

2020

Interim Report
Third Quarter



TELE2

Q3 2020 HIGHLIGHTS

- End-user service revenue of SEK 4.9 billion declined by 2% compared to Q3 2019 on an organic basis, mainly due to negative impact from the pandemic
- Revenue of SEK 6.6 billion, a decline by 3% compared to Q3 2019 on an organic basis
- Underlying EBITDAaL of SEK 2.5 billion increased by 2% organically compared to Q3 2019 despite the pandemic impact, driven by strong performance in the Baltics and cost savings
- Net profit from total operations of SEK 1.2 billion (SEK 1.76 per share) improved by SEK 0.2 billion compared to Q3 2019
- Equity free cash flow from continuing operations of SEK 1.7 billion, flat compared to Q3 2019. Over the last twelve months, SEK 5.3 billion or roughly SEK 7.70 per share have been generated
- The extraordinary dividend of SEK 3.50 per share was approved in the third quarter, and distributed along with the second tranche of ordinary dividend in early October
- Switch to digital broadcasting successfully executed, increasing broadband capacity
- Spectrum licenses acquired in the Netherlands, creating a foundation for continued strong performance
- Kjell Johnsen joined as President and CEO of Tele2 on September 15, 2020

Key financial data

SEK million	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
Continuing operations						
End-user service revenue	4,888	5,022	-2%	14,679	14,904	-1%
Revenue	6,639	6,852	-3%	19,976	20,389	-2%
Operating profit	1,573	1,367		3,934	2,845	
Profit after financial items	1,446	1,265		3,530	2,522	
Underlying EBITDAaL	2,510	2,467	2%	7,013	6,906	2%
Capex excluding spectrum and leases	654	505		1,839	1,682	
Operating cash flow	1,855	1,962		5,174	5,223	
Operating cash flow, rolling 12 months ¹⁾	6,820	6,483		6,820	6,483	
Equity free cashflow	1,746	1,750		4,050	3,074	
Equity free cash flow, rolling 12 months				5,306	3,245	
Total operations						
Net profit	1,215	1,038		3,290	4,191	
Earnings per share after dilution (SEK)	1.76	1.50		4.76	5.88	
Equity free cashflow	1,738	1,823		3,994	3,355	
Economic net debt to underlying EBITDAaL				2.2x	2.6x	

¹⁾ Including Com Hem proforma.



Continuing and discontinued operations

Figures presented in this report refer to Q3 (July-September) 2020 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2019. Discontinued operations include the former operations, primarily in Croatia and Kazakhstan. See Note 9.

Non-IFRS measures

This report contains certain non-IFRS measures which are defined and reconciliated to the closest reconcilable line items in the section *Non-IFRS measures* on page 27. Note that organic growth rates exclude effects from currency movements. For further definitions of industry terms and acronyms, please refer to the Investor section at www.tele2.com.



CEO LETTER – Q3 2020

During the short time since I assumed my role as Tele2 CEO, I have looked at the business with fresh eyes. I have dived deep into specifics of crucial areas but always tried to keep the big picture on top of my mind. It is safe to say that Tele2 is a company full of great talents, potential and value, but not without challenges.

Our main growth drivers are the Sweden Consumer segment and the Baltic markets. In Sweden, we have continued to increase the number of customers on FMC benefits but still have much potential to realize. We have successfully executed on our more-for-more strategy in broadband and mobile postpaid, while maneuvering through an unpredictable pandemic. In the Baltics, we see strong operational momentum and growth, with continued progress of our mobile-centric convergence strategy. We have a strong position to build on, but we may also look into different opportunities to add fixed connectivity to our Baltic portfolio.

It is clear that our industry is facing challenges in the business segment in Sweden. Despite the fact that we operators provide services that are increasingly crucial to both society and businesses, the business segment is unfortunately characterized by complex solutions with insufficient profitability. Altering this will take time, but by optimizing our own Sweden Business segment for profitability, we will improve our ability to address the competitive market conditions going forward. Concerning consumer TV, the industry is in the middle of a period of radical change, with domestic fights for rights to Swedish content and sports, while international players launch one play service after another. However, Tele2 has a great position to create value and secure profitability by leveraging our potential as an innovative aggregator and distributor, while simultaneously strengthening our combined offerings.

Tele2 has a very strong foundation with an impressively resilient business model that continues to produce strong cash flow quarter after quarter. We have a very solid infrastructure position in Sweden, with a market leading

fixed network and an efficient shared mobile network – a successful model that we will soon implement in the Baltics as well. Our infrastructure position will strengthen even further as we roll out 5G and the next generation fixed networks, but we should also keep an open mindset and look for other opportunities to improve reliability and customer experience, as well as realizing financial value.

Tele2's position in the Netherlands continues to create significant value. Since the merger with T-Mobile in Q1 2019 we have seen impressive synergy realization, and currently Tele2 customers are being transferred to T-Mobile's network. In Q3 2020, spectrum to be used for the 5G rollout has been secured, creating a good foundation to further develop the company, and I look forward to follow the progress in this market.

Last but not least, Tele2 has managed to realize an impressive amount of synergies and cost savings in a short time since the merger with Com Hem, and we have an ambitious transformation program in place to achieve additional opex reductions of at least SEK 1 billion over three years. Furthermore, we will need to undertake extensive and crucial transitions to tackle the challenges I mentioned above.

At my first company-wide speech, I was clear with the fact that I believe in evolution, not revolution. Tele2 has a solid position and plan to build on, but I also see room for operational improvement for further value creation that I will address and come back to in future reports. Overall, I am very impressed by my new colleagues at Tele2 and really appreciate the resolute way in which they have handled the pandemic. I am very excited to be here and will certainly enjoy leading Tele2 onwards.

Kjell Johnsen
President and Group CEO

Financial overview

Analysis of revenue

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
Mobile	1,463	1,458	0%	4,284	4,224	1%
- Postpaid	1,207	1,173	3%	3,529	3,407	4%
- Prepaid	256	285	-10%	755	817	-8%
Fixed	1,447	1,521	-5%	4,385	4,584	-4%
- Fixed broadband	669	632	6%	1,976	1,876	5%
- Digital TV	704	794	-11%	2,171	2,408	-10%
- Cable & Fiber	415	454	-9%	1,269	1,384	-8%
- DTT	289	340	-15%	902	1,025	-12%
- Fixed telephony & DSL	73	96	-24%	238	300	-21%
Landlord & Other	174	177	-2%	523	531	-1%
Sweden Consumer	3,083	3,156	-2%	9,192	9,339	-2%
Sweden Business	940	1,018	-8%	2,920	3,116	-6%
Baltics	770	738	7%	2,264	2,102	8%
Germany	95	110	-11%	304	347	-12%
End-user service revenue	4,888	5,022	-2%	14,679	14,904	-1%
Operator revenue	573	633	-9%	1,749	1,858	-6%
Equipment revenue	1,178	1,197	-1%	3,548	3,626	-2%
Revenue	6,639	6,852	-3%	19,976	20,389	-2%

End-user service revenue decreased by 2% organically. It was largely due to headwinds related to the pandemic, primarily attached to international roaming, mobile prepaid and premium-TV.

- **Sweden Consumer** decreased by 2%. Mobile postpaid and fixed broadband continued to show good progress, as we execute on our FMC strategy. Mobile postpaid grew by 3% despite loss of roaming, and fixed broadband grew 6%. This was driven by both RGU growth and pricing, facilitated by the value we have added to our propositions. This was offset by mobile prepaid and digital TV, where the decline was elevated due to COVID-19.
- **Sweden Business** decreased by 8%, due to continued price pressure on a competitive market. Loss of roaming revenue and decline in legacy fixed services added to the headwind.
- **Baltics** showed strong growth of 7% organically, with all three countries contributing. Following the lockdown in the spring, the commercial activities are now back on track, and we successfully managed to monetize data through our more-for-more strategy in the quarter.

Total revenue decreased by 3% organically. Lower operator revenue was mainly explained by reduced termination rates charged between operators. Equipment revenue declined within Sweden consumer, due to delayed phone launches, while it grew in the Baltics.

