2020

Interim Report
First Quarter

TELE2

Q1 2020 HIGHLIGHTS

- Revenue of SEK 6.7 billion, a decline by 1 percent compared to Q1 2019 on an organic basis
- End-user service revenue of SEK 4.9 billion, flat compared to Q1 2019 on an organic basis
- Underlying EBITDAaL of SEK 2.2 billion, a organic decline of 1 percent compared to Q1 2019 as cost savings were offset by investments into strategic initiatives in Sweden and negative effects related to the global pandemic
- Net profit from total operations of SEK 1.2 billion increased by SEK 0.2 billion compared to Q1 2019
- Equity free cash flow from continuing operations of SEK 1.3 billion increased by SEK 1.0 billion compared to Q1 2019, and cash proceeds from the sale of Tele2 Croatia of SEK 2.0 billion received
- Financial guidance for 2020 suspended due to uncertainty related to the global pandemic while mid-term guidance reiterated (financial guidance on page 6)
- Because of the uncertainty brought on by the global pandemic, the Board of Directors has decided to postpone the extraordinary dividend of SEK 3.50 per share until there is more clarity on the duration and impact of the pandemic
- The Board's proposal of an ordinary dividend of SEK 5.50 per share to the AGM in May remains unchanged
- Continued progress on the FMC strategy with almost 80% of the overlapping mobile and fixed customers on FMC bundles
- Comviq broadband launched in April to boost the FMC strategy

Key financial data

SEK million	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
Continuing operations				
End-user service revenue	4,930	4,918	0%	19,921
Revenue	6,687	6,743	-1%	27,659
Operating profit	1,188	1,047		4,024
Profit after financial items	1,030	946		3,579
Underlying EBITDAaL	2,235	2,252	-1%	9,258
Capex excluding spectrum and leases	518	628		2,388
Operating cash flow	1,717	1,624		6,870
Operating cash flow, rolling 12 months[1)]	6,963	6,243		6,870
Equity free cash flow	1,333	330		4,329
Total operations				
Net profit	1,180	1,024		5,134
Earnings per share after dilution (SEK)	1.71	1.40		7.24
Equity free cashflow	1,282	437		4,840
Economic net debt to underlying EBITDAaL	2.3x	2.6x		2.5x

[1)] Including Com Hem proforma

Revenue
Q1 2020
6,687
SEK million

Underlying EBITDAaL
Q1 2020
2,235
SEK million

Continuing and discontinued operations

Figures presented in this report refer to Q1 (January-March) 2020 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2019. Discontinued operations include the former operations, primarily in Croatia and Kazakhstan. See Note 9.

Non-IFRS measures

This report contains certain non-IFRS measures which are defined and reconciliated to the closest reconcilable line items in the section *Non-IFRS measures* on page 26. Note that organic growth rates exclude effects from currency movements. For further definitions of industry terms and acronyms, please refer to the Investor section at www.tele2.com.

“Thanks to the strategic initiatives that Tele2 has taken over the last few years we are now more resilient and stable than ever”

CEO WORD – Q1 2020

This quarter we took an additional step to focus our geographical footprint by closing the sale in Croatia. We saw continued execution in the Baltics and operational progress in Sweden Consumer with the strongest quarterly mobile postpaid net intake in several years. The fixed-mobile-convergence (FMC) strategy in Sweden progressed well, with 232,000 customers now on FMC offers, and we recently took an important next step in our FMC journey with the launch of Comviq broadband.

Maintaining strategic focus in a time of uncertainty

Thanks to the strategic initiatives that Tele2 has taken over the last few years we are now more resilient and stable than ever. We have moved our geographical footprint toward markets where we have scale and consistent cash generation. Our focus has shifted from growth through market share gains and business expansion, towards optimizing the value of our existing customer base through convergence, and we have a structured plan for business transformation and digitalization.

This strong foundation supports us as we face the unavoidable challenges of the corona pandemic. The fact that we almost entirely closed down all our offices over a night, and had a fully functioning remote organization the next day, speaks to the level of digitalization we have already achieved in our way of working.

Even though the pandemic creates uncertainty near-term, we can still carry on with our existing plan to create sustainable value for the long-term. This year we have launched several new growth drivers in Sweden which will contribute to stable long-term growth. We are rebuilding our enterprise business in Sweden to make it more stable and profitable over time. We continue to drive our mobile centric convergence strategy in the Baltics. We have initiated a business transformation program to deliver opex reduction of at least SEK 1 billion over three years. These pillars of our strategy remain intact and make us confident that we can deliver on our mid-term guidance.

Defending underlying EBITDAaL through cost control

Tele2’s services are now more important than ever as connectivity is a must-have when society rapidly transforms to limit the effects of the pandemic. But even so, our business does face challenges such as decline in store sales, reduced international roaming and lower demand from our business customers as they go through the tough economic times.

While our view on the mid-term remains unchanged, the pandemic creates a degree of uncertainty in our near-term forecasts. We are therefore forced to suspend our guidance for 2020 until we gain more clarity on the longevity and impact of the outbreak.

Since we cannot count on EUSR growth to support underlying EBITDAaL this year, we will defend our underlying EBITDAaL through cost control instead. By shifting focus away from EUSR growth this year we can free up resources by pausing or temporarily scaling down some initiatives while fast-tracking part of our planned long-term cost reductions.

While we continue to execute on our long-term strategy, we will monitor the impact of the pandemic and evaluate mitigating actions to ensure that we defend our underlying EBITDAaL, generate cash and maintain a strong balance sheet even as we face operational headwinds in the near-term.

Temporarily postponing the extraordinary dividend

While we have a strong balance sheet and a resilient business model which is cash generative even in volatile times, the global pandemic creates uncertainty. The Board believes that it is prudent to maintain a financial buffer until we gain more clarity on the length and impact of the outbreak and has therefore decided to withdraw its proposal to the Annual General Meeting in May on distribution of the extraordinary dividend of SEK 3.50 per share, and postpone the decision.

This decision is not based on the current state of the company or the balance sheet. In fact, with the SEK 2 billion of proceeds from the sale of Croatia and cash generation of SEK 1.3 billion in the quarter, our leverage has come down to 2.3x, which is below our target level of 2.5x-3.0x. Even if we were to distribute the extraordinary dividend along with the planned first half of the ordinary dividend in May, we would be comfortably within the target range based on the Q1 2020 numbers. However, in light of the current situation where our EUSR outlook for the year is uncertain depending on the length and impact of the pandemic, and we need to focus on cost control to defend our underlying EBITDAaL, there is a merit to maintaining a comfortable buffer.

The Board's proposal to the Annual General Meeting on May 11 concerning ordinary dividend of SEK 5.50 per share to be paid out in two tranches in May and October 2020 remains unchanged. Once we get more clarity on the impact of the pandemic, the Board expects to call for an Extraordinary General Meeting to approve distribution of the extraordinary dividend.

Q1 2020 summary

Group organic end-user service revenue (EUSR) was flat in the quarter with the Baltics growing by 10% while Sweden declined by 1%. Group underlying EBITDAaL declined by 1% organically in the quarter, driven by a 1% decline in Sweden while the Baltics grew by 4%.

