

2021

Tele2 Full Year and
Fourth Quarter Report



TELE2



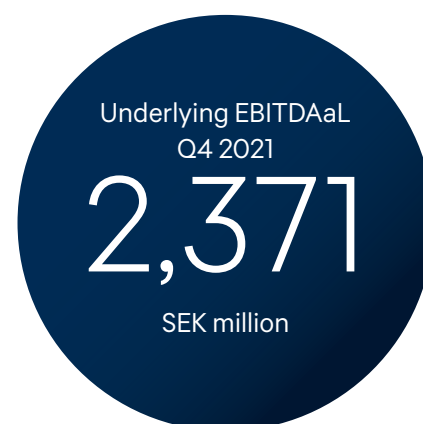
UNLIMITED

Q4 2021 HIGHLIGHTS

- End-user service revenue of SEK 4.9 billion increased by 2% compared to Q4 2020 on an organic basis due to strong performance in the Baltics and slight tailwind from roaming. Total revenue of SEK 7.0 billion increased by 2% compared to Q4 2020 on an organic basis.
- Underlying EBITDAaL of SEK 2.4 billion increased by 1% organically compared to Q4 2020 driven by end-user service revenue growth and cost savings related to the Business Transformation Program, partly offset by higher commercial spending.
- Net profit from total operations of SEK 1.0 billion decreased by SEK 3.2 billion compared to Q4 2020, mainly related to historical translation differences in Luxembourg of SEK 3.3 billion in Q4 2020 with no impact on equity or cash flow.
- Equity free cash flow from continuing operations of SEK 1.8 (0.9) billion. Over the last twelve months, SEK 5.8 billion was generated, equivalent to SEK 8.3 per share.
- Secured spectrum in the Latvian 700 MHz spectrum auction.
- Full year 2021 results delivered on guidance with end-user service revenue growth of 1% (guidance of flat to low-single digit growth), underlying EBITDAaL growth of 5% (guidance of mid-single digit growth) and capex excluding spectrum and leases of SEK 3.2 billion (guidance of SEK 2.8–3.3 billion).
- The Board of Directors proposes an ordinary dividend of SEK 6.75 per share, a 12.5% increase from last year.
- Financial guidance for the mid-term reiterated. Issuing 2022 guidance of low-single digit end-user service revenue growth and mid-single digit underlying EBITDAaL growth compared to 2021. Capex excluding spectrum and leasing assets expected to be SEK 2.8–3.3 billion in 2022.

Key financial data

SEK million	Oct-Dec 2021	Oct-Dec 2020	Organic %	Full year 2021	Full year 2020	Organic %
Continuing operations						
End-user service revenue	4,905	4,809	2%	19,349	19,184	1%
Revenue	7,028	6,884	2%	26,789	26,554	2%
Operating profit	1,149	3,557		4,787	7,371	
Profit after financial items	1,005	3,444		4,307	6,855	
Underlying EBITDAaL	2,371	2,348	1%	9,639	9,239	5%
Capex excluding spectrum and leases	1,009	879		3,158	2,717	
Operating cash flow	1,363	1,469		6,482	6,523	
Operating cash flow, rolling 12 months				6,482	6,523	
Equity free cashflow	1,768	872		5,760	4,799	
Equity free cash flow, rolling 12 months				5,760	4,799	
Total operations						
Net profit	953	4,118		4,306	7,408	
Earnings per share (SEK)	1.39	5.98		6.25	10.76	
Equity free cashflow	1,768	885		5,785	4,879	
Economic net debt to underlying EBITDAaL				2.5x	2.6x	



Continuing and discontinued operations

Figures presented in this report refer to Q4 (October–December) 2021 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2020. Discontinued operations include the former operations, primarily in the Netherlands, Germany, Croatia and Kazakhstan. See Note 11.

Non-IFRS measures

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

CEO LETTER – Q4 2021



“

We are witnessing positive results from our strategic initiatives, demonstrating the viability of our way forward.

“Hope springs eternal” illustrates the realities caused by the pandemic in 2021. At the beginning of the year, we were not sure what to expect and life taught us a few lessons on the way. Having said that, 2021 was a good year for Tele2 in several ways. As business progressed over the year, we were able to lift our guidance and we are now pleased to announce that we have delivered on these increased targets and that we have created a business that enables us to reiterate our mid-term targets. Further, we have finalized the recruitments for our leadership team, and I am pleased to report that Tele2 is now led by a group of people with diverse backgrounds with respect to nationalities, gender, and business experience.

At the Capital Markets Day in May, I presented the mid-term ambitions for Tele2. We have come far in building a foundation for growth by improving the business. As we look forward to life beyond the pandemic, we expect end-user service revenue to grow low-single-digit and underlying EBITDAaL to grow mid-single-digit on a Group level in 2022 and in the mid-term. End-user service revenue growth will be supported by all countries as we leverage the continued performance in the Baltics and return to growth in Sweden. Underlying EBITDAaL growth will be supported by top-line growth and improved value focus in our businesses.

As we have continuously pointed out, commercial activity and advertising were significantly reduced during the first half of 2021, but we have focused on bringing sustainable growth back in the second half of the year, leading to some investment in the market. Hence, we expect year over year profitability trends to be more favorable from the summer of 2022.

In 2021, we achieved annual run-rate of cost savings of SEK 500m stemming from the Business Transformation Program. In 2022, we will carry out the major IT-migration elements, which will yield the largest cost savings and vastly improve operational efficiency. To further secure quality in these complex projects and enable stable commercial momentum, we are aligning our major customer base migrations with key commercial events in the business, to get the right sequencing. As a result, we will extend the deadline of the Business Transformation Program to end of H1 2023 from end of 2022 to facilitate that. This is purely a matter of timing and optimizing our ways to deliver on our mid-term ambitions. We are confident that we will achieve the target of minimum SEK 1bn in annualized run-rate savings by end of H1 2023 and we expect to realize most of these savings by the end of 2022. Further, we are confident that we can grow mid-single digit in underlying EBITDAaL during 2022, illustrating the underlying growth in the business.

In Sweden, the B2B turnaround continues as we achieved yet another quarter of top-line growth. This shows that we can move the focus towards increasing value for large customers while deriving volume from simplification and ease of use with smaller customers. In B2C, we have seen our more-for-more strategy support continued growth in mobile postpaid and fixed broadband throughout 2021. As we entered Q4, a quarter with higher market activity, we increased commercial spending to support further growth which successfully yielded material increases in mobile postpaid net intake. This hampered some of the underlying EBITDAaL growth in the quarter but created value for the long-term as we balance value and volume in our customer base.

In the Baltics, we continue to deliver strong results in terms of both end-user service revenue and underlying EBITDAaL. In Latvia, we acquired spectrum in the 700 MHz auction which, together with the 3.5 GHz band, allows us to begin the roll-out of 5G nationwide. The roll-out will be conducted in partnership with Nokia, who will also support us with nationwide 5G network roll-outs in Estonia and Lithuania once those spectrum auctions are completed.

Tele2 aims at delivering the best industry shareholder return and remains a strong cash-generating investment case. We will continue distributing realized cash to shareholders. The Board proposes an ordinary dividend of SEK 6.75 per share (SEK ~4.7 billion), paid out in two tranches in May and October in 2022. In addition, we aim to distribute the money from the T-Mobile Netherlands transaction in full, pending closing and receipt of cash proceeds. We remain committed to maintaining leverage within the target range of 2.5-3.0x as we grow underlying EBITDAaL. We also reiterate our capex guidance of SEK 2.8-3.3bn annually, excluding spectrum and leases in 2022 and the mid-term, as we enter a period with full roll-out speed of 5G and remote-phy in Sweden as well as nationwide roll-out of 5G in the Baltics.

