2019

Tele2 Full Year and Fourth Quarter Report

Q4 2019 HIGHLIGHTS

- Revenue of SEK 7.3 billion, a decline by 1 percent compared to Q4 2018 on an organic basis
- End-user service revenue of SEK 5.0 billion, flat compared to Q4 2018 on an organic basis
- Organic growth of 10 percent in underlying EBITDA excluding IFRS 16 to SEK 2.4 billion in Q4 2019, driven by synergies from the Com Hem merger in Sweden and continued strong performance in the Baltics
- Net profit from total operations of SEK 0.9 billion increased by SEK 1.3 billion compared to Q4 2018
- Equity free cash flow from continuing operations of SEK 4.3 billion (SEK 4.8 billion from total operations), or approximately SEK 6 per share, for the full year 2019 increased by SEK 2.3 billion compared to 2018, driven by the Com Hem merger and strong underlying cash generation
- Full-year 2019 results in-line with guidance
- SEK 800 million out of total SEK 900 million cost savings from Com Hem integration completed and new three-year business transformation program launched, expected to generate at least SEK 1 billion of opex savings and build growth momentum
- Financial guidance for the mid-term reiterated and 2020 guidance for capex excluding spectrum and leases updated to SEK 2.5-3.0 billion
- The Board of Directors proposes an ordinary dividend of SEK 5.50 per share, a 25 percent increase from the previous year. In addition, the Board proposes an extraordinary dividend of SEK 3.50 per share

Key financial data

SEK million	Oct-Dec 2019 IFRS 16	Oct-Dec 2018 IAS 17	Full year 2019 IFRS 16	Full year 2018 IAS 17
Continuing operations				
End-user service revenue	5,016	4,339	19,921	14,047
Revenue	7,270	6,606	27,659	21,775
Underlying EBITDA	2,695	1,875	10,525	6,386
EBITDA	2,591	1,527	9,814	5,635
Operating profit	1,179	656	4,024	3,291
Profit after financial items	1,058	545	3,579	2,919
Total operations				
Net profit/loss	943	-329	5,134	992
Earnings per share after dilution (SEK)	1.36	-0.89	7.24	1.60

Revenue
Q4 2019
7,270
SEK million

Key financial data including Com Hem proforma

SEK million	Oct-Dec 2019	Oct-Dec 2018	Organic %	Full year 2019	Full year 2018	Organic %
Continuing operations						
End-user service revenue	5,016	4,995	0%	19,921	19,888	0%
Revenue	7,270	7,287	-1%	27,659	27,832	-1%
Underlying EBITDA excluding IFRS 16	2,378	2,139	10%	9,344	8,768	6%
Capex excluding spectrum and leases	706	880		2,388	2,633	
OCF excluding spectrum paid, rolling 12 months[1)]				6,764	6,349	
Total operations						
Economic net debt to underlying EBITDAaL				2.5x	2.8x	

[1)] Operating cash flow, see Non-IFRS measures page 30.

Underlying EBITDA
excluding IFRS 16
Q4 2019
2,378
SEK million

Continuing operations

Figures presented in this report refer to Q4 (October-December) 2019 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2018. Tele2 Croatia is reported as a discontinued operation for all periods. Discontinued operations also include the former operations, primarily in the Netherlands and Kazakhstan. See Note 11.

Non-IFRS measures

This report contains certain non-IFRS measures which are defined and reconciliated to the closest reconcilable line items in the section *Non-IFRS measures* on page 30. Note that organic growth rates exclude effects from currency movements and include Com Hem proforma for all periods. For further definitions of industry terms and acronyms, please refer to the Investor section at www.tele2.com.

> “Completion of the Com Hem integration ahead of the original plan allows us to initiate the next phase of business transformation”

CEO WORD – Q4 2019

This quarter marked the end of a transformative year as we completed the integration of Com Hem and set Tele2 up for its journey to become the smartest telco in the world. We delivered on our financial guidance for 2019, supported by execution of the cost synergies. Completion of the Com Hem integration ahead of the original plan allows us to initiate the next phase of transformation to build growth momentum and reduce cost by at least SEK 1 billion in the next three years. The Baltics continued to deliver this quarter and we are pleased to see Estonia returning to full-year growth. The fixed mobile convergence (FMC) strategy in Sweden is progressing well with 219,000 customers now on FMC-offers.

Q4 2019 and full-year summary

Group organic end-user service revenue (EUSR) was flat in the quarter with the Baltics growing by 8% while Sweden (now including IoT) declined by 1%. Group underlying EBITDA excluding IFRS 16 grew by 10% organically in the quarter, with the Baltics growing by 9% and Sweden by 11% driven by synergies as we concluded the Com Hem integration. We delivered on our full-year guidance with flat EUSR, underlying EBITDA excluding IFRS 16 growth of 6%, and capex excluding spectrum and leases of SEK 2.4 billion.

In Sweden, consumer EUSR was roughly flat as continued growth in mobile postpaid (3%) and fixed broadband (4%) was offset by declining digital TV (-6%), mobile prepaid (-1%) and fixed telephony & DSL (-22%). The operational performance was similar to what we have seen so far this year. We saw steady volume growth in our core services mobile postpaid, fixed broadband and digital TV cable & fiber while declines continued in the legacy services. ASPU-trends also largely continued with flattish development in mobile postpaid while fixed broadband and digital TV cable & fiber continued to decline as effects of lower backbook price adjustments in 2019 continue.

Within Swedish business we continue to see pressure on EUSR, declining by 2% (including IoT) as the ASPU pressure in the market persists and initiatives taken to return to growth are yet to have an effect.

Taking steps to solidify our leadership in a changing TV-market

In a changing TV-market where consumption is shifting from traditional linear content delivered through a box toward on-demand content streamed to multiple devices directly over the internet, it is important for TV-distributors to adapt. To secure our position as the leading Swedish TV-provider and capitalize on this market trend we have launched our own standalone OTT-service, Comhem Play+. Given our scale as an aggregator of video content, an OTT-service is a natural next step as we leverage our ability to bundle the best on-demand content to both enhance the experience of our current TV-customers and reach the untapped pool of customers who were never consumers of traditional TV. While we do not expect this to materially affect our near-term growth it will initially serve as an additional puzzle piece in the FMC-strategy, giving us another tool to improve customer satisfaction through the more-for-more strategy. Over time, we think Comhem Play+ could be a powerful tool to take share in a rapidly growing market where we are not currently present.

Entering a new segment in the connectivity market

In the beginning of February 2020, we took a significant step to optimize our brand portfolio and prepare Tele2 for the future by launching a completely new digital brand called Penny. This brand will initially sell mobile postpaid and fixed broadband services, offering the customer a simple, purely digital experience with prices in-line with other brands in this segment of the market. We believe that this type of brand caters to a new generation of customers which our other brands do not fully capture today. It will allow us to fill a gap in our brand portfolio and finally cover all segments of the consumer market, taking part of a growing segment which will become more important over time.

Laying the foundation for growth through multiple growth drivers

The EBITDA growth we achieved in 2019 was almost entirely driven by cost reduction. While we could sustain this for a few more years with the business transformation program we are initiating in 2020, we need to grow revenue to make this sustainable. From 2020 onward we are aiming for growth and we believe that the foundation we laid in 2019 and initiatives launched in 2020 will take us there. We aim to achieve stable low single-digit growth by running several growth drivers in parallel, without pushing any of them too hard, and avoiding actions that may increase cost or disrupt the business.

For 2020, the main driver of additional growth will be price adjustments in our Sweden consumer business, supported by improvements made to customer experience. Looking at the drivers of EUSR in 2019, mobile postpaid and fixed broadband clearly matter the most. In 2019, these services were driven by volume rather than prices as ASPU was flat while volumes increased by 3% and 5% for mobile postpaid and fixed broadband, respectively. With the improvements we are making to customer experience and the continued growth in consumption of these services, there is clearly an untapped potential here.

Over the mid-term we expect our two new growth drivers, Comhem Play+ and Penny, to contribute to sustainable growth as well. Perhaps more importantly, the lean and purely digital nature of these services will help Tele2 transform into the next generation telco and remain relevant to the modern consumer.

Our FMC-strategy is another growth driver which is already well underway. We introduced FMC-benefits to our Comviq customers this quarter and reached a total of 219,000 FMC-customers, covering almost three quarters of the total overlap between our mobile and fixed customers and 15% of the total consumer fixed customer base. This constitutes a growing pool of loyal, happy, full-service customers, providing a solid foundation that creates stability and potential for growth in the consumer business. We see a clear difference in churn for these customers and, as we develop our toolkit even further with services such as Comhem Play+ and make further improvements to our brand portfolio, the FMC-strategy will become increasingly important.

Unlocking SEK 1 billion of opex reduction in the next phase of business transformation

This quarter we concluded the integration of Com Hem - two years ahead of plan. We delivered roughly SEK 200 million of additional synergies in the quarter, reaching SEK 500 million for the full year and an annual run-rate of SEK 800 million at the end of the quarter. The remaining SEK 100 million of the SEK 900 million target will be rolled into the next phase of business transformation where we expect to unlock at least SEK 1 billion in opex reduction over the next three years. These savings will come in addition to the SEK 800 million, meaning that we will have reduced cost by at least SEK 1.8 billion between 2018 and 2022.

While a large portion of the savings will come from removal of legacy IT-systems, this will be a transformation across the entire Swedish organization as we go step-by-step to remove silos, reduce double functions and enable more efficient use of resources. Since these cost reductions are structural in nature, such as including IT transformation, they will be more back-end loaded and will mainly be realized in 2021 and 2022. The net effect of cost savings is expected to be minor in 2020 as we intend to reinvest savings into our two new product launches this year.

