2019

Tele2 Interim Report
Third Quarter

TELE2
OBEGRÄNSAD

Q3 2019 HIGHLIGHTS

- Revenue of SEK 6.9 billion, flat compared to Q3 2018 on an organic basis
- End-user service revenue of SEK 5.1 billion, flat compared to Q3 2018 on an organic basis
- Organic growth of 5 percent in underlying EBITDA excluding IFRS 16 to SEK 2.5 billion for the Group
- Organic growth of 4 percent in underlying EBITDA excluding IFRS 16 to SEK 2.0 billion in Sweden, driven by synergies from the Com Hem merger
- Net profit from total operations almost doubled to SEK 1.0 billion and equity free cash flow increased by 67 percent, driven by the Com Hem merger
- Financial guidance 2019; flat end-user service revenue YoY and mid-single digit underlying EBITDA ex IFRS 16 growth YoY reiterated, while capex is lowered to SEK 2.3-2.6 billion (SEK 2.6-2.9 billion previously)

Key Financial Data

SEK million	Jul–Sep 2019 IFRS 16	Jul–Sep 2018 IAS 17	Jan–Sep 2019 IFRS 16	Jan–Sep 2018 IAS 17
Continuing operations				
End-user service revenue	5,131	3,367	15,237	10,025
Revenue	6,852	5,062	20,389	15,169
Underlying EBITDA	2,783	1,617	7,830	4,511
EBITDA	2,708	1,428	7,223	4,108
Operating profit	1,367	926	2,845	2,635
Profit after financial items	1,265	858	2,522	2,374
Total operations				
Net profit/loss	1,038	528	4,191	1,321
Earnings per share after dilution (SEK)	1.50	0.99	5.88	2.48

Revenue
Q3 2019
6,852
SEK million

Key financial data including Com Hem proforma

SEK million	Jul–Sep 2019	Jul–Sep 2018	Organic %	Jan–Sep 2019	Jan–Sep 2018	Organic %
Continuing operations						
End-user service revenue	5,131	5,090	0%	15,237	15,210	0%
Revenue	6,852	6,838	0%	20,389	20,544	-1%
Underlying EBITDA excluding IFRS 16	2,484	2,364	5%	6,965	6,629	4%
Capex excluding spectrum and leases	505	517		1,682	1,753	
OCF excluding spectrum paid, rolling 12 months[1]				6,472	6,258	
Total operations						
Economic net debt to underlying EBITDAaL [2]				2.6x		

[1] Operating cash flow, see Non-IFRS measures page 30.
[2] EBITDA after Leases, see Non-IFRS measures page 30.

Underlying EBITDA
excluding IFRS 16
Q3 2019
2,484
SEK million

Continuing operations

Figures presented in this report refer to Q3 2019 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2018. Tele2 Croatia is reported as a discontinued operation for all periods. Discontinued operations also include the former operations in the Netherlands and Kazakhstan. See Note 11.

Non-IFRS measures

This report contains certain non-IFRS measures which are defined and reconciliated to the closest reconcilable line items in the section *Non-IFRS measures* on page 30. Note that organic growth rates exclude effects from currency movements and include Com Hem proforma for all periods. For further definitions of industry terms and acronyms, please refer to the Investor section at www.Tele2.com.

"On track to deliver on the full-year guidance"

CEO WORD – Q3 2019

Nine months into the year we are on track to deliver on the full-year guidance with improving trends in the Sweden Consumer segment and continued execution in the Baltics. We realized an additional SEK 150m of synergies from the Com Hem integration and raise our year-end run-rate target to SEK 750 million. The proceeds from the transactions in Kazakhstan and the Netherlands were distributed to shareholders in August through an extraordinary dividend of SEK 6 per share. Tele2's mobile network was recognized as best in Sweden in the P3 Mobile Benchmark 2019 test. We made operational progress in the Swedish consumer segment, strengthening our more-for-more strategy with updated Tele2 price plans, and continued to grow our fixed mobile convergence (FMC) base with 141,000 customers now on FMC-offers.

Q3 2019 summary

Group organic end-user service revenue (EUSR) was flat with the Baltics growing 10 percent while Sweden declined by 1 percent. In Sweden, the consumer segment saw slight growth (+0.4%) in EUSR for the first time since Q1 2018. This was driven by strong growth in mobile postpaid (+4%) where we had a second consecutive quarter of strong net intake following the successful rebranding campaign of Tele2 and increased marketing and sales activity. This was partially offset by continued decline in fixed EUSR (-2%) where volume decline in legacy services continued. In addition, EUSR from fixed broadband (+5%) and digital TV cable & fiber (-4%) was affected by lower backbook price increases compared to the previous year which put pressure on ASPU, offsetting effects of continued volume growth. The Swedish business segment remains under pressure with EUSR declining by 4 percent as the ASPU pressure in the market persists and initiatives taken to return to growth are yet to have an effect.

Group underlying EBITDA excluding IFRS 16 grew by 5 percent organically, with the Baltics growing by 6 percent and Sweden by 4 percent driven by synergies which were partially offset by reinvestment into the business and decline in EUSR.

Monetizing customer satisfaction through volume and price

The key to reach our mid-term growth target is to achieve sustainable growth in our largest segment, Sweden Consumer. To do this, we need to strike a balance between growth through volume and price, both of which are driven by our most important KPI – customer satisfaction. All initiatives that we have launched this year such as the FMC-strategy, the launch of Com Hem mobile and rebranding of Tele2, have been done in order to increase customer satisfaction. So far, we see the effect of these initiatives on volume growth with Q3 2019 marking the second consecutive quarter of multi-year record net intake. The success of these initiatives has allowed us to take the next step to monetize customer satisfaction through pricing as we carried out front book price adjustments on Com Hem broadband and Tele2 postpaid in the quarter.

We also took a next important step to enable the full potential of the Tele2 brand by introducing a new family offer. After the successful rebranding campaign, we see the family offer as a way to establish Tele2 as a premium brand for the household. We expect the family offer to support volume growth and encourage data consumption as families are incentivized to take more sim cards and higher data buckets. By launching front book price adjustments simultaneously, we offset the ASPU-dilutive effects of the family offer and aim for stable growth in both volume and ASPU over time. Along with the FMC-strategy and service improvements in our other brands, we expect this to help us drive customer satisfaction which we can monetize as we follow up with future back book price adjustments.

Executing on cost reduction

In parallel with the initiatives to take Tele2 back to sustainable revenue growth we execute on cost reduction to improve profitability and create a more efficient operation. We delivered an additional SEK 150 million of synergies in the quarter, reaching SEK 300 million year-to-date and an annual run-rate of SEK 650 million at the end of the quarter. Due to faster execution, we raise our target to an annualized run-rate of SEK 750 million by the end of 2019. The cost synergies so far are mainly related to headcount reductions across the Swedish organization as well as changes to the organizational structure to improve collaboration across the network, IT and commercial departments. We incurred SEK 87 million of integration costs this quarter and have so far incurred SEK 679 million of the expected SEK 1 billion of restructuring costs.

Conclusions from the Swedish network audit

Last quarter, we initiated an audit of our network in Sweden to ensure that we have a reliable network, prevent future outages and find potential improvements in our processes. The audit is now finalized, and we find the results reassuring. The main takeaway is that we have excellent quality in the Radio Access Network and that our planned core network upgrades are in-line with audit recommendations, with no need to increase investments beyond our capex guidance. The quality of our network was actually recognized as the best in Sweden by the P3 Mobile Benchmark 2019 recently, and earlier this year, Tele2's network was also awarded for the best 4G coverage in Sweden in another benchmark by P3.

However, the audit concluded that there is room for further improvement in our routines related to managing changes, incidents and technology life cycles. The good news is that this can be addressed through simplification, standardization and automation of our processes. We have already started addressing these issues and during the summer we started the reorganization of the technology department as part of the integration plan following the merger with Com Hem. Over the next few quarters we will continue making improvements guided by the insights from the audit report in order to ensure that we maintain a reliable and cost-efficient network.

Recognitions for our sustainability efforts

It is encouraging to see the recognition we have received in several recent sustainability rankings. We improved our overall score in RobecoSAM, with especially high scores for our Governance and Privacy protection efforts, representing two of our focus areas.

In the "Walking the Talk"-report by Misum at Stockholm School of Economics, Tele2 got the highest score among all technology and telecommunications companies in the "walk" category, being acknowledged for communication and accountability in terms of actual progress. Our efforts in the "Talk" category, how well strategic direction is set and communicated, were recognized with an equally high score, confirming that we are careful to not overcommunicate our actual efforts.

Finally, we earned a 35th place globally in Equileap's 2019 Gender Equality Global Ranking & Report. As such, Tele2 ranked second among all Swedish companies and third among telecom companies globally.

Looking forward

We look forward to delivering on our full year guidance for 2019 as we drive further improvements in the Swedish Consumer segment, continue the cost synergy program and maintain momentum in the Baltics. We will build on the positive development in the Sweden Consumer segment by establishing Tele2 as a premium household brand, gain traction with the new family offer, and continue to drive FMC-penetration in our customer base. We will also prepare the company to reignite revenue growth in 2020 and beyond by building and monetizing customer satisfaction in the Sweden Consumer segment, aim at taking market share in the Sweden Business segment and continue executing in the Baltics while solidifying plans for further efficiencies as a truly integrated operator.

