

# **INTERIM REPORT SECOND QUARTER 2017**

**TELE2**

## Q2 2017 HIGHLIGHTS

- Accelerating mobile end-user service revenue growth of 18 percent, or 12 percent on a like-for-like<sup>1)</sup> basis
- 12 months rolling operating cash flow<sup>2)</sup> increased to SEK 3.1 billion, versus SEK 1.1 billion a year earlier
- Sweden EBITDA growth of 12 percent including TDC pro forma
- Netherlands mobile end-user service revenue growth of 45 percent in local currency
- Kazakhstan EBITDA margin expanded further to 22 percent
- 2017 financial guidance upgraded for the Group (see p.5)

### Key Financial Data

SEK million	Q2			H1		
	2017	2016	%	2017	2016	%
Net sales	7,988	6,668	20	15,863	13,114	21
Net sales, like-for-like <sup>1)</sup>	7,988	7,741	3	15,863	15,353	3
Mobile end-user service revenue	3,908	3,307	18	7,633	6,436	19
Mobile end-user service revenue, like-for-like <sup>1)</sup>	3,908	3,501	12	7,633	6,898	11
EBITDA	1,631	1,087	50	3,354	2,313	45
EBITDA, like-for-like <sup>1)</sup>	1,631	1,176	39	3,354	2,528	33
EBIT	656	191	243	1,353	346	291
EBIT excluding one-off items (Note 3)	724	286	153	1,530	806	90
Net profit/loss	278	-60	563	679	279	143
Earnings per share, after dilution (SEK)	0.59	0.08	638	1.47	0.88	67
Operating cash flow, rolling 12 months <sup>2)</sup>	3,121	1,120	179	3,121	1,120	179

Net sales Q2 2017

**7,988**  
SEK million

EBITDA Q2 2017

**1,631**  
SEK million

Figures presented in this report refer to Q2 2017 and continuing operations unless otherwise stated. Figures shown in parentheses refer to the comparable periods in 2016.

<sup>1)</sup> 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 figures 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.

<sup>2)</sup> Operating cash flow is a non-IFRS measurement defined by Tele2 as EBITDA less CAPEX.

# CEO Word, Q2 2017

It has been a productive quarter for Tele2 and a good quarter for our customers. We have launched new commercial propositions throughout our footprint to enable more freedom in data usage, forming the next step in our mission to liberate people to live a more connected life. It has also been a quarter of strong growth, with mobile end-user service revenues increasing by 12 percent on a like-for-like basis, an acceleration from the 10 percent we saw in Q1 and proof that we are successfully delivering on our promise to be the customer champion of connectivity.



Sweden and Baltics – together our Baltic Sea Challenger – delivered the solid cash flow that we expect from these businesses, with EBITDA growing by 14 percent including TDC pro forma, and operating cash flow increasing on a rolling 12 month basis by 20 percent to SEK 4.3 billion.

In Sweden, we have had a good response from customers to our new “Power 2” campaign and our new commercial offerings that were launched in April, with consumer mobile end-user service revenues rising by 8 percent in the quarter despite continued strong competition in the discount segment. Our B2B business has reported a slight like-for-like revenue decline this quarter as it has faced a price competitive Large Enterprise environment during our integration with TDC, while successfully returning to growth in the SME segment. Meanwhile, synergies from the TDC integration are ahead of plan, with all MVNO customers now migrated to our own network.

In the Baltics, mobile end-user service revenue growth accelerated to 13 percent in local currency in the quarter. We continue to drive 4G smartphone penetration, larger data buckets, and mobile broadband which enables fast internet connections to people living in areas with poor fixed-line coverage.

Our Investment Markets delivered even stronger growth: mobile end-user service revenue accelerated to 21 percent in Kazakhstan and 45 percent in the Netherlands, both in local currency. While we continue to invest, the negative operating cash flow in these markets has been reduced to SEK 1 billion on a rolling 12 months basis, versus an outflow of SEK 2.3 billion one year ago.

The quality of our 4G only network in the Netherlands, a market with some of the best networks in the world, is now on par with the competition only 1.5 years after its commercial launch. We have passed the milestone of having 50 percent of voice traffic on our own network, and 90 percent of the data. It is from this position of strength that we launched our new commercial propositions on May 17, offering flexibility and data freedom at prices that are market leading across the range, and in particular on larger SIM only data buckets, which the market is now moving towards. We are already seeing accelerating subscriber growth, having quickly doubled our market share of new SIM only subscribers, and an uptake of close to 70,000 Unlimited subscribers in just 6 weeks.

**“I am delighted with the strong set of financial results and business momentum that the Tele2 team has delivered in the first half of the year, as we pursue our mission to liberate people to live a more connected life.”**

In Kazakhstan, the network integration accelerated in the quarter and we have now integrated around 1,400 of the 1,700 sites that we intend to integrate. We also relaunched the Altel brand to establish it as the premium brand in the Kazakh market, and continue to promote higher ASPU bundled propositions to improve data monetization on both Tele2 and Altel brands. The business momentum continues, with a further increase in EBITDA margin to 22 percent.

Looking forward, we are raising our full-year EBITDA guidance to SEK 6.2–6.5 billion (SEK 5.9–6.2 billion), despite tough competition, an expected continuation of recent trends in our Swedish Large Enterprise segment, and the negative effects from Roam Like at Home in H2. This reflects strong progress in Kazakhstan, improved economics in the Netherlands, and good progress in both TDC and Altel integrations and Challenger Program across our footprint. Our investments will gather pace in H2, not least in Sweden and Kazakhstan, and we now expect CAPEX of SEK 3.6–3.9 billion for the full year (SEK 3.8–4.1 billion).

To conclude, I am delighted with the strong set of financial results and business momentum that the Tele2 team has delivered in the first half of the year, as we pursue our mission to liberate people to live a more connected life. This mission, and the strategic choices that support it, will continue to deliver sustainable and 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 311,000 (165,000) customers in Q2 2017. The customer net intake in mobile services amounted to 347,000 (196,000), mainly driven by Kazakhstan and the Netherlands. The fixed broadband customer base decreased by -14,000 (-5,000), with declines in Sweden, the Netherlands, Austria and Germany. As expected, the number of fixed telephony customers fell by -22,000 (-26,000). On June 30, 2017, the total customer base amounted to 16,940,000 (16,381,000).

**Net sales** in Q2 2017 amounted to SEK 7,988 (6,668) million. The increase in net sales is mainly explained by the inclusion of TDC in Sweden and strong mobile end-user service revenue growth in the Netherlands, Kazakhstan and the Baltics.

**Mobile end-user service revenue** in Q2 2017 amounted to SEK 3,908 (3,307) million. The increase compared to last year is mainly related to customer and ASPU growth in the Netherlands and Kazakhstan, as well as the inclusion of TDC Sweden.

**EBITDA** in Q2 2017 amounted to SEK 1,631 (1,087) million, which is equivalent to an EBITDA margin of 20 (16) percent. The increase compared to last year is mainly related to the inclusion of TDC in Sweden as well as higher profitability levels in the Netherlands and Kazakhstan. Fixed broadband in the Netherlands was negatively affected by a provision of SEK 64 million related to a court case against KPN (Note 3).

**EBIT** in Q2 2017 amounted to SEK 656 (191) million and SEK 724 (286) million excluding one-off items. EBIT was negatively affected by one-off items totaling SEK -68 (-95) million, consisting of costs related to the Challenger Program as well as integration costs for TDC in Sweden and Altel in Kazakhstan (Note 3).

**Profit before tax** in Q2 2017 amounted to SEK 477 (116) million. The increase compared to last year is mainly explained by a higher EBITDA.

**Net profit/loss** in Q2 2017 was SEK 278 (-60) million. Reported tax for Q2 2017 amounted to SEK -199 (-176) million. Tax payment affecting cash flow amounted to SEK -133 (-136) million during the quarter.

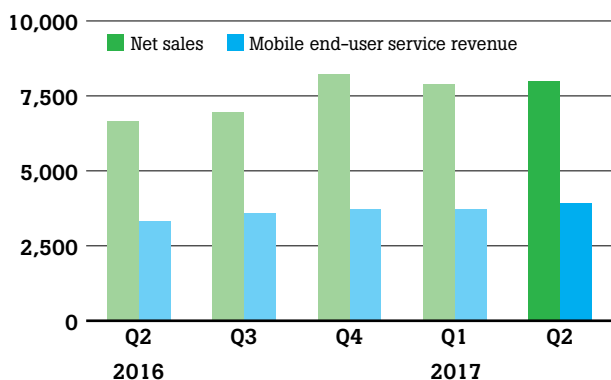
**Free cash flow** in Q2 2017 amounted to SEK 820 (139) million. The positive development compared to last year is mainly related to a higher EBITDA and changes in working capital.

**CAPEX** in Q2 2017 amounted to SEK 770 (820) million. Lower investments compared to last year chiefly related to the Netherlands.

**Net debt** amounted to SEK 12,445 (10,628) million and economic net debt amounted to SEK 12,023 (10,437) million on June 30, 2017 and December 31, 2016 respectively, or 1.91 times 12 months rolling EBITDA. Tele2's available liquidity amounted to SEK 9,948 (10,042) million.

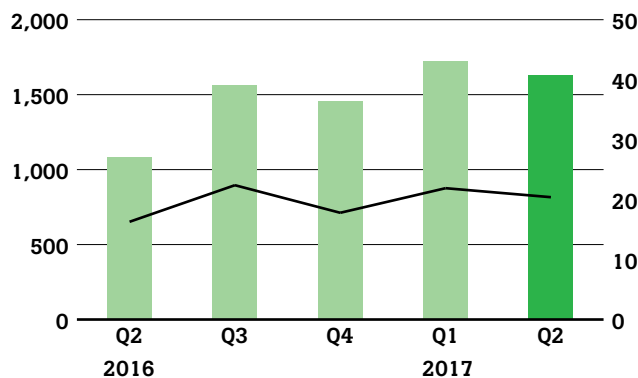
## Net sales and Mobile end-user service revenue

SEK million



## EBITDA/EBITDA margin

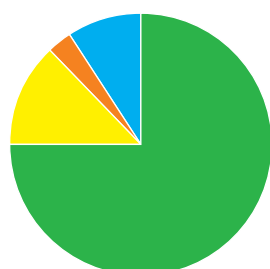
SEK million/Percent



## FINANCIAL SUMMARY

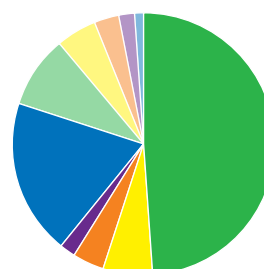
SEK million	Q2 2017	Q2 2016	FY 2016
<b>Mobile</b>			
Net customer intake (thousands)	347	196	384
Net sales	5,959	5,168	21,729
EBITDA	1,332	813	3,868
EBIT excl. one-off items (Note 3)	759	242	1,582
CAPEX	554	572	2,549
<b>Fixed broadband</b>			
Net customer intake (thousands)	-14	-5	-21
Net sales	1,052	917	3,838
EBITDA	135	148	764
EBIT excl. one-off items (Note 3)	-94	-27	10
CAPEX	99	113	629
<b>Fixed telephony</b>			
Net customer intake (thousands)	-22	-26	-122
Net sales	224	259	1,051
EBITDA	81	83	363
EBIT excl. one-off items (Note 3)	72	66	315
CAPEX	19	8	29
<b>Other operations</b>			
Net sales	753	324	1,674
EBITDA	83	43	339
EBIT excl. one-off items (Note 3)	-13	5	164
CAPEX	98	127	624
<b>Total</b>			
Net customer intake (thousands)	311	165	241
Net sales	7,988	6,668	28,292
EBITDA	1,631	1,087	5,334
EBIT excl. one-off items (Note 3)	724	286	2,071
EBIT	656	191	-1,219
CAPEX	770	820	3,831
EBT	477	116	-1,234
Net profit/loss	278	-60	-2,164
Cash flow from operating activities	1,674	993	5,017
Free cash flow	820	139	1,217

**Net sales per service area, Q2 2017**



Mobile	75%	Fixed telephony	3%
Fixed broadband	13%	Other	9%

**Net sales per country, Q2 2017**



Sweden	49%	Kazakhstan	9%
Lithuania	6%	Croatia	5%
Latvia	4%	Austria	3%
Estonia	2%	Germany	2%
Netherlands	19%	Other	1%

# Financial guidance

Tele2 AB updates its full-year 2017 guidance for continuing operations in constant currencies:

- Mobile end-user service revenue growth of mid-single digits (unchanged)
- Net sales between SEK 31 and 32 billion (unchanged)
- EBITDA between SEK 6.2 and 6.5 billion (previously SEK 5.9 and 6.2 billion)
- CAPEX between SEK 3.6 and 3.9 billion (previously 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 no more than SEK 1 billion, phased over 3 years. All program investments are, and will be, reported as one-off items, affecting EBIT. For more details, see Note 3.