Guidance and shareholder remuneration

We reiterate our guidance of low single-digit EUSR growth, mid-single-digit growth in underlying EBITDAaL in 2020 and over the mid-term. We expect capex excluding spectrum and leases of SEK 2.5-3.0 billion in 2020 and SEK 2.8-3.3 billion annually over the mid-term. As proven by the performance in 2019 where EUSR was flat, underlying EBITDA excluding IFRS 16 grew by 6% organically, and underlying EBITDA excluding IFRS 16 minus capex excluding spectrum and leases grew by 13%, this type of model leads to significant cash flow generation, and we intend to distribute that cash to shareholders.

For this year, the Board proposes an ordinary dividend of SEK 5.50 per share (SEK 3.8 billion), a 25% increase compared to the previous year, paid out in two tranches in May and October 2020. In addition, the Board proposes an extraordinary dividend of SEK 3.50 per share (SEK 2.4 billion), to be paid out in May 2020.

Looking forward

While 2019 was a year of preparation, laying the foundation for the future with the integration of Com Hem, the launch of the FMC-strategy and optimization of the geographical footprint and organizational structure, 2020 and beyond will be about execution. Thanks to the hard work and dedication of the Tele2 employees throughout 2019, we enter 2020 with several new initiatives which will help us both to reignite growth and to turn Tele2 in to a leaner and more digital company over time.

Anders Nilsson
President and Group CEO

Financial overview

Analysis of income statement

Continuing operations SEK million	Oct-Dec 2019 IFRS 16	Oct-Dec 2018 IAS 17	Full year 2019 IFRS 16	Full year 2018 IAS 17
End-user service revenue	5,016	4,339	19,921	14,047
Revenue	7,270	6,606	27,659	21,775
Underlying EBITDA	**2,695**	**1,875**	**10,525**	**6,386**
Items affecting comparability	-104	-347	-711	-750
EBITDA	**2,591**	**1,527**	**9,814**	**5,635**
Depreciation/amortization	-1,391	-867	-5,224	-2,352
– of which amortization of surplus from acquisitions	-305	-199	-1,199	-314
Impairment	-1	–	-469	–
Result from shares in joint ventures and associated companies	-20	-5	-97	9
Operating profit	**1,179**	**656**	**4,024**	**3,291**
Net interest and other financial items	-121	-111	-445	-372
Income tax	-268	-1,224	-978	-1,811
Net profit/loss	**790**	**-679**	**2,601**	**1,108**
Reconciliation of leasing effects				
Underlying EBITDA	**2,695**	**1,875**	**10,525**	**6,386**
Reverse IFRS 16 effect	-317	–	-1,182	–
Underlying EBITDA excluding IFRS 16	**2,378**	**1,875**	**9,344**	**6,386**
Underlying EBITDA	**2,695**	**1,875**	**10,525**	**6,386**
Lease depreciation	-320	–	-1,186	–
Lease interest costs	-23	–	-81	–
Underlying EBITDAaL	**2,352**	**1,875**	**9,258**	**6,386**

Comments refer to Q4 (October-December) 2019 unless otherwise stated.

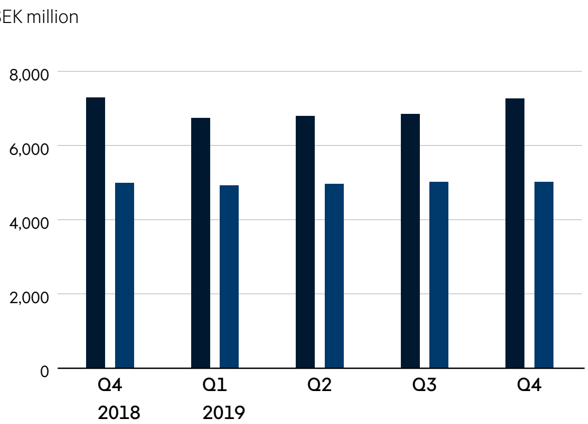
Revenue increased by 10 percent due to the merger with Com Hem. Organic revenue declined by 1 percent as the decline in Sweden offset growth in the Baltics. End-user service revenue was flat organically, as continued strong growth in the Baltics was offset by decline in Sweden, explained by continued decline in business end-user service revenue.

Underlying EBITDA grew by 44 percent mainly as a result of the merger with Com Hem and the implementation of IFRS 16 which removes the cost of operating leases from underlying EBITDA, starting January 1, 2019. Organic growth in underlying EBITDA excluding IFRS 16 was 10 percent (9 percent excluding the effect from a SEK 35 million profit from the sale of bad debt in Sweden in the quarter).

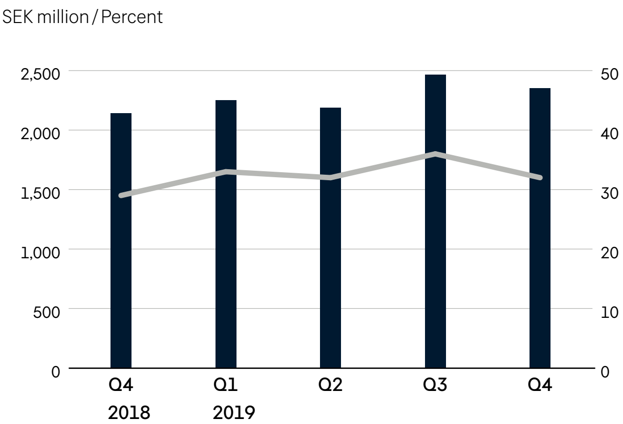
Items affecting comparability amounted to SEK –104 (–347) million, mainly due to integration cost related to the merger with Com Hem, Note 3.

Depreciation/amortization increased both as a result of the inclusion of Com Hem and the implementation of IFRS 16, with SEK 320 million of depreciation of right-of-use assets (leased assets) in the quarter. **Operating profit** increased to SEK 1,179 (656) million.

Revenue and end-user service revenue



Underlying EBITDAaL / Underlying EBITDAaL margin



Numbers in charts include Com Hem pro forma for all periods. In the chart on the right-hand side, underlying EBITDAaL is replaced by underlying EBITDA excluding IFRS 16 in Q4 2018.

Analysis of cash flow statement

Total operations SEK million	Oct-Dec 2019 IFRS 16	Oct-Dec 2018 IAS 17	Full year 2019 IFRS 16	Full year 2018 IAS 17
Underlying EBITDA, continuing operations	2,695	1,875	10,525	6,386
Items affecting comparability, continuing operations	-104	-347	-711	-750
EBITDA, continuing operations	**2,591**	**1,527**	**9,814**	**5,635**
EBITDA, discontinued operations	239	617	3,089	1,802
Amortization of lease liabilities	-313	-0	-1,269	-0
Capex paid	-665	-1,129	-3,607	-3,403
Changes in working capital	-271	-508	-179	-1,123
Net financial items paid	-83	-342	-466	-603
Taxes paid	92	-121	-798	-643
Other cash items	-104	43	-1,745	93
Equity free cash flow	**1,484**	**86**	**4,840**	**1,757**
Equity free cash flow, continuing operations	1,255	171	4,329	1,998

EBITDA from discontinued operations amounted to SEK 239 (617) million, mainly reflecting EBITDA from Croatia and the earnout related to the divestment of Tele2 Austria. The difference compared to the previous year is explained by the sale of the operations in Kazakhstan and the Netherlands. For more details please refer to Note 11.

Amortization of lease liabilities is reported since January 1, 2019, following the implementation of IFRS 16 and reflects the payment for leased assets which is no longer reflected within EBITDA.

Capex paid decreased to SEK –665 (–1,129) million, as the previous year included capex related to assets in Kazakhstan and the Netherlands which are now divested.

Taxes paid of SEK 92 million were positive in the quarter due to regained withholding tax related to the former shareholder loan in Kazakhstan and repaid preliminary tax in Sweden.

Other cash items amounted to SEK -104 million primarily due to a reversal of the earnout related to the sale of Tele2 Austria as the cash was received in January, 2020.

Equity free cash flow (EFCF) increased to SEK 1,484 (86) million, mainly as a result of the merger with Com Hem and strong underlying cash generation. For the full year 2019, equity free cash flow from continuing operations amounted to SEK 4,329 million (SEK 4,840 million from total operations) or approximately SEK 6 per share.

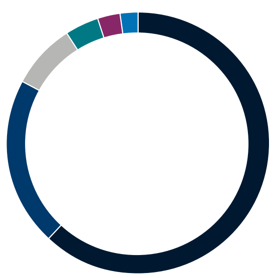
Analysis of financial position

Total operations SEK million	Dec 31 2019 IFRS 16	Dec 31 2018 IAS 17
Bonds	20,305	20,580
Commercial papers	1,100	4,491
Financial institutions and other liabilities	3,912	3,220
Cash and cash equivalents	-448	-404
Other adjustments	-164	-37
Economic net debt	**24,705**	**27,849**
Lease liabilities	6,111	17
Liabilities related to Kazakhstan	—	1,016
Net debt	**30,816**	**28,881**
Economic net debt to Underlying EBITDAaL	**2.5x**	**2.8x**
Unutilized overdraft facilities and credit lines	8,716	9,116

Economic net debt amounted to SEK 24,705 (27,849), reduced by SEK 3.1 billion as SEK 7.2 billion in shareholder remuneration was covered by cash flow generation, proceeds from divestments and repayment of the shareholder loan in Kazakhstan.

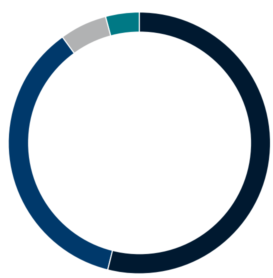
Economic net debt/underlying EBITDAaL (financial leverage) of 2.5x (2.8x) is within the financial leverage target range of 2.5-3.0x.