Analysis of income statement

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Revenue	6,639	6,852	19,976	20,389
Underlying EBITDAaL	2,510	2,467	7,013	6,906
Reversal lease depreciation and interest	311	315	933	925
Underlying EBITDA	2,821	2,783	7,946	7,830
Items affecting comparability	40	-75	-119	-607
EBITDA	2,861	2,708	7,827	7,223
Depreciation/amortization	-1,311	-1,311	-3,949	-3,833
- of which amortization of surplus from acquisitions	-301	-298	-903	-894
- of which lease depreciation	-296	-296	-884	-866
- of which other depreciation/amortization	-714	-718	-2,162	-2,073
Impairment	—	-16	—	-468
Result from shares in associated companies and joint ventures	24	-15	56	-78
Operating profit	1,573	1,367	3,934	2,845
Net interest and other financial items	-128	-102	-404	-323
Income tax	-283	-284	-691	-710
Net profit	1,162	981	2,839	1,811

Revenue decreased by 3%, with headwinds related to the pandemic and Sweden B2B partly compensated by strong progress in the Baltics.

Underlying EBITDAaL increased by 2%. Negative impact from the global pandemic of approximately SEK 100 million for the Group and declining B2B revenue in Sweden was balanced by continued strong growth in the Baltics and reduced costs in Sweden. The cost savings were primarily related to synergies realized towards the end of 2019 and initial savings from the business transformation program initiated in 2020.

Items affecting comparability of SEK 40 (-75) million included a provision release of SEK 109 (0) million, related to a legal dispute in Sweden where we have now reached an agreement. This was partly offset by restructuring costs of SEK -55 (-87) million, incurred in the ongoing business transformation program (Last year's restructuring costs referred to the Com Hem integration).

Operating profit increased to SEK 1,573 (1,367) million, with stronger underlying EBITDA and contribution from our shares in associated companies, as well as a tailwind from items affecting comparability.

Analysis of cash flow statement

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Continuing operations				
Underlying EBITDA	2,821	2,783	7,946	7,830
Items affecting comparability	40	-75	-119	-607
Amortization of lease liabilities	-263	-248	-897	-842
Capex paid	-649	-508	-1,978	-2,674
Changes in working capital	77	40	93	281
Net financial items paid	-70	-72	-382	-327
Taxes paid	-239	-185	-674	-670
Other cash items	29	14	61	83
Equity free cash flow	1,746	1,750	4,050	3,074
Equity free cash flow, rolling 12 months ¹⁾			5,306	3,245
Total operations				
Equity free cash flow, continuing operations	1,746	1,750	4,050	3,074
Equity free cash flow, discontinued operations	-8	73	-57	281
Equity free cash flow	1,738	1,823	3,994	3,355

¹⁾ Reconciliation of equity free cash flow rolling 12 months are presented in an excel document (Q3 2020-financials to the market) on Tele2's website www.tele2.com

Underlying EBITDA increased to SEK 2,821 (2,783) million, partly consumed by higher amortization of lease liabilities of SEK -263 (-248) million.

Capex paid increased to SEK -649 (-508) million due to increased investments into network and timing of customer equipment capex in Sweden.

Changes in working capital of SEK 77 (40) million reflect a positive effect from external handset financing in Lithuania and temporary low inventory levels in Sweden, in anticipation of future phone model launches. This was partly offset by the non-cash provision release of SEK 109 million included in items affecting comparability.

Taxes paid increased to SEK -239 (-185) million, primarily due to payment timing between quarters.

Equity free cash flow from continuing operations amounted to SEK 1.7 billion in the quarter, equally strong as last year. Over the last twelve months, SEK 5.3 billion has been generated, equivalent to roughly SEK 7.70 per share.

Analysis of financial position

Total operations SEK million	Sep 30 2020	Dec 31 2019
Bonds	21,944	20,305
Commercial papers	—	1,100
Financial institutions and other liabilities	3,833	3,912
Cash and cash equivalents	-4,800	-448
Other adjustments	-380	-164
Economic net debt	20,596	24,705
Lease liabilities	4,974	6,111
Net debt	25,570	30,816
Underlying EBITDAaL, rolling 12 months¹⁾	9,365	9,702
Economic net debt to Underlying EBITDAaL	2.2x	2.5x
Unutilized overdraft facilities and credit lines	8,944	8,716

¹⁾ Includes all operations owned and controlled by Tele2 at the end of each reporting period.

Economic net debt of SEK 20.6 billion (24.7 billion at year-end 2019) was reduced by SEK 4.1 billion year to date, driven by cash generation in the business and proceeds of SEK 2.0 billion from the sale of Tele2 Croatia, fully covering the first tranche of the ordinary dividend of SEK 1.9 billion, which was distributed in May.

Economic net debt to underlying EBITDAaL (financial leverage) of 2.2x (2.5x year end 2019) was temporarily below our leverage target range of 2.5–3.0x end of September. However, reflecting the second half of the ordinary dividend (SEK 1.9 billion) and the extraordinary dividend (SEK 2.4 billion), which both were distributed to shareholders in the beginning of October 2020, financial leverage would be comfortably within our target range.

Financial guidance

Financial guidance

Tele2 AB provides the following guidance for continuing operations in constant currencies.

Full-year 2020

- Roughly flat underlying EBITDAaL compared to 2019
- Capex excluding spectrum and leasing assets of SEK 2.5–3.0 billion

The guidance for 2020 assumes a negative impact on underlying EBITDAaL from the pandemic of SEK 70–90 million in the fourth quarter.

Mid-term

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

Dividend

The Annual General Meeting on May 11, 2020 approved an ordinary dividend of SEK 5.50 per ordinary A and B share, to be paid out in two equal tranches. The first tranche of SEK 2.75 per share was paid to the shareholders on May 18, 2020 and the second tranche of SEK 2.75 per share was paid on October 7, 2020.

In addition, the Extraordinary General Meeting on September 11, 2020 approved an extraordinary dividend of SEK 3.50 per ordinary A and B share, which also was distributed on October 7, 2020.

Financial policy

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

Group summary

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
END-USER SERVICE REVENUE						
Sweden	4,023	4,174	-4%	12,111	12,455	-3%
Lithuania	414	391	9%	1,212	1,110	9%
Latvia	229	222	6%	675	640	6%
Estonia	128	125	5%	378	352	7%
Germany	95	110	-11%	304	347	-12%
Total	4,888	5,022	-2%	14,679	14,904	-1%
REVENUE						
Sweden	5,244	5,490	-4%	16,032	16,525	-3%
Lithuania	734	692	9%	2,052	1,953	5%
Latvia	378	367	6%	1,055	1,036	2%
Estonia	210	210	3%	605	587	3%
Germany	96	111	-11%	306	349	-12%
Internal sales, elimination	-23	-18	26%	-73	-61	20%
Total	6,639	6,852	-3%	19,976	20,389	-2%
UNDERLYING EBITDAaL						
Sweden	2,028	2,016	1%	5,666	5,613	1%
Lithuania	270	243	14%	780	717	9%
Latvia	160	148	11%	418	395	6%
Estonia	48	45	8%	130	116	12%
Germany	39	51	-22%	122	161	-24%
Other	-34	-36	-4%	-102	-95	7%
Total	2,510	2,467	2%	7,013	6,906	2%
CAPEX						
Sweden	584	428	37%	1,643	1,441	14%
Lithuania	27	31	-10%	72	88	-17%
Latvia	22	26	-12%	62	95	-35%
Estonia	20	19	8%	60	57	5%
Germany	1	0	146%	2	0	343%
Other	—	1	-100%	—	2	-100%
Capex excluding spectrum and leases	654	505	30%	1,839	1,682	9%
Spectrum	—	0		—	68	
Right-of-use assets (leases)	164	63		581	754	
Total	818	568		2,420	2,504	
<i>of which:</i>						
– Network	317	271		846	811	
– IT	163	150		500	529	
– Customer equipment	116	66		355	209	
– Other	59	19		139	134	
Capex excluding spectrum and leases	654	505		1,839	1,682	

Overview by segment

Sweden

While commercial activity started to recover in the quarter, with strong underlying trends in consumer mobile postpaid and fixed broadband end-user service revenue, we saw revenue decrease by 4%. The decrease was explained by COVID-19 related headwinds and price pressure within the business segment. The pandemic had a negative effect primarily on international roaming, but mobile prepaid and premium sports packages were also affected, albeit improving towards the end of the quarter.