## **Dividend policy**

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.

Pursuant to the approval received at the 2017 AGM, Tele2 has the authorization to repurchase up to 10 percent of its share capital.

## **Balance sheet**

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

# Overview by country

## Constant currency basis

### Net sales

SEK million	2017 Q2	2016 Q2	Growth
Sweden	3,921	3,018	30%
Lithuania	480	403	19%
Latvia	277	243	14%
Estonia	192	174	10%
Netherlands	1,489	1,517	-2%
Kazakhstan	713	604	18%
Croatia	405	388	4%
Austria	285	293	-3%
Germany	154	181	-15%
Other	72	61	18%
<b>Total, constant FX</b>	<b>7,988</b>	<b>6,882</b>	<b>16%</b>
FX effects		-214	4%
<b>Total</b>	<b>7,988</b>	<b>6,668</b>	<b>20%</b>

### EBITDA

SEK million	2017 Q2	2016 Q2	Growth
Sweden	1,040	846	23%
Lithuania	176	153	15%
Latvia	96	73	32%
Estonia	42	40	5%
Netherlands	18	-121	115%
Kazakhstan	160	50	220%
Croatia	30	21	43%
Austria	49	39	26%
Germany	63	63	-
Other	-43	-59	27%
<b>Total, constant FX</b>	<b>1,631</b>	<b>1,105</b>	<b>48%</b>
FX effects		-18	2%
<b>Total</b>	<b>1,631</b>	<b>1,087</b>	<b>50%</b>

## BALTIC SEA CHALLENGERS

### Sweden

All mobile operators made changes to their price lists in the quarter related mainly to the introduction of Roam Like at Home (RLAH), with a trend towards generous roaming data buckets as well as increasing overall data bucket sizes.

In April, Tele2 launched a new campaign under the "Power 2" concept, with a set of commercial propositions including RLAH and a new Unlimited offer at SEK 499 per month.

Net sales grew by 1 percent including TDC pro forma to SEK 3,921 million (SEK 3,018 million for Tele2 and SEK 859 million for TDC in Q2 2016). Mobile end-user service revenues grew on the back of increasing consumer revenues, despite a decline in B2B mobile.

EBITDA increased by 12 percent including TDC pro forma to SEK 1,040 million (SEK 846 million for Tele2 and SEK 81 million for TDC in Q2 2016), mainly driven by higher mobile service revenues, integration synergies and benefits from the Challenger Program. Mobile EBITDA increased to SEK 922 million (SEK 777 million for Tele2 and SEK 16 million for TDC in Q2 2016).

### Sweden Consumer

Mobile end-user service revenues grew by 8 percent, driven by continued strong growth in Comviq postpaid and stable performance by the Tele2 brand. Early observations from sales following the launch of our new commercial propositions under the Tele2 brand indicates a continued strong demand for large data buckets. Overall, 66 percent of new consumer sales included a bucket of more than 3GB.

### Sweden B2B

The integration of TDC continued to develop according to plan, and the migration of TDC's MVNO traffic to Tele2's network was completed in the quarter. Accumulated integration synergies amounted to SEK 72 million as of the end of June.

The Large Enterprise segment reported a 2 percent decline in net sales, like-for-like, in a price competitive market. Adding and ending large customer contracts from quarter to quarter, occasionally with significant time lags from first signing, is expected to continue to impact the net sales growth for the balance of this year. Significant contract wins in the second quarter included three municipalities in the Skåne region, WSP Sverige AB and Postnord Sverige AB.

### Lithuania

The main market event was the RLAH introduction. The national regulation authority granted operators the right to use surcharges for EU roaming, which Tele2 applied to existing price plans, while introducing new price plans without surcharges.

Tele2 Lithuania has successfully achieved a trend of rising Net Promoter Score (NPS), supporting mobile customer growth. A new image campaign aiming to build higher quality perception was launched in the quarter, focused on the popularity of our 4G internet service.

Mobile end-user service revenue grew by 17 percent in local currency, driven by consumer postpaid, MBB, and continued data monetization.

Despite low prices of smartphones in the market and their effect on hardware sales profitability, the EBITDA margin was largely sustained at 37 (38) percent.

### Latvia

New price plans were introduced across the market due to the introduction of RLAH.

Tele2's new price plans were well received by the market, resulting in a net intake of 12,000 (6,000) customers, driven partly by a strong performance within B2B. The company continues to focus on further strengthening its market position, service quality and operational excellence.

The EBITDA margin increased to 35 (30) percent as a result of higher mobile end-user service revenues and disciplined cost management.

### Estonia

Competition in the market tightened, with operators applying different approaches and price plan changes related to RLAH.

During the quarter, Tele2 launched new commercial propositions for all postpaid customers, adding RLAH to all main price plans. Tele2 was the first operator in the market to launch an Unlimited data price plan and digital-only price plan for handset customers.

Mobile end-user service revenue grew by 3 percent in local currency driven by data monetization and upsell activities. Mobile EBITDA grew to SEK 39 (35) million.

## INVESTMENT MARKETS

### Netherlands

In addition to RLAH, market events included the May 1 introduction of new regulation of the consumer credit linked to sales of handsets. Early observations include a significant reduction of sales of wireless handset contracts, with a corresponding increase in SIM only contract sales.

On May 17, Tele2 launched a new mobile campaign and a new set of commercial propositions which are price leading across the range, with a flagship Unlimited offering at EUR 25 per month. The new offerings build on the strengths of Tele2's 4G only network, which has reached a quality on par with the Dutch competition only 1.5 years after its commercial launch, and Tele2's improved brand position. Over 90 percent of data and 50 percent of voice are now on-net, with the number of active VoLTE customers reaching 495,000.

Customer intake accelerated following the launch, notably including a doubling of Tele2's market share of sales of SIM only subscriptions, and with the number of Unlimited customers growing to 69,000 in the 6 weeks following the launch.

Mobile end-user service revenues increased by 45 percent in local currency, driven by the combination of a 19 percent increase in customers and ASPU growth of 21 percent in local currency, as the new customer intake mix was accretive to existing ASPU.

Mobile EBITDA improved to SEK -93 (-277) million mainly due to higher end-user service revenues and improved network economics.

The fixed broadband segment continues to generate a significant cash contribution due to our disciplined investment approach. Fixed broadband EBITDA was negatively affected by a provision of SEK 64 million related to a court case against KPN (Note 3).

### Kazakhstan

Market trends were similar to previous quarters, as operators were fine-tuning tariff plans, introducing new roaming plans and other add-on bundles.

Tele2 Kazakhstan continued to replace existing products with new offerings aiming for further customer base quality improvement and ASPU growth, albeit with limited room for further such tariff restructuring due to competitive market conditions.

The integration process was focused on network synergies, with around 1,400 network sites merged by the end of Q2 2017 and approximately 300 sites remaining to be merged.

The net customer intake of 239,000 was supported by higher quality sales in previous periods which had a positive effect on churn, and seasonal effects.

Mobile end-user service revenue grew by 21 percent on a like-for-like basis.

The EBITDA margin increased to 22 percent driven mainly by improved scale, integration benefits and a higher-margin product mix.

### Croatia

Market competition has increased somewhat in the quarter with product initiatives including larger data bundles, zero-rating features and roaming offerings.

In April, Tele2 launched a set of propositions including Unlimited as the first operator in the market. Net customer intake increased to 34,000 (23,000) based on growth in postpaid, prepaid as well as MBB for home internet replacement.

Mobile end-user service revenues grew by 5 percent in local currency equally driven by growth in customers and ASPU.

The EBITDA margin increased to 7 (5) percent, which was driven by higher mobile end-user service revenue and cost optimization.

## CASH GENERATORS

### Austria

With the overall market remaining stable, Tele2's revenues remained largely unchanged despite a lower consumer customer base, due to the company's Large Enterprise strategy.

Tele2 Austria focused on a range of activities including enrichment of its product portfolio and improvements in customer service in order to increase intake of new Large Enterprise customers, as well as to retain and upsell existing customers.

EBITDA increased on the back of cost savings in several areas including sales and marketing and Challenger Program benefits.

### Germany

The decline of the customer base continued, though slower than expected.

As a result of the declining customer base, net sales were down compared to the same quarter last year.

EBITDA increased to SEK 63 (60) million, representing a margin of 41 (35) percent, thanks to continued focus on profitability and cash generation.



# 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 2016 (Administration report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

The Supreme Court of the Netherlands as the final instance found in 2016 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. Contracts that do not comply with the new consumer credit regulations can be rescinded. As of May 1, 2017, the

indirect sales partner of Tele2 Netherlands is the customer's contracting party for the sale of the handset, and Tele2 is the offeror of the handset credit. As a consequence, sales of handsets by indirect sales partners are not reported as revenue by Tele2. In addition, the consumer credit regulations may potentially have an adverse effect on sales of subscriptions bundled with handsets in the market going forward.

On April 25, the European Commission initiated an investigation on the premises of Tele2 in Kista about possible anti-competitive cooperation between operators in the mobile market and/or possible abuse of collective dominant position. Similar investigations were simultaneously initiated towards other Swedish mobile network operators.

## Other

Tele2 will release its financial and operating results for the period ending September 30, 2017 on October 19, 2017.

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

Stockholm, July 19, 2017  
Tele2 AB

Mike Parton  
*Chairman*

Sofia Arhall Bergendorff

Anders Björkman

Georgi Ganev

Cynthia Gordon

Irina Hemmers

Eamonn O'Hare

Carla Smits-Nusteling

Allison Kirkby  
*President and CEO*

# Auditors' review report

## **Introduction**

We have reviewed the interim report for Tele2 AB (publ) for the period January 1 – June 30, 2017. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus

and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## **Conclusion**

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

Stockholm, July 19, 2017  
Deloitte AB

Thomas Strömberg  
*Authorized Public Accountant*

## Q2 2017 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CEST (09:00 am BST/04:00 am EDT) on Wednesday, July 19, 2017. The presentation will be held in English and also made available as a webcast on Tele2's website: [www.tele2.com](http://www.tele2.com).

### Dial-in information

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

### Dial-in numbers

SE: +46 (0)8 5033 6539

UK: +44 (0)20 3427 1901

US: +1 646 254 3367

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## APPENDICES

Income statement

Comprehensive income

Balance sheet

Cash flow statement

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EBITDA

EBIT

CAPEX

Five-year summary

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**TELE2'S MISSION IS TO FEARLESSLY LIBERATE PEOPLE TO LIVE A MORE CONNECTED LIFE.** We believe the connected life is a better life, and so our aim is to make connectivity increasingly accessible to our customers, no matter where or when they need it. 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 offers mobile services, fixed broadband and telephony, data network services, content services and global IoT solutions. Every day our 17 million customers across 9 countries enjoy a fast and wireless experience through our award winning networks. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2016, Tele2 had 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 pages of the Annual Report 2016. Follow @Tele2group on Twitter for the latest updates.

