

**Interim Report
First Quarter**

2019



TELE2

Q1 2019 Highlights

- Revenue of SEK 7.2 billion, representing organic decline of –1 percent
- End-user service revenue of SEK 5.3 billion, stable on an organic basis
- Organic growth of 8 percent in underlying EBITDA excluding IFRS 16 for the Group
- Organic growth of 5 percent in underlying EBITDA excluding IFRS 16 in Sweden, mainly driven by initial synergies from the Com Hem merger
- Com Hem mobile launched
- Financial guidance unchanged, see page 5

Key Financial Data

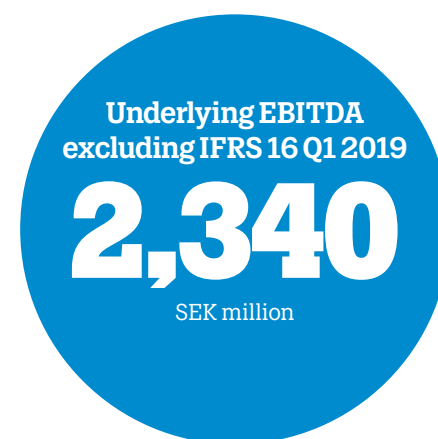
SEK million	Q1		Full year
	2019 IFRS 16	2018 IAS 17	2018 IAS 17
Revenue	7,217	5,425	23,704
End-user service revenue	5,314	3,561	15,593
Underlying EBITDA	2,659	1,460	6,633
EBITDA	2,397	1,395	6,038
Operating profit	1,104	900	3,750
Profit after financial items	1,000	818	3,372
Net profit/loss	769	622	1,610
Earnings per share, after dilution (SEK)	1.11	1.24	3.01



Key financial data including Com Hem pro forma

SEK million	Q1			Full year
	2019	2018	organic %	2018
Revenue	7,217	7,209	–1%	29,761
End-user service revenue	5,314	5,279	0%	21,434
Mobile end-user service revenue	2,994	2,890	3%	11,934
Fixed end-user service revenue	1,880	1,944	–3%	7,727
Underlying EBITDA excluding IFRS 16	2,340	2,141	8%	9,015
Capex excluding spectrum and leases	643	610		2,759
OCF excluding spectrum, rolling 12 months ¹⁾	6,491	6,154		6,475
Economic net debt to underlying EBITDAaL	2.6	1.5		2.8

¹⁾ Operating Cash Flow, see Non-IFRS measures page 27



Continuing operations

Figures presented in this report refer to Q1 2019 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2018. Tele2 Kazakhstan is reported as discontinued operation for all periods. Discontinued operations also include the former operations in the Netherlands and Russia. See Note 11.

Non-IFRS measures

This report contains certain non-IFRS measures which are defined and reconciled to the closest reconcilable line items in the section *Non-IFRS measures* on page 27. 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.

CEO Word, Q1 2019

In the first quarter of 2019 we started laying the foundation for future growth. We launched Com Hem mobile as a new growth driver and continued to see early progress on our FMC strategy with 45,000 customers now on FMC-offers. We are on track to reach our full year guidance with flat end-user service revenue and strong growth in underlying EBITDA excluding IFRS 16. This is largely driven by the integration and cost restructuring process which is well under way.

Q1 2019 summary

Group organic end-user service revenue (EUSR) was flat in the quarter with the Baltics growing 7 percent while Sweden declined by 1 percent. Group underlying EBITDA excluding IFRS 16 grew by 8 percent with the Baltics growing by 16 percent and Sweden by 5 percent driven by cost reduction.

In the Sweden Consumer segment, total EUSR declined by 1 percent as growth in core services was offset by decline in legacy services and Landlord & other. Core services, representing over 70 percent of the segment's EUSR, grew by 3 percent, with Mobile Postpaid growing 2 percent, Fixed Broadband growing 8 percent while Digital TV via Cable & Fiber declined by 1 percent. Legacy services, including Mobile Prepaid, DTT and Fixed telephony & DSL, declined by 11 percent. We believe that initiatives taken since the merger including launch of Com Hem mobile and migration of customers into FMC benefit plans will enhance growth in core services over time and offset decline in legacy services. In the Sweden Business segment, we saw continued mobile EUSR growth of 1 percent driven by higher customer intake, offset by a drag from legacy products resulting in a 2 percent decline in total EUSR.

Several growth drivers to bring stable growth

Since the merger with Com Hem we have introduced several new growth drivers such as cross selling mobile into the fixed consumer base through Com Hem mobile, selling fixed into the mobile consumer base, reducing churn through FMC benefits and refocusing the B2B business on profitable growth. These initiatives will take some time before they gain enough momentum to get to the low single digit EUSR we guide for the mid-term. Further, our strategy is to reach our growth targets by running several growth drivers in parallel, without pushing each of them too hard, and avoiding actions that may increase cost or be too disruptive. In addition we are also evaluating new initiatives which could help further secure future growth.

Delivering on cost synergies

While we are setting Tele2 up for future revenue growth we have also started executing on cost reduction, making progress toward the cost synergy target. In the quarter we realized SEK 50 million of cost synergies, and reached an annualized run-rate of SEK 300



“We aim to combine the disciplined and predictable pricing of the fixed market with the agile, customer-friendly mobile market to capitalize on the demand for household connectivity”

million at the end of the quarter out of the target SEK 900 million after three years. The cost reductions were mainly related to head count reduction in common functions and the Sweden Consumer segment. We incurred SEK 155 million of integration costs this quarter and have so far incurred SEK 365 million of the expected SEK 1 billion of restructuring costs.

Looking forward

Having completed the first full quarter after the merger with Com Hem we see that the cost transformation is on track. Focus going forward will be to reignite growth through our pipeline of initiatives. As we transform Tele2 into a truly integrated operator, we will increasingly look at the market as a whole rather than split into mobile and fixed silos, both internally and commercially. This will not only reduce cost but also create growth as we aim to combine the disciplined and predictable pricing of the fixed market with the agile, customer-friendly mobile market to capitalize on the demand for household connectivity through a more-for-more FMC strategy. We think that this strategy will be beneficial for all stakeholders in the market as we move from being a cost-cutting play, operating in two stagnant markets, mobile and fixed, to become an efficient challenger in a growing three-player FMC-market with focus on customer satisfaction.

Anders Nilsson
President and Group CEO

Financial overview

Analysis of profit/loss KPIs

SEKmillion	2019 Q1 IFRS 16	2018 Q1 IAS 17	2018 Full year IAS 17
Revenue	7,217	5,425	23,704
End-user service revenue	5,314	3,561	15,593
Underlying EBITDA	2,659	1,460	6,633
Items affecting comparability	-262	-65	-595
EBITDA	2,397	1,395	6,038
Depreciation/amortization	-1,303	-509	-2,446
of which amortization of surplus from acquisitions	-299	-37	-314
of which depreciation of right-of-use assets	-303	-	-
Impairment	-	-	149
Result from shares in joint ventures and associated companies	10	14	9
Operating profit	1,104	900	3,750
Net interest and other financial items	-104	-82	-378
of which lease interest (IFRS 16)	-21	-	-
Income tax	-231	-196	-1,762
Net profit	769	622	1,610
Reconciliation of leasing effects			
Underlying EBITDA	2,659	1,460	6,633
Reverse IFRS 16 effect	-319	-	-
Underlying EBITDA excluding IFRS 16	2,340	1,460	6,633
Underlying EBITDA	2,659	1,460	6,633
Rights of use asset depreciation and lease interest	-324	-	-
Underlying EBITDAaL	2,335	1,460	6,633

Revenue increased by 33 percent related to the merger with Com Hem. **Organic revenue** growth amounted to -1 percent, as **end-user service revenue** was flat and equipment revenue declined, mainly in Sweden. Mobile end-user service revenue contributed positively with growth of 3 percent, while fixed end-user service revenue declined organically by 3 percent.

