FULL YEAR AND FOURTH QUARTER 2016 REPORT

TELE2

Q4 2016 HIGHLIGHTS

- Continued mid-single digit mobile-end user service revenue growth
- Sweden and Baltics mobile end-user service revenue up 4 percent (excl. TDC) and 12 percent respectively
- Netherlands mobile base surpasses 1 million customers
- Strong EBITDA growth of 4 percent
- Net loss in the quarter, mainly related to restructuring and integration
- TDC acquisition completed on October 31, 2016 (Note 11)
- Rights Issue finalized. Total amount of SEK 2,910 million after transaction costs (Note 10)
- The Board of Directors recommend a dividend for 2016 of SEK 5.23 per share and expect to propose a dividend for 2017 of SEK 4.00 per share. See p. 5
- 2017 financial guidance for the Group is provided on p. 5

Key Financial Data

	Q4			FY		
SEK million	**2016**	**2015**	**%**	**2016**	**2015**	**%**
Net sales	8,217	6,943	18	28,292	26,856	5
Net sales, like for like [1]	8,519	8,365	2	31,287	30,817	2
Mobile end-user service revenue	3,711	3,242	14	13,745	13,071	5
Mobile end-user service revenue, like for like [1]	3,741	3,524	6	14,132	13,472	5
EBITDA	1,459	1,337	9	5,334	5,757	–7
EBITDA, like for like [1]	1,476	1,423	4	5,660	6,108	–7
EBIT	246	364	–32	–1,219	2,447	–150
EBIT excluding one-off items (Note 3)	526	602	–13	2,071	2,890	–28
Net profit/loss	–177	45	–493	–2,164	1,268	–271
Earnings per share, after dilution (SEK)	–0.17	0.10	–270	-4.12	2.75	–250

The figures presented in this report refer to Q4 2016 and continuing operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2015. The acquired entity TDC Sweden is included from October 31, 2016 unless otherwise stated.

[1] Like for like (LFL) is a non-IFRS measurement calculated at constant currency and pro forma for TDC in Sweden and Altel in Kazakhstan, which means that numbers before the acquisition of TDC on October 31, 2016 and Altel on February 29, 2016 are included from the beginning of the current period and in comparative periods. The numbers have not been reviewed by the company’s auditors.

Net sales Q4 2016

8,217

SEK million

EBITDA Q4 2016

1,459

SEK million

CEO word, Q4 2016

The fourth quarter concludes a year with increasingly strong mobile momentum driven by 4G data monetization across the Group. Within our established markets, we are seeing positive growth trends supported by our challenger brand positioning and customer value proposition in both residential and business segments. Now with the closing of the acquisition of TDC Sweden we will accelerate and strengthen our B2B strategy further in our most important market. In the Netherlands and Kazakhstan, we are seeing customers respond positively to our challenger strategy as we start to realize our growth ambitions in these markets.

On a like for like basis, Group mobile end-user service increased by 6 percent in the quarter and we returned to EBITDA growth, up 4 percent, despite continued investment in the Netherlands. We did however recognize a net loss in the quarter mainly as a result of restructuring and integration costs.

In Sweden, we have had a strong and eventful fourth quarter. The integration of TDC Sweden is already underway and progressing well with a number of key contracts retained. We set into motion our new "Be content with more!" marketing campaign to strengthen the Tele2 brand. Tele2 customers continue to shift towards higher data buckets, while Comviq continues the transition from prepaid to postpaid with strong postpaid growth in the quarter. EBITDA was up 9 percent through the quarter on the back of 7 percent growth in mobile end-user service revenue. Excluding the positive contribution from TDC, EBITDA was flat as strong mobile end-user service revenue growth of 4 percent was offset by higher marketing spend compared to a seasonally low investment in Q4 2015. Our customers are delighted with our network quality, and now that coverage is at 89 percent, we are providing an even better user experience in rural Sweden.

The Baltics region showed significant mobile end-user service revenue growth of 12 percent driven by the ongoing shift from prepaid to postpaid and increased demand for data. EBITDA is up 3 percent as we invested in Lithuania to target higher ASPU mobile broadband subscribers and grow our customer base. Latvia and Estonia continue to outperform with strong EBITDA growth. 4G population coverage reached 99 percent by the end of the year, thus strengthening the foundation for further future data monetization.

This quarter marks the anniversary of the launch of our 4G-only network in the Netherlands. We are pleased with the progress made to date, doubling the number of 4G customers as our data centric offering and "Fun Rebel" positioning continues to support 4G data monetization and growth. Mobile end-user service revenue was up 9 percent. Adjusting for a significant VAT benefit in Q4 2015, the increase was 40 percent fueled by an increasing customer base as well as ASPU improvement. We have seen good progress on the network rollout with indoor population coverage reaching 90 percent.

"Our guidance and revised dividend policy reflect the evolving nature of the Group and the confidence we have in the delivery of long term value creation for our shareholders, customers and employees."

Despite an intense competitive environment, we have increased our customer base by continuing to invest in a disciplined manner and by truly leveraging our customer champion strategy.

In Kazakhstan, we achieved our 2016 integration milestones as we upgraded a number of base stations to LTE and merged many of our co-located sites with Altel. We continue to experience strong topline momentum and have added more than 250,000 mobile customers this year with a positive net intake of 56,000 customers during the quarter. Kazakhstan has become a material contributor to Group EBITDA as we continue to realize synergies and improve margins. We will continue to build on this great platform as we look to complete the integration of Altel in 2017.

The Challenger program is ahead of its plan to deliver SEK 1bn of annual benefits by 2018. Since inception, we have already realized SEK 600 million in annual benefits. The initiatives which were launched in previous quarters are continuing to materialize.

To conclude, I am immensely proud of the whole Tele2 team and the continuing momentum we are seeing across our footprint. Looking forward we remain single mindedly focused on data monetization in both our established and investment markets. 2017 will see continued disciplined investment in both our Dutch mobile business and in the ramp-up of the integration of TDC Sweden. Our guidance and revised dividend policy reflect the evolving nature of the Group and the confidence we have in the delivery of long term value creation for our shareholders, customers and employees.

Allison Kirkby,
President and CEO

Financial overview

Tele2's financial performance is driven by a consistent focus on developing mobile services on own infrastructure, complemented in certain countries by fixed broadband services and B2B offerings. In addition to investing in mobile, the Group concentrates on maximizing the return from legacy fixed line services.

Net customer intake amounted to –83,000 (–154,000) customers in Q4 2016. The customer net intake in mobile services amounted to –52,000 (–88,000). The fixed broadband customer base decreased by –8,000 (–11,000) in Q4 2016, with declines in Sweden, the Netherlands, Austria and Germany. As expected, the number of fixed telephony customers fell in Q4 2016 by –23,000 (–55,000). On December 31, 2016, the total customer base amounted to 16,666,000 (14,414,000) including 200,000 customers from the acquired company TDC in Sweden (Note 11).

Net sales in Q4 2016 amounted to SEK 8,217 (6,943) million. Excluding TDC Sweden, which was included as of October 31, 2016, net sales amounted to SEK 7,482 million, where the positive development was driven by strong growth in mobile end-user service revenue in Sweden, the Netherlands, Kazakhstan and the Baltics.

EBITDA in Q4 2016 amounted to SEK 1,459 (1,337) million, which is equivalent to an EBITDA margin of 18 (19) percent. Excluding TDC Sweden, EBITDA amounted to SEK 1,372 million, as positive EBITDA development in Kazakhstan, the Baltics and Germany was partly offset by a negative development in the Netherlands, whereas Sweden (excluding TDC) was flat.

EBIT in Q4 2016 amounted to SEK 246 (364) million and SEK 526 (602) million excluding one-off items. EBIT was negatively affected by one-off items totaling SEK –280 (–238) million, mainly attributable to costs related to the Challenger program of SEK –154 (–133) million (Note 3), and by higher depreciation and amortization (Note 3).

Profit before tax in Q4 2016 amounted to SEK 47 (228) million.

Net profit/loss in Q4 2016 was SEK –177 (45) million. Reported tax for Q4 2016 amounted to SEK –224 (–183) million. Tax payment affecting cash flow amounted to SEK –86 (–62) million during the quarter. Deferred tax assets amounted to SEK 1.7 billion at the end of the year.

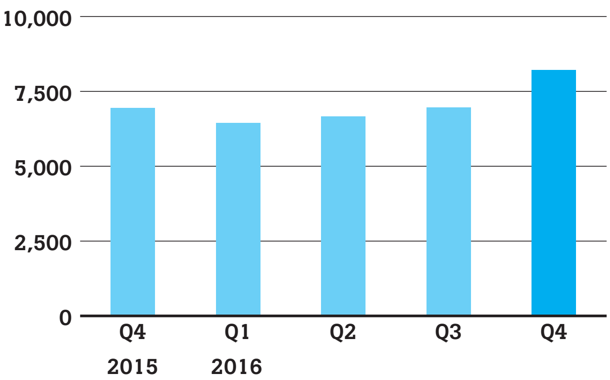
Free cash flow in Q4 2016 amounted to SEK 394 (–291) million, mainly affected by a positive change in working capital of SEK 307 (–194) million primarily related to Sweden and the external handset financing arrangement.

CAPEX in Q4 2016 amounted to SEK 1,078 (1,223) million. Excluding TDC Sweden, CAPEX amounted to SEK 1,030 million, driven principally by investments in Sweden, the Netherlands and Kazakhstan.

Net debt amounted to SEK 10,628 (9,878) million and economic net debt amounted to SEK 10,437 (9,878) million on December 31, 2016 and December 31, 2015 respectively, or 1.88 times 12 months rolling EBITDA. During the quarter, Tele2 completed the issuance of a SEK 1 billion bond maturing in March 2019 and entered into a EUR 125 million loan agreement with the European Investment Bank (EIB) (Note 4). Tele2's available liquidity amounted to SEK 10,042 (7,890) million.

