– Postpaid	4,721	4,567	3%
– Prepaid	1,005	1,085	–7%
Fixed	5,840	6,092	–4%
– Fixed broadband	2,653	2,516	5%
– Digital TV	2,878	3,186	–10%
– Cable & Fiber	1,693	1,835	–8%
– DTT	1,185	1,351	–12%
– Fixed telephony & DSL	309	390	–21%
Landlord & Other	694	706	–2%
End-user service revenue	**12,260**	**12,450**	**–2%**
Operator revenue	676	818	
Equipment revenue	1,989	2,104	
Revenue	**14,926**	**15,372**	**–3%**

1) Unaudited.

Sweden Business

2020 in brief

In 2020, Sweden Business was affected by headwinds from the pandemic including lower international roaming. Lower economic activity resulted in fewer new sales as businesses were hesitant to invest in telecommunication services. Two important steps were taken to improve the organization; merging the SME and Large Enterprise units to allow for better coordination, and consolidating the Sweden Business and Sweden Consumer support functions to increase efficiency.

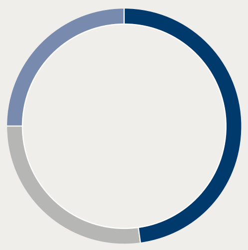
During the year, Tele2 won new and extended contracts with customers in both the private and the public sector, such as Dustin, Anticimex, Skatteverket and Göteborgs Stad. While mobile net intake continued to be positive with 27,000 new RGUs, price pressure, particularly in the public sector, and headwinds from the pandemic drove a decline in mobile ASPU, resulting in a 5% decline in mobile end-user service revenue. Together with decline in legacy fixed services and business solutions, this drove a total end-user service revenue decline of 7% for the year.

2021

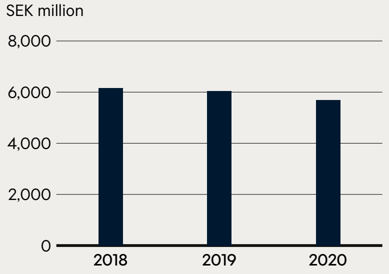
In 2021, the internal focus will be to reduce silos, utilize infrastructure synergies from Com Hem, realize internal synergies and increase coordination with the new Technology organization to improve delivery, service and sales across the entire organization.

Tele2 will aim to stabilize end-user service revenue by utilizing the new mobile portfolio to drive sales and reduce churn within the small business segment where market prices and profitability remains attractive. Within the public sector, efforts will be made to improve profitability by tailoring the incentive structure and improving the review process for new contracts. Within the large corporate segment focus will be to improve profitability and pricing by simplifying the service offering and tailoring the incentive structure toward profitability, closer customer partnership and upselling.

End-user service revenue per service, 2020



Revenue[1)]



1) Fiscal year 2018 includes Com Hem proforma and is unaudited.

Sweden Business

	2020	2019	Organic %
RGUs (thousands) 1)			
Mobile (excluding IoT)			
– Postpaid	947	920	3%
ASPU (SEK) 1)			
Mobile (excluding IoT)			
– Postpaid	145	165	−12%
Revenue (SEK million)			
Mobile	1,866	1,974	−5%
Fixed	980	1,113	−12%
Solutions	1,043	1,090	−4%
End-user service revenue	**3,889**	**4,177**	**−7%**
Operator revenue	119	131	
Equipment revenue	1,684	1,736	
Revenue	**5,692**	**6,044**	**−6%**

Sweden Wholesale

Financials SEK million	2020	2019	Organic %
Operator revenue	978	986	
Internal sales	5	13	
Revenue	**984**	**999**	**−2%**

1) Unaudited.

Baltics

Lithuania

2020 in brief

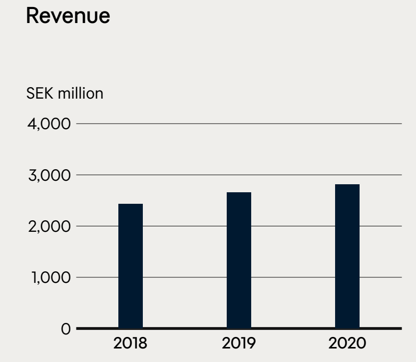
In 2020, Tele2 Lithuania successfully launched several new services including a new video proposition which helped strengthen the mobile-centric-convergence strategy. The business was affected by the pandemic mainly through lower international roaming revenue and less mobile prepaid and equipment sales. In spite of the headwinds from the pandemic, Tele2 Lithuania successfully continued its more-for-more strategy resulting in ASPU growth of 9%. End-user service revenue growth together with successful cost management actions led to organic underlying EBITDAaL growth of 10%.

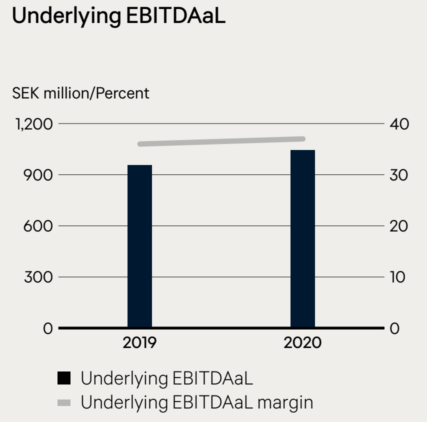
2021

Tele2 Lithuania will build on its strength as a market leader in the consumer market while aiming for additional growth in the B2B segment through new service offerings and focus on market share gains in mobile broadband. Preparation for the 5G rollout will be made including activation of the network joint venture with Bite.

	2020	2019	Organic %
RGUs (thousands) [1]			
Mobile	1,884	1,895	−1%
ASPU (EUR) [1]			
Mobile	6.9	6.3	9%
Revenue (SEK million)			
End-user service revenue	1,631	1,502	10%
Operator revenue	262	250	
Equipment revenue	869	859	
Internal sales	50	44	
Revenue	**2,812**	**2,656**	**7%**
Underlying EBITDA	1,111	1,019	
Underlying EBITDAaL	**1,043**	**957**	**10%**
Underlying EBITDAaL margin	37%	36%	
Capex	177	157	
Capex excluding spectrum and leases	**120**	**139**	
Capex excluding spectrum and leases / revenue	4%	5%	

[1] Unaudited.





Latvia

2020 in brief

In 2020, Tele2 Latvia continued to execute on its mobile-centric convergence strategy by launching a video service over the mobile network. The business was affected by the pandemic mainly through lower international roaming revenue and less mobile prepaid and equipment sales. Transfer of sales to digital channels combined with data monetization and prudent cost management drove a 6% growth within end-user service revenue in spite of the pandemic. Underlying EBITDAaL grew by 7%, primarily driven by higher end-user service revenue.

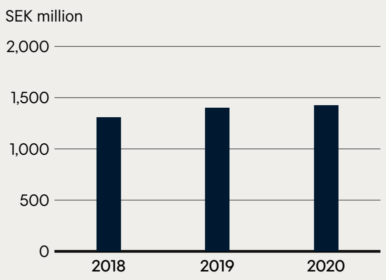
2021

Tele2 Latvia aims to continue to strengthen its market position through targeted upselling campaigns and focus on high quality of service and network performance. Tele2 Latvia will capitalize on growth opportunities within both the consumer and business segments through pre-to postpaid migration, mobile broadband sales and further development of digital and self-service channels. Preparation for a 5G rollout will be made including activation of the network JV with Bite.

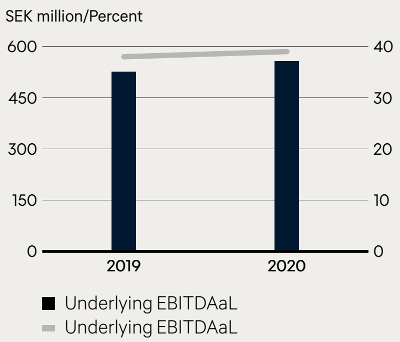
	2020	2019	Organic %
RGUs (thousands) [1]			
Mobile	970	954	2%
ASPU (EUR) [1]			
Mobile	7.4	7.1	5%
Revenue (SEK million)			
End-user service revenue	901	857	6%
Operator revenue	177	195	
Equipment revenue	309	330	
Internal sales	38	20	
Revenue	**1,424**	**1,402**	**3%**
Underlying EBITDA	599	565	
Underlying EBITDAaL	**556**	**526**	**7%**
Underlying EBITDAaL margin	39%	38%	
Capex	176	227	
Capex excluding spectrum and leases	**104**	**122**	
Capex excluding spectrum and leases / revenue	7%	9%	

1) Unaudited.

Revenue



Underlying EBITDAaL



Estonia

2020 in brief

In 2020, Tele2 Estonia successfully launched a new video service, IT services for business, FTTO (fiber to the office) and FTTH (fiber to the home) both directly and with partners. During the year Tele2 Estonia continued the turnaround started in 2019 through strong volume and value customer intake. Together with strong customer base management, mobile ASPU increased by 6% despite headwinds from the pandemic, mainly related to lower international roaming. End-user service revenue increased by 6%, driven by higher ASPU. Higher end-user service revenue drove an 8% organic increase in underlying EBITDAaL.

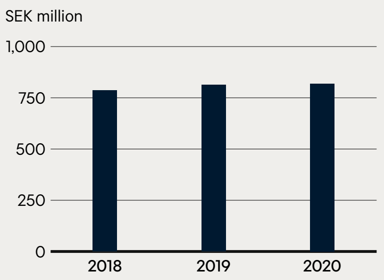
2021

In 2021, Tele2 Estonia will continue the organic growth of the core mobile business and invest more time and focus in the development of FMC services and partnerships in both the business and consumer markets. The focus will be on continued delivery of the best customer experience, coupled with the best pricing to attract and retain customers. The intention is also to launch 5G later in the year depending on the regulatory environment.

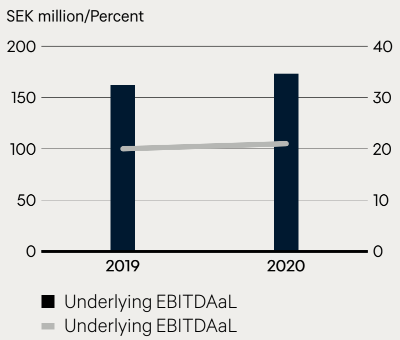
	2020	2019	Organic %
RGUs (thousands) [1]			
Mobile	437	437	0%
ASPU (EUR) [1]			
Mobile	8.7	8.2	6%
Revenue (SEK million)			
End-user service revenue	503	480	6%
Operator revenue	130	131	
Equipment revenue	178	196	
Internal sales	8	6	
Revenue	**819**	**813**	**2%**
Underlying EBITDA	237	226	
Underlying EBITDAaL	**173**	**162**	**8%**
Underlying EBITDAaL margin	21%	20%	
Capex	159	267	
Capex excluding spectrum and leases	**93**	**90**	
Capex excluding spectrum and leases / revenue	11%	11%	

[1] Unaudited.

Revenue



Underlying EBITDAaL



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 Telecom[1].

2020 in brief

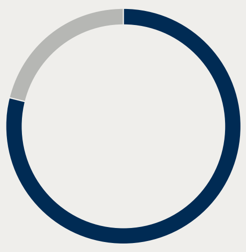
During 2020 T-Mobile Netherlands (TMNL) continued to attract new customers in the fixed network and mobile postpaid segment. Revenue increased by 2% despite headwinds from roaming caused by the pandemic and decline in the business segment.

EBITDAaL increased by 10%, largely related to the topline growth and successful execution of synergies from the merger between TMNL and Tele2 Netherlands.

In July 2020, TMNL successfully acquired spectrum in the 700, 1,400 and 2,100 MHz bands for EUR 400 million in total and the first of two equal payments of EUR 200 million was paid during Q3 2020. In October 2020, TMNL announced its intention to acquire the MVNO Simpel. The acquisition was approved by the authorities and closed in December, 2020.

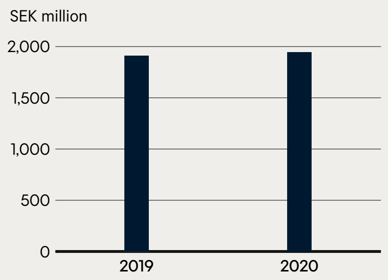
[1] As reported by Deutsche Telekom in the financial results for the full year of 2020 on February 26, 2021 (except net debt, which reflects the TMNL position and includes intra-group debt). Definitions and accounting rules may differ from Tele2 Group reporting.

Revenue per segment, 2020

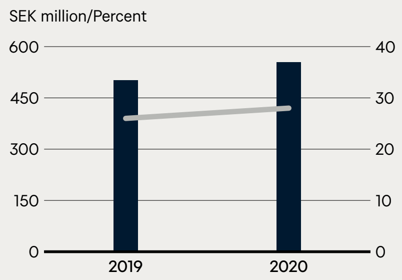


Consumer, 79%
Business, 21%

Revenue



EBITDAaL



EBITDAaL
EBITDAaL margin

	2020	2019	Organic %
Customers (thousands)			
Fixed Network			
- Fixed network Access Lines	682	619	10%
- Broadband Customers	668	605	10%
Mobile Communications			
- Contract	6,427	5,189	24%
- Prepaid	376	421	−11%
Total mobile	**6,803**	**5,610**	**21%**
ARPU (EUR) [1]			
Contract	16	17	−6%
Prepaid	3	3	−12%
Financials (EUR million)[2]			
Service revenue			
- Mobile communications	1,092	1,066	2%
Product view	1,946	1,910	2%
- Fixed network	383	361	6%
- Mobile communications	1,563	1,550	1%
Segment view	1,946	1,910	2%
- of which Consumer	1,457	1,418	3%
- of which Business	391	392	0%
Total revenue	**1,946**	**1,910**	**2%**
EBITDA	639	591	8%
EBITDAaL	**554**	**502**	**10%**
EBITDAaL margin	29%	26%	
Cash capex (before spectrum)	**283**	**294**	**−4%**
Net debt	**2,078**		
- of which lease obligations	691		
- of which spectrum liability	202		

[1] Unaudited.
[2] Financials are adjusted for special factors.

TELE2

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 Corporate Governance Report in the section related to Internal Controls over Financial Reporting (sub-section 'Risk Assessment') on Page 32.

Strategic risk management

Risks which could threaten Tele2's ability to achieve its strategic objectives are assessed by the Group Leadership Team (GLT). These risks could relate to our strategic initiatives, financial targets or the vision, but they could also relate to other risks listed on Page 32 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 GLT member) who is responsible for breaking down the risk into quantifiable risk scenarios, for which potential impact and likelihood is then assessed. 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 GLT.

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, 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.

RISK	DESCRIPTION	RISK MITIGATION
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) are 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.
Risks related to network quality towards customers	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 Ericsson 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	DESCRIPTION	RISK MITIGATION
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 climate change	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.	During 2020, Tele2 has transitioned to renewable electricity and has certified the Environmental Management System according to Svensk Miljöbas. Tele2 is also working to reduce emissions of Greenhouse gases (GHG) as quickly as possible to reduce transitional risk, gradually transition to renewable energy when feasible and make Tele2's networks more energy efficient by taking a leading position in the AI4Green research project. 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.	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.
Risks related to pandemics	Pandemics have the capability of affecting the global economic, social, and political landscape. The consequences of such global events (for example the ongoing COVID-19 pandemic) can cause disruption to Tele2's employees, suppliers and customers. Should Tele2 be unable to adapt and manage the impact of such pandemics, it could have a material adverse effect on the business, financial condition and results of operations.	Tele2 is constantly monitoring operations to ensure continuity of Tele2 services to customers and the society. There is an adaptive crisis management plan in place and capable of implementing mitigation actions. Tele2 also remains in close contact with local health authorities and governmental agencies to react and adapt to any developments and minimize any risks to Tele2's employees, customers, and suppliers.

Employees

This challenging year has put our culture – the Tele2 Way – at the center of what we do, now more than ever. At Tele2, we believe that the right attitude, enthusiasm, and the ability to work according to Tele2's values are more important than an impressive resume. This year we have had to find new and creative ways of delivering customer value and creating employee engagement by being Fearless, Open, Cost Efficient, Reliable and Flexible.

Culture & Leadership

At Tele2 we promote leaders who walk-the-talk, who understand that they have an important role to serve as ambassadors and role models for Tele2's culture. This year has put increasing pressure on our managers to find new ways to lead and create engagement while most of the employees have been working from home. We have continued our ongoing dialogue around our values and behaviors with the leadership teams and employees to strengthen the culture awareness and aspiration. In 2020 we also furthered our efforts and introduced our new leadership program, My Leadership@Tele2 – shifting from physical to digital delivery – to strengthen the leadership capability of both new and seasoned leaders. Additional training and tools for leading remotely has also been delivered. We can see that efforts are working as managers at Tele2 are highly regarded by our employees, and rated at high performing benchmark levels.

Performance and development

Through high expectations on ourselves and others, we want to make an impact and make a difference. We believe high performance happens when we work toward clear goals. When we continuously see the progress we are making and understand what we can do to perform even better. 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 mitigate the risk of key personnel leaving the company.

We believe in learning by doing, through exposure to challenging assignments together with good coaching, collaboration and learning from others. At the same time, we expect our people to have high ambitions and contribute to their own best abilities. 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.

Diversity & Inclusion

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. We strongly believe diverse and inclusive teams perform and serve our customers better. Our long-term ambition is to build an inclusive environment where diverse talent can perform at their best, and at the same time, a gender balanced workforce. For 2023 we aim to achieve a balance of 60% males and 40% females. Taking action to continue driving this agenda is paramount.

During 2020 we have continued our efforts in improving our gender balance by recruiting more female talents. While employees rate Tele2 high on Inclusion in employee surveys, we know that we can do even better. This year we have conducted Make Equal assessments in our large customer operations and stores organizations, as well as initiated unconscious bias and jargon training for managers. Although we have increased our focus actions to retain female talent, it is important to point out that our ambition for diversity and inclusion is not limited to gender, most of our actions have a much broader perspective.

On December 31, 2020, the number of employees in Tele2 was 4,295 (5,447) excluding discontinued operations. Please refer to Note 31 for additional information regarding the number of employees, gender distribution and personnel costs.

Reward and recognition

Tele2 offers a great career experience in combination with competitive compensation and benefit packages. 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. We pay for performance, in fact we believe high-performing individuals should be rewarded higher. Our top 100 key contributors at any level within the Swedish organization are invited to our Future Forum. We introduced the Extra Mile Award to recognize extraordinary achievements throughout the year, and employees role modeling our values are recognized at our annual Tele2 Awards – this year a digital event.

The Board will propose no change to the guidelines for remuneration to senior executives to the annual general meeting 2021. The guidelines for remuneration to senior executives approved at the annual general meeting 2020 shall therefore continue to apply. These guidelines are presented in Note 31. No deviations are made to the remuneration guidelines for senior executives in 2020.

Health and work environment

At Tele2 we will always do our best to make sure our employees are safe, motivated and happy working for Tele2. We believe in a healthy work-life balance and do not measure excellence by the number of work hours. This year has put work environment in a completely new light as Tele2 was quick in responding to the pandemic situation and allowed employees to work from home by providing; improved IT tools, big screens and chairs, and training, tips and tricks on "How to make work from home awesome". We increased the insurance coverage for the home office and provided individual support to managers and employees challenged by the situation. Our employees have given us feedback on appreciating that we have increased and clarified our communication on where we are as a business as well as our guidelines, directions, and where to turn for support during the pandemic.

Corporate 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 11. Corporate Governance Reports prior to 2019 and other corporate governance documents (which were published separately from the Annual Report) are available on the corporate website, www.tele2.com.

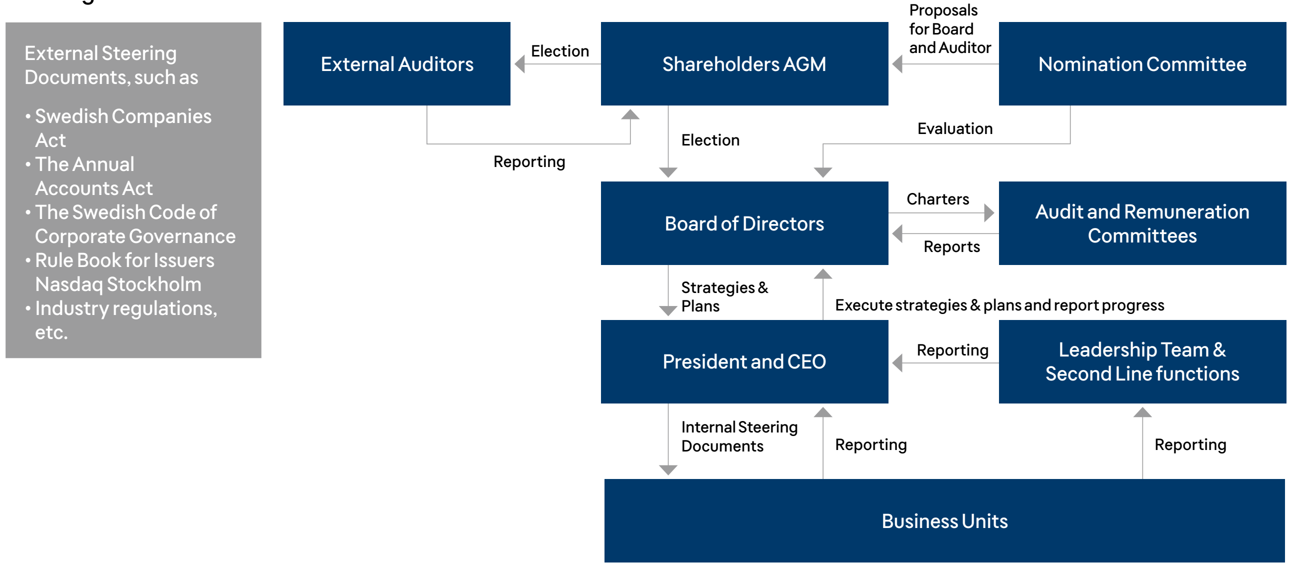
The Code is based on the principle of comply or explain, which means that companies can deviate from single rules in the Code, provided that they offer an explanation for the deviation. Tele2 deviates from the Code in the following respect:

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.	Ahead of the 2020 AGM, the Nomination Committee appointed Georgi Ganev as Chairman of the Nomination Committee. As Georgi Ganev was, and is, also a member of the Board of Tele2, this appointment deviated from 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. This deviation has been addressed by appointment of Anna Stenberg as Chairman of the Nomination Committee for the 2021 AGM.
9.7 – The vesting period or the period from the commencement of an agreement to the date for acquisition of shares is to be no less than three years.	Tele2's CEO Kjell Johnsen took office in September 2020. At the same time he was offered to participate in the company's long-term incentive program, LTI 2020 in accordance with a decision made in the Extraordinary General Meeting on September 11, 2020. Since the vesting period applicable is less than 3 years, this is a deviation from the Code.

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 2020 Annual General Meeting ("AGM") was held on May 11, 2020. At the meeting, 850 shareholders were in attendance, personally or by proxy, representing 62 percent of the votes. Wilhelm Lüning, an external lawyer was elected Chairman of the meeting. Noted as present by telephone were Carla Smits-Nusteling (also Chairman of the Board), Andrew Barron (also Chairman of the Remuneration Committee), Eva Lindqvist (also Chairman of the Audit Committee), Georgi Ganev (also Chairman of the Nomination Committee), Anders Björkman, Cynthia Gordon and Lars-Åke Norling and noted as physically present were the President and CEO Anders Nilsson, CFO Mikael Larsson and General Counsel Stefan Backman. The auditor-in-charge Pontus Pålsson was present by telephone.

The following significant resolutions were adopted by the AGM:

- Approval of the Annual Report for 2019 and resolution on ordinary dividend of SEK 5,50 per share in two equal installments. The record date for the first dividend was decided as May 13, 2020 and the second as October 2, 2020. The dividend was paid out to the shareholders on May 18, 2020 and October 7, 2020 respectively;
- Discharge the directors of the Board and the CEO from liability for the financial year 2019;
- 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 re-election of Carla Smits-Nusteling as Chairman of the Board;
- Re-election of Deloitte as auditor until close of the 2021 AGM with Didrik Roos taking over as new 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 2020, including authorizations for the Board to resolve on a new issue of not more than 3,000,000 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 2020 LTI; and it was noted that shareholders that had submitted special instructions to their proxy holders to vote no or abstain from voting on the item17(d) related to transfer of own Class B shares to the participants in LTI 2020 represented in total approximately 17% of the shares at the Meeting and, accordingly, the required majority could not be reached. The Chairman noted that the Meeting resolved to reject the proposal under item 17(d); 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 September 11, 2020. At the meeting, 812 shareholders were in attendance, by individual postal vote or by proxy postal vote, representing 63 percent of the votes. Due to the prevailing extraordinary situation of COVID-19, Tele2's Extraordinary General Meeting was, in order to reduce the risk of spreading the virus and having regard to the authorities' regulations and advice on avoiding public gatherings, carried out only through advance voting (postal voting) pursuant to temporary legislation. Charlotte Levin, an external lawyer was elected Chairman of the meeting. Noted as present was General Counsel Stefan Backman.

The meeting resolved on an extraordinary dividend of SEK 3,50 per share. The record date was decided as October 2, 2020 and the dividend was paid out to the shareholders on October 7, 2020. The following resolutions were adopted by the EGM:

- Approval of the Board's proposal included to authorise the Board to resolve on transfer of own Class B shares to the participants in LTI 2020 and to the participants in other outstanding equity-related incentive programmes; and
- Approval of the Board's proposal on allotment of rights under LTI 2020.

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

Nomination Committee for the 2020 AGM

For the 2020 AGM, the Nomination Committee, consisted of; Georgi Ganev appointed by Kinnevik AB; John Hernander appointed by Nordea Funds and Jan Dworsky appointed by Swedbank Robur Funds. The Committee held a number of meetings during 2020 in person and by phone, with additional contact over email and interviews with Board members between meetings.

The Committee's work primarily focused on the long-term development of the overall Board composition and succession planning, with the overall aim to provide stability in consideration of the changes made to the Board's composition in 2018 and 2019. 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 an internal performance review of the Board and its individual members, presented to the Committee by the Chairman of the Board. 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 2020 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 2021 AGM

In accordance with the procedures for the Nomination Committee as decided by, and in force since the 2018 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. The members of the Nomination Committee for the 2021 AGM are shown in the table below:

Name	Representing	Share of votes
Anna Stenberg (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 2020 AGM, Tele2's shareholders re-elected Andrew Barron, Anders Björkman, Georgi Ganev, Cynthia Gordon, Lars-Åke Norling, Eva Lindqvist and Carla Smits-Nusteling as directors of the Board. Furthermore, Carla Smits-Nusteling was re-elected as Chairman of the Board. At the constitutional board meeting following the 2020 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 7–8. 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 2020 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 2020 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 2020

During the 2020 financial year, the Board has, due to the pandemic, convened only one (1) time in Stockholm. Other times during 2020, the Board has had four (4) video meetings. In addition, seven (7) per capsulam meetings and five (5) telephone conference meetings were held.

Below is a summary of the main topics handled by the Board during 2020:

- Appointment of new CEO and other 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 shares in Tele2 Germany,
- Review of the budget for 2021,
- External Evaluation of the Board,
- Auditors' reports.

Attendance of Board members

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings, including telephone and per capsulam meetings	17	7	5
Carla Smits-Nusteling	17/17	7/7	—
Anders Björkman	17/17	—	5/5
Georgi Ganev	17/17	—	—
Cynthia Gordon	17/17	7/7	
Lars-Åke Norling	17/17	7/7	4/5
Andrew Barron	16/17	—	5/5
Eva Lindqvist	17/17	7/7	—

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 31. 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. Every third year an external evaluation of the Board is performed. In 2020, an external evaluation of the Board 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 2020 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 7–8.

