

# **INTERIM REPORT FIRST QUARTER 2016**

**TELE2**

## Q1 2016 HIGHLIGHTS

- Solid mid-single digit LFL mobile-end user service revenue growth
- Strong performance in the Baltic region
- Kazakhstan joint venture finalized
- Netherlands momentum building since launch of iPhone, new SIM-only offering and VoLTE
- The 2016 financial Guidance for the group is confirmed (see p.5)

Net sales Q1 2016

**6,446**

SEK million

EBITDA Q1 2016

**1,226**

SEK million

### Key Financial Data

SEK million	Q1		
	2016	2015	%
Net sales	6,446	6,511	-1
Net sales, like for like <sup>1)</sup>	6,583	6,484	2
Mobile end-user service revenue	3,168	3,184	-1
Mobile end-user service revenue, like for like <sup>1)</sup>	3,274	3,147	4
EBITDA	1,226	1,428	-14
EBITDA, like for like <sup>1)</sup>	1,232	1,440	-14
EBIT	155	702	-78
EBIT excluding one-off items (Note 3)	520	716	-27
Net profit	339	517	-34
Earnings per share, after dilution (SEK)	0.83	1.15	-28

The figures presented in this report refer to Q1 2016 and continuing operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2015.

<sup>1)</sup> Like for like (LFL) = pro forma, constant currency

# CEO word, Q1 2016

In the first quarter we achieved a key milestone – we now offer 4G throughout our footprint. As a result, we have strengthened the foundations of our business to ensure continued success in data growth and data monetization. As Champions of Customer Value, our customers can enjoy access to high quality, high speed mobile connectivity at a great price. I am confident that our focused approach to technology and to data monetization will create continued and sustainable value for both our customers and shareholders.

This quarter, mobile end-user service revenue, on a like for like basis, increased by 4 percent year on year. Group EBITDA declined, mainly as a result of our mobile launch in the Netherlands but also due to a lower EBITDA in Sweden.

The trends we saw in the 4th quarter last year, continued into the first half of this quarter. The Swedish market has been fiercely competitive, particularly in the B2B SME segment. However, in the consumer segment we have seen continued progress, with positive net intake and positive mobile end-user service revenue growth and we continue to win new customers in B2B large enterprises. To regain momentum and stimulate further growth we have increased our sales and marketing efforts, which had a negative effect on EBITDA, relative to a low investment period in the first quarter of last year. Sweden has continued to leverage its dual brand strategy, with Comviq as the price fighter and Tele2 as the Value Champion. Our customer focused strategy continues to be successful and has resulted in an increased Customer satisfaction score reaching world class benchmark of 85 percent.

The Baltic region continues to deliver a strong performance, monetizing data from increasing 4G coverage, which is now above 90 percent in all markets. With our data centric pricing and increasing demand for data, mobile end-user service revenue continues to grow mid-single digit in the Baltic region with a strong 32 percent EBITDA margin. Smartphone penetration continues to increase at a rapid pace and I am therefore pleased that we now have an agreement with Apple in place, enabling us to offer the iPhone to Baltic consumers.

In the Netherlands, as planned, we achieved important milestones during the quarter by launching the iPhone, introducing a new SIM-only proposition and the launch of VoLTE (Voice over LTE). This has triggered an increased interest in Tele2's 4G services and resulted in a ramp-up of our mobile customer net intake, particularly in the month of March, when all elements became available to the Dutch consumer. With the addition of the iPhone, Tele2 now offers the full range of popular VoLTE-enabled handsets and at the end of the quarter the first customers successfully started to use VoLTE. Our continued focus to attract 4G hungry customers has resulted in us significantly increasing the share of 4G customers in our base. The transfer of our customers to our brand new network is accelerating, and I am therefore very pleased that the research company P3's results on network quality already puts Tele2's network (whilst

**“We are well equipped to continue monetizing data throughout the Group which in turn will lead to sustainable value creation for our customers, employees and our shareholders.”**



it is still being rolled out) on par with the other three MNO's in the market, and one of the best quality networks in the World.

