2019

Tele2 Interim Report
Second Quarter

TELE2
OBEGRÄNSAD

Q2 2019 HIGHLIGHTS

- Revenue of SEK 6.8 billion, representing organic decline of –2 percent
- End-user service revenue of SEK 5.1 billion, representing organic decline of –1 percent
- Organic growth of 3 percent in underlying EBITDA excluding IFRS 16 to SEK 2.2 billion for the Group
- Organic growth of 3 percent in underlying EBITDA excluding IFRS 16 to SEK 1.8 billion in Sweden, driven by synergies from the Com Hem merger
- Net profit from total operations of SEK 2.1 billion impacted by a SEK 1.6 billion capital gain from the sale in Kazakhstan and a goodwill impairment of SEK –0.5 billion in Estonia
- Proposed extraordinary dividend of SEK 6.00 per share to distribute proceeds from asset sales in Kazakhstan and the Netherlands
- Equity free cash flow more than doubled to SEK 1.1 billion, driven by the Com Hem merger
- Financial guidance unchanged, capex updated to reflect Croatia now reported as a discontinued operation, see page 7

Key Financial Data

SEK million	Apr–Jun 2019 IFRS 16	Apr–Jun 2018 IAS 17	Jan–Jun 2019 IFRS 16	Jan–Jun 2018 IAS 17
Continuing operations				
End-user service revenue	5,079	3,356	10,106	6,658
Revenue	6,794	5,113	13,537	10,107
Underlying EBITDA	2,502	1,460	5,048	2,894
EBITDA	2,231	1,332	4,515	2,680
Operating profit	431	835	1,478	1,709
Profit after financial items	311	725	1,257	1,516
Total operations				
Net profit/loss	2,130	443	3,154	793
Earnings per share after dilution (SEK)	2.98	0.81	4.38	1.49

Revenue
Q2 2019
6,794
SEK million

Key financial data including Com Hem proforma

SEK million	Apr–Jun 2019	Apr–Jun 2018	Organic %	Jan–Jun 2019	Jan–Jun 2018	Organic %
Continuing operations						
End-user service revenue	5,079	5,101	–1%	10,106	10,121	–1%
– Mobile end-user service revenue	2,766	2,707	1%	5,474	5,338	2%
– Fixed end-user service revenue	1,858	1,946	–5%	3,738	3,890	–4%
Revenue	6,794	6,928	–2%	13,537	13,706	–2%
Underlying EBITDA excluding IFRS 16	2,227	2,150	3%	4,482	4,264	4%
Capex excluding spectrum and leases	549	638		1,177	1,238	
OCF excluding spectrum paid, rolling 12 months[1)]				6,362	6,227	
Total operations						
Economic net debt to underlying EBITDAaL				2.4x		

1) Operating cash flow, see Non-IFRS measures page 31.

Underlying EBITDA
excluding IFRS 16
Q2 2019
2,227
SEK million

Continuing operations

Figures presented in this report refer to Q2 2019 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2018. Tele2 Croatia is reported as a discontinued operation for all periods. Discontinued operations also include the former operations in the Netherlands and Kazakhstan. See Note 11.

Non-IFRS measures

This report contains certain non-IFRS measures which are defined and reconciliated to the closest reconcilable line items in the section *Non-IFRS measures* on page 31. Note that organic growth rates, as further defined in the Non-IFRS section, includes Com Hem pro forma for all periods. For further definitions of industry terms and acronyms, please refer to the Investor section at www.Tele2.com.

“We see an opportunity for further cost reduction by turning Tele2 into a truly integrated operator”

CEO WORD – Q2 2019

In the second quarter of 2019 we took additional steps to focus our geographical footprint by closing the sale in Kazakhstan and announcing the sale of our Croatian business. We also propose an extraordinary dividend of SEK 6 per share to distribute the proceeds from the transactions in Kazakhstan and the Netherlands to our shareholders. The Com Hem integration is well under way and we realized an additional SEK 100 million of synergies, reaching our full year run-rate target of SEK 450 million already after six months. In Sweden, we launched a rebranding campaign of the Tele2 brand and continued to see progress on our fixed mobile convergence (FMC) strategy with 93,000 customers now on FMC-offers, paving the way for future revenue growth as we reduce churn and increase pricing power.

Q2 2019 summary

Group organic end-user service revenue (EUSR) declined by 1 percent with the Baltics growing 6 percent while Sweden declined by 2 percent. In Sweden there was pressure on EUSR within both the consumer and business segments. In the consumer segment we saw a 1 percent growth in mobile EUSR while fixed EUSR declined by 3 percent because of lower fixed-line price increases compared to last year and volume decline in legacy services. The business segment had a strong mobile RGU intake in the quarter but pressure on ASPU resulted in continued EUSR decline. Group underlying EBITDA excluding IFRS 16 grew by 3 percent organically, with the Baltics growing by 10 percent and Sweden by 3 percent driven by synergies which were partially offset by reinvestment into the business and pressure on EUSR.

Future growth through a combination of volume and price via FMC

In the Sweden Consumer segment, we see two ways to create revenue growth going forward – through volume growth and price adjustments. During the first half of 2019, our efforts have been aimed at the first part of this equation, and we have made good progress so far. We saw strong volumes in the quarter with net adds for core services (mobile postpaid, fixed broadband and digital TV via cable & fiber) of 34,000 RGUs as a result of successful rebranding of the Tele2 brand, attractive introductory pricing on broadband and reduced churn due to lower price increases and increased FMC penetration, as well as a widened pricing gap between Tele2 and competitors. While volume growth is positive as we gain a larger customer base providing recurring revenue, we see pressure on ASPU, resulting in a slowdown in EUSR growth to 2 percent in our core services. Combined with decline in EUSR from legacy services, this resulted in negative EUSR growth in the segment this quarter.

The key here is to find a balance between volume and price, and our FMC-strategy is a way to do both. We already see signs of reduced churn for FMC-customers, helping us grow volumes, and we also see strong pricing power among this customer base as customer satisfaction is significantly higher than for non-FMC customers. Over the mid-term, FMC will be key to create revenue growth through reduced churn, and in the near-term we expect it to support price adjustments which we plan already this year.

Continued delivery on cost synergies

The transformation of Tele2 and the integration with Com Hem made great progress this quarter and we realized an additional SEK 100 million of cost synergies, reaching our full year annual run-rate target of SEK 450 million already after six months. We now aim to reach an annual run-rate of SEK 600 million by the end of 2019.

The cost synergies were mainly related to headcount reductions across the Swedish organization as well as changes to the organizational structure to improve collaboration across the network, IT and commercial departments. We incurred SEK 227 million of integration costs this quarter and have so far incurred SEK 592 million of the expected SEK 1 billion of restructuring costs.

While we realized SEK 100 million of cost synergies in the quarter, the net effect in underlying EBITDA was partly offset by revenue decline as well as investments into the business which will help us return to revenue growth over time, such as the rebranding of Tele2 and product development connected to our FMC offerings. We expect to return to revenue growth as we ramp up revenue synergies next year and execute on price adjustments later this year.

Meanwhile we see an opportunity for further cost reduction by turning Tele2 into a truly integrated operator. We are currently planning this second phase of cost reductions and aim to communicate scope and timing later this year.

Taking steps to optimize our network strategy

As a part of our ongoing effort to ensure that we have the most reliable and cost-efficient networks in the countries where we operate, we announced two new initiatives in the quarter. We signed an agreement with the operator Bite to create a network sharing JV in Latvia and Lithuania. Given the success of our network JVs in Sweden, we are confident that this will help us improve network capacity and coverage for our customers, while reducing cost and capex and strengthen our mobile centric convergence strategy.

In Sweden we have initiated an audit of our mobile and IP core networks to ensure that we have a reliable network, prevent future outages and find potential improvements in our processes. We see this audit as a prudent step to secure delivery of high-quality services to our customers and we do not expect that this will result in need for additional investments above the levels we guide for.

Looking forward

With the steps taken to optimize our geographical footprint, we can now focus on our core Baltic Sea region where we see a future of sustainable revenue growth and cash flow generation. We will continue to deliver cost synergies in Sweden during the second half of the year, while ramping up our initiatives to return to revenue growth. We expect initiatives taken this quarter, such as the rebranding campaign and introduction of FMC offers to the Boxer customer base, to help us return to revenue growth next year and support price adjustments in the near term. We will continue working towards the announced cost reduction target and take concrete steps towards our vision of Tele2 becoming a truly integrated operator, running an agile operation that can serve our customers even better while operating the business more efficiently.