Tele2 is a growth company at heart, aiming to be the leading telco in the Nordic and Baltic region. We are witnessing positive results from our strategic initiatives, demonstrating the viability of our way forward. I am confident in our ability to succeed and deliver on our mid-term guidance and excited to continue building sustainable growth. Key to this success and positive outlook is the continued engagement and hard effort of our employees, who keep pushing on whether we are in the office or working remote. I would therefore like to thank all Tele2ers for taking us through 2021 in a great way!

Kjell Johnsen
President and Group CEO

Financial overview

Analysis of revenue

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Organic %	Full year 2021	Full year 2020	Organic %
Mobile	1,459	1,443	1%	5,791	5,726	1%
- Postpaid	1,214	1,193	2%	4,821	4,721	2%
- Prepaid	244	250	-2%	970	1,005	-3%
Fixed	1,434	1,455	-1%	5,763	5,840	-1%
- Fixed broadband	699	677	3%	2,766	2,653	4%
- Digital TV	679	707	-4%	2,760	2,878	-4%
- Cable & Fiber	420	424	-1%	1,684	1,693	-1%
- DTT	259	283	-9%	1,076	1,185	-9%
- Fixed telephony & DSL	56	71	-21%	237	309	-23%
Landlord & Other	169	171	-1%	676	694	-3%
Sweden Consumer	3,062	3,069	0%	12,229	12,260	0%
Sweden Business	977	969	1%	3,836	3,889	-1%
Baltics	866	771	14%	3,284	3,035	12%
End-user service revenue	4,905	4,809	2%	19,349	19,184	1%
Operator revenue	615	593	4%	2,368	2,341	2%
Equipment revenue	1,509	1,483	2%	5,072	5,029	2%
Revenue	7,028	6,884	2%	26,789	26,554	2%

End-user service revenue increased by 2% organically driven by continued strong performance in the Baltics while Sweden was flat. International roaming revenue started to come back meaningfully in the quarter with a positive effect of SEK 25 million compared to Q4 2020.

- **Sweden Consumer** was flat as continued growth in mobile postpaid and fixed broadband compensated for continued decline in legacy services.
- **Sweden Business** increased by 1% as growth in mobile and solutions offset decline in fixed.
- **Baltics** increased by 14% organically driven by both volume growth and strong ASPU (Average Spend Per User) growth from price adjustments and upselling.

Total revenue increased by 2% organically driven by growth in end-user service revenue, operator revenue and higher equipment sales. Refer to Note 2 for a breakdown of the segments.

Analysis of income statement

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Revenue	7,028	6,884	26,789	26,554
Underlying EBITDAaL	2,371	2,348	9,639	9,239
Reversal lease depreciation and interest	318	313	1,260	1,245
Underlying EBITDA	2,690	2,661	10,900	10,484
Items affecting comparability	-117	1,963	-382	1,844
EBITDA	2,572	4,624	10,517	12,329
Depreciation/amortization	-1,531	-1,322	-5,952	-5,269
- of which amortization of surplus from acquisitions	-435	-301	-1,560	-1,203
- of which lease depreciation	-300	-299	-1,197	-1,182
- of which other depreciation/amortization	-796	-722	-3,194	-2,883
Result from shares in associated companies and joint ventures	108	255	221	311
Operating profit	1,149	3,557	4,787	7,371
Net interest and other financial items	-144	-112	-480	-517
Income tax	-95	1,032	-347	378
Net profit	910	4,476	3,960	7,233

Underlying EBITDAaL increased by 1% organically as higher service revenue growth and transformational cost savings offset increased commercial spending.

Items affecting comparability of SEK -117 (1,963) million was mainly driven by restructuring costs related to the Business Transformation Program in Sweden. Refer to Note 3 for more details. Q4 2020 included SEK 2,033 million related to historical translation differences recycled from other comprehensive income in conjunction with the closure of the operation in Luxembourg. Refer to Note 6 in Tele2's 2020 Annual and Sustainability Report for more details.

Depreciation/amortization of SEK -1,531 (-1,322) million increased compared to Q4 2020 mainly due to amortization of the Com Hem brand initiated in connection with the merger with the Tele2 brand. Refer to Note 3 for more details.

Result from shares in associated companies and joint ventures of SEK 108 (255) million includes contribution from the 25% stake in T-Mobile Netherlands.

Income tax of SEK -95 (1,032) million includes a positive tax impact of SEK 53 million due to deductible interest expenses on intercompany loans for the year 2019. Refer to Note 4 for more details. Q4 2020 included a positive effect of SEK 1,280 million related to the historical translation differences in Luxembourg mentioned above. Refer to Note 6 in Tele2's 2020 Annual and Sustainability Report for more details.

Analysis of cash flow statement

SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Continuing operations				
Underlying EBITDA	2,690	2,661	10,900	10,484
Items affecting comparability	-117	1,963	-382	1,844
Amortization of lease liabilities	-276	-272	-1,185	-1,168
Capex paid	-971	-729	-3,327	-2,704
Changes in working capital	522	-414	761	-337
Net financial items paid	-56	-86	-379	-467
Taxes paid	-32	-254	-704	-916
Other cash items	9	-1,998	75	-1,937
Equity free cash flow	1,768	872	5,760	4,799
Equity free cash flow, rolling 12 months ¹⁾			5,760	4,799
Total operations				
Equity free cash flow, continuing operations	1,768	872	5,760	4,799
Equity free cash flow, discontinued operations	—	13	25	80
Equity free cash flow	1,768	885	5,785	4,879

¹⁾ Reconciliation of equity free cash flow rolling 12 months are presented in an excel document (Q4 2021-financials to the market) on Tele2's website www.tele2.com

Capex paid of SEK -971 (-729) million increased compared to Q4 2020 due to network investments related to 5G.

Changes in working capital of SEK 522 (-414) million refers primarily to a receivable settled in the quarter of roughly SEK 325 million, positive impact from timing in accounts payable and continued contribution from external handset financing in the Baltics.

Net financial items paid of SEK -56 (-86) million decreased compared to Q4 2020 due to slightly lower interest on the debt portfolio.

Taxes paid of SEK -32 (-254) million decreased compared to Q4 2020 largely due to repaid preliminary tax in Sweden for 2020.

Equity free cash flow from continuing operations over the last twelve months amounted to SEK 5.8 billion, equivalent to SEK 8.3 per share.

Analysis of financial position

Total operations SEK million	Dec 31 2021	Dec 31 2020
Bonds	21,325	21,175
Commercial papers	400	—
Financial institutions and other liabilities	3,698	3,954
Cash and cash equivalents	-880	-970
Other adjustments	-276	-217
Economic net debt	24,268	23,942
Lease liabilities	5,414	5,327
Net debt	29,681	29,269
Underlying EBITDAaL, rolling 12 months¹⁾	9,639	9,239
Economic net debt to Underlying EBITDAaL	2.5x	2.6x
Unutilized overdraft facilities and credit lines	8,590	8,560

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

Economic net debt of SEK 24.3 (23.9 at year-end 2020) billion increased by SEK 0.3 billion since year-end 2020 as the total dividend payments of SEK 6.2 billion paid out in 2021 were mostly offset by cash generation.

Economic net debt to underlying EBITDAaL (financial leverage) of 2.5x (2.6x year end 2020) was at the lower end of the leverage target range of 2.5-3.0x at the end of December following the strong cash generation in the quarter.

Financial guidance

Financial guidance

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

Full-year 2022

- Low single-digit growth of end-user service revenue.
- Mid single-digit growth of underlying EBITDAaL.
- Capex excluding spectrum and leasing assets of SEK 2.8–3.3 billion.

Mid-term (unchanged)

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

Dividend

For the financial year of 2021, the Board of Directors of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) on April 28, 2022 that an ordinary dividend of SEK 6.75 in total be paid per ordinary A and B share in two tranches in May and October, 2022.