As we announced in the beginning of March, we have now concluded the closing of our Joint Venture in Kazakhstan and immediately launched 4G to Tele2 customers in the geography. The integration is well underway, and business momentum is keeping pace with a solid growth in net intake for the quarter. On a like for like basis mobile end-user service revenue has grown by 31 percent. EBITDA is impacted by both business expansion and the significant devaluation of the Kazakh Tenge. Looking forward, we are excited by the prospect of the next stage of this journey – realizing synergies from consolidation and becoming a stronger and more sustainable player in the Kazakhstan market. An example of this is that during the quarter, we informed our customers of our intention to withdraw the highly unprofitable (and service eroding) unlimited Altel offers, and are now executing on this.

We are now entering the second year of the Challenger program with 60 initiatives up and running. The progress continues in centralizing our Shared Operations organization and I am especially encouraged by our initiatives to move our Network & IT functions to the Cloud. This sets us up for 5G and also enables a more cost efficient network in the future.

Looking forward, we will continue to make progress with 4G penetration in all our markets, to enable surging data consumption. Our Value Champion strategy, combined with benefits from the Challenger program is enabling a platform for further growth in Sweden, Baltics, Netherlands, and in a consolidated Kazakh market. We are well equipped to continue monetizing data throughout the Group which in turn will lead to sustainable value creation for our customers, employees and our shareholders.

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 business to business offerings. In addition to investing in mobile, the Group will concentrate on maximizing the return from fixed-line services.

**Net customer intake** amounted to -9,000 (235,000) customers in Q1 2016. The customer net intake in mobile services amounted to 43,000 (318,000) customers mainly from Netherlands and Kazakhstan.

The fixed broadband customer base decreased by -6,000 (-20,000) in Q1 2016, due to a decline in Sweden, Austria and Germany. As expected, the number of fixed telephony customers fell in Q1 2016 by -46,000 (-63,000). On March 31, 2016, the total customer base amounted to 16,220,000 (13,829,000) including customers from the acquired company Altel in Kazakhstan (Note 11).

**Net sales** in Q1 2016 amounted to SEK 6,446 (6,511) million. The net sales was negatively affected by the devaluation of the Kazakh Tenge as well as a decline in our fixed operations, and positively affected by strong equipment sales in the Netherlands, Croatia, Latvia and Lithuania.

**EBITDA** in Q1 2016 amounted to SEK 1,226 (1,428) million, equivalent to an EBITDA margin of 19 (22) percent. EBITDA was primarily impacted by costs associated to the commercial push in the Netherlands following the 4G LTE network launch, Sweden mobile marketing investments and declines in our fixed operations, but also positively by resolved property lease contract incentive in the Netherlands of SEK 73 million (Note 3).

**EBIT** in Q1 2016 amounted to SEK 520 (716) million excluding one-off items and SEK 155 (702) million including one-off items. EBIT was negatively affected by one-off items totaling SEK -365 (-14) million, mainly attributable to the impairment of goodwill in Kazakhstan of SEK -326 million due to the macro environment including the Tenge devaluation (Note 3).

**Profit before tax** in Q1 2016 amounted to SEK 504 (675) million positively impacted by the decrease in the value of the Kazakhstan put option obligation to the former non-controlling interest in Tele2 Kazakhstan which positively affected financial items with SEK 413 (73) million (Note 5).

**Net profit** in Q1 2016 amounted to SEK 339 (517) million. Reported tax for Q1 2016 amounted to SEK -165 (-158) million. Tax payment affecting cash flow amounted to SEK -67 (-115) million during the quarter. Deferred tax assets amounted to SEK 2.0 billion at the end of the quarter, positively affected by a valuation of deferred tax assets of SEK 40 million (Note 6).