Anders Nilsson
President and Group CEO

Financial overview

Analysis of income statement

Continuing operations SEK million	Jul–Sep 2019 IFRS 16	Jul–Sep 2018 IAS 17	Jan–Sep 2019 IFRS 16	Jan–Sep 2018 IAS 17
End-user service revenue	5,131	3,367	15,237	10,025
Revenue	6,852	5,062	20,389	15,169
Underlying EBITDA	**2,783**	**1,617**	**7,830**	**4,511**
Items affecting comparability	-75	-189	-607	-403
EBITDA	**2,708**	**1,428**	**7,223**	**4,108**
Depreciation/amortization	-1,311	-501	-3,833	-1,486
– of which amortization of surplus from acquisitions	-298	-40	-894	-115
Impairment	-16	-	-468	-
Result from shares in joint ventures and associated companies	-15	-0	-78	13
Operating profit	**1,367**	**926**	**2,845**	**2,635**
Net interest and other financial items	-102	-69	-323	-261
Income tax	-284	-225	-710	-587
Net profit	**981**	**633**	**1,811**	**1,787**
Reconciliation of leasing effects				
Underlying EBITDA	**2,783**	**1,617**	**7,830**	**4,511**
Reverse IFRS 16 effect	-299	-	-865	-
Underlying EBITDA excluding IFRS 16 [1]	**2,484**	**1,617**	**6,965**	**4,511**
Underlying EBITDA	**2,783**	**1,617**	**7,830**	**4,511**
Lease depreciation	-296	-	-866	-
Lease interest costs	-20	-	-59	-
Underlying EBITDAaL	**2,467**	**1,617**	**6,906**	**4,511**

[1] Underlying EBITDA excluding IFRS 16, see Non-IFRS measures page 30.

Revenue increased by 35 percent due to the merger with Com Hem. Organic revenue was flat, as the decline in Sweden was offset by growth in the Baltics. End-user service revenue was flat organically, with gradual improvement in the Swedish consumer segment and continued strong growth in the Baltics, while the Swedish business segment is still in decline.

Underlying EBITDA grew by 72 percent mainly as a result of the merger with Com Hem and the implementation of IFRS 16 which removes the cost of operating leases from underlying EBITDA, starting January 1, 2019. To facilitate comparability during 2019, Tele2 reports underlying EBITDA excluding IFRS 16. Organic growth in underlying EBITDA excluding IFRS 16 was 5 percent.

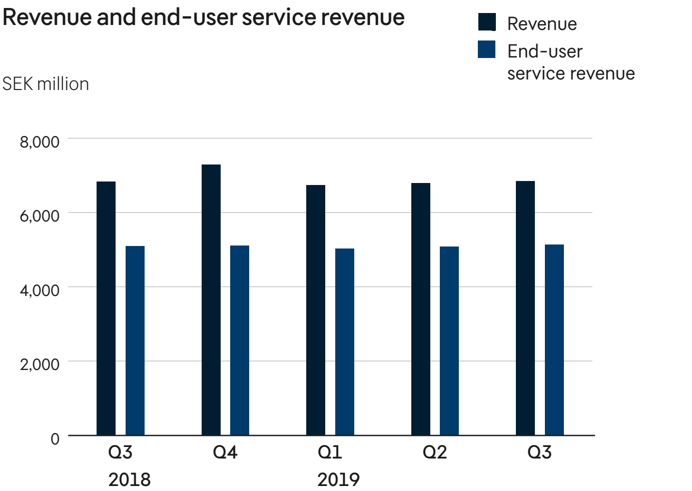
Following the implementation of IFRS 16, Tele2 uses **underlying EBITDAaL** (EBITDA after Leases) as a complementary measure of profitability going forward since it reflects the cost of operating leases. It will also be used as denominator when measuring financial leverage.

Items affecting comparability amounted to SEK –75 (–189) million, mainly as a result of the merger with Com Hem, Note 3.

Depreciation/amortization increased both as a result of the inclusion of Com Hem and the implementation of IFRS 16, with SEK 296 million of depreciation of right-of-use assets (leased assets) in the quarter. Despite this, **operating profit** increased to SEK 1,367 (926) million.

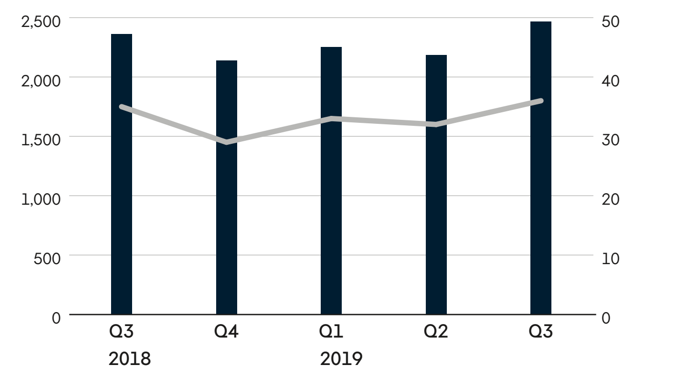
Revenue and end-user service revenue

SEK million



Underlying EBITDAaL / Underlying EBITDAaL margin

SEK million / Percent



Analysis of cash flow statement

Total operations SEK million	Jul–Sep 2019 IFRS 16	Jul–Sep 2018 IAS 17	Jan–Sep 2019 IFRS 16	Jan–Sep 2018 IAS 17
Underlying EBITDA, continuing operations	2,783	1,617	7,830	4,511
Items affecting comparability, continuing operations	-75	-189	-607	-403
EBITDA, continuing operations	**2,708**	**1,428**	**7,223**	**4,108**
EBITDA, discontinued operations	169	587	2,850	1,185
Amortization of lease liabilities	-277	1	-956	-0
Capex paid	-551	-759	-2,942	-2,274
Changes in working capital	61	-33	93	-615
Net financial items paid	-74	-56	-383	-261
Taxes paid	-186	-97	-890	-522
Other cash items	-27	22	-1,640	50
Equity free cash flow	**1,823**	**1,092**	**3,355**	**1,670**
Equity free cash flow, continuing operations	1,750	977	3,074	1,827
Equity free cash flow, continuing operations, rolling 12 months			3,245	2,211

EBITDA from discontinued operations amounted to SEK 169 (587) million, mainly reflecting EBITDA from the discontinued operation in Croatia. The difference compared to the previous year is explained by the sale of the operations in Kazakhstan and the Netherlands. For more details please refer to Note 11.

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

Capex paid decreased to SEK –551 (–759) million, as the previous year included capex related to assets in Kazakhstan and the Netherlands which are now divested.

Equity free cash flow (EFCF) increased to SEK 1,823 (1,092) million, mainly as a result of the merger with Com Hem.

Analysis of financial position

Total operations SEK million	Sep 30 2019 IFRS 16	Dec 31 2018 IAS 17
Bonds	20,688	20,580
Commercial papers	800	4,491
Financial institutions and other liabilities	3,830	3,220
Cash and cash equivalents	-607	-404
Other adjustments	-310	-37
Economic net debt	**24,400**	**27,849**
Lease liabilities	5,857	17
Liabilities related to Kazakhstan	-	1,016
Net debt	**30,257**	**28,881**
Economic net debt to Underlying EBITDAaL	**2.6x**	**2.8x**
Unutilized overdraft facilities and credit lines	9,463	9,116

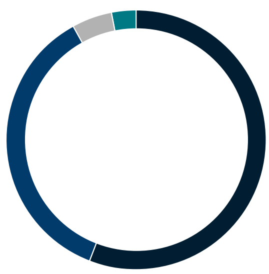
Economic net debt amounted to SEK 24,400 (27,849) million as SEK 5.6 billion in shareholder remuneration was covered by cash flow generation, proceeds from divestments and repayment of the shareholder loan in Kazakhstan.

Economic net debt/underlying EBITDAaL (financial leverage) of 2.6x (2.8x) is within the financial leverage target range of 2.5-3.0x.

End-user service revenue per segment, Q3 2019

Sweden Consumer	63%	Estonia	2%
Sweden Business	19%	Germany	2%
Lithuania	8%	IoT	1%
Latvia	4%		

End-user service revenue per service, Q3 2019



Mobile	56%	Business Solutions	5%
Fixed	36%	Landlord & Other	3%

Financial guidance

Financial guidance - 2019 capex guidance updated - all other guidance unchanged

Tele2 AB gives the following guidance for continuing operations in constant currencies and including Com Hem pro forma

Mid-term ambition

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

Full-year 2019

- End-user service revenue is expected to be approximately unchanged compared with 2018 as revenue growth-enhancing initiatives are being rolled out and are estimated to have impact in the following years (unchanged)
- Mid-single digit growth of underlying EBITDA excluding IFRS 16 (unchanged)
- Capex excluding spectrum and leasing assets of SEK 2.3–2.6 billion (SEK 2.6–2.9 billion previously). The reduction in the capex guidance mainly reflects a later than expected rollout of 5G technology in Sweden

Dividend

The Annual General Meeting on May 6, 2019 approved an ordinary dividend of SEK 4.40 per ordinary A and B share, to be paid out in two equal tranches. The first tranche of SEK 2.20 was paid out to shareholders on May 13, 2019 and the second tranche was paid out on October 7, 2019.