Anders Nilsson
President and Group CEO

Financial overview

Analysis of income statement

Continuing operations SEK million	Apr–Jun 2019 IFRS 16	Apr–Jun 2018 IAS 17	Jan–Jun 2019 IFRS 16	Jan–Jun 2018 IAS 17
End-user service revenue	5,079	3,356	10,106	6,658
Revenue	6,794	5,113	13,537	10,107
Underlying EBITDA	**2,502**	**1,460**	**5,048**	**2,894**
Items affecting comparability	–271	–129	–532	–214
EBITDA	**2,231**	**1,332**	**4,515**	**2,680**
Depreciation/amortization	–1,276	–496	–2,522	–984
– of which amortization of surplus from acquisitions	–298	–39	–596	–75
Impairment	–452	–	–452	–
Result from shares in joint ventures and associated companies	–73	–0	–63	13
Operating profit	**431**	**835**	**1,478**	**1,709**
Net interest and other financial items	–120	–111	–221	–193
Income tax	–204	–166	–426	–362
Net profit	**107**	**559**	**831**	**1,154**
Reconciliation of leasing effects				
Underlying EBITDA	**2,502**	**1,460**	**5,048**	**2,894**
Reverse IFRS 16 effect	–276	–	–566	–
Underlying EBITDA excluding IFRS 16 [1]	**2,227**	**1,460**	**4,482**	**2,894**
Underlying EBITDA	**2,502**	**1,460**	**5,048**	**2,894**
Lease depreciation	–296	–	–570	–
Lease interest costs	–20	–	–39	–
Underlying EBITDAaL	**2,187**	**1,460**	**4,438**	**2,894**

[1] Underlying EBITDA excluding IFRS 16, see Non-IFRS measures page 31.

Revenue increased by 33 percent due to the merger with Com Hem. Organic revenue declined by 2 percent, mainly driven by decline in **end-user service revenue** and equipment revenue in Sweden. Mobile end-user service revenue contributed positively with growth of 1 percent, while fixed end-user service revenue declined organically by 5 percent.

Underlying EBITDA grew by 71 percent mainly as a result of the merger with Com Hem and the implementation of IFRS 16 which removes the cost of operating leases from underlying EBITDA, starting January 1, 2019. To facilitate comparability during 2019, Tele2 reports underlying EBITDA excluding IFRS 16. Organic growth in underlying EBITDA excluding IFRS 16 was 3 percent.

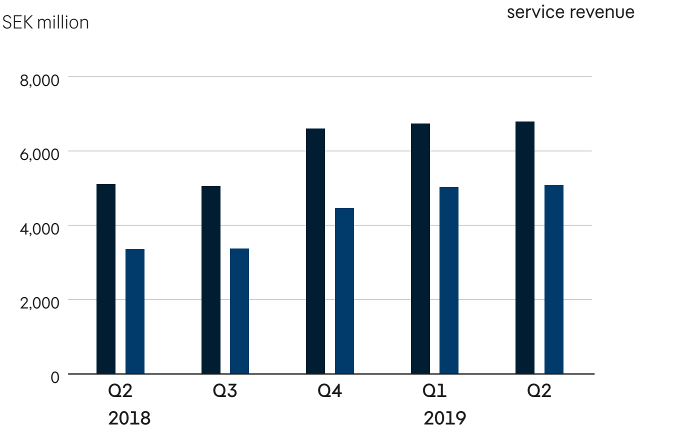
Following the implementation of IFRS 16, Tele2 uses **underlying EBITDAaL** (EBITDA after Leases) as a complementary measure of profitability going forward since it reflects the cost of operating leases. It will also be used as denominator when measuring financial leverage.

Items affecting comparability amounted to SEK –271 (–129) million, mainly as a result of the merger with Com Hem, Note 3.

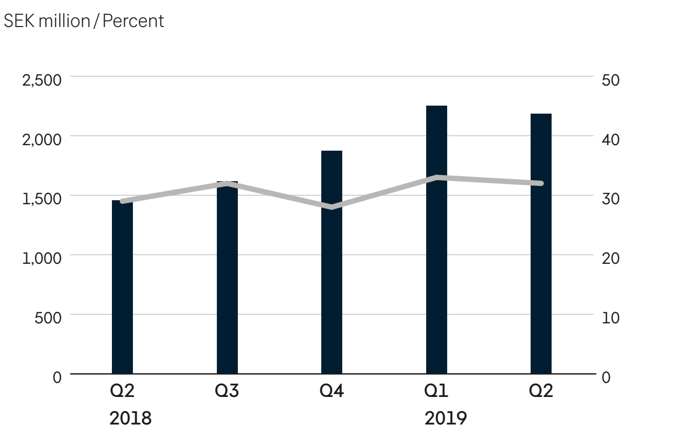
Depreciation/amortization increased both as a result of the inclusion of Com Hem and the implementation of IFRS 16, with SEK 296 million of depreciation of right-of-use assets (leased assets) in the quarter.

Operating profit declined to SEK 431 (835) million, mainly due to a goodwill impairment of SEK –452 million which was recognized in Estonia. Please refer to Note 3 for more details. Further, operating profit was impacted negatively by amortization of surplus values from Tele2's 25 percent share in T-Mobile Netherlands.

Revenue and end-user service revenue



Underlying EBITDAaL / Underlying EBITDAaL margin



Analysis of cash flow statement

Total operations SEK million	Apr–Jun 2019 IFRS 16	Apr–Jun 2018 IAS 17	Jan–Jun 2019 IFRS 16	Jan–Jun 2018 IAS 17
Underlying EBITDA, continuing operations	2,502	1,460	5,048	2,894
Items affecting comparability, continuing operations	–271	–129	–532	–214
EBITDA, continuing operations	**2,231**	**1,332**	**4,515**	**2,680**
EBITDA, discontinued operations	2,134	361	2,681	599
Amortization of lease liabilities	–297	–0	–679	–1
Capex paid	–720	–675	–2,391	–1,515
Changes in working capital	–84	–115	32	–582
Net financial items paid	–178	–117	–309	–205
Taxes paid	–411	–280	–703	–425
Other cash items	–1,580	6	–1,614	27
Equity free cash flow	**1,095**	**510**	**1,533**	**578**
Equity free cash flow, continuing operations	995	409	1,326	850
Equity free cash flow, continuing operations, rolling 12 months			2,474	2,401

EBITDA from total operations amounted to SEK 4,365 million, including a SEK 141 million contribution from the discontinued operation in Croatia, SEK 395 million from the discontinued operation in Kazakhstan and SEK 1,608 million of capital gains from the sale of the Kazakhstan operation. For more details please refer to Note 11.

Capex paid increased to SEK –720 (–675) million, driven by the inclusion of Com Hem.

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

Other cash items amounted to SEK –1,580 (6) million due a reversal of the capital gains in Kazakhstan. The cash proceeds from the sale are reflected in the cash flow from investing activities in the cash flow statement.

Equity free cash flow (EFCF) was higher than in the corresponding period last year, mainly as a result of the merger with Com Hem.

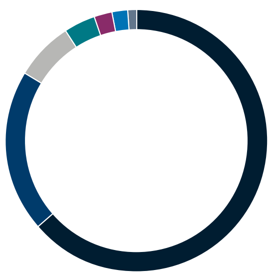
Analysis of financial position

Total operations SEK million	Jun 30 2019 IFRS 16	Dec 31 2018 IAS 17
Bonds	20,440	20,580
Commercial papers	800	4,491
Financial institutions and other liabilities	4,709	3,220
Cash and cash equivalents	–3,713	–404
Other adjustments	–185	–37
Economic net debt	**22,051**	**27,849**
Lease liabilities	6,041	17
Liabilities related to Kazakhstan	–	1,016
Net debt	**28,093**	**28,881**
Economic net debt to Underlying EBITDAaL	**2.4x**	**2.8x**
Unutilized overdraft facilities and credit lines	9,323	9,116

Economic net debt amounted to SEK 22,051 (27,849) million, affected by proceeds from the sale of assets in the Netherlands and Kazakhstan and the repayment of the shareholder loan in Kazakhstan.

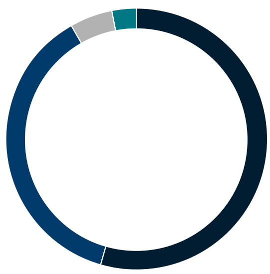
Economic net debt/underlying EBITDAaL (financial leverage) of 2.4x (2.8x) was temporarily below our target range of 2.5x–3.0x. We expect financial leverage to return to the target range once the proposed extraordinary dividend of 6.00 SEK per share (approximately SEK 4.1 billion) is paid out to shareholders.

End-user service revenue per segment, Q2 2019



Sweden Consumer	63%	Estonia	2%
Sweden Business	20%	Germany	2%
Lithuania	7%	IoT	1%
Latvia	4%		

End-user service revenue per service, Q2 2019



Mobile	54%	Business Solutions	5%
Fixed	37%	Landlord & Other	3%

Financial guidance

Financial guidance unchanged, capex updated to reflect Croatia reported as a discontinued operation

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

Mid-term ambition

- Low-single digit growth of end-user service revenue (unchanged)
- Mid-single digit growth of underlying EBITDAaL (unchanged)
- Capex excluding spectrum and leasing assets of SEK 2.8–3.3 billion (SEK 3.0–3.5 billion previously) during roll-out of 5G and Remote-PHY

Full-year 2019

- End-user service revenue is expected to be approximately unchanged compared with 2018 as revenue growth-enhancing initiatives are being rolled out and are estimated to have impact in the following years (unchanged)
- Mid-single digit growth of underlying EBITDA excluding IFRS 16 (unchanged)
- Capex excluding spectrum and leasing assets of between SEK 2.6–2.9 billion (SEK 2.9–3.2 billion previously)

Dividend

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

In addition, the Board has proposed an extraordinary dividend of SEK 6.00 per ordinary A and B share connected to the proceeds from the sales in Kazakhstan and the Netherlands. Shareholders have been invited to an Extraordinary General Meeting (EGM) on August 22, 2019 to vote on the extraordinary dividend. If the EGM decides in accordance with the proposal by the Board of Directors, the extraordinary dividend is expected to be distributed to shareholders on August 29, 2019. The first day of trading in the shares excluding the right to receive dividend is expected to be August 22 and the record date August 26.