Financial policy

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

Group summary

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Organic %	Full year 2021	Full year 2020	Organic %
END-USER SERVICE REVENUE						
Sweden	4,039	4,038	0%	16,065	16,149	-1%
Lithuania	478	420	16%	1,779	1,631	13%
Latvia	248	226	11%	958	901	10%
Estonia	140	125	13%	546	503	12%
Total	4,905	4,809	2%	19,349	19,184	1%
REVENUE						
Sweden	5,627	5,569	1%	21,522	21,601	0%
Lithuania	801	760	7%	3,028	2,812	11%
Latvia	405	369	12%	1,508	1,424	9%
Estonia	229	214	9%	850	819	7%
Internal sales, elimination	-34	-28	20%	-119	-102	17%
Total	7,028	6,884	2%	26,789	26,554	2%
UNDERLYING EBITDAaL						
Sweden	1,903	1,904	0%	7,756	7,468	4%
Lithuania	274	263	6%	1,112	1,043	10%
Latvia	152	138	12%	592	556	10%
Estonia	42	42	0%	179	173	7%
Total	2,371	2,348	1%	9,639	9,239	5%
CAPEX						
Sweden	875	756	16%	2,773	2,399	16%
Lithuania	62	48	32%	175	120	51%
Latvia	33	42	-19%	105	104	4%
Estonia	38	33	20%	105	93	17%
Capex excluding spectrum and leases	1,009	879	15%	3,158	2,717	17%
Spectrum	22	—		355	—	
Right-of-use assets (leases)	900	602		1,306	1,182	
Total	1,931	1,481		4,819	3,899	
<i>of which:</i>						
– Network	627	456		1,825	1,301	
– IT	262	242		878	740	
– Customer equipment	101	161		374	516	
– Other	19	21		81	159	
Capex excluding spectrum and leases	1,009	879		3,158	2,717	

Overview by segment

Sweden

Tele2 Sweden saw flat end-user service revenue growth in the quarter as strong performance in B2C mobile postpaid, fixed broadband and Sweden B2B was fully offset by decline in legacy products in both segments. International roaming revenue continued to recover in the quarter with a positive impact of SEK 14 million on end-user service revenue.

Continued optimization of the Digital Capabilities and Technology (DCT) organization was executed in the quarter as part of the Business Transformation Program. Annualized run-rate savings reach SEK 500 million at the end of the quarter and the effect on underlying EBITDAaL in Q4

2021 was approximately SEK 115 million with a net effect of SEK 65 million year-on-year (SEK 50 million realized in Q4 2020).

Underlying EBITDAaL was flat in the quarter as continued execution of the Business Transformation Program was offset by increased commercial spending in the quarter and headwinds from FX-rates.

Capex excluding spectrum and leases increased by 16% compared to Q4 2020 driven by higher network investments related to 5G.

Financials SEK million	Oct-Dec 2021	Oct-Dec 2020	Organic %	Full year 2021	Full year 2020	Organic %
End-user service revenue	4,039	4,038	0%	16,065	16,149	-1%
Revenue	5,627	5,569	1%	21,522	21,601	0%
Underlying EBITDA	2,178	2,173		8,839	8,538	
Underlying EBITDAaL	1,903	1,904	0%	7,756	7,468	4%
Underlying EBITDAaL margin	34%	34%		36%	35%	
Capex						
Network	535	362		1,546	1,073	
IT	219	221		807	681	
Customer equipment	98	159		364	508	
Other	24	15		56	137	
Capex excluding spectrum and leases	875	756		2,773	2,399	
Spectrum	—	—		333	—	
Right-of-use assets (leases)	747	506		1,073	987	
Capex	1,623	1,262		4,179	3,387	
Capex excluding spectrum and leases / revenue	16%	14%		13%	11%	

Sweden Consumer

Commercial activity picked up in the quarter driven by commercial campaigns which yielded material increases in mobile postpaid net intake. In TV, Tele2 Play+ continued to show solid performance as customers continue to roll off the 12-month free subscription period. Total end-user service revenue was flat in the quarter as growth in mobile postpaid and fixed broadband was fully offset by continued decline in legacy services.

Mobile postpaid net intake was strong in the quarter driven by Black Friday and Christmas campaigns. Despite lackluster volume in the previous quarters, mobile end-user service revenue grew by 1% primarily driven by price adjustments made earlier in the year in postpaid and a slight tailwind from roaming.

Fixed broadband end-user service revenue grew 3% driven by volume and ASPU growth on the back of price adjustments executed earlier in the year.

Digital TV end-user service revenue declined by 4% as growth for Tele2 Play+ did not fully compensate for the volume decline in cable & fiber and DTT.

	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020	Organic %
RGUs (thousands)	Net intake		RGU base		
Mobile	-16	-28	2,946	2,956	0%
– Postpaid	18	-10	1,946	1,931	1%
– Prepaid	-34	-18	1,000	1,025	-2%
Fixed	-21	-16	2,042	2,122	-4%
– Fixed broadband	1	8	927	911	2%
– Digital TV	-9	-13	927	979	-5%
– Cable & Fiber	-3	-2	638	662	-4%
– DTT	-6	-11	288	317	-9%
– Fixed telephony & DSL	-13	-11	188	232	-19%
Total RGUs	-37	-44	4,988	5,079	-2%
Addressable fixed footprint	89	116	3,600	3,521	2%

	Oct-Dec 2021	Oct-Dec 2020	Organic %	Full year 2021	Full year 2020	Organic %
ASPU (SEK)						
Mobile	165	162	2%	163	161	1%
– Postpaid	209	205	2%	207	207	0%
– Prepaid	80	81	-1%	80	79	1%
Fixed	233	228	2%	231	226	2%
– Fixed broadband	252	249	1%	251	248	1%
– Digital TV	243	239	2%	241	240	1%
– Cable & Fiber	219	213	3%	216	213	2%
– DTT	296	293	1%	296	293	1%
– Fixed telephony & DSL	96	100	-4%	94	100	-6%
Revenue (SEK million)						
Mobile	1,459	1,443	1%	5,791	5,726	1%
– Postpaid	1,214	1,193	2%	4,821	4,721	2%
– Prepaid	244	250	-2%	970	1,005	-3%
Fixed	1,434	1,455	-1%	5,763	5,840	-1%
– Fixed broadband	699	677	3%	2,766	2,653	4%
– Digital TV	679	707	-4%	2,760	2,878	-4%
– Cable & Fiber	420	424	-1%	1,684	1,693	-1%
– DTT	259	283	-9%	1,076	1,185	-9%
– Fixed telephony & DSL	56	71	-21%	237	309	-23%
Landlord & Other	169	171	-1%	676	694	-3%
End-user service revenue	3,062	3,069	0%	12,229	12,260	0%
Operator revenue	191	175		733	676	
Equipment revenue	577	559		1,901	1,989	
Internal Sales	0	0		1	0	
Revenue	3,831	3,803	1%	14,864	14,926	0%

Estonia

Tele2 Estonia saw commercial momentum picking up during the quarter, driven by a campaign-intense quarter. Focus of the business continued to be on the more-for-more strategy through higher value price plans and moving the existing customers base to lower discounts while driving increased digital sales.

Mobile net intake was slightly negative with 2,000 RGUs driven by promotional activity from competitors leading to elevated churn. Mobile ASPU

increased by 9% in local currency, driven by price adjustments, upselling and slight tailwind from roaming.

End-user service revenue increased by 13% in local currency, driven by ASPU growth. Underlying EBITDAaL was flat in the quarter as higher end-user service revenue was offset by higher inflation rates and increased commercial spending.