The Extraordinary General Meeting on August 22, 2019 approved an extraordinary dividend of SEK 6.00 per ordinary A and B share connected to the proceeds from the sales in Kazakhstan and the Netherlands. The extraordinary dividend was paid out to shareholders on August 29, 2019.

Financial policy

The financial policy has been updated to reflect the implementation of the IFRS 16 accounting standard from January 1, 2019. The changes are currently not expected to have any implications for the level of borrowings or shareholder remuneration of the Group.

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

Overview by segment

Sweden

The integration with Com Hem progressed faster than planned and cost synergies had an impact of approximately SEK 150 million in the quarter. The net effect in underlying EBITDA was partly offset by revenue decline as well as investments into the business. The annualized run-rate of the cost synergies reached SEK 650 million at the end of quarter and the target has been increased to a run-rate of SEK 750 million by the end of 2019 (up from SEK 600 million). Integration cost of SEK 87 million for the Com Hem merger was incurred in the quarter. A total of SEK 679 million in integration cost has been incurred since the integration program started.

Proforma review including Com Hem

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

Revenue decreased by 1 percent driven by lower equipment revenue in both the consumer and the business segment and lower end-user service revenue in the business segment.

Underlying EBITDA excluding IFRS 16 grew by 4 percent, driven by cost reduction, partly offset by the decline in end-user service revenue and elevated sales and marketing spend.

Financials SEK million	Jul–Sep 2019	Jul–Sep 2018 proforma	Organic %	Jan–Sep 2019	Jan–Sep 2018 proforma	Organic %
Revenue	**5,425**	**5,459**	**-1%**	**16,353**	**16,604**	**-2%**
– Sweden Consumer	3,892	3,902	0%	11,550	11,702	-1%
– Sweden Business	1,533	1,557	-2%	4,802	4,902	-2%
Underlying EBITDA	**2,286**	**1,947**		**6,414**	**5,440**	
Underlying EBITDA excluding IFRS 16	**2,025**	**1,947**	**4%**	**5,655**	**5,440**	**4%**
– Sweden Consumer	1,601	1,538	4%	4,519	4,335	4%
– Sweden Business	424	408	4%	1,137	1,105	3%
Underlying EBITDA margin excluding IFRS 16	37%	36%		35%	33%	
Capex						
Network	200	156		639	509	
IT	138	133		475	363	
Customer equipment	65	69		207	297	
Other	24	14		108	45	
Capex excluding spectrum and leases	**426**	**372**		**1,429**	**1,214**	
Spectrum	-	-		-	-	
Right-of-use-assets (leases)	46	-		684	-	
Capex	**471**	**372**		**2,112**	**1,214**	
Capex excluding spectrum and leases / revenue	8%	7%		9%	7%	

Sweden Consumer

The consumer market was stable overall with market activity generally skewed toward premium brands and bundled offers. Tele2 continued the momentum of the successful rebranding campaign from the previous quarter with marketing focused on the new premium brand image. The Tele2 brand launched a family offer and introduced new postpaid price plans, creating room for a potential back book price adjustment in coming quarters. The more-for-more FMC-strategy made progress with 141,000 customers now on FMC-offers. This represents almost half of the addressable FMC-base of approximately 300,000 customers who have both mobile and fixed services from the Tele2 Group.

The Mobile Postpaid RGU stock saw strong growth with net adds of 23,000 RGUs driven by improvements in all three mobile brands due to continued momentum from the Tele2 rebranding campaign, lower churn and increased sales activity. Mobile end-user service revenue growth accelerated to 3% driven by volume and ASPU growth in both prepaid and postpaid.

Fixed Broadband net intake of 11,000 RGUs was in-line with previous quarters and the ASPU decline continued (-1%) as the effect of smaller price increases compared to last year remains. This led to end-user service revenue growth of 5%, in-line with the previous quarter.

Digital TV net intake of -9,000 was driven by continued decline in the Boxer brand DTT RGU stock. Digital TV end-user service revenue decreased by 6 percent due to the decline in the DTT RGU stock and ASPU decline in Digital TV Cable & Fiber (-6%) as the effect of smaller price increases compared to last year remains.

Underlying EBITDA excluding IFRS 16 increased by 4 percent, driven by synergies from the integration with Com Hem.

Operating data thousands	Jul–Sep 2019	Jul–Sep 2018 proforma	Sep 30 2019	Sep 30 2018 proforma	Organic %
RGUs	Net intake		RGU base		
Mobile	34	12	2,992	2,979	0%
– Postpaid	23	10	1,863	1,804	3%
– Prepaid	11	2	1,128	1,175	-4%
Fixed	-10	-12	2,181	2,231	-2%
– Fixed broadband	11	13	863	814	6%
– Digital TV	-9	-8	1,032	1,066	-3%
– Cable & Fiber	1	1	664	655	1%
– DTT	-10	-9	368	411	-10%
– Fixed telephony & DSL	-12	-17	286	351	-18%
Addressable fixed footprint	41	42	3,290	2,991	10%

KPIs and financials	Jul–Sep 2019	Jul–Sep 2018 proforma	Organic %	Jan–Sep 2019	Jan–Sep 2018 proforma	Organic %
ASPU (SEK)						
Mobile	172	167	3%	167	163	3%
– Postpaid	222	220	1%	218	216	1%
– Prepaid	89	85	5%	86	83	3%
Fixed	232	232	0%	232	231	0%
– Fixed broadband	246	248	-1%	247	246	0%
– Digital TV	255	262	-2%	256	262	-2%
– Cable & Fiber	228	242	-6%	233	242	-4%
– DTT	304	293	4%	297	293	1%
– Fixed telephony & DSL	109	108	1%	109	109	0%
Financials (SEK million)						
Mobile	1,537	1,489	3%	4,475	4,403	2%
– Postpaid	1,236	1,189	4%	3,605	3,509	3%
– Prepaid	301	300	0%	870	895	-3%
Fixed	1,521	1,557	-2%	4,584	4,687	-2%
– Fixed broadband	632	601	5%	1,876	1,766	6%
– Digital TV	794	840	-6%	2,408	2,552	-6%
– Cable & Fiber	454	475	-4%	1,384	1,426	-3%
– DTT	340	365	-7%	1,025	1,126	-9%
– Fixed telephony & DSL	96	117	-18%	300	369	-19%
Landlord & Other	177	177	0%	531	545	-3%
End-user service revenue	**3,235**	**3,223**	**0%**	**9,590**	**9,635**	**0%**
Operator revenue	204	191		614	581	
Equipment revenue	453	488		1,346	1,486	
Revenue	**3,892**	**3,902**	**0%**	**11,550**	**11,702**	**-1%**
Underlying EBITDA	**1,772**	**1,538**		**5,017**	**4,335**	
Underlying EBITDA excluding IFRS 16	**1,601**	**1,538**	**4%**	**4,519**	**4,335**	**4%**
Underlying EBITDA margin excluding IFRS 16	41%	39%		39%	37%	

Sweden Business

Competition remained intense with price pressure in large enterprise segment, particularly in public sector mobile services where all main players focus on defending the customer base. Tele2 took a step toward strengthening the SME offer, enabling FMC services through the launch of fixed broadband in Com Hem's coax network at the beginning of September.

Volume growth continued with 4,000 mobile RGUs added in the quarter. New contracts signed include Ambea, Lund University, Västtrafik and Eskilstuna kommun.

Total end-user service revenue declined by 4 percent driven by price erosion on the mobile and fixed data market and declining demand for legacy fixed voice services, partly offset by growth in cloud-based services such as Cloud PBX solutions.

Underlying EBITDA excluding IFRS 16 increased by 4 percent as cost reductions mitigated declines in end-user service revenue.

Operating data thousands	Jul–Sep 2019	Jul–Sep 2018 proforma	Sep 30 2019	Sep 30 2018 proforma	Organic %
RGUs	Net intake		RGU base		
Mobile					
– Postpaid	4	13	916	881	4%

KPIs and financials	Jul–Sep 2019	Jul–Sep 2018 proforma	Organic %	Jan–Sep 2019	Jan–Sep 2018 proforma	Organic %
ASPU (SEK)						
Mobile						
– Postpaid	166	180	-8%	171	185	-8%
Financials (SEK million)						
Mobile	456	473	-4%	1,387	1,420	-2%
Fixed	271	307	-12%	842	941	-11%
Solutions	257	246	4%	797	771	3%
End-user service revenue	**984**	**1,026**	**-4%**	**3,026**	**3,131**	**-3%**
Operator revenue, excluding Wholesale	32	26		91	92	
Equipment revenue	337	352		1,157	1,240	
Wholesale	179	152		517	437	
Internal sales	1	1		12	3	
Revenue	**1,533**	**1,557**	**-2%**	**4,802**	**4,902**	**-2%**
Underlying EBITDA	**513**	**408**		**1,397**	**1,105**	
Underlying EBITDA excluding IFRS 16	**424**	**408**	**4%**	**1,137**	**1,105**	**3%**
– of which Wholesale	81	50		231	153	
Underlying EBITDA margin excluding IFRS 16	28%	26%		24%	23%	

Baltics

Lithuania

During the quarter Tele2 Lithuania launched offers with higher data allowances and equipment bundles in the consumer market along with offers targeting the SoHo segment within B2B. Successful marketing campaigns drove a strong net intake with 26,000 mobile RGUs added in the quarter. ASPU increased by 9 percent in local currency due to an increased mix of higher service tiers in consumer prepaid and postpaid.