End-user service revenue, Q4 2019



Sweden Consumer	62%	Latvia	4%
Sweden Business	20%	Estonia	3%
Lithuania	8%	Germany	2%

End-user service revenue per service, Q4 2019



Mobile	54%	Business Solutions	6%
Fixed	36%	Landlord & Other	4%

Financial guidance

Financial guidance for 2020 and the mid-term

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

Full-year 2020

- Low single-digit growth of end-user service revenue
- Mid-single-digit growth of underlying EBITDAaL
- Capex excluding spectrum and leasing assets of SEK 2.5–3.0 billion, as the Sweden 5G roll-out is expected to start in the second half of 2020

Mid-term ambition

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

Dividend

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

In addition, the Board proposes an extraordinary dividend of SEK 3.50 per ordinary A and B share, to be paid in May 2020.

Financial policy

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

Overview by segment

Sweden

To reflect changes to the organizational structure of Tele2, the former Sweden Consumer, Sweden Business and IoT segments are now combined into the Sweden Segment.

The integration with Com Hem was completed and cost synergies had an impact of approximately SEK 200 million in the quarter. The annualized run-rate of the cost synergies reached SEK 800 million at the end of the quarter and integration cost of SEK 101 million were incurred in the quarter. A total of SEK 780 million in integration cost has been incurred since the integration program started. A new business transformation program starting in 2020 is expected to deliver at least SEK 1 billion of opex reductions over three years. Tele2 expects to incur approximately SEK 1 billion of restructuring cost over this period.

Proforma review including Com Hem

The following proforma review of the Swedish business describes the business as if Com Hem had been part of the Tele2 Group throughout all reviewed periods.

Revenue decreased by 1 percent mainly driven by lower equipment revenue in the consumer business.

Underlying EBITDA excluding IFRS 16 grew by 11 percent in the quarter, driven by cost reduction. Excluding a gain of SEK 35 million from the sale of bad debt, underlying EBITDA excluding IFRS 16 grew by 9 percent.

Financials SEK million	Oct-Dec 2019	Oct-Dec 2018 proforma	Organic %	Full year 2019	Full year 2018 proforma	Organic %
Revenue	**5,890**	**5,922**	**-1%**	**22,415**	**22,673**	**-1%**
Underlying EBITDA	2,188	1,741		8,614	7,110	
Underlying EBITDAaL	1,901			7,515		
Underlying EBITDA excluding IFRS 16	**1,925**	**1,741**	**11%**	**7,592**	**7,110**	**7%**
Underlying EBITDA margin excluding IFRS 16	33%	29%		34%	31%	
Capex						
Network	283	301		927	810	
IT	167	228		649	609	
Customer equipment	92	84		299	380	
Other	52	50		161	95	
Capex excluding spectrum and leases	**595**	**663**		**2,035**	**1,895**	
Spectrum	—	721		—	721	
Right-of-use-assets (leases)	390	—		1,073	—	
Capex	**984**	**1,384**		**3,109**	**2,616**	
Capex excluding spectrum and leases / revenue	10%	11%		9%	8%	

Sweden Consumer

Tele2 extended the FMC-benefits to Comviq customers in the quarter and continued to ramp up cross-sales across all sales channels. The more-for-more FMC-strategy made progress with 219,000 customers now on FMC-offers. This represents almost three quarters of the addressable FMC-base of approximately 300,000 customers who have both mobile and fixed services from the Tele2 Group.

The mobile postpaid RGU stock saw continued growth with net intake of 11,000 RGUs while seasonal churn in prepaid resulted in a total mobile net intake of -29,000 RGUs. Mobile end-user service revenue grew by 3% as prepaid volume decline was offset by higher ASPU and postpaid volume-driven revenue growth.

Fixed Broadband net intake of 10,000 RGUs was in-line with previous quarters and the ASPU decline continued (-1%) as the effect of smaller price increases compared to last year remains. This led to end-user service revenue growth of 4%.

Digital TV net intake of -10,000 RGUs was driven by continued decline in the Boxer brand DTT RGU stock. We expect elevated churn across both the Boxer and Com Hem brands in Q1 2020 following the temporary shut-down of the TV4 Group channels in December. Digital TV end-user service revenue decreased by 5% due to the decline in the DTT RGU stock and ASPU decline in Digital TV Cable & Fiber (-6%) as the effect of smaller price increases compared to last year remains.

Operating data thousands	Oct-Dec 2019	Oct-Dec 2018 proforma	Full year 2019	Full year 2018 proforma	Organic %
RGUs	Net intake		RGU base		
Mobile	-29	-32	2,962	2,947	1%
– Postpaid	11	12	1,875	1,817	3%
– Prepaid	-41	-44	1,088	1,131	-4%
Fixed	-4	-22	2,177	2,209	-1%
– Fixed broadband	10	13	873	827	5%
– Digital TV	-10	-9	1,022	1,057	-3%
– Cable & Fiber	1	3	665	658	1%
– DTT	-11	-11	357	399	-11%
– Fixed telephony & DSL	-4	-26	282	325	-13%
Addressable fixed footprint	24	124	3,314	3,114	6%

KPIs and financials	Oct-Dec 2019	Oct-Dec 2018 proforma		Full year 2019	Full year 2018 proforma	Organic %
ASPU (SEK)						
Mobile	160	157	2%	159	155	3%
– Postpaid	207	207	0%	206	205	1%
– Prepaid	81	78	3%	81	79	3%
Fixed	231	234	-1%	231	232	0%
– Fixed broadband	246	249	-1%	247	247	0%
– Digital TV	252	260	-3%	255	261	-2%
– Cable & Fiber	226	241	-6%	231	241	-4%
– DTT	300	290	3%	298	293	2%
– Fixed telephony & DSL	105	114	-8%	107	111	-4%
Financials (SEK million)						
Mobile	1,427	1,392	3%	5,651	5,555	2%
– Postpaid	1,160	1,122	3%	4,567	4,443	3%
– Prepaid	268	270	-1%	1,085	1,112	-2%
Fixed	1,508	1,556	-3%	6,092	6,243	-2%
– Fixed broadband	640	613	4%	2,516	2,380	6%
– Digital TV	777	827	-6%	3,186	3,379	-6%
– Cable & Fiber	451	474	-5%	1,835	1,901	-3%
– DTT	326	353	-7%	1,351	1,479	-9%
– Fixed telephony & DSL	90	116	-22%	390	485	-20%
Landlord & Other	176	177	-1%	706	721	-2%
End-user service revenue	**3,111**	**3,125**	**0%**	**12,450**	**12,520**	**-1%**
Operator revenue	204	198		818	779	
Equipment revenue	637	762		2,104	2,367	
Revenue	**3,951**	**4,085**	**-3%**	**15,372**	**15,666**	**-2%**

Sweden Business

Competition remained intense with price pressure in large enterprise segment, particularly in public sector mobile services where all main players focus on defending the customer base. Within SME, Tele2 launched a new mobile postpaid portfolio including updated roaming offers.

Volume growth continued with 3,000 mobile RGUs added in the quarter driven by reduced churn and implementation of a number of new contracts within both large enterprise and SME. Tele2 also saw positive effect on broadband sales following the Q3 2019 launch of Tele2 Broadband. New contracts signed include Scania, Sveriges Riksbank and Region Dalarna.

Total end-user service revenue (including IoT) declined by 2 percent driven by price pressure in the mobile market and continued decline in legacy fixed services, partly offset by growth in cloud-based services such as Cloud PBX solutions.

Sweden Business

Operating data thousands	Oct-Dec 2019	Oct-Dec 2018 proforma		Full year 2019	Full year 2018 proforma	Organic %
RGUs	Net intake			RGU base		
Mobile (excluding IoT)						
- Postpaid	3	8		920	889	3%

KPIs and financials	Oct-Dec 2019	Oct-Dec 2018 proforma	Organic %	Full year 2019	Full year 2018 proforma	Organic %
ASPU (SEK)						
Mobile (excluding IoT)						
- Postpaid	163	177	-8%	165	181	-9%
Financials (SEK million)						
Mobile	502	510	-2%	1,974	1,996	-1%
Fixed	271	296	-8%	1,113	1,237	-10%
Solutions	288	276	4%	1,090	1,051	4%
End-user service revenue	**1,061**	**1,083**	**-2%**	**4,177**	**4,284**	**-2%**
Operator revenue	40	36		131	127	
Equipment revenue	569	507		1,736	1,751	
Revenue	**1,671**	**1,625**	**3%**	**6,044**	**6,163**	**-2%**

Sweden Wholesale

Financials	Oct-Dec 2019	Oct-Dec 2018 proforma	Organic %	Full year 2019	Full year 2018 proforma	Organic %
Operator revenue	266	211		986	840	
Internal sales	1	1		13	4	
Revenue	**268**	**212**		**999**	**844**	**18%**

Baltics

Lithuania

During the quarter Tele2 Lithuania took the next step in its mobile centric convergence strategy by launching a TV-service over the mobile network.

The net intake of -7,000 mobile RGUs in the quarter was mainly driven by seasonal churn in mobile prepaid. ASPU increased by 6 percent in local currency due to an increased mix of higher service tiers.

End-user service revenue grew by 8 percent in local currency, mainly driven by growth in ASPU.

Growth in underlying EBITDA excluding IFRS 16 of 14 percent in local currency was driven by the increase in end-user service revenue.

Operating data thousands	Oct-Dec 2019	Oct-Dec 2018		Full year 2019	Full year 2018	Organic %
RGUs	Net intake			RGU base		
Mobile	-7	-8		1,895	1,861	2%

KPIs and financials	Oct-Dec 2019	Oct-Dec 2018	Organic %	Full year 2019	Full year 2018	Organic %
ASPU (EUR)						
Mobile	6.5	6.1	6%	6.3	5.9	6%
Financials (SEK million)						
End-user service revenue	392	351	8%	1,502	1,329	9%
Operator revenue	61	60		250	249	
Equipment revenue	235	243		859	822	
Internal sales	14	10		44	31	
Revenue	**703**	**664**	**3%**	**2,656**	**2,430**	**6%**
Underlying EBITDA	257	204		1,019	817	
Underlying EBITDAaL	240			957		
Underlying EBITDA excluding IFRS 16	**240**	**204**	**14%**	**956**	**817**	**13%**
Underlying EBITDA margin excluding IFRS 16	34%	31%		36%	34%	
Capex	53	41		157	144	
Capex excluding spectrum and leases	51	41		139	144	
Capex excluding spectrum and leases / revenue	7%	6%		5%	6%	

Latvia

The net intake of -8,000 RGUs was driven by seasonally high churn in mobile prepaid. ASPU increased by 7 percent in local currency as successful upselling and continuing effects from price increases earlier in the year within consumer offset weaker ASPU trends within business.