Financial policy

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

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

Overview by segment

Sweden

The integration with Com Hem, which is the main focus of the Swedish business, progressed faster than planned and cost synergies had an impact of approximately SEK 100 million in the quarter. The net effect in underlying EBITDA was partly offset by revenue decline as well as investments into the business. The annualized run-rate of the cost synergies reached SEK 450 million at the end of Q2 and the target has been increased to a run-rate of SEK 600 million by the end of 2019 (up from SEK 450 million). Integration costs of SEK 227 million for the Com Hem merger were incurred in the quarter, for a total of SEK 592 million since the integration program started.

Proforma review including Com Hem

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

Revenue and total end-user service revenue decreased by 2 percent as legacy fixed services in both the consumer and business segments continued to decline, while mobile end-user service revenue growth was positive.

Underlying EBITDA excluding IFRS 16 grew by 3 percent, driven by cost synergies from the integration and restructuring, partly offset by the decline in end-user service revenue and investment into FMC-capabilities.

Financials SEK million	Apr–Jun 2019	Apr–Jun 2018 proforma	Organic %	Jan–Jun 2019	Jan–Jun 2018 proforma	Organic %
Revenue	**5,457**	**5,587**	**−2%**	**10,928**	**11,145**	**−2%**
– Sweden Consumer	3,859	3,944	−2%	7,658	7,800	−2%
– Sweden Business	1,598	1,643	−3%	3,270	3,345	−2%
Underlying EBITDA	**2,022**	**1,731**		**4,129**	**3,494**	
Underlying EBITDA excluding IFRS 16	**1,782**	**1,731**	**3%**	**3,630**	**3,494**	**4%**
– Sweden Consumer	1,447	1,408	3%	2,917	2,797	4%
– Sweden Business	335	323	4%	713	697	2%
Underlying EBITDA margin excluding IFRS 16	33%	31%		33%	31%	
Capex						
Network	237	172		439	353	
IT	160	118		337	230	
Customer equipment	16	106		142	227	
Other	44	16		85	32	
Capex excluding spectrum and leases	**458**	**413**		**1,003**	**842**	
Spectrum	–	–		–	–	
Right-of-use-assets (leases)	398	–		638	–	
Capex	**857**	**413**		**1,641**	**842**	
Capex excluding spectrum and leases / revenue	8%	7%		9%	8%	

Sweden Consumer

The consumer market was stable overall with some positive pricing movements in the premium end of the market. A rebranding campaign was launched for the Tele2 brand with the aim of lifting it to a more premium position, and the Boxer brand was included in the FMC benefit scheme for the first time. Out of the addressable FMC-base of approximately 300,000 customers who have both mobile and fixed services from the Tele2 Group, 93,000 customers are now on FMC-bundles.

The Mobile Postpaid RGU stock saw strong growth with net adds of 31,000 RGUs driven by both the Tele2 and Comviq brands due to a successful rebranding campaign of the Tele2 brand and lower churn. Mobile end-user service revenue returned to growth this quarter as prepaid end-user service revenue decline abated on improvements in both volume and ASPU, and growth in postpaid end-user service revenue continued, mainly driven by higher net adds.

The Fixed Broadband RGU stock grew steadily with 13,000 net adds while revenue growth slowed down to 5%, mainly due to smaller price increases compared to last year along with temporary campaigns focusing on introductory discounts which put pressure on ASPU in the quarter.

The Com Hem TV RGU base grew by 2,000, an improvement compared to Q2 2018 due to lower churn following smaller price increases. The DTT RGU base contracted by –9,000, mainly because of customers churning in areas that get connected to fiber. TV end-user service revenue decreased by 6 percent, driven mainly by the decline in the Boxer RGU stock, somewhat offset by successful price adjustments in the DTT RGU base.

Underlying EBITDA excluding IFRS 16 increased by 3 percent, driven by synergies from the integration with Com Hem.

Operating data thousands	Apr–Jun 2019	Apr–Jun 2018 proforma	Jun 30 2019	Jun 30 2018 proforma	Organic %
RGUs	Net intake		RGU base		
Mobile	31	–8	2,958	2,968	0%
– Postpaid	19	–1	1,841	1,794	3%
– Prepaid	12	–7	1,117	1,173	–5%
Fixed	–10	–13	2,191	2,243	–2%
– Fixed broadband	13	11	852	801	6%
– Digital TV	–7	–12	1,041	1,074	–3%
– Cable & Fiber	2	1	663	654	1%
– DTT	–9	–13	378	420	–10%
– Fixed telephony & DSL	–15	–13	298	368	–19%
Addressable fixed footprint	71	78	3,249	2,948	10%

KPIs and financials	Apr–Jun 2019	Apr–Jun 2018 proforma	Organic %	Jan–Jun 2019	Jan–Jun 2018 proforma	Organic %
ASPU (SEK)						
Mobile	168	164	2%	166	162	2%
– Postpaid	217	217	0%	216	215	0%
– Prepaid	87	84	4%	84	83	2%
Fixed	233	233	0%	232	231	1%
– Fixed broadband	247	249	–1%	247	246	0%
– Digital TV	258	264	–2%	257	263	–2%
– Cable & Fiber	234	244	–4%	235	242	–3%
– DTT	300	295	2%	294	294	0%
– Fixed telephony & DSL	107	110	–2%	109	109	0%
Financials (SEK million)						
Mobile	1,481	1,463	1%	2,938	2,914	1%
– Postpaid	1,190	1,168	2%	2,369	2,320	2%
– Prepaid	290	295	–1%	569	594	–4%
Fixed	1,533	1,575	–3%	3,063	3,130	–2%
– Fixed broadband	627	595	5%	1,244	1,166	7%
– Digital TV	808	856	–6%	1,615	1,713	–6%
– Cable & Fiber	464	479	–3%	930	952	–2%
– DTT	344	377	–9%	685	761	–10%
– Fixed telephony & DSL	98	124	–20%	204	252	–19%
Landlord & Other	178	184	–3%	354	368	–4%
End-user service revenue	**3,191**	**3,221**	**–1%**	**6,355**	**6,412**	**–1%**
Operator revenue	220	203		410	390	
Equipment revenue	448	520		893	998	
Revenue	**3,859**	**3,944**	**–2%**	**7,658**	**7,800**	**–2%**
Underlying EBITDA	**1,603**	**1,408**		**3,245**	**2,797**	
Underlying EBITDA excluding IFRS 16	**1,447**	**1,408**	**3%**	**2,917**	**2,797**	**4%**
Underlying EBITDA margin excluding IFRS 16	38%	36%		38%	36%	

Sweden Business

The business is undergoing a period of restructuring to focus on higher-margin, network-based ICT services, regain revenue growth and make structural cost savings.

There was intense competition in the public sector segment as operators focus on defending existing contracts and the number of appeals in public tenders have increased, causing delays in implementation. The SME segment continues to be competitive with fighter brands offering consumer-like pricing to SOHO customers.

Tele2 continued its positive trend in RGU growth, driven by the Large Enterprise segment.

New contracts were signed with both municipalities and large enterprises including Stena Fastigheter, the Municipality of Gotland, the Swedish Transport Agency and Ovako.

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

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

Operating data thousands	Apr–Jun 2019	Apr–Jun 2018 proforma	Jun 30 2019	Jun 30 2018 proforma	Organic %
RGUs	Net intake		RGU base		
Mobile					
– Postpaid	17	12	913	867	5%

KPIs and financials	Apr–Jun 2019	Apr–Jun 2018 proforma	Organic %	Jan–Jun 2019	Jan–Jun 2018 proforma	Organic %
ASPU (SEK)						
Mobile						
– Postpaid	168	184	−9%	171	186	−8%
Financials (SEK million)						
Mobile	456	475	−4%	931	947	−2%
Fixed	276	309	−11%	571	633	−10%
Solutions	276	264	5%	540	525	3%
End-user service revenue	**1,008**	**1,047**	**−4%**	**2,042**	**2,106**	**−3%**
Operator revenue, excluding Wholesale	35	35		59	66	
Equipment revenue	375	421		821	888	
Wholesale	170	139		338	284	
Internal sales	10	1		10	2	
Revenue	**1,598**	**1,643**	**−3%**	**3,270**	**3,345**	**−2%**
Underlying EBITDA	**419**	**323**		**884**	**697**	
Underlying EBITDA excluding IFRS 16	**335**	**323**	**4%**	**713**	**697**	**2%**
– of which Wholesale	77	37		150	104	
Underlying EBITDA margin excluding IFRS 16	21%	20%		22%	21%	

Baltics

Lithuania

During the quarter, Tele2 migrated postpaid customers from legacy minute-based plans to higher ASPU price plans. This resulted in lower net intake of 18,000 RGUs compared to 25,000 last year while ASPU grew by 4 percent in local currency.