End-user service revenue grew by 12 percent in local currency, driven by both volume and ASPU growth.

Growth in underlying EBITDA excluding IFRS 16 of 1 percent in local currency was lower compared to previous periods, mainly due to temporarily elevated equipment margins in Q3 2018.

Operating data thousands	Jul–Sep 2019	Jul–Sep 2018		Sep 30 2019	Sep 30 2018	Organic %
RGUs	Net intake			RGU base		
Mobile	26	35		1,902	1,869	2%

KPIs and financials	Jul–Sep 2019	Jul–Sep 2018	Organic %	Jan–Sep 2019	Jan–Sep 2018	Organic %
ASPU (EUR)						
Mobile	6.5	5.9	9%	6.2	5.8	7%
Financials (SEK million)						
End-user service revenue	391	342	12%	1,110	979	10%
Operator revenue	66	70		189	188	
Equipment revenue	225	211		624	579	
Internal sales	10	8		30	21	
Revenue	**692**	**631**	**7%**	**1,953**	**1,767**	**7%**
Underlying EBITDA	**259**	**232**		**763**	**614**	
Underlying EBITDA excluding IFRS 16	**240**	**232**	**1%**	**716**	**614**	**13%**
Underlying EBITDA margin excluding IFRS 16	35%	37%		37%	35%	
Capex	37	43		104	103	
Capex excluding spectrum and leases	31	43		88	103	
Capex excluding spectrum and leases / revenue	5%	7%		4%	6%	

Latvia

Tele2 Latvia continued the marketing campaign focusing on socially responsible use of smart devices and initiated a limited campaign, testing 5G technology.

ASPU increased by 8 percent in local currency driven by successful upselling to higher priced tiers. This resulted in end-user service revenue growth of 9 percent in local currency.

Underlying EBITDA excluding IFRS 16 grew by 16 percent in local currency including a SEK 17 million gain from the sale of bad debt.

Operating data thousands	Jul–Sep 2019	Jul–Sep 2018	Sep 30 2019	Sep 30 2018	Organic %
RGUs	Net intake		RGU base		
Mobile	1	22	963	964	0%

KPIs and financials	Jul–Sep 2019	Jul–Sep 2018	Organic %	Jan–Sep 2019	Jan–Sep 2018	Organic %
ASPU (EUR)						
Mobile	7.2	6.7	8%	7.0	6.5	9%
Financials (SEK million)						
End-user service revenue	222	198	9%	640	572	8%
Operator revenue	52	53		146	151	
Equipment revenue	88	83		235	224	
Internal sales	5	4		15	13	
Revenue	**367**	**339**	**6%**	**1,036**	**960**	**5%**
Underlying EBITDA	**158**	**125**		**423**	**349**	
Underlying EBITDA excluding IFRS 16	**148**	**125**	**16%**	**396**	**349**	**10%**
Underlying EBITDA margin excluding IFRS 16	40%	37%		38%	36%	
Capex	32	24		193	69	
Capex excluding spectrum and leases	26	23		95	67	
Capex excluding spectrum and leases / revenue	7%	7%		9%	7%	

Estonia

Tele2 Estonia Q3 marketing focused on back-to-school offers with unlimited tariffs, mobile broadband and equipment bundles. Tele2 Estonia launched fixed broadband services to enterprises in the SME segment in office buildings where Tele2 Estonia has fiber infrastructure.

The positive momentum in volume growth continued with a net intake of 500 mobile RGUS, marking the second consecutive quarter of positive net intake.

Price adjustments in the back book and migration from legacy plans within both consumer and B2B contributed to an ASPU increase of 11 percent in local currency. End-user service revenue increased by 8 percent in local currency driven by ASPU growth.

Growth in end-user service revenue resulted in an underlying EBITDA excluding IFRS 16 growth of 1 percent, marking the first quarter of growth in three years.

Operating data thousands	Jul–Sep 2019	Jul–Sep 2018	Sep 30 2019	Sep 30 2018	Organic %
RGUs	Net intake		RGU base		
Mobile	0	-8	440	450	-2%

KPIs and financials	Jul–Sep 2019	Jul–Sep 2018	Organic %	Jan–Sep 2019	Jan–Sep 2018	Organic %
ASPU (EUR)						
Mobile	8.5	7.7	11%	8.0	7.7	5%
Financials (SEK million)						
End-user service revenue	125	114	8%	352	337	1%
Operator revenue	33	34		98	100	
Equipment revenue	50	43		132	136	
Internal sales	1	1		4	4	
Revenue	**210**	**192**	**7%**	**587**	**578**	**-2%**
Underlying EBITDA	**57**	**46**		**151**	**122**	
Underlying EBITDA excluding IFRS 16	**47**	**46**	**1%**	**122**	**122**	**-2%**
Underlying EBITDA margin excluding IFRS 16	23%	24%		21%	21%	
Capex	25	26		81	66	
Capex excluding spectrum and leases	19	26		57	66	
Capex excluding spectrum and leases / revenue	9%	13%		10%	11%	

Other markets

Germany

The RGU base continued to decline with net adds of –11,000 in the quarter. The closing RGU base amounted to 266,000 (323,000) and end-user service revenue declined by 20 percent as a result.

Underlying EBITDA excluding IFRS 16 decreased by 22 percent due to the decline in end-user service revenue.

Financials SEK million	Jul–Sep 2019	Jul–Sep 2018	Organic %	Jan–Sep 2019	Jan–Sep 2018	Organic %
End-user service revenue	110	134	-20%	347	409	-18%
Operator revenue	0	0		0	0	
Equipment revenue	0	1		1	2	
Revenue	**111**	**135**	**-20%**	**349**	**412**	**-18%**
Underlying EBITDA	**51**	**64**		**161**	**191**	
Underlying EBITDA excluding IFRS 16	**51**	**64**	**-22%**	**161**	**191**	**-18%**
Underlying EBITDA margin excluding IFRS 16	46%	47%		46%	46%	

Discontinued operations

Croatia

The RGU base passed 1 million in the quarter with a net intake of 56,000 RGUs.

End-user service revenue grew by 10 percent in local currency, driven by growth in both volume and ASPU.

Underlying EBITDA excluding IFRS 16 increased by 40 percent in local currency as a result of higher end-user service revenue and lower spectrum fees.

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

Operating data thousands	Jul–Sep 2019	Jul–Sep 2018		Sep 30 2019	Sep 30 2018	Organic %
RGUs	Net intake			RGU base		
Mobile	56	60		1,004	945	6%

KPIs and financials	Jul–Sep 2019	Jul–Sep 2018	Organic %	Jan–Sep 2019	Jan–Sep 2018	Organic %
ASPU (HRK)						
Mobile	78	76	3%	76	73	5%
Financials (SEK million)						
End-user service revenue	331	294	10%	926	825	11%
Operator revenue	110	106		228	210	
Equipment revenue	143	135		419	377	
Internal sales	4	2		9	6	
Revenue	**588**	**536**	**6%**	**1,582**	**1,419**	**8%**
Underlying EBITDA	**186**	**107**		**440**	**198**	
Underlying EBITDA excluding IFRS 16	**155**	**107**	**40%**	**351**	**198**	**71%**
Underlying EBITDA margin excluding IFRS 16	26%	20%		22%	14%	
Capex	58	23		220	70	
Capex excluding spectrum and leases	48	23		98	70	
Capex excluding spectrum and leases / revenue	8%	4%		6%	5%	

Proforma Group Summary

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018 proforma	Organic %	Jan–Sep 2019	Jan–Sep 2018 proforma	Organic %
REVENUE						
Sweden Consumer	3,892	3,902	0%	11,550	11,702	-1%
Sweden Business	1,533	1,557	-2%	4,802	4,902	-2%
Lithuania	692	631	7%	1,953	1,767	7%
Latvia	367	339	6%	1,036	960	5%
Estonia	210	192	7%	587	578	-2%
Germany	111	135	-20%	349	412	-18%
IoT	65	52	24%	173	147	18%
Other	-	45	-100%	-	118	-100%
Internal sales, elimination	-18	-15	-	-61	-41	-
Total	**6,852**	**6,838**	**0%**	**20,389**	**20,544**	**-1%**
UNDERLYING EBITDA						
Sweden Consumer	1,772	1,538		5,017	4,335	
Sweden Business	513	408		1,397	1,105	
Lithuania	259	232		763	614	
Latvia	158	125		423	349	
Estonia	57	46		151	122	
Germany	51	64		161	191	
IoT	7	-22		12	-71	
Other	-35	-27		-94	-15	
Total	**2,783**	**2,364**		**7,830**	**6,629**	
UNDERLYING EBITDA EXCLUDING IFRS 16						
Sweden Consumer	1,601	1,538	4%	4,519	4,335	4%
Sweden Business	424	408	4%	1,137	1,105	3%
Lithuania	240	232	1%	716	614	13%
Latvia	148	125	16%	396	349	10%
Estonia	47	46	1%	122	122	-2%
Germany	51	64	-22%	161	191	-18%
IoT	7	-22	-	11	-71	-
Other	-36	-27	-	-95	-15	-
Total	**2,484**	**2,364**	**5%**	**6,965**	**6,629**	**4%**
CAPEX						
Sweden	426	372	14%	1,429	1,214	18%
Lithuania	31	43	-30%	88	103	-18%
Latvia	26	23	9%	95	67	37%
Estonia	19	26	-28%	57	66	-16%
Germany	0	-	0%	0	-	0%
IoT	2	4	-45%	12	18	-34%
Other	1	49	-98%	2	284	-99%
Capex excluding spectrum and leases	**505**	**517**	**-3%**	**1,682**	**1,753**	**-4%**
Spectrum	0	1		68	1	
Rights-of-use assets (leases)	63	-		754	-	
Total	**568**	**518**		**2,504**	**1,754**	
of which:						
– Network	271	243		811	772	
– IT	150	181		529	617	
– Customer equipment	66	69		209	297	
– Other	19	23		134	68	
Capex excluding spectrum and leases	**505**	**517**		**1,682**	**1,753**	

Other items

Risks and uncertainty factors

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

Other

Tele2 will release its financial and operating results for the period ending December 31, 2019 on February 3, 2020.