Growth in ASPU resulted in end-user service revenue growth of 7 percent in local currency.

Growth in underlying EBITDA excluding IFRS 16 of 1 percent in local currency was lower than previous quarters due to a temporary positive effect in the previous year as well as cost inflation in the market.

Operating data thousands	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018	Organic %
RGUs	Net intake		RGU base		
Mobile	-8	-13	954	951	0%

KPIs and financials	Oct-Dec 2019	Oct-Dec 2018	Organic %	Full year 2019	Full year 2018	Organic %
ASPU (EUR)						
Mobile	7.1	6.6	7%	7.1	6.6	8%
Financials (SEK million)						
End-user service revenue	217	197	7%	857	768	8%
Operator revenue	49	51		195	202	
Equipment revenue	95	97		330	321	
Internal sales	5	5		20	17	
Revenue	**366**	**349**	**2%**	**1,402**	**1,309**	**4%**
Underlying EBITDA	141	125		565	474	
Underlying EBITDAaL	131			526		
Underlying EBITDA excluding IFRS 16	**131**	**125**	**1%**	**527**	**474**	**8%**
Underlying EBITDA margin excluding IFRS 16	36%	36%		38%	36%	
Capex	34	44		227	113	
Capex excluding spectrum and leases	27	44		122	112	
Capex excluding spectrum and leases / revenue	7%	13%		9%	9%	

Estonia

In 2019 Q4, Tele2 Estonia begun the launch of a new family and friends bundled pricing which will be fully phased in during Q1 2020.

During the quarter, churn in consumer offset positive momentum within business, resulting in a net intake of -2,000 RGUs.

End-user service revenue grew by 9 percent in local currency, driven by ASPU growth of 11 percent which was driven by higher value price plan sales and price adjustments initiated in Q3 2019.

Growth in end-user service revenue resulted in underlying EBITDA excluding IFRS 16 growth of 5 percent in local currency marking the second consecutive quarter of growth.

Operating data thousands	Oct-Dec 2019	Oct-Dec 2018		Full year 2019	Full year 2018	Organic %
RGUs	Net intake			RGU base		
Mobile	-2	-13		437	437	0%

KPIs and financials	Oct-Dec 2019	Oct-Dec 2018	Organic %	Full year 2019	Full year 2018	Organic %
ASPU (EUR)						
Mobile	8.8	7.9	11%	8.2	7.8	6%
Financials (SEK million)						
End-user service revenue	129	114	9%	480	451	3%
Operator revenue	32	32		131	133	
Equipment revenue	63	61		196	197	
Internal sales	2	1		6	6	
Revenue	**226**	**209**	**5%**	**813**	**787**	**0%**
Underlying EBITDA	75	45		226	167	
Underlying EBITDAaL	46			162		
Underlying EBITDA excluding IFRS 16	**49**	**45**	**5%**	**171**	**167**	**0%**
Underlying EBITDA margin excluding IFRS 16	22%	22%		21%	21%	
Capex	186	21		267	87	
Capex excluding spectrum and leases	32	21		90	87	
Capex excluding spectrum and leases / revenue	14%	10%		11%	11%	

Other markets

Germany

The RGU base continued to decline with net adds of –12,000 in the quarter. The closing RGU base amounted to 254,000 (311,000) and end-user service revenue declined by 18 percent as a result.

Underlying EBITDA excluding IFRS 16 decreased by 9 percent due to the decline in end-user service revenue, partly mitigated by release of accruals in the quarter.

Financials SEK million	Oct-Dec 2019	Oct-Dec 2018	Organic %	Full year 2019	Full year 2018	Organic %
End-user service revenue	107	126	-18%	454	536	-18%
Operator revenue	0	0		0	1	
Equipment revenue	0	1		2	2	
Revenue	**107**	**127**	**-18%**	**457**	**539**	**-18%**
Underlying EBITDA	55	58		216	248	
Underlying EBITDAaL	54			215		
Underlying EBITDA excluding IFRS 16	**54**	**58**	**-9%**	**215**	**248**	**-16%**
Underlying EBITDA margin excluding IFRS 16	51%	46%		47%	46%	

Discontinued operations

Croatia

The net intake of -59,000 RGUs was driven by seasonal churn in mobile prepaid.

End-user service revenue grew by 9 percent in local currency, driven by growth in mobile postpaid volume and ASPU.

Underlying EBITDA excluding IFRS 16 increased by 98 percent in local currency as a result of higher end-user service revenue and lower spectrum fees.

On May 31, 2019, Tele2 entered into an agreement to sell Tele2 Croatia to United Group for an enterprise value of EUR 220 million. Please refer to Note 11 for more details.

Operating data thousands	Oct-Dec 2019	Oct-Dec 2018		Full year 2019	Full year 2018	Organic %
RGUs	Net intake			RGU base		
Mobile	-59	-48		945	897	5%

KPIs and financials	Oct-Dec 2019	Oct-Dec 2018	Organic %	Full year 2019	Full year 2018	Organic %
ASPU (HRK)						
Mobile	76	74	3%	79	76	4%
Financials (SEK million)						
End-user service revenue	320	285	9%	1,246	1,111	11%
Operator revenue	57	59		285	269	
Equipment revenue	189	172		607	550	
Internal sales	3	2		12	8	
Revenue	**569**	**518**	**7%**	**2,150**	**1,937**	**8%**
Underlying EBITDA	134	51		575	249	
Underlying EBITDAaL	100			444		
Underlying EBITDA excluding IFRS 16	**104**	**51**	**98%**	**455**	**249**	**77%**
Underlying EBITDA margin excluding IFRS 16	18%	10%		21%	13%	
Capex	102	56		323	127	
Capex excluding spectrum and leases	70	56		168	127	
Capex excluding spectrum and leases / revenue	12%	11%		8%	7%	

Proforma Group Summary

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018 proforma	Organic %	Full year 2019	Full year 2018 proforma	Organic %
REVENUE						
Sweden	5,890	5,922	-1%	22,415	22,673	-1%
Lithuania	703	664	3%	2,656	2,430	6%
Latvia	366	349	2%	1,402	1,309	4%
Estonia	226	209	5%	813	787	0%
Germany	107	127	-18%	457	539	-18%
Other	—	34	-100%	—	152	-100%
Internal sales, elimination	-23	-17	—	-84	-58	—
Total	**7,270**	**7,287**	**-1%**	**27,659**	**27,832**	**-1%**
UNDERLYING EBITDA						
Sweden	2,188	1,741		8,614	7,110	
Lithuania	257	204		1,019	817	
Latvia	141	125		565	474	
Estonia	75	45		226	167	
Germany	55	58		216	248	
Other	-20	-34		-114	-50	
Total	**2,695**	**2,139**		**10,525**	**8,768**	
UNDERLYING EBITDAaL						
Sweden	1,901			7,515		
Lithuania	240			957		
Latvia	131			526		
Estonia	46			162		
Germany	54			215		
Other	-21			-117		
Total	**2,352**			**9,258**		
UNDERLYING EBITDA EXCLUDING IFRS 16						
Sweden	1,925	1,741	11%	7,592	7,110	7%
Lithuania	240	204	14%	956	817	13%
Latvia	131	125	1%	527	474	8%
Estonia	49	45	5%	171	167	0%
Germany	54	58	-9%	215	248	-16%
Other	-21	-34	—	-116	-50	—
Total	**2,378**	**2,139**	**10%**	**9,344**	**8,768**	**6%**
CAPEX						
Sweden	595	663	-10%	2,035	1,895	7%
Lithuania	51	41	19%	139	144	-7%
Latvia	27	44	-41%	122	112	6%
Estonia	32	21	49%	90	87	-1%
Germany	1	0	0%	1	0	0%
Other	0	110	-100%	2	394	-100%
Capex excluding spectrum and leases	**706**	**880**	**-20%**	**2,388**	**2,633**	**-10%**
Spectrum	0	721		68	723	
Right-of-use assets (leases)	552	—		1,306	—	
Total	**1,258**	**1,601**		**3,762**	**3,355**	
of which:						
– Network	332	423		1,144	1,195	
– IT	213	311		741	928	
– Customer equipment	94	84		303	381	
– Other	67	61		201	128	
Capex excluding spectrum and leases	**706**	**880**		**2,388**	**2,633**	

Other items

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors. The risk factors considered to be most significant to Tele2's future development are spectrum auctions, regulation, market competitiveness and changing technology, strategy implementation and integration, network and IT infrastructure and quality, data protection and cyber security, external relationships, suppliers and Joint Ventures, customer churn, recruitment of skilled personnel, geopolitical conditions and financial risks such as currency risk, interest risk, liquidity risk, credit risk, risks related to tax matters and impairment of assets. Additionally, there is a risk that Tele2 may not be able to obtain sufficient funding for its operations. Please refer to Tele2's annual report for 2018 (Administration report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

Changes to Tele2 leadership team

As announced on December 3, 2019, Tele2 has made changes to its reporting structure and organization, including changes to its Leadership Team. The Group's Leadership Team is described at www.tele2.com under the Governance section.

Nomination Committee for the 2020 Annual General Meeting

In accordance with the resolution of the 2019 Annual General Meeting on May 6, a Nomination Committee has been convened, consisting of members appointed by the largest shareholders in terms of voting interest in Tele2 AB (publ) ("Tele2").

