Annual Report
2018

TELE2

Calendar 2019

MAY 6

Annual General Meeting
2019
Stockholm

Financial Reports

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January — December 2018

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A stronger and more focused Tele2

In 2018 Tele2 successfully delivered on a geographic consolidation strategy which has transformed the company. The approval of the Dutch merger, the initiation of the exit process from Kazakhstan and the merger with Com Hem has created a clear focus on the Baltic Sea region and set the stage for an FMC focused strategy in Sweden.

The Baltic Sea region, and Sweden in particular, represents the most important part of our company due to its size and potential. To increase transparency, and to make it easier for the market to track our progress, we have introduced a new segment structure, separating Sweden into a consumer and a business segment. These two segments have different dynamics and require different strategies.

In the Sweden Consumer segment the main focus is on driving Fixed Mobile Convergence (FMC) through the more-for-more strategy, with an aim to increase customer satisfaction. We expect this to result in revenue synergies having a positive effect on adjusted EBITDA of SEK 450 million annually, to be reached in the next five years. We have already started executing on this by offering benefits to existing customers who have both mobile and fixed services, and by launching Com Hem mobile. With these first offers in the market we can now fine-tune the strategy over time and learn how to drive FMC in a profitable way, reduce churn and drive ASPU through higher customer satisfaction. This will build a strong and resilient consumer business in Sweden that can grow faster than the market.

In the Sweden Business segment we will apply a different strategy, aimed at growing revenue through market share gains. As a number three in the segments of the business market that we mainly target, there is room to take share and drive growth through volumes rather than price. In parallel, we will make structural cost savings and rationalize the product portfolio to focus on profitable growth from services delivered on our own infrastructure.

In the Baltics, we will largely stay the course and capitalize on growing data consumption and smartphone penetration, while looking at options to further strengthen our mobile-centric product portfolio.

We are also implementing initiatives to reduce costs, particularly in Sweden from synergies associated with the Com Hem merger, but also through exploiting other potential efficiencies in the larger organization that we have identified. After the merger with Com Hem closed, we announced a cost reduction target with an annual run rate of SEK 900 million, double the previous target, to be delivered within three years instead of five, of which half already by the end of 2019 on a run rate basis.

Further down the line there is a potential opportunity for more structural changes involving areas such as network, IT and brand portfolio. In addition to improving profitability, this will help create a more agile and efficient organization that can move quickly and adapt to changing market environments and shifts in technology. This potential next step is more transformational and would turn Tele2 into what it needs to be in the future – a truly integrated FMC challenger.

With a more focused geographical footprint, updated strategy and cost reduction targets, we now have clear visibility of the trajectory of revenue and cost going forward and provide guidance for the mid-term. We guide to flat end-user service revenue growth in 2019, ramping up to low-single digit in the mid-term as we gradually deliver revenue synergies. We guide to mid-single digit adjusted EBITDA growth, mainly driven by opex reduction in the near term, and a mix of revenue growth and continued cost

reduction mid-term. Our capex guidance of SEK 2.9–3.2 billion in 2019 and SEK 3.0–3.5 billion annually in the mid-term reflects investments in 5G in the mobile network and remote-PHY in the fixed network needed in order to deliver the experience that our customers will demand over the coming years. We expect that this guidance implies increased cash generation and we intend to distribute that cash to shareholders. For this year, the Board intends to propose an ordinary dividend of SEK 4.40 per share (SEK 3.0 billion) paid out in two tranches in May and October. In addition, the Board intends to distribute available proceeds from the transactions in the Netherlands and Kazakhstan once the Kazakhstan sale is closed.

Looking forward

We are in the beginning of transformational period for Tele2 with the start of many ambitious initiatives. We see a year full of positive change ahead of us as we execute on the cost synergies, establish Tele2 as an FMC player in the Swedish consumer market, launch Com Hem mobile, and start the transformation of the Sweden Business segment. With the combined talent of two great companies and a roadmap of exciting initiatives, I see a bright future for Tele2 in 2019 and beyond.

Anders Nilsson
President and CEO

“With the combined talent of two great companies and a roadmap of exciting initiatives, I see a bright future for Tele2 in 2019 and beyond.”

Board of Directors

Georgi Ganev

Chairman of the Board, elected in 2018. Previously Board member, elected in 2016

Born: 1976

Nationality: Swedish citizen

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

Holdings in Tele2: 1,030 B shares

Committee work: Chairman of the Remuneration Committee and Chairman of the Nomination Committee, Member of the Audit Committee

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

Previous assignments: CEO of Dustin Group AB (publ) and Bredbandsbolaget, Chief Marketing Officer of Telenor Sweden

Education: M.Sc. in Engineering from Uppsala University

Andrew Barron

Board member, elected in 2018

Born: 1965

Nationality: British citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: 106,140 B shares

Committee work: Member of the Remuneration Committee

Other current assignments: Board Member of Ocean Outdoor Limited and of Arris International plc

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

Education: Bachelor's Degree, MBA

Sofia Arhall Bergendorff

Board member, elected in 2016

Born: 1969

Nationality: Swedish citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

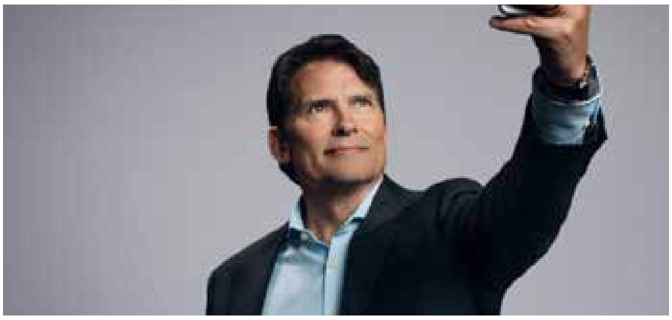
Holdings in Tele2: 2,500 B shares

Committee work: -

Other current assignments: Director, Partnerships, Northern Europe, Google, Member of the Board of Bluestep Bank AB

Previous assignments: Director, Global Operations for Partnerships at Google, Head of Americas Strategy and Operations and Sales Operations Manager Nordic at Google, partner at Copenhagen Consulting Company (now Quartz+Co)

Education: BA in Journalism from the University of Oregon and an MBA from INSEAD



Anders Björkman

Board member, elected in 2017

Born: 1959

Nationality: Swedish citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: 2,000 B shares

Committee work: Member of the Remuneration Committee

Other current assignments: Chairman of the Board of Maintrac AB, Chairman of the Board of Maven Wireless AB, Chairman of the Board of Parktrade Europe AB, Member of the Board of Allgon AB

Previous assignments: CEO of OnePhone Holding AB and it's partnerships with British Telecommunications and KPN, CEO of Argnor Wireless Ventures, CEO of SEC and of Tele2 (between 1996 and 1999), Member of the Board of a number of Argnor Wireless Ventures portfolio companies, Non-Executive Member of the Board of Digital Trading Technologies Limited T/A Consumer Data Protection

Education: MSc from Chalmers University of Technology

Cynthia Gordon

Board member, elected in 2016

Born: 1962

Nationality: British citizen

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

Holdings in Tele2: 2,000 B shares

Committee work: -

Other current assignments: Chairman of the Board of Global Fashion Group, Member of the Boards of Bima Milvik, Bayport, Josen Partners and Partan Limited

Previous assignments: Member of the Board of Directors at Kinnevik AB (publ), Executive Vice President and CEO of the Africa Division at Millicom International Cellular, CCO Group of Ooredoo, Vice President of Partnerships & Emerging Markets of Orange, CCO of MTS, Vice President Business Marketing of Orange

Education: BA in Business Studies from Brighton University

Eva Lindqvist

Board member, elected in 2018

Born: 1958

Nationality: Swedish citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: 2,891 B shares

Committee work: Member of the Audit Committee

Other current assignments: Member of the Board of SWECO AB (publ), Mr Green & Co AB, Kährs Holding AB (publ), Tarsier Studios AB, Bodycote plc and Keller Group plc. Elected Member of the Royal Swedish Academy of Engineering Sciences

Previous assignments: Member of the Board of Directors of Com Hem Holding AB, ASSA ABLOY AB (publ), Alimak Group AB (publ) and Caverion Oy. Senior Vice President of TeliaSonera's mobile operations, CEO of TeliaSonera International Carrier and senior positions at Ericsson

Education: MSc Engineering Physics, MBA

Lars-Åke Norling

Board member, elected in 2018

Born: 1968

Nationality: Swedish citizen

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

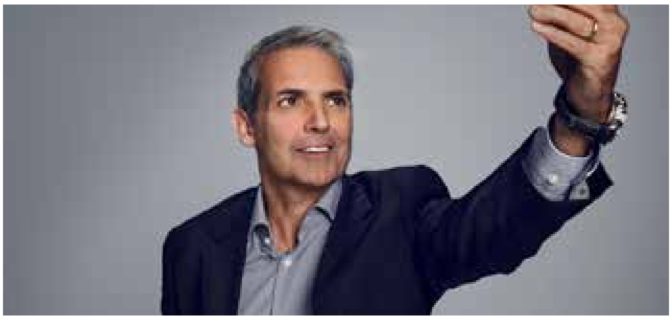
Holdings in Tele2: -

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

Other current assignments: Investment Director at Kinnevik AB (publ) with responsibility for the TMT sector, Board Director of Millicom

Previous assignments: CEO of dtac, CEO of digi, Executive vice president of Developed Asia at Telenor, CEO of Telenor Sweden, CTO/COO of Bredbandsbolaget

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



Eamonn O'Hare

Board member, elected in 2015

Born: 1963

Nationality: Irish and British citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: -

Committee work: -

Other current assignments: Founder, Chairman and CEO of Zegona Communications and a Non-Executive Board Director of Dialog Semiconductor

Previous assignments: CFO and Board Director of Virgin Media Inc, CFO United Kingdom of Tesco plc

Education: B.Sc. Aeronautical Engineering, from Queen's University, Belfast, and MBA from London Business School

Carla Smits-Nusteling

Board member, elected in 2013

Born: 1966

Nationality: Dutch citizen

Independence: Independent in relation to the company and management as well as in relation to the company's major shareholders

Holdings in Tele2: 1,687 B shares

Committee work: Chairman of the Audit Committee

Other current assignments: Member of the Board of Directors of Nokia Oyj, Non-Executive Director at ASML, Member of the management board of the Foundation Unilever NV Trust Office and Lay judge of the Enterprise Court of the Amsterdam Court of Appeal

Previous assignments: CFO of Koninklijke KPN N.V.

Education: M.Sc. Business Economics from Erasmus University, Rotterdam and Executive Master of Finance & Control from Vrije Universiteit Amsterdam

Leadership Team

Anders Nilsson

President and Group CEO

Joined the company in 2018

Born 1967

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

Holdings in Tele2[1]:
220,839 B shares
100,000 share rights (LTI 2018)

Mikael Larsson

EVP, Group CFO

Joined the company in 2018

Born 1968

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

Holdings in Tele2[1]:
82,953 B shares
60,000 share rights (LTI 2018)

Samuel Skott

EVP, Sweden Consumer

Joined the company in 2005

Born 1978

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

Holdings in Tele2[1]:
21,000 B shares
48,000 share rights (LTI 2016)
60,000 share rights (LTI 2017)
60,000 share rights (LTI 2018)

Tom Craig

EVP, Sweden Business

Joined the company in 2018

Born 1967

Tom started working at Tele2 as a Strategic Advisor to the B2B business during 2018. Prior to this he has served in executive positions such as President Business Solutions at BT Global Services, Group Director Business Services at Vodafone and leadership roles at Ooredoo Business Services and Millicom Group.

Holdings in Tele2[1]:–

Jonathan (Jon) James

EVP, Former CEO Tele2 Netherlands

Joined the company in 2017

Born 1969

Jon was the CEO of Tele2 Netherlands until the closing of the merger with T-Mobile Netherlands, a position he has held since 2017. Prior to that, Jon was the COO at Com Hem Holding AB and he has over 20 years of experience within the media and telecom industry.

Holdings in Tele2:
13,386 B-shares

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

Guillaume van Gaver

EVP, International

Joined the company in 2016

Born 1971

Guillaume assumed the position as EVP International Markets in 2016. Prior to that he has worked in the US, Europe and Middle East for companies including Orange, Mobinil, EE and Dixons Carphone.

Holdings in Tele2[1)]:
16,062 B shares
31,500 share rights (LTI 2016)
60,000 share rights (LTI 2017)

Joel Westin

EVP, Strategy & Business Development

Joined the company in 2018

Born 1970

Joel was previously Product Director at Com Hem Holding AB. Prior to that, Joel was Director of Product and Business Development at MTG.

Holdings in Tele2[1)]:
6,300 B shares
16,000 share rights (LTI 2018)

Stefan Backman

EVP, Group General Counsel

Joined the company in 2007

Born 1975

Stefan has held several senior positions at Tele2 over the past 11 years. Prior to that, he worked at the Swedish Post and Telecom Authority (PTS) and at the Administrative Court of Stockholm.

Holdings in Tele2[1)]:
11,043 B shares
8,000 share rights (LTI 2016)
31,500 share rights (LTI 2017)
31,500 share rights (LTI 2018)

Karin Svensson

EVP, Chief People & Change

Joined the company in 2018

Born 1965

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

Holdings in Tele2[1)]:
4,500 B shares
31,500 share rights (LTI 2018)

Fredrik Stenberg

EVP, Transformation and Operational Excellence

Joined the company in 2004

Born 1975

Fredrik was previously Director of Shared Operations at Tele2. He started his career at Tele2 in 2004 and has previously held several senior positions including acting COO and Director of Customer Operations.

Holdings in Tele2[1)]:
12,889 B shares
8,000 share rights (LTI 2016)
31,500 share rights (LTI 2017)
31,500 share rights (LTI 2018)

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

Viktor Wallström

EVP, Communications

Joined the company in 2013

Born 1985

Viktor assumed the position as EVP Communications in 2016. Viktor joined Tele2 in 2013 and has over ten years of experience from consulting and corporate roles within communications & marketing.

Holdings in Tele2[1]:
10,500 B shares
8,000 share rights (LTI 2016)
16,000 share rights (LTI 2017)
31,500 share rights (LTI 2018)

Joss Delissen

EVP, IT

Joined the company in 2016

Born 1963

Joss was previously CIO of Tele2. Prior to that, he spent ten years as CIO at PostNord and 15 years at Unilever in various positions.

Holdings in Tele2[1]:
8,000 B shares
8,000 share rights (LTI 2017)
16,000 share rights (LTI 2018)

Kim Hagberg

EVP, Chief Operations

Joined the company in 2013

Born 1966

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

Holdings in Tele2[1]:
7,000 B shares
8,000 share rights (LTI 2016)
8,000 share rights (LTI 2017)
8,000 share rights (LTI 2018)

Thomas Björklund

EVP, Tehcnology Mobile. Leaving Tele2's leadership team as of April 1, 2019

Joined the company in 1996

Born 1970

Thomas was previously CTO of Tele2. He has been employed at Tele2 for 22 years and he has held positions such as Network Architect and Director of Network Strategy.

Holdings in Tele2[1]:
14,625 B shares
8,000 share rights (LTI 2016)
16,000 share rights (LTI 2017)
16,000 share rights (LTI 2018)

Thomas Helbo

EVP, Technology Fixed

Joined the company in 2018

Born 1972

Thomas was previously CTO at Com Hem Holding AB. Prior to that Thomas was CTO at Stofa in Denmark, and was Chairman of the Danish electronics industry association.

Holdings in Tele2[1]:
11,978 B shares
16,000 share rights (LTI 2018)

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

Shareholder information

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

Share Performance
The Tele2 B-share share rose by 10.2 percent during 2018, from SEK 102.50 to SEK 112.95, while the OMX Stockholm PI declined by 7.7 percent, the OMX Stockholm Telecommunications PI increased by 12.3 percent and Tele2's peer group[1)] declined by an average of 12.1 percent. The highest closing price in 2018 was SEK 121.00 on July 27, and the lowest closing price was SEK 93.00 on February 9. The average closing share price was SEK 107.17. In 2018, the Tele2 B-share share delivered a TSR of 14.1 percent.

Turnover and trading
In 2018, a total of 634.4 million Tele2 B-shares were traded on Nasdaq Stockholm for a value of approximately SEK 67.6 billion. An average of 2.5 million Tele2 B-shares were traded per trading day, representing a value of approximately SEK 270 million.

Shareholder remuneration policy
Tele2 will aim to maintain target leverage of 2.5–3.0x economic net debt/adjusted EBITDA 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 adjusted EBITDA growth

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

Shareholder remuneration in 2018
During 2018, shareholders were remunerated by a total of SEK 2,013 million in the form of ordinary cash dividend of SEK 4.00 per share.

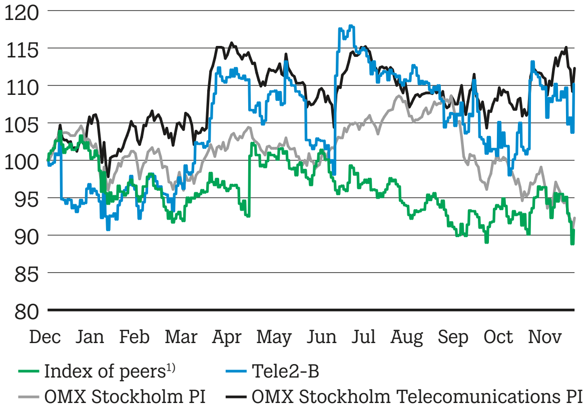
Proposed shareholder remuneration in 2019
For the financial year 2018, the Board of Directors of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) on 6 May 2019 that an ordinary dividend of SEK 4.40 be paid per ordinary A and B share, in two equal tranches.

In addition the Board intends to remunerate shareholders with the net proceeds received, after adjusting for loss of future adjusted EBITDA contribution, from the sale of the operations in the Netherlands and Kazakhstan. Further information will be given by mid-2019, when the Kazakhstan divestment is expected to be completed.

Share capital
The share capital in Tele2 AB is divided into three classes of shares: class A, B and C shares. All types of shares have a quota value of SEK 1.25 per share and Class A and B shares have the same rights on the company's net assets and profits while Class C shares are not entitled to dividends. Class A shares entitle the holder to 10 voting rights per share and Class B and C shares to one voting right per share. As of December 31, 2018, there were 22.6 million registered class A shares, 665.8 million class B shares (of which 1.4 million held in treasury) and 1.9 million class C shares (all of which held in treasury).

Shareholders
At December 31, 2018, Tele2 had 61,659 known shareholders. The 10 largest single shareholders represented 47.3 percent of the share capital and 57.4 percent of the votes. Foreign shareholders held 43.2 percent of the share capital and 33.5 percent of the votes.

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



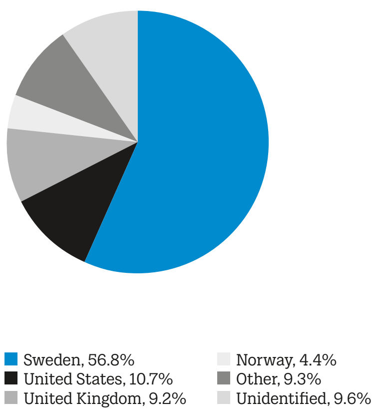
1) Peer group includes: Altice Europe, Cellnex Telecom, Elisa, Freenet, Iliad, KPN, Modern Times Group, Proximus, Swisscom, TalkTalk, Telecom Italia, Telenet, Telenor and Telia Company.

Top 10

As of December 31, 2018	Capital (%)	Votes (%)
Kinnevik	27,3	42,0
Norges Bank	3,1	2,4
Swedbank Robur Funds	2,9	2,2
Blackrock	2,6	2,0
Nordea funds	2,4	1,9
Vanguard	2,2	1,7
SEB Funds	1,9	1,5
Adelphi Capital	1,7	1,3
MFS	1,7	1,3
State Street	1,4	1,0
Total top 10	**47,3**	**57,4**

Source: CMi2i

Ownership by country



Source: CMi2i

Administration report

The Board of Directors and the CEO herewith present the annual report and consolidated financial statements for Tele2 AB (publ), corporate reg. no. 556410-8917 for the financial year 2018.

Figures presented in this report refer to continuing operations unless otherwise stated, with comparable figures for the previous year in parentheses. Com Hem is included in the Group's results from the day of the closing of the merger, on 5 November, 2018. Tele2 Netherlands is reported as a discontinued operation following the agreement in December 2017 to merge the business with T-Mobile Netherlands, a merger which closed on 2 January, 2019. Tele2 Kazakhstan is also reported as a discontinued operation following Tele2's decision to file a put option notice to Kazakhtelecom on 28 December, 2018, which initiates the exit process from Kazakhstan.

Financial overview

Tele2 has been a fearless challenger to the former government monopolies and other established telecoms providers ever since Jan Stenbeck founded the company in Sweden in 1993, and remains focused on being a customer focused champion, fearlessly liberating a more connected life, wherever it operates. The Group provides services to consumers and businesses including mobile services, fixed broadband, digital entertainment, fixed telephony, data network services and global IoT solutions.

Revenue
Revenue amounted to SEK 23,704 (21,466) million. The positive development was driven mainly by the inclusion of Com Hem from 5 November, 2018, higher equipment sales in Sweden and the Baltics, and growth in mobile end-user service revenue in Lithuania and Croatia.

Adjusted EBITDA
Adjusted EBITDA amounted to SEK 6,655 (5,798) million, which is equivalent to an adjusted EBITDA margin of 28.1 (27.0) percent. The increase in adjusted EBITDA compared to last year is mainly related to the inclusion of Com Hem and improved results in Lithuania and Croatia driven by growth in mobile end-user service revenue.

Operating profit
Operating profit amounted to SEK 3,750 (3,469) million, impacted by higher adjusted EBITDA and also by higher depreciation and amortization compared to last year. Furthermore, operating perating profit was negatively affected by items affecting comparability totalling SEK –468 (–243) million, consisting of SEK –311(–145) million of integration costs relating to the merger with Com Hem and acquisition of TDC Sweden, SEK –306 (–20) million of acquisition costs related to the merger with Com Hem and a reversal of a previously impaired non-current asset in Croatia of SEK 149 (–) million and the Challenger program SEK 0 (–78) million million (Note 5). Operating profit excluding items affecting comparability amounted to SEK 4,218 (3,712) million.

Profit after financial items
Interest expense, interest income and other financial items amounted to SEK –378 (–304) million. The average interest rate on outstanding liabilities was 2.6 (2.6) percent. Profit after financial items amounted to SEK 3,372 (3,165) million.

Net profit
Net profit amounted to SEK 1,610 (2,431) million. Net profit was negatively affected by impairment of deferred tax assets in Luxembourg of SEK –1,134 million and positively affected by recognition of deferred tax assets in Croatia and Germany of SEK 51 million and SEK 51 million, respectively (Note 12). Earnings per share after dilution amounted to SEK 3.01 (4.87). Net loss in discontinued operations amounted to SEK –619 (–2,211) million (Note 36).

Equity free cash flow from total operations
Equity free cash flow from total operations amounted to SEK 1,757 (2,519) million, of which SEK 2,072 (3,117) million relating to continuing operations. The negative development compared to last year was mainly related to working capital changes, amounting to SEK –1,123 (–65) million, and payments incurred by the merger with Com Hem.

Capex
Tele2 made investments of SEK 2,832 (1,432) million in tangible and intangible assets. The increase versus the previous year was related to Sweden and mainly driven by the investment in frequency spectrum in the 700 MHz band in December 2018, amounting to SEK 721 million, and the inclusion of Com Hem. Capex paid from total operations amounted to SEK –3,403 (–3,213) million, of which SEK –1,899 (–1,535) relating to continuing operations. Capex paid in continuing operations was lower than balance sheet capex mainly due to the investment in the frequency spectrum in Sweden, which was paid after the end of the year.

Net debt and economic net debt
Net debt amounted to SEK 28,880 (10,474) million and economic net debt amounted to SEK 27,865 (9,770) million on December 31, 2018, corresponding to 2.80 times adjusted EBITDA including Com Hem as if acquired at the beginning of the year. Tele2's available liquidity amounted to SEK 9,520 (10,737) million.

Three-year summary

SEK million	Note	2018	2017	2016
CONTINUING OPERATIONS				
Revenue		23,704	21,466	18,131
Adjusted EBITDA	6	6,655	5,798	5,119
Operating profit		3,750	3,469	3,133
Profit after financial items		3,372	3,165	2,791
Net profit		1,610	2,431	1,781
Key ratios				
Adjusted EBITDA margin, %		28.1	27.0	28.2
Operating profit/loss margin, %		15.8	16.2	17.3
Value per share (SEK)				
Net profit	25	3.03	4.88	3.94
Net profit, after dilution	25	3.01	4.87	3.94
TOTAL OPERATIONS				
Equity		36,362	17,132	18,473
Total assets		82,644	39,724	41,142
Cash flow from operating activities		5,160	5,732	5,016
Additions to intangible and tangible assets		4,122	2,961	3,833
Key ratios				
Average interest rate, %		2.6	2.6	3.0
Value per share (SEK)				
Net profit/loss		1.61	0.38	–5.02
Net profit/loss, after dilution		1.59	0.37	–5.02
Equity		68.41	34.31	41.52
Cash flow from operating activities		9.72	11.40	11.09
Dividend, ordinary		4.40[1)]	4.00	5.23
Market price at closing day		112.95	100.80	73.05

[1)] Proposed dividend

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

Overview by business segment

The Group continued to undertake significant structural changes during 2018. The merger with Com Hem was announced on January 10 and closed on November 5, following approval by shareholders and competition authorities. The merger of Tele2 Netherlands and T-Mobile Netherlands was approved by competition authorities on November 27 and closed on January 2, 2019. On December 28 Tele2 initiated the exit process from Kazakhstan, now reported as a discontinued operation.

Following these changes, the Group's footprint will be dominated by the Swedish business which contributed 76 percent of the Group's revenue on a pro forma basis in 2018. During the year the Swedish business was split into two reporting segments; Sweden Consumer and Sweden Business. The three Baltic operations in Lithuania, Latvia and Estonia contributed 15 percent of the Group's revenue on a pro forma basis, with the remaining revenue coming mainly from Croatia, Germany and IoT.

After the merger with T-Mobile Netherlands Tele2 becomes a 25 percent shareholder in an enlarged T-Mobile Netherlands. Through the merger the new company is expected to extract significant synergies and become a stronger challenger to the dominant FMC players in the Dutch market, to the benefit of the Dutch consumers.

Strategic focus

In all our markets we play a critical role in powering the digital society by providing the infrastructure and connectivity services which are the building blocks of the digital economy. Usage and expectations on connectivity are constantly increasing and access to the internet is today more or less seen as a necessity of life. And still, there are many reasons to believe that the digital society is only at its beginning.

In the longer term, new technologies and use cases like smart cities, autonomous vehicles, advanced robotics, augmented and virtual reality will not only add to traffic growth, but will also require increased reliability, higher speeds and even more sophisticated networks.

To satisfy this seemingly ever-growing demand for connectivity is what we live for and Tele2 will continue to fearlessly liberate people to live a more connected life.

International markets

With the merger in the Netherlands and the initiated process of divesting our operation in Kazakhstan, Tele2 continues its journey towards a leading challenger operator in the Baltic Sea region, with a natural gravity towards Sweden.

Our approach in the Baltics differ country by country, as each market has its own set of characteristics. The existing strategy has proven successful and we will continue to drive performance through monetizing data.

Re-igniting growth in the Swedish market by creating a truly integrated operator

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

By combining strengths of Tele2 and Com Hem, we will offer a full range of complementary and high-quality connectivity and digital services. To serve our customers in the best way, we will create a truly integrated operator as a foundation for great customer experiences as well as internal efficiency.

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

In the business segment we will continue our work to return to growth by creating a competitive and cost-efficient challenger on the B2B market, with high-quality connectivity at the heart of its service offering.

Accelerate digital transformation and create an outstanding customer experience

Digital transformation is at the top of the agenda for many leading companies and has the potential to drive significant value. We have already come a long way on our digital journey, but we will continue to simplify products and processes to enable further digitalization and automation.

But, we believe digitalization is not only about systems, simplifications and savings, it is, above all, to create a greater customer experience and find new opportunities to serve. By deep understanding of customer needs and behavior, we will create a truly amazing experience for existing and new Tele2 customers.

Leverage future technology shifts to serve our customers better

New technologies like 5G and DOCSIS 3.1 open new opportunities for operators to deliver more benefit at lower costs. 5G will be introduced in our networks during the coming years and will be a cost-efficient way to build network capacity, but it will also enable completely new use cases. eSIM, as another example, has the potential to reinvent the way we sell and distribute our services.

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

Winning people and culture

Tele2's culture and strong values, "The Tele2 Way", make the foundation for attracting and retaining driven and engaged talent. With emphasis on diversity, leadership and flexible ways of working we will continue to have one of the strongest cultures and team of people in the global telecom industry.

Our ambition

- **Happiest customers** – Tele2 shall be the operator of choice for service and value for money. As a result, customers will reward us with their loyalty.
- **Most engaged employees** – Tele2 shall be considered a great place to work and as a result will attract and retain the best people who can deliver on our ambitions.
- **Profitable growth** – To create a growing and transparent cash flow, with a strong link to shareholder remuneration.

By having the happiest customers, the most engaged employees and a unique set of winning strategies, Tele2 shall deliver profitable growth with a growing and transparent cashflow. These fundamental priorities and objectives will continue to guide Tele2's activities going forward.

Sweden Consumer

SEK million	2018	2017	Growth
Revenue	10,000	8,632	16%
of which end-user service revenue	7,220	6,260	15%
Adjusted EBITDA	3,369	2,969	13%

2018 in brief

2018 was a year of profound change for the Swedish consumer business as it made the transition to become a full-service provider of mobile, fixed and digital entertainment services to Swedish consumers through the merger with Com Hem. The merger closed on 5 November and Com Hem contributed to the segment's financial results from that date, resulting in reported revenue growth of 16 percent for the full year.

Integration of Com Hem started at the time of closing and is expected to result in synergies amounting to SEK 1,350 million annually when fully exploited, mainly in the consumer segment. Revenue synergies are expected to arise mainly through cross-selling of mobile services to the fixed customer base, cross-selling of fixed services to the mobile customer base, and through increased customer loyalty as a result of the broadened service offering which is expected to reduce customer churn. Already ten days after closing of the merger, mobile customers under the Tele2 brand who are also fixed-line customers under the Com Hem brand were offered to opt in for benefits such as increased speed or data volume. The initiative is expected to increase customer loyalty over time. At the same time Com Hem's fixed-line products became available through Tele2's sales channels, and in February 2019 mobile services were launched under the Com Hem brand. Thus, the first initiatives in all the three main revenue enhancing areas have been launched.

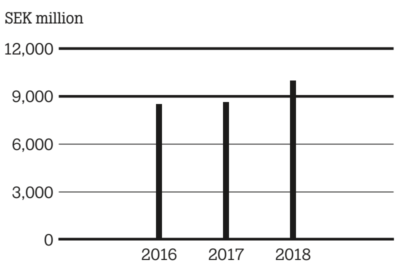
Revenue and cost synergies arising from the merger with Com Hem are further described in Note 15.

Revenue in the mobile consumer business was stable compared with the previous year. Data consumption continued to grow strongly, resulting in upselling opportunities including upselling to Tele2's Unlimited offering. Postpaid revenue, contributing 80 percent of total mobile end-user service revenue, grew 4 percent driven mainly by an increase in ASPU. Prepaid revenue declined by 11 percent as a result of continued pre- to postpaid migration. Legacy services including Fixed telephony and DSL continued to decline in line with expectations.

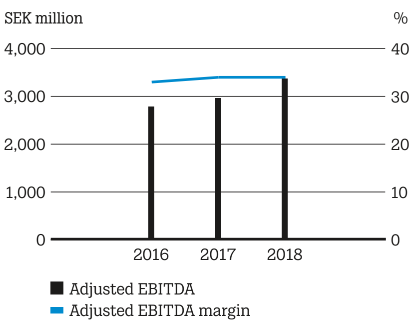
2019

The main focus in 2019 will be the continued integration with Com Hem and the execution of the unique market opportunities that the merger brings. The launch of Com Hem mobile is one of the most important product introductions of the year and will be at the center of Com Hem's marketing in the first half of the year. This, combined with the other growth initiatives, is expected to gradually enhance the growth rate of the business during the year and set it in a position to contribute to the Group's low-single digit growth ambition for 2020 and onwards. In 2019, Tele2 will begin the rollout of 5G technology in the mobile network. The rollout is expected to be gradually implemented over the next few years to enhance the network and meet increased customer demand for data capacity.

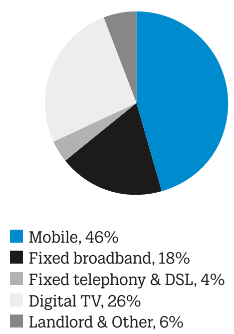
Revenue



Adjusted EBITDA
Adjusted EBITDA margin



End-user service revenue per service, pro forma including Com Hem for full year



Sweden Business

SEK million	2018	2017	Growth
Revenue	6,417	6,425	0%
of which end-user service revenue	3,979	4,103	–3%
Adjusted EBITDA	1,373	1,383	–1%

2018 in brief

Tele2 continued with its strategy to be a challenger with a broad service offering, following the acquisition of TDC at the end of 2016.

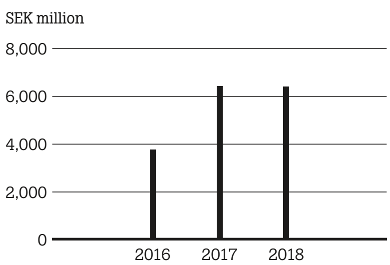
During the year, Tele2 won significant new and extended contracts with customers in both the private and the public sector, such as ICA, Siemens, PostNord, Lantmännen, Handelsbanken and the cities of Gothenburg and Uppsala.

At the end of the year, the overall end-user service revenue showed signs of stabilization despite continued price competition. The mobile business returned to growth fueled by an 8 percent increase in the number of mobile RGUs, reflecting continued strong customer momentum, whereas the price erosion in the legacy fixed segment put a drag on the total end user service development.

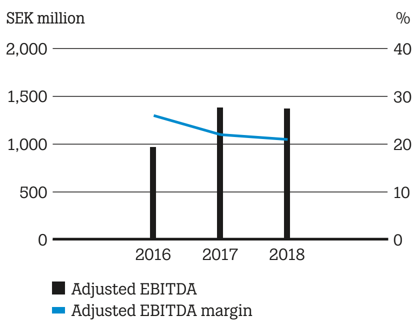
2019

Tele2 aims to continue the positive momentum in mobile customer intake in the business segment and monetize mobile data through unlimited data offers. The business is going through a period of restructuring in order to focus on higher margin, network-based ICT services, with an aim to make structural cost savings and improve revenue growth trends.

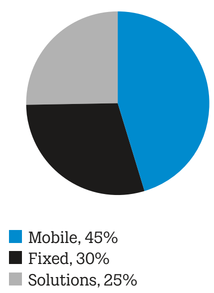
Revenue



Adjusted EBITDA
Adjusted EBITDA margin



End-user service revenue per service, pro forma including Com Hem for full year



Lithuania

SEK million	2018	2017	Growth
Revenue	2,430	1,957	24%
of which mobile end-user service revenue	1,329	1,119	19%
Adjusted EBITDA	816	651	25%

2018 in brief

In 2018, the market remained highly competitive in terms of pricing. Tele2 managed to defend its position while executing effective customer retention programs and introducing strong mobile broadband products to the market. A focused market investment into the B2B segment was successful, with a growing customer and revenue base.