The Audit Committee usually meets in connection with Board meetings or the publication of external financial reports. The Audit Committee has due to the pandemic met through video meetings three (3) times in 2020 and only met one (1) time in person in Stockholm in order to review, assess and approve the release of the group's financial results. In addition the Audit Committee has also met through video meetings three (3) times in connection with the Board meetings in 2020. 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 2020, the primary matters dealt with by the Audit Committee were the approval of financial reports, capital structure, extraordinary dividend, crisis management and financial impacts due to the pandemic, tax, reports from the external auditor, follow-up of internal audits and risk assessments, corporate responsibility, 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 2020 AGM, Andrew Barron was appointed Chairman of the Remuneration Committee and Anders Björkman and Lars-Åke Norling were appointed members of the Committee.

During 2020, the Remuneration Committee held five (5) meetings.

Refer to Note 31 for information regarding remuneration to senior executives.

Auditor

At the AGM 2020, the audit firm Deloitte AB, Sweden, was elected external auditor until the AGM 2021 in compliance with the proposal from the Nomination Committee. Didrik Roos is the auditor in charge. He is an authorized public accountant and partner at Deloitte. In addition to his assignment at Tele2, he is amongst others, in charge of the audits of Boozt and Systembolaget and part of the audit teams for Axfood and Epiroc.

During 2020, 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 32 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.

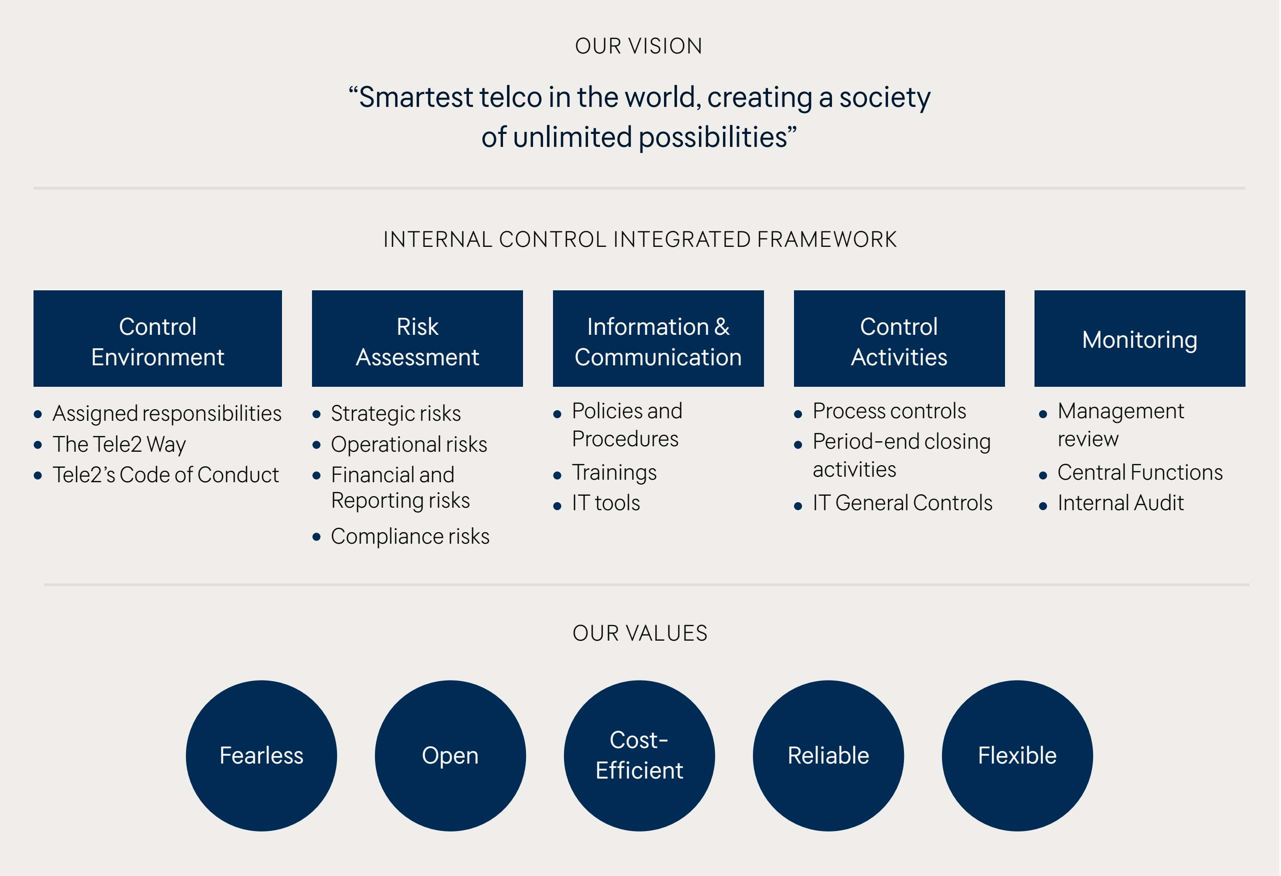
Control environment

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 few 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 since 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.



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.

Also, our whistleblower process ensures that anyone working for or with Tele2 can report any wrongdoing. It also provides protection to any individual making a report of potential misconduct. We have implemented low-threshold possibilities for reporting any wrongdoing related to Tele2. Reporting can be done either anonymously, confidentially or openly and through different methods. Members of the Group Leadership Team and the Board (including the Audit Committee) are informed ad-hoc of ongoing or concluded investigations.

The Code of Conduct and detailed information on the whistleblower process is available on the company's intranet and on Tele2's corporate website www.tele2.com.

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. The line managers are 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 Tele2 Company risks.

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.

Tele2 Company risks

Strategic risks | Financial risks | Compliance risks | Operational risks

Strategic risks
- Vision and Mission
- Strategic initiatives
- Financial targets

Financial risks
- Financial reporting
- Treasury
- Tax

Compliance risks
- Legal and regulatory
- Corporate responsibility and ethical conduct

Operational risks
- Service delivery
- Customer management
- Billing
- Sales
- IT
- Marketing
- Sales channel
- Product management
- Supply chain
- Network
- Asset management
- HR
- Security

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 and further reinforced through nano-learnings. Compliance to these requirements are followed up on a continuous basis.

Control activities

For Sweden, the President and CEO with his Group 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.

The 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, Business Control, Finance Operations, Corporate Finance and M&A and Investor Relations. 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 Baltics, 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.

Other departments that are vital to maintaining a sound control environment are for example Legal and Regulatory, Security, Procurement, 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.

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

The President and CEO with his Group 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 Procurement department 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 Baltics

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 functions based out of Sweden 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 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 2020, around 500 man days of internal audit were performed.

Remuneration report

Introduction

This report describes how the guidelines for executive remuneration of Tele2 AB (publ), adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO and a summary of the company's outstanding long-term share and share-price related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in Note 31 (Employees and personnel costs) in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available in the annual report 2020.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in Note 31 in the annual report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement in the CEO word in the annual report 2020.

The company's remuneration guidelines: scope, purpose and deviations

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 employees. 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.

Under the remuneration guidelines, executive remuneration shall be on market terms and remuneration to the senior executives should comprise annual fixed base salary, variable short-term remuneration, variable long-term incentives, pension benefits and other benefits. 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. 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 guidelines are found in Note 31 in the annual report 2020. The remuneration guidelines, adopted unanimously by the annual general meeting 2020, have been fully implemented. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on www.tele2.com/governance/general-shareholders-meetings/. In addition to remuneration covered by the remuneration guidelines, the annual general meetings of the company have resolved to implement long-term share and share-price related incentive plans.

CEO remuneration for 2020 is presented in the table below.

Total CEO remuneration in 2020

kSEK	Fixed remuneration		Variable remuneration				
Name of director	Base salary	Other benefits	One-year variable	Extraordinary items[3]	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
Kjell Johnsen (15/9–31/12)	2,505	188	1,543	—	801	5,036	69/31
Anders Nilsson (1/1–14/9)	6,007[1]	51	3,325	2,500	1,882	13,766	58/42
Anders Nilsson (15/9 2020–14/9 2021)[2]	7,612[1]	—	—	—	2,649	10,261	100/0

1) Including holiday pay of kSEK 681 and 110.
2) Remuneration for Anders Nilsson refers to notice period up until September 14, 2021 in accordance with remuneration guidelines.
3) As previously announced by Tele2 and as described in Tele2's 2017–2019 Annual Reports, 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 was 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. As for the 2020 Incentive Award, 50% of the Incentive Award was paid and the 2021 Incentive Award forfeited due to resignation. The Incentive Award and the Variable Pay to the Group CEO for 2020 is not exceeding 100 percent of the base pay on annual basis.

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Share-based remuneration

Outstanding share-related and share price-related incentive plans

The company has during 2020 vested the 2017 long-term share based incentive plan (LTI) and implemented the 2020 LTI Plan as well as having 2018 and 2019 LTI Plans ongoing. The long term incentive plans are offered to a selected number of senior executives and other key employees within the Tele2 Group. Subject to the employee having made an own investment in shares in the company (savings shares), the employee has been awarded a number of retention shares and performances shares.

The former Tele2 CEO Anders Nilsson participated in the programs 2018, 2019 and 2020, but the programs 2019 and 2020 have forfeited due to that Anders Nilsson has left the company.

The current Tele2 CEO Kjell Johnsen is participating in the LTI program 2020. For the plans of participation, the CEO has invested in 10,000 savings shares and thus been awarded 10,000 retention rights and 90,000 performance rights. Retention rights and performance rights have been awarded free of charge and are subject to a vesting period of two and a half years and continued employment. Vesting of retention- and performance rights is also subject to the satisfaction of performance conditions, for the 2020 year program Absolute TSR during the three-year period, Relative TSR vs Peer Group during the measurement period and Operating Cashflow measured on cumulative basis for the consolidated Tele2 Group during the Operating Cash flow measurement period. The Absolute TSR measurement will give maximum one retention share, as for the performance rights allocation, the Relative TSR and the Operating Cashflow has a weight on 50% each, enabling the maximum possibility of nine performance shares per saving share for the CEO.

Share awards plans (CEO)

SEK

		The main conditions of share option plans				Opening balance	Information regarding the reported financial year: During the year	Closing balance
Name of director	Name of plan	Performance period	Award date	Vesting date	End of retention period	Share awards held at beginning of year[1]	Awarded[1]	Awarded and unvested at year end[1]
Kjell Johnsen	LTI 2020	2020-2023	2020-09-15	2023-Q2	2023-Q2	—	12,829,808	12,829,808
Anders Nilsson	LTI 2018	2018-2021	2018-06-05	2021-Q2	2021-Q2	11,820,993	890,203	12,711,196
	LTI 2019	2019-2022	2019-05-24	2022-Q2	2022-Q2	13,706,472	−13,706,472	—
	LTI 2020	2020-2023	2020-05-28	2023-Q2	2023-Q2	—	—	—

[1] Value is calculated as the market share price at the time of the award (2018: SEK 109.55, 2019: 129.31, 2020: 121.91) multiplied with the number of maximum shares each right entitle to Anders Nilsson's right to LTI 2019 & 2020 forfeited due to his resignation.

In light of Kjell Johnsen's replacement of Anders Nilsson as President and CEO of Tele2, the Extraordinary General Meeting held at September 11 2020, decided that Kjell Johnsen should be included as participant in LTI 2020 and granted the same right to receive retention rights (rights of series A) and performance rights (rights of series B and series C) as the CEO was entitled to pursuant to the resolution by the Annual General Meeting.

Application of performance criteria

The performance measures for the CEO's variable remuneration have been established to deliver the company's strategy and to encourage behavior which is in the long-term interest of the company. In the determination of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

Comparative information on the change of remuneration and company performance

Remuneration and company performance

kSEK	2020
Kjell Johnsen CEO remuneration (15/9–31/12)	5,036
Anders Nilsson CEO remuneration (1/1–14/9)[1]	13,766
Underlying EBITDAaL	9,239,000
Average remuneration on a full time equivalent basis of employees within Sweden, excluding parent company[2]	743

[1] The CEO remuneration for Anders Nilsson refers to time in position as CEO. The total remuneration paid until September 14, 2021 is kSEK 24,027.
[2] Average remuneration includes base salary, holiday pay, benefits, variable pay at target and pension.

Performance of the CEO in the reported financial year: variable cash remuneration

Name of director	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/ remuneration outcome
Kjell Johnsen (15/9–31/12)	Underlying EBITDAaL 2020	30%	101% kSEK 482
	End User Service Revenue 2020	30%	99% kSEK 366
	Operating cash flow 2020	20%	99% kSEK 261
	Individual & Sustainability Goals 2020[1]	20%	87% kSEK 434
	Total	**100%**	**kSEK 1,543**
Anders Nilsson (1/1–14/9)	Underlying EBITDAaL 2020	30%	101% kSEK 1,038
	End User Service Revenue 2020	30%	99% kSEK 790
	Operating cash flow 2020	20%	99% kSEK 563
	Individual & Sustainability Goals 2020[1]	20%	87% kSEK 934
	Total	**100%**	**kSEK 3,325**

[1] Individual Goals includes a weighted assessment on personal Business Impact Goals as well as living up to Tele2's Values, including Sustainability Goals such as Corporate Governance and Ethics Code.

Performance of the CEO in the reported financial year: share–based incentives

Name of director (position)	Name of plan	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/ remuneration outcome
Kjell Johnsen	LTIP 2020	Absolute TSR	10%	N/A[1]
		Relative TSR	45%	N/A[1]
		Operating cashflow	45%	N/A[1]
Anders Nilsson	LTIP 2018	Absolute TSR	10%	N/A[1]
		Relative TSR	90%	N/A[1]

[1] Performance period still running.

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Sustainability report

We are a part of the solution for a sustainable future

With a vision to lead in sustainability,
Tele2 will make sustainability an integrated part of
core business for our long-term success as a company

Lead in sustainability

We want to maximize creation of shared value

We are working towards making sustainability an integrated part of our core business, as we think it is key for our long-term success as a company. Our strong sustainability agenda should meet the demands of our key stakeholders. As a sustainable business we maximize the creation of shared value for all stakeholders.

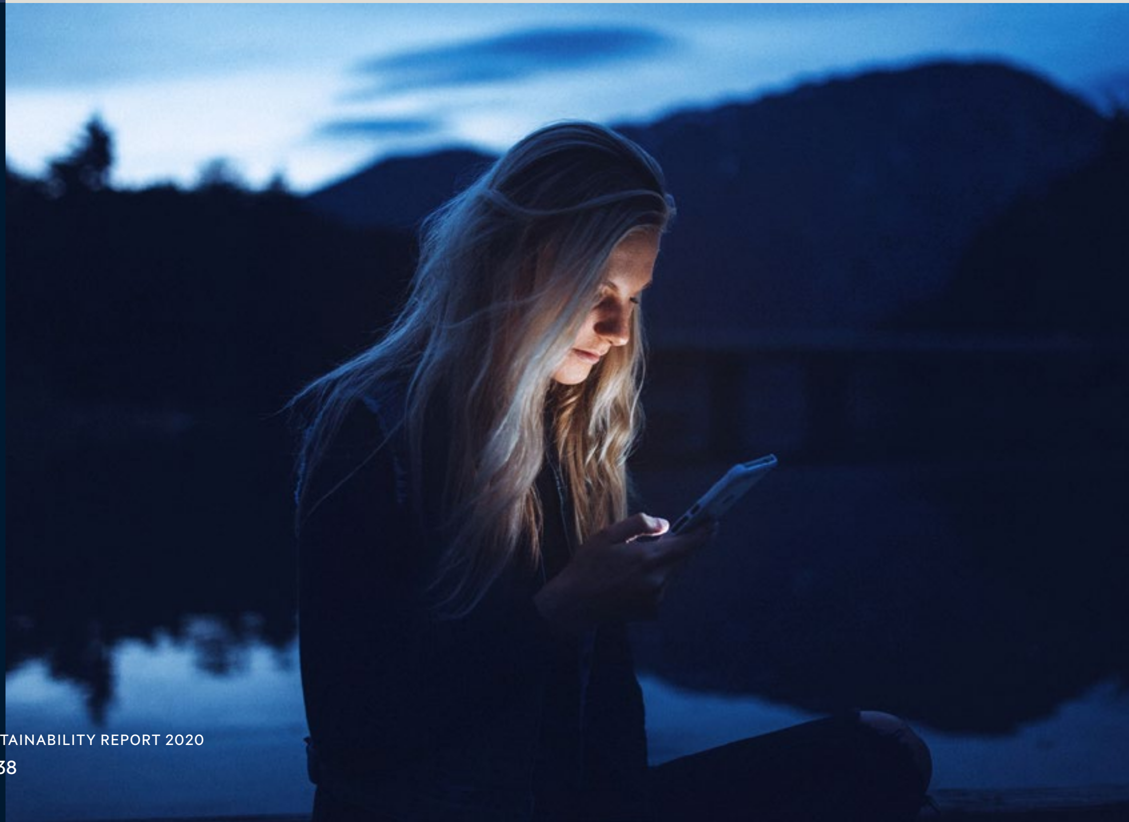
Read more on our site

Zero CO_2

Carbon neutral in our own operations

In 2020 Tele2 became the first telco in the Nordics and Baltics to be carbon neutral in its own operations. By taking this step we reduce CO_2-emissions by over 85,000 tons per year, equivalent to the average CO_2-emissions of over 10,000 people living in Europe.

Read more on our site



Introduction

With this sustainability report, we are for the first time reporting on our progress towards our new vision to lead in sustainability. This new vision is a reflection of Tele2's ambition to raise its profile as a sustainable business and increase the positive impact that we have on our stakeholders, the environment and society. We continue to see higher demands from our stakeholders on our sustainability efforts, which ensures that sustainability is a foundation for our business. This report is an important tool for us to share how we meet these demands.

The information in this report is structured in the following manner; first we introduce our approach to sustainability, then how we work with the United Nations' Sustainable Development Goals, followed by the goals and activities for each focus area of our sustainability strategy. In the final section of the report we present our GRI Report, where we have more detailed results within a set of material key performance indicators.

It has been a transformative year for our sustainability efforts, where we have both achieved new milestones of our constantly developing sustainability agenda, as well as continuing our strong performance in many of the areas where we have already established Tele2 as a market leader. The sustainability strategy that governed our efforts during 2020 has five focus areas. In each focus area we have set targets for the year, covering all material Environmental, Social and Governance (ESG) aspects.

This report presents our performance during 2020 in the areas that we believe are the most material for our stakeholders. We hope that you will find it useful to further understand how we work with sustainability as a foundation for our business.

For more information, click on the link to go to the sustainability section of our website.

"This new vision is a reflection of Tele2's ambition to raise its profile as a sustainable business and increase the positive impact that we have on our stakeholders, the environment and society"

KEY HIGHLIGHTS 2020

2+1

We are committed to hiring 2 women for every 1 man

AAA

We maintained our MSCI AAA-rating

CO_2

We became carbon neutral in our own operations

The Tele2 approach to sustainability

With a corporate vision of being the smartest telco in the world, creating a society of unlimited possibilities, our approach to sustainability is driven by smartness. This has led us to set a clear vision for our sustainability efforts: to lead in sustainability. For us that means that sustainability should be an integrated part in our daily business decisions, to ensure our long-term sustainability as a business. At Tele2, sustainability is not about charity, or limited to minimizing risk, but about finding the business opportunities. When we invest in sustainability it delivers returns. These returns ensure that we maximize the value that we create for our customers, investors, employees, society at large, and other stakeholders.

Our Board of Directors is responsible for setting the sustainability strategy and the targets, and four Executive Vice Presidents, who all report to Tele2's President and CEO, are responsible for the strategy execution. During 2020 our EVP Technology has been responsible for the focus area Environment. We have a Head of Sustainability for the group who is responsible for proposing a strategy, reporting and communication. The Head of Sustainability collaborates with the Executive Vice Presidents to execute the strategy and make progress towards the targets in the affected business units. At the country level, each operation has a single point of contact who is responsible for sustainability, which simplifies coordination between the markets that we operate in.

We ensure that we focus our resources on the most important issues by working with five focus areas, which we consider to be the most material to our operations. In each focus area we have set long-term goals. The five focus areas during 2020 and their respective long-term goals are:

- **Child protection** – Actively protecting children in a connected world
- **Diversity & inclusion** – Build an inclusive environment where diverse talent can perform at their best and at the same time a gender-balanced workforce with 50 percent women and 50 percent men
- **Environment** – Being the greenest operator and enabling an environmentally sustainable society
- **Ethics & compliance** – Leading in doing ethical business
- **Privacy & integrity** – Trusted by customers and employees to handle their data

Within each of these focus areas, we strive to bring continuous improvement to our operations every year. In the chapter "What we did in 2020" you can read how we did that in 2020. If you are interested in reading more about our focus areas, please click on the link to go to the sustainability section on Tele2's website.

The Tele2 Sustainability Strategy

Tele2's sustainability strategy executes on our promise to lead in sustainability. During 2020 we had five focus areas, and have set a long-term goal in each of these focus areas. Yearly, we set targets to make sure that we make progress towards our long-term goals.

Executive responsibility for focus areas

"By developing our current partnerships, and building new ones, we are doing more to make life online a safe and fun experience for children."

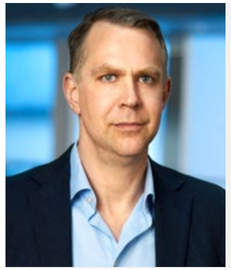
Viktor Wallström
EVP Communications & Sustainability
Child Protection

"We are building an inclusive and gender balanced Tele2, where diverse talents can grow and develop. This helps us deliver on our business strategy."

Karin Svensson
EVP People & Change
Diversity & Inclusion

"As we continue growing our efforts to curtail our own negative environmental impact, we have started to work with our customers to reduce theirs."

Yogesh Malik
EVP CTIO
Environment



"We have updated our Code of Conduct, the foundation for how we do business. We expect all employees and business partners to sign and comply with it."

Stefan Backman
EVP General Counsel
Ethics & Compliance, Privacy & Integrity

TELE2

Working with the Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDG) has established a framework for the most important issues in society that we collectively must address until 2030. We believe that a sustainable business has done an analysis of which goals and targets they address, and ensure that they address all 3 dimensions; biosphere, social and economic aspects, and that SDG 17 Partnership for the goals is a goal that all companies should address. Below you find a presentation of which goals, and targets within each goal, that Tele2 works with, along with a brief description of how we work with them.

SDG 5 – Gender equality

5.1 –Tele2 has a dedicated anti-discrimination policy, and promotes and monitors gender equality.

5.5 – Tele2 has set a goal to be gender-balanced in executive and managerial roles, to ensure full and effective participation for women and equal opportunities for leadership.

SDG 8 – Decent work and economic growth

8.2 – Tele2 improves economic productivity by working on technical innovation.

8.4 – Tele2 contributes to increasing resource efficiency, among other things by reusing and recycling returned phones and technology hardware.

8.5 –All employees should have equal pay for equal work and fair working conditions.

8.8 – Tele2 promotes a safe working environment for all employees at Tele2.

SDG 12 – Responsible consumption and production

12.2 – Tele2 promotes a more sustainable consumption and minimizing the use of natural resources.

12.5 – Tele2 is committed to reducing the amount of waste generated throughout the value chain.

12.8 – Through internal and external communication, Tele2 is promoting awareness and increased knowledge to the public and employees about sustainability and sustainable consumption.

SDG 13 – Climate action

13.2 – Climate actions matters are addressed in policies and the planning process within Tele2 by promoting sustainable ways of operating through lowering the emissions of greenhouse gases and considering the adverse impacts of climate change.

13.3 – Tele2 is raising awareness about how a carbon neutral telecommunications provider operates, promoting sustainability awareness both internally and externally.

SDG 16 – Peace, justice and strong institutions

16.2 – To eradicate violence and abuse against children, Tele2 is an active, cofounding member of ECPAT's Telecom coalition. Tele2 works actively to block access to website containing child sexual abuse material.

16.5 – To contribute in the work against corruption, Tele2 strictly enforces its anti-corruption policy.

16.10 –Tele2's core business is to enable freedom of access to information for all customers.

SDG 17 – Partnership for the goals

17.17 – Tele2 actively supports civil society partnerships that foster sustainable development in accordance with the Sustainable Development Goals. Tele2 is a founding member of, and has a long-standing partnership with, Reach for Change to support social entrepreneurship as a means of tackling societal issues. Other partnerships include Civil Rights Defenders, ECPAT and Prince Carl Philip and Princess Sofia's Foundation.

What we did in 2020

Using our solid foundation to take the next step

During the year we have conducted an extensive stakeholder dialogue, in which we invited customers, employees, investors, suppliers, ESG analysts and NGOs to participate. Through surveys and interviews we received over 9,000 responses on questions regarding our sustainability efforts and priorities going forward. The participating stakeholders were asked to rank which the most important sustainability topics for Tele2 to address are. The ranking was made out of the 18 sustainability topics that we considered most material to our industry and to us as a company.

This extensive dialogue formed a very important input for an update to our materiality analysis, combined with the impact analysis. In the impact analysis we considered the impact on society, the environment, the economy, and business value from these topics, as well as aligning with business priorities and our competitors' positions. This resulted in 4 focus areas for our new sustainability strategy, which was launched on January 21, 2021:

- Advance circular economy to combat climate change
- Boost innovation for sustainability
- Maximize potential through an inclusive and diverse workplace
- Protect children in a connected society

Our previous strategy has served us well for several years, and we will continue the important progress that we have made within the five focus areas. The ambition with the new strategy is to focus more on finding the business opportunities that sustainability creates, rather than focusing on minimizing risk. This new strategy will guide our sustainability efforts in the coming years, and help us reach our vision to lead in sustainability in our industry. The sustainability strategy is reviewed and approved by the Tele2 Board of Directors, as part of the overall corporate strategy decision making process.

For our five focus areas during 2020, we have set ESG targets for each area. We have done so for several years and it helps us make progress towards our long-term sustainability goals. Having measurable sustainability targets helps our organization focus on the most important issues and maximize the value that we create. All targets and their achievements are presented in the table on the next page.

ESG Target	Achieved
Ethics & compliance	
• Update Code of Conduct and Business Partner Code of Conduct to include policies and raise level of ambition	Full
• Create new Code of Conduct training and signing process	Full
• Ensure supply chain commitment to Business Partner Code of Conduct (90% of spend)	Full
• Monitor suppliers in EcoVadis or similar tool (50% of spend)	Full
• Audit the suppliers that we consider the highest potential risk	Partial
• Perform an internal audit on Code of Conduct compliance	No
Child protection	
• Enable Trygg Surf for all customers	Partial
• Implement new technical solution to block Child Sexual Abuse Material	Partial
• Publish the report Children and the Internet 2020	Full
• Support at least two projects that highlight the importance of child protection in a connected society	Full
• Spread information about these two projects to customers	Full
Privacy & integrity	
• Reduce the number of data breaches	Full
• Perform stress tests for cyber attacks	Full
• Conduct vulnerability and penetration tests on our network	Full
• Ensure GDPR compliance through training for all employees	Full
• Support at least one project that highlights the importance of privacy & integrity in a connected society	Full
• Proactively communicate on privacy & integrity and cyber security	Partial

ESG Target	Achieved
Environment	
• Set targets for increased energy efficiency in our network	No
• Measure power usage effectiveness for data centers and set reduction target for 2023	No
• Go carbon neutral in scope 1 & 2	Full
• Calculate CO_2 emissions in scope 3 (value chain)	Full
• Submit Science-based Targets for CO_2 reduction for approval by SBTi	Full
• Assess possibility to get "Bra Miljöval" certification	Full
• Increase amount of e-waste collected from customers by 10% compared to sold units	Full
• Customer equipment returned should be re-used to a minimum of 95%	Full
• Set targets for handling of network equipment replaced	Full
Diversity & inclusion	
• Support NGOs that promote diversity in ICT sector	Full
• Implement awareness training for managers	Partial
• Implement a consultant process that contributes to building a diverse workforce	Full
• Conduct a current state analysis for diversity with focus on ethnicity and age	Partial
• Continued focus on recruitment and 2+1 recruitment principle	Full
• Respect – MyVoice score above 84 (2019: 80)	No
• Inclusion – MyVoice score above 80 (2019: 75)	Full

To ensure that sustainability gets the right executive management level attention, these targets are included in the short-term incentive program for the Tele2 Leadership Team for 2020, meaning that their variable pay is dependent on the achievement of these ESG targets. Additionally, each of the five focus areas has an Executive Vice President, who reports to Tele2's President and CEO, that is responsible for implementing them.