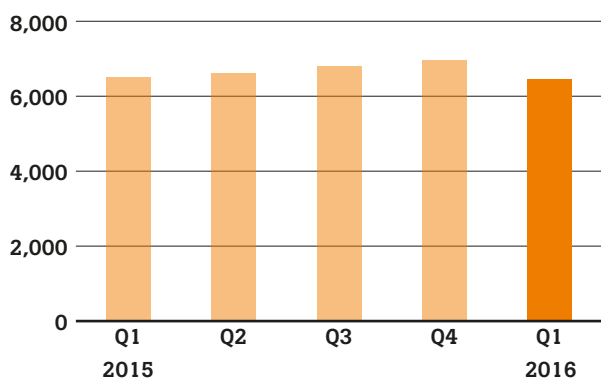
**Free cash flow** in Q1 2016 amounted to SEK -154 (-96) million mainly affected by an increase in CAPEX paid totaling SEK -1,107 (-985) million.

**CAPEX** in Q1 2016 amounted to SEK 1,154 (938) million, driven principally by investment in the spectrum license in Lithuania (Note 8).

**Net debt** amounted to SEK 9,415 (9,878) million and economic net debt (Note 4) amounted to SEK 9,397 (9,878) million on March 31, 2016, or 1.70 times 12-month rolling EBITDA. Tele2's available liquidity amounted to SEK 8,354 (7,890) million.

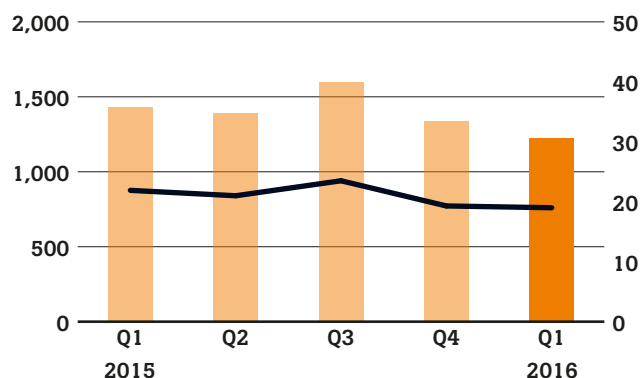
## Net sales

SEK million



## EBITDA/EBITDA margin

SEK million/Percent

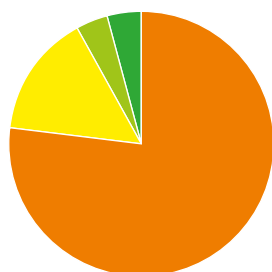


## FINANCIAL SUMMARY

SEK million	Q1,2016	Q1,2015	FY 2015
<b>Mobile</b>			
Net customer intake (thousands)	43	318	1,126
Net sales	4,959	4,825	20,446
EBITDA	850	1,022	4,247
EBIT <sup>1)</sup>	357	533	2,241
CAPEX	724	608	3,024
<b>Fixed broadband</b>			
Net customer intake (thousands)	-6	-20	-57
Net sales	944	1,037	3,956
EBITDA	196	225	788
EBIT <sup>1)</sup>	24	49	102
CAPEX	304	166	636
<b>Fixed telephony</b>			
Net customer intake (thousands)	-46	-63	-199
Net sales	278	349	1,281
EBITDA	96	114	432
EBIT <sup>1)</sup>	84	97	374
CAPEX	7	12	35
<b>Total</b>			
Net customer intake (thousands)	-9	235	870
Net sales	6,446	6,511	26,856
EBITDA	1,226	1,428	5,757
EBIT excluding one-off items (Note 3)	520	716	2,890
EBIT	155	702	2,447
CAPEX	1,154	938	4,227
EBT	504	675	2,012
Net profit	339	517	1,268
Cash flow from operating activities, continuing operations	953	839	3,481
Cash flow from operating activities	953	889	3,529
Free cash flow, continuing operations	-154	-131	-519
Free cash flow	-154	-96	-486