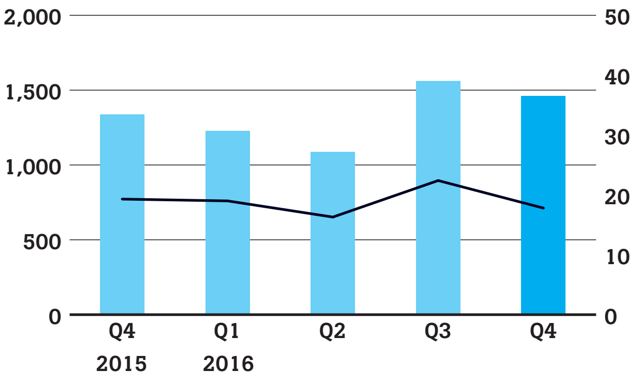
Net sales

SEK million



EBITDA / EBITDA margin

SEK million / Percent

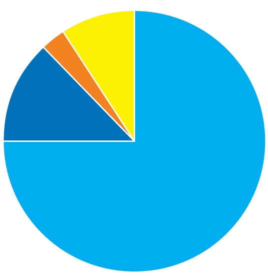


FINANCIAL SUMMARY

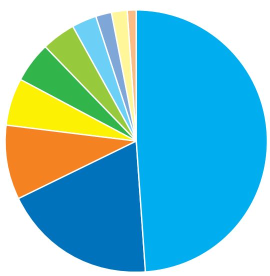
SEK million	Q4 2016	Q4 2015	FY 2016	FY 2015
Mobile				
Net customer intake (thousands)	–52	–88	384	1,126
Net sales[1)]	6,202	5,361	21,729	20,300
EBITDA[1)]	998	971	3,868	4,243
EBIT excl. one-off items (Note 3)[1)]	356	464	1,582	2,267
CAPEX[1)]	695	848	2,549	2,988
Fixed broadband				
Net customer intake (thousands)	–8	–11	–21	–57
Net sales[1)]	1,058	950	3,838	3,920
EBITDA[1)]	237	179	764	803
EBIT excl. one-off items (Note 3)[1)]	18	13	10	117
CAPEX[1)]	118	222	629	634
Fixed telephony				
Net customer intake (thousands)	–23	–55	–122	–199
Net sales	259	296	1,051	1,281
EBITDA	90	119	363	432
EBIT excl. one-off items (Note 3)	79	106	315	374
CAPEX	7	9	29	35
Total				
Net customer intake (thousands)	–83	–154	241	870
Net sales	8,217	6,943	28,292	26,856
EBITDA	1,459	1,337	5,334	5,757
EBIT excl. one-off items (Note 3)	526	602	2,071	2,890
EBIT	246	364	–1,219	2,447
CAPEX	1,078	1,223	3,831	4,227
EBT	47	228	–1,234	2,012
Net profit/loss	–177	45	–2,164	1,268
Cash flow from operating activities	1,337	782	5,017	3,529
Free cash flow	394	–291	1,217	–486

[1)] Reclassification (Note 13)

Net sales per service area, Q4 2016



Net sales per country, Q4 2016



Financial guidance

Tele2 AB gives the following guidance for 2017 for continuing operations in constant currencies:

- Mobile end-user service revenue growth of mid-single digits
- Net sales of between SEK 31 and 32 billion
- EBITDA of between SEK 5.9 and 6.2 billion
- CAPEX level of between SEK 3.8 and 4.1 billion

The Challenger Program

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

Dividend for fiscal year 2016 to be paid in May 2017

For the financial year 2016, the Board of Tele2 AB has decided to recommend an ordinary dividend payment of SEK 5.23 (5.35) per ordinary A or B share to the Annual General Meeting (AGM) in May 2017, representing a 10 percent increase to the absolute dividend declared in the prior year (Note 10). Financial year 2016 marks the final year of the current 3-year dividend policy.

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

Dividend policy for fiscal year 2017 onwards

Tele2 expects to propose a dividend of SEK 4.00 per share for financial year 2017. By financial year 2019, Tele2 expects the dividend to be fully covered by the equity free cash flow generation of the Group.

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

Balance sheet

Tele2 believes the financial leverage should reflect the status of its operations, future strategic opportunities and obligations. It should also be in line with both the industry and the markets in which it operates. This would imply a target economic net debt to EBITDA ratio of 2.0–2.5x (earlier 1.5–2.0x) over the medium term.

Overview by country

Constant currency basis

Net sales

SEK million	2016 Q4	2015 Q4	Growth	2016 FY	2015 FY	Growth
Sweden	4,029	3,299	22%	13,195	12,630	4%
Netherlands	1,583	1,584	0%	5,954	5,814	2%
Kazakhstan	702	336	109%	2,152	1,110	94%
Croatia	439	440	0%	1,529	1,462	5%
Lithuania	484	419	16%	1,687	1,538	10%
Latvia	263	258	2%	996	951	5%
Estonia	188	176	7%	693	683	1%
Austria	294	303	–3%	1,148	1,202	–4%
Germany	175	202	–13%	708	841	–16%
Other	60	36	67%	230	147	56%
Total, constant FX	**8,217**	**7,053**	**17%**	**28,292**	**26,378**	**7%**
FX effects		–110	1%		478	–2%
Total	**8,217**	**6,943**	**18%**	**28,292**	**26,856**	**5%**

EBITDA

SEK million	2016 Q4	2015 Q4	Growth	2016 FY	2015 FY	Growth
Sweden	1,028	946	9%	3,836	3,844	0%
Netherlands	–23	38	–161%	–172	451	–138%
Kazakhstan	92	0	–	221	34	550%
Croatia	22	30	–27%	102	141	–28%
Lithuania	127	145	–12%	567	544	4%
Latvia	88	82	7%	318	298	7%
Estonia	49	43	14%	168	159	6%
Austria	52	50	4%	185	205	–10%
Germany	81	62	31%	295	167	77%
Other	–57	–34	–68%	–186	–82	–127%
Total, constant FX	**1,459**	**1,362**	**7%**	**5,334**	**5,761**	**–7%**
FX effects		–25	2%		–4	0%
Total	**1,459**	**1,337**	**9%**	**5,334**	**5,757**	**–7%**

Sweden

Total net sales in Q4 2016 were SEK 4,029 (3,299) million and EBITDA amounted to SEK 1,028 (946) million. Excluding TDC, which was consolidated for November and December 2016, net sales in Q4 2016 were SEK 3,294 million and EBITDA SEK 941 million.

During October, new price plans were launched for the Tele2 Residential brand under the marketing campaign "Be content with more!". The aim was to encourage customers to connect additional devices, e.g. their tablets, by having the option to include up to nine extra data-only SIM cards in their contract without any additional fees.

By the end of the year, Tele2 reached 89 percent 2G and 4G mobile geographic network coverage and by that securing its customers an excellent network quality experience wherever they are. Customer satisfaction in customer service continues to be a world class benchmark with a CSAT (Customer Satisfaction) at 85 percent.

Mobile In Q4 2016, customer net intake was –41,000 (27,000), affected by Comviq prepaid. Excluding TDC, customer net intake was –41,000. Net sales amounted to SEK 3,192 (2,911) million, of which SEK 257 million was attributable to TDC. Mobile end-user service revenue was up 4 percent, excluding TDC, as a result of continued growth in Consumer postpaid and the B2B Large Enterprise segment. EBITDA amounted to SEK 869 (840) million. Excluding TDC, EBITDA was SEK 851 million.

Fixed broadband Customer net intake in Q4 2016 amounted to –3,000 (–3,000) customers. Excluding TDC, customer net intake was –3,000. Net sales were SEK 279 (169) million, of which TDC was SEK 123 million. EBITDA contribution amounted to SEK 51 (21) million, of which TDC was SEK 21 million.

Fixed telephony Tele2 saw a continued decrease in demand for fixed telephony as a consequence of the ongoing shift to mobile telephony. The EBITDA in the quarter decreased to SEK 23 (56) million as Q4 2015 included a positive effect from a legal settlement.

Netherlands

Total net sales in Q4 2016 were SEK 1,583 (1,512) million and EBITDA amounted SEK –23 (35) million. EBITDA was negatively affected by SEK –36 million, explained by a provision related to dispute. This affects the mobile segment.

Mobile end-user service revenue grew by 9 percent as a result of an increased number of customers in the base, both in Consumer and B2B, and solid ASPU development. Excluding the positive VAT adjustment in Q4 2015 (Note 2), mobile end-user service revenue grew by 40 percent.

Tele2 introduced new price plans in the beginning of November to offer customers more freedom of choice by giving them the option to combine limited or unlimited voice & SMS with their preferred volume of data.

By expanding the retail footprint to 15 own stores by the end of the quarter and building effective online campaigns, Tele2 was able to increase its share of direct sales.

Tele2 continued to expand its LTE Advanced 4G network, which has now reached over 99 percent outdoor population coverage and indoor population coverage of 90 percent. Focus on implementing an effortless customer experience is generating results as customer satisfaction has significantly improved since the beginning of the year.

Mobile Customer net intake in the quarter amounted to 55,000 (3,000) customers. Net sales grew by 11 percent as a result of higher handset sales and an increasing high value customer base, and amounted to SEK 829 (747) million. Mobile end-user service revenue grew by 9 percent and amounted to SEK 438 (403) million. As expected, EBITDA decreased as a result of the costs associated with mobile growth and further network rollout, and amounted to SEK –231 (–150) million.

Fixed broadband Customer net intake was –1,000 (–4,000) in the fourth quarter. EBITDA amounted to SEK 127 (116) million.

Kazakhstan

Mobile On a like for like basis[1]: Customer net intake in the quarter was 56,000 (246,000) customers. Net sales amounted to SEK 702 (706) million. The fourth quarter of last year was affected by an exceptionally strong handset sales campaign. Mobile end-user service revenue grew by 16 percent as a result of increased number of customers and higher ASPU, and amounted to SEK 470 (404) million. EBITDA increased to SEK 92 (–38) million as a result of improved operating leverage and efficiency synergies from the integration of the JV.

Croatia

Mobile Customer net intake amounted to –70,000 (–78,000), related to seasonality in the prepaid segment. Net sales increased by 6 percent, mainly due to a favorable exchange rate development, and amounted to SEK 439 (416) million. Mobile end-user service revenue increased by 7 percent to SEK 222 (207) million. EBITDA was SEK 22 (29) million, negatively affected by higher spectrum fees.

Lithuania

Mobile Customer net intake in the quarter was –16,000 (–37,000) customers, explained by seasonality in the prepaid segment. Net sales amounted to SEK 484 (401) million as mobile end-user service revenue and handset sales increased. Mobile end-user service revenues grew by 17 percent to SEK 262 (224) million due to the continued customer shift from pre to postpaid and sales of higher value buckets. EBITDA amounted to SEK 127 (138) million with a decreased EBITDA margin at 26 (34) percent, negatively impacted by higher sales and marketing costs related to acquisition of mobile broadband customers. The financial performance was slightly impacted by the new roaming regulation.

During the quarter, Tele2 continued its 4G rollout and reached 97 percent geographic coverage at the end of the year.

Latvia

Mobile Net customer intake in the quarter was –23,000 (–27,000) customers, due to seasonality in the prepaid segment. Net sales amounted to SEK 263 (246) million as mobile end-user service revenue and handset sales increased. Mobile end-user service revenue grew 9 percent and amounted to SEK 159 (146) million, driven by strong demand for mobile data and shifting sales towards higher data plans. EBITDA was up 13 percent and amounted to SEK 88 (78) million, which corresponds to a margin of 33 (32) percent. The financial performance was slightly impacted by the new roaming regulation.

During the quarter, Tele2 continued its 4G rollout and reached over 99 percent population coverage at the end of the year.

Estonia

Mobile Net customer intake in the quarter was –4,000 (–2,000) customers. Net sales amounted to SEK 172 (155) million. Mobile end-user service revenue increased by 6 percent and amounted to SEK 112 (106) million, driven by a change in the customer mix from pre to postpaid and a continued strong demand for data services. EBITDA was up 16 percent and amounted to SEK 43 (37) million. The financial performance was slightly impacted by the new roaming regulation.