	Oct-Dec 2021	Oct-Dec 2020		Full year 2021	Full year 2020	Organic %
RGUs (thousands)	Net intake			RGU base		
Mobile	-2	-1		437	437	0%
– Postpaid	-1	1		384	384	0%
– Prepaid	-1	-2		54	52	3%
	Oct-Dec 2021	Oct-Dec 2020	Organic %	Full year 2021	Full year 2020	Organic %
ASPU (EUR)						
Mobile	9.6	8.8	9%	9.4	8.7	9%
– Postpaid	10.5	9.6	9%	10.2	9.6	8%
– Prepaid	3.6	3.1	16%	3.4	2.9	17%
Revenue (SEK million)						
Mobile	128	119	9%	498	478	8%
– Postpaid	122	114	9%	476	457	8%
– Prepaid	6	5	18%	22	21	9%
Fixed	12	6	90%	48	24	104%
End-user service revenue	140	125	13%	546	503	12%
Operator revenue	23	32		99	130	
Equipment revenue	63	54		194	178	
Internal sales	3	2		10	8	
Revenue	229	214	9%	850	819	7%
Underlying EBITDA	57	59		242	237	
Underlying EBITDAaL	42	42	0%	179	173	7%
Underlying EBITDAaL margin	18%	20%		21%	21%	
Capex	73	75		155	159	
Capex excluding spectrum and leases	38	33		105	93	
Capex excluding spectrum and leases / revenue	17%	15%		12%	11%	

Associated companies

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

The Netherlands

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

In Q3 2021 TMNL continued its growth path with strong net intake in both the mobile postpaid and fixed segment. Revenue grew 6% on the back of higher out-of-bundle revenues and higher terminal equipment sales. EBITDAaL increased by 27% driven by the positive revenue trend, the acquisition of Simpel and efficient cost management.

During the quarter, TMNL also connected the first customers on the high-speed fiber network of Open Dutch Fiber.

On September 7, 2021 it was announced that Tele2 AB and Deutsche Telekom have agreed to sell TMNL to funds advised by Apax Partners LLP and Warburg Pincus LLC for an enterprise value of EUR 5.1 billion. This implies an equity value of approximately EUR 860 million for Tele2's 25% stake. The transaction is subject to customary closing conditions, including regulatory approvals and consultation with employee representatives. Refer to Note 5 for more details.

	Jul-Sep 2021	Jul-Sep 2020	Sep 30 2021	Sep 30 2020	Organic %
Customers (in thousands)	Net intake		Customer base		
Fixed Network					
- Fixed Network Access Lines			721	661	9%
- Broadband Customers			709	647	10%
Mobile Communications					
- Contract ²⁾	52	62	6,561	5,368	22%
- Prepaid	-11	-42	333	393	-15%
Total mobile	41	20	6,894	5,761	20%

	Jul-Sep 2021	Jul-Sep 2020	Organic %	Jan-Sep 2021	Jan-Sep 2020	Organic %
ARPU (EUR)						
Contract	16	16	0%	15	16	-6%
Prepaid	3	3	0%	3	3	0%
Financials (EUR million)³⁾						
Service revenue - Mobile communications	321	278	16%	919	814	13%
Product view	515	484	6%	1,534	1,441	7%
- Fixed network	99	95	4%	294	287	2%
- Mobile communications	417	390	7%	1,240	1,154	8%
Segment view	515	484	6%	1,534	1,441	7%
- of which Consumer	402	358	12%	1,211	1,071	13%
- of which Business	99	96	3%	294	292	1%
Total revenue	515	484	6%	1,534	1,441	7%
EBITDA	208	163	28%	563	482	17%
EBITDAaL	179	141	27%	484	419	16%
EBITDAaL margin	35%	29%		32%	29%	
Cash capex (before spectrum)	66	74	-11%	198	217	-9%

¹⁾ As reported by Deutsche Telekom in the financial results for the third quarter of 2021 on November 12, 2021 (except net debt, which reflects the TMNL position and includes intragroup debt). Definitions and accounting rules may differ from Tele2 Group reporting. Net debt is reported on a bi-annual basis with a quarter lag. Net debt as of June 30, 2021 can be found in the Tele2 Q3 2021 report or Q4 2021 excel sheet.

²⁾ Customer contracts have been adjusted with Simpel Customer Base as of Q4 2020.

³⁾ Financials are adjusted for special factors.

Other items

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors. The outbreak of COVID-19 provided challenges and uncertainties for our operations and consequently our short-term financial performance. However, the pandemic has showed how much modern societies relies on the connectivity that we ceaselessly provide. As such, Tele2 has been able to successfully navigate through the pandemic and kept its influence on our business limited.

In the long term, the risk factors considered to be most significant to Tele2's future development are spectrum auctions, regulation, market competitiveness and changing technology, strategy implementation and integration, network and IT infrastructure and quality, data protection and cyber security, external relationships, suppliers and joint ventures, customer churn, recruitment of skilled personnel, geopolitical conditions, environmental costs, corruption and unethical business practices and financial risks such as currency risk, interest risk, liquidity risk, credit risk, risks related to

tax matters and impairment of assets. Please refer to Tele2's 2020 Annual and Sustainability Report (Administration report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

Financial calendar

Tele2 will release its financial and operating results for the period ending March 31, 2022 on April 21, 2022.

The Annual and Sustainability Report for 2021 will be released on March 30, 2022 and will be available on www.tele2.com. The Annual General Meeting will be held on April 28, 2022.

Auditors' review report

This report has not been subject to specific review by Tele2's auditors.

Board's assurance

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

Stockholm, February 1, 2022
Tele2 AB

Carla Smits-Nusteling
Chairman

Andrew Barron
Deputy Chairman

Eva Lindqvist

Georgi Ganev

Lars-Åke Norling

Sam Kini

Stina Bergfors

Kjell Johnsen
President and CEO

Q4 2021 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CET (09:00 am GMT/04:00 am EST) on Tuesday, February 1, 2022. The presentation will be held in English and also made available as a webcast on Tele2's website: www.tele2.com.

This information is information that Tele2 AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 07:00 am CET on February 1, 2022.

Dial-in information:

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

Dial-in numbers:

SE: +46 (0) 8 50 69 21 80
UK: +44 (0) 2071 928000
US: +1 631 510 74 95

Contacts

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Condensed consolidated income statement

SEK million	Note	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Revenue	2, 3	7,028	6,884	26,789	26,554
Cost of services provided and equipment sold	2, 3	-4,282	-4,015	-15,870	-15,098
Gross profit		2,747	2,870	10,919	11,456
Selling expenses	2, 3	-1,177	-1,106	-4,332	-4,467
Administrative expenses	2, 3	-559	-504	-2,112	-2,087
Result from shares in associated companies and joint ventures	5	108	255	221	311
Other operating income	3	53	2,098	221	2,350
Other operating expenses	3	-22	-56	-130	-193
Operating profit	3	1,149	3,557	4,787	7,371
Interest income		5	8	18	23
Interest expenses		-113	-111	-458	-491
Other financial items		-36	-10	-40	-49
Profit after financial items		1,005	3,444	4,307	6,855
Income tax	4	-95	1,032	-347	378
Net profit, continuing operations		910	4,476	3,960	7,233
Net profit/loss discontinued operations	11	43	-358	346	175
Net profit, total operations		953	4,118	4,306	7,408
Continuing operations					
<i>Attributable to:</i>					
Equity holders of the parent company		910	4,476	3,960	7,233
Net profit, continuing operations		910	4,476	3,960	7,233
Earnings per share (SEK)	9	1.32	6.50	5.74	10.51
Earnings per share, after dilution (SEK)	9	1.31	6.46	5.71	10.45
Total operations					
<i>Attributable to:</i>					
Equity holders of the parent company		953	4,118	4,306	7,408
Net profit, total operations		953	4,118	4,306	7,408
Earnings per share (SEK)	9	1.39	5.98	6.25	10.76
Earnings per share, after dilution (SEK)	9	1.37	5.95	6.21	10.71