Underlying EBITDA grew by 82 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 will report underlying EBITDA excluding IFRS 16. Organic growth in underlying EBITDA excluding IFRS 16 was 8 percent.

Underlying EBITDA, an improved indicator of underlying business performance, has replaced adjusted EBITDA which was previously

reported, see section Non-IFRS measures on page 27, with historical performance data available at Tele2.com.

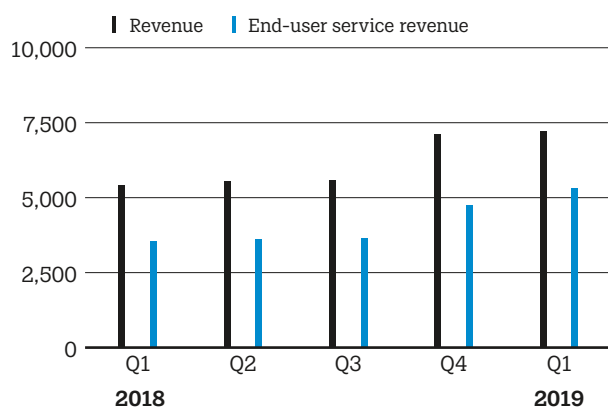
Following the implementation of IFRS 16, Tele2 will also use **underlying EBITDAaL** (EBITDA after Leases) as a complementary measure of profitability going forward since it reflects the cost of operating leases. It will also be used as denominator when measuring financial leverage.

Items affecting comparability amounted to SEK -262 (-65) 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 303 million of depreciation of right-of-use assets (leased assets) in the quarter. Despite this, **operating profit** grew to SEK 1,104 (900) million.

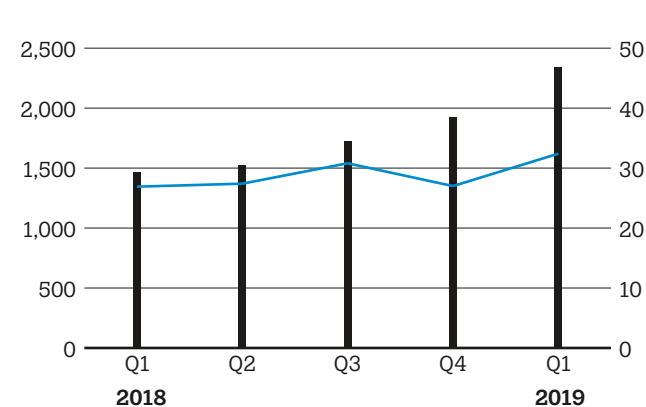
Revenue and end-user service revenue

SEK million



Underlying EBITDAaL / Underlying EBITDAaL margin

SEK million / Percent



Analysis of cash flows

	2019 Q1 IFRS 16	2018 Q1 IAS 17	2018 Full year IAS 17
SEK million, total operations			
Underlying EBITDA, continuing operations	2,659	1,460	6,633
Items affecting comparability, continuing operations	-262	-65	-595
EBITDA continuing operations	2,397	1,395	6,038
EBITDA discontinued operations	434	190	1,399
Amortization of lease liabilities	-382	0	0
Capex paid	-1,671	-840	-3,403
Changes in working capital	116	-467	-1,123
Financial items paid / received	-130	-88	-603
Taxes paid	-293	-145	-643
Other cash items	-34	23	92
Equity free cash flow	437	68	1,757
Equity free cash flow, continuing operations	241	195	2,072
Equity free cash flow, continuing operations, rolling 12 months	2,118	2,975	2,072

EBITDA from total operations amounting to SEK 2,831 million included SEK 434 million contribution from the discontinued operation in Kazakhstan.

Capex paid amounted to SEK -1,671 (-840) million, driven by the inclusion of Com Hem and by spectrum payments of SEK 799 million, including the SEK 721 million payment of the 700 MHz license in Sweden.

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.

Changes in working capital amounted to SEK 116 (-467) million, as negative performance in previous quarters was partially reversed.

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

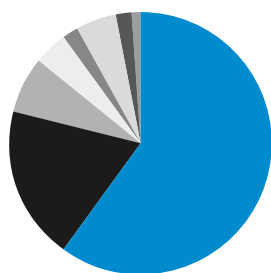
Analysis of financial position

	2019 Mar 31 IFRS 16	2018 Dec 31 IAS 17
SEK million		
Financial debt		
Bonds	20,229	20,580
Commercial papers	2,100	4,491
Debt related to leasing	5,807	16
Financial institutions and other liabilities	3,746	3,219
Cash and cash equivalents	-914	-404
Other net debt adjustments	1,602	978
Net debt	32,570	28,880
Economic net debt	25,058	27,865
Economic net debt to Underlying EBITDAaL	2.6	2.8
Unutilized overdraft facilities and credit lines	9,561	9,116

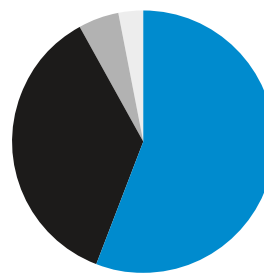
Tele2 ended the quarter with an **economic net debt to underlying EBITDAaL of 2.6x**, which is within its financial leverage target range of 2.5–3.0x. A bridge between net debt and economic net debt is available in the section *Non-IFRS measures* in this report.

The company is of the opinion that the ratio of economic net debt to underlying EBITDAaL is in all significant respects comparable to the ratio reported prior to the implementation of IFRS 16.

End-user service revenue per segment, Q1 2019



End-user service revenue per service, Q1 2019



Sweden Consumer	60%	Estonia	2%
Sweden Business	19%	Croatia	5%
Lithuania	7%	Germany	2%
Latvia	4%	IoT	1%

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

Financial guidance

Financial guidance (unchanged)

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

Mid-term ambition

- Low-single digit growth of end-user service revenue
- Mid-single digit growth of underlying EBITDAaL
- Capex excluding spectrum and leasing assets of SEK 3.0–3.5 billion 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 the following years
- Mid-single digit growth of underlying EBITDA excluding IFRS 16
- Capex excluding spectrum and leasing assets of between SEK 2.9–3.2 billion

Dividend

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

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

Dividend payment dates

If the AGM decides in accordance with the proposal by the Board of Directors, the dividend is expected to be paid as follows:

- SEK 2.20 per share to be distributed to shareholders on May 13. The first day of trading in the shares excluding the right to receive dividend is expected to be May 7 and the record date May 8.
- SEK 2.20 per share to be distributed to shareholders on October 7. The first day of trading in the shares excluding the right to receive dividend is expected to be October 1 and the record date October 2.

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 according to plan and cost synergies of approximately SEK 50 million contributed to the performance in the quarter. The annualized run-rate cost synergies were estimated to have reached SEK 300 million at the end of Q1. Integration costs of SEK 155 million for the Com Hem merger were incurred in the quarter, for a total of SEK 365 million since the integration program started.

Pro forma review including Com Hem

The following pro forma 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 1 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 5 percent, driven mainly by cost synergies from the integration and restructuring.

The SEK 721 million fee for the 700 MHz spectrum awarded in Q4 2018 was paid in Q1 2019.