4G population coverage increased to over 99 percent in the fourth quarter, thus strengthening the foundation for future data monetization.

Austria

Net customer intake in the quarter amounted to –5,000 (–5,000) customers, with a continued decline in residential fixed business partly offset by a positive development in the Large Enterprise segment. Net sales in the quarter were SEK 294 (289) million. EBITDA amounted to SEK 52 (49) million, mainly related to lower indirect costs as Q4 2015 included costs related to the mobile launch. Tele2 continued to grow in the Large Enterprise segment through new intake from both existing as well as new customers.

Germany

Net customer intake continued to decline in line with expectations. Net sales amounted to SEK 175 (193) million. With a continuous focus on profitability and cash contribution EBITDA increased compared to the same quarter last year and amounted to SEK 81 (60) million. This includes a positive impact within fixed telephony from an out-of-court settlement of SEK 10 million. EBITDA margin was 46 (31) percent.

[1] Not reviewed by the company's auditors.

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, availability of frequencies and telecom licenses, changes in regulatory legislation, competition, new business models, technology and market dependency, strategy implementation, acquisitions (including integration) and divestments, operations in Kazakhstan, mobile networks & service delivery interruptions, network and IT integrity and personal data security, external relationships (joint operations, suppliers and business partners), macroeconomic and geopolitical risks, 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 2015 (Administration report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

The Supreme Court of the Netherlands found in the final instance that mobile contracts that are bundled with a free or discounted device are to be treated as consumer credit or installment purchases. Accordingly, such contracts are subject to the Dutch consumer credit law. Tele2 Netherlands is currently working on implementing necessary requirements to ensure compliance as of May 1, 2017.

Company disclosure

Tele2 AB (publ) Annual General Meeting 2017

The 2017 Annual General Meeting will be held on May 9, 2017 in Stockholm. Shareholders wishing to have a matter considered at the Annual General Meeting should submit their proposals in writing to agm@tele2.com or to legal counsel Katarina Areskoug, Tele2 AB (publ), P.O. Box 62, SE 164 94 Kista, Sweden, at least seven weeks before the Annual General Meeting for the proposal to be included in the notice to the meeting. Further details on how and when to register will be published in advance of the Annual General Meeting.

Nomination committee for the 2017 Annual General Meeting

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

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

The four shareholder representatives on the Nomination Committee have been appointed by shareholders that jointly represent approximately 55 percent of the total votes in Tele2. The members of the Nomination Committee appointed Cristina Stenbeck as Committee Chairman at their first meeting.

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

Other

The annual report 2016 is expected to be released on March 22, 2017 and will be available on www.tele2.com.

Tele2 will release its financial and operating results for the period ending March 31, 2017 on April 24, 2017.

The Board of Directors and CEO declare that the full year 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, January 26, 2017
Tele2 AB

Mike Parton
Chairman

Sofia Arhall Bergendorff   Georgi Ganev   Cynthia Gordon

Lorenzo Grabau   Irina Hemmers   Eamonn O'Hare

Carla Smits-Nusteling

Allison Kirkby
President and CEO

Auditors' review report

Introduction

We have reviewed the full year report for Tele2 AB (publ) for the period January 1 – December 31, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this full year report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this full year 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 full year 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, January 26, 2017
Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Q4 2016 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CET (09:00 am GMT/04:00 am EST) on Thursday, January 26, 2017. 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.

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VISIT OUR WEBSITE: www.tele2.com

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Parent company
Notes

TELE2 IS ONE OF EUROPE'S FASTEST GROWING TELECOM OPERATORS, ALWAYS PROVIDING CUSTOMERS WITH WHAT THEY NEED FOR LESS. We have 17 million customers in 9 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, content services and global IoT solutions. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2016, Tele2 reported net sales of SEK 28 billion and reported an operating profit (EBITDA) of SEK 5.3 billion. For definitions of measures, please see the last page of the Annual report 2015.

Income statement

SEK million	Note	2016 Full year	2015 Full year	2016 Q4	2015 Q4
CONTINUING OPERATIONS					
Net sales	2	28,292	26,856	8,217	6,943
Cost of services provided	3	–20,725	–16,653	–5,371	–4,358
Gross profit		**7,567**	**10,203**	**2,846**	**2,585**
Selling expenses	3	–5,716	–5,094	–1,635	–1,308
Administrative expenses	3	–3,156	–2,917	–995	–935
Result from shares in joint ventures and associated companies		–	–5	–1	–
Other operating income		153	401	48	64
Other operating expenses	3	–67	–141	–17	–42
Operating profit/loss, EBIT		**–1,219**	**2,447**	**246**	**364**
Interest income/expenses	4	–312	–376	–85	–101
Other financial items	5	297	–59	–114	–35
Profit/loss after financial items, EBT		**–1,234**	**2,012**	**47**	**228**
Income tax	6	–930	–744	–224	–183
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		**–2,164**	**1,268**	**–177**	**45**
DISCONTINUED OPERATIONS					
Net profit/loss from discontinued operations	11	–100	1,718	–7	–
NET PROFIT/LOSS		**–2,264**	**2,986**	**–184**	**45**
ATTRIBUTABLE TO					
Equity holders of the parent company		–1,962	2,986	–105	45
Non-controlling interests	11	–302	–	–79	–
NET PROFIT/LOSS		**–2,264**	**2,986**	**–184**	**45**
Earnings per share (SEK)	10	–4.34	6.52	–0.18	0.10
Earnings per share, after dilution (SEK)	10	–4.34	6.48	–0.18	0.10
FROM CONTINUING OPERATIONS					
ATTRIBUTABLE TO					
Equity holders of the parent company		–1,862	1,268	–98	45
Non-controlling interests		–302	–	–79	–
NET PROFIT/LOSS		**–2,164**	**1,268**	**–177**	**45**
Earnings per share (SEK)	10	–4.12	2.77	–0.17	0.10
Earnings per share, after dilution (SEK)	10	–4.12	2.75	–0.17	0.10

Comprehensive income

SEK million	Note	2016 Full year	2015 Full year	2016 Q4	2015 Q4
NET PROFIT/LOSS		**–2,264**	**2,986**	**–184**	**45**
OTHER COMPREHENSIVE INCOME					
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT/LOSS					
Pensions, actuarial gains/losses		–16	38	87	31
Pensions, actuarial gains/losses, tax effect		3	-9	–19	–8
Components not to be reclassified to net profit/loss		**–13**	**29**	**68**	**23**
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT/LOSS					
Exchange rate differences					
Translation differences in foreign operations	5	1,094	–1,420	66	–810
Tax effect on above		–117	305	–31	257
Reversed cumulative translation differences from divested companies	11	–	19	–	1
Translation differences		*977*	*–1,096*	*35*	*–552*
Hedge of net investments in foreign operations		–149	–49	22	96
Tax effect on above		33	11	–5	–21
Reversed cumulative hedge from divested companies	11	–	–107	–	–
Hedge of net investments		*–116*	*–145*	*17*	*75*
Exchange rate differences		**861**	**–1,241**	**52**	**–477**
Cash flow hedges					
Loss arising on changes in fair value of hedging instruments		–83	–40	30	–
Reclassified cumulative loss to income statement		68	83	18	22
Tax effect on cash flow hedges		3	–10	–11	–5
Cash flow hedges		**–12**	**33**	**37**	**17**
Components that may be reclassified to net profit/loss		**849**	**–1,208**	**89**	**–460**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**836**	**–1,179**	**157**	**–437**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**–1,428**	**1,807**	**–27**	**–392**
ATTRIBUTABLE TO					
Equity holders of the parent company		–1,117	1,807	61	–392
Non-controlling interests	11	–311	–	–88	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**–1,428**	**1,807**	**–27**	**–392**

Balance sheet

SEK million	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
NON-CURRENT ASSETS			
Goodwill	3	7,729	8,661
Other intangible assets		5,821	4,437
Intangible assets		**13,550**	**13,098**
Tangible assets		14,376	11,592
Financial assets	4, 13	1,324	1,571
Deferred tax assets	6	1,702	1,964
NON-CURRENT ASSETS		**30,952**	**28,225**
CURRENT ASSETS			
Inventories		655	692
Current receivables	13	8,592	7,093
Current investments		21	32
Cash and cash equivalents	7	257	107
CURRENT ASSETS		**9,525**	**7,924**
ASSETS		**40,477**	**36,149**
EQUITY AND LIABILITIES			
EQUITY			
Attributable to equity holders of the parent company		18,474	17,901
Non-controlling interests		–278	–
EQUITY	10	**18,196**	**17,901**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	4	9,030	5,619
Non-interest-bearing liabilities	6	1,066	697
NON-CURRENT LIABILITIES		**10,096**	**6,316**
CURRENT LIABILITIES			
Interest-bearing liabilities	4	3,401	5,372
Non-interest-bearing liabilities		8,784	6,560
CURRENT LIABILITIES		**12,185**	**11,932**
EQUITY AND LIABILITIES		**40,477**	**36,149**

Cash flow statement

(Total operations)

SEK million	Note	2016 Full year	2015 Full year	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
OPERATING ACTIVITIES									
Operating profit/loss from continuing operations		–1,219	2,447	246	–1,811	191	155	364	788
Operating profit/loss from discontinued operations		–100	1,702	–7	–93	–	–	–	–
Operating profit/loss		**–1,319**	**4,149**	**239**	**–1,904**	**191**	**155**	**364**	**788**
Adjustments for non-cash items in operating profit/loss	3	6,192	1,271	964	3,381	814	1,033	736	778
Financial items paid/received	5	–272	–470	–87	–80	–59	–46	–62	–129
Taxes paid		–403	–349	–86	–114	–136	–67	–62	–68
Cash flow from operations before changes in working capital		**4,198**	**4,601**	**1,030**	**1,283**	**810**	**1,075**	**976**	**1,369**
Changes in working capital		819	–1,072	307	451	183	–122	–194	–255
CASH FLOW FROM OPERATING ACTIVITIES		**5,017**	**3,529**	**1,337**	**1,734**	**993**	**953**	**782**	**1,114**
INVESTING ACTIVITIES									
CAPEX paid	8	–3,800	–4,015	–943	–896	–854	–1,107	–1,073	–945
Free cash flow		***1,217***	***–486***	***394***	***838***	***139***	***–154***	***–291***	***169***
Acquisition and sale of shares and participations	11	–2,876	4,893	–2,910	–10	5	39	–	7
Other financial assets		13	–28	1	11	1	–	–29	–
Cash flow from investing activities		**–6,663**	**850**	**–3,852**	**–895**	**–848**	**–1,068**	**–1,102**	**–938**
CASH FLOW AFTER INVESTING ACTIVITIES		**–1,646**	**4,379**	**–2,515**	**839**	**145**	**–115**	**–320**	**176**
FINANCING ACTIVITIES									
Change of loans, net	4	1,350	2,276	–1,317	170	2,202	295	228	–257
Dividends	10	–2,389	–6,626	–	–	–2,389	–	–	–
Acquisition of non-controlling interests	10	–125	–	–	–	–	–125	–	–
New share issues	10	2,910	3	2,910	–	–	–	3	–
Repurchase of own shares	10	–	–3	–	–	–	–	–3	–
Other financing activities		–	–2	–	–	–	–	–	–
Cash flow from financing activities		**1,746**	**–4,352**	**1,593**	**170**	**–187**	**170**	**228**	**–257**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**100**	**27**	**–922**	**1,009**	**–42**	**55**	**–92**	**–81**
Cash and cash equivalents at beginning of period		107	151	1,172	149	184	107	204	309
Exchange rate differences in cash and cash equivalents		50	–71	7	14	7	22	–5	–24
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7	**257**	**107**	**257**	**1 172**	**149**	**184**	**107**	**204**