In Sweden, consumer EUSR was roughly flat as continued growth in mobile postpaid (4%) and fixed broadband (5%) was offset by declining digital TV (-6%), mobile prepaid (-1%) and fixed telephony & DSL (-17%). We saw improvement in mobile postpaid with the strongest quarterly net intake in several years and stable Average Spend Per User (ASPU) supported by high incoming ASPU as the Tele2 family offer incentivized new customers to take unlimited price plans.

On the back of product improvements throughout 2019 such as upgrades to broadband speed and mobile data, backbook price adjustments were successfully implemented on part of the fixed broadband and mobile postpaid customer base in the quarter. We expect to see the effect on ASPU starting in Q2 2020 with the full effect in the second half of the year as we execute additional batches, including TV in coming quarters.

Swedish business EUSR declined by 6%, driven by an accelerated decline in fixed EUSR. The mobile EUSR decline was similar to previous quarters as the pressure on ASPU continues. Implementation of new contracts within both large enterprise and SME in the quarter led to a strong net intake of 31,000 mobile Revenue Generating Units (RGUs).

While we are seeing the benefits from last year's cost reductions, there are a few headwinds resulting in a dip in underlying EBITDAaL growth. In the quarter we saw the expected benefits from the last years' synergy program which had a run-rate of SEK 800 million at the end of 2019, translating into SEK 200 million of underlying EBITDAaL on a quarterly basis. Since we realized roughly SEK 50 million of synergies in Q1 2019, the net effect compared to last year was SEK 150 million this quarter.

Strategic initiatives taken in order to secure long-term growth such as launch of Com Hem Play+ and Penny, as well as above normal spend on sales to drive volume momentum in Sweden resulted in roughly SEK 50 million of additional opex in the quarter. Cost savings were further offset by continued EUSR decline in Sweden as we are yet to see effects from price adjustments in Sweden Consumer and support from the Sweden Business turnaround which was set to materialize gradually throughout the year.

In addition to these factors which were expected, the Group lost roughly SEK 70 million of underlying EBITDAaL as a result of the pandemic and bad debt provisions, resulting in a 1% decline in underlying EBITDAaL. This was mainly related to lower equipment margins, reduction of international roaming and higher bad debt provisions.

Executing on the next phase of the FMC strategy

In 2019 we initiated the FMC strategy by gradually rolling out FMC offers through all our consumer brands in Sweden, and we now have almost 80% of the total overlapping mobile and fixed customers on FMC bundles, in total 232,000 customers. We have thus largely completed the first phase of the FMC strategy and created a solid base of loyal, full-service customers which will provide stability and potential for growth in the consumer business. In 2020 and onward we will execute on the next phase of the FMC strategy which will be driven by organic FMC sales and ramp up of cross sales among the Tele2 consumer brands.

This next phase of the FMC strategy is aligned with our overall business transformation program, rooted in our new vision of becoming the smartest telco in the world, creating a society of unlimited possibilities. The end goal is to cater to every type of customer in the consumer market through distinctly positioned leading brands, providing the right type of service, delivered in the right way, at the right price level for each segment of the market.

We have roadmap of initiatives that will help us achieve our targets, some of which have already been launched this year: Our new brand Penny which gives us an FMC-brand in the digital no frills segment, and our OTT service Comhem Play+ which helps us transition our TV offering into the future.

In April we took another step toward optimizing our brand portfolio by turning Comviq into an FMC brand. We expect this to reduce churn among Comviq postpaid customers, take additional broadband share in open networks and boost our FMC strategy as we now offer FMC bundles in the mid-tier segment.

Looking forward

While we will have a number of headwinds this year which will make it difficult to achieve our original plan for 2020, we will carry on with strategic initiatives that create value in the long term. This includes the commercial launch of Penny, the ramp up of Comviq broadband, the rollout of Comhem Play+, and the business transformation program to deliver at least SEK 1 billion of cost reduction over three years. We are confident that continued execution on this long-term strategy will help us deliver our mid-term guidance of low-single digit growth in EUSR and mid-single digit growth in underlying EBITDAaL beyond 2020.

Anders Nilsson
President and Group CEO

Financial overview

Analysis of income statement

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
End-user service revenue	4,930	4,918	19,921
Revenue	6,687	6,743	27,659
Underlying EBITDAaL	**2,235**	**2,252**	**9,258**
Reversal lease depreciation and interest	307	294	1,268
Underlying EBITDA	**2,542**	**2,545**	**10,525**
Items affecting comparability	-39	-262	-711
EBITDA	**2,503**	**2,284**	**9,814**
Depreciation/amortization	-1,315	-1,246	-5,224
– of which amortization of surplus from acquisitions	-301	-298	-1,199
– of which lease depreciation	-290	-274	-1,186
– of which other depreciation/amortization	-725	-674	-2,839
Impairment	—	—	-469
Result from shares in associated companies and joint ventures	0	10	-97
Operating profit	**1,188**	**1,047**	**4,024**
Net interest and other financial items	-158	-102	-445
Income tax	-208	-222	-978
Net profit	**822**	**723**	**2,601**

Revenue decreased by 1 percent organically 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 EBITDAaL decreased by 1 percent organically driven by a negative impact from the global pandemic and bad debt provisions of SEK 70m for the Group as well as investments into growth initiatives and decline in end-user service revenue in Sweden, offsetting the effect from the 2019 cost reductions and strong end-user service revenue growth in the Baltics.

Items affecting comparability of SEK -39 (-262) million included initial restructuring cost related to the business transformation program in Sweden which was announced in the Q4 2019 report. For more details please refer to Note 3.

Net interest and other financial items increased to SEK -158 (-102) million due to temporary negative effects from currency movements and reassessed financial liabilities.

Analysis of cash flow statement

SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Continuing operations			
Underlying EBITDA	2,542	2,545	10,525
Items affecting comparability	-39	-262	-711
Amortization of lease liabilities	-372	-355	-1,126
Capex paid	-600	-1,583	-3,291
Changes in working capital	106	294	-54
Net financial items paid	-102	-98	-407
Taxes paid	-216	-260	-718
Other cash items	15	48	112
Equity free cash flow	**1,333**	**330**	**4,329**
Equity free cash flow, rolling 12 months	5,333	1,886	4,329
Total operations			
Equity free cash flow, continuing operations	1,333	330	4,329
Equity free cash flow, discontinued operations	-51	107	510
Equity free cash flow	**1,282**	**437**	**4,840**

Capex paid decreased to SEK -600 (-1,583) million due to low investing activity ahead of the rollout of 5G and remote PHY, as well as spectrum payments of SEK 799 million in Q1 2019.

Changes in working capital of SEK 106 (294) million was seasonally strong in the quarter.

Equity free cash flow from continuing operations increased to SEK 1,333 (330) million, mainly as a result of the capex related to the spectrum auction in Q1 2019.