Financials (SEK million)	2019 Q1	2018 Q1 Pro forma	organic %	2018 Full year Pro forma
Revenue	5,471	5,558	-2%	22,474
Sweden Consumer	3,799	3,856	-1%	15,832
Sweden Business	1,672	1,702	-2%	6,642
Underlying EBITDA	2,101	1,761		7,214
Underlying EBITDA excluding IFRS16	1,843	1,761	5%	7,214
Sweden Consumer	1,469	1,389	6%	5,764
Sweden Business	374	372	0%	1,450
Underlying EBITDA margin excluding IFRS16	34%	32%		32%
Capex				
Network	201	181		802
IT	176	111		589
Customer equipment	126	122		380
Other	41	15		95
Capex excluding spectrum and leases	544	429		1,866
Spectrum	0	0		721
Right-of-use assets (leases)	239	0		0
Capex	783	429		2,587
Capex excluding spectrum and lease assets/revenue	10%	8%		8%

Sweden Consumer

The consumer market was stable overall, in line with previous quarters. Com Hem mobile was launched, the first brand in Sweden to offer both fixed and mobile services on the same invoice, and the FMC benefit scheme was further enhanced with a double-speed offering for fixed broadband. The number of FMC customers increased to 45,000, with initial data indicating a positive effect on customer loyalty as expected.

Tele2 regained the first place on the Netflix speed index, having held the top position 54 times out of the last 61 months.

The mobile postpaid RGU stock continued to be driven by Comviq, while the prepaid and mobile broadband RGU stocks saw a market-driven decline. The introduction of Com Hem mobile is expected to enhance customer growth over time but had a limited effect in the quarter.

The Fixed broadband subscriber base grew steadily with 12,000 net adds, in line with the first quarter of 2018. ASPU improved by 1.8 percent driven by pricing activities during 2018 on the Com Hem brand. Fixed broadband revenue increased by 8 percent driven equally by sustained subscriber growth on both Com Hem and Boxer brands and by last year's price adjustment on the Com Hem customer base.

The Com Hem TV subscriber base grew by +3,000, versus a slight decline in Q1 2018, driven by additional group agreement subscribers. The DTT subscriber base contracted by -11,000 due to pricing and the market pressure caused by fiber rollout. TV revenue decreased by 6 percent driven mainly by the decline in the Boxer RGU stock.

The integration and right-sizing of the organization progressed according to plan with a number of activities identified to realize synergies.

Underlying EBITDA excluding IFRS 16 increased by 6 percent mainly driven by successful cost management and restructuring.

Operating data (by thousands)	2019 Q1	2018 Q1 Pro forma	2019 Mar 31	2018 Mar 31 Pro forma
RGUs	Net intake		RGU base	
Mobile	-20	-50	2,927	2,976
Postpaid	5	-7	1,822	1,796
Prepaid	-25	-43	1,105	1,180
Fixed	-7	-21	2,201	2,256
Fixed broadband	12	12	839	790
Digital TV	-8	-12	1,049	1,086
Cable & Fiber	3	-2	661	653
DTT	-11	-11	388	432
Fixed telephony & DSL	-11	-20	313	381
Addressable fixed footprint	64	40	3,178	2,871

KPIs and Financials (SEK million)	2019 Q1	2018 Q1 Pro forma	%	2018 Full year Pro forma
ASPU (SEK)				
Mobile				
Postpaid	216	213	1.3%	216
Prepaid	83	83	-0.1%	84
Fixed				
Fixed broadband	247	243	1.8%	247
Digital TV				
Cable & Fiber	236	241	-2.0%	241
DTT	289	293	-1.3%	293
Fixed telephony & DSL	110	109	1.1%	111
Revenue				
Mobile	1,457	1,452	0%	5,881
Postpaid	1,179	1,152	2%	4,698
Prepaid	278	300	-7%	1,183
Fixed	1,531	1,555	-2%	6,243
Fixed broadband	618	571	8%	2,380
Digital TV	807	856	-6%	3,379
Cable & Fiber	466	472	-1%	1,901
DTT	341	384	-11%	1,478
Fixed telephony & DSL	106	128	-17%	484
Landlord & Other	176	184	-4%	722
End-user service revenue	3,164	3,191	-1%	12,846
Operator revenue	190	187		780
Equipment revenue	445	478		2,206
Revenue	3,799	3,856	-1%	15,832
Underlying EBITDA	1,641	1,389		5,764
Underlying EBITDA excluding IFRS 16	1,469	1,389	6%	5,764
Underlying EBITDA margin excluding IFRS 16	39%	36%		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.

In the Large Enterprise segment the major operators have been focusing on defending existing customer bases, while 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, although at a slower pace than during the second half of 2018.

New contracts were won with both municipalities and large enterprises including Rejlers, Toshiba, Balder and GDL Logistics. Renewals and contract expansions were agreed with customers including NCC, Stena and Linköping University.

The growth in mobile end-user service revenue continued to be positive at +1 percent, while total end-user service revenue declined by 2 percent attributable to decreasing revenue within legacy products.

Underlying EBITDA excluding IFRS 16 was unchanged despite the decline in end-user service revenue.

Operating data (by thousands)	2019 Q1	2018 Q1 Pro forma		2019 Mar 31	2018 Mar 31 Pro forma
RGUs	Net intake			RGU base	
Mobile					
Postpaid	7	34		896	855
KPIs and Financials (SEK million)	2019 Q1	2018 Q1 Pro forma	%	2018 Full year Pro forma	
ASPU, SEK					
Mobile					
Postpaid	177	188	-5.5%	186	
Revenue					
Mobile	475	472	1%	1,905	
Fixed	295	325	-9%	1,238	
Solutions	264	261	1%	1,051	
End-user service revenue	1,034	1,058	-2%	4,194	
Operator revenue, excluding Wholesale	24	31		127	
Equipment revenue	446	467		1,744	
Wholesale	167	145		573	
Internal sales	1	1		4	
Revenue	1,672	1,702	-2%	6,642	
Underlying EBITDA	460	372		1,450	
Underlying EBITDA excluding IFRS 16	374	372	0%	1,450	
Of which wholesale	68	64		200	
Underlying EBITDA margin excluding IFRS 16	22%	22%		22%	

Baltics

Lithuania

The market stayed competitive in terms of pricing, especially in the mobile broadband segment. Tele2's marketing campaign Tele2 Free Internet won an award as "The Most Efficient Marketing Campaign" at the Password 2019 conference.

Net RGU intake of -4,000 was attributable to prepaid decline of -13,000, while all other segments demonstrated positive net intake.

Mobile end-user service revenue grew by 11 percent in local currency, mainly driven by increased postpaid consumer ASPU and growth in the mobile broadband RGU base.

Underlying EBITDA excluding IFRS 16 grew by 25 percent in local currency driven by higher revenue, with the margin reaching 38 (33) percent.

Operating data (by thousands)	2019 Q1	2018 Q1		2019 Mar 31	2018 Mar 31
RGUs, mobile	Net intake			RGU base	
	-4	16		1,857	1,808
KPIs and Financials (SEK million)	2019 Q1	2018 Q1	organic %	2018 Full year	
ASPU (EUR)	6.0	5.6	8%	5.9	
Revenue					
End-user service revenue	351	302	11%	1,329	
Operator revenue	60	55		249	
Equipment revenue	193	170		822	
Internal sales	9	5		30	
Revenue	613	532	10%	2,430	
Underlying EBITDA	245	178		817	
Underlying EBITDA excluding IFRS 16	232	178	25%	817	
Underlying EBITDA margin excluding IFRS 16	38%	33%		34%	
Capex	29	22		144	
Capex excluding spectrum and leases	26	22		144	
Capex excluding spectrum and leases/revenue	4%	4%		6%	

Latvia

The main themes in the market were service bundles, handset promotion and intense competition in the B2B sector. Tele2 continues to focus on service quality, customer satisfaction, sales efficiency and operational excellence. Rolling 3-month consumer customer NPS reached the highest level in two years.

Tele2 Latvia advanced to the top-10 list of most attractive employers in Latvia in a nation-wide survey, making the strongest year-on-year improvement of all big companies in the country.