A platform for instant mobile payments was successfully launched at the end of 2018. The platform is called "Mobilūs mokėjimai" (Mobile payments) and is jointly managed by the three operators in Lithuania.

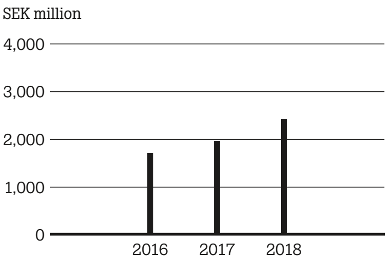
Tele2's prepaid brand "Pildyk" introduced a new pricing scheme which resulted in increased data usage and a higher ASPU for prepaid users. Pre- to postpaid migration also increased, which helped retaining customers and improving their spending.

Tele2 Lithuania was recognized as the Best Employer in the Baltics based on research from AON Hewitt, and was awarded by Daily Business News as technology leader for the second year in a row. Moreover, Tele2 campaign (titled Tele2 Flying House) was shortlisted in Cannes Lions International Festival of Creativity.

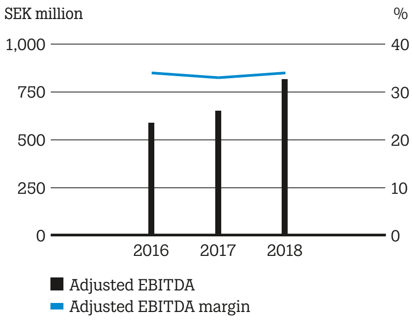
2019

In 2019, Tele2 will further develop the platform for mobile payments through retailer deployment and introduction of new features, use the market momentum within mobile broadband to fuel further growth, and build brand equity to attract new customers. Data monetization and customer experience digitalization will continue as one of the main focus areas.

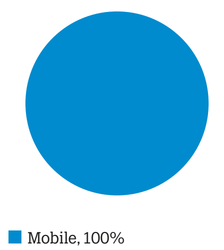
Revenue



Adjusted EBITDA
Adjusted EBITDA margin



End-user service revenue per service



Latvia

SEK million	2018	2017	Growth
Revenue	1,308	1,178	11%
of which end-user service revenue	768	672	14%
Adjusted EBITDA	474	417	14%

2018 in brief

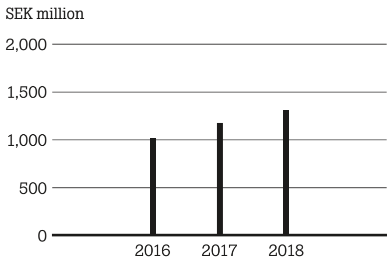
Tele2 continued its positive revenue trend in Latvia in 2018. A focused data monetization strategy in combination with success in the B2B market drove strong growth in mobile end-user service revenue, supported by pre- to postpaid migration and a growing market for mobile broadband. Attention to customer care secured a winning position among customers migrating between operators. Revenue growth and disciplined cost management produced a further increase in the adjusted EBITDA margin to 36 (35) percent.

Tele2 Latvia also continued developing its 4G network to strengthen its market leading position with the best coverage and fastest network. Looking forward to future network development, Tele2 also secured 100MHz of full uninterrupted 5G spectrum in the 3.5–3.8 GHz band.

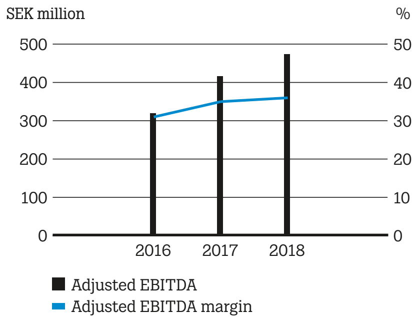
2019

Tele2 aims to continue to build on its positive momentum and strengthen its market position with attractive commercial offers and a focus on strong customer service. Key focus areas are further service revenue growth both in the consumer and business segments, exploiting continued pre-to postpaid migration, development of digital distribution and service channels, and a further strengthening of the network quality perception by taking the first steps towards 5G.

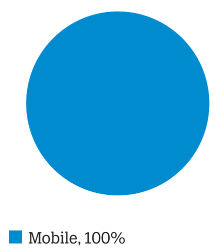
Revenue



Adjusted EBITDA
Adjusted EBITDA margin



End-user service revenue per service



Estonia

SEK million	2018	2017	Growth
Revenue	787	743	6%
of which end-user service revenue	451	455	–1%
Adjusted EBITDA	167	185	–10%

2018 in brief

2018 was a year for re-building the Tele2 Estonia organization, by bringing in new people, a new strategy and a new direction. Cold-calling, i.e. unsolicited telemarketing, which was highly unpopular with current and new customers alike, was closed down in the industry. Instead the focus is on growth through leading customer-orientation, providing the best value, the best customer service, and a great network experience. The new strategic focus is expected to result in improving operating trends over time.

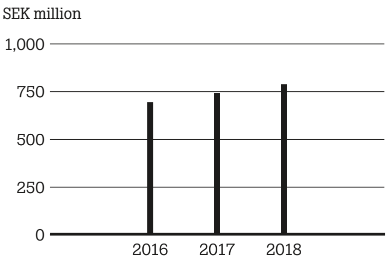
Tele2 continued to invest in the network to provide a high quality experience at an affordable price. According to measurements by the national regulator Tele2's network was rated as having the highest maximum download speeds in the market.

Net RGU intake amounted to –28,000 in 2018 as a result of the aggressive telemarketing and discounting. Revenue grew by 6 percent, driven mainly by higher sales of equipment, while end-user service revenue fell by 1% driven by a decline in the mobile subscriber base, and adjusted EBITDA declined by 10%.

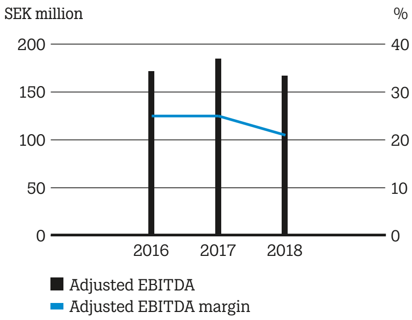
2019

Key priorities for 2019 include executing on the customer-focused strategy and becoming a customer champion in the consumer market. In B2B, the focus will be on continued development of a full FMC product portfolio to provide a one-stop shop for business customers.

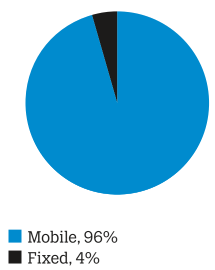
Revenue



Adjusted EBITDA
Adjusted EBITDA margin



End-user service revenue per service



Croatia

SEK million	2018	2017	Growth
Revenue	1,937	1,694	14%
of which mobile end-user service revenue	1,110	903	23%
Adjusted EBITDA	425	93	357%

2018 in brief

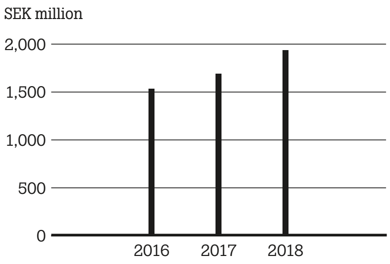
Tele2 Croatia further cemented its position as an open and flexible challenger with competitive prices, liberating people to live more connected lives. This supports customers' needs, especially those with high data usage on-the-go, for both postpaid and prepaid. The increase in the customer base of 56,000 is evidence that Tele2 is well positioned in regards to what customers expect from their operator in today's world of high and growing data usage.

Revenue increased due to strong growth of mobile end-user service revenue underpinned both by ASPU growth driven by the continued success of Tele2's unique Unlimited offerings, and an increase in the customer base. This resulted in an increased adjusted EBITDA on an underlying basis, which was further enhanced by extraordinary effects. In particular, the government decided to reduce spectrum fees also with retrospective effect. 2018 adjusted EBITDA included SEK 56 million retroactive recognition of a lower spectrum fee for 2017.

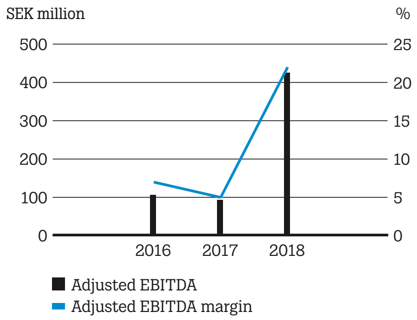
2019

In 2019 Tele2 Croatia will continue to improve customer experience and help customers to stay connected whenever and wherever they need, offering solutions that support a data-centric lifestyle for individuals, families and businesses. Furthermore, investments to secure network capacity and quality of service will continue.

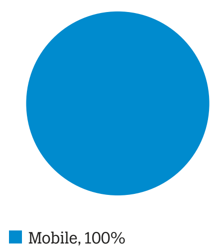
Revenue



Adjusted EBITDA
Adjusted EBITDA margin



End-user service revenue per service



Germany

SEK million	2018	2017	Growth
Revenue	539	612	–12%
Adjusted EBITDA	249	265	–6%

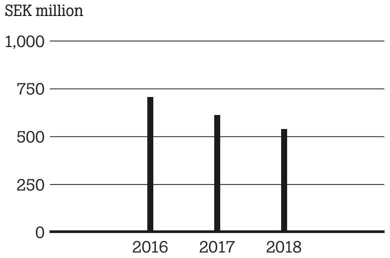
2018 in brief

With a focus on the maximization of customer lifetime value, Tele2 has centered its operational activities on retention and on up- and cross selling into the customer base. As a result customer churn has been reduced. This, combined with continued cost discipline, resulted in an increased adjusted EBITDA margin of 46 percent, up from 43 percent in the previous year.

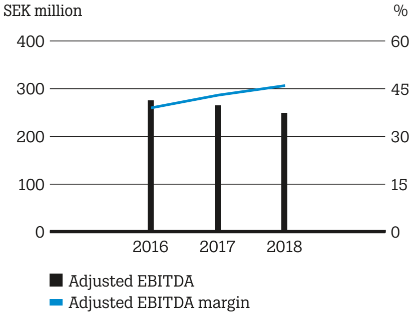
2019

Tele2 will continue to focus on cash contribution but also on efforts to stabilize the customer base. This will be done by further improving retention success through the use of customer analytics and the improvement of value propositions.

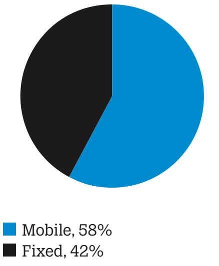
Revenue



Adjusted EBITDA
Adjusted EBITDA margin



End-user service revenue per service



Kazakhstan
(discontinued)

SEK million	2018	2017	Growth
Revenue	3,084	2,721	13%
of which mobile end-user service revenue	2,425	2,096	16%
Adjusted EBITDA	1,057	642	65%

2018 in brief
Network quality is an important foundation of the company's strategy and during the year LTE-Advanced was implemented everywhere on the network, bringing the LTE-A population coverage to 75 percent.

Mobile end-user service revenue continued to grow strongly, at 16 percent in reported currency and by 20 percent in local currency, driven by a 4 percent increase in the customer base coupled with higher ASPU levels through price increases both for new and existing customers. Revenue growth, combined with improved operating leverage and integration synergies, produced growth in adjusted EBITDA by 65 percent.

The company launched new commercial price plans on the Tele2 brand in mid-September, taking the first steps to limit the vast use of zero-rated mobile data on the network.

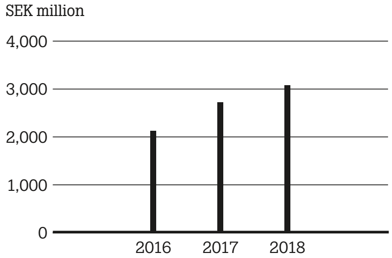
In December 2018, the company launched mobile financial services allowing customers to pay for goods and services directly from the balance of their mobile phones. Currently over 150 services are available, ranging from public transportation, parking and utilities to online games and more.

2019
In 2019, the company aims to continue its data monetization efforts and attract new customers through its dual brand strategy, and further improve its operational efficiency. Furthermore, the company will expand LTE services across additional locations, whilst maintaining a disciplined investment strategy.

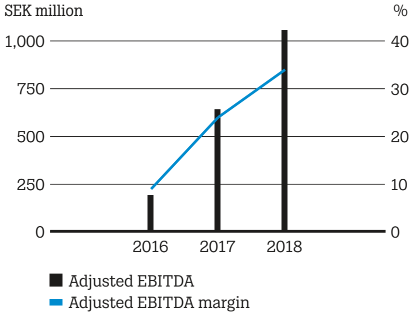
Exit process
Tele2 Kazakhstan is jointly owned by Tele2 and Kazakhtelecom. On December 28, 2018, Tele2 gave notice to exercise the put option stipulated in the joint venture (JV) between Tele2 and Kazakhtelecom. By serving the put option notice to Kazakhtelecom, Tele2 has initiated the sale process with expected closing in approximately six months from the put option notice date. Consequently, the Kazakh business is reported as a discontinued operation.

On December 31, 2018, Tele2's had investments in Kazakhstan in the form of a shareholder loan to the JV amounting to KZT 88 billion (SEK 2.1 billion) and a 49 percent equity stake in the JV. The net equity exposure, after having taken into account the earn-out liability to a former partner, is 31 percent. Repayments on the shareholder loan have been made every quarter of 2018 and continues after the put option notice.

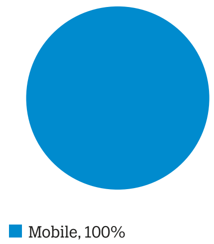
Revenue



Adjusted EBITDA
Adjusted EBITDA margin



End-user service revenue per service



Risks and uncertainty factors

Tele2 works proactively to identify and monitor the most significant risks through an enterprise risk management process. The purpose of this process is to minimize surprises, improve decision making in order for Tele2 to achieve its strategic, financial, compliance and operational objectives and actively work to reduce the impact and likelihood of identified risks. A description of the risk management process can be found in the Tele2 Corporate Governance report available on Tele2's website www.tele2.com. A summary of the top risks identified and how they are managed is presented below.

The most important risks

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

RISK	DESCRIPTION	RISK MITIGATION
Risks related to conducting business in Kazakhstan	In Kazakhstan, the political, economic, regulatory and legal environment, prevailing corporate governance codes, business practices and the reporting and disclosure standards are still developing and are less predictable than in countries with more mature institutional structures. These circumstances increase the need for thorough ethical considerations when doing business in Kazakhstan. Also, under the shareholder agreement between Tele2 and Kazakhtelecom, Tele2 has in December 2018, exercised a put option triggering a share of the equity value to be paid to Tele2 and the reimbursement of the shareholder loan. Such repayment may be negatively impacted by a possible negative effect of exchange rates, an inability of Kazakhtelecom to raise debt or equity to repay the loan to Tele2 and political factors.	The ethical risk is managed through measures taken to align with the Tele2 way of working and our Code of Business Conduct thereby ensuring transparency of operations. Tele2 is in constant dialogue with Kazakhtelecom regarding its ability to repay Tele2 loan and pay the Equity Value as a consequence of the Put Option.
Risks related to customer service and network quality	The mobile and fixed networks are Tele2's major assets and a pre-requisite to be able to deliver a qualitative and profitable service. Any incident or disruption as well as delays in roll-out and upgrades could have serious consequences.	Tele2 manages this risk by ensuring changes and upgrades are made in a controlled manner, ensuring redundancy of systems and networks, ensuring back-up of data and performing restoration testing, and by closely monitoring systems and network performance and incidents on a 24/7 basis.
Risks related to network and IT integrity and personal data security	The Group's operations manage significant network and data volumes and therefore aims to ensure network integrity, data security and protect customers' personal data. Tele2 needs to protect assets such as personnel, customers, information, IT infrastructure, internal and public networks as well as office buildings and technical facilities. Along with increased digitalization, cyber-attacks are increasing and becoming more advanced and could, if not properly mitigated, lead to major disruptions on customer services and on internal IT infrastructure. Also, a new Data Protection Regulation is effective since May 25, 2018, where breaches of customer's personal information could potentially result in major fines and significant reputational damage.	Tele2 has high focus on network and IT security and is also working actively to be able to comply with regulatory requirements through strengthening of its systems and processes, updated security systems and software to prevent intrusions and attacks, performance of frequent penetration testing, and ensuring solid processes for incident management and escalation to ensure that our customer's personal data is secured and protected.
Risks in relation to external relationships	Tele2 conducts certain of its activities through joint operations in which Tele2 does not have and will not have a controlling interest. Such companies include Svenska UMTS-nät AB together with Telia Company and NET4MOBILITY Handelsbolag together with Telenor and T-Mobile Netherlands after the merger with Tele2 Netherlands.. Also, Tele2 is dependent on handset manufacturers such as Apple, Samsung and Huawei for attracting customers, equipment and network suppliers such as Huawei and Nokia for rolling out networks and terrestrial digital TV supplier such as Teracom to be able to offer good quality services. Also, Tele2 depends on agreements with other network operators to provide services in major parts of its network. Any of these third party relationships impose risks, be it in the form of delays in roll-out, limitations for customized development, supplier dependency and lack of alternative suppliers, limitations on operating profitability or legal proceedings.	Tele2 continuously evaluates existing agreements and manages co-operations with its partners through continuous dialogue or through legal options, if necessary. Also, Tele2 continuously manages and assesses the risks associated with the supply chain in order to maintain a competitive and well-functioning infrastructure.
Risk related to customer churn	Customer churn may increase due to Tele2's inability to deliver satisfactory services over its network, unsatisfactory customer service, customer's reduced willingness to pay for converged offerings and Tele2's inability to respond to competitor's product and pricing activities. Also, landlords' termination of contracts or refusal to renew existing contracts or loss of a large B2B customer could contribute to increased customer churn. These could lead to increased costs and reduced revenue and could have a material adverse effect on Tele2's business, financial condition and results of operations.	Tele2 continuously works to improve the customer experience and increase customer satisfaction, which will continue to be the company's focus in future years.
Risks related to the ability to recruit and retain skilled personnel	To remain competitive and implement its strategy, and to adapt to changing technologies, Tele2 will need to recruit, retain and, where necessary, retrain highly skilled employees with the relevant expertise. The loss of key individuals or other employees who have specific knowledge of, or relationships with, customers in the markets in which Tele2 will operate could have a material adverse effect on Tele2's business, financial condition and results of operations.	Tele2 has recruited a number of key employees and works continuously to provide incentives for them to retain and contribute to the continued development of the company.

RISK	DESCRIPTION	RISK MITIGATION
Risk related to unstable geopolitical conditions	Since Tele2 operates in a global environment, it is and will be affected by the general economic environment, political uncertainties, local business risks as well as laws, rules and regulations in individual countries, thereby affecting demand for the company's services. Also, depending on how the situation evolves the changed geopolitical situation following the Crimea crisis could potentially affect some of Tele2's operations, particularly in the countries bordering Russia such as Kazakhstan and the Baltic countries.	Tele2 is closely monitoring the development on world events and is kept informed by local management, government officials and independent sources.
Financial risks	Through its operations, the Tele2 Group is exposed to various financial risks such as currency risks, interest rate risks, liquidity risks, credit risks, risks related to tax matters and impairment of assets. Additionally, there is a risk that Tele2 may not be able to obtain sufficient funding for its operations.	Financial risk management is mainly centralized to the Treasury function, tax matters to the Tax function and impairment recognition to the Financial Reporting function. The aim is to control and minimize the Tele2's financial risks as well as financial costs, and optimize the relation between risk and cost. Further information on financial risk management can be found in Note 2.

Employees

On December 31, 2018, the number of employees in Tele2 was 5,184 (4,398), excluding discontinued operations. Please refer to Note 33 for additional information regarding the number of employees, split by gender and age group, and personnel costs.

In November, Tele2 and Com Hem finally merged and became one united Tele2 organization. The average number of employees increased with 897 as a result of the merger.

Both Tele2 and Com Hem are two strongly value-driven organizations and the same will stay true for the new Tele2. Values are key to attracting and retaining the right people.

Tele2 is an organization where leadership creates a fertile environment for engaged employees. Tele2 is focused on creating a flat and lean organization that easily move to action and is known not only for what we do but also how we do things.

Tele2´s culture embraces diversity, and this also includes people in decision-making positions. It is a culture where Tele2 challenges its employees as much as they challenge Tele2 to deliver customer value. It is called the Tele2 Way.

Focus areas

Tele2´s main focus areas within people management are stated below.

Leadership and Tele2 Way

Tele2 is a value-driven company. The Tele2 Way defines who we are and how we do things. Leaders have an important role to serve as ambassadors and role models for Tele2's culture, and leaders hire and promote people who demonstrate Tele2's values. A series of focused workshops have been conducted to set the culture aspiration for the new combined company. Tele2's redefined values are: Fearless, Open, Cost Efficient, Reliable and Flexible. As part of the Com Hem integration process, training sessions on how to live according to Tele2's redefined values were run with employees in Q1 2019.

Diversity and inclusion

Tele2's ambition is to always employ the best talent that the market has to offer; considering values, experience and competence that match with our strong culture. This is based on a strong belief that that teams perform best when they are diverse. Diverse teams have more fun, are more creative and challenge each other more. Tele2 also believes in open mindsets that never miss a great idea, independently of who it comes from, and in being inclusive and respectful of all our differences. Today Tele2 has an unbalanced gender split in the Swedish Tele2 organization, and it is clear that this needs to change. The ambition is to have a balanced workforce, both in Sweden and in the international markets. By implementing a number of measures, a good gender balance is expected to be achieved within 3–4 years.

Competence and talent development

Tele2 has a common performance development approach for the Group, with focus on encouraging a continuous performance dialogue between manager and employee as well as between peers. The approach seeks to ensure that all employees have clear and updated goals, frequent evaluations with their manager and receive relevant feedback to help them to develop. Tele2's values, the Tele2 Way, is an important starting point to the performance development approach.

Internal development, moves and promotions are strongly supported and encouraged. Tele2's talent management approach aims to strengthen leadership succession to managerial and key roles, develop employees and minimize business risk in case key personnel leave the company.

Learning and development

Tele2 believes that talented employees develop most efficiently through exposure to challenging assignments together with extensive coaching and support. Most learning comes from experiences such as job rotations, participation in cross-functional projects and challenging work tasks. This is supplemented by mentoring, coaching and targeted training.

Reward and recognition

Tele2 offers competitive compensation and benefit packages in order to attract, retain and motivate employees. Tele2's compensation packages are determined with reference to the local market and Tele2 participates in salary benchmark surveys annually to ensure that its offerings remain competitive in terms of base salary, short-term incentives, long-term incentives and benefits. The company believes in pay for performance; high-performing individuals should be rewarded well.

Engagement

Engaged employees perform well, walk the extra mile and are personally motivated to make Tele2 an even better place to work.

Every year, Tele2 conducts an employee survey called 'My Voice'. The survey measures how engaged employees are. Three surveys were run during 2018 and all of them confirms that Tele2 has an engaged workforce. Scores are above high-performing benchmarks on engagement even in times of change (Tele2's score is 80, Benchmark is 78). Survey participation was on a high level, at 85% of our employees.

Employer branding

Tele2 has a global Employer Value Proposition (EVP) which is summarized through the concept 'Fearlessly Liberating Potential'. Tele2 recognizes the importance of the EVP concept being true, credible, relevant, distinctive and aspirational. Hence, to further clarify the concept and set the ambition level, three supporting pillars have been defined: Fearless Challenger, Liberating Workplace and Sparking Potential.

- Fearless Challenger conveys the Tele2 challenger spirit which is brought to life through Tele2s creative and innovative products and services, as well as a focus on learning.
- Liberating Workplace conveys the flexible, digital and inspiring Tele2 workplace which enable productivity and work/life balance.
- Sparking Potential conveys Tele2's entrepreneurial culture and leaders who gives employees the freedom to explore their full potential and to get things done.

The EVP concept is brought to life through our multinational social media channels WeAreTele2 (#WeAreTele2) where each country within the Tele2 Group contributes to the content. WeAreTele2 is currently present at LinkedIn, Instagram, Facebook and Twitter.

Sustainability

During 2018, Tele2 has successfully challenged itself to further embrace sustainability as a business rationale. By integrating sustainability in its day-to-day practices, Tele2's operations become more efficient, more profitable, and long-term contributors to a better future.

This is what Tele2 wants to achieve with its approach to environmental, social and governance topics. With a new strategy, building on increased focus and better coordination, Tele2 works to create more value for customers, investors and public stakeholders across five focus areas:

- Ethics and Compliance
- Privacy and Integrity
- Environment
- Diversity and Inclusion
- Child Protection

A key achievement was the inclusion of sustainability targets in the short-term incentive remuneration program from 2018. With 22 targets spread over the five focus areas, Tele2 works towards the long-term goals it has set for each of them. This has had effect on the important external ratings Tele2 receives and which are a fundamental way to benchmark our performance. Tele2 was proud to receive the 6th place globally in the Equileap Gender Equality Global Ranking in October, becoming AAA rated by MSCI, and to remain a FTSE4Good constituent.

Information for Com Hem is included from November 5, 2018 onward.

Statutory sustainability report

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

Critical GRI Standards indicators

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

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

Tele2 had no incidents of corruption[2)] reported, no incidents in which employees were dismissed or disciplined for corruption reported, and no incidents when contracts with business partners were terminated or not renewed due to violations related to corruption reported during the year, nor the previous year[3)]. Furthermore, there have not been any public legal cases regarding corruption brought against Tele2 or its employees reported during the year, nor the previous year.

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

One (zero) legal action pending or completed was identified during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant. This regards an injunction from the national competition authority in Kazakhstan to stop a comparative advertising practice[4)]. Tele2 has complied with the order and has not appealed the decision from the authority.

In the previous year Tele2 mentioned (but did not include in the figures) two cases that were in the early stages of an inves-

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

3) Tele2 KZ has discovered two cases in which employees tried to defraud the company, in one case with help of a business partner. Since these attempts were discovered through our controls processes early, the attempts were unsuccessful. Nonetheless, Tele2 dismissed the employees involved and permanently ended its relations with the business partner involved.

4) In Kazakhstan, advertising regulation is governed under anti-monopoly legislation and enforced by the competition authority, which is why Tele2 reports those incidents under this indicator. The incident is not reported under GRI 417-3.

tigation. In April 2017, representatives from the European Commission raided the offices of the four Swedish mobile operators, including Tele2, over concerns of possible anti-competitive cooperation between operators so as to prevent entry in the mobile market. On 8 October 2018, the European Commission informed Tele2 that the investigation had been closed without any further action.

In the other case, a request for information was made in May 2017 by the Latvian Competition Council to all mobile operators in Latvia, including Tele2, investigating price increases after the introduction of Roam Like at Home. In August 2018, the Latvian Competition Council informed Tele2 that it had not found any anti-competitive behaviour, anti-trust or monopoly practices related to the investigation. The Council issued a recommendation to mobile operators to provide customers more transparency with regards to the costs of using subscriptions abroad. Tele2 has followed this recommendation.

Non-compliance with environmental laws and regulations (GRI 307-1)
No significant fines and non-monetary sanctions[5] for non-compliance with environmental laws or regulations have been reported during the year, nor the previous year.

Diversity of governance bodies and employees (GRI 405-1)
Percentages of individuals within the organization's governance bodies and of employees per employee category, by gender and by age group, are presented in Note 33.

Incidents of non-compliance concerning the health and safety impacts of products and services (GRI 416-2)
Tele2 has had one (one) reported incident of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services.

The incident occurred in Kazakhstan. It concerned the operation of one base station without the correct permit and resulted in a non-significant fine (approximately EUR 500). The necessary permit was acquired shortly after.

Incidents of non-compliance concerning marketing communications (GRI 417-3)
Tele2 has had four (three) incidents of non-compliance with regulations or voluntary codes concerning marketing communication, including advertising, promotions, and sponsorship, during the year. Of these incidents, two (one) resulted in a fine or penalty. All occurrences were non-significant[6].

Substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI 418-1)
Reported substantiated complaints received during the year, concerning breaches of customer privacy, from outside parties and substantiated by Tele2 or from regulatory bodies, as well as reported identified leaks, thefts or losses of customer data discovered by Tele2, are stated below. Operations that are not listed in the table have not experienced complaints during 2017 and 2018.

	2018			2017		
	Total number of substantiated complaints received concerning breaches of customer privacy			Total number of substantiated complaints received concerning breaches of customer privacy		
Country	From outside parties and substantiated by Tele2	From regulatory bodies	Breaches of customer privacy discovered by Tele2	From outside parties and substantiated by Tele2	From regulatory bodies	Breaches of customer privacy discovered by Tele2
Sweden	2	–	1	2	–	–
Lithuania	5	–	–	2	–	–
Estonia	2	–	–	–	–	–
Croatia	–	–	–	1	–	–
Germany	–	–	1	–	–	1
Kazakhstan	–	–	1	–	–	–
Netherlands	15	1	–	11	1	1
Total	**24**	**1**	**3**	**16**	**1**	**2**

Non-compliance with laws and regulations in the social and economic area (GRI 419-1)
No significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area have been reported during the year and during the last year.

5) Significant fines and non-monetary sanctions are defined by Tele2 as exceeding EUR 250,000.
6) In Estonia, Tele2 prepared contracts with consumers by phone. The contracts were finalized and signed at the Tele2 store. The Consumer Protection Board in Estonia ruled that these contracts should be treated as distance contracts, with a 14-day withdrawal period. For not providing this withdrawal period, Tele2 was fined EUR 5,900. Tele2 has adjusted the process to be in accordance with the requirements. In Lithuania, Tele2 included incomplete terms and conditions in marketing communications. The communications failed to mention that the offer concerned only applied to new customers. In September Tele2 received a EUR 1,000 fine for this. Tele2 has amended all relevant communications to be in accordance with the requirements. In the Netherlands, two incidents occurred. One was due to inadvertent miscommunication and in the other case terms were insufficiently clarified. In both cases, changes were made to correct these incidents.

Acquisition and divestments

On January 10, 2018 Tele2 announced the merger plan with Com Hem in Sweden through a statutory merger in accordance with the Swedish Companies Act, creating a leading integrated connectivity provider. The merger was approved by the shareholders in respective companies on September 21, 2018, unconditionally by the European Commission on October 8, 2018, and was implemented on November 5, 2018 by Tele2 absorbing Com Hem. Com Hem's shareholders received as merger consideration of SEK 37.02 in cash plus 1.0374 B shares in Tele2 for each share in Com Hem outstanding as at completion of the merger. Hence, Com Hem's shareholders received 26.6 percent economic ownership in Tele2 and a total cash consideration of SEK 6,546 million. The number of shares issued by Tele2 as merger consideration amounted to 183,441,585 B shares. The fair value of these shares was determined based on the closing price of Tele2's B shares on November 5, 2018, amounting to SEK 107.75 per share. Further information can be found in Note 15.

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. By serving the put option notice to Kazakhtelecom, Tele2 has initiated the sale process. Kazakhstan is reported as discontinued operation. Further information can be found in Note 36.

Events after the end of the financial year

The divestment of Tele2 Netherlands was closed on January 2, 2019. The Dutch operation was sold for approximately SEK 1.9 billion and 25 percent share in the combined company. The capital gain in 2019 is estimated to be approximately SEK 0.1 billion, including costs for central support system for the Dutch operation and other transaction costs. In addition, the capital gain will be affected positively with approximately SEK 0.2 billion related to reversal of exchange rate differences previously reported in other comprehensive income, which will be reversed into the income statement but with no effect on total equity or cash flow. Further information can be found in Note 38.

Work of the Board of Directors

The Board of Directors is appointed by the Annual General Meeting for terms extending until the next Annual General Meeting. At the Annual General Meeting in May 2018, Mike Parton and Irina Hemmers left the Board, while the other Board members were re-elected. In addition, Georgi Ganev was elected as new Chairman of the Board of Directors. At the Extraordinary General Meeting in September 2018 Lars-Åke Norling was appointed as new Board member, and Eva Lindqvist and Andrew Barron were appointed as new Board members with start from the time of the merger with Com Hem on November 5, 2018.

The Board is responsible for the company's organization and management, and is composed in such a way as to enable it to effectively support and manage the work of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, divestments, corporate transactions, major investments, and establishes the framework of Tele2's operations by defining the company's financial goals and guidelines. In 2018, the Board convened 7 times. In addition, 6 per capsulam meetings and 8 telephone conference meetings were held.

In order to carry out its work more effectively, the Board has appointed members for a Remuneration Committee and an Audit Committee with special tasks. These committees are the Board's preparatory bodies and do not reduce the Board's overall and joint responsibility for the handling of the company and the decisions made. Furthermore, where needed, the Board appoints members to form preparatory working groups on topics of special interest, such as questions regarding dividends and capital structure.

The Remuneration Committee's main work includes presenting recommendations to the Board regarding remuneration and terms of employment for CEO and other senior executives. The recommendations, including recommendations for long-term incentive programmes are submitted by the Board to the AGM for adoption.

The Audit Committee has the primary task of assisting the Board in its supervision and review of the internal and external audit processes, and reviewing and ensuring the quality of the company's external financial reporting. Furthermore, the Audit Committee supervises the internal control functions of the company.

Additional information is stated in Tele2's separate Corporate Governance Report available on Tele2's website www.tele2.com. Remuneration to the Board is stated in Note 33.

Proposal of guidelines for remuneration to senior executives

The Board proposes the following guidelines for determining remuneration for senior executives for 2019, to be approved by the Annual General Meeting in May 2019.

The objectives of Tele2's remuneration guidelines are to offer competitive remuneration packages to attract, motivate, and retain key employees within the context of an international peer group. The aim is to create incentives for the management to execute strategic plans and deliver excellent operating results, and to align management's incentives with the interests of the shareholders. Senior executives covered by the proposed guidelines include the CEO and members of the Leadership Team ("senior executives").

Remuneration to the senior executives should comprise annual base salary and variable short-term incentive (STI) and long-term incentive (LTI) programs.

The STI shall be based on the performance in relation to established objectives. The objectives shall be related to the company's overall result and the senior executives' individual performance. The STI can amount to a maximum of 100 percent of the annual base salary.

The structure of the LTI shall ensure a long-term commitment for Tele2's development and value creation, and may be both share and share price related as well as cash based.

Other benefits may include e.g. company cars and for expatriated senior executives e.g. housing benefits for a limited period of time. The senior executives may also be offered health care insurances.

The senior executives are offered defined contribution pension plans. Defined contributions for pensions to the CEO and the other senior executives can amount to a maximum of 20 percent (previously 25 percent for the CEO) of the annual remuneration (base salary and STI).

The maximum period of notice of termination of employment shall be 12 months in the event of termination by the CEO and 6 months in the event of termination by any of the other senior executives. In the event of termination by the company, the maximum notice period during which compensation is payable is 18 months for the CEO and 12 months for any of the other senior executives.

Under special circumstances, the Board may deviate from the above guidelines. In such a case, the Board is obligated to give account of the reason for the deviation during the following Annual General Meeting.

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

For information regarding the application of, and the deviations from, the existing guidelines and remuneration for the senior executives paid out during 2018, please refer to Note 33.