We will develop new targets for 2021 based on the new sustainability strategy, and include them in the Tele2 short-term incentive program for all managers in Sweden, including the Tele2 Leadership Team, and the CEOs of our Baltic operations.

Benchmark for success

One way of measuring our progress is to follow up on the targets that we have set, but we also find it very valuable to get an external view on our performance. This purpose is best served by the reports that are made by ESG analysts for external ratings. We have carefully selected the ratings that we participate in, and we participate in them to ensure that the outside world get an accurate view on the progress that we strive to make. In 2020 we participated in the following ratings:

- MSCI ESG Rating
- SAM Corporate Sustainability Assessment & Rating
- ISS ESG Corporate Rating
- Equileap Gender Equality Global Report & Ranking
- CDP Climate Change Rating

During this year of transformation, we are pleased that we have managed to improve our performance (or maintain if already at the highest possible rating) in all of the ratings which were updated during 2020. In particular we are proud to maintain our top rating from MSCI ESG (AAA). For the second year, we participated in SAM Corporate Sustainability Assessment, where we improve our score both in absolute and relative terms. We received a score on the industry average, which spurs us to make further improvements to our sustainability efforts in 2021. We also participated for the second year in the CDP climate change rating, and received a B– rating, which is denoted as being in the Management band. The B– rating with CDP is above our industry average, the European average and the global average. We are pleased to see our CDP rating increase, and aim to continue our progress from here.

Every year we evaluate which ratings we should participate in, based on our sustainability materiality analysis. If there are any changes to this during next year, we will consider participating in additional ratings.

Divesting Croatia and Germany

On May 31, 2019 we announced that we had signed an agreement to sell Tele2 Croatia, and the transaction was completed on March 3, 2020. In this report we will report information from Croatia for the first three months of 2020, up to and including March.

On December 3, 2020 we announced that we had signed an agreement to sell Tele2 Germany, and the transaction was completed on December 11, 2020. In this report we will report information from Germany for 2020 from January up to the date of divestment, December 11.

These divestments mean that Tele2's footprint is centered around Sweden and the three Baltic countries. This change also means that Sweden's relative importance in the group has increased, including from a sustainability perspective. This will likely impact our future sustainability efforts.

Activities per focus area

Ethics & Compliance

During 2020 we updated our Code of Conduct and Business Partner Code of Conduct. The updates reflect our continuously raised ambitions in the ethics and compliance area, as well as references to new and updated policies.

The Code of Conduct forms the foundation for how we conduct our business, and the Business Partner Code of Conduct is where we describe the demands that we put on our business partners. We request that all our employees and business partners sign and comply with our code and do not tolerate any deviations.

During the year we have also developed a new annual digital training and re-signing process for the Code of Conduct, that was implemented during Q4. This is to complement the process that we have in place in which all employees are required to sign the code when they join Tele2. In the new process employees go through seven modules that describe the key concepts of our code. At the end of each module there is a quiz to make sure that the participants have understood the concept of that module. As a final step all employees are asked to read the code and after they have done that to re-confirm their commitment to it by signing it again.

All employees are expected to take part in the training and re-signing process, with exception for those who are absent, for instance for sick leave or parental leave. Of 3,470 employees invited to the training we achieved a completion rate of 99.7%. For customer service and stores we have a customized version of the training and re-signing process that is less extensive, but still ensures employee commitment. For these employee categories we achieved a 90.9% completion rate, which being slightly lower reflects that it is more difficult for these employees to do an online training. Taking these results combined leads to a competition rate for the entire group of 97.3%. In the cases were employees have not conducted the annual training and re-signing, we still have full employee commitment to the code through the signing that takes place when they first started working at Tele2.

This new training and re-signing process underlines our commitment to the business ethics principles that have been, and continue to be, a foundation for the way we do business.

In response to the COVID-19 pandemic our Lithuanian organization organized an online conference for all local employees. The conference was dedicated to understanding our Code of Conduct, and focused specifically on diversity and inclusion, business ethics, IT and cyber security, as well as the importance of GDPR.

To meet our stakeholder expectations we have during 2020 developed a framework for sustainable procurement. In this framework we define routines for sourcing new business partners, and how we follow up on our strategic and critical suppliers. These procedures include the use of EcoVadis scores, our annual risk assessment, and process for selecting suppliers for on-site audits.

To make sure that our business partners live up to the same standard as us regarding business ethics and sustainability, we set a target for 2020 that 90% of our spend should come from suppliers that have signed our Business Partner Code of Conduct, which was achieved by the end of the year.

We use EcoVadis as our main source of information regarding our suppliers sustainability performance. To ensure that we have reliable information regarding more of our suppliers we set a target that business partners representing at least 50% of our spend should be monitored for supply chain sustainability risks through EcoVadis. This target was also achieved by the end of the year.

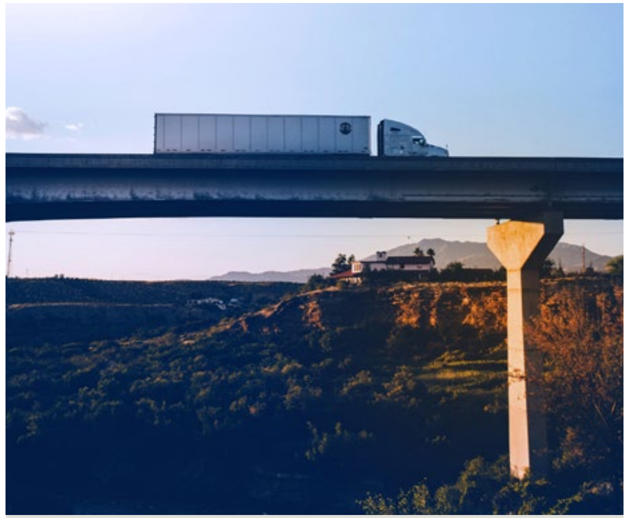
During the year we had planned several on-site audits, but due to the COVID-19 pandemic we were prohibited from carrying all of them out, thus only partly achieving our target for the year. Despite this we were able to conduct two on-site audits, and the reports from these audits are available on our website.

We had planned to conduct an internal audit on our Code of Conduct compliance during 2020. As the code and the training process was updated it was not possible to do this in 2020.

Our Code of Conduct, Business Partner Code of Conduct, and other policies are available in the sustainability section of Tele2.com.

Privacy & Data Protection

Being trusted by our customers to handle their data is a key priority for Tele2. We work continuously to ensure that our customers' data is safe. Our main KPI for measuring performance in this area is the total number of substantiated complaints concerning breaches of



Audits to ensure a sustainable supply chain

Through our Business Partner Code of Conduct we set demands on suppliers to conduct their operations in a sustainable way. To make sure that these demands are followed, we conduct on-site audits at selected suppliers' sites, based on our risk analysis. For each audit we publish an audit report.

For more information visit tele2.com/sustainability

customer privacy and losses of customer data (GRI 418-1). During 2020 we met our goal of reducing the number of substantiated complaints. More details about this can be found in the section "Critical GRI Standard indicators".

To ensure data privacy and protect the personal integrity of our customer we also regularly conduct stress tests to prevent cyber-attacks, and vulnerability and penetration tests on our networks. In our proactive activities we use the services of so called white hat hackers, that look for potential issues in our IT security measures, and report them to us to enable us to resolve them without the risk of damage to our customers or other stakeholders.

The General Data Protection Regulation (GDPR) continues to play an important role in our privacy and integrity efforts. To ensure that all our employees have a good understanding of the GDPR we conduct an annual online training for all employees. The training explains key concepts of the regulation, describes how employees should act in certain situations, as well as provides information about who they can contact with questions about the regulation.

As we are proud of our efforts in the privacy and integrity field we have increased our communication to customers and other stakeholders during the year. This includes information through press releases, in our digital customer newsletter, and on social media. We did however not do this to the extent that we had planned, thus only partly achieving our target for the year.

Tele2 has always been a firm protector of freedom of speech. We have enabled it by providing alternative connectivity, but also fought for it, in many countries over the years. To further develop our support, we have during the year initiated a partnership with the NGO Civil Rights Defenders. In this partnership Tele2 provides IoT connectivity to the global security system of the Natalia Project, protecting human rights defenders all over the world. Each participating human rights defender is provided with security training and a security device that can activate an alarm instantly in situations where the human rights defender faces an immediate threat. The alarm sends a distress signal with a GPS location to nearby local contacts, as well as to Civil Rights Defenders' headquarters in Stockholm, enabling instant local and global support. Going forward, Tele2's IoT connectivity will provide all units in the Natalia Project's global security system with the best connectivity possible, including roaming in more than 450 networks all over the world.

More information about our privacy and integrity efforts can be found in the sustainability section of Tele2.com.

Child Protection

Being online can provide great opportunities for children to socialize and learn, but there are also risks associated with the connected lives of young people. At Tele2 we want to enable our young members of society to experience unlimited possibilities, but also help them maintain a smart and safe approach to their lives online.

Our Com Hem brand already offered the "Trygg surf" service to broadband customers, but during 2020 it was added to the "kids mobile" subscription. The service offers content protection and family rules that prevent access to unsafe or inappropriate websites, and helps parents to protect children from content such as porn, violence or games and betting. What is blocked is easily adapted and can be determined by each family. In the future, Tele2 will launch Trygg Surf for additional subscriptions among Tele2's brands, which means that we only partly achieved our target for the year.

During 2020, our long-standing impact partner, Reach for Change, celebrated their 10th anniversary. Tele2 is a founding partner of the organization, and during these 10 years of partnership, we have had a positive impact on the lives of over 2 million children. We contribute to the partnership with a financial investment of SEK 2 million per year, practical support and by being a thought-partner. To read more about our partnership, please see the feature on p. 49 "Celebrating 10 years of partnership for social innovation".

To contribute to the available knowledge about children and youths online we produced a third report of the series "Children and youths online". In it we have asked about 1,000 young Swedes (aged 9–17) about their online habits and how they view their life online. The study also included about 400 parents, and approximately 200 teachers. The study shows that although the internet is a large and important part of children's everyday lives, many parents are not involved in what their children do online. Children say that the internet gives them access to information and to socialize, but many also


Public Organization Insight

Securing reliable connectivity for human rights defenders' globally

Tele2 provides IoT connectivity to Civil Rights Defenders' security programme Natalia Project, protecting more than 170 human rights defenders globally. The Natalia Project was created in 2013 to promote freedom of speech and protect human right defenders in countries where threats, or even attacks, are used to silence outspoken voices.

For more information visit tele2.com/sustainability

have negative experiences, such as seeing inappropriate content or being contacted by people they do not know.

We want to be proactive in providing parents with tools for and knowledge on how they can help their children lead safe, connected lives. During the year we have produced an online module for parents, which is included on the platform "Lajka", together with the Prince Couple's Foundation. The foundation has expert knowledge regarding life online for children and youth. We are very proud of the outcome of this project, which will help parents keep their children safe online. On "Lajka" parents can for instance find information about how to talk to their children about scary things that they have seen online, or information about how to determine what an appropriate amount of screen-time is for their children. The site also includes a quiz to help parents test their knowledge, and there is information about the legal obligations and rights that parents have in relation to their children's lives online.

Tele2 is committed to preventing the distribution of Child Sexual Abuse Material (CSAM). We tirelessly block access to this type of material when someone using our services tries to access it, and CSAM detection software is installed on employee computers. We had set as a target for the year to implement a new technical solution to block access to CSAM, which we did not achieve and that we will do in 2021. We are an active member of the Telecom Coalition of ECPAT, the Swedish hotline for prevention of distribution of CSAM. In a response to concerns that the COVID-19 pandemic would cause an increase in sexual abuse against children we helped ECPAT set up a telephone help-line, that children can use to safely and anonymously get in touch with ECPAT, at no cost to themselves.

Diversity & Inclusion

Tele2 remains committed to its long-term goal of creating an inclusive environment where diverse talents can perform at their best, and at the same time a gender-balanced workforce. We believe that with diversity and inclusion comes higher performance, creativity and innovation power. This ambition is more important than ever for us to successfully deliver on our overall business strategy.

During 2020 we have had a continued focus on recruitment and retention of female employees to make progress towards our long-term goal of having a gender-balanced workforce. When it comes to recruitment we follow two important principles: 1) we always hire the best candidate, 2) we hire 2 women for every 1 man. We see that this has had a clear impact on our hiring practices, where we previously hired 2 men for every 1 woman, in 2020 we hired 55% women.

We have a responsibility for diversity that extends beyond our own organization. To tackle this, we support several NGOs that promote diversity in our industry. We continue our support for Reach for Change, Tjejer Kodar ("Girls Coding") and Women in Tech. Tjejer Kodar inspires women to try coding, and has trained over 4,000 women since they started in 2015. To read more about our partnership with Reach for Change, please see the feature on p. 49 titled "Celebrating 10 years of partnership for social innovation".

To ensure a broad understanding of diversity and inclusion topics in the organization, we have during the year prepared several different training sessions for managers, to further underline our commitment to this topic. We set as a target that the awareness training for managers should be implemented, which was only partially achieved. We plan to do this in full during 2021.

To broaden our focus on diversity, we have during 2020 conducted a current state analysis for diversity with a focus on ethnicity and age. The outcome of this analysis will form an important basis for our diversity efforts going forward.

In May, Equileap released a report on companies listed on the Swedish OMX30 index, which put Tele2 in first place. Tele2 was awarded the top ranking by having seven out of the eight policies Equileap recommends to promote gender equality. Equileap also noted that Tele2 had a gender balanced board and over 30 percent women at both executive and senior management levels.

Tele2 is a signatory of the UN Women's Empowerment Principles. Our diversity and inclusion efforts were seen by UN Women as leading in the area regarding principle 2 "Treat all women and men fairly at work – respect and support human rights and non-discrimination". Based on this, UN Women decided to do a case study on Tele2, which was published during 2020. The case study, titled "Confronting gender imbalances head-on", highlights several of the lessons that we have learnt on our journey towards a gender

Diversity & inclusion efforts praised by UN Women

As we continue our journey towards building an inclusive and gender-balanced Tele2, our efforts have been recognized by UN Women in a case study. Tele2 is a signatory of the UN Women's Empowerment Principles. The case study is titled "Confronting gender imbalances head-on" and describes the principles in action.

For more information visit tele2.com/sustainability

TELE2

balanced organization, including the importance of setting ambitious targets, implementing measures that are simple and easy to visualize, and sometimes allowing for a longer recruitment process.

For 2020 we had set a target that the score for Sweden in our employee survey MyVoice for "Respect" should rise from the 2019 score of 80 to 84 in 2020. We did not achieve this target even though we saw an increase of the score to 82. We plan to continue our efforts in 2021 to ensure that this score continues to increase.

Environment

As the first telco in the Nordics and Baltics we became carbon neutral in our own operations on April 1, 2020. Carbon neutrality in our own operations was achieved by our Swedish operations already in 2018. We use 100% renewable electricity on all of our markets. On an annual basis this leads to a reduction of CO_2-emissions by over 85,000 tons of CO_2-eq compare to our annual emissions before we switched to using 100% renewable electricity. This is equivalent to the annual CO_2-emissions of 10,000 average Europeans. To offset our remaining emissions we support projects for renewable energy in India, that are vetted by the UNFCCC and certified Gold Standard. For more information about our scope 1 and scope 2 emissions, please see GRI 305 on page 61.

Having already come this far with our emissions reduction in scope 1 and 2 our next focus will be on our scope 3 (value chain) emissions. During 2020 we have analyzed the emissions that we had in scope 3 during 2019. We found that the main source of emissions in scope 3 is from the category "Purchased goods and services", which accounted for more than 78% of our scope 3 emissions. We will use this analysis as a starting point for our discussions with our suppliers regarding their plans for emissions reductions in the coming decade. For more details regarding our scope 3 emissions in 2019 please see GRI 305 on page 62. Our scope 3 emissions for 2020 will be published on Tele2.com in Q2, 2021. Starting in the sustainability report for 2021 the scope 3 emissions for the reporting year will be included in the report.

In 2019 we committed to setting science-based targets, to get a scientific approval that our CO_2-emissions reduction targets. are ambitious enough to meet the 1.5°C target of the Paris Agreement.

In 2020 we analyzed our emissions in scope 1, 2 and 3, detailed a roadmap for emissions reduction, approved the targets in our management team, and submitted our targets to the Science Based Targets initiative for approval. Once they have been approved they will be made available in the sustainability section of Tele2.com.

Energy efficiency is an important environmental issue for us to address. We were not able to set a percentage target for increased energy efficiency in our network as planned during the year, nor to measure power usage effectiveness for data centers and set reduction targets for 2023. This remains in our ambition going forward.

When it comes to waste our ambition is to follow the steps reduce, re-use, recycle. E-waste, such as disused mobile phones, continue to be one of the material environmental issues for our industry. We are dependent on our customers having electronic equipment, such as mobile phones or routers, to use our services. Therefore we have a responsibility to make sure that this hardware is dealt with in a way that does not harm the environment when our customers no longer can or want to use their products. In Sweden, Tele2 has a system in place in which customers can return used mobile phones to us, either through our stores or through our website. For 2020 we had set a goal to increase the amount of equipment collected from customers by 10% compared to units sold, which we achieved. Out of all the customer equipment that is returned to us, more than 95% can be given a second life on the market, and be re-used as a refurbished unit. Those units that cannot be re-used are recycled, using the best methods available on the market. The electronic equipment that we use in our own networks are handled according to the same principle, equipment that can be used again is sold for re-use, and that which cannot be re-used is recycled. These activities are important steps towards Tele2 becoming a part of a more circular value chain for electronic equipment.

For our Swedish operations we decided in 2020 to certify our environmental management system according to the Swedish standard "Swedish Environmental Base". This certification helps us ensure that our management system meets the commonly set standards for management system. The certification also enables us to assure interested stakeholders of the validity of our management system, as it has been certified by an independent third party.

Reducing CO_2-emissions by 150,000 tons over 3 years

Our Swedish operations are carbon neutral in our own operations since 2018, and since April 1, 2020, so is the entire Tele2 Group. Since 2018 this has led to a cumulative reduction of emissions by over 150,000 tons CO_2-eq, which is equivalent to the annual emissions of over 20,000 average Europeans.

For more information visit tele2.com/sustainability

In our Lithuanian operations we have introduced paperless contract signing in our shops. This saves an estimated 4.6 million sheets of paper on an annual basis. By using a digital solution we are reducing the use of natural resources and are saving more than 460 trees.

TELE2

Celebrating 10 years of partnership for social innovation – creating a better world for children and youth

Our entrepreneurial spirit means that we like to do practical efforts. This is one of many reasons why we decided to be a co-founder of Reach for Change 10 years ago. Reach for Change is a nonprofit that believes that one person can change the world.

One person with true passion, an entrepreneurial spirit and an innovative idea. But that person needs support – someone who believes in the idea and enables the first steps into building a social business. This is where Reach for Change comes into the picture. They enroll exceptional local and early stage social entrepreneurs into a long-term support program, where they help them to go from an idea to a sustainable social business.

Together, we have successfully empowered many local social entrepreneurs supporting them in turning thoughts into actions. They have been able to take these ideas and transform them into social businesses that are changing the lives of children and youth.

Our impact

As a co-founder Tele2 has since the start in 2010, been part in supporting over 1,200 social entrepreneurs, in 18 countries across Europe and Africa, who in turn have improved the lives of over 4.3 million children and youth. Tele2 has also through more operative projects and hands-on advice supported Reach for Change's local operations in Sweden, Russia, Lithuania, Latvia and Croatia, with a positive impact on over 2 million children and youth in these markets.

Looking ahead

There is however still much to be done. That is why we are so excited to keep supporting Reach for Change with their ambitious goals of reaching 30 million children and youth by 2030.

To find out more see the Reach for Change website.

+4.3 million
CHILDREN & YOUTH SUPPORTED

+1,200
SOCIAL ENTREPRENEURS STRENGTHENED

18
COUNTRIES IN EUROPE AND AFRICA

90%
OF ENTREPRENEURS ARE STILL ACTIVE

Reach for Change

Since 2010, Reach for Change has been empowering social entrepreneurs to develop innovative solutions that improve the lives of children and youth.

Sustainability information

Introduction

In line with its obligation following from the Swedish Annual Accounts Act, Tele2 presents the non-financial information contained in this section of this sustainability report.

Tele2 uses the most recent framework developed by the Global Reporting Initiative (GRI): GRI Standards. On the basis of the framework, Tele2 identifies and discloses its significant impacts on the economy, the environment, and society.

Latest by the date of our 2021 Annual General Meeting we will provide disclosures specifically referencing the metrics identified for our sector by the Sustainability Accounting Standards Board (SASB) on the sustainability section of Tele2.com. This disclosure will be based on our GRI reporting, and include a mapping of existing reporting to the relevant SASB metrics.

The GRI Standards are divided into four series. These series deal with general topics (100 series), economic topics (200 series), environmental topics (300 series) and social topics (400 series). Each series is subdivided in standards, which are used to report information on an organization's impacts related to economic, environmental, and social topics (e.g. indirect economic impacts, water, or employment). These standards contain disclosures (e.g. Disclosure 302-1: Energy consumption within the organization) that lay out the required information to report, and in some cases contain additional instructions for how to compile this information, reporting recommendations and guidance. For more information, please visit the GRI standards page on the GRI website, globalreporting.org.

Tele2's sustainability information is presented in two tables. The first table discloses the management approach to sustainability topics that are considered material. The second table is the so-called GRI Content Index, which either includes or refers to information on the relevant disclosures for Tele2.

External Assurance

For information on external assurance of information referred to from, or included in the GRI Content Index, please see Disclosure 102-56. An audit statement regarding the examination of the statutory sustainability report is included at the end of this report.

Organizational Changes

On May 31, 2019 we announced that we had signed an agreement to sell Tele2 Croatia, and the transaction was completed on March 3, 2020. In this report we will report information from Croatia for the first three months of 2020, up to and including March.

On December 3, 2020 we announced that we had signed an agreement to sell Tele2 Germany, and the transaction was completed on December 11, 2020. In this report we will report information from Germany for 2020 from January up to the date of divestment, December 11.

Please see Disclosure 102-10 regarding the impact of these changes for reporting.

Sustainability report index – Annual Accounts Act

The table below shows where the requirements for sustainability information of the Annual Accounts Act is reported in Tele2 Annual and Sustainability Report 2020.

Area	Disclosure	Page reference
General	Business model	p. 6
Environment	Policy, management approach and environmental issues	p. 51
	Risks and their management regarding environmental issues	p. 22–24
	Targets and results related to environmental issues	p. 43, 60–62, 66
Social conditions & Personnel	Policy, management approach and social issues	p. 51–52
	Risks and their management regarding social issues	p. 22–24
	Targets and results related to social issues	p. 43, 62–63, 112
Respect for human rights	Policy, management approach and human rights issues	p. 51–52
	Risks and their management regarding human rights issues	p. 22–24
	Targets and results related to human rights issues	p. 43, 63–64, 66
Anti-corruption	Policy, management approach and anti-corruption issues	p. 51
	Risks and their management regarding anti-corruption issues	p. 22–24
	Targets and results related to anti-corruption issues	p. 43, 66

Disclosure of management approach

Disclosure	Material topic	Why is this topic material to Tele2	Topic material within Tele2	Topic material outside Tele2
200 Series: Economic				
201-1	Economic Performance	Economic performance is identified as a material aspect because Tele2 is a profit driven corporation that needs to make a profit to remain viable. Tele2's profits in turn contribute to society through payment of wages, taxes and purchases of services and products. This in turn impacts economic activity, government and society and contributes to economic growth. In order to manage impacts related to economic performance, Tele2's internal audit monitors its payroll and the payment of taxes in countries of operation.	YES	YES
205-3 206-1	Anti-corruption and Anti-competitive behavior	Integrity and ethics are integral parts of Tele2's values and code of conduct. Therefore efforts to promote fair and ethical business, such as anti-corruption and preventing anti-competitive behavior, are part of its daily operations. Compliance to local laws and regulations ensures investors that Tele2 is a trustworthy business partner. Tele2 has established a common perspective on group level of how to deal with anti-competitive behavior and anti-corruption. Responsibility lies with the local heads of the legal departments to put it into practice. For example, anti-competitive behavior and anti-corruption are included in the education of new employees, existing managers and selected risk functions (for example procurement). Employees also retake the education annually. Responsibility for conducting relevant training is the duty of each country organization. In order to manage impacts, compliance with local laws and regulations is a responsibility of the local legal team in each country. The legal teams make use of an open door policy for employees seeking advice on ethical and lawful behavior, and processes are in place to escalate incidents to the highest governance body when necessary.	YES	YES
300 Series: Environmental				
302-1 305-1 305-2 307-1	Energy, Emissions and Environmental Compliance	Energy, emissions and environmental compliance are identified as material aspects in light of climate change being a global challenge which the information and communication technology industry contributes to, but can also contribute to solving problems and promote mitigation. For Tele2, electricity consumption is key as this has been the major source for Tele2's emissions of greenhouse gases (GHG) in our own operations. In our value chain the major source of GHG emissions is from purchased goods and services. To mitigate these impacts, Tele2 has transitioned to using 100% renewable energy in our own operations. To address the value chain impact Tele2 has committed to setting science-based targets, that will include targets for GHG emissions reduction for purchased goods and services. Tele2's local teams follow up and ensure compliance with relevant environmental laws and regulations in its countries of operation in order to perform in line with internal and external stakeholders' expectations.	YES	YES
400 Series: Social				
401-1 405-1 406-1	Employment, Diversity and Equal Opportunity, Non-Discrimination	With the ambition to deliver the best service in the industry, Tele2 invests in the well-being and development of its employees. Its ambition is for all employees to have performance plans and annual performance dialogues, including senior executives. In order to manage impacts, Tele2 has also introduced development plans for all employees. In addition, an employee survey is conducted yearly to follow-up on employees' satisfaction and well-being. Results are gauged against others to understand changes and trends. Critical points of improvement are communicated to local managers who turn them into local action plans. It is crucial for Tele2 to attract and retain talented and diverse employees to be able to deliver on its strategy as well as maintaining its culture. Diversity is an integral aspect of Tele2's operations and is captured in a diversity policy. In order to manage impacts, a gender KPI is followed up on all functional levels to inform promotion and recruitment decisions.	YES	NO