# Income statement

SEK million	Note	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2017 Q2	2016 Q2
<b>CONTINUING OPERATIONS</b>						
Net sales		15,863	13,114	28,292	7,988	6,668
Cost of services provided	3	-9,957	-8,609	-20,725	-5,000	-4,294
<b>Gross profit</b>		<b>5,906</b>	<b>4,505</b>	<b>7,567</b>	<b>2,988</b>	<b>2,374</b>
Selling expenses	3	-2,981	-2,776	-5,716	-1,535	-1,400
Administrative expenses	3	-1,602	-1,416	-3,156	-812	-796
Result from shares in joint ventures and associated companies		1	1	-	1	1
Other operating income		53	64	153	23	27
Other operating expenses		-24	-32	-67	-9	-15
<b>Operating profit/loss, EBIT</b>		<b>1,353</b>	<b>346</b>	<b>-1,219</b>	<b>656</b>	<b>191</b>
Interest income/expenses	6	-158	-142	-312	-85	-73
Other financial items	4	-125	416	297	-94	-2
<b>Profit/loss after financial items, EBT</b>		<b>1,070</b>	<b>620</b>	<b>-1,234</b>	<b>477</b>	<b>116</b>
Income tax	5	-391	-341	-930	-199	-176
<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS</b>		<b>679</b>	<b>279</b>	<b>-2,164</b>	<b>278</b>	<b>-60</b>
<b>DISCONTINUED OPERATIONS</b>						
Net loss from discontinued operations	11	-18	-	-100	-	-
<b>NET PROFIT/LOSS</b>		<b>661</b>	<b>279</b>	<b>-2,264</b>	<b>278</b>	<b>-60</b>
ATTRIBUTABLE TO						
Equity holders of the parent company		722	407	-1,962	297	36
Non-controlling interests		-61	-128	-302	-19	-96
<b>NET PROFIT/LOSS</b>		<b>661</b>	<b>279</b>	<b>-2,264</b>	<b>278</b>	<b>-60</b>
Earnings per share (SEK)	10	1.44	0.89	-4.34	0.60	0.08
Earnings per share, after dilution (SEK)	10	1.43	0.88	-4.34	0.59	0.08
<b>FROM CONTINUING OPERATIONS</b>						
ATTRIBUTABLE TO						
Equity holders of the parent company		740	407	-1,862	297	36
Non-controlling interests		-61	-128	-302	-19	-96
<b>NET PROFIT/LOSS</b>		<b>679</b>	<b>279</b>	<b>-2,164</b>	<b>278</b>	<b>-60</b>
Earnings per share (SEK)	10	1.48	0.89	-4.12	0.60	0.08
Earnings per share, after dilution (SEK)	10	1.47	0.88	-4.12	0.59	0.08

# Comprehensive income

SEK million	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2017 Q2	2016 Q2
<b>NET PROFIT/LOSS</b>	<b>661</b>	<b>279</b>	<b>-2,264</b>	<b>278</b>	<b>-60</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT/LOSS					
Pensions, actuarial gains/losses	–	–24	–16	–	–19
Pensions, actuarial gains/losses, tax effect	–	6	3	–	5
<b>Components not to be reclassified to net profit/loss</b>	<b>–</b>	<b>–18</b>	<b>–13</b>	<b>–</b>	<b>–14</b>
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT/LOSS					
<b>Exchange rate differences</b>					
Translation differences in foreign operations	132	612	1,094	53	510
Tax effect on above	4	–48	–117	34	–58
<i>Translation differences</i>	<i>136</i>	<i>564</i>	<i>977</i>	<i>87</i>	<i>452</i>
Hedge of net investments in foreign operations	–37	–99	–149	–44	–63
Tax effect on above	8	22	33	10	14
<i>Hedge of net investments</i>	<i>–29</i>	<i>–77</i>	<i>–116</i>	<i>–34</i>	<i>–49</i>
<b>Exchange rate differences</b>	<b>107</b>	<b>487</b>	<b>861</b>	<b>53</b>	<b>403</b>
<b>Cash flow hedges</b>					
Loss arising on changes in fair value of hedging instruments	–5	–94	–83	–3	–47
Reclassified cumulative loss to income statement	36	32	68	18	17
Tax effect on cash flow hedges	–7	14	3	–4	7
<b>Cash flow hedges</b>	<b>24</b>	<b>–48</b>	<b>–12</b>	<b>11</b>	<b>–23</b>
<b>Components that may be reclassified to net profit/loss</b>	<b>131</b>	<b>439</b>	<b>849</b>	<b>64</b>	<b>380</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>131</b>	<b>421</b>	<b>836</b>	<b>64</b>	<b>366</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>792</b>	<b>700</b>	<b>–1,428</b>	<b>342</b>	<b>306</b>
ATTRIBUTABLE TO					
Equity holders of the parent company	842	824	–1,117	333	400
Non-controlling interests	–50	–124	–311	9	–94
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>792</b>	<b>700</b>	<b>–1,428</b>	<b>342</b>	<b>306</b>

# Balance sheet

SEK million	Note	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Goodwill	3	7,774	8,539	7,729
Other intangible assets		5,590	4,777	5,821
<b>Intangible assets</b>		<b>13,364</b>	<b>13,316</b>	<b>13,550</b>
Tangible assets		14,171	13,016	14,376
Financial assets	6	1,406	1,271	1,324
Deferred tax assets	5	1,630	2,012	1,702
<b>NON-CURRENT ASSETS</b>		<b>30,571</b>	<b>29,615</b>	<b>30,952</b>
<b>CURRENT ASSETS</b>				
Inventories		869	703	655
Current receivables		8,153	7,321	8,592
Current investments		3	32	21
Cash and cash equivalents	7	318	149	257
<b>CURRENT ASSETS</b>		<b>9,343</b>	<b>8,205</b>	<b>9,525</b>
<b>ASSETS</b>		<b>39,914</b>	<b>37,820</b>	<b>40,477</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Attributable to equity holders of the parent company		16,705	17,500	18,474
Non-controlling interests		-328	-96	-278
<b>EQUITY</b>	10	<b>16,377</b>	<b>17,404</b>	<b>18,196</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing liabilities	6	11,661	6,073	9,030
Non-interest-bearing liabilities	5	1,035	796	1,066
<b>NON-CURRENT LIABILITIES</b>		<b>12,696</b>	<b>6,869</b>	<b>10,096</b>
<b>CURRENT LIABILITIES</b>				
Interest-bearing liabilities	6	2,639	7,034	3,401
Non-interest-bearing liabilities		8,202	6,513	8,784
<b>CURRENT LIABILITIES</b>		<b>10,841</b>	<b>13,547</b>	<b>12,185</b>
<b>EQUITY AND LIABILITIES</b>		<b>39,914</b>	<b>37,820</b>	<b>40,477</b>

# Cash flow statement

(Total operations)

SEK million	Note	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<b>OPERATING ACTIVITIES</b>										
Operating profit/loss from continuing operations		1,353	346	-1,219	656	697	246	-1,811	191	155
Operating loss from discontinued operations		-18	-	-100	-	-18	-7	-93	-	-
<b>Operating profit/loss</b>		<b>1,335</b>	<b>346</b>	<b>-1,319</b>	<b>656</b>	<b>679</b>	<b>239</b>	<b>-1,904</b>	<b>191</b>	<b>155</b>
Adjustments for non-cash items in operating profit/loss	3	1,856	1,847	6,192	917	939	964	3,381	814	1,033
Financial items paid/received		-153	-105	-272	-145	-8	-87	-80	-59	-46
Taxes paid		-239	-203	-403	-133	-106	-86	-114	-136	-67
<b>Cash flow from operations before changes in working capital</b>		<b>2,799</b>	<b>1,885</b>	<b>4,198</b>	<b>1,295</b>	<b>1,504</b>	<b>1,030</b>	<b>1,283</b>	<b>810</b>	<b>1,075</b>
Changes in working capital		-100	61	819	379	-479	307	451	183	-122
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>2,699</b>	<b>1,946</b>	<b>5,017</b>	<b>1,674</b>	<b>1,025</b>	<b>1,337</b>	<b>1,734</b>	<b>993</b>	<b>953</b>
<b>INVESTING ACTIVITIES</b>										
CAPEX paid	8	-1,701	-1,961	-3,800	-854	-847	-943	-896	-854	-1,107
<b>Free cash flow</b>		<b>998</b>	<b>-15</b>	<b>1,217</b>	<b>820</b>	<b>178</b>	<b>394</b>	<b>838</b>	<b>139</b>	<b>-154</b>
Acquisition and sale of shares and participations		-8	44	-2,876	-8	-	-2,910	-10	5	39
Other financial assets		20	1	13	4	16	1	11	1	-
<b>Cash flow from investing activities</b>		<b>-1,689</b>	<b>-1,916</b>	<b>-6,663</b>	<b>-858</b>	<b>-831</b>	<b>-3,852</b>	<b>-895</b>	<b>-848</b>	<b>-1,068</b>
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>		<b>1,010</b>	<b>30</b>	<b>-1,646</b>	<b>816</b>	<b>194</b>	<b>-2,515</b>	<b>839</b>	<b>145</b>	<b>-115</b>
<b>FINANCING ACTIVITIES</b>										
Change of loans, net	6	1,676	2,497	1,350	1,389	287	-1,317	170	2,202	295
Dividends	10	-2,629	-2,389	-2,389	-2,629	-	-	-	-2,389	-
Acquisition of non-controlling interests	10	-	-125	-125	-	-	-	-	-	-125
New share issues	10	-	-	2,910	-	-	2,910	-	-	-
<b>Cash flow from financing activities</b>		<b>-953</b>	<b>-17</b>	<b>1,746</b>	<b>-1,240</b>	<b>287</b>	<b>1,593</b>	<b>170</b>	<b>-187</b>	<b>170</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>57</b>	<b>13</b>	<b>100</b>	<b>-424</b>	<b>481</b>	<b>-922</b>	<b>1,009</b>	<b>-42</b>	<b>55</b>
Cash and cash equivalents at beginning of period		257	107	107	752	257	1,172	149	184	107
Exchange rate differences in cash and cash equivalents		4	29	50	-10	14	7	14	7	22
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	7	<b>318</b>	<b>149</b>	<b>257</b>	<b>318</b>	<b>752</b>	<b>257</b>	<b>1,172</b>	<b>149</b>	<b>184</b>

# Change in equity

SEK million	Note	Jun 30, 2017			Jun 30, 2016			Dec 31, 2016		
		Attributable to		Total equity	Attributable to		Total equity	Attributable to		Total equity
		equity holders of the parent company	non-controlling interests		equity holders of the parent company	non-controlling interests		equity holders of the parent company	non-controlling interests	
<b>Equity, January 1</b>		<b>18,474</b>	<b>-278</b>	<b>18,196</b>	<b>17,901</b>	<b>-</b>	<b>17,901</b>	<b>17,901</b>	<b>-</b>	<b>17,901</b>
Net profit/loss for the period		722	-61	661	407	-128	279	-1,962	-302	-2,264
Other comprehensive income for the period, net of tax		120	11	131	417	4	421	845	-9	836
<b>Total comprehensive income for the period</b>		<b>842</b>	<b>-50</b>	<b>792</b>	<b>824</b>	<b>-124</b>	<b>700</b>	<b>-1,117</b>	<b>-311</b>	<b>-1,428</b>
<b>OTHER CHANGES IN EQUITY</b>										
Share-based payments	10	10	-	10	12	-	12	1	-	1
Share-based payments, tax effect	10	3	-	3	-	-	-	1	-	1
New share issues	10	7	-	7	-	-	-	2,910	-	2,910
Taxes on new share issue costs	10	-2	-	-2	-	-	-	11	-	11
Dividends	10	-2,629	-	-2,629	-2,389	-	-2,389	-2,389	-	-2,389
Acquisition of non-controlling interests	10	-	-	-	465	484	949	469	489	958
Divestment to non-controlling interests	10	-	-	-	687	-456	231	687	-456	231
<b>EQUITY, END OF THE PERIOD</b>		<b>16,705</b>	<b>-328</b>	<b>16,377</b>	<b>17,500</b>	<b>-96</b>	<b>17,404</b>	<b>18,474</b>	<b>-278</b>	<b>18,196</b>

