

# INTERIM REPORT THIRD QUARTER 2016

TELE2

# Mobile data monetization continues

## Q3 2016 HIGHLIGHTS

- Group mobile end-user service revenue up 6 percent
- Record mobile end-user service revenue in Sweden
- Netherlands mobile end-user service revenue up 15 percent
- Strong EBITDA contribution from Sweden, Baltics and Kazakhstan
- Net loss due to an impairment of goodwill in the Netherlands
- 2016 financial guidance is unchanged (see p.5)

## Net sales Q3 2016

# 6,961

SEK million

## EBITDA Q3 2016

# 1,562

SEK million

## Key Financial Data

SEK million	Q3			YTD		
	2016	2015	%	2016	2015	%
Net sales	6,961	6,791	3	20,075	19,913	1
Net sales, like for like <sup>1)</sup>	6,963	6,909	1	20,218	20,015	1
Mobile end-user service revenue	3,641	3,422	6	10,159	9,930	2
Mobile end-user service revenue, like for like <sup>1)</sup>	3,643	3,444	6	10,269	9,877	4
EBITDA	1,562	1,599	-2	3,875	4,420	-12
EBITDA, like for like <sup>1)</sup>	1,562	1,580	-1	3,881	4,387	-12
EBIT	-1,811	788	-330	-1,465	2,083	-170
EBIT excluding one-off items (Note 3)	739	908	-19	1,545	2,288	-32
Net profit/loss	-2,266	397	-671	-1,987	1,223	-262
Earnings per share, after dilution (SEK)	-4.86	0.88	-652	-3.95	2.72	-245

The figures presented in this report refer to Q3 2016 and continuing operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2015.

<sup>1)</sup> Like for like (LFL) is a non-IFRS measurement calculated at constant currency and pro forma for Altel, which means that numbers before the acquisition on February 29 are included in comparative periods.

## SIGNIFICANT EVENTS AFTER THE QUARTER:

- Subject to approval by the Extraordinary general meeting, the Board of Directors of Tele2 has decided on an approximately SEK 3 billion rights issue supported by the main shareholder
- EU regulatory clearance of TDC acquisition

# CEO word, Q3 2016

The third quarter has shown a strong underlying financial performance. Profitability in the quarter has been positively impacted by strong mobile end-user service revenue as a result of our relentless focus on data monetization, seasonality and to a certain extent, lower than usual marketing spend, which will be caught up later in the year. As Value Champions we have been well positioned to capture the big appetite for data during the summer despite the new roaming regulation. Sweden has continued to leverage on the dual brand strategy and has delivered a record mobile end-user service revenue. The Baltics have continued to grow mobile end-user service revenue with sustained margins. In the Netherlands, our Fun Rebel positioning and continued focus on attracting high value customers have resulted in a double digit growth of mobile end-user service revenue, whilst our fixed business has continued to decline despite increased investments.

Group mobile end-user service revenue, on a like for like basis, increased by 6 percent year on year. Our business excluding Netherlands delivered strong EBITDA development, which has offset the Dutch mobile investments this quarter.

The Swedish business has seen an increasing demand for data, both home and abroad, which has stimulated net intake and sales of bigger buckets. Consumer mobile postpaid grew 7 percent, driven by Comviq market share development and Tele2 residential ASPU progress with B2B Large Enterprise showing continued momentum. EBITDA in the quarter was seasonally strong and increased thanks to our relentless focus on data monetization, positive impact from a strong roaming summer and realized efficiencies from Challenger initiatives. During the quarter, we have made progress on a number of fronts to enhance our Value Champion position. Specifically, we have increased our geographical 2G and 4G coverage to 88 percent and are well on track to reach our 90 percent target by the end of this year, ensuring that our customers have an excellent network quality experience wherever they are. In October we launched our new Tele2 branding campaign with the slogan "Be content with more", with a more attractive offering on our largest bucket and additional data SIMs for carefree surfing on all of your devices.

The Baltic region has delivered a strong financial performance and mobile end-user service revenue growth of 7 percent. The increased smartphone penetration and our 4G coverage which is now at 99 percent continues to drive data consumption and steer customers towards higher value tariffs. During the quarter we expanded our partnership with MTG by launching the video streaming service Viaplay, thus increasing the demand for data further. EBITDA margin remained stable for the region at 32 percent, partly impacted by the new roaming regulation.

In the Netherlands, mobile momentum continues with solid net intake, and increasing sales of larger buckets fuelled by our excellent brand positioning and our competitive offerings resulting in double digit mobile end-user service revenue growth. EBITDA was as expected impacted by continued investments in our mobile business, however to some extent, offset by lower levels of marketing spend during the summer. We continued to build up our Fun Rebel brand platform with an innovative off- and online roaming campaign with considerable viral spread. During the quarter customer satisfaction and data usage on our own network significantly improved and we have now reached outdoor population coverage of above 98 percent and indoor coverage of around 83 percent. We continued to successfully roll out VoLTE on a larger scale and have now opened our 13th retail store, contributing to an increasing share of direct sales and valuable brand presence.

**"I am pleased with the underlying momentum and progress made in the quarter with excellent mobile contribution in all our major markets"**



Integration of the JV in Kazakhstan has progressed well in the quarter. Mobile end-user service revenue grew strongly by 20 percent, like for like, as a result of an increased customer base. Removal of unlimited plans and new pricing in the previous quarter has however resulted in some decline in customer net intake. EBITDA contribution was strong and increased by over 200 percent on a like for like basis, due to improved operating leverage and synergies from the JV integration. The Challenger program is delivering in line with expectations towards the target of SEK 1bn by 2018. To date, we have achieved a run rate of SEK 415 million in savings across the Group mainly coming from customer service, relocation of resources to India and our consolidation and transformation of Network & IT into Shared Operations. The savings are however offset by investments, mainly within Network and Marketing and Sales, in the Netherlands and in Kazakhstan, as well as declining revenues within our fixed business.

As part of our annual financial review cycle, we assess the future cash generation of our various business units. As a result of this analysis, we have recognized an impairment of SEK 2.5bn related to our business in the Netherlands, resulting in a net loss for the Group.

Looking forward into the fourth quarter, I am delighted that we have received clearance on our acquisition of TDC by the European Commission which will allow us to work towards closing by end of October. In conjunction with our announcement of the TDC acquisition we also communicated our intention to raise equity through a Rights Issue of approximately SEK 3bn, which will be subject to approval at an Extraordinary General Meeting to be held later this month.

To conclude, I am pleased with the underlying momentum and progress made in the quarter with excellent mobile contribution in all our major markets. Our Value Champion strategy, combined with a relentless focus on offering the best wireless technologies with a challenger cost structure, will lead us to sustainable value creation for our customers, employees and our shareholders.

Allison Kirkby,  
President and CEO

# Financial Overview

Tele2's financial performance is driven by a consistent focus on developing mobile services on own infrastructure, complemented in certain countries by fixed broadband services and business to business offerings. In addition to investing in mobile, the Group will concentrate on maximizing the return from fixed-line services.

**Net customer intake** amounted to 168,000 (249,000) customers in Q3 2016. The customer net intake in mobile services amounted to 197,000 (333,000), mainly driven by Sweden, Netherlands, Croatia and Lithuania. The fixed broadband customer base decreased by -2,000 (-13,000) in Q3 2016, with a decline in Sweden, Austria and Germany. As expected, the number of fixed telephony customers fell in Q3 2016 by -27,000 (-71,000). On September 30, 2016, the total customer base amounted to 16,549,000 (14,590,000).

**Net sales** in Q3 2016 amounted to SEK 6,961 (6,791) million. The positive development was driven by strong growth in mobile end-user service revenue in Sweden, the Netherlands, Kazakhstan and the Baltics.

**EBITDA** in Q3 2016 amounted to SEK 1,562 (1,599) million, which is equivalent to an EBITDA margin of 22 (24) percent. EBITDA was primarily impacted negatively by costs associated with the commercial push in the Netherlands following the 4G LTE network launch, partly offset by a positive development in Sweden, the Baltics, Kazakhstan and Germany.

**EBIT** in Q3 2016 amounted to SEK 739 (908) million excluding one-off items and SEK -1,811 (788) million including one-off items. EBIT was negatively affected by one-off items totalling SEK -2,550 (-120) million, mainly attributable to an impairment of goodwill of SEK -2,456 million in the Netherlands (Note 3).

**Profit/loss before tax** in Q3 2016 amounted to SEK -1,901 (646) million.

**Net profit/loss** in Q3 2016 amounted to SEK -2,266 (397) million. Reported tax for Q3 2016 amounted to SEK -365 (-249) million. Tax payment affecting cash flow amounted to SEK -114 (-68) million during the quarter. Deferred tax assets amounted to SEK 1.8 billion at the end of the quarter. Net profit/loss in discontinued operations was negatively affected by SEK 93 million related to a provision for Russian tax disputes (Note 11).

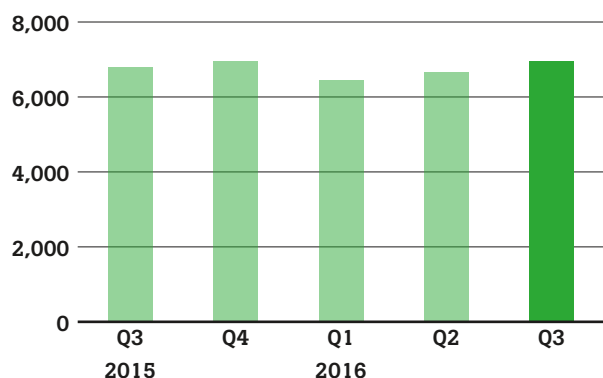
**Free cash flow** in Q3 2016 amounted to SEK 838 (169) million, mainly affected by a positive change in working capital of SEK 451 (-255) million primarily related to Sweden and the external handset financing arrangement of SEK 361 million.

**CAPEX** in Q3 2016 amounted to SEK 779 (932) million, driven principally by investments in the Netherlands, Sweden and Kazakhstan.

**Net debt** amounted to SEK 11,013 (9,878) million and economic net debt amounted to SEK 10,985 (9,878) million on September 30, 2016 and December 31, 2015 respectively, or 2.13 times 12-month rolling EBITDA. During the quarter, Tele2 completed the issuance of two bonds; one bond of SEK 1 billion with a maturity of 5.5 years, and one bond of SEK 500 million with a maturity of 6 years (see note 4 for further details). Tele2's available liquidity amounted to SEK 10,196 (7,890) million.

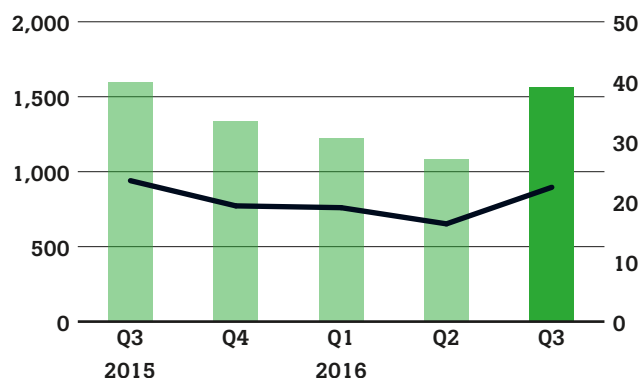
## Net sales

SEK million



## EBITDA/EBITDA margin

SEK million/Percent

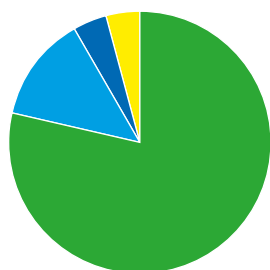


## FINANCIAL SUMMARY

SEK million	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
<b>Mobile</b>					
Net customer intake (thousands)	197	333	436	1,214	1,126
Net sales	5,489	5,208	15,658	15,043	20,446
EBITDA	1,226	1,222	2,897	3,275	4,247
EBIT <sup>1)</sup>	632	728	1,231	1,787	2,241
CAPEX	582	722	1,886	2,160	3,024
<b>Fixed broadband</b>					
Net customer intake (thousands)	-2	-13	-13	-46	-57
Net sales	933	979	2,801	2,996	3,956
EBITDA	178	201	518	613	788
EBIT <sup>1)</sup>	-11	37	-18	93	102
CAPEX	94	92	512	414	636
<b>Fixed telephony</b>					
Net customer intake (thousands)	-27	-71	-99	-144	-199
Net sales	255	312	792	985	1,281
EBITDA	94	100	273	313	432
EBIT <sup>1)</sup>	86	87	236	268	374
CAPEX	7	7	22	26	35
<b>Total</b>					
Net customer intake (thousands)	168	249	324	1,024	870
Net sales	6,961	6,791	20,075	19,913	26,856
EBITDA	1,562	1,599	3,875	4,420	5,757
EBIT <sup>1)</sup>	739	908	1,545	2,288	2,890
EBIT	-1,811	788	-1,465	2,083	2,447
CAPEX	779	932	2,753	3,004	4,227
EBT	-1,901	646	-1,281	1,784	2,012
Net profit/loss	-2,266	397	-1,987	1,223	1,268
Cash flow from operating activities	1,734	1,114	3,680	2,747	3,529
Free cash flow	838	169	823	-195	-486

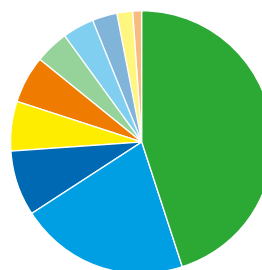
<sup>1)</sup> Excluding one-off items (Note 3)

**Net sales per service area, Q3 2016**



Mobile	79%	Fixed telephony	4%
Fixed broadband	13%	Other	4%

**Net sales per country, Q3 2016**



Sweden	45%	Austria	4%
Netherlands	21%	Latvia	4%
Kazakhstan	8%	Estonia	3%
Croatia	6%	Germany	2%
Lithuania	6%	Other	1%

# Financial guidance

Tele2 AB gives the following guidance for 2016 for continuing operations (excluding the TDC acquisition) in constant currency which is unchanged from previous quarter:

- Mobile end-user service revenue growth of mid-single digits
- Net sales of between SEK 26 and 27 billion
- EBITDA of between SEK 4.6 and 5.0 billion
- CAPEX level of between SEK 3.7 and 4.1 billion

## **The Challenger Program**

A group-wide program focused on increasing productivity was launched at the end of 2014. The program will build over 3 years and is expected to reap full benefits of SEK 1 billion per annum starting in 2018. The investment required will be SEK 1 billion, phased over 3 years. All program investments are, and will be, reported as one-off items, affecting EBIT. For more details, see Note 3.