Parent company

Tele2 AB's shares are listed on the Nasdaq Stockholm Large Cap list under the ticker symbols TEL2 A and TEL2 B. Tele2's fifteen largest shareholders on December 31, 2018 hold shares corresponding to 53 percent of the capital and 62 percent of the voting rights, of which Kinnevik AB owns 27 percent of the capital and 42 percent of the voting rights. No other shareholder owns, directly or indirectly, more than 10 percent of the shares in Tele2.

The Board of Directors received authorization from the Annual General Meeting in May 2018 to purchase up to 10 percent of the shares in the company, which the Board has not made use of.

For further information on the number of shares and their conditions and important agreements which cease to apply if control over the company is changed, see Note 25.

The parent company performs Group functions and conducts certain Group wide development projects. In 2018, the parent company paid to its shareholders an ordinary dividend of SEK 4.00 per share, corresponding to a total of SEK 2,013 million.

The Board's proposed appropriation of profit for fiscal year 2018 is stated in Note 25.

Consolidated income statement

SEK million	Note	2018	2017 (Restated)
CONTINUING OPERATIONS			
Revenue	5,4	23,704	21,466
Cost of services provided and equipment sold	6	–13,335	–11,903
Gross profit		**10,369**	**9,563**
Selling expenses	6	–3,947	–3,892
Administrative expenses	6	–2,397	–2,268
Result from shares in joint ventures and associated companies	16	9	–
Other operating income	7	196	128
Other operating expenses	8	–480	–62
Operating profit	5,6	**3,750**	**3,469**
Interest income	9	15	11
Interest expenses	10	–327	–314
Other financial items	11	–66	–1
Profit after financial items		**3,372**	**3,165**
Income tax	12	–1,762	–734
NET PROFIT FROM CONTINUING OPERATIONS		**1,610**	**2,431**
DISCONTINUED OPERATIONS			
Net loss from discontinued operations	36	–619	–2,211
NET PROFIT	5	**991**	**220**
ATTRIBUTABLE TO			
Equity holders of the parent company		853	192
Non-controlling interests		138	28
NET PROFIT		**991**	**220**
Earnings per share, SEK	25	1.61	0.38
Earnings per share, after dilution, SEK	25	1.59	0.37
FROM CONTINUING OPERATIONS			
ATTRIBUTABLE TO			
Equity holders of the parent company		1,610	2,431
Earnings per share, SEK	25	3.03	4.88
Earnings per share, after dilution, SEK	25	3.01	4.87

Consolidated comprehensive income

SEK million	Note	2018	2017 (Restated)
NET PROFIT		**991**	**220**
OTHER COMPREHENSIVE INCOME			
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT			
Pensions, actuarial gains/losses	33	–39	–29
Pensions, actuarial gains/losses, tax effect	12	8	6
Total components not to be reclassified to net profit		**–31**	**–23**
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT			
Exchange rate differences			
Translation differences in foreign operations		660	240
Tax effect on above	12	–74	292
Reversed cumulative translation differences from divested companies	36	–	–16
Tax effect on above	36	–	546
Translation differences		*586*	*1,062*
Hedge of net investments in foreign operations		–155	–98
Tax effect on above	12	34	21
Hedge of net investments		*–121*	*–77*
Total exchange rate differences		**465**	**985**
Cash flow hedges			
Gain/loss arising on changes in fair value of hedging instruments	2	–16	16
Reclassified cumulative loss to income statement	2	70	72
Tax effect on cash flow hedges	12	–16	–20
Total cash flow hedges		**38**	**68**
Total components that may be reclassified to net profit		**503**	**1,053**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**472**	**1,030**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,463**	**1,250**
ATTRIBUTABLE TO			
Equity holders of the parent company		1,321	1,064
Non-controlling interests		142	186
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,463**	**1,250**

Consolidated balance sheet

SEK million	Note	Dec 31, 2018	Dec 31, 2017 (Restated)	Jan 1, 2017 (Restated)
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	13	30,159	5,517	7,598
Other intangible assets	13	19,604	4,044	5,772
Total intangible assets		**49,763**	**9,561**	**13,370**
Tangible assets				
Machinery and technical plant	14	8,102	6,458	11,192
Other tangible assets	14	1,090	2,234	3,137
Total tangible assets		**9,192**	**8,692**	**14,329**
Financial assets				
Shares in joint ventures and associated companies	16	13	16	9
Other financial assets	17	1,015	778	1,551
Total financial assets		**1,028**	**794**	**1,560**
Capitalized contract costs	18	373	380	617
Deferred tax assets	12	368	1,911	1,766
TOTAL NON-CURRENT ASSETS		**60,724**	**21,338**	**31,642**
CURRENT ASSETS				
Inventories	19	669	689	668
Current receivables				
Accounts receivable	20	2,509	2,224	2,784
Other current receivables	21	2,413	2,941	3,746
Prepaid expenses and accrued income	22	1,903	1,561	2,024
Total current receivables		**6,825**	**6,726**	**8,554**
Current investments	23	2	3	21
Cash and cash equivalents	24, 32	404	802	257
TOTAL CURRENT ASSETS		**7,900**	**8,220**	**9,500**
ASSETS CLASSIFIED AS HELD FOR SALE	15, 36	14,020	10,166	–
TOTAL ASSETS	5	**82,644**	**39,724**	**41,142**

Continued Consolidated balance sheet

SEK million	Note	Dec 31, 2018	Dec 31, 2017 (Restated)	Jan 1, 2017 (Restated)
EQUITY AND LIABILITIES				
EQUITY				
Attributable to equity holders of the parent company				
Share capital	25	863	634	634
Other paid-in capital		27,378	7,841	7,836
Reserves		2,518	2,019	1,124
Retained earnings		5,575	6,752	9,179
Total attributable to equity holders of the parent company		**36,334**	**17,246**	**18,773**
Non-controlling interest	25	28	–114	–300
TOTAL EQUITY		**36,362**	**17,132**	**18,473**
NON-CURRENT LIABILITIES				
Interest-bearing				
Liabilities to financial institutions and similar liabilities	26	21,663	10,007	7,503
Provisions	27	1,471	983	1,176
Other interest-bearing liabilities	26	104	575	275
Total interest-bearing liabilities		**23,238**	**11,565**	**8,954**
Non-interest-bearing				
Deferred tax liability	12	4,203	998	913
Other non-interest-bearing liabilities	26	3	–	–
Total non-interest-bearing liabilities		**4,206**	**998**	**913**
TOTAL NON-CURRENT LIABILITIES		**27,444**	**12,563**	**9,867**
CURRENT LIABILITIES				
Interest-bearing				
Liabilities to financial institutions and similar liabilities	26	6,406	539	2,946
Provisions	27	224	97	134
Other interest-bearing liabilities	26	133	184	308
Total interest-bearing liabilities		**6,763**	**820**	**3,388**
Non-interest-bearing				
Accounts payable	26	3,004	1,937	3,202
Current tax liabilities		347	344	280
Other current liabilities	26	689	1,405	1,172
Accrued expenses and deferred income	28	4,048	3,388	4,760
Total non-interest-bearing liabilities		**8,088**	**7,074**	**9,414**
TOTAL CURRENT LIABILITIES		**14,851**	**7,894**	**12,802**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	15, 36	3,987	2,135	–
TOTAL EQUITY AND LIABILITIES	5	**82,644**	**39,724**	**41,142**

Consolidated cash flow statement

(total operations)

SEK million	Note	2018	2017 (Restated)
OPERATING ACTIVITIES			
Net profit		991	220
Adjustments for non-cash items in net profit			
Depreciation/amortization and impairment	6	3,893	4,956
Result from shares in joint ventures and associated companies	16	–9	–
Gain/loss on sale of tangible assets		97	1
Gain/loss on sale of operations		–47	–379
Incentive program		42	30
Financial items	32	122	361
Income tax	32	–14	135
Dividend from associated companies		16	–
Deferred tax expense		1,192	473
Changes in working capital			
Inventories	19	–8	–148
Accounts receivable		–259	–31
Other current receivables		340	–366
Other financial assets		–375	29
Capitalized contract costs		73	35
Prepaid expenses and accrued income		–10	124
Accounts payable		–350	–146
Accrued expenses and deferred income		–162	–282
Other current liabilities		–450	618
Provisions		78	102
CASH FLOW FROM OPERATING ACTIVITIES		**5,160**	**5,732**
INVESTING ACTIVITIES			
Acquisition of intangible assets		–936	–671
Sale of intangible assets		12	5
Acquisition of tangible assets		–2,488	–2,554
Sale of tangible assets		9	7
Acquisition of shares in group companies	15	–6,400	–8
Sale of shares in group companies	15	–	676
Acquisition of shares in associated companies	15	–	–7
Capital contribution to/repayment from associated companies	15	–6	–
Other financial assets, received payments		–	20
Cash flow from investing activities		**–9,809**	**–2,532**
FINANCING ACTIVITIES			
Proceeds from credit institutions and similar liabilities	26	17,627	2,996
Repayment of loans from credit institutions and similar liabilities	26	–11,369	–2,959
Repayment of other interest-bearing lending	26	–20	–83
Dividends paid	25	–2,013	–2,629
Cash flow from financing activities		**4,225**	**–2,675**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–424**	**525**
Cash and cash equivalents at beginning of the year	24	802	257
Exchange rate differences in cash and cash equivalents	24	26	20
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	**404**	**802**

For cash flow from discontinued operations, please refer to Note 36.
For additional cash flow information, please refer to Note 32.

Statement of changes in consolidated equity

SEK million	Note	Share capital	Other paid-in capital	Hedge reserve (Restated)	Translation reserve (Restated)	Retained earnings (Restated)	Total (Restated)	Non-controlling interests (Restated)	Total equity (Restated)
		Attributable to equity holders of the parent company							
Equity at January 1, 2017		**634**	**7,836**	**–680**	**1,743**	**8,941**	**18,474**	**–278**	**18,196**
Restatements	35	–	–	38	10	–60	–12	–22	–34
Change in accounting principle, IFRS 15	35	–	–	–	13	298	311	–	311
Adjusted equity at January 1, 2017		**634**	**7,836**	**–642**	**1,766**	**9,179**	**18,773**	**–300**	**18,473**
Net profit		–	–	–	–	192	192	28	220
Other comprehensive income for the year, net of tax		–	–	–9	904	–23	872	158	1,030
Total comprehensive income for the year		**–**	**–**	**–9**	**904**	**169**	**1,064**	**186**	**1,250**
OTHER CHANGES IN EQUITY									
Share-based payments	33	–	–	–	–	27	27	–	27
Share-based payments, tax effect	33	–	–	–	–	6	6	–	6
Proceeds from issuances of shares	25	–	7	–	–	–	7	–	7
Taxes on new share issue costs	25	–	–2	–	–	–	–2	–	–2
Dividends	25	–	–	–	–	–2,629	–2,629	–	–2,629
EQUITY AT DECEMBER 31, 2017		**634**	**7,841**	**–651**	**2,670**	**6,752**	**17,246**	**–114**	**17,132**
Equity at January 1, 2018		**634**	**7,841**	**–651**	**2,670**	**6,752**	**17,246**	**–114**	**17,132**
Change in accounting principle, IFRS 9	35	–	–	–	–	–42	–42	–	–42
Adjusted equity at January 1, 2018		**634**	**7,841**	**–651**	**2,670**	**6,710**	**17,204**	**–114**	**17,090**
Net profit		–	–	–	–	853	853	138	991
Other comprehensive income for the year, net of tax		–	–	–83	582	–31	468	4	472
Total comprehensive income for the year		**–**	**–**	**–83**	**582**	**822**	**1,321**	**142**	**1,463**
OTHER CHANGES IN EQUITY									
Share-based payments	33	–	–	–	–	42	42	–	42
Share-based payments, tax effect	33	–	–	–	–	14	14	–	14
Proceeds from issuances of shares	25	229	19,537	–	–	–	19,766	–	19,766
Dividends	25	–	–	–	–	–2,013	–2,013	–	–2,013
EQUITY AT DECEMBER 31, 2018		**863**	**27,378**	**–734**	**3,252**	**5,575**	**36,334**	**28**	**36,362**

Notes to the consolidated financial statements

NOTE 1 Accounting principles and other information

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and interpretations of the IFRS Interpretations Committee (IFRS IC) as endorsed by the EU at the date of publication of this annual report. The Group also applies the Swedish Financial Reporting Board recommendation RFR 1 Supplementary Accounting Rules for groups which specifies additional disclosures required under the Swedish Annual Accounts Act.

The consolidated financial statements are prepared on the basis of historical cost, apart from financial instruments which are normally carried at amortized cost, with the exception of other non-current securities, contingent considerations and derivatives which are carried at fair value.

The Consolidated Financial Statements previously issued and prepared in accordance with the International Financial Reporting Standards and interpretations of the IFRS Interpretations Committee as issued by the IASB and endorsed by the EU as of and for the year ended December 31, 2017 have been restated with respect to certain items within the consolidated income statement, consolidated balance sheet, and consolidated statements of cash flow. The effects are stated in Note 35.

As a result of Tele2's merger with Com Hem on November 5, 2018, and the subsequent changes in Tele2's management structure and the financial information regularly evaluated by the Leadership Team, Tele2's operating segments have changed. The prior segment Tele2 Sweden has been split on Sweden Consumer and Sweden Business. Tele2 has also separated its IoT (internet-of-things) operations from the segment Other. The comparable numbers have been recasted.

Standards and interpretations applied for the first-time

The Group adopted the requirements of IFRS 15 *Revenue from Contracts with Customers*, effective for annual periods beginning on January 1, 2018. Upon transition to IFRS 15, the full retrospective approach was applied whereby all prior comparative information have been restated with any adjustments to the opening balance of equity in the earliest comparative period presented. The impact of the recasting for IFRS 15 on Tele2's consolidated financial statements and the adoption of the standard are presented in Note 35.

The Group adopted the requirements of IFRS 9 *Financial instruments*, effective for annual periods beginning on January 1, 2018. Tele2 has chosen to apply the reliefs in the standard and not restate prior periods. The main impact of adopting IFRS 9 on the Group's consolidated financial statements resulted in a decrease of equity of SEK –42 million related to loss allowance reserves for accounts receivable and other financial assets. In addition, financial assets have changed to the new measurement categories under IFRS 9 but with no effect to Tele2's financial statements. Description of the changes as a result of applying IFRS 9 and the effects on the opening balance January 1, 2018 are presented in Note 35.

Other amended standards and new IFRICs (Amendments to: IFRS 2 *Classification and Measurement of Sharebased Payment Transactions*, IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, IAS 40 *Transfers of Investment Property* and annual improvements to IFRSs 2014–2016 and IFRIC 22 *Foreign Currency Transactions and Advance Consideration*) which became effective January 1, 2018, have had no material effect on the consolidated financial statements or are not applicable for Tele2.

New and revised accounting standards not yet adopted

The following new and revised standards have been issued by the International Accounting Standards Board (IASB) and endorsed by the EU but are not yet adopted by Tele2:

- IFRS 16 *Leases* (effective for annual periods beginning on January 1, 2019),
- Amendments to: IFRS 9 *Prepayment Features with Negative Compensation*, IAS 19 *Plan Amendment, Curtailment or Settlement* and IAS 28 *Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1, 2019),
- *Annual improvements to IFRSs 2015–2017 Cycle* (effective for annual periods beginning on or after January 1, 2019), and
- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after January 1, 2019).

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

- Amendments to: *References to the Conceptual Framework in IFRS Standards*, IFRS 3 *Business Combinations* and IAS 1 and IAS 8 *Definition of Material* (effective for annual periods beginning on or after January 1, 2020),
- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after January 1, 2021), and
- Amendments to: IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (postponed, no decided effective date).

IFRS 16 replaces the previous leasing standard IAS 17 *Leases* and related interpretations and introduces a new definition of a lease that will be used to identify whether a contract contains a lease. For a lessee, IFRS 16 introduces a single accounting treatment; the recognition of a right-of-use asset and a lease liability. For lessors, the finance and operating lease distinction and accounting remains largely unchanged. IFRS 16 will bring a large number of new assets and liabilities onto the balance sheet and will have an impact on reported profit and performance measures. Description of the expected accounting policy choices to be applied, including those relating to the transition approach and the use of practical expedients as a result of applying IFRS 16, and the effects on the opening balance January 1, 2019 are presented in Note 35.

With the exception of IFRS 16, the other new and revised standards are estimated to have no significant effect for Tele2.

Consolidation

Subsidiaries

The consolidated financial statements include the parent company and companies in which the parent company directly or indirectly holds more than 50 percent of the voting rights or in any other way has control. All intercompany balances and transactions have been eliminated. Control is achieved when Tele2 is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements are prepared in accordance with the acquisition method. This means that consolidated equity only includes the subsidiary's equity that has arisen after the acquisition and the consolidated income statements only include earnings from the date of acquisition until the date of divestment, if the subsidiary is sold. The Group's acquisition value of the shares in subsidiaries consists of the total of the fair value at the time of the acquisition of what was paid in cash, incurred liabilities to former owners or emitted shares, the value of the non-controlling interests in the acquired subsidiary and the fair value of the previously owned share. Contingent consideration is included in the acquisition value

Continued Note 1

and is reported at its fair value at the time of the acquisition. Subsequent effects from the revaluation of contingent consideration are reported in the income statement. Acquired identifiable assets and assumed liabilities are reported initially at their fair value at the time of the acquisition. Exemptions from this principle are made for acquired tax assets/liabilities, employee benefits, share-based payment awards and assets held for sale which are measured according to the principles described below for each item. Exemptions are also made for indemnity assets and reacquired rights. Indemnity rights are valued according to the same principle as the indemnified item. Reacquired rights are valued based on the remaining contractual period even if other market participants would consider the possibilities for contract renewal when doing the valuation. Reported goodwill is measured as the difference between the total purchase price for the shares in the subsidiary, the value of the non-controlling interests in the acquired subsidiary and the fair value of the previously owned share compared to the fair value of acquired assets and assumed liabilities. Acquisition related costs (transaction costs) are recognized as expenses in the period in which they arise.

Non-controlling interest is reported at the time of the acquisition either at its fair value or at its proportional share of the Group's reported value of the acquired subsidiary's identified assets and liabilities. The choice of valuation method is made for each business combination. Subsequent profit or loss and other comprehensive income that are related to the non-controlling interests are allocated to the non-controlling interest even if it leads to a negative value for the non-controlling interest.

The acquisition of a non-controlling interest is accounted for as a transaction between the equity holders of the parent company and the non-controlling interest. The difference between paid purchase price and the proportional share of the acquired net assets is reported in equity. Thus no goodwill arises in connection with such transactions.

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interests and
- the previous carrying amount of the assets (including goodwill), and liabilities and any non-controlling interests

Any gain or loss is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to that subsidiary are reclassified to profit or loss.

Joint arrangements

Joint arrangements are arrangements of which two or more parties have a joint control. Joint arrangements are classified either as joint operation or joint venture. For joint operations, Tele2 reports its part of assets, liabilities, revenues and expenses and its share of joint assets, liabilities, revenues and expenses line by line in the consolidated financial statements. Sales and other transactions with joint operations are eliminated in the consolidated financial statements. For Tele2, joint operations consists of jointly owned companies. Joint ventures are arrangements where Tele2 has right to the net assets and are accounted for under the equity method. This means that the Group's carrying amount of the shares in the joint venture corresponds to the Group's share of equity after application of the Group's accounting principles as well as any residual value of consolidated surplus values. The Group's share of the joint venture's profit or loss after tax is reported under "Operating profit", along with depreciation of the acquired surplus value.

At the acquisition of a share in a joint arrangement, a purchase price allocation is prepared at the acquisition date. The acquisition date is the date when the Group becomes a part to and jointly shares the control of the joint arrangement. The starting-point for the purchase price allocation consists of the acquisition value of the share in the joint arrangement. The acquisition value is allocated on the Group's share of the acquisition date fair values of acquired assets and assumed liabilities including related deferred taxes and any implied goodwill.

Associated companies

Associated companies are companies in which Tele2 has a voting power of between 20 percent and 50 percent or has significant influence in some other way.

Associated companies are accounted for in accordance with the equity method. This means that the Group's carrying amount of the shares in the company corresponds to the Group's share of equity after application of the Group's accounting principles as well as any residual value of consolidated surplus values. The share of the company's profit or loss after tax is reported under "Operating profit", along with depreciation of the acquired surplus value.

Foreign currency

The accounts of all foreign group companies, joint arrangements and associated companies are prepared in the currency used in the primary economic environment of each company, i.e. the functional currency which for all group companies, joint arrangements and associated companies is the local currency.

The assets and liabilities of foreign group companies, joint arrangements and associated companies are translated into Tele2's reporting currency (SEK) at the closing exchange rates, while revenues and expenses are translated at the period's average exchange rates. Exchange rate differences arising from translation are reported in other comprehensive income. When foreign group companies, joint arrangements and associated companies are divested, the accumulated exchange rate difference attributable to the sold operation is recognized in the income statement.

Goodwill and adjustments at fair value that are made in connection with the acquisition of a foreign operation are treated as assets and liabilities in the functional currency of the acquired operation.

Discontinued operations

A discontinued operation is a component of the Group which either has been disposed of or is classified as held for sale, and represents a separate line of business or geographical area of operation. A discontinued operation is reported separately from continuing operations in the income statement, and comparable information for prior periods is re-presented.

Assets classified as held for sale and associated liabilities are presented separately on the face of the balance sheet. Prior periods are not affected. Assets classified as held for sale are valued at the lower of carrying value and fair value less costs to sell (Note 36).

Revenue recognition

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

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

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

Revenue from the sale of cash cards and similar prepayments are recognized based on the actual use of the card up until the expiry date. The timing of revenue recognition related to the portion expected not to be exercised by the customer will be recognized as

Continued Note 1

revenue in proportion to the customer use pattern. The timing difference between the payment and the revenue recognized is accounted for as a contract liability.

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

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

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

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

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

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

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

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

Operating expenses

Operating expenses are classified according to function, as described below. Depreciation and amortization and personnel costs are stated by function. Total costs for depreciation and amortization are presented in Note 6 and total personnel costs are presented in Note 33.

Cost of services provided and equipment sold

Cost of services provided and equipment sold consists of broadcaster costs, costs for renting networks and capacity, interconnect charges as well as costs for equipment sold (e.g. handsets) to the extent the costs are covered by recognized revenues. The cost of services provided and equipment sold also includes the part of the cost for personnel, premises, purchased services and depreciation and amortization of non-current assets attributable to the production of sold services.

Selling expenses

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

Administrative expenses

Administrative expenses consist of the part of the personnel costs, rental costs, purchased services as well as depreciation and amortization of non-current assets attributable to the other joint functions. Costs associated with the Board of Directors, executive management and corporate functions are included in administrative expenses.

Other operating income and other operating expenses

Other operating income and other operating expenses include secondary activities, exchange rate differences in operating activities and gain/loss on the sale of tangible and intangible assets.

Employee benefits

Share-based payments

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

The costs for equity-settled payments are based on the fair value of the share rights calculated by an independent party at the date of grant. These payments are reported as employee costs during the vesting period with a corresponding increase in equity. To the extent the vesting conditions in the program are linked to market conditions (TSR), these factors are taken into consideration when determining the fair value of the share rights. Non-market performance conditions (return on capital employed) and service conditions (employment period) are taken into account in employee cost during the vesting period by the change in the number of shares that are expected to finally vest.

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

Tele2 records a liability for social security expenses, at each reporting period, for all outstanding share-based payments. The liability is revalued at the end of each reporting period and is based on the share-based payment's fair value at the end of the reporting date distributed over the vesting period.

Post-employment benefits

The Group has a number of pension schemes. The main part of Tele2's pension plans consist of defined-contribution plans (Note 33) for which the Group makes payments to public and private pension institutions. Amounts paid or payable to defined-contribution pension plans are reported as an expense during the period in which the employees perform the services to which the contribution relates. The defined-contribution plans ensure a certain predefined payment of premiums and negative changes in the value of investments are not compensated by Tele2. Therefore Tele2 does not bear the risk at the time of pension payment. Only a small part of the Group's pension commitments relate to defined benefit plans. The net present value of the obligation for these are calculated separately for each defined benefit plan on the basis of assumptions of the future benefits earned during previous and current periods. The obligation is reported in the balance sheet as the net present value of the obligation less the fair value of any plan assets. The defined-benefit pension plans may be

Continued Note 1

funded (partly or wholly) and non-funded. In the funded plans, assets have been separated in a pension trust. These plan assets may only be used to pay benefits under pension agreements.

The cost for the defined-benefit plans are calculated by application of the Projected Unit Credit Method, which means that the cost is distributed over to the employee's period of service. The calculation is performed annually by an independent actuary. The obligation is valued at the net present value of the expected future payments, taking into account assumptions such as expected future increases in salaries, inflation, health expenses and life span. Expected future payments are discounted with an interest rate that is effective on the closing day for first class corporate bonds, if available, considering the estimated remaining tenor for each obligation. In Sweden, in line with prior years, mortgage bonds are used for determining the discount rate. Actuarial gains and losses are reported in other comprehensive income. For a number of the Group's employees in Sweden, the retirement pension and family pension are secured by a pension plan in Alecta. According to an announcement from the Swedish Financial Reporting Board, UFR 10, this is a defined-benefit multi-employer plan. In situations when Alecta cannot provide sufficient information to determine an individual company's share of the total obligation and its plan assets, these pensions plans are being reported as defined-contribution plans. The plans are financed by pension insurances.

Termination benefits

A cost for termination benefits is recognized only if the Group is committed by a formal plan to prematurely terminate an employee's employment without any possibility of withdrawing the commitment.

Income tax

Income taxes consist of current and deferred tax. Income tax is reported in the income statement except when the underlying transaction is reported in other comprehensive income or in equity. In those cases the related tax effect is also reported in other comprehensive income or in equity.

Current tax is tax that is to be paid or received in respect of the taxable profit (tax loss) for the year including any adjustment of current tax related to previous periods and tax on dividends from subsidiaries.

When accounting for deferred taxes, the balance sheet method is applied. The method implies that deferred tax liabilities and assets are recognized for all temporary differences between the carrying amount of an asset or liability and its tax base, as well as other tax-related deductions or deficits. Such assets and liabilities are not recognized if the temporary difference arises at the initial recognition of goodwill or the initial recognition of assets and liabilities that are not part of a business combination and at the time of the transaction affect neither accounting nor taxable profit/loss. An item which alters the time when an item is taxable or deductible is considered a temporary difference. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

The recognition of deferred tax assets takes into account tax loss carry-forwards and temporary differences where it is probable that losses and temporary differences will be utilized against future taxable profits. In cases where a company reports losses, an assessment is made of whether there is any convincing evidence that there will be sufficient future profits.

Valuation and accounting of deferred taxes in connection with business combinations is made as part of the measurement of assets and liabilities at the time of acquisition. In these circumstances, the deferred tax assets are assessed at a value corresponding to what the Group expects to utilize. Deferred income tax liabilities are recognized on temporary differences related to subsidiaries, joint arrangements and associates, except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

If a deferred tax liability exists and tax loss carry-forwards exist for which a deferred tax asset previously hasn't been recognized, a deferred tax asset is recognized for at least the extent it can be netted against the deferred tax liability.

Current and deferred tax assets and liabilities are netted only among group companies within the same tax jurisdiction. This form of reporting is only applied when Tele2 intends to offset tax assets and liabilities.

Non-current assets

Intangible assets (Note 13) and tangible assets (Note 14) with a finite useful life are reported at acquisition value with deductions for accumulated depreciation and amortization. Depreciation and amortization are based on the acquisition value of the assets less estimated residual value at the end of the useful life and are recognized on a straight-line basis throughout the asset's estimated useful life. Useful lives and residual values are subject to annual assessments. Useful lives for intangible and tangible assets are presented below.

Intangible assets	
Licenses, utilization rights and software	2–25 years
Trademarks	5 years
Customer agreements	5–15 years
Tangible assets	
Buildings	5–30 years
Modems	2–5 years
Machinery and technical plant	2–30 years
Equipment and installations	2–10 years

At the end of each reporting period, an assessment is made of whether there is any indication of impairment of any of the Group's assets over and above the depreciation according to plans. If there is any indication that a non-current asset has declined in value, a calculation of its recoverable amount is made.

The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell, which is the value that is obtainable from the sale of the asset to an independent party less costs of disposal. The value in use consists of the present value of all cash flows from the asset during the utilization period as well as the addition of the present value of the fair value less costs to sell at the end of the utilization period. If the estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

Impairments are reported in the income statement. Impairments that have been recorded are reversed if changes are made in the assumptions that led to the original impairment. The impairment reversal is limited to the carrying amount, net of depreciation according to plan, had the original impairment not occurred. A reversal of impairment is reported in the income statement. Impairment of goodwill is not reversed.

Intangible assets

Tele2 holds a number of licenses entitling it to conduct telephony operations. The expenses related to the acquisition of these licenses are recognized as an asset and amortized on a straight-line basis through the duration of the license agreements.

Goodwill is measured as the difference between the total purchase price for the shares in the subsidiary alternatively the acquired assets and liabilities, the value of the non-controlling interest in the acquired subsidiary and the fair value of the previously owned share, and the Group's reported value of acquired assets and assumed liabilities less any write-downs.

Goodwill is allocated to the cash generating units that are expected to obtain benefits as a result of the acquisition and is, along with the intangible assets with indefinite lives and intangible assets that are not yet ready to use, subject to at least an annual impairment testing even if there is no indication of a decline in value. Impairment testing of goodwill is at the lowest level at which goodwill is monitored for internal management purposes and for which there are separately identifiable cash flows (cash generating units). The recoverable value

Continued Note 1

of the respective cash generating unit is based on the higher of estimated value in use and fair value less costs to sell. The most important factors that have influenced this year's impairment testing are presented in Note 13.

In the case of reorganization or divestment involving a change in the composition of cash generating units to which goodwill has been allocated, the goodwill is allocated to the relevant units. The allocation is based on the relative value of the part of the cash generating unit to which the reorganization or divestment relates, and the part that remains after the reorganization or the divestment.

Customer agreements are valued at fair value in conjunction with business combinations. Tele2 applies a model where the average historical customer acquisition cost or, alternatively, the present value of expected future cash flows, is applied to value customer agreements.

Tele2 capitalizes direct development expenses for software which are specific to its operations if the recognition criteria are fulfilled. These expenses are amortized over the utilization period, which begins when the asset is ready for use. Expenses relating to the planning phase of the projects as well as expenses of maintenance and training are expensed as incurred. Other expenses relating to development work are expensed as they arise, since they do not meet the criteria for being reported as an asset. Tele2 doesn't conduct own research activities.

Tangible assets

Buildings relate to assets intended for use in operations. The acquisition value includes the direct costs attributable to the building.

Machinery and technical plant include equipment and machinery intended for use in operations, such as network installations. The acquisition value includes the direct costs attributable to the construction and installation of networks.

Additional costs for extension and value-increasing improvements are reported as an asset, while additional costs for repairs and maintenance are expensed during the period in which they arise.

Equipment and installations comprise assets used in administration, sales and operations.

Costs for modems that are rented to or used for free by customers are capitalized.

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of an asset which requires considerable time to complete for its intended use are included in the acquisition value of the asset. Other borrowing costs are expensed in the period in which they arise.

Leases

Leases are classified as finance or operating leases.

Tele2 as finance lessee

A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the consolidated financial statements, the leased object is recognized as a tangible asset at the lower of its fair value and the present value of the minimum lease payments, and a corresponding amount is recognized as a lease obligation under financial liabilities (Note 14, Note 26 and Note 31). The asset is depreciated on a straight-line basis over the shorter of the lease term and its useful life, with the estimated residual value deducted at the end of the utilization period. Lease payments are apportioned between interest and repayment of the outstanding liability.

Tele2 as operating lessee

A lease is classified as an operating lease if substantially all the economic risks and rewards of ownership of an asset remain with the leasing company. Payments are expensed in the income statement on a straight-line basis over the leasing period.

Tele2 as finance lessor

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

Tele2 as operating lessor

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

Dismantling costs

When there is a legal or constructive obligation to a third party, the estimated cost of dismantling and removing the asset and restoring the site/area is included in the acquisition value. Any change to the estimated cost of dismantling and removing an asset and restoring the site is added to or subtracted from the carrying amount of the particular asset.

Inventories

Inventories of materials and supplies are valued in accordance with the first-in, first-out principle at the lower of acquisition value and net realizable value. Tele2's inventories essentially consist of telephones, SIM cards, modems and other equipment held for sale.

Contract assets and contract liabilities

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

Financial assets and liabilities

The Group has adopted the requirements of IFRS 9 Financial instruments, effective for annual periods beginning on January 1, 2018. Tele2 has chosen to apply the reliefs in the standard and not restate prior periods, as a consequence, the accounting principles for financial instruments are presented according to IFRS 9 below as well as IAS 39 separately further below.

Accounting principles according to IFRS 9 adopted from January 1, 2018

Financial assets recognized in the balance sheet include other financial assets, accounts receivable, other current receivables, current investments and cash and cash equivalents. Financial liabilities recognized in the balance sheet include liabilities to credit institutions and similar liabilities, other interest-bearing liabilities, accounts payable and other current liabilities. Financial assets and liabilities due for payment more than one year after the end of the reporting period is reported as non-current. Other financial assets and liabilities are reported as current.

Acquisitions and sales of financial assets are recognized on the trade date, which is the date that the Group has an undertaking to acquire or sell the asset. Financial liabilities are recognized in the balance sheet when Tele2 becomes a party to the contractual provisions of the instrument.

Continued Note 1

A financial asset is derecognized when the rights to receive benefits have been realized, expired or the company loses control over the asset. The same applies to components of a financial asset. In instances where Tele2 retains the contractual rights to the cash flows from a financial asset but assumes a contractual obligation to pass on those cash flows to a third party (a pass through obligation), the financial asset is only derecognized when substantially all risks and rewards of ownership of the financial asset has been transferred and the following conditions exist:

- Tele2 has no obligation to pay amounts to the third party unless Tele2 collects equivalent amounts from the original asset,
- Tele2 is prohibited by the terms of the transfer arrangement from selling or pledging the original asset other than as security to the third party for the obligation to pay it cash flows, and
- Tele2 has an obligation to pass on or remit the cash flows that it has collected on behalf of the third party without material delay.

A financial liability is derecognized when the contractual obligation is discharged or extinguished in some other way. The same applies to components of a financial liability.

Financial instruments are initially recognized at the acquisition date fair value and subsequently to either fair value or amortized cost based on the initial categorization. The categorization reflects both the Group's business model for managing the assets and the contractual cash flow characteristics of the financial assets and is determined on initial recognition.

Measurement of the fair value of financial instruments

Various measurement methods are used to estimate the fair value of financial instruments not traded on an active market. When determining the fair value of interest swaps and currency derivatives official market listings are used as input in calculations of discounted cash flows. The fair value of loan liabilities is measured using generally accepted methods, such as discounting expected future cash flows at prevailing interest rates.

Calculation of amortized cost of financial instruments

Amortized cost is calculated by using the effective interest method, which means that any premiums or discounts and directly attributable costs or income are recognized on an accrual basis over the life of the contract using the calculated effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when a legal right of set-off exists and the Group intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets

Tele2's other non-current securities mainly consist of holdings of unlisted shares, and these are classified as "Assets at fair value through profit or loss". Assets in this category are initially reported at acquisition value, i.e. fair value at the time of acquisition, and valued thereafter on a continuous basis at fair value. Transaction costs are recognized in the income statement. The fair value change is reported in the income statement among other financial items.