# Number of customers

by thousands	Note	Number of customers		Net intake								
		2017 Jun 30	2016 Jun 30	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<b>Sweden</b>												
Mobile		3,861	3,714	-43	-27	-32	10	-53	-41	36	14	-41
Fixed broadband		56	64	-6	-6	-11	-3	-3	-3	-2	-3	-3
Fixed telephony		145	179	-18	-17	-33	-8	-10	-7	-9	-8	-9
Other operations		2	-	-	-	-	-	-	-	-	-	-
		<b>4,064</b>	<b>3,957</b>	<b>-67</b>	<b>-50</b>	<b>-76</b>	<b>-1</b>	<b>-66</b>	<b>-51</b>	<b>25</b>	<b>3</b>	<b>-53</b>
<b>Lithuania</b>												
Mobile		1,775	1,751	2	-18	4	8	-6	-16	38	-	-18
		<b>1,775</b>	<b>1,751</b>	<b>2</b>	<b>-18</b>	<b>4</b>	<b>8</b>	<b>-6</b>	<b>-16</b>	<b>38</b>	<b>-</b>	<b>-18</b>
<b>Latvia</b>												
Mobile		954	947	9	-7	-9	12	-3	-23	21	6	-13
		<b>954</b>	<b>947</b>	<b>9</b>	<b>-7</b>	<b>-9</b>	<b>12</b>	<b>-3</b>	<b>-23</b>	<b>21</b>	<b>6</b>	<b>-13</b>
<b>Estonia</b>												
Mobile		474	480	-5	-4	-5	-	-5	-4	3	1	-5
Fixed telephony		-	1	-	-2	-3	-	-	-1	-	-	-2
		<b>474</b>	<b>481</b>	<b>-5</b>	<b>-6</b>	<b>-8</b>	<b>-</b>	<b>-5</b>	<b>-5</b>	<b>3</b>	<b>1</b>	<b>-7</b>
<b>Netherlands</b>												
Mobile		1,113	932	67	88	202	51	16	55	59	57	31
Fixed broadband		338	347	-12	3	6	-7	-5	-1	4	2	1
Fixed telephony		38	48	-4	-7	-13	-2	-2	-3	-3	-3	-4
		<b>1,489</b>	<b>1,327</b>	<b>51</b>	<b>84</b>	<b>195</b>	<b>42</b>	<b>9</b>	<b>51</b>	<b>60</b>	<b>56</b>	<b>28</b>
<b>Kazakhstan</b>												
Mobile		6,753	6,402	313	214	252	239	74	56	-18	104	110
		<b>6,753</b>	<b>6,402</b>	<b>313</b>	<b>214</b>	<b>252</b>	<b>239</b>	<b>74</b>	<b>56</b>	<b>-18</b>	<b>104</b>	<b>110</b>
<b>Croatia</b>												
Mobile		822	801	21	16	16	34	-13	-70	70	23	-7
		<b>822</b>	<b>801</b>	<b>21</b>	<b>16</b>	<b>16</b>	<b>34</b>	<b>-13</b>	<b>-70</b>	<b>70</b>	<b>23</b>	<b>-7</b>
<b>Austria</b>												
Mobile		8	5	2	5	6	-	2	-	1	5	-
Fixed broadband		90	98	-4	-4	-8	-2	-2	-2	-2	-2	-2
Fixed telephony		111	122	-6	-9	-14	-2	-4	-3	-2	-4	-5
		<b>209</b>	<b>225</b>	<b>-8</b>	<b>-8</b>	<b>-16</b>	<b>-4</b>	<b>-4</b>	<b>-5</b>	<b>-3</b>	<b>-1</b>	<b>-7</b>
<b>Germany</b>												
Mobile		153	191	-16	-28	-50	-7	-9	-9	-13	-14	-14
Fixed broadband		40	49	-5	-4	-8	-2	-3	-2	-2	-2	-2
Fixed telephony		207	250	-21	-37	-59	-10	-11	-9	-13	-11	-26
		<b>400</b>	<b>490</b>	<b>-42</b>	<b>-69</b>	<b>-117</b>	<b>-19</b>	<b>-23</b>	<b>-20</b>	<b>-28</b>	<b>-27</b>	<b>-42</b>
<b>TOTAL</b>												
Mobile		15,913	15,223	350	239	384	347	3	-52	197	196	43
Fixed broadband		524	558	-27	-11	-21	-14	-13	-8	-2	-5	-6
Fixed telephony		501	600	-49	-72	-122	-22	-27	-23	-27	-26	-46
Other operations		2	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NUMBER OF CUSTOMERS AND NET INTAKE</b>												
		<b>16,940</b>	<b>16,381</b>	<b>274</b>	<b>156</b>	<b>241</b>	<b>311</b>	<b>-37</b>	<b>-83</b>	<b>168</b>	<b>165</b>	<b>-9</b>
Acquired companies	11			-	1,788	1,988	-	-	200	-	-	1,788
Changed method of calculation	2			-	23	23	-	-	-	-	-4	27
<b>TOTAL NUMBER OF CUSTOMERS AND NET CHANGE</b>												
		<b>16,940</b>	<b>16,381</b>	<b>274</b>	<b>1,967</b>	<b>2,252</b>	<b>311</b>	<b>-37</b>	<b>117</b>	<b>168</b>	<b>161</b>	<b>1,806</b>



# Net sales

SEK million	Note	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<b>Sweden</b>										
Mobile		6,016	5,347	11,279	2,999	3,017	3,193	2,739	2,663	2,684
Fixed broadband		644	328	769	317	327	279	162	163	165
Fixed telephony		196	231	453	97	99	111	111	112	119
Other operations		998	165	695	509	489	447	83	80	85
		<b>7,854</b>	<b>6,071</b>	<b>13,196</b>	<b>3,922</b>	<b>3,932</b>	<b>4,030</b>	<b>3,095</b>	<b>3,018</b>	<b>3,053</b>
<b>Lithuania</b>										
Mobile		932	776	1,703	484	448	487	440	390	386
		<b>932</b>	<b>776</b>	<b>1,703</b>	<b>484</b>	<b>448</b>	<b>487</b>	<b>440</b>	<b>390</b>	<b>386</b>
<b>Latvia</b>										
Mobile		537	471	1,019	280	257	271	277	238	233
		<b>537</b>	<b>471</b>	<b>1,019</b>	<b>280</b>	<b>257</b>	<b>271</b>	<b>277</b>	<b>238</b>	<b>233</b>
<b>Estonia</b>										
Mobile		334	303	646	181	153	173	170	157	146
Fixed telephony		2	2	4	1	1	1	1	1	1
Other operations		21	19	44	11	10	15	10	9	10
		<b>357</b>	<b>324</b>	<b>694</b>	<b>193</b>	<b>164</b>	<b>189</b>	<b>181</b>	<b>167</b>	<b>157</b>
<b>Netherlands</b>										
Mobile	2	1,651	1,412	2,979	784	867	829	738	721	691
Fixed broadband		1,058	1,085	2,184	527	531	554	545	539	546
Fixed telephony		112	135	262	55	57	63	64	64	71
Other operations		256	267	540	128	128	140	133	130	137
		<b>3,077</b>	<b>2,899</b>	<b>5,965</b>	<b>1,494</b>	<b>1,583</b>	<b>1,586</b>	<b>1,480</b>	<b>1,454</b>	<b>1,445</b>
<b>Kazakhstan</b>										
Mobile		1,362	877	2,152	713	649	702	573	527	350
		<b>1,362</b>	<b>877</b>	<b>2,152</b>	<b>713</b>	<b>649</b>	<b>702</b>	<b>573</b>	<b>527</b>	<b>350</b>
<b>Croatia</b>										
Mobile		762	685	1,529	407	355	439	405	369	316
		<b>762</b>	<b>685</b>	<b>1,529</b>	<b>407</b>	<b>355</b>	<b>439</b>	<b>405</b>	<b>369</b>	<b>316</b>
<b>Austria</b>										
Mobile		9	1	8	5	4	4	3	1	–
Fixed broadband		366	379	763	182	184	195	189	186	193
Fixed telephony		58	65	128	28	30	33	30	32	33
Other operations		139	122	251	73	66	63	66	63	59
		<b>572</b>	<b>567</b>	<b>1,150</b>	<b>288</b>	<b>284</b>	<b>295</b>	<b>288</b>	<b>282</b>	<b>285</b>
<b>Germany</b>										
Mobile		172	194	382	85	87	94	94	93	101
Fixed broadband		53	61	122	26	27	30	31	29	32
Fixed telephony		89	104	204	43	46	51	49	50	54
		<b>314</b>	<b>359</b>	<b>708</b>	<b>154</b>	<b>160</b>	<b>175</b>	<b>174</b>	<b>172</b>	<b>187</b>
<b>Other</b>										
Mobile		72	30	75	40	32	24	21	17	13
Other operations		62	78	158	32	30	36	44	45	33
		<b>134</b>	<b>108</b>	<b>233</b>	<b>72</b>	<b>62</b>	<b>60</b>	<b>65</b>	<b>62</b>	<b>46</b>
<b>TOTAL</b>										
Mobile		<b>11,847</b>	<b>10,096</b>	<b>21,772</b>	<b>5,978</b>	<b>5,869</b>	<b>6,216</b>	<b>5,460</b>	<b>5,176</b>	<b>4,920</b>
Fixed broadband		<b>2,121</b>	<b>1,853</b>	<b>3,838</b>	<b>1,052</b>	<b>1,069</b>	<b>1,058</b>	<b>927</b>	<b>917</b>	<b>936</b>
Fixed telephony		<b>457</b>	<b>537</b>	<b>1,051</b>	<b>224</b>	<b>233</b>	<b>259</b>	<b>255</b>	<b>259</b>	<b>278</b>
Other operations		<b>1,476</b>	<b>651</b>	<b>1,688</b>	<b>753</b>	<b>723</b>	<b>701</b>	<b>336</b>	<b>327</b>	<b>324</b>
		<b>15,901</b>	<b>13,137</b>	<b>28,349</b>	<b>8,007</b>	<b>7,894</b>	<b>8,234</b>	<b>6,978</b>	<b>6,679</b>	<b>6,458</b>
<b>Internal sales, elimination</b>										
Sweden, mobile		–1	–	–1	–1	–	–1	–	–	–
Lithuania, mobile		–9	–8	–16	–4	–5	–3	–5	–3	–5
Latvia, mobile		–7	–6	–23	–3	–4	–8	–9	–5	–1
Estonia, mobile		–2	–	–1	–1	–1	–1	–	–	–
Netherlands, mobile		–11	–	–	–5	–6	–	–	–	–
Netherlands, other operations		–	–6	–11	–	–	–3	–2	–2	–4
Croatia, mobile		–3	–	–	–2	–1	–	–	–	–
Austria, mobile		–5	–	–2	–3	–2	–1	–1	–	–
Other, other operations		–	–3	–3	–	–	–	–	–1	–2
<b>TOTAL</b>		<b>15,863</b>	<b>13,114</b>	<b>28,292</b>	<b>7,988</b>	<b>7,875</b>	<b>8,217</b>	<b>6,961</b>	<b>6,668</b>	<b>6,446</b>