## **Dividend Policy for Fiscal year 2016 to be paid in May 2017**

The Company remains committed to its 3 year progressive dividend policy which, as usual, is subject to shareholder approval at its AGM.

For clarification, Tele2 intends to deliver an absolute dividend pay-out which is 10 percent higher than the prior year dividend of SEK 2,389 million. This reflects the timing of the Rights Issue as occurring at the very end of 2016.

Financial year 2016 marks the final year of the current 3-year progressive dividend policy and we will update guidance on future dividend policy as customary at our Q4 results announcement in January 2017.

Authorization to pay extraordinary dividends will be sought when the company has excess capital.

Pursuant to the approval received at the 2016 AGM, Tele2 has the authorization to repurchase up to 10 percent of its share capital.

## **Balance sheet**

Tele2 believes the financial leverage should reflect the status of its operations, future strategic opportunities and obligations. It should also be in line with both the industry and the markets in which it operates. This would imply a target economic net debt to EBITDA ratio of 1.5-2.0x over the medium term. As communicated, Tele2 will be above this range during the period of investments in the Netherlands.

# Overview by country

## Constant currency basis

### Net sales

SEK million	2016 Q3	2015 Q3	Growth	2016 YTD	2015 YTD	Growth
Sweden	3,095	3,100	0%	9,166	9,331	-2%
Netherlands	1,478	1,453	2%	4,371	4,232	3%
Kazakhstan	573	305	88%	1,450	772	88%
Croatia	405	384	5%	1,090	1,022	7%
Lithuania	435	415	5%	1,203	1,117	8%
Latvia	268	250	7%	733	694	6%
Estonia	181	174	4%	505	507	0%
Austria	287	305	-6%	854	899	-5%
Germany	174	207	-16%	533	638	-16%
Other	65	38	71%	170	112	52%
<b>Total, constant FX</b>	<b>6,961</b>	<b>6,631</b>	<b>5%</b>	<b>20,075</b>	<b>19,324</b>	<b>4%</b>
FX effects		160	-2%		589	-3%
<b>Total</b>	<b>6,961</b>	<b>6,791</b>	<b>3%</b>	<b>20,075</b>	<b>19,913</b>	<b>1%</b>

### EBITDA

SEK million	2016 Q3	2015 Q3	Growth	2016 YTD	2015 YTD	Growth
Sweden	1,068	1,014	5%	2,808	2,898	-3%
Netherlands	-2	124	-102%	-149	410	-136%
Kazakhstan	79	29	172%	129	33	291%
Croatia	49	54	-9%	80	110	-27%
Lithuania	152	144	6%	440	400	10%
Latvia	90	79	14%	230	217	6%
Estonia	45	41	10%	119	115	3%
Austria	45	62	-27%	133	154	-14%
Germany	80	48	67%	214	105	104%
Other	-44	-12	-267%	-129	-48	-169%
<b>Total, constant FX</b>	<b>1,562</b>	<b>1,583</b>	<b>-1%</b>	<b>3,875</b>	<b>4,394</b>	<b>-12%</b>
FX effects		16	-1%		26	0%
<b>Total</b>	<b>1,562</b>	<b>1,599</b>	<b>-2%</b>	<b>3,875</b>	<b>4,420</b>	<b>-12%</b>

### Sweden

Total net sales in Q3 2016 was SEK 3,095 (3,100) million and EBITDA amounted to SEK 1,068 (1,014) million.

Mobile end-user service revenue grew 2 percent, driven by strong growth in the Consumer postpaid segment and B2B Large Enterprise.

In the quarter, Tele2 reached 88 percent 2G and 4G mobile network coverage in the pursuit to reach 90 percent coverage by the end of this year and by that securing our customers an excellent network quality experience wherever they are. Customer satisfaction in customer service continues to be a world class benchmark with a CSAT (Customer Satisfaction) at 85 percent.

**Mobile** In Q3 2016, customer net intake was 36,000 (84,000), mainly driven by Comviq postpaid. Net sales amounted to SEK 2,783 (2,764) million. Mobile end-user service revenue was slightly positive, up 2 percent as a result of continued growth in Consumer postpaid and B2B Large Enterprise. Tele2 continues to build momentum in the Tele2 brand with end-user service revenue growth driven by data monetization. EBITDA increased by 6 percent and amounted to SEK 992 (938) million as a result of higher revenues, in addition to slightly lower marketing spend and lower customer service costs, as Challenger initiatives start to be realised.

**Fixed broadband** Customer net intake amounted to -2,000 (-2,000) customers. Net sales decreased 2 percent and amounted to SEK 168 (172) million. EBITDA contribution amounted to SEK 34 (28) million.

**Fixed telephony** Tele2 saw a continued decrease in demand for fixed telephony as a consequence of the ongoing shift to mobile telephony. The EBITDA in the quarter amounted to SEK 24 (34) million.

### Netherlands

Total net sales in Q3 2016 was SEK 1,478 (1,440) million and EBITDA amounted to SEK -2 (122) million. EBITDA was positively affected by SEK 19 million related to a resolved dispute.

Mobile end-user service revenue grew as a result of an increased number of customers in the base, both in Consumer and B2B.

By expanding the retail footprint to 13 own stores by the end of the quarter and building effective online campaigns, Tele2 was able to increase its share of direct sales.

During the summer, Tele2 launched an innovative and successful roaming campaign with significant viral spread thus further establishing a stronger brand awareness and building consideration.

Tele2 continued to expand its LTE Advanced 4G network, which has now reached 98 percent outdoor population coverage and indoor population coverage of 83 percent. Focus on implementing an effortless customer experience is generating results as we see a significant improvement in customer satisfaction since beginning of the year.

In the quarter, an impairment of goodwill of SEK 2,456 million was recognized as a result of a reassessment of future cash flow generation.

**Mobile** Customer net intake in the quarter amounted to 59,000 (0) customers. Net sales grew 15 percent as a result of higher handset sales and an increasing high value customer base, and amounted to SEK 738 (643) million. Mobile end-user service revenue grew 15 percent and amounted to SEK 419 (364) million. EBITDA, as expected, decreased as a result of the costs associated with mobile growth and further network rollout, and amounted to SEK -179 (-83) million.

**Fixed broadband** Customer net intake amounted to 4,000 (-7,000) customers. EBITDA amounted to SEK 98 (128) million.

### Kazakhstan

**Mobile:** On a like for like basis: Customer net intake in the quarter was -18,000 (290,000) customers. Net sales declined by 1 percent and amounted to SEK 575 (583) million due to exceptionally strong campaign driven handset sales in the third quarter last year. Mobile end-user service revenue grew 20 percent as a result of increased number of customers, and amounted to SEK 428 (358) million. EBITDA amounted to SEK 79 (26) million, due to improved operating leverage and efficiency synergies from the integration of the JV.

Integration of the JV has progressed well during the quarter and more than 80 percent of the plan has been completed since closing. During the quarter, Tele2 made additional changes in pricing, applicable to existing customers.

### **Croatia**

**Mobile** Customer net intake amounted to 70,000 (67,000) customers, with a continued shift from pre to postpaid customers driven by the recently launched new postpaid tariffs. Net sales increased by 7 percent and amounted to SEK 405 (377) million, mainly due to higher equipment sales. Mobile end-user service revenue increased by 3 percent to SEK 231 (225) million. EBITDA in the quarter was SEK 49 (54) million, negatively affected by higher spectrum fees.

### **Lithuania**

**Mobile** Customer net intake in the quarter was 38,000 (16,000) customers, with strong intake in both postpaid and prepaid. Net sales amounted to SEK 435 (412) million. Mobile end-user service revenues grew 9 percent to SEK 251 (230) million due to the continued customer shift from pre to postpaid customers and sales of higher value buckets. EBITDA grew 6 percent and amounted to SEK 152 (143) million with a maintained EBITDA margin at 35 (35) percent. The financial performance has been slightly impacted by the new roaming regulation.

During the quarter, Tele2 expanded the partnership with MTG and launched the Viaplay video streaming service in the Baltics.

### **Latvia**

**Mobile** Net customer intake in the quarter was 21,000 (11,000) customers, with strong intake in prepaid. Net sales grew 9 percent compared to the same period last year, and amounted to SEK 268 (247) million driven by strong demand for mobile data, shifting sales towards higher data plans, and handset sales. Mobile end-user service revenue grew 4 percent and amounted to SEK 158 (152) million, slightly impacted by the new roaming regulation. EBITDA grew 14 percent and amounted to SEK 90 (79) million, which corresponds to a margin of 34 (32) percent. The financial performance has been slightly impacted by the new roaming regulation.

Tele2 Latvia continued the LTE roll-out, with the aim to reach 98 percent geographical coverage by the end of the year.

### **Estonia**

**Mobile** Net customer intake in the quarter was 3,000 (2,000) customers. Net sales amounted to SEK 170 (159) million. Mobile end-user service revenue increased by 6 percent and amounted to SEK 112 (106) million, driven by a change in the customer mix from pre to postpaid and a continued strong demand for data services. EBITDA amounted to SEK 41 (37) million. The financial performance has been slightly impacted by the new roaming regulation.

In August Tele2 hosted a 5G demo event for media in cooperation with Nokia. Tele2 and Nokia were the first in Estonia to showcase 5G equipment live.

### **Austria**

Net customer intake in the quarter amounted to -3,000 (-5,000) customers, with a continued decline in residential fixed and a positive development within mobile B2B. Net sales amounted to SEK 287 (302) million. EBITDA amounted to SEK 45 (61) million, as a result of decline in revenues from the fixed business. Tele2 continued to increase the provision of mobile services in the B2B segment through new intake from both existing as well as new customers.

### **Germany**

Net customer intake continued to decline in line with expectations, and net sales amounted to SEK 174 (205) million. With a continuous focus on profitability and cash contribution EBITDA increased compared to the same quarter last year and amounted to SEK 80 (47) million including a positive impact from an out-of-court settlement amounting to SEK 16 million. EBITDA margin was 46 (23) percent.



# 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 the availability of frequencies and telecom licenses, new technology and integration of new business models, large scale cyber-attacks, data protection, operations in Kazakhstan, strategic change management, mobile network & service delivery interruptions, dependency on suppliers and business partners, Sweden dependency, geopolitical risks, and financial risks such as currency risk, interest risk, liquidity risk and credit risk. Please refer to Tele2's annual report for 2015 (Directors' report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

## Company disclosure

### Tele2 AB (publ) Extraordinary General Meeting 2016

The Board of Directors of Tele2 AB has on October 3, 2016, resolved on the rights issue ("Rights Issue") of approximately SEK 3 billion with preferential rights for existing shareholders, subject to the approval by an Extraordinary General Meeting, previously communicated in conjunction with the announcement of the acquisition of TDC Sweden.

Shareholders who wish to attend the Extraordinary General Meeting shall

- be entered in the share register maintained by Euroclear Sweden AB on Friday October 21, 2016, and
- give notice of their attendance no later than Friday October 21, 2016. Notice to attend is to be made on the company's website at [www.tele2.com](http://www.tele2.com), by telephone to +46 (0) 771 246 400 or by mail to Computershare AB "EGM Tele2", P.O. Box 610, SE-182 16 Danderyd, Sweden.

## Nomination committee for the 2017 Annual General Meeting

In accordance with the resolution of the 2016 Annual General Meeting, Mike Parton, Chairman of the Board of Directors, has convened a Nomination Committee consisting of members appointed by the largest shareholders in terms of voting interest in Tele2 AB (publ) ("Tele2").

The Nomination Committee comprises Mike Parton as Chairman of the Board of Directors; Cristina Stenbeck appointed by Kinnevik AB; John Hernander appointed by Nordea Funds; Ossian Ekdahl appointed by Första AP-fonden; and Martin Wallin appointed by Lannebo Fonder.

The four shareholder representatives on the Nomination Committee have been appointed by shareholders that jointly represent approximately 56 percent of the total votes in Tele2. The members of the Nomination Committee will appoint a Committee Chairman at their first meeting.

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

## Other

Tele2 will release its financial and operating results for the period ending December 31, 2016 on January 26, 2017.

The Board of Directors and CEO declare that the nine-month 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 20, 2016  
Tele2 AB

Mike Parton,  
*Chairman*

Georgi Ganev

Cynthia Gordon

Sofia Arhall  
Bergendorff

Irina Hemmers

Carla Smits-Nusteling

Lorenzo Grabau

Eamonn O'Hare

Allison Kirkby  
*President and CEO*

# Auditors' review report

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

Stockholm, October 20, 2016  
Tele2 AB  
Allison Kirkby  
President and CEO

## Q3 2016 PRESENTATION

Tele2 will host a presentation with the possibility to join through a conference call, for the global financial community at 10:00 am CEST (09:00 am BST/04:00 am EDT) on Thursday, October 20, 2016. The presentation will be held in English and also made available as a webcast on Tele2's website: [www.tele2.com](http://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.

Ask for Tele2 Q3 Interim Report 2016.

### Dial-in numbers

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**VISIT OUR WEBSITE: [www.tele2.com](http://www.tele2.com)**

## APPENDICES

Income statement

Comprehensive income

Balance sheet

Cash flow statement

Change in equity

Numbers of customers

Net sales

Mobile external net sales split

EBITDA

EBIT

CAPEX

Five-year summary

Parent company

Notes

### **TELE2 IS ONE OF EUROPE'S FASTEST GROWING TELECOM OPERATORS, ALWAYS PROVIDING CUSTOMERS WITH WHAT THEY NEED FOR LESS.**

We have 17 million customers in 9 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, content services and global IoT solutions. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2015, we had net sales of SEK 27 billion and reported an operating profit (EBITDA) of SEK 5.8 billion. For definitions of measures, please see the last page of the Annual report 2015.