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

Cash and cash equivalents are categorized as "Assets at amortized cost" initially reported at fair value and subsequently at amortized cost. Cash and cash equivalents consist of cash and bank balances as well as current investments with a maturity of less than three months from the time of acquisition. The general impairment model in IFRS 9 is applied to cash and cash equivalents and the identified impairment loss was immaterial.

Restricted cash and cash equivalents are reported as current investments if they may be released within 12 months and as non-current financial assets if they are to be restricted for more than 12 months.

Financial liabilities

Financial liabilities are categorized as "Financial liabilities at amortized cost". These are initially measured at fair value and then at amortized cost using the effective interest method. Direct costs related to the origination of loans are included in the acquisition value. For accounts payables and other financial debts, with a short maturity, the subsequent valuation is done at the nominal amount.

Derivatives and hedge accounting

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

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

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

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

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

Exchange rate fluctuations on loans in foreign currency and changes in value of other financial instruments (currency derivatives) that meet the hedge accounting requirements of net investment in foreign operations are reported on a continuous basis in other comprehensive income. The Group designates only the intrinsic value of currency swap contracts, designated for hedging of net investments in foreign operations, as a hedged item, i.e. excluding the time value of the swap. The changes in the fair value of the aligned time value of the swap are recognized in the income statement. The ineffective portion of the exchange rate fluctuation and the change in value are reported in the income statement under other financial items. When divesting foreign operations, the previously recognized accumulated exchange rate difference attributable to the divested operation is recycled to the income statement.

Continued Note 1

Cash flow hedges are reported in the same way as hedges of net investments in foreign operations. This means that the effective portion of the gain or loss on an interest swap which meets the criteria for cash-flow hedge accounting is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss within financial items. When cash flows relating to the hedged item are reported in profit or loss, amounts are transferred from equity to offset them. For more information regarding cash flow hedges, please refer to Note 2 and Note 26.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable).When a hedging instrument related to future cash flows is due, sold, divested or settled or the Group discontinues the hedge relation before the hedged transaction has occurred and the forecasted transaction is still expected to occur, the accumulated reported gain or loss remains in the hedge reserve in equity and is reported in the income statement when the transaction occurs. If the hedged transaction is no longer expected to occur, the hedging instrument's accumulated gain or loss is immediately reported in the income statement.

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

Other derivatives are measured at their fair value through profit or loss.

Receivables and liabilities in foreign currency

Receivables and liabilities of the Group denominated in foreign currencies are translated into Swedish crowns by applying the period-end rates.

Gains or losses on foreign exchanges relating to regular operations are included in the income statement under Other operating income/expenses. Gains or losses on foreign exchanges in financial assets and liabilities are reported within profit/loss from financial items.

When long-term lending to/borrowing from Tele2's foreign operations is regarded as a permanent part of the parent company's financing of/borrowing from foreign operations, and thus as an expansion/reduction of the parent company's investment in the foreign operations, the exchange rate changes of these intra-group balances are reported in Other comprehensive income.

A summary of the exchange rate differences reported in other comprehensive income is presented in the statement of comprehensive income and the differences which affected profit or loss for the year are presented in Note 3.

Accounting principles according to IAS 39 applied until December 31, 2017

Financial assets recognized in the balance sheet include other financial assets, accounts receivable, other current receivables, current investments and cash and cash equivalents. Financial liabilities recognized in the balance sheet include liabilities to credit institutions and similar liabilities, other interest-bearing liabilities, accounts payable and other current liabilities. Financial assets and liabilities due for payment more than one year after the end of the reporting period is reported as non-current. Other financial assets and liabilities are reported as current.

Acquisitions and sales of financial assets are recognized on the trade date, which is the date that the Group has an undertaking to acquire or sell the asset. Financial liabilities are recognized in the balance sheet when Tele2 becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the rights to receive benefits have been realized, expired or the company loses control over the asset. The same applies to components of a financial asset. In instances where Tele2 retains the contractual rights to the cash flows from a financial asset but assumes a contractual obligation to pass on those cash flows to a third party (a pass through obligation), the financial asset is only derecognized when substantially all risks and rewards of ownership of the financial asset has been transferred and the following conditions exist:

- Tele2 has no obligation to pay amounts to the third party unless Tele2 collects equivalent amounts from the original asset,
- Tele2 is prohibited by the terms of the transfer arrangement from selling or pledging the original asset other than as security to the third party for the obligation to pay it cash flows, and
- Tele2 has an obligation to pass on or remit the cash flows that it has collected on behalf of the third party without material delay.

A financial liability is derecognized when the contractual obligation is discharged or extinguished in some other way. The same applies to components of a financial liability.

Financial instruments are initially recognized at the acquisition date fair value and subsequently to either fair value or amortized cost based on the initial categorization. The categorization reflects the purpose of the holding and is determined on initial recognition.

Measurement of the fair value of financial instruments

Various measurement methods are used to estimate the fair value of financial instruments not traded on an active market. When determining the fair value of interest swaps and currency derivatives official market listings are used as input in calculations of discounted cash flows. The fair value of loan liabilities is measured using generally accepted methods, such as discounting expected future cash flows at prevailing interest rates.

Calculation of amortized cost of financial instruments

Amortized cost is calculated by using the effective interest method, which means that any premiums or discounts and directly attributable costs or income are recognized on an accrual basis over the life of the contract using the calculated effective interest rate. The effective interest rate is the rate which gives the instrument's cost of acquisition as a result when discounting the future cash flows.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when a legal right of set-off exists and the Group intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets

Tele2's other non-current securities mainly consist of holdings of unlisted shares, and these are classified as "Assets at fair value through profit or loss". Assets in this category are initially reported at acquisition value, i.e. fair value at the time of acquisition, and valued thereafter on a continuous basis at fair value. Transaction costs are recognized in the income statement. The fair value change is reported in the income statement among other financial items.

Tele2's accounts receivables and other receivables are categorized as "Loans and receivables" initially reported at fair value and subsequently at amortized cost. For accounts receivables and other receivables, with a short maturity, the subsequent valuation is done at the nominal amount. On each closing day, an impairment assessment of these assets is made based on the time each individual accounts receivable has been overdue. Any impairment loss is reported as an operating expense.

Cash and cash equivalents are categorized as "Assets at amortized cost" initially reported at fair value and subsequently at amortized cost. Cash and cash equivalents consist of cash and bank balances as well as current investments with a maturity of less than three months from the time of acquisition.

Restricted cash and cash equivalents are reported as current investments if they may be released within 12 months and as non-current financial assets if they are to be restricted for more than 12 months.

Continued Note 1

Financial liabilities
Financial liabilities are categorized as "Financial liabilities at amortized cost". These are initially measured at fair value and then at amortized cost using the effective interest method. Direct costs related to the origination of loans are included in the acquisition value. For accounts payables and other financial debts, with a short maturity, the subsequent valuation is done at the nominal amount.

Derivatives and hedge accounting
Exchange rate fluctuations on loans in foreign currency and changes in value of other financial instruments (currency derivatives) that meet the hedge accounting requirements of net investment in foreign operations are reported on a continuous basis in other comprehensive income. The ineffective portion of the exchange rate fluctuation and the change in value are reported in the income statement under other financial items. When divesting foreign operations, the previously recognized accumulated exchange rate difference attributable to the divested operation is recycled to the income statement.

Cash flow hedges are reported in the same way as hedges of net investments in foreign operations. This means that the effective portion of the gain or loss on an interest swap which meets the criteria for cash-flow hedge accounting is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss within financial items. When cash flows relating to the hedged item are reported in profit or loss, amounts are transferred from equity to offset them. For more information regarding cash flow hedges, please refer to Note 2 and Note 26.

When a hedging instrument related to future cash flows is due, sold, divested or settled or the Group discontinues the hedge relation before the hedged transaction has occurred and the forecasted transaction is still expected to occur, the accumulated reported gain or loss remains in the hedge reserve in equity and is reported in the income statement when the transaction occurs. If the hedged transaction is no longer expected to occur, the hedging instrument's accumulated gain or loss is immediately reported in the income statement.

The hedges are judged to be effective when there is an economic relationship between the hedged item and the hedging instrument; the effect of credit risk does not dominate the value changes; and the hedge ratio of the hedging relationship is the same as that resulting from the actual quantity of the hedged item that the Group hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Other derivatives are measured at their fair value through profit or loss.

Receivables and liabilities in foreign currency
Receivables and liabilities of the Group denominated in foreign currencies are translated into Swedish crowns by applying the period-end rates.

Gains or losses on foreign exchanges relating to regular operations are included in the income statement under Other operating income/expenses. Gains or losses on foreign exchanges in financial assets and liabilities are reported within profit/loss from financial items.

When long-term lending to/borrowing from Tele2's foreign operations is regarded as a permanent part of the parent company's financing of/borrowing from foreign operations, and thus as an expansion/reduction of the parent company's investment in the foreign operations, the exchange rate changes of these intra-group balances are reported in Other comprehensive income.

A summary of the exchange rate differences reported in other comprehensive income is presented in the statement of comprehensive income and the differences which affected profit or loss for the year are presented in Note 3.

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

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

Amortization periods:

Consumer contracts	3–24 months
Business contracts	3–36 months

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

Equity
Equity consists of registered share capital, other paid-in capital, hedge reserve, translation reserve, retained earnings, profit/loss for the year and non-controlling interests.

Other paid-in capital relates to share premiums from the issues of new shares. Additional direct costs attributable to the issue of new shares are reported directly against equity as a reduction, net after taxes, of proceeds from the share issue.

The hedge reserve includes translation differences on external loans in foreign currencies and changes in values of financial instruments (currency derivatives) which are used to hedge net investments in foreign operations and the effective portion of gains or losses on interest swaps used to hedge future interest payments.

Translation reserve includes translation differences attributable to the translation of foreign operations into Tele2's reporting currency as well as translation differences on intra-group balances which are considered an expansion/reduction of the parent company's net investment in foreign operations.

Non-controlling interests represent the value of minority shares in subsidiaries included in the consolidated accounts. The accounting policies relating to non-controlling interests are described in the section regarding consolidation above.

Number of shares and earnings per share
Basic earnings per share are calculated by dividing the profit or loss of the year attributable to the parent company's owners by the weighted average number of outstanding shares during the period. To calculate diluted earnings per share the weighted average numbers of outstanding shares are adjusted for the dilutive effect of the total potential number of shares consisting of share based instruments settled with shares. Share based instruments have a dilutive effect if the exercise price plus the fair value of future services is below the quoted price and the dilutive effect increases when the size of this difference increases (Note 25).

Provisions
Provisions are reported when a company within the Group has a legal or constructive obligation as a result of past events, and it is probable that payments, which can be reliably estimated, will be required in order to settle the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities
A contingent liability exists if there is a possible obligation related to a past event and whose existence is confirmed only by one or several uncertain future events, and when there is an obligation that is not reported as a liability or a provision because it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be calculated with sufficient reliability. Disclosure is presented unless the probability of an outflow of resources is remote.

Continued Note 1

Segment reporting

Segment

Since the risks in Tele2's operations are mainly linked to the various markets in which the company operates, Tele2 follows up and analyses its business on country level. Hence each country represents Tele2's operating segments, apart from Tele2 Sweden which is split on Sweden Consumer and Sweden Business and the segments IoT (internet-of-things) and Other which are reported separately. Tele2 has chosen Adjusted EBITDA as the profit or loss measure for the reportable segments. The segment reporting is in line with the internal reporting to the chief operating decision maker, which is Tele2's "Leadership Team" (LT).

The segment Other mainly includes the parent company Tele2 AB and central functions, and other minor operations.

Tele2 Sweden (Tele2 Sverige AB) is split into core operations and central group functions. Core operations is reported in the segments Sweden Consumer and Sweden Business and central functions are included in the segment Other. The core operations of Tele2 Sweden comprise the commercial activities within Sweden Consumer and Sweden Business, including the communications services of mobile, fixed telephony, fixed broadband, business solutions and domestic carrier business. The central functions of Tele2 Sweden comprise the activities which provide services for the benefit of Tele2 AB's shareholders, other group companies (including the core operations of Sweden Consumer and Sweden Business), and to divested operations. These services are provided for example from group-wide departments such as finance, procurement, legal, product development, shared service center, network and IT, and international carrier.

Segment information is presented in Note 5.

The same accounting principles are applied to the segments and the Group.

Internal pricing

The sales of services in the Tele2 Group are made on market terms. Group-wide costs are invoiced to operations that have used the services.

Services

Services that are offered within the segments are mobile telephony, digital-TV, fixed broadband, fixed telephony and DSL, business solutions and other operations.

The mobile service comprises various types of subscriptions for residential and business customers as well as prepaid cards. Mobile also includes mobile broadband, fixed telephony via mobile network (FVM), IoT (internet-of-things), and mobile carrier. Tele2 either owns the networks or rents them from other operators a set-up called MVNO.

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

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

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

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

Judgement of accounting principles

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

Choice of accounting principle for put options

Put options issued or received by Tele2 in connection with business combinations, where the put options give the minority owner a right to sell its shares or part of its shares to Tele2, are initially, at the acquisition date, recognized as a non-controlling interest. The non-controlling interest is then immediately reclassified as a financial liability. The financial liability is subsequently recognized at its fair value at each reporting date, with the fair value changes reported within financial items in profit or loss.

An alternative method, not chosen by Tele2, would be to initially report both a non-controlling interest and a financial liability with opposite booking of the liability directly to equity and the following changes in the liability's fair value reported in profit or loss. Another alternative is to report on a current basis a non-controlling interest which is reclassified as a financial liability at each reporting period. The difference between the reclassified non-controlling interest and the fair value of the financial liability would be reported as a change of the non-controlling interest within equity.

Goodwill — level for goodwill impairment testing

Goodwill arising from business combinations is allocated to the cash-generating units which are expected to receive future economic benefits, in the form of synergies, for example, from the acquired operation. If separate cash-generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets are monitored for internal management purposes, which is the operating segment.

Estimates and judgments

As part of preparing the consolidated financial statements management is required to make certain estimates and judgments. The estimates and judgments are based on historical experience and a number of other assumptions aimed at providing a decision regarding the value of the assets or liabilities which cannot be determined in any other way. The actual outcome may vary from these estimates and judgments.

The most crucial assessments and estimates used in preparing the Group's consolidated financial statements are as follows:

Joint arrangements

In Sweden, Tele2 is part of two joint arrangements concerning mobile networks that are classified as joint operations, Svenska UMTS-nät AB (together with Telia Company) and Net4Mobility HB (together with Telenor). Tele2 has chosen to classify these two joint arrangements as joint operations as Tele2 considered that, through the agreements between the parties, they have the rights to the assets and obligations for the liabilities as well as corresponding revenues and expenses related to each arrangement. As basis for the classification, additional decisive factors are that the parties in each arrangement have the rights to substantially all of the economic benefits from the assets in each operation and the jointly owned companies are dependent on its owners for settling its liabilities on a continuous basis.

Continued Note 1

Revenue recognition
Revenue recognition in Tele2 requires management to make judgments and estimates in a number of cases, mainly to determine fair values and the period in which the revenue should be recognized. Many agreements bundle products and services into one customer offering which for accounting purposes requires allocating revenue to each part based on its relative fair value using accounting estimates. Determining whether revenues should be recognized immediately or be deferred require management to make judgments as to when the services and equipment have been provided, the fair value of each part as well as estimates regarding the remaining contract period. Please refer to Note 17 and 21 concerning receivables for sold equipment and Note 22 for other accrued revenues.

Valuation of acquired intangible assets
When acquiring businesses, intangible assets are measured at fair value. If there is an active market for the acquired assets, the fair value is measured based on the prices on this market. Since there are often no active markets for these assets, valuation models have been developed to estimate the fair value. Examples of valuation models are discounted cash flows models and estimates of Tele2's historical costs of acquiring equivalent assets. Please refer to Note 15 for acquisitions during the year.

Impairment test goodwill
When estimating the recoverable amount of cash generating units for goodwill impairment purposes, the Group makes assumptions regarding future events and key parameters. The assumptions made and sensitivity analyses are disclosed in Note 13. These kinds of assessments, by nature, include some uncertainty related to projected growth rates, profit margins, investment levels and discount rates. Should the actual outcome for a specific period differ from the expected outcome, the expected future cash flows may need to be reconsidered, which could lead to a write-down.

Valuation of non-current assets with a finite useful life
If the recoverable amount falls below the book value, an impairment loss is recognized. At each balance sheet date, a number of factors are analyzed in order to assess whether there is any indication of impairment. If such indication exists, an impairment test is prepared based on management's estimate of future cash flows including the applied discount rate. Please refer to Note 13 and Note 14.

Useful lives of non-current assets
When determining the useful life of groups of assets, historical experience and assumptions about future technical development are taken into account. Depreciation rates are based on the acquisition value of the non-current assets and the estimated utilization period less the estimated residual value at the end of the utilization period. If technology develops faster than expected or competition, regulatory or market conditions develop differently than expected, the Group's evaluation of utilization periods and residual values will be influenced.

Valuation of deferred income tax receivables and uncertain tax positions
Recognition of deferred income tax takes into consideration temporary differences and unutilized loss carry-forwards. Deferred tax assets are reported for deductible temporary differences and loss carry-forwards only to the extent that it is considered probable that they can be utilized to offset future taxable profits. Management updates its assessments on items related to deferred income taxes and uncertain tax positions at regular intervals. The valuation of deferred tax assets is based on expectations of future results and market conditions, which are naturally subjective. The actual outcome may differ from the assessments, partly as a result of future changes in business circumstances, which were not known at the time of the assessments, changes in tax laws or interpretations or the result of the taxation authorities' or courts' final examination of submitted tax returns. Please refer to Note 12.

Provisions for disputes and damages
Tele2 is party to a number of disputes. For each separate dispute, an assessment of the most likely outcome is made, and reported in the consolidated financial statements accordingly, see Note 27 and Note 30.

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

Other information
Tele2 AB (publ), company registration nr 556410-8917, is a limited company, with its registered office in Stockholm, Sweden. The company's registered office (phone +46 8 5620 0060) is at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden. The annual report was approved by the board of directors for issuance on March 29, 2019. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 6, 2019.

Continued Note 2

NOTE 2 Financial risk management and financial instruments

Through its operations, the Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to the treasury function. The aim is to control and minimize the Group's financial risks as well as financial costs, and optimize the relationship between risk and cost.

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

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

	Dec 31, 2017 (Restated*)					
	Assets and liabilities at fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	1[1]	658	–	–	659	659
Accounts receivables	–	2,224	–	–	2,224	2,224
Other current receivables	–	2,902	17[3]	–	2,919	2,919
Current investments	–	3	–	–	3	3
Cash and cash equivalents	–	802	–	–	802	802
Assets classified as held for sale	–	2,243	–	–	2,243	2,243
Total financial assets	**1**	**8,832**	**17**	**–**	**8,850**	**8,850**
Liabilities to financial institutions and similar liabilities	–	–	–	10,546	10,546	10,629[3]
Other interest-bearing liabilities	456[2]	–	156[3]	147	759	790[2,3]
Accounts payable	–	–	–	1,937	1,937	1,937
Other current liabilities	–	–	–	1,405	1,405	1,405
Liabilities directly associated with assets classified as held for sale	–	–	–	967	967	967
Total financial liabilities	**456**	**–**	**156**	**15,002**	**15,614**	**15,728**

*) Restated according to Note 35.

For the determination of fair values on financial assets and liabilities the following levels, according to IFRS 13, and inputs have been used:

1) Level 3: measured at fair value through profit/loss, which on initial recognition were designated for this type of measurement. Discounted future cash flow models are used to estimate the fair value.
2) Level 3:
   – earn out Tele2 Kazakhstan. The fair value is based on the transaction entered into with Asianet and Kazakhtelecom. The valuation is based on discounted future cash flows on the assumptions further described in Note 36.
   – deferred consideration for business acquisitions is based on expected future cash flows, please refer to Note 26.
   – for the long-term incentive program IoTP, the fair value of the liability is determined with support from an independent valuation institute, please refer to Note 33 for information concerning the program.
3) Level 2: observable market data have been used as input to determine the fair value of interest-, fair value- and foreign exchange rate derivatives, loans with fixed interest rate and other non-current interest bearing liabilities valued at fair value at initial recognition with subsequent measurement at amortized cost.

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

	Dec 31, 2018		Dec 31, 2017	
SEK million	Assets	Liabilities	Assets	Liabilities
As of January 1	**1**	**456**	**1**	**124**
Business combinations, Com Hem	6	–	–	–
Changes in fair value, earn-out Kazakhstan[1]	–	332	–	332
Other contingent considerations:				
- paid	–	–12	–	–8
- other changes	–	3	–	8
As of the end of the period	**7**	**779**	**1**	**456**

1) Reported as discontinued operations, please refer to Note 36

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

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

From January 1, 2018, Tele2 adopted an expected credit loss model for financial assets triggered by IFRS 9. Please refer to Note 35 for more information on the changes due to the adoption of IFRS 9.

Tele2 Sweden transfers the right for payment of certain operating receivables to financial institutions. During 2018 the right of payment transferred to third parties without recourse or remaining credit exposure for Tele2 corresponded to SEK 1 516 (1,327) million and resulted in a positive effect on cash flow.

Net gains/losses on financial instruments, including assets- and liabilities directly associated with assets classified as held for sale, amounted to SEK –509 (–712) million, of which loan and trade receivables amounted to SEK –176 (–378) million, derivatives to SEK –1 (–3) million and financial assets and liabilities at fair value through profit/loss to SEK –332 (–331) million.

The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. The value of reported derivatives at December 31, 2018 amounted on the asset side to SEK 33 (17) million and on the liabilities side to SEK 113 (156) million of which SEK 7 (–) million can be netted against the asset side.

Continued Note 2

Capital structure management

The Tele2 Group's view on capital structure management (equity and net debt) incorporates several inputs, of which the main items are listed below.

- The Board of Directors of Tele2 have set the following policies for financial leverage and shareholder remuneration:
  - Tele2 will seek to operate within an economic net debt/adjusted EBITDA range of between 2.5–3.0x and 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 EBITDA growth
- On a continuous basis, Tele2 will diversify its financing both in terms of duration and funding sources. A stable financial position is important in order to minimize refinancing risk.

The Board of Directors reviews the capital structure annually and as needed.

Currency risk

Currency risk is the risk of changes in exchange rates having a negative impact on the Group's result and equity. Currency exposure is associated with payment flows in foreign currency (transaction exposure) and the translation of foreign subsidiaries' balance sheets and income statements to SEK (translation exposure).

The Group does not generally hedge transaction exposure. When considered appropriate, the translation exposure related to some investments in foreign operations is hedged by issuing debt or entering into derivative transactions in the currencies involved. The hedges of net investments in foreign operations were 100 percentage effective in 2017 and 2018 and hence no ineffectiveness was recognized in the income statement. In the hedge reserve in equity the total amount related to net investment hedges amounts to SEK –714 (–592) million. On December 31, 2017 Tele2 had outstanding currency swaps designated for net investment hedging amounting to EUR 215 million. The reported fair value on the currency swaps amounted to SEK 17 million and became due in 2018.

On December 31, 2018 the Group had outstanding currency derivatives as economic hedges of loans in EUR amounting to EUR 830 million. The derivatives hedge monetary items thus hedge accounting is not applied. The reported fair value on the derivatives amounted to SEK 16 (–) million net.

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

	Dec 31, 2018	Dec 31, 2017
SEK[1]	23,606	6,914
EUR[1]	4,403	3,386
HRK	60	–
KZT[2]	–	246
Total loans	**28,069**	**10,546**

1) Including adjustment for currency derivatives designated to swap loans in SEK to EUR of SEK – (2,113) million and EUR to SEK of SEK 8,528 (–) million
2) Loans guaranteed by the shareholder with non-controlling interest, which in 2018 were reclassified to "Liabilities directly associated with assets classified as held for sale"

In 2018, 71 (71) percent of net sales is related to SEK and 21 (21) percent to EUR. For other currencies please refer to Note 3. During the year, Tele2's results were foremost affected by fluctuations in EUR.

The Group's total net assets on December 31, 2018 of SEK 36,362 (17,132) million were distributed by currency in SEK million as follows (including loan and currency derivatives).

	Dec 31, 2018	Dec 31, 2017
SEK	23,132	2,844
EUR[1]	9,726	10,906
KZT	2,050	2,511
HRK	1,324	888
USD	130	–17
Total	**36,362**	**17,132**

1) Loans and derivatives denominated in EUR designated for net investment hedging are included by SEK 3,339 (3,393) million

A five percent currency fluctuation against the Swedish krona would affect the Group's total net assets by SEK 662 (714) million. A strengthening of the SEK towards other currencies would impact net assets negatively.

Interest rate risk

Tele2 monitors interest market trends and decisions to change the interest duration strategy are assessed regularly. Loans exposed to changes in interest rates over the next 12-months (i.e. short fixed interest rates) amounted to SEK 12,492 (4,318) million, carrying value, corresponding to 44 (38) percent of outstanding debt balance at the end of the year. Calculated at variable interest-bearing liabilities at December 31, 2018 and assuming that loans carrying short fixed interest rates were traded per January 1, 2018 to 1 percent higher interest rate and this rate was constant for 12 months, this would result in an additional interest expense for 2018 of SEK 125 (43) million, and affect profit/loss after tax by SEK 97 (34) million and other comprehensive income positively in 2018 by SEK 54 million. For additional information please refer to Note 26.

The capital amount of outstanding interest rate derivatives on December 31, 2018 amounts to SEK 3.2 billion converting variable interest rate to fixed interest rate and EUR 250 million (SEK 2.6 billion) converting fixed rate to floating. The cash flows related to outstanding interest rate derivative is expected to affect the income statement during the remaining duration of the interest rate swaps. Official market listings have been used to determine the fair value of interest rate derivatives. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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

				Dec 31, 2018		Dec 31, 2017	
Type of hedge	Currency	Fixed interest rate terms %	Maturity	Capital amount, nominal	Reported fair value	Capital amount, nominal	Reported fair value
Cash flow	SEK	2.6125	2021	1,400	–73	1,400	–108
Cash flow	SEK	1.9695	2021	300	–12	300	–18
Cash flow	SEK	0.695	2021	300	–4	300	–6
Cash flow	SEK	1.9495	2021	200	–8	200	–12
Cash flow	SEK	2.1575	2020	250	–7	250	–12
Cash flow	SEK	0.148	2021	700	–1	700	–
Summary of cash flow hedges	*SEK*			*3,150*	*–105*	*3,150*	*–156*
Fair value	EUR	2.125	2028	125	4	–	–
Fair value	EUR	2.125	2028	125	5	–	–
Summary of fair value hedges	*EUR*			*250*	*9*	–	–
Total outstanding interest rate derivatives					**– 96**		**– 156**

The total effective change in fair values on the interest rate derivatives designated for cash flow hedging recognized in other comprehensive income amounted to SEK –16 (16) million. Of the total change in fair value SEK 67 (37) million including ineffectiveness was reclassified to the income statement and included in interest expenses for the year.

Liquidity risk

The Group's excess liquidity is invested on a short-term basis or used for loan repayments. Liquidity reserves consist of available cash, undrawn committed credit facilities and committed overdraft facilities. At the end of 2018, the Group had available liquidity reserves of SEK 9.5 (10.7) billion, for the short-term current assets are included. For additional information please refer to Note 24.

At present, Tele2 has a credit facility with a syndicate of ten banks. In January 2019, the facility was extended by one year to 2024 and has one remaining one year extension option. The facility amounts to EUR 760 million and was unutilized on December 31, 2018.

Tele2 AB's EUR 5 billion Euro Medium-Term Note (EMTN) Program forms the basis for Tele2's medium and long term debt issuance in both international and domestic bond markets. On December 31, 2018 issued bonds under the Program amounted to SEK 20,580 (8,534) million. For additional information please refer to Note 26.

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

		Dec 31, 2018				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1)]	26	10,548	5,961	4,972	12,419	33,900
Commitments, other	30	4,323	1,948	34	60	6,365
Operating leases	31	1,546	1,311	799	970	4,626
Total contractual commitments		**16,417**	**9,220**	**5,805**	**13,449**	**44,891**

		Dec 31, 2017				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1)]	26	4,217	2,544	6,108	2,616	15,485
Commitments, other[2)]	30	2,187	4,535	56	80	6,858
Operating leases[2)]	31	891	955	516	1,379	3,741
Total contractual commitments		**7,295**	**8,034**	**6,680**	**4,075**	**26,084**

1) including future interest payments. Within 1 year includes derivatives of SEK 113 (156) million
2) Dec 31, 2017 have been adjusted to exclude commitments and operating leases related to the operations in Kazakhstan held for sale. In addition, operating leases have been restated for the period after 5 years (Note 31)

Credit risk

Tele2's credit risk is mainly associated with accounts receivables, receivables related to sold equipment (handsets) and cash and cash equivalents. The Group regularly assesses its credit risk arising from accounts receivables and receivables related to sold equipment. As the customer base is highly diversified and includes individuals and companies, the exposure and associated overall credit risk is limited. Whenever favourable, companies within the Group are entitled to sell overdue receivables to debt collection agencies either as a one-time occasion or on ongoing basis. The Group makes provisions for expected credit losses, please refer to Note 20.

Maximum credit exposure for accounts receivables amounts to SEK 2,509 (2,224) million and receivables related to sold equipment to SEK 2,745 (2,429) million. In addition assets classified as held for sale includes accounts receivables and receivables related to sold equipment by maximum credit exposure of SEK 406 (385) and 1,599 (1,426) million respectively.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparty are banks with high credit-ratings assigned by international credit-rating agencies. The company has entered into ISDA agreements for derivative contracts with all counterpart banks that have derivatives with the company. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As Tele2 presently does not have legally enforceable right to set off, these amounts have not been offset in the balance sheet. A Credit Support Annex (CSA) has in some cases also been entered into with counterparts. Under CSA agreements the parties agree to exchange collateral corresponding to the market value of outstanding derivatives. Maximum credit exposure for liquid funds amounts to SEK 404 (802) million and derivatives to SEK 33 (17) million.

NOTE 3 Exchange rate effects

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

	Revenue			
	2018		2017	
SEK	16,765	71%	15,336	71%
EUR	5,010	21%	4,443	21%
HRK	1,929	8%	1,687	8%
Total	**23,704**	**100%**	**21,466**	**100%**

	Operating profit			
	2018		2017	
SEK	2,040	55%	2,272	65%
EUR	1,250	33%	1,196	35%
HRK	460	12%	1	0%
Total	**3,750**	**100%**	**3,469**	**100%**

Net assets per currency is presented in Note 2.

A five percent currency movement of all currencies against the Swedish krona would affect the Group's revenues and operating profit/loss on an annual basis by SEK 347 (307) million and SEK 85 (60) million, respectively.

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

	2018	2017
Other operating income	77	30
Other operating expenses	–100	–38
Other financial items	–8	14
Total exchange rate differences in income statement	**–31**	**6**

NOTE 4 Revenue

Revenue and internal sales

	Revenue		of which internal sales	
	2018	2017	2018	2017
Sweden Consumer	10,000	8,632	–	–
Sweden Business	6,417	6,425	4	3
Lithuania	2,430	1,957	30	20
Latvia	1,308	1,178	18	22
Estonia	787	743	6	5
Croatia	1,937	1,694	8	7
Germany	539	612	–	–
IoT	200	147	–	–
Other	152	135	–	–
	23,770	**21,523**	**66**	**57**
Internal sales, elimination	–66	–57		
TOTAL	**23,704**	**21,466**	**66**	**57**

Revenue in the segment Other are invoiced from Swedish companies.
Revenue by currency is presented in Note 3.

Revenue split per category

Revenue can be split into the following categories of revenues.

	2018	2017
Sweden Consumer		
End-user service revenue	7,220	6,260
Operator revenue	644	624
Equipment revenue	2,136	1,748
	10,000	**8,632**
Sweden Business		
End-user service revenue	3,979	4,103
Operator revenue	700	778
Equipment revenue	1,734	1,541
Internal sales	4	3
	6,417	**6,425**
Lithuania		
End-user service revenue	1,329	1,119
Operator revenue	249	223
Equipment revenue	822	595
Internal sales	30	20
	2,430	**1,957**
Latvia		
End-user service revenue	768	672
Operator revenue	201	213
Equipment revenue	321	271
Internal sales	18	22
	1,308	**1,178**
Estonia		
End-user service revenue	451	455
Operator revenue	133	121
Equipment revenue	197	162
Internal sales	6	5
	787	**743**
Croatia		
End-user service revenue	1,110	903
Operator revenue	269	245
Equipment revenue	550	539
Internal sales	8	7
	1,937	**1,694**
Germany		
End-user service revenue	536	608
Operator revenue	1	1
Equipment revenue	2	3
	539	**612**
IoT		
End-user service revenue	200	147
	200	**147**
Other		
Operator revenue	152	135
	152	**135**
TOTAL		
End-user service revenue	**15,593**	**14,267**
Operator revenue	**2,349**	**2,340**
Equipment revenue	**5,762**	**4,859**
Internal sales	**66**	**57**
TOTAL REVENUE	**23,770**	**21,523**

Sweden

Revenue in Sweden can be split into additional categories of revenues.

	2018	2017
Sweden Consumer		
Mobile	5,881	5,859
Fixed	1,230	401
Landlord & Other	109	–
End-user service revenue	**7,220**	**6,260**
Operator revenue	644	624
Equipment revenue	2,136	1,748
Sweden Consumer	**10,000**	**8,632**
Sweden Business		
Mobile	1,864	1,894
Fixed	1,075	1,188
Solutions	1,040	1,021
End-user service revenue	**3,979**	**4,103**
Operator revenue, excluding Wholesale	127	123
Equipment revenue	1,734	1,541
Wholesale	573	655
Internal sales	4	3
Sweden Business	**6,417**	**6,425**
TOTAL REVENUE IN SWEDEN	**16,417**	**15,057**

Unsatisfied long-term outstanding customer contracts

	Dec 31, 2018	Dec 31, 2017
Outstanding amount of non-cancellable customer contracts that are (partly) unsatisfied	5,228	3,228

As of December 31, 2018, Tele2 had non-cancellable customer contracts with a duration up to 132 (72) months, which resulted in partly unsatisfied performance obligations at year-end. Management expect that 57 (63) percent of the transaction price allocated to the partly unsatisfied contracts as of December 31, 2018 will be recognized as revenue during the year 2019 (2018). The remaining 29 (30) percent is expected to be recognized during 2020 (2019) and 14 (7) percent during 2021–2029 (2020–2022).

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

NOTE 5 Segment reporting

The segment reporting is primarily based on country level. However, as a result of Tele2's merger with Com Hem on November 5, 2018, and the subsequent changes in Tele2's management structure and the financial information regularly evaluated by the Leadership Team, Tele2's operating segments have changed. The prior segment Tele2 Sweden has been split into Sweden Consumer and Sweden Business. Tele2 has also separated its IoT (internet-of-things) operations from the segment Other. The comparable numbers have been recasted.

The segment Other mainly includes the parent company Tele2 AB and central functions.