The Nomination Committee comprises Georgi Ganev appointed by Kinnevik AB, John Hernander appointed by Nordea Funds, and Jan Dworsky, appointed by Swedbank Robur. The three members of the Nomination Committee were appointed by shareholders that jointly represented approximately 45 percent of the total votes in Tele2. The members of the Nomination Committee appointed Georgi Ganev as the Committee Chairman.

Information about the work of the Nomination Committee can be found on Tele2's corporate website at www.tele2.com. Shareholders wishing to propose candidates for election to the Board of Directors of Tele2 should submit their proposal in writing to agm@tele2.com or to legal counsel Katarina Areskoug, Tele2 AB (publ), P.O. Box 62, SE 164 94 Kista, Sweden.

Other

Tele2 will release its financial and operating results for the period ending March 31, 2020 on April 21, 2020.

The annual report for 2019 is expected to be released on April 3, 2020 and will be available on www.tele2.com.

Auditors' review report

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

Board's assurance

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

Stockholm, February 3, 2020
Tele2 AB

Carla Smits-Nusteling
Chairman

Andrew Barron
Deputy Chairman

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Georgi Ganev

Lars-Åke Norling

Anders Nilsson
President and CEO

Q4 2019 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CET (09:00 am GMT/04:00 am EST) on Monday, February 3, 2020.

The presentation will be held in English and also made available as a webcast on Tele2's website: www.tele2.com.

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

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

SEK million	Note	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Revenue	2	7,270	6,606	27,659	21,775
Cost of services provided and equipment sold	3	-4,354	-3,967	-16,596	-12,365
Gross profit		**2,916**	**2,639**	**11,063**	**9,410**
Selling expenses	3	-1,061	-1,146	-4,293	-3,614
Administrative expenses	3	-669	-724	-2,665	-2,229
Result from shares in joint ventures and associated companies		-20	-5	-97	9
Other operating income		66	52	297	185
Other operating expenses	3	-54	-159	-281	-470
Operating profit		**1,179**	**656**	**4,024**	**3,291**
Interest income		8	5	29	15
Interest expenses	5	-118	-99	-483	-323
Other financial items	5	-11	-17	10	-64
Profit after financial items		**1,058**	**545**	**3,579**	**2,919**
Income tax	4	-268	-1,224	-978	-1,811
Net profit/loss, continuing operations		**790**	**-679**	**2,601**	**1,108**
Net profit/loss, discontinued operations	11	153	350	2,533	-116
Net profit/loss, total operations		**943**	**-329**	**5,134**	**992**
Continuing operations					
Attributable to:					
Equity holders of the parent company		790	-679	2,601	1,108
Non-controlling interest		—	—	–	–
Net profit/loss, continuing operations		**790**	**-679**	**2,601**	**1,108**
Earnings per share (SEK)	8	1.15	-1.46	3.78	2.09
Earnings per share, after dilution (SEK)	8	1.15	-1.46	3.77	2.07
Total operations					
Attributable to:					
Equity holders of the parent company		943	-405	5,004	854
Non-controlling interests		0	76	131	138
Net profit/loss, total operations		**943**	**-329**	**5,134**	**992**
Earnings per share (SEK)	8	1.37	-0.89	7.28	1.61
Earnings per share, after dilution (SEK)	8	1.36	-0.89	7.24	1.60

Condensed consolidated comprehensive income

SEK million	Note	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
NET PROFIT/LOSS		**943**	**-329**	**5,134**	**992**
Components not to be reclassified to net profit					
Pensions, actuarial gains/losses		40	-26	-104	-39
Pensions, actuarial gains/losses, tax effect		-8	5	22	8
Components not to be reclassified to net profit/loss		**32**	**-20**	**-82**	**-31**
Components that may be reclassified to net profit					
Translation differences in foreign operations		-233	-78	197	659
Tax effect on above		8	8	-29	-74
Reversed cumulative translation differences from divested companies	11	16	—	-247	—
Tax effect on above	11	—	—	-168	—
Translation differences in associated companies		-197	0	150	-0
Translation differences		-406	-70	-98	586
Hedge of net investments in foreign operations		96	5	-51	-156
Tax effect on above		-21	-1	11	34
Reversed cumulative hedge from divested companies	11	—	—	721	—
Tax effect on above	11	—	—	-169	—
Hedge of net investments		75	4	512	-121
Exchange rate differences		**-331**	**-66**	**414**	**464**
Profit/loss arising on changes in fair value of hedging instruments		19	-5	29	-16
Reclassified cumulative profit/loss to income statement		-8	9	-14	70
Tax effect on cash flow hedges		-3	-3	1	-16
Cash flow hedges		**8**	**1**	**16**	**38**
Components that may be reclassified to net profit/loss		**-322**	**-66**	**429**	**502**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**-290**	**-86**	**347**	**471**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**653**	**-415**	**5,482**	**1,463**
Attributable to:					
Equity holders of the parent company		652	-491	5,502	1,321
Non-controlling interests		0	76	-21	142
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**653**	**-415**	**5,482**	**1,463**

Condensed consolidated balance sheet

SEK million	Note	Dec 31 2019	Dec 31 2018
ASSETS			
Goodwill		29,744	30,158
Other intangible assets		18,397	19,604
Intangible assets		**48,140**	**49,763**
Tangible assets		7,900	9,192
Right-of-use assets		5,713	—
Shares in joint ventures and associated companies	9	6,983	13
Other financial assets	5	756	1,015
Capitalized contract costs		374	374
Deferred tax assets	4	330	367
Non-current assets		**70,197**	**60,723**
Inventories		710	670
Current receivables		5,715	6,824
Current investments		0	2
Cash and cash equivalents	6	448	404
Current assets		**6,874**	**7,901**
Assets classified as held for sale	11	**2,713**	**14,020**
TOTAL ASSETS		79,784	82,644
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company		34,805	36,334
Non-controlling interests		—	28
Equity	8	**34,805**	**36,362**
Interest-bearing liabilities	5	27,752	23,238
Non-interest-bearing liabilities		4,360	4,204
Non-current liabilities		**32,112**	**27,443**
Interest-bearing liabilities	5	5,066	6,763
Non-interest-bearing liabilities		6,379	8,088
Current liabilities		**11,445**	**14,851**
Liabilities directly associated with assets classified as held for sale	11	**1,421**	**3,988**
TOTAL EQUITY AND LIABILITIES		79,784	82,644

Condensed consolidated cash flow statement

Total operations SEK million	Note	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Operating activities					
Net profit		943	-329	5,134	992
Adjustments for non-cash items in net profit		1,791	2,052	4,760	5,291
Changes in working capital		-271	-508	-179	-1,123
Cash flow from operating activities		**2,463**	**1,215**	**9,716**	**5,160**
Investing activities					
Additions to intangible and tangible assets		-665	-1,129	-3,607	-3,403
Acquisition and sale of shares and participations	9	-379	-6,400	4,310	-6,406
Other financial assets, lending		3	-0	-0	-0
Cash flow from investing activities		**-1,042**	**-7,529**	**703**	**-9,809**
Financing activities					
Proceeds from loans	5	-51	16,336	3,981	17,627
Repayments of loans	5	-28	-10,828	-7,639	-11,389
Dividends paid	8	-1,513	—	-7,153	-2,013
Cash flow from financing activities		**-1,592**	**5,508**	**-10,811**	**4,225**
Net change in cash and cash equivalents		**-171**	**-806**	**-392**	**-424**
Cash and cash equivalents at beginning of period		607	1,212	404	802
Exchange rate differences in cash and cash equivalents		11	-2	436	26
Cash and cash equivalents at end of the period	6	**448**	**404**	**448**	**404**

Condensed consolidated statements of changes in equity

Total operations SEK million	Note	Dec 31, 2019							
		Attributable to equity holders of the parent company							
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		**863**	**27,378**	**-734**	**3,252**	**5,576**	**36,334**	**28**	**36,362**
Net profit		—	—	—	—	5,004	5,004	131	5,134
Other comprehensive income for the period, net of tax		—	—	527	54	-82	499	-152	347
Total comprehensive income for the period		**—**	**—**	**527**	**54**	**4,921**	**5,502**	**-21**	**5,482**
Other changes in equity									
Share-based payments	8	—	—	—	—	102	102	—	102
Share-based payments, tax effect	8	—	—	—	—	19	19	—	19
Dividends	8	—	—	—	—	-7,153	-7,153	—	-7,153
Divestment of non-controlling interest	11	—	—	—	–	—	–	-7	-7
Equity at end of the period		**863**	**27,378**	**-207**	**3,305**	**3,465**	**34,805**	**—**	**34,805**

Total operations SEK million	Note	Dec 31, 2018							
		Attributable to equity holders of the parent company							
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		**634**	**7,842**	**-651**	**2,670**	**6,709**	**17,203**	**-114**	**17,089**
Net profit		—	—	—	—	854	854	138	992
Other comprehensive income for the period, net of tax		—	—	-84	582	-31	467	4	471
Total comprehensive income for the period		**—**	**—**	**-84**	**582**	**823**	**1,321**	**142**	**1,463**
Other changes in equity									
Share-based payments	8	—	—	—	—	43	43	—	43
Share-based payments, tax effect	8	—	—	—	—	14	14	—	14
Proceed from issuance of shares	8	229	19,537	—	—	—	19,766	—	19,766
Dividends	8	—	—	—	—	-2,013	-2,013	—	-2,013
Equity at end of the period		**863**	**27,378**	**-734**	**3,252**	**5,576**	**36,334**	**28**	**36,362**

Parent company

Condensed income statement

SEK million	Oct–Dec 2019	Oct–Dec 2018	Full year 2019	Full year 2018
Revenue	12	18	41	60
Administrative expenses	-32	-43	-155	-129
Other operating income	0	3	0	3
Other operating expenses	-4	-103	-98	-359
Operating loss	**-24**	**-126**	**-212**	**-425**
Dividend from group company	–	600	–	600
Interest revenue and similar income	35	21	149	21
Interest expense and similar costs	6	-104	-432	-369
Profit/loss after financial items	**17**	**392**	**-495**	**-173**
Appropriations, group contribution	275	1,022	275	1,022
Tax on profit/loss	-120	-177	-15	-52
Net profit/loss	**171**	**1,236**	**-235**	**796**