During the quarter Tele2 Sweden continued to execute on the business transformation program, reaching annualized run rate savings of SEK 150 million, and savings of SEK 35 million in the quarter. The main part of the savings stems from efficiency improvements within the B2B, support and

technology organizations. The program remains back-end loaded with the majority of savings to be realized in 2021 and 2022. In addition, the synergies realized during last year provided net benefits of SEK 50 million in the quarter.

Underlying EBITDAaL increased by 1% in the quarter. Headwinds related to the global pandemic of roughly SEK 80 million and continued price pressure within B2B was compensated by cost savings, primarily attached to the business transformation program and last year's synergy realization.

Financials SEK million	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
End-user service revenue	4,023	4,174	-4%	12,111	12,455	-3%
Revenue	5,244	5,490	-4%	16,032	16,525	-3%
Underlying EBITDA	2,295	2,293		6,465	6,426	
Underlying EBITDAaL	2,028	2,016	1%	5,666	5,613	1%
Underlying EBITDAaL margin	39%	37%		35%	34%	
Capex						
Network	267	201		711	644	
IT	149	138		461	482	
Customer equipment	114	65		349	207	
Other	55	24		122	108	
Capex excluding spectrum and leases	584	428		1,643	1,441	
Right-of-use-assets (leases)	141	46		482	684	
Capex	725	474		2,125	2,124	
Capex excluding spectrum and leases / revenue	11%	8%		10%	9%	

Sweden Consumer

In the quarter we continued to execute on our FMC strategy, with 255,000 customers now on FMC offers. The implementation of backbook price adjustments within mobile postpaid and fixed broadband is now successfully finalized. These were enabled on the back of our more-for-more strategy, where we have added value to our propositions, such as larger mobile data buckets and higher broadband speed. In parallel with the pricing activities, we managed to show sustained volume growth in the quarter, proving that our strategy is working.

Mobile end-user service revenue was flat in quarter, with domestic growth of 3% offset by less contribution from roaming. Mobile postpaid continued to show strong net intake, supported by our family offers, and the RGU base has increased by 4% since Q3 2019. ASPU declined by 1%, but putting roaming aside, ASPU increased by 2%, driven by the pricing activities. Accordingly, end-user service revenue within mobile postpaid increased by

3%, with 6% domestic growth partly offset by roaming. Prepaid was negatively impacted by the pandemic, albeit with promising signs towards the end of the quarter.

Fixed broadband also show consistent volume growth, with strong net intake in the quarter and a 5% RGU base increase compared to Q3 2019. ASPU growth was 1%. Customers added via group agreements put pressure on ASPU, but are still value accretive and contributed to the end-user service revenue growth of 6%.

Within TV, the digital switch was successfully executed in the quarter, increasing broadband capacity for our customers. We had a positive net intake in the quarter, but just like in Q2 the end-user service revenue decline within TV was elevated due to loss of premium content, which was only partly recovered in the latter part of the quarter.

	Jul-Sep 2020	Jul-Sep 2019	Sep 30 2020	Sep 30 2019	Organic %
RGUs (thousands)	Net intake		RGU base		
Mobile	49	34	2,984	2,992	0%
– Postpaid	18	23	1,941	1,863	4%
– Prepaid	31	11	1,043	1,128	-8%
Fixed	-2	-10	2,138	2,181	-2%
– Fixed broadband	11	11	904	863	5%
– Digital TV	-2	-9	992	1,032	-4%
– Cable & Fiber	7	1	664	664	0%
– DTT	-9	-10	328	368	-11%
– Fixed telephony & DSL	-11	-12	243	286	-15%
Addressable fixed footprint	30	41	3,405	3,290	3%

	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
ASPU (SEK)						
Mobile	165	163	1%	160	158	1%
– Postpaid	208	211	-1%	205	206	0%
– Prepaid	83	85	-2%	79	80	-2%
Fixed	225	232	-3%	226	232	-3%
– Fixed broadband	248	246	1%	247	247	0%
– Digital TV	236	255	-7%	240	256	-7%
– Cable & Fiber	209	228	-8%	212	233	-9%
– DTT	290	304	-4%	293	297	-1%
– Fixed telephony & DSL	98	109	-10%	101	109	-8%
Revenue (SEK million)						
Mobile	1,463	1,458	0%	4,284	4,224	1%
– Postpaid	1,207	1,173	3%	3,529	3,407	4%
– Prepaid	256	285	-10%	755	817	-8%
Fixed	1,447	1,521	-5%	4,385	4,584	-4%
– Fixed broadband	669	632	6%	1,976	1,876	5%
– Digital TV	704	794	-11%	2,171	2,408	-10%
– Cable & Fiber	415	454	-9%	1,269	1,384	-8%
– DTT	289	340	-15%	902	1,025	-12%
– Fixed telephony & DSL	73	96	-24%	238	300	-21%
Landlord & Other	174	177	-2%	523	531	-1%
End-user service revenue	3,083	3,156	-2%	9,192	9,339	-2%
Operator revenue	172	204		500	614	
Equipment revenue	445	493		1,430	1,467	
Revenue	3,700	3,853	-4%	11,123	11,421	-3%

Sweden Business

Competition remained intense with price pressure within the SME and LE sector where all players focus on defending the customer base. Within SME we continued executing on our strategy to improve commercial capabilities through cross-selling and upselling and improve internal efficiency in our channels. Within the large enterprise segment, we have continued the modernization of the production platforms which aim to consolidate and further streamline delivery and improve profitability.

Lower contract activation, as a result of higher uncertainty related to the pandemic, led to a negative mobile net intake. New contracts signed include Dustin, Anticimex, Skatteverket and Region Södermanland.

Total end-user service revenue declined by 8% due to continued price pressure and decline in legacy fixed services, along with lower international roaming revenue and contract activation due to the pandemic.

The decline in wholesale revenue was primarily related to less roaming.

Sweden Business

	Jul-Sep 2020	Jul-Sep 2019		Sep 30 2020	Sep 30 2019	Organic %
RGUs (thousands)	Net intake			RGU base		
Mobile (excluding IoT) – Postpaid	-4	4		936	916	2%
	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
ASPU (SEK)						
Mobile (excluding IoT) – Postpaid	139	161	-13%	147	165	-11%
Revenue (SEK million)						
Mobile	455	490	-7%	1,400	1,472	-5%
Fixed	235	271	-13%	742	842	-12%
Solutions	250	257	-3%	778	803	-3%
End-user service revenue	940	1,018	-8%	2,920	3,116	-6%
Operator revenue	19	32		90	91	
Equipment revenue	347	340		1,167	1,166	
Revenue	1,306	1,390	-6%	4,176	4,373	-5%

Sweden Wholesale

Financials SEK million	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
Operator revenue	237	246		729	719	
Internal sales	1	1		4	12	
Revenue	238	247	-3%	733	731	0%

Baltics

Lithuania

Tele2 Lithuania saw commercial activities recovering during the quarter and equipment sales getting back to pre-pandemic levels, while international roaming revenue was still negatively affected by the pandemic. During the quarter Tele2 Lithuania was also recognized by the Lithuanian network regulation authority to have the 4G network with best coverage.

Mobile net intake was positive across all services, but primarily driven by recovery within prepaid.

Mobile ASPU increased by 10% in local currency, driven by more-for-more prolongation campaigns within each customer segment.

End-user service revenue increased by 9%, mainly driven by the rapid ASPU improvement. Underlying EBITDAaL increased by 14% in local currency, thanks to increased end-user service revenue, better equipment margins and disciplined cost management.