Condensed consolidated comprehensive income

SEK million	Note	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
NET PROFIT		953	4,118	4,306	7,408
Components not to be reclassified to net profit					
Pensions, actuarial gains/losses		-6	5	116	58
Pensions, actuarial gains/losses, tax effect		1	-1	-24	-12
Components not to be reclassified to net profit/loss		-5	4	92	46
Components that may be reclassified to net profit					
Translation differences in foreign operations		15	-292	96	-184
Tax effect on above		—	—	—	-4
Reversed cumulative translation differences from divested companies	3,11	—	-1,832	—	-1,480
Tax effect on above	3,11	—	-1,280	—	-1,438
Translation differences in associated companies	5	19	-350	134	-278
Translation differences		35	-3,754	230	-3,384
Hedge of net investments in foreign operations		-98	164	-155	129
Tax effect on above		20	-35	32	-28
Reversed cumulative hedge from divested companies	11	—	—	—	-143
Tax effect on above	11	—	—	—	41
Hedge of net investments		-77	129	-123	-1
Exchange rate differences		-43	-3,626	107	-3,385
Profit arising on changes in fair value of hedging instruments		16	8	61	27
Reclassified cumulative profit/loss to income statement		-8	-4	-30	-21
Tax effect on cash flow hedges		-2	-1	-6	-1
Cash flow hedges		7	3	25	5
Components that may be reclassified to net profit/loss		-36	-3,623	132	-3,380
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-41	-3,619	224	-3,334
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		912	499	4,530	4,074
<i>Attributable to:</i>					
Equity holders of the parent company		912	499	4,530	4,074
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		912	499	4,530	4,074

Condensed consolidated balance sheet

SEK million	Note	Dec.31 2021	Dec.31 2020
ASSETS			
Goodwill		29,695	29,651
Other intangible assets		15,806	17,269
Intangible assets		45,501	46,921
Tangible assets		7,825	7,540
Right-of-use assets		5,408	5,349
Shares in associated companies and joint ventures	5	7	7,018
Other financial assets	6	758	737
Capitalized contract costs		505	493
Deferred tax assets		164	245
Non-current assets		60,167	68,303
Inventories		769	824
Current receivables		4,978	5,174
Cash and cash equivalents	7	880	970
Current assets		6,627	6,968
Assets classified as held for sale	11	7,458	140
TOTAL ASSETS		74,251	75,411
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company		31,142	32,751
Equity	9	31,142	32,751
Interest-bearing liabilities	6	28,331	27,234
Non-interest-bearing liabilities		4,120	4,311
Non-current liabilities		32,452	31,545
Interest-bearing liabilities	6	4,116	4,881
Non-interest-bearing liabilities		6,080	5,679
Current liabilities		10,195	10,561
Liabilities directly associated with assets classified as held for sale	11	462	554
TOTAL EQUITY AND LIABILITIES		74,251	75,411

Condensed consolidated cash flow statement

Total operations SEK million	Note	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Operating activities					
Net profit		953	4,118	4,306	7,408
Adjustments for non-cash items in net profit		1,540	-1,826	5,229	1,750
Changes in working capital		522	-406	761	-342
Cash flow from operating activities		3,015	1,886	10,297	8,816
Investing activities					
Additions to intangible and tangible assets		-971	-729	-3,327	-2,749
Acquisition and sale of shares and participations	10	236	-45	302	2,098
Other financial assets, lending		-1	0	-1	-3
Cash flow from investing activities		-735	-773	-3,025	-654
Financing activities					
Proceeds from loans		41	1,538	5,312	3,402
Repayments of loans		-1,734	-2,163	-6,367	-4,837
Dividends paid	9	-2,070	-4,304	-6,205	-6,198
Cash flow from financing activities		-3,763	-4,929	-7,260	-7,633
Net change in cash and cash equivalents		-1,483	-3,816	12	529
Cash and cash equivalents at beginning of period		2,467	4,800	970	448
Exchange rate differences in cash and cash equivalents		-104	-14	-102	-7
Cash and cash equivalents at end of the period	7	880	970	880	970

Condensed consolidated statements of changes in equity

Total operations SEK million	Note	Dec 31, 2021					
		Attributable to equity holders of the parent company					
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total equity
Equity at January 1		863	27,378	-202	-78	4,791	32,751
Net profit		—	—	—	—	4,306	4,306
Other comprehensive income for the period, net of tax		—	—	-99	230	92	224
Total comprehensive income for the period		—	—	-99	230	4,399	4,530
Other changes in equity							
Share-based payments	9	—	—	—	—	60	60
Share-based payments, tax effect	9	—	—	—	—	7	7
New shares issues	9	3	—	—	—	—	3
Repurchase of own shares	9	—	—	—	—	-3	-3
Dividends	9	—	—	—	—	-6,205	-6,205
Equity at end of the period		866	27,378	-301	152	3,047	31,142

Total operations SEK million	Note	Dec 31, 2020					
		Attributable to equity holders of the parent company					
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total equity
Equity at January 1		863	27,378	-207	3,306	3,465	34,805
Net profit		—	—	—	—	7,408	7,408
Other comprehensive income for the period, net of tax		—	—	4	-3,384	46	-3,334
Total comprehensive income for the period		—	—	4	-3,384	7,454	4,074
Other changes in equity							
Share-based payments	9	—	—	—	—	65	65
Share-based payments, tax effect	9	—	—	—	—	5	5
Dividends	9	—	—	—	—	-6,198	-6,198
Equity at end of the period		863	27,378	-202	-78	4,791	32,751

Parent company

Condensed income statement

SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Revenue	15	4	46	34
Administrative expenses	-28	-40	-130	-165
Other operating expenses	-1	3	-7	6
Operating loss	-14	-33	-91	-124
Dividend from group company	—	—	7,325	22,000
Interest revenue and similar income	47	33	166	146
Interest expense and similar costs	-201	11	-549	-1,201
Gain/loss after financial items	-168	11	6,851	20,820
Appropriations, group contribution	1,200	1,290	1,200	1,290
Tax on gain	-206	-459	-144	-205
Net gain	826	841	7,907	21,906

Condensed balance sheet

SEK million	Note	Dec 31 2021	Dec 31 2020
ASSETS			
Financial assets		72,347	69,110
Non-current assets		72,347	69,110
Current receivables		3,536	1,551
Current assets		3,536	1,551
TOTAL ASSETS		75,884	70,661
EQUITY AND LIABILITIES			
Restricted equity	8	5,851	5,848
Unrestricted equity	8	39,177	37,392
Equity		45,028	43,240
Untaxed reserves		230	—
Interest-bearing liabilities	5	27,502	21,497
Non-current liabilities		27,502	21,497
Interest-bearing liabilities	5	2,793	5,530
Non-interest-bearing liabilities		330	393
Current liabilities		3,123	5,923
TOTAL EQUITY AND LIABILITIES		75,884	70,661

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim financial information for the Group for the twelve and three month period ended December 31, 2021 has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 *Reporting for legal entities* and other statements issued by the Swedish Financial Reporting Board. In all respects other than those described below, Tele2 has presented the financial statements for the period ended December 31, 2021 in accordance with the accounting policies and principles applied in the 2020 Annual and Sustainability Report. The description of these principles and definitions are found in Note 1 in the Annual and Sustainability Report 2020. Disclosures as required by IAS 34 p. 16 A are presented both in the financial statements and notes as well as in other parts of the interim report.

The amendments to IFRSs applicable from January 1, 2021 have no effects to Tele2's financial reports for the twelve month period ended December 31, 2021.

From January 1, 2021 Tele2 changed the classification of the segment Sweden to include the parent company Tele2 AB and other minor operations that previously were reported under the segment Other. Previous periods have been restated, please refer to Note 2.

Figures presented in this report refer to October 1 – December 31 (Q4), 2021 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2020.