The total RGU base was almost stable despite continued prepaid decline. The postpaid segment performed well with increases in both the consumer voice, mobile broadband and business RGU bases.

Mobile end-user service revenue grew by 6 percent in local currency, driven by ASPU growth mainly related to data monetization.

The underlying EBITDA margin excluding IFRS 16 increased to 36 (35) percent, driven mainly by higher revenue and continuous cost management.

Capex included SEK 67 million for the 3,5GHz license won in Q3 2018, which was paid for and booked in the quarter.

Operating data (by thousands)	2019 Q1	2018 Q1		2019 Mar 31	2018 Mar 31
	Net intake			RGU base	
RGUs, mobile	-5	-10		946	942
KPIs and Financials (SEK million)	2019 Q1	2018 Q1	organic %	2018 Full year	
ASPU (EUR)	6.7	6.3	6%	6.6	
Revenue					
End-user service revenue	199	179	6%	768	
Operator revenue	47	47		201	
Equipment revenue	72	66		321	
Internal sales	4	4		18	
Revenue	322	296	4%	1,308	
Underlying EBITDA	125	103		474	
Underlying EBITDA excluding IFRS 16	116	103	8%	474	
Underlying EBITDA margin excluding IFRS 16	36%	35%		36%	
Capex	101	24		113	
Capex excluding spectrum and leases	31	24		112	
Capex excluding spectrum and leases/revenue	10%	8%		9%	

Estonia

Tele2 launched new mobile postpaid tariffs for consumers and businesses in Q1 which received positive initial reception in the market. New prepaid price plans were also launched in March as the prepaid brand Smart was closed. Tele2 has registered for the upcoming 3.5 GHz auction.

Net adds amounted to -5,000 driven by the consumer segment, while the number of business RGUs increased. The impact of closing telemarketing last year has been compensated by improved retail performance and customer retention and has resulted in higher quality and value of new customer intake. ASPU grew by 3 percent, but total end-user service revenue decreased by 3 percent organically due the decline of the RGU base over the past twelve months.

Underlying EBITDA excluding IFRS 16 increased by 1 percent, and the margin increased to 21 (19) as an effect of the closing of telemarketing which was an expensive and labor consuming intake channel.

Operating data (by thousands)	2019 Q1	2018 Q1		2019 Mar 31	2018 Mar 31
	Net intake			RGU base	
RGUs, mobile	-5	-5		432	459
KPIs and Financials (SEK million, unless otherwise stated)	2019 Q1	2018 Q1	organic %	2018 Full year	
ASPU (EUR)					
Mobile	7.7	7.5	3%	7.8	
Revenue					
End-user service revenue	110	108	-3%	451	
Operator revenue	32	30		133	
Equipment revenue	40	50		197	
Internal sales	1	1		6	
Revenue	183	189	-8%	787	
Underlying EBITDA	47	35		167	
Underlying EBITDA excluding IFRS 16	38	35	1%	167	
Underlying EBITDA margin excluding IFRS 16	21%	19%		21%	
Capex	29	17		87	
Capex excluding spectrum and leases	20	17		87	
Capex excluding spectrum and leases/revenue	11%	9%		11%	

Other markets

Croatia

The quarter started with prolonged Christmas campaigning, and the market later focused on hardware and convergent offers. Tele2's unique Unlimited products remain at the center of its offerings. The strengthening of the retail channel continued with the insourcing of another three stores, ending the quarter with a total of 18 Tele2-managed stores.

The spectrum portfolio was extended with another 10 MHz in the 2100 MHz band, which was deployed at the end of the quarter.

End-user service revenue grew organically by 14 percent, adjusted for the non-recurring revenue reported for Q1 2018, due to a 6 percent higher RGU base and a 7 percent increase in ASPU.

Underlying EBITDA excluding IFRS 16 increased as a result of higher end-user service revenue, lower spectrum cost and a continued focus on cost efficiency.

The increase in capex was driven by continued investments in spectrum and network quality.

Operating data (by thousands)	2019 Q1	2018 Q1	2019 Mar 31	2018 Mar 31
	Net intake		RGU base	
RGUs, mobile	-3	3	894	844

KPIs and Financials (SEK million)	2019 Q1	2018 Q1	organic %	2018 Full year
ASPU (HRK)	76	71	7%	77
Revenue				
End-user service revenue	286	260	14%	1,110
Operator revenue	49	44		269
Equipment revenue	138	127		550
Internal sales	2	2		8
Revenue	475	433	10%	1,937
Underlying EBITDA	119	33		268
Underlying EBITDA excluding IFRS 16	90	33	157%	268
Underlying EBITDA margin excluding IFRS 16	19%	8%		14%
Capex	83	11		128
Capex excluding spectrum and leases	15	11		128
Capex excluding spectrum and leases/revenue	3%	3%		7%

Germany

The net RGU intake in the quarter was stable in absolute terms compared to Q1 2018, with both churn and intake slightly higher. The closing RGU base amounted to 295,000 (352,000) and revenue declined accordingly by 16 percent.

The underlying EBITDA margin excluding IFRS 16 increased to 46 (43) percent, driven by a reduction in transit and termination rates, lower cost for bad debt and a continued strict cost discipline.

KPIs and Financials (SEK million)	2019 Q1	2018 Q1	organic %	2018 Full year
Revenue	122	139	-16%	539
Underlying EBITDA	56	60		249
Underlying EBITDA excluding IFRS 16	56	60	-10%	249
Underlying EBITDA margin excluding IFRS 16	46%	43%		46%

Kazakhstan (discontinued)

The market players continued to re-position their price plans around different options for free usage of social networks, and Tele2 launched two OTT TV products.

Net intake declined to –93,000 due to a change in focus to attract higher-quality subscribers and increased market competition.

End-user service revenue increased by 22 percent in local currency driven by 19 percent higher ASPU related to several repricing moves over the past year.

Underlying EBITDA excluding IFRS 16 increased by 60 percent in local currency both due to higher revenue and a margin improvement to 40 (29) percent.

Operating data (by thousands)	2019 Q1	2018 Q1		2019 Mar 31	2018 Mar 31
	Net intake			RGU base	
RGUs, mobile	–93	15		7,067	6,929
KPIs and Financials (SEK million)	2019 Q1	2018 Q1	organic %	2018 Full year	
ASPU (KZT)	1,221	1,025	19%	1,138	
Revenue					
End-user service revenue	632	534	22%	2,425	
Operator revenue	151	146		637	
Equipment revenue	4	7		22	
Internal sales	0	0		0	
Revenue	787	687	18%	3,084	
Underlying EBITDA	352	202		1,053	
Underlying EBITDA excluding IFRS 16	312	202	60%	1,057	
Underlying EBITDA margin excluding IFRS 16	40%	29%		34%	
Capex	136	39		274	
Capex excluding spectrum and leases	38	39		274	
Capex excluding spectrum and leases/revenue	5%	6%		9%	