	Jul-Sep 2020	Jul-Sep 2019	Sep 30 2020	Sep 30 2019	Organic %
RGUs (thousands)	Net intake		RGU base		
Mobile	36	26	1,889	1,902	-1%

	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
ASPU (EUR)						
Mobile	7.1	6.5	10%	6.7	6.2	9%
Revenue (SEK million)						
End-user service revenue	414	391	9%	1,212	1,110	9%
Operator revenue	69	66		197	189	
Equipment revenue	240	225		608	624	
Internal sales	11	10		35	30	
Revenue	734	692	9%	2,052	1,953	5%
Underlying EBITDA	287	259		830	763	
Underlying EBITDAaL	270	243	14%	780	717	9%
Underlying EBITDAaL margin	37%	35%		38%	37%	
Capex	34	37		103	104	
Capex excluding spectrum and leases	27	31		72	88	
Capex excluding spectrum and leases / revenue	4%	5%		4%	4%	

Latvia

Tele2 Latvia saw commercial activities recovering during the quarter and customers' appetite for equipment returning, while international roaming was still hampered by the pandemic.

Mobile net intake was positive in all services, yet fueled by some seasonal tailwind within prepaid. Mobile ASPU increased by 7% in local currency, as we have been able to monetize the growth in data consumption.

End-user service revenue increased by 6% in local currency, primarily related to the ASPU increase.

Underlying EBITDAaL increased by 11% in local currency, driven by increased end-user service revenue, improved equipment margins and cost-savings initiated to mitigate COVID-19 headwinds. Gain from sale of bad debt improved underlying EBITDAaL by SEK 8 million in Q3 2020 and SEK 17 million in Q3 2019.

	Jul-Sep 2020	Jul-Sep 2019	Sep 30 2020	Sep 30 2019	Organic %
RGUs (thousands)	Net intake		RGU base		
Mobile	34	1	976	963	1%

	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
ASPU (EUR)						
Mobile	7.7	7.2	7%	7.4	7.0	5%
Revenue (SEK million)						
End-user service revenue	229	222	6%	675	640	6%
Operator revenue	46	52		135	146	
Equipment revenue	94	88		217	235	
Internal sales	9	5		29	15	
Revenue	378	367	6%	1,055	1,036	2%
Underlying EBITDA	171	158		450	423	
Underlying EBITDAaL	160	148	11%	418	395	6%
Underlying EBITDAaL margin	42%	40%		40%	38%	
Capex	34	32		106	193	
Capex excluding spectrum and leases	22	26		62	95	
Capex excluding spectrum and leases / revenue	6%	7%		6%	9%	

Estonia

We are pleased to see that the turnaround of the Estonian operation progresses well, with many consecutive quarters of strong performance, both in terms of topline and profitability.

Commercial activities recovered during the quarter, while international roaming revenue was still negatively affected by the pandemic.

Mobile net intake was solid in the quarter, both within the consumer and business segment.

Mobile ASPU increased by 6% in local currency, achieved through upselling and continued gradual reduction of legacy discounts.

End-user service revenue increased by 5% in local currency, driven by growth in ASPU. Underlying EBITDAaL increased by 8% in local currency, thanks to the solid end-user service revenue growth.

	Jul-Sep 2020	Jul-Sep 2019		Sep 30 2020	Sep 30 2019	Organic %
RGUs (thousands)	Net intake			RGU base		
Mobile	10	0		438	440	0%
	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
ASPU (EUR)						
Mobile	9.0	8.5	6%	8.7	8.0	8%
Revenue (SEK million)						
End-user service revenue	128	125	5%	378	352	7%
Operator revenue	30	33		97	98	
Equipment revenue	50	50		124	132	
Internal sales	2	1		6	4	
Revenue	210	210	3%	605	587	3%
Underlying EBITDA	64	57		179	151	
Underlying EBITDAaL	48	45	8%	130	116	12%
Underlying EBITDAaL margin	23%	22%		22%	20%	
Capex	24	25		84	81	
Capex excluding spectrum and leases	20	19		60	57	
Capex excluding spectrum and leases / revenue	9%	9%		10%	10%	

Other markets

Germany

The RGU base continued to decline in line with previous trends, with a net intake of -10,000 in the quarter, leading to a closing RGU base of 226,000 (266,000).

End-user service revenue was reduced by 11% organically as a result. Underlying EBITDAaL decreased by 22%, due to the declining topline.

Financials SEK million	Jul-Sep 2020	Jul-Sep 2019	Organic %	Jan-Sep 2020	Jan-Sep 2019	Organic %
End-user service revenue	95	110	-11%	304	347	-12%
Equipment revenue	0	0		1	1	
Revenue	96	111	-11%	306	349	-12%
Underlying EBITDA	39	51		123	161	
Underlying EBITDAaL	39	51	-22%	122	161	-24%
Underlying EBITDAaL margin	40%	46%		40%	46%	

Associated companies

Associated companies are accounted for in accordance with the equity method. This means that Tele2's share of the company's profit or loss after tax is reported under Operating profit, along with amortization of the Group surplus values.

The Netherlands

Tele2 owns 25% of T-Mobile Netherlands. This section shows 100% of the company, as reported by Deutsche Telekom¹⁾.

During Q2 2020 T-Mobile Netherlands (TMNL) continued to attract new customers across all services. Revenue increased by 5% with growth in both consumer and B2B, despite roaming headwinds.

Underlying EBITDAaL increased by 22%, largely related to the topline growth and successful execution of synergies from the merger between TMNL and Tele2 Netherlands.

In July 2020, TMNL successfully acquired spectrum in the 700, 1,400 and 2,100 MHz bands for EUR 400 million in total.

	Apr-Jun 2020	Apr-Jun 2019	Jun 30 2020	Jun 30 2019	Organic %
Customers (thousand)	Net intake		Customer base		
Mobile Communications					
- Contract	50	77	5,306	5,026	6%
- Prepaid	5	-4	435	429	1%
Fixed Network					
- Fixed network Access Lines			644	578	11%
- Broadband Customers			628	562	12%

	Apr-Jun 2020	Apr-Jun 2019	Organic %	Jan-Jun 2020	Jan-Jun 2019	Organic %
ARPU (EUR)						
Contract	16	17	-6%	16	17	-6%
Prepaid	2	3	-33%	2	3	-33%
Financials (EUR million)²⁾						
Service revenue - Mobile communications	268	262	2%	536	517	4%
Product view	480	458	5%	956	918	4%
- Fixed network	97	90	8%	192	179	7%
- Mobile communications	383	368	4%	765	739	4%
Segment view	480	458	5%	956	918	4%
- of which Consumer	359	339	6%	714	680	5%
- of which Business	98	95	3%	196	195	1%
Total revenue	480	458	5%	956	918	4%
EBITDA	163	137	19%	320	284	13%
EBITDAaL	143	117	22%	278	240	16%
EBITDAaL margin	30%	26%		29%	26%	
Cash capex	70	62	13%	143	124	15%
Net debt				1,812		
- of which lease obligations				972		

¹⁾ As reported by Deutsche Telekom in the financial results for the second quarter 2020 on August 13, 2020 (except net debt, which reflects the TMNL position and includes intragroup debt). Definitions and accounting rules may differ from Tele2 Group reporting.

²⁾ Financials are adjusted for special factors.

Other items

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors. The current spread of COVID-19 makes the importance of the services we provide greater than ever before. Nevertheless, this global pandemic adds uncertainty to our financial performance in the short term. As a consequence of the pandemic, we increased our bad debt provisions in Q1 2020. So far, realized credit losses have not increased materially, but we believe it is still too early to release these provisions. As our business model is resilient, the valuation of our segments shows no need for impairment, and when evaluating the credit market, we conclude that we have the ability to comfortably fund our business.

In the long term, the risk factors considered to be most significant to Tele2's future development are spectrum auctions, regulation, market competitiveness and changing technology, strategy implementation and integration, network and IT infrastructure and quality, data protection and cyber security, external relationships, suppliers and joint ventures, customer

churn, recruitment of skilled personnel, geopolitical conditions, environmental costs, corruption and unethical business practices and financial risks such as currency risk, interest risk, liquidity risk, credit risk, risks related to tax matters and impairment of assets. Please refer to Tele2's 2019 Annual Report (Administration report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

Other

Tele2 will release its financial and operating results for the period ending December 31, 2020 on February 2, 2021.