End-user service revenue grew by 7 percent in local currency, mainly driven by increased postpaid consumer ASPU.

Underlying EBITDA excluding IFRS 16 grew by 16 percent in local currency driven by higher revenue, with the margin reaching 38 (34) percent.

Operating data thousands	Apr–Jun 2019	Apr–Jun 2018		Jun 30 2019	Jun 30 2018	Organic %
RGUs	Net intake			RGU base		
Mobile	18	25		1,875	1,833	2%

KPIs and financials	Apr–Jun 2019	Apr–Jun 2018	Organic %	Jan–Jun 2019	Jan–Jun 2018	Organic %
ASPU (EUR)						
Mobile	6.2	5.9	4%	6.1	5.8	6%
Financials (SEK million)						
End-user service revenue	368	335	7%	719	637	9%
Operator revenue	63	63		123	119	
Equipment revenue	206	198		399	368	
Internal sales	11	7		20	13	
Revenue	**648**	**603**	**4%**	**1,261**	**1,136**	**7%**
Underlying EBITDA	**259**	**204**		**504**	**382**	
Underlying EBITDA excluding IFRS 16	**244**	**204**	**16%**	**475**	**382**	**20%**
Underlying EBITDA margin excluding IFRS 16	38%	34%		38%	34%	
Capex	38	38		67	60	
Capex excluding spectrum and leases	30	38		57	60	
Capex excluding spectrum and leases / revenue	5%	6%		4%	5%	

Latvia

During the quarter, Tele2 Latvia introduced new price plans focusing on larger mobile data allowances in order to monetize increasing demand for data. We launched a new marketing campaign focusing on socially responsible use of smart devices and was awarded the gold category in Latvia Enterprise Sustainability Index.

Volume growth accelerated in the quarter with net adds of 16,000 RGUs despite prepaid decline.

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

Underlying EBITDA excluding IFRS 16 grew by 6 percent in local currency, driven by higher revenue, with the margin reaching 38 (37) percent.

Operating data thousands	Apr–Jun 2019	Apr–Jun 2018	Jun 30 2019	Jun 30 2018	Organic %
RGUs	Net intake		RGU base		
Mobile	16	0	961	942	2%

KPIs and financials	Apr–Jun 2019	Apr–Jun 2018	Organic %	Jan–Jun 2019	Jan–Jun 2018	Organic %
ASPU (EUR)						
Mobile	7.2	6.6	9%	6.9	6.5	7%
Financials (SEK million)						
End-user service revenue	219	194	10%	418	373	8%
Operator revenue	47	51		95	98	
Equipment revenue	75	75		147	141	
Internal sales	5	5		9	9	
Revenue	**347**	**325**	**4%**	**669**	**621**	**4%**
Underlying EBITDA	**141**	**121**		**266**	**224**	
Underlying EBITDA excluding IFRS 16	**132**	**121**	**6%**	**248**	**224**	**7%**
Underlying EBITDA margin excluding IFRS 16	38%	37%		37%	36%	
Capex	60	21		161	44	
Capex excluding spectrum and leases	38	21		69	44	
Capex excluding spectrum and leases / revenue	11%	6%		10%	7%	

Estonia

Tele2 Estonia focused Q2 marketing on end-of-school offers and handset campaigns in the consumer market and launched a new SME B2B bundled offer which was well received.

Net adds turned positive in the quarter with 8,000 new RGUs which is the highest quarterly growth since 2012. Volumes were driven by both the business segment and the consumer segment with improvement in both postpaid and prepaid.

While ASPU grew by 3 percent, end-user service revenue decreased by 2 percent in local currency due the decline of the RGU base over the past twelve months.

Underlying EBITDA excluding IFRS 16 decreased by 9 percent, and the margin contracted to 19 (20) percent due to the decline in end-user service revenue.

In Q2 2019, a goodwill impairment of SEK –452 million was recognized in Estonia. Please refer to Note 3 for more details.

Operating data thousands	Apr–Jun 2019	Apr–Jun 2018		Jun 30 2019	Jun 30 2018	Organic %
RGUs	Net intake			RGU base		
Mobile	8	–0		439	459	–4%

KPIs and financials	Apr–Jun 2019	Apr–Jun 2018	Organic %	Jan–Jun 2019	Jan–Jun 2018	Organic %
ASPU (EUR)						
Mobile	8.0	7.7	3%	7.8	7.6	2%
Financials (SEK million)						
End-user service revenue	116	115	–2%	226	223	–2%
Operator revenue	34	36		65	66	
Equipment revenue	42	43		82	93	
Internal sales	2	2		3	3	
Revenue	**194**	**196**	**–4%**	**376**	**385**	**–6%**
Underlying EBITDA	**47**	**40**		**94**	**76**	
Underlying EBITDA excluding IFRS 16	**37**	**40**	**–9%**	**75**	**76**	**–4%**
Underlying EBITDA margin excluding IFRS 16	19%	20%		20%	20%	
Capex	28	23		57	41	
Capex excluding spectrum and leases	18	23		38	41	
Capex excluding spectrum and leases / revenue	9%	12%		10%	11%	

Other markets

Germany

The RGU base continued to decline with net adds of –18,000 in the quarter. The closing RGU base amounted to 277,000 (338,000) and end-user service revenue declined by 18 percent as a result.

The underlying EBITDA margin excluding IFRS 16 contracted to 46 (49) percent as margins in Q2 2018 were affected by release of bad debt accruals.

Financials SEK million	Apr–Jun 2019	Apr–Jun 2018	Organic %	Jan–Jun 2019	Jan–Jun 2018	Organic %
End-user service revenue	116	137	–18%	237	275	–17%
Operator revenue	0	0		0	0	
Equipment revenue	0	1		1	1	
Revenue	**116**	**138**	**–18%**	**238**	**277**	**–17%**
Underlying EBITDA	**54**	**67**		**110**	**126**	
Underlying EBITDA excluding IFRS 16	**53**	**67**	**–22%**	**110**	**126**	**–16%**
Underlying EBITDA margin excluding IFRS 16	46%	49%		46%	46%	

Discontinued operations

Croatia

During the quarter, Tele2 Croatia marketing focused on unlimited smartphone offers with attractive hardware bundles and unlimited mobile broadband. We continued the efforts to strengthen the retail channel and insourced another four stores ending the quarter with a total of 22 Tele2-managed stores.

End-user service revenue grew by 11 percent in local currency, driven by growth in both volume and ASPU.

Underlying EBITDA excluding IFRS 16 increased by 71 percent in local currency as a result of higher end-user service revenue and lower spectrum fees.

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

Operating data thousands	Apr–Jun 2019	Apr–Jun 2018		Jun 30 2019	Jun 30 2018	Organic %
RGUs	Net intake			RGU base		
Mobile	54	40		948	885	7%

KPIs and financials	Apr–Jun 2019	Apr–Jun 2018	Organic %	Jan–Jun 2019	Jan–Jun 2018	Organic %
ASPU (HRK)						
Mobile	78	75	4%	76	72	5%
Financials (SEK million)						
End-user service revenue	309	272	11%	595	531	12%
Operator revenue	69	61		119	104	
Equipment revenue	137	115		275	243	
Internal sales	4	2		5	4	
Revenue	**519**	**450**	**13%**	**994**	**883**	**9%**
Underlying EBITDA	**141**	**63**		**254**	**91**	
Underlying EBITDA excluding IFRS 16	**111**	**63**	**71%**	**196**	**91**	**106%**
Underlying EBITDA margin excluding IFRS 16	21%	14%		20%	10%	
Capex	80	36		162	46	
Capex excluding spectrum and leases	37	36		51	46	
Capex excluding spectrum and leases / revenue	7%	8%		5%	5%	

Proforma Group Summary

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018 proforma	Jan–Jun 2019	Jan–Jun 2018 proforma
REVENUE				
Sweden Consumer	3,859	3,944	7,658	7,800
Sweden Business	1,598	1,643	3,270	3,345
Lithuania	648	603	1,261	1,136
Latvia	347	325	669	621
Estonia	194	196	376	385
Germany	116	138	238	277
IoT	60	51	108	94
Other	–	42	–	73
Internal sales, elimination	−27	−15	−43	−26
Total	**6,794**	**6,928**	**13,537**	**13,706**
UNDERLYING EBITDA				
Sweden Consumer	1,603	1,408	3,245	2,797
Sweden Business	419	323	884	697
Lithuania	259	204	504	382
Latvia	141	121	266	224
Estonia	47	40	94	76
Germany	54	67	110	126
IoT	10	−31	4	−49
Other	−31	17	−58	11
Total	**2,502**	**2,150**	**5,048**	**4,264**
UNDERLYING EBITDA EXCLUDING IFRS 16				
Sweden Consumer	1,447	1,408	2,917	2,797
Sweden Business	335	323	713	697
Lithuania	244	204	475	382
Latvia	132	121	248	224
Estonia	37	40	75	76
Germany	53	67	110	126
IoT	10	−31	4	−49
Other	−32	17	−60	11
Total	**2,227**	**2,150**	**4,482**	**4,264**
CAPEX				
Sweden	857	413	1,641	842
Lithuania	38	38	67	60
Latvia	60	21	161	44
Estonia	28	23	57	41
Germany	0	–	0	–
IoT	4	8	10	14
Other	0	136	0	237
Total	**987**	**637**	**1,934**	**1,236**
of which:				
Network	283	270	541	529
IT	184	237	378	437
Customer equipment	18	106	143	228
Other	65	25	115	44
Capex excluding spectrum and leases	**549**	**637**	**1,175**	**1,236**
Spectrum	1	–	67	–
Rights-of-use assets (leases)	437	–	692	–
Total	**987**	**637**	**1,934**	**1,236**

Other items

Risks and uncertainty factors

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

Closing of the sale of the operations in Kazakhstan

On December 28, 2018 Tele2 announced that Tele2 has given notice to exercise the put option stipulated in the jointly owned company in Kazakhstan between Tele2 and Kazakhtelecom. The divestment of Tele2 Kazakhstan was closed on June 28, 2019. The Kazakhstan operation was sold for approximately SEK 2.5 billion (USD 267 million) and the net proceeds to Tele2 after deducting cash and the existing earn-out liability to Asianet, which was paid in July, 2019, was approximately SEK 1.4 billion. Please refer to Note 11 for more details.