Condensed balance sheet

SEK million	Note	Dec 31 2019	Dec 31 2018
ASSETS			
Financial assets		47,291	47,083
Non-current assets		**47,291**	**47,083**
Current receivables		5,391	15,786
Cash and cash equivalents		8	25
Current assets		**5,399**	**15,810**
TOTAL ASSETS		52,690	62,893
EQUITY AND LIABILITIES			
Restricted equity	8	5,848	5,848
Unrestricted equity	8	21,611	28,874
Equity		**27,460**	**34,722**
Interest-bearing liabilities	5	21,644	21,721
Non-current liabilities		**21,644**	**21,722**
Interest-bearing liabilities	5	3,367	6,112
Non-interest-bearing liabilities		220	337
Current liabilities		**3,586**	**6,450**
TOTAL EQUITY AND LIABILITIES		52,690	62,893

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim financial information for the Group for the twelve and three month period ended December 31, 2019 has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 *Reporting for legal entities* and other statements issued by the Swedish Financial Reporting Board. In all respects other than those described below, Tele2 has presented the financial statements for the period ended December 31, 2019 in accordance with the accounting policies and principles applied in the 2018 Annual Report. The description of these principles and definitions is found in Note 1 and Note 35 in the Annual Report 2018.

On January 1, 2019 Tele2 changed the accounting principles for leases, by applying IFRS 16. Tele2 has chosen to apply the reliefs in the standard and not restate prior periods. Description of changes as a result of applying IFRS 16 and the effects on the opening balance January 1, 2019 are found in Note 10.

Tele2 has chosen early application of the changes to IFRS 9 prompted by the future change of reference rates, *Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39, and IFRS 7*. This amendment has not had any effect on the financial statements. The other amendments to IFRSs applicable from January 1, 2019 had no significant effects to Tele2's financial reports for the twelve-month period ended December 31, 2019.

To reflect the new organizational setup communicated on December 3, 2019, Tele2 has adjusted its reporting structure. Previous periods have been restated. This includes combining the Sweden Consumer, the Sweden Business and the IoT Segments into one segment, please refer to Note 2 and 3. In connection with these changes, Tele2 has also adjusted the classification of revenue in the new Sweden Segment resulting in some revenue being reclassified from end-user service revenue into equipment and wholesale revenue, please refer to Note 2. These changes have no impact on total revenue and profitability for the Group.

To more properly reflect the underlying performance of the business, Tele2's measure of segment profit/loss has changed from adjusted EBITDA to underlying EBITDA. The change is a somewhat increased scope of items affecting comparability to make the underlying EBITDA clearer, please refer to Note 3. From 2020 Tele2 will change the measure of segment profit/loss to underlying EBITDAaL, please refer to the section Non-IFRS measures for the definition.

Figures presented in this report refer to October 1 – December 31 (Q4), 2019 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2018.

NOTE 2 REVENUE

Revenue per segment

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Sweden	5,890	5,241	22,415	16,616
Lithuania	703	664	2,656	2,430
Latvia	366	349	1,402	1,309
Estonia	226	209	813	787
Germany	107	127	457	539
Other	–	34	–	152
Including internal sales	**7,293**	**6,623**	**27,743**	**21,833**
Internal sales, elimination	-23	-17	-84	-58
TOTAL	7,270	6,606	27,659	21,775

Internal sales

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Sweden	1	1	13	4
Lithuania	14	10	44	31
Latvia	5	5	20	17
Estonia	2	1	6	6
TOTAL	23	17	84	58

Revenue split per category

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Sweden Consumer				
End-user service revenue	3,111	2,492	12,450	6,894
Operator revenue	204	182	818	643
Equipment revenue	637	755	2,104	2,297
Total	**3,951**	**3,428**	**15,372**	**9,834**
Sweden Business				
End-user service revenue	1,061	1,060	4,177	4,070
Operator revenue	40	36	131	127
Equipment revenue	569	506	1,736	1,741
Internal sales	0	–	0	–
Total	**1,671**	**1,601**	**6,044**	**5,938**
Sweden Wholesale				
Operator revenue	266	211	986	840
Internal sales	1	1	13	4
Total	**268**	**212**	**999**	**844**
Lithuania				
End-user service revenue	392	351	1,502	1,329
Operator revenue	61	60	250	249
Equipment revenue	235	243	859	822
Internal sales	14	10	44	31
Total	**703**	**664**	**2,656**	**2,430**
Latvia				
End-user service revenue	217	197	857	768
Operator revenue	49	51	195	202
Equipment revenue	95	97	330	321
Internal sales	5	5	20	17
Total	**366**	**349**	**1,402**	**1,309**
Estonia				
End-user service revenue	129	114	480	451
Operator revenue	32	32	131	133
Equipment revenue	63	61	196	197
Internal sales	2	1	6	6
Total	**226**	**209**	**813**	**787**
Germany				
End-user service revenue	107	126	454	536
Operator revenue	0	0	0	1
Equipment revenue	0	1	2	2
Total	**107**	**127**	**457**	**539**
Other				
Operator revenue	–	34	–	152
Total	**–**	**34**	**–**	**152**
Internal sales, elimination	-23	-17	-84	-58
CONTINUING OPERATIONS				
End-user service revenue	**5,016**	**4,339**	**19,921**	**14,047**
Operator revenue	**653**	**606**	**2,512**	**2,347**
Equipment revenue	**1,601**	**1,662**	**5,227**	**5,380**
TOTAL	7,270	6,606	27,659	21,775

NOTE 3 SEGMENT REPORTING

Underlying EBITDA

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Sweden	2,188	1,477	8,614	4,729
Lithuania	257	204	1,019	817
Latvia	141	125	565	474
Estonia	75	45	226	167
Germany	55	58	216	248
Other	-20	-34	-114	-50
TOTAL	**2,695**	**1,875**	**10,525**	**6,386**

Reconciling items to reported operating profit/loss

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Underlying EBITDA	**2,695**	**1,875**	**10,525**	**6,386**
Acquisition costs	-1	-100	-72	-305
Integration costs	-101	-161	-570	-311
Disposal of non-current assets	-7	-25	-10	-58
Other items affecting comparability	5	-62	-59	-77
Items affecting comparability	**-104**	**-347**	**-711**	**-750**
EBITDA	**2,591**	**1,527**	**9,814**	**5,635**
Depreciation/amortization	-1,391	-867	-5,224	-2,352
Impairment	-1	—	-469	—
Result from shares in joint ventures and associated companies	-20	-5	-97	9
Operating profit	**1,179**	**656**	**4,024**	**3,291**

Acquisition costs

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Com Hem, Sweden	2	-100	-52	-305
Other	-3	—	-20	—
Acquisition costs	**-1**	**-100**	**-72**	**-305**

Integration costs

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Com Hem, Sweden	-101	-141	-570	-210
TDC, Sweden	—	-20	—	-101
Integration costs	**-101**	**-161**	**-570**	**-311**
Reported as:				
– cost of services provided	-11	-6	-134	-24
– selling expenses	-21	-25	-203	-43
– administrative expenses	-69	-130	-233	-244
Consists of:				
– redundancy costs	-73	-166	-417	-181
– other employee and consultancy costs	-16	13	-97	-102
– exit of contracts and other costs	-13	-8	-56	-28

Disposal of non-current assets

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

Other items affecting comparability

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Costs of services provided	5	-62	-57	-77
Selling expenses	0	—	11	—
Administrative expenses	-0	0	-13	0
Total	**5**	**-62**	**-59**	**-77**
Consists of:				
– Sweden; provision for roaming dispute	5	—	-54	—
– Sweden; provision for legal dispute	—	-94	—	-109
– Sweden: provision release onerous contract	—	32	—	32
– Lithuania; adjustment of expected credit loss rate	0	—	18	—
– Incentive program; adjustment of performance level	-0	—	-24	—

Impairment

In Q2 2019, a goodwill impairment of SEK 452 million was recognized in Estonia. It is 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 Q3 2019, an impairment of SEK 13 million was recognized related to IoT. As IoT has revised its strategy, and is now targeting more focused growth, goodwill and surplus attached to the Kombridge acquisition has been written off.

NOTE 4 TAXES

On April 1, 2019 Tele2 was notified that the Swedish Tax Agency rejects Tele2's claim for a deduction of an exchange loss of SEK 1.8 billion related to a conversion of a shareholder loan to Tele2 Kazakhstan from USD to Kazakh Tenge in connection to the establishment of Tele2's previously jointly owned company in Kazakhstan. The tax authority has in September 2019 partly accepted the claimed deduction with SEK 0.7 billion. The additional tax claim on the remainder amounts to SEK 241 million and a tax surcharge and interest of SEK 109 million. Tele2 has appealed the decision and assesses it as probable that the appeal will be successful. No provision has been recognized.

In Q3 2019, taxes were positively affected by a recognition of deferred tax assets in Germany of SEK 24 million.

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

Financing

SEK million	Interest-bearing liabilities			
	Dec 31, 2019		Dec 31, 2018	
	Current	Non-current	Current	Non-current
Bonds SEK, Sweden	2,004	7,792	1,500	8,796
Bonds EUR, Sweden	—	10,509	—	10,284
Commercial papers, Sweden	1,100	—	4,491	—
Financial institutions	223	3,271	415	2,583
Financial debt	**3,326**	**21,572**	**6,406**	**21,663**
Provisions	230	1,543	224	1,471
Lease liabilities	1,142	4,501	2	14
Other liabilities	368	135	131	90
Other liabilities	**1,740**	**6,179**	**357**	**1,575**
Total interest-bearing liabilities	**5,066**	**27,752**	**6,763**	**23,238**

On March 29, 2019 Tele2 completed the issuance of a SEK 1 billion private placement bond. The bond has a final maturity of 7 years with a floating coupon rate.