Disclosure	Material topic	Why is this topic material to Tele2	Topic material within Tele2	Topic material outside Tele2
407-1 408-1 409-1	Freedom of association and collective bargaining, Child labor, and Forced or compulsory labor	Tele2 aims to conduct its business with the highest degree of ethics while also being compliant to local laws and regulations and respecting human rights. Tele2's markets are all different in this aspect. To mitigate risks and manage impacts, Tele2 uses a Code of Conduct (CoC) and a Business Partner Code of Conduct (BPCoC) based on the United Nations Global Compact. It encompasses labor rights, anti-corruption, environment, freedom of association and collective bargaining, child labor and forced labor and other basic human rights. Tele2 employees sign the CoC annually. Tele2 requires its significant business partners, with contract values exceeding SEK 1 million per year, to sign the Tele2 BPCoC. By doing so Tele2 includes clauses about human rights, labor rights, anti-corruption and environment etc. into a vast majority of its agreements with its business partners. In addition, a share of the business partners which are managed within the sourcing and procurement processes, described above, have also been screened and monitored with the EcoVadis Business Sustainability Ratings. In case of breaches of the BPCoC, Tele2 primarily conducts dialogues with business partners to establish remediation plans. If this does not produce the desired changes, Tele2 can terminate the relationship with the specific business partner.	YES	YES
416-2	Customer health and safety	Tele2 strives to provide its customers with safe services that do not have a negative impact on their health, and works proactively to identify and monitor potential health and safety issues related to its products and services. Tele2's networks emit electromagnetic fields. No adverse health risks have been identified in relation to the exposure to such field from base stations for mobile telephony, wireless networking or similar transmitters. In order to manage impacts, Tele2's networks are designed to operate well within the applicable regulations and guidelines of the countries of operation. Tele2 measures the radio wave signals emitted in the networks at the request of property owners.	NO	YES
417-3	Marketing and labelling	Marketing communications is a core aspect of Tele2's interaction with its customer base and therefore identified as a material aspect. Responsibility for marketing and sales lies with local teams as legislation differs between countries. In Sweden, there is an education for new employees on guidelines for communication and marketing. In order to manage impacts, the legal team reviews marketing material before it is published to assure compliance, and if incidents occur, they are reported to the responsible management. Ethical communication is also included in the Code of Conduct, which all employees are trained in every year, and as such included in Tele2's policies.	YES	YES
418-1	Customer privacy	Tele2 has customer and employee privacy and data protection as a high priority. Due to the nature of the services Tele2 provides, it processes personal data. In order to manage impacts, Tele2 has organizational and technical measures, policies and guidelines, and a governance structure, which all serve to protect its customers' data. These have been updated to meet the requirements of the GDPR in the EU. Tele2 continuously monitors the development of laws and regulations and updates its processes and controls accordingly. Tele2 has a Group Data Privacy Officer, and in all of its markets Tele2 has a dedicated Data Privacy Officer who works on privacy and data protection. A privacy impact assessment has been integrated in its project model. The Group Data Privacy Officer is also the Data Privacy Officer for Sweden. Data privacy processes are similar in all European operations. All Tele2 employees are required to take a data privacy awareness training.	YES	YES
419-1	Socio-economic compliance	Integrity and ethics are integral parts of Tele2's values and Code of Conduct. Tele2 aims to deliver high quality in its products and services and legal compliance is of course an important part of this. Therefore compliance is a key aspect of its operations on a daily basis. Following local laws and regulations ensures investors that Tele2 is a trustworthy business partner. In order to manage impacts, Tele2 has established a common perspective on group level on how to deal with socio-economic compliance. Responsibility lies with the local heads of legal departments to ensure compliance in practice in each market. The legal head on group level is also the legal head of Sweden. The legal teams make use of an open door policy for employees seeking advice on ethical and lawful behavior. Processes are in place to report or escalate incidents to the relevant group functions. As an example, both anti-competitive behavior and anti-corruption are included in the education of new employees, existing managers and selected risk functions (e.g. procurement). Incidents in this area are reported to the central security function and escalated to the highest governing bodies if warranted. Employees also retake the education annually. Responsibility for conducting relevant training is the duty of each country organization.	YES	YES

GRI content index

GRI Standards Disclosure			External Assurance
General Disclosures (GRI Standard 102: General Disclosures 2016)			
102-1	Name of the organization	See Tele2 Annual and Sustainability Report 2020, p. 11.	YES
102-2	Activities, brands, products, and services	See Tele2 Annual and Sustainability Report 2020, p. 6.	
102-3	Location of headquarters	See Tele2 Annual and Sustainability Report 2020, p. 125.	YES
102-4	Location of operations	See Tele2 Annual and Sustainability Report 2020, p. 125.	YES
102-5	Ownership and legal form	See Tele2 Annual and Sustainability Report 2020, p.11.	YES
102-6	Markets served	See Tele2 Annual and Sustainability Report 2020, p. 6.	YES
102-7	Scale of the organization	See Tele2 Annual and Sustainability Report 2020, p. 11–12.	YES
102-8	Information on employees and other workers	See Tele2 Annual and Sustainability Report 2020, p. 25.	YES
102-9	Supply chain	Most suppliers, considering spend, are producers of input material or products such as handsets, base stations, sim cards, construction companies for telecom mast constructions, network & IT system solutions platforms as well as service providers within areas such as customer operations and media. Additionally, suppliers or business partners (as Tele2 calls them) may be consultants, financial auditors, M&A firms, legal advisors, etc. Other telecommunications providers are suppliers of wholesale inter-connection and roaming services which are necessary to deliver our services on or to other networks. Suppliers are either contracted through the central procurement function, country procurement or directly by various business ownership parties at central or country level. The central procurement function also serves the Swedish operations.	
102-10	Significant changes to the organization and its supply chain	Following the transaction between Tele2 and United Group, Croatia is included in this sustainability report for the first three months of 2020, up to and including March. Following the transaction regarding Tele2 Germany, Germany is included in this sustainability report for 2020 from January to December 11. Tele2's supply base consists of several thousands of suppliers. There may be changes from year to year as contracts expire, and new potential suppliers are signed on. These changes have not been significant during the year.	
102-11	Precautionary Principle or Approach	Tele2 works proactively to identify and monitor its most significant risks through an enterprise risk management process. The purpose of this process is to minimize surprises and improve the decision making in order for Tele2 to achieve its strategic, financial, compliance and operational objectives. Among other topics, Tele2 continuously follows research developments on electro-magnet fields caused by telecommunication networks.	
102-12	External initiatives	Tele2 adheres to applicable parts of the following: the United Nations Universal Declaration of Human Rights, the International Labor Organization's core conventions, the Organisation for Economic Co-operation and Development (OECD) Guideline for multinational enterprises, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights and the Children's Rights Business Principles.	

GRI Standards Disclosure			External Assurance
102-13	Membership of associations	Tele2 is currently actively engaged in the GSM Association, the Sustainability Council of the Swedish IT and Telecom Industries association, and the Sida Swedish Leadership for Sustainable Development (SLSD) initiative. Being one of the founding partners in 2010, Tele2 is a standing member of the board of Reach for Change. Besides a yearly SEK 2 million cash contribution, Tele2 allows its employees to engage in various initiatives within the organization during work hours and the executive trainees usually have the opportunity to participate in Reach for Change initiatives and projects outside Sweden for one month (temporarily suspended due to COVID-19 pandemic). Additionally, Tele2 is a supporter to the entrepreneurs in the incubator and contribute with skills and training, such as HR.	
102-14	Statement from senior decision-maker	See Tele2 Annual and Sustainability Report 2020, p. 5.	
102-16	Values, principles, standards, and norms of behavior	See the Tele2 Code of Conduct and the Tele2 Business Partner Code of Conduct under the 'Sustainability' section on Tele2's website.	
102-17	Mechanisms for advice and concerns about ethics	For internal stakeholders Tele2's legal department has an open door policy which is being used actively by employees seeking advice on ethical and lawful behavior. Tele2 has a whistleblowing process in place. It is also available to its business partners that have signed the Business Partner Code of Conduct. Even external parties could use it as the instructions are publicly available on Tele2's website.	
102-18	Governance structure	Information on the process for delegating authority from the highest governance body can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p 26–33. Further information on delegation for economic, environmental, and social topics can be found on Tele2's website, under the relevant subsections of the 'Sustainability' section.	
102-19	Delegating authority	Information on the process for delegating authority from the highest governance body can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p 26–33. Further information on delegation for economic, environmental, and social topics can be found on Tele2's website, under the relevant subsections of the 'Sustainability' section.	
102-20	Executive-level responsibility for economic, environmental, and social topics	Information on the executive-level responsibility for economic, environmental, and social topics can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p. 26–33. Further information on executive-level responsibility for economic, environmental, and social topics can be found on Tele2's website, under the relevant subsections of the 'Sustainability' section in the Annual and Sustainability Report 2020, p. 40	
102-22	Composition of the highest governance body and its committees	Information about the composition of the highest governance body and its committees can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p. 26–33.	
102-23	Chair of the highest governance body	Information about the chair of the highest governance body can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p. 26–33.	

GRI Standards Disclosure			External Assurance
102-24	Nominating and selecting the highest governance body	Information about nominating and selecting the highest governance body can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p. 26–33. Further information on nominating and selecting the highest governance body can be found on Tele2's website, under the relevant subsection regarding the Nomination Committee. In the 'Documentation to the 2020 Annual General Meeting', the following was stated: "In its work, the Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. Accordingly, the Committee gives particular consideration to the importance of a diverse set of Board members, including their gender, age and nationality, as well as their experiences, professional backgrounds and business disciplines. The Committee believes the composition of the proposed Board is 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."	
102-25	Conflicts of interest	Information on conflict of interest of the highest governing body can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p. 26–33 and in the Tele2 Code of Conduct.	
102-26	Role of highest governance body in setting purpose, values, and strategy	Information on the role of the highest governance body in setting purpose, values, and strategy can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p. 26–33.	
102-27	Collective knowledge of highest governance body	The Board of Directors is the highest governing body responsible for Tele2's sustainability performance. Sustainability matters are regularly put on the agenda of Audit Committee meetings and will also be reviewed at board meetings.	
102-29	Identifying and managing economic, environmental, and social impacts	Sustainability risk management is part of the sustainability requirements of our largest shareholder Kinnevik. Therefore, discussions and reviews of key aspects are conducted with Kinnevik annually. Sustainability risks and opportunities are regularly discussed at board meetings.	
102-30	Effectiveness of risk management processes	Information about the effectiveness of risk management processes can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p. 26–33.	
102-31	Review of economic, environmental, and social topics	The Board reviews economic, environmental, and social topics during board meetings. Furthermore, these topics are regularly put on the agenda of Audit Committee meetings. More information on the frequency of Audit Committee meetings in 2020 can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p. 26–33.	
102-32	Highest governance body's role in sustainability reporting	Tele2's material aspects regarding sustainability are reported in this Sustainability Report, which is externally examined, and approved by the Board.	
102-33	Communicating critical concerns	Critical concerns can be communicated through the Audit Committee meetings. Reporting to the executive leadership team can occur throughout the year, either ad hoc if necessary, or through scheduled leadership team meetings.	
102-36	Process for determining remuneration	Information about the process for determining remuneration can be found in the Tele2 Corporate Governance Report in the Annual and Sustainability Report 2020, p. 26–33.	
102-37	Stakeholders' involvement in remuneration	Shareholders approve the remuneration guidelines for senior executives through the AGM.	

GRI Standards Disclosure			External Assurance
102-40	List of stakeholder groups	Tele2 is open to engage with all relevant stakeholders. Stakeholder dialogues are conducted regularly in various formats during the year, ranging from one-to-ones to larger gatherings. 	
102-41	Collective bargaining agreements	All employees in Sweden are covered by collective bargaining agreements. For other countries this may vary, though Tele2 has a positive view on collective bargaining agreements. This is reflected in the Code of Conduct and the Business Partner Code of Conduct, which states: "The rights of employees to freely associate and to bargain collectively, in accordance with the laws of the countries in which they are employed, shall be recognized and respected." In total 64,7 percent of all full-time equivalents are covered by collective bargaining agreements, excluding discontinued operations.	
102-42	Identifying and selecting stakeholders	Tele2 is open to any constructive dialogue, i.e. Tele2 does not exclude anyone from having a discussion on relevant topics. Tele2's stakeholders can generally be described as parties and people affecting its business, as well as parties and people being affected by it.	
102-43	Approach to stakeholder engagement	Tele2 has ongoing dialogues with many of its different stakeholder groups. Among others, this can take place in the form of dialogues with investors, roadshows, interactions with customers and civil society and dialogues with industry organizations. The Annual General Meeting (AGM) is a key point of contact for Tele2 with its shareholders. During the AGM, Tele2 presents and discusses both financial and sustainability related results. Stakeholder engagements are built into Tele2's business processes. This includes having sustainability related questions in the employee survey MyVoice, the yearly Code of Conduct update for all employees, customer surveys, dialogues with the largest shareholders on sustainability, being active with government relations and the EU, answering questionnaires from NGOs, meeting analysts, analyzing media reports, etc. Occasionally or when deemed necessary, Tele2 conducts specifically tailored engagements, for example as it did when developing the sustainability strategy and the materiality analysis. For more information about Tele2's approach to stakeholder engagement, please see the sustainability section of on Tele2's website. The frequency of engagements varies from once a year (e.g. Code of Conduct employee update) to several times a year (e.g. investor dialogues and MyVoice). Tele2 has not had any particular separate engagement for the preparation of the report. A total of 83 percent of Tele2 employees participated in the 2020 MyVoice survey. The results of Net Promotor Score (NPS) are based on global standards and cover customers in all of Tele2's countries of operation. NPS and other customer surveys are done continuously throughout the year. Tele2 strives for continuous improvement of the underlying evaluation process to provide the best service to its customers.	

GRI Standards Disclosure			External Assurance
102-44	Key topics and concerns raised	Tele2 uses the input received from stakeholders to co-determine its focus areas for sustainability. Tele2 develops strategies and policies to ensure that the company performs well within those areas. Tele2 reports on its focus areas in the sustainability section of the Annual and Sustainability Report. Shareholders emphasize the importance of the ethics and compliance and environment focus areas. Engagement by Tele2 on child protection is encouraged by the largest shareholder Kinnevik. Customers are the major stakeholder for privacy and integrity and Tele2 employees are the primary beneficiary of diversity. In the 2020 MyVoice survey, Tele2 employees on average agree with the statements: "I am treated with respect and dignity" (85 percent), "Our team has a climate in which diverse perspectives are valued. " (81 percent) and "Regardless of background, everyone at Tele2 has an equal opportunity to succeed. " (77 percent).	
102-45	Entities included in the consolidated financial statements	The sustainability report covers the Tele2 Group. Legal entities are listed in the parent company's financial statements in Note 19 in Tele2 Annual and Sustainability Report 2020, p. 125.	
102-46	Defining report content and topic boundaries	The telecommunication's industry has continued to focus on ethics, risks for corruption and human rights such as privacy and freedom of expression (including the UNGP) and Tele2's focus areas align with the industry. Tele2 has a combined Annual and Sustainability Report available as a PDF file, in which it reports information relevant to sustainability, including the legally mandated disclosure of sustainability information. Tele2's reporting boundaries have been defined through interactions with stakeholders, and during in-house discussions with for example the legal department, where the degree of ownership and areas of work for each entity were reviewed. The content of reported information mirrors the material sustainability areas as defined in the corporate strategy. Tele2 has continued its journey to integrate sustainability into core business processes, such as the corporate strategy and corporate vision. Sustainability reporting is integrated in the corporate strategy. Our focus areas for 2020 were: Child Protection, Diversity & Inclusion, Environment, Ethics & Compliance, Privacy & Integrity.	
102-47	List of material topics	For Tele2's material topics, see the Disclosure of Management Approach table provided above.	
102-48	Restatements of information	No significant restatements within the scope of sustainability.	
102-49	Changes in reporting	There are no significant changes in material topics and topic boundaries made by Tele2.	
102-50	Reporting period	January 1, 2020 up to and including December 31, 2020.	
102-51	Date of most recent report	March 26, 2020.	
102-52	Reporting cycle	Annual.	
102-53	Contact point for questions regarding the report	Erik Wottrich, Head of Sustainability, email: erik.wottrich@tele2.com, phone: +46704264384	
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Comprehensive option.	

GRI Standards Disclosure			External Assurance
102-55	GRI content index	This table is the GRI Context Index and contains all the information disclosed by Tele2 for each disclosure, or refers to the relevant information if published elsewhere. **GRI Standard used are:** GRI 102: General Disclosures 2016 GRI 103: Management Approach 2016 GRI 201: Economic Performance 2016 GRI 205: Anti-Corruption 2016 GRI 206: Anti-Competitive Behavior 2016 GRI 302: Energy 2016 GRI 305: Emissions 2016 GRI 307: Environmental Compliance 2016 GRI 401: Employment 2016 GRI 405: Diversity and Equal Opportunity 2016 GRI 406: Non-discrimination 2016 GRI 407: Freedom of Association and Collective Bargaining 2016 GRI 408: Child Labor 2016 GRI 409: Forced and Compulsory Labor 2016 GRI 416: Customer Health and Safety 2016 GRI 417: Marketing and Labeling 2016 GRI 418: Customer Privacy 2016 GRI 419: Socioeconomic Compliance 2016	
102-56	External assurance	The Sustainability Report has not been subject to external assurance. The eight GRI Standards indicators that are most relevant are presented in Tele2 Annual and Sustainability Report 2020, p. 66, and have been audited by Deloitte. The auditor's report is available in Tele2 Annual and Sustainability Report 2020, p. 127. The Corporate Governance Report has been examined by Deloitte in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that Deloitte's examination of the Corporate Governance Report 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. The Sustainability Report has been examined by Deloitte in accordance with FAR's auditing standard RevR 12, "The auditor's opinion regarding the statutory sustainability report". This means that Deloitte's examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with international standards on auditing and generally accepted auditing standards in Sweden. Deloitte is independent to Tele2.	

GRI Standards Disclosure			External Assurance
Management Approach (GRI Standard 103: Management Approach 2016)			
103-1	Explanation of the material topic and its boundary	Tele2 has provided the relevant information for each material topic in the Disclosure of Management Approach table above.	
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
Economic Performance (GRI Standard 201: Economic Performance 2016)			
201-1	Direct economic value generated and distributed	See Tele2 Annual Report and Sustainability 2020, p. 12. Tele2 currently does not track data for taxes paid on a country-by-country level.	YES
Anti-Corruption (GRI Standard 205: Anti-Corruption 2016)			
205-3	Confirmed incidents of corruption and actions taken	See Tele2 Annual and Sustainability Report 2020, p. 66.	YES
Anti-Competitive Behavior (GRI Standard 206: Anti-Competitive Behavior 2016)			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	See Tele2 Annual and Sustainability Report 2020, p. 66.	YES

GRI Standards Disclosure	External Assurance

Energy (GRI Standard 302: Energy 2016)

302-1 Energy consumption within the organization

	2020		2019	
Fuel Consumption (GJ)	Consumption	Share of consumption %	Consumption	Share of consumption %
Natural gas	749	0.1%	6,260	0.5%
Petrol	10,452	1.2%	13,110	1.0%
Diesel	22,046	2.5%	45,291	3.6%
Share of renewables in total fuel consumption	**0.0%**		**0.0%**	
Electricity, heating, cooling and steam purchased for consumption (GJ)				
Electricity	811,144	90.4%	1,134,125	90.2%
District heating	20,965	2.3%	21,107	1.7%
District cooling	32,342	3.6%	37,706	3.0%
Total energy consumption	**897,699**		**1,257,598**	

During 2020, the most significant source of energy consumption for Tele2 was the consumption of purchased electricity. The purchased electricity was used in different types of facilities, but primarily in Tele2's base stations. A small share of the electricity generation came from direct sources, diesel, natural gas, and petrol (together less than 1% of the total consumption). Our Swedish operations use 100% green electricity. A decision to only buy green electricity after Q1 2020 in Estonia, Latvia and Lithuania increased the share of electricity consumption bought from renewable sources from 48% in 2019 to 93% in 2020. Electricity consumed in shops and offices decreased significantly for the full year compared to 2019, affected both by closing due to the pandemic and exiting the markets in Kazakhstan and Croatia.

Tele2 has several pilot projects regarding renewable energy consumption at technical sites in Latvia and Sweden, where solar panels and a wind turbine have been mounted to help produce renewable energy. The pilot project in Sweden covered 3.8 percent of the energy consumed at the site. The Latvian pilot project covered 7.5 percent of the energy consumption at the sites.

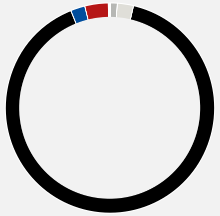
We track the following Key Performance Indicators in the energy and emissions fields (data for continuing operations):

- Percentage of green energy total: 85.4 percent (2019: 37.0 percent)
- Percentage of green electricity total: 94.5 percent (2019: 41.2 percent)
- Energy consumed per RGU: 25.4 kWh (2019: 31.9 kWh)
- Emissions emitted per RGU: 1.0 kg CO_2-eq emissions (2019: 9.3 kg CO_2-eq emissions)

Notes on changes and altered calculation methods:

- The COVID-19 pandemic related to the corona virus led to temporary closure of offices and stores.
- Since April 1, 2020, only green electricity was bought in Estonia, Latvia and Lithuania.
- Operations in Kazakhstan were divested during 2019 and were not included in the figures for 2020.
- The operations in Croatia were divested in March 2020, hence the operations in Croatia after Q1 are not part of the reporting.

Energy consumption



Gas	0.1%
Petrol	1.2%
Diesel	2.5%
Electricity	90.4%
District heating	2.3%
District cooling	3.6%

GRI Standards Disclosure | External Assurance

Emissions (GRI Standard 305: Emissions 2016)

305-1 Direct (Scope 1) GHG emissions

305-2 Energy indirect (Scope 2) GHG emissions

Emissions by market (Tons CO_2-eq)	2020 Direct	2020 Energy indirect	2020 Total	2020 Share	2019 Direct	2019 Energy indirect	2019 Total	2019 Share
Continuing Operations								
Estonia	292	4,454	4,746	43%	269	24,662	24,931	28%
Latvia	320	1,176	1,495	13%	432	8,766	9,198	10%
Lithuania	171	694	865	8%	225	5,863	6,088	7%
Sweden	1,519	311	1,830	17%	2,357	467	2,824	3%
Total continuing operations	**2,302**	**6,634**	**8,937**	**81%**	**3,283**	**39,758**	**43,041**	**48%**
Discontinued operations								
Croatia[1)]	117	1,937	2,054	19%	894	14,820	15,714	18%
Germany[2)]	15	31	46	0%	18	44	62	0%
Kazakhstan[3)]	—	—	—	—	288	30,592	30,880	34%
Total discontinued operations	**132**	**1,968**	**2,100**	**19%**	**1,200**	**45,456**	**46,656**	**52%**
Total	**2,434**	**8,602**	**11,037**		**4,483**	**85,214**	**89,697**	

1) Reporting until March 31, 2020 due to divestment.
2) Reporting until December 11, 2020 due to divestment.
3) Reporting until June 30, 2019 due to divestment.

The total emissions in scope 1 and 2 for Tele2 in 2020 was 11,037 tons CO_2-eq which is a decrease of 90% compared to 2019. When looking at the emissions using the location-based method, the total emissions are 46,100 tons CO_2-eq in 2020 compared to 91,600 tons CO_2-eq in 2019 (decrease of 50%).

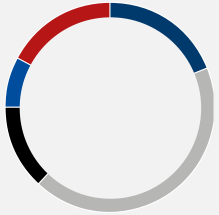
During 2020, the most significant emission source within the own operations of Tele2 was the consumption of purchased electricity. Of the total scope 1 and 2 emissions, about 67% came from the consumption of purchased electricity and 52% from consumed purchased electricity in base stations specifically. When comparing the continuing operations, i.e. excluding Kazakhstan, Croatia and Germany, the total scope 1 and 2 emissions decreased by 83%.

If Tele2 was part of the EU ETS (Emission Trading System), its total climate impact in scope 1 and 2 would mean a cost of 234,000 EUR (market-based) of allowances. Compared to 2019, the annual cost of allowances was slightly less expensive (decreasing by 2,5%). In total, this is a decreased cost by about 88%, and could be used to purchase about 1,500–2,000 GWh of renewable energy certificates with a rate of about 0.5–1 EUR/MWh. Note: one allowance equals one ton of CO_2-eq. According to the second Stern report the price of carbon dioxide needed to limit the temperature rise to 2 degrees compared to pre-industrial levels is 32–103 USD per ton CO_2-eq. This means a cost of 1,0 MEUR (market-based) for Tele2, which is a decrease of 88% compared to 2019.

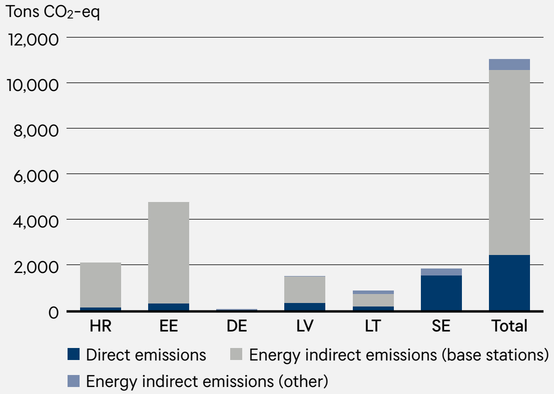
4,300 tons of CO_2-eq was offset for all of Tele2's operations in Sweden in 2020 including energy use, company cars and air travel, which amounts to over 200% offsetting. 750 tons of CO_2-eq was offset for all of Tele2's operations in Estonia, Latvia and Lithuania from April 1, 2020 for all emissions in scope 1 and 2. The projects Karnataka Wind and Godawari Solar Rays (both certified by Gold Standard and UNFCCC CDM) located in India were used for the carbon offsetting. These projects are certified by Gold Standard and by UNFCCC CDM.

Tele2 has discovered minor reporting errors in the data presented for 2019 in the previous sustainability report. The correct figures for 2019 are stated above.

Scope 1 & 2 emissions per country



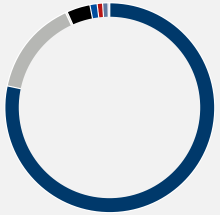
Croatia	19%
Estonia	43%
Germany	0%
Latvia	13%
Lithuania	8%
Sweden	17%



GRI Standards Disclosure		External Assurance

305-3 Other indirect (Scope 3) GHG emissions

Scope 3 emissions



1.	78.4%
2.	14.7%
3.	0.3%
4.	3.8%
5.	1.0%
6.	0.8%
7.	0.8%
8.	0.2%
9.	0%

Numbers above refer to scope 3 emissions categories in the table right.

During 2020 Tele2 has, with the help of external experts, conducted a materiality analysis for Other indirect (Scope 3) GHG emissions. This analysis found nine categories to be material for Tele2's scope 3 emissions. For these nine categories Tele2 has collected the actual data for 2019, or used estimated number in cases where actual data was not available. The nine material categories, and the result of the data collection is presented in the table below.

Scope 3 emissions for 2020 will be published on the sustainability section on Tele2's website in Q2, 2021. Tele2 will in the future include scope 3 emissions in the regular annual reporting. Starting with the Annual and Sustainability Report 2021, scope 3 emissions will be included for the reporting year.

Emissions by scope 3 category (Tons CO_2-eq)	Scope 3 emissions 2019	Share %
1. Purchased good and services	176,769	78,4%
2. Use of sold products	33,190	14,7%
3. Leased assets	755	0,3%
4. Fuel and energy related activities	8,480	3,8%
5. Business travel	2,205	1,0%
6. Upstream and downstream transportation and distribution	1,867	0,8%
7. Employee commuting	1,834	0,8%
8. End-of-life treatment of sold products	455	0,2%
9. Waste generated in operations	0.5	0,0%
Total	**225,556**	

Environmental Compliance (GRI Standard 307: Environmental Compliance 2016)

307-1 Non-compliance with environmental laws and regulations

See Tele2 Annual and Sustainability Report 2020, p. 66. YES

Employment (GRI Standard 401: Employment 2016)

401-1 New employee hires and employee turnover

Continuing operations	New hires 2020 Total	*of whom women*	*of whom men*	Employees leaving 2020 Total	*of whom women*	*of whom men*
Estonia	95	*61*	*34*	91	*58*	*33*
Latvia	194	*95*	*99*	123	*66*	*57*
Lithuania	281	*180*	*101*	194	*129*	*65*
Netherlands	0	*0*	*0*	1	*0*	*1*
Sweden	369	*188*	*181*	452	*169*	*283*
Total continuing operations	**1,010**	***548***	***462***	**870**	***425***	***445***
Discontinued operations						
Croatia	31	*21*	*10*	7	*2*	*5*
Germany	0	*0*	*0*	2	*2*	*0*
Total discontinued operations	**31**	***21***	***10***	**9**	***4***	***5***
Total	**1,041**	***569***	***472***	**879**	***429***	***450***

Total increase/decrease for continuing operations in 2020 compared to 2019: Women = 123 Men = 17

For further information regarding employees, see Note 31 in the Tele2 Annual and Sustainability Report 2020, p 108.