Pro forma Group Summary

SEK million	2019 Q1	2018 Q1 Pro forma	2018 Full year Pro forma	2017 Full year Pro forma
REVENUE				
Sweden Consumer	3,799	3,856	15,832	15,488
Sweden Business	1,672	1,702	6,642	6,705
Lithuania	613	532	2,430	1,957
Latvia	322	296	1,308	1,178
Estonia	183	189	787	743
Croatia	475	433	1,917	1,694
Germany	122	139	539	612
IoT	48	43	200	147
Other	0	32	152	135
Internal sales, elimination	-17	-13	-66	-57
TOTAL	7,217	7,209	29,761	28,602
UNDERLYING EBITDA				
Sweden Consumer	1,641	1,389	5,764	5,638
Sweden Business	460	372	1,450	1,435
Lithuania	245	178	817	652
Latvia	125	103	474	417
Estonia	47	35	167	185
Croatia	119	33	268	182
Germany	56	60	249	265
IoT	-6	-18	-104	-101
Other	-28	-11	-70	-63
TOTAL	2,659	2,141	9,015	8,610
UNDERLYING EBITDA EXCLUDING IFRS 16				
Sweden Consumer	1,469	1,389	5,764	5,638
Sweden Business	374	372	1,450	1,435
Lithuania	232	178	817	652
Latvia	116	103	474	417
Estonia	38	35	167	185
Croatia	90	33	268	182
Germany	56	60	249	265
IoT	-6	-18	-104	-101
Other	-29	-11	-70	-63
TOTAL	2,340	2,141	9,015	8,610
CAPEX				
Sweden	783	429	2,587	1,662
Lithuania	29	22	144	114
Latvia	101	24	113	83
Estonia	29	17	87	83
Croatia	83	11	128	90
Germany	0	0	0	0
IoT	6	7	29	30
Other	1	100	393	289
TOTAL	1,032	610	3,481	2,351
<i>of which</i>				
Network	269	267	1,308	1,197
IT	196	201	935	667
Customer equipment	126	122	381	363
Other	52	20	135	123
Capex excluding spectrum and leases	643	610	2,759	2,350
Spectrum	131	0	722	1
Right-of-use assets (leases)	258	0	0	0
TOTAL	1,032	610	3,481	2,351

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, operations in Kazakhstan, 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 Dutch merger between Tele2 and T-Mobile

The merger of Tele2 Netherlands and T-Mobile Netherlands closed on 2 January, 2019. Following the completion of the merger, Tele2 owns 25 percent of the enlarged T-Mobile NL and Deutsche Telekom owns 75 percent. Tele2's share of profits is reported in the income statement as result from an associated company.

Annual General Meeting

Annual General Meeting on Monday 6 May 2019 at 3.00 p.m. CEST at the Hotel At Six, Brunkebergstorg 6 in Stockholm. Shareholders who wish to attend the meeting shall be entered in the share register maintained by Euroclear Sweden on Monday 29 April 2019, and give notice of their intention to attend no later than Monday 29 April 2019. Notice to attend is to be made on the company's website at www.tele2.com, under the heading "Annual General Meeting 2019", found under the section "Governance", by telephone to +46 (0) 771 246 400 or by mail to Computershare AB "AGM Tele2", P.O. Box 610, SE-182 16 Danderyd, Sweden.

Auditors' review

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

Other

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

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, April 24, 2019

Tele2 AB

Georgi Ganev
Chairman

Sofia Arhall Bergendorff

Andrew Barron

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Lars-Åke Norling

Eamonn O'Hare

Carla Smits-Nusteling

Anders Nilsson
President and CEO

Q1 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, April 24, 2019. The presentation will be held in English and also made available as a webcast on Tele2's website: www.tele2.com.

Dial-in information:

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

Dial-in numbers:

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Contacts

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Appendices

Unaudited condensed consolidated income statement

Unaudited condensed consolidated comprehensive income

Unaudited condensed consolidated balance sheet

Unaudited condensed consolidated cash flow statement

Unaudited condensed consolidated statement of changes in equity

Unaudited consolidated parent company

Notes

Non-IFRS measures

Unaudited condensed consolidated income statement

SEK million	Note	2019 Jan 1–Mar 31	2018 Jan 1–Mar 31
CONTINUING OPERATIONS			
Revenue	2	7,217	5,425
Cost of services provided and equipment sold	3	-4,250	-3,060
Gross profit		2,967	2,365
Selling expenses	3	-1,133	-932
Administrative expenses	3	-716	-504
Result from shares in joint ventures and associated companies		10	14
Other operating income		75	57
Other operating expenses	3	-99	-100
Operating profit		1,104	900
Interest income		6	7
Interest expenses	5	-115	-76
Other financial items		5	-13
Profit after financial items		1,000	818
Income tax	4	-231	-196
NET PROFIT FROM CONTINUING OPERATIONS		769	622
DISCONTINUED OPERATIONS			
Net profit/loss from discontinued operations	11	255	-273
NET PROFIT		1,024	349
ATTRIBUTABLE TO			
Equity holders of the parent company		968	343
Non-controlling interests		56	6
NET PROFIT		1,024	349
Earnings per share (SEK)	8	1.41	0.68
Earnings per share, after dilution (SEK)	8	1.40	0.68
FROM CONTINUING OPERATIONS			
ATTRIBUTABLE TO			
Equity holders of the parent company		769	622
Earnings per share (SEK)	8	1.12	1.24
Earnings per share, after dilution (SEK)	8	1.11	1.24

Unaudited condensed consolidated comprehensive income

SEK million	Note	2019 Jan 1–Mar 31	2018 Jan 1–Mar 31
NET PROFIT		1,024	349
OTHER COMPREHENSIVE INCOME			
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT			
Pensions, actuarial gains/losses		-108	-
Pensions, actuarial gains/losses, tax effect		23	-
Components not to be reclassified to net profit		-85	-
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT			
Exchange rate differences			
Translation differences in foreign operations		297	843
Tax effect on above		-15	-113
Reversed cumulative translation differences from divested companies	11	-778	-
Tax effect on above	11	122	-
<i>Translation differences</i>		<i>-374</i>	<i>730</i>
Hedge of net investments in foreign operations		-47	-153
Tax effect on above		10	34
Reversed cumulative hedge from divested companies	11	721	-
Tax effect on above	11	-169	-
<i>Hedge of net investments</i>		<i>515</i>	<i>-119</i>
Exchange rate differences		141	611
Cash flow hedges			
Profit arising on changes in fair value of hedging instruments		4	-
Reclassified cumulative profit/loss to income statement		-3	18
Tax effect on cash flow hedges		5	-4
Cash flow hedges		6	14
Components that may be reclassified to net profit		147	625
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		62	625
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,086	974
ATTRIBUTABLE TO			
Equity holders of the parent company		1,028	977
Non-controlling interests		58	-3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,086	974

Unaudited condensed consolidated balance sheet

SEK million	Note	Mar 31, 2019	Dec 31, 2018
ASSETS			
NON-CURRENT ASSETS			
Goodwill		30,198	30,159
Other intangible assets		19,421	19,604
Intangible assets		49,619	49,763
Tangible assets		9,035	9,192
Right-of-use assets		6,048	–
Shares in joint ventures and associated companies	9	7,071	13
Other financial assets	5	798	1,015
Capitalized contract costs		396	373
Deferred tax assets	4	453	368
NON-CURRENT ASSETS		73,420	60,724
CURRENT ASSETS			
Inventories		827	669
Current receivables		6,731	6,825
Current investments		2	2
Cash and cash equivalents	6	914	404
CURRENT ASSETS		8,474	7,900
ASSETS CLASSIFIED AS HELD FOR SALE	11	4,089	14,020
ASSETS		85,983	82,644
EQUITY AND LIABILITIES			
EQUITY			
Attributable to equity holders of the parent company		37,405	36,334
Non-controlling interests		86	28
EQUITY	8	37,491	36,362
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	5	29,666	23,238
Non-interest-bearing liabilities		4,255	4,206
NON-CURRENT LIABILITIES		33,921	27,444
CURRENT LIABILITIES			
Interest-bearing liabilities	5	4,209	6,763
Non-interest-bearing liabilities		7,078	8,088
CURRENT LIABILITIES		11,287	14,851
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	11	3,284	3,987
EQUITY AND LIABILITIES		85,983	82,644

Unaudited condensed consolidated cash flow statement

(Total operations)