Auditors' review report

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

Board's assurance

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

Stockholm, October 20, 2020
Tele2 AB

Carla Smits-Nusteling
Chairman

Andrew Barron
Deputy Chairman

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Georgi Ganev

Lars-Åke Norling

Kjell Johnsen
President and CEO

Q3 2020 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 Tuesday, October 20, 2020. The presentation will be held in English and also made available as a webcast on Tele2's website: www.tele2.com.

This information is information that Tele2 AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 07:00 am CET on October 20, 2020.

Dial-in information:

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

Dial-in numbers:

SE: +46 (0) 8 50 69 21 80
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Condensed consolidated income statement

SEK million	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Revenue	2	6,639	6,852	19,976	20,389
Cost of services provided and equipment sold	2.3	-3,608	-3,869	-11,206	-12,242
Gross profit		3,031	2,984	8,769	8,147
Selling expenses	2.3	-1,024	-1,017	-3,373	-3,233
Administrative expenses	2.3	-498	-628	-1,636	-1,996
Result from shares in associated companies and joint ventures		24	-15	56	-78
Other operating income		89	79	254	231
Other operating expenses	3	-49	-36	-137	-227
Operating profit	3	1,573	1,367	3,934	2,845
Interest income		5	7	15	21
Interest expenses		-119	-123	-380	-365
Other financial items		-14	14	-40	21
Profit after financial items		1,446	1,265	3,530	2,522
Income tax		-283	-284	-691	-710
Net profit, continuing operations		1,162	981	2,839	1,811
Net profit discontinued operations	9	53	57	450	2,380
Net profit, total operations		1,215	1,038	3,290	4,191
Continuing operations					
<i>Attributable to:</i>					
Equity holders of the parent company		1,162	981	2,839	1,811
Net profit, continuing operations		1,162	981	2,839	1,811
Earnings per share (SEK)	7	1.68	1.42	4.12	2.63
Earnings per share, after dilution (SEK)	7	1.68	1.42	4.11	2.62
Total operations					
<i>Attributable to:</i>					
Equity holders of the parent company		1,215	1,037	3,290	4,061
Non-controlling interests		—	1	—	130
Net profit, total operations		1,215	1,038	3,290	4,191
Earnings per share (SEK)	7	1.76	1.51	4.78	5.91
Earnings per share, after dilution (SEK)	7	1.76	1.50	4.76	5.88

Condensed consolidated comprehensive income

SEK million	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
NET PROFIT		1,215	1,038	3,290	4,191
Components not to be reclassified to net profit					
Pensions, actuarial gains/losses		12	-47	53	-145
Pensions, actuarial gains/losses, tax effect		-3	10	-11	30
Components not to be reclassified to net profit/loss		10	-37	42	-114
Components that may be reclassified to net profit					
Translation differences in foreign operations		38	121	108	430
Tax effect on above		—	-6	-4	-38
Reversed cumulative translation differences from divested companies	9	—	1	352	-263
Tax effect on above	9	—	—	-158	-168
Translation differences in associated companies		41	115	72	347
Translation differences		79	231	370	308
Hedge of net investments in foreign operations		-20	-55	-35	-147
Tax effect on above		4	12	7	32
Reversed cumulative hedge from divested companies	9	—	—	-143	721
Tax effect on above	9	—	—	41	-169
Hedge of net investments		-15	-44	-129	436
Exchange rate differences		63	187	241	744
Profit arising on changes in fair value of hedging instruments		7	7	19	10
Reclassified cumulative profit/loss to income statement		-5	-4	-17	-6
Tax effect on cash flow hedges		-0	-0	-1	4
Cash flow hedges		1	3	2	8
Components that may be reclassified to net profit/loss		65	191	243	752
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		74	154	285	638
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,289	1,192	3,575	4,829
<i>Attributable to:</i>					
Equity holders of the parent company		1,289	1,191	3,575	4,850
Non-controlling interests		—	1	—	-21
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,289	1,192	3,575	4,829

Condensed consolidated balance sheet

SEK million	Note	Sep 30 2020	Dec 31 2019
ASSETS			
Goodwill		29,769	29,744
Other intangible assets		17,601	18,397
Intangible assets		47,369	48,140
Tangible assets		7,395	7,900
Right-of-use assets		5,031	5,713
Shares in associated companies and joint ventures		7,113	6,983
Other financial assets	4	792	756
Capitalized contract costs		472	374
Deferred tax assets		194	330
Non-current assets		68,366	70,197
Inventories		732	710
Current receivables		5,510	5,715
Cash and cash equivalents	5	4,800	448
Current assets		11,043	6,874
Assets classified as held for sale	9	—	2,713
TOTAL ASSETS		79,408	79,784
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent company		32,235	34,805
Equity	7	32,235	34,805
Interest-bearing liabilities	4	25,934	27,752
Non-interest-bearing liabilities		4,178	4,360
Non-current liabilities		30,112	32,112
Interest-bearing liabilities	4	6,444	5,066
Non-interest-bearing liabilities		10,406	6,379
Current liabilities		16,850	11,445
Liabilities directly associated with assets classified as held for sale	9	211	1,421
TOTAL EQUITY AND LIABILITIES		79,408	79,784

Condensed consolidated cash flow statement

Total operations SEK million	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Operating activities					
Net profit		1,215	1,038	3,290	4,191
Adjustments for non-cash items in net profit		1,357	1,552	3,576	2,969
Changes in working capital		77	61	64	93
Cash flow from operating activities		2,649	2,651	6,930	7,253
Investing activities					
Additions to intangible and tangible assets		-649	-551	-2,020	-2,942
Acquisition and sale of shares and participations	8	10	-6	2,143	4,689
Other financial assets, lending		0	2	-3	-3
Cash flow from investing activities		-638	-555	119	1,744
Financing activities					
Proceeds from loans		75	144	1,865	4,031
Repayments of loans		-561	-1,245	-2,674	-7,611
Dividends paid	7	—	-4,127	-1,894	-5,639
Cash flow from financing activities		-486	-5,228	-2,703	-9,219
Net change in cash and cash equivalents		1,525	-3,132	4,346	-221
Cash and cash equivalents at beginning of period		3,265	3,713	448	404
Exchange rate differences in cash and cash equivalents		11	26	7	425
Cash and cash equivalents at end of the period	5	4,800	607	4,800	607

Condensed consolidated statements of changes in equity

Total operations SEK million	Note	Sep 30, 2020							
		Attributable to equity holders of the parent company					Total	Non- controlling interests	Total equity
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings			
Equity at January 1		863	27,378	-207	3,306	3,465	34,805	—	34,805
Net profit		—	—	—	—	3,290	3,290	—	3,290
Other comprehensive income for the period, net of tax		—	—	-127	370	42	285	—	285
Total comprehensive income for the period		—	—	-127	370	3,332	3,575	—	3,575
Other changes in equity									
Share-based payments	7	—	—	—	—	46	46	—	46
Share-based payments, tax effect	7	—	—	—	—	7	7	—	7
Dividends	7	—	—	—	—	-6,198	-6,198	—	-6,198
Equity at end of the period		863	27,378	-334	3,676	652	32,235	—	32,235

Total operations SEK million	Note	Sep 30, 2019							
		Attributable to equity holders of the parent company					Total	Non- controlling interests	Total equity
		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings			
Equity at January 1		863	27,378	-734	3,252	5,576	36,334	28	36,362
Net profit		—	—	—	—	4,061	4,061	130	4,191
Other comprehensive income for the period, net of tax		—	—	444	460	-114	789	-152	638
Total comprehensive income for the period		—	—	444	460	3,947	4,850	-21	4,829
Other changes in equity									
Share-based payments	7	—	—	—	—	80	80	—	80
Share-based payments, tax effect	7	—	—	—	—	17	17	—	17
Dividends	7	—	—	—	—	-7,152	-7,152	—	-7,152
Divestment of non-controlling interest	9	—	—	—	—	—	—	-7	-7
Equity at end of the period		863	27,378	-291	3,711	2,466	34,129	—	34,129

Parent company

Condensed income statement

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020 ¹⁾	Jan-Sep 2019
Revenue	10	10	31	29
Administrative expenses	-45	-42	-125	-123
Other operating expenses	7	16	3	-94
Operating loss	-28	-16	-91	-188
Dividend from group company	22,000	—	22,000	—
Interest revenue and similar income	37	38	113	114
Interest expense and similar costs	-338	-152	-1,212	-437
Profit/loss after financial items	21,671	-129	20,810	-511
Tax on profit/loss	73	27	255	105
Net profit/loss	21,744	-102	21,065	-406

¹⁾ The income statement of the Parent company for 2020 has been adjusted retroactively to reflect the merger between the Parent company and two of its subsidiaries in Q3, please refer to Note 4.