Change in equity

		Dec 31, 2016			Dec 31, 2015		
		Attributable to			Attributable to		
SEK million	Note	equity holders of the parent company	non-controlling interests	Total equity	equity holders of the parent company	non-controlling interests	Total equity
Equity, January 1		**17,901**	**–**	**17,901**	**22,680**	**2**	**22,682**
Net profit/loss for the year		–1,962	–302	–2,264	2,986	–	2,986
Other comprehensive income for the year, net of tax		845	–9	836	–1,179	–	–1,179
Total comprehensive income for the year		**–1,117**	**–311**	**–1,428**	**1,807**	**–**	**1,807**
OTHER CHANGES IN EQUITY							
Share-based payments	10	1	–	1	40	–	40
Share-based payments, tax effect	10	1	–	1	–	–	–
New share issues	10	2,910	–	2,910	3	–	3
Taxes on new share issue costs	10	11	–	11	–	–	–
Repurchase of own shares	10	–	–	–	–3	–	–3
Dividends	10	–2,389	–	–2,389	–6,626	–	–6,626
Acquisition of non-controlling interests	10	469	489	958	–	–	–
Divestment to non-controlling interests	10	687	–456	231	–	–2	–2
EQUITY, END OF THE YEAR		**18,474**	**–278**	**18,196**	**17,901**	**–**	**17,901**

Number of customers

by thousands	Note	Number of customers 2016 Dec 31	2015 Dec 31	Net intake 2016 Full year	2015 Full year	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Sweden											
Mobile		3,904	3,741	–32	120	–41	36	14	–41	27	84
Fixed broadband		62	70	–11	–15	–3	–2	–3	–3	–3	–2
Fixed telephony		163	196	–33	–46	–7	–9	–8	–9	–13	–12
Other operations		2	–	–	–	–	–	–	–	–	–
		4,131	**4,007**	**–76**	**59**	**–51**	**25**	**3**	**–53**	**11**	**70**
Netherlands											
Mobile		1,046	844	202	31	55	59	57	31	3	–
Fixed broadband		350	344	6	–25	–1	4	2	1	–4	–7
Fixed telephony		42	55	–13	–20	–3	–3	–3	–4	–4	–5
		1,438	**1,243**	**195**	**–14**	**51**	**60**	**56**	**28**	**–5**	**–12**
Kazakhstan											
Mobile		6,440	4,400	252	1,103	56	–18	104	110	38	166
		6,440	**4,400**	**252**	**1,103**	**56**	**–18**	**104**	**110**	**38**	**166**
Croatia											
Mobile		801	785	16	–16	–70	70	23	–7	–78	67
		801	**785**	**16**	**–16**	**–70**	**70**	**23**	**–7**	**–78**	**67**
Lithuania											
Mobile		1,773	1,742	4	–68	–16	38	–	–18	–37	16
		1,773	**1,742**	**4**	**–68**	**–16**	**38**	**–**	**–18**	**–37**	**16**
Latvia											
Mobile		945	958	–9	–17	–23	21	6	–13	–27	11
		945	**958**	**–9**	**–17**	**–23**	**21**	**6**	**–13**	**–27**	**11**
Estonia											
Mobile		479	484	–5	–4	–4	3	1	–5	–2	2
Fixed telephony		–	3	–3	–	–1	–	–	–2	–	–
		479	**487**	**–8**	**–4**	**–5**	**3**	**1**	**–7**	**–2**	**2**
Austria											
Mobile		6	–	6	–	–	1	5	–	–	–
Fixed broadband		94	102	–8	–6	–2	–2	–2	–2	–2	–2
Fixed telephony		117	131	–14	–17	–3	–2	–4	–5	–3	–3
		217	**233**	**–16**	**–23**	**–5**	**–3**	**–1**	**–7**	**–5**	**–5**
Germany											
Mobile		169	219	–50	–23	–9	–13	–14	–14	–12	–13
Fixed broadband		45	53	–8	–11	–2	–2	–2	–2	–2	–2
Fixed telephony		228	287	–59	–116	–9	–13	–11	–26	–35	–51
		442	**559**	**–117**	**–150**	**–20**	**–28**	**–27**	**–42**	**–49**	**–66**
TOTAL											
Mobile		**15,563**	**13,173**	**384**	**1,126**	**–52**	**197**	**196**	**43**	**–88**	**333**
Fixed broadband		**551**	**569**	**–21**	**–57**	**–8**	**–2**	**–5**	**–6**	**–11**	**–13**
Fixed telephony		**550**	**672**	**–122**	**–199**	**–23**	**–27**	**–26**	**–46**	**–55**	**–71**
Other operations		**2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL NUMBER OF CUSTOMERS AND NET INTAKE		**16,666**	**14,414**	**241**	**870**	**–83**	**168**	**165**	**–9**	**–154**	**249**
Acquired companies	11			1,988	–	200	–	–	1,788	–	–
Changed method of calculation	2			23	–50	–	–	–4	27	–22	–
TOTAL NUMBER OF CUSTOMERS AND NET CHANGE		**16,666**	**14,414**	**2,252**	**820**	**117**	**168**	**161**	**1,806**	**–176**	**249**

Net sales

SEK million	Note	2016 Full year	2015 Full year	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Sweden									
Mobile	13	11,279	11,082	3,193	2,739	2,663	2,684	2,911	2,730
Fixed broadband	13	769	679	279	162	163	165	169	165
Fixed telephony		453	541	111	111	112	119	125	131
Other operations	13	695	329	447	83	80	85	94	74
		13,196	**12,631**	**4,030**	**3,095**	**3,018**	**3,053**	**3,299**	**3,100**
Netherlands									
Mobile	2	2,979	2,535	829	738	721	691	747	643
Fixed broadband		2,184	2,326	554	545	539	546	557	576
Fixed telephony		262	333	63	64	64	71	75	82
Other operations		540	552	140	133	130	137	134	139
		5,965	**5,746**	**1,586**	**1,480**	**1,454**	**1,445**	**1,513**	**1,440**
Kazakhstan									
Mobile		2,152	1,754	702	573	527	350	383	497
		2,152	**1,754**	**702**	**573**	**527**	**350**	**383**	**497**
Croatia									
Mobile		1,529	1,429	439	405	369	316	416	377
		1,529	**1,429**	**439**	**405**	**369**	**316**	**416**	**377**
Lithuania									
Mobile		1,703	1,539	487	440	390	386	405	417
		1,703	**1,539**	**487**	**440**	**390**	**386**	**405**	**417**
Latvia									
Mobile		1,019	948	271	277	238	233	248	250
		1,019	**948**	**271**	**277**	**238**	**233**	**248**	**250**
Estonia									
Mobile		646	608	173	170	157	146	155	159
Fixed telephony		4	7	1	1	1	1	2	2
Other operations		44	62	15	10	9	10	11	12
		694	**677**	**189**	**181**	**167**	**157**	**168**	**173**
Austria									
Mobile		8	–	4	3	1	–	–	–
Fixed broadband		763	775	195	189	186	193	192	196
Fixed telephony		128	146	33	30	32	33	35	36
Other operations		251	267	63	66	63	59	62	70
		1,150	**1,188**	**295**	**288**	**282**	**285**	**289**	**302**
Germany									
Mobile		382	437	94	94	93	101	102	109
Fixed broadband		122	140	30	31	29	32	32	35
Fixed telephony		204	254	51	49	50	54	59	61
		708	**831**	**175**	**174**	**172**	**187**	**193**	**205**
Other									
Mobile		75	–	24	21	17	13	–	–
Other operations		158	153	36	44	45	33	37	40
		233	**153**	**60**	**65**	**62**	**46**	**37**	**40**
TOTAL									
Mobile	13	**21,772**	**20,332**	**6,216**	**5,460**	**5,176**	**4,920**	**5,367**	**5,182**
Fixed broadband	13	**3,838**	**3,920**	**1,058**	**927**	**917**	**936**	**950**	**972**
Fixed telephony		**1,051**	**1,281**	**259**	**255**	**259**	**278**	**296**	**312**
Other operations	13	**1,688**	**1,363**	**701**	**336**	**327**	**324**	**338**	**335**
		28,349	**26,896**	**8,234**	**6,978**	**6,679**	**6,458**	**6,951**	**6,801**
Internal sales, elimination		**–57**	**–40**	**–17**	**–17**	**–11**	**–12**	**–8**	**–10**
Sweden, mobile		–1	–1	–1	–	–	–	–	–
Lithuania, mobile		–16	–20	–3	–5	–3	–5	–4	–5
Latvia, mobile		–23	–9	–8	–9	–5	–1	–2	–3
Estonia, mobile		–1	–2	–1	–	–	–	–	–
Austria, mobile		–2	–	–1	–1	–	–	–	–
Netherlands, other operations		–11	–2	–3	–2	–2	–4	–1	–
Other, other operations		–3	–6	–	–	–1	–2	–1	–2
TOTAL		**28,292**	**26,856**	**8,217**	**6,961**	**6,668**	**6,446**	**6,943**	**6,791**