Equity free cash flow from discontinued operations of SEK -51 (107) million was primarily related to the divestment of Tele2 Croatia. The SEK 2.0 billion cash proceeds from the divestment are reported below equity free cash flow (see Note 8).

Analysis of financial position

Total operations SEK million	Mar 31 2020	Dec 31 2019
Bonds	20,759	20,305
Commercial papers	—	1,100
Financial institutions and other liabilities	3,740	3,912
Cash and cash equivalents	-2,471	-448
Other adjustments	-608	-164
Economic net debt	**21,421**	**24,705**
Lease liabilities	5,666	6,111
Net debt	**27,086**	**30,816**
Underlying EBITDAaL, rolling 12 months[1)]	**9,241**	**9,702**
Economic net debt to Underlying EBITDAaL	**2.3x**	**2.5x**
Unutilized overdraft facilities and credit lines	9,211	8,716

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

Economic net debt of SEK 21,421 (24,705 year end 2019) million, was reduced by SEK 3.3 billion driven by cash generation in the business and proceeds of SEK 2.0 billion from the sale of Tele2 Croatia.

Economic net debt/underlying EBITDAaL (financial leverage) of 2.3x (2.5x year end 2019) was temporarily below our leverage target range of 2.5-3.0x. We expect financial leverage to return to the target range once the first half of the proposed ordinary dividend of SEK 5.50 per share (approximately SEK 1.9 billion) is paid out to shareholders in May 2020.

Financial guidance

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

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

Full-year 2020

Due to the uncertainty related to the global pandemic, Tele2 is temporarily suspending its financial guidance for 2020 until there is more clarity around the longevity and impact of the outbreak.

Previous guidance for full-year 2020

- 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 2.5–3.0 billion

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 on May 11, 2020 that an ordinary dividend of SEK 5.50 be paid per ordinary A and B share, in two equal tranches to be paid in May and October 2020.

Due to the uncertainty brought on by the global pandemic, the Board of Directors believes that it is prudent to maintain a financial buffer until there is more clarity on the length and impact of the outbreak and has therefore decided to withdraw its proposal to the Annual General Meeting in May 2020 on distribution of the extraordinary dividend, and postpone the decision. Once there is more clarity on the impact of the pandemic, the Board expects to call for an Extraordinary General Meeting to approve distribution of the extraordinary dividend of SEK 3.50 per share.

Financial policy

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

Group summary

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
END-USER SERVICE REVENUE				
Sweden	4,080	4,137	-1%	16,627
Lithuania	394	351	10%	1,502
Latvia	223	199	10%	857
Estonia	127	110	13%	480
Germany	106	121	-15%	454
Total	**4,930**	**4,918**	**0%**	**19,921**
REVENUE				
Sweden	5,431	5,519	-2%	22,415
Lithuania	639	613	2%	2,656
Latvia	339	322	3%	1,402
Estonia	200	182	7%	813
Germany	106	122	-15%	457
Internal sales, elimination	-27	-16	76%	-84
Total	**6,687**	**6,743**	**-1%**	**27,659**
UNDERLYING EBITDA				
Sweden	2,085	2,100	-1%	8,614
Lithuania	255	245	2%	1,019
Latvia	135	124	6%	565
Estonia	59	47	24%	226
Germany	41	56	-28%	216
Other	-33	-27	23%	-114
Total	**2,542**	**2,545**	**-1%**	**10,525**
UNDERLYING EBITDAaL				
Sweden	1,822	1,843	-1%	7,515
Lithuania	238	230	1%	957
Latvia	125	116	5%	526
Estonia	43	35	20%	162
Germany	41	56	-28%	215
Other	-34	-28	22%	-117
Total	**2,235**	**2,252**	**-1%**	**9,258**
CAPEX				
Sweden	464	551	-16%	2,035
Lithuania	18	26	-34%	139
Latvia	13	31	-59%	122
Estonia	22	20	11%	90
Germany	1	0	N/A	1
Other	—	0	-100%	2
Capex excluding spectrum and leases	**518**	**628**	**-18%**	**2,388**
Spectrum	—	67		68
Right-of-use assets (leases)	326	254		1,306
Total	**844**	**949**		**3,762**
of which:				
– Network	214	258		1,144
– IT	161	194		741
– Customer equipment	104	126		303
– Other	38	50		201
Capex excluding spectrum and leases	**518**	**628**		**2,388**

Overview by segment

Sweden

Revenue decreased by 2 percent mainly driven by lower equipment revenue as well as lower end-user service revenue in Sweden Business. While no nationwide quarantine has been ordered by the Swedish government, Tele2 Sweden is affected by international travel restrictions and the global pandemic's overall effect on economic activity. In March, Tele2 decided to partially close its physical offices and have most employees working remotely.

Underlying EBITDAaL declined by 1 percent in the quarter as benefits from last year's cost reductions were offset by roughly SEK 50 million of investments into growth initiatives including increased sales cost, continued decline in end-user service revenue, and roughly SEK 50 million of headwinds related to the global pandemic and bad debt provisions. Effects from the pandemic were mainly related to reduction of international roaming, lower equipment margins and higher bad debt provisions.

Financials SEK million	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
End-user service revenue	**4,080**	**4,137**	**-1%**	**16,627**
Revenue	5,431	5,519	-2%	22,415
Underlying EBITDA	2,085	2,100	-1%	8,614
Underlying EBITDAaL	**1,822**	**1,843**	**-1%**	**7,515**
Underlying EBITDAaL margin	34%	33%		34%
Capex				
Network	179	204		927
IT	149	181		649
Customer equipment	102	126		299
Other	34	40		161
Capex excluding spectrum and leases	**464**	**551**		**2,035**
Spectrum	—	—		—
Right-of-use-assets (leases)	290	239		1,073
Capex	**754**	**790**		**3,109**
Capex excluding spectrum and leases / revenue	9%	10%		9%

Sweden Consumer

On the back of product improvements throughout 2019 such as upgrades of broadband speed and mobile data, backbook price adjustments were successfully implemented on part of the fixed broadband and mobile postpaid customer base in the quarter. We expect to see the effect on ASPU starting in Q2 2020 with the full effect in the second half of the year as we execute additional batches, including TV in coming quarters.

The more-for-more FMC strategy made progress with 232,000 customers now on FMC offers. This represents almost 80 percent of the addressable FMC base of approximately 300,000 customers who have both mobile and fixed services from the Tele2 Group. Comviq broadband was launched in April to further boost the FMC strategy as we now have FMC offers in all three segments of the consumer market.

Mobile postpaid had the strongest net intake in several years driven by the Tele2 family offer and continued strong performance in Comviq.

Mobile end-user service revenue grew by 3 percent mainly driven by higher postpaid volume 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 5 percent.

Digital TV net intake of -15,000 RGUs was driven by continued decline in the Boxer brand DTT RGU stock as well as temporarily elevated churn following the temporary shutdown of the TV4 Group channels in December, 2019. Digital TV end-user service revenue decreased by 6 percent due to the decline the RGU stock and ASPU decline in Digital TV Cable & Fiber (-6%) partly due to temporary discounts given to mitigate the content loss during shutdown of the TV4 Group channels.