# Income statement

SEK million	Note	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year	2016 Q3	2015 Q3
<b>CONTINUING OPERATIONS</b>						
Net sales	2	20,075	19,913	26,856	6,961	6,791
Cost of services provided	3	-15,354	-12,098	-16,653	-6,745	-4,288
<b>Gross profit</b>		<b>4,721</b>	<b>7,815</b>	<b>10,203</b>	<b>216</b>	<b>2,503</b>
Selling expenses	3	-4,081	-3,786	-5,094	-1,305	-1,226
Administrative expenses	3	-2,161	-2,179	-2,917	-745	-640
Result from shares in joint ventures and associated companies		1	-5	-5	-	-
Other operating income		105	337	401	41	176
Other operating expenses	3	-50	-99	-141	-18	-25
<b>Operating profit/loss, EBIT</b>		<b>-1,465</b>	<b>2,083</b>	<b>2,447</b>	<b>-1,811</b>	<b>788</b>
Interest income/expenses	4	-227	-275	-376	-85	-89
Other financial items	5	411	-24	-59	-5	-53
<b>Profit/loss after financial items, EBT</b>		<b>-1,281</b>	<b>1,784</b>	<b>2,012</b>	<b>-1,901</b>	<b>646</b>
Income tax	6	-706	-561	-744	-365	-249
<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS</b>		<b>-1,987</b>	<b>1,223</b>	<b>1,268</b>	<b>-2,266</b>	<b>397</b>
<b>DISCONTINUED OPERATIONS</b>						
Net profit/loss from discontinued operations	11	-93	1,718	1,718	-93	-
<b>NET PROFIT/LOSS</b>		<b>-2,080</b>	<b>2,941</b>	<b>2,986</b>	<b>-2,359</b>	<b>397</b>
ATTRIBUTABLE TO						
Equity holders of the parent company		-1,857	2,941	2,986	-2,264	397
Non-controlling interests	11	-223	-	-	-95	-
<b>NET PROFIT/LOSS</b>		<b>-2,080</b>	<b>2,941</b>	<b>2,986</b>	<b>-2,359</b>	<b>397</b>
Earnings per share (SEK)	10	-4.16	6.59	6.69	-5.07	0.88
Earnings per share, after dilution (SEK)	10	-4.16	6.55	6.65	-5.07	0.88
<b>FROM CONTINUING OPERATIONS</b>						
ATTRIBUTABLE TO						
Equity holders of the parent company		-1,764	1,223	1,268	-2,171	397
Non-controlling interests		-223	-	-	-95	-
<b>NET PROFIT/LOSS</b>		<b>-1,987</b>	<b>1,223</b>	<b>1,268</b>	<b>-2,266</b>	<b>397</b>
Earnings per share (SEK)	10	-3.95	2.74	2.84	-4.86	0.88
Earnings per share, after dilution (SEK)	10	-3.95	2.72	2.82	-4.86	0.88

# Comprehensive income

SEK million	Note	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year	2016 Q3	2015 Q3
<b>NET PROFIT/LOSS</b>		<b>-2,080</b>	<b>2,941</b>	<b>2,986</b>	<b>-2,359</b>	<b>397</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT/LOSS						
Pensions, actuarial gains/losses		-103	7	38	-79	-33
Pensions, actuarial gains/losses, tax effect		22	-1	-9	16	8
<b>Components not to be reclassified to net profit/loss</b>		<b>-81</b>	<b>6</b>	<b>29</b>	<b>-63</b>	<b>-25</b>
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT/LOSS						
<b>Exchange rate differences</b>						
Translation differences in foreign operations	5	1,028	-610	-1,420	416	-207
Tax effect on above		-86	48	305	-38	134
Reversed cumulative translation differences from divested companies	11	-	18	19	-	-
<i>Translation differences</i>		<i>942</i>	<i>-544</i>	<i>-1,096</i>	<i>378</i>	<i>-73</i>
Hedge of net investments in foreign operations		-171	-145	-49	-72	-67
Tax effect on above		38	32	11	16	15
Reversed cumulative hedge from divested companies	11	-	-107	-107	-	-
<i>Hedge of net investments</i>		<i>-133</i>	<i>-220</i>	<i>-145</i>	<i>-56</i>	<i>-52</i>
<b>Exchange rate differences</b>		<b>809</b>	<b>-764</b>	<b>-1,241</b>	<b>322</b>	<b>-125</b>
<b>Cash flow hedges</b>						
Loss arising on changes in fair value of hedging instruments		-113	-40	-40	-19	-19
Reclassified cumulative loss to income statement		50	61	83	18	22
Tax effect on cash flow hedges		14	-5	-10	-	-1
<b>Cash flow hedges</b>		<b>-49</b>	<b>16</b>	<b>33</b>	<b>-1</b>	<b>2</b>
<b>Components that may be reclassified to net profit/loss</b>		<b>760</b>	<b>-748</b>	<b>-1,208</b>	<b>321</b>	<b>-123</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>679</b>	<b>-742</b>	<b>-1,179</b>	<b>258</b>	<b>-148</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>-1,401</b>	<b>2,199</b>	<b>1,807</b>	<b>-2,101</b>	<b>249</b>
ATTRIBUTABLE TO						
Equity holders of the parent company		-1,178	2,199	1,807	-2,002	249
Non-controlling interests	11	-223	-	-	-99	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>-1,401</b>	<b>2,199</b>	<b>1,807</b>	<b>-2,101</b>	<b>249</b>

# Balance sheet

SEK million	Note	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Goodwill	3	6,217	8,998	8,661
Other intangible assets		4,734	4,570	4,437
<b>Intangible assets</b>		<b>10,951</b>	<b>13,568</b>	<b>13,098</b>
Tangible assets		13,358	11,577	11,592
Financial assets	4	1,068	1,524	1,463
Deferred tax assets	6	1,842	1,976	1,964
<b>NON-CURRENT ASSETS</b>		<b>27,219</b>	<b>28,645</b>	<b>28,117</b>
<b>CURRENT ASSETS</b>				
Inventories		578	500	692
Current receivables		7,381	6,425	7,201
Current investments		21	37	32
Cash and cash equivalents	7	1,172	204	107
<b>CURRENT ASSETS</b>		<b>9,152</b>	<b>7,166</b>	<b>8,032</b>
<b>ASSETS</b>		<b>36,371</b>	<b>35,811</b>	<b>36,149</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Attributable to equity holders of the parent company		15,503	18,285	17,901
Non-controlling interests		-195	-	-
<b>EQUITY</b>	10	<b>15,308</b>	<b>18,285</b>	<b>17,901</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing liabilities	4	7,758	5,312	5,619
Non-interest-bearing liabilities	6	743	591	697
<b>NON-CURRENT LIABILITIES</b>		<b>8,501</b>	<b>5,903</b>	<b>6,316</b>
<b>CURRENT LIABILITIES</b>				
Interest-bearing liabilities	4	5,749	5,638	5,372
Non-interest-bearing liabilities		6,813	5,985	6,560
<b>CURRENT LIABILITIES</b>		<b>12,562</b>	<b>11,623</b>	<b>11,932</b>
<b>EQUITY AND LIABILITIES</b>		<b>36,371</b>	<b>35,811</b>	<b>36,149</b>

# Cash flow statement

(Total operations)

SEK million	Note	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<b>OPERATING ACTIVITIES</b>										
Operating profit/loss from continuing operations		-1,465	2,083	2,447	-1,811	191	155	364	788	593
Operating profit/loss from discontinued operations		-93	1,702	1,702	-93	-	-	-	-	1
<b>Operating profit/loss</b>		<b>-1,558</b>	<b>3,785</b>	<b>4,149</b>	<b>-1,904</b>	<b>191</b>	<b>155</b>	<b>364</b>	<b>788</b>	<b>594</b>
Adjustments for non-cash items in operating profit	3	5,228	535	1,271	3,381	814	1,033	736	778	734
Financial items paid/received	5	-185	-408	-470	-80	-59	-46	-62	-129	-76
Taxes paid		-317	-287	-349	-114	-136	-67	-62	-68	-104
<b>Cash flow from operations before changes in working capital</b>		<b>3,168</b>	<b>3,625</b>	<b>4,601</b>	<b>1,283</b>	<b>810</b>	<b>1,075</b>	<b>976</b>	<b>1,369</b>	<b>1,148</b>
Changes in working capital		512	-878	-1,072	451	183	-122	-194	-255	-404
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>3,680</b>	<b>2,747</b>	<b>3,529</b>	<b>1,734</b>	<b>993</b>	<b>953</b>	<b>782</b>	<b>1,114</b>	<b>744</b>
<b>INVESTING ACTIVITIES</b>										
CAPEX paid	8	-2,857	-2,942	-4,015	-896	-854	-1,107	-1,073	-945	-1,012
<b>Free cash flow</b>		<b>823</b>	<b>-195</b>	<b>-486</b>	<b>838</b>	<b>139</b>	<b>-154</b>	<b>-291</b>	<b>169</b>	<b>-268</b>
Acquisition and sale of shares and participations	11	34	4,893	4,893	-10	5	39	-	7	-5
Other financial assets		12	1	-28	11	1	-	-29	-	1
<b>Cash flow from investing activities</b>		<b>-2,811</b>	<b>1,952</b>	<b>850</b>	<b>-895</b>	<b>-848</b>	<b>-1,068</b>	<b>-1,102</b>	<b>-938</b>	<b>-1,016</b>
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>		<b>869</b>	<b>4,699</b>	<b>4,379</b>	<b>839</b>	<b>145</b>	<b>-115</b>	<b>-320</b>	<b>176</b>	<b>-272</b>
<b>FINANCING ACTIVITIES</b>										
Change of loans, net	4	2,667	2,048	2,276	170	2,202	295	228	-257	4,303
Dividends	10	-2,389	-6,626	-6,626	-	-2,389	-	-	-	-6,626
Acquisition of non-controlling interests	10	-125	-	-	-	-	-125	-	-	-
Other financing activities		-	-2	-2	-	-	-	-	-	-2
<b>Cash flow from financing activities</b>		<b>153</b>	<b>-4,580</b>	<b>-4,352</b>	<b>170</b>	<b>-187</b>	<b>170</b>	<b>228</b>	<b>-257</b>	<b>-2,325</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>1,022</b>	<b>119</b>	<b>27</b>	<b>1,009</b>	<b>-42</b>	<b>55</b>	<b>-92</b>	<b>-81</b>	<b>-2,597</b>
Cash and cash equivalents at beginning of period		107	151	151	149	184	107	204	309	2,886
Exchange rate differences in cash and cash equivalents		43	-66	-71	14	7	22	-5	-24	20
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>7</b>	<b>1,172</b>	<b>204</b>	<b>107</b>	<b>1,172</b>	<b>149</b>	<b>184</b>	<b>107</b>	<b>204</b>	<b>309</b>

# Change in equity

SEK million	Note	Sep 30, 2016			Sep 30, 2015			Dec 31, 2015		
		Attributable to equity holders of the parent company	non-controlling interests	Total equity	Attributable to equity holders of the parent company	non-controlling interests	Total equity	Attributable to equity holders of the parent company	non-controlling interests	Total equity
<b>Equity, January 1</b>		<b>17,901</b>	<b>-</b>	<b>17,901</b>	<b>22,680</b>	<b>2</b>	<b>22,682</b>	<b>22,680</b>	<b>2</b>	<b>22,682</b>
Net profit/loss for the period		-1,857	-223	-2,080	2,941	-	2,941	2,986	-	2,986
Other comprehensive income for the period, net of tax		679	-	679	-742	-	-742	-1,179	-	-1,179
<b>Total comprehensive income for the period</b>		<b>-1,178</b>	<b>-223</b>	<b>-1,401</b>	<b>2,199</b>	<b>-</b>	<b>2,199</b>	<b>1,807</b>	<b>-</b>	<b>1,807</b>
<b>OTHER CHANGES IN EQUITY</b>										
Share-based payments	10	17	-	17	33	-	33	40	-	40
Share-based payments, tax effect	10	-	-	-	-1	-	-1	-	-	-
New share issues	10	-	-	-	-	-	-	3	-	3
Repurchase of own shares	10	-	-	-	-	-	-	-3	-	-3
Dividends	10	-2,389	-	-2,389	-6,626	-	-6,626	-6,626	-	-6,626
Acquisition of non-controlling interests	10	465	484	949	-	-	-	-	-	-
Divestment to non-controlling interests	10	687	-456	231	-	-2	-2	-	-2	-2
<b>EQUITY, END OF THE PERIOD</b>		<b>15,503</b>	<b>-195</b>	<b>15,308</b>	<b>18,285</b>	<b>-</b>	<b>18,285</b>	<b>17,901</b>	<b>-</b>	<b>17,901</b>