Auditors' review report

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

Board's assurance

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

Stockholm, October 17, 2019
Tele2 AB

Carla Smits-Nusteling
Chairman

Andrew Barron
Deputy Chairman

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Georgi Ganev

Lars-Åke Norling

Anders Nilsson
President and CEO

Q3 2019 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CET (09:00 am GMT/04:00 am EST) on Thursday, October 17, 2019.

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

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

Dial-in numbers:
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Condensed consolidated income statement

SEK million	Note	Jul-Sep 2019	Jul-Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Revenue	2	6,852	5,062	20,389	15,169
Cost of services provided and equipment sold	3	-3,869	-2,758	-12,242	-8,398
Gross profit		**2,984**	**2,304**	**8,147**	**6,771**
Selling expenses	3	-1,017	-761	-3,233	-2,467
Administrative expenses	3	-628	-568	-1,996	-1,505
Result from shares in joint ventures and associated companies		-15	-0	-78	13
Other operating income		79	39	231	134
Other operating expenses	3	-36	-88	-227	-310
Operating profit		**1,367**	**926**	**2,845**	**2,635**
Interest income		7	4	21	10
Interest expenses	5	-123	-65	-365	-224
Other financial items	5	14	-7	21	-47
Profit after financial items		**1,265**	**858**	**2,522**	**2,374**
Income tax	4	-284	-225	-710	-587
Net profit, continuing operations		**981**	**633**	**1,811**	**1,787**
Net profit/loss, discontinued operations	11	57	-105	2,380	-466
Net profit, total operations		**1,038**	**528**	**4,191**	**1,321**
Continuing operations					
Attributable to:					
Equity holders of the parent company		981	633	1,811	1,787
Non-controlling interest		-	0	-	-
Net profit, continuing operations		**981**	**633**	**1,811**	**1,787**
Earnings per share (SEK)	8	1.42	1.26	2.63	3.55
Earnings per share, after dilution (SEK)	8	1.42	1.25	2.62	3.53
Total operations					
Attributable to:					
Equity holders of the parent company		1,037	504	4,061	1,259
Non-controlling interests		1	24	130	62
Net profit, total operations		**1,038**	**528**	**4,191**	**1,321**
Earnings per share (SEK)	8	1.51	1.00	5.91	2.50
Earnings per share, after dilution (SEK)	8	1.50	0.99	5.88	2.48

Condensed consolidated comprehensive income

SEK million	Note	Jul-Sep 2019	Jul-Sep 2018	Jan–Sep 2019	Jan–Sep 2018
NET PROFIT		**1,038**	**528**	**4,191**	**1,321**
Components not to be reclassified to net profit					
Pensions, actuarial gains/losses		-47	-6	-145	-14
Pensions, actuarial gains/losses, tax effect		10	1	30	3
Components not to be reclassified to net profit		**-37**	**-5**	**-114**	**-11**
Components that may be reclassified to net profit					
Translation differences in foreign operations		236	-346	777	738
Tax effect on above		-6	55	-38	-82
Reversed cumulative translation differences from divested companies	11	1	-	-263	-
Tax effect on above	11	-	-	-168	-
Translation differences		231	-291	308	656
Hedge of net investments in foreign operations		-55	37	-147	-161
Tax effect on above		12	-8	32	35
Reversed cumulative hedge from divested companies	11	-	-	721	-
Tax effect on above	11	-	-	-169	-
Hedge of net investments		-44	29	436	-125
Exchange rate differences		**187**	**-262**	**744**	**531**
Profit/loss arising on changes in fair value of hedging instruments		7	6	10	-11
Reclassified cumulative profit/loss to income statement		-4	8	-6	61
Tax effect on cash flow hedges		-0	-3	4	-13
Cash flow hedges		**3**	**11**	**8**	**37**
Components that may be reclassified to net profit		**191**	**-251**	**752**	**568**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**154**	**-255**	**638**	**557**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,192**	**273**	**4,829**	**1,878**
Attributable to:					
Equity holders of the parent company		1,191	240	4,850	1,812
Non-controlling interests		1	32	-21	66
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,192**	**273**	**4,829**	**1,878**

Condensed consolidated balance sheet

SEK million	Note	Sep 30 2019	Dec 31 2018
ASSETS			
Goodwill		29,812	30,158
Other intangible assets		18,663	19,604
Intangible assets		**48,475**	**49,763**
Tangible assets		8,121	9,192
Right-of-use assets		5,502	-
Shares in joint ventures and associated companies	9	7,199	13
Other financial assets	5	707	1,015
Capitalized contract costs		368	374
Deferred tax assets	4	351	367
Non-current assets		**70,724**	**60,723**
Inventories		692	670
Current receivables		5,873	6,824
Current investments		0	2
Cash and cash equivalents	6	607	404
Current assets		**7,172**	**7,901**
Assets classified as held for sale	11	**2,655**	**14,020**
TOTAL ASSETS		80,551	82,644
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company		34,129	36,334
Non-controlling interests		-	28
Equity	8	**34,129**	**36,362**
Interest-bearing liabilities	5	29,827	23,238
Non-interest-bearing liabilities		4,169	4,204
Non-current liabilities		**33,996**	**27,443**
Interest-bearing liabilities	5	2,939	6,763
Non-interest-bearing liabilities		7,766	8,088
Current liabilities		**10,704**	**14,851**
Liabilities directly associated with assets classified as held for sale	11	**1,722**	**3,988**
TOTAL EQUITY AND LIABILITIES		80,551	82,644

Condensed consolidated cash flow statement

Total operations SEK million	Note	Jul-Sep 2019	Jul-Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Operating activities					
Net profit		1,038	528	4,191	1,321
Adjustments for non-cash items in net profit		1,552	1,356	2,969	3,239
Changes in working capital		61	-33	93	-615
Cash flow from operating activities		**2,651**	**1,851**	**7,253**	**3,945**
Investing activities					
Additions to intangible and tangible assets		-551	-759	-2,942	-2,274
Acquisition and sale of shares and participations	9	-6	-6	4,689	-5
Other financial assets, lending		2	66	-3	-0
Cash flow from investing activities		**-555**	**-700**	**1,744**	**-2,280**
Financing activities					
Proceeds from loans	5	144	-168	4,031	1,290
Repayments of loans	5	-1,245	-14	-7,611	-561
Dividends paid	8	-4,127	-	-5,639	-2,013
Cash flow from financing activities		**-5,228**	**-183**	**-9,219**	**-1,283**
Net change in cash and cash equivalents		**-3,132**	**969**	**-221**	**382**
Cash and cash equivalents at beginning of period		3,713	248	404	802
Exchange rate differences in cash and cash equivalents		26	-4	425	27
Cash and cash equivalents at end of the period	6	**607**	**1,212**	**607**	**1,212**

Condensed consolidated statements of changes in equity

Total operations SEK million	Note	Sep 30, 2019							
		Attributable to equity holders of the parent company							
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		863	27,378	-734	3,252	5,576	36,334	28	36,362
Net profit		-	-	-	-	4,061	4,061	130	4,191
Other comprehensive income for the period, net of tax		-	-	444	460	-114	789	-152	638
Total comprehensive income for the period		-	-	444	460	3,947	4,850	-21	4,829
Other changes in equity									
Share-based payments	8	-	-	-	-	80	80	-	80
Share-based payments, tax effect	8	-	-	-	-	17	17	-	17
Dividends	8	-	-	-	-	-7,152	-7,152	-	-7,152
Divestment of non-controlling interest	11	-	-	-	-	-	-	-7	-7
Equity at end of the period		863	27,378	-291	3,711	2,466	34,129	0	34,129

Total operations SEK million	Note	Sep 30, 2018							
		Attributable to equity holders of the parent company							
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		634	7,842	-651	2,670	6,709	17,203	-114	17,089
Net profit		-	-	-	-	1,259	1,259	62	1,321
Other comprehensive income for the period, net of tax		-	-	-88	652	-11	553	4	557
Total comprehensive income for the period		-	-	-88	652	1,248	1,812	66	1,878
Other changes in equity									
Share-based payments	8	-	-	-	-	25	25	-	25
Share-based payments, tax effect	8	-	-	-	-	10	10	-	10
Dividends	8	-	-	-	-	-2,013	-2,013	-	-2,013
Equity at end of the period		634	7,842	-739	3,322	5,978	17,037	-48	16,989