Extraordinary General Meeting

Extraordinary General Meeting on Thursday 22 August 2019 at 1.00 p.m. CEST at Tele2's premises on Torshamnsgatan 17 in Kista, Stockholm. Shareholders who wish to attend the Extraordinary General Meeting shall be entered in the share register maintained by Euroclear Sweden on Friday 16 August 2019, and give notice of their intention to attend no later than Friday 16 August 2019. Notice to attend is to be made on the company's website at www.tele2.com, under the heading "Extraordinary General Meeting 2019", found under the section "Governance", 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.

Other

Tele2 will release its financial and operating results for the period ending September 30, 2019 on October 17, 2019.

Board's assurance

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

Stockholm, July 17, 2019
Tele2 AB

Carla Smits-Nusteling
Chairman

Andrew Barron
Deputy Chairman

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Georgi Ganev

Lars-Åke Norling

Anders Nilsson
President and CEO

Auditors' review report

Introduction

We have reviewed the interim report for Tele2 AB (publ) for the period January 1 – June 30, 2019. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, July 17, 2019

Deloitte AB

Pontus Pålsson
Authorized Public Accountant

Q2 2019 PRESENTATION

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

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

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

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

Contacts

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Appendices

Condensed consolidated income statement
Condensed consolidated comprehensive income
Condensed consolidated balance sheet
Condensed consolidated cash flow statement
Condensed consolidated statement of changes in equity
Condensed parent company
Notes
Non-IFRS measures

Condensed consolidated income statement

SEK million	Note	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Revenue	2	6,794	5,113	13,537	10,107
Cost of services provided and equipment sold	3	−4,411	−2,860	−8,374	−5,640
Gross profit		**2,383**	**2,253**	**5,163**	**4,467**
Selling expenses	3	−1,171	−864	−2,216	−1,707
Administrative expenses	3	−691	−471	−1,367	−937
Result from shares in joint ventures and associated companies		−73	−0	−63	13
Other operating income		77	48	152	95
Other operating expenses	3	−94	−130	−191	−223
Operating profit		**431**	**835**	**1,478**	**1,709**
Interest income		8	0	14	7
Interest expenses	5	−129	−84	−242	−159
Other financial items		2	−27	7	−40
Profit after financial items		**311**	**725**	**1,257**	**1,516**
Income tax	4	−204	−166	−426	−362
Net profit, continuing operations		**107**	**559**	**831**	**1,154**
Net profit, discontinued operations	11	2,022	−116	2,323	−362
Net profit, total operations		**2,130**	**443**	**3,154**	**793**
Continuing operations					
Attributable to:					
Equity holders of the parent company		107	559	831	1,154
Net profit, continuing operations		**107**	**559**	**831**	**1,154**
Earnings per share (SEK)	8	0.16	1.11	1.21	2.29
Earnings per share, after dilution (SEK)	8	0.15	1.10	1.20	2.28
Total operations					
Attributable to:					
Equity holders of the parent company		2,056	411	3,024	754
Non-controlling interests		74	32	130	38
Net profit, total operations		**2,130**	**443**	**3,154**	**793**
Earnings per share (SEK)	8	2.99	0.82	4.40	1.50
Earnings per share, after dilution (SEK)	8	2.98	0.81	4.38	1.49

Condensed consolidated comprehensive income

SEK million	Note	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
NET PROFIT		**2,130**	**443**	**3,154**	**793**
Components not to be reclassified to net profit					
Pensions, actuarial gains/losses		10	−8	−98	−8
Pensions, actuarial gains/losses, tax effect		−2	2	21	2
Components not to be reclassified to net profit		**8**	**−6**	**−77**	**−6**
Components that may be reclassified to net profit					
Translation differences in foreign operations		245	241	541	1,084
Tax effect on above		−17	−24	−32	−137
Reversed cumulative translation differences from divested companies	11	514	–	−264	–
Tax effect on above	11	−290	–	−168	–
Translation differences		451	217	77	947
Hedge of net investments in foreign operations		−44	−45	−92	−198
Tax effect on above		9	10	20	43
Reversed cumulative hedge from divested companies	11	–	–	721	–
Tax effect on above	11	–	–	−169	–
Hedge of net investments		−35	−35	480	−154
Exchange rate differences		**416**	**182**	**557**	**793**
Profit arising on changes in fair value of hedging instruments		−2	−17	3	−17
Reclassified cumulative profit/loss to income statement		1	35	−2	53
Tax effect on cash flow hedges		−1	−6	4	−10
Cash flow hedges		**−3**	**12**	**4**	**26**
Components that may be reclassified to net profit		**414**	**194**	**561**	**818**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**422**	**188**	**484**	**812**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,551**	**631**	**3,637**	**1,605**
Attributable to:					
Equity holders of the parent company		2,631	595	3,659	1,571
Non-controlling interests		−80	36	−22	34
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,551**	**631**	**3,637**	**1,605**

Condensed consolidated balance sheet

SEK million	Note	Jun 30 2019	Dec 31 2018
ASSETS			
Goodwill		29,782	30,158
Other intangible assets		18,985	19,604
Intangible assets		**48,767**	**49,763**
Tangible assets		8,169	9,192
Right-of-use assets		5,724	–
Shares in joint ventures and associated companies	9	7,090	13
Other financial assets	5	685	1,015
Capitalized contract costs		365	374
Deferred tax assets	4	392	367
Non-current assets		**71,191**	**60,723**
Inventories		741	670
Current receivables		6,154	6,824
Current investments		2	2
Cash and cash equivalents	6	3,713	404
Current assets		**10,610**	**7,901**
Assets classified as held for sale	11	**2,630**	**14,020**
TOTAL ASSETS		84,431	82,644
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company		37,039	36,334
Non-controlling interests		0	28
Equity	8	**37,039**	**36,362**
Interest-bearing liabilities	5	29,559	23,238
Non-interest-bearing liabilities		4,205	4,204
Non-current liabilities		**33,765**	**27,443**
Interest-bearing liabilities	5	2,927	6,763
Non-interest-bearing liabilities		8,079	8,088
Current liabilities		**11,006**	**14,851**
Liabilities directly associated with assets classified as held for sale	11	**2,622**	**3,988**
TOTAL EQUITY AND LIABILITIES		84,431	82,644

Condensed consolidated cash flow statement

Total operations SEK million	Note	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Operating activities					
Net profit		2,130	443	3,154	793
Adjustments for non-cash items in net profit		67	857	1,417	1,883
Changes in working capital		−84	−115	32	−582
Cash flow from operating activities		**2,112**	**1,186**	**4,602**	**2,094**
Investing activities					
Additions to intangible and tangible assets		−720	−675	−2,391	−1,515
Acquisition and sale of shares and participations	9	2,343	–	4,695	1
Other financial assets, lending		−5	−66	−5	−66
Cash flow from investing activities		**1,619**	**−742**	**2,300**	**−1,580**
Financing activities					
Proceeds from loans	5	2,132	1,392	3,888	1,459
Repayments of loans	5	−1,729	−28	−6,366	−546
Dividends paid		−1,513	−2,013	−1,513	−2,013
Cash flow from financing activities		**−1,110**	**−648**	**−3,991**	**−1,100**
Net change in cash and cash equivalents		**2,621**	**−204**	**2,910**	**−586**
Cash and cash equivalents at beginning of period		914	441	404	802
Exchange rate differences in cash and cash equivalents		179	11	398	32
Cash and cash equivalents at end of the period	6	**3,713**	**248**	**3,713**	**248**