# Number of customers

by thousands	Note	Number of customers		Net intake								
		2016 Sep 30	2015 Sep 30	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<b>Sweden</b>												
Mobile		3,750	3,714	9	93	120	36	14	-41	27	84	52
Fixed broadband		62	73	-8	-12	-15	-2	-3	-3	-3	-2	-5
Fixed telephony		170	209	-26	-33	-46	-9	-8	-9	-13	-12	-11
		<b>3,982</b>	<b>3,996</b>	<b>-25</b>	<b>48</b>	<b>59</b>	<b>25</b>	<b>3</b>	<b>-53</b>	<b>11</b>	<b>70</b>	<b>36</b>
<b>Netherlands</b>												
Mobile		991	841	147	28	31	59	57	31	3	-	7
Fixed broadband		351	348	7	-21	-25	4	2	1	-4	-7	-5
Fixed telephony		45	59	-10	-16	-20	-3	-3	-4	-4	-5	-5
		<b>1,387</b>	<b>1,248</b>	<b>144</b>	<b>-9</b>	<b>-14</b>	<b>60</b>	<b>56</b>	<b>28</b>	<b>-5</b>	<b>-12</b>	<b>-3</b>
<b>Kazakhstan</b>												
Mobile		6,384	4,362	196	1,065	1,103	-18	104	110	38	166	471
		<b>6,384</b>	<b>4,362</b>	<b>196</b>	<b>1,065</b>	<b>1,103</b>	<b>-18</b>	<b>104</b>	<b>110</b>	<b>38</b>	<b>166</b>	<b>471</b>
<b>Croatia</b>												
Mobile		871	885	86	62	-16	70	23	-7	-78	67	19
		<b>871</b>	<b>885</b>	<b>86</b>	<b>62</b>	<b>-16</b>	<b>70</b>	<b>23</b>	<b>-7</b>	<b>-78</b>	<b>67</b>	<b>19</b>
<b>Lithuania</b>												
Mobile		1,789	1,779	20	-31	-68	38	-	-18	-37	16	-
		<b>1,789</b>	<b>1,779</b>	<b>20</b>	<b>-31</b>	<b>-68</b>	<b>38</b>	<b>-</b>	<b>-18</b>	<b>-37</b>	<b>16</b>	<b>-</b>
<b>Latvia</b>												
Mobile		968	985	14	10	-17	21	6	-13	-27	11	10
		<b>968</b>	<b>985</b>	<b>14</b>	<b>10</b>	<b>-17</b>	<b>21</b>	<b>6</b>	<b>-13</b>	<b>-27</b>	<b>11</b>	<b>10</b>
<b>Estonia</b>												
Mobile		483	486	-1	-2	-4	3	1	-5	-2	2	-
Fixed telephony		1	3	-2	-	-	-	-	-2	-	-	-
		<b>484</b>	<b>489</b>	<b>-3</b>	<b>-2</b>	<b>-4</b>	<b>3</b>	<b>1</b>	<b>-7</b>	<b>-2</b>	<b>2</b>	<b>-</b>
<b>Austria</b>												
Mobile		6	-	6	-	-	1	5	-	-	-	-
Fixed broadband		96	104	-6	-4	-6	-2	-2	-2	-2	-2	-1
Fixed telephony		120	134	-11	-14	-17	-2	-4	-5	-3	-3	-4
		<b>222</b>	<b>238</b>	<b>-11</b>	<b>-18</b>	<b>-23</b>	<b>-3</b>	<b>-1</b>	<b>-7</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>
<b>Germany</b>												
Mobile		178	231	-41	-11	-23	-13	-14	-14	-12	-13	4
Fixed broadband		47	55	-6	-9	-11	-2	-2	-2	-2	-2	-2
Fixed telephony		237	322	-50	-81	-116	-13	-11	-26	-35	-51	10
		<b>462</b>	<b>608</b>	<b>-97</b>	<b>-101</b>	<b>-150</b>	<b>-28</b>	<b>-27</b>	<b>-42</b>	<b>-49</b>	<b>-66</b>	<b>12</b>
<b>TOTAL</b>												
Mobile		15,420	13,283	436	1,214	1,126	197	196	43	-88	333	563
Fixed broadband		556	580	-13	-46	-57	-2	-5	-6	-11	-13	-13
Fixed telephony		573	727	-99	-144	-199	-27	-26	-46	-55	-71	-10
<b>TOTAL NUMBER OF CUSTOMERS AND NET INTAKE</b>												
		<b>16,549</b>	<b>14,590</b>	<b>324</b>	<b>1,024</b>	<b>870</b>	<b>168</b>	<b>165</b>	<b>-9</b>	<b>-154</b>	<b>249</b>	<b>540</b>
Acquired companies	11			1,788	-	-	-	-	1,788	-	-	-
Changed method of calculation	2			23	-28	-50	-	-4	27	-22	-	-28
<b>TOTAL NUMBER OF CUSTOMERS AND NET CHANGE</b>												
		<b>16,549</b>	<b>14,590</b>	<b>2,135</b>	<b>996</b>	<b>820</b>	<b>168</b>	<b>161</b>	<b>1,806</b>	<b>-176</b>	<b>249</b>	<b>512</b>

# Net sales

SEK million	Note	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<b>Sweden</b>										
Mobile		8,217	8,275	11,228	2,783	2,705	2,729	2,953	2,764	2,744
Fixed broadband		511	536	715	168	170	173	179	172	176
Fixed telephony		342	416	541	111	112	119	125	131	139
Other operations		96	105	147	33	31	32	42	33	42
		<b>9,166</b>	<b>9,332</b>	<b>12,631</b>	<b>3,095</b>	<b>3,018</b>	<b>3,053</b>	<b>3,299</b>	<b>3,100</b>	<b>3,101</b>
<b>Netherlands</b>										
Mobile	2	2,150	1,788	2,535	738	721	691	747	643	592
Fixed broadband		1,630	1,769	2,326	545	539	546	557	576	578
Fixed telephony		199	258	333	64	64	71	75	82	84
Other operations		400	418	552	133	130	137	134	139	137
		<b>4,379</b>	<b>4,233</b>	<b>5,746</b>	<b>1,480</b>	<b>1,454</b>	<b>1,445</b>	<b>1,513</b>	<b>1,440</b>	<b>1,391</b>
<b>Kazakhstan</b>										
Mobile		1,450	1,371	1,754	573	527	350	383	497	475
		<b>1,450</b>	<b>1,371</b>	<b>1,754</b>	<b>573</b>	<b>527</b>	<b>350</b>	<b>383</b>	<b>497</b>	<b>475</b>
<b>Croatia</b>										
Mobile		1,090	1,013	1,429	405	369	316	416	377	333
		<b>1,090</b>	<b>1,013</b>	<b>1,429</b>	<b>405</b>	<b>369</b>	<b>316</b>	<b>416</b>	<b>377</b>	<b>333</b>
<b>Lithuania</b>										
Mobile		1,216	1,134	1,539	440	390	386	405	417	381
		<b>1,216</b>	<b>1,134</b>	<b>1,539</b>	<b>440</b>	<b>390</b>	<b>386</b>	<b>405</b>	<b>417</b>	<b>381</b>
<b>Latvia</b>										
Mobile		748	700	948	277	238	233	248	250	232
		<b>748</b>	<b>700</b>	<b>948</b>	<b>277</b>	<b>238</b>	<b>233</b>	<b>248</b>	<b>250</b>	<b>232</b>
<b>Estonia</b>										
Mobile		473	453	608	170	157	146	155	159	152
Fixed telephony		3	5	7	1	1	1	2	2	2
Other operations		29	51	62	10	9	10	11	12	11
		<b>505</b>	<b>509</b>	<b>677</b>	<b>181</b>	<b>167</b>	<b>157</b>	<b>168</b>	<b>173</b>	<b>165</b>
<b>Austria</b>										
Mobile		4	–	–	3	1	–	–	–	–
Fixed broadband		568	583	775	189	186	193	192	196	192
Fixed telephony		95	111	146	30	32	33	35	36	36
Other operations		188	205	267	66	63	59	62	70	69
		<b>855</b>	<b>899</b>	<b>1,188</b>	<b>288</b>	<b>282</b>	<b>285</b>	<b>289</b>	<b>302</b>	<b>297</b>
<b>Germany</b>										
Mobile		288	335	437	94	93	101	102	109	112
Fixed broadband		92	108	140	31	29	32	32	35	34
Fixed telephony		153	195	254	49	50	54	59	61	63
		<b>533</b>	<b>638</b>	<b>831</b>	<b>174</b>	<b>172</b>	<b>187</b>	<b>193</b>	<b>205</b>	<b>209</b>
<b>Other</b>										
Mobile		51	–	–	21	17	13	–	–	–
Other operations		122	116	153	44	45	33	37	40	40
		<b>173</b>	<b>116</b>	<b>153</b>	<b>65</b>	<b>62</b>	<b>46</b>	<b>37</b>	<b>40</b>	<b>40</b>
<b>TOTAL</b>										
<b>Mobile</b>		<b>15,687</b>	<b>15,069</b>	<b>20,478</b>	<b>5,504</b>	<b>5,218</b>	<b>4,965</b>	<b>5,409</b>	<b>5,216</b>	<b>5,021</b>
<b>Fixed broadband</b>		<b>2,801</b>	<b>2,996</b>	<b>3,956</b>	<b>933</b>	<b>924</b>	<b>944</b>	<b>960</b>	<b>979</b>	<b>980</b>
<b>Fixed telephony</b>		<b>792</b>	<b>985</b>	<b>1,281</b>	<b>255</b>	<b>259</b>	<b>278</b>	<b>296</b>	<b>312</b>	<b>324</b>
<b>Other operations</b>		<b>835</b>	<b>895</b>	<b>1,181</b>	<b>286</b>	<b>278</b>	<b>271</b>	<b>286</b>	<b>294</b>	<b>299</b>
		<b>20,115</b>	<b>19,945</b>	<b>26,896</b>	<b>6,978</b>	<b>6,679</b>	<b>6,458</b>	<b>6,951</b>	<b>6,801</b>	<b>6,624</b>
<b>Internal sales, elimination</b>										
Sweden, mobile		–	–1	–1	–	–	–	–	–	–
Lithuania, mobile		–13	–16	–20	–5	–3	–5	–4	–5	–8
Latvia, mobile		–15	–7	–9	–9	–5	–1	–2	–3	–2
Estonia, mobile		–	–2	–2	–	–	–	–	–	–1
Austria, mobile		–1	–	–	–1	–	–	–	–	–
Netherlands, other operations		–8	–1	–2	–2	–2	–4	–1	–	–1
Other, other operations		–3	–5	–6	–	–1	–2	–1	–2	–1
<b>TOTAL</b>		<b>20,075</b>	<b>19,913</b>	<b>26,856</b>	<b>6,961</b>	<b>6,668</b>	<b>6,446</b>	<b>6,943</b>	<b>6,791</b>	<b>6,611</b>



# Mobile external net sales split

SEK million	Note	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<b>Sweden, mobile</b>										
End-user service revenue		5,546	5,527	7,368	1,928	1,821	1,797	1,841	1,889	1,829
Operator revenue		666	711	956	221	227	218	245	246	254
Service revenue		6,212	6,238	8,324	2,149	2,048	2,015	2,086	2,135	2,083
Equipment revenue		1,521	1,566	2,272	479	496	546	706	482	500
Other revenue		484	470	631	155	161	168	161	147	161
		<b>8,217</b>	<b>8,274</b>	<b>11,227</b>	<b>2,783</b>	<b>2,705</b>	<b>2,729</b>	<b>2,953</b>	<b>2,764</b>	<b>2,744</b>
<b>Netherlands, mobile</b>										
End-user service revenue	2	1,077	1,001	1,404	419	336	322	403	364	332
Operator revenue		141	127	169	53	45	43	42	44	43
Service revenue		1,218	1,128	1,573	472	381	365	445	408	375
Equipment revenue		932	660	962	266	340	326	302	235	217
		<b>2,150</b>	<b>1,788</b>	<b>2,535</b>	<b>738</b>	<b>721</b>	<b>691</b>	<b>747</b>	<b>643</b>	<b>592</b>
<b>Kazakhstan, mobile</b>										
End-user service revenue		1,085	1,034	1,287	426	394	265	253	348	371
Operator revenue		353	324	451	143	130	80	127	145	99
Service revenue		1,438	1,358	1,738	569	524	345	380	493	470
Equipment revenue		12	13	16	4	3	5	3	4	5
		<b>1,450</b>	<b>1,371</b>	<b>1,754</b>	<b>573</b>	<b>527</b>	<b>350</b>	<b>383</b>	<b>497</b>	<b>475</b>
<b>Croatia, mobile</b>										
End-user service revenue		644	632	839	231	211	202	207	225	210
Operator revenue		177	172	208	79	52	46	36	74	55
Service revenue		821	804	1,047	310	263	248	243	299	265
Equipment revenue		269	209	382	95	106	68	173	78	68
		<b>1,090</b>	<b>1,013</b>	<b>1,429</b>	<b>405</b>	<b>369</b>	<b>316</b>	<b>416</b>	<b>377</b>	<b>333</b>
<b>Lithuania, mobile</b>										
End-user service revenue		706	662	886	251	229	226	224	230	222
Operator revenue		163	148	198	54	54	55	50	51	51
Service revenue		869	810	1,084	305	283	281	274	281	273
Equipment revenue		334	308	435	130	104	100	127	131	100
		<b>1,203</b>	<b>1,118</b>	<b>1,519</b>	<b>435</b>	<b>387</b>	<b>381</b>	<b>401</b>	<b>412</b>	<b>373</b>
<b>Latvia, mobile</b>										
End-user service revenue		441	434	580	158	143	140	146	152	145
Operator revenue		153	138	185	56	48	49	47	46	46
Service revenue		594	572	765	214	191	189	193	198	191
Equipment revenue		139	121	174	54	42	43	53	49	39
		<b>733</b>	<b>693</b>	<b>939</b>	<b>268</b>	<b>233</b>	<b>232</b>	<b>246</b>	<b>247</b>	<b>230</b>
<b>Estonia, mobile</b>										
End-user service revenue		319	306	412	112	105	102	106	106	103
Operator revenue		58	53	70	22	20	16	17	18	18
Service revenue		377	359	482	134	125	118	123	124	121
Equipment revenue		96	92	124	36	32	28	32	35	30
		<b>473</b>	<b>451</b>	<b>606</b>	<b>170</b>	<b>157</b>	<b>146</b>	<b>155</b>	<b>159</b>	<b>151</b>
<b>Austria, mobile</b>										
End-user service revenue		2	–	–	1	1	–	–	–	–
Equipment revenue		1	–	–	1	–	–	–	–	–
		<b>3</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Germany, mobile</b>										
End-user service revenue		288	334	436	94	93	101	102	108	112
Equipment revenue		–	1	1	–	–	–	–	1	–
		<b>288</b>	<b>335</b>	<b>437</b>	<b>94</b>	<b>93</b>	<b>101</b>	<b>102</b>	<b>109</b>	<b>112</b>
<b>Other, mobile</b>										
End-user service revenue		51	–	–	21	17	13	–	–	–
		<b>51</b>	<b>–</b>	<b>–</b>	<b>21</b>	<b>17</b>	<b>13</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL, MOBILE</b>										
End-user service revenue		10,159	9,930	13,212	3,641	3,350	3,168	3,282	3,422	3,324
Operator revenue		1,711	1,673	2,237	628	576	507	564	624	566
Service revenue		11,870	11,603	15,449	4,269	3,926	3,675	3,846	4,046	3,890
Equipment revenue		3,304	2,970	4,366	1,065	1,123	1,116	1,396	1,015	959
Other revenue		484	470	631	155	161	168	161	147	161
<b>TOTAL, MOBILE</b>		<b>15,658</b>	<b>15,043</b>	<b>20,446</b>	<b>5,489</b>	<b>5,210</b>	<b>4,959</b>	<b>5,403</b>	<b>5,208</b>	<b>5,010</b>