Parent company

Condensed income statement

SEK million	Jul-Sep 2019	Jul-Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Revenue	10	17	29	42
Administrative expenses	-42	-24	-123	-86
Other operating expenses	16	-71	-94	-256
Operating loss	**-16**	**-78**	**-188**	**-300**
Interest revenue and similar income	38	0	114	0
Interest expense and similar costs	-152	-25	-437	-265
Loss after financial items	**-129**	**-103**	**-511**	**-565**
Tax on loss	27	21	105	125
Net loss	**-102**	**-83**	**-406**	**-440**

Condensed balance sheet

SEK million	Note	Sep 30 2019	Dec 31 2018
ASSETS			
Financial assets		47,483	47,083
Non-current assets		**47,483**	**47,083**
Current receivables		6,656	15,786
Cash and cash equivalents		52	25
Current assets		**6,708**	**15,810**
TOTAL ASSETS		**54,191**	**62,893**
EQUITY AND LIABILITIES			
Restricted equity	8	5,848	5,848
Unrestricted equity	8	21,409	28,874
Equity		**27,258**	**34,722**
Interest-bearing liabilities	5	23,801	21,721
Non-current liabilities		**23,801**	**21,722**
Interest-bearing liabilities	5	1,428	6,112
Non-interest-bearing liabilities		1,705	337
Current liabilities		**3,133**	**6,450**
TOTAL EQUITY AND LIABILITIES		**54,191**	**62,893**

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim financial information for the Group for the nine and three month period ended September 30, 2019 has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 *Reporting for legal entities* and other statements issued by the Swedish Financial Reporting Board. In all respects other than those described below, Tele2 has presented the financial statements for the period ended September 30, 2019 in accordance with the accounting policies and principles applied in the 2018 Annual Report. The description of these principles and definitions is found in Note 1 and Note 35 in the Annual Report 2018.

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

The other amendments to IFRSs applicable from January 1, 2019 had no significant effects to Tele2's financial reports for the nine-month period ended September 30, 2019.

To more properly reflect the underlying performance of the business, Tele2's measure of segment profit/loss has changed from adjusted EBITDA to underlying EBITDA. The change is a somewhat increased scope of items affecting comparability to make the underlying EBITDA clearer, please refer to Note 3.

Figures presented in this report refer to July 1 – September 30 (Q3), 2019 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2018.

NOTE 2 REVENUE

Revenue per segment

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Sweden Consumer	3,892	2,191	11,550	6,527
Sweden Business	1,533	1,491	4,802	4,702
Lithuania	692	631	1,953	1,767
Latvia	367	339	1,036	960
Estonia	210	192	587	578
Germany	111	135	349	412
IoT	65	52	173	147
Other	-	45	-	118
Including internal sales	**6,871**	**5,076**	**20,450**	**15,210**
Internal sales, elimination	-18	-15	-61	-41
TOTAL	6,852	5,062	20,389	15,169

Internal sales

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Sweden Business	1	1	12	3
Lithuania	10	8	30	21
Latvia	5	4	15	13
Estonia	1	1	4	4
TOTAL	18	15	61	41

Revenue split per category

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Sweden Consumer				
End-user service revenue	3,235	1,564	9,590	4,642
Operator revenue	204	150	614	462
Equipment revenue	453	478	1,346	1,423
Total	**3,892**	**2,191**	**11,550**	**6,527**
Sweden Business				
End-user service revenue	984	963	3,026	2,940
Operator revenue	211	178	607	528
Equipment revenue	337	348	1,157	1,231
Internal sales	1	1	12	3
Total	**1,533**	**1,491**	**4,802**	**4,702**
Lithuania				
End-user service revenue	391	342	1,110	979
Operator revenue	66	70	189	188
Equipment revenue	225	211	624	579
Internal sales	10	8	30	21
Total	**692**	**631**	**1,953**	**1,767**
Latvia				
End-user service revenue	222	198	640	572
Operator revenue	52	53	146	151
Equipment revenue	88	83	235	224
Internal sales	5	4	15	13
Total	**367**	**339**	**1,036**	**960**
Estonia				
End-user service revenue	125	114	352	337
Operator revenue	33	34	98	100
Equipment revenue	50	43	132	136
Internal sales	1	1	4	4
Total	**210**	**192**	**587**	**578**
Germany				
End-user service revenue	110	134	347	409
Operator revenue	0	0	0	0
Equipment revenue	0	1	1	2
Total	**111**	**135**	**349**	**412**
IoT				
End-user service revenue	65	52	173	147
Total	**65**	**52**	**173**	**147**
Other				
Operator revenue	-	45	-	118
Total	**-**	**45**	**-**	**118**
Internal sales, elimination	-18	-15	-61	-41
CONTINUING OPERATIONS				
End-user service revenue	**5,131**	**3,367**	**15,237**	**10,025**
Operator revenue	**567**	**530**	**1,656**	**1,548**
Equipment revenue	**1,154**	**1,164**	**3,496**	**3,595**
TOTAL	6,852	5,062	20,389	15,169

NOTE 3 SEGMENT REPORTING

Underlying EBITDA

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Sweden Consumer	1,772	811	5,017	2,273
Sweden Business	513	388	1,397	1,050
Lithuania	259	232	763	614
Latvia	158	125	423	349
Estonia	57	46	151	122
Germany	51	64	161	191
IoT	7	-22	12	-71
Other	-35	-27	-94	-15
TOTAL	**2,783**	**1,617**	**7,830**	**4,511**

Reconciling items to reported operating profit/loss

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Underlying EBITDA	**2,783**	**1,617**	**7,830**	**4,511**
Acquisition costs	15	-44	-71	-204
Integration costs	-87	-111	-469	-150
Disposal of non-current assets	0	-19	-3	-34
Other items affecting comparability	-3	-15	-64	-15
Items affecting comparability	**-75**	**-189**	**-607**	**-403**
EBITDA	**2,708**	**1,428**	**7,223**	**4,108**
Depreciation/amortization	-1,311	-501	-3,833	-1,486
Impairment	-16	-	-468	-
Result from shares in joint ventures and associated companies	-15	-0	-78	13
Operating profit	**1,367**	**926**	**2,845**	**2,635**

Acquisition costs

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Com Hem, Sweden	15	-44	-71	-204
Acquisition costs	**15**	**-44**	**-71**	**-204**

The positive impact on Com Hem acquisition costs in Q3 2019 relates to release of reserves.

Integration costs

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Com Hem, Sweden	-87	-64	-469	-69
TDC, Sweden	-	-47	-	-81
Integration costs	**-87**	**-111**	**-469**	**-150**
Reported as:				
– cost of services provided	-31	-9	-123	-18
– selling expenses	-13	-3	-182	-18
– administrative expenses	-43	-98	-163	-114
Consists of:				
– redundancy costs	-41	-10	-344	-15
– other employee and consultancy costs	-14	-93	-81	-115
– exit of contracts and other costs	-31	-7	-43	-20

Disposal of non-current assets

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

Other items affecting comparability

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Costs of services provided	-3	-15	-62	-15
Selling expenses	0	-	11	-
Administrative expenses	-0	-	-13	-
Total	**-3**	**-15**	**-64**	**-15**
Consists of:				
– Sweden; provision for roaming dispute	-3	-	-59	-
– Sweden; provision for legal dispute	-	-15	-	-15
– Lithuania; adjustment of expected credit loss rate	-	-	18	-
– Incentive program; adjustment of performance level	-	-	-24	-

Impairment

In Q2 2019, a goodwill impairment of SEK 452 million was recognized in Estonia. It is related to a reassessment of the estimated future cash generation, reflecting a lower starting point following last year's decline in profitability. The value attached to the Estonian operation is now SEK 850 million on a debt free basis, derived from the value in use calculation with a pre-tax WACC of 11 percent.

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

NOTE 4 TAXES

On April 1, 2019 Tele2 was notified that the Swedish Tax Agency rejects Tele2's claim for a deduction of an exchange loss of SEK 1.8 billion related to a conversion of a shareholder loan to Tele2 Kazakhstan from USD to Kazakh Tenge in connection to the establishment of Tele2's previously jointly owned company in Kazakhstan. The tax authority has in September 2019 partly accepted the claimed deduction with SEK 0.7 billion. The additional tax claim on the remainder amounts to SEK 241 million and a tax surcharge and interest of SEK 108 million. Tele2 has appealed the decision and assesses it as probable that the appeal will be successful. No provision has been recognized.

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

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

Financing

SEK million	Interest-bearing liabilities			
	Sep 30, 2019		Dec 31, 2018	
	Current	Non-current	Current	Non-current
Bonds SEK, Sweden	250	9,546	1,500	8,796
Bonds EUR, Sweden	-	10,892	-	10,284
Commercial papers, Sweden	800	-	4,491	-
Financial institutions	285	3,305	415	2,583
Financial debt	**1,335**	**23,743**	**6,406**	**21,663**
Provisions	322	1,668	224	1,471
Lease liabilities	1,109	4,268	2	14
Other liabilities	172	147	131	90
Other liabilities	**1,603**	**6,083**	**357**	**1,575**
Total interest-bearing liabilities	**2,939**	**29,827**	**6,763**	**23,238**

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

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

Tele2 has a credit facility with a syndicate of banks. The facility was extended by one year in January 2019 to 2024 and has a remaining extension option of one year.