SEK million	Note	2019 Jan 1–Mar 31	2018 Jan 1–Mar 31
OPERATING ACTIVITIES			
Net profit		1,024	349
Adjustments for non-cash items in net profit		1,350	1,026
Changes in working capital		116	–467
Cash flow from operating activities		2,490	908
INVESTING ACTIVITIES			
Additions to intangible and tangible assets		–1,671	–840
Acquisition and sale of shares and participations	9	2,352	1
Cash flow from investing activities		681	–839
FINANCING ACTIVITIES			
Proceeds from loans	5	1,756	66
Repayments of loans	5	–4,637	–518
Cash flow from financing activities		–2,881	–452
NET CHANGE IN CASH AND CASH EQUIVALENTS		290	–383
Cash and cash equivalents at beginning of period		404	802
Exchange rate differences in cash and cash equivalents		220	22
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6	914	441

Unaudited condensed consolidated statements of changes in equity

		Mar 31, 2019							
		Attributable to equity holders of the parent company							
SEK million	Note	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	5,575	36,334	28	36,362
Net profit		-	-	-	-	968	968	56	1,024
Other comprehensive income for the period, net of tax		-	-	521	-376	-85	60	2	62
Total comprehensive income for the period		-	-	521	-376	883	1,028	58	1,086
OTHER CHANGES IN EQUITY									
Share-based payments	8	-	-	-	-	37	37	-	37
Share-based payments, tax effect	8	-	-	-	-	6	6	-	6
EQUITY AT END OF THE PERIOD		863	27,378	-213	2,876	6,501	37,405	86	37,491

		Mar 31, 2018							
		Attributable to equity holders of the parent company							
SEK million	Note	Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1		634	7,841	-651	2,670	6,710	17,204	-114	17,090
Net profit		-	-	-	-	343	343	6	349
Other comprehensive income for the period, net of tax		-	-	-105	739	-	634	-9	625
Total comprehensive income for the period		-	-	-105	739	343	977	-3	974
OTHER CHANGES IN EQUITY									
Share-based payments	8	-	-	-	-	5	5	-	5
Share-based payments, tax effect	8	-	-	-	-	1	1	-	1
EQUITY AT END OF THE PERIOD		634	7,841	-756	3,409	7,059	18,187	-117	18,070

Unaudited consolidated parent company

Income statement

SEK million	2019 Jan 1–Mar 31	2018 Jan 1–Mar 31
Revenue	12	13
Administrative expenses	–40	–26
Other operating expenses	–71	–25
Operating loss	–99	–38
Interest revenue and similar income	36	–
Interest expense and similar costs	–139	–136
Loss after financial items	–202	–174
Tax on loss	39	38
NET LOSS	–163	–136

Balance sheet

SEK million	Note	Mar 31, 2019	Dec 31, 2018
ASSETS			
NON-CURRENT ASSETS			
Financial assets		47,236	47,083
NON-CURRENT ASSETS		47,236	47,083
CURRENT ASSETS			
Current receivables		13,471	15,785
Cash and cash equivalents		7	25
CURRENT ASSETS		13,478	15,810
ASSETS		60,714	62,893
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity	8	5,848	5,848
Unrestricted equity	8	28,757	28,874
EQUITY		34,605	34,722
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	5	23,298	21,721
NON-CURRENT LIABILITIES		23,298	21,721
CURRENT LIABILITIES			
Interest-bearing liabilities	5	2,548	6,113
Non-interest-bearing liabilities		263	337
CURRENT LIABILITIES		2,811	6,450
EQUITY AND LIABILITIES		60,714	62,893

Notes

NOTE1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim financial information for the Group for the three month period ended March 31, 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 March 31, 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 9 and the effects on the opening balance January 1, 2019 are consistent with those 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 three month period ended March 31, 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, please refer to Note 3.

Figures presented in this report refer to January 1 – March 31 (Q1), 2019 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2018.

NOTE2 REVENUE

Revenue

SEK million	2019		2018	
	Jan 1-Mar 31	Jan 1-Mar 31	Jan 1-Mar 31	Jan 1-Mar 31
Sweden Consumer		3,799		2,138
Sweden Business		1,672		1,636
Lithuania		613		532
Latvia		322		296
Estonia		183		189
Croatia		475		433
Germany		122		139
IoT		48		43
Other		–		32
		7,234		5,438
Internal sales, elimination		–17		–13
TOTAL		7,217		5,425

Internal sales

SEK million	2019		2018	
	Jan 1-Mar 31	Jan 1-Mar 31	Jan 1-Mar 31	Jan 1-Mar 31
Sweden Business		1		1
Lithuania		9		5
Latvia		4		4
Estonia		1		1
Croatia		2		2
TOTAL		17		13

Revenue split per category

SEK million	2019		2018	
	Jan 1-Mar 31	Jan 1-Mar 31	Jan 1-Mar 31	Jan 1-Mar 31
Sweden Consumer				
End-user service revenue		3,164		1,536
Operator revenue		190		149
Equipment revenue		445		453
		3,799		2,138
Sweden Business				
End-user service revenue		1,034		995
Operator revenue		191		176
Equipment revenue		446		464
Internal sales		1		1
		1,672		1,636
Lithuania				
End-user service revenue		351		302
Operator revenue		60		55
Equipment revenue		193		170
Internal sales		9		5
		613		532
Latvia				
End-user service revenue		199		179
Operator revenue		47		47
Equipment revenue		72		66
Internal sales		4		4
		322		296
Estonia				
End-user service revenue		110		108
Operator revenue		32		30
Equipment revenue		40		50
Internal sales		1		1
		183		189
Croatia				
End-user service revenue		286		260
Operator revenue		49		44
Equipment revenue		138		127
Internal sales		2		2
		475		433
Germany				
End-user service revenue		122		138
Equipment revenue		–		1
		122		139
IoT				
End-user service revenue		48		43
		48		43
Other				
Operator revenue		–		32
		–		32
TOTAL				
End-user service revenue		5,314		3,561
Operator revenue		569		533
Equipment revenue		1,334		1,331
Internal sales		17		13
TOTAL REVENUE		7,234		5,438

Revenue in Sweden

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
Sweden Consumer		
Mobile	1,457	1,452
Fixed	1,531	84
Landlord & Other	176	–
End-user service revenue	3,164	1,536
Operator revenue	190	149
Equipment revenue	445	453
Sweden Consumer	3,799	2,138
Sweden Business		
Mobile	475	459
Fixed	295	278
Solutions	264	258
End-user service revenue	1,034	995
Operator revenue, excluding Wholesale	24	31
Equipment revenue	446	464
Wholesale	167	145
Internal sales	1	1
Sweden Business	1,672	1,636
Total revenue in Sweden	5,471	3,774

NOTE 3 SEGMENT REPORTING Underlying EBITDA

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
Sweden Consumer	1,641	725
Sweden Business	460	355
Lithuania	245	178
Latvia	125	103
Estonia	47	35
Croatia	119	33
Germany	56	60
IoT	–6	–18
Other	–28	–11
TOTAL	2,659	1,460

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. Hence two lines have been added to the reconciliation below; Disposal of non-current assets and Other items affecting comparability.

Reconciling items to reported operating profit/loss

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
Underlying EBITDA	2,659	1,460
Acquisition costs	–44	–49
Integration costs	–155	–20
Disposal of non-current assets	–1	–15
Other items affecting comparability	–62	19
Items affecting comparability	–262	–65
EBITDA	2,397	1,395
Depreciation/amortization	–1,303	–509
Result from shares in joint ventures and associated companies	10	14
Operating profit	1,104	900

Acquisition costs

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
Com Hem, Sweden	–44	–49
Acquisition costs	–44	–49

Acquisition costs are reported as other operating expenses.