NOTE 2 REVENUE AND SEGMENTS

Revenue per segment

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Sweden	5,627	5,569	21,522	21,601
Lithuania	801	760	3,028	2,812
Latvia	405	369	1,508	1,424
Estonia	229	214	850	819
Total including internal sales	7,062	6,913	26,908	26,656
Internal sales, elimination	-34	-28	-119	-102
TOTAL	7,028	6,884	26,789	26,554

Internal sales

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Sweden	3	2	10	6
Lithuania	17	15	60	50
Latvia	11	9	39	38
Estonia	3	2	10	8
TOTAL	34	28	119	102

Revenue split per category

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Sweden Consumer				
End-user service revenue	3,062	3,069	12,229	12,260
Operator revenue	191	175	733	676
Equipment revenue	577	559	1,901	1,989
Internal sales	0	0	1	0
Total	3,831	3,803	14,864	14,926
Sweden Business				
End-user service revenue	977	969	3,836	3,889
Operator revenue	26	29	97	119
Equipment revenue	506	517	1,664	1,684
Internal sales	1	0	3	0
Total	1,510	1,515	5,600	5,692
Sweden Wholesale				
Operator revenue	285	250	1,052	978
Internal sales	2	1	6	5
Total	287	251	1,058	984
Lithuania				
End-user service revenue	478	420	1,779	1,631
Operator revenue	51	65	220	262
Equipment revenue	255	260	968	869
Internal sales	17	15	60	50
Total	801	760	3,028	2,812
Latvia				
End-user service revenue	248	226	958	901
Operator revenue	38	42	166	177
Equipment revenue	108	92	344	309
Internal sales	11	9	39	38
Total	405	369	1,508	1,424
Estonia				
End-user service revenue	140	125	546	503
Operator revenue	23	32	99	130
Equipment revenue	63	54	194	178
Internal sales	3	2	10	8
Total	229	214	850	819
Internal sales, elimination	-34	-28	-119	-102
CONTINUING OPERATIONS				
End-user service revenue	4,905	4,809	19,349	19,184
Operator revenue	615	593	2,368	2,341
Equipment revenue	1,509	1,483	5,072	5,029
TOTAL	7,028	6,884	26,789	26,554

Underlying EBITDAaL

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Sweden	1,903	1,904	7,756	7,468
Lithuania	274	263	1,112	1,043
Latvia	152	138	592	556
Estonia	42	42	179	173
TOTAL	2,371	2,348	9,639	9,239

NOTE 3 PROFIT AFTER FINANCIAL ITEMS

Reconciling items to reported profit after financial items

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Underlying EBITDAaL	2,371	2,348	9,639	9,239
Reversal lease depreciation and interest	318	313	1,260	1,245
Underlying EBITDA	2,690	2,661	10,900	10,484
Acquisition costs	-1	0	-11	-6
Restructuring costs	-60	-54	-251	-261
Disposal of non-current assets	3	2,016	-40	2,002
Other items affecting comparability	-59	—	-80	109
Items affecting comparability	-117	1,963	-382	1,844
EBITDA	2,572	4,624	10,517	12,329
Depreciation/amortization	-1,531	-1,322	-5,952	-5,269
Result from shares in associated companies and joint ventures	108	255	221	311
Operating profit	1,149	3,557	4,787	7,371
Net interest and other financial items	-144	-112	-480	-517
Profit after financial items	1,005	3,444	4,307	6,854

In Q2 2021 our consumer premium brands Com Hem and Tele2 were merged. We are not scrapping one brand, but rather bring the best from the two brands into the new merged brand named Tele2. Key premium attributes from the Com Hem brand, including the logotype dots, are secured.

The Com Hem brand had as per the reassessment date a carrying amount of SEK 5.4 billion (4.3 billion net of tax). The brand positioning has led to a reassessment of the Com Hem brand useful life from the previous assessment of indefinite life to definite. Based on an overall analysis of all relevant fact and circumstances Tele2 has determined that the useful life of Com Hem brand would be 10 years from the date of reassessment from indefinite life to definite life. Tele2 has also considered the indication of an impairment triggered by reassessment of the useful life and determined that the recoverable amount exceeds the carrying amount at reassessment date. Accordingly, amortization of the Com Hem brand book value was initiated in Q2 2021. In Q4 2021 the impact was SEK -135 million on operating profit and SEK -107 million on net result.

Acquisition costs

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Com Hem, Sweden	—	3	—	3
Network JO's, Baltics	-1	-1	-11	-6
Other	-0	-2	-0	-2
Acquisition costs¹⁾	-1	0	-11	-6

¹⁾ Reported as other operating expenses.

Restructuring costs

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Redundancy costs	-24	-16	-114	-120
Other employee and consultancy costs	-17	-24	-81	-69
Exit of contracts and other costs	-20	-14	-57	-73
Restructuring costs	-60	-54	-251	-261
Reported as:				
– Cost of services provided	-2	-22	-46	-52
– Selling expenses	-31	-21	-105	-130
– Administrative expenses	-27	-10	-100	-79

The restructuring costs are solely related to the ongoing business transformation program in Sweden.

Disposal of non-current assets

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Closure of projects and systems	—	—	-42	—
Recycled translation difference	—	2,033	—	2,033
Other	3	-17	1	-31
Disposal of non-current assets²⁾	3	2,016	-40	2,002

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

In Q4 2020, translation differences of SEK 2,033 million were recycled from the other comprehensive income, in conjunction with the closure of the operation in Luxembourg, with no impact on total assets or equity.

For further information, see Note 6 in the Annual and Sustainability Report 2020.

Other items affecting comparability

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Contract termination fees, Sweden	—	—	-20	—
Provision for legal dispute, Sweden	-20	—	-20	109
Inventory adjustment, Sweden	-32	—	-32	—
Other	-6	—	-8	—
Total	-59	—	-80	109
Reported as:				
– Cost of services provided	—	—	-20	109
– Selling expenses	-39	—	-40	—
– Administrative expenses	-20	—	-20	—

In Q4 2021, a provision of SEK 20 million was made, related to a legal dispute referring to transactions with a former business partner to Tele2 in Sweden. In addition, legacy inventory values in Sweden have been reassessed, affecting the income statement negatively by SEK 32 million.

NOTE 4 TAXES

The Swedish Tax Agency has previously denied Tele2 deductions for interest expenses on intercompany loans for the years 2013–2018. While Tele2 has appealed the decisions, a provision has historically been made for the full amount. As per March 2021, the provision amounted to SEK 371 million, including SEK 21 million of associated interest.

Following rulings by the Supreme Administrative Court and the Administrative Court of Appeal in Stockholm, the Swedish Tax Agency has endorsed Tele2's claims for interest deductions for the years 2013–2018. Tele2 decided to release the total provision of SEK 371 million in the second quarter, 2021.

Accordingly, Tele2s position is that interest expenses on intercompany loans for the year 2019 are also deductible. Tele2 has now hence requested the 2019 tax returns to be reconsidered, with a positive tax impact of SEK 53 million reported in the income statement in the fourth quarter, 2021.

NOTE 5 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

SEK million	Dec 31 2021	Dec 31 2020
T-Mobile Netherlands		
Cost at January 1	7,011	6,976
Share of profit for the year	221	313
Exchange rate differences	134	-278
Total T-Mobile Netherlands	7,366	7,011
Other associated companies and joint ventures	7	7
Total shares in associated companies and joint ventures pre reclassification	7,373	7,018
Reclassified to asset held for sale	-7,366	—
Total shares in associated companies and joint ventures	7	7,018

In September 2021 Tele2 AB has entered into an agreement to sell the 25 percent share in T-Mobile Netherlands, subject to customary closing conditions. The asset is therefore reclassified to Asset held for sale. Cash proceeds from the transaction of approximately EUR 860 million are expected.

NOTE 6 FINANCIAL ASSETS AND LIABILITIES

Financing

SEK million	Dec 31 2021	Dec 31 2020
Bonds	21,326	21,175
Commercial papers	400	—
European Investment Bank (EIB)	1,278	1,254
Nordic Investment Bank (NIB)	1,990	1,987
Other	178	252
Total liabilities to financial institutions	25,173	24,669
Provisions	1,610	1,660
Lease liabilities	5,414	5,327
Other interest-bearing liabilities	250	460
Total interest-bearing liabilities	32,447	32,115

Average maturity and average interest rate (including derivatives) for outstanding debt to financial institutions at December 31, 2021 amounted to 4.1 years and 1.20 percent, respectively.

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

In March 2021, Tele2 issued a ten year bond of EUR 300 million with an annual coupon of 0.75 percent. The notes have been issued under Tele2's EMTN program and are listed for trading on the Luxembourg Stock Exchange.