GRI Standards Disclosure			External Assurance
Diversity and Equal Opportunity (GRI Standard 405: Diversity and Equal Opportunity 2016)			
405-1	Diversity of governance bodies and employees	See Tele2 Annual and Sustainability Report 2020, p. 108.	YES
Non-discrimination (GRI Standard 406: Non-discrimination 2016)			
406-1	Incidents of discrimination and corrective actions taken	Four incidents of discrimination were reported during the year in our Swedish operations. No incidents were reporting in our other markets.	
Freedom of Association and Collective Bargaining (GRI Standard 407: Freedom of Association and Collective Bargaining 2016)			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Tele2 aims to conduct its business with the highest degree of ethics while also being compliant to local laws and regulations and respecting human rights. Tele2's different markets are all different in this aspect. To mitigate risks Tele2 uses a Code of Conduct (CoC) applicable to its own operations and a Business Partner Code of Conduct (BPCoC) applicable to its business partners, based on the United Nations Global Compact. It encompasses labor rights, anti-corruption, environment, freedom of association and collective bargaining, child labor and forced labor, and other basic human rights. The CoC was updated last in November 2020 and the BPCoC was last updated in December 2020. In order to protect the rights to exercise freedom of association or collective bargaining, the CoC and the BPCoC explicitly state: *"The rights of employees to freely associate and to bargain collectively, in accordance with the laws of the countries in which they are employed, shall be recognised and respected."* In order to mitigate risks related to human rights and labor conditions in its supply chain, Tele2 requires its significant business partners – with contract values exceeding SEK 1 million per year – to sign the Tele2 Business Partner Code of Conduct. By doing so Tele2 includes clauses about human rights, labor rights, anti-corruption and environment etc. into a vast majority of its agreements with its business partners. In addition, approximately 51 percent of spend of the business partners which are managed within the sourcing & procurement processes described above have also been screened and monitored with the EcoVadis Business Sustainability Ratings. In case of breaches of the BPCoC, Tele2 primarily conducts dialogues with business partners to establish remediation plans. If this would not produce the desired changes, Tele2 can terminate the relationship with the specific business partner.	
Child Labor (GRI Standard 408: Child Labor 2016)			
408-1	Operations and suppliers at significant risk for incidents of child labor	See disclosure 407-1. Furthermore, in order to protect the rights of children, the CoC and the BPCoC explicitly state: *"Children under the minimum working age established by local law or fifteen (15) years, whichever is greater, shall not be used as labour force. Employees under eighteen (18) years shall not be engaged in hazardous or heavy work, or on nights shifts"*	
Forced and Compulsory Labor (GRI Standard 409: Forced and Compulsory Labor 2016)			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	See disclosure 407-1. Furthermore, in order to contribute to the elimination of all forms of forced or compulsory labor, the CoC and the BPCoC explicitly state: *"Forced labour, exploited or bonded labour is strictly forbidden. Employees shall not be required to lodge deposits or original identity papers as a condition for employment."*	

GRI Standards Disclosure			External Assurance
Customer Health and Safety (GRI Standard 416: Customer Health and Safety 2016)			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	See Tele2 Annual and Sustainability Report 2020, p. 66.	YES
Marketing and Labeling (GRI Standard 417: Marketing and Labeling 2016)			
417-3	Incidents of non-compliance concerning marketing communications	See Tele2 Annual and Sustainability Report 2020, p. 66.	YES
Customer Privacy (GRI Standard 418: Customer Privacy 2016)			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	See Tele2 Annual and Sustainability Report 2020, p. 66.	YES
Socio-economic Compliance (GRI Standard 419: Socioeconomic Compliance 2016)			
419-1	Non-compliance with laws and regulations in the social and economic area	See Tele2 Annual and Sustainability Report 2020, p. 66.	YES

Auditor statement

Auditor's report on the statutory sustainability report
To the general meeting of the shareholders in Tele2 AB (publ) AB, corporate identity number 556410-8917

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report on the pages 37–66 for the year 2020 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

Opinion
A statutory sustainability report has been prepared.

Stockholm, March 22, 2021

Deloitte AB

Didrik Roos
Authorized Public Accountant

Critical GRI Standards indicators

Critical GRI Standards indicators
The eight indicators that are 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 Sustainability information section.

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)
One legal action (2019: zero) for anti-competitive behavior, anti-trust, or monopoly practices has been reported during the year. This legal action is pending from the Swedish competition authority, following a complaint from a competitor.

Non-compliance with environmental laws and regulations (GRI 307-1)
No significant fines and non-monetary sanctions[2] 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 31.

Incidents of non-compliance concerning the health and safety impacts of products and services (GRI 416-2)
No incidents of non-compliance with regulations and codes concerning health and safety have been reported during the year compared to one case in the previous year.

Incidents of non-compliance concerning marketing communications (GRI 417-3)
Tele2 has had no (2019: one) incidents of non-compliance with regulations or voluntary codes concerning marketing communication, including advertising, promotions, and sponsorship, during the year. Of these incidents, none (2019: one) resulted in a warning.

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 in the table below.

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.

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

	2020			2019		
	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	–	–	5	11	–	–
Lithuania	–	–	–	1	–	–
Latvia	2	–	–	1	–	–
Estonia	1	–	4	1	–	–
Croatia[3]	–	2	–	–	2	–
Germany[4]	–	–	–	–	–	–
Total	**3**	**2**	**9**	**14**	**2**	**–**

[3] Reporting until March 31, 2020 due to divestment.
[4] Reporting until December 11, 2020 due to divestment.

Financial statements

Financial statements – Group

Notes

Financial statements – Parent company

Notes

Consolidated income statement

SEK million	Note	2020	2019
Revenue	3, 4	26,554	27,203
Cost of services provided and equipment sold	5	–15,098	–16,427
Gross profit		**11,456**	**10,776**
Selling expenses	5	–4,467	–4,288
Administrative expenses	5	–2,087	–2,590
Result from shares in associated companies and joint ventures	15	311	–97
Other operating income	6	2,350	292
Other operating expenses	7	–193	–281
Operating profit		**7,371**	**3,812**
Interest income	8	23	29
Interest expenses	9	–491	–483
Other financial items		–49	10
Profit after financial items		**6,855**	**3,367**
Income tax	10	378	–936
Net profit, continuing operations		**7,233**	**2,431**
Net profit, discontinued operations	33	175	2,703
Net profit, total operations	4	**7,408**	**5,134**
Continuing operations			
Attributable to:			
Equity holders of the parent company		7,233	2,431
Net profit, continuing operations		**7,233**	**2,431**
Earnings per share (SEK)	23	10.51	3.54
Earnings per share, after dilution (SEK)	23	10.45	3.52
Total operations			
Attributable to:			
Equity holders of the parent company		7,408	5,004
Non-controlling interests		–	131
Net profit, total operations		**7,408**	**5,134**
Earnings per share (SEK)	23	10.76	7.28
Earnings per share, after dilution (SEK)	23	10.71	7.24

Consolidated comprehensive income

Total operations SEK million	Note	2020	2019
NET PROFIT		**7,408**	**5,134**
Components not to be reclassified to net profit			
Pensions, actuarial gains/losses	31	58	–104
Pensions, actuarial gains/losses, tax effect	10	–12	22
Components not to be reclassified to net profit		**46**	**–82**
Components that may be reclassified to net profit			
Translation differences in foreign operations		–184	197
Tax effect on above	10	–4	–29
Reversed cumulative translation differences from divested companies	6, 33	–1,480	–247
Tax effect on above	6, 33	–1,438	–168
Translation differences in associated companies	15	–278	150
Translation differences		–3,384	–98
Hedge of net investments in foreign operations		129	–51
Tax effect on above	10	–28	11
Reversed cumulative hedge from divested companies	33	–143	721
Tax effect on above	33	41	–169
Hedge of net investments		–1	512
Exchange rate differences		**–3,385**	**414**
Profit arising on changes in fair value of hedging instruments	2	27	29
Reclassified cumulative profit/loss to income statement	2	–21	–14
Tax effect on cash flow hedges	10	–1	1
Cash flow hedges		**5**	**16**
Components that may be reclassified to net profit		**–3,380**	**429**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–3,334**	**347**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,074**	**5,482**
Attributable to:			
Equity holders of the parent company		4,074	5,502
Non-controlling interests		–	–21
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,074**	**5,482**

Consolidated balance sheet

SEK million	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Goodwill	11	29,651	29,744
Other intangible assets	11	17,269	18,397
Intangible assets		**46,921**	**48,140**
Machinery and technical plant	12	6,292	6,791
Other tangible assets	12	1,247	1,109
Tangible assets		**7,540**	**7,900**
Right-of-use assets	13	5,349	5,713
Shares in associated companies and joint ventures	15	7,018	6,983
Other financial assets		737	756
Capitalized contract costs	17	493	374
Deferred tax assets	10	245	330
Non-current assets	**4**	**68,303**	**70,197**
Inventories	18	**824**	**710**
Account receivable	19	1,766	2,032
Other current receivables	20	1,856	1,911
Prepaid expenses and accrued income	21	1,552	1,772
Current receivables		**5,174**	**5,715**
Cash and cash equivalents	22	970	448
Current assets		**6,968**	**6,874**
Assets classified as held for sale	14, 33	**140**	**2,713**
TOTAL ASSETS		**75,411**	**79,784**

SEK million	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Share capital	23	863	863
Other paid-in capital		27,378	27,378
Reserves		−281	3,098
Retained earnings		4,791	3,465
Attributable to equity holders of the parent company		**32,751**	**34,805**
Equity		**32,751**	**34,805**
Liabilities to financial institutions and similar liabilities	24	21,406	21,572
Lease liabilities	29	4,209	4,501
Provisions	25	1,491	1,543
Other interest-bearing liabilities	24	128	135
Interest-bearing liabilities		**27,234**	**27,752**
Deferred tax liability	10	4,311	4,360
Non-interest-bearing liabilities		**4,311**	**4,360**
Non-current liabilities		**31,545**	**32,112**
Liabilities to financial institutions and similar liabilities	24	3,262	3,326
Lease liabilities	29	1,118	1,142
Provisions	25	169	230
Other interest-bearing liabilities	24	332	368
Interest-bearing liabilities		**4,881**	**5,066**
Accounts payable	26	1,739	1,671
Current tax liabilities		561	422
Other current liabilities	24	346	781
Accrued expenses and deferred income	26	3,034	3,505
Non-interest-bearing liabilities		**5,679**	**6,379**
Current liabilities		**10,561**	**11,445**
Liabilities directly associated with assets classified as held for sale	14, 33	**554**	**1,421**
TOTAL EQUITY AND LIABILITIES		**75,411**	**79,784**

Consolidated cash flow statement

Total operations SEK million	Note	2020	2019
Operating activities			
Net profit		7,408	5,134
Adjustments for non-cash items in net profit			
- Depreciation/amortization and impairment	5	5,315	6,208
- Result from shares in associated companies and joint ventures	15	–311	97
- Gain/loss on sale of tangible assets		31	7
- Gain/loss on sale of operations		–2,380	–1,853
- Incentive program		65	102
- Financial items	30	66	217
- Income tax	30	339	128
- Deferred tax expense		–1,377	–146
Changes in working capital			
- Inventories	18	–150	–97
- Accounts receivable		274	170
- Other current receivables		–72	161
- Other financial assets		315	346
- Capitalized contract costs		–119	–36
- Prepaid expenses and accrued income		185	–189
- Accounts payable		38	–213
- Accrued expenses and deferred income		–348	–388
- Other current liabilities		–431	28
- Provisions		–33	38
Cash flow from operating activities		**8,816**	**9,716**

Total operations SEK million	Note	2020	2019
Investing activities			
Acquisition of intangible assets		–1,023	–1,932
Sale of intangible assets		–	1
Acquisition of tangible assets		–1,727	–1,678
Sale of tangible assets		1	2
Acquisition of shares in group companies	14	–5	–
Sale of shares in group companies	14	2,098	4,323
Sale of shares in associated companies	14	6	–
Capital contribution to associated companies	14	–1	–13
Other financial assets, made payments		–3	–0
Cash flow from investing activities		**–654**	**703**
Financing activities			
Proceeds from credit institutions and similar liabilities	24	3,247	1,867
Repayment of loans from credit institutions and similar liabilities	24	–3,129	–5,321
Amortization of lease liabilities	29	–1,188	–1,269
Proceeds from other interest-bearing lending	24	155	2,114
Repayment of other interest-bearing lending	24	–520	–1,049
Dividends paid	23	–6,198	–7,153
Cash flow from financing activities		**–7,633**	**–10,811**
Net change in cash and cash equivalents		**529**	**–392**
Cash and cash equivalents at beginning of the year	22	448	404
Exchange rate differences in cash and cash equivalents	22	–7	436
Cash and cash equivalents at end of the year	**22**	**970**	**448**

Consolidated statements of changes in equity

Total operations SEK million	Note	Dec 31, 2020							
		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**	**–207**	**3,306**	**3,465**	**34,805**	**—**	**34,805**
Net profit		—	—	—	—	7,408	7,408	—	7,408
Other comprehensive income for the year, net of tax		—	—	4	–3,384	46	–3,334	—	–3,334
Total comprehensive income for the year		**—**	**—**	**4**	**–3,384**	**7,454**	**4,074**	**—**	**4,074**
Other changes in equity									
Share-based payments	31	—	—	—	—	65	65	—	65
Share-based payments, tax effect	10, 31	—	—	—	—	5	5	—	5
Dividends	23	—	—	—	—	–6,198	–6,198	—	–6,198
Equity at the end of the year		**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							
		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	31	—	—	—	—	102	102	—	102
Share-based payments, tax effect	10, 31	—	—	—	—	19	19	—	19
Dividends	23	—	—	—	—	–7,153	–7,153	—	–7,153
Divestment of non-controlling interests	33	—	—	—	—	—	—	–7	–7
Equity at end of the year		**863**	**27,378**	**–207**	**3,305**	**3,465**	**34,805**	**—**	**34,805**

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. A defined benefit pension liability/asset is recognized at the net fair value of plan assets and the present value of the defined benefit liability, adjusted for any asset constraints. 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.

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.

Standards and interpretations applied for the first-time

The amended standards (Amendments to: References to the Conceptual Framework in IFRS Standards, IAS 1 and IAS 8 Definition of Material and IFRS 3 Business Combinations which became effective January 1, 2020, and IFRS 16 Leases COVID-19-Related Rent Concessions which became effective June 1, 2020) have had no material effect on the consolidated financial statements or are not applicable for Tele2.

New and revised accounting standards not yet adopted

A number of new or amended IFRS will be applicable in the coming financial years and have not been applied early in the preparation of these financial statements. These new and amended IFRS with future application are not expected to have a material effect on Tele2's financial statements.

Consolidation

Subsidiaries

The consolidated financial statements include the parent company and companies in which the parent company 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, fair value of 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.

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, proportionally in relation to the divested share, 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 consist of jointly owned companies, please refer to section Estimates and judgements.

Joint ventures are arrangements where Tele2 has right to the net assets of the other entity 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.

Unrealized gains arising from transactions with associates and joint ventures are eliminated to the extent that corresponds to the Group's interest in the company. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no need for impairment.

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 33).

Revenue recognition

Revenues include sale of 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 valued and recognized on the basis of the compensation specified in the contract with the customer, i.e. net of VAT, discounts and returns.

For subscription and periodic charges for mobile and fixed telephony services, digitalTV, 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 as the customer obtains the control of the service.

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 16, 20 and 26.

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 31.

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 (e.g. 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. Social security expenses attributable to equity-based instruments to employees as compensation for purchased services are expensed in the periods during which the services are performed. The provision for social security expenses is based on the fair value of the share rights at each reporting 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 31) 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. The effects from revaluation 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

An expense for employee redundancy benefits is recognized at the earliest time when the entity is no longer able to withdraw the offer to employees or when the entity recognizes restructuring costs. The benefits that are expected to be settled after twelve months are reported at its present value. Benefits that are not expected to be fully settled within twelve months are recognized as long-term benefits.

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

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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. Temporary differences are not taken into account for group goodwill or for any difference arising from the initial recognition of non-business combination assets and liabilities which at the time of the transaction do not affect neither recognized or taxable profit or loss. Furthermore, temporary differences attributable to shares in subsidiaries and associates that are not expected to be reversed in the foreseeable future are also not taken into account. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realized or settled.

If a deferred tax liability exists and tax loss carryforwards 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 11) and tangible assets (Note 12) 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	3–25 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	2–10 years

At the end of each reporting period, an assessment is made of whether there is any indication of impairment of any of the Group's assets. 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. 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 11.

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 expenses are added to cost only if it is likely that the future economic benefits associated with the asset will come to Tele2 and the cost can be reliably calculated. All other additional costs are recognized as an expense in the period in which they incur, e.g. repair and maintenance.

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 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 13) and a corresponding lease liability (Note 29) 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 are 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) applying the effective interest method.

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, which normally are accrued over the term. 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 16 and Note 20 and accrued income Note 21. Contract liabilities are included in the balance sheet item Deferred income Note 26.

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, please refer to Note 19. 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.

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 6 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. 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 24.

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, for which hedge accounting is not applied, 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. In calculating diluted earnings per share, earnings and the average number of shares are adjusted to take into account the effects of dilutive potential ordinary shares, which in reported periods derive from share rights issued to employees. Furthermore are included, the number of share rights, and hence shares, that would be vested if the level of fulfilment of the vesting conditions at the end of the current period would also exist at the end of the vesting period (Note 23).

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, or as interest income when appropriate.

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 EBITDAaL as the profit or loss measure for the reportable segments, please refer to the section Non-IFRS measures for the definition. 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. 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.

DigitalTV includes digitalTV 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).

Landlord as well as communication provider services are also offered as an integrated part of the fixed consumer operation.

Fixed telephony and DSL include 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 and business LAN networks.

Judgement of accounting principles

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

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

Tele2 is part of two joint arrangements in Sweden and part of one 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 16 and 20 concerning receivables for sold equipment and Note 21 for other accrued revenues.

Valuation of acquired intangible assets

When acquiring businesses, intangible assets are measured at fair value. If there is an active market for the acquired assets, the fair value is measured based on the prices on this market. Since there are often no active markets for these assets, valuation models have been developed to estimate the fair value. Examples of valuation models are discounted cash flows models and estimates of Tele2's historical costs of acquiring equivalent assets. Please refer to Note 14 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 11. 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 11 and Note 12.

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 29.

Valuation of deferred income tax receivables and uncertain tax positions

Recognition of deferred income tax takes into consideration temporary differences and unutilized loss carryforwards. Deferred tax assets are reported for deductible temporary differences and loss carryforwards 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 10.

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 25 and Note 28.

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 19.

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 22, 2021. The balance sheet and income statement are subject to adoption by the Annual General Meeting on April 22, 2021.

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, 2020					
	Assets and liabilities at fair value through profit/loss					
	Deriviate 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	–	9[1)]	720	–	729	729
Accounts receivable	–	–	1,766	–	1,766	1,766
Other current receivables	217[3)]	–	1,515	–	1,731	1,731
Cash and cash equivalents	–	–	970	–	970	970
Assets classified as held for sale	–	140[2)]	–	–	140	140
Total financial assets	**217**	**149**	**4,971**	**–**	**5,336**	**5,336**
Liabilities to financial institutions and similar liabilities	–	–	–	24,669	24,669	25,537
Other interest-bearing liabilities	222[3)]	–	–	5,565	5,787	5,792
Accounts payable	–	–	–	1,739	1,739	1,739
Other current liabilities	–	–	–	346	346	346
Total financial liabilities	**222**	**–**	**–**	**32,318**	**32,540**	**33,413**

SEK million	Dec 31, 2019					
	Assets and liabilities at fair value through profit/loss					
	Deriviate 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
Other interest-bearing liabilities	277[3)]	–	–	5,869	6,146	6,150
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
Total financial liabilities	**277**	**–**	**–**	**34,029**	**34,306**	**35,066**

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 related to the divestment of Tele2 Germany. The fair value was based on discounted future cash flows on the assumptions further described in Note 33.
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, 2020		Dec 31, 2019	
	Assets	Liabilities	Assets	Liabilities
As of January 1	7	–	7	779
Earn-out Tele2 Germany[1]	140	–	–	–
Changes in fair value, earn-out Kazakhstan[1]	–	–	–	149
Payment earn-out Kazakhstan	–	–		–913
Other contingent considerations:				
– paid	–	–	–	–12
Other changes	2	–	0	–2
As of December 31	149	–	7	–

[1] Reported as discontinued operations, please refer to Note 33.

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 –479 (–46) million, of which loan and trade receivables amounted to SEK –160 (–62) million, derivatives to SEK –319 (161) million and financial assets and liabilities at fair value through profit/loss to SEK – (–145) 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 on December 31, 2020 amounted on the asset side to SEK 217 (154) million and on the liability side to SEK 222 (277) million of which SEK 1 (–) 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 2019 and 2020 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 –203 (–202) million. On December 31, 2020 the Group had outstanding currency derivatives as economic hedges of loans in EUR amounting to EUR 871 (860) million. The derivatives hedge monetary items thus hedge accounting is not applied. The reported fair value on the derivatives amounted to SEK –219 (–229) 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, 2020	Dec 31, 2019
SEK[1]	21,972	22,059
EUR[1]	2,697	2,840
Total loans	24,669	24,899

[1] Including adjustment for currency derivatives designated to minimize the exposure EUR to SEK of SEK 8,743 (8,973) 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			
	2020		2019	
SEK	21,595	81%	22,402	82%
EUR	4,959	19%	4,801	18%
Total	**26,554**	**100%**	**27,203**	**100%**

SEK million	Operating profit			
	2020		2019	
SEK	6,176	78%	3,177	83%
EUR	1,195	22%	635	17%
Total	**7,371**	**100%**	**3,812**	**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 248 (240) million and SEK 60 (32) million, respectively.

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

SEK million	2020	2019
Other operating income	81	35
Other operating expenses	–56	–67
Other financial items	–44	23
Total exchange rate difference in income statement	**–19**	**–9**

The Group's total net assets on December 31, 2020 of SEK 32,751 (34,805) million were distributed by currency in SEK million as follows (including loan and currency derivatives).

SEK million	Dec 31, 2020	Dec 31, 2019
SEK	24,023	24,126
EUR[1)]	8,729	9,226
HRK	—	1,453
Total	**32,751**	**34,805**

1) Loans denominated in EUR designated for net investment hedging are included by SEK 3,262 (3,391) million.

A five percent currency fluctuation against the Swedish krona would affect the Group's total net assets by SEK 436 (534) 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.

Tele2 is exposed to the following interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform: EURIBOR and STIBOR (collectively 'IBORs'). As listed below, the hedged items include issued EUR fixed rate debt and issued SEK floating rate debt. Tele2 closely monitors the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. In response to the announcements, the Group has set up an IBOR transition initiative. The aim of the initiative is to understand where IBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Group aims to finalise its transition and fall back plans by the end of first half of 2021. None of the Group's current EURIBOR and STIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different IBORs, which Tele2 is monitoring closely and will look to implement when appropriate. For Tele2's derivatives, the International Swaps and Derivatives Association's (ISDA) fall back protocol were made available on October 23, 2020. Tele2 has started discussions with its banks with the aim to implement this language into its ISDA agreements.

Interest bearing financial liabilities exposed to changes in interest rates over the next 12 months (i.e. short fixed interest rates) amounted to SEK 12,175 (11,987) million, carrying value, corresponding to 40 (39) percent of outstanding debt balance at the end of the year. Calculated at variable interest-bearing liabilities on December 31, 2020 and assuming that loans carrying short fixed interest rates were traded per January 1, 2020 to 1 percent higher interest rate and this rate was constant for 12 months, this would result in an additional interest expense for 2020 of SEK 122 (120) million, and affect profit/loss after tax by SEK 96 (94) million and other comprehensive income positively by SEK 55 (24) million in 2020. For additional information please refer to Note 24.

The capital amount of outstanding interest rate derivatives on December 31, 2020 amounts to SEK 3.9 (3.2) billion converting variable interest rate to fixed interest rate and EUR 250 million, equivalent to SEK 2.5 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 currency million		Change in fair value for recognising hedge ineffectiveness SEK million		Fair value assets (liabilities) SEK million	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	2020	2019	Dec 31, 2020	Dec 31, 2019
Cash flow hedges (SEK)								
Outstanding interest rate swaps Tele2 receives floating and pays fixed interest								
Within 1 year	1.71	2.16	2,900	250	–39	–0	–4	–1
Within 1 to 2 years	—	1.71	—	2,900	—	–43	—	–47
Within 2 to 3 years	0.21	—	1,000	—	0	—	1	—
Summary of cash flow hedges			**3,900**	**3,150**	**–39**	**–43**	**–3**	**–47**
Fair value hedges (EUR)								
Outstanding interest rate swaps Tele2 receives fixed and pays floating interest								
After 5 years	2.13	2.13	250	250	1	1	216	154
Summary of fair value hedges			**250**	**250**	**1**	**1**	**216**	**154**
Total outstanding interest rate derivatives					**–38**	**–42**	**213**	**107**

Hedging items

SEK million	Change in value used for calculating hedge ineffectiveness		Balance in cash flow hedge reserve for continuing hedges	
	2020	2019	Dec 31, 2020	Dec 31, 2019
Variable rate borrowings				
Cash flow hedges (SEK)	45	57	1	5
Fixed rate borrowings				
Fair value hedges (EUR)	62	144	—	—

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 2020, the Group had available liquidity reserves of SEK 9.5 (9.2) billion. For additional information please refer to Note 22.

Tele2 Sweden transfers the right for payment of certain operating receivables to financial institutions. During 2020 the right of payment transferred to third parties without recourse or remaining credit exposure for Tele2 corresponded to SEK 2,244 (2,041) 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, 2020.

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, 2020 issued bonds under the Program amounted to SEK 21,175 (20,305) million. For additional information please refer to Note 24.

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, 2020				
		Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1)]	24, 29	7,127	6,488	11,010	9,538	34,162
Commitments, other	28	2,457	363	72	60	2,952
Total contractual commitments		**9,584**	**6,852**	**11,081**	**9,598**	**37,114**

SEK million	Note	Dec 31, 2019				
		Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1)]	24, 29	7,703	7,918	10,852	9,047	35,521
Commitments, other[2)]	28	2,261	161	73	40	2,535
Total contractual commitments		**9,964**	**8,079**	**10,925**	**9,088**	**38,056**

1) Including future interest payments. Within 1 year includes derivatives of SEK 222 (277) million.
2) Dec 31, 2019 has been adjusted to exclude commitments related to the sold operations in Germany.

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 a one-time occasion or on ongoing basis if favourable. The Group makes provisions for expected credit losses, please refer to Note 19.