For additional information please refer to section Segment reporting in Note 1.

	2018										
	Sweden Consumer	Sweden Business	Lithuania	Latvia	Estonia	Croatia	Germany	IoT	Other	Undistributed and internal elimination	Total
INCOME STATEMENT											
Revenue											
-External	10,000	6,413	2,400	1,290	781	1,929	539	200	152	–	23,704
-Internal	–	4	30	18	6	8	–	–	–	–66	–
Revenue	**10,000**	**6,417**	**2,430**	**1,308**	**787**	**1,937**	**539**	**200**	**152**	**–66**	**23,704**
ADJUSTED EBITDA	**3,369**	**1,373**	**816**	**474**	**167**	**425**	**249**	**–112**	**–106**	**–**	**6,655**
Reconciling items to reported operating profit/loss:											
-Depreciation/amortization and other impairment										–2,446	–2,446
-Result from shares in joint ventures and associated companies										9	9
-Reversal of impairment										149	149
-Acquisition costs										–306	–306
-Integration costs										–311	–311
Operating profit											**3,750**
Interest income										15	15
Interest expenses										–327	–327
Other financial items										–66	–66
Income tax										–1,762	–1,762
NET PROFIT FROM CONTINUING OPERATIONS											**1,610**

	2018									
	Sweden Consumer	Sweden Business	Sweden[1]	Lithuania	Latvia	Estonia	Croatia	IoT	Other	Total
OTHER INFORMATION										
Additions to intangible and tangible assets			1,938	144	113	87	128	29	393	2,832
Non-cash-generating adjusted EBITDA items										
-Sales of fixed assets and operations	–21	–55		–1	–	–	–	–8	–17	–102
-Incentive program	–	–		–	–	–	–	–	–42	–42

[1] This is internally not reported on the segments Sweden Consumer and Sweden Business

	Dec 31, 2018						
	Sweden	Lithuania	Latvia	Estonia	Croatia	Germany	Total
BALANCE SHEET							
Intangible assets	46,524	1,021	1,265	831	122	–	49,763
Tangible assets	6,756	683	593	451	707	2	9,192
Capitalized contract costs	273	39	7	15	39	–	373

	2017										
	Sweden Consumer	Sweden Business	Lithuania	Latvia	Estonia	Croatia	Germany	IoT	Other	Undistributed and internal elimination	Total
INCOME STATEMENT											
Revenue											
-External	8,632	6,422	1,937	1,156	738	1,687	612	147	135	–	21,466
-Internal	–	3	20	22	5	7	–	–	–	–57	–
Revenue	**8,632**	**6,425**	**1,957**	**1,178**	**743**	**1,694**	**612**	**147**	**135**	**–57**	**21,466**
ADJUSTED EBITDA	**2,969**	**1,383**	**651**	**417**	**185**	**93**	**265**	**–101**	**–64**	**–**	**5,798**
Reconciling items to reported operating profit/loss:											
-Depreciation/amortization and other impairment										–2,086	–2,086
-Acquisition costs										–20	–20
-Integration costs										–145	–145
-Challenger program										–78	–78
Operating profit											**3,469**
Interest income										11	11
Interest expenses										–314	–314
Other financial items										–1	–1
Income tax										–734	–734
NET PROFIT FROM CONTINUING OPERATIONS											**2,431**

Continued Note 5

	2017										
	Sweden Consumer	Sweden Business	Sweden[1)]	Lithuania	Latvia	Estonia	Croatia	IoT	Other	Total
OTHER INFORMATION										
Additions to intangible and tangible assets			743	114	83	83	90	30	289	1,432
Non-cash-generating adjusted EBITDA items										
-Sales of fixed assets and operations	4	2		–1	–	–	–	–	–1	4
-Incentive program	–	–		–	–	–	–	–3	–27	–30

1) This is internally not reported on the segments Sweden Consumer and Sweden Business

	Dec 31, 2017							
	Sweden	Lithuania	Latvia	Estonia	Croatia	Germany	Kazakhstan	Total
BALANCE SHEET								
Intangible assets	6,040	970	1,215	808	46	–	482	9,561
Tangible assets	4,180	643	575	462	550	3	2,279	8,692
Capitalized contract costs	245	48	19	19	49	–	–	380

Tele2 Croatia has as part of its ordinary course of business entered into factoring agreements with Croatian banks, whereby Tele2 assigns to the banks some of its accounts receivables relating to third party distribution of prepaid vouchers. One of the third-party distributors, Tisak, is part of the Croatian Agrokor Group that currently is facing liquidity and solvency problems. Since the banks have not been able to collect payment for assigned and due accounts receivables from Tisak, they have instead requested payment from Tele2. In 2017, a provision for doubtful receivables was recorded affecting the operating profit/loss in Croatia negatively by SEK 89 million related to this factoring dispute and receivables on Tisak. The collection process is still ongoing with a number of different activities in process.

Reconciling items to reported operating profit

Reversal of impairment

The impairment loss of non-current assets other than goodwill recognized in Croatia during 2012 and 2013 has been reversed during 2018, with SEK 149 million as a result of the business performing better than management's previous estimates. The reversal has been recognized in cost of service provided and equipment sold and is based on an estimated value in use of SEK 1.7 billion by using a pre-tax discount rate (WACC) of 13 (13) percent.

Acquisition costs and integration costs

	Acquisition costs		Integration costs	
	2018	2017	2018	2017
Com Hem, Sweden	–306	–20	–210	–
TDC, Sweden	–	–	–101	–145
Total	**–306**	**–20**	**–311**	**–145**
of which:				
-cost of service provided and equipment sold	–	–	*–24*	*–19*
-selling expenses	–	–	*–43*	*–23*
-administrative expenses	–	–	*–244*	*–103*
-other operating expenses	*–306*	*–20*	–	–
of which:				
-redundancy costs			*–181*	*–62*
-other employee and consultancy costs			*–102*	*–72*
-exit of contracts and other costs			*–28*	*–11*

Additional information is presented in Note 15.

Challenger program

At the end of 2014, Tele2 announced its Challenger program, which is a program to step change productivity in the Tele2 Group. The program will strengthen the organization further and enable it to continue to challenge the industry. The costs associated with the program are included in the income statement on the following line items. The Challenger program ended on December 31, 2017.

	2018	2017
Cost of services provided and equipment sold	–	–7
Selling expenses	–	–1
Administrative expenses	–	–70
Total Challenger program costs	**–**	**–78**
of which:		
-redundancy costs	–	*–31*
-other employee and consultancy costs	–	*–46*
-exit of contracts and other costs	–	*–1*

NOTE 6 Depreciation/amortization and impairment

By function

	2018	2017
Depreciation/amortization		
Cost of services provided and equipment sold	–1,795	–1,441
Selling expenses	–131	–82
Administrative expenses	–520	–566
Total depreciation/amortization	**–2,446**	**–2,089**
Impairment/reversal of impairment		
Cost of services provided and equipment sold	149	3
Total impairment/reversal of impairment	**149**	**3**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT/REVERSAL OF IMPAIRMENT FOR THE YEAR	**–2,297**	**–2,086**

By type of asset

	2018	2017
Depreciation/amortization		
Utilization rights, trademarks and software	–567	–475
Licenses (frequency)	–160	–177
Customer agreements	–272	–146
Buildings	–9	–8
Machinery and technical plant	–1,307	–1,140
Equipment and installations	–131	–143
Total depreciation/amortization	**–2,446**	**–2,089**
Impairment/reversal of impairment		
Licenses (frequency)	73	–
Machinery and technical plant	76	–
Construction in progress, tangible assets	–	3
Total impairment/reversal of impairment	**149**	**3**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT/REVERSAL OF IMPAIRMENT FOR THE YEAR	**–2,297**	**–2,086**

NOTE 7 Other operating income

	2018	2017
Sale to joint operations	79	75
Exchange rate gains from operations	77	30
Sale of non-current assets	5	2
Service level agreements, for sold operations	16	3
Other income	19	18
Total other operating income	**196**	**128**

NOTE 8 Other operating expenses

	2018	2017
Exchange rate loss from operations	–100	–38
Acquisition costs (Note 5)	–306	–20
Sale/scrapping of non-current assets	–63	–
Service level agreements, for sold operations	–11	–3
Other expenses	–	–1
Total other operating expenses	**–480**	**–62**

NOTE 9 Interest income

	2018	2017
Interest, penalty interest	8	6
Interest, other receivables	7	5
Total interest income	**15**	**11**

All interest income is for financial assets reported at amortized cost. Interest income related to impaired financial assets, such as accounts receivable, are not significant.

NOTE 10 Interest expenses

	2018	2017
Interest, financial institutions and similar liabilities	–275	–272
Interest, other interest-bearing liabilities	–39	–31
Interest, penalty interest	–13	–11
Total interest costs	**–327**	**–314**

All interest costs are for financial instruments not valued at fair value through the income statement, except for interest costs related to derivatives amounting to SEK –68 (–104) million.

NOTE 11 Other financial items

	2018	2017
Exchange rate differences	–8	14
EUR net investment hedge, interest component	–1	–3
Other finance expenses	–57	–12
Total other financial items	**–66**	**–1**

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

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

NOTE 12 Taxes

Tax expense/income

	2018	2017
Current tax expense, on profit/loss current year	–609	–607
Current tax expense/income, on profit prior periods	–20	–11
Current tax expense	–629	–618
Deferred tax expense/income	–1,133	–116
Total tax on profit for the year	**–1,762**	**–734**

Theoretical tax expense

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

	2018		2017	
Profit before tax	3,372		3,165	
Tax expense/income				
Theoretic tax according to prevailing tax rate in each country	–768	–22.8%	–769	–24.3%
Tax effect of				
Result from associated companies	2	0.1%	–	–
Interest costs	–60	–1.8%	–56	–1.8%
Recognition of tax assets relating to tax loss carry-forwards and temporary differences from previous years	102	3.0%	82	2.6%
Write-down of previously recognized deferred tax assets	–1,134	–33.6%	–	–
Release of deferred tax liabilities due to new tax rules in Latvia	–	–	39	1.2%
Adjustment due to changed tax rate	59	1.7%	–1	–
Adjustment of tax assets from previous years	–17	–0.5%	–23	–0.7%
Utilized previously not recognized tax credits	77	2.3%	5	0.2%
Effect from changes in not recognized tax on loss-carry forwards and temporary differences	–	–	–4	–0.2%
Other	–23	–0.7%	–7	–0.2%
Tax expense/income and effective tax rate for the year	**–1,762**	**–52.3%**	**–734**	**–23.2%**

In 2018, taxes were positively affected by a recognition of deferred tax assets in Croatia of SEK 51 (–) million as well as in Germany of SEK 51 (82) million, and negatively by an impairment of deferred tax assets in Luxembourg of SEK 1,134 million due to a decision to reorganize the operation in Luxembourg in 2020.

The theoretical tax rate was 22.8 (24.3) percent. The decrease on the previous year's theoretical tax rate was mainly due to the fact that countries with a lower tax rate, such as the Baltics and Croatia, having a relatively higher impact on the result than countries with higher tax rate, such as Sweden.

New tax rules in Sweden

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

Continued Note 12

Deferred tax assets and liabilities

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

	Dec 31, 2018	Dec 31, 2017
Deferred tax assets		
Unutilized loss carry-forwards	185	1,602
Tangible and intangible assets	42	193
Receivables	30	10
Liabilities	78	103
Pensions	65	11
Other	40	1
Total deferred tax assets	**440**	**1,920**
Netted against deferred liabilities	–72	–9
Total deferred tax assets according to the balance sheet	**368**	**1,911**
Deferred tax liabilities		
Intangible assets	–3,154	–31
Tangible assets	–568	–545
Receivables	–	–1
Tax allocation reserve	–365	–215
Liabilities	–188	–215
Total deferred tax liabilities	**–4,275**	**–1,007**
Netted against deferred assets	72	9
Total deferred tax liabilities according to the balance sheet	**–4,203**	**–998**
NET OF DEFERRED TAX ASSETS AND TAX LIABILITIES	**–3,835**	**913**

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

	2018			
	Loss carry forwards	Temporary differences DTA	Temporary differences DTL	Total
Deferred tax assets/-liabilities as of January 1	1,601	310	–998	913
Changed accounting principle, IFRS 9 (Note 35)	–	–	1	1
Adjusted deferred tax assets/-liabilities as of January 1	1,601	310	–997	914
Netted against deferred liabilities, opening balance	1	8	–9	–
Reported in income statement	–1,212	58	21	–1,133
Reported in income statement, discontinued operations	–193	126	8	–59
Reported in other comprehensive income	–86	–9	–1	–96
Reported in equity	–	4	10	14
Acquired companies	41	141	–3,309	–3,127
Assets classified as held for sale	–25	–368	11	–382
Exchange rate differences	58	–15	–9	34
Netted against deferred liabilities	–	–72	72	–
Deferred tax assets/-liabilities as of December 31	**185**	**183**	**–4,203**	**–3,835**

	2017			
	Loss carry forwards	Temporary differences DTA	Temporary differences DTL	Total
Deferred tax assets/-liabilities as of January 1	1,566	136	–1,066	636
Changed accounting principle, IFRS 15 (Note 35)	–	–10	–48	–58
Restatements (Note 35)	135	–61	201	275
Deferred tax assets/-liabilities as of January 1	1,701	65	–913	853
Netted against deferred liabilities, opening balance	–	48	–48	–
Reported in income statement	–68	10	–58	–116
Reported in income statement, discontinued operations (Note 35)	–50	–307	–	–357
Reported in other comprehensive income (Note 35)	229	532	–	761
Reported in equity	–	4	–	4
Divested companies	–243	–19	17	–245
Exchange rate differences	33	–15	–5	13
Netted against deferred liabilities	–1	–8	9	–
Deferred tax assets/-liabilities as of December 31	**1,601**	**310**	**–998**	**913**

Tax loss carry-forwards

The Group's total tax loss carry-forwards as of December 31, 2018 were SEK 5,831 (7,553) million of which SEK 728 (6,426) million for which deferred tax asset were recognized and the remaining part, SEK 5,103 (1,127) million, were not recognized. Total tax loss carry-forwards expire according to below.

	Recognized		Not recognized		Total	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Expires in five years	–	–	1	266	1	266
Expires after five years	–	1,080	2	2	2	1,082
With expiration date	**–**	**1,080**	**3**	**268**	**3**	**1,348**
No expiration date	728	5,346	5,100	859	5,828	6,205
Total tax loss carry-forwards	**728**	**6,426**	**5,103**	**1,127**	**5,831**	**7,553**

	Dec 31, 2018	Dec 31, 2017
Deferred tax assets		
Companies reported a profit this year and previous year	315	1,438
Companies reported a profit this year but a loss the previous year	53	–
Companies reported a loss this year	–	473
Total deferred tax assets	**368**	**1,911**

Deferred tax assets were reported for deductible temporary differences and tax loss carry-forwards to the extent convincing evidence showed that these can be utilized against future taxable profits. Deferred tax assets concerning operations which reported losses in 2017 were related to Kazakhstan. The operation in Kazakhstan is in a tax position and has during 2017 started to utilize its loss carry forwards.

Tax disputes

Tele2 Sweden has made a provision of 361 (305) million related the years 2013–2018 as a result of tax disputes regarding the right to deduct interest expenses on intra-group loans. Tele2 Sweden has appealed decisions by the Swedish Tax Agency related to the years 2015 and 2016 and rulings from the Administrative Court in Stockholm related to the years 2013 and 2014.

NOTE 13 Intangible assets

	Note	Utilization rights, trademarks and software	Licenses (frequency)	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
		Dec 31, 2018						
Cost								
Cost at January 1		4,840	3,186	1,483	410	9,919	7,656	17,575
Cost for assets classified as held for sale	36	–232	–556	–264	–26	–1,078	–457	–1,535
Acquisitions through business combinations	15	6,092	36	8,962	12	15,102	24,657	39,759
Additions		109	798	–	909	1,816	–	1,816
Disposals		–420	–218	–9	–66	–713	–	–713
Reclassification		507	41	–	–480	68	–	68
Exchange rate differences		15	15	–6	1	25	181	206
Total cost		**10,911**	**3,302**	**10,166**	**760**	**25,139**	**32,037**	**57,176**
Accumulated amortization								
Accumulated amortization at January 1		–3,013	–1,799	–663	–	–5,475		–5,475
Accumulated amortization for assets classified as held for sale	36	106	378	264	–	748		748
Amortization		–605	–217	–272	–	–1,094		–1,094
Disposals		410	209	9	–	628		628
Exchange rate differences		–13	–1	7	–	–7		–7
Total accumulated amortization		**–3,115**	**–1,430**	**–655**	**–**	**–5,200**		**–5,200**
Accumulated impairment								
Accumulated impairment at January 1		–273	–127	–	–	–400	–2,139	–2,539
Accumulated impairment for assets classified as held for sale	36	–	–	–	–	–	328	328
Reversal of impairment	5	–	73	–	–	73	–	73
Exchange rate differences		–1	–7	–	–	–8	–67	–75
Total accumulated impairment		**–274**	**–61**	**–**	**–**	**–335**	**–1,878**	**–2,213**
TOTAL INTANGIBLE ASSETS		**7,522**	**1,811**	**9,511**	**760**	**19,604**	**30,159**	**49,763**

Of the total 2018 additions in intangible assets, SEK 197 (127) million consist of internally generated intangibles. Internally generated intangible assets and construction in progress mainly consist of software.

	Note	Utilization rights, trademarks and software	Licenses (frequency)	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
		Dec 31, 2017						
Cost								
Cost at January 1		4,619	4,782	3,458	439	13,298	15,054	28,352
Restatements	35	–28	7	–	–32	–53	–	–53
Adjusted cost at January 1		4,591	4,789	3,458	407	13,245	15,054	28,299
Cost for assets classified as held for sale		–6	–1,635	–1,320	–	–2,961	–5,514	–8,475
Acquisitions through business combinations		–	–	–	–	–	–4	–4
Cost in divested companies		–222	–	–672	–21	–915	–2,135	–3,050
Additions		131	1	–	492	624	–	624
Disposals		–81	–8	–	–	–89	–	–89
Reclassification		427	31	–	–469	–11	–	–11
Exchange rate differences		–	8	17	1	26	255	281
Total cost		**4,840**	**3,186**	**1,483**	**410**	**9,919**	**7,656**	**17,575**
Accumulated amortization								
Accumulated amortization at January 1		–2,773	–1,843	–2,418	–	–7,034		–7,034
Restatements	35	17	–1	–12	–	4		4
Adjusted accumulated amortization at January 1		–2,756	–1,844	–2,430	–	–7,030		–7,030
Accumulated amortization for assets classified as held for sale		6	364	1,320	–	1,690		1,690
Accumulated amortization in divested companies		196	–	624	–	820		820
Amortization		–530	–340	–161	–	–1,031		–1,031
Disposals		76	8	–	–	84		84
Reclassification		2	–	–	–	2		2
Exchange rate differences		–7	13	–16	–	–10		–10
Total accumulated amortization		**–3,013**	**–1,799**	**–663**	**–**	**–5,475**		**–5,475**
Accumulated impairment								
Accumulated impairment at January 1		–273	–123	–47	–	–443	–7,325	–7,768
Restatements	35	–	–	–	–	–	–131	–131
Adjusted accumulated impairment at January 1		–273	–123	–47	–	–443	–7,456	–7,899
Accumulated impairment for assets classified as held for sale		–	–	–	–	–	4,541	4,541
Accumulated impairment in divested companies		–	–	47	–	47	2,126	2,173
Impairment		–	–	–	–	–	–1,194	–1,194
Exchange rate differences		–	–4	–	–	–4	–156	–160
Total accumulated impairment		**–273**	**–127**	**–**	**–**	**–400**	**–2,139**	**–2,539**
TOTAL INTANGIBLE ASSETS		**1,554**	**1,260**	**820**	**410**	**4,044**	**5,517**	**9,561**

Continued Note 13

Goodwill and other intangible assets with indefinite useful lives

In connection with the acquisition of operations, goodwill is allocated to the cash generating units that are expected to receive future financial benefits such as for example synergies as a result of the acquired operations. In the event that separate cash generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets are controlled and monitored internally, which is on operating segment level. In 2018, Sweden has been divided into two operating segments (Consumer and Business), and the goodwill has been reallocated accordingly. The goodwill allocation has been based on the nature of the operations acquired to which the goodwill relates.

	Goodwill		Trademark
Cash generating units and operating segments	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018
Sweden Consumer	25,459		5,383
Sweden Business	1,857		–
Sweden		2,668	–
Lithuania	868	832	–
Latvia	1,244	1,193	–
Estonia	721	691	–
Kazakhstan		133	–
IoT	10		
Total	**30,159**	**5,517**	**5,383**

Allocation of goodwill and test for goodwill impairment

Tele2 tests goodwill and other intangible assets with indefinite useful lives for impairment annually by calculating the recoverable value for the cash-generating units to which these assets are allocated. As of December 31, 2018 the Com Hem trademark of SEK 5,383 million is assessed to have an indefinite useful life as it is expected to be used for an indefinite period. The Com Hem trademark is tested for impairment as part of Sweden Consumer operating segment. The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value less costs of disposal. For all cash-generating units the recoverable values have been determined based on value in use, except for Tele2 Netherlands. For further information about impairment for Tele2 Netherlands and Tele2 Kazakhstan, please refer to Note 36.

The assumptions used in the calculations of values in use are growth rates, profit margins, investment levels and discount rates. The expected revenue growth rate, profit margin and investment level are based on sector data as well as management's assessment of market-specific risks and opportunities, including expected changes in competition, the business model used by Tele2 and the regulatory environment. Management's assessment of the range of revenues, profits and investments are limited to Tele2's current telecom licenses and assets. The discount rate takes into account the prevailing interest rates and specific risk factors in a particular cash-generating unit. The discount rate before tax (WACC) varies between 10 and 19 (10) percent.

Tele2 calculates future cash flows based on the most recently presented three-year plan. In one case we extend the business case for additional seven years until the forecasted cash flow growth is considered more stable. For the period after this, annual growth of up to 2 (up to 2) percent is assumed. These rates do not exceed the average long-term growth for the sector as a whole nor do they exceed the expected long term GDP growth rates in the markets.

Changes to assumptions

The carrying amounts of cash-generating units for which impairment losses were recognized in 2016, i.e. Netherlands and Kazakhstan, have been written down to its value in use. A subsequent negative development to any important assumption after the end of those years would therefore give rise to further impairment losses.

For the other cash-generating units to which goodwill have been allocated Tele2 assesses that reasonable possible changes in the major assumptions should not have such significant effects that they individually would reduce the value in use to a value that is lower than the carrying value on the cash generating units.

The value in use calculations, used for all cash-generating units, are based on the following assumptions per operating segment.

	WACC pre tax		Forecast period, in years		Growth rate after the forecast period	
	2018	2017	2018	2017	2018	2017
Sweden Consumer	10%		3		0%	
Sweden Business	10%		3		0%	
Sweden		10%		3		0%
Lithuania	11%	10%	3	3	2%	2%
Latvia	11%	10%	3	3	2%	2%
Estonia	11%	10%	3	3	2%	2%
IoT	19%		10		1%	

NOTE 14 Tangible assets

		Dec 31, 2018						
	Note	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Cost								
Cost at January 1		405	1,687	1,568	3,660	24,917	*401*	28,577
Cost for assets classified as held for sale	36	–217	–153	–516	–886	–2,449	–	–3,335
Acquisitions through business combinations		–	43	144	187	2,827	–	3,014
Additions		10	103	661	774	516	–	1,290
Dismantling costs		–	–	–	–	64	–	64
Disposals		–2	–301	–	–303	–5,195	–	–5,498
Reclassification		21	–75	–1,135	–1,189	1,121	–	–68
Exchange rate differences		1	21	–7	15	145	–	160
Total cost		**218**	**1,325**	**715**	**2,258**	**21,946**	***401***	**24,204**
Accumulated depreciation								
Accumulated depreciation at January 1		–177	–1,239	–	–1,416	–17,479	*–279*	–18,895
Accumulated depreciation for assets classified as held for sale	36	31	112	–	143	1,061	–	1,204
Depreciation		–19	–155	–	–174	–1,649	*–18*	–1,823
Disposals		2	294	–	296	5,171	–	5,467
Reclassification		–1	17	–	16	–16	–	–
Exchange rate differences		–5	–18	–	–23	–67	–	–90
Total accumulated depreciation		**–169**	**–989**	**–**	**–1,158**	**–12,979**	***–297***	**–14,137**
Accumulated impairment								
Accumulated impairment at January 1		–	–7	–3	–10	–980	–	–990
Accumulated impairment for assets classified as held for sale		–	–	–	–	73	–	73
Reversal of impairment	5	–	–	–	–	76	–	76
Disposals		–	–	1	1	–	–	1
Exchange rate differences		–	–1	–	–1	–34	–	–35
Total accumulated impairment		**–**	**–8**	**–2**	**–10**	**–865**	**–**	**–875**
TOTAL TANGIBLE ASSETS		**49**	**328**	**713**	**1,090**	**8,102**	***104***	**9,192**

Finance leases relate to the expansion of transmission capacity in Sweden, please refer to Note 31.

		Dec 31, 2017						
	Note	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Cost								
Cost at January 1		344	2,535	2,233	5,112	35,753	*584*	40,865
Restatements	35	–	–20	–9	–29	–1	*43*	–30
Adjusted cost at January 1		344	2,515	2,224	5,083	35,752	*627*	40,835
Cost for assets classified as held for sale		–13	–1,286	–492	–1,791	–10,032	–	–11,823
Cost in divested companies		–	–44	–13	–57	–1,164	*–248*	–1,221
Additions		–	17	2,021	2,038	299	*17*	2,337
Dismantling costs		–	148	–	148	–187	–	–39
Disposals		–5	–59	–10	–74	–1,637	*–1*	–1,711
Reclassification		91	365	–2,113	–1,657	1,668	*4*	11
Exchange rate differences		–12	31	–49	–30	218	*2*	188
Total cost		**405**	**1,687**	**1,568**	**3,660**	**24,917**	***401***	**28,577**
Accumulated depreciation								
Accumulated depreciation at January 1		–162	–1,746	–	–1,908	–23,563	*–480*	–25,471
Restatements	35	–	–17	–	–17	–	*–1*	–17
Adjusted accumulated depreciation at January 1		–162	–1,763	–	–1,925	–23,563	*–481*	–25,488
Accumulated depreciation for assets classified as held for sale	36	11	882	–	893	5,903	–	6,796
Accumulated depreciation in divested companies	36	–	43	–	43	1,016	*231*	1,059
Depreciation		–24	–426	–	–450	–2,284	*–27*	–2,734
Disposals		1	55	–	56	1,614	–	1,670
Reclassification		–1	–2	–	–3	1	–	–2
Exchange rate differences		–2	–28	–	–30	–166	*–2*	–196
Total accumulated depreciation		**–177**	**–1,239**	**–**	**–1,416**	**–17,479**	***–279***	**–18,895**
Accumulated impairment								
Accumulated impairment at January 1		–4	–7	–10	–21	–997	–	–1,018
Impairment		–	–	3	3	–	–	3
Disposals		4	–	4	8	29	–	37
Exchange rate differences		–	–	–	–	–12	–	–12
Total accumulated impairment		**–**	**–7**	**–3**	**–10**	**–980**	**–**	**–990**
TOTAL TANGIBLE ASSETS		**228**	**441**	**1,565**	**2,234**	**6,458**	***122***	**8,692**

NOTE 15 Business acquisitions and divestments

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

	2018	2017
ACQUISITIONS		
Com Hem, Sweden	–6,400	–
TDC, Sweden	–	–8
Total group companies	**–6,400**	**–8**
Mobile payment, Lithuania	–	–7
Capital contributions to joint ventures and associated companies	–7	–
Repayment of capital contributions from associated companies	1	–
Total joint ventures and associated companies	**–6**	**–7**
TOTAL ACQUISITION OF SHARES AND PARTICIPATIONS	**–6,406**	**–15**
DIVESTMENTS		
Tele2 Austria	–	676
TOTAL SALE OF SHARES AND PARTICIPATIONS	**–**	**676**
TOTAL CASH FLOW EFFECT	**–6,406**	**661**

Acquisitions

Com Hem, Sweden

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

Com Hem is one of Sweden's largest fixed telecom service providers, selling services to approximately 1.5 million customers in both apartment buildings and houses through Com Hem's vertically integrated FiberCoax network, third party fiberLAN networks, and the digital terrestrial network. Com Hem is a leading supplier of high-speed broadband, TV and fixed-line telephony to Swedish homes and businesses to all major cities in Sweden through the Com Hem, Boxer and Phonera brands delivering net sales in 2017 of SEK 7.1 billion and an adjusted EBITDA of SEK 2.7 billion. The operations had 1,108 employees at the end of 2017.

Goodwill in connection with the acquisition, which is not deductible for income tax purposes, is related to Tele2's expectation to obtain both revenue and cost synergies resulting from the coordination of the operations of Com Hem and Tele2. The majority of the cost synergies are anticipated to arise from network, IT and infrastructure efficiencies, optimization of customer care, sales and marketing as well as management and administrative function. It is expected that the full run-rate savings of the cost synergies will be achieved within three years after the merger. In addition to the cost synergies, it is also expected that the merger will result in reduced investments including optimization of investments in IT and network. The size of these investment benefits is expected to vary between years.

The majority of the expected revenue synergies are anticipated to arise as a result of, inter alia, the opportunity to offer a full range of complementary connectivity and digital services to the Swedish market, increased customer loyalty resulting in a reduction of customer churn rates, and by cross-selling to each company's customer base. It is projected that the full effect of the revenue synergies will be achieved five years after the merger.

Acquisition costs and integration costs have been reported as operating costs in the income statement and are stated in Note 5.

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

Net assets at the time of acquisition

Assets, liabilities and contingent liabilities included in the acquired operations are stated below. The valuations of acquired assets and assumed liabilities are still preliminary.

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

Effects from acquisitions

The table below shows how the acquired companies would have affected Tele2's revenues and result if they had been acquired the first day of each reporting period.

	2018		
	Tele2 Group, reported	Acquired operations Com Hem, Sweden	Tele2 Group, if acquisition on January 1
Revenue	23,704	6,057	29,761
Net profit	1,610	26	1,636

Divestments

Discontinued operations

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

NOTE 16 Joint ventures and associated companies

	Holding		Book value of shares		Result from shares	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	2018	2017
UAB Mobilieji mokéjimai, Lithuania	33.3%	33.3%	6	7	–7	–
SNPAC Swedish Nr Portability Adm.Centre AB, Sweden	40%	40%	5	7	–	–
Triangelbolaget D4 AB, Sweden	25%	25%	2	–	2	–
Altlorenscheuerhof SA, Luxembourg	33.3%	33.3%	–	2	14	–
Total joint ventures and associated companies			**13**	**16**	**9**	**–**

Shares in joint ventures and associated companies

	Dec 31, 2018	Dec 31, 2017
Cost		
Cost at January 1	16	9
Investments	7	7
Repayment of capital contribution	–1	–
Dividend	–16	–
Share of profit for the year	9	–
Exchange rate differences	–2	–
Total shares in joint ventures and associated companies	**13**	**16**

Extracts from the income statements of joint ventures and associated companies

	2018	2017
Revenue	65	51
Operating profit	29	1
Profit before tax	29	–
Net profit	27	–

Extracts from the balance sheets of joint ventures and associated companies

	Dec 31, 2018	Dec 31, 2017
Intangible assets	19	8
Tangible assets	1	1
Current assets	47	42
Total assets	**67**	**51**
Equity	39	40
Deferred tax liability	1	1
Current liabilities	27	10
Total equity and liabilities	**67**	**51**

NOTE 17 Other financial assets

	Dec 31, 2018	Dec 31, 2017
Receivable from sold equipment	898	649
VAT receivable, Kazakhstan	–	8
Pension funds	110	119
Non-current holdings of securities	7	1
Restricted bank deposits	–	1
Total other financial assets	**1,015**	**778**

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

Non-current securities consist of shares in the companies listed below.

	Holding (capital/votes)	Dec 31, 2018	Dec 31, 2017
Estonian Broadband Development Foundation, Estonia	12.5%	1	1
TMPL Solutions AB, Sweden	12.1%	6	–
Total non-current securities		**7**	**1**

NOTE 18 Capitalized contract costs

	Dec 31, 2018	Dec 31, 2017
Capitalized contract costs	373	380
Total capitalized contract costs	**373**	**380**

	2018	2017
Expensed contract costs	355	314

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

NOTE 19 Inventories

	Dec 31, 2018	Dec 31, 2017
Finished products & goods for resale	636	641
Other	33	48
Total inventories	**669**	**689**

Tele2's inventories mainly consist of mobile phones. In 2018 inventories were expensed by SEK 5,134 (4,732) million, of which SEK 25 (19) million was related to write-downs.

NOTE 20 Accounts receivable

Accounts receivable

	Dec 31, 2018 (IFRS 9)	Dec 31, 2017 (IAS 39)
Gross carrying amount	2,961	2,723
Loss allowance	–452	–499
Total accounts receivable, net	**2,509**	**2,224**

	Dec 31, 2018 (IFRS 9)	Dec 31, 2017 (IAS 39)
Loss allowance		
Loss allowance at January 1 (IAS 39)	499	660
Assets classified as held for sale at January 1 (IAS 39)	264	
Change in accounting principle, IFRS 9 (Note 35)	–10	
Adjusted loss allowance at January 1 (IFRS 9)	753	
Assets classified as held for sale	–267	–264
Companies acquired during the year	9	–
Companies divested during the year	–	–8
Net change in loss allowance	–74	95
Exchange rate differences	31	16
Total reserve for loss allowance	**452**	**499**

Continued Note 20

	Dec 31, 2017 (IAS 39)
Accounts receivable, overdue with no reserve	
Overdue between 1–30 days	320
Overdue between 31–60 days	63
Overdue more than 60 days	81
Total accounts receivable, overdue with no reserve	**464**

Receivable from sold equipment

	Dec 31, 2018 (IFRS 9)	Dec 31, 2017 (IAS 39)
Gross carrying amount	2,791	2,429
Loss allowance	–46	–
Total accounts receivable, net	**2,745**	**2,429**
of which non-current	*898*	*649*
of which current	*1,847*	*1,780*

	Dec 31, 2018 (IFRS 9)
Loss allowance	
Change in accounting principle, IFRS 9 (Note 35)	51
Adjusted loss allowance at January 1 (IFRS 9)	51
Net change in loss allowance	–5
Total reserve for loss allowance	**46**

Loss allowance

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

To measure the expected credit losses, accounts receivable and receivable from sold equipment have been grouped by credit risk characteristics and past due status. Tele2 have chosen to report the expected credit losses based on customer type since the risk is considered to be diverse. Business customers are defined as customer that uses Tele2's services primarily for business purposes, including public sector and non-profit organizations. A consumer is a customer which is not defined as a business customer. The expected credit losses are based on customers payment history during a period of between 6 to 24 months together with the historical credit losses during the same period. The historical losses are adjusted to reflect macroeconomic and forward-looking information that can affect the customers ability to pay, such as changed market expectations and the ability to sell outstanding account receivables.

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

The table below shows the loss allowance based on the information above.