# Mobile external net sales split

SEK million	Note	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<b>Sweden, mobile</b>										
End-user service revenue		3,852	3,536	7,349	1,930	1,922	1,928	1,885	1,778	1,758
Operator revenue		419	443	875	216	203	212	220	225	218
Service revenue		4,271	3,979	8,224	2,146	2,125	2,140	2,105	2,003	1,976
Equipment revenue		1,442	1,039	2,420	703	739	902	479	499	540
Other revenue		302	329	634	149	153	150	155	161	168
		<b>6,015</b>	<b>5,347</b>	<b>11,278</b>	<b>2,998</b>	<b>3,017</b>	<b>3,192</b>	<b>2,739</b>	<b>2,663</b>	<b>2,684</b>
<b>Lithuania, mobile</b>										
End-user service revenue		540	455	968	281	259	262	251	229	226
Operator revenue		107	109	220	55	52	57	54	54	55
Service revenue		647	564	1,188	336	311	319	305	283	281
Equipment revenue		276	204	499	144	132	165	130	104	100
		<b>923</b>	<b>768</b>	<b>1,687</b>	<b>480</b>	<b>443</b>	<b>484</b>	<b>435</b>	<b>387</b>	<b>381</b>
<b>Latvia, mobile</b>										
End-user service revenue		324	283	600	170	154	159	158	143	140
Operator revenue		102	97	200	53	49	47	56	48	49
Service revenue		426	380	800	223	203	206	214	191	189
Equipment revenue		104	85	196	54	50	57	54	42	43
		<b>530</b>	<b>465</b>	<b>996</b>	<b>277</b>	<b>253</b>	<b>263</b>	<b>268</b>	<b>233</b>	<b>232</b>
<b>Estonia, mobile</b>										
End-user service revenue		222	207	431	113	109	112	112	105	102
Operator revenue		38	36	79	20	18	21	22	20	16
Service revenue		260	243	510	133	127	133	134	125	118
Equipment revenue		72	60	135	47	25	39	36	32	28
		<b>332</b>	<b>303</b>	<b>645</b>	<b>180</b>	<b>152</b>	<b>172</b>	<b>170</b>	<b>157</b>	<b>146</b>
<b>Netherlands, mobile</b>										
End-user service revenue	2	960	658	1,515	509	451	438	419	336	322
Operator revenue		116	88	193	61	55	52	53	45	43
Service revenue		1,076	746	1,708	570	506	490	472	381	365
Equipment revenue	2	564	666	1,271	209	355	339	266	340	326
		<b>1,640</b>	<b>1,412</b>	<b>2,979</b>	<b>779</b>	<b>861</b>	<b>829</b>	<b>738</b>	<b>721</b>	<b>691</b>
<b>Kazakhstan, mobile</b>										
End-user service revenue		1,042	659	1,555	547	495	470	426	394	265
Operator revenue		308	210	513	160	148	160	143	130	80
Service revenue		1,350	869	2,068	707	643	630	569	524	345
Equipment revenue		12	8	84	6	6	72	4	3	5
		<b>1,362</b>	<b>877</b>	<b>2,152</b>	<b>713</b>	<b>649</b>	<b>702</b>	<b>573</b>	<b>527</b>	<b>350</b>
<b>Croatia, mobile</b>										
End-user service revenue		446	413	866	232	214	222	231	211	202
Operator revenue		106	98	235	60	46	58	79	52	46
Service revenue		552	511	1,101	292	260	280	310	263	248
Equipment revenue		207	174	428	113	94	159	95	106	68
		<b>759</b>	<b>685</b>	<b>1,529</b>	<b>405</b>	<b>354</b>	<b>439</b>	<b>405</b>	<b>369</b>	<b>316</b>
<b>Austria, mobile</b>										
End-user service revenue		3	1	4	1	2	2	1	1	–
Operator revenue		–	–	1	–	–	1	–	–	–
Service revenue		3	1	5	1	2	3	1	1	–
Equipment revenue		1	–	1	1	–	–	1	–	–
		<b>4</b>	<b>1</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>–</b>
<b>Germany, mobile</b>										
End-user service revenue		172	194	382	85	87	94	94	93	101
		<b>172</b>	<b>194</b>	<b>382</b>	<b>85</b>	<b>87</b>	<b>94</b>	<b>94</b>	<b>93</b>	<b>101</b>
<b>Other, mobile</b>										
End-user service revenue		72	30	75	40	32	24	21	17	13
		<b>72</b>	<b>30</b>	<b>75</b>	<b>40</b>	<b>32</b>	<b>24</b>	<b>21</b>	<b>17</b>	<b>13</b>
<b>TOTAL, MOBILE</b>										
End-user service revenue		7,633	6,436	13,745	3,908	3,725	3,711	3,598	3,307	3,129
Operator revenue		1,196	1,081	2,316	625	571	608	627	574	507
Service revenue		8,829	7,517	16,061	4,533	4,296	4,319	4,225	3,881	3,636
Equipment revenue		2,678	2,236	5,034	1,277	1,401	1,733	1,065	1,126	1,110
Other revenue		302	329	634	149	153	150	155	161	168
<b>TOTAL, MOBILE</b>		<b>11,809</b>	<b>10,082</b>	<b>21,729</b>	<b>5,959</b>	<b>5,850</b>	<b>6,202</b>	<b>5,445</b>	<b>5,168</b>	<b>4,914</b>

# EBITDA

SEK million	Note	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<b>Sweden</b>										
Mobile		1,873	1,589	3,436	922	951	869	978	777	812
Fixed broadband		78	39	127	38	40	51	37	17	22
Fixed telephony		56	62	109	31	25	23	24	29	33
Other operations		124	50	164	49	75	85	29	23	27
		<b>2,131</b>	<b>1,740</b>	<b>3,836</b>	<b>1,040</b>	<b>1,091</b>	<b>1,028</b>	<b>1,068</b>	<b>846</b>	<b>894</b>
<b>Lithuania</b>										
Mobile		332	288	567	176	156	127	152	146	142
		<b>332</b>	<b>288</b>	<b>567</b>	<b>176</b>	<b>156</b>	<b>127</b>	<b>152</b>	<b>146</b>	<b>142</b>
<b>Latvia</b>										
Mobile		184	140	318	96	88	88	90	71	69
		<b>184</b>	<b>140</b>	<b>318</b>	<b>96</b>	<b>88</b>	<b>88</b>	<b>90</b>	<b>71</b>	<b>69</b>
<b>Estonia</b>										
Mobile		78	68	152	39	39	43	41	35	33
Fixed telephony		–	1	1	–	–	–	–	1	–
Other operations		6	5	15	3	3	6	4	3	2
		<b>84</b>	<b>74</b>	<b>168</b>	<b>42</b>	<b>42</b>	<b>49</b>	<b>45</b>	<b>39</b>	<b>35</b>
<b>Netherlands</b>										
Mobile	2-3	-141	-520	-930	-93	-48	-231	-179	-277	-243
Fixed broadband	3	173	214	439	45	128	127	98	90	124
Fixed telephony	3	15	29	47	7	8	10	8	11	18
Other operations	3	122	130	272	59	63	71	71	60	70
		<b>169</b>	<b>-147</b>	<b>-172</b>	<b>18</b>	<b>151</b>	<b>-23</b>	<b>-2</b>	<b>-116</b>	<b>-31</b>
<b>Kazakhstan</b>										
Mobile		282	50	221	160	122	92	79	44	6
		<b>282</b>	<b>50</b>	<b>221</b>	<b>160</b>	<b>122</b>	<b>92</b>	<b>79</b>	<b>44</b>	<b>6</b>
<b>Croatia</b>										
Mobile		49	31	102	30	19	22	49	20	11
		<b>49</b>	<b>31</b>	<b>102</b>	<b>30</b>	<b>19</b>	<b>22</b>	<b>49</b>	<b>20</b>	<b>11</b>
<b>Austria</b>										
Mobile		-18	-35	-67	-7	-11	-18	-14	-20	-15
Fixed broadband		94	84	177	45	49	51	42	38	46
Fixed telephony		30	32	65	14	16	17	16	15	17
Other operations		-2	7	10	-3	1	2	1	5	2
		<b>104</b>	<b>88</b>	<b>185</b>	<b>49</b>	<b>55</b>	<b>52</b>	<b>45</b>	<b>38</b>	<b>50</b>
<b>Germany</b>										
Mobile		55	70	133	27	28	33	30	30	40
Fixed broadband		13	9	21	7	6	8	4	3	6
Fixed telephony		59	55	141	29	30	40	46	27	28
		<b>127</b>	<b>134</b>	<b>295</b>	<b>63</b>	<b>64</b>	<b>81</b>	<b>80</b>	<b>60</b>	<b>74</b>
<b>Other</b>										
Mobile		-47	-23	-64	-18	-29	-27	-14	-13	-10
Other operations		-61	-62	-122	-25	-36	-30	-30	-48	-14
		<b>-108</b>	<b>-85</b>	<b>-186</b>	<b>-43</b>	<b>-65</b>	<b>-57</b>	<b>-44</b>	<b>-61</b>	<b>-24</b>
<b>TOTAL</b>										
<b>Mobile</b>		<b>2,647</b>	<b>1,658</b>	<b>3,868</b>	<b>1,332</b>	<b>1,315</b>	<b>998</b>	<b>1,212</b>	<b>813</b>	<b>845</b>
<b>Fixed broadband</b>		<b>358</b>	<b>346</b>	<b>764</b>	<b>135</b>	<b>223</b>	<b>237</b>	<b>181</b>	<b>148</b>	<b>198</b>
<b>Fixed telephony</b>		<b>160</b>	<b>179</b>	<b>363</b>	<b>81</b>	<b>79</b>	<b>90</b>	<b>94</b>	<b>83</b>	<b>96</b>
<b>Other operations</b>		<b>189</b>	<b>130</b>	<b>339</b>	<b>83</b>	<b>106</b>	<b>134</b>	<b>75</b>	<b>43</b>	<b>87</b>
<b>TOTAL</b>		<b>3,354</b>	<b>2,313</b>	<b>5,334</b>	<b>1,631</b>	<b>1,723</b>	<b>1,459</b>	<b>1,562</b>	<b>1,087</b>	<b>1,226</b>