Maximum credit exposure for accounts receivables amounts to SEK 1,766 (2,032) million and receivables related to sold equipment to SEK 1,715 (2,062) million. On December 31, 2019, in addition, assets classified as held for sale included accounts receivables and receivables related to sold equipment by maximum credit exposure of SEK 270 and 484 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, 2020 to SEK 246 (199) million. Maximum credit exposure for liquid funds amounted to SEK 970 (448) million and derivatives to SEK 1 (–) million.

NOTE 3 REVENUE

Revenue per segment

SEK million	2020	2019
Sweden	21,601	22,415
Lithuania	2,812	2,656
Latvia	1,424	1,402
Estonia	819	813
Including internal sales	**26,656**	**27,287**
Internal sales, elimination	–102	–84
Total	**26,554**	**27,203**

Internal sales

SEK million	2020	2019
Sweden	6	13
Lithuania	50	44
Latvia	38	20
Estonia	8	6
Total	**102**	**84**

Revenue by currency is presented in Note 2.

Revenue split per category

Tele2 divides revenue in the following key categories.

SEK million	2020	2019
Sweden Consumer		
End-user service revenue	12,260	12,450
Operator revenue	676	818
Equipment revenue	1,989	2,104
Total	**14,926**	**15,372**
Sweden Business		
End-user service revenue	3,889	4,177
Operator revenue	119	131
Equipment revenue	1,684	1,736
Total	**5,692**	**6,044**
Sweden Wholesale		
Operator revenue	978	986
Internal sales	5	13
Total	**984**	**999**
Lithuania		
End-user service revenue	1,631	1,502
Operator revenue	262	250
Equipment revenue	869	859
Internal sales	50	44
Total	**2,812**	**2,656**
Latvia		
End-user service revenue	901	857
Operator revenue	177	195
Equipment revenue	309	330
Internal sales	38	20
Total	**1,424**	**1,402**
Estonia		
End-user service revenue	503	480
Operator revenue	130	131
Equipment revenue	178	196
Internal sales	8	6
Total	**819**	**813**
Internal sales, elimination	–102	–84
CONTINUING OPERATIONS		
End-user service revenue	**19,184**	**19,466**
Operator revenue	**2,341**	**2,511**
Equipment revenue	**5,029**	**5,225**
TOTAL	**26,554**	**27,203**

Unsatisfied long-term outstanding customer contracts

SEK million	Dec 31, 2020	Dec 31, 2019
Outstanding amount of non-cancellable customer contracts that are (partly) unsatisfied	4,237	4,692

As of December 31, 2020, Tele2 had non-cancellable customer contracts with a duration up to 120 (132) months, which resulted in partly unsatisfied performance obligations at year end. Management expect that 51 (55) percent of the transaction price allocated to the partly unsatisfied contracts as of December 31, 2020 will be recognized as revenue during the year 2021 (2020). 32 (32) percent is expected to be recognized during 2022 (2021) and 17 (13) percent during 2023–2031 (2022–2030).

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	2020						
	Sweden	Lithuania	Latvia	Estonia	Other	Undistributed and internal elimination	Total
Income statement							
External	21,595	2,762	1,387	811	–	–	26,554
Internal	6	50	38	8		–102	
Revenue	21,601	2,812	1,424	819	0	–102	26,554
Underlying EBITDAaL	7,608	1,043	556	173	–140	–	9,239
Reversal lease depreciation and interest	1,068	68	43	65	1	–	1,245
Underlying EBITDA	8,676	1,111	599	237	–139	–	10,484
Acquisition costs							–6
Restructuring cost							–261
Disposal of non-current assets							2 002
Other items affecting comparability							109
Items affecting comparability							1 844
EBITDA							12,329
Depreciation/amortization							–5,259
Impairment							–10
Result from shares in associated companies and joint ventures							311
Operating profit							7,371
Interest income							23
Interest expense							–491
Other financial items							–49
Income tax							378
Net profit, continuing operations							7,233
Other information							
Additions to intangible and tangible assets	2,399	120	104	93	–	–	2,717
Additions to right-of-use assets	987	57	72	66	–	–	1,182

SEK million	2019						
	Sweden	Lithuania	Latvia	Estonia	Other	Undistributed and internal elimination	Total
Income statement							
External	22,402	2,612	1,383	806	–	–	27,203
Internal	13	44	20	6	–	–84	
Revenue	22,415	2,656	1,402	813	0	–84	27,203
Underlying EBITDAaL	7,515	957	526	162	–117	–	9,043
Reversal lease depreciation and interest	1,099	62	39	64	3	–	1,266
Underlying EBITDA	8,614	1,019	565	226	–114	–	10,309
Acquisition costs							–72
Restructuring cost							–570
Disposal of non-current assets							–10
Other items affecting comparability							–59
Items affecting comparability							–711
EBITDA							9,598
Depreciation/amortization							–5,220
Impairment							–469
Result from shares in associated companies and joint ventures							–97
Operating profit							3,812
Interest income							29
Interest expense							–483
Other financial items							10
Income tax							–936
Net profit, continuing operations							2,431
Other information							
Additions to intangible and tangible assets	2,035	139	190	90	2	–	2,455
Additions to right-of-use assets	1,073	18	37	177	–	–	1,306

Acquisition costs

Continuing operations SEK million	2020	2019
Com Hem, Sweden	3	–52
Other	–9	–20
Acquisition costs[1)]	**–6**	**–72**

1) Reported as other operating expenses.

Restructuring costs

Continuing operations SEK million	2020	2019
Redundancy costs	–120	–417
Other employee and consultancy costs	–69	–97
Exit of contracts and other costs	–73	–56
Restructuring costs	**–261**	**–570**
Reported as:		
- Cost of services provided	–52	–134
- Selling expenses	–130	–203
- Administrative expenses	–79	–233

Disposal of non-current assets

Continuing operations SEK million	2020	2019
Recycled translation differences	2,033	—
Other	–31	–10
Disposal of non-current assets[2)]	**2,002**	**–10**

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

For further information on the recycled translation differences, please refer to Note 6.

Other items affecting comparability

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

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

Non-current assets

SEK million	Dec 31, 2020	Dec 31, 2019
Sweden	55,989	57,416
Lithuania	1,929	2,203
Latvia	2,112	2,208
Estonia	1,113	1,182
Germany	—	46
Other	7,160	7,141
Total non-current assets	**68,303**	**70,197**

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 15.

NOTE 5 DEPRECIATION/AMORTIZATION AND IMPAIRMENT

SEK million	2020	2019
By function		
Cost of services provided and equipment sold	–4,074	–3,999
Selling expenses	–317	–300
Administrative expenses	–869	–921
Total depreciation/amortization	**–5,259**	**–5,220**
Cost of services provided and equipment sold	–10	–469
Total impairment	**–10**	**–469**
Total depreciation/amortization and impairment	**–5,269**	**–5,689**

SEK million	2020	2019
By type of asset		
Amortization of surplus from acquisitions	–1,203	–1,199
Depreciation/amortization of other assets	–2,873	–2,836
Impairment	—	–469
Total depreciation/amortization and impairment, intangible and tangible assets	**–4,076**	**–4,504**
Depreciation right-of-use-assets (leases)	–1,182	–1,185
Impairment right-of-use-assets (leases)	–10	—
Total depreciation and impairment, right-of-use-assets (leases)	**–1,192**	**–1,185**
Total depreciation/amortization and impairment	**–5,269**	**–5,689**

Impairment

In 2019, an impairment of SEK 469 million was recognized, largely related to goodwill in Estonia. For further information see Note 11.

NOTE 6 OTHER OPERATING INCOME

SEK million	2020	2019
Sale to joint operations	49	66
Recycled translation differences	2,033	–
Exchange rate gains from operations	81	35
Sale of non-current assets	0	4
Service level agreements, for sold operations	198	171
Other income	–11	17
Total other operating income	**2,350**	**292**

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 2020 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.

NOTE 7 OTHER OPERATING EXPENSES

SEK million	2020	2019
Exchange rate loss from operations	–56	–67
Acquisition costs (Note 4)	–6	–72
Sale/scrapping of non-current assets	–31	–14
Service level agreements, for sold operations	–100	–128
Other expenses	–0	–1
Total other operating expenses	**–193**	**–281**

NOTE 8 INTEREST INCOME

SEK million	2020	2019
Interest, penalty interest	9	12
Interest, other receivables	14	16
Total interest income	**23**	**29**

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	2020	2019
Interest, financial institutions and similar liabilities	–382	–371
Interest, leases (Note 31)	–63	–81
Interest, other interest-bearing liabilities	–31	–19
Interest, penalty interest	–14	–12
Total interest costs	**–491**	**–483**

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 21 (14) million.

NOTE 10 TAXES

Tax expense/income

SEK million	2020	2019
Current tax expense, on profit/loss current year	–932	–751
Current tax expense/income, on profit prior periods	22	–24
Current tax expense	**–911**	**–775**
Deferred tax expense/income	1,289	–161
Total tax on profit for the year	**378**	**–936**

Theoretical tax expense

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

SEK million	2020		2019	
Profit before tax	6,855		3,367	
Theoretical tax expense/income				
Theoretic tax according to prevailing tax rate in each country	–1,441	–21.0%	–718	–21.3%
Tax effect of				
Result from associated companies	78	1.1%	–21	–0.6%
Write down of Goodwill	–0	0.0%	–93	–2.8%
Recycled translation differences Luxembourg	1,715	25.4%	–	–
Effect from changes in not recognized tax on loss-carry forwards and temporary differences	22	0.3%	–	–
Reversal of Write down of shares in Group companies	–	–	–11	–0.3%
Interest costs	–18	–0.3%	–54	–1.6%
Adjustment due to changed tax rate	–14	–0.2%	3	0.1%
Adjustment of tax assets from previous years	21	0.3%	–28	–0.8%
Other items	15	0.2%	–13	–0.4%
Tax expense/income and effective tax rate for the year	**378**	**5.5%**	**–936**	**–27.8%**

The theoretical tax rate was 21.0 (21.3) percent. In 2020, the effective tax rate was positively affected with SEK 1 715 million by recycled translation differences related to the closure of the Luxembourg business. Please refer to Note 6 for more information.

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 2020 recognized a negative one time effect on deferred tax assets due to the changed tax rules of SEK –14 (3) million.

Deferred tax assets and liabilities

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

SEK million	Dec 31, 2020	Dec 31, 2019
Unutilized loss carry-forwards	38	74
Tangible and intangible assets	54	64
Receivables	62	75
Liabilities	53	70
Pensions	84	88
Other	–	5
Total deferred tax assets	**292**	**377**
Netted against deferred liabilities	–47	–47
Total deferred tax assets according to the balance sheet	**245**	**330**
Intangible assets	–2,709	–2,928
Tangible assets	–668	–693
Tax allocation reserve	–708	–537
Liabilities	–272	–249
Total deferred tax liabilities	**–4,358**	**–4,407**
Netted against deferred assets	47	47
Total deferred tax liabilities according to the balance sheet	**–4,311**	**–4,360**
Net of deferred tax assets and tax liabilities	**–4,066**	**–4,031**

SEK –2,904 (–3,146) million of the deferred tax liabilities are related to fair value adjustments from acquisitions. The movement in deferred income tax assets and liabilities during the year is as follows.

SEK million	2020			
	Loss carry forwards	Temporary differences DTA	Temporary differences DTL	Total
Deferred tax assets/-liabilities as of January 1	**74**	**256**	**–4,360**	**–4,030**
Netted against deferred liabilities, opening balance	–	47	–47	–
Assets classified as held for sale	–28	–11	–	–40
Reported in income statement	–9	1 253	45	1 289
Reported in other comprehensive income	–	–1 296	–5	–1 301
Reported in equity	–	5	–	5
Acquired companies	–	–	–1	–1
Exchange rate differences	0	2	10	12
Netted against deferred liabilities	–	–47	47	–
Deferred tax assets/-liabilities as of December 31	**37**	**208**	**–4,311**	**–4,066**

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**

Tax loss carry-forwards

The Group's total tax loss carry-forwards as of December 31, 2020 were SEK 9,344 (5,402) million, for which deferred tax assets of SEK 177 (303) million were recognized and the remaining part, SEK 9,167 (5,099) million, were not recognized. The not recognized part is mainly related to the now closed down operation in Luxembourg. Total tax loss carry-forwards expires according to below.

SEK million	Recognized		Not recognized		Total	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Expires in five years	—	2	—	—	—	2
With expiration date	**—**	**2**	**—**	**—**	**—**	**2**
No expiration date	177	301	9,167	5,099	9,344	5,400
Total tax loss carry forwards	**177**	**303**	**9,167**	**5,099**	**9,344**	**5,402**

SEK million	Dec 31, 2020	Dec 31, 2019
Companies reported a profit this year and previous year	245	291
Companies reported a profit this year but a loss the previous year	—	39
Total deferred tax assets	**245**	**330**

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 370 (366) 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, 2017 and 2018 and rulings from the Administrative Court in Stockholm related to the years 2013 and 2014.

Tele2 has an ongoing tax dispute regarding costs related to the establishment of Tele2's previously jointly owned company in Kazakhstan. Please refer to Note 33 for more details.

NOTE 11 INTANGIBLE ASSETS

SEK million	Note	Dec 31, 2020						
		Utilization rights, trademarks and software	Licenses including frequencies	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
Cost at January 1		**12,005**	**2,947**	**10,167**	**548**	**25,666**	**32,002**	**57,669**
Cost for assets classified as held for sale	33	–316	—	—	—	–316	–1,581	**–1,897**
Acquisitions through business combinations		—	6	—	—	6	—	**6**
Additions		7	0	—	1,074	1,082	—	**1,082**
Disposals		–144	–5	—	–17	–166	—	**–166**
Reclassification		875	141	—	–921	95	—	**95**
Exchange rate differences		–6	–20	–3	–0	–30	–118	**–147**
Total cost		**12,421**	**3,069**	**10,164**	**684**	**26,338**	**30,304**	**56,641**
Accumulated amortization at January 1		**–3,962**	**–1,390**	**–1,645**	**—**	**–6,996**	—	**–6,996**
Accumulated amortization for assets classified as held for sale	33	312	—	—	—	312	—	**312**
Amortization		–1,048	–224	–988	—	–2,260	—	**–2,260**
Disposals		123	5	—	—	128	—	**128**
Exchange rate differences		3	12	3	—	18	—	**18**
Total accumulated amortization		**–4,572**	**–1,596**	**–2,630**	**—**	**–8,799**	—	**–8,799**
Accumulated impairment at January 1		**–273**	**—**	**–1**	**—**	**–274**	**–2,259**	**–2,532**
Accumulated impairment for assets classified as held for sale	33	4	—	—	—	4	1,581	**1,585**
Exchange rate differences		—	—	—	—	—	25	**25**
Total accumulated impairment		**–269**	**—**	**–1**	**—**	**–270**	**–652**	**–922**
Total intangible assets		**7,579**	**1,472**	**7,534**	**684**	**17,269**	**29,651**	**46,921**

Of the total 2020 additions in intangible assets, SEK 491 (453) 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, 2019						
		Utilization rights, trademarks and software	Licenses including frequencies	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
Cost at January 1		**10,819**	**3,302**	**10,166**	**760**	**25,047**	**32,037**	**57,084**
Cost for assets classified as held for sale	33	–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		**–3,067**	**–1,429**	**–655**	**—**	**–5,151**	—	**–5,152**
Accumulated amortization for assets classified as held for sale	33	54	121	—	—	175	—	**175**
Amortization		–950	–206	–988	—	–2,144	—	**–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**	—	**–6,996**
Accumulated impairment at January 1		**–274**	**–61**	**—**	**—**	**–335**	**–1,878**	**–2,214**
Accumulated impairment for assets classified as held for sale	33	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

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 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	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Sweden	27,315	27,315	5,383	5,383
Lithuania	848	881	—	—
Latvia	1,215	1,263	—	—
Estonia	273	284	—	—
Total	29,651	29,744	5,383	5,383

Goodwill and trademark impairment test

Tele2 tests goodwill and other intangible assets with indefinite useful lives for impairment annually, by comparing the carrying amount with 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 an integrated part of this process, since cashflows derived from the trademark cannot be separated from other cashflows in the cash generating unit.

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 12 (9 and 11) percent.

Tele2 calculates future cash flows based on the most recent 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.

Changes to assumptions

In 2019, the carrying amount in Estonia was 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 solid Estonian revenue growth in the second half of 2019 and during 2020 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.

In 2020 we have also considered the pandemic impact in the valuation of our operations. Even if the pandemic adds some short term uncertainty, we see that our business model is highly resilient, and the importance of the services we provide is greater than ever before. Accordingly, we conclude that the pandemic does not trigger any impairment.

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

Changes to assumptions SEK million	WACC pre tax 2020	WACC pre tax 2019	Forecast period, in years 2020	Forecast period, in years 2019	Growth rate after the forecast period 2020	Growth rate after the forecast period 2019
Sweden	9%	9%	3	3	0%	0%
Lithuania	11%	11%	3	3	2%	2%
Latvia	12%	11%	3	3	2%	2%
Estonia	11%	11%	5	5	2%	2%

NOTE 12 TANGIBLE ASSETS

SEK million	Note	Dec 31, 2020 Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	Total
Cost at January 1		**232**	**1,361**	**753**	**2,346**	**21,001**	**23,347**
Cost for assets classified as held for sale	33	–0	–197	–1	–199	–184	**–382**
Additions		10	18	1,129	1,157	478	**1,635**
Dismantling cost		—	—	—	—	–18	**–18**
Disposals		–1	–28	–0	–29	–2,721	**–2,750**
Reclassification		0	67	–921	–853	758	**–95**
Exchange rate differences		–9	–13	–5	–27	–152	**–179**
Total cost		**232**	**1,207**	**957**	**2,396**	**19,162**	**21,557**
Accumulated depreciation at January 1		**–180**	**–1,054**	**–1**	**–1,235**	**–13,868**	**–15,103**
Accumulated depreciation for assets classified as held for sale	33	0	197	—	198	184	**381**
Depreciation		–10	–144	–1	–155	–1,662	**–1,816**
Disposals		1	27	—	28	2,716	**2,744**
Exchange rate differences		7	11	0	18	100	**118**
Total accumulated depreciation		**–182**	**–963**	**–2**	**–1,147**	**–12,530**	**–13,676**
Accumulated impairment at January 1		**—**	**—**	**–2**	**–2**	**–342**	**–344**
Exchange rate differences		—	—	0	0	3	**3**
Total accumulated impairment		**—**	**—**	**–2**	**–2**	**–339**	**–341**
Total tangible assets		**50**	**244**	**953**	**1,247**	**6,292**	**7,540**

SEK million	Note	Dec 31, 2019 Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	Total
Cost at January 1		**218**	**1,324**	**716**	**2,258**	**21,545**	**23,803**
Cost for assets classified as held for sale	33	—	–81	–44	–124	–1,656	**–1,781**
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**	**–12,681**	**–13,841**
Accumulated depreciation for assets classified as held for sale	33	—	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	33	—	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**

NOTE 13 RIGHT-OF-USE ASSETS

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 29 for more information on leases.

SEK million	Note	Dec 31, 2020 Rent of space	Sites and base stations	Leased lines	Equipment	Total
Cost at January 1		1,012	2,472	3,672	85	7,240
Cost for assets classified as held for sale	33	–6	–	–	–0	–6
Additions		75	384	665	58	1,182
Other adjustments		–58	–87	–317	–19	–481
Exchange rate differences		–7	–27	–12	–1	–47
Total cost		1,016	2,742	4,008	123	7,889
Accumulated depreciation at January 1		–163	–401	–933	–30	–1,528
Accumulated depreciation for assets classified as held for sale	33	1	–	–	0	1
Depreciation		–155	–408	–580	–40	–1,182
Other adjustments		45	18	86	15	164
Exchange rate differences		3	7	4	0	15
Total accumulated depreciation		–269	–784	–1,423	–54	–2,530
Impairment		–3	–7	–	–	–10
Other adjustments		1	–	–	–	1
Total accumulated impairment		–2	–7	–	–	–9
Total right-of-use assets	29	745	1,950	2,585	69	5,349

SEK million	Note	Dec 31, 2019 Rent of space	Sites and base stations	Leased lines	Equipment	Total
Cost at January 1		955	2,593	2,810	62	6,420
Cost for assets classified as held for sale	33	–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
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	29	849	2,070	2,739	54	5,713

NOTE 14 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

Total operations SEK million	2020	2019
Acquisitions		
Mobile payments, Lithuania	–	–13
Other minor acquisitions	–6	–
Total acquisition of shares and participations	–6	–13
Divestments		
Tele2 Kazakhstan	–	2,343
Tele2 Netherlands	–	1,981
Tele2 Croatia	2,039	–
Tele2 Germany	–39	
Earn out settlement Tele2 Austria	99	–
Other minor divestments	6	–
Total sale of shares and participations	2,104	4,323
Total cash flow effect	2,098	4,310

Acquisitions

T-Mobile, the Netherlands

The divestment of Tele2 Netherlands was closed on January 2, 2019, please refer to Note 33. 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 15.

Divestments

Discontinued operations

For information on the discontinued operations, please refer to Note 33.

NOTE 15 ASSOCIATED COMPANIES AND JOINT VENTURES

SEK million	Holding		Book value of shares		Result from shares	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	2020	2019
T-Mobile Netherlands Holding B.V., the Netherlands	25%	25%	7,011	6,976	313	–78
Other associated companies and joint ventures			7	7	–2	–19
Total associated companies and joint ventures			**7,018**	**6,983**	**311**	**–97**

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 (25) percent. The shares were acquired as part of the divestment of Tele2 Netherlands, please refer to Note 14. As part of the annual impairment test in 2020, it was reconfirmed that the recoverable amount of our holding in the Netherlands exceeds book value.

Shares in associated companies and joint ventures

SEK million	Dec 31, 2020	Dec 31, 2019
Cost at January 1	**6,983**	**13**
Investments	2	6,917
Share of profit for the year	313	–91
Impairment of investments	–2	–6
Exchange rate differences	–278	150
Total shares in associated companies and joint ventures	**7,018**	**6,983**

Extracts from the income statements of associated companies and joint ventures

SEK million	T-Mobile, Netherlands		Other	
	2020	2019	2020	2019
Revenue	20,406	20,229	71	70
Net profit	2,166	610	–1	–39
Reconciliation of the above summarised financial information the Group's share recognised in the consolidated income statement:				
Net profit of associated companies and joint ventures	2,166	610	–1	–39
Proportion of the Group's share	541	153	0	–13
Amortization of acquisition fair value adjustments, net of tax	–229	–231	–	–
Impairment of investments	–	–	–2	–6
Group's share of total income from associated companies and joint ventures	**313**	**–78**	**–2**	**–19**

Extracts from the balance sheet of associated companies and joint ventures

SEK million	T-Mobile, Netherlands		Other	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Intangible assets	15,013	8,936	–	19
Tangible assets	6,983	6,890	0	1
Right-of-use assets	2,570	3,290	–	–
Financial assets	148	463	–	0
Deferred tax assets	4,141	4,229	–	–
Current assets	7,891	8,343	46	37
Total assets	**36,746**	**32,152**	**46**	**57**
Equity	12,221	10,549	19	39
Non-current liabilities	16,462	15,372	1	1
Current liabilities	8,063	6,231	27	17
Total equity and liabilities	**36,746**	**32,152**	**46**	**57**
Reconciliation of the above summarised financial information to the carrying amount of the interest recognised in the consolidated balance sheet:				
Net assets of associated companies and joint ventures	12,221	10,549	19	39
Proportion of the Group's ownership	3,055	2,637	7	13
Goodwill	2,232	2,320	–	–
Other surplus values net of tax	1,723	2,018	–	–
Accumulated impairment	–	–	–	–6
Carrying amount of the Group's interest in associated companies and joint ventures	**7,011**	**6,976**	**7**	**7**

NOTE 16 OTHER FINANCIAL ASSETS

SEK million	Dec 31, 2020	Dec 31, 2019
Receivable from sold equipment	596	628
Pension funds	132	116
Non-current holdings of securities	9	7
Other long-term receivables	–	5
Total other financial assets	**737**	**756**

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 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 19.

SEK million	Holding (capital/votes)	Dec 31, 2020	Dec 31, 2019
Estonian Broadband Development Foundation, Estonia	12,5%	1	1
TMPL Solutions AB, Sweden	10,3%	8	6
Total non-current securities		**9**	**7**

NOTE 17 CAPITALIZED CONTRACT COSTS

SEK million	Dec 31, 2020	Dec 31, 2019
Cost at January 1	**374**	**374**
Cost for assets classified as held for sale	–	–39
Additions	598	457
Expensed contract costs	–479	–418
Total capitalized contract costs	**493**	**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 18 INVENTORIES

SEK million	Dec 31, 2020	Dec 31, 2019
Finished products and goods for resale	802	670
Other	22	40
Total inventories	**824**	**710**

Tele2's inventories mainly consist of mobile phones. In 2020 inventories were expensed by SEK 5,040 (4,771) million.

NOTE 19 ACCOUNTS RECEIVABLE

SEK million	Dec 31, 2020	Dec 31, 2019
Gross carrying amount	1,900	2,185
Loss allowance	–133	–153
Total accounts receivable, net	**1,766**	**2,032**

SEK million	Dec 31, 2020	Dec 31, 2019
Loss allowance at January 1	**153**	**452**
Assets classified as held for sale	–2	–199
Companies acquired during the year	–1	–
Net change in loss allowance	–12	–104
Exchange rate differences	–5	3
Total reserve for loss allowance	**133**	**153**

Receivable from sold equipment

SEK million	Note	Dec 31, 2020	Dec 31, 2019
Gross carrying amount		1,755	2,101
Loss allowance		–40	–39
Total receivable from sold equipment, net		**1,715**	**2,062**
of which non-current	16	596	628
of which current	20	1,119	1,434

SEK million	Dec 31, 2020	Dec 31, 2019
Loss allowance at January 1	**39**	**46**
Asset classified as held for sale	–	–18
Net change in loss allowance	0	11
Total reserve for loss allowance	**40**	**39**

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Loss allowance

SEK million	Dec 31, 2020					
		Past due				
	Not due	1–30 days	31–60 days	61–90 days	> 90 days	Total
Accounts receivable						
Consumer						
Expected credit loss rate	0.93%	1.81%	3.91%	5.27%	42.85%	**9.93%**
Gross carrying amount	482	138	29	22	174	**845**
Loss allowance	–5	–2	–1	–1	–75	**–84**
Business						
Expected credit loss rate	0.82%	1.70%	4.57%	17.27%	56.21%	**4.70%**
Gross carrying amount	874	61	42	9	67	**1,054**
Loss allowance	–7	–1	–2	–2	–38	**–50**
Total loss allowance accounts receivable	**–12**	**–4**	**–3**	**–3**	**–112**	**–133**
Receivable from sold equipment						
Consumer						
Expected credit loss rate	2.24%	–	–	–	–	**2.24%**
Gross carrying amount	1,366	–	–	–	–	**1,366**
Loss allowance	–31	–	–	–	–	**–31**
Business						
Expected credit loss rate	2.30%	–	–	–	–	**2.30%**
Gross carrying amount	389	–	–	–	–	**389**
Loss allowance	–9	–	–	–	–	**–9**
Total loss allowance receivables from sold equipment	**–40**	**–**	**–**	**–**	**–**	**–40**

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.

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**

NOTE 20 OTHER CURRENT RECEIVABLES

SEK million	Dec 31, 2020	Dec 31, 2019
Receivable from sold equipment	1,119	1,434
Receivable on Net4Mobility, joint operation in Sweden	214	154
Receivable on Svenska UMTS-nät, joint operation in Sweden	6	11
Receivable on suppliers	54	68
Derivatives	217	154
VAT receivable	76	24
Current tax receivables	141	19
Other	29	47
Total other current receivables	**1,856**	**1,911**

For information regarding receivable from sold equipment, please refer to Note 16. For information regarding loss allowance, please refer to Note 19. For further information on derivatives, please refer to Note 2.