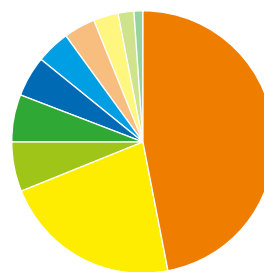
<sup>1)</sup> Excluding one-off items (Note 3)

### Net sales per service area, Q1 2016



Mobile	77%	Fixed telephony	4%
Fixed broadband	15%	Other	4%

### Net sales per country, Q1 2016



Sweden	47%	Austria	4%
Netherlands	22%	Latvia	4%
Lithuania	6%	Germany	3%
Kazakhstan	6%	Estonia	2%
Croatia	5%	Other	1%

# Financial guidance

Tele2 AB gives the following guidance for 2016 for continuing operations in constant currency:

- Mobile end-user service revenue growth of mid-single digits.
- Net sales of between SEK 26 and 27 billion.
- EBITDA of between SEK 4.6 and 5.0 billion.
- CAPEX level of between SEK 3.7 and 4.1 billion.

## **The Challenger Program**

A group-wide program focused on increasing productivity was launched in 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 will be 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 2015–2017**

In January 2015 Tele2 adopted a progressive dividend policy which aims to deliver 10 percent growth per annum in the following three year period.

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

Pursuant to the approval received at the 2015 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 1.5-2.0x over the medium term. As communicated we will be above this range during the period of investments in the Netherlands.

# Overview by country

## Constant currency basis

### Net sales

SEK million	2016 Q1	2015 Q1	Growth
Sweden	3,053	3,130	-2%
Netherlands	1,441	1,394	3%
Kazakhstan	350	210	67%
Croatia	316	304	4%
Lithuania	381	331	15%
Latvia	232	215	8%
Estonia	157	169	-7%
Austria	285	298	-4%
Germany	187	223	-16%
Other	44	34	29%
<b>Total, constant FX</b>	<b>6,446</b>	<b>6,308</b>	<b>2%</b>
FX effects		203	-3%
<b>Total</b>	<b>6,446</b>	<b>6,511</b>	<b>-1%</b>

### EBITDA

SEK million	2016 Q1	2015 Q1	Growth
Sweden	894	976	-8%
Netherlands	-31	140	-122%
Kazakhstan	6	-	-
Croatia	11	21	-48%
Lithuania	142	124	15%
Latvia	69	68	1%
Estonia	35	38	-8%
Austria	50	50	-
Germany	74	32	131%
Other	-24	-23	-4%
<b>Total, constant FX</b>	<b>1,226</b>	<b>1,426</b>	<b>-14%</b>
FX effects		2	0%
<b>Total</b>	<b>1,226</b>	<b>1,428</b>	<b>-14%</b>

### Sweden

Total net sales in Q1 2016 was SEK 3,053 (3,130) million and EBITDA amounted to SEK 894 (976) million.

Mobile end-user service revenue was slightly negative, with a continued positive development within the consumer segment and a solid momentum within B2B large enterprise, whilst fierce competition is impacting the SME segment negatively. During the quarter, Tele2 accelerated its efforts to regain momentum in the Tele2 brand, in particular to improve the development within the B2B SME segment.

In the quarter, Tele2 continued to expand its 2G and 4G mobile network coverage to ensure that our customers, wherever they are, have an excellent mobile experience. Customer satisfaction in customer service has increased to a higher level reaching 85 percent in the quarter – which equals world class benchmark.

**Mobile** in Q1 2016, customer net intake was -41,000 (-43,000) customers mainly due to a decline in prepaid. Net sales amounted to SEK 2,729 (2,766) million. Mobile end-user service revenue declined to SEK 1,797 (1,809) million, negatively impacted primarily by the price aggression in the B2B SME segment, however mitigated by a continued positive development within the consumer segment. Due to intense competition within B2B SME, which has had a negative impact on Tele2's revenue development, the company has accelerated initiatives to regain momentum in this segment and early signs indicate a positive trend. EBITDA amounted to SEK 817 (893) million, affected by those increased sales and marketing initiatives and comparing to a lower investment period in the first quarter previous year.