# EBIT

SEK million	Note	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<b>Sweden</b>										
Mobile		1,394	1,110	2,485	686	708	639	736	534	576
Fixed broadband		-50	-9	1	-24	-26	-3	13	-7	-2
Fixed telephony		51	55	94	29	22	20	19	26	29
Other operations		-15	16	69	-23	8	42	11	5	11
		<b>1,380</b>	<b>1,172</b>	<b>2,649</b>	<b>668</b>	<b>712</b>	<b>698</b>	<b>779</b>	<b>558</b>	<b>614</b>
<b>Lithuania</b>										
Mobile		265	237	455	141	124	94	124	121	116
		<b>265</b>	<b>237</b>	<b>455</b>	<b>141</b>	<b>124</b>	<b>94</b>	<b>124</b>	<b>121</b>	<b>116</b>
<b>Latvia</b>										
Mobile		122	75	185	68	54	51	59	40	35
		<b>122</b>	<b>75</b>	<b>185</b>	<b>68</b>	<b>54</b>	<b>51</b>	<b>59</b>	<b>40</b>	<b>35</b>
<b>Estonia</b>										
Mobile		25	24	56	11	14	16	16	11	13
Fixed telephony		-	-4	1	-	-	-	5	-3	-1
Other operations		3	-1	6	2	1	5	2	1	-2
		<b>28</b>	<b>19</b>	<b>63</b>	<b>13</b>	<b>15</b>	<b>21</b>	<b>23</b>	<b>9</b>	<b>10</b>
<b>Netherlands</b>										
Mobile	2-3	-340	-694	-1,335	-194	-146	-368	-273	-366	-328
Fixed broadband	3	-123	-39	-95	-105	-18	-14	-42	-39	-
Fixed telephony	3	5	20	29	2	3	5	4	6	14
Other operations	3	86	99	207	42	44	54	54	45	54
		<b>-372</b>	<b>-614</b>	<b>-1,194</b>	<b>-255</b>	<b>-117</b>	<b>-323</b>	<b>-257</b>	<b>-354</b>	<b>-260</b>
<b>Kazakhstan</b>										
Mobile		38	-149	-268	44	-6	-56	-63	-92	-57
		<b>38</b>	<b>-149</b>	<b>-268</b>	<b>44</b>	<b>-6</b>	<b>-56</b>	<b>-63</b>	<b>-92</b>	<b>-57</b>
<b>Croatia</b>										
Mobile		5	-3	27	7	-2	2	28	3	-6
		<b>5</b>	<b>-3</b>	<b>27</b>	<b>7</b>	<b>-2</b>	<b>2</b>	<b>28</b>	<b>3</b>	<b>-6</b>
<b>Austria</b>										
Mobile		-24	-41	-79	-10	-14	-22	-16	-23	-18
Fixed broadband		62	40	88	29	33	29	19	16	24
Fixed telephony		25	25	52	12	13	14	13	11	14
Other operations		-8	-1	-5	-6	-2	-1	-3	1	-2
		<b>55</b>	<b>23</b>	<b>56</b>	<b>25</b>	<b>30</b>	<b>20</b>	<b>13</b>	<b>5</b>	<b>18</b>
<b>Germany</b>										
Mobile		52	65	121	25	27	28	28	27	38
Fixed broadband		11	7	16	6	5	6	3	3	4
Fixed telephony		59	54	139	29	30	40	45	26	28
		<b>122</b>	<b>126</b>	<b>276</b>	<b>60</b>	<b>62</b>	<b>74</b>	<b>76</b>	<b>56</b>	<b>70</b>
<b>Other</b>										
Mobile		-49	-23	-65	-19	-30	-28	-14	-13	-10
Other operations		-64	-57	-113	-28	-36	-27	-29	-47	-10
		<b>-113</b>	<b>-80</b>	<b>-178</b>	<b>-47</b>	<b>-66</b>	<b>-55</b>	<b>-43</b>	<b>-60</b>	<b>-20</b>
<b>TOTAL</b>										
<b>Mobile</b>		<b>1,488</b>	<b>601</b>	<b>1,582</b>	<b>759</b>	<b>729</b>	<b>356</b>	<b>625</b>	<b>242</b>	<b>359</b>
<b>Fixed broadband</b>		<b>-100</b>	<b>-1</b>	<b>10</b>	<b>-94</b>	<b>-6</b>	<b>18</b>	<b>-7</b>	<b>-27</b>	<b>26</b>
<b>Fixed telephony</b>		<b>140</b>	<b>150</b>	<b>315</b>	<b>72</b>	<b>68</b>	<b>79</b>	<b>86</b>	<b>66</b>	<b>84</b>
<b>Other operations</b>		<b>2</b>	<b>56</b>	<b>164</b>	<b>-13</b>	<b>15</b>	<b>73</b>	<b>35</b>	<b>5</b>	<b>51</b>
		<b>1,530</b>	<b>806</b>	<b>2,071</b>	<b>724</b>	<b>806</b>	<b>526</b>	<b>739</b>	<b>286</b>	<b>520</b>
One-off items	3	-177	-460	-3,290	-68	-109	-280	-2,550	-95	-365
<b>TOTAL</b>		<b>1,353</b>	<b>346</b>	<b>-1,219</b>	<b>656</b>	<b>697</b>	<b>246</b>	<b>-1,811</b>	<b>191</b>	<b>155</b>

# CAPEX

SEK million	Note	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<b>Sweden</b>										
Mobile		181	269	665	119	62	203	193	109	160
Fixed broadband		74	23	78	42	32	38	17	5	18
Fixed telephony		4	5	12	3	1	3	4	4	1
Other operations		59	40	141	32	27	105	-4	18	22
		<b>318</b>	<b>337</b>	<b>896</b>	<b>196</b>	<b>122</b>	<b>349</b>	<b>210</b>	<b>136</b>	<b>201</b>
<b>Lithuania</b>										
Mobile	8	52	180	228	23	29	25	23	30	150
		<b>52</b>	<b>180</b>	<b>228</b>	<b>23</b>	<b>29</b>	<b>25</b>	<b>23</b>	<b>30</b>	<b>150</b>
<b>Latvia</b>										
Mobile		37	42	68	20	17	17	9	17	25
		<b>37</b>	<b>42</b>	<b>68</b>	<b>20</b>	<b>17</b>	<b>17</b>	<b>9</b>	<b>17</b>	<b>25</b>
<b>Estonia</b>										
Mobile		34	37	71	20	14	14	20	16	21
		<b>34</b>	<b>37</b>	<b>71</b>	<b>20</b>	<b>14</b>	<b>14</b>	<b>20</b>	<b>16</b>	<b>21</b>
<b>Netherlands</b>										
Mobile		328	474	865	170	158	209	182	260	214
Fixed broadband		95	372	501	48	47	64	65	94	278
Fixed telephony		27	8	13	15	12	3	2	3	5
Other operations		30	39	62	16	14	13	10	17	22
		<b>480</b>	<b>893</b>	<b>1,441</b>	<b>249</b>	<b>231</b>	<b>289</b>	<b>259</b>	<b>374</b>	<b>519</b>
<b>Kazakhstan</b>										
Mobile		297	185	514	168	129	195	134	106	79
		<b>297</b>	<b>185</b>	<b>514</b>	<b>168</b>	<b>129</b>	<b>195</b>	<b>134</b>	<b>106</b>	<b>79</b>
<b>Croatia</b>										
Mobile		32	84	130	25	7	30	16	31	53
		<b>32</b>	<b>84</b>	<b>130</b>	<b>25</b>	<b>7</b>	<b>30</b>	<b>16</b>	<b>31</b>	<b>53</b>
<b>Austria</b>										
Mobile		2	5	7	2	-	1	1	2	3
Fixed broadband		18	21	48	9	9	16	11	13	8
Fixed telephony		2	2	4	1	1	1	1	1	1
Other operations		4	4	6	2	2	2	-	3	1
		<b>26</b>	<b>32</b>	<b>65</b>	<b>14</b>	<b>12</b>	<b>20</b>	<b>13</b>	<b>19</b>	<b>13</b>
<b>Germany</b>										
Mobile		-	1	1	-	-	1	-1	1	-
Fixed broadband		-	1	2	-	-	-	1	1	-
		<b>-</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>-</b>
<b>Other</b>										
Mobile		10	-	-	7	3	-	-	-	-
Other operations		111	182	415	48	63	138	95	89	93
		<b>121</b>	<b>182</b>	<b>415</b>	<b>55</b>	<b>66</b>	<b>138</b>	<b>95</b>	<b>89</b>	<b>93</b>
<b>TOTAL</b>										
Mobile		<b>973</b>	<b>1,277</b>	<b>2,549</b>	<b>554</b>	<b>419</b>	<b>695</b>	<b>577</b>	<b>572</b>	<b>705</b>
Fixed broadband		<b>187</b>	<b>417</b>	<b>629</b>	<b>99</b>	<b>88</b>	<b>118</b>	<b>94</b>	<b>113</b>	<b>304</b>
Fixed telephony		<b>33</b>	<b>15</b>	<b>29</b>	<b>19</b>	<b>14</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>7</b>
Other operations		<b>204</b>	<b>265</b>	<b>624</b>	<b>98</b>	<b>106</b>	<b>258</b>	<b>101</b>	<b>127</b>	<b>138</b>
<b>TOTAL</b>	<b>8</b>	<b>1,397</b>	<b>1,974</b>	<b>3,831</b>	<b>770</b>	<b>627</b>	<b>1,078</b>	<b>779</b>	<b>820</b>	<b>1,154</b>

# Five-year summary

SEK million	Note	2017 Jan 1–Jun 30	2016 Jan 1–Jun 30	2016 Full year	2015 Full year	2014 Full year	2013 Full year
<b>CONTINUING OPERATIONS</b>							
Net sales		15,863	13,114	28,292	26,856	25,955	25,757
Numbers of customers (by thousands)		16,940	16,381	16,666	14,414	13,594	13,582
EBITDA		3,354	2,313	5,334	5,757	5,926	5,891
EBIT		1,353	346	-1,219	2,447	3,490	2,548
EBT		1,070	620	-1,234	2,012	3,500	1,997
Net profit/loss		679	279	-2,164	1,268	2,626	968
<b>Key ratios</b>							
EBITDA margin, %		21.1	17.6	18.9	21.4	22.8	22.9
EBIT margin, %		8.5	2.6	-4.3	9.1	13.4	9.9
<b>Value per share (SEK)</b>							
Net profit/loss	10	1.48	0.89	-4.12	2.77	5.74	2.12
Net profit/loss after dilution	10	1.47	0.88	-4.12	2.75	5.71	2.10
<b>TOTAL</b>							
Equity		16,377	17,404	18,196	17,901	22,682	21,591
Total assets		39,914	37,820	40,477	36,149	39,848	39,855
Cash flow from operating activities		2,699	1,946	5,017	3,529	4,578	5,813
Free cash flow		998	-15	1,217	-486	432	572
Available liquidity		9,948	8,480	10,042	7,890	8,224	9,306
Net debt	6	12,445	11,765	10,628	9,878	8,135	7,328
Economic net debt	6	12,023	11,739	10,437	9,878	8,135	7,328
Net investments in intangible and tangible assets, CAPEX		1,397	1,974	3,831	4,240	3,976	5,534
<b>Key ratios</b>							
Debt/equity ratio, multiple		0.76	0.68	0.58	0.55	0.36	0.34
Equity/assets ratio, %		41	46	45	50	57	54
ROCE, return on capital employed, %	10	9.1	3.6	-4.5	14.0	10.1	48.0
Average interest rate, %		2.4	2.9	2.7	4.1	4.7	5.2
<b>Value per share (SEK)</b>							
Net profit/loss	10	1.44	0.89	-4.34	6.52	4.83	31.90
Net profit/loss after dilution	10	1.43	0.88	-4.34	6.48	4.80	31.69
Equity	10	33.25	38.17	40.86	39.07	49.55	47.20
Cash flow from operating activities	10	5.37	4.24	11.10	7.70	10.00	12.71
Dividend, ordinary		-	-	5.23	5.35	4.85	4.40
Extraordinary dividend		-	-	-	-	10.00	-
Redemption		-	-	-	-	-	28.00
Market price at closing day		88.20	73.55	73.05	84.75	94.95	72.85

# Parent company

## Income statement

SEK million	2017 Jan 1-Jun 30	2016 Jan 1-Jun 30	2016 Full year
Net sales	30	12	28
Administrative expenses	-61	-49	-105
<b>Operating loss, EBIT</b>	<b>-31</b>	<b>-37</b>	<b>-77</b>
Dividend from group company	7,000	-	-
Exchange rate difference on financial items	-18	-75	-131
Net interest expenses and other financial items	-132	-126	-272
<b>Profit/loss after financial items, EBT</b>	<b>6,819</b>	<b>-238</b>	<b>-480</b>
Appropriations, group contribution	-	-	774
Tax on profit/loss	40	52	-65
<b>NET PROFIT/LOSS</b>	<b>6,859</b>	<b>-186</b>	<b>229</b>

## Balance sheet

SEK million	Note	Jun 30, 2017	Dec 31, 2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible assets		1	1
Financial assets		13,609	13,617
<b>NON-CURRENT ASSETS</b>		<b>13,610</b>	<b>13,618</b>
<b>CURRENT ASSETS</b>			
Current receivables		14,436	8,521
Cash and cash equivalents		7	4
<b>CURRENT ASSETS</b>		<b>14,443</b>	<b>8,525</b>
<b>ASSETS</b>		<b>28,053</b>	<b>22,143</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Restricted equity	10	5,619	5,619
Unrestricted equity	10	10,296	6,026
<b>EQUITY</b>		<b>15,915</b>	<b>11,645</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	6	9,795	7,485
<b>NON-CURRENT LIABILITIES</b>		<b>9,795</b>	<b>7,485</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	6	2,279	2,850
Non-interest-bearing liabilities		64	163
<b>CURRENT LIABILITIES</b>		<b>2,343</b>	<b>3,013</b>
<b>EQUITY AND LIABILITIES</b>		<b>28,053</b>	<b>22,143</b>

# Notes

## NOTE 1 ACCOUNTING PRINCIPLES AND DEFINITIONS

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

Tele2 has presented this interim report in accordance with the accounting principles and calculation methods used in the 2016 Annual Report. The description of these principles and definitions, including non-IFRS measures, is found in the 2016 Annual Report, pages 34–41 and 76–77. There are no new IFRSs or amendments to IFRSs applicable as from January 1, 2017 that significantly affects Tele2's financial reports 2017.