	Jan-Mar 2020	Jan-Mar 2019	Mar 31 2020	Mar 31 2019	Organic %	Full year 2019
RGUs (thousands)	Net intake		RGU base			
Mobile	-4	-20	2,959	2,927	1%	2,962
– Postpaid	31	5	1,905	1,822	5%	1,875
– Prepaid	-34	-25	1,053	1,105	-5%	1,088
Fixed	-23	-9	2,154	2,201	-2%	2,177
– Fixed broadband	10	12	883	839	5%	873
– Digital TV	-15	-9	1,007	1,048	-4%	1,022
– Cable & Fiber	-3	3	662	661	0%	665
– DTT	-12	-12	345	387	-11%	357
– Fixed telephony & DSL	-18	-12	264	313	-16%	282
Addressable fixed footprint	27	64	3,342	3,178	5%	3,314

	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
ASPU (SEK)				
Mobile	160	156	3%	159
– Postpaid	204	204	0%	206
– Prepaid	81	78	4%	81
Fixed	229	231	-1%	231
– Fixed broadband	245	247	-1%	247
– Digital TV	248	256	-3%	255
– Cable & Fiber	222	236	-6%	231
– DTT	298	289	3%	298
– Fixed telephony & DSL	107	110	-3%	107
Revenue (SEK million)				
Mobile	1,417	1,372	3%	5,651
– Postpaid	1,159	1,111	4%	4,567
– Prepaid	259	260	-1%	1,085
Fixed	1,489	1,530	-3%	6,092
– Fixed broadband	646	618	5%	2,516
– Digital TV	755	807	-6%	3,186
– Cable & Fiber	442	466	-5%	1,835
– DTT	314	341	-8%	1,351
– Fixed telephony & DSL	87	106	-17%	390
Landlord & Other	175	177	-1%	706
End-user service revenue	**3,081**	**3,078**	**0%**	**12,450**
Operator revenue	162	190		818
Equipment revenue	467	486		2,104
Revenue	**3,710**	**3,754**	**-1%**	**15,372**

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. Tele2 launched the first phase of its more-for-more FMC offers in the SME segment in March.

Implementation of new contracts within both large enterprise and SME in the quarter led to a strong net intake of 31,000 mobile RGUs. New contracts signed include Göteborg Stad, Region Västmanland, Höglandskommunerna and Euroflorist.

Total end-user service revenue declined by 6 percent with mobile declining in-line with previous quarters due to price pressure, continued decline in legacy fixed services as well as a decline in solutions where we lost revenue from an expiring service contract.

Sweden Business

	Jan-Mar 2020	Jan-Mar 2019	Mar 31 2020	Mar 31 2019	Organic %	Full year 2019
RGUs (thousands)	Net intake		RGU base			
Mobile (excluding IoT)						
– Postpaid	31	7	950	896	6%	920

	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
ASPU (SEK)				
Mobile (excluding IoT)				
– Postpaid	154	172	-10%	165
Revenue (SEK million)				
Mobile	488	500	-2%	1,974
Fixed	249	295	-15%	1,113
Solutions	262	264	0%	1,090
End-user service revenue	**1,000**	**1,059**	**-6%**	**4,177**
Operator revenue	35	24		131
Equipment revenue	423	449		1,736
Revenue	**1,458**	**1,531**	**-5%**	**6,044**

Sweden Wholesale

Financials SEK million	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
Operator revenue	261	232		986
Internal sales	1	1		13
Revenue	**263**	**233**	**13%**	**999**

Baltics

Lithuania

During the quarter Tele2 Lithuania carried out a rebranding campaign of its prepaid brand, geared toward a younger customer base. Commercial activities in the quarter largely focused on attractive hardware bundles, and Tele2 launched a new home and vehicle insurance product. Due to the global pandemic, Tele2 had to close its shops and offices in March after the Lithuanian government ordered a nationwide quarantine.

Removal of a mobile prepaid marketing campaign as well as seasonal prepaid churn drove a negative net intake of -17,000 RGUs while ASPU increased by 8 percent in local currency, driven by increased mix of higher service tiers.

End-user service revenue increased by 10 percent, driven by growth in both volume and ASPU compared to Q1 2019.

Growth in underlying EBITDAaL of 1 percent in local currency was weaker than previous quarters in part because of a negative impact of approximately SEK 12 million related to the global pandemic, due to higher bad debt provisions, lower equipment margins, and reduced international roaming.

	Jan-Mar 2020	Jan-Mar 2019	Mar 31 2020	Mar 31 2019	Organic %	Full year 2019
RGUs (thousands)	Net intake		RGU base			
Mobile	-17	-4	1,878	1,857	1%	1,895

	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
ASPU (EUR)				
Mobile	6.5	6.0	8%	6.3
Revenue (SEK million)				
End-user service revenue	394	351	10%	1,502
Operator revenue	62	60		250
Equipment revenue	170	192		859
Internal sales	13	9		44
Revenue	**639**	**613**	**2%**	**2,656**
Underlying EBITDA	255	245	2%	1,019
Underlying EBITDAaL	**238**	**230**	**1%**	**957**
Underlying EBITDAaL margin	37%	38%		36%
Capex	36	29		157
Capex excluding spectrum and leases	**18**	**26**		**139**
Capex excluding spectrum and leases / revenue	3%	4%		5%

Latvia

During the quarter Tele2 Latvia took the next step in its mobile centric convergence strategy by launching a TV-service over the mobile network. Due to the global pandemic, Tele2 had to close its shops and offices in March after the Latvian government ordered a nationwide quarantine.

The net intake of -4,000 RGUs was driven by seasonal prepaid churn while postpaid net intake continued to be positive. ASPU increased by 9 percent in local currency driven by upselling and pre to postpaid migration.

End-user service revenue increased by 10 percent in local currency driven mainly by growth in ASPU compared to Q1 2019.

Underlying EBITDAaL increased by 5 percent in local currency as growth in end-user service revenue offset negative impact of approximately SEK 5 million from the global pandemic mainly related to higher bad debt provisions, lower equipment margins, and reduced international roaming.

	Jan-Mar 2020	Jan-Mar 2019		Mar 31 2020	Mar 31 2019	Organic %	Full year 2019
RGUs (thousands)	Net intake			RGU base			
Mobile	-4	-5		950	946	0%	954

	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
ASPU (EUR)				
Mobile	7.3	6.7	9%	7.1
Revenue (SEK million)				
End-user service revenue	223	199	10%	857
Operator revenue	45	47		195
Equipment revenue	59	72		330
Internal sales	11	4		20
Revenue	**339**	**322**	**3%**	**1,402**
Underlying EBITDA	135	124	6%	565
Underlying EBITDAaL	**125**	**116**	**5%**	**526**
Underlying EBITDAaL margin	37%	36%		38%
Capex	22	101		227
Capex excluding spectrum and leases	**13**	**31**		**122**
Capex excluding spectrum and leases / revenue	4%	10%		9%

Estonia

During the quarter Tele2 Estonia took the next step in its mobile centric convergence strategy by launching a TV-service over the mobile network. We saw progress in the fiber-to-the-office offer, adding fiber customers in the business segment. Due to the global pandemic, Tele2 had to close its shops and offices in March after the Estonian government ordered a nationwide quarantine.