Classification and fair values

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds, lease liabilities and accounts payables. For the category "Liabilities to financial institutions and similar liabilities" the reported value amounted on December 31, 2021 to SEK 25,173 (December 31, 2020: 24,669) million and the fair value to SEK 25,149 (December 31, 2020: 25,537) million.

During 2021, no transfers have been made between the different levels in the fair value hierarchy and no significant changes were made to valuation techniques, inputs used or assumptions.

NOTE 7 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations (Svenska UMTS-nät AB, Celestine Hill and Net4Mobility HB, Sweden and SIA Centuria, Latvia and Lithuania), for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at December 31, 2021 to SEK 43 (December 31, 2020: 36) million. Other transactions with joint operations and other related parties are presented in Note 34 of the 2020 Annual and Sustainability Report.

NOTE 8 CONTINGENT LIABILITIES

In Q4 2020, a provision was made related to the tax deduction on exchange losses on loans to Tele2 Kazakhstan, previously reported as contingent liability. It is presented under discontinued operations for Tele2 Kazakhstan, please refer to Note 11.

NOTE 9 EQUITY, NUMBER OF SHARES AND INCENTIVE PROGRAMS

Number of shares

	Dec 31 2021	Dec 31 2020
Total number of shares	692,821,597	690,341,597
Number of treasury shares	-2,912,106	-1,714,023
Number of outstanding shares	689,909,491	688,627,574
Number of outstanding shares, weighted average	689,463,621	688,392,123
Number of shares after dilution	693,458,249	692,609,831
Number of shares after dilution, weighted average	693,182,102	691,924,160

As a result of share rights in the LTI 2018 being exercised during Q2 2021, Tele2 delivered 1,200,672 B shares in treasury shares to the participants in the program. In Q1 2021, Tele2 issued, and immediately repurchased, 2,480,000 new C shares to be used for future exercises of LTIs, resulting in an increase in share capital of SEK 3 million.

As a result of early vesting of the LTI 2019 being exercised in Q1 and Q3 2021, Tele2 delivered 23,258 and 57,987 respectively of class B shares in treasury shares to some of the participants in the program at a weighted share price of SEK 115.95 and SEK 127.93. In addition, 6,177 of class A shares were reclassified into class B shares. Changes in shares during previous year are stated in Note 23 in the 2020 Annual and Sustainability Report.

Outstanding share right programs

	Dec 31 2021	Dec 31 2020
LTI 2021	1,414,817	—
LTI 2020	1,142,715	1,499,975
LTI 2019	991,226	1,313,475
LTI 2018	—	1,168,807
Total outstanding share rights	3,548,758	3,982,957

All outstanding long-term incentive programs (LTI 2019, LTI 2020 and LTI 2021) are based on the same structure, except for that LTI 2020 and LTI 2021 have an operating cash flow performance condition, in addition to Total Shareholder Return metrics. Additional information regarding the objective, conditions and requirements related to the LTI programs is stated in Note 31 of the 2020 Annual and Sustainability Report. During 2021, the total cost including social security costs for the long-term incentive programs (LTI) amounted to SEK 96 (145) million before tax.

LTI 2021

At the Annual General Meeting held on April 22, 2021, the shareholders approved a retention and performance based incentive program (LTI 2021) for senior executives and other key employees in the Tele2 Group. Subject to fulfilment of certain retention and performance based conditions during the periods January 1, 2021 – December 31, 2023 (the "Cash flow Measurement Period") and April 1, 2021 – March 31, 2024 (the "TSR Measurement Period") and the participant maintaining the invested shares at the release of the interim report for January – March 2024 and, with certain exceptions, maintaining the employment within the Tele2 Group, each right entitles the participant to receive one Tele2 share free of charge. Total costs before tax for outstanding rights in the incentive program are expensed over the three year vesting period. These costs are expected to amount to SEK 112 million, of which social security costs amount to SEK 38 million. To ensure the delivery of Class B shares under the program, the Annual General Meeting decided to authorize the Board of Directors to resolve on a directed share issue of a maximum of 2,200,000 Class C shares and subsequently to repurchase the Class C shares. The Board of Directors has not yet used its mandate.

LTI 2018

The exercise of the share rights in LTI 2018 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2018 until March 31, 2021. The outcome of these performance conditions was in accordance with below and the outstanding 1,200,672 share rights have been exchanged for shares in Tele2 during Q2 2021.

Series	Retention and performance based conditions	Minimum hurdle (50%)	Stretch targets (100%)	Performance	Allotment
Series A	Total Shareholder Return Tele2 (TSR)	—	>=0%	40.0%	100%
Series B	Total Shareholder Return Tele2 (TSR) compared to a peer group	>0%	>=20%	34.1%	100%

Dividend

To the Annual General Meeting on April 28, 2022, Tele2's Board of Directors proposes for the financial year 2021 an ordinary dividend of SEK 6.75 per share (SEK 4.7 billion), to be paid in two tranches in May and October 2022.

The Annual General Meeting held on April 22, 2021 resolved on a dividend of SEK 6.00 (5.50) per share in respect of the financial year 2020 to be paid in two equal tranches during 2021. This corresponds to a total of SEK 4,136 (3,788) million, distributed to the shareholders on April 29, 2021 and October 8, 2021. In addition, an Extraordinary General Meeting held on June 28, 2021 resolved on an extraordinary dividend of SEK 3.00 per share and SEK 2,070 million was paid to the shareholders on July 5, 2021.

NOTE 10 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Acquisitions				
Other minor acquisitions	—	—	—	-6
Total acquisition of shares and participations	—	—	—	-6
Divestments				
Tele2 Croatia	—	-5	—	2,039
Tele2 Germany	27	-39	93	-39
Tele2 Austria, earnout settlement	—	-1	—	99
Tele2 Switzerland, settlement Swisscom	209	—	209	—
Other minor divestments	—	—	—	6
Total sale of shares and participations	236	-45	302	2,104
TOTAL CASH FLOW EFFECT	236	-45	302	2,098

Proceeds from Tele2 Germany refer to the earnout arrangement, which was part of the divestment announced in 2020. In Q4 2021, a payment was also received from Swisscom. See further information in Note 11.

Information on acquisitions and divestments made in 2020 is provided in the 2020 Annual and Sustainability Report in Note 14 and Note 33, respectively.

NOTE 11 DISCONTINUED OPERATIONS

Tele2 Germany

In December 2020 Tele2 announced and completed the agreement to sell its German business to the Tele2 Germany management for an enterprise value of up to EUR 22.8 million, dependent upon the financial performance of the business until the end of 2024.

As per December 31, 2020, the related earnout amounted to SEK 140 million. During 2021, Tele2 has received earnout payments of SEK 97 million, of which SEK 27 million in Q4 2021, reducing the earnout accordingly. In Q4 2021 Tele2 also reevaluated the earnout by SEK 44 million, affecting the income statement positively, as the anticipated cumulative proceeds exceed previous expectations, driven by strong performance in 2021. On December 31, 2021 the estimated fair value of the future cash flows amounted to SEK 92 million.

Tele2 Kazakhstan

Tele2 was notified in April 2019 that the Swedish Tax Agency has rejected Tele2's claim for a deduction of an exchange loss related to a conversion of a shareholder loan to the joint venture MTS in Kazakhstan from USD to Kazakh Tenge in connection with the establishment of Tele2's previous joint venture in Kazakhstan. After appealing the decision, the Administrative court has in December 2020 partly ruled in favour of Skatteverket. The remaining additional tax claim amounted at December 31, 2021 to SEK 241 million and a tax surcharge and interest of SEK 118 million (December 31, 2020: SEK 241 and 114 million respectively). Tele2 has appealed the decision to the Administrative Court of appeal. Based on the ruling in the Administrative Court it is Tele2's and its advisors' opinion that, it is uncertain whether Tele2 ultimately will succeed in the dispute. Consequently, a provision of SEK 355 million was recognized in Q4 2020 under discontinued operations. At December 31, 2021 the provision amounted to SEK 359 million.