# EBITDA

SEK million	Note	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<b>Sweden</b>										
Mobile		2,594	2,674	3,515	992	785	817	841	938	843
Fixed broadband		67	79	96	34	13	20	17	28	18
Fixed telephony		86	110	166	24	29	33	56	34	35
Other operations		61	35	67	18	19	24	32	14	12
		<b>2,808</b>	<b>2,898</b>	<b>3,844</b>	<b>1,068</b>	<b>846</b>	<b>894</b>	<b>946</b>	<b>1,014</b>	<b>908</b>
<b>Netherlands</b>										
Mobile	2-3	-699	-260	-410	-179	-277	-243	-150	-83	-71
Fixed broadband	3	312	429	545	98	90	124	116	128	140
Fixed telephony	3	37	43	50	8	11	18	7	12	13
Other operations	3	201	198	260	71	60	70	62	65	65
		<b>-149</b>	<b>410</b>	<b>445</b>	<b>-2</b>	<b>-116</b>	<b>-31</b>	<b>35</b>	<b>122</b>	<b>147</b>
<b>Kazakhstan</b>										
Mobile		129	59	54	79	44	6	-5	50	9
		<b>129</b>	<b>59</b>	<b>54</b>	<b>79</b>	<b>44</b>	<b>6</b>	<b>-5</b>	<b>50</b>	<b>9</b>
<b>Croatia</b>										
Mobile		80	109	138	49	20	11	29	54	34
		<b>80</b>	<b>109</b>	<b>138</b>	<b>49</b>	<b>20</b>	<b>11</b>	<b>29</b>	<b>54</b>	<b>34</b>
<b>Lithuania</b>										
Mobile		440	400	538	152	146	142	138	143	132
		<b>440</b>	<b>400</b>	<b>538</b>	<b>152</b>	<b>146</b>	<b>142</b>	<b>138</b>	<b>143</b>	<b>132</b>
<b>Latvia</b>										
Mobile		230	217	295	90	71	69	78	79	70
		<b>230</b>	<b>217</b>	<b>295</b>	<b>90</b>	<b>71</b>	<b>69</b>	<b>78</b>	<b>79</b>	<b>70</b>
<b>Estonia</b>										
Mobile		109	96	133	41	35	33	37	37	30
Fixed telephony		1	3	3	-	1	-	-	1	1
Other operations		9	16	20	4	3	2	4	3	5
		<b>119</b>	<b>115</b>	<b>156</b>	<b>45</b>	<b>39</b>	<b>35</b>	<b>41</b>	<b>41</b>	<b>36</b>
<b>Austria</b>										
Mobile		-49	-16	-30	-14	-20	-15	-14	-6	-7
Fixed broadband		126	90	126	42	38	46	36	40	24
Fixed telephony		48	63	83	16	15	17	20	21	20
Other operations		8	17	24	1	5	2	7	6	6
		<b>133</b>	<b>154</b>	<b>203</b>	<b>45</b>	<b>38</b>	<b>50</b>	<b>49</b>	<b>61</b>	<b>43</b>
<b>Germany</b>										
Mobile		100	-4	14	30	30	40	18	10	-9
Fixed broadband		13	15	21	4	3	6	6	5	5
Fixed telephony		101	94	130	46	27	28	36	32	30
		<b>214</b>	<b>105</b>	<b>165</b>	<b>80</b>	<b>60</b>	<b>74</b>	<b>60</b>	<b>47</b>	<b>26</b>
<b>Other</b>										
Mobile		-37	-	-	-14	-13	-10	-	-	-
Other operations		-92	-47	-81	-30	-48	-14	-34	-12	-12
		<b>-129</b>	<b>-47</b>	<b>-81</b>	<b>-44</b>	<b>-61</b>	<b>-24</b>	<b>-34</b>	<b>-12</b>	<b>-12</b>
<b>TOTAL</b>										
<b>Mobile</b>		<b>2,897</b>	<b>3,275</b>	<b>4,247</b>	<b>1,226</b>	<b>821</b>	<b>850</b>	<b>972</b>	<b>1,222</b>	<b>1,031</b>
<b>Fixed broadband</b>		<b>518</b>	<b>613</b>	<b>788</b>	<b>178</b>	<b>144</b>	<b>196</b>	<b>175</b>	<b>201</b>	<b>187</b>
<b>Fixed telephony</b>		<b>273</b>	<b>313</b>	<b>432</b>	<b>94</b>	<b>83</b>	<b>96</b>	<b>119</b>	<b>100</b>	<b>99</b>
<b>Other operations</b>		<b>187</b>	<b>219</b>	<b>290</b>	<b>64</b>	<b>39</b>	<b>84</b>	<b>71</b>	<b>76</b>	<b>76</b>
<b>TOTAL</b>		<b>3,875</b>	<b>4,420</b>	<b>5,757</b>	<b>1,562</b>	<b>1,087</b>	<b>1,226</b>	<b>1,337</b>	<b>1,599</b>	<b>1,393</b>

# EBIT

SEK million	Note	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<b>Sweden</b>										
Mobile		1,851	1,955	2,544	743	534	574	589	711	597
Fixed broadband		-6	20	15	9	-11	-4	-5	16	-7
Fixed telephony		74	97	148	19	26	29	51	31	31
Other operations		32	20	40	8	9	15	20	12	4
		<b>1,951</b>	<b>2,092</b>	<b>2,747</b>	<b>779</b>	<b>558</b>	<b>614</b>	<b>655</b>	<b>770</b>	<b>625</b>
<b>Netherlands</b>										
Mobile	2-3	-967	-446	-669	-273	-366	-328	-223	-154	-137
Fixed broadband	3	-81	43	42	-42	-39	-	-1	1	12
Fixed telephony	3	24	27	29	4	6	14	2	7	7
Other operations	3	153	147	193	54	45	54	46	47	48
		<b>-871</b>	<b>-229</b>	<b>-405</b>	<b>-257</b>	<b>-354</b>	<b>-260</b>	<b>-176</b>	<b>-99</b>	<b>-70</b>
<b>Kazakhstan</b>										
Mobile		-212	-166	-225	-63	-92	-57	-59	-16	-61
		<b>-212</b>	<b>-166</b>	<b>-225</b>	<b>-63</b>	<b>-92</b>	<b>-57</b>	<b>-59</b>	<b>-16</b>	<b>-61</b>
<b>Croatia</b>										
Mobile		25	-7	-20	28	3	-6	-13	10	-10
		<b>25</b>	<b>-7</b>	<b>-20</b>	<b>28</b>	<b>3</b>	<b>-6</b>	<b>-13</b>	<b>10</b>	<b>-10</b>
<b>Lithuania</b>										
Mobile		361	335	445	124	121	116	110	119	110
		<b>361</b>	<b>335</b>	<b>445</b>	<b>124</b>	<b>121</b>	<b>116</b>	<b>110</b>	<b>119</b>	<b>110</b>
<b>Latvia</b>										
Mobile		134	130	173	59	40	35	43	50	37
		<b>134</b>	<b>130</b>	<b>173</b>	<b>59</b>	<b>40</b>	<b>35</b>	<b>43</b>	<b>50</b>	<b>37</b>
<b>Estonia</b>										
Mobile		40	22	30	16	11	13	8	13	8
Fixed telephony		1	3	3	5	-3	-1	-	1	1
Other operations		1	4	9	2	1	-2	5	-1	1
		<b>42</b>	<b>29</b>	<b>42</b>	<b>23</b>	<b>9</b>	<b>10</b>	<b>13</b>	<b>13</b>	<b>10</b>
<b>Austria</b>										
Mobile		-57	-17	-34	-16	-23	-18	-17	-7	-7
Fixed broadband		59	18	29	19	16	24	11	16	-2
Fixed telephony		38	50	66	13	11	14	16	17	17
Other operations		-4	5	6	-3	1	-2	1	2	1
		<b>36</b>	<b>56</b>	<b>67</b>	<b>13</b>	<b>5</b>	<b>18</b>	<b>11</b>	<b>28</b>	<b>9</b>
<b>Germany</b>										
Mobile		93	-19	-3	28	27	38	16	2	-11
Fixed broadband		10	12	16	3	3	4	4	4	4
Fixed telephony		99	91	128	45	26	28	37	31	28
		<b>202</b>	<b>84</b>	<b>141</b>	<b>76</b>	<b>56</b>	<b>70</b>	<b>57</b>	<b>37</b>	<b>21</b>
<b>Other</b>										
Mobile		-37	-	-	-14	-13	-10	-	-	-
Other operations		-86	-36	-75	-29	-47	-10	-39	-4	-7
		<b>-123</b>	<b>-36</b>	<b>-75</b>	<b>-43</b>	<b>-60</b>	<b>-20</b>	<b>-39</b>	<b>-4</b>	<b>-7</b>
<b>TOTAL</b>										
<b>Mobile</b>		<b>1,231</b>	<b>1,787</b>	<b>2,241</b>	<b>632</b>	<b>242</b>	<b>357</b>	<b>454</b>	<b>728</b>	<b>526</b>
<b>Fixed broadband</b>		<b>-18</b>	<b>93</b>	<b>102</b>	<b>-11</b>	<b>-31</b>	<b>24</b>	<b>9</b>	<b>37</b>	<b>7</b>
<b>Fixed telephony</b>		<b>236</b>	<b>268</b>	<b>374</b>	<b>86</b>	<b>66</b>	<b>84</b>	<b>106</b>	<b>87</b>	<b>84</b>
<b>Other operations</b>		<b>96</b>	<b>140</b>	<b>173</b>	<b>32</b>	<b>9</b>	<b>55</b>	<b>33</b>	<b>56</b>	<b>47</b>
		<b>1,545</b>	<b>2,288</b>	<b>2,890</b>	<b>739</b>	<b>286</b>	<b>520</b>	<b>602</b>	<b>908</b>	<b>664</b>
One-off items	3	-3,010	-205	-443	-2,550	-95	-365	-238	-120	-71
<b>TOTAL</b>		<b>-1,465</b>	<b>2,083</b>	<b>2,447</b>	<b>-1,811</b>	<b>191</b>	<b>155</b>	<b>364</b>	<b>788</b>	<b>593</b>

# CAPEX

SEK million	Note	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<b>Sweden</b>										
Mobile		494	479	664	198	117	179	185	135	215
Fixed broadband		41	45	95	17	6	18	50	16	20
Fixed telephony		9	9	12	4	4	1	3	4	3
Other operations		3	10	13	–9	9	3	3	4	4
		<b>547</b>	<b>543</b>	<b>784</b>	<b>210</b>	<b>136</b>	<b>201</b>	<b>241</b>	<b>159</b>	<b>242</b>
<b>Netherlands</b>										
Mobile		656	878	1,210	182	260	214	332	315	327
Fixed broadband		437	331	471	65	94	278	140	68	124
Fixed telephony		10	11	15	2	3	5	4	3	4
Other operations		49	56	77	10	17	22	21	12	22
		<b>1,152</b>	<b>1,276</b>	<b>1,773</b>	<b>259</b>	<b>374</b>	<b>519</b>	<b>497</b>	<b>398</b>	<b>477</b>
<b>Kazakhstan</b>										
Mobile		319	378	532	134	106	79	154	123	136
		<b>319</b>	<b>378</b>	<b>532</b>	<b>134</b>	<b>106</b>	<b>79</b>	<b>154</b>	<b>123</b>	<b>136</b>
<b>Croatia</b>										
Mobile		100	179	272	16	31	53	93	74	81
		<b>100</b>	<b>179</b>	<b>272</b>	<b>16</b>	<b>31</b>	<b>53</b>	<b>93</b>	<b>74</b>	<b>81</b>
<b>Lithuania</b>										
Mobile	8	203	92	114	23	30	150	22	28	26
		<b>203</b>	<b>92</b>	<b>114</b>	<b>23</b>	<b>30</b>	<b>150</b>	<b>22</b>	<b>28</b>	<b>26</b>
<b>Latvia</b>										
Mobile		51	62	113	9	17	25	51	20	19
		<b>51</b>	<b>62</b>	<b>113</b>	<b>9</b>	<b>17</b>	<b>25</b>	<b>51</b>	<b>20</b>	<b>19</b>
<b>Estonia</b>										
Mobile		57	59	77	20	16	21	18	18	15
Other operations		–	6	7	–	–	–	1	1	3
		<b>57</b>	<b>65</b>	<b>84</b>	<b>20</b>	<b>16</b>	<b>21</b>	<b>19</b>	<b>19</b>	<b>18</b>
<b>Austria</b>										
Mobile		6	31	38	1	2	3	7	9	11
Fixed broadband		32	37	68	11	13	8	31	8	12
Fixed telephony		3	6	8	1	1	1	2	–	–
Other operations		4	6	10	–	3	1	4	1	–
		<b>45</b>	<b>80</b>	<b>124</b>	<b>13</b>	<b>19</b>	<b>13</b>	<b>44</b>	<b>18</b>	<b>23</b>
<b>Germany</b>										
Mobile		–	2	4	–1	1	–	2	–	–
Fixed broadband		2	1	2	1	1	–	1	–	–
		<b>2</b>	<b>3</b>	<b>6</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>
<b>Other</b>										
Other operations		277	326	425	95	89	93	99	93	112
		<b>277</b>	<b>326</b>	<b>425</b>	<b>95</b>	<b>89</b>	<b>93</b>	<b>99</b>	<b>93</b>	<b>112</b>
<b>TOTAL</b>										
Mobile		1,886	2,160	3,024	582	580	724	864	722	830
Fixed broadband		512	414	636	94	114	304	222	92	156
Fixed telephony		22	26	35	7	8	7	9	7	7
Other operations		333	404	532	96	118	119	128	111	141
<b>TOTAL</b>	8	<b>2,753</b>	<b>3,004</b>	<b>4,227</b>	<b>779</b>	<b>820</b>	<b>1,154</b>	<b>1,223</b>	<b>932</b>	<b>1,134</b>