Mobile external net sales split

SEK million	Note	2016 Full year	2015 Full year	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Sweden, mobile									
End-user service revenue	13	7,349	7,227	1,928	1,885	1,778	1,758	1,801	1,855
Operator revenue	13	875	952	212	220	225	218	243	247
Service revenue	13	8,224	8,179	2,140	2,105	2,003	1,976	2,044	2,102
Equipment revenue	13	2,420	2,271	902	479	499	540	706	481
Other revenue		634	631	150	155	161	168	161	147
	13	**11,278**	**11,081**	**3,192**	**2,739**	**2,663**	**2,684**	**2,911**	**2,730**
Netherlands, mobile									
End-user service revenue	2	1,515	1,404	438	419	336	322	403	364
Operator revenue		193	169	52	53	45	43	42	44
Service revenue		1,708	1,573	490	472	381	365	445	408
Equipment revenue		1,271	962	339	266	340	326	302	235
		2,979	**2,535**	**829**	**738**	**721**	**691**	**747**	**643**
Kazakhstan, mobile									
End-user service revenue		1,555	1,287	470	426	394	265	253	348
Operator revenue		513	451	160	143	130	80	127	145
Service revenue		2,068	1,738	630	569	524	345	380	493
Equipment revenue		84	16	72	4	3	5	3	4
		2,152	**1,754**	**702**	**573**	**527**	**350**	**383**	**497**
Croatia, mobile									
End-user service revenue		866	839	222	231	211	202	207	225
Operator revenue		235	208	58	79	52	46	36	74
Service revenue		1,101	1,047	280	310	263	248	243	299
Equipment revenue		428	382	159	95	106	68	173	78
		1,529	**1,429**	**439**	**405**	**369**	**316**	**416**	**377**
Lithuania, mobile									
End-user service revenue		968	886	262	251	229	226	224	230
Operator revenue		220	198	57	54	54	55	50	51
Service revenue		1,188	1,084	319	305	283	281	274	281
Equipment revenue		499	435	165	130	104	100	127	131
		1,687	**1,519**	**484**	**435**	**387**	**381**	**401**	**412**
Latvia, mobile									
End-user service revenue		600	580	159	158	143	140	146	152
Operator revenue		200	185	47	56	48	49	47	46
Service revenue		800	765	206	214	191	189	193	198
Equipment revenue		196	174	57	54	42	43	53	49
		996	**939**	**263**	**268**	**233**	**232**	**246**	**247**
Estonia, mobile									
End-user service revenue		431	412	112	112	105	102	106	106
Operator revenue		79	70	21	22	20	16	17	18
Service revenue		510	482	133	134	125	118	123	124
Equipment revenue		135	124	39	36	32	28	32	35
		645	**606**	**172**	**170**	**157**	**146**	**155**	**159**
Austria, mobile									
End-user service revenue		4	–	2	1	1	–	–	–
Operator revenue		1	–	1	–	–	–	–	–
Service revenue		5	–	3	1	1	–	–	–
Equipment revenue		1	–	–	1	–	–	–	–
		6	**–**	**3**	**2**	**1**	**–**	**–**	**–**
Germany, mobile									
End-user service revenue		382	436	94	94	93	101	102	108
Equipment revenue		–	1	–	–	–	–	–	1
		382	**437**	**94**	**94**	**93**	**101**	**102**	**109**
Other, mobile									
End-user service revenue		75	–	24	21	17	13	–	–
		75	**–**	**24**	**21**	**17**	**13**	**–**	**–**
TOTAL, MOBILE									
End-user service revenue	13	**13,745**	**13,071**	**3,711**	**3,598**	**3,307**	**3,129**	**3,242**	**3,388**
Operator revenue	13	**2,316**	**2,233**	**608**	**627**	**574**	**507**	**562**	**625**
Service revenue	13	**16,061**	**15,304**	**4,319**	**4,225**	**3,881**	**3,636**	**3,804**	**4,013**
Equipment revenue	13	**5,034**	**4,365**	**1,733**	**1,065**	**1,126**	**1,110**	**1,396**	**1,014**
Other revenue		**634**	**631**	**150**	**155**	**161**	**168**	**161**	**147**
TOTAL, MOBILE	13	**21,729**	**20,300**	**6,202**	**5,445**	**5,168**	**4,914**	**5,361**	**5,174**

EBITDA

SEK million	Note	2016 Full year	2015 Full year	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Sweden									
Mobile	13	3,436	3,511	869	978	777	812	840	933
Fixed broadband	13	127	111	51	37	17	22	21	35
Fixed telephony		109	166	23	24	29	33	56	34
Other operations	13	164	56	85	29	23	27	29	12
		3,836	**3,844**	**1,028**	**1,068**	**846**	**894**	**946**	**1,014**
Netherlands									
Mobile	2–3	–930	–410	–231	–179	–277	–243	–150	–83
Fixed broadband	3	439	545	127	98	90	124	116	128
Fixed telephony	3	47	50	10	8	11	18	7	12
Other operations	3	272	260	71	71	60	70	62	65
		–172	**445**	**–23**	**–2**	**–116**	**–31**	**35**	**122**
Kazakhstan									
Mobile		221	54	92	79	44	6	–5	50
		221	**54**	**92**	**79**	**44**	**6**	**–5**	**50**
Croatia									
Mobile		102	138	22	49	20	11	29	54
		102	**138**	**22**	**49**	**20**	**11**	**29**	**54**
Lithuania									
Mobile		567	538	127	152	146	142	138	143
		567	**538**	**127**	**152**	**146**	**142**	**138**	**143**
Latvia									
Mobile		318	295	88	90	71	69	78	79
		318	**295**	**88**	**90**	**71**	**69**	**78**	**79**
Estonia									
Mobile		152	133	43	41	35	33	37	37
Fixed telephony		1	3	–	–	1	–	–	1
Other operations		15	20	6	4	3	2	4	3
		168	**156**	**49**	**45**	**39**	**35**	**41**	**41**
Austria									
Mobile		–67	–30	–18	–14	–20	–15	–14	–6
Fixed broadband		177	126	51	42	38	46	36	40
Fixed telephony		65	83	17	16	15	17	20	21
Other operations		10	24	2	1	5	2	7	6
		185	**203**	**52**	**45**	**38**	**50**	**49**	**61**
Germany									
Mobile		133	14	33	30	30	40	18	10
Fixed broadband		21	21	8	4	3	6	6	5
Fixed telephony		141	130	40	46	27	28	36	32
		295	**165**	**81**	**80**	**60**	**74**	**60**	**47**
Other									
Mobile		–64	–	–27	–14	–13	–10	–	–
Other operations		–122	–81	–30	–30	–48	–14	–34	–12
		–186	**–81**	**–57**	**–44**	**–61**	**–24**	**–34**	**–12**
TOTAL									
Mobile	13	**3,868**	**4,243**	**998**	**1,212**	**813**	**845**	**971**	**1,217**
Fixed broadband	13	**764**	**803**	**237**	**181**	**148**	**198**	**179**	**208**
Fixed telephony		**363**	**432**	**90**	**94**	**83**	**96**	**119**	**100**
Other operations	13	**339**	**279**	**134**	**75**	**43**	**87**	**68**	**74**
TOTAL		**5,334**	**5,757**	**1,459**	**1,562**	**1,087**	**1,226**	**1,337**	**1,599**

EBIT

SEK million	Note	2016 Full year	2015 Full year	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Sweden									
Mobile	13	2,485	2,570	639	736	534	576	599	713
Fixed broadband	13	1	30	–3	13	–7	–2	–1	23
Fixed telephony		94	148	20	19	26	29	51	31
Other operations	13	69	–1	42	11	5	11	6	3
		2,649	**2,747**	**698**	**779**	**558**	**614**	**655**	**770**
Netherlands									
Mobile	2–3	–1,335	–669	–368	–273	–366	–328	–223	–154
Fixed broadband	3	–95	42	–14	–42	–39	–	–1	1
Fixed telephony	3	29	29	5	4	6	14	2	7
Other operations	3	207	193	54	54	45	54	46	47
		–1,194	**–405**	**–323**	**–257**	**–354**	**–260**	**–176**	**–99**
Kazakhstan									
Mobile		–268	–225	–56	–63	–92	–57	–59	–16
		–268	**–225**	**–56**	**–63**	**–92**	**–57**	**–59**	**–16**
Croatia									
Mobile		27	–20	2	28	3	–6	–13	10
		27	**–20**	**2**	**28**	**3**	**–6**	**–13**	**10**
Lithuania									
Mobile		455	445	94	124	121	116	110	119
		455	**445**	**94**	**124**	**121**	**116**	**110**	**119**
Latvia									
Mobile		185	173	51	59	40	35	43	50
		185	**173**	**51**	**59**	**40**	**35**	**43**	**50**
Estonia									
Mobile		56	30	16	16	11	13	8	13
Fixed telephony		1	3	–	5	–3	–1	–	1
Other operations		6	9	5	2	1	–2	5	–1
		63	**42**	**21**	**23**	**9**	**10**	**13**	**13**
Austria									
Mobile		–79	–34	–22	–16	–23	–18	–17	–7
Fixed broadband		88	29	29	19	16	24	11	16
Fixed telephony		52	66	14	13	11	14	16	17
Other operations		–5	6	–1	–3	1	–2	1	2
		56	**67**	**20**	**13**	**5**	**18**	**11**	**28**
Germany									
Mobile		121	–3	28	28	27	38	16	2
Fixed broadband		16	16	6	3	3	4	4	4
Fixed telephony		139	128	40	45	26	28	37	31
		276	**141**	**74**	**76**	**56**	**70**	**57**	**37**
Other									
Mobile		–65	–	–28	–14	–13	–10	–	–
Other operations		–113	–75	–27	–29	–47	–10	–39	–4
		–178	**–75**	**–55**	**–43**	**–60**	**–20**	**–39**	**–4**
TOTAL									
Mobile	13	**1,582**	**2,267**	**356**	**625**	**242**	**359**	**464**	**730**
Fixed broadband	13	**10**	**117**	**18**	**–7**	**–27**	**26**	**13**	**44**
Fixed telephony		**315**	**374**	**79**	**86**	**66**	**84**	**106**	**87**
Other operations	13	**164**	**132**	**73**	**35**	**5**	**51**	**19**	**47**
		2,071	**2,890**	**526**	**739**	**286**	**520**	**602**	**908**
One-off items	3	–3,290	–443	–280	–2,550	–95	–365	–238	–120
TOTAL		**–1,219**	**2,447**	**246**	**–1,811**	**191**	**155**	**364**	**788**

CAPEX

SEK million	Note	2016 Full year	2015 Full year	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Sweden									
Mobile	13	665	628	203	193	109	160	169	130
Fixed broadband	13	78	93	38	17	5	18	50	14
Fixed telephony		12	12	3	4	4	1	3	4
Other operations	13	141	51	105	–4	18	22	19	11
		896	**784**	**349**	**210**	**136**	**201**	**241**	**159**
Netherlands									
Mobile		865	1,210	209	182	260	214	332	315
Fixed broadband		501	471	64	65	94	278	140	68
Fixed telephony		13	15	3	2	3	5	4	3
Other operations		62	77	13	10	17	22	21	12
		1,441	**1,773**	**289**	**259**	**374**	**519**	**497**	**398**
Kazakhstan									
Mobile		514	532	195	134	106	79	154	123
		514	**532**	**195**	**134**	**106**	**79**	**154**	**123**
Croatia									
Mobile		130	272	30	16	31	53	93	74
		130	**272**	**30**	**16**	**31**	**53**	**93**	**74**
Lithuania									
Mobile	8	228	114	25	23	30	150	22	28
		228	**114**	**25**	**23**	**30**	**150**	**22**	**28**
Latvia									
Mobile		68	113	17	9	17	25	51	20
		68	**113**	**17**	**9**	**17**	**25**	**51**	**20**
Estonia									
Mobile		71	77	14	20	16	21	18	18
Other operations		–	7	–	–	–	–	1	1
		71	**84**	**14**	**20**	**16**	**21**	**19**	**19**
Austria									
Mobile		7	38	1	1	2	3	7	9
Fixed broadband		48	68	16	11	13	8	31	8
Fixed telephony		4	8	1	1	1	1	2	–
Other operations		6	10	2	–	3	1	4	1
		65	**124**	**20**	**13**	**19**	**13**	**44**	**18**
Germany									
Mobile		1	4	1	–1	1	–	2	–
Fixed broadband		2	2	–	1	1	–	1	–
		3	**6**	**1**	**–**	**2**	**–**	**3**	**–**
Other									
Other operations		415	425	138	95	89	93	99	93
		415	**425**	**138**	**95**	**89**	**93**	**99**	**93**
TOTAL									
Mobile	13	**2,549**	**2,988**	**695**	**577**	**572**	**705**	**848**	**717**
Fixed broadband	13	**629**	**634**	**118**	**94**	**113**	**304**	**222**	**90**
Fixed telephony		**29**	**35**	**7**	**7**	**8**	**7**	**9**	**7**
Other operations	13	**624**	**570**	**258**	**101**	**127**	**138**	**144**	**118**
TOTAL	8	**3,831**	**4,227**	**1,078**	**779**	**820**	**1,154**	**1,223**	**932**