**Fixed broadband** Customer net intake amounted to -3,000 (-5,000) customers. Net sales decreased with 8 percent and amounted to SEK 173 (188) million. EBITDA contribution amounted to SEK 20 (33) million.

**Fixed telephony** Tele2 saw a continued decrease in demand for fixed telephony as a consequence of the ongoing shift to mobile telephony. The EBITDA contribution in the quarter amounted to SEK 33 (41) million.

### Netherlands

Total net sales in Q1 2016 was SEK 1,441 (1,402) million and EBITDA amounted to SEK -31 (141) million.

Mobile end-user service revenue grew as a result of an increased number of customers, and a shift to more 4G customers. The quarter showed an increasing interest in Tele2's 4G-services resulting in an increase in customer net intake in both residential and B2B customers. During the quarter, Tele2 started selling the iPhone and is now offering a full range of premium VoLTE (Voice over LTE) enabled handsets in all its sales channels. Furthermore, the company introduced a new 4G SIM-only line up. At the end of the quarter the first customers started to use Voice over LTE, making Tele2 the first 4G-only operator in the world.

Tele2 continued to expand its LTE Advanced 4G network which has now reached a 97 percent outdoor population coverage and indoor population coverage of 78 percent. During the quarter the research company P3 conducted a benchmark in which Tele2's network was graded a 9 out of 10, whilst still in roll-out phase, this puts Tele2 already on par with the other three MNO's in the market, and one of the best in the World.

**Mobile** Customer net intake in the quarter amounted to 31,000 (21,000) customers, ramping up towards the latter part of the quarter as a result of the iPhone launch and the new SIM-only proposition. Net sales grew 25 percent and amounted to SEK 691 (553) million. Mobile end-user service revenue grew 6 percent and amounted to SEK 322 (305) million. EBITDA, which is impacted negatively by the costs associated with mobile growth and further network rollout amounted to SEK -243 (-106) million, including a positive non-recurring item of SEK 47 million related to the settlement of a new property lease agreement on our Dutch headoffice (Note 3).

**Fixed broadband** With a growing VULA high speed broadband footprint, Tele2 was able to reverse the negative trend in customer intake resulting in net intake of 1,000 (-9,000) customers. EBITDA amounted to SEK 124 (161) million, including a positive non-recurring item of SEK 19 million. Within the B2B segment, Tele2 signed a framework agreement with VNG (the Association of Dutch Municipalities).



## **Kazakhstan**

The business combination agreement between Tele2's and Kazakhtelecom's mobile businesses in Kazakhstan was completed February 29, 2016. Reported figures are including one month of the acquired company Altel while like for like figures are stated as if Altel was acquired at January 1, 2015 and on a constant currency basis. As part of the closing, an impairment of SEK 326 million was recognized mainly as a result of the current macro environment including the Tenge devaluation (Note 3).

**Mobile:** Like for like, customer net intake in the quarter was 184,000 (765,000) customers. Like for like, net sales grew with 26 percent and amounted to SEK 487 (386) million. Like for like, mobile end-user service revenue grew 31 percent as a result of increasing number of customers, and amounted to SEK 371 (284) million. Like for like, EBITDA, affected by business expansion and foreign exchange losses, amounted to SEK 12 (14) million.

Reported net sales amounted to SEK 350 (399) million, reported mobile end-users service revenue amounted to SEK 265 (315) million and reported EBITDA amounted to SEK 6 (-) million.

Following the business combination, and hence realization of national roaming between Tele2 and Altel, LTE is available to Tele2 customers in all regions of Kazakhstan and Tele2 network coverage in rural areas is available to Altel customers.

Focus going forward will be on integration of the joint operation and achievement of the synergies as well as to monetize on mobile data traffic growth and continue the rapid LTE network rollout.

## **Croatia**

**Mobile** Customer net intake amounted to -7,000 (-24,000) customers, with an increase in the postpaid customer segment, but the overall customer base declined as a result of higher prepaid seasonal churn.