Transfer of right of payment of receivables

Tele2 Sweden transfers the right for payment of certain operating receivables to financial institutions. The receiving payment obtained from financial institutions, in relation to the transfer of right of payment of receivables for sold handsets and other equipment, has been netted against the receivables in the balance sheet and resulted in a positive effect on cash flow. The right of payment transferred to third parties without recourse or remaining credit exposure for Tele2 corresponded to SEK 475 (342) million in Q3 2019 and SEK 1,573 (1,030) million for the nine months period ended on September 30, 2019.

Classification and fair values

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds, lease liabilities and accounts payables. Classification of financial assets and liabilities including their fair value is presented below. During 2019, no transfers were made between the different levels in the fair value hierarchy and no significant changes were made to valuation techniques, inputs used or assumptions.

SEK million	Sep 30, 2019					
	Assets and liabilities at fair value through profit/loss					
	Derivative instruments designated for hedge accounting	Other instru-ments (level 3)	Assets at amortized cost	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	–	7	582	–	589	589
Accounts receivables	–	–	1,989	–	1,989	1,989
Other current receivables	307	–	1,592	–	1,898	1,898
Current investments	–	–	0	–	0	0
Cash and cash equivalents	–	–	607	–	607	607
Assets classified as held for sale	–	–	852	–	852	852
Total financial assets	**307**	**7**	**5,622**	**–**	**5,936**	**5,936**
Liabilities to financial institutions and similar liabilities	–	–	–	25,079	25,079	25,971
Other interest-bearing liabilities	86	–	–	5,610	5,697	5,703
Accounts payable	–	–	–	1,531	1,531	1,531
Other current liabilities	-	-	-	2,115	2,115	2,115
Liabilities directly associated with assets classified as held for sale	–	–	–	803	803	807
Total financial liabilities	**86**	**–**	**–**	**35,138**	**35,225**	**36,127**

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

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

SEK million	Sep 30, 2019		Dec 31, 2018	
	Assets	Liabilities	Assets	Liabilities
As of January 1	7	779	1	456
Business combinations	-	-	6	-
Changes in fair value, earn-out Kazakhstan	-	149	-	332
Payment earn-out Kazakhstan	-	-913	-	-
Other contingent considerations:				
– paid	-	-12	-	-12
– other changes	0	-2	-	3
As of the end of the period	**7**	**0**	**7**	**779**

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

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

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

NOTE 6 RELATED PARTIES

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

SEK million	Sep 30 2019	Dec 31 2018
Cash and cash equivalents in joint operations	49	60
Total	**49**	**60**

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

NOTE 7 CONTINGENT LIABILITIES

Total operations SEK million	Sep 30 2019	Dec 31 2018
Tax deduction exchange loss	349	-
Asset dismantling obligation, discontinued operation	–	159
Total contingent liabilities	**349**	**159**

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

NOTE 8 EQUITY, NUMBER OF SHARES AND INCENTIVE PROGRAMS

Number of shares

	Sep 30 2019	Dec 31 2018
Total number of shares	690,341,597	690,341,597
Number of treasury shares	-2,563,238	-3,338,529
Number of outstanding shares	**687,778,359**	**687,003,068**
Number of outstanding shares, weighted average	687,429,247	531,098,522
Number of shares after dilution	691,296,507	690,115,713
Number of shares after dilution, weighted average	690,582,085	534,505,915

As a result of share rights in the LTI 2016 being exercised during Q2 2019, Tele2 delivered 572,714 B-shares in treasury shares to the participants in the program. As a result of early vesting of the LTI 2016, LTI 2017 and LTI 2018 being exercised in the first nine months 2019, Tele2 delivered 202,577 B-shares in treasury shares to some of the participants in the program, see information below.

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

Outstanding share right programs

	Sep 30 2019	Dec 31 2018
LTI 2019	1,430,022	-
LTI 2018	1,245,363	1,482,420
LTI 2017	842,763	1,050,018
LTI 2016	–	801,040
Total outstanding share rights	**3,518,148**	**3,333,478**
– of which will be settled in cash	–	220,833

All outstanding long-term incentive programs (LTI 2017, LTI 2018 and LTI 2019) are based on the same structure, except for that LTI 2017 have a ROCE performance measure. Additional information regarding the objective, conditions and requirements related to the LTI programs is stated in Note 33 of the 2018 Annual Report. During the first nine months 2019, the total cost including social security costs for the long-term incentive programs (LTI) amounted to SEK 125 (46) million before tax, whereof items affecting comparability SEK 39 (-) million.

LTI 2016– 2018, reorganization as an effect of the Com Hem merger

As a result of the Com Hem merger and the following reorganization, an early vesting was performed for some of the participants in LTI 2016, 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 rights have been reduced proportionally with the remaining vesting period to the initial vesting period of three years. If the conditions were partly met, the number of share rights have also been reduced in proportion to the fulfillment level. The number of share rights exchanged in the first nine month of 2019 for shares in Tele2 amounts to 202,577 share rights at a weighted average share price of SEK 128.18.

LTI 2019

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

LTI 2016

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

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

Dividend

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

The Annual General Meeting held on May 6, 2019 resolved on a dividend of SEK 4.40 (4.00) per share in respect of the financial year 2018 to be paid in two equal tranches during 2019. This corresponds to a total of SEK 3 billion. The first dividend payment was distributed to the shareholders on May 13, 2019 amounting to SEK 1,513 (2,013) million, the second dividend payment was distributed to the shareholders on October 7, 2019.

NOTE 9 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Acquisitions				
Mobile payment, Lithuania	-5	-6	-9	-6
Altlorenscheuerhof , Luxembourg repayment capital	–	–	–	1
Total acquisition of shares and participations	**-5**	**-6**	**-9**	**-5**
Divestments				
Tele2 Kazakhstan	-1	-	2,343	-
Tele2 Netherlands	-0	-	2,355	-
Total sale of shares and participations	**-1**	**-**	**4,698**	**-**
TOTAL CASH FLOW EFFECT	**-6**	**-6**	**4,689**	**-5**

Acquisitions

T-Mobile, the Netherlands

The divestment of Tele2 Netherlands was closed on January 2, 2019, please refer to Note 11. As part of the divestment Tele2 acquired 25 percent of the shares in the new combined company T-Mobile Netherlands Holding BV. The fair value of the shares is estimated to SEK 6.9 billion. The transaction combines two mobile customer champions with complementary brands, technologies and customer bases. Based on current numbers the combined company has a revenue of around EUR 2 billion. Tele2's 25 percent of the share is reported as an associated company in the financial statements of Tele2.

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

Divestments

Please refer to Note 11 Discontinued operations.

NOTE 10 CHANGES IN ACCOUNTING PRINCIPLES

IFRS 16 Leases

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

Balance sheet

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

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

Change in lease liability due to adoption of IFRS 16

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

NOTE 11 DISCONTINUED OPERATIONS

Tele2 Croatia

On May 31, 2019 Tele2 announced the agreement to sell its Croatian business to United Group for an enterprise value of EUR 220 million (approximately SEK 2,360 million as per September 30, 2019). The transaction is subject to regulatory approval. Closing is expected before the end of 2019 and following the agreement Tele2 Croatia is reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods.

Tele2 Kazakhstan

On December 28, 2018 Tele2 announced that Tele2 has given notice to exercise the put option stipulated in the jointly owned company in Kazakhstan between Tele2 and Kazakhtelecom. The divestment of Tele2 Kazakhstan was closed on June 28, 2019. The Kazakhstan operation was sold for SEK 2.5 billion and the net proceeds to Tele2 after deducting cash and earn-out to Asianet, which was paid in July 2019, was SEK 1.4 billion. The capital gain in Q2 2019 amounted to SEK 1.6 billion, or SEK 2.3 billion excluding recycled exchange rate differences. The capital gain was affected negatively with SEK 0.7 billion related to reversal of exchange rate differences previously reported in other comprehensive income, as a result of the divestment reversed over the income statement but with no effect on total equity or cash flow. Tax attributable to exchange rate differences amounted to SEK 0.3 billion.

Tele2 Netherlands

On December 15, 2017 Tele2 announced that Tele2 and Deutsche Telekom have agreed to combine Tele2 Netherlands and T-Mobile Netherlands. The divestment of Tele2 Netherlands was closed on January 2, 2019. The Dutch operation was sold for SEK 1.9 billion and 25 percent share in the combined company. The capital gain in Q1 2019 amounted to SEK 24 million, including costs for central support system for the Dutch operation and other transaction costs. In addition, the capital gain and taxes was affected positively with SEK 57 and 47 million respectively related to reversal of exchange rate differences previously reported in other comprehensive income, as a result of the divestment reversed over the income statement but with no effect on total equity or cash flow.