Condensed balance sheet

SEK million	Note	Sep 30 2020	Dec 31 2019
ASSETS			
Financial assets	4	71,777	47,291
Non-current assets		71,777	47,291
Current receivables		651	5,391
Cash and cash equivalents		1	8
Current assets		652	5,399
TOTAL ASSETS		72,429	52,690
EQUITY AND LIABILITIES			
Restricted equity	7	5,848	5,848
Unrestricted equity	7	36,529	21,611
Equity		42,378	27,460
Interest-bearing liabilities	4	20,569	21,644
Non-current liabilities		20,569	21,644
Interest-bearing liabilities	4	5,025	3,367
Non-interest-bearing liabilities	4	4,457	220
Current liabilities		9,482	3,586
TOTAL EQUITY AND LIABILITIES		72,429	52,690

Notes

NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim financial information for the Group for the nine and three month period ended September 30, 2020 has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 *Reporting for legal entities* and other statements issued by the Swedish Financial Reporting Board. In all respects other than those described below, Tele2 has presented the financial statements for the period ended September 30, 2020 in accordance with the accounting policies and principles applied in the 2019 Annual Report. The description of these principles and definitions is found in Note 1 in the Annual Report 2019.

The amendments to IFRSs applicable from January 1, 2020 have no effects to Tele2's financial reports for the nine month period ended September 30, 2020.

From January 1, 2020 Tele2 changed the measure of segment profit/loss to underlying EBITDAaL, please refer to the section Non-IFRS measures for the definition. In addition, the definition for operating cash flow (OCF) has been changed and is calculated as underlying EBITDAaL less capex excluding spectrum and leases.

Figures presented in this report refer to July 1 – September 30 (Q3), 2020 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2019.

NOTE 2 REVENUE AND SEGMENTS

Revenue per segment

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Sweden	5,244	5,490	16,032	16,525
Lithuania	734	692	2,052	1,953
Latvia	378	367	1,055	1,036
Estonia	210	210	605	587
Germany	96	111	306	349
Total including internal sales	6,662	6,871	20,049	20,450
Internal sales, elimination	-23	-18	-73	-61
TOTAL	6,639	6,852	19,976	20,389

Internal sales

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Sweden	1	1	4	12
Lithuania	11	10	35	30
Latvia	9	5	29	15
Estonia	2	1	6	4
TOTAL	23	18	73	61

Revenue split per category

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Sweden Consumer				
End-user service revenue	3,083	3,156	9,192	9,339
Operator revenue	172	204	500	614
Equipment revenue	445	493	1,430	1,467
Total	3,700	3,853	11,123	11,421
Sweden Business				
End-user service revenue	940	1,018	2,920	3,116
Operator revenue	19	32	90	91
Equipment revenue	347	340	1,167	1,166
Total	1,306	1,390	4,176	4,373
Sweden Wholesale				
Operator revenue	237	246	729	719
Internal sales	1	1	4	12
Total	238	247	733	731
Lithuania				
End-user service revenue	414	391	1,212	1,110
Operator revenue	69	66	197	189
Equipment revenue	240	225	608	624
Internal sales	11	10	35	30
Total	734	692	2,052	1,953
Latvia				
End-user service revenue	229	222	675	640
Operator revenue	46	52	135	146
Equipment revenue	94	88	217	235
Internal sales	9	5	29	15
Total	378	367	1,055	1,036
Estonia				
End-user service revenue	128	125	378	352
Operator revenue	30	33	97	98
Equipment revenue	50	50	124	132
Internal sales	2	1	6	4
Total	210	210	605	587
Germany				
End-user service revenue	95	110	304	347
Equipment revenue	0	0	1	1
Total	96	111	306	349
Internal sales, elimination	-23	-18	-73	-61
CONTINUING OPERATIONS				
End-user service revenue	4,888	5,022	14,679	14,904
Operator revenue	573	633	1,749	1,858
Equipment revenue	1,178	1,197	3,548	3,626
TOTAL	6,639	6,852	19,976	20,389

Underlying EBITDAaL

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Sweden	2,028	2,016	5,666	5,613
Lithuania	270	243	780	717
Latvia	160	148	418	395
Estonia	48	45	130	116
Germany	39	51	122	161
Other	-34	-36	-102	-95
TOTAL	2,510	2,467	7,013	6,906

NOTE 3 OPERATING PROFIT

Reconciling items to reported operating profit/loss

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Underlying EBITDAaL	2,510	2,467	7,013	6,906
Reversal lease depreciation and interest	311	315	933	925
Underlying EBITDA	2,821	2,783	7,946	7,830
Acquisition costs	-2	15	-6	-71
Restructuring costs	-55	-87	-207	-469
Disposal of non-current assets	-12	0	-14	-3
Other items affecting comparability	109	-3	109	-64
Items affecting comparability	40	-75	-119	-607
EBITDA	2,861	2,708	7,827	7,223
Depreciation/amortization	-1,311	-1,311	-3,949	-3,833
Impairment	—	-16	—	-468
Result from shares in associated companies and joint ventures	24	-15	56	-78
Operating profit	1,573	1,367	3,934	2,845

Acquisition costs

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Com Hem, Sweden	-0	20	-0	-54
Other	-2	-5	-6	-17
Acquisition costs¹⁾	-2	15	-6	-71

¹⁾ Reported as other operating expenses

Restructuring costs

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Redundancy costs	-34	-41	-104	-344
Other employee and consultancy costs	-10	-14	-45	-81
Exit of contracts and other costs	-11	-31	-59	-43
Restructuring costs	-55	-87	-207	-469
Reported as:				
– Cost of services provided	-10	-31	-30	-123
– Selling expenses	-40	-13	-108	-182
– Administrative expenses	-5	-43	-69	-163

Disposal of non-current assets

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

Other items affecting comparability

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Provision for roaming dispute, Sweden	—	-3	—	-59
Provision for legal dispute, Sweden	109	—	109	—
Adjustment of expected credit loss rate, Lithuania	—	—	—	18
Incentive program: adjustment of performance level	—	—	—	-23
Total	109	-3	109	-64
Reported as:				
– Costs of services provided	109	-3	109	-62
– Selling expenses	—	0	—	11
– Administrative expenses	—	-0	—	-13

Impairment

In Q3 2019, an impairment of SEK 13 million was recognized related to IoT. Please refer to the 2019 Annual Report for further information.

NOTE 4 FINANCIAL ASSETS AND LIABILITIES

As of the date of this report, Tele2 has a credit facility with a syndicate of ten banks maturing in 2024.

In June 2020, Tele2 issued SEK 1.7 billion of five year bonds. The issuance was divided in a floating rate tranche of SEK 1.2 billion with a coupon of STIBOR 3m +1.2 percentage points and a fixed rate tranche of SEK 500 million with a coupon of 1.375 percent. The notes have been issued under

Tele2's EMTN program and are listed for trading on the Luxembourg Stock Exchange.

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds, lease liabilities and accounts payables. For the category "Liabilities to financial institutions and similar liabilities" the reported value amounted on September 30, 2020 to SEK 25,496 (December 31, 2019: 24,899) million and the fair value to SEK 26,311 (December 31, 2019: 25,652) million.