Five-year summary

SEK million	Note	2016	2015	2014	2013	2012
CONTINUING OPERATIONS						
Net sales		28,292	26,856	25,955	25,757	25,993
Numbers of customers (by thousands)		16,666	14,414	13,594	13,582	14,229
EBITDA		5,334	5,757	5,926	5,891	6,040
EBIT		–1,219	2,447	3,490	2,548	2,190
EBT		–1,234	2,012	3,500	1,997	1,668
Net profit/loss		–2,164	1,268	2,626	968	1,158
Key ratios						
EBITDA margin, %		18.9	21.4	22.8	22.9	23.2
EBIT margin, %		–4.3	9.1	13.4	9.9	8.4
Value per share (SEK)						
Net profit/loss	10	–4.12	2.77	5.74	2.12	2.54
Net profit/loss after dilution	10	–4.12	2.75	5.71	2.10	2.52
TOTAL						
Equity		18,196	17,901	22,682	21,591	20,429
Total assets		40,477	36,149	39,848	39,855	49,189
Cash flow from operating activities		5,017	3,529	4,578	5,813	8,679
Free cash flow		1,217	–486	432	572	4,070
Available liquidity		10,042	7,890	8,224	9,306	12,933
Net debt	4	10,628	9,878	8,135	7,328	15,187
Economic net debt	1, 4	10,437	9,878	8,135	7,328	15,187
Net investments in intangible and tangible assets, CAPEX		3,831	4,240	3,976	5,534	5,294
Key ratios						
Debt/equity ratio, multiple		0.58	0.55	0.36	0.34	0.74
Equity/assets ratio, %		45	50	57	54	42
ROCE, return on capital employed, %	10	–4.5	14.0	10.1	48.0	15.4
Average interest rate, %		2.7	4.1	4.7	5.2	6.6
Value per share (SEK)						
Net profit/loss	10	–4.34	6.52	4.83	31.90	7.15
Net profit/loss after dilution	10	–4.34	6.48	4.80	31.69	7.11
Equity	10	40.86	39.07	49.55	47.20	44.73
Cash flow from operating activities	10	11.10	7.70	10.00	12.71	19.01
Dividend, ordinary		5.23[1)]	5.35	4.85	4.40	7.10
Extraordinary dividend		–	–	10.00	–	–
Redemption		–	–	–	28.00	–
Market price at closing day		73.05	84.75	94.95	72.85	117.10

[1)] Proposed dividend

Parent company

Income statement

SEK million	2016	2015
Net sales	28	53
Administrative expenses	–105	–121
Operating loss, EBIT	**–77**	**–68**
Exchange rate difference on financial items	–131	106
Net interest expenses and other financial items	–272	–269
Loss after financial items, EBT	**–480**	**–231**
Appropriations, group contribution	774	–
Tax on gain/loss	–65	56
NET GAIN/LOSS	**229**	**–175**

Balance sheet

SEK million	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
NON-CURRENT ASSETS			
Tangible assets		1	1
Financial assets		13,617	13,666
NON-CURRENT ASSETS		**13,618**	**13,667**
CURRENT ASSETS			
Current receivables		8,521	5,987
Cash and cash equivalents		4	3
CURRENT ASSETS		**8,525**	**5,990**
ASSETS		**22,143**	**19,657**
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity	10	8,470	5,549
Unrestricted equity	10	3,175	5,346
EQUITY		**11,645**	**10,895**
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	4	7,485	4,204
NON-CURRENT LIABILITIES		**7,485**	**4,204**
CURRENT LIABILITIES			
Interest-bearing liabilities	4	2,850	4,479
Non-interest-bearing liabilities		163	79
CURRENT LIABILITIES		**3,013**	**4,558**
EQUITY AND LIABILITIES		**22,143**	**19,657**

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The full year report for the Group has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board. Disclosures in accordance with IAS 34 Interim Financial Reporting are presented either in the Notes or elsewhere in the full year report.

The amended IFRS standards (IAS 1, IAS 16, IAS 27, IAS 28, IAS 38, IFRS 10, IFRS 11, IFRS 12 and annual improvements to IFRSs 2012–2014), which became effective January 1, 2016, have had no material effect on the consolidated financial statements.

In Q4 2016, as a result of the acquisition of TDC Sweden, a reclassification within Tele2 Sweden in the segment reporting has been performed for all periods presented. In addition, a reclassification was made of VAT related to sold handsets from current to non-current receivables. For additional information please refer to Note 13.

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

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

NOTE 2 NET SALES AND CUSTOMERS

Net sales

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

Customers

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

NOTE 3 OPERATING EXPENSES

EBITDA

In Q4 2016, a provision for a dispute was recorded in Netherlands affecting the EBITDA for mobile negatively by SEK 36 million.

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

Bridge from EBITDA to EBIT

SEK million	2016 Full year	2015 Full year	2016 Q4	2015 Q4
EBITDA	**5,334**	**5,757**	**1,459**	**1,337**
Impairment of goodwill	–2,825	–196	–34	1
Sale of operations	–1	12	–	12
Acquisition costs	–61	–118	–38	–118
Integration costs	–81	–	–54	–
Challenger program	–322	–247	–154	–133
Other one-off items	–	106	–	–
Total one-off items	**–3,290**	**–443**	**–280**	**–238**
Depreciation/amortization and other impairment	–3,263	–2,862	–932	–735
Result from shares in joint ventures and associated companies	–	–5	–1	–
EBIT	**–1,219**	**2,447**	**246**	**364**

One-off items in segment reporting

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

Impairment of goodwill

SEK million	2016 Full year	2015 Full year	2016 Q4	2015 Q4
Netherlands	–2,481	–	–25	–
Kazakhstan	–344	–	–9	–
Estonia	–	–196	–	1
Total impairment of goodwill	**–2,825**	**–196**	**–34**	**1**
of which:				
– cost of service provided	*–2,825*	*–196*	*–34*	*1*

In Q3 2016, an impairment loss on goodwill of SEK 2,456 million was recognized in cost of service provided referring to the cash generating unit Netherlands. The impairment loss was based on the estimated value in use of SEK 9.0 billion by using a pre-tax discount rate (WACC) of 13 percent. The impairment was recognized as a result of reassessment of future cash flow generation in Netherlands.

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

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

Acquisition costs

SEK million	2016 Full year	2015 Full year	2016 Q4	2015 Q4
TDC, Sweden	–35	–	–26	–
Altel, Kazakhstan	–24	–118	–12	–118
Other acquisitions	–2	–	–	–
Total acquisition costs	**–61**	**–118**	**–38**	**–118**
of which:				
– administrative expenses	*–61*	*–118*	*–38*	*–118*

For further information please refer to Note 11.

Integration costs

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

SEK million	2016 Full year	2015 Full year	2016 Q4	2015 Q4
TDC, Sweden	–36	–	–35	–
Altel, Kazakhstan	–45	–	–19	–
Total integration costs	**–81**	**–**	**–54**	**–**
of which:				
–cost of service provided	*–15*	*–*	*–11*	*–*
–selling expenses	*–5*	*–*	*–2*	*–*
–administrative expenses	*–61*	*–*	*–41*	*–*
of which:				
–redundancy costs	*–28*	*–*	*–21*	*–*
–other employee and consultancy costs	*–36*	*–*	*–19*	*–*
–exit of contracts and other costs	*–17*	*–*	*–14*	*–*

Challenger program: restructuring costs

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

SEK million	2016 Full year	2015 Full year	2016 Q4	2015 Q4
Costs of service provided	–19	–58	–4	–40
Selling expenses	–8	–34	–2	–17
Administrative expenses	–295	–155	–148	–76
Total Challenger program costs	**–322**	**–247**	**–154**	**–133**
of which:				
–redundancy costs	*–184*	*–105*	*–108*	*–77*
–other employee and consultancy costs	*–120*	*–119*	*–31*	*–40*
–exit of contracts and other costs	*–18*	*–23*	*–15*	*–16*

Other one-off items

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

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

NOTE 4 FINANCIAL ASSETS AND LIABILITIES

Net debt and economic net debt

SEK million	2016 Full year	2015 Full year	2014 Full year	2013 Full year	2012 Full year
Interest-bearing non-current and current liabilities	12 431	10,991	9,190	9,430	17,512
Excluding provisions	–1 399	–926	–807	–679	–559
Excluding equipment financing	–70	–	–	–	–
Cash & cash equivalents, current investments and restricted funds	–279	–139	–189	–1,413	–1,745
Other financial interest-bearing receivables (swap agreements etc)	–55	–48	–47	–10	–21
Net debt for assets classified as held for sale	–	–	–12	–	–
Net debt	**10 628**	**9,878**	**8,135**	**7,328**	**15,187**
Excluding liabilities to Kazakhtelecom	–124	–	–	–	–
Excluding loan guaranteed by Kazakhtelecom	–67	–	–	–	–
Economic net debt	**10 437**	**9,878**	**8,135**	**7,328**	**15,187**

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

Financing

	Interest-bearing liabilities			
	Dec 31, 2016		Dec 31, 2015	
SEK million	Current	Non-current	Current	Non-current
Bonds NOK, Sweden[1]	188	–	–	955
Bonds SEK, Sweden	2,153	6,237	500	2,548
Commercial papers, Sweden	300	–	3,784	–
Financial institutions	305	1,266	543	655
	2,946	**7,503**	**4,827**	**4,158**
Put option, Kazakhstan (Note 5)	–	–	125	416
Provisions	147	1,252	52	874
Other liabilities	308	275	368	171
	3,401	**9,030**	**5,372**	**5,619**
Total interest-bearing liabilities		**12,431**		**10,991**

[1] The bonds in NOK are hedged for currency exposure via currency swaps

On December 19, 2016 Tele2 issued a SEK 1 billion bond. The issue has a final maturity of 2.25 years with a floating rate coupon of STIBOR 3m +0.87 percent. The bond is issued under the Tele2 EMTN program and listed on the Luxembourg exchange.

On October 11, 2016 Tele2 entered into a loan agreement with the European Investment Bank (EIB) amounting to EUR 125 million for the expansion of the company's 4G mobile network service until 2018. The facility was unutilized as of December 31, 2016.