		Past due				
	No due	1–30 days	31–60 days	61–90 days	> 90 days	Total
Accounts receivable						
Consumer						
Expected credit loss rate	1.67%	2.03%	8.16%	35.17%	79.09%	
Gross carrying amount	614	306	57	19	305	1,301
Loss allowance	–10	–6	–5	–7	–241	–269
Business						
Expected credit loss rate	0.21%	0.59%	2.41%	63.52%	64.78%	
Gross carrying amount	1,216	136	31	23	254	1,660
Loss allowance	–2	–1	–1	–15	–164	–183
Total loss allowance						**–452**
Receivable from sold equipment						
Consumer						
Expected credit loss rate	1.69%	–	–	–	–	
Gross carrying amount	2,547	–	–	–	–	2,547
Loss allowance	–43	–	–	–	–	–43
Business						
Expected credit loss rate	1.23%	–	–	–	–	
Gross carrying amount	244	–	–	–	–	244
Loss allowance	–3	–	–	–	–	–3
Total loss allowance						**–46**

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

NOTE 21 Other current receivables

	Dec 31, 2018	Dec 31, 2017
Receivable from sold equipment	1,847	1,780
Receivable on Kazakhtelecom	–	548
VAT receivable	38	217
Receivable on Net4Mobility, joint operation in Sweden	171	166
Receivable on suppliers	208	134
Receivable on Svenska UMTS-nät, joint operation in Sweden	14	19
Derivatives	33	17
Current tax receivables	16	22
Other	86	38
Total other current receivables	**2,413**	**2,941**

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

Derivatives consists of currency deal contracts and fair value interest rate swaps valued at fair value. The effective part of the currency swaps was reported in the hedge reserve in other comprehensive income and the ineffective part was reported as other financial items in the income statement. Changes in the fair value of other currency deal contracts and fair value interest rate swaps were reported as other financial items and interest costs, respectively, in the income statement. The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. For additional information please refer to Note 2.

NOTE 22 Prepaid expenses and accrued income

	Dec 31, 2018	Dec 31, 2017
Prepaid expenses		
Rental costs	211	208
Frequency usage	160	129
Interest expenses	90	–
Other prepaid expenses	213	163
Total prepaid expenses	**674**	**500**
Accrued income		
Customers	681	457
Other telecom operators	497	548
Other accrued income	51	56
Total accrued income	**1,229**	**1,061**
Total prepaid expenses and accrued income	**1,903**	**1,561**

SEK 46 (38) million of accrued income is estimated to be paid more than 12 months after the closing date.

NOTE 23 Current investments

	Dec 31, 2018	Dec 31, 2017
Restricted funds	1	1
Shares in other companies	1	2
Total current investments	**2**	**3**

NOTE 24 Cash and cash equivalents and unutilized overdraft facilities

Available liquidity

	Dec 31, 2018	Dec 31, 2017
Cash and cash equivalents	404	802
Unutilized overdraft facilities and credit lines	9,116	9,935
Total available liquidity	**9,520**	**10,737**

	Dec 31, 2018	Dec 31, 2017
Unutilized overdraft facilities and credit lines		
Overdraft facilities granted	1,662	1,240
Overdraft facilities utilized	–355	–22
Total unutilized overdraft facilities	**1,307**	**1,218**
Unutilized credit lines	7,809	8,717
TOTAL UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES	**9,116**	**9,935**

Tele2's share of liquid funds in joint operations, for which Tele2 has limited disposal rights, amounted at December 31, 2018 to SEK 60 (67) million and was included in the Group's cash and cash equivalents.

No specific collateral is provided for overdraft facilities or unutilized credit lines.

Exchange rate difference in cash and cash equivalents

	Dec 31, 2018	Dec 31, 2017
Exchange rate differences in cash and cash equivalents at January 1	–2	–8
Exchange rate differences in cash flow for the year	28	28
Total exchange rate differences in cash and cash equivalents for the year	**26**	**20**

NOTE 25 Shares, equity and appropriation of profit

Number of shares

	A shares	B shares	C shares	Total
As of January 1, 2017	**22,793,523**	**482,207,489**	**1,899,000**	**506,900,012**
As of December 31, 2017	**22,793,523**	**482,207,489**	**1,899,000**	**506,900,012**
Reclassification of A shares to B shares	–145,831	145,831	–	–
New share issue	–	183,441,585	–	183,441,585
Total number of shares as of December 31, 2018	**22,647,692**	**665,794,905**	**1,899,000**	**690,341,597**

	2018	2017
Total number of shares	690,341,597	506,900,012
Number of treasury shares	–3,338,529	–4,144,459
Number of outstanding shares	**687,003,068**	**502,755,553**
Number of shares, weighted average	531,098,522	502,614,759
Number of shares after dilution	690,115,713	505,931,001
Number of shares after dilution, weighted average	534,505,915	505,637,139

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

On September 10, 2018, 145,831 class A shares were reclassified into class B shares.

The share capital in Tele2 AB is divided into three classes of shares: Class A, B and C shares. All types of shares have a par value of SEK 1.25 per share and Class A and B shares have the same rights in the company's net assets and profits while Class C shares are not entitled to dividend. Shares of Class A entitle the holder to 10 voting rights per share and Class B and C shares to one voting right per share.

There are no limitations regarding how many votes each shareholder may vote for at general meetings of shareholders. The Articles of Association make no stipulation that limits the right to transfer the shares.

In the case of a bid for all shares or a controlling part of the shares in Tele2, the financing facilities may be accelerated and due for immediate repayment. In addition, some other agreements may be terminated.

Continued Note 25

Number of treasury shares

	B shares	C shares	Total
As of January 1, 2017	**2,650,947**	**1,899,000**	**4,549,947**
Delivery of own shares under LTI program	−405,488	–	−405,488
As of December 31, 2017	**2,245,459**	**1,899,000**	**4,144,459**
Delivery of own shares under LTI program	−449,039	–	−449,039
Delivery of own shares under LTI program, early vesting	−356,891	–	−356,891
Total number of tresury shares as of December 31, 2018	**1,439,529**	**1,899,000**	**3,338,529**

Number of treasury shares amount to 0.5 (0.8) percent of the share capital.

As a result of share rights in the LTI 2016, LTI 2017 and LTI 2018 being exercised on December 7, 2018, Tele2 delivered 356,891 B-shares in treasury shares to some of the participants in the program. This was an early vesting of the programs following the merger with Com Hem.

As a result of share rights in the LTI 2015 (2017: LTI 2014) being exercised on May 4, 2018, Tele2 delivered 449,039 (May 5, 2017: 405,488) B-shares in treasury shares to the participants in the program.

Outstanding share rights

	Dec 31, 2018	Dec 31, 2017
Incentive program 2018–2021	1,482,420	
Incentive program 2017–2020	1,050,018	1,373,574
Incentive program 2016–2019	801,040	1,065,265
Incentive program 2015–2018	–	736,609
Total number of outstanding share rights	**3,333,478**	**3,175,448**
of which will be settled in cash	*220,833*	–

Further information is provided in Note 33.

Number of shares after dilution

	Dec 31, 2018	Dec 31, 2017
Number of shares	690,341,597	506,900,012
Number of treasury shares	−3,338,529	−4,144,459
Number of outstanding shares, basic	**687,003,068**	**502,755,553**
Number of outstanding share rights	3,333,478	3,175,448
Excluding share rights to be settled in cash	−220,833	–
Total number of shares after dilution	**690,115,713**	**505,931,001**

Earnings per share

	Earnings per share		Earnings per share, after dilution	
	2018	2017	2018	2017
Net profit attributable to equity holders of the parent company	853	192	853	192
Weighted average number of outstanding shares	531,098,522	502,614,759	531,098,522	502,614,759
Incentive program 2018–2021			829,239	
Incentive program 2017–2020			1,327,443	909,312
Incentive program 2016–2019			1,023,804	1,125,670
Incentive program 2015–2018			226,907	783,348
Incentive program 2014–2017			–	204,050
Weighted average number of share rights			3,407,393	3,022,380
Weighted average number of outstanding shares after dilution			**534,505,915**	**505,637,139**
EARNINGS PER SHARE[1], SEK	**1.61**	**0.38**	**1.59**	**0.37**

[1] When reporting a loss, earnings per share after dilution is calculated based on weighted average number of shares as the weighted average number of outstanting shares after dilution is anti-dilutive

Proposed appropriation of profit

The Board propose that, from the SEK 28,873,578,326 at the disposal of the Annual General Meeting, a dividend of SEK 4.40 per share should be paid to shareholders in two equal tranches during 2019, corresponding on December 31, 2018 to SEK 3,022,813,499, and that the remaining amount, SEK 25,850,764,827, should be carried forward.

Based on this annual report, the consolidated financial statements and other information which has become known, the Board has considered all aspects of the parent company's and the Group's financial position. This evaluation has led the Board to the conclusion that the dividend is justifiable in view of the requirements that the nature and scope of and risks involved in Tele2's operations have on the size of the company's and the Group's equity as well as on its consolidation needs, liquidity and financial position in general.

For information regarding dividend policy please refer to Note 2.

NOTE 26 Financial liabilities

	Dec 31, 2018	Dec 31, 2017
Liabilities to financial institutions and similar liabilities	28,069	10,546
Other interest-bearing liabilities	237	759
Total interest-bearing financial liabilities	**28,306**	**11,305**
Accounts payable	3,004	1,937
Other non-interest-bearing liabilities	692	1,405
Total non-interest-bearing financial liabilities	**3,696**	**3,342**
TOTAL FINANCIAL LIABILITIES	**32,002**	**14,647**

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

Financial liabilities fall due for payment according to below.

	Dec 31, 2018		Dec 31, 2017	
	Nominal value	Recorded value	Nominal value	Recorded value
Within 3 months	9,950	9,952	3,096	3,096
Within 3–12 months	280	280	969	969
Within 1–2 years	2,023	2,023	1,986	1,986
Within 2–3 years	3,384	3,384	294	294
Within 3–4 years	2,588	2,588	3,401	3,401
Within 4–5 years	1,959	1,959	2,577	2,577
Within 5–10 years	11,788	11,796	2,273	2,272
Within 10–15 years	23	20	318	52
Total financial liabilities	**31,995**	**32,002**	**14,914**	**14,647**

Interest-bearing financial liabilities

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

	Within 1 year	Within 1–2 years	Within 2–3 years	Within 3–4 years	Within 4–5 years	Within 5–15 years	Total
Variable interest rates[1]	6,471	1,763	2	1,301	376	2,579	12,492
Fixed interest rates	68	257	3,382	1,287	1,584	9,236	15,814
Total interest-bearing liabilities	**6,539**	**2,020**	**3,384**	**2,588**	**1,960**	**11,815**	**28,306**

[1] exposed to changes in interest rates over the next 12 months

Continued Note 26

Liabilities to financial institutions and similar liabilities

			Dec 31, 2018		Dec 31, 2017	
Creditors	Interest rate terms	Maturity date	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Bonds EUR	fixed 1.125%	2024	–	5,137	–	–
Bonds EUR	fixed 2.125%	2028	–	5,147	–	–
Bonds SEK	variable interest rates	2019	500	–	–	500
Bonds SEK	STIBOR +0.87%	2019	1,000	–	–	1,000
Bonds SEK	STIBOR +0.51%	2020	–	1,757	–	–
Bonds SEK	STIBOR +2.45%	2020	–	250	–	250
Bonds SEK	fixed 1.875%	2021	–	1,000	–	1,000
Bonds SEK	STIBOR +1.65%	2021	–	1,995	–	1,993
Bonds SEK	STIBOR +1.55%	2022	–	1,699	–	1,699
Bonds SEK	variable interest rates	2022	–	500	–	499
Bonds SEK	STIBOR +1.45%	2023	–	400	–	399
Bonds SEK	STIBOR +2%	2023	–	1,195	–	1,194
Total bonds			**1,500**	**19,080**	**–**	**8,534**
Commercial paper	fixed interest rates	2019	4,491	–	500	–
European Investment Bank (EIB)	fixed interest rates	2024	–	1,283	–	–
Nordic Investment Bank (NIB)	fixed interest rates	2021–2024	–	1,324	–	1,273
Syndicated loan facilities	variable interest rates	2023	–	–24	–	–29
Development Bank of Kazakhstan[1)]	fixed interest rate	2019–2024	–	–	17	229
Erste Bank	fixed interest rate	2019–2024	60	–	–	–
Utilized bank overdraft facility	variable interest rates		355	–	22	–
			6,406	**21,663**	**539**	**10,007**
Total liabilities to financial institutions and similar liabilities				**28,069**		**10,546**

[1)] Tele2 Kazakhstan liabilities are per December 31, 2018 reported as discontinued operations. Please refer to Note 36

As of the date of this report, Tele2 has a credit facility with a syndicate of ten banks. In January 2019, the facility was extended with one year to 2024 and has a remaining one year extension option. The loans can be drawn in several currencies and the interest base is the relevant IBOR for that currency. The facility amounts to EUR 760 million and was unutilized on December 31, 2018 and prepaid upfront fees to be recognized in profit/loss over the remaining contract period amounted to SEK –24 (–29) million. The facility is conditioned by covenant requirements which Tele2 expects to fulfil.

Tele2 AB's Euro Medium-Term Note (EMTN) Program forms the basis for Tele2's medium and long term debt issuance in both international and domestic bond markets. The program enables Tele2 to issue bonds and notes up to a total aggregate amount of EUR 5 billion. On December 31, 2018 issued bonds under the program amounted to SEK 20.6 (8.5) billion.

Tele2 AB's established Swedish commercial paper program enables Tele2 to issue commercial papers up to a total amount of SEK 5 billion. Commercial papers can be issued with a tenor up to 12 months under the program. The commercial paper program is a complement to Tele2's core funding. On December 31, 2018 outstanding commercial papers amounted to SEK 4.5 (0.5) billion.

As a further step towards the diversification of Tele2's funding sources, Tele2 AB has entered into loan agreements with Nordic Investment Bank (NIB) of EUR 130 (130) million and the European Investment Bank (EIB) of EUR 125 (125) million. During 2018 a new loan agreement in an amount of SEK 2 billion was entered into with NIB which in January 2019 replaced the EUR 130 million agreement.

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

Other interest-bearing liabilities

	Dec 31, 2018		Dec 31, 2017	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Earn-out, Kazakhstan	–	–	–	432
Loan from Kazakhtelecom	–	–	–	26
Derivatives	113	–	156	–
Finance leases	2	14	2	15
Supplier financing, Lithuania license	7	86	7	89
Equipment financing	–	–	6	2
Deferred consideration for acquisitions	11	–	13	8
Incentive program, IoT	–	4	–	3
	133	**104**	**184**	**575**
Total other interest-bearing liabilities		**237**		**759**

Asianet, the former non-controlling shareholder of Tele2 Kazakhstan, has a right to 18 percent of the economic interest in the jointly owned company with Kazakhtelecom in Kazakhstan. The estimated fair value of the deferred consideration amounted on December 31, 2018 to SEK 764 (432) million. The fair value was calculated based on expected future cash flows of the jointly owned company and was in 2018 reclassified to liabilities directly associated with assets classified as held for sale, please refer to Note 36.

Derivatives consist of interest swaps and currency swaps, valued at fair value. The effective part of the swaps was reported in the hedge reserve in other comprehensive income and the ineffective part was reported as interest costs and other financial items, respectively, in the income statement. The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. For additional information please refer to Note 2.

For information on finance leases, supplier financing and equipment financing please refer to Note 31 and Note 14, respectively.

In 2016, a liability was reported for contingent deferred consideration to the former owners of Kombridge, Sweden. In 2018, SEK 12 million of the consideration was settled. The estimated fair value of the deferred consideration amounted on December 31, 2018 to SEK 11 (21) million. The fair value was calculated based on expected future cash flows at which a maximum turnout has been assumed.

Continued Note 26

At December 31, 2017, a liability was reported for long-term incentive program (IoTP) for Tele2 employees of Tele2's IoT business (internet-of-things). The estimated fair value of the program amounted on December 31, 2018 to SEK 4 (3) million. The program is built on transferrable synthetic options. The fair value of the program is determined with support from an independent valuation institute. During 2018, Tele2 decided to close down the incentive program for IoTP during 2019 by settlement in cash.

Liabilities attributable to financing activities

	Liabilities Dec 31, 2017	Cash flow from financing activities	Reclassification for assets held for sale (Note 36)	Non-cash changes					Payment	Liabilities Dec 31, 2018
				Acquisition (Note 15)	Reclassification	Exchange rate	Fair value	Accrued interest and fees		
Bonds	8,534	8,020	–	4,000	–	13	9	4	–	20,580
Commercial paper	500	3,191	–	800	–	–	–	–	–	4,491
Nordic Investment Bank (NIB)	1,273	–5	–	–	–	55	–	1	–	1,324
European Investment Bank (EIB)	–	1,289	–	–	–	–6	–	–	–	1,283
Syndicated loan facilities	–29	–6,552	–	6,525	–	–	–	32	–	–24
Development Bank of Kazakhstan	246	–18	–220	–	–	–8	–	–	–	–
Erste Bank	–	–	–	–	60	–	–	–	–	60
Utilized bank overdraft facility	22	333	–	–	–	–	–	–	–	355
Total liabilities to financial institutions and similar liabilities	**10,546**	**6,258**	**–220**	**11,325**	**60**	**54**	**9**	**37**	**–**	**28,069**
Earn-out, Kazakhstan	432	–	–764	–	–	–	332	–	–	–
Loan from Kazakhtelecom	26	–	–30	–	–	4	–	–	–	–
Derivatives	156	–	–	–	–	–	–43	–	–	113
Finance leases	17	–1	–	–	–	–	–	–	–	16
Deferred consideration for acquisitions	21	–4	–	–	–	–	2	–	–8	11
Equipment financing	8	–8	–	–	–	–	–	–	–	–
Supplier financing, Lithuania license	96	–7	–	–	–	4	–	–	–	93
Incentive program, IoT	3	–	–	–	–	–	1	–	–	4
Total other interest-bearing liabilities	**759**	**–20**	**–794**	**–**	**–**	**8**	**292**	**–**	**–8**	**237**
Total interest-bearing financial liabilities	**11,305**	**6,238**	**–1,014**	**11,325**	**60**	**62**	**301**	**37**	**–8**	**28,306**

	Liabilities Jan 1, 2017	Cash flow from financing activities	Non-cash changes				Payment	Liabilities Dec 31, 2017
			Divestments (Note 36)	Exchange rate	Fair value	Accrued interest and fees		
Bonds	8,578	–58	–	4	–	10	–	8,534
Commercial paper	300	200	–	–	–	–	–	500
Nordic Investment Bank (NIB)	1,235	–	–	37	–	1	–	1,273
Syndicated loan facilities	–36	–18	–	–	–	25	–	–29
Development Bank of Kazakhstan	67	196	–	–17	–	–	–	246
Utilized bank overdraft facility	305	–283	–	–	–	–	–	22
Total liabilities to financial institutions and similar liabilities	**10,449**	**37**	**–**	**24**	**–**	**36**	**–**	**10,546**
Earn-out, Kazakhstan	100	–	–	–	332	–	–	432
Loan from Kazakhtelecom	24	–	–	–1	–	3	–	26
Derivatives	217	–	–	–	41	–	–102	156
Finance leases	48	–14	–21	–	–	4	–	17
Deferred consideration for acquisitions	24	–	–	–	5	–	–8	21
Equipment financing	70	–62	–	–	–	–	–	8
Supplier financing, Lithuania license	100	–7	–	3	–	–	–	96
Incentive program, IoT	–	–	–	–	3	–	–	3
Total other interest-bearing liabilities	**583**	**–83**	**–21**	**2**	**381**	**7**	**–110**	**759**
Total interest-bearing financial liabilities	**11,032**	**–46**	**–21**	**26**	**381**	**43**	**–110**	**11,305**

Other current liabilities

	Dec 31, 2018	Dec 31, 2017
Liability to Kazakhtelecom	–	608
VAT liability	306	396
Liability to Net4Mobility, joint operation in Sweden	122	132
Liability related to recourse on receivables from Tisak (Note 5)	54	125
Liability to Svenska UMTS-nät, joint operation in Sweden	46	54
Employee withholding tax	101	54
Debt to customers	30	13
Debt to content suppliers	23	12
Customer deposit	6	6
Other	1	5
Total current liabilities	**689**	**1,405**

NOTE 27 Provisions

	2018						
	Dismant-ling costs	Rented buildings, fiber and cables	Disputes	Claims and guarantees for divested operations	Other provisions	Pension and similar commit-ments	Total
Provisions as of January 1	**847**	**29**	**2**	**54**	**36**	**112**	**1,080**
Provisions in acquired companies	–	–	–	–	266	268	534
Provisions directly associ-ated with assets classified as held for sale	–176	–	–5	–	–7	–	–188
Additional provisions	39	1	2	–	157	15	214
Utilized/paid provisions	–2	–13	–	–15	–40	–	–70
Reversed unused provi-sions	–7	–	–	–1	–	–	–8
Effect from discounting	29	–	–	–	–	–	29
Changed inflation and discount rate	82	–	–	–	–	–	82
Exchange rate differences	18	–	3	1	–	–	22
Total provisions as of December 31	**830**	**17**	**2**	**39**	**412**	**395**	**1,695**

In connection with the merger with Com Hem a provision of SEK 266 million was recognized for an unfavourable fixed-price contract for the supply of transmission. The provision amounted to SEK 226 million as of December 31, 2018 and will be released over the contract period ending December 31, 2024. In addition, other provisions consist of a court case regarding copy right levies of SEK 157 (24) million.

	2017						
	Dismant-ling costs	Rented buildings, fiber and cables	Disputes	Claims and guarantees for divested operations	Other provisions	Pension and similar commit-ments	Total
Provisions as of January 1	**1,071**	**45**	**3**	**75**	**6**	**110**	**1,310**
Provisions in divested companies	–31	–	–	–	–	–	–31
Provisions directly associ-ated with assets classified as held for sale	–173	–	–78	–	–	–	–251
Additional provisions	57	–	78	18	30	2	185
Utilized/paid provisions	–5	–16	–	–40	–	–	–61
Reversed unused provi-sions	–	–	–2	–	–	–	–2
Effect from discounting	23	–	–	–	–	–	23
Changed inflation and discount rate	–96	–	–	–	–	–	–96
Exchange rate differences	1	–	1	1	–	–	3
Total provisions as of December 31	**847**	**29**	**2**	**54**	**36**	**112**	**1,080**

	Dec 31, 2018	Dec 31, 2017
Provisions, current	224	97
Provisions, non-current	1,471	983
Total provisions	**1,695**	**1,080**

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

	Dec 31, 2018	Dec 31, 2017
Within 1 year	224	97
Within 1–3 years	22	35
Within 3–5 years	88	2
More than 5 years	1,361	946
Total provisions	**1,695**	**1,080**

Dismantling costs refer to dismantling and restoration of mobile and fixed network sites. Remaining provision as of December 31, 2018 is expected to be fully utilized during the coming 30 years.

NOTE 28 Accrued expenses and deferred income

	Dec 31, 2018	Dec 31, 2017
Accrued expenses		
Personnel-related expenses	794	596
External service expenses	364	360
Investments in non-current assets	231	271
Other telecom operators	396	532
Dealer commissions	91	117
Leasing and rental expenses	94	110
Interest costs	78	63
Other accrued expenses	280	174
Total accrued expenses	**2,328**	**2,223**
Deferred income		
Contracts	909	794
Prepaid cards	217	325
Subscription fees	594	46
Total deferred income	**1,720**	**1,165**
Total accrued expenses and deferred income	**4,048**	**3,388**

When Tele2 receives a payment but has not delivered the promised goods or service a contract liability arise, which consist of deferred income for prepaid card and contracts. A contract liability is accounted for until the performance obligation is performed or fall due for the customer to use, and is then reported as a revenue.

	2018	2017
Revenue recognized included in the opening contract liability balance	731	760

NOTE 29 Pledged assets

	Dec 31, 2018	Dec 31, 2017
Current investments, bank deposits	1	1
Other non-current financial assets, bank deposits	–	1
Total pledged assets	**1**	**2**

The opposite parties can only take over the pledged items in case Tele2 neglects its duty to pay its debts according to the agreements.

NOTE 30 Contingent liabilities and other commitments

Contingent liabilities

	Dec 31, 2018	Dec 31, 2017
Asset dismantling obligation, discontinued operations	159	149
Total contingent liabilities	**159**	**149**

Tele2 has obligations to dismantle assets and restore premises within fixed telephony and fixed broadband in the Netherlands. Tele2 assesses such dismantling as unlikely and consequently only reported this obligation as contingent liabilities.

Other contractual commitments

	Dec 31, 2018	Dec 31, 2017
Commitments, investments	94	89
Commitments, other	6,271	6,769
Total future fees for other contractual commitments	**6,365**	**6,858**

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

NOTE 31 Leases

Finance leases

Finance leases relate to the expansion of transmission capacity in Sweden. The carrying value of the lease assets is stated in Note 14. The contract periods are running for 25 years and contain index clauses.

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

	Dec 31, 2018		Dec 31, 2017	
	Present value	Nominal value	Present value	Nominal value
Within 1 year	2	2	2	2
Within 1–2 years	2	2	2	2
Within 2–3 years	2	2	2	2
Within 3–4 years	2	2	2	2
Within 4–5 years	2	3	2	3
Within 5–10 years	6	7	7	8
Total loan liability and interest		**18**		**19**
Less interest portion		–2		–2
TOTAL FINANCE LEASES	**16**	**16**	**17**	**17**

Operating leases

	2018	2017
Leased lines	907	773
Other operating leases	587	543
Annual leasing expenses for operating leases	**1,494**	**1,316**

The cost of operating leases relates mainly to leased lines. Other assets that are held under operating leases relate to sites and base stations, rented premises, machines and office equipment. Tele2 has a multitude of agreements relating to leased lines. The majority of these involve some type of initiation fee and thereafter monthly or quarterly fees. Most of the agreements have terms ranging from six months to three years with the option of extending the terms. Generally these agreements have index clauses but no possibilities to acquire the asset.

Contractual future lease expenses are stated below. Future lease expenses as of December 31, 2017 has been restated with SEK 236 million due to previously too low reported expenses in Sweden for 5 to 10 years.

	Dec 31, 2018	Dec 31, 2017
Within 1 year	1,546	891
Within 1–2 years	721	569
Within 2–3 years	590	386
Within 3–4 years	434	286
Within 4–5 years	365	230
Within 5–10 years	847	704
Within 10–15 years	78	255
More than 15 years	45	184
Total future lease expenses for operating leases	**4,626**	**3,505**

Operating leases with Tele2 as the lessor

Leasing income during the year amount to SEK 95 (89) million and relates mainly to rent from other operators placing equipment on Tele2 sites as well as leased equipment (mainly modems) to customers. Contract periods range from 3 to 25 years.

Contractual future lease income are stated below:

	Dec 31, 2018	Dec 31, 2017
Within 1 year	95	88
Within 1–2 years	26	22
Within 2–3 years	23	20
Within 3–4 years	20	19
Within 4–5 years	31	18
Within 5–10 years	53	61
Within 10–15 years	49	48
More than 15 years	45	51
Total future lease income for operating leases	**342**	**327**

NOTE 32 Supplementary cash flow information

	2017	2016
Interest received	–	24
Interest paid	–482	–276
Finance items paid	–138	–34
Dividend received	17	–
Taxes paid	–643	–485
	–1,246	**–771**

NOTE 33 Numbers of employees and personnel costs

Average numbers of employees

	2018			2017		
	Total	*of whom women*	*of whom men*	Total	*of whom women*	*of whom men*
Sweden	2,864	*31%*	*69%*	2,624	*31%*	*69%*
Lithuania	489	*67%*	*33%*	460	*69%*	*31%*
Latvia	674	*50%*	*50%*	919	*40%*	*60%*
Estonia	319	*62%*	*38%*	331	*63%*	*37%*
Croatia	239	*47%*	*53%*	179	*44%*	*56%*
Germany	43	*28%*	*72%*	42	*33%*	*67%*
Netherlands	6	–	*100%*	–	–	–
Austria	6	*17%*	*83%*	7	*14%*	*86%*
Luxembourg	4	*50%*	*50%*	3	*33%*	*67%*
	4,644	***40%***	***60%***	**4,565**	***40%***	***60%***
Discontinued operations (Note 36)	2,261	*39%*	*61%*	2,359	*36%*	*64%*
Total average number of employees	**6,905**	***40%***	***60%***	**6,924**	***38%***	***62%***

Numbers of employees

On December 31, 2018, the number of employees in Tele2 was 5,184 (4,398) excluding discontinued operations, of which 39 (40) percent women and 61 (60) percent men. A breakdown by gender and age group etc is presented below.

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018		Dec 31, 2017	
	Total	Total	Women	Men	Women	Men
Managers						
< 30 years	1%	1%	3%	6%	5%	6%
30–50 years	9%	10%	24%	50%	27%	48%
> 50 years	2%	2%	5%	12%	5%	9%
Total managers	**12%**	**13%**	**32%**	**68%**	**37%**	**63%**
Other employees						
< 30 years	26%	28%	13%	17%	14%	18%
30–50 years	50%	48%	23%	34%	23%	32%
> 50 years	12%	11%	4%	9%	3%	10%
Total other employees	**88%**	**87%**	**40%**	**60%**	**40%**	**60%**
TOTAL	**100%**	**100%**				

	Dec 31, 2018		Dec 31, 2017	
	Women	Men	Women	Men
For all group companies				
Board members	32%	68%	39%	61%
Senior executives	39%	61%	48%	52%
Total	**35%**	**65%**	**43%**	**57%**

Continued Note 33

Personnel costs

	Note	2018 Board of Directors and CEO	2018 *of which bonus*	2018 Other employees	2017 Board of Directors and CEO	2017 *of which bonus*	2017 Other employees
Sweden		74	*25*	1,800	40	*9*	1,655
Lithuania		6	*1*	144	5	*1*	113
Latvia		5	*1*	181	4	*1*	195
Estonia		3	*1*	78	2	*1*	66
Croatia		4	*2*	76	3	*2*	50
Germany		3	*–*	38	2	*–*	39
Netherlands		1	*–*	2	–	*–*	–
Austria		1	*–*	6	–	*–*	1
Luxembourg		3	*–*	4	3	*–*	3
		100	***30***	**2,329**	**59**	***14***	**2,122**
Discontinued operations	36	36	*18*	890	19	*8*	849
Total salaries and remuneration		**136**	***48***	**3,219**	**78**	***22***	**2,971**

	Note	2018 Salaries and remune-rations	2018 Social security expenses	2018 *of which pension expenses*	2017 Salaries and remune-rations	2017 Social security expenses	2017 *of which pension expenses*
Board and President		100	38	*5*	59	19	*4*
Other employees		2,329	1,073	*306*	2,122	947	*273*
		2,429	**1,111**	***311***	**2,181**	**966**	***277***
Discontinued operations	36	926	135	*26*	868	175	*24*
Total		**3,355**	**1,246**	***337***	**3,049**	**1,141**	***301***

Pensions

	2018	2017
Defined-benefit plans, retirement pension	28	33
Defined-benefit plans, survivors' and disability pension	–	5
Defined-contribution plans	283	239
Total pension expenses	**311**	**277**

The defined benefit plans essentially related to Sweden where companies included in the Group are affiliated to PRI Pensionsgaranti or Skandia. For companies affiliated to PRI Pensionsgaranti, the companies obligation under the ITP-plan (ITP2) retirement pension are recognized as a liability in the balance sheet. The liability for retirement pension assigned to Com Hem is closed for new entries and premiums are instead paid to Alecta. At 31 December, 2018 the present value of Com Hem's share of the total group liability for the retirement pension amounted to SEK 450 million. Additional information regarding defined-benefit retirement plans is shown in the table below.

	2018	2017
Income statement		
Current service costs	–27	–33
Net interest cost	–	–7
Curtailments/settlements	–1	7
	–28	**–33**
Special employer's contribution	1	–3
Net cost recognized in the income statement	**–27**	**–36**

	Dec 31, 2018	Dec 31, 2017
Balance sheet		
Present value of funded obligations	–717	–257
Present value of non-funded obligations	–7	–
Fair value of plan assets	466	286
Net	**–258**	**29**
Special employer's contribution	–27	–22
Net asset (+) / obligation (–) in balance sheet	**–285**	**7**
of which assets	*110*	*119*
of which liabilities	*–395*	*–112*

	2018	2017
Net asset (+) / obligation (–) at beginning of year	7	33
Net asset/obligation at beginning of year, acquired operations	–266	–
Net cost	–27	–36
Payments	40	39
Actuarial gains/losses in other comprehensive income	–39	–29
Net asset (+) / obligation (–) in balance sheet at end of year	**–285**	**7**

The defined-benefit pension plans under ITP2 are partly funded through Tele2's assets has been invested in Skandia and Com Hem's in Telia Company AB's (publ) pension fund. At December 31, 2018 the market value of Tele2's assets in Skandia amounted to SEK 288 (286) million.

At December 31, 2018 the market value of the Com Hem share of the asset in the pension trust amounted to SEK 178 million. Two smaller defined benefit plans of SEK 7 million for management pension and conditional early retirement pension are non-funded.

The defined benefit pension obligation in Sweden is calculated using a discount rate based on interest on mortgage bonds. The Swedish covered mortgage bonds are considered high-quality bonds, the market is considered deep and the bonds are issued by large banks, thereby meeting IAS 19 requirements. The following material actuarial assumptions have been applied to calculate the commitments.

	Dec 31, 2018	Dec 31, 2017
Important actuarial assumptions		
Discount rate	2.3%	2.4%
Annual salary increases	3.0%	3.0%
Annual pension increases	3.0%	3.0%
Long-term inflation assumption	2.0%	2.0%
Average expected remaining years of employment	10 years	10 years

Remuneration for senior executives

2018	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Termin-ation benefit	Pension expenses	Total remune-ration
CEO and President,							
-Anders Nilsson	1.2	0.8	0,1	0.3	–	0.3	**2.7**
-Allison Kirkby	7.4	17.3	5.9	3.8	16.0	–	**50.4**
Other senior executives	30.9	43.1	12.6	5.2	10.6	11.9	**114.3**
Total salaries and remuneration to senior executives	**39.5**	**61.2**	**18.6**	**9.3**	**26.6**	**12.2**	**167.4**

At the end of the year, the group Other senior executives comprises of 14 (9) persons.

2017	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Termin-ation benefit	Pension expenses	Total remune-ration
CEO and President,							
-Allison Kirkby	7.8	6.4	2.5	3.0	–	–	**19.7**
Other senior executives	26.0	17.9	5.8	5.0	6.0	6.3	**67.0**
Total salaries and remuneration to senior executives	**33.8**	**24.3**	**8.3**	**8.0**	**6.0**	**6.3**	**86.7**

Continued Note 33

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

The Group CEO and the former Group CEO of Tele2, have not participated in the Integration and Retention Incentive plan. Instead, the former Group CEO was entitled to an integration incentive award of 18 months base salary which was paid out in full when she left Tele2 in December 2018. The Group CEO was entitled to a similar integration incentive bonus of SEK 8.5 million, and did also receive SEK 8.1 million in cash compensation from early vesting of Com Hem Holding's long-term incentive plans at closing of the merger in line with the Plan Rules and as decided by the Com Hem Board of Directors which has been paid out in full by Tele2 when assuming Com Hem Holding AB in November 2018. Furthermore, the Tele2 Board of Directors have decided to introduce an Incentive Award to the Group CEO corresponding to up to 24 months base salary, with payment in three tranches in November 2019–2021. The Incentive Award is conditional upon that the Group CEO being continuously employed as the managing director of Tele2 and that Tele2 achieves established objectives in relation to synergy execution. In addition, the Incentive Award to the Group CEO include an extra incentive, which entitles him to 12 months base salary in November 2021 in case of exceptional performance of the Tele2 share.