# Five-year summary

SEK million	Note	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015	2014	2013	2012
<b>CONTINUING OPERATIONS</b>							
Net sales		20,075	19,913	26,856	25,955	25,757	25,993
Numbers of customers (by thousands)		16,549	14,590	14,414	13,594	13,582	14,229
EBITDA		3,875	4,420	5,757	5,926	5,891	6,040
EBIT		-1,465	2,083	2,447	3,490	2,548	2,190
EBT		-1,281	1,784	2,012	3,500	1,997	1,668
Net profit/loss		-1,987	1,223	1,268	2,626	968	1,158
<b>Key ratios</b>							
EBITDA margin, %		19.3	22.2	21.4	22.8	22.9	23.2
EBIT margin, %		-7.3	10.5	9.1	13.4	9.9	8.4
<b>Value per share (SEK)</b>							
Net profit/loss		-3.95	2.74	2.84	5.89	2.17	2.61
Net profit/loss after dilution		-3.95	2.72	2.82	5.86	2.15	2.59
<b>TOTAL</b>							
Equity		15,308	18,285	17,901	22,682	21,591	20,429
Total assets		36,371	35,811	36,149	39,848	39,855	49,189
Cash flow from operating activities		3,680	2,747	3,529	4,578	5,813	8,679
Free cash flow		823	-195	-486	432	572	4,070
Available liquidity		10,196	8,598	7,890	8,224	9,306	12,933
Net debt	4	11,013	9,805	9,878	8,135	7,328	15,187
Economic net debt	1, 4	10,985	9,805	9,878	8,135	7,328	15,187
Net investments in intangible and tangible assets, CAPEX		2,753	3,017	4,240	3,976	5,534	5,294
Investments/divestments in shares and other financial assets		-46	-4,894	-4,865	-439	-17,235	215
<b>Key ratios</b>							
Equity/assets ratio, %		42	51	50	57	54	42
Debt/equity ratio, multiple		0.72	0.54	0.55	0.36	0.34	0.74
Return on equity, %		-9.3	16.3	14.7	10.0	69.5	15.6
ROCE, return on capital employed, %	10	-4.0	15.0	14.0	10.1	48.0	15.4
Average interest rate, %		2.7	4.3	4.1	4.7	5.2	6.6
<b>Value per share (SEK)</b>							
Net profit/loss		-4.16	6.59	6.69	4.96	32.77	7.34
Net profit/loss after dilution		-4.16	6.55	6.65	4.93	32.55	7.30
Equity		34.73	41.00	40.13	50.90	48.49	45.95
Cash flow from operating activities		8.24	6.16	7.91	10.27	13.06	19.53
Dividend, ordinary		-	-	5.35	4.85	4.40	7.10
Extraordinary dividend		-	-	-	10.00	-	-
Redemption		-	-	-	-	28.00	-
Market price at closing day		74.05	81.45	84.75	94.95	72.85	117.10

# Parent company

## Income statement

SEK million	2016 Jan 1–Sep 30	2015 Jan 1–Sep 30	2015 Full year
Net sales	27	40	53
Administrative expenses	-77	-81	-121
<b>Operating loss, EBIT</b>	<b>-50</b>	<b>-41</b>	<b>-68</b>
Exchange rate difference on financial items	-139	49	106
Net interest expenses and other financial items	-198	-203	-269
<b>Loss after financial items, EBT</b>	<b>-387</b>	<b>-195</b>	<b>-231</b>
Tax on loss	85	48	56
<b>NET LOSS</b>	<b>-302</b>	<b>-147</b>	<b>-175</b>

## Balance sheet

SEK million	Note	Sep 30, 2016	Dec 31, 2015
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible assets		1	1
Financial assets		13,680	13,666
<b>NON-CURRENT ASSETS</b>		<b>13,681</b>	<b>13,667</b>
<b>CURRENT ASSETS</b>			
Current receivables		6,602	5,987
Cash and cash equivalents		4	3
<b>CURRENT ASSETS</b>		<b>6,606</b>	<b>5,990</b>
<b>ASSETS</b>		<b>20,287</b>	<b>19,657</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Restricted equity	10	5,549	5,549
Unrestricted equity	10	2,623	5,346
<b>EQUITY</b>		<b>8,172</b>	<b>10,895</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	4	6,488	4,204
<b>NON-CURRENT LIABILITIES</b>		<b>6,488</b>	<b>4,204</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	4	5,545	4,479
Non-interest-bearing liabilities		82	79
<b>CURRENT LIABILITIES</b>		<b>5,627</b>	<b>4,558</b>
<b>EQUITY AND LIABILITIES</b>		<b>20,287</b>	<b>19,657</b>

# Notes

## NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim report for the Group has been prepared in accordance with IAS 34 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.

The amended IFRS standards (IAS 1, IAS 16, IAS 27, IAS 28, IAS 38, IFRS 10, IFRS 11 and IFRS 12), which became effective January 1, 2016, have had no material effect on the consolidated financial statements.

Certain financial measures are presented in this interim report that are not defined by IFRS. It is the view of Tele2 that these measures give valuable additional information to investors and other readers of this report since they are used by management to manage and control the operating businesses. Definitions of these measures are mainly stated on the last page of the annual report 2015, with some clarification in Note 12 below.

In all other respects, Tele2 has presented this interim report in accordance with the accounting principles and calculation methods used in the 2015 Annual Report. The description of these principles and definitions is found in the 2015 Annual Report.

Disclosures in accordance with IAS 34 Interim Financial Reporting are presented either in the Notes or elsewhere in the interim report.

## NOTE 2 NET SALES AND CUSTOMERS

In Q4 2015, net sales in Netherlands was positively affected by a net of SEK 90 million mainly due to benefit from a tax settlement with regards to VAT on postpaid subscriptions.

### Customers

Due to implementation of new IT systems, leading to more improved reporting of number of customers, the customer stock has changed without effecting the net intake in Q2 2016 in Latvia with -4,000 customers, in Q1 2016 in Lithuania with 27,000 customers, in Q4 2015 in Croatia with -22,000 customers, and in Q2 2015 in Sweden with -28,000 customers (the later also due to changed principle for twin cards).

## NOTE 3 OPERATING EXPENSES

### EBITDA

In Q1 2016, the EBITDA in Netherlands was positively affected by SEK 73 million as a result of a resolved lease incentive in connection with termination of old property contracts of which mobile was impacted by SEK 47 million, fixed broadband SEK 19 million, fixed telephony SEK 3 million and other operations SEK 4 million.

### Bridge from EBITDA to EBIT

SEK million	2016 Jan 1– Sep 30	2015 Jan 1– Sep 30	2015 Full year	2016 Q3	2015 Q3
<b>EBITDA</b>	<b>3,875</b>	<b>4,420</b>	<b>5,757</b>	<b>1,562</b>	<b>1,599</b>
Impairment of goodwill	-2,791	-197	-196	-2,460	-197
Sale of operations	-1	-	12	-1	-
Acquisition costs	-23	-	-118	-5	-
Integration costs	-27	-	-	-21	-
Challenger program	-168	-114	-247	-63	-29
Other one-off items	-	106	106	-	106
<b>Total one-off items</b>	<b>-3,010</b>	<b>-205</b>	<b>-443</b>	<b>-2,550</b>	<b>-120</b>
Depreciation/amortization and other impairment	-2,331	-2,127	-2,862	-823	-691
Result from shares in joint ventures and associated companies	1	-5	-5	-	-
<b>EBIT</b>	<b>-1,465</b>	<b>2,083</b>	<b>2,447</b>	<b>-1,811</b>	<b>788</b>

### One-off items in segment reporting

One-off items comprise impairment losses and transactions from strategic decisions, such as capital gains and losses from sales of operations, acquisition costs, integration costs due to acquisition or merger, restructuring programs from reorganizations (i.e. Challenger program, costs for phasing out operations and personnel redundancy costs), as well as other items with the character of not being part of normal daily operations and that affects comparability.

#### Impairment of goodwill

In Q3 2016, an impairment loss on goodwill of SEK 2,456 million was recognized in cost of service provided referring to the cash generating unit Netherlands. The impairment loss was based on the estimated value in use of SEK 9.0 billion. The impairment was recognized as a result of a reassessment of future cash flow generation in the Netherlands.

In Q1 2016, an impairment loss on goodwill of SEK 326 million was recognized referring to the cash generating unit Kazakhstan. The impairment was due to the macro environment, including the Tenge devaluation which implied weaker consumer purchase power and higher expenses. In addition, intense competitive pressure during Q1 eroded pricing power for all market participants. This also resulted during Q1 2016, in a decrease in the value of the put option obligation to the former non-controlling interest in Tele2 Kazakhstan, which represents an 18 percent economic interest in the new jointly owned company (see Note 11), with a positive effect in the income statement of SEK 413 million reported under financial items (Note 5).

In Q3 2015, an impairment loss on goodwill of SEK 197 million was recognized referring to the cash generating unit Estonia. The impairment loss was based on the estimated value in use of SEK 1.2 billion by using a pre-tax discount rate (WACC) of 9 percent. The impairment was recognized as a result of the underlying performance of the Estonian economy and Tele2's operation.

#### Acquisition costs

In Q2 and Q3 2016, EBIT (administrative expenses) was negatively impacted by SEK 6 and 3 million respectively concerning expenses related to the ongoing acquisition of TDC Sweden for which closing is expected in Q4 2016. For additional information please refer to Note 11.

In Q1 and Q2 2016 as well as Q4 2015, EBIT (administrative expenses) was negatively impacted by SEK 3, 9 and 118 million respectively concerning expenses related to the combination of the Tele2 and Kazakhtelecom mobile operations in Kazakhstan. For further information please refer to Note 11.

#### Integration costs

As a result of the acquisition of Altel and the ongoing merger with Tele2's present operations in Kazakhstan, integration costs are reported as one-off items and in the income statement on the following line items.

SEK million	2016 Jan 1– Sep 30	2015 Jan 1– Sep 30	2015 Full year	2016 Q3	2015 Q3
Costs of service provided	-4	-	-	-3	-
Selling expenses	-3	-	-	-3	-
Administrative expenses	-19	-	-	-14	-
<b>Total Integration costs</b>	<b>-26</b>	<b>-</b>	<b>-</b>	<b>-20</b>	<b>-</b>
<i>of which:</i>					
-redundancy costs	-7	-	-	-2	-
-other employee and consultancy costs	-16	-	-	-16	-
-exit of contracts and other costs	-3	-	-	-2	-

### Challenger program: restructuring costs

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

SEK million	2016 Jan 1– Sep 30	2015 Jan 1– Sep 30	2015 Full year	2016 Q3	2015 Q3
Costs of service provided	-15	-18	-58	-2	-10
Selling expenses	-6	-17	-34	-1	-2
Administrative expenses	-147	-79	-155	-60	-17
<b>Total Challenger program costs</b>	<b>-168</b>	<b>-114</b>	<b>-247</b>	<b>-63</b>	<b>-29</b>
<i>of which:</i>					
-redundancy costs	-76	-28	-105	-34	2
-other employee and consultancy costs	-89	-79	-119	-29	-25
-exit of contracts and other costs	-3	-7	-23	-	-6

### Other one-off items

In Q3 2015, other operating revenues in Sweden were positively affected by SEK 112 million, concerning transactions related to sales of 2G sites to Net4Mobility, an infrastructure joint operation between Tele2 Sweden and Telenor Sweden, and the result of dismantling 2G sites. The mission for Net4Mobility is to build and operate a combined 2G and 4G network. From its establishment Tele2 and Telenor have transferred sites to the joint operation. These site transfers have now been completed resulting in a positive impact on Tele2's financial statement. Tele2 and Telenor are technically MVNO's with Net4Mobility and hence act as capacity purchasers.

In Q3 2015, other operating expenses were negatively affected by SEK 6 million, related to the devaluation in Kazakhstan. The total foreign exchange rate effect of assets and liabilities in Kazakhstan was reported in other comprehensive income and amounted at the time for the devaluation to SEK -416 million. Please refer to Note 5 regarding effects on change in fair value of put option Kazakhstan.

## NOTE 4 FINANCIAL ASSETS AND LIABILITIES

### Net debt and economic net debt

SEK million	2016 Jan 1– Sep 30	2015 Jan 1– Sep 30	2015 Full year	2014 Full year	2013 Full year	2012 Full year
Interest-bearing non-current and current liabilities	13,507	10,950	10,991	9,190	9,430	17,512
Excluding provisions	-1,205	-893	-926	-807	-679	-559
Excluding equipment financing	-76	-	-	-	-	-
Cash & cash equivalents, current investments and restricted funds	-1,195	-241	-139	-189	-1,413	-1,745
Other financial interest-bearing receivables (swap agreements etc)	-18	-11	-48	-47	-10	-21
Net debt for assets classified as held for sale	-	-	-	-12	-	-
<b>Net debt</b>	<b>11,013</b>	<b>9,805</b>	<b>9,878</b>	<b>8,135</b>	<b>7,328</b>	<b>15,187</b>
Excluding loan from Kazakhtelecom	-22	-	-	-	-	-
Excluding loan guaranteed by Kazakhtelecom	-6	-	-	-	-	-
<b>Economic net debt</b>	<b>10,985</b>	<b>9,805</b>	<b>9,878</b>	<b>8,135</b>	<b>7,328</b>	<b>15,187</b>

As a result of the agreement with Kazakhtelecom, Tele2 introduced in Q1 2016 a new measure; economic net debt. Economic net debt is defined as net debt excluding liabilities from Kazakhtelecom and liabilities guaranteed by Kazakhtelecom.

## Financing

SEK million	Interest-bearing liabilities			
	Sep 30, 2016		Dec 31, 2015	
	Current	Non-current	Current	Non-current
Bonds NOK, Sweden <sup>1)</sup>	570	-	-	955
Bonds SEK, Sweden	2,193	5,238	500	2,548
Commercial papers, Sweden	2,525	-	3,784	-
Financial institutions	14	1,210	543	655
	<b>5,302</b>	<b>6,448</b>	<b>4,827</b>	<b>4,158</b>
Put option, Kazakhstan (Note 5)	-	-	125	416
Provisions	92	1,113	52	874
Other liabilities	355	197	368	171
<b>Total interest-bearing liabilities</b>	<b>5,749</b>	<b>7,758</b>	<b>5,372</b>	<b>5,619</b>

<sup>1)</sup> The bonds in NOK are hedged for currency exposure via currency swaps

On September 16, 2016 Tele2 completed the issuance of a SEK 1 billion bond in the Swedish bond market. The issue has a final maturity of 5.5 years with a floating rate coupon of STIBOR 3m +1.55 percent. The bond is issued under the Tele2 EMTN program and is listed on the Luxembourg exchange.

On July 7, 2016 Tele2 issued a 6-year SEK 500 million bond under the EMTN program. The bond is a private placement and is not listed.

On June 3, 2016 Tele2 announced the signing of a EUR 130 million loan agreement with the Nordic Investment Bank (NIB). This included a cancellation of the existing loan from NIB of EUR 74 million. Thus the debt increased in total by EUR 56 million. The loan has a fixed interest rate and matures in 5 to 8 years.

On May 11, 2016 Tele2 completed the issuance of a 5-year SEK 3 billion bond in the Swedish bond market. The amount is split in one tranche of SEK 1 billion with a fixed rate coupon of 1.875 percent and one tranche of SEK 2 billion with a floating rate coupon of STIBOR 3m +1.65 percent. The bond is issued under the Tele2 EMTN program and is listed on the Luxembourg stock exchange.