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

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

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

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

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner Kazakhtelecom. In connection with the completion of the agreement with Kazakhtelecom during Q1 2016, the liability maturity period was extended to 2031 and as a consequence the loan was revalued to fair value at the remeasurement date. On December 31, 2016 the reported debt amounted to SEK 24 (247) million and the nominal value to SEK 319 (287) million. The change in book value in Q1 2106 was reported in equity, please refer to Note 10.

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

On January 13, 2016 Tele2 entered into a syndicated multi-currency revolving credit facility agreement amounting to EUR 800 million with 11 relationship banks. The facility has a tenor of five years with two one-year extension options and it replaced the previous revolving credit facility dated May 2012. The new facility further strengthens Tele2's financial position and secures a structure of diversified funding sources. The facility was unutilized as of December 31, 2016.

Transfer of right of payment of receivables

In Q1 2016 and onwards, Tele2 Sweden has started to transfer the right for payment of certain operating receivables to financial institutions. The obligation that occur when receiving payment from financial institutions connected to the transfer of right of payment of receivables for sold handsets and other equipment has been netted against the receivables in the balance sheet and resulted in a positive effect on cash flow. During 2016 the right of payment of SEK 1,447 million has been transferred, of which SEK 342 million in Q4 2016.

Classification and fair values

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds and accounts payables. Classification of financial assets and liabilities including their fair value is presented below. During 2016, no transfers were made between the different levels in the fair value hierarchy and no significant changes were made to valuation techniques, inputs used or assumptions except for the valuation of the put option and earn out related to Tele2 Kazakhstan according to below.

	Dec 31 2016					
SEK million	Assets and liabilities at fair value through profit/loss (level 3)	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	1	1,171	–	–	1,172	1,172
Accounts receivables	–	2,584	–	–	2,584	2,584
Other current receivables	–	3,717	55	–	3,772	3,772
Current investments	–	21	–	–	21	21
Cash and cash equivalents	–	257	–	–	257	257
Total financial assets	**1**	**7,750**	**55**	**–**	**7,806**	**7,806**
Liabilities to financial institutions and similar liabilities	–	–	–	10,449	10,449	10,343
Other interest-bearing liabilities	124	–	217	242	583	597
Accounts payable	–	–	–	3,462	3,462	3,462
Other current liabilities	–	–	–	1,037	1,037	1,037
Total financial liabilities	**124**	**–**	**217**	**15,190**	**15,531**	**15,439**

	Dec 31 2015					
SEK million	Assets and liabilities at fair value through profit/loss (level 3)	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	9	1,457	–	–	1,466	1,466
Accounts receivables	–	2,163	–	–	2,163	2,163
Other current receivables	–	3,188	48	–	3,236	3,236
Current investments	–	32	–	–	32	32
Cash and cash equivalents	–	107	–	–	107	107
Total financial assets	**9**	**6,947**	**48**	**–**	**7,004**	**7,004**
Liabilities to financial institutions and similar liabilities	–	–	–	8,985	8,985	9,240
Other interest-bearing liabilities	541	–	231	308	1,080	1,049
Accounts payable	–	–	–	2,746	2,746	2,746
Other current liabilities	–	–	–	502	502	502
Total financial liabilities	**541**	**–**	**231**	**12,541**	**13,313**	**13,537**

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

	Dec 31, 2016		Dec 31, 2015	
SEK million	Assets	Liabilities	Assets	Liabilities
As of January 1	**9**	**541**	**9**	**887**
Changes in fair value:				
-put-option Kazakhstan	–	–413	–	51
-earn-out Kazakhstan	–	100	–	–
Divestment of shares	–8	–	–	–
Payment of liability	–	–125	–	–
Other contingent considerations	–	24	–	–
Exchange rate differences*	–	–3	–	–397
As of the end of the period	**1**	**124**	**9**	**541**

* Recognised in other comprehensive income.

In Q4 2016, a liability was reported for estimated deferred consideration to the former owner of TDC, Sweden, please refer to Note 11. The estimated fair value of the deferred consideration amounted on December 31, 2016 to SEK 12 (–) million. The fair value was calculated based on expected future cash flows.

In Q3 2016, a liability was reported for contingent deferred consideration to the former owners of Kombridge, Sweden, please refer to Note 11. The estimated fair value of the deferred consideration amounted on December 31, 2016 to SEK 12 (–) million. The fair value was calculated based on expected future cash flows at which a maximum turnout has been assumed.

In Q1 2016, an initial purchase price of SEK 125 million was paid to the former non-controlling shareholder Asianet in Tele2 Kazakhstan for its 49 percent stake. According to the agreement between the parties Asianet has right to 18 percent of the economic interest in the new jointly owned company, please refer to Note 11. The estimated fair value of the deferred consideration amounted on December 31, 2016 to SEK 100 (541) million. The fair value was calculated based on expected future cash flows of the jointly owned company, please refer to Note 5.

NOTE 5 OTHER FINANCIAL ITEMS

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

SEK million	2016 Full year	2015 Full year	2016 Q4	2015 Q4
Change in fair value, put option Kazakhstan	413	–51	–	–51
Change in fair value, earn out Kazakhstan	–100	–	–100	–
Exchange rate differences	2	1	–11	18
EUR net investment hedge, interest component	–5	–3	–1	–2
NOK net investment hedge, interest component	–	–1	–	–
Sale of Modern Holding Inc	–2	–	–	–
Other financial expenses	–11	–5	–2	–
Total other financial items	**297**	**–59**	**–114**	**–35**

In Q1 2016, part of the put option obligation to the former non-controlling interest in Tele2 Kazakhstan was settled and SEK 125 million was paid to the previous non-controlling interest. The remaining part of the fair value of the put option obligation was in Q1 2016 changed to zero affecting financial items in the income statement positively by SEK 413 million. The reason for the change in fair value in Q1 2016 was due to the macro environment, including the Tenge devaluation which implied weaker consumer purchase power and higher expenses. In addition, intense competitive pressure during Q1 eroded pricing power for all market participants.

The put-option obligation in Kazakhstan was in Q1 2016 replaced with an earn-out obligation representing 18 percent economic interest in the jointly owned company in Kazakhstan (see Note 11). To cover for the estimated earn-out obligation, that is based on fair value, the earn-out obligation was in Q4 2016 valued to SEK 100 million and reported as financial items in the income statement. The change in Q4 2016 was due to an improved outlook, in light of the positive business development during 2016 as well as reaching a significant share of the integration milestones. 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 fair value would impact the earn-out liability.

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

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

NOTE 6 TAXES

The difference between recorded tax expense for the Group and the tax expense based on tax rate in Sweden of 22 percent, consists of the below listed components.

SEK million	2016 Full year		2015 Full year	
Profit/loss before tax	**–1,234**		**2,012**	
Tax expense/income				
Theoretic tax according to tax rate in Sweden	271	–22.0%	–443	–22.0%
Tax effect of				
Impairment of goodwill, non-deductible	–689	55.8%	–39	–1.9%
Not valued tax loss-carry forwards	–510	41.3%	–144	–7.2%
Valuation tax loss-carry forwards	40	–3.2%	–	–
Change in fair value, Kazakhstan, non-taxable/ non-deductible:				
-put option	91	–7.4%	–10	–0.5%
-earn-out	–22	1.8%	–	–
Adjustment due to changed tax rate	–140	11.4%	–	–
Other	29	–2.3%	–108	–5.4%
Tax expense and effective tax rate	**–930**	**75.4%**	**–744**	**–37.0%**

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

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

NOTE 7 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations, for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at each closing date to the sums stated below.

SEK million	2016 Dec 31	2016 Sep 30	2016 Jun 30	2016 Mar 31	2015 Dec 31	2015 Sep 30
Cash and cash equivalents in joint operations	60	12	7	42	34	1

As part of the business combination in Q1 2016, of Tele2's and Kazakhtelecom's operations in Kazakhstan, Kazakhtelecom have 49 percent of the voting rights in the combined company. Tele2 and Kazakhtelecom sell and purchases telecommunication services from each other. Business relations and pricing between the parties are based on commercial terms and conditions. Apart from transactions with joint operations, and previously described transactions, no other significant related party transactions were carried out during 2016. Other related parties are presented in Note 37 of the Annual Report 2015.

NOTE 8 CAPEX

Bridge from CAPEX to paid CAPEX

SEK million	2016 Full year	2015 Full year	2016 Q4	2015 Q4
CAPEX, continued operations	–3 831	–4,227	–1 078	–1,223
CAPEX, discontinued operations	–	–13	–	–
CAPEX, total operation	**–3 831**	**–4,240**	**–1 078**	**–1,223**
This year's unpaid CAPEX and paid CAPEX from previous year	6	205	132	146
Received payment of sold non-current assets	25	20	3	4
Paid CAPEX	**–3 800**	**–4,015**	**–943**	**–1,073**

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

NOTE 9 CONTINGENT LIABILITIES

SEK million	Dec 31, 2016	Dec 31, 2015
Asset dismantling obligation	151	137
KPN dispute, Netherlands	222	212
Tax dispute, Russia	–	154
Total contingent liabilities	**373**	**503**

Contingent assets

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

Contingent liabilities

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

Tele2 Netherlands is, in the ordinary course of its business, involved in several regulatory complaints and disputes pending with the appropriate governmental authorities. In a specific case regarding the rental fees of copper lines, which Tele2 Netherlands uses as part of its fixed operations, the regulator (ACM) has determined that the rental fees are to be adjusted with retroactive effect from 2009. On July 21, 2015 the Supreme Administrative Court (CBb) ruled that ACM had no powers to impose any deduction on the WPC IIA price caps from 2009 till now. This resulted in an additional claim from KPN of EUR 14.5 million for the first 3 years (2009–2011), which were previously deducted by ACM in their ruling. Together with the claim for the period 2012–July 2014 this has resulted in a total claim from KPN for the time period 2009–July 2014 amounting to EUR 23.2 million (SEK 222 million) which is subject to pending appeals and court cases expected to go on for several years. Our assessment is that it is unlikely that Tele2 will have to pay these fees and consequently no provision has been made.

The tax authorities in Russia are currently performing tax audits on several of Tele2's former subsidiaries in Russia. Per the sales agreement with the VTB-Group Tele2 is liable for any additional taxes payable relating to periods under Tele2's ownership as result of the tax audits. On December 31, 2016 (and December 31, 2015 respectively) Tele2 has won tax disputes equivalent to SEK 158 (187) million, of which the Russian tax authorities has appealed SEK 1 (154) million. In addition, Tele2 has lost tax disputes of SEK –129 (–16) million, of which Tele2 has appealed SEK –106 (–7) million. Due to a change in the assessments of certain tax disputes in Q3 and Q4 2016 additional provisions of totally SEK 100 million was recognized in discontinued operations. Total provisions as of December 31, 2016 (and December 31, 2015 respectively) amounted to SEK 129 (16) million. Even though it cannot be ruled out that Tele2 may be liable to certain costs and that new cases can be identified, Tele2 assesses that it is not likely that any additional taxes need to be paid and consequently no additional provisions have been made.