Integration costs

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
Com Hem, Sweden	–155	–
TDC, Sweden	–	–20
Integration costs	–155	–20
Reported as:		
-cost of services provided	–17	–1
-selling expenses	–76	–
-administrative expenses	–62	–19
Consist of:		
-redundancy costs	–111	–
-other employee and consultancy costs	–35	–9
-exit of contracts and other costs	–9	–11

Disposal of non-current assets

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

Other items affecting comparability

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
Revenue	–	19
Costs of services provided	–60	–
Selling expenses	11	–
Administrative expenses	–13	–
Total	–62	19
Consist of:		
-Croatia; revaluation of the prepaid revenue balance	–	19
-Sweden; provision for roaming dispute	–56	–
-Lithuania; adjustment of expected credit loss rate	18	–
-Incentive program; adjustment of performance level	–24	–

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 current jointly owned company in Kazakhstan. The additional tax claim amounts to SEK 405 million and a tax surcharge and interest of SEK 178 million. Tele2 will appeal 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			
	Mar 31, 2019		Dec 31, 2018	
	Current	Non-current	Current	Non-current
Bonds SEK, Sweden	250	9,547	1,500	8,796
Bonds EUR, Sweden	–	10,432	–	10,284
Commercial papers, Sweden	2,100	–	4,491	–
Financial institutions	171	3,262	415	2,583
	2,521	23,241	6,406	21,663
Provisions	291	1,576	224	1,471
Lease liability	1,134	4,673	2	14
Other liabilities	263	176	131	90
Total interest-bearing liabilities	4,209	29,666	6,763	23,238
		33,875		30,001

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.

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 587 (302) million for the three month period ended on March 31, 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	Mar 31, 2019					
	Assets and liabilities at fair value through profit/loss		Assets at amortized cost	Financial liabilities at amortized cost	Total reported value	Fair value
	Derivative instruments designated for hedge accounting	Other instruments (level 3)				
Other financial assets	–	7	692	–	699	699
Accounts receivables	–	–	2,223	–	2,223	2,223
Other current receivables	99	–	2,336	–	2,435	2,435
Current investments	–	–	2	–	2	2
Cash and cash equivalents	–	–	914	–	914	914
Assets classified as held for sale	–	–	525	–	525	525
Total financial assets	99	7	6,692	–	6,798	6,798
Liabilities to financial institutions and similar liabilities	–	–	–	25,762	25,762	26,224
Other interest-bearing liabilities	153	12	–	6,081	6,246	6,248
Accounts payable	–	–	–	2,272	2,272	2,272
Other current liabilities	–	–	–	549	549	549
Liabilities directly associated with assets classified as held for sale	–	792	–	2,186	2,978	2,981
Total financial liabilities	153	804	–	36,850	37,807	38,274

SEK million	Dec 31, 2018					
	Assets and liabilities at fair value through profit/loss		Assets at amortized cost	Financial liabilities at amortized cost	Total reported value	Fair value
	Derivative instruments designated for hedge accounting	Other instruments (level 3)				
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 are presented below.

SEK million	Mar 31, 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	–	28	–	332
Other contingent considerations:				
-paid	–	–4	–	–12
-other changes	–	1	–	3
As of the end of the period	7	804	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. The fair value of the program was determined with support from an independent valuation institute. 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. In Q1 2018, SEK 12 million of the consideration was settled. The estimated fair value of the deferred consideration amounted on March 31, 2019 to SEK 12 (December 31, 2018: 11) million. 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, has right to 18 percent of the economic interest in the jointly owned company with Kazakhtelecom in Kazakhstan. The estimated fair value of the deferred consideration amounted on March 31, 2019 to SEK 792 (December 31, 2018: 764) million. The fair value was calculated based on expected future cash flows of the jointly owned company. From December 31, 2018, and 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	Mar 31, 2019	Dec 31, 2018
Cash and cash equivalents in joint operations	45	60

Kazakhtelecom has 49 percent of the voting rights in the jointly owned company in Kazakhstan. Tele2 and Kazakhtelecom sell and purchase telecommunication services to and from each other. Business relations and pricing between the parties are based on commercial terms and conditions. On December 28, 2018, Tele2 gave Kazakhtelecom notice to exercise Tele2's put option on its shares in Tele2 Kazakhstan, see Note 11. From January 2, 2019 Tele2 has 25 percent ownership in T-Mobile Netherlands. 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.

NOTE7 CONTINGENT LIABILITIES

SEK million	Mar 31, 2019	Dec 31, 2018
Tax deduction exchange loss, Sweden	583	–
Asset dismantling obligation, discontinued operation	–	159
Total contingent liabilities	583	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.

NOTE8 EQUITY, NUMBER OF SHARES AND INCENTIVE PROGRAMS

Number of shares

	Mar 31, 2019	Dec 31, 2018
Total number of shares	690,341,597	690,341,597
Number of treasury shares	–3,238,081	–3,338,529
Number of outstanding shares	687,103,516	687,003,068
Number of outstanding shares, weighted average	687,016,461	531,098,522
Number of shares after dilution	689,855,956	690,115,713
Number of shares after dilution, weighted average	690,092,899	534,505,915

As a result of share rights in the LTI 2016, LTI 2017 and LTI 2018 being exercised in Q1 2019, Tele2 delivered 100,448 B-shares in treasury shares to some of the participants in the program. This was an early vesting of the programs following the merger with Com Hem and the following reorganization, 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

	Mar 31, 2019	Dec 31, 2018
LTI2018	1,290,616	1,482,420
LTI2017	889,110	1,050,018
LTI2016	572,714	801,040
Total outstanding share rights	2,752,440	3,333,478
<i>of which will be settled in cash</i>	–	220,833

All outstanding long-term incentive programs (LTI 2016, LTI 2017 and LTI 2018) are based on the same structure, except for that LTI 2018 does not have a ROCE measure, and 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 three months 2019, the total cost before tax for the long-term incentive programs (LTI) amounted to SEK 55 (8) million.

LTI2016

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

	Retention and performance-based conditions	Minimum hurdle (20%)	Stretch target (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%

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 Q1 2019 for shares in Tele2 amounts to 100,448 share rights at a weighted average share price of SEK 125.13.

Dividend

Tele2's Board of Directors has proposed a dividend of SEK 4.40 per share in respect of the financial year 2018 to be approved at the Annual General Meeting in May 2019 and to be paid in two equal tranches during 2019. This corresponds to a total of SEK 3,023 million.

NOTE9 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2019 Jan 1–Mar 31	2018 Full year
Acquisitions		
Com Hem, Sweden	–	–6,400
Mobile payment, Lithuania	–4	–7
Altlorenscheuerhof, Luxembourg repayment capital	–	1
Total acquisition of shares and participations	–4	–6,406
Divestments		
Tele2 Netherlands	2,356	–
Total sale of shares and participations	2,356	–
TOTAL CASH FLOW EFFECT	2,352	–6,406

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. Due to its unusual complexity the purchase price allocation is still ongoing and is expected to be presented in the interim report for Q2 2019.

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 current 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.

Total future lease expenses for operating leases (Note 31)	4,626
<i>Adjustment for:</i>	
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 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. By serving the put option notice to Kazakhtelecom, Tele2 has initiated the sale process.

Tele2 owns 49 percent of the economic interest and 51 percent of the votes in the jointly owned company Tele2 Kazakhstan. The expected financial consideration to Tele2 will reflect a fully diluted economic interest of 31 percent, taking into account Asianet's 18 percent earn-out. A shareholder loan from Tele2 to the jointly owned company is to be fully repaid at the time of the closing. On March 31, 2019 the loan amounted to KZT 84 billion (SEK 2.0 billion).

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

The previous put option obligation in Kazakhstan was in 2016 replaced with an earn-out obligation representing 18 percent economic interest in the jointly owned company in Kazakhstan. To cover for the estimated earn-out obligation, that is based on fair value, the earn-out obligation was on March 31, 2019 valued at SEK 792 (December 31, 2018: 764) million and reported as a financial liability with fair value changes reported as financial items in the income statement. The change in fair value on March 31, 2019 is related to a continuation of the positive trend in the Kazakhstan operation. The fair value estimate is sensitive to changes in key assumptions supporting the expected future cash flows for the jointly owned company in Kazakhstan. A deviation from the current assumptions regarding the fair value would impact the earn-out liability.