Net sales increased by 4 percent and amounted to SEK 316 (303) million due to higher end-user service revenue as well as higher equipment sales.

Mobile end-user service revenue increased by 3 percent and was SEK 202 (197) million.

EBITDA in the quarter was SEK 11 (21) million, negatively affected by higher spectrum fees and higher investment in marketing.

During the quarter the company focused on the final implementation and launch of 4G, offering 4G to 90 percent of the population. This follows the 3G network upgrade completed in the previous quarter. Towards the end of the quarter, Tele2 launched a complete redesign of its postpaid tariff portfolio providing customers with flexible and simple products that they can easily control. Together with the new postpaid portfolio, Tele2 introduced new marketing communication platforms and a new Tele2 store concept.

## **Lithuania**

**Mobile** Customer net intake in the quarter was -18,000 (-47,000) customers. Net sales grew 14 percent and amounted to SEK 381 (333) million with higher mobile end-user service revenues and sales of equipment contributing positively. Mobile end-user service

revenue grew with 8 percent compared to the same period last year and amounted to SEK 226 (210) million due to increased data usage and demand for additional services.

EBITDA grew 15 percent and amounted to SEK 142 (125) million. EBITDA margin was 37 (38) percent, slightly affected by increased sales of low margin handsets.

During the quarter, the company secured vital 900/1800 MHz spectrum bands and is the first in Lithuania to receive an e-money license from the Central Bank. At the end of the quarter Tele2 announced its agreement with Apple, allowing the company to extend its handset portfolio with the iPhone.

## **Latvia**

**Mobile** Net customer intake in the quarter was -13,000 (-11,000) customers. Net sales grew 7 percent compared to same period last year, and amounted to SEK 232 (216) million driven by strong demand for mobile data, shifting sales towards higher data buckets, and new handsets. Mobile end-user service revenue amounted to SEK 140 (137) million. EBITDA was SEK 69 (68) million, with solid margins of 30 (31) percent.

The company has continued to enhance its mobile data market position, supported by an excellent LTE network with the widest coverage in Latvia. Tele2 will continue to focus on strengthening its market position through a clear mobile data offering and service excellence.

## **Estonia**

**Mobile** In the quarter, net customer intake was -5,000 (-4,000) customers. Net sales amounted to SEK 146 (141) million. Mobile end-user service revenue increased with 5 percent and amounted to SEK 102 (97) million, mainly driven by a strong demand for data services. Mobile EBITDA amounted to SEK 33 (29) million.

During the quarter Tele2 Estonia completed the agreement with Apple, making Tele2 Estonia the official re-seller of Apple handsets in the country.

Tele2 also received official regulatory approval to start commercial service on the LTE450 MHz frequency.

## **Austria**

Net customer intake in the quarter amounted to -7,000 (-8,000) customers. Net sales amounted to SEK 285 (300) million. EBITDA was stable and amounted to SEK 50 (50) million.

During the quarter, Tele2 activated its first mobile services for B2B customers on the previously launched MVNO platform. Strategic focus is on the ramp up of sales capacity.

## **Germany**

Net customer intake continued to decline in line with expectations and net sales amounted to SEK 187 (224) million. With a focus on profitability and cash contribution EBITDA increased by 131 percent compared to the same quarter last year and amounted to SEK 74 (32) million with an EBITDA margin of 40 (14) percent.

Besides a solid operational performance in line with expectations, several one-time effects connected to last year's strategic shift have positively affected the operational result in the quarter.



# 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 the availability of frequencies and telecom licenses, new technology and integration of new business models, large scale cyber-attacks, data protection, operations in Kazakhstan, strategic change management, mobile network & service delivery interruptions, dependency on suppliers and business partners, Sweden dependency, geopolitical risks, and financial risks such as currency risk, interest risk, liquidity risk and credit risk. Please refer to Tele2's annual report for 2015 (Directors' report and Note 2) for a detailed description of Tele2's risk exposure and risk management.