While net intake of business customers was positive in the quarter due to successful targeting of the SoHo segment, total net intake was negative with -9,000 RGUs in the quarter due to declines in consumer volumes, mainly related to seasonal prepaid churn.

ASPU increased by 13 percent in local currency driven by effects from last year's price adjustment and continued gradual reduction of legacy discounts.

End-user service revenue increased by 13 percent in local currency driven by growth in ASPU compared to Q1 2019.

Underlying EBITDAaL increased by 20% in local currency driven by growth in end-user service revenue and successful cost management, offsetting a negative impact of approximately SEK 3 million from the global pandemic, mainly due to higher bad debt provisions.

	Jan-Mar 2020	Jan-Mar 2019		Mar 31 2020	Mar 31 2019	Organic %	Full year 2019
RGUs (thousands)	Net intake			RGU base			
Mobile	-9	-6		428	431	-1%	437

	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
ASPU (EUR)				
Mobile	8.7	7.7	13%	8.2
Revenue (SEK million)				
End-user service revenue	127	110	13%	480
Operator revenue	34	31		131
Equipment revenue	37	40		196
Internal sales	2	1		6
Revenue	**200**	**182**	**7%**	**813**
Underlying EBITDA	59	47	24%	226
Underlying EBITDAaL	**43**	**35**	**20%**	**162**
Underlying EBITDAaL margin	23%	21%		21%
Capex	32	29		267
Capex excluding spectrum and leases	**22**	**20**		**90**
Capex excluding spectrum and leases / revenue	11%	11%		11%

Other markets

Germany

The RGU base continued to decline with net intake of -11,000 in the quarter. The closing RGU base amounted to 243,000 (295,000) and end-user service revenue declined by 15 percent as a result.

Underlying EBITDAaL decreased by 28 percent due to the decline in end-user service revenue.

Financials SEK million	Jan-Mar 2020	Jan-Mar 2019	Organic %	Full year 2019
End-user service revenue	106	121	-15%	454
Operator revenue	0	0		0
Equipment revenue	0	1		2
Revenue	**106**	**122**	**-15%**	**457**
Underlying EBITDA	41	56	-28%	216
Underlying EBITDAaL	**41**	**56**	**-28%**	**215**
Underlying EBITDAaL margin	39%	46%		47%

Other items

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors. The current spread of Covid-19 makes the importance of the services we provide greater than ever before. Nevertheless, this global pandemic adds high uncertainty to our financial performance in 2020. In the long term, the risk factors considered to be most significant to Tele2's future development are spectrum auctions, regulation, market competitiveness and changing technology, strategy implementation and integration, network and IT infrastructure and quality, data protection and cyber security, external relationships, suppliers and joint ventures, customer churn, recruitment of skilled personnel, geopolitical conditions, environmental costs, corruption and unethical business practices and financial risks such as currency risk, interest risk, liquidity risk, credit risk, risks related to tax matters and impairment of assets. Please refer to Tele2's 2019 annual report (Administration report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

Closing of the sale of the operations in Croatia

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

Annual General Meeting

The Annual General Meeting 2020 will be held on May 11, 15:00 CEST, at Tele2's premises on Torshamnsgatan 17 in Kista, Stockholm. Shareholders who wish to attend the meeting shall be entered in the share register maintained by Euroclear Sweden on Tuesday May 5, 2020, and give notice of their intention to attend no later than Tuesday May 5, 2020. The number of available seats will be adjusted according to Swedish legislation, which at the time of the issuance of the notice on April 7, 2020 prohibits public gatherings with more than 50 participants. Notice to attend is to be made on the company's website at www.tele2.com, under the heading "Annual General Meeting 2020", found under the section "Governance", by telephone to +46 (0) 8 402 92 09 or by mail to Tele2 AB, "AGM", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden.

Other

Tele2 will release its financial and operating results for the period ending June 30, 2020 on July 15, 2020, and for the period ending September 30, 2020 on October 20, 2020.

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, April 21, 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

Q1 2020 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CET (09:00 am GMT/04:00 am EST) on Tuesday, April 21, 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	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Revenue	2	6,687	6,743	27,659
Cost of services provided and equipment sold	2.3	-3,789	-3,962	-16,596
Gross profit		**2,898**	**2,781**	**11,063**
Selling expenses	2.3	-1,158	-1,045	-4,293
Administrative expenses	2.3	-575	-676	-2,665
Result from shares in associated companies and joint ventures		0	10	-97
Other operating income		74	75	297
Other operating expenses	3	-51	-97	-281
Operating profit	3	**1,188**	**1,047**	**4,024**
Interest income		5	6	29
Interest expenses		-150	-113	-483
Other financial items		-14	5	10
Profit after financial items		**1,030**	**946**	**3,579**
Income tax		-208	-222	-978
Net profit, continuing operations		**822**	**723**	**2,601**
Net profit discontinued operations	9	358	301	2,533
Net profit, total operations		**1,180**	**1,024**	**5,134**
Continuing operations				
Attributable to:				
Equity holders of the parent company		822	723	2,601
Net profit, continuing operations		**822**	**723**	**2,601**
Earnings per share (SEK)	7	1.19	1.05	3.78
Earnings per share, after dilution (SEK)	7	1.19	1.05	3.77
Total operations				
Attributable to:				
Equity holders of the parent company		1,180	968	5,004
Non-controlling interests		—	56	131
Net profit, total operations		**1,180**	**1,024**	**5,134**
Earnings per share (SEK)	7	1.72	1.41	7.28
Earnings per share, after dilution (SEK)	7	1.71	1.40	7.24

Condensed consolidated comprehensive income

SEK million	Note	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
NET PROFIT		1,180	1,024	5,134
Components not to be reclassified to net profit				
Pensions, actuarial gains/losses		-21	-108	-104
Pensions, actuarial gains/losses, tax effect		4	23	22
Components not to be reclassified to net profit/loss		**-17**	**-85**	**-82**
Components that may be reclassified to net profit				
Translation differences in foreign operations		392	155	197
Tax effect on above		-5	-15	-29
Reversed cumulative translation differences from divested companies	9	352	-778	-247
Tax effect on above	9	-158	122	-168
Translation differences in associated companies		435	141	150
Translation differences		1,015	-374	-98
Hedge of net investments in foreign operations		-211	-48	-51
Tax effect on above		45	10	11
Reversed cumulative hedge from divested companies	9	-143	721	721
Tax effect on above	9	41	-169	-169
Hedge of net investments		-268	514	512
Exchange rate differences		**748**	**141**	**414**
Profit arising on changes in fair value of hedging instruments		9	4	29
Reclassified cumulative profit/loss to income statement		-8	-3	-14
Tax effect on cash flow hedges		-0	5	1
Cash flow hedges		**1**	**7**	**16**
Components that may be reclassified to net profit/loss		**749**	**147**	**429**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**732**	**62**	**347**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,912	1,086	5,482
Attributable to:				
Equity holders of the parent company		1,912	1,028	5,502
Non-controlling interests		—	58	-21
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,912	1,086	5,482