## NOTE 2 NET SALES AND CUSTOMERS

### Net sales

In Q1 2017, net sales in Netherlands was positively affected by a SEK 53 million revaluation of handset receivables.

### Customers

Number of customers has in Q2 2016 changed with –4,000 customers and in Latvia, in Q1 2016 with 27,000 customers in Lithuania, without affecting the net intake due to implementation of new IT systems leading to more improved reporting of number of customers.

## NOTE 3 OPERATING EXPENSES

### EBITDA

In Q2 2017, the EBITDA for fixed broadband in Netherlands was negatively affected by SEK 64 million related to the provision for the ongoing dispute with KPN concerning retroactive price adjustment for rented copper lines. The case has previously been reported as a contingent liability, please refer to note 9 for additional information.

In Q1 2017, the EBITDA in Netherlands was positively affected in total by SEK 95 million of which mobile by SEK 77 million, as a result mainly of the revaluation of handset receivables as stated in Note 2 and fixed broadband by SEK 18 million as a result of a settlement of a dispute.

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	2017 Jan 1– Jun 30	2016 Jan 1– Jun 30	2016 Full year	2017 Q2	2016 Q2
<b>EBITDA</b>	<b>3,354</b>	<b>2,313</b>	<b>5,334</b>	<b>1,631</b>	<b>1,087</b>
Impairment of goodwill	–	–331	–2,825	–	–5
Sale of operations	–	–	–1	–	–
Acquisition costs	–1	–18	–61	–1	–15
Integration costs	–111	–6	–81	–30	–4
Challenger program	–65	–105	–322	–37	–71
<b>Total one-off items</b>	<b>–177</b>	<b>–460</b>	<b>–3,290</b>	<b>–68</b>	<b>–95</b>
Depreciation/amortization and other impairment	–1,825	–1,508	–3,263	–908	–802
Result from shares in joint ventures and associated companies	1	1	–	1	1
<b>EBIT</b>	<b>1,353</b>	<b>346</b>	<b>–1,219</b>	<b>656</b>	<b>191</b>

## One-off items in segment reporting

Definition of one-off items is stated in the 2016 Annual Report, page 76.

### Impairment of goodwill

SEK million	2017 Jan 1– Jun 30	2016 Jan 1– Jun 30	2016 Full year	2017 Q2	2016 Q2
Netherlands	–	–	–2,481	–	–
Kazakhstan	–	–331	–344	–	–5
<b>Total impairment of goodwill</b>	<b>–</b>	<b>–331</b>	<b>–2,825</b>	<b>–</b>	<b>–5</b>
<i>of which:</i>					
–cost of service provided	–	–331	–2,825	–	–5

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 jointly owned company with Kazakhtelecom, with a positive effect in the income statement of SEK 413 million reported under financial items (Note 4).

### Acquisition costs

SEK million	2017 Jan 1– Jun 30	2016 Jan 1– Jun 30	2016 Full year	2017 Q2	2016 Q2
TDC, Sweden	–1	–6	–35	–1	–6
Altel, Kazakhstan	–	–12	–24	–	–9
Other acquisitions	–	–	–2	–	–
<b>Total acquisition costs</b>	<b>–1</b>	<b>–18</b>	<b>–61</b>	<b>–1</b>	<b>–15</b>
<i>of which:</i>					
–administrative expenses	–1	–18	–61	–1	–15

### Integration costs

SEK million	2017 Jan 1– Jun 30	2016 Jan 1– Jun 30	2016 Full year	2017 Q2	2016 Q2
TDC, Sweden	–96	–	–36	–22	–
Altel, Kazakhstan	–15	–6	–45	–8	–4
<b>Total integration costs</b>	<b>–111</b>	<b>–6</b>	<b>–81</b>	<b>–30</b>	<b>–4</b>
<i>of which:</i>					
–cost of service provided	–39	–1	–15	–9	–1
–selling expenses	–23	–	–5	–	–
–administrative expenses	–49	–5	–61	–21	–3
<i>of which:</i>					
–redundancy costs	–57	–5	–28	–	–3
–other employee and consultancy costs	–29	–	–36	–19	–
–exit of contracts and other costs	–25	–1	–17	–11	–1

### 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	2017 Jan 1– Jun 30	2016 Jan 1– Jun 30	2016 Full year	2017 Q2	2016 Q2
Costs of service provided	-4	-13	-19	-2	-4
Selling expenses	-1	-5	-8	-	-5
Administrative expenses	-60	-87	-295	-35	-62
<b>Total Challenger program costs</b>	<b>-65</b>	<b>-105</b>	<b>-322</b>	<b>-37</b>	<b>-71</b>
<i>of which:</i>					
-redundancy costs	-31	-42	-184	-23	-37
-other employee and consultancy costs	-32	-60	-120	-13	-32
-exit of contracts and other costs	-2	-3	-18	-1	-2

#### NOTE 4 OTHER FINANCIAL ITEMS

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

SEK million	2017 Jan 1– Jun 30	2016 Jan 1– Jun 30	2016 Full year	2017 Q2	2016 Q2
Change in fair value, earn out Kazakhstan	-121	-	-100	-83	-
Change in fair value, put option Kazakhstan	-	413	413	-	-
Exchange rate differences	4	13	2	-6	4
EUR net investment hedge, interest component	-1	-3	-5	-	-2
Sale of Modern Holding Inc	-	-2	-2	-	-2
Other financial expenses	-7	-5	-11	-5	-2
<b>Total other financial items</b>	<b>-125</b>	<b>416</b>	<b>297</b>	<b>-94</b>	<b>-2</b>

The previous 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. To cover for the estimated earn-out obligation, that is based on fair value, the earn-out obligation was on June 30, 2017 and December 31, 2016 valued at SEK 221 (100) million and reported as a financial liability with fair value changes reported as financial items in the income statement. The change in fair value on December 31, 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 change in 2017 is related to a continuation of the positive trends in the Kazakhstan operation. The fair value estimate is sensitive to changes in key assumptions supporting the expected future cash flows for the jointly owned company in Kazakhstan. A deviation from the current assumptions regarding the fair value would impact the earn-out liability.

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 2016 eroded pricing power for all market participants.

#### NOTE 5 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	2017 Jan 1–Jun 30		2016 Jan 1–Jun 30		2016 Full year	
<b>Profit/loss before tax</b>	<b>1,070</b>		<b>620</b>		<b>-1,234</b>	
<b>Tax expense/income</b>						
Theoretic tax according to tax rate in Sweden	-235	-22.0%	-136	-22.0%	271	22.0%
<b>Tax effect of</b>						
Impairment of goodwill, non-deductible	-	-	-65	-10.5%	-689	-55.8%
Change in fair value, Kazakhstan:						
-earn-out	-27	-2.5%	-	-	-22	-1.8%
-put option	-	-	91	14.7%	91	7.4%
Valuation tax loss-carry forwards	19	1.8%	40	6.4%	40	3.2%
Not valued tax loss-carry forwards	-143	-13.3%	-248	-40.0%	-510	-41.3%
Adjustment due to changed tax rate	-	-	-	-	-140	-11.4%
Other	-5	-0.5%	-23	-3.6%	29	2.3%
<b>Tax expense and effective tax rate</b>	<b>-391</b>	<b>-36.5%</b>	<b>-341</b>	<b>-55.0%</b>	<b>-930</b>	<b>-75.4%</b>

In Q2 2017, the Administrative Court in Sweden rejected Tele2 Sweden's claims for a deduction of interest expenses on intra-group loans related to the years 2013 and 2014 according to interest limitation rules introduced in 2013. Tele2 will appeal the Administrative Court's rulings. The decision did not have any effect on Tele2's results since the amount was already reserved.

In Q1 2017, taxes were positively affected by a valuation of deferred tax assets in Germany of SEK 19 (40) million.

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.

#### NOTE 6 FINANCIAL ASSETS AND LIABILITIES

##### Net debt and economic net debt

SEK million	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Interest-bearing non-current and current liabilities	14,300	13,107	12,431	10,991	9,190	9,430
Excluding equipment financing	-34	-82	-70	-	-	-
Excluding provisions	-1,482	-1,072	-1,399	-926	-807	-679
Cash & cash equivalents, current investments and restricted funds	-322	-182	-279	-139	-189	-1,413
Derivatives	-17	-6	-55	-48	-47	-10
Net debt for assets classified as held for sale	-	-	-	-	-12	-
<b>Net debt</b>	<b>12,445</b>	<b>11,765</b>	<b>10,628</b>	<b>9,878</b>	<b>8,135</b>	<b>7,328</b>
Excluding:						
-liabilities to Kazakhtelecom	-25	-20	-24	-	-	-
-loan guaranteed by Kazakhtelecom	-176	-6	-67	-	-	-
-liability for earn-out obligation Kazakhstan	-221	-	-100	-	-	-
<b>Economic net debt</b>	<b>12,023</b>	<b>11,739</b>	<b>10,437</b>	<b>9,878</b>	<b>8,135</b>	<b>7,328</b>

The definition of net debt is the net of non-operating interest-bearing liabilities, cash and cash equivalents, current investments, restricted cash and derivatives.

## Financing

SEK million	Interest-bearing liabilities			
	Jun 30, 2017		Dec 31, 2016	
	Current	Non-current	Current	Non-current
Bonds SEK, Sweden	–	8,531	2,153	6,237
Bonds NOK, Sweden	–	–	188	–
Commercial papers, Sweden	2,100	–	300	–
Financial institutions	176	1,391	305	1,266
	<b>2,276</b>	<b>9,922</b>	<b>2,946</b>	<b>7,503</b>
Provisions	128	1,354	147	1,252
Other liabilities	235	385	308	275
	<b>2,639</b>	<b>11,661</b>	<b>3,401</b>	<b>9,030</b>
<b>Total interest-bearing liabilities</b>		<b>14,300</b>		<b>12,431</b>

On April 28, 2017 Tele2 completed the issuance of a SEK 400 million bond in the Swedish bond market. The bond has a final maturity of 6 years with a floating coupon rate of STIBOR 3m +1.45 percent. The bond is issued under the Tele2 EMTN program and is listed on the Luxembourg exchange.

On February 24, 2017 Tele2 completed the issuance of a SEK 800 million bond in the Swedish bond market. The bond has a final maturity of 6 years with a fixed rate coupon of 2 percent. The bond is issued under the Tele2 EMTN program and is listed on the Luxembourg exchange. The issuance was done in combination with a repurchase of SEK 400 million of the Tele2 bond maturing in May 2017. In April 2017, Tele2 completed the issuance of a SEK 400 million increase of its February 2023 fixed rate bond.

In January 2017, Tele2 completed the issuance of a SEK 700 million increase (tap) of its March 2022 bond. The bond has a floating coupon rate of STIBOR 3m +1.55 percent, is issued under the Tele2 EMTN program and listed on the Luxembourg exchange.

Tele2 has a credit facility with a syndicate of banks. The facility has a tenor of five years with two one-year extension options. In Q1 2017, the facility was extended with one year to 2022. In Q2 2017, the credit facility was reduced by EUR 40 million. The remaining facility amount after the reduction is EUR 760 million. In 2016, Tele2 entered into a six-year loan agreement with European Investment Bank (EIB) amounting to EUR 125 million. On June 30, 2017 both facilities were unutilized.

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner Kazakhtelecom. On June 30, 2017 and December 31, 2016 the reported debt amounted to SEK 25 (24) million and the nominal value to SEK 307 (319) million.

### Transfer of right of payment of receivables

In Q1 2016 and onwards, Tele2 Sweden started to transfer the right for payment of certain operating receivables to financial institutions. The receiving payment obtained from financial institutions, in relation to the transfer of right of payment of receivables for sold handsets and other equipment, has been netted against the receivables in the balance sheet and resulted in a positive effect on cash flow. During 2017, the right of payment transferred to third parties without recourse or remaining credit exposure for Tele2 corresponded to SEK 691 (1,447) million, of which SEK 274 (461) million in Q2 2017.