On December 17, 2018 Tele2 announced its SEK 2 billion loan agreement with the Nordic Investment Bank (NIB) for the financing of Tele2's merger with Com Hem. The additional funding from NIB extends Tele2's maturity profile and achieve further diversification of its funding. The additional funding was conditioned by the existing loan of EUR 130 million as of December 31, 2018 was cancelled. The cancellation took place in January 2019.

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

Transfer of right of payment of receivables

Tele2 Sweden transfers the right for payment of certain operating receivables to financial institutions. The receiving payment obtained from financial institutions, in relation to the transfer of right of payment of receivables for sold handsets and other equipment, has been netted against the receivables in the balance sheet and resulted in a positive effect on cash flow. The right of payment transferred to third parties without recourse or remaining credit exposure for Tele2 corresponded to SEK 468 (486) million and SEK 2,041 (1,516) million, respectively, for the three month and twelve month periods ended on December 31, 2019.

Classification and fair values

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds, lease liabilities and accounts payables. Classification of financial assets and liabilities including their fair value is presented below. During 2019, 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.

SEK million	Dec 31, 2019					
	Assets and liabilities at fair value through profit/loss					
	Derivative instruments designated for hedge accounting	Other instru-ments (level 3)	Assets at amortized cost	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	—	7	622	—	629	629
Accounts receivables	—	—	2,032	—	2,032	2,032
Other current receivables	154	—	1,837	—	1,992	1,992
Current investments	—	—	0	—	0	0
Cash and cash equivalents	—	—	448	—	448	448
Assets classified as held for sale	—	—	779	—	779	779
Total financial assets	**154**	**7**	**5,718**	**—**	**5,880**	**5,880**
Liabilities to financial institutions and similar liabilities	—	—	—	24,899	24,899	25,652
Other interest-bearing liabilities	277	—	—	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**

SEK million	Dec 31, 2018					
	Assets and liabilities at fair value through profit/loss					
	Derivative instruments designated for hedge accounting	Other instru-ments (level 3)	Assets at amortized cost	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	—	7	898	—	905	905
Accounts receivables	—	—	2,509	—	2,509	2,509
Other current receivables	33	—	2,364	—	2,397	2,397
Current investments	—	—	2	—	2	2
Cash and cash equivalents	—	—	404	—	404	404
Assets classified as held for sale	—	—	2,659	—	2,659	2,659
Total financial assets	**33**	**7**	**8,836**	**—**	**8,876**	**8,876**
Liabilities to financial institutions and similar liabilities	—	—	—	28,069	28,069	28,136
Other interest-bearing liabilities	113	15	—	109	237	237
Accounts payable	—	—	—	3,004	3,004	3,004
Other current liabilities	—	—	—	689	689	689
Liabilities directly associated with assets classified as held for sale	—	764	—	1,361	2,125	2,113
Total financial liabilities	**113**	**779**	**—**	**33,232**	**34,124**	**34,179**

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

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

On December 31, 2018 the liability for the long-term incentive program (IoTP) for Tele2 employees of Tele2's IoT business (internet-of-things), based on the estimated fair value of the program, amounted to SEK 4 million. The program was built on transferrable synthetic options. During Q1 2019, the incentive program was closed down by settlement in cash.

In 2016, a liability was reported for contingent deferred consideration to the former owners of Kombridge, Sweden. The estimated fair value of the deferred consideration amounted to SEK 11 million on December 31, 2018. In July 2019, the remaining deferred consideration of SEK 9 million was paid.

Asianet, the former non-controlling shareholder of Tele2 Kazakhstan, was entitled to 18 percent of the economic interest in the company jointly owned with Kazakhtelecom. The divestment of Tele2 Kazakhstan was closed on June 28, 2019, and in July 2019 the earn-out was settled, as SEK 913 million was paid to Asianet. As of December 31, 2018, the estimated fair value of the deferred consideration amounted to SEK 764 million, calculated based on expected future cash flows of Tele2 Kazakhstan. From December 31, 2018, onwards, the earn-out liability was classified as a liability associated with assets held for sale, please refer to Note 11.

NOTE 6 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations (Svenska UMTS-nät AB and Net4Mobility HB, Sweden and SIA Centuria, Latvia), for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at each closing date to the sums stated below.

SEK million	Dec 31 2019	Dec 31 2018
Cash and cash equivalents in joint operations	65	60
Total	**65**	**60**

On June 28, 2019, Tele2 utilized the put option and sold its shares in the previous jointly owned company in Kazakhstan, see Note 11. From January 2, 2019, Tele2 has 25 percent ownership in T-Mobile Netherlands. During a transition period, Tele2 provides IT and network services to T-Mobile. In addition, T-Mobile will continue to dispose the Tele2 brand. Business relations and pricing between the parties are based on commercial terms and conditions. Apart from transactions with joint operations and previously described transactions, no other significant related party transactions were carried out during 2019. Other related parties are presented in Note 37 of the 2018 Annual Report.

NOTE 7 CONTINGENT LIABILITIES

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

On April 1, 2019 Tele2 was notified that the Swedish Tax Agency rejects Tele2's claim for a deduction of an exchange loss, please refer to Note 4.

NOTE 8 EQUITY, NUMBER OF SHARES AND INCENTIVE PROGRAMS

Number of shares

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

As a result of share rights in the LTI 2016 being exercised during Q2 2019, Tele2 delivered 572,714 B-shares in treasury shares to the participants in the program. As a result of early vesting of the LTI 2016, LTI 2017, LTI 2018 and LTI 2019 being exercised in 2019, Tele2 delivered 354,771 B-shares in treasury shares to some of the participants in the program, see information below.

In Q1 and Q3 2019, 40,770 and 9,277 respectively of class A shares were reclassified into class B shares. Changes in shares during previous year are stated in Note 25 in the 2018 Annual Report.

Outstanding share right programs

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

All outstanding long-term incentive programs (LTI 2017, LTI 2018 and LTI 2019) are based on the same structure, except for that LTI 2017 have a ROCE performance measure. Additional information regarding the objective, conditions and requirements related to the LTI programs is stated in Note 33 of the 2018 Annual Report. During the twelve months in 2019, the total cost including social security costs for the long-term incentive programs (LTI) amounted to SEK 153 (90) million before tax, whereof items affecting comparability SEK 45 (12) million.

LTI 2016– 2019, reorganization as an effect of the Com Hem merger

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

LTI 2019

At the Annual General Meeting held on May 6, 2019, the shareholders approved a retention and performance-based incentive program (LTI 2019) for senior executives and other key employees in the Tele2 Group. The program has the same structure as last year's incentive program (LTI 2018). The measurement period for retention and performance-based conditions for LTI 2019 is from April 1, 2019 until March 31, 2022. Total costs before tax for outstanding rights in the incentive program are expensed over the three-year vesting period. These costs are expected to amount to SEK 99 million, of which social security costs amount to SEK 34 million. To ensure the delivery of Class B shares under the program, the Annual General Meeting decided to authorize the Board of Directors to resolve on a directed share issue of a maximum of 2,040,000 Class C shares and subsequently to repurchase the Class C shares. The Board of Directors has not yet used its mandate.

LTI 2016

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

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

Dividend

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

In Q3 2019, Tele2 paid to its shareholders an extraordinary dividend of SEK 6.00 per share amounting to SEK 4,127 million.

The Annual General Meeting held on May 6, 2019 resolved on a dividend of SEK 4.40 (4.00) per share in respect of the financial year 2018. This corresponded to a total of SEK 3,026 (2,013) million, distributed to the shareholders in two equal tranches on May 13, 2019 and October 7, 2019.

NOTE 9 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Acquisitions				
Com Hem, Sweden	—	-6,400	—	-6,400
Mobile payment, Lithuania	-4	-0	-13	-7
Altlorenscheuerhof , Luxembourg repayment capital	—	—	—	1
Total acquisition of shares and participations	**-4**	**-6,400**	**-13**	**-6,406**
Divestments				
Tele2 Kazakhstan	-0	—	2,343	—
Tele2 Netherlands	-375	—	1,981	—
Total sale of shares and participations	**-375**	**—**	**4,323**	**—**
TOTAL CASH FLOW EFFECT	**-379**	**-6,400**	**4,310**	**-6,406**

Acquisitions

T-Mobile, the Netherlands

The divestment of Tele2 Netherlands was closed on January 2, 2019, please refer to Note 11. As part of the divestment Tele2 acquired 25 percent of the shares in the new combined company T-Mobile Netherlands Holding BV. The fair value of the shares is 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.

Information about acquisitions made in 2018 is provided in Note 15 in the 2018 Annual Report.

Divestments

Please refer to Note 11 Discontinued operations.

NOTE 10 CHANGES IN ACCOUNTING PRINCIPLES

IFRS 16 Leases

On January 1, 2019 Tele2 changed the accounting principles for leases, by applying IFRS 16 Leases. Tele2 has chosen to apply the modified retrospective approach in the standard and not restate prior periods. The qualitative effects of the transition to IFRS 16 are described in Note 35 in the 2018 Annual Report. The effects of applying IFRS 16 on the opening balance January 1, 2019 is presented below. The data exclude the Dutch operations since Tele2 considered the effects of IFRS 16 on Tele2 Netherlands to have no or negligible impact going forward. The weighted average incremental borrowing rate applied at the discounting of the lease liability at transition January 1, 2019 amounted to 1 percent for continued operations and 2 percent including discontinued operations.

Balance sheet

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

The bridge between future minimum expenses according to the previous IAS 17 Leases standard (please refer to Note 31 in the 2018 Annual Report) and the change in the lease liability for continuing operations due to adoption of IFRS 16 is presented below.