Condensed consolidated balance sheet

SEK million	Note	Mar 31 2020	Dec 31 2019
ASSETS			
Goodwill		29,895	29,744
Other intangible assets		18,253	18,397
Intangible assets		**48,148**	**48,140**
Tangible assets		7,654	7,900
Right-of-use assets		5,800	5,713
Shares in associated companies and joint ventures		7,420	6,983
Other financial assets	4	731	756
Capitalized contract costs		446	374
Deferred tax assets		165	330
Non-current assets		**70,364**	**70,197**
Inventories		902	710
Current receivables		5,992	5,715
Current investments		0	0
Cash and cash equivalents	5	2,471	448
Current assets		**9,365**	**6,874**
Assets classified as held for sale	9	**—**	**2,713**
TOTAL ASSETS		79,729	79,784
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company		36,735	34,805
Equity	7	**36,735**	**34,805**
Interest-bearing liabilities	4	28,602	27,752
Non-interest-bearing liabilities		4,295	4,360
Non-current liabilities		**32,897**	**32,112**
Interest-bearing liabilities	4	3,624	5,066
Non-interest-bearing liabilities		6,149	6,379
Current liabilities		**9,773**	**11,445**
Liabilities directly associated with assets classified as held for sale	9	**325**	**1,421**
TOTAL EQUITY AND LIABILITIES		79,729	79,784

Condensed consolidated cash flow statement

Total operations SEK million	Note	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Operating activities				
Net profit		1,180	1,024	5,134
Adjustments for non-cash items in net profit		1,061	1,350	4,760
Changes in working capital		77	116	-179
Cash flow from operating activities		**2,317**	**2,490**	**9,716**
Investing activities				
Additions to intangible and tangible assets		-644	-1,671	-3,607
Acquisition and sale of shares and participations	8	2,131	2,352	4,310
Other financial assets, lending		-2	-0	-0
Cash flow from investing activities		**1,486**	**681**	**703**
Financing activities				
Proceeds from loans		79	1,756	3,981
Repayments of loans		-1,867	-4,637	-7,639
Dividends paid	7	—	—	-7,153
Cash flow from financing activities		**-1,788**	**-2,881**	**-10,811**
Net change in cash and cash equivalents		**2,015**	**290**	**-392**
Cash and cash equivalents at beginning of period		448	404	404
Exchange rate differences in cash and cash equivalents		8	220	436
Cash and cash equivalents at end of the period	5	**2,471**	**914**	**448**

Condensed consolidated statements of changes in equity

Total operations SEK million	Note	Mar 31, 2020							
		Attributable to equity holders of the parent company							
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		**863**	**27,378**	**-207**	**3,306**	**3,465**	**34,805**	**—**	**34,805**
Net profit		—	—	—	—	1,180	1,180	—	1,180
Other comprehensive income for the period, net of tax		—	—	-267	1,015	-17	732	—	732
Total comprehensive income for the period		**—**	**—**	**-267**	**1,015**	**1,163**	**1,912**	**—**	**1,912**
Other changes in equity									
Share-based payments	7	—	—	—	—	15	15	—	15
Share-based payments, tax effect	7	—	—	—	—	4	4	—	4
Equity at end of the period		**863**	**27,378**	**-473**	**4,321**	**4,646**	**36,735**	**—**	**36,735**

Total operations SEK million	Note	Mar 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		—	—	—	—	968	968	56	1,024
Other comprehensive income for the period, net of tax		—	—	521	-376	-85	60	2	62
Total comprehensive income for the period		**—**	**—**	**521**	**-376**	**883**	**1,028**	**58**	**1,086**
Other changes in equity									
Share-based payments	7	—	—	—	—	37	37	—	37
Share-based payments, tax effect	7	—	—	—	—	6	6	—	6
Equity at end of the period		**863**	**27,378**	**-213**	**2,876**	**6,501**	**37,405**	**86**	**37,491**

Parent company

Condensed income statement

SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Revenue	10	12	41
Administrative expenses	-38	-40	-155
Other operating expenses	-2	-71	-98
Operating loss	**-29**	**-99**	**-212**
Interest revenue and similar income	44	36	149
Interest expense and similar costs	-316	-139	-432
Profit/loss after financial items	**-301**	**-202**	**-495**
Appropriations, group contribution	—	—	275
Tax on profit/loss	64	39	-15
Net profit/loss	**-236**	**-163**	**-235**

Condensed balance sheet

SEK million	Note	Mar 31 2020	Dec 31 2019
ASSETS			
Financial assets		47,854	47,291
Non-current assets		**47,854**	**47,291**
Current receivables		4,084	5,391
Cash and cash equivalents		6	8
Current assets		**4,090**	**5,399**
TOTAL ASSETS		**51,944**	**52,690**
EQUITY AND LIABILITIES			
Restricted equity	7	5,848	5,848
Unrestricted equity	7	21,392	21,611
Equity		**27,240**	**27,460**
Interest-bearing liabilities	4	22,433	21,644
Non-current liabilities		**22,433**	**21,644**
Interest-bearing liabilities	4	2,033	3,367
Non-interest-bearing liabilities		237	220
Current liabilities		**2,270**	**3,586**
TOTAL EQUITY AND LIABILITIES		**51,944**	**52,690**

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

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

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

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

Figures presented in this report refer to January 1 – March 31 (Q1), 2020 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2019.

NOTE 2 REVENUE AND SEGMENTS

Revenue per segment

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Sweden	5,431	5,519	22,415
Lithuania	639	613	2,656
Latvia	339	322	1,402
Estonia	200	182	813
Germany	106	122	457
Including internal sales	**6,714**	**6,758**	**27,743**
Internal sales, elimination	-27	-16	-84
TOTAL	**6,687**	**6,743**	**27,659**

Internal sales

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Sweden	1	1	13
Lithuania	13	9	44
Latvia	11	4	20
Estonia	2	1	6
TOTAL	**27**	**16**	**84**

Revenue split per category

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Sweden Consumer			
End-user service revenue	3,081	3,078	12,450
Operator revenue	162	190	818
Equipment revenue	467	486	2,104
Total	**3,710**	**3,754**	**15,372**
Sweden Business			
End-user service revenue	1,000	1,059	4,177
Operator revenue	35	24	131
Equipment revenue	423	449	1,736
Internal sales	—	—	0
Total	**1,458**	**1,531**	**6,044**
Sweden Wholesale			
Operator revenue	261	232	986
Internal sales	1	1	13
Total	**263**	**233**	**999**
Lithuania			
End-user service revenue	394	351	1,502
Operator revenue	62	60	250
Equipment revenue	170	192	859
Internal sales	13	9	44
Total	**639**	**613**	**2,656**
Latvia			
End-user service revenue	223	199	857
Operator revenue	45	47	195
Equipment revenue	59	72	330
Internal sales	11	4	20
Total	**339**	**322**	**1,402**
Estonia			
End-user service revenue	127	110	480
Operator revenue	34	31	131
Equipment revenue	37	40	196
Internal sales	2	1	6
Total	**200**	**182**	**813**
Germany			
End-user service revenue	106	121	454
Operator revenue	0	0	0
Equipment revenue	0	1	2
Total	**106**	**122**	**457**
Internal sales, elimination	-27	-16	-84
CONTINUING OPERATIONS			
End-user service revenue	**4,930**	**4,918**	**19,921**
Operator revenue	**599**	**584**	**2,512**
Equipment revenue	**1,157**	**1,240**	**5,227**
TOTAL	**6,687**	**6,743**	**27,659**