### 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 2017, no transfers were made between the different levels in the fair value hierarchy and no significant changes were made to valuation techniques, inputs used or assumptions.

SEK million	Jun 30, 2017						
	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	1,253	–	–	1,254	1,254	
Accounts receivables	–	2,615	–	–	2,615	2,615	
Other current receivables	–	3,069	17	–	3,086	3,086	
Current investments	–	3	–	–	3	3	
Cash and cash equivalents	–	318	–	–	318	318	
<b>Total financial assets</b>	<b>1</b>	<b>7,258</b>	<b>17</b>	<b>–</b>	<b>7,276</b>	<b>7,276</b>	
Liabilities to financial institutions and similar liabilities	–	–	–	12,198	12,198	12,240	
Other interest-bearing liabilities	237	–	179	204	620	652	
Accounts payable	–	–	–	2,830	2,830	2,830	
Other current liabilities	–	–	–	1,248	1,248	1,248	
<b>Total financial liabilities</b>	<b>237</b>	<b>–</b>	<b>179</b>	<b>16,480</b>	<b>16,896</b>	<b>16,970</b>	

SEK million	Dec 31, 2016						
	Assets and liabilities at fair value through profit/loss (level 3)		Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	1	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	
<b>Total financial assets</b>	<b>1</b>	<b>7,750</b>	<b>55</b>	<b>–</b>	<b>7,806</b>	<b>7,806</b>	
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	
<b>Total financial liabilities</b>	<b>124</b>	<b>–</b>	<b>217</b>	<b>15,190</b>	<b>15,531</b>	<b>15,439</b>	

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

SEK million	Jun 30, 2017		Dec 31, 2016	
	Assets	Liabilities	Assets	Liabilities
<b>As of January 1</b>	<b>1</b>	<b>124</b>	<b>9</b>	<b>541</b>
Changes in fair value:				
–earn-out Kazakhstan	–	121	–	100
–put-option Kazakhstan	–	–	–	–413
Divestment of shares	–	–	–8	–
Payment of liability	–	–	–	–125
Other contingent considerations:				
–paid	–	–8	–	–
–other changes	–	–	–	24
Exchange rate differences*	–	–	–	–3
<b>As of the end of the period</b>	<b>1</b>	<b>237</b>	<b>1</b>	<b>124</b>

\*recognized in other comprehensive income

In Q4 2016, a liability was reported for estimated deferred consideration to the former owner of TDC Sweden. 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 Q2 2017, the deferred consideration was settled.

In Q3 2016, a liability was reported for contingent deferred consideration to the former owners of Kombridge, Sweden. The estimated fair value of the deferred consideration amounted on June 30, 2017 and December 31, 2016 to SEK 16 (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 jointly owned company with Kazakhtelecom. The estimated fair value of the deferred consideration amounted on June 30, 2017 and December 31, 2016 to SEK 221 (100) million. The fair value was calculated based on expected future cash flows of the jointly owned company, please refer to Note 4.

## 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	2017 Jun 30	2016 Mar 31	2016 Dec 31	2016 Sep 30	2016 Jun 30	2016 Mar 31
Cash and cash equivalents in joint operations	16	17	60	12	7	42

As part of the business combination in Q1 2016 of Tele2's and Kazakhtelecom's operations in Kazakhstan, Kazakhtelecom has 49 percent of the voting rights in the combined company. Tele2 and Kazakhtelecom sell and purchases telecommunication services to and 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 2017. Other related parties are presented in Note 37 of the 2016 Annual Report.

## NOTE 8 CAPEX

### Bridge from CAPEX to paid CAPEX

SEK million	2017 Jan 1- Jun 30	2016 Jan 1- Jun 30	2016 Full year	2017 Q2	2016 Q2
<b>CAPEX</b>	<b>-1,397</b>	<b>-1,974</b>	<b>-3,831</b>	<b>-770</b>	<b>-820</b>
This year's unpaid CAPEX and paid CAPEX from previous year	-313	-4	6	-84	-36
Received payment of sold non-current assets	9	17	25	-	2
<b>Paid CAPEX</b>	<b>-1,701</b>	<b>-1,961</b>	<b>-3,800</b>	<b>-854</b>	<b>-854</b>

In Q1 2016, CAPEX for Lithuania was affected by SEK 123 million related to licenses in the 900 and 1800 MHz bands. SEK 26 million was paid during Q1 2016 and the remaining part will be paid over 15 years of the license lifespan.

## NOTE 9 CONTINGENT LIABILITIES AND ASSETS

SEK million	Jun 30, 2017	Dec 31, 2016
Asset dismantling obligation	155	151
KPN dispute, Netherlands	-	222
Factoring dispute, Croatia	126	-
<b>Total contingent liabilities</b>	<b>281</b>	<b>373</b>

### Contingent assets

In May 2016, the Stockholm District Court ordered Telia to pay damages to Tele2 concerning Telia's abuse of its dominant position on wholesale ADSL-services. The judgement has been appealed by both parties 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 224 million) excluding interest, which is subject to pending appeals and court cases expected to go on for several years. On April 12, 2017 the Rotterdam Civil Court passed a ruling in which the court in principle ruled in favor of KPN. Although the ruling will be appealed by Tele2 and that ACM is in a position to reduce KPN's potential claims based on regulatory grounds, Tele2 reported a provision of EUR 7.8 million (SEK 75 million) in Q2 2017, including interests of EUR 1.1 million (SEK 11 million). Tele2 will continue to challenge the aforementioned case as it is of the opinion that there is no legal basis for charging the adjusted rental fees with retroactive effect.

Tele2 Croatia has as part of its ordinary course of business entered into factoring agreements with Croatian banks, whereby Tele2 assigns to the banks some of its accounts receivables relating to third party distribution of prepaid vouchers. One of the third-party distributors, Tisak, is part of the Croatian Agrokor Group that currently is facing liquidity and solvency problems. Since the banks have not been able to collect payment for assigned and due accounts receivables from Tisak, they have instead requested payment from Tele2. On April 7, 2017 a new Croatian law was adopted under which the Agrokor Group has applied and been granted so called extraordinary management with the aim to improve the Group's financial status. The implications of the extraordinary management of the Agrokor Group are not yet known in detail and great uncertainty exists over the whole Agrokor Group situation. Due to the great uncertainty, Tele2 has not made any provisions for the amounts Tele2 potentially may be liable to repay the banks. On June 30, 2017 the Tisak's total outstanding debts to the banks amounted to HRK 96 million (SEK 126 million). In addition to the factoring agreements, the carrying value of Tele2's receivables on June 30, 2017 due from Tisak amounted to HRK 19 million (SEK 25 million).

Additional information about contractual commitments is provided in Note 29 in the 2016 Annual Report.

## NOTE 10 EQUITY AND NUMBER OF SHARES

### Number of shares

	Jun 30, 2017	Dec 31, 2016
<b>Number of shares</b>		
Outstanding	502,755,553	502,350,065
In own custody	4,144,459	4,549,947
Weighted average	502,473,964	452,146,472
After dilution	506,109,047	505,041,442
Weighted average, after dilution	505,226,977	454,887,620

As a result of share rights in the LTI 2014 being exercised during Q2 2017, Tele2 delivered 405,488 B-shares in own custody to the participants in the program.

In Q1 2017, Tele2 released SEK 7 million of the 2016 year accrual for new issue costs.

Changes of number of shares during previous year are stated in Note 24 in the 2016 Annual Report.

### Outstanding share rights

	Jun 30, 2017	Dec 31, 2016
<b>Number of outstanding share rights</b>		
LTI 2017–2020	1,427,558	–
LTI 2016–2019	1,134,693	1,195,370
LTI 2015–2018	791,243	837,616
LTI 2014–2017	–	668,560
<i>of which will be settled in cash</i>	–	10,169
<b>Total outstanding share rights</b>	<b>3,353,494</b>	<b>2,701,546</b>

All outstanding long-term incentive programs (LTI 2015, LTI 2016 and LTI 2017) are based on the same structure and additional information regarding the objective, conditions and requirements related to the LTI programs 2015 and 2016 is stated in Note 33 of the 2016 Annual Report. During the first six months 2017, the total cost before tax for the long-term incentive programs (LTI) amounted to SEK 17 (12) million.

#### LTI 2017

During the Annual General Meeting held on May 9, 2017, the shareholders approved a retention and performance-based incentive program (LTI 2017) for senior executives and other key employees in the Tele2 Group. The program has the same structure as last year's incentive program. The measurement period for retention and performance-based conditions for LTI 2017 is from April 1, 2017 until March 31, 2020.

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 86 million, of which social security costs amount to SEK 22 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 issue of a maximum of 450,000 Class C shares and subsequently to repurchase the Class C shares. The Board of Directors has not yet used its mandate.

#### LTI 2014

The exercise of the share rights in LTI 2014 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2014 until March 31, 2017. The outcome of these performance conditions was in accordance with below and the outstanding share rights of 405,488 have been exchanged for shares in Tele2 and 5,199 share rights have been exchanged for cash during Q2 2017. The weighted average share price for share rights for the LTI 2014 at date of exercise amounted to SEK 90.32 during 2017.

	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		≥ 0%	42.6%	100%
Series B	Average normalised Return on Capital Employed (ROCE)	9%	12%	7.2%	0%
Series C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	36.4%	100%

### Dividend

In Q2 2017, Tele2 paid to its shareholders a dividend for 2016 of SEK 5.23 (5.35) per share. The dividend paid in 2017 corresponded to a total of SEK 2,629 (2,389) million.

### Transactions with non-controlling interests

The transaction with Kazakhtelecom, which is described in Note 24 of the 2016 Annual Report, 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	2017 Jan 1– Jun 30	2016 Jan 1– Jun 30	2016 Full year	2015 Full year	2014 Full year	2013 Full year
EBIT, total operation	1,335	346	-1,319	4,149	3,102	16,339
Financial income, total operation	10	15	18	9	26	55
<b>Return<sup>1)</sup></b>	<b>1,345</b>	<b>361</b>				
<b>Annualized return in relation to</b>	<b>2,690</b>	<b>1,053</b>	<b>-1,301</b>	<b>4,158</b>	<b>3,128</b>	<b>16,394</b>
Total assets	39,914	37,820	40,477	36,149	36,015	39,407
Non-interest bearing liabilities	-9,237	-7,309	-9,850	-7,257	-7,227	-8,781
Provisions for asset dismantling	-1,176	-880	-1,160	-771	-634	-488
Capital employed for assets classified as held for sale	–	–	–	–	3,098	395
Capital employed, closing balance	29,501	29,631	29,467	28,121	31,252	30,533
<b>Capital employed, average</b>	<b>29,484</b>	<b>28,876</b>	<b>28,794</b>	<b>29,687</b>	<b>30,893</b>	<b>34,132</b>
<b>ROCE, %</b>	<b>9.1</b>	<b>3.6</b>	<b>-4.5</b>	<b>14.0</b>	<b>10.1</b>	<b>48.0</b>

<sup>1)</sup> Including impairment of goodwill of SEK 0 (-331) million

## NOTE 11 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2017 Jan 1–Jun 30	2016 Full year
<b>Acquisitions</b>		
TDC, Sweden	–8	-2,910
Altel, Kazakhstan	–	42
Kombridge, Sweden	–	-9
Capital contribution to joint ventures	–	-1
<b>Total acquisition of shares and participations</b>	<b>-8</b>	<b>-2,878</b>
<b>Divestments</b>		
Transaction costs, Russia	–	-2
Other divestments	–	4
<b>Total sale of shares and participations</b>	<b>–</b>	<b>2</b>
<b>TOTAL CASH FLOW EFFECT</b>	<b>-8</b>	<b>-2,876</b>

Additional information about acquisitions made in 2016 is provided in Note 15 in the 2016 Annual Report.

### 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 in 2017 and full year 2016 of SEK -18 (-100) million.

**TELE2**