Net assets at the time of divestment

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

SEK million	Netherlands Jan 2, 2019	Kazakhstan Jun 28, 2019	Total
Goodwill	1,015	132	1,147
Other intangible assets	1,293	224	1,517
Tangible assets	5,300	2,118	7,418
Right of use assets	–	649	649
Financial assets	712	8	720
Capitalized contract costs	177	–	177
Deferred tax assets	–	359	359
Inventories	156	23	179
Current receivables	2,085	506	2,591
Cash and cash equivalents	46	132	178
Non-current provisions	–233	–116	–349
Non-current interest-bearing liabilites	–	–703	–703
Non-current non-interest-bearing liabilities	–88	–2,008	–2,096
Current provisions	–	–8	–8
Current interest bearing liabilities	–	–167	–167
Current non-interest-bearing liabilities	–1,639	–852	–2,491
Non-controlling interest	–	–152	–152
Divested net assets	**8,824**	**146**	**8,970**
Capital gain, excluding sales costs	24	2,330	2,354
Sales price	**8,848**	**2,476**	**11,324**
Received shares in T-mobile, non-cash	–6,904	–	–6,904
Price adjustments, non-cash	458	–	458
Less: cash in divested operations	–47	–133	–180
TOTAL CASH FLOW EFFECT	**2,355**	**2,343**	**4,698**

Income statement

All discontinued operations are stated below. Tele2 Netherlands was divested on January 2, 2019 and Tele2 Kazakhstan on June 28, 2019. The divestment of Tele2 Croatia is expected to be closed before the end of 2019.

Discontinued operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Revenue	592	2,982	3,243	8,436
Cost of services provided and equipment sold	-324	-1,944	-1,871	-5,712
Gross profit	**267**	**1,038**	**1,373**	**2,724**
Selling expenses	-99	-652	-412	-1,834
Administrative expenses	-47	-327	-211	-966
Other operating income	0	2	6	15
Other operating expenses	-1	-6	-2	-28
Operating profit/loss	**122**	**55**	**753**	**-89**
Interest income	0	1	3	6
Interest expenses	-3	-11	-94	-34
Other financial items	-18	-155	-147	-279
Profit/loss after financial items	**101**	**-110**	**516**	**-395**
Income tax from the operation	-24	-39	-132	-93
Net profit/loss from the operation	**77**	**-149**	**384**	**-488**
Profit/loss on disposal of operation	-20	44	1,659	22
– of which Netherlands	-10	-8	61	-31
– of which Kazakhstan	-10	-	1,598	-
– of which Austria, sold 2017	-	-	-	1
– of which Russia, sold 2013	-	52	-	52
Income tax from capital gain	-	-	337	-
– of which Netherlands	-	-	47	-
– of which Kazakhstan	-	-	290	-
NET PROFIT/LOSS	**57**	**-105**	**2,380**	**-466**
Attributable to:				
Equity holders of the parent company	57	-129	2,250	-529
Non-controlling interests	1	24	130	62
NET PROFIT/LOSS	**57**	**-105**	**2,380**	**-466**
Earnings per share (SEK)	0.09	-0.26	3.28	-1.05
Earnings per share, after dilution (SEK)	0.08	-0.26	3.26	-1.05

Balance sheet

Assets held for sale as of September 30, 2019 refer to Tele2 Croatia and provisions for price adjustments and similar for the divestment of Tele2 Netherlands. As of December 31, 2018, assets held for sale refer to Tele2 Kazakhstan and Tele2 Netherlands.

Discontinued operations SEK million	Sep 30 2019	Dec 31 2018
ASSETS		
Goodwill	-	1,144
Other intangible assets	178	1,545
Intangible assets	**178**	**2,689**
Tangible assets	763	7,357
Right-of-use assets	482	-
Financial assets	109	721
Capitalized contract costs	39	177
Deferred tax assets	55	393
Non-current assets	**1,626**	**11,337**
Inventories	66	180
Current receivables	960	2,503
Current investments	3	-
Current assets	**1,029**	**2,684**
Assets classified as held for sale	**2,655**	**14,020**
LIABILITIES		
Interest-bearing liabilities	689	641
Non-interest-bearing liabilities	-	100
Non-current liabilities	**689**	**741**
Interest-bearing liabilities	505	813
Non-interest-bearing liabilities	528	2,434
Current liabilities	**1,033**	**3,247**
Liabilities directly associated with assets classified as held for sale	**1,722**	**3,988**

Cash flow statement

Discontinued operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Cash flow from operating activities	145	511	663	973
Cash flow from investing activities	-45	-331	4,428	-1,130
Cash flow from financing activities	-934	-18	876	-18
Net change in cash and cash equivalents	**-834**	**162**	**5,967**	**-175**

Non-IFRS measures

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

EBITDA

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

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

Underlying EBITDA and underlying EBITDA margin

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

Underlying EBITDA: EBITDA excluding items affecting comparability.

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

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

Underlying EBITDAaL

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

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

Underlying EBITDA excluding IFRS 16

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

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

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Operating profit	1,367	926	2,845	2,635
Reversal:				
Result from shares in joint ventures and associated companies	15	0	78	-13
Depreciation/amortization/impairment	1,327	501	4,301	1,486
EBITDA	**2,708**	**1,428**	**7,223**	**4,108**
Reversal, items affecting comparability:				
Acquisition costs	-15	44	71	204
Integration costs	87	111	469	150
Disposal of non-current assets	-0	19	3	34
Other items affecting comparability	3	15	64	15
Total items affecting comparability	**75**	**189**	**607**	**403**
Underlying EBITDA	**2,783**	**1,617**	**7,830**	**4,511**
Lease depreciation (according to IFRS 16)	-296	-	-866	-
Lease interest costs (according to IFRS 16)	-20	-	-59	-
Underlying EBITDAaL	**2,467**	**1,617**	**6,906**	**4,511**
Underlying EBITDA	2,783	1,617	7,830	4,511
Adjustment to report lease according to IAS 17	-299	-	-865	-
Underlying EBITDA excluding IFRS 16	**2,484**	**1,617**	**6,965**	**4,511**
Revenue	6,852	5,062	20,389	15,169
Revenue excluding items affecting comparability	**6,852**	**5,062**	**20,389**	**15,169**
Underlying EBITDA margin	**41%**	**32%**	**38%**	**30%**

Capex paid and capex

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

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

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

Non-IFRS measures – Capex

SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
TOTAL OPERATIONS				
Additions to intangible and tangible assets	-552	-763	-2,948	-2,297
Sale of intangible and tangible assets	1	4	6	23
Capex paid	**-551**	**-759**	**-2,942**	**-2,274**
This period's unpaid capex and reversal of paid capex from previous period	-3	48	872	214
Reversal received payment of sold intangible and tangible assets	-1	-4	-6	-23
Capex in intangible and tangible assets	**-554**	**-716**	**-2,076**	**-2,083**
Additions to right-of-use assets	-73	-	-924	-
Capex	**-627**	**-716**	**-3,000**	**-2,083**
CONTINUING OPERATIONS				
Additions to intangible and tangible assets	-509	-368	-2,680	-1,166
Sale of intangible and tangible assets	1	4	6	22
Capex paid	**-508**	**-364**	**-2,674**	**-1,144**
This period's unpaid capex and reversal of paid capex from previous period	3	-14	929	-15
Reversal received payment of sold intangible and tangible assets	-1	-4	-6	-22
Capex in intangible and tangible assets	**-506**	**-382**	**-1,750**	**-1,181**
Additions to right-of-use assets	-63	-	-754	-
Capex	**-568**	**-382**	**-2,504**	**-1,181**

Equity free cash flow

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

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

Non-IFRS measures – Cash flow

SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
TOTAL OPERATIONS				
Cash flow from operating activities	2,651	1,851	7,253	3,945
Capex paid	-551	-759	-2,942	-2,274
Amortization of lease liabilities	-277	1	-956	-0
Equity free cash flow (EFCF)	**1,823**	**1,092**	**3,355**	**1,670**
CONTINUING OPERATIONS				
Cash flow from operating activities	2,506	1,340	6,590	2,972
Capex paid	-508	-364	-2,674	-1,144
Amortization of lease liabilities	-248	1	-842	-0
Equity free cash flow (EFCF)	**1,750**	**977**	**3,074**	**1,827**

Operating cash flow

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

Operating cash flow: Underlying EBITDAaL less capex paid.

Continuing operations SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018
Underlying EBITDAaL	2,467	1,617	6,906	4,511
Capex paid	-508	-364	-2,674	-1,144
Operating cash flow (OCF)	**1,959**	**1,253**	**4,232**	**3,367**

Net debt and economic net debt

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

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

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

Non-IFRS measures – Debt

Total operations SEK million	Sep 30 2019	Dec 31 2018
Interest-bearing non-current liabilities	29,827	23,238
Interest-bearing current liabilities	2,939	6,763
Reversal equipment financing	-135	-
Reversal provisions	-2,560	-1,695
Cash & cash equivalents, current investments and restricted funds	-608	-406
Derivatives	-307	-33
Net debt for assets classified as held for sale	1,101	1,013
Net debt	**30,257**	**28,881**
Reversal:		
Lease liabilities	-5,857	-17
Liabilities to Kazakhtelecom	-	-30
Liabilities for earn-out obligation Kazakhstan	-	-764
Loan guaranteed by Kazakhtelecom	-	-221
Economic net debt	**24,400**	**27,849**

Organic

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

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

Reconciliation of proforma figures are presented in an excel document (Tele2-Q3-2019-financials) on Tele2's website www.tele2.com.


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