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner Kazakhtelecom. On March 31, 2019 the reported debt amounted to SEK 32 (December 31, 2018: 30) million and the nominal value to SEK 285 (December 31, 2018: 279) million.

Closing is expected in approximately one quarter. Tele2 Kazakhstan is reported as discontinued operation.

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 operation in the Netherlands is stated below.

SEK million	Netherlands (Jan 2, 2019)
Goodwill	1,015
Other intangible assets	1,293
Tangible assets	5,300
Financial assets	712
Capitalized contract costs	177
Inventories	156
Current receivables	2,085
Cash and cash equivalents	46
Non-current provisions	-233
Non-current non-interest-bearing liabilities	-88
Current non-interest-bearing liabilities	-1,639
Divested net assets	8,824
Capital gain, excluding sales costs	24
Sales price	8,848
Received shares in T-mobile, non-cash	-6,904
Price adjustments, non-cash	458
Less: cash in divested operations	-46
TOTAL CASH FLOW EFFECT	2,356

Income statement

All discontinued operations are stated below. Tele2 Netherlands was divested on January 2, 2019.

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
Revenue	787	2,224
Cost of services provided and equipment sold	-468	-1,604
Gross profit	319	620
Selling expenses	-59	-514
Administrative expenses	-38	-273
Other operating income	2	2
Other operating expenses	-	-3
Operating profit/loss	224	-168
Interest income	1	3
Interest expenses	-30	-11
Other financial items	-28	-70
Profit/loss after financial items	167	-246
Income tax from the operation	-40	-24
NET PROFIT/LOSS FROM THE OPERATION	127	-270
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain	81	-3
-of which Netherlands	81	-3
Income tax from capital gain	47	-
-of which Netherlands	47	-
NET PROFIT/LOSS	255	-273
ATTRIBUTABLE TO		
Equity holders of the parent company	199	-279
Non-controlling interests	56	6
NET PROFIT/LOSS	255	-273
Earnings per share (SEK)	0.29	-0.56
Earnings per share, after dilution (SEK)	0.29	-0.56

Balance sheet

Assets held for sale as of March 31, 2019 refer to Tele2 Kazakhstan (from December 31, 2018) and provisions for price adjustments and similar for the divestment of Tele2 Netherlands. As of December 31, 2018 assets held for sale refer to Tele2 Kazakhstan and Tele2 Netherlands (from December 31, 2017 to January 2, 2019).

SEK million	Mar 31, 2019	Dec 31, 2018
ASSETS		
NON-CURRENT ASSETS		
Goodwill	132	1,144
Other intangible assets	242	1,545
Intangible assets	374	2,689
Tangible assets	2,057	7,357
Right-of-use assets	663	-
Financial assets	8	720
Capitalized contract costs	-	177
Deferred tax assets	392	393
NON-CURRENT ASSETS	3,494	11,336
CURRENT ASSETS		
Inventories	24	181
Current receivables	571	2,503
CURRENT ASSETS	595	2,684
ASSETS CLASSIFIED AS HELD FOR SALE	4,089	14,020
LIABILITIES		
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	1,061	641
Non-interest-bearing liabilities	10	99
NON-CURRENT LIABILITIES	1,071	740
CURRENT LIABILITIES		
Interest-bearing liabilities	1,322	813
Non-interest-bearing liabilities	891	2,434
CURRENT LIABILITIES	2,213	3,247
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	3,284	3,987

Cash flow statement

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
Cash flow from operating activities	234	287
Cash flow from investing activities	2,323	-414
Cash flow from financing activities	-22	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,535	-127

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.

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
CONTINUING OPERATIONS		
Operating profit	1,104	900
Reverse:		
Result from shares in joint ventures and associated companies	-10	-14
Depreciation/amortization	1,303	509
EBITDA	2,397	1,395
Reverse:		
Items affecting comparability:		
Acquisition costs	44	49
Integration costs	155	20
Disposal of non-current assets	1	15
Other items affecting comparability	62	-19
Total items affecting comparability	262	65
Underlying EBITDA	2,659	1,460
Lease depreciation (according to IFRS 16)	-303	-
Lease interest costs (according to IFRS 16)	-21	-
Underlying EBITDAaL	2,335	1,460
Underlying EBITDA	2,659	1,460
Adjustment to report lease according to IAS 17	-319	-
Underlying EBITDA excluding IFRS 16	2,340	1,460
Underlying EBITDA	2,659	1,460
<i>in relation to:</i>		
Revenue	7,217	5,425
Reverse: items affecting comparability	-	-19
Revenue excluding items affecting comparability	7,217	5,406
Underlying EBITDA margin	37%	27%

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.

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
TOTAL OPERATIONS		
Additions to intangible and tangible assets	-1,671	-849
Sale of intangible and tangible assets	-	9
Capex paid	-1,671	-840
This period's unpaid capex and reversal of paid capex from previous periods	859	250
Reverse received payment of sold intangible and tangible assets	-	-9
Capex in intangible and tangible assets	-812	-599
Additions to right-of-use assets	-356	-
Capex	-1,168	-599
CONTINUING OPERATIONS		
Additions to intangible and tangible assets	-1,638	-434
Sale of intangible and tangible assets	-	8
Capex paid	-1,638	-426
This period's unpaid capex and reversal of paid capex from previous periods	864	61
Reverse received payment of sold intangible and tangible assets	-	-8
Capex in intangible and tangible assets	-774	-373
Additions to right-of-use assets	-258	-
Capex	-1,032	-373

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.

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
TOTAL OPERATIONS		
Cash flow from operating activities	2,490	908
Capex paid	-1,671	-840
Cash flow after capex paid	819	68
Amortization of lease liabilities	-382	-
Equity free cash flow (EFCF)	437	68
CONTINUING OPERATIONS		
Cash flow from operating activities	2,256	621
Capex paid	-1,638	-426
Cash flow after capex paid	618	195
Amortization of lease liabilities	-377	-
Equity free cash flow (EFCF)	241	195

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.

SEK million	2019 Jan 1-Mar 31	2018 Jan 1-Mar 31
CONTINUING OPERATIONS		
Underlying EBITDAaL	2,335	1,460
Capex paid	-1,638	-426
Operating cash flow (OCF)	697	1,034

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, liabilities to Kazakhtelecom, loan guaranteed by Kazakhtelecom and the liability for the earn-out obligation in Kazakhstan, and thereby taking into account the specific contractual arrangements in the Kazakh business.

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, liabilities to Kazakhtelecom, liability for earn-out obligation in Kazakhstan and loan guaranteed by Kazakhtelecom.

SEK million	Mar 31, 2019	Dec 31, 2018
Interest-bearing non-current liabilities	29,750	23,238
Interest-bearing current liabilities	4,678	6,763
Excluding equipment financing	-126	-
Excluding provisions	-2,420	-1,695
Cash & cash equivalents, current investments and restricted funds	-916	-406
Derivatives	-99	-33
Net debt for assets classified as held for sale	1,703	1,013
Net debt	32,570	28,880
Excluding:		
Lease liabilities	-6,480	-16
Liabilities to Kazakhtelecom	-32	-30
Liabilities for earn-out obligation Kazakhstan	-792	-764
Loan guaranteed by Kazakhtelecom	-208	-221
Economic net debt	25,058	27,849

Organic

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

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

Reconciliation of pro forma figures are presented in an excel document (Tele2-Q1-2019-financials) on Tele2's website www.tele2.com.



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