Condensed consolidated statements of changes in equity

Total operations SEK million	Note	Jun 30, 2019							
		Attributable to equity holders of the parent company							
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		863	27,378	−734	3,252	5,576	36,334	28	36,362
Net profit		–	–	–	–	3,024	3,024	130	3,154
Other comprehensive income for the period, net of tax		–	–	484	229	−77	635	−152	484
Total comprehensive income for the period		**–**	**–**	**484**	**229**	**2,946**	**3,659**	**−22**	**3,637**
Other changes in equity									
Share-based payments	8	–	–	–	–	61	61	–	61
Share-based payments, tax effect	8	–	–	–	–	11	11	–	11
Dividends	8	–	–	–	–	−3,026	−3,026	–	−3,026
Divestment of non-controlling interest	11	–	–	–	–	–	–	−6	−6
Equity at end of the period		**863**	**27,378**	**−250**	**3,481**	**5,568**	**37,039**	**–**	**37,039**

Total operations SEK million	Note	Jun 30, 2018							
		Attributable to equity holders of the parent company							
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		634	7,842	−651	2,670	6,709	17,203	−114	17,089
Net profit		–	–	–	–	754	754	38	793
Other comprehensive income for the period, net of tax		–	–	−128	951	−6	817	−5	812
Total comprehensive income for the period		**–**	**–**	**−128**	**951**	**748**	**1,571**	**34**	**1,605**
Other changes in equity									
Share-based payments	8	–	–	–	–	12	12	–	12
Share-based payments, tax effect	8	–	–	–	–	8	8	–	8
Dividends	8	–	–	–	–	−2,013	−2,013	–	−2,013
Equity at end of the period		**634**	**7,842**	**−779**	**3,621**	**5,464**	**16,782**	**−80**	**16,701**

Parent company

Condensed income statement

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Revenue	7	13	18	26
Administrative expenses	–41	–36	–80	–62
Other operating expenses	–39	–160	–110	–185
Operating loss	**–73**	**–183**	**–172**	**–221**
Interest revenue and similar income	39	0	75	0
Interest expense and similar costs	–146	–105	–286	–240
Loss after financial items	**–180**	**–288**	**–382**	**–461**
Tax on loss	39	66	78	104
Net loss	**–141**	**–222**	**–304**	**–357**

Condensed balance sheet

SEK million	Note	Jun 30 2019	Dec 31 2018
ASSETS			
Financial assets		47,310	47,083
Non-current assets		**47,310**	**47,083**
Current receivables		10,680	15,786
Cash and cash equivalents		12	25
Current assets		**10,692**	**15,810**
TOTAL ASSETS		**58,002**	**62,893**
EQUITY AND LIABILITIES			
Restricted equity	8	5,848	5,848
Unrestricted equity	8	25,614	28,874
Equity		**31,462**	**34,722**
Interest-bearing liabilities	5	23,529	21,721
Non-current liabilities		**23,529**	**21,722**
Interest-bearing liabilities	5	1,338	6,112
Non-interest-bearing liabilities		1,673	337
Current liabilities		**3,011**	**6,450**
TOTAL EQUITY AND LIABILITIES		**58,002**	**62,893**

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

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

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

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

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

Figures presented in this report refer to April 1 – June 30 (Q2), 2019 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2018.

NOTE 2 REVENUE

Revenue per segment

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Sweden Consumer	3,859	2,198	7,658	4,336
Sweden Business	1,598	1,575	3,270	3,211
Lithuania	648	603	1,261	1,136
Latvia	347	325	669	621
Estonia	194	196	376	385
Germany	116	138	238	277
IoT	60	51	108	94
Other	–	42	–	73
Including internal sales	**6,821**	**5,128**	**13,580**	**10,133**
Internal sales, elimination	−27	−15	−43	−26
TOTAL	**6,794**	**5,113**	**13,537**	**10,107**

Internal sales

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Sweden Business	10	1	10	2
Lithuania	11	7	20	13
Latvia	5	5	9	9
Estonia	2	2	3	3
TOTAL	**27**	**15**	**43**	**26**

Revenue split per category

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Sweden Consumer				
End-user service revenue	3,191	1,543	6,355	3,078
Operator revenue	220	163	410	312
Equipment revenue	448	492	893	945
Total	**3,859**	**2,198**	**7,658**	**4,336**
Sweden Business				
End-user service revenue	1,008	982	2,042	1,977
Operator revenue	205	174	397	350
Equipment revenue	375	418	821	882
Internal sales	10	1	10	2
Total	**1,598**	**1,575**	**3,270**	**3,211**
Lithuania				
End-user service revenue	368	335	719	637
Operator revenue	63	63	123	119
Equipment revenue	206	198	399	368
Internal sales	11	7	20	13
Total	**648**	**603**	**1,261**	**1,136**
Latvia				
End-user service revenue	219	194	418	373
Operator revenue	47	51	95	98
Equipment revenue	75	75	147	141
Internal sales	5	5	9	9
Total	**347**	**325**	**669**	**621**
Estonia				
End-user service revenue	116	115	226	223
Operator revenue	34	36	65	66
Equipment revenue	42	43	82	93
Internal sales	2	2	3	3
Total	**194**	**196**	**376**	**385**
Germany				
End-user service revenue	116	137	237	275
Operator revenue	0	0	0	0
Equipment revenue	0	1	1	1
Total	**116**	**138**	**238**	**277**
IoT				
End-user service revenue	60	51	108	94
Total	**60**	**51**	**108**	**94**
Other				
Operator revenue	–	42	–	73
Total	**–**	**42**	**–**	**73**
CONTINUING OPERATIONS				
End-user service revenue	**5,079**	**3,356**	**10,106**	**6,658**
Operator revenue	**570**	**529**	**1,089**	**1,018**
Equipment revenue	**1,146**	**1,228**	**2,342**	**2,431**
Internal sales	**27**	**15**	**43**	**26**
TOTAL	6,821	5,128	13,580	10,133

Revenue in Sweden

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Sweden Consumer				
Mobile	1,481	1,463	2,938	2,914
Fixed	1,533	80	3,063	164
Landlord & Other	178	–	354	–
End-user service revenue	**3,191**	**1,543**	**6,355**	**3,078**
Operator revenue	220	163	410	312
Equipment revenue	448	492	893	945
Revenue Consumer	**3,859**	**2,198**	**7,658**	**4,336**
Sweden Business				
Mobile	456	463	931	922
Fixed	276	259	571	537
Solutions	276	260	540	518
End-user service revenue	**1,008**	**982**	**2,042**	**1,977**
Operator revenue, excluding Wholesale	35	35	59	66
Wholesale	170	139	338	284
Equipment revenue	375	418	821	882
Internal sales	10	1	10	2
Revenue Business	**1,598**	**1,575**	**3,270**	**3,211**
Revenue Sweden	**5,457**	**3,772**	**10,928**	**7,546**

NOTE 3 SEGMENT REPORTING

Underlying EBITDA

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Sweden Consumer	1,603	737	3,245	1,462
Sweden Business	419	305	884	661
Lithuania	259	204	504	382
Latvia	141	121	266	224
Estonia	47	40	94	76
Germany	54	67	110	126
IoT	10	–31	4	–49
Other	–31	17	–58	11
TOTAL	**2,502**	**1,460**	**5,048**	**2,894**

Reconciling items to reported operating profit/loss

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Underlying EBITDA	**2,502**	**1,460**	**5,048**	**2,894**
Acquisition costs	–42	–111	–86	–160
Integration costs	–227	–19	–382	–39
Disposal of non-current assets	–2	1	–4	–15
Other items affecting comparability	1	–	–61	–
Items affecting comparability	**–271**	**–129**	**–532**	**–214**
EBITDA	**2,231**	**1,332**	**4,515**	**2,680**
Depreciation/amortization	–1,276	–496	–2,522	–984
Impairment of goodwill	–452	–	–452	–
Result from shares in joint ventures and associated companies	–73	–0	–63	13
Operating profit	**431**	**835**	**1,478**	**1,709**

Acquisition costs

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Com Hem, Sweden	–42	–111	–86	–160
Acquisition costs	**–42**	**–111**	**–86**	**–160**

Integration costs

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Com Hem, Sweden	–227	–5	–382	–5
TDC, Sweden	–	–14	–	–34
Integration costs	**–227**	**–19**	**–382**	**–39**
Reported as:				
– cost of services provided	–75	–9	–93	–9
– selling expenses	–93	–14	–169	–14
– administrative expenses	–58	3	–120	–16
Consists of:				
– redundancy costs	–192	–5	–303	–5
– other employee and consultancy costs	–32	–13	–67	–22
– exit of contracts and other costs	–3	–1	–12	–12

Disposal of non-current assets

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

Other items affecting comparability

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Costs of services provided	0	–	–59	–
Selling expenses	0	–	11	–
Administrative expenses	0	–	–13	–
Total	**1**	**–**	**–61**	**–**
Consist of:				
– Sweden; provision for roaming dispute	1	–	–55	–
– Lithuania; adjustment of expected credit loss rate	–	–	18	–
– Incentive program; adjustment of performance level	–	–	–24	–

Impairment of goodwill

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

NOTE 4 TAXES

On April 1, 2019 Tele2 was notified that the Swedish Tax Agency rejects Tele2's claim for a deduction of an exchange loss related to a conversion of a shareholder loan to Tele2 Kazakhstan from USD to Kazakh Tenge in connection to the establishment of Tele2's previously jointly owned company in Kazakhstan. The additional tax claim amounts to SEK 405 million and a tax surcharge and interest of SEK 180 million. Tele2 has appealed the decision and assesses it as probable that the appeal will be successful. No provision has been recognized.