Underlying EBITDAaL

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Sweden	1,822	1,843	7,515
Lithuania	238	230	957
Latvia	125	116	526
Estonia	43	35	162
Germany	41	56	215
Other	-34	-28	-117
TOTAL	**2,235**	**2,252**	**9,258**

NOTE 3 OPERATING PROFIT

Reconciling items to reported operating profit

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Underlying EBITDAaL	**2,235**	**2,252**	**9,258**
Reversal lease depreciation and interest	307	294	1,268
Underlying EBITDA	**2,542**	**2,545**	**10,525**
Acquisition costs	-1	-44	-72
Restructuring costs	-38	-155	-570
Disposal of non-current assets	–	-1	-10
Other items affecting comparability	–	-62	-59
Items affecting comparability	**-39**	**-262**	**-711**
EBITDA	**2,503**	**2,284**	**9,814**
Depreciation/amortization	-1,315	-1,246	-5,224
Impairment	–	–	-469
Result from shares in associated companies and joint ventures	0	10	-97
Operating profit	**1,188**	**1,047**	**4,024**

Acquisition costs

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Com Hem, Sweden	-0	-44	-52
Other	-1	–	-20
Acquisition costs	**-1**	**-44**	**-72**

Restructuring costs

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Redundancy costs	-6	-111	-417
Other employee and consultancy costs	-17	-35	-97
Exit of contracts and other costs	-16	-9	-56
Restructuring costs	**-38**	**-155**	**-570**
Reported as:			
– Cost of services provided	-4	-17	-134
– Selling expenses	-15	-76	-203
– Administrative expenses	-20	-62	-233

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	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Provision for roaming dispute, Sweden	–	-56	-54
Adjustment of expected credit loss rate, Lithuania	–	18	18
Incentive program: adjustment of performance level	–	-24	-24
Total	**–**	**-62**	**-59**
Reported as:			
– Costs of services provided	–	-59	-57
– Selling expenses	–	11	11
– Administrative expenses	–	-13	-13

Impairment

In 2019, a goodwill impairment of SEK 455 million was recognized in Estonia. It was related to a reassessment of the estimated future cash generation, reflecting a lower starting point following last year's decline in profitability. After the impairment, the value attached to the Estonian operation was SEK 850 million on a debt free basis, derived from the value in use calculation with a pre-tax WACC of 11 percent. In addition, an impairment of SEK 13 million was recognized related to IoT in 2019. As IoT revised its strategy, and is now targeting more focused growth, goodwill and surplus attached to the Kombridge acquisition has been written off.

NOTE 4 FINANCIAL ASSETS AND LIABILITIES

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

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds, lease liabilities and accounts payables. For the category "Liabilities to financial institutions and similar liabilities" the reported value amounted at March 31, 2020 to 24,370 (24,899) million and the fair value to SEK 24,798 (25,652) million.

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

NOTE 5 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations (Svenska UMTS-nät AB and Net4Mobility HB, Sweden and SIA Centuria, Latvia), for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at March 31, 2020 to SEK 70 million (December 31, 2019: SEK 65 million). Other transactions with joint operations and other related parties are presented in Note 37 of the 2019 Annual Report.

NOTE 6 CONTINGENT LIABILITIES

Total operations SEK million	Mar 31 2020	Dec 31 2019
Tax deduction exchange loss	351	350
Total contingent liabilities	**351**	**350**

On April 1, 2019 Tele2 was notified that the Swedish Tax Agency rejects Tele2's claim for a deduction of an exchange loss of SEK 1.8 billion related to a conversion of a shareholder loan to Tele2 Kazakhstan from USD to Kazakh Tenge in connection to the establishment of Tele2's previously jointly owned company in Kazakhstan. The tax authority has in September 2019 partly accepted the claimed deduction with SEK 0.7 billion. The additional tax claim on the remainder amounts to SEK 241 million and a tax surcharge and interest of SEK 110 million. Tele2 has appealed the decision and assesses it as probable that the appeal will be successful. No provision has been recognized.

NOTE 7 EQUITY, NUMBER OF SHARES AND INCENTIVE PROGRAMS

Number of shares

	Mar 31 2020	Dec 31 2019
Total number of shares	690,341,597	690,341,597
Number of treasury shares	-2,397,369	-2,411,044
Number of outstanding shares	**687,944,228**	**687,930,553**
Number of outstanding shares, weighted average	687,943,924	687,532,589
Number of shares after dilution	691,156,896	691,192,229
Number of shares after dilution, weighted average	691,157,682	690,751,970

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

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

Outstanding share right programs

	Mar 31 2020	Dec 31 2019
LTI 2019	1,392,695	1,395,024
LTI 2018	1,132,126	1,154,334
LTI 2017	687,847	712,318
Total outstanding share rights	**3,212,668**	**3,261,676**

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 2019 Annual Report. During the three months in 2020, the total cost including social security costs for the long-term incentive programs (LTI) amounted to SEK 26 (55) million before tax, whereof items affecting comparability SEK 0 (32) million.

LTI 2017

The exercise of the share rights in LTI 2017 was conditional upon the fulfilment of certain retention and performance-based conditions, measured from April 1, 2017 until March 31, 2020. The outcome of these performance conditions was in accordance with below and the outstanding share rights of 687,847 expect to be exchanged for shares in Tele2 during Q2 2020.

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

Dividend

To the Annual General Meeting on 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.