NOTE 21 PREPAID EXPENSES AND ACCRUED INCOME

SEK million	Dec 31, 2020	Dec 31, 2019
Rental costs	376	323
Frequency usage	3	4
Other prepaid expenses	172	176
Total prepaid expenses	**551**	**502**
Customers	606	709
Other telecom operators	322	451
Other accrued income	73	110
Total accrued income	**1,001**	**1,270**
Total prepaid expenses and accrued income	**1,552**	**1,772**

SEK 30 (32) million of accrued income is estimated to be paid more than 12 months after the closing date.

NOTE 22 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

SEK million	Dec 31, 2020	Dec 31, 2019
Cash and cash equivalents	970	448
Unutilized overdraft facilities and credit lines	8,560	8,716
Total available liquidity	**9,530**	**9,164**

SEK million	Dec 31, 2020	Dec 31, 2019
Overdraft facilities granted	948	810
Overdraft facilities utilized	–16	–23
Total unutilized overdraft facilities	**932**	**787**
Unutilized credit lines	7,629	7,930
Total unutilized overdraft facilities and credit lines	**8,560**	**8,716**

Tele2's share of liquid funds in joint operations, for which Tele2 has limited disposal rights, amounted at December 31, 2020 to SEK 36 (65) 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, 2020	Dec 31, 2019
Exchange rate differences in cash and cash equivalents at January 1	–7	4
Exchange rate differences in cash flow for the year	–1	432
Total exchange rate differences in cash and cash equivalents for the year	**–7**	**436**

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NOTE 23 SHARES, EQUITY AND APPROPRIATION OF PROFIT

Number of shares

	A shares	B shares	C shares	Total
As of January 1, 2019	22,647,692	665,794,905	1,899,000	690,341,597
Reclassification of A shares to B shares	–50,047	50,047	—	—
As of December 31, 2019	22,597,645	665,844,952	1,899,000	690,341,597
Reclassification of A shares to B shares	–39,305	39,305	—	—
Reclassification of C shares to B shares	—	1,899,000	–1,899,000	—
Total number of shares as of December 31, 2020	**22,558,340**	**667,783,257**	**—**	**690,341,597**

	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 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

At December 31, 2020, Tele2 had 84,672 known shareholders. Kinnevik AB owned as of December 31, 2020, 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 48.4 percent of the share capital and 58.4 percent of the votes.

In Q1 and Q3 2020, 20,517 and 18,788 respectively of class A shares were reclassified into class B shares. In Q1 and Q3 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 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, 2019	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
As of December 31, 2019	**512,044**	**1,899,000**	**2,411,044**
Reclassification of C shares to B shares	1,899,000	–1,899,000	—
Delivery of own shares under LTI program	–683,346	—	–683,346
Delivery of own shares under LTI program, early vesting	–13,675	—	–13,675
Total number of treasury shares as of December 31, 2020	**1,714,023**	**—**	**1,714,023**

Number of treasury shares amount to 0.2 (0.3) percent of the share capital. As a result of share rights in the LTI 2017 (2019: LTI 2016) being exercised on May 4, 2020, Tele2 delivered 683,346 (April 29, 2019: 572 714) B-shares in treasury shares to the participants in the program. In addition, as a result of early vesting of the LTI 2017–2019 being exercised in 2020, Tele2 delivered 13,675 (354,771) B-shares in treasury shares to some of the participants in the program.

Outstanding share rights

	Dec 31, 2020	Dec 31, 2019
Incentive program 2020–2023 (LTI 2020)	1,499,975	—
Incentive program 2019–2022 (LTI 2019)	1,313,475	1,395,024
Incentive program 2018–2021 (LTI 2018)	1,168,807	1,154,334
Incentive program 2017–2020 (LTI 2017)	—	712,318
Total number of outstanding share rights	**3,982,257**	**3,261,676**

Further information is provided in Note 31.

Number of shares after dilution

	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, basic	**688,627,574**	**687,930,553**
Number of outstanding share rights	3,982,257	3,261,676
Total number of shares after dilution	**692,609,831**	**691,192,229**

Earnings per share

Total operation	Earnings per share 2020	Earnings per share 2019	Earnings per share, after dilution 2020	Earnings per share, after dilution 2019
Net profit attributable to equity holders of the parent company (SEK million)	7,408	5,004	7,408	5,004
Weighted average number of outstanding shares	688,392,123	687,532,589	688,392,123	687,532,589
Incentive program 2020–2023			875,065	—
Incentive program 2019–2022			1,308,458	836,692
Incentive program 2018–2021			1,111,453	1,271,421
Incentive program 2017–2020			237,061	869,263
Incentive program 2016–2019			—	242,005
Weighted average number of share rights			**3,532,037**	**3,219,381**
Weighted average number of outstanding shares after dilution			**691,924,160**	**690,751,970**
Earnings per share, SEK	**10.76**	**7.28**	**10.71**	**7.24**

Proposed appropriation of profit

The Board proposes that, from the SEK 37,392,191,111 at the disposal of the Annual General Meeting, an ordinary dividend of SEK 6.00 per share should be paid to shareholders in two equal tranches in April and October 2021, corresponding to SEK 4,131,765,444 on December 31, 2020, and that the remaining amount, SEK 33,260,425,667, 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 24 FINANCIAL LIABILITIES

SEK million	Dec 31, 2020	Dec 31, 2019
Liabilities to financial institutions and similar liabilities	24,669	24,899
Lease liabilities	5,327	5,642
Other interest-bearing liabilities	460	504
Total interest-bearing financial liabilities	**30,455**	**31,044**
Accounts payable	1,739	1,671
Other non-interest-bearing liabilities	346	781
Total non-interest-bearing financial liabilities	**2,085**	**2,452**
Total financial liabilities	**32,540**	**33,497**

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

Financial liabilities fall due for payment according to below.

SEK million	Dec 31, 2020 Nominal value	Dec 31, 2020 Recorded value	Dec 31, 2019 Nominal value	Dec 31, 2019 Recorded value
Within 3 months	2,820	2,813	4,488	4,465
Within 3–12 months	3,987	3,985	2,861	2,823
Within 1–2 years	3,323	3,267	4,158	4,098
Within 2–3 years	2,629	2,597	3,220	3,174
Within 3–4 years	6,366	6,342	2,545	2,515
Within 4–5 years	4,260	4,245	7,855	7,837
Within 5–10 years	9,062	9,188	8,453	8,497
Within 10–15 years	127	105	111	87
Total financial liabilities	**32,573**	**32,540**	**33,691**	**33,497**

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	3,587	1,357	554	605	1,814	4,258	12,175
Fixed interest rates	1,126	1,909	2,043	6,991	1,177	5,035	18,281
Total interest-bearing liabilities	**4,713**	**3,267**	**2,597**	**7,596**	**2,991**	**9,293**	**30,455**

Liabilities to financial institutions and similar liabilities

SEK million Funding type	Interest rate terms	Maturity date	Dec 31, 2020 Current liabilities	Dec 31, 2020 Non-current liabilities	Dec 31, 2019 Current liabilities	Dec 31, 2019 Non-current liabilities
Bonds EUR	fixed 1.125%	2024	–	5,019	–	5,217
Bonds EUR	fixed 2.125%	2028	–	5,167	–	5,292
Bonds SEK	variable interest rates		–	–	1,754	–
Bonds SEK	variable interest rates		–	–	250	–
Bonds SEK	fixed 1.875%	2021	1,000	–	–	1,000
Bonds SEK	STIBOR 1.65%	2021	1,999	–	–	1,997
Bonds SEK	STIBOR 1.55%	2022	–	1,700	–	1,699
Bonds SEK	variable interest rates	2022	–	500	–	500
Bonds SEK	STIBOR +1.45%	2023	–	398	–	397
Bonds SEK	fixed 2%	2023	–	1,200	–	1,199
Bonds SEK	fixed 1.375%	2025	–	500	–	–
Bonds SEK	STIBOR +1.2%	2025	–	1,199	–	–
Bonds SEK	variable interest rates	2026	–	1,000	–	1,000
Bonds SEK	fixed 1.125%	2027	–	497	–	–
Bonds SEK	STIBOR +1.03%	2027	–	997	–	–
Total bonds			**2,999**	**18,176**	**2,004**	**18,302**
Commercial paper	fixed interest rates		–	–	1,100	–
European Investment Bank (EIB)	fixed interest rates	2024	–	1,254	–	1,303
Nordic Investment Bank (NIB)	variable interest rates	2023–2026	–	1,987	–	1,985
Syndicated loan facilities	variable interest rates	2024	–	–11	–	–18
Short-term loan, collateral for outstanding interest rate derivatives	variable interest rate	2021	246	–	199	–
Utilized bank overdraft facility	variable interest rates		16	–	23	–
Total liabilities to financial institutions and similar liabilities			**3,262**	**21,406**	**3,326**	**21,572**
Current & non-current				**24,669**		**24,899**

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, 2020 and prepaid upfront fees to be recognized in profit/loss over the remaining contract period amounted to SEK –11 (–18) 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, 2020 issued bonds under the program amounted to SEK 21.2 (20.3) 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, 2020 Tele2 had no outstanding commercial papers (December 31, 2019: SEK 1.1 billion).

As a further step towards the diversification of Tele2's funding sources, Tele2 AB has a loan agreement with Nordic Investment Bank (NIB) of SEK 2.0 (2.0) billion and 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 (1.5) percent.

Other interest-bearing liabilities

SEK million	Dec 31, 2020 Current liabilities	Dec 31, 2020 Non-current liabilities	Dec 31, 2019 Current liabilities	Dec 31, 2019 Non-current liabilities
Derivatives	222	–	277	–
Supplier financing, Lithuania license	7	70	8	80
Equipment financing	103	58	84	55
	332	**128**	**368**	**135**
Total other interest-bearing liabilities		**460**		**504**

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 29.

Liabilities attributable to financing activities

SEK million	Liabilities Dec 31, 2019	Cash flow from financing activities	Non-cash changes					Liabilities Dec 31, 2020
			Reclassification for assets held for sale (Note 33)	New and modified leases (Note 29)	Exchange rate	Fair value	Accrued interest and fees	
Bonds	20,305	1,193	—	—	–395	61	11	**21,175**
Commercial paper	1,100	–1,100	—	—	—	—	–0	**—**
Nordic Investment Bank (NIB)	1,985	—	—	—	—	—	3	**1,987**
European Investment Bank (EIB)	1,303	–0	—	—	–50	—	0	**1,254**
Syndicated loan facilities	–18	—	—	—	—	—	7	**–11**
Short-term loan	199	47	—	—	—	—	—	**246**
Utilized bank overdraft facility	23	–7	—	—	—	—	—	**16**
Total liabilities to financial institutions and similar liabilities	**24,899**	**133**	**—**	**—**	**–445**	**61**	**21**	**24,669**
Leases	5,642	–1,232	–5	891	–33	—	63	**5,327**
Derivatives	277	–368	—	—	—	313	—	**222**
Equipment financing	139	22	—	—	—	—	—	**161**
Supplier financing, Lithuania license	88	–8	—	—	–3	—	0	**78**
Total other interest-bearing liabilities	**504**	**–354**	**—**	**—**	**–3**	**313**	**0**	**460**
Total interest-bearing financial liabilities	**31,044**	**–1,453**	**–5**	**891**	**–481**	**375**	**84**	**30,455**

SEK million	Liabilities Dec 31, 2018	Change in accounting principle, IFRS 16	Adjusted liabilities at January 1, 2019	Cash flow from financing activities	Non-cash changes						Liabilities Dec 31, 2019
					Reclassification for assets held for sale (Note 33)	New and modified leases (Note 29)	Reclassification	Exchange rate	Fair value	Accrued interest and fees	
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**	**307**	**104**	**31,044**

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Other current liabilities

SEK million	Dec 31, 2020	Dec 31, 2019
VAT liability	74	490
Liability to Net4Mobility, joint operation in Sweden	132	124
Liability to Svenska UMTS-nät, joint operation in Sweden	47	44
Employee withholding tax	55	70
Debt to customers	15	33
Debt to other operators	20	12
Other	3	9
Total other current liabilities	**346**	**781**

NOTE 25 PROVISIONS

SEK million 2020	Dismantling costs	Rented buildings, fiber and cables	Disputes	Claims and guarantees for divested operations	Other provisions	Pension and similar commitments	Total
Provisions as of January 1	**807**	**6**	**2**	**—**	**458**	**501**	**1,774**
Reclassification	—	—	—	—	142	8	**150**
Additional provisions	81	13	—	—	127	3	**224**
Utilized/paid provisions	–0	–14	—	—	–204	–8	**–226**
Reversed unused provisions	–2	—	–2	—	–116	—	**–120**
Inflation, discount rates, actuarial and exchange rate effects	–102	–0	–0	—	—	–40	**–142**
Provisions as of December 31	**784**	**4**	**—**	**—**	**407**	**465**	**1,660**

SEK million 2019	Dismantling costs	Rented buildings, fiber and cables	Disputes	Claims and guarantees for divested operations	Other provisions	Pension and similar commitments	Total
Provisions as of January 1	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**
Provisions as of December 31	807	6	2	—	458	501	1,774

SEK million	Dec 31, 2020	Dec 31, 2019
Provisions, current	169	230
Provisions, non-current	1,491	1,543
Total provisions	**1,660**	**1,774**

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

SEK million	Dec 31, 2020	Dec 31, 2019
Within 1 year	169	230
Within 1–3 years	46	31
Within 3–5 years	297	204
More than 5 years	1,148	1,308
Total provision	**1,660**	**1,774**

Dismantling costs refer to dismantling and restoration of mobile and fixed network sites. Remaining provision as of December 31, 2020 is expected to be fully utilized during the coming 30 years.

Other provisions include a provision made in connection with the Com Hem merger, related to an unfavorable fixed-price contract for supply of transmission. It amounted to SEK 226 (226) million as of December 31, 2020, and will be released over the contract period ending December 31, 2024. Other significant provisions included are a court case regarding copy right levies of SEK 84 (200) million and restructuring provisions of SEK 58 million, previously recognized as accrued expenses. For pension and similar commitments please see Note 31.

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	Dec 31, 2020	Dec 31, 2019
Personnel related expenses	528	820
External service expenses	236	339
Investments in non-current assets	127	94
Other telecom operators	157	309
Dealer commissions	101	96
Leasing and rental expenses	110	79
Interest costs	136	134
Other accrued expenses	198	194
Total accrued expenses	**1,593**	**2,066**
Contracts	445	434
Prepaid cards	182	182
Subscription fees	814	823
Total deferred income	**1,441**	**1,439**
Total accrued expenses and deferred income	**3,034**	**3,505**

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 1,096 (1,255) million.

NOTE 27 PLEDGED ASSETS

Liabilities to financial institutions in the form of cash pledged as collateral to reduce credit risk amounted on December 31, 2020 to SEK 246 (199) million, please refer to Note 2. Tele2 has no other significant pledged items.

NOTE 28 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Contingent liabilities

SEK million	Dec 31, 2020	Dec 31, 2019
Tax deduction exchange loss	–	350
Total contingent liabilities	**–**	**350**

In 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 33.

Other contractual commitments

SEK million	Dec 31, 2020	Dec 31, 2019
Commitments, investments	157	102
Commitments, other	2,795	2,433
Total future fees for other contractual commitments	**2,952**	**2,535**

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

NOTE 29 LEASES

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 to SEK 1,182 (1,306) million. The carrying value of the lease assets are stated in Note 13. 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, 2020	Dec 31, 2019
Depreciation expense on right-of-use assets	13	–1,182	–1,185
Interest expense on lease liabilities	9	–63	–81
Expense relating to short-term leases		–8	–121
Expense relating to leases of low value assets		–6	–6
Expense relating to variable lease payments not included in the measurement of the lease liability		–1	–1
Total leasing expenses for leases		**–1,261**	**–1,394**

Continuing operations total cash outflow for leases amounted to SEK 1,247 (1,333) million. Of the total expense in 2019 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 to 50 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, 2020	Dec 31, 2019
Within 1 year	1,128	1,202
Within 1–2 years	1,058	1,099
Within 2–3 years	870	1,013
Within 3–4 years	735	787
Within 4–5 years	685	729
Within 5–10 years	910	986
More than 10 years	119	96
Total undiscounted lease liabilities	**5,505**	**5,913**

Tele2 as lessor

Leasing income during the year amount to SEK 114 (92) 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, 2020	Dec 31, 2019
Within 1 year	100	97
Within 1–2 years	24	25
Within 2–3 years	24	22
Within 3–4 years	23	21
Within 4–5 years	22	20
Within 5–10 years	83	78
Within 10–15 years	71	65
More than 15 years	80	75
Total future leases income for operating leases	**428**	**403**

NOTE 30 SUPPLEMENTARY CASH FLOW INFORMATION

SEK million	Dec 31, 2020	Dec 31, 2019
Interest received	23	32
Interest paid	–491	–487
Finance items paid	–1	–11
Dividend received	0	0
Taxes paid	–931	–798

NOTE 31 NUMBER OF EMPLOYEES AND PERSONNEL COSTS

EMPLOYEES

Average number of employees

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

	Dec 31, 2020			Dec 31, 2019		
	Total	*of whom women*	*of whom men*	Total	*of whom women*	*of whom men*
Sweden	2,750	*31%*	*69%*	3,092	*29%*	*71%*
Lithuania	606	*69%*	*31%*	515	*68%*	*32%*
Latvia	515	*49%*	*51%*	624	*46%*	*54%*
Estonia	322	*61%*	*39%*	302	*64%*	*36%*
Netherlands	2	–	*100%*	5	–	*100%*
Austria	–	–	–	4	*25%*	*75%*
Luxembourg	2	–	*100%*	3	*33%*	*67%*
Continuing operations	**4,197**	***41%***	***59%***	**4,545**	***38%***	***62%***
Discontinued operations (Note 33)	98	*43%*	*57%*	902	*48%*	*52%*
Total average number of employees	**4,295**	***41%***	***59%***	**5,447**	***40%***	***60%***

Number of employees

On December 31, 2020 the number of employees in Tele2 was 4,528 (4,652) excluding discontinued operations, of which 44 (42) percent women and 56 (58) percent men. A breakdown by market and gender distribution is presented below.

Continuing operations	Dec 31, 2020			Dec 31, 2019		
	Total	*of whom women*	*of whom men*	Total	*of whom women*	*of whom men*
Sweden	2,928	*33%*	*67%*	3,038	*32%*	*68%*
Lithuania	729	*70%*	*30%*	639	*71%*	*29%*
Latvia	513	*53%*	*47%*	623	*52%*	*48%*
Estonia	354	*65%*	*35%*	345	*66%*	*34%*
Netherlands	2	–	*100%*	3	–	*100%*
Austria	–	–	–	2	–	*100%*
Luxembourg	2	–	*100%*	2	–	*100%*
Total numbers of employees	**4,528**	***44%***	***56%***	**4,652**	***42%***	***58%***

The Tele2 AB board consists of 43 (43) percent women and 57 (57) percent men, while the gender distribution among senior executives in the Group Leadership Team is 33 (33) percent women and 67 (67) percent men on December 31, 2020.

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 group companies (excluding discontinued operations)	Dec 31, 2020			Dec 31, 2019		
	Total	*of whom women*	*of whom men*	Total	*of whom women*	*of whom men*
Board members	26	*15%*	*85%*	25	*12%*	*88%*
Management	28	*39%*	*61%*	33	*33%*	*67%*
Total	**54**	***28%***	***72%***	**58**	***24%***	***76%***

Personnel costs

SEK million	2020					2019				
	Salaries and remunerations	*of which bonus*	Social security expenses	*of which pension expenses*	Personnel costs	Salaries and remunerations	*of which bonus*	Social security expenses	*of which pension expenses*	Personnel costs
Board of Directors and CEO	50	*3*	17	*4*	67	50	*13*	17	*3*	66
Other employees	2,259	*—*	1,024	*289*	3,283	2,581	*—*	1,251	*334*	3,832
Continuing operations	2,309	*3*	1,040	*293*	3,350	2,631	*13*	1,268	*337*	3,898
Board of Directors and CEO	3	*2*	0	*0*	3	9	*5*	2	*1*	11
Other employees	43	*—*	11	*4*	55	213	*—*	53	*23*	266
Discontinued operations (Note 33)	47	*2*	11	*4*	58	222	*5*	55	*24*	277
Total	2,356	*4*	1,052	*297*	3,408	2,852	*17*	1,323	*361*	4,175

Pensions

SEK million	2020	2019
Defined-benefit plans, retirement pension	–32	–32
Defined-contribution plans	–261	–305
Total pension expenses	**–293**	**–337**

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. A part of the liability for retirement pension is closed for new entries and instead premiums are paid to Collectum and Alecta for the employees. Additional information regarding the defined-benefit retirement plans is shown in the following tables.

SEK million	2020	2019
Income statement		
Current service costs	–30	–30
Net interest cost	–8	–5
Curtailments/settlements	6	3
Defined-benefit plans, retirement pension	**–32**	**–32**
Special employer's contribution	–3	–5
Net cost recognized in the income statement	**–35**	**–37**

SEK million	Dec 31, 2020	Dec 31, 2019
Balance sheet		
Present value of funded obligations	–811	–840
Present value of non-funded obligations	–3	–6
Fair value of plan assets	516	494
Net	**–298**	**–353**
Special employer's contribution	–34	–33
Net asset (+) / obligation (–) in balance sheet	**–333**	**–385**
of which assets	132	116
of which liabilities	–465	–501
Movements		
Net asset (+) / obligation (–) at beginning of year	–385	–285
Net cost	–35	–37
Payments	29	42
Actuarial gains/losses in other comprehensive income	58	–104
Net asset (+) / obligation (–) in balance sheet at end of year	**–333**	**–385**

The defined-benefit pension plans under ITP2 are partly funded, where Tele2's assets have been invested in Skandia and by securing in Tele2 Joint Pension Fund. At December 31, 2020 the market value of Tele2's asset amounted to SEK 516 (494) million. Two smaller defined benefit plans of SEK 3 (6) 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, 2020	Dec 31, 2019
Important actuarial assumptions		
Discount rate	1.3%	1.7%
Annual salary increases	2.5%	3.0%
Annual pension increases	2.5%	3.0%
Long-term inflation assumption	1.5%	2.0%
Average expected remaining years of employment	10 years	10 years

REMUNERATION FOR SENIOR EXECUTIVES

SEK million	2020						
	Annual fixed based salary	Variable short-term remuneration	Variable long-term incentives	Pension benefits	Other benefits	Termination benefits	Total remuneration
CEO and President							
Kjell Johnsen	2.5	1.6	0.6	0.8	0.2	–	5.7
Anders Nilsson	5.3	3.3	5.1	1.9	0.7	10.3	26.6
Other senior executives	16.7	8.6	11.9	5.3	1.0	–	43.5
Total salaries and remuneration to senior executives	**24.5**	**13.5**	**17.6**	**8.0**	**1.9**	**10.3**	**75.8**

At the end of the year, the group other senior executives comprise of 5 (5) persons. Kjell Johnsen replaced Anders Nilsson as President and CEO of Tele2 Group on September 15, 2020. The decrease in remuneration for other senior executives from previous year is a result of other senior executives decreased from 14 persons to 5, effective as of December 3, 2019. In addition, 2019 variable remuneration included cash compensation for long-term incentive programs.

SEK million	2019						
	Annual fixed based salary	Variable short-term remuneration	Variable long-term incentives	Pension benefits	Other benefits	Termination benefits	Total remuneration
CEO and President							
Anders Nilsson	7.5	5.7	8.4	2.4	0.3	–	24.3
Other senior executives	35.8	19.9	50.4	11.5	2.5	6.9	127.0
Total salaries and remuneration to senior executives	**43.3**	**25.6**	**58.8**	**13.9**	**2.8**	**6.9**	**151.3**

Guidelines for remuneration to senior executives 2020

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.

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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 from guidelines for remuneration to senior executives

No deviations to report for 2020.

Share rights

During 2020 the senior executives received 401,000 (442,000) share rights in the new incentive program for the year and 57,795 (76,393) share rights in previous years incentive programs as compensation for dividend. No premium was paid for the share rights.

Number of share rights	LTI 2020		LTI 2019	
	CEO	Other senior executives	CEO (former)	Other senior executives
Outstanding as of January 1, 2020	0	0	105,997	213,061
Allocated	200,000	201,000	—	—
Allocated, compensation for dividend	5,240	10,538	2,308	16,053
Forfeited	–100,000	—	–108,305	—
Total outstanding rights as of December 31, 2020	**105,240**	**211,538**	**—**	**229,114**

Number of share rights	LTI 2018		LTI 2017	
	CEO (former)	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2020	107,905	206,124	—	111,360
Allocated, compensation for dividend	8,126	15,530	—	—
Exercised	—	—	—	–111,360
Total outstanding rights as of December 31, 2020	**116,031**	**221,654**	**—**	**—**

Board of directors

SEK	Fees to the board 2020	Fees to the board 2019	Fees to the board committees 2020	Fees to the board committees 2019	Total fees 2020	Total fees 2019
Carla Smits-Nusteling (chairman)	1,700,000	1,700,000	120,000	120,000	1,820,000	1,820,000
Andrew Barron	850,000	850,000	100,000	100,000	950,000	950,000
Anders Björkman	625,000	625,000	50,000	50,000	675,000	675,000
Georgi Ganev	625,000	625,000	—	—	625,000	625,000
Cynthia Gordon	625,000	625,000	120,000	120,000	745,000	745,000
Eva Lindqvist	625,000	625,000	240,000	240,000	865,000	865,000
Lars-Åke Norling	625,000	625,000	170,000	170,000	795,000	795,000
Total fee to board members	**5,675,000**	**5,675,000**	**800,000**	**800,000**	**6,475,000**	**6,475,000**

LONG-TERM INCENTIVE PROGRAM (LTI)

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.

The LTI programs are usually launched annually after approval from the Annual General Meeting, and run for around 3 years. In 2020, LTI 2017 was finalized and LTI 2020 was launched.

Outcome 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. The weighted average share price for share rights for the LTI 2017 at date of exercise amounted to SEK 124.93.

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

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. 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.

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 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 B share free of charge. 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 and Series C (performance rights). The number of Class B shares the respective participant will receive after vesting depends on which category the participant belongs to and on the fulfilment of the following defined retention and performance-based conditions:

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

Series B Tele2's total shareholder return on the Tele2 shares (TSR) during the TSR Measurement 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 level.

Series C Operating cash flow shall be measured on cumulative basis for the consolidated Tele2 Group during the Cash flow Measurement Period. The Board establish appropriate target levels according with the external financial guidance by Tele2. As an entry level for allotment of the Cash flow target, 90 percent of the target level has to be reached and in order to reach stretch level, 110 percent of the target level has to be reached.

If the entry level is reached, the number of rights that vests is 100 percent for Series A, 50 percent for Series B and 30 percent for Series C.

The program comprised a total number of 337,036 shares. In total this resulted in an allotment of 1,597,152 share rights, of which 337,036 Series A and 630,058 of Series B and C each. 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 120 million, of which social security costs to SEK 42 million.

The participant's maximum profit per share right in the program is limited to SEK 562, four times the average closing share price of the Tele2 Class B shares during February 2020 with deduction for the dividend distributed before the launch of LTI 2020.

The estimated average fair value of the granted rights was SEK 84 on the grant date, May 28, 2020. The following variables were used:

	LTI 2020		
	Series A	Series B	Series C
Expected annual turnover of personnel	10%	10%	10%
Weighted average share price	121.91 kr	121.91 kr	121.91 kr
Expected life (years)	2.90	2.90	2.90
Reduction parameter due to market related conditions	68%	39%	100%
Estimated fair value	82.50 kr	47.70 kr	121.90 kr

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. On December 31, 2020, the Board of Directors has not yet used its mandate.