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

Financing

SEK million	Interest-bearing liabilities			
	Jun 30, 2019		Dec 31, 2018	
	Current	Non-current	Current	Non-current
Bonds SEK, Sweden	250	9,546	1,500	8,796
Bonds EUR, Sweden	–	10,644	–	10,284
Commercial papers, Sweden	800	–	4,491	–
Financial institutions	192	3,282	415	2,583
Financial debt	**1,242**	**23,472**	**6,406**	**21,663**
Provisions	304	1,498	224	1,471
Lease liability	1,106	4,444	2	14
Other liabilities	276	146	131	90
Other liabilities	**1,686**	**6,087**	**357**	**1,575**
Total interest-bearing liabilities	**2,927**	**29,559**	**6,763**	**23,238**

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

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

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

Transfer of right of payment of receivables

Tele2 Sweden transfers the right for payment of certain operating receivables to financial institutions. The receiving payment obtained from financial institutions, in relation to the transfer of right of payment of receivables for sold handsets and other equipment, has been netted against the receivables in the balance sheet and resulted in a positive effect on cash flow. The right of payment transferred to third parties without recourse or remaining credit exposure for Tele2 corresponded to SEK 511 (386) million in Q2 2019 and SEK 1,098 (688) million for the six months period ended on June 30, 2019.

Classification and fair values

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

SEK million	Jun 30, 2019					
	Assets and liabilities at fair value through profit/loss					
	Derivative instruments designated for hedge accounting	Other instru-ments (level 3)	Assets at amortized cost	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	–	7	561	–	568	568
Accounts receivables	–	–	2,185	–	2,185	2,185
Other current receivables	180	–	1,779	–	1,959	1,959
Current investments	–	–	2	–	2	2
Cash and cash equivalents	–	–	3,713	–	3,713	3,713
Assets classified as held for sale	–	–	809	–	809	809
Total financial assets	**180**	**7**	**9,049**	**–**	**9,236**	**9,236**
Liabilities to financial institutions and similar liabilities	–	–	–	24,714	24,714	25,309
Other interest-bearing liabilities	181	9	–	5,781	5,972	5,971
Accounts payable	–	–	–	1,815	1,815	1,815
Other current liabilities	–	–	–	2,088	2,088	2,088
Liabilities directly associated with assets classified as held for sale	–	895	–	833	1,728	1,731
Total financial liabilities	**181**	**903**	**–**	**35,231**	**36,316**	**36,914**

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

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

SEK million	Jun 30, 2019		Dec 31, 2018	
	Assets	Liabilities	Assets	Liabilities
As of January 1	7	779	1	456
Business combinations	–	–	6	–
Changes in fair value, earn-out Kazakhstan	–	131	–	332
Other contingent considerations:				
– paid	–	–3	–	–12
– other changes	0	–2	–	3
As of the end of the period	**7**	**903**	**7**	**779**

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

In 2016, a liability was reported for contingent deferred consideration to the former owners of Kombridge, Sweden. The estimated fair value of the deferred consideration amounted on June 30, 2019 to SEK 9 (December 31, 2018: 11) million which was paid in July, 2019. The fair value was calculated based on expected future cash flows at which a maximum turnout has been assumed.

Asianet, the former non-controlling shareholder of Tele2 Kazakhstan, had the right to 18 percent of the economic interest in the jointly owned company with Kazakhtelecom in Kazakhstan which was divested during the second quarter 2019. The divestment of Tele2 Kazakhstan was closed on June 28, 2019. The estimated fair value of the deferred consideration amounted on June 30, 2019 to SEK 895 (December 31, 2018: 764) million and is calculated as 18 percent of the total consideration after deduction of sales costs. As of December 31, 2018 the fair value was calculated based on expected future cash flows of the jointly owned company. From December 31, 2018, onwards, the earn-out liability has been classified as a liability associated with assets held for sale, please refer to Note 11.

NOTE 6 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations (Svenska UMTS-nät AB and Net4Mobility HB), 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	Jun 30 2019	Dec 31 2018
Cash and cash equivalents in joint operations	49	60
Total	**49**	**60**

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

NOTE 7 CONTINGENT LIABILITIES

Total operations SEK million	Jun 30 2019	Dec 31 2018
Tax deduction exchange loss	585	–
Asset dismantling obligation, discontinued operation	–	159
Total contingent liabilities	**585**	**159**

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

NOTE 8 EQUITY, NUMBER OF SHARES AND INCENTIVE PROGRAMS

Number of shares

	Jun 30 2019	Dec 31 2018
Total number of shares	690,341,597	690,341,597
Number of treasury shares	–2,628,121	–3,338,529
Number of outstanding shares	**687,713,476**	**687,003,068**
Number of outstanding shares, weighted average	687,266,698	531,098,522
Number of shares after dilution	691,151,646	690,115,713
Number of shares after dilution, weighted average	690,275,157	534,505,915

As a result of share rights in the LTI 2016 being exercised during Q2 2019, Tele2 delivered 572,714 B-shares in treasury shares to the participants in the program. As a result of early vesting of the LTI 2016, LTI 2017 and LTI 2018 being exercised in the first six months 2019, Tele2 delivered 137,694 B-shares in treasury shares to some of the participants in the program, see information below.

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

Outstanding share right programs

	Jun 30 2019	Dec 31 2018
LTI 2019	1,365,908	–
LTI 2018	1,223,625	1,482,420
LTI 2017	848,637	1,050,018
LTI 2016	–	801,040
Total outstanding share rights	**3,438,170**	**3,333,478**
– of which will be settled in cash	–	220,833

All outstanding long-term incentive programs (LTI 2017, LTI 2018 and LTI 2019) are based on the same structure, except for that LTI 2017 have a ROCE performance measure. Additional information regarding the objective, conditions and requirements related to the LTI programs is stated in Note 33 of the 2018 Annual Report. During the first six months 2019, the total cost including social security costs for the long-term incentive programs (LTI) amounted to SEK 93 (27) million before tax, whereof items affecting comparability SEK 45 (-) million.

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

As a result of the Com Hem merger and the following reorganization, an early vesting was performed for some of the participants in LTI 2016, LTI 2017 and LTI 2018 programs. The exercise of the share rights was conditional upon the fulfilment of certain retention and performance-based conditions. To determine the number of share rights allowed for early vesting the actual outcome of the conditions as of the early vesting date has been compared with the conditions in the programs. If the conditions were fulfilled the number of share rights have been reduced proportionally with the remaining vesting period to the initial vesting period of three years. If the conditions were partly met, the number of share rights have been reduced in proportion to the fulfillment level. The number of share rights exchanged in the first six month 2019 for shares in Tele2 amounts to 137,694 share rights at a weighted average share price of SEK 125,90.

LTI 2019

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

LTI 2016

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

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

Dividend

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

NOTE 9 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Acquisitions				
Mobile payment, Lithuania	–	–	–4	–
Altlorenscheuerhof , Luxembourg repayment capital	–	–	–	1
Total acquisition of shares and participations	**–**	**–**	**–4**	**1**
Divestments				
Tele2 Kazakhstan	2,344	–	2,344	–
Tele2 Netherlands	–0	–	2,355	–
Total sale of shares and participations	**2,343**	**–**	**4,699**	**–**
TOTAL CASH FLOW EFFECT	**2,343**	**–**	**4,695**	**1**

Acquisitions

T-Mobile, the Netherlands

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

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

Divestments

Please refer to Note 11 Discontinued operations.

NOTE 10 CHANGES IN ACCOUNTING PRINCIPLES

IFRS 16 Leases

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

Balance sheet

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

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

Change in lease liability due to adoption of IFRS 16

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

NOTE 11 DISCONTINUED OPERATIONS

Tele2 Croatia

On May 31, 2019 Tele2 announced the agreement to sell its Croatian business to United Group for an enterprise value of EUR 220 million (approximately SEK 2,320 million as per June 30, 2019). The transaction is subject to regulatory approval. Closing is expected before the end of 2019, and following the agreement Tele2 Croatia is reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods.

Tele2 Kazakhstan

On December 28, 2018 Tele2 announced that Tele2 has given notice to exercise the put option stipulated in the jointly owned company in Kazakhstan between Tele2 and Kazakhtelecom. The divestment of Tele2 Kazakhstan was closed on June 28, 2019. The Kazakhstan operation was sold for approximately SEK 2.5 billion (USD 267 million) and the net proceeds to Tele2 after deducting cash and the existing earn-out liability to Asianet, which was paid in July, 2019, was approximately SEK 1.4 billion. The capital gain in Q2 2019 amounted to SEK 1.6 billion, or SEK 2.3 billion excluding recycled exchange rate differences. The capital gain was affected negatively with SEK 0.7 billion related to reversal of exchange rate differences previously reported in other comprehensive income, as a result of the divestment reversed over the income statement but with no effect on total equity or cash flow. Tax attributable to exchange rate differences amounted to SEK 0.3 billion.