During the first nine months 2020, 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.

Parent company

During the second and third quarter of 2020, Group internal company restructurings were carried out, with the subsidiary Com Hem AB merging with Tele2 Sverige AB and the subsidiaries Com Hem Sweden AB and Tele2 Holding AB merging with the parent company Tele2 AB. As a result of the restructuring, Tele2 AB's shares in subsidiaries increased by SEK 22 billion with a corresponding increase in net debt to Group companies. The transaction has had no effect on the Group's financial statements.

NOTE 5 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations (Svenska UMTS-nät AB and Net4Mobility HB, Sweden and SIA Centuria, Latvia), for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at September 30, 2020 to SEK 23 million (December 31, 2019: SEK 65 million). Other transactions with joint operations and other related parties are presented in Note 37 of the 2019 Annual Report.

NOTE 6 CONTINGENT LIABILITIES

Total operations SEK million	Sep 30 2020	Dec 31 2019
Tax deduction exchange loss	354	350
Total contingent liabilities	354	350

On April 1, 2019 Tele2 was notified that the Swedish Tax Agency rejects Tele2's claim for a deduction of an exchange loss of SEK 1.8 billion related to a conversion of a shareholder loan to Tele2 Kazakhstan from USD to Kazakh Tenge in connection to the establishment of Tele2's previously jointly owned company in Kazakhstan. The tax authority has in September 2019 partly accepted the claimed deduction with SEK 0.7 billion. The additional tax claim on the remainder amounts to SEK 241 million and a tax surcharge and interest of SEK 113 million. Tele2 has appealed the decision and assesses it as probable that the appeal will be successful. No provision has been recognized.

NOTE 7 EQUITY, NUMBER OF SHARES AND INCENTIVE PROGRAMS

Number of shares

	Sep 30 2020	Dec 31 2019
Total number of shares	690,341,597	690,341,597
Number of treasury shares	-1,714,023	-2,411,044
Number of outstanding shares	688,627,574	687,930,553
Number of outstanding shares, weighted average	688,313,640	687,532,589
Number of shares after dilution	692,499,507	691,192,229
Number of shares after dilution, weighted average	691,083,309	690,751,970

As a result of share rights in the LTI 2017 being exercised during Q2 2020, Tele2 delivered 683,346 B-shares in treasury shares to the participants in the program. As a result of early vesting of the LTI 2017–2019 being exercised in Q1 2020, Tele2 delivered 13,675 B-shares in treasury shares to some of the participants in the program at a weighted average share price of SEK 137.62.

In Q1 and Q3 2020, 20,517 and 18,788 respectively of class A shares were reclassified into class B shares. Changes in shares during previous year are stated in Note 25 in the 2019 Annual Report.

Outstanding share right programs

	Sep 30 2020	Dec 31 2019
LTI 2020	1,481,000	—
LTI 2019	1,266,279	1,395,024
LTI 2018	1,124,654	1,154,334
LTI 2017	—	712,318
Total outstanding share rights	3,871,933	3,261,676

All outstanding long-term incentive programs (LTI 2018, LTI 2019 and LTI 2020) are based on the same structure, except for that LTI 2020 have an operating cash flow performance measure. Additional information regarding the objective, conditions and requirements related to the LTI programs is stated in Note 33 of the 2019 Annual Report. During the nine months in 2020, the total cost including social security costs for the long-term incentive programs (LTI) amounted to SEK 73 (125) million before tax, whereof items affecting comparability SEK 0 (39) million.

LTI 2020

At the Annual General Meeting held on May 11, 2020, the shareholders approved a retention and performance based incentive program (LTI 2020) for senior executives and other key employees in the Tele2 Group. Subject to fulfilment of certain retention and performance based conditions during the periods January 1, 2020 – December 31, 2022 (the “Cash flow Measurement Period”) and April 1, 2020 – March 31, 2023 (the “TSR Measurement Period”) and the participant maintaining the invested shares at the release of the interim report for January – March 2023 and, with certain exceptions, maintaining the employment within the Tele2 Group, each right entitles the participant to receive one Tele2 share free of charge. Total costs before tax for outstanding rights in the incentive program are expensed over the three year vesting period. These costs are expected to amount to SEK 120 million, of which social security costs amount to SEK 42 million. To ensure the delivery of Class B shares under the program, the Annual General Meeting decided to authorize the Board of Directors to resolve on a directed share issue of a maximum of 3,000,000 Class C shares and subsequently to repurchase the Class C shares. The Board of Directors has not yet used its mandate.

The Extraordinary General Meeting held on September 11, 2020, resolved to deliver Class B shares under LTI 2020 by authorizing the Board to resolve on transfer of own Class B shares to the participants under LTI 2020 and to the participants in other outstanding equity-related incentive programmes. In addition, the EGM resolved that Kjell Johnsen, new president and CEO of the Tele2 Group, shall be included as participant in LTI 2020 and entitled to receive the same rights under LTI 2020 as the CEO was entitled to pursuant to the resolution by the AGM on 11 May, 2020.

LTI 2017

The exercise of the share rights in LTI 2017 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2017 until March 31, 2020. The outcome of these performance conditions was in accordance with below and the outstanding share rights of 683,346 have been exchanged for shares in Tele2 during Q2 2020.

Series	Retention and performance-based conditions	Minimum hurdle (20%)	Stretch targets (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		>=0%	86.0%	100%
Series B	Average normalized Return on Capital Employed (ROCE)	5.5%	8%	15.2%	100%
Series C	Total Shareholder Return Tele2 (TSR) compared to a peer group	>0%	>=10%	91.4%	100%

Dividend

The Annual General Meeting held on May 11, 2020 resolved on a dividend of SEK 5.50 (4.40) per share in respect of the financial year 2019 to be paid in two equal tranches during 2020. This corresponds to a total of SEK 3.8 billion. The first dividend payment was distributed to the shareholders on May 18, 2020 amounting to SEK 1,894 (1,513) million, the second dividend payment was distributed to the shareholders on October 7, 2020. In addition, the Extraordinary General Meeting held on September 11, 2020 resolved on an extraordinary dividend of SEK 3.50 per share amounting to SEK 2.4 billion which was paid along with the second tranche of the ordinary dividend on October 7, 2020.

NOTE 8 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Acquisitions				
Mobile payments, Lithuania	—	-5	—	-9
Other minor acquisitions	-1	—	-6	—
Total acquisition of shares and participations	-1	-5	-6	-9
Divestments				
Tele2 Kazakhstan	—	-1	—	2,343
Tele2 Netherlands	—	-0	—	2,355
Tele2 Croatia	12	—	2,043	—
Earn out settlement Tele2 Austria	-1	—	99	—
Other minor divestments	-0	—	6	—
Total sale of shares and participations	11	-1	2,149	4,698
TOTAL CASH FLOW EFFECT	10	-6	2,143	4,689

Information on acquisitions and divestments made in 2019 is provided in the 2019 Annual Report in Note 15 and Note 36, respectively. For information on the discontinued operations in Croatia, please refer to Note 9.

NOTE 9 DISCONTINUED OPERATIONS

Tele2 Croatia

On May 31, 2019 Tele2 announced the agreement to sell its Croatian business to United Group, and on March 3, 2020 the divestment was completed. The net proceeds to Tele2 was SEK 2.0 billion. A capital gain of SEK 0.2 billion, or SEK 0.4 billion excluding exchange rate differences recycled from other comprehensive income, is reported. Tele2 Croatia is reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods.