Outstanding share rights LTI 2017–2020

				Outstanding share rights	
	Average fair value/share rights at grant date (in SEK)	Number of participants at grant date	Measure period	Dec 31, 2020	Dec 31, 2019
LTI 2020	84	218	Jan 1, 2020–Dec 31, 2022 (Cash flow Measurement Period) and Apr 1, 2020–Mar 31, 2023 (TSR Measurement Period)	1,499,975	–
LTI 2019	65	202	Apr 1, 2019–Mar 31, 2022	1,313,475	1,395,024
LTI 2018	66 and 65	242	Apr 1, 2018–Mar 31, 2021	1,168,807	1,154,334
LTI 2017	70	206	Apr 1, 2017–Mar 31, 2020	–	712,318
Total				**3,982,257**	**3,261,676**

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

Number of rights	LTI 2020		LTI 2019	
	2020	Cumulative	2020	Cumulative
Allocated at grant date	1,597,152	1,597,152	–	1,365,908
Outstanding as of January 1, 2020	–	–	1,395,024	–
Allocated, compensation for dividend	77,916	77,916	96,866	191,780
Forfeited	–175,093	–175,093	–177,051	–220,279
Adjustments for outcome of the performance conditions, Equity settled	–	–	–	–20,125
Exercised, Equity settled	–	–	–1,364	–3,809
Total outstanding rights as of December 31, 2020	**1,499,975**	**1,499,975**	**1,313,475**	**1,313,475**

Number of rights	LTI 2018		LTI 2017	
	2020	Cumulative	2020	Cumulative
Allocated at grant date	–	1,765,100	–	1,432,558
Outstanding as of January 1, 2020	1,154,334	–	712,318	–
Allocated, compensation for dividend	83,625	178,954	–	113,670
Forfeited	–51,267	–151,284	–9,002	–152,529
Adjustments for outcome of the performance conditions, Cash settled	–4,750	–69,425	–286	–63,062
Adjustments for outcome of the performance conditions, Equity settled	–	–360,549	–	–200,080
Exercised, Cash settled	–8,565	–30,362	–11,943	–62,558
Exercised, Equity settled	–4,570	–163,627	–691,087	–1,067,999
Total outstanding rights as of December 31, 2020	**1,168,807**	**1,168,807**	**–**	**–**

As a result of early vesting of the LTI 2017–2019 being exercised in 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. 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.

As Tele2 Croatia was sold in 2020, the participants in the long-term incentive programs in Croatia received a cash-based settlement. The payment to participants amounted to SEK 3 million.

Conditions and status LTI 2018–2020

The principles and structure described for LTI 2020 above also apply for LTI 2018 and LTI 2019. The conditions are however slightly refined. All program includes absolute and relative TSR conditions, while in LTI 2020 an accumulated operating cash flow condition (Series C) was introduced.

	Maximum profit/right	Retention and performance based conditions (ranges) Series A TSR	Series B TSR peer group	Series C Operating cash flow
LTI 2018	SEK 388	>0%	0–20%	–
LTI 2019	SEK 463	>0%	0–20%	–
LTI 2020	SEK 562	>0%	0–20%	90–110%

Status LTI 2018: Since April 1, 2018 (the start of the measurement period) until December 31, 2020, the Tele2 Group has reached a total shareholder return (TSR) of +33%. The TSR development relative to the assessed peer group was +32% for the same period. The measurement period ends at March 31, 2021.

Status LTI 2019: Since April 1, 2019 (the start of the measurement period) until December 31, 2020, the Tele2 Group has reached a total shareholder return (TSR) of +/–0%. The TSR development relative to the assessed peer group was +7% for the same period. The measurement period ends at March 31, 2022.

Status LTI 2020: Since April 1, 2020 (the start of the TSR measurement period) until December 31, 2020, the Tele2 Group has reached a total shareholder return (TSR) of –10%. The TSR development relative to the assessed peer group was –14% for the same period. The TSR measurement period ends at March 31, 2023. Operating cashflow for the full year 2020 (the first of three years of the measurement period) reached 104% of the targeted level.

Costs and liabilities

Total cost before tax for outstanding incentive programs and liability is stated below.

SEK million	Actual costs before tax		Expected cumulative cost during the vesting period		Liability	
	2020	2019	2020	2019	Dec 31, 2020	Dec 31, 2019
LTI 2020	21	–	107	–	6	–
LTI 2019	33	26	105	116	20	9
LTI 2018	36	51	132	134	31	20
LTI 2017	5	52	114	110	–	22
LTI 2016	–	25	–	59	–	–
Total	**95**	**155**	**458**	**419**	**56**	**52**
of which cash based programs	*0*	*2*	–	–	–	–

NOTE 32 FEES TO THE APPOINTED AUDITOR

SEK million	2020		2019	
	Deloitte	Other elected auditors	Deloitte	Other elected auditors
Audit fees	8	0	31	0
Audit-related fees	0	0	–	0
Consultation, all other fees	1	0	0	0
Total fees per appointed auditor	**9**	**0**	**31**	**0**
Total fees to the appointed auditor		**10**		**31**

The higher audit fee in 2019 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 affected 2019 by SEK 22 million.

NOTE 33 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

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.

In April 2019, Tele2 was notified 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 Tele2 Kazakhstan from USD to Kazakh Tenge in connection with the establishment of Tele2's previous jointly owned company 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 2020 under discontinued operations.

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	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 asset	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 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.

SEK million	2020	2019
Revenue	690	4,269
Cost of services provided and equipment sold	–339	–2,396
Gross profit/loss	**350**	**1,873**
Selling expenses	–74	–514
Administrative expenses	–99	–366
Other operating income	2	12
Other operating expenses	–1	–4
Operating profit	**179**	**1,000**
Interest income	0	3
Interest expenses	–19	–97
Other financial items	—	–145
Profit/loss after financial items	**160**	**762**
Income tax from the operation	–51	–181
Net profit/loss from the operation	**110**	**580**
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain	**286**	**1,786**
of which Germany	–25	—
of which Croatia	247	—
of which Netherlands	55	61
of which Kazakhstan	—	1,598
of which Austria, sold 2017	8	91
of which Norway, sold 2015	—	37
Income tax from capital gain	**–221**	**337**
of which Germany	0	—
of which Croatia	116	—
of which Netherlands	—	47
of which Kazakhstan	–337	290
Net profit/loss	**175**	**2,703**
Attributable to:		
Equity holders of the parent company	175	2,573
Non-controlling interests	—	131
Net profit/loss	**175**	**2,703**
Earnings per share, SEK	0.25	3.74
Earnings per share, after dilution, SEK	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.

SEK million	Dec 31, 2020	Dec 31, 2019
ASSETS		
Other intangible assets	–	167
Intangible assets	**–**	**167**
Machinery and technical plant	–	753
Other tangible assets	–	70
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
Accounts receivable	–	270
Other current receivables	16	485
Prepaid expenses and accrued income	–	224
Current receivables	**16**	**979**
Current investments	–	9
Current assets	**16**	**1,050**
Asset classified as held for sale	**140**	**2,713**
LIABILITIES		
Interest-bearing	149	734
Non-current liabilities	**149**	**734**
Interest-bearing	63	129
Non-interest-bearing	341	559
Current liabilities	**405**	**687**
Liabilities directly associated with assets classified as held for sale	**554**	**1,421**

SEK million	2020	2019
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
Total	**–**	**–104**

Cash flow statement

SEK million	2020	2019
Cash flow from operating activities	143	1,142
Cash flow from investing activities	2,058	4,004
Cash flow from financing activities	–31	849
Net change in cash and cash equivalents	**2,170**	**5,995**

NOTE 34 JOINT OPERATIONS AND OTHER RELATED PARTIES

Business relations and pricing between Tele2 and all related parties are based on commercial terms and conditions. During 2020, 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 was financed by the owners. Tele2 and Telia Company have during 2020 agreed to start to gradually decommission the 3G network with the aim to have the network fully shut down by the end of 2023.

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 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 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 is planned to 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

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

Income statement SEK million	2020		2019	
	Sv UMTS-nät, Sweden	Net4Mobility, Sweden	Sv UMTS-nät, Sweden	Net4Mobility, Sweden
Revenue	875	1,320	931	1,331
Operating profit	71	105	71	108
Profit/loss before tax	58	28	50	–172
Net profit/loss	46	28	40	–172

Balance sheet SEK million	Dec 31, 2020		Dec 31, 2019	
	Sv UMTS-nät, Sweden	Net4Mobility, Sweden	Sv UMTS-nät, Sweden	Net4Mobility, Sweden
Intangible assets	–	2,663	–	2,901
Tangible assets	921	2,201	1,186	2,186
Right-of-use assets	381	1,685	572	1,562
Deferred tax assets	71	–	83	–
Current assets	328	559	312	491
Total assets	**1,701**	**7,109**	**2,154**	**7,140**
Equity	723	–275	677	–302
Untaxed reserves	–	2,714	–	2,679
Non-current liabilities	256	3,738	974	3,987
Current liabilities	722	933	503	776
Total equity and liabilities	**1,701**	**7,109**	**2,154**	**7,140**

Cash flow statement SEK million	2020		2019	
	Sv UMTS-nät, Sweden	Net4Mobility, Sweden	Sv UMTS-nät, Sweden	Net4Mobility, Sweden
Cash flow from operating activities	482	982	506	894
Cash flow from investing activities	6	–323	–3	–1,791
Cash flow from financing activities	–488	–671	–502	900
Net change in cash and cash equivalents	**–**	**–13**	**–0**	**3**
Cash and cash equivalents at beginning of the year	0	62	0	58
Cash and cash equivalents at end of the year	0	49	0	62

Other related parties

Senior executives and Board members

Information related to senior executives and Board members is presented in Note 31.

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 June 28, 2019, Tele2 completed the divestment of Tele2 Kazakhstan. Additional information is presented in Note 33.

Joint ventures and associated companies

Information about joint ventures and associated companies is presented in Note 15.

Transactions and balances

Transactions between Tele2 and joint operations are included to 100 percent below. 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	
	2020	2019	2020	2019	2020	2019
Kinnevik	0	0	–2	–2	–	–
Kazakhtelecom	0	162	–	–25	–	–
Other Related Companies	0	0	–	–	–	–
Joint ventures and associated companies	200	182	–7	–11	–	–
Joint operations	159	208	–1,072	–1,097	15	25
Total	**359**	**553**	**–1,081**	**–1,136**	**15**	**25**

SEK million	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Joint ventures and associated companies	43	37	–	–	1	1
Joint operations	434	330	1,223	1,567	291	276
Total	**477**	**367**	**1,223**	**1,567**	**292**	**277**

NOTE 35 EVENTS AFTER THE END OF THE FINANCIAL YEAR

As announced on January 12, 2021, Tele2 has made changes to its Leadership Team. The Group's Leadership Team is described under the section Leadership team and can be found on page 8–9.

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 statements – Parent company

Parent company's income statement

SEK million	Note	2020	2019
Revenue	2	34	41
Gross profit		**34**	**41**
Administrative expenses		–165	–155
Other operating expenses	3	6	–98
Operating loss		**–124**	**–212**
Profit/loss from financial investments			
Dividend from Group companies		22,000	–
Other interest revenue and similar income	4	146	149
Interest expense and similar costs	5	–1,201	–432
Loss after financial items		**20,820**	**–495**
Appropriations, group contribution		1,290	275
Tax on profit/loss for the year	6	–205	–15
Net profit/loss		**21,906**	**–235**

Parent company's comprehensive income

SEK million	2020	2019
NET PROFIT/LOSS	21,906	–235
Components that may be reclassified to net profit		
Gain/loss arising on changes in fair value of hedging instruments	27	29
Reclassified cumulative loss to income statement	–21	–14
Tax effect on cash flow hedges	–1	1
Components that may be reclassified to net profit	**5**	**16**
Other comprehensive income for the year, net of tax	**5**	**16**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	21,911	–219

Parent company's balance sheet

SEK million	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Shares in group companies	7	60,894	38,764
Receivables from group companies	9	8,119	8,439
Deferred tax assets	6	25	31
Other financial assets	8	72	57
Non-current assets		**69,110**	**47,291**
Other receivables from group companies	9	1,324	5,230
Other current receivables	10	224	158
Prepaid expenses and accrued income		2	4
Current receivables		**1,551**	**5,391**
Cash and cash equivalents	11	0	8
Current assets		**1,551**	**5,399**
TOTAL ASSETS		70,661	52,690

SEK million	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Share capital		863	863
Restricted reserve		4,985	4,985
Restricted equity		**5,848**	**5,848**
Reserves		22,393	22,388
Retained earnings		–6,907	–542
Net profit		21,906	–235
Unrestricted equity		**37,392**	**21,611**
Equity		**43,240**	**27,460**
Liabilities to financial institutions and similar liabilities	12	21,406	21,572
Pension and similar commitments		91	72
Non-current liabilities		**21,497**	**21,644**
Liabilities to financial institutions and similar liabilities	12	3,246	3,303
Provisions	13	14	16
Other liabilities to group companies		2,267	–
Other interest-bearing liabilities	12	3	48
Interest-bearing liabilities		**5,530**	**3,367**
Accounts payable	12	8	1
Current tax liabilities		192	12
Other current liabilities	12	3	4
Other liabilities to group companies		0	5
Accrued expenses and deferred income	14	190	197
Non-interest-bearing liabilities		**393**	**220**
Current liabilities		**5,923**	**3,586**
TOTAL EQUITY AND LIABILITIES		70,661	52,690

Parent company's cash flow statement

SEK million	2020	2019
Operating activities		
Operating loss	–124	–212
Adjustments for non-cash items in operating loss		
- Incentive program	20	20
Interest paid	–387	–319
Finance items paid	–2	–9
Income tax paid	–16	—
Changes in working capital		
- Operating receivables	–3	10
- Operating liabilities	–3	–97
Cash flow from operating activities	**–516**	**–608**
Investing activities		
Lending to group companies	6,580	10,787
Cash flow from investing activities	**6,580**	**10,787**
Cash flow after investing activities	**6,064**	**10,179**
Financing activities		
Proceeds from credit institutions and similar liabilities	3,247	1,867
Repayment of loans from credit institutions and similar liabilities	–3,122	–4,910
Dividends paid	–6,198	–7,153
Cash flow from financing activities	**–6,072**	**–10,196**
Net change in cash and cash equivalents	**–8**	**–17**
Cash and cash equivalents at beginning of year	8	25
Cash and cash equivalents at end of the year	**0**	**8**

Change in parent company's equity

SEK million	Restricted equity		Unrestricted equity			Total equity
	Share capital	Restricted reserve	Hedge reserve	Share premium reserve	Retained earnings	
Equity at January 1, 2020	863	4,985	–5	22,393	–777	27,460
Net loss	—	—	—	—	21,906	21,906
Other comprehensive income for the year, net of tax	—	—	5	—	—	5
Total comprehensive income for the year	**—**	**—**	**5**	**—**	**21,906**	**21,911**
Other changes in equity						
Share-based payments	—	—	—	—	65	65
Share-based payments, tax effect	—	—	—	—	2	2
Dividends	—	—	—	—	–6,198	–6,198
Equity at December 31, 2020	**863**	**4,985**	**1**	**22,393**	**14,999**	**43,240**
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**

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

During 2020, the subsidiaries Com Hem Sweden AB and Tele2 Holding AB were merged with the parent company Tele2 AB.

The annual report has been approved by the Board of Directors on March 22, 2021. The balance sheet and income statement are subject to adoption by the Annual General Meeting on April 22, 2021.

NOTE 2 REVENUE

Revenue relates to sales to other companies within the Group.

NOTE 3 OTHER OPERATING EXPENSES

SEK million	2020	2019
Acquisition cost, Com Hem	2	–51
Integration cost, Com Hem	4	–45
Other operating expenses	—	–3
Total other operating expenses	**6**	**–98**

NOTE 4 OTHER INTEREST REVENUE AND SIMILAR INCOME

SEK million	2020	2019
Interest, Group	145	148
Interest, Other	0	1
Total other interest revenue and similar income	**146**	**149**

NOTE 5 INTEREST EXPENSE AND SIMILAR COSTS

SEK million	2020	2019
Interest, credit institutions and similar liabilities	–382	–367
Interest, Group	–942	—
Exchange rate difference on financial liabilities	129	–52
Other finance expenses	–6	–13
Total interest expenses and similar costs	**–1,201**	**–432**

Interest Group in 2020 refers to temporary debts to Group companies in connection with the internal company restructurings further described in Note 7.

NOTE 6 TAXES

SEK million	2020	2019
Current tax expense, on profit/loss current year	–194	–3
Current tax expense, on profit/loss prior periods	–2	–
Current tax expense	**–196**	**–3**
Deferred tax expense/income	–9	–12
Total tax on profit/loss for the year	**–205**	**–15**

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

SEK million	2020		2019	
Profit/loss before tax	22,110		–220	
Tax effect according to tax rate in Sweden	–4,732	–21.4%	47	–21.4%
Tax effect of				
Non-taxable dividend from group company	4,708	21.3%	–	0.0%
Negative net interest	–179	–0.8%	–57	26.1%
Non-deductible expenses other	–0	0.0%	–1	0.3%
Adjustment of tax assets from previous years	–2	0.0%	–4	1.8%
Tax expense and effective tax rate	**–205**	**–0.9%**	**–15**	**6.8%**

With regards to the interest limitation rules, 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 25 (31) million is attributable to temporary differences for liabilities of SEK 6 (16) million and pensions of SEK 19 (15) million.

NOTE 7 SHARES IN GROUP COMPANIES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2020 mSEK	Dec 31, 2019 mSEK
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden	1,500,000	SEK 100	100%	59,694	–
Tele2 Treasury AB, 556606-7764, Stockholm, Sweden	1,000	SEK 100	100%	1,200	–
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	–	13,520
Com Hem Sweden AB, 556859-4195, Stockholm, Sweden	6,000,000	SEK 1	100%	–	25,244
Total shares in group companies				**60,894**	**38,764**

SEK million	Dec 31, 2020	Dec 31, 2019
Acquisition value		
Acquisition value at January 1	38,764	38,764
Shares obtained through mergers	22,130	–
Total shares in group companies	**60,894**	**38,764**

During 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.

A list of all subsidiaries, excluding dormant companies, is presented in Note 19.

NOTE 8 OTHER FINANCIAL ASSETS

Other financial assets consist of pension funds.

NOTE 9 RECEIVABLES FROM GROUP COMPANIES

SEK million	Dec 31, 2020	Dec 31, 2019
Acquisition value at January 1	13,668	23,904
Lending	26,537	2,142
Repayments	–23,380	–12,063
Other changes in cash pool	–7,383	–315
Total receivables from group companies	**9,443**	**13,668**

TELE2

NOTE 10 OTHER CURRENT RECEIVABLES

SEK million	Dec 31, 2020	Dec 31, 2019
Derivatives	217	154
Receivables on employees	0	–0
Other	8	3
Total other current receivables	**224**	**158**

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 11 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

SEK million	Dec 31, 2020	Dec 31, 2019
Cash and cash equivalents	0	8
Unutilized overdraft facilities and credit lines	7,629	7,930
Total available liquidity	**7,629**	**7,937**

NOTE 12 FINANCIAL LIABILITIES

SEK million	Dec 31, 2020	Dec 31, 2019
Liabilities to financial institutions and similar liabilities	24,652	24,875
Other interest-bearing liabilities	3	48
Total interest-bearing financial liabilities	**24,655**	**24,923**
Accounts payable	8	1
Other current liabilities	3	4
Total financial liabilities	**24,666**	**24,928**

The parent company's financial liabilities consist mainly of liabilities to financial institutions and similar liabilities. Specification of them, including maturity, is presented in the Group's Note 24. Liabilities to financial institutions in the form of cash pledged as collateral to reduce credit risk amounted on December 31, 2020 to SEK 246 (199) million, please refer to the Group's Note 2.

NOTE 13 PROVISIONS

Provisions consist of reserves for employee termination benefits and amounted at December 31, 2020 to SEK 14 (16) million.

NOTE 14 ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	Dec 31, 2020	Dec 31, 2019
Interest costs	136	134
Personnel related expenses	51	63
External services expenses	3	–
Total accrued expenses and deferred income	**190**	**197**

NOTE 15 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

At December 31, 2020, the parent company's provided guarantees for the benefit of group companies amounted to SEK 1,647 (908) million.

NOTE 16 NUMBER OF EMPLOYEES

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

NOTE 17 PERSONNEL COSTS

SEK million	2020			2019		
	Salaries and remunerations	Social security expenses	*of which pension expenses*	Salaries and remunerations	Social security expenses	*of which pension expenses*
Board and President	27	13	*3*	28	12	*2*
Other employees	62	31	*7*	77	58	*22*
Total	**89**	**44**	***10***	**106**	**70**	***24***

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 31.

NOTE 18 FEES TO THE APPOINTED AUDITOR

Audit fees to the appointed auditor are SEK 2 (23) million. All other fees amount to SEK 0 (0) million. The higher audit fee in 2019 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. Com Hem. PCAOB related costs affected 2019 by SEK 22 million.

NOTE 19 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)
TELE2 SVERIGE AB, 556267-5164, Stockholm, Sweden		100%
T-Mobile Netherlands Holding BV, 33301092, Hague, Netherlands	15	25%
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	15	40%
Triangelbolaget D4 AB, 556007-9799, Stockholm, Sweden	15	25%
TMPL Solutions AB, 559079-9341, Uppsala, Sweden	16	10,30%
Svenska UMTS-nät Holding AB, 556606-7988, Stockholm, Sweden		100%
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	34	50%
Interloop AB, 556450-2606, Stockholm, Sweden		100%
Net4Mobility HB, 969739-0293, Stockholm, Sweden	34	50%
iTUX Communication AB, 556699-4843, Stockholm, Sweden		100%
Kombridge AB, 556817-2059, Gothenburg, Sweden		100%
Tele2 IoT Latvia SIA, 40003681691, Riga, Latvia		100%
Tele2 IoT Netherlands, 72180137, Amsterdam, Netherlands		100%
UAB Tele2, 111471645, Vilnius, Lithuania		100%
UAB Tele2 prekyba, 302473332, Vilnius, Lithuania		100%
Viesoji istaiga Numerio perkelimas, 303386211, Vilnius, Lithuania	15	25%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania		100%
SIA Tele2, 40003272854, Riga, Latvia		100%
SIA Baltic Shared Services Center, 40203242091, Riga, Latvia		100%
SIA Centuria, 40203227548, Riga, Latvia	34	50%
SIA Tele2 Shared Service Center, 40003690571, Riga, Latvia		100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia		100%
Estonian Broadband Development Foundation, Estonia	16	12,50%
Tele2 Europe SA, R.C.B56944, Luxembourg		100%
Tele2 Finance Luxembourg SARL, RCB112873, Luxembourg		100%
Tele2 Luxembourg AB, 556304-7025, Stockholm, Sweden		100%
TELE2 TREASURY AB, 556606-7764, Stockholm, Sweden		100%
SECUREVALUE CONSULTING LTD, 9908070, London, UK	15	25%

Board of Directors' and President's certification

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 22, 2021

Carla Smits-Nusteling
Chairman

Andrew Barron *Deputy Chairman*	Anders Björkman	Cynthia Gordon
Eva Lindqvist	Georgi Ganev	Lars-Åke Norling

Kjell Johnsen
President and CEO

Our auditors' report was submitted on March 22, 2021

Deloitte AB

Didrik Roos
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, 2020 except for the corporate governance statement on pages 26–33. The annual accounts and consolidated accounts of the company are included on pages 12–33 and 67–126 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 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 26–33. 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 26,554 million for the financial year 2020. Tele2 has multiple revenue streams from a large number of customers. 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.

Covid-19 pandemic has had negative effects on revenue in roaming, mobile prepaid and premium TV which has led to an increased risk for expected credit losses on revenues related to these services.

Our audit procedures included, but were not limited to:

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

Valuation of goodwill

Tele2 reports goodwill of SEK 29,651 million as of December 31, 2020. On an annual basis management impairment 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.

The long term impact of Covid-19 remains uncertain, meaning that impact on future growth rates and discount factors are unknown which may affect preparation of forecast cash flow estimates and WACCs used in the calculations of recoverable amounts.

In Note 1 the Group's accounting principles for impairment testing of intangible assets are described, and Note 11 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,
- assess management's assessments of the impact of Covid-19 on estimated future cash-flows,
- testing the mathematical accuracy of the models used for impairment testing, 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 1–11, 34–36 and 131–135. 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, 2020 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 26–33 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 11, 2020 and has been the company's auditor since May 12, 2004.

Stockholm, March 22, 2021
Deloitte AB

Didrik Roos
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 associated companies and joint ventures. 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.

Underlying EBITDA

Tele2 considers underlying EBITDA 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 EBITDAaL and underlying EBITDAaL margin

Tele2 considers underlying EBITDAaL and the related margin to be relevant measure 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	2020	2019
Operating profit	7,371	3,812
Reversal:		
Result from shares in associated companies and joint ventures	−311	97
Depreciation and amortization	5,269	5,689
EBITDA	**12,329**	**9,598**
Reversal, items affecting comparability:		
Acquisition costs	6	72
Restructuring costs	261	570
Disposal of non-current assets	−2,002	10
Other items affecting comparability	−109	59
Total items affecting comparability	**−1,844**	**711**
Underlying EBITDA	**10,484**	**10,309**
Lease depreciation	−1,182	−1,185
Lease interest costs	−63	−81
Underlying EBITDAaL	**9,239**	**9,043**
Revenue	26,554	27,203
Revenue excluding items affecting comparability	**26,554**	**27,203**
Underlying EBITDAaL margin	**35%**	**33%**

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	2020	2019
TOTAL OPERATIONS		
Additions to intangible and tangible assets	–2,750	–3,610
Sale of intangible and tangible assets	1	3
Capex paid	**–2,749**	**–3,607**
This period's unpaid capex and reversal of paid capex from previous period	16	758
Reversal received payment of sold intangible and tangible assets	–1	–3
Capex intangible and tangible assets	**–2,734**	**–2,852**
Additions to right-of-use assets	–1,204	–1,509
Capex	**–3,938**	**–4,361**
CONTINUING OPERATIONS		
Additions to intangible and tangible assets	–2,705	–3,292
Sale of intangible and tangible assets	1	2
Capex paid	**–2,704**	**–3,289**
This period's unpaid capex and reversal of paid capex from previous period	–11	837
Reversal received payment of sold intangible and tangible assets	–1	–2
Capex intangible and tangible assets	**–2,717**	**–2,455**
Additions to right-of-use assets	–1,182	–1,306
Capex	**–3,899**	**–3,761**

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	2020	2019
Underlying EBITDAaL	9,239	9,043
Capex excluding spectrum and leases	–2,717	–2,387
Operating cash flow	**6,523**	**6,656**

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	2020	2019
TOTAL OPERATIONS		
Cash flow from operating activities	8,816	9,716
Capex paid	–2,749	–3,607
Amortization of lease liabilities	–1,188	–1,269
Equity free cash flow	**4,879**	**4,840**
CONTINUING OPERATIONS		
Cash flow from operating activities	8,672	8,572
Capex paid	–2,704	–3,289
Amortization of lease liabilities	–1,168	–1,124
Equity free cash flow	**4,799**	**4,159**

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

Other financial metrics

Certain other financial metrics that are presented in this report are defined below. It is the view of Tele2 that these metrics provide valuable additional information to investors and other readers of this report.

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.

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.

Economic net debt / Underlying EBITDAaL (leverage)
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 per share
Equity attributable to parent company's shareholders in relation to the total number of outstanding shares.

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

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

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

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