Change in lease liability due to adoption of IFRS 16

SEK million	
Total future lease expenses for operating leases (Note 31)	**4,626**
Adjustment for:	
Discounting	-264
Not determined as leases according to IFRS 16 (mainly leased capacity)	-585
Short term leases	-114
Low value leases	-14
Extension options	2,248
Total adjustments	**1,271**
Change in lease liability due to adoption of IFRS 16	**5,897**

NOTE 11 DISCONTINUED OPERATIONS

Tele2 Croatia

On May 31, 2019 Tele2 announced the agreement to sell its Croatian business to United Group for an enterprise value of EUR 220 million (approximately SEK 2,295 million as per December 31, 2019). The transaction is subject to regulatory approval. On November 25, 2019 the Croatian Competition Agency initiated a so called Phase II investigation and on January 30, 2020 the agency notified Tele2 and United Group of its decision to approve the transaction. A formal approval is expected to be published the coming weeks. Following the agreement 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 in Q2 2019 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.

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 in Q1 2019 amounted to SEK 24 million, including costs for central support system for the Dutch operation and other transaction costs. In addition, the capital gain and taxes was 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

Assets, liabilities and contingent liabilities included in the divested operations in the Netherlands and Kazakhstan are stated below.

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

Income statement

All discontinued operations are stated below. Tele2 Netherlands was divested on January 2, 2019 and Tele2 Kazakhstan on June 28, 2019. The divestment of Tele2 Croatia is expected to be closed in H1 2020. The positive effect for Austria refers to final settlement with Hutchison Drei Austria GmbH (Three Austria) for an earn-out related to the Austrian operations divested in 2017. Tele2 received the payment in January 2020.

Discontinued operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Revenue	569	2,954	3,813	11,390
Cost of services provided and equipment sold	-356	-1,629	-2,227	-7,341
Gross profit	**213**	**1,325**	**1,586**	**4,049**
Selling expenses	-97	-504	-509	-2,339
Administrative expenses	-80	-422	-292	-1,388
Other operating income	1	2	7	18
Other operating expenses	-2	-10	-4	-39
Operating profit	**35**	**390**	**788**	**301**
Interest income	0	1	3	8
Interest expenses	-3	-11	-97	-44
Other financial items	1	-52	-145	-331
Profit/loss after financial items	**33**	**329**	**549**	**-66**
Income tax from the operation	-7	83	-139	-10
Net profit/loss from the operation	**26**	**412**	**410**	**-76**
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain	**127**	**-62**	**1,786**	**-40**
– of which Netherlands	-0	-57	61	-88
– of which Kazakhstan	—	—	1,598	—
– of which Austria, sold 2017	91	—	91	1
– of which Norway, sold 2015	37	—	37	–
– of which Russia, sold 2013	—	-5	—	47
Income tax from capital gain	—	—	**337**	—
– of which Netherlands	—	—	47	—
– of which Kazakhstan	—	—	290	—
NET PROFIT/LOSS	**153**	**350**	**2,533**	**-116**
Attributable to:				
Equity holders of the parent company	153	274	2,403	-254
Non-controlling interests	0	76	131	138
NET PROFIT/LOSS	**153**	**350**	**2,533**	**-116**
Earnings per share (SEK)	0.22	0.57	3.50	-0.48
Earnings per share, after dilution (SEK)	0.21	0.57	3.47	-0.47

Balance sheet

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

Discontinued operations SEK million	Dec 31 2019	Dec 31 2018
ASSETS		
Goodwill	—	1,144
Other intangible assets	167	1,545
Intangible assets	**167**	**2,689**
Tangible assets	823	7,357
Right-of-use assets	468	—
Financial assets	115	721
Capitalized contract costs	37	177
Deferred tax assets	53	393
Non-current assets	**1,663**	**11,337**
Inventories	62	180
Current receivables	979	2,503
Current investments	9	—
Current assets	**1,050**	**2,684**
Assets classified as held for sale	**2,713**	**14,020**
LIABILITIES		
Interest-bearing liabilities	734	641
Non-interest-bearing liabilities	—	100
Non-current liabilities	**734**	**741**
Interest-bearing liabilities	129	813
Non-interest-bearing liabilities	559	2,434
Current liabilities	**687**	**3,247**
Liabilities directly associated with assets classified as held for sale	**1,421**	**3,988**

Cash flow statement

In Q4 2019 a price adjustment of SEK 374 million was settled with T-Mobile Netherlands for the divestment of Tele2 Netherlands.

Discontinued operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Cash flow from operating activities	307	398	970	1,372
Cash flow from investing activities	-423	-482	4,005	-1,613
Cash flow from financing activities	-26	0	850	-18
Net change in cash and cash equivalents	**-142**	**-84**	**5,825**	**-259**

Non-IFRS measures

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

EBITDA

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

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

Underlying EBITDA and underlying EBITDA margin

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

Underlying EBITDA: EBITDA excluding items affecting comparability.

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

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

Underlying EBITDAaL

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

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

Underlying EBITDA excluding IFRS 16

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

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

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Operating profit	1,179	656	4,024	3,291
Reversal:				
Result from shares in joint ventures and associated companies	20	5	97	-9
Depreciation and amortization	1,392	867	5,693	2,352
EBITDA	**2,591**	**1,527**	**9,814**	**5,635**
Reversal, items affecting comparability:				
Acquisition costs	1	100	72	305
Integration costs	101	161	570	311
Disposal of non-current assets	7	24	10	58
Other items affecting comparability	-5	62	59	77
Total items affecting comparability	**104**	**347**	**711**	**750**
Underlying EBITDA	**2,695**	**1,875**	**10,525**	**6,386**
Lease depreciation (according to IFRS 16)	-320	—	-1,186	—
Lease interest costs (according to IFRS 16)	-23	—	-81	—
Underlying EBITDAaL	**2,352**	**1,875**	**9,258**	**6,386**
Underlying EBITDA	2,695	1,875	10,525	6,386
Adjustment to report lease according to IAS 17	-317	—	-1,182	—
Underlying EBITDA excluding IFRS 16	**2,378**	**1,875**	**9,344**	**6,386**
Revenue	7,270	6,606	27,659	21,775
Revenue excluding items affecting comparability	**7,270**	**6,606**	**27,659**	**21,775**
Underlying EBITDA margin	**37%**	**28%**	**38%**	**29%**

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.

Non-IFRS measures – Capex

SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
TOTAL OPERATIONS				
Additions to intangible and tangible assets	-662	-1,127	-3,610	-3,424
Sale of intangible and tangible assets	-4	-2	3	21
Capex paid	**-665**	**-1,129**	**-3,607**	**-3,403**
This period's unpaid capex and reversal of paid capex from previous period	-114	-912	758	-698
Reversal received payment of sold intangible and tangible assets	4	2	-3	-21
Capex in intangible and tangible assets	**-776**	**-2,039**	**-2,852**	**-4,122**
Additions to right-of-use assets	-585	—	-1,509	—
Capex	**-1,361**	**-2,039**	**-4,361**	**-4,122**
CONTINUING OPERATIONS				
Additions to intangible and tangible assets	-614	-644	-3,293	-1,810
Sale of intangible and tangible assets	-4	-3	2	19
Capex paid	**-617**	**-647**	**-3,291**	**-1,791**
This period's unpaid capex and reversal of paid capex from previous period	-92	-880	837	-896
Reversal received payment of sold intangible and tangible assets	4	3	-2	-19
Capex in intangible and tangible assets	**-706**	**-1,524**	**-2,456**	**-2,706**
Additions to right-of-use assets	-552	—	-1,306	—
Capex	**-1,258**	**-1,524**	**-3,762**	**-2,706**

Equity free cash flow

Tele2 considers equity free cash flow to be relevant to present as it provides a view of funds generated from operating activities which also includes investments in intangible and tangible assets. Management believes that equity free cash flow is meaningful to investors because it is the measure of the Group's funds available for acquisition related payments, dividends to shareholders, share repurchases and debt repayment.

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

Non-IFRS measures – Cash flow

SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
TOTAL OPERATIONS				
Cash flow from operating activities	2,463	1,215	9,716	5,160
Capex paid	-665	-1,129	-3,607	-3,403
Amortization of lease liabilities	-313	-0	-1,269	-0
Equity free cash flow (EFCF)	**1,484**	**86**	**4,840**	**1,757**
CONTINUING OPERATIONS				
Cash flow from operating activities	2,156	818	8,746	3,789
Capex paid	-617	-647	-3,291	-1,791
Amortization of lease liabilities	-284	-0	-1,126	-0
Equity free cash flow (EFCF)	**1,255**	**171**	**4,329**	**1,998**

Operating cash flow

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

Operating cash flow: Underlying EBITDAaL less capex paid.

Continuing operations SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Underlying EBITDAaL	2,352	1,875	9,258	6,386
Capex paid	-617	-647	-3,291	-1,791
Operating cash flow (OCF)	**1,735**	**1,228**	**5,967**	**4,595**

Net debt and economic net debt

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

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

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

Non-IFRS measures – Debt

Total operations SEK million	Dec 31 2019	Dec 31 2018
Interest-bearing non-current liabilities	27,752	23,238
Interest-bearing current liabilities	5,066	6,763
Reversal equipment financing	-139	—
Reversal provisions	-1,975	-1,695
Cash & cash equivalents, current investments and restricted funds	-448	-406
Derivatives	-154	-33
Net debt for assets classified as held for sale	714	1,013
Net debt	**30,816**	**28,881**
Reversal:		
Lease liabilities	-6,111	-17
Liabilities to Kazakhtelecom	—	-30
Liabilities for earn-out obligation Kazakhstan	—	-764
Loan guaranteed by Kazakhtelecom	—	-221
Economic net debt	**24,705**	**27,849**

Organic

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

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

Reconciliation of proforma figures are presented in an excel document (Tele2-Q4-2019-financials) on Tele2's website www.tele2.com.


TELE2