The following deviations have been made to the remuneration guidelines for senior executives in 2018: the Integration and Retention Incentive plan for the senior executives and the incentive awards to the former Group CEO and the Group CEO have led to variable remunerations exceeding 100 percent of their respective fixed salary for 2018. The Integration and Retention Incentive plan for the senior executives and the Incentive Award to the Group CEO can also lead to variable remunerations exceeding 100 percent of their respective fixed salary for 2019, and, applicable only to the Incentive Award to the Group CEO, 2020 and 2021. The Board of Directors' reasons for introducing these integration and retention incentives were to incentivize a successful integration of Com Hem and achievement of synergy execution targets for the combined company post-closing and ensure retention among key employees.

During 2018 the senior executives received 641,000 (422,000) share rights in the new incentive program for the year, 29,406 (22,135) share rights in previous years incentive programs as compensation for dividend. No premium was paid for the share rights.

	LTI 2018		LTI 2017	
Number of share rights	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2018			100,000	322,000
Reclassification of opening balances due to changes in leadership team			–	40,000
Allocated	200,000	441,000		
Allocated, compensation for dividend	–	–	3,658	13,255
Adjustments for outcome of the performance conditions	–77,300	–95,077	–45,609	–56,097
Exercised	–22,700	–27,923	–58,049	–71,404
Total outstanding rights as of December 31, 2018	**100,000**	**318,000**	**–**	**247,754**

	LTI 2016		LTI 2015	
Number of share rights	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2018	109,322	213,187	36,950	35,227
Reclassification of opening balances due to changes in leadership team	–	17,494	–	9,393
Allocated, compensation for dividend	4,003	8,490	–	–
Adjustments for outcome of the performance conditions	–45,558	–40,615	–15,835	–16,731
Exercised	–67,767	–63,083	–21,115	–27,889
Total outstanding rights as of December 31, 2018	**–**	**135,473**	**–**	**–**

Board of directors

	Fees to the board		Fees to the board committees		Total fees	
SEK	2018	2017	2018	2017	2018	2017
Georgi Ganev	1,575,000	575,000	200,000	90,000	1,775,000	665,000
Andrew Barron	287,500	–	22,500	–	310,000	–
Sofia Arhall Bergendorff	575,000	575,000	–	–	575,000	575,000
Anders Björkman	575,000	575,000	45,000	45,000	620,000	620,000
Cynthia Gordon	575,000	575,000	55,000	110,000	630,000	685,000
Irina Hemmers	–	575,000	–	110,000	–	685,000
Eva Lindqvist	287,500	–	55,000	–	342,500	–
Lars-Åke Norling	359,375	–	96,875	–	456,250	–
Eamonn O'Hare	575,000	575,000	–	–	575,000	575,000
Mike Parton	–	1,575,000	–	155,000	–	1,730,000
Carla Smits-Nusteling	575,000	575,000	220,000	220,000	795,000	795,000
Total fee to board members	**5,384,375**	**5,600,000**	**694,375**	**730,000**	**6,078,750**	**6,330,000**

Share-based payments

Share rights

The objective of the long-term incentive programs (LTI) is to create conditions for retaining competent employees in the Tele2 Group. The program has been designed based on the view that it is desirable that senior executives and other key employees within the Group are shareholders in Tele2 AB. Participation in the Plan requires a personal investment in Tele2 shares, by shares already held or shares purchased on the market in connection with the application to participate in the Plan.

By offering an allotment of retention rights and performance rights which are based on profits and other retention and performance-based conditions, the participants are rewarded for increasing shareholder value. Furthermore, the program rewards employees' loyalty and long-term growth in the Group. In that context, the Board of Directors is of the opinion that the program will have a positive effect on the future development of the Tele2 Group and thus be beneficial to both the company and its shareholders.

	Average fair value/share rights at grant date (in SEK)	Number of participants at grant date	Measure period	Dec 31, 2018	Dec 31, 2017
LTI 2018	66 and 65	242	Apr 1, 2018–Mar 31, 2021	1,482,420	–
LTI 2017	70	206	Apr 1, 2017–Mar 31, 2020	1,050,018	1,373,574
LTI 2016	51	193	Apr 1, 2016–Mar 31, 2019	801,040	1,065,265
LTI 2015	71	197	Apr 1, 2015–Mar 31, 2018	–	736,609
Total number of outstanding share rights				**3,333,478**	**3,175,448**
of which will be settled in cash				*220,833*	–

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

Continued Note 33

Cost before tax and liabilities for outstanding incentive programs are stated below. The increased cost in 2018 was due to cash settled part during 2018 and increased number of participants in the program.

	Actual costs before tax		Expected cumulative cost during the vesting period		Liability	
	2018	2017	2018	2017	Dec 31, 2018	Dec 31, 2017
LTI 2018	30	–	110	–	6	–
LTI 2017	31	18	74	92	10	5
LTI 2016	18	13	25	52	11	8
LTI 2015	11	9	31	47	–	5
LTI 2014	–	5	–	18	–	–
Total	**90**	**45**	**240**	**209**	**27**	**18**
of which cash based programs	*16*	–	–	–	–	–

During the Annual General Meeting held on May 21, 2018, the shareholders approved a retention and performance-based incentive program (LTI 2018) for senior executives and other key employees in the Tele2 Group. The program has the same structure as last year's incentive program, except for that LTI 2018 does not have a ROCE measure. The measurement period for retention and performance-based conditions for LTI 2018 is from April 1, 2018 until March 31, 2021.

In general, the participants in the program are required to own shares in Tele2. Thereafter, the participants were granted retention rights and performance rights free of charge. In the event delivery of shares under the program cannot be achieved at reasonable costs, with reasonable administrative efforts or due to market conditions, participants may instead be offered a cash-based settlement. Outstanding share rights that will be settled in cash are remeasured to fair value in each period and the obligation is reported as a liability.

Subject to the fulfilment of certain retention and performance-based conditions during the period April 1, 2018 – March 31, 2021 (the measure period), the participant maintaining employment within the Tele2 Group at the release of the interim report January – March 2021 and subject to the participant maintaining the invested shares (where applicable) during the vesting period, each right entitles the employee to receive one Class B share in the company. Dividends paid on the underlying share will increase the number of shares that each retention and performance right entitles to in order to treat the shareholders and the participants equally.

The rights are divided into Series A (retention rights) and Series B (performance rights). The number of shares the participant will receive depends on which category the participant belongs to and on the fulfilment of the following defined conditions:

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

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

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

The program comprised a total number of 448,500 shares held by the participants of which 75,500 relates to additional allocation due to the acquisition of Com Hem. In total this resulted in an allotment of 1,765,100 share rights, of which 368,525 Series A and 1,396,575 Series B.

Total costs before tax for outstanding rights in the incentive program are expensed over the three-year vesting period. These costs, together with the additional cost from the allotment in connection with the Com Hem merger, were initially expected to amount to SEK 112 million, of which social security costs to SEK 35 million.

The participant's maximum profit per share right in the program is limited to SEK 388, four times the average closing share price of the Tele2 Class B shares during February 2018 with deduction for the dividend paid in May 2018.

The estimated average fair value of the granted rights was SEK 66 on the grant date, June 5, 2018 and SEK 65 on the grant date for the Com Hem participants, December 14, 2018. The following variables were used:

	Original program		Additional allotment	
	Series A	Series B	Series A	Series B
Expected annual turnover of personnel	7.0%	7.0%	7.0%	7.0%
Weighted average share price	SEK 109.55	SEK 109.55	SEK 111.52	SEK 111.52
Expected life	2.92 years	2.92 years	2.36 years	2.36 years
Expected value reduction parameter market condition	87%	53%	86%	52%
Estimated fair value	SEK 95.10	SEK 58.55	SEK 95.50	SEK 58.50

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 1,750,000 Class C shares and subsequently to repurchase the Class C shares. The Board of Directors has not yet used its mandate.

	LTI 2018		LTI 2017	
Number of rights	2017	Cumulative	2017	Cumulative
Allocated at grant date	1,765,100	1,765,100		1,432,558
Outstanding as of January 1, 2018			1,373,574	
Allocated, compensation for dividend	–	–	47,647	47,647
Forfeited	–221,914	–221,914	–207,918	–261,081
Exercised	–60,766	–60,766	–163,285	–169,106
Total outstanding rights as of December 31, 2018	**1,482,420**	**1,482,420**	**1,050,018**	**1,050,018**
of which will be settled in cash	*86,472*	*86,472*	*67,391*	*67,391*

	LTI 2016		LTI 2015	
Number of rights	2017	Cumulative	2017	Cumulative
Allocated at grant date		1,324,968		1,241,935
Outstanding as of January 1, 2018	1,065,265		736,609	
Allocated, compensation for dividend	38,640	104,845	–159	119,953
Allocated, compensation for new issue	–	37,211	–	26,210
Forfeited	–157,399	–507,560	–280,067	–920,505
Exercised	–145,466	–158,424	–456,383	–467,593
Total outstanding rights as of December 31, 2018	**801,040**	**801,040**	**–**	**–**
of which will be settled in cash	*66,970*	*66,970*	–	–

Corresponding principles and conditions have been used for 2016, 2017 and 2018 year incentive program except for the measure period and levels for retention and performance based conditions.

		Retention and performance based conditions		
	Maximum profit/right	Series A TSR	Series B ROCE	Series C TSR peer group
LTI 2016	SEK 256	> 0%	5.5–8%	> 10%
LTI 2017	SEK 315	> 0%	5.5–8%	> 10%
				Series B TSR peer group
LTI 2018	SEK 388	> 0%		> 20%

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, LTI 2017 and LTI 2018 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

Continued Note 33

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 been reduced in proportion to the fulfilment level. The number of share rights exchanged on December 7, 2018 for shares in Tele2 amounts to 356,891 share rights at a weighted average share price of SEK 110.86.

The exercise of the share rights in LTI 2015 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2015 until March 31, 2018. The outcome of these performance conditions was in accordance with below and the outstanding share rights of 449,039 have been exchanged for shares in Tele2 and 7,344 share rights have been exchanged for cash during 2018. The weighted average share price for share rights for the LTI 2015 at date of exercise amounted to SEK 113.41.

Series	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
A	Total Shareholder Return Tele2 (TSR)		≥ 0%	36.7%	100%
B	Average normalised Return on Capital Employed (ROCE)	9%	12%	4.7%	0%
C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	34.2%	100%

Synthetic options

At December 31, 2017, a liability was reported for long-term incentive program (IoTP) for Tele2 employees of Tele2's IoT business (internet-of-things). The estimated fair value of the program amounted on December 31, 2018 to SEK 4 (December 31, 2017: 3) million. The program is built on transferrable synthetic options. The fair value of the program is determined with support from an independent valuation institute. During 2018, Tele2 decided to close down the incentive program for IoTP during 2019 by settlement in cash.

NOTE 34 Fees to the appointed auditor

	2018		2017	
	Deloitte	Other elected auditors	Deloitte	Other elected auditors
Audit fees	121	1	10	–
Audit-related fees	1	–	1	–
Consultation, all other fees	1	–	3	–
	123	**1**	**14**	**–**
Total fees to the appointed auditor		**124**		**14**

Total fees to the appointed auditors during the year related to continuing operations amounted to SEK 105 (10) million of which audit fees amounted to SEK 103 (7) million, audit-related fees amounted to SEK 1 (–) million and other consultation fees amounted to SEK 1 (3) million. There was no tax-related consultation fees. In addition, audit fees and audit-related fees for discontinued operations amounted to SEK 19 (4) million. The increase is related to the audit performed in accordance with standards established by the Public Company Accounting Oversight Board (PCAOB) in the United States for the years ended December 31, 2015 to 2018 as required due to the merger of Com Hem.

NOTE 35 Restatements and changes in accounting principles

Restatments

The Consolidated Financial Statements previously issued and prepared in accordance with the International Financial Reporting Standards and interpretations of the IFRS Interpretations Committee as issued by the IASB and endorsed by the EU as of and for the year ended December 31, 2017 have been restated with respect to certain items within the consolidated income statement, consolidated balance sheet, and consolidated statements of cash flow. The nature and impact of each restatement is described below.

Restatement of recognition of deferred tax asset

Tele2's tax assets related to the operations in Kazakhstan were recognized in 2017 as a result of improvement in performance. A portion of the tax losses incurred in prior periods were the result of foreign currency effects reported directly in other comprehensive income. In accordance with IAS 12 tax assets recognized outside of profit or loss should be recognized in other comprehensive income in the same or different period. Accordingly SEK 274 million previously reported as deferred tax income has been adjusted to be presented as an increase in other comprehensive income in the restated financial statements for 2017. This restatement impacts discontinued operations.

Restatement of valuation allowance – deferred tax assets

IAS 12 states that deferred tax assets should be recognized where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. IAS 12 states that deferred tax assets should be recognized when utilization is probable, "probable" is commonly interpreted under IFRS as "more likely than not". When making this assessment items such as certain taxable temporary differences, where appropriate, taxable profit in future periods, and tax planning opportunities are considered.

To properly reflect the probability criteria, Tele2 has restated its consolidated financial statements where previously unrecognized deferred tax assets relating to operations in Luxemburg, which was generating a taxable profit, have been recognized in the opening balance sheet in 2017. The adjustment for Luxembourg amounts to SEK 179 million as of December 31, 2017 and results in an increase in deferred tax assets and retained earnings.

Restatement of lease incentive

In 2016, as a result of the renegotiation of a lease contract, Tele2 in the Netherlands recorded SEK 72 million as a reduction in lease expense representing the remaining unamortized lease incentive amount. In accordance with IAS 17 the lease incentive should have continued to be amortized over the remaining life of the renegotiated lease. As a result the unamortized lease incentive has been reversed and administrative expense has been restated accordingly. This restatement impacts discontinued operations and liabilities held for sale.

Other restatements

The consolidated income statement has been adjusted retroactively due to joint operations' revenue and related expenses to the owners previously have not been fully eliminated. The effect of the adjustments for the full year 2017 was a decrease in revenue and expenses of SEK 599 million, and are stated in the tables below.

In addition, a reclassification of SEK –546 million between line items has been performed in the cash flow statement for 2017 as a result of a tax effect on exchange rates differences from sale of Austria. This was previously included in gain/loss on sale of operations in the cash flow statement and was moved to deferred tax expense in the cash flow statement, please refer to Note 36.

Continued Note 35

In accordance with presentation requirements under IAS 1, Tele2 has made certain other adjustments and reclassifications in the income statement and balance sheet for the twelve month period ended December 31, 2017. These restatements do not have a material impact on the balance sheet and income statements for any of the periods presented.

The total impact of restatements on the twelve month period ended December 31, 2017 are presented in the tables below.

Impact of IFRS 15

For financial reports issued in 2018, Tele2 changed the accounting principles for revenues from contracts with customers, by applying IFRS 15, with retrospective application for previous periods. Accordingly, as described in Note 1 these financial statements have also been retroactively recasted for the application of the standard.

The model that Tele2 has applied up until 2017, concerning revenue recognition of bundled offers related to the allocation between equipment and services, has mainly been in line with IFRS 15 and has been adjusted marginally to completely fulfil the requirements in the new standard. The changes are mainly:

- for certain sales of equipment through dealers, Tele2 is agent and the revenue is reported net of the cost for the equipment. This results in decreased revenues by SEK –255 million for 2017 for Sweden, but no effect on operating profit/loss.
- expenses directly associated with the signing of customer contracts including retailer sales commissions and sales bonuses are capitalized and amortized over the contract length if they are recoverable. Up until 2017, these initial expenses were recognized as cost in the period in which they occurred.
- changed allocation of revenues between equipment and services resulting in revenue recognition taking place at another point in time (earlier or later) according to the new standard.

Due to the adoption of IFRS 15 Tele2 has changed its accounting principle for the following.

In sales of equipment through dealers, where Tele2 is acting as cash collector and where the dealer and not Tele2 has the control of the goods before it is transferred to the customer, Tele2 is agent and the revenue is reported net of the cost for the equipment.

Connection charges and other upfront fees are to be recognized at the time of the sale to the extent that Tele2 delivered a good or service according to the same principles as for customer agreements containing multiple performance obligations as described below.

Revenue from the sale of cash cards and similar prepayments is recognized based on the actual use of the card up until the expiry date. The timing of revenue recognition related to the portion expected not to be exercised by the customer will be recognized as revenue in proportion to the customer use pattern.

For customer agreements containing multiple performance obligations, such as goods and services, the transaction price is allocated to each distinct part based on its relative stand-alone selling price of the goods and services included in the contract. The transaction price may include fixed and variable consideration, significant financing components, non-cash consideration or for example volume discounts to customers. If the transaction price include a variable consideration the value is estimated and is included only to the extent it is highly probable that a reversal of the consideration will not occur. Revenue for each part is recognized in the period the control of the goods or service is transferred to the customer.

As a result of the adoption of IFRS 15, the Netherlands' net asset balance has increased due to the capitalization of certain acquisition costs thus leading to a consequential increase in the impairment charge and write down of the goodwill balance in 2016.

Incremental costs incurred when obtaining a contract with a customer are capitalized, these costs are typically retailer commissions or sales bonuses. The asset is amortized on a straight-line basis over the average customer life period, assessed at portfolio level. Amortization is recognized as an operational cost, in order for this cost to be reflected in the operational business. Please refer to Note 18 for additional information.

Expenses directly associated with the signing of customer contracts including retailer sales commissions and sales bonuses are capitalized and amortized over the contract length if they are recoverable. When companies and operations are acquired, customer agreements and customer contracts acquired as part of the acquisition are fair valued and capitalized as intangible assets.

Income statement

The impact of restatements and the change of accounting principle according to IFRS 15 on the 2017 income statement are presented below.

	2017			
	Restated	Restate-ments	Change IFRS 15	Reported pre-IFRS 15
CONTINUING OPERATIONS				
Revenue	21,466	–591	–240	22,297
Cost of services provided and equipment sold	–11,903	626	262	–12,791
Gross profit	**9,563**	**35**	**22**	**9,506**
Selling expenses	–3,892	8	–	–3,900
Administrative expenses	–2,268	–51	–	–2,217
Other operating income	128	–	–	128
Other operating expenses	–62	14	–	–76
Operating profit	**3,469**	**6**	**22**	**3,441**
Interest income	11	–	–	11
Interest expenses	–314	–33	–	–281
Other financial items	–1	–	–	–1
Profit/loss after financial items	**3,165**	**–27**	**22**	**3,170**
Income tax	–734	5	1	–740
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**2,431**	**–22**	**23**	**2,430**
DISCONTINUED OPERATIONS				
Net loss from discontinued operations	–2,211	–316	–52	–1,843
NET PROFIT/LOSS	**220**	**–338**	**–29**	**587**
ATTRIBUTABLE TO				
Equity holders of the parent company	192	–204	–29	425
Non-controlling interests	28	–134	–	162
NET PROFIT/LOSS	**220**	**–338**	**–29**	**587**
Earnings per share, SEK	0.38	–0.41	–0.06	0.85
Earnings per share, after dilution, SEK	0.37	–0.41	–0.06	0.84
FROM CONTINUING OPERATIONS				
ATTRIBUTABLE TO				
Equity holders of the parent company	2,431	–22	23	2,430
Earnings per share, SEK	4.88	–0.04	0.05	4.87
Earnings per share, after dilution, SEK	4.87	–0.04	0.05	4.86

Continued Note 35

Balance sheet

The impact of restatements and the change of accounting principle according to IFRS 15 on the January 1, 2017 and December 31, 2017 balance sheet are presented below.

	Dec 31, 2017				Jan 1, 2017			
	Restated	Restatements	Change IFRS 15	Reported pre-IFRS 15	Restated	Restatements	Change IFRS 15	Reported pre-IFRS 15
ASSETS								
Goodwill	5,517	–	–	5,517	7,598	–	–131	7,729
Other intangible assets	4,044	–62	–	4,106	5,772	–49	–	5,821
Intangible assets	**9,561**	**–62**	**–**	**9,623**	**13,370**	**–49**	**–131**	**13,550**
Tangible assets	**8,692**	**115**	**–**	**8,577**	**14,329**	**–47**	**–**	**14,376**
Receivable from sold equipment	649	–	20	629	1,084	205	31	848
Other financial assets	145	–	–	145	476	–	–	476
Financial assets	**794**	**–**	**20**	**774**	**1,560**	**205**	**31**	**1,324**
Capitalized contract costs	380	–	380	–	617	–	617	–
Deferred tax assets	1,911	189	–	1,722	1,766	74	–10	1,702
TOTAL NON-CURRENT ASSETS	**21,338**	**242**	**400**	**20,696**	**31,642**	**183**	**507**	**30,952**
Inventories	**689**	**2**	**–**	**687**	**668**	**13**	**–**	**655**
Receivable from sold equipment	1,780	–	31	1,749	2,727	–218	54	2,891
Accounts receivable	2,224	–	–	2,224	2,784	200	–	2,584
Other current receivables	1,161	–	–	1,161	1,019	95	–	924
Prepaid expenses and accrued income	1,561	–202	–4	1,767	2,024	–152	–17	2,193
Current receivables	**6,726**	**–202**	**27**	**6,901**	**8,554**	**–75**	**37**	**8,592**
Current investments	3	–	–	3	21	–	–	21
Cash and cash equivalents	802	–	–	802	257	–	–	257
TOTAL CURRENT ASSETS	**8,220**	**–200**	**27**	**8,393**	**9,500**	**–62**	**37**	**9,525**
ASSETS CLASSIFIED AS HELD FOR SALE	10,166	11	104	10,051	–	–	–	–
TOTAL ASSETS	**39,724**	**53**	**531**	**39,140**	**41,142**	**121**	**544**	**40,477**
EQUITY AND LIABILITIES								
Attributable to equity holders of the parent company	17,246	–53	286	17,013	18,773	–12	311	18,474
Non-controlling interest	–114	–15	–	–99	–300	–22	–	–278
TOTAL EQUITY	**17,132**	**–68**	**286**	**16,914**	**18,473**	**–34**	**311**	**18,196**
Interest-bearing	11,565	52	–	11,513	8,954	–76	–	9,030
Deferred tax liability	998	–251	49	1,200	913	–201	48	1,066
TOTAL NON-CURRENT LIABILITIES	**12,563**	**–199**	**49**	**12,713**	**9,867**	**–277**	**48**	**10,096**
Interest-bearing	**820**	**24**	**–**	**796**	**3,388**	**–13**	**–**	**3,401**
Other current liabilities	3,686	66	–	3,620	4,654	46	–	4,608
Accrued expenses and deferred income	3,388	103	71	3,214	4,760	399	185	4,176
Non-interest-bearing	**7,074**	**169**	**71**	**6,834**	**9,414**	**445**	**185**	**8,784**
TOTAL CURRENT LIABILITIES	**7,894**	**193**	**71**	**7,630**	**12,802**	**432**	**185**	**12,185**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**2,135**	**127**	**125**	**1,883**	**–**	**–**	**–**	**–**
TOTAL EQUITY AND LIABILITIES	**39,724**	**53**	**531**	**39,140**	**41,142**	**121**	**544**	**40,477**

Impact of IFRS 9

On January 1, 2018 Tele2 changed the accounting principles for financial instruments, by applying IFRS 9. Tele2 has chosen to apply the reliefs in the standard and not restate prior periods. Accordingly, these financial statements have not been restated to reflect the adoption of IFRS 9.

For Tele2, the new standard implies new basis for the classification and measurement of financial instruments, a forward-looking impairment model for financial assets and greater flexibility for hedge accounting.

All financial assets and financial liabilities will continue to be measured on the same basis as was previously adopted under IAS 39.

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

IFRS 9 allows Tele2 to continue to apply IAS 39 for hedge accounting. Tele2 has chosen to apply IFRS 9 for hedge accounting at which hedge effectiveness testing is changed to only include forward looking testing. Any ineffective part in a hedging relationship is calculated and reported in profit or loss in the same way as previously. The Group's current hedging relationships will qualify as continuing hedging relationships under IFRS 9.

Continued Note 35

Summary of changes to classification of financial assets is presented below.

	IAS 39		IFRS 9	
Type of asset	Classification	Measurement model	Classification and measurement model	Reason for IFRS 9 classification
Equity instruments	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	This is an accounting policy choice under IFRS 9
Accounts receivable	Loans and receivables	Amortized cost	Amortized cost	Trade receivables are managed in a business model whose objective is achieved through collection of contractual cash flows
Receivable from sold equipment	Loans and receivables	Amortized cost	Amortized cost	Receivables from sold equipment are managed in a business model whose objective is achieved through collection of contractual cash flows
Interest- and currency derivatives	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	These assets are not held for trading but are managed and evaluated on a fair value basis
Other non-current and current receivables	Loans and receivables	Amortized cost	Amortized cost	These assets are held to collect contractual cash flows
Restricted cash	Loans and receivables	Amortized cost	Amortized cost	These assets are held to collect contractual cash flows
Cash and cash equivalents	Loans and receivables	Amortized cost	Amortized cost	These assets are held to collect contractual cash flows

The impacts of IFRS 9 on January 1, 2018 are presented below.

	Jan 1, 2018
ASSETS	
Receivable from sold equipment	–7
TOTAL NON-CURRENT ASSETS	**–7**
Receivable from sold equipment	–21
Accounts receivable	45
TOTAL CURRENT ASSETS	**24**
ASSETS CLASSIFIED AS HELD FOR SALE	–47
TOTAL ASSETS	**–30**
EQUITY AND LIABILITIES	
Attributable to equity holders of the parent company	–42
TOTAL EQUITY	**–42**
Deferred tax liability	1
TOTAL NON-CURRENT LIABILITIES	**1**
Current tax liabilities	11
TOTAL CURRENT LIABILITIES	**11**
TOTAL EQUITY AND LIABILITIES	**–30**

Expected impact of 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 cumulative effect of applying IFRS 16 will be recognized at January 1, 2019.

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

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

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

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

Continued Note 35

The estimated effects of applying IFRS 16 on the opening balance January 1, 2019 is presented below. The data exclude the Dutch operations since Tele2 considers the effects of IFRS 16 on Tele2 Netherlands to have no or negligible impact going forward. The adoption of IFRS 16 is expected to impact yearly adjusted EBITDA positively by SEK 1.3 billion and increase net debt by SEK 6.4 billion.

Balance sheet

	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	5,944	5,944	–
Financial assets	1,028	–	1,028
Capitalized contract costs	373	–	373
Deferred tax assets	368	–	368
TOTAL NON-CURRENT ASSETS	**66,520**	**5,796**	**60,724**
Inventories	669	–	669
Current receivables	6,792	–33	6,825
Current investments	2	–	2
Cash and cash equivalents	404	–	404
TOTAL CURRENT ASSETS	**7,867**	**–33**	**7,900**
ASSETS CLASSIFIED AS HELD FOR SALE	14,664	644	14,020
TOTAL ASSETS	**89,051**	**6,407**	**82,644**
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company	36,334	–	36,334
Non-controlling interest	28	–	28
TOTAL EQUITY	**36,362**	**–**	**36,362**
Interest-bearing liabilities	27,942	4,704	23,238
Non-interest-bearing liabilities	4,206	–	4,206
TOTAL NON-CURRENT LIABILITIES	**32,148**	**4,704**	**27,444**
Interest-bearing liabilities	7,822	1,059	6,763
Non-interest-bearing liabilities	8,088	–	8,088
TOTAL CURRENT LIABILITIES	**15,910**	**1,059**	**14,851**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	4,631	644	3,987
TOTAL EQUITY AND LIABILITIES	**89,051**	**6,407**	**82,644**

The bridge between future minimum expenses according current IAS 17 Leases standard (please refer to Note 31) and the expected change in the lease liability due to adoption of IFRS 16 is presented below.

Total future lease expenses for operating leases as of December 31, 2018 (Note 31)	**4,626**
Adjustments for:	
Discounting	–264
Not determined as leases according to IFRS 16 (mainly lease capacity)	–585
Short term leases	–114
Low value leases	–14
Extension options	2,114
Total adjustments	**1,137**
Estimated change in lease liability due to adoption of IFRS 16	**5,763**

NOTE 36 Discontinued operations

Tele2 Kazakhstan

On December 28, 2018 Tele2 announced that Tele2 has given notice to exercise the put option stipulated in the shareholder agreement between Tele2 and Kazakhtelecom with respect to their jointly owned company in Kazakhstan. Following the decision to exercise the put option, the operations in Kazakhstan have been reported as discontinued operation.

The transaction between Kazakhtelecom, Telia Company and Fintur announced on December 12, 2018 in which Kazakhtelecom acquired control of Kcell, triggered the possibility for Tele2 to exercise its put option and sell its shares in the jointly owned company to Kazakhtelecom, as the shareholder agreement includes customary non-compete clauses.

Tele2 owns 49 percent of the economic interest and 51 percent of the votes in the jointly owned company Tele2 Kazakhstan. The expected financial consideration to Tele2 will reflect a fully diluted economic interest of 31 percent, taking into account Asianet's 18 percent earn-out. A shareholder loan from Tele2 to the jointly owned company is to be fully repaid at the time of the closing. On December 31, 2018 the loan amounted to KZT 88 billion (SEK 2.1 billion).

The put option price is based on a fair market value principle and will be determined through an agreed valuation process, based on standard methodology, including independent third-party advisors.

Closing is expected in approximately six months from the date the put option was served.

The previous put option obligation in Kazakhstan was in 2016 replaced with an earn-out obligation representing 18 percent economic interest in the jointly owned company in Kazakhstan. To cover for the estimated earn-out obligation, that is based on fair value, the earn-out obligation was on December 31, 2018 valued at SEK 764 (432) million and reported as a financial liability with fair value changes reported as financial items in the income statement. The change in fair value on December 31, 2018 is related to a continuation of the positive trend in the Kazakhstan operation. The fair value estimate is sensitive to changes in key assumptions supporting the expected future cash flows for the jointly owned company in Kazakhstan. A deviation from the current assumptions regarding the fair value would impact the earn-out liability. In the goodwill impairment test and in the valuation of the earn-out obligation a pre tax WACC has been used of 19 (18) percent as well as a forecast period of 10 (10) years and a growth rate after the forecast period of 1 (1) percent.

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner Kazakhtelecom. On December 31, 2018 the reported debt amounted to SEK 30 (26) million and the nominal value to SEK 279 (289) million.

In 2017, taxes were positively affected by a reassessment of the previously not recognized deferred tax assets related to loss carry forwards and temporary differences in Kazakhstan of SEK 478 million.

Subsidiaries with material non-controlling interests

Tele2 has a 49 percent economic ownership in the jointly owned company in Kazakhstan and 51 percent of the voting rights. Tele2 has the right to appoint the CEO and all other management roles except for the CFO. Tele2 has concluded that Tele2 has the control over the jointly owned company as defined by IFRS and consequently the company is consolidated by Tele2.

Through agreements Kazakhtelecom has protective rights in matters such as changes in the ownership structure, approval of dividends, financing and certain shareholder-related matters.

The tables below show summarized financial information for Tele2 Kazakhstan before intra-group eliminations. No other non-controlling interests exist.

	Tele2 Kazakhstan	
	2018	2017
Income statement		
Revenue	3,084	2,721
Operating profit	586	117
Profit/loss before tax	330	–159
Net profit	271	56

	Tele2 Kazakhstan	
	Dec 31, 2018	Dec 31, 2017
Balance sheet		
Intangible assets	384	463
Tangible assets	2,057	2,279
Financial assets	8	10
Deferred tax assets	393	473
Current assets	538	1,008
Total assets	**3,380**	**4,233**
Non-current liabilities	2,431	3,245
Current liabilities	894	1,212
Total liabilities	**3,325**	**4,457**
Net assets	**55**	**–224**

	Tele2 Kazakhstan	
	2018	2017
Cash flow statement		
Cash flow from operating activities	852	458
Cash flow from investing activities	–308	–728
Cash flow from financing activities	–691	375
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–147**	**105**
Cash and cash equivalents at beginning of the year	199	110
Exchange rate differences in cash and cash equivalents	1	–16
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**53**	**199**

Tele2 Netherlands

On December 15, 2017 Tele2 announced that Tele2 and Deutsche Telekom have agreed to combine Tele2 Netherlands and T-Mobile Netherlands. On January 2, 2019, the transaction was completed after approval by the European Commission without conditions. For additional information, please refer to Note 38. Netherlands is reported as discontinued operation.

In 2017, a goodwill impairment loss of SEK 1,194 million was recognized (as cost of service provided) related to the cash generating unit Netherlands. The impairment was based on a valuation of Tele2's share in the combined Tele2 and T-Mobile operations, a merger which was announced in December 2017. In the latest assessment of the standalone plan, the investments needed to reach a sustainable operation were deemed to be more challenging than previously expected. This was not fully balanced by the incremental value created by the announced merger with T-Mobile. The fair value measurement of the asset is categorized as level 3 unobservable input in the fair value hierarchy. The valuation has been based on the cash flow expected to reach Tele2 through an upfront payment, dividend and a potential future exit. The valuation is supported by 1) a business plan for the combined entity, jointly agreed with the partner Deutsche Telekom, along with 2) a peer group analysis of values assigned to equivalent players on the European telecom market. The discount rate assigned to the combined operation is 8 percent on a post-tax basis.

Continued Note 36

Tele2 Austria

On October 10, 2017 the Austrian competition authority announced that they have approved Tele2's divestment of its Austrian operations to Hutchison Drei Austria GmbH (Three Austria) announced in July 2017. The divestment was closed on October 31, 2017. The Austrian operation was sold for SEK 867 million and resulted in a capital gain of SEK 316 million, including costs for central support system for the Austrian operation and other transaction costs. In addition, the capital gain was affected negatively with SEK 530 million related to recycling of exchange rate differences previously reported in other comprehensive income, which was reversed over the income statement but with no effect on total equity or cash flow. In addition to the purchase price, there is a possibility to receive an earn-out of EUR 10 million (SEK 98 million), that will be paid after 24 months depending on the development of the business. No portion of the earn-out has been recognized as of December 31, 2018. The divested operations, including capital gain, has been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods.

Assets, liabilities and contingent liabilities included in the divested operation in Austria at the time of divestment are stated below.

	Austria (Oct 31, 2017)
Goodwill	9
Other intangible assets	48
Tangible assets	162
Deferred tax assets	245
Current receivables	172
Cash and cash equivalents	202
Non-current provisions	–31
Non-current interest-bearing liabilities	–13
Current interest-bearing liabilities	–8
Current non-interest-bearing liabilities	–249
Divested net assets	**537**
Capital gain, excluding sales costs	330
Sales price	**867**
Price adjustments, non-cash	11
Less: cash in divested operations	–202
TOTAL CASH FLOW EFFECT	**676**

Other discontinued operations

Discontinued operations also refer to provisions for Russian tax disputes related to the previously sold operations in Russia, with a positive effect on net profit/loss in 2018 of SEK 47 (–17) million.