Net assets at the time of divestment

SEK million	Croatia Mar 3, 2020
Other intangible assets	166
Tangible assets	835
Right-of-use assets	476
Financial assets	119
Capitalized contract costs	36
Deferred tax assets	54
Inventories	91
Current receivables	857
Cash and cash equivalents	32
Non-current provisions	-142
Non-current interest-bearing liabilities	-1,140
Current interest-bearing liabilities	-133
Current non-interest-bearing liabilities	-505
Divested net assets	747
Capital gain, excluding sales costs	584
Sales price	1,331
Repayment of loans	744
Less: cash in divested operations	-32
TOTAL CASH FLOW EFFECT	2,043

Income statement

All discontinued operations are included below. Tele2 Croatia was divested on March 3, 2020. Tele2 Netherlands and Tele2 Kazakhstan were divested in 2019. In Q3 2020, a positive effect of SEK 51 million was recognized related to the sold operation in the Netherlands, reflecting revised provisions connected to the transaction. The positive effect related to Austria refers to final settlement with Hutchison Drei Austria GmbH (Three Austria) for an earn-out attached to the divestment in 2017. Tele2 received the payment in January 2020.

Discontinued operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Revenue	-3	592	324	3,243
Cost of services provided and equipment sold	2	-324	-191	-1,871
Gross profit	-1	267	133	1,373
Selling expenses	1	-99	-56	-412
Administrative expenses	0	-47	-36	-211
Other operating income	-0	0	0	6
Other operating expenses	0	-1	-1	-2
Operating profit	-0	122	40	753
Interest income	—	0	—	3
Interest expenses	0	-3	-2	-94
Other financial items	—	-18	—	-147
Profit after financial items	-0	101	39	516
Income tax from the operation	0	-24	-8	-132
Net profit from the operation	-0	77	31	384
Profit/loss on disposal of operation including sales costs and cumulative exchange rate gain				
– of which Croatia	53	-20	303	1,659
– of which Netherlands, sold 2019	3	—	245	—
– of which Kazakhstan, sold 2019	51	-10	49	61
– of which Austria, sold 2017	—	-10	—	1,598
– of which Austria, sold 2017	-0	—	9	—
Income tax from capital gain	—	—	116	337
– of which Croatia	—	—	116	—
– of which Netherlands, sold 2019	—	—	—	47
– of which Kazakhstan, sold 2019	—	—	—	290
NET PROFIT	53	57	450	2,380
<i>Attributable to:</i>				
Equity holders of the parent company	53	57	450	2,250
Non-controlling interests	—	1	—	130
NET PROFIT	53	57	450	2,380
Earnings per share (SEK)	0.08	0.09	0.66	3.28
Earnings per share, after dilution (SEK)	0.08	0.08	0.65	3.26

Balance sheet

Liabilities associated with assets held for sale as of September 30, 2020 refer to provisions for price adjustments and similar for divested operations. As of December 31, 2019, the now divested Tele2 Croatia is also included.

Discontinued operations SEK million	Sep 30 2020	Dec 31 2019
ASSETS		
Other intangible assets	—	167
Intangible assets	—	167
Tangible assets	—	823
Right-of-use assets	—	468
Financial assets	—	115
Capitalized contract costs	—	37
Deferred tax assets	—	53
Non-current assets	—	1,663
Inventories	—	62
Current receivables	—	979
Current investments	—	9
Current assets	—	1,050
Assets classified as held for sale	—	2,713
LIABILITIES		
Interest-bearing liabilities	139	734
Non-current liabilities	139	734
Interest-bearing liabilities	69	129
Non-interest-bearing liabilities	4	559
Current liabilities	73	687
Liabilities directly associated with assets classified as held for sale	211	1,421

Cash flow statement

Discontinued operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Cash flow from operating activities	-8	145	5	663
Cash flow from investing activities	12	-45	2,105	4,428
Cash flow from financing activities	0	-934	-30	876
Net change in cash and cash equivalents	4	-834	2,080	5,967

Non-IFRS measures

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

EBITDA

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

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

Underlying EBITDA

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

Underlying EBITDA: EBITDA excluding items affecting comparability.

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

Underlying EBITDAaL and underlying EBITDAaL margin

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

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

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

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Operating profit	1,573	1,367	3,934	2,845
Reversal:				
Result from shares in associated companies and joint ventures	-24	15	-56	78
Depreciation and amortization	1,311	1,327	3,949	4,301
EBITDA	2,861	2,708	7,827	7,223
Reversal, items affecting comparability:				
Acquisition costs	2	-15	6	71
Restructuring costs	55	87	207	469
Disposal of non-current assets	12	-0	14	3
Other items affecting comparability	-109	3	-109	64
Total items affecting comparability	-40	75	119	607
Underlying EBITDA	2,821	2,783	7,946	7,830
Lease depreciation	-296	-296	-884	-866
Lease interest costs	-15	-20	-48	-59
Underlying EBITDAaL	2,510	2,467	7,013	6,906
Revenue	6,639	6,852	19,976	20,389
Revenue excluding items affecting comparability	6,639	6,852	19,976	20,389
Underlying EBITDAaL margin	38%	36%	35%	34%

Non-IFRS measures – Capex paid and capex

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

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

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

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
TOTAL OPERATIONS				
Additions to intangible and tangible assets	-649	-552	-2,022	-2,948
Sale of intangible and tangible assets	1	1	1	6
Capex paid	-649	-551	-2,020	-2,942
This period's unpaid capex and reversal of paid capex from previous period	-5	-3	167	872
Reversal received payment of sold intangible and tangible assets	-1	-1	-1	-6
Capex intangible and tangible assets	-654	-554	-1,855	-2,076
Additions to right-of-use assets	-164	-73	-602	-924
Capex	-818	-627	-2,457	-3,000
CONTINUING OPERATIONS				
Additions to intangible and tangible assets	-650	-509	-1,979	-2,680
Sale of intangible and tangible assets	1	1	1	6
Capex paid	-649	-508	-1,978	-2,674
This period's unpaid capex and reversal of paid capex from previous period	-4	3	139	929
Reversal received payment of sold intangible and tangible assets	-1	-1	-1	-6
Capex intangible and tangible assets	-654	-506	-1,839	-1,750
Additions to right-of-use assets	-164	-63	-581	-754
Capex	-818	-568	-2,420	-2,504

Non-IFRS measures – Operating cash flow

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

Operating cash flow: Underlying EBITDAaL less capex excluding spectrum and leases.

Continuing operations SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Underlying EBITDAaL	2,510	2,467	7,013	6,906
Capex excluding spectrum and leases	-654	-505	-1,839	-1,682
Operating cash flow	1,855	1,962	5,174	5,223

Non-IFRS measures – Equity free cash flow

Tele2 considers equity free cash flow to be relevant to present as it provides a view of funds generated from operating activities that also includes investments in intangible and tangible assets. Management believes that equity free cash flow is meaningful to investors because it is the measure of

the Group's funds available for acquisition related payments, dividends to shareholders, share repurchases and debt repayment.

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

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
TOTAL OPERATIONS				
Cash flow from operating activities	2,649	2,651	6,930	7,253
Capex paid	-649	-551	-2,020	-2,942
Amortization of lease liabilities	-263	-277	-916	-956
Equity free cash flow	1,738	1,823	3,994	3,355
CONTINUING OPERATIONS				
Cash flow from operating activities	2,657	2,506	6,925	6,590
Capex paid	-649	-508	-1,978	-2,674
Amortization of lease liabilities	-263	-248	-897	-842
Equity free cash flow	1,746	1,750	4,051	3,074

Non-IFRS measures – Net debt and economic net debt

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

Net debt: Interest-bearing non-current and current liabilities excluding provisions, less cash and cash equivalents, current investments, restricted cash and derivatives. Net debt includes equipment financing from Q2 2020.

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

Total operations SEK million	Sep 30 2020	Dec 31 2019
Interest-bearing non-current liabilities	25,934	27,752
Interest-bearing current liabilities	6,444	5,066
Reversal equipment financing	—	-139
Reversal provisions	-1,628	-1,774
Cash & cash equivalents, current investments and restricted funds	-4,801	-448
Derivatives	-380	-154
Net debt for assets classified as held for sale	—	513
Net debt	25,570	30,816
Reversal:		
Lease liabilities	-4,974	-6,111
Economic net debt	20,596	24,705

Organic

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

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

Reconciliation of proforma figures are presented in an excel document (Q3 2020-financials to the market) on Tele2's website www.tele2.com.



TELE2