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner Kazakhtelecom. In connection with the completion of the agreement with Kazakhtelecom during Q1 2016, the liability maturity period was extended to 2031 and as a consequence the loan was revalued to fair value at the remeasurement date. On September 30, 2016 the reported debt amounted to SEK 22 (247) million and the nominal value to SEK 300 (287) million. The change in book value was reported in equity, please refer to Note 10.

On February 3, 2016 Tele2 completed the issuance of a SEK 500 million bond in the Swedish bond market. The issue has a final maturity of 3 years with a floating rate coupon. The bond is issued under the Tele2 EMTN program and is not listed.

On January 13, 2016 Tele2 entered into a syndicated multi-currency revolving credit facility agreement amounting to EUR 800 million with 11 relationship banks. The facility has a tenor of five years with two one-year extension options and it replaced the previous revolving credit facility dated May 2012. The new facility further strengthens Tele2's financial position and secures a structure of diversified funding sources. The new facility was unutilized as of September 30, 2016.

### Transfer of right of payment of receivables

In Q1 2016 and onwards, Tele2 has started to transfer the right for payment of certain operating receivables to financial institutions. The obligation that occur when receiving payment from financial institutions connected to the transfer of right of payment of receivables for sold equipment has been netted against the receivables in the balance sheet and resulted in a positive effect on cash flow. During 2016 the right of payment of SEK 1,105 million has been transferred, of which SEK 361 million in Q3 2016.



## 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 and accounts payables. Classification of financial assets and liabilities including their fair value is presented below. During 2016, 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 except for the valuation of the put option related to Tele2 Kazakhstan according to below.

SEK million	Sep 30, 2016					
	Assets and liabilities at fair value through profit/loss (level 3)	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	1	979	–	–	980	980
Accounts receivables	–	2,178	–	–	2,178	2,178
Other current receivables	–	3,453	18	–	3,471	3,471
Current investments	–	21	–	–	21	21
Cash and cash equivalents	–	1,172	–	–	1,172	1,172
<b>Total financial assets</b>	<b>1</b>	<b>7,803</b>	<b>18</b>	<b>–</b>	<b>7,822</b>	<b>7,822</b>
Liabilities to financial institutions and similar liabilities	–	–	–	11,750	11,750	12,112
Other interest-bearing liabilities	26	–	275	251	552	563
Accounts payable	–	–	–	2,383	2,383	2,383
Other current liabilities	–	–	–	873	873	873
<b>Total financial liabilities</b>	<b>26</b>	<b>–</b>	<b>275</b>	<b>15,257</b>	<b>15,558</b>	<b>15,931</b>

SEK million	Dec 31, 2015					
	Assets and liabilities at fair value through profit/loss (level 3)	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	9	1,349	–	–	1,358	1,358
Accounts receivables	–	2,163	–	–	2,163	2,163
Other current receivables	–	3,296	48	–	3,344	3,344
Current investments	–	32	–	–	32	32
Cash and cash equivalents	–	107	–	–	107	107
<b>Total financial assets</b>	<b>9</b>	<b>6,947</b>	<b>48</b>	<b>–</b>	<b>7,004</b>	<b>7,004</b>
Liabilities to financial institutions and similar liabilities	–	–	–	8,985	8,985	9,240
Other interest-bearing liabilities	541	–	231	308	1,080	1,049
Accounts payable	–	–	–	2,746	2,746	2,746
Other current liabilities	–	–	–	502	502	502
<b>Total financial liabilities</b>	<b>541</b>	<b>–</b>	<b>231</b>	<b>12,541</b>	<b>13,313</b>	<b>13,537</b>

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

SEK million	Sep 30, 2016		Dec 31, 2015	
	Assets	Liabilities	Assets	Liabilities
<b>As of January 1</b>	<b>9</b>	<b>541</b>	<b>9</b>	<b>887</b>
Changes in fair value	–	–413	–	51
Divestment of shares	–8	–	–	–
Payment of liability	–	–125	–	–
Contingent consideration	–	26	–	–
Exchange rate differences*	–	–3	–	–397
<b>As of the end of the period</b>	<b>1</b>	<b>26</b>	<b>9</b>	<b>541</b>

\* Recognised in other comprehensive income

In Q3 2016, a liability was reported for contingent deferred consideration to the former owners of Kombridge, Sweden, please refer to Note 11. The estimated fair value of the deferred consideration amounted on September 30, 2016 to SEK 26 (-) million. The fair value was calculated based on expected future cash flows at which a maximum turnout has been assumed.

In Q1 2016, an initial purchase price of SEK 125 million was paid to the former non-controlling shareholder Asianet in Tele2 Kazakhstan for its 49 percent stake. According to the agreement between the parties Asianet has right to 18 percent of the economic interest in the new jointly owned company, please refer to Note 11. The estimated fair value of the deferred consideration amounted on September 30, 2016 to SEK – (541) million. The fair value was calculated based on expected future cash flows of the jointly owned company, please refer to Note 5.

## NOTE 5 OTHER FINANCIAL ITEMS

Other financial items in the income statement consist of the following items.

SEK million	2016 Jan 1– Sep 30	2015 Jan 1– Sep 30	2015 Full year	2016 Q3	2015 Q3
Change in fair value, put option Kazakhstan	413	–	–51	–	–30
Exchange rate differences	13	–17	1	–	–20
EUR net investment hedge, interest component	–4	–1	–3	–1	–1
NOK net investment hedge, interest component	–	–1	–1	–	–
Sale of Modern Holding Inc	–2	–	–	–	–
Other financial expenses	–9	–5	–5	–4	–2
<b>Total other financial items</b>	<b>411</b>	<b>–24</b>	<b>–59</b>	<b>–5</b>	<b>–53</b>

In Q1 2016, part of the put option obligation to the former non-controlling interest in Tele2 Kazakhstan was settled and SEK 125 million was paid to the previous non-controlling interest. The remaining part of the fair value of the put option obligation was in Q1 2016 changed to zero, affecting financial items in the income statement positively by SEK 413 million. The fair value is calculated based on expected future cash flows of the jointly owned company. The reason for the change in fair value in Q1 2016 was due to the macro environment, including the Tenge devaluation which implied weaker consumer purchase power and higher expenses. In addition, intense competitive pressure during Q1 eroded pricing power for all market participants. The fair value estimate is sensitive to changes in key assumptions supporting the expected future cash flows for the jointly owned company in Kazakhstan. A positive deviation from the current assumptions would increase the earn-out liability.

In Q3 2015, the fair value of the put option of the business in Kazakhstan decreased by SEK 245 million affecting financial items in the income statement negatively by SEK 30 million and other comprehensive income positively by SEK 275 million mainly due to the devaluation of the Kazakhstan currency during the quarter. For further information please refer to Note 4.

In Q1 and Q3 2015, the cash flow was negatively affected by SEK 130 and 76 million respectively related to currency derivatives designated for hedge accounting.

## NOTE 6 TAXES

During the first nine months 2016, the underlying effective tax rate temporarily increased to 32 (21) percent. The reason for the increase is mainly driven by the non-deductible impairment of goodwill in the Netherlands.

SEK million	2016		2015		2015	
	Jan 1–	Sep 30	Jan 1–	Sep 30	Full year	
<b>Profit/loss before tax</b>	<b>-1,281</b>	<b>-</b>	<b>1,784</b>		<b>2,012</b>	
Income tax	-706	55.1%	-561	31.4%	-744	37.0%
<b>Tax effect of:</b>						
Impairment of goodwill, non-deductible	681	53.1%	-	-	39	-1.9%
Not valued tax loss-carry forwards	371	29.0%	120	-6.7%	144	-7.2%
Valuation tax loss-carry forwards	-40	-3.1%	-	-	-	-
Result from JV and associated companies	-	-	-1	0.1%	-	-
Change in fair value, put option Kazakhstan, non-taxable	-91	-7.1%	-	-	10	-0.5%
Non-deductible expenses/non-taxable revenue	40	3.1%	91	-5.1%	181	-9.0%
Adjustment due to changed tax rate	140	10.9%	-	-	-	-
Adjustment of taxes from previous years	15	1.2%	-27	1.5%	-58	2.9%
<b>Adjusted tax expense and effective tax rate</b>	<b>410</b>	<b>32.0%</b>	<b>-378</b>	<b>21.2%</b>	<b>-428</b>	<b>21.3%</b>

Other non-deductible expenses/non-taxable revenues of SEK -40 (-181) million mainly relate to interest costs in Sweden. Tele2 claims these interest costs are deductible, but due to the uncertainty in how the tax legislation should be interpreted the interest costs have in the accounting been reported as non-deductible expenses until the tax rules have been further clarified by the courts, which may take several years.

In Q3 2016, net taxes were negatively impacted by SEK -140 million due to revaluation of deferred tax assets in Luxembourg as a consequence of reduced tax rates.

In Q1 2016, net taxes were positively affected by a valuation of deferred tax assets in Germany of SEK 40 million.

## NOTE 7 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations, 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	2016	2016	2016	2015	2015	2015
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash and cash equivalents in joint operations	12	7	42	34	1	11

As part of the business combination in Q1 2016, of Tele2's and Kazakhtelecom's operations in Kazakhstan, Kazakhtelecom have 49 percent of the voting rights in the combined company. Tele2 and Kazakhtelecom sell and purchases telecommunication services from each other. 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 2016. Other related parties are presented in Note 37 of the Annual Report 2015.

## NOTE 8 CAPEX

### Bridge from CAPEX to paid CAPEX

SEK million	2016	2015	2015	2016	2015
	Jan 1–	Jan 1–	Full year	Q3	Q3
	Sep 30	Sep 30			
CAPEX, continued operations	-2,753	-3,004	-4,227	-779	-932
CAPEX, discontinued operations	-	-13	-13	-	-
<b>CAPEX, total operation</b>	<b>-2,753</b>	<b>-3,017</b>	<b>-4,240</b>	<b>-779</b>	<b>-932</b>
This year's unpaid CAPEX and paid CAPEX from previous year	-126	59	205	-122	-22
Received payment of sold non-current assets	22	16	20	5	9
<b>Paid CAPEX</b>	<b>-2,857</b>	<b>-2,942</b>	<b>-4,015</b>	<b>-896</b>	<b>-945</b>

In Q1 2016, CAPEX for Lithuania was affected by SEK 123 million related to licenses in the 900 and 1800 MHz bands. The new licenses will ensure continued operations after 2017 when the current licenses expire. They will also contribute to higher quality and lower costs, due to the quality and price ratio that Tele2 has opted for. SEK 26 million was paid during Q1 2016 and the remaining part will be paid over 15 years of the license lifespan.

## NOTE 9 CONTINGENT LIABILITIES AND ASSETS

SEK million	Sep 30, 2016	Dec 31, 2015
Asset dismantling obligation	147	137
KPN dispute, Netherlands	223	212
Tax dispute, Russia	-	154
<b>Total contingent liabilities</b>	<b>370</b>	<b>503</b>

### Contingent assets

In May 2016, the Stockholm District Court ordered Telia to pay damages to Tele2 concerning Telia's abuse of its dominant position on wholesale ADSL-services. The judgement has been appealed by both parties. Due to the uncertainty in the final outcome Tele2 has not recognized any benefits from the judgement.

### Contingent liabilities

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

Tele2 Netherlands is, in the ordinary course of its business, involved in several regulatory complaints and disputes pending with the appropriate governmental authorities. In a specific case regarding the rental fees of copper lines, which Tele2 Netherlands uses as part of its fixed operations, the regulator (ACM) has determined that the rental fees are to be adjusted with retroactive effect from 2009. On July 21, 2015 the Supreme Administrative Court (CBB) ruled that ACM had no powers to impose any deduction on the WPC IIA price caps from 2009 till now. This resulted in an additional claim from KPN of EUR 14.5 million for the first 3 years (2009–2011), which were previously deducted by ACM in their ruling. Together with the claim for the period 2012–July 2014 this has resulted in a total claim from KPN for the time period 2009–July 2014 amounting to EUR 23.2 million (SEK 223 million) which is subject to pending appeals and court cases expected to go on for several years. Our assessment is that it is unlikely that Tele2 will have to pay these fees and consequently no provision has been made.

The tax authorities in Russia are currently performing tax audits on several of Tele2's former subsidiaries in Russia. Per the sales agreement with the VTB-Group Tele2 is liable for any additional taxes payable relating to periods under Tele2's ownership as result of the tax audits. On September 30, 2016 (and December 31, 2015 respectively) Tele2 has won tax disputes equivalent to SEK 143 (187) million, of which the Russian tax authorities has appealed SEK 1 (154) million. In addition, Tele2 has lost tax disputes of SEK -114 (-16) million, of which Tele2 has appealed SEK 94 (-) million. Due to a change in the assessments of certain tax disputes in Q3

2016 an additional provision of SEK 93 million was recognized in discontinued operations. Total provisions as of September 30, 2016 (and December 31, 2015 respectively) amounted to SEK 114 (16) million. Even though it cannot be ruled out that Tele2 may be liable to certain costs and that new cases can be identified, Tele2 assesses that it is not likely that any additional taxes need to be paid and consequently no additional provisions have been made.

Additional information about contractual commitments is provided in Note 29 in the Annual Report 2015.

## NOTE 10 EQUITY AND NUMBER OF SHARES

### Number of shares

	Sep 30, 2016	Dec 31, 2015
<b>Number of shares</b>		
Outstanding	446,533,392	446,188,367
In own custody	4,549,947	4,894,972
Weighted average	446,368,547	446,032,991
After dilution	449,352,321	449,020,673
Weighted average, after dilution	449,105,027	448,904,102

As a result of share rights in the LTI 2013 being exercised during Q2 2016, Tele2 delivered 345,025 B-shares in own custody to the participants in the program.

Changes of number of shares during previous year are stated in Note 24 in the Annual Report 2015.