In 2017, discontinued operations were positively affected by SEK 38 million related to a resolved provision for a VAT dispute related to the previously sold operations in Italy.

Income statement

All discontinued operations are stated below. Discontinued operation also includes transactions during 2017 and 2018 regarding Tele2 Austria which was sold on October 31, 2017, Tele2 Russia which was sold in 2013 and Tele2 Italy which was sold in 2007.

	2018	2017
Revenue	9,461	9,297
Cost of services provided and equipment sold	–6,371	–7,994
Gross profit/loss	**3,090**	**1,303**
Selling expenses	–2,006	–2,141
Administrative expenses	–1,220	–931
Other operating income	7	9
Other operating expenses	–28	–11
Operating loss	**–157**	**–1,771**
Interest income	8	36
Interest expenses	–41	–43
Other financial items	–330	–337
Loss after financial items	**–520**	**–2,115**
Income tax from the operation	–59	188
NET LOSS FROM THE OPERATION	**–579**	**–1,927**
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain	–40	262
of which Netherlands	*–88*	*–71*
of which Austria, sold 2017	*1*	*312*
of which Russia, sold 2013	*47*	*–17*
of which Italy, sold 2007	*–*	*38*
Income tax from capital gain	–	–546
of which Austria, sold 2017	*–*	*–546*
	–40	**–284**
NET LOSS	**–619**	**–2,211**
ATTRIBUTABLE TO		
Equity holders of the parent company	–757	–2,239
Non-controlling interests	138	28
NET LOSS	**–619**	**–2,211**
Earnings per share, SEK	–1.42	–4.50
Earnings per share, after dilution, SEK	–1.42	–4.50

Continued Note 36

Balance sheet

Assets held for sale refer to Tele2 Netherlands (from December 31, 2017) and Tele2 Kazakhstan (from December 31, 2018).

	Dec 31, 2018	Dec 31, 2017
ASSETS		
NON-CURRENT ASSETS		
Goodwill	1,144	973
Other intangible assets	1,545	1,271
Intangible assets	**2,689**	**2,244**
Machinery and technical plant	5,616	4,129
Other tangible assets	1,741	898
Tangible assets	**7,357**	**5,027**
Financial assets	720	550
Capitalized contract costs	177	191
Deferred tax assets	393	–
NON-CURRENT ASSETS	**11,336**	**8,012**
CURRENT ASSETS		
Inventories	181	130
Accounts receivable	406	385
Other current receivables	1,533	1,308
Prepaid expenses and accrued income	564	331
Current receivables	**2,503**	**2,024**
CURRENT ASSETS	**2,684**	**2,154**
ASSETS CLASSIFIED AS HELD FOR SALE	**14,020**	**10,166**
LIABILITIES		
NON-CURRENT LIABILITIES		
Interest-bearing	641	251
Non-interest-bearing	99	–
NON-CURRENT LIABILITIES	**740**	**251**
CURRENT LIABILITIES		
Interest-bearing	813	–
Non-interest-bearing	2,434	1,884
CURRENT LIABILITIES	**3,247**	**1,884**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**3,987**	**2,135**

	2018	2017
Amounts recognized in other comprehensive income and accumulated in equity relating to assets held for sale attributable to:		
Equity holders of the parent company	–339	–23
Non-controlling interest	152	–
Total	**–187**	**–23**

Cash flow statement

	2018	2017
Cash flow from operating activities	1,189	1,080
Cash flow from investing activities	–1,504	–982
Cash flow from financing activities	–106	184
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–421**	**282**

NOTE 37 Joint operations and other related parties

Business relations and pricing between Tele2 and all related parties are based on commercial terms and conditions. During 2018, Tele2 engaged in transactions with the following related companies/ persons.

Joint operations

Svenska UMTS-nät AB, Sweden

Tele2 is one of two turnkey contractors which plan, expand and operate the joint operation Svenska UMTS-nät AB's 3G network. Tele2 and Telia Company each own 50 percent and both companies have contributed capital to the 3G company. In addition to this, the build-out has owner financing.

Net4Mobility HB, Sweden

Net4Mobility is an infrastructure joint operation between Tele2 Sweden and Telenor Sweden, where each party owns 50 percent. The company's mission is to build and operate the combined 2G, 4G and coming 5G network. The network enable Tele2 and Telenor to offer their customers mobile services for data communications and voice. The build-out has owner financing. In December 2018 Net4Mobility acquired licenses for 700 MHZ bandwidth to increase the capacity in the existing net but also for 5G over time.

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

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

	2018		2017	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Income statement				
Revenue	1,026	1,256	1,115	1,217
Operating profit	66	62	68	78
Profit before tax	49	195	44	23
Net profit	33	195	34	23

	Dec 31, 2018		Dec 31, 2017	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Balance sheet				
Intangible assets	–	3,114	–	1,874
Tangible assets	1,485	2,354	1,854	2,434
Deferred tax assets	94	–	110	–
Current assets	280	517	396	562
Total assets	**1,859**	**5,985**	**2,360**	**4,870**
Equity	638	–130	605	–325
Untaxed reserves	–	2,459	–	2,614
Non-current liabilities	924	1,501	1,375	1,806
Current liabilities	297	2,155	380	775
Total equity and liabilities	**1,859**	**5,985**	**2,360**	**4,870**

	2018		2017	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Cash flow statement				
Cash flow from operating activities	475	636	502	615
Cash flow from investing activities	–26	–329	–32	–418
Cash flow from financing activities	–449	–329	–470	–218
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–**	**–22**	**–**	**–21**
Cash and cash equivalents at beginning of the year	–	80	–	101
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**–**	**58**	**–**	**80**

Continued Note 37

Other related parties

Senior executives and Board members

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

Kinnevik Group

Tele2 rents premises from Kinnevik.

Kazakhtelecom Group

Kazakhtelecom has 49 percent of the voting rights in the jointly owned company in Kazakhstan. Tele2 and Kazakhtelecom sell and purchases telecommunication services to and from each other. Business relations and pricing between the parties are based on commercial terms and conditions. On December 28, 2018, Tele2 gave Kazakhtelecom notice to exercise Tele2's put option on its shares in Tele2 Kazakhstan. Hence, the sale process has started. Additional information is presented in Note 36.

Joint ventures and associated companies

Information about joint ventures and associated companies is presented in Note 16.

Transactions and balances

Transactions between Tele2 and joint operations are below included to 100 percent. In the consolidated financial statements the joint operations are however based on Tele2's share of assets, liabilities, revenues and expenses (50 percent).

	Revenue		Operating expenses		Interest revenue	
	2018	2017	2018	2017	2018	2017
Kinnevik	–	1	–3	–4	–	–
Kazakhtelecom	291	242	–615	–602	–	–
Joint ventures and associated companies	1	–	–12	–10	–	–
Joint operations	233	227	–1,111	–1,135	19	23
Total	**525**	**470**	**–1,741**	**–1,751**	**19**	**23**

	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities		Interest-bearing liabilities	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Kazakhtelecom	156	433	–	–	305	611	30	27
Joint ventures and associated companies	–	–	–	–	1	–	–	–
Joint operations	369	370	1,137	1,533	275	312	–	–
Total	**525**	**803**	**1,137**	**1,533**	**581**	**923**	**30**	**27**

NOTE 38 Events after the end of the financial year

Tele2 Netherlands

The divestment of Tele2 Netherlands was closed on January 2, 2019. The Dutch operation was sold for approximately SEK 1.9 billion and 25 percent share in the combined company. The capital gain in 2019 is estimated to be approximately SEK 0.1 billion, including costs for central support system for the Dutch operation and other transaction costs. In addition, the capital gain will be affected positively with approximately SEK 0.2 billion related to reversal of exchange rate differences previously reported in other comprehensive income, which will be reversed into the income statement but with no effect on total equity or cash flow.

Parent company's financial statements

The parent company's income statement

SEK million	Note	2018	2017
Revenue	2	60	59
Gross profit		**60**	**59**
Administrative expenses		–129	–123
Other operating income	3	3	–
Other operating expenses	4	–360	–
Operating loss		**–426**	**–64**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Result from shares in group companies	5	600	7,000
Other interest revenue and similar income	6	21	–
Interest expense and similar costs	7	–369	–321
Profit/loss after financial items		**–174**	**6,615**
Appropriations, group contribution		1,022	348
Tax on profit/loss for the year	8	–52	8
NET PROFIT		**796**	**6,971**

The parent company's comprehensive income

SEK million	Note	2018	2017
Net profit		**796**	**6,971**
OTHER COMPREHENSIVE INCOME			
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT			
Gain/loss arising on changes in fair value of hedging instruments	16	–16	16
Reclassified cumulative loss to income statement	16	70	72
Tax effect on cash flow hedges		–16	–20
Total components that may be reclassified to net profit		**38**	**68**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**38**	**68**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**834**	**7,039**

The parent company's balance sheet

SEK million	Note	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017 (Restated) Note 1
ASSETS				
NON-CURRENT ASSETS				
Tangible assets				
Equipment and installations	9	–	–	1
Total tangible assets		**–**	**–**	**1**
Financial assets				
Shares in group companies	10	38,764	13,520	13,520
Receivables from group companies	12	8,238	–	–
Deferred tax assets	8	35	47	58
Other financial assets	11	46	41	39
Total financial assets		**47,083**	**13,608**	**13,617**
TOTAL NON-CURRENT ASSETS		**47,083**	**13,608**	**13,618**
CURRENT ASSETS				
Current receivables				
Other receivables from group companies	12	15,665	13,062	8,515
Other current receivables	13	28	1	3
Prepaid expenses and accrued income	14	92	2	3
Total current receivables		**15,785**	**13,065**	**8,521**
Cash and cash equivalents	15	25	–	4
TOTAL CURRENT ASSETS		**15,810**	**13,065**	**8,525**
TOTAL ASSETS		**62,893**	**26,673**	**22,143**

SEK million	Note	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017 (Restated) Note 1
EQUITY AND LIABILITIES				
EQUITY				
Restricted equity				
Share capital		863	634	634
Restricted reserve		4,985	4,985	4,985
Total restricted equity		**5,848**	**5,619**	**5,619**
Unrestricted equity				
Reserves		22,373	2,799	2,725
Retained earnings		5,705	700	3,096
Net profit		796	6,971	205
Total unrestricted equity		**28,874**	**10,470**	**6,026**
TOTAL EQUITY		**34,722**	**16,089**	**11,645**
NON-CURRENT LIABILITIES				
Interest-bearing				
Liabilities to financial institutions and similar liabilities	16	21,663	9,778	7,436
Pension and similar commitments		57	51	49
Other interest-bearing liabilities	16	1	1	–
TOTAL NON-CURRENT LIABILITIES		**21,721**	**9,830**	**7,485**
CURRENT LIABILITIES				
Interest-bearing				
Liabilities to financial institutions and similar liabilities	16	5,991	500	2,641
Provisions	17	17	–	–
Other interest-bearing liabilities	16	105	156	209
Total interest-bearing liabilities		**6,113**	**656**	**2,850**
Non-interest-bearing				
Accounts payable	16	25	3	11
Current tax liabilities		10	1	–
Other current liabilities	16	48	5	2
Other liabilities to group companies		82	2	15
Accrued expenses and deferred income	18	172	87	135
Total non-interest-bearing liabilities		**337**	**98**	**163**
TOTAL CURRENT LIABILITIES		**6,450**	**754**	**3,013**
TOTAL EQUITY AND LIABILITIES		**62,893**	**26,673**	**22,143**

The parent company's cash flow statement

SEK million	2018	2017
OPERATING ACTIVITIES		
Operating loss	−426	−64
Adjustments for non-cash items in operating profit		
Depreciation/amortization and impairment	–	1
Incentive program	15	4
Interest paid	−290	−249
Finance items paid	−49	−3
Changes in working capital		
Operating receivables	−17	4
Operating liabilities	−41	−2
CASH FLOW FROM OPERATING ACTIVITIES	**−808**	**−309**
INVESTING ACTIVITIES		
Acquisition of shares in group companies	−6,541	–
Lending to group companies	−7,881	2,810
Cash flow from investing activities	**−14,422**	**2,810**
CASH FLOW AFTER INVESTING ACTIVITIES	**−15,230**	**2,501**
FINANCING ACTIVITIES		
Proceeds from credit institutions and similar liabilities	17,294	2,800
Repayment of loans from credit institutions and similar liabilities	−26	−2,676
Dividends paid	−2,013	−2,629
Cash flow from financing activities	**15,255**	**−2,505**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**25**	**−4**
Cash and cash equivalents at beginning of the year	–	4
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**25**	**–**

Change in the parent company's equity

		Restricted equity		Unrestricted equity			
SEK million	Note	Share capital	Restricted reserve	Hedge reserve	Share premium reserve	Retained earnings	Total equity
Equity at January 1, 2017		**634**	**4,985**	**−164**	**2,851**	**3,339**	**11,645**
Restatements	1	–	–	38	–	−38	–
Adjusted equity at January 1, 2017		**634**	**4,985**	**−126**	**2,851**	**3,301**	**11,645**
Net profit	1	–	–	–	–	6,971	6,971
Other comprehensive income for the year, net of tax		–	–	68	–	–	68
Total comprehensive income for the year		**–**	**–**	**68**	**–**	**6,971**	**7,039**
OTHER CHANGES IN EQUITY							
Share-based payments	1	–	–	–	–	27	27
Share-based payments, tax effect		–	–	–	–	2	2
Proceeds from issuances of shares		–	–	–	7	–	7
Taxes on new share issue costs		–	–	–	−2	–	−2
Dividends		–	–	–	–	−2,629	−2,629
Round off		–	–	–	1	−1	–
EQUITY AT DECEMBER 31, 2017		**634**	**4,985**	**−58**	**2,857**	**7,671**	**16,089**
Adjusted equity at January 1, 2018		**634**	**4,985**	**−58**	**2,857**	**7,671**	**16,089**
Net profit		–	–	–	–	796	796
Other comprehensive income for the year, net of tax		–	–	38	–	–	38
Total comprehensive income for the year		**–**	**–**	**38**	**–**	**796**	**834**
OTHER CHANGES IN EQUITY							
Share-based payments		–	–	–	–	42	42
Share-based payments, tax effect		–	–	–	–	4	4
Proceeds from issuances of shares		229	–	–	19,537	–	19,766
Dividends		–	–	–	–	−2,013	−2,013
Round off		–	–	–	−1	1	–
EQUITY AT DECEMBER 31, 2018		**863**	**4,985**	**−20**	**22,393**	**6,501**	**34,722**

Parent company's Notes

NOTE 1 Accounting principles, restatements and other information

The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board.

From January 1, 2018, the parent company adopt IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers. IFRS 9 is applied prospectively and IFRS 15 retrospectively. The adoption of the standards have not affected the financial statements of the parent company. Please refer to changes in accounting principles for the Group (see Group Note 35).

The parent company follows the same accounting policies as the Group (see Group Note 1) with the following exceptions.

Subsidiaries

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

Group contributions are reported as appropriations in the income statement.

Classification and measurement of financial instruments

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

Internal loans are managed by Treasury and all internal credit facilities are reviewed on regular basis. Internal loans are managed to collect contractual cash flows and is therefore designated as amortized cost. Impairment losses are calculated based on expected credit losses.

New regulations 2019

From January 1, 2019, the parent company adopted IFRS 16 Leases. IFRS 16 is applied prospectively. The adoption of the standard did not have any material effect to the financial statements of the parent company. Please refer to changes in accounting principles for the Group (see Group Note 35) for additional information.

Restatements

The parent company's previously issued financial statements have been restated with respect to ineffective portion of interest rate swaps effecting the income statement and the balance sheet. The impact of the restatement is presented below.

	2017
Interest expense and similar costs	–33
Tax on profit/loss for the year	7
NET PROFIT	**–26**

Other information

The annual report has been approved by the Board of Directors on March 29, 2019. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 6, 2019.

NOTE 2 Revenue

Revenues relates to sales to other companies in the Group.

NOTE 3 Other operating income

	2018	2017
Exchange rate gains from operations	3	–
Total other operating income	**3**	**–**

NOTE 4 Other operating expenses

	2018	2017
Acquisition costs, Com Hem	–282	–
Integration costs, Com Hem	–78	–
Total other operating expenses	**–360**	**–**

NOTE 5 Result of shares in group companies

	2018	2017
Dividend from subsidiary	600	7,000
Total result of shares in group companies	**600**	**7,000**

NOTE 6 Other interest revenue and similar income

	2018	2017
Interest, Group	21	–
Total other interest revenue and similar income	**21**	**–**

NOTE 7 Interest expense and similar costs

	2018	2017
Interest, credit institutions and similar liabilities	–258	–267
Exchange rate difference on financial liabilities	–57	–41
Other finance expenses	–54	–13
Total interest expenses and similar costs	**–369**	**–321**

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

NOTE 8 Taxes

	2018	2017
Current tax expense, on profit/loss current year	3	–
Current tax expense, on profit/loss prior periods	–13	–
Current tax expense	–10	–
Deferred tax expense/income	–42	8
Total tax on profit/loss for the year	**–52**	**8**

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

	2018		2017	
Profit before tax	848		6,963	
Tax effect according to tax rate in Sweden	–186	–22.0%	–1,532	–22.0%
Tax effect of				
Non-taxable dividend from group company	132	15.6%	1,540	22.1%
Non-deductible expenses	–1	–0.1%	–	–
Adjustment of tax assets from previous years	3	0.4%	–	–
Tax expense/income and effective tax rate	**–52**	**–6.1%**	**8**	**0.1%**

Deferred tax asset of SEK 35 (47) million is attributable to temporary differenses for liabilities of SEK 23 (36) million and pensions of SEK 12 (11) million.

NOTE 9 Tangible assets

	Equipment and installations	
	Dec 31, 2018	Dec 31, 2017
Cost		
Acquisition value at January 1	3	3
Total cost	**3**	**3**
Accumulated depreciation		
Accumulated depreciation at January 1	–3	–2
Depreciation	–	–1
Total accumulated depreciation	**–3**	**–3**
TOTAL TANGIBLE ASSETS	**–**	**–**

NOTE 10 Shares in group companies

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2018	Dec 31, 2017
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	13,520	13,520
Com Hem Sweden AB, 556859-4195, Stockholm, Sweden	600,000	SEK 1	100%	25,244	–
Total shares in group companies				**38,764**	**13,520**

	Dec 31, 2018	Dec 31, 2017
Acquisition value		
Acquisition value at January 1	13,520	13,520
Acquisitions	25,244	–
Total shares in group companies	**38,764**	**13,520**

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

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

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

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

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

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

NOTE 11 Other financial assets

	Dec 31, 2018	Dec 31, 2017
Pension funds	46	41
Total other financial assets	**46**	**41**

NOTE 12 Receivables from group companies

	Current receivables	
	Dec 31, 2018	Dec 31, 2017
Acquisition value at January 1	13,062	8,515
Lending	18,916	9,823
Repayments	–8,580	–5,305
Other changes in cash pool	505	29
Total receivables from group companies	**23,903**	**13,062**

NOTE 13 Other current receivables

	Dec 31, 2018	Dec 31, 2017
Derivatives	9	–
Receivables on employees	10	–
Other	9	1
Total other current receivables	**28**	**1**

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

NOTE 14 Prepaid expenses and accrued income

	Dec 31, 2018	Dec 31, 2017
Prepaid interest expenses	90	–
Prepaid expenses, other	2	2
Total prepaid expenses and accrued revenues	**92**	**2**

NOTE 15 Cash and cash equivalents and unutilized overdraft facilities

	Dec 31, 2018	Dec 31, 2017
Cash and cash equivalents	25	–
Unutilized overdraft facilities and credit lines	7,809	8,717
Total available liquidity	**7,834**	**8,717**

NOTE 16 Financial liabilities

	Dec 31, 2018	Dec 31, 2017
Liabilities to financial institutions and similar liabilities	27,654	10,278
Other interest-bearing liabilities	106	157
Total interest-bearing financial liabilities	**27,760**	**10,435**
Accounts payable	25	3
Other current liabilities	48	5
TOTAL FINANCIAL LIABILITIES	**27,833**	**10,443**

Financial liabilities fall due for payment according to below.

	Dec 31, 2018	Dec 31, 2017
Within 3 months	6,169	664
Within 1–2 years	2,007	1,500
Within 2–3 years	3,374	250
Within 3–4 years	2,579	3,356
Within 4–5 years	1,951	2,533
Within 5–10 years	11,753	2,140
Total financial liabilities	**27,833**	**10,443**

Interest-bearing financial liabilities

No specific collateral is provided for interest-bearing financial liabilities.

Liabilities to financial institutions and similar liabilities

			Dec 31, 2018		Dec 31, 2017	
Liabilities	Interest rate terms	Maturity date	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Bonds EUR	fixed 1.125%	2024	–	5,137	–	–
Bonds EUR	fixed 2.125%	2028	–	5,147	–	–
Bonds SEK	variable interest rates	2019	500	–	–	500
Bonds SEK	STIBOR +0.87%	2019	1000	–	–	1,000
Bonds SEK	STIBOR +0.51%	2020	–	1,757	–	–
Bonds SEK	STIBOR +2.45%	2020	–	250	–	250
Bonds SEK	fixed 1.875%	2021	–	1,000	–	1,000
Bonds SEK	STIBOR +1.65%	2021	–	1,995	–	1,993
Bonds SEK	STIBOR +1.55%	2022	–	1,699	–	1,699
Bonds SEK	variable interest rates	2022	–	500	–	499
Bonds SEK	STIBOR +1.45%	2023	–	400	–	399
Bonds SEK	STIBOR +2%	2023	–	1,195	–	1,194
Total bonds			**1,500**	**19,080**	**–**	**8,534**
Commercial paper	fixed interest rates	2019	4,491	–	500	–
European Investment Bank (EIB)	fixed interest rates	2024	–	1,283	–	–
Nordic Investment Bank (NIB)	fixed interest rates	2021–2024	–	1,324	–	1,273
Syndicated loan facilities	variable interest rates	2023	–	–24	–	–29
			5,991	**21,663**	**500**	**9,778**
Total liabilities to financial institutions and similar liabilities				**27,654**		**10,278**

For additional information please refer to Group Note 26.

Other interest-bearing liabilities

	Dec 31, 2018		Dec 31, 2017	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Derivatives	105	–	156	–
Incentive program, IoT	–	1	–	1
Total other interest-bearing liabilities	**105**	**1**	**156**	**1**

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

Other current liabilities

	Dec 31, 2018	Dec 31, 2017
VAT liability	10	4
Employee withholding tax	37	1
Other	1	–
Total current liabilities	**48**	**5**

NOTE 17 Provisions

	Dec 31, 2018	Dec 31, 2017
Integration costs, Com Hem	17	–
Total provisions	**17**	**–**

NOTE 18 Accrued expenses and deferred income

	Dec 31, 2018	Dec 31, 2017
Interest costs	78	55
Personnel-related expenses	68	30
External services expenses	26	2
Total accrued expenses and deferred income	**172**	**87**

NOTE 19 Contingent liabilities and other commitments

Contingent liabilities

	Dec 31, 2018	Dec 31, 2017
Guarantee related to group companies	904	1,249
Total contingent liabilities	**904**	**1,249**

Operating leases

The parent company's operating lease expenses amounted to SEK 2 (2) million during the year. Future lease expenses amount to SEK 1 (1) million and these are due for payment during the next year.

NOTE 20 Numbers of employees

The average number of employees in the parent company is 7 (6), of whom 2 (2) are women and 5 (4) men.

NOTE 21 Personnel costs

	2018			2017		
	Salaries and remunerations	Social security expenses	*of which pension expenses*	Salaries and remunerations	Social security expenses	*of which pension expenses*
Board and CEO	61	24	–	27	7	–
Other employees	77	33	*10*	34	17	*5*
Total salaries and remuneration	**138**	**57**	***10***	**61**	**24**	***5***

The parent company's pension expenses relate to defined-contribution plans. Salary and remuneration for the CEO are presented in Note 33.

NOTE 22 Fees to the appointed auditor

Audit fees to the appointed auditor are SEK 93 (1) million and audit-related fees are SEK 1 (1) million. All other fees amounts to SEK 1 (–) million. The increase is related to the audit performed in accordinance with standards established by the Public Company Accounting Oversight Board (PCAOB) in the United States for the years ended December 31, 2015 to 2018 as required due to the merger of Com Hem.

NOTE 23 Legal structure

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

Company, reg. No., reg'd office	Note	Holding (capital/ votes)
SECUREVALUE CONSULTING LTD, 9908070, London, UK	16	25%
COM HEM SWEDEN AB, 556859-4195, Stockholm, Sweden		100%
Com Hem AB, 556181-8724, Stockholm, Sweden		100%
TMPL Solutions AB, 559079-9341, Uppsala, Sweden	17	12,1%
iTUX Communication AB, 556699-4843, Stockholm, Sweden		100%
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden		100%
Tele2 Treasury AB, 556606-7764, Stockholm, Sweden		100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden		100%
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	16	40%
Triangelbolaget D4 AB, 556007-9799, Stockholm, Sweden	16	25%
Svenska UMTS-nät Holding AB, 556606-7988, Stockholm, Sweden		100%
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	16	50%
Interloop AB, 556450-2606, Stockholm, Sweden		100%
Net4Mobility HB, 969739-0293, Stockholm, Sweden	16	50%
Tele2 IoT AB, 556078-0598, Kista, Sweden		100%
Kombridge AB, 556817-2059, Gothenburg, Sweden		100%
Tele2 IoT Latvia SIA, 40003681691, Riga, Latvia		100%
Tele2 IoT Austria GmbH, FN463093w, Vienna, Austria		100%
Tele2 IoT Netherlands, 72180137, Amsterdam, Netherlands		100%
UAB Tele2, 111471645, Vilnius, Lithuania		100%
UAB Tele2 prekyba, 302473332, Vilnius, Lithuania		100%
UAB Mobilieji mokéjimai, 304431143, Vilnius, Lithuania	16	33,3%
Viesoji istaiga Numerio perkelimas, 303386211, Vilnius, Lithuania	16	25%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania		100%
SIA Tele2, 40003272854, Riga, Latvia		100%
SIA Tele2 Shared Service Center, 40003690571, Riga, Latvia		100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia		100%
Estonian Broadband Development Foundation, Estonia	17	12,5%
Tele2 Netherlands Holding NV, 33272606, Amsterdam, Netherlands		100%
Tele2 Nederlands BV, 33303418, Amsterdam, Netherlands		100%
Tele2 Retail BV, 63201488, Amsterdam, Netherlands		100%
Tele2 Finance BV, 66209218, Amsterdam, Netherlands		100%
Khan Tengri Holding B.V., 27313531, Amsterdam, Netherlands		49%/50.52%
Mobile Telecom Service LLP, 66497-1910-TOO, Almaty, Kazakhstan		100%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia		100%
Tele2 Europe SA, R.C.B56944, Luxembourg		100%
Tele2 Telecommunication GmbH s.r.o., 35820616, Bratislava, Slovakia		100%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany		100%
Collecta Forderungsmanagement GmbH, HRB 67126, Düsseldorf, Germany		100%
Tele2 Beteiligungs GmbH, HRB64230, Düsseldorf, Germany		100%
T&Q Netz GmbH Co KB, HRA21263, Düsseldorf, Germany	16	50%
Tele2 Service GmbH, HRB79647, Düsseldorf, Germany		100%
IntelliNet Holding BV, 34126307, Amsterdam, Netherlands		100%
010033 Telecom GmbH, HRB 48344, Frankfurt, Germany		100%
Tele2 Luxembourg S.A., R.C. B-84.649, Luxembourg		100%
SEC Finance SA, B104730, Luxembourg		100%
Tele2 Luxembourg AB, 556304-7025, Stockholm, Sweden		100%
Tele2 Finance Luxembourg SARL, RCB112873, Luxembourg		100%

The consolidated financial statements and Annual Report have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of International Financial Reporting Standards and generally accepted accounting principles, and give a fair overview of the parent company's and Group's financial position and results of operations.

The administration report for the group and parent company gives a fair overview of the Group's and parent company's operations, financial position and results of operations, and describes significant risks and uncertainties that the parent company and companies included in the Group face.

Stockholm March 29, 2019

Georgi Ganev
Chairman

Andrew Barron

Sofia Arhall Bergendorff

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Lars-Åke Norling

Eamonn O'Hare

Carla Smits-Nusteling

Anders Nilsson
President and CEO

Our auditors' report was submitted on March 30, 2019

Deloitte AB

Pontus Pålsson
Authorized Public Accountant

Auditor’s report

To the general meeting of the shareholders of Tele2 AB (publ) corporate identity number 556410-8917

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Tele2 AB (publ) for the financial year 2018-01-01–2018-12-31. The annual accounts and consolidated accounts of the company are included on pages 11–83 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of Acquired Intangible Assets — Com Hem merger

Tele2 reports intangible assets other than goodwill of SEK 19,604 million as of 31 December 2018 whereof SEK 15,102 million originates from the merger with Com Hem.

Accounting for business combinations requires significant judgments and estimates by management to identify and separately recognize the acquired intangible assets, and to determine their acquisition date fair values. Considering that there is often no active market for these assets, valuation models have to be applied to determine the assets’ fair values requiring the application of significant judgment and estimates by management.

In Note 1 the Group’s accounting principles for business acquisitions and intangible assets are described, Note 13 Intangible assets and Note 15 Business acquisitions and divestments provide additional information.

Our audit procedures included, but were not limited to:

- assessing the reasonableness of the business assumptions and accounting assumptions used to determine the fair values of acquired intangible assets other than goodwill and evaluating whether the business and accounting assumptions are consistent with what market participants would use in pricing the assets,
- testing the underlying data used to determine the fair values to assess if the information used in the analysis is accurate and complete,
- assessing the valuation methodology and valuation assumptions used by management with the support of our valuation specialists, and
- evaluating the appropriateness of disclosures made in the financial statements.

Valuation of goodwill for Tele2 Netherlands

On an annual basis management tests the carrying value of goodwill. The impairment assessment is complex and require management’s estimates and judgement in determining the method selected for determining the recoverable amount as well as assumptions used regarding future growth rates, profit margins, investment levels and discount rates. Tele2 Netherlands was divested on January 2, 2019.

In Note 1 the Group’s accounting principles for impairment testing of intangible assets are described, Notes 13 and 36 describe the key assumptions used by management when preparing the annual impairment tests and Note 38 describe the divestment of Tele2 Netherlands.

Our audit procedures included, but were not limited to:

- assessing the valuation methodology and valuation assumptions used by management with the support of our valuation specialists,
- testing the reasonableness of the business assumptions applied, such as management’s projections and forecast data, and
- evaluating the appropriateness of disclosures made in the financial statements.

Kazakhstan business combination — valuation of earn out liability

Tele2 report an earn-out liability of SEK 764 million as of 31 December 2018 to the former owner of the 49% stake in Tele2 Kazakhstan.

Tele2 measures the earn-out liability on each reporting date at its fair value using valuation technique requiring significant judgment and estimates, including key business and valuation assumptions.

In Note 2 and 26 the changes in the earn-out liability is presented and described and Note 36 further describe the key assumptions used by management when preparing the valuation.

Our audit procedures included, but were not limited to:

- assessing the valuation techniques and valuation assumptions, such as discount rate and terminal growth rate, and the supporting data used by management with support from our valuation specialists. This includes assessing whether the techniques are appropriate in the circumstances,
- testing the business assumptions and supporting data and evaluating whether the data on which management's assumptions are based, are accurate, complete, and relevant, and
- evaluating the appropriateness of disclosures made in the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–10. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Tele2 AB (publ) for the financial year 2018-01-01—2018-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Deloitte AB, was appointed auditor of Tele2 AB (publ) by the general meeting of the shareholders on the May 21, 2018 and has been the company's auditor since May 12, 2004.

Stockholm, March 30, 2019
Deloitte AB

Pontus Pålsson
Authorized public accountant

Definitions

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

The figures shown in parentheses correspond to the comparable period last year and continuing operation unless otherwise stated.

Adjusted EBITDA
Operating profit/loss from continuing operations before depreciation/amortization and impairment, results from shares in joint ventures and associated companies and items affecting comparability.

Adjusted EBITDA and adjusted EBITDA margin are presented to illustrate the profitability of the underlying business, excluding items affecting comparability and historical investment decisions.

Adjusted EBITDA margin
Adjusted EBITDA as a percentage of revenue.

Average interest rate
Interest expense on loan (i.e. not including penalty interest etc) annualized to 12 months calculated as year-to-date amount adjusted pro rata, but adjusted so material items affecting comparability are only included once in relation to average interest-bearing liabilities excluding provisions, debt related to equipment financing, balanced bank fees as well as adjusted for borrowings and amortizations during the period, and are calculated as an average of all the quarters' average.

Average interest rate is presented to illustrate the cost of debt-financed investments.

Average number of employees
The average number of employees during the year, in which an acquired/sold company is reported in relation to the length of time the company has been a part of the Tele2 Group.

Capital expenditure (Capex)
Additions to intangible and tangible assets that are capitalized on the balance sheet.

Capex is presented to provide a view on how much Tele2 invests organically on intangible and tangible assets 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 paid is presented to provide an indication of how much the company invests organically on intangible and tangible assets to maintain and expand its business.

Earnings per Share
Profit/loss for the period attributable to the parent company shareholders in relation to the weighted average number of shares outstanding during the fiscal year.

Economic net debt
Net debt excluding liabilities to Kazakhtelecom, liability for earn-out obligation in Kazakhstan and loan guaranteed by Kazakhtelecom.

Economic net debt / Adjusted EBITDA
Economic net debt at the end of the period indicated divided by adjusted EBITDA rolling twelve months.

End-user service revenue
Revenue from end-user excluding equipment revenue.

End-user service revenue is presented to provide a view of revenue directly related to a customer's subscription of a service.

Equity free cash flow (EFCF)
Adjusted EBITDA less capex paid, interest on bank debt, coupons to bondholders, taxes and change in net working capital.

EFCF is presented to provide a view of the cash flow available to shareholders after payments to all other stakeholders have been made.

Equity per share
Equity attributable to parent company shareholders in relation to the weighted average number of shares outstanding during the fiscal year.

Equity per share is presented as it is a measure of the carrying value per share.

Items affecting comparability
Impairment losses 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 with the character of not being part of normal daily operations and that affects comparability.

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

Net debt is presented as such a measure is useful to illustrate the financial position of the company, and economic net debt is presented to illustrate the indebtedness excluding any loans raised or guaranteed by Kazakhtelecom.

Net debt/Adjusted EBITDA
Net debt at the end of the period indicated divided by adjusted EBITDA rolling twelve months.

Continued Definitions

Number of employees (FTE)
Number of employees at the end of the period recalculated to number of full time employees.

Operating cash flow (OCF)
Adjusted EBITDA less capex.

OCF is presented to show the cash flow from operations remaining for paying dividend, interest and taxes.

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

EBIT is presented to provide a view of the profit/loss generated from operating activities.

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

Organic growth has replaced "like-for-like" growth, which was used prior to Q4 2018.

ROCE (return on capital employed)
EBIT and financial revenues annualized to 12 months calculated as year-do-date amount adjusted pro rata, but adjusted so material items affecting comparability are only included once in relation to capital employed (the net of average total assets, non-interest bearing liabilities and provision for asset dismantling).

ROCE is presented as it illustrates the return regardless of how investments have been financed (equity or debt).

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

Contacts

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