NOTE 8 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Acquisitions			
Mobile payments, Lithuania	—	-4	-13
Other minor acquisitions	-5	—	—
Total acquisition of shares and participations	**-5**	**-4**	**-13**
Divestments			
Tele2 Kazakhstan	—	—	2,343
Tele2 Netherlands	—	2,356	1,981
Tele2 Croatia	2,031	—	—
Earn out settlement Tele2 Austria	100	—	—
Other minor divestments	5	—	—
Total sale of shares and participations	**2,136**	**2,356**	**4,323**
TOTAL CASH FLOW EFFECT	**2,131**	**2,352**	**4,310**

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

NOTE 9 DISCONTINUED OPERATIONS

Tele2 Croatia

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

Net assets at the time of divestment

SEK million	Croatia Mar 3, 2020
Other intangible assets	166
Tangible assets	835
Right-of-use assets	476
Financial assets	119
Capitalized contract costs	36
Deferred tax assets	54
Inventories	91
Current receivables	857
Cash and cash equivalents	33
Non-current provisions	-142
Non-current interest-bearing liabilities	-1,140
Current interest-bearing liabilities	-133
Current non-interest-bearing liabilities	-505
Divested net assets	**747**
Capital gain, excluding sales costs	565
Sales price	**1,312**
Repayment of loans	752
Less: cash in divested operations	-33
TOTAL CASH FLOW EFFECT	**2,031**

Income statement

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

Discontinued operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Revenue	329	1,261	3,813
Cost of services provided and equipment sold	-194	-755	-2,227
Gross profit	**135**	**506**	**1,586**
Selling expenses	-57	-148	-509
Administrative expenses	-36	-79	-292
Other operating income	0	2	7
Other operating expenses	-1	-1	-4
Operating profit	**41**	**280**	**788**
Interest income	—	1	3
Interest expenses	-2	-32	-97
Other financial items	—	-28	-145
Profit after financial items	**39**	**221**	**549**
Income tax from the operation	-8	-48	-139
Net profit from the operation	**32**	**173**	**410**
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain	210	81	1,786
– of which Croatia	213	—	—
– of which Netherlands, sold 2019	-12	81	61
– of which Kazakhstan, sold 2019	—	—	1,598
– of which Austria, sold 2017	9	—	91
– of which Norway, sold 2015	—	—	37
Income tax from capital gain	**116**	**47**	**337**
– of which Croatia	116	–	—
– of which Netherlands, sold 2019	—	47	47
– of which Kazakhstan, sold 2019	—	—	290
NET PROFIT	**358**	**301**	**2,533**
Attributable to:			
Equity holders of the parent company	358	245	2,403
Non-controlling interests	—	56	131
NET PROFIT	**358**	**301**	**2,533**
Earnings per share (SEK)	0.53	0.36	3.50
Earnings per share, after dilution (SEK)	0.52	0.35	3.47

Balance sheet

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

Discontinued operations SEK million	Mar 31 2020	Dec 31 2019
ASSETS		
Other intangible assets	–	167
Intangible assets	**–**	**167**
Tangible assets	–	823
Right-of-use assets	–	468
Financial assets	–	115
Capitalized contract costs	–	37
Deferred tax assets	–	53
Non-current assets	**–**	**1,663**
Inventories	–	62
Current receivables	–	979
Current investments	–	9
Current assets	**–**	**1,050**
Assets classified as held for sale	**–**	**2,713**
LIABILITIES		
Interest-bearing liabilities	201	734
Non-current liabilities	**201**	**734**
Interest-bearing liabilities	91	129
Non-interest-bearing liabilities	33	559
Current liabilities	**124**	**687**
Liabilities directly associated with assets classified as held for sale	**325**	**1,421**

Cash flow statement

Discontinued operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Cash flow from operating activities	12	223	970
Cash flow from investing activities	2,093	2,266	4,005
Cash flow from financing activities	-31	-49	850
Net change in cash and cash equivalents	**2,074**	**2,440**	**5,825**

Non-IFRS measures

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

EBITDA

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

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

Underlying EBITDA

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

Underlying EBITDA: EBITDA excluding items affecting comparability.

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

Underlying EBITDAaL and underlying EBITDAaL margin

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

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

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

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Operating profit	1,188	1,047	4,024
Reversal:			
Result from shares in associated companies and joint ventures	-0	-10	97
Depreciation and amortization	1,315	1,246	5,693
EBITDA	**2,503**	**2,284**	**9,814**
Reversal, items affecting comparability:			
Acquisition costs	1	44	72
Restructuring costs	38	155	570
Disposal of non-current assets	—	1	10
Other items affecting comparability	—	62	59
Total items affecting comparability	**39**	**262**	**711**
Underlying EBITDA	**2,542**	**2,545**	**10,525**
Lease depreciation	-290	-274	-1,186
Lease interest costs	-17	-19	-81
Underlying EBITDAaL	**2,235**	**2,252**	**9,258**
Revenue	6,687	6,743	27,659
Revenue excluding items affecting comparability	**6,687**	**6,743**	**27,659**
Underlying EBITDAaL margin	**33%**	**33%**	**33%**

Non-IFRS measures – Capex paid and capex

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

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

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

SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
TOTAL OPERATIONS			
Additions to intangible and tangible assets	-644	-1,671	-3,610
Sale of intangible and tangible assets	1	0	3
Capex paid	**-644**	**-1,671**	**-3,607**
This period's unpaid capex and reversal of paid capex from previous period	111	860	758
Reversal received payment of sold intangible and tangible assets	-1	-0	-3
Capex intangible and tangible assets	**-534**	**-812**	**-2,852**
Additions to right-of-use assets	-348	-356	-1,509
Capex	**-882**	**-1,168**	**-4,361**
CONTINUING OPERATIONS			
Additions to intangible and tangible assets	-601	-1,582	-3,293
Sale of intangible and tangible assets	1	-0	2
Capex paid	**-600**	**-1,583**	**-3,291**
This period's unpaid capex and reversal of paid capex from previous period	83	888	837
Reversal received payment of sold intangible and tangible assets	-1	0	-2
Capex intangible and tangible assets	**-518**	**-695**	**-2,456**
Additions to right-of-use assets	-326	-254	-1,306
Capex	**-844**	**-949**	**-3,762**

Non-IFRS measures – Equity free cash flow

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

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

SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
TOTAL OPERATIONS			
Cash flow from operating activities	2,317	2,490	9,716
Capex paid	-644	-1,671	-3,607
Amortization of lease liabilities	-391	-382	-1,269
Equity free cash flow	**1,282**	**437**	**4,840**
CONTINUING OPERATIONS			
Cash flow from operating activities	2,305	2,267	8,746
Capex paid	-600	-1,583	-3,291
Amortization of lease liabilities	-372	-355	-1,126
Equity free cash flow	**1,333**	**330**	**4,329**

Non-IFRS measures – Operating cash flow

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

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

Continuing operations SEK million	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Underlying EBITDAaL	2,235	2,252	9,258
Capex excluding spectrum and leases	-518	-628	-2,388
Operating cash flow	**1,717**	**1,624**	**6,870**

Non-IFRS measures – Net debt and economic net debt

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

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

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

Total operations SEK million	Mar 31 2020	Dec 31 2019
Interest-bearing non-current liabilities	28,602	27,752
Interest-bearing current liabilities	3,624	5,066
Reversal equipment financing	-146	-139
Reversal provisions	-1,915	-1,774
Cash & cash equivalents, current investments and restricted funds	-2,471	-448
Derivatives	-608	-154
Net debt for assets classified as held for sale	—	513
Net debt	**27,086**	**30,816**
Reversal:		
Lease liabilities	-5,666	-6,111
Economic net debt	**21,421**	**24,705**

Organic

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

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

Reconciliation of proforma figures are presented in an excel document (Tele2-Q1-2020 financials) on Tele2's website www.tele2.com.


TELE2