### Number of outstanding share rights

	Sep 30, 2016	Dec 31, 2015
<b>Number of outstanding share rights</b>		
LTI 2016–2019	1,208,268	
LTI 2015–2018	902,102	1,093,535
LTI 2014–2017	718,391	897,508
<i>of which will be settled in cash</i>	<i>9,832</i>	<i>9,147</i>
LTI 2013–2016	–	841,263
<i>of which will be settled in cash</i>	<i>–</i>	<i>42,261</i>
<b>Total outstanding share rights</b>	<b>2,828,761</b>	<b>2,832,306</b>

All outstanding long-term incentive programs (LTI 2014, LTI 2015 and LTI 2016) are based on the same structure and additional information regarding the objective, conditions and requirements related to the LTI programs 2013, 2014 and 2015 is stated in Note 33 of the Annual Report 2015. During the first nine months 2016, the total cost before tax for the long-term incentive programs (LTI) amounted to SEK 17 (42) million.

### LTI 2016

During the Annual General Meeting held on May 24, 2016, the shareholders approved a retention and performance-based incentive program (LTI 2016) for senior executives and other key employees in the Tele2 Group. The measurement period for certain retention and performance-based conditions for LTI 2016 is April 1, 2016 – March 31, 2019. The program has the same structure as last year's incentive program.

Total costs before tax for outstanding rights in the incentive program are expensed over the three-year vesting period, and these costs were initially expected to amount to SEK 60 million, of which social security costs amount to SEK 18 million.

To ensure the delivery of Class B shares under the program, the Annual General Meeting decided to authorise the Board of Directors to resolve on a directed issue of a maximum of 1,820,000 Class C shares and subsequently to repurchase the Class C shares. The Board of Directors has not yet used its mandate.

### LTI 2013

The exercise of the share rights in LTI 2013 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2013 until March 31, 2016. The outcome of these performance conditions was in accordance with below and the outstanding share rights of 345,025 have been exchanged for shares in Tele2 and 19,380 share rights for cash during Q2 2016. Weighted average share price for share rights in LTI 2013 at date of exercise amounted to SEK 75.74 during 2016.

	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		≥ 0%	24.2%	100%
Series B	Average normalised Return on Capital Employed (ROCE)	8%	12.5%	10.0%	55.6%
Series C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	-5.4%	0%

### Dividend

In Q2 2016, Tele2 paid to its shareholders a dividend for 2015 of SEK 5.35 (4.85) per share. In 2015, Tele2 also paid an extraordinary dividend of SEK 10.00 per share. This corresponded to a total of SEK 2,389 (6,626) million.

### Transactions with non-controlling interests

The transaction with Kazakhtelecom, which is described in Note 11, resulted in Q1 2016, in a positive effect in equity attributable to the equity holders of the parent company of SEK 1,143 million. The positive effect mainly refers to Kazakhtelecom's contribution of Altel to Tele2 in exchange for Kazakhtelecom becoming partly owner of Tele2 Kazakhstan. As part of setting up the new structure in Kazakhstan, an initial purchase price of SEK 125 million was paid during Q1 2016 to the former non-controlling shareholder Asianet in Tele2 Kazakhstan for its 49 percent stake.

### ROCE, return on capital employed

SEK million	2016 Jan 1 – Sep 30	2015 Jan 1 – Sep 30	2015 Full year	2014 Full year	2013 Full year	2012 Full year
EBIT, total operation	-1,558	3,785	4,149	3,102	16,339	5,653
Financial income, total operation	13	8	9	26	55	24
<b>Return<sup>1)</sup></b>	<b>-1,545</b>	<b>3,793</b>				
<b>Annualised return in relation to</b>	<b>-1,130</b>	<b>4,488</b>	<b>4,158</b>	<b>3,128</b>	<b>16,394</b>	<b>5,677</b>
Total assets	36,371	35,811	36,149	36,015	39,407	49,189
Non-interest bearing liabilities	-7,556	-6,576	-7,257	-7,227	-8,781	-11,248
Provisions for asset dismantling	-974	-730	-771	-634	-488	-211
Capital employed for assets classified as held for sale	–	–	–	3,098	395	–
Capital employed, closing balance	27,841	28,505	28,121	31,252	30,533	37,730
<b>Capital employed, average</b>	<b>27,981</b>	<b>29,879</b>	<b>29,687</b>	<b>30,893</b>	<b>34,132</b>	<b>36,859</b>
<b>ROCE, %</b>	<b>-4.0</b>	<b>15.0</b>	<b>14.0</b>	<b>10.1</b>	<b>48.0</b>	<b>15.4</b>

<sup>1)</sup> Including impairment of goodwill of SEK -2,791 (2015: capital gain for Norway of SEK 1,709) million

## NOTE 11 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2016	2015
	Jan 1–Sep 30	Full year
<b>Acquisitions</b>		
Altel, Kazakhstan	41	–
Kombridge, Sweden	–9	–
Capital contribution to joint ventures	–	–4
<b>Total acquisition of shares and participations</b>	<b>32</b>	<b>–4</b>
<b>Divestments</b>		
Norway	–	4,904
Residential cable and fiber operations, Sweden	–	–6
Transaction costs, Russia	–2	–6
Other divestments	4	5
<b>Total sale of shares and participations</b>	<b>2</b>	<b>4,897</b>
<b>TOTAL CASH FLOW EFFECT</b>	<b>34</b>	<b>4,893</b>

### ACQUISITIONS

#### Kombridge, Sweden

On August 22, 2016 Tele2 acquired 100 percent in the Sweden based company Kombridge AB. Since 2010, Kombridge has offered security services, connected device management and application management for Internet of Things (IoT) applications and services.

Kombridge brings a number of valuable assets and Tele2 IoT will immediately strengthen its security portfolio through the Kombridge Connect security product. The combined sales and technology teams will build upon Kombridge's technology and knowledge to establish even stronger value added services for B2B application- and connectivity management.

The goodwill of SEK 26 million consists of value Tele2 gets by adding the expertise, the product and the platform from Kombridge and integrate in Tele2's business.

#### TDC, Sweden

On June 21, 2016 Tele2 announced that Tele2 has signed a contract to acquire 100 percent of TDC Sweden for SEK 2.9 billion on a debt free basis. The transaction was approved by regulatory authorities on October 7, 2016 and the transaction is expected to be closed in Q4 2016.

TDC Sweden is a provider of B2B services in Sweden, serving both the public sector and many Swedish blue chip customers with their entire end-to-end connectivity and communication needs. TDC Sweden has a strong position in attractive product segments, and a solid track record of profitable growth, delivering net sales in 2015 of SEK 3.4 billion and an EBITDA of SEK 0.4 billion. The operations had 809 full time employees at the end of 2015.

Tele2 estimates annualized run rate OPEX and CAPEX synergies to amount to approximately SEK 300 million, with additional one-off CAPEX synergies estimated to amount to SEK 200 million. Positive effects of cross-selling are also expected. Preliminary estimates for the integration costs and other one-off costs required to achieve synergies amount to approximately SEK 750 million. Total acquisition costs of SEK –9 million have been reported as operating costs in the income statement.

In conjunction with the announcement of the acquisition, Tele2 proposed to undertake an equity issue with preferential rights to existing shareholders to a total amount of approximately SEK 3 billion. The issue is subject to the approval of an Extraordinary General Meeting. The completion of the acquisition is not conditional on equity financing, as Tele2 has available funds and existing credit facilities in place to finance the acquisition. The issue is proposed in order to maintain Tele2's financial strength, is fully underwritten

and has the support of Tele2's largest shareholder Kinnevik. The issue is expected to be completed in Q4 2016.

#### Combination of operations, Kazakhstan

On November 4, 2015 Tele2 announced the agreement with Kazakhtelecom to combine the two businesses' mobile operations in Kazakhstan, Tele2 Kazakhstan and Altel, in a jointly owned company. Necessary regulatory approvals for the transactions were received end of January 2016 and the transaction was completed on February 29, 2016.

Kazakhtelecom has subscribed for newly issued shares in the Dutch holding company Khan Tengri Holding B.V. (previously 100 percent owned by Tele2 after the buyout of Asianet), being the owner of Tele2 Kazakhstan, in exchange for 100 percent of the shares in Altel. The estimated fair value of identifiable net assets in Altel was SEK 840 million.

The business combination will strengthen the position of both companies in the Kazakhstan market by combining Tele2's existing operations in Kazakhstan with Kazakhtelecom's mobile business, Altel. The new business has more than 6 million customers and a market share of around 23 percent. The business combination with Kazakhtelecom's mobile operation will create a more sustainable and significant player in the market. The process of integrating the businesses is well underway and the expected synergies will be beneficial for both our customers and shareholders.

Tele2 has a 49 percent economic ownership in the jointly owned company and 51 percent of the voting rights. Tele2 has the right to appoint the CEO and all other management roles except for the CFO. Tele2 has concluded that Tele2 has the control over the jointly owned company as defined by IFRS and consequently the company is consolidated by Tele2. After three years Tele2 will under a put option be able to sell its 49 percent stake at fair value to Kazakhtelecom, which holds a symmetrical call option.

As part of the transaction Tele2 acquired Asianet's 49 percent stake in Tele2 Kazakhstan. The purchase price amounted to an initial payment of SEK 125 million and a deferred consideration equivalent to an 18 percent economic interest in the jointly owned company during a three year period. After three years Asianet has a put option on its 18 percent earn out interest and Tele2 has a symmetrical call option. The exercise price of the put and call options will be the fair market value of the 18 percent interest in the jointly owned company, where Asianet will receive, as deferred payment, the first KZT 8.4 billion (SEK 216 million) of any equity value attributable to a 49 percent stake. Therefore, the purchase agreement with Asianet means that Tele2's effective economic interest in the jointly owned company during the first three years will be 31 percent.

The financing of the jointly owned company has been provided with existing shareholder loans from Tele2 of KZT 97 billion (SEK 2.5 billion) and a pre-existing interest free subordinated loan of KZT 11.7 billion (SEK 300 million) from Kazakhtelecom with extended maturity to 2031. Future funding needs for the jointly owned company will be provided via bank debt guaranteed by Kazakhtelecom.

The current earn-out liability to the previous non-controlling shareholder Asianet on its pre-existing 49 percent stake in Tele2 Kazakhstan was on September 30, 2016 valued at fair value determined to be nil. For further information please refer to Note 4.

Altel is providing telecommunication services, including mobile services and internet services under the trademark ALTEL 4G in Kazakhstan. The business areas consist of prepaid mobile regular and mobile broadband. Total acquisition costs of SEK –130 million have been reported as operating costs in the income statement in 2016 by SEK –12 (–118) million.

### Net assets at the time of acquisition

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

SEK million	Altel Feb 29, 2016	Kombridge Aug 22, 2016
Patents and software	7	8
Licenses	148	–
Customer agreements	81	2
Trademarks	66	–
Tangible assets	658	–
Financial assets	14	–
Deferred tax assets	31	1
Inventories	37	–
Current receivables	153	2
Cash and cash equivalents	41	1
Non-current interest bearing liabilities	–55	–
Deferred tax liabilities	–29	–2
Current liabilities	–312	–2
<b>Acquired net assets</b>	<b>840</b>	<b>10</b>
Goodwill		26
<b>Purchase price shares</b>	<b>840</b>	<b>36</b>
Fair value of equity interest 51 percent in Khan Tengri Holding at acquisition	–840	–
Less: cash in acquired companies	–41	–1
Debt for additional purchase price	–	–26
<b>NET CASH OUTFLOW (+)</b>	<b>–41</b>	<b>9</b>

### DIVESTMENTS

#### Procure IT Right, Sweden

On August 31, 2016 Tele2 sold its Swedish procurement consulting operation for a sales price of SEK 1 million. The sale resulted in a capital loss of SEK 4 million. The operation affected Tele2's net sales in 2016 by SEK 28 (36) million and EBITDA by 1 (1) million.

#### Net assets at the time of divestment

Assets, liabilities and contingent liabilities included in the divested operation at the time of divestment is stated below:

SEK million	Procure IT Right
Current receivables	12
Current non-interest-bearing liabilities	–7
<b>Divested net assets</b>	<b>5</b>
Capital loss	–4
<b>TOTAL CASH FLOW EFFECT</b>	<b>1</b>

### EFFECTS FROM ACQUISITIONS AND DIVESTMENTS

The table below shows how the acquired and divested companies would have affected Tele2's net sales and result if they had been acquired and divested on January 1, 2016.

SEK million	Jan 1 – Sep 30, 2016				Tele2 Group pro forma
	Tele2 Group	Acquired operations		Divested operations	
		Altel, Kazakhstan	Kombridge, Sweden	Procure IT Right, Sweden	
Net sales	20,075	137	7	–28	20,191
EBITDA	3,875	6	–	–1	3,880
Net profit/loss	–1,987	–22	–	–	–2,009

### DISCONTINUED OPERATIONS

Discontinued operations refer to provisions for Russian tax disputes related to the previously sold operations in Russia, with a negative effect on net profit of SEK 93 million. For further information regarding the Russian tax disputes please refer to Note 9.

### NOTE 12 DEFINITIONS OF NON-IFRS MEASURES

Certain financial measures are presented in this interim report that are not defined by IFRS. It is the view of Tele2 that these measures give valuable additional information to investors and other readers of this report since they are used by management to manage and control the operating businesses. Definitions of these measures are mainly stated on the last page of the annual report 2015, with some clarification below.

- **EBITDA margin** – EBITDA in relation to net sales excluding one-off items
- **One-off items** – definition is stated in Note 3
- **Economic net debt** – definition and calculation are stated in Note 4
- **Economic net debt to EBITDA (Leverage)** – EBITDA rolling 12 months including only Tele2's share (49 percent) of EBITDA in Kazakhstan
- **Return on equity** – Profit/loss after tax attributable to holders of the parent company annualized to 12 months calculated as year-to-date amount adjusted pro rata, but adjusted so material capital gain/losses from disposal of discontinued operations and material one-off items are only included once
- **ROCE, return on capital employed** – EBIT and financial revenues annualized to 12 months calculated as year-to-date amount adjusted pro rata, but adjusted so material one-off items are only included once. Calculation is stated in Note 10
- **Average interest rate** – Interest expense on loans (i.e. not including penalty interest etc) annualized to 12 months calculated as year-to-date amount adjusted pro rata, but adjusted so material one-off items are only included once. Average interest-bearing liabilities exclude provisions and debt related to equipment financing, balanced bank fees and adjusted for borrowings and amortizations during the period, and are calculated as an average of all the quarters' average
- **Cash flow from operating activities per share** – Cash flow from operating activities in relation to the weighted average number of shares outstanding

As a result of the agreement with Kazakhtelecom, Tele2 introduced in Q1 2016 a new measure; economic net debt. Please refer to Note 4 for additional information.

**TELE2**