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

NOTE 10 EQUITY AND NUMBER OF SHARES

Number of shares

	Dec 31, 2016	Dec 31, 2015
Number of shares		
Outstanding	502,350,065	446,188,367
In own custody	4,549,947	4,894,972
Weighted average	452,146,472	458,213,317
After dilution	505,041,442	461,282,587
Weighted average, after dilution	454,887,620	461,108,030

Earnings per share have been adjusted for previous periods for the bonus element in the share issue.

In Q4 2016, Tele2 issued, with preferential rights for existing shareholders, 55,816,673 new shares (2,532,613 A-shares and 53,284,060 B-shares) corresponding to a total amount of SEK 2,910 million, after new issue costs of SEK –48 million, of which SEK 70 million is reported as an increase in share capital. The terms of the right issue entailed that every existing share entitled the holder to one subscription right of a share. Eight subscription rights of shares entitled the holder to subscribe for one new share of the corresponding share class to a subscription price of SEK 53 per share. The new issue was carried out in order to maintain Tele2's financial strength, in connection with the acquisition of TDC Sweden.

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

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

Number of outstanding share rights

	Dec 31, 2016	Dec 31, 2015
Number of outstanding share rights		
LTI 2016–2019	1,195,370	
LTI 2015–2018	837,616	1,093,535
LTI 2014–2017	668,560	897,508
of which will be settled in cash	*10,169*	*9,147*
LTI 2013–2016	–	841,263
of which will be settled in cash	–	*42,261*
Total outstanding share rights	**2,701,546**	**2,832,306**

All outstanding long-term incentive programs (LTI 2014, LTI 2015 and LTI 2016) are based on the same structure and additional information regarding the objective, conditions and requirements related to the LTI programs 2013, 2014 and 2015 is stated in Note 33 of the Annual Report 2015. During 2016, the total cost before tax for the long-term incentive programs (LTI) amounted to SEK –1 (54) million. The cost reduction in 2016 was an effect of the negative impact that the impairment in Tele2 Netherlands had on the vesting conditions in the LTI programs.

LTI 2016

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

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

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

LTI 2013

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

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

Dividend

Tele2's Board of Directors has proposed a dividend of SEK 5.23 per share in respect of the financial year 2016 at the Annual General Meeting in May 2017. This corresponds to a total of SEK 2,627 million.

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

Transactions with non-controlling interests

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

ROCE, return on capital employed

SEK million	2016 Full year	2015 Full year	2014 Full year	2013 Full year	2012 Full year
EBIT, total operation	–1,319	4,149	3,102	16,339	5,653
Financial income, total operation	18	9	26	55	24
Return	**–1,301**	**4,158**	**3,128**	**16,394**	**5,677**
in relation to					
Total assets	40,477	36,149	36,015	39,407	49,189
Non-interest bearing liabilities	–9,850	–7,257	–7,227	–8,781	–11,248
Provisions for asset dismantling	–1,160	–771	–634	–488	–211
Capital employed for assets classified as held for sale	–	–	3,098	395	–
Capital employed, closing balance	29,467	28,121	31,252	30,533	37,730
Capital employed, average	**28,794**	**29,687**	**30,893**	**34,132**	**36,859**
ROCE, %	**–4.5**	**14.0**	**10.1**	**48.0**	**15.4**

NOTE 11 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2016 Full year	2015 Q4
Acquisitions		
TDC, Sweden	–2,910	–
Altel, Kazakhstan	42	–
Kombridge, Sweden	-9	–
Capital contribution to joint ventures	-1	–4
Total acquisition of shares and participations	**-2,878**	**–4**
Divestments		
Norway	–	4,904
Residential cable and fiber operations, Sweden	–	–6
Transaction costs, Russia	–2	–6
Other divestments	4	5
Total sale of shares and participations	**2**	**4,897**
TOTAL CASH FLOW EFFECT	**–2,876**	**4,893**

ACQUISITIONS

TDC, Sweden

On June 21, 2016 Tele2 announced that Tele2 has signed a contract to acquire 100 percent of TDC Sweden for SEK 2.9 billion on a debt free basis. The transaction was approved by regulatory authorities on October 7, 2016 and the transaction was completed on October 31, 2016.

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

Goodwill in connection with the acquisition is related to Tele2's expectation to obtain synergies. Tele2 estimates annualized run rate OPEX and CAPEX synergies to amount to SEK 300 million, with additional one-off CAPEX synergies estimated to amount to SEK 200 million. Positive effects of cross-selling are also expected.

Estimated costs and investments for the integration and other one-off costs required to achieve synergies amount to SEK 750 million. Acquisition costs and integration costs have been reported as operating costs in the income statement and is stated in Note 3.

TDC Sweden affected Tele2's net sales in Q4 2016 and full year 2016 by SEK 735 million and EBITDA by SEK 87 million.

Kombridge, Sweden

On August 22, 2016 Tele2 acquired 100 percent in the Sweden based company Kombridge AB. Since 2010, Kombridge has offered security services, connected device management and application management for Internet of Things (IoT) applications and services. The goodwill of SEK 9 million consists of value Tele2 gets by adding the expertise, the product and the platform from Kombridge and integrate in Tele2's business.

Combination of operations, Kazakhstan

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

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

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

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

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

The financing of the jointly owned company has been provided with existing shareholder loans from Tele2 of KZT 97 billion (SEK 2.6 billion) and a pre-existing interest free subordinated loan of KZT 11.7 billion (SEK 319 million) from Kazakhtelecom with extended maturity to 2031. Future funding needs for the jointly owned company will be provided via bank debt guaranteed by Kazakhtelecom.

The current earn-out liability to the previous non-controlling shareholder Asianet on its pre-existing 49 percent stake in Tele2 Kazakhstan was on December 31, 2016 valued at fair value of SEK 100 million. For further information please refer to Note 4.

Altel is providing telecommunication services, including mobile services and internet services under the trademark ALTEL 4G in Kazakhstan. The business areas consist of prepaid mobile regular and mobile broadband. Acquisition costs and integration costs have been reported as operating costs in the income statement and is stated in Note 3. In Q3 2016, Altel and Tele2 Kazakhstan has been merged, and the effect from Altel on Tele2's net sales and EBITDA in 2016 can consequently not be reported.

Net assets at the time of acquisition

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

SEK million	TDC	Altel	Kombridge
Patents and software	127	7	8
Licenses	–	148	–
Customer agreements	990	81	2
Trademarks	–	66	–
Tangible assets	573	658	–
Financial assets	26	14	–
Deferred tax assets	–	31	1
Inventories	140	37	–
Current receivables	776	152	2
Cash and cash equivalents	130	42	1
Non-current interest bearing liabilities	–21	–55	–
Deferred tax liabilities	–217	–29	–2
Current liabilities	–1,354	–312	–2
Acquired net assets	**1,170**	**840**	**10**
Goodwill	1,552		9
Purchase price shares	**2,722**	**840**	**19**
Fair value of equity interest 51 percent in Khan Tengri Holding at acquisition	–	–840	–
Payment of debt to former owner	330	–	–
	3,052	**–**	**19**
Debt for additional purchase price	–12	–	–9
Less: cash and cash equivalents in acquired companies	–130	–42	–1
NET CASH OUTFLOW (+)	**2,910**	**–42**	**9**

DIVESTMENTS

Procure IT Right, Sweden

On August 31, 2016 Tele2 sold its Swedish procurement consulting operation for a sales price of SEK 1 million. The sale resulted in a capital loss of SEK 4 million. The operation affected Tele2's net sales in 2016 by SEK 28 (45) million and EBITDA by SEK 1 (3) million.

Net assets at the time of divestment

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

SEK million	Procure IT Right
Current receivables	11
Cash and cash equivalents	1
Current non-interest-bearing liabilities	–7
Divested net assets	**5**
Capital loss	–4
Less: cash and cash equivalents in divested companies	–1
NET CASH INFLOW (+)	**–**

EFFECTS FROM ACQUISITIONS AND DIVESTMENTS

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

	Full year 2016					
		Acquired operations			Divested operations	
SEK million	Tele2 Group, reported	TDC	Altel	Kombridge	Procure IT Right	Tele2 Group, pro forma
Net sales	28,292	2,848	137	7	–28	31,256
EBITDA	5,334	320	6	–	–1	5 659
Net profit/loss	–2,164	8	–22	–	–	–2,178

DISCONTINUED OPERATIONS

Discontinued operations refer to provisions for Russian tax disputes related to the previously sold operations in Russia, with a negative effect on net profit/loss of SEK 100 million. For further information regarding the Russian tax disputes please refer to Note 9.

NOTE 12 DEFINITIONS OF NON-IFRS MEASURES

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

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

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

NOTE 13 RECLASSIFICATIONS

SEGMENT SWEDEN

In Q4 2016, as a result of the acquisition of TDC Sweden, a reclassification within Tele2 Sweden in the segment reporting has been performed for all periods presented. Communication solutions beyond connectivity, such as LAN/WLAN, PBX and cloud services, have been moved from mobile and fixed broadband to other operations. The previous periods have been represented according to below.

SEK million	2016 Q3	2016 Q2	2016 Q1	2015 Full year	2015 Q4	2015 Q3
Net sales						
Mobile	–44	–42	–45	–146	–42	–34
–end-user service revenue	*–43*	*–43*	*–39*	*–141*	*–40*	*–34*
–operator revenue	*–1*	*–2*	*–*	*–4*	*–2*	*1*
–equipment revenue	*–*	*3*	*–6*	*–1*	*–*	*–1*
Fixed broadband	–6	–7	–8	–36	–10	–7
Other operations	50	49	53	182	52	41
Total	**–**	**–**	**–**	**–**	**–**	**–**

SEK million	2016 Q3	2016 Q2	2016 Q1	2015 Full year	2015 Q4	2015 Q3
EBITDA						
Mobile	–14	–8	–5	–4	–1	–5
Fixed broadband	3	4	2	15	4	7
Other operations	11	4	3	–11	–3	–2
Total	**–**	**–**	**–**	**–**	**–**	**–**

SEK million	2016 Q3	2016 Q2	2016 Q1	2015 Full year	2015 Q4	2015 Q3
EBIT						
Mobile	–7	–	2	26	10	2
Fixed broadband	4	4	2	15	4	7
Other operations	3	–4	–4	–41	–14	–9
Total	**–**	**–**	**–**	**–**	**–**	**–**

SEK million	2016 Q3	2016 Q2	2016 Q1	2015 Full year	2015 Q4	2015 Q3
CAPEX						
Mobile	–5	–8	–19	–36	–16	–5
Fixed broadband	–	–1	–	–2	–	–2
Other operations	5	9	19	38	16	7
Total	**–**	**–**	**–**	**–**	**–**	**–**

VAT ON SOLD HANDSETS

In Q4 2016, a reclassification was made of VAT related to sold handsets from current to non-current receivables. The reclassification was made to reflect its maturity. The previous periods have been represented according to below.

SEK million	Dec 31, 2015	Dec 31, 2014
NON-CURRENT ASSETS		
Other financial assets	108	9
CURRENT ASSETS		
Other current receivables	–108	–9
TOTAL ASSETS	**–**	**–**