Income statement

All discontinued operations are included below. Tele2 Germany and Tele2 Croatia were divested in 2020. Tele2 Netherlands and Tele2 Kazakhstan were divested in 2019.

In Q2 2021 and Q3 2021 Tele2 reported a positive effect in the income statement under discontinued operations of SEK 193 million (of which SEK 226 million in Q2 2021 and -33 million in Q3 2021) related to a settled dispute with Swisscom, attached to Tele2s former operations in Switzerland. In Q4 2021, the corresponding payment of SEK 209 million was received, of which SEK 16 million is subject to expected further distribution to a third party.

In Q3 2021 Tele2 reported a positive impact of SEK 130 million related to a dispute attached to the former Tele2 operation in the Netherlands, as the dispute is now resolved.

Discontinued operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Revenue	—	60	—	690
Cost of services provided and equipment sold	—	-26	—	-339
Gross profit	—	35	—	350
Selling expenses	—	-5	—	-74
Administrative expenses	—	-11	-3	-99
Other operating income	—	0	—	2
Other operating expenses	—	0	—	-1
Operating profit	—	19	-3	179
Interest expenses	0	-17	-4	-19
Profit/loss after financial items	0	2	-8	160
Income tax from the operation	—	-6	—	-51
Net profit/loss from the operation	0	-4	-8	110
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain	43	-17	354	286
– of which Germany	44	-25	46	-25
– of which Croatia	-0	2	-13	247
– of which Netherlands	-1	6	128	55
– of which Austria	—	-0	—	8
– of which Switzerland	-0	—	193	—
Income tax from capital gain	—	-337	—	-221
– of which Croatia	—	—	—	116
– of which Kazakhstan	—	-337	—	-337
NET PROFIT/LOSS	43	-358	346	175
<i>Attributable to:</i>				
Equity holders of the parent company	43	-358	346	175
NET PROFIT/LOSS	43	-358	346	175
Earnings per share (SEK)	0.07	-0.52	0.51	0.25
Earnings per share, after dilution (SEK)	0.06	-0.52	0.50	0.25

Balance sheet

Assets and liabilities associated with assets held for sale as of December 31, 2021 refer to earnouts, provisions and other liabilities related to divested operations. In addition, in Q3 2021 the shares in T-Mobile Netherlands were reclassified to assets held for sale, following the announced divestment.

Discontinued operations SEK million	Dec 31 2021	Dec 31 2020
ASSETS		
Shares in associated companies and joint ventures	7,366	—
Financial assets	78	123
Non-current assets	7,444	123
Current receivables	14	16
Current assets	14	16
Assets classified as held for sale	7,458	140
LIABILITIES		
Interest-bearing liabilities	49	149
Non-current liabilities	49	149
Interest-bearing liabilities	55	63
Non-interest-bearing liabilities	358	341
Current liabilities	413	405
Liabilities directly associated with assets classified as held for sale	462	554

Cash flow statement

Discontinued operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Cash flow from operating activities	—	13	-3	143
Cash flow from investing activities	236	-45	329	2,058
Cash flow from financing activities	—	0	—	-31
Net change in cash and cash equivalents	236	-31	327	2,170

Non-IFRS measures

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

EBITDA

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

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

Underlying EBITDA

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

Underlying EBITDA: EBITDA excluding items affecting comparability.

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

Underlying EBITDAaL and underlying EBITDAaL margin

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

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

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

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Operating profit	1,149	3,557	4,787	7,371
Reversal:				
Result from shares in associated companies and joint ventures	-108	-255	-221	-311
Depreciation and amortization	1,531	1,322	5,952	5,269
EBITDA	2,572	4,624	10,517	12,329
Reversal, items affecting comparability:				
Acquisition costs	1	-0	11	6
Restructuring costs	60	54	251	261
Disposal of non-current assets	-3	-2,016	40	-2,002
Other items affecting comparability	59	—	80	-109
Total items affecting comparability	117	-1,963	382	-1,844
Underlying EBITDA	2,690	2,661	10,900	10,484
Lease depreciation	-300	-299	-1,197	-1,182
Lease interest costs	-18	-14	-63	-63
Underlying EBITDAaL	2,371	2,348	9,639	9,239
Revenue	7,028	6,884	26,789	26,554
Revenue excluding items affecting comparability	7,028	6,884	26,789	26,554
Underlying EBITDAaL margin	34%	34%	36%	35%

Non-IFRS measures – Capex paid and capex

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

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

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

SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
TOTAL OPERATIONS				
Additions to intangible and tangible assets	-970	-729	-3,328	-2,750
Sale of intangible and tangible assets	-1	-0	1	1
Capex paid	-971	-729	-3,327	-2,749
This period's unpaid capex and reversal of paid capex from previous period	-61	-151	-185	16
Reversal received payment of sold intangible and tangible assets	1	0	-1	-1
Capex intangible and tangible assets	-1,031	-879	-3,513	-2,734
Additions to right-of-use assets	-900	-602	-1,306	-1,204
Capex	-1,931	-1,481	-4,819	-3,938
CONTINUING OPERATIONS				
Additions to intangible and tangible assets	-970	-729	-3,328	-2,705
Sale of intangible and tangible assets	-1	-0	1	1
Capex paid	-971	-729	-3,327	-2,704
This period's unpaid capex and reversal of paid capex from previous period	-61	-150	-185	-11
Reversal received payment of sold intangible and tangible assets	1	0	-1	-1
Capex intangible and tangible assets	-1,031	-879	-3,513	-2,717
Additions to right-of-use assets	-900	-602	-1,306	-1,182
Capex	-1,931	-1,481	-4,819	-3,899

Non-IFRS measures – Operating cash flow

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

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

Continuing operations SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
Underlying EBITDAaL	2,371	2,348	9,639	9,239
Capex excluding spectrum and leases	-1,009	-879	-3,158	-2,717
Operating cash flow	1,363	1,469	6,482	6,523

Non-IFRS measures – Equity free cash flow

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

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

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

SEK million	Oct-Dec 2021	Oct-Dec 2020	Full year 2021	Full year 2020
TOTAL OPERATIONS				
Cash flow from operating activities	3,015	1,886	10,297	8,816
Capex paid	-971	-729	-3,327	-2,749
Amortization of lease liabilities	-276	-272	-1,185	-1,188
Equity free cash flow (eFCF)	1,768	885	5,785	4,879
eFCF per share (SEK)	2.56	1.29	8.39	7.09
eFCF per share after dilution (SEK)	2.55	1.28	8.34	7.04
CONTINUING OPERATIONS				
Cash flow from operating activities	3,015	1,873	10,272	8,672
Capex paid	-971	-729	-3,327	-2,704
Amortization of lease liabilities	-276	-272	-1,185	-1,168
Equity free cash flow (eFCF)	1,768	872	5,760	4,799
eFCF per share (SEK)	2.56	1.27	8.35	6.97
eFCF per share after dilution (SEK)	2.55	1.26	8.31	6.93
OUTSTANDING SHARES				
Number of shares	689,909,491	688,627,574	689,909,491	688,627,574
Number of shares after dilution	693,458,249	692,609,831	693,458,249	692,609,831

Non-IFRS measures – Net debt and economic net debt

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

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

Economic net debt: Net debt excluding lease liabilities.

Total operations SEK million	Dec 31 2021	Dec 31 2020
Interest-bearing non-current liabilities	28,332	27,234
Interest-bearing current liabilities	4,116	4,881
Reversal provisions	-1,610	-1,660
Cash & cash equivalents, current investments and restricted funds	-881	-970
Derivatives	-275	-217
Net debt	29,681	29,269
Reversal:		
Lease liabilities	-5,414	-5,327
Economic net debt	24,268	23,942

Organic

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

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

Reconciliation of figures is presented in an excel document (Q4 2021-financials to the market) on Tele2's website www.tele2.com.



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