Tele2 Netherlands

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

Net assets at the time of divestment

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

SEK million	Netherlands Jan 2, 2019	Kazakhstan Jun 28, 2019	Total
Goodwill	1,015	132	1,147
Other intangible assets	1,293	224	1,517
Tangible assets	5,300	2,118	7,418
Right of use assets	–	649	649
Financial assets	712	8	720
Capitalized contract costs	177	–	177
Deferred tax assets	–	359	359
Inventories	156	23	179
Current receivables	2,085	506	2,591
Cash and cash equivalents	46	132	178
Non-current provisions	–233	–116	–349
Non-current interest-bearing liabilites	–	–703	–703
Non-current non-interest-bearing liabilities	–88	–2,008	–2,096
Current provisions	–	–8	–8
Current interest bearing liabilities	–	–167	–167
Current non-interest-bearing liabilities	–1,639	–852	–2,491
Non-controlling interest	–	–152	–152
Divested net assets	**8,824**	**146**	**8,970**
Capital gain, excluding sales costs	24	2,330	2,354
Sales price	**8,848**	**2,476**	**11,324**
Received shares in T-mobile, non-cash	–6,904	–	–6,904
Price adjustments, non-cash	458	–	458
Less: cash in divested operations	–46	–132	–178
TOTAL CASH FLOW EFFECT	**2,356**	**2,344**	**4,700**

Income statement

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

Discontinued operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Revenue	1,391	2,800	2,651	5,454
Cost of services provided and equipment sold	–791	–1,886	–1,546	–3,768
Gross profit	**599**	**914**	**1,105**	**1,686**
Selling expenses	–166	–579	–314	–1,183
Administrative expenses	–86	–328	–165	–639
Other operating income	4	2	6	13
Other operating expenses	–0	–11	–1	–22
Operating profit/loss	**351**	**–2**	**631**	**–144**
Interest income	2	2	3	5
Interest expenses	–58	–12	–91	–23
Other financial items	–101	–54	–129	–124
Profit/loss after financial items	**194**	**–66**	**415**	**–285**
Income tax from the operation	–60	–31	–108	–55
NET PROFIT/LOSS FROM THE OPERATION	**134**	**–97**	**307**	**–340**
Profit/loss on disposal of operation	**1,598**	**–19**	**1,679**	**–22**
– of which Netherlands	–10	–20	71	–23
– of which Kazakhstan	1,608	–	1,608	–
– of which Austria, sold 2017	–	1	–	1
Income tax from capital gain	**290**	**–**	**337**	**–**
– of which Netherlands	–	–	47	–
– of which Kazakhstan	290	–	290	–
NET PROFIT/LOSS	**2,022**	**–116**	**2,323**	**–362**
Attributable to:				
Equity holders of the parent company	1,948	–148	2,193	–400
Non-controlling interests	74	32	130	38
NET PROFIT/LOSS	**2,022**	**–116**	**2,323**	**–362**
Earnings per share (SEK)	2.83	–0.29	3.19	–0.79
Earnings per share, after dilution (SEK)	2.83	–0.29	3.18	–0.79

Balance sheet

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

Discontinued operations SEK million	Jun 30 2019	Dec 31 2018
ASSETS		
Goodwill	–	1,144
Other intangible assets	182	1,545
Intangible assets	**182**	**2,689**
Tangible assets	731	7,357
Right-of-use assets	497	–
Financial assets	108	721
Capitalized contract costs	39	177
Deferred tax assets	54	393
NON-CURRENT ASSETS	**1,611**	**11,337**
Inventories	77	180
Current receivables	939	2,503
Current investments	3	–
CURRENT ASSETS	**1,019**	**2,684**
ASSETS CLASSIFIED AS HELD FOR SALE	**2,630**	**14,020**
LIABILITIES		
Interest-bearing liabilities	591	641
Non-interest-bearing liabilities	–	100
Non-current liabilities	**591**	**741**
Interest-bearing liabilities	1,500	813
Non-interest-bearing liabilities	531	2,434
Current liabilities	**2,031**	**3,247**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**2,622**	**3,988**

Cash flow statement

Discontinued operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Cash flow from operating activities	295	394	518	464
Cash flow from investing activities	2,207	–357	4,473	–800
Cash flow from financing activities	1,859	–	1,810	–
NET CHANGE IN CASH AND CASH EQUIVALENTS	**4,361**	**37**	**6,801**	**–336**

Non-IFRS measures

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

EBITDA

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

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

Underlying EBITDA and underlying EBITDA margin

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

Underlying EBITDA: EBITDA excluding items affecting comparability.

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

Underlying EBITDA margin: Underlying EBITDA in relation to revenue.

Underlying EBITDAaL

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

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

Underlying EBITDA excluding IFRS 16

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

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

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Operating profit	431	835	1,478	1,709
Reversal:				
Result from shares in joint ventures and associated companies	73	0	63	−13
Depreciation/amortization/impairment	1,728	496	2,974	984
EBITDA	**2,231**	**1,332**	**4,515**	**2,680**
Reversal, items affecting comparability:				
Acquisition costs	42	111	86	160
Integration costs	227	19	382	39
Disposal of non-current assets	2	−1	3	15
Other items affecting comparability	−1	–	61	–
Total items affecting comparability	**271**	**129**	**532**	**214**
Underlying EBITDA	**2,502**	**1,460**	**5,048**	**2,894**
Lease depreciation (according to IFRS 16)	−296	–	−570	–
Lease interest costs (according to IFRS 16)	−20	–	−39	–
Underlying EBITDAaL	**2,187**	**1,460**	**4,438**	**2,894**
Underlying EBITDA	2,502	1,460	5,048	2,894
Adjustment to report lease according to IAS 17	−276	–	−566	–
Underlying EBITDA excluding IFRS 16	**2,227**	**1,460**	**4,482**	**2,894**
Revenue	6,794	5,113	13,537	10,107
Reversal, items affecting comparability	–	–	–	–
Revenue excluding items affecting comparability	**6,794**	**5,113**	**13,537**	**10,107**
Underlying EBITDA margin	**37%**	**29%**	**37%**	**29%**

Capex paid and capex

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

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

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

Non-IFRS measures – Capex

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
TOTAL OPERATIONS				
Additions to intangible and tangible assets	−725	−686	−2,396	−1,534
Sale of intangible and tangible assets	6	10	6	19
Capex paid	**−720**	**−675**	**−2,391**	**−1,515**
This period's unpaid capex and reversal of paid capex from previous period	15	−84	875	166
Reversal received payment of sold intangible and tangible assets	−6	−10	−6	−19
Capex in intangible and tangible assets	**−710**	**−769**	**−1,521**	**−1,367**
Additions to right-of-use assets	−495	–	−851	–
Capex	**−1,205**	**−769**	**−2,373**	**−1,367**
CONTINUING OPERATIONS				
Additions to intangible and tangible assets	−588	−393	−2,169	−798
Sale of intangible and tangible assets	5	10	5	18
Capex paid	**−583**	**−383**	**−2,164**	**−780**
This period's unpaid capex and reversal of paid capex from previous period	39	−45	926	−1
Reversal received payment of sold intangible and tangible assets	−5	−10	−5	−18
Capex in intangible and tangible assets	**−550**	**−438**	**−1,243**	**−799**
Additions to right-of-use assets	−437	–	−692	–
Capex	**−987**	**−438**	**−1,934**	**−799**

Equity free cash flow

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

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

Non-IFRS measures – Cash flow

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
TOTAL OPERATIONS				
Cash flow from operating activities	2,112	1,186	4,602	2,094
Capex paid	−720	−675	−2,391	−1,515
Amortization of lease liabilities	−297	–	−679	−1
Equity free cash flow (EFCF)	**1,095**	**510**	**1,533**	**578**
CONTINUING OPERATIONS				
Cash flow from operating activities	1,817	793	4,085	1,630
Capex paid	−583	−383	−2,164	−780
Amortization of lease liabilities	−239	–	−594	–
Equity free cash flow (EFCF)	**995**	**409**	**1,326**	**850**

Operating cash flow

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

Operating cash flow: Underlying EBITDAaL less capex paid.

Continuing operations SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Underlying EBITDAaL	2,187	1,460	4,438	2,894
Capex paid	−583	−383	−2,164	−780
Operating cash flow (OCF)	**1,603**	**1,077**	**2,274**	**2,114**

Net debt and economic net debt

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

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

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

Non-IFRS measures – Debt

Total operations SEK million	Jun 30 2019	Dec 31 2018
Interest-bearing non-current liabilities	29,559	23,238
Interest-bearing current liabilities	2,927	6,763
Reversal equipment financing	−136	–
Reversal provisions	−2,363	−1,695
Cash & cash equivalents, current investments and restricted funds	−3,715	−406
Derivatives	−180	−33
Net debt for assets classified as held for sale	2,000	1,013
Net debt	**28,093**	**28,881**
Reversal:		
Lease liabilities	−6,041	−17
Liabilities to Kazakhtelecom	–	−30
Liabilities for earn-out obligation Kazakhstan	–	−764
Loan guaranteed by Kazakhtelecom	–	−221
Economic net debt	**22,051**	**27,849**

Organic

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

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

Reconciliation of pro forma figures are presented in an excel document (Tele2-Q2-2019-financials) on Tele2's website www.tele2.com.


TELE2