## Company disclosure

### Tele2 AB (publ) Annual General Meeting 2016

The 2016 Annual General Meeting will be held on Tuesday 24 May 2016 at 10.00 a.m. CET at the Hotel Rival, Mariatorget 3 in Stockholm.

Shareholders who wish to attend the Annual General Meeting shall be

- entered in the share register maintained by Euroclear Sweden on Wednesday 18 May 2016,
- give notice of their attendance no later than Wednesday 18 May 2016, preferably before 1.00 p.m. CET. Notice to attend is to be made on the company's website at [www.tele2.com](http://www.tele2.com), by telephone to +46 (0) 771 246 400 or by mail to Computershare AB "AGM Tele2", P.O. Box 610, SE-182 16 Danderyd, Sweden.

### Other

Tele2 will release its financial and operating results for the period ending June 30, 2016 on July 21, 2016.

# Auditors' review report

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

Stockholm, April 21, 2016  
Tele2 AB  
Allison Kirkby  
President and CEO

## Q1 2016 PRESENTATION

Tele2 will host a presentation with the possibility to join through a conference call, for the global financial community at 10:00 am CEST (09:00 am BST/04:00 am EDT) on Thursday, April 21, 2016. The presentation will be held in English and also made available as a web-cast 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

Sweden: +46(0)8 5065 3937

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US: +1646 254 3367

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## APPENDICES

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Comprehensive income

Balance sheet

Cash flow statement

Change in equity

Numbers of customers

Net sales

Mobile external net sales split

EBITDA

EBIT

CAPEX

Five-year summary

Parent company

Notes

**TELE2 IS ONE OF EUROPE'S FASTEST GROWING TELECOM OPERATORS, ALWAYS PROVIDING CUSTOMERS WITH WHAT THEY NEED FOR LESS.**

We have 16 million customers in 9 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, content services and global M2M/IoT solutions. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2015, we had net sales of SEK 27 billion and reported an operating profit (EBITDA) of SEK 5.8 billion.

# Income statement

SEK million	Note	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year
<b>CONTINUING OPERATIONS</b>				
Net sales	2	6,446	6,511	26,856
Cost of services provided	3	–4,315	–3,940	–16,653
<b>Gross profit</b>		<b>2,131</b>	<b>2,571</b>	<b>10,203</b>
Selling expenses	3	–1,376	–1,260	–5,094
Administrative expenses	3	–620	–646	–2,917
Result from shares in joint ventures and associated companies	11	–	–	–5
Other operating income		37	86	401
Other operating expenses	3	–17	–49	–141
<b>Operating profit, EBIT</b>		<b>155</b>	<b>702</b>	<b>2,447</b>
Interest income/costs	4	–69	–100	–376
Other financial items	5	418	73	–59
<b>Profit after financial items, EBT</b>		<b>504</b>	<b>675</b>	<b>2,012</b>
Income tax	6	–165	–158	–744
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>		<b>339</b>	<b>517</b>	<b>1,268</b>
<b>DISCONTINUED OPERATIONS</b>				
Net profit/loss from discontinued operations	11	–	1,717	1,718
<b>NET PROFIT</b>		<b>339</b>	<b>2,234</b>	<b>2,986</b>
ATTRIBUTABLE TO				
Equity holders of the parent company		371	2,234	2,986
Non-controlling interests	11	–32	–	–
<b>NET PROFIT</b>		<b>339</b>	<b>2,234</b>	<b>2,986</b>
Earnings per share (SEK)	10	0.83	5.01	6.69
Earnings per share, after dilution (SEK)	10	0.83	4.98	6.65
<b>FROM CONTINUING OPERATIONS</b>				
ATTRIBUTABLE TO				
Equity holders of the parent company		371	517	1,268
Non-controlling interests		–32	–	–
<b>NET PROFIT</b>		<b>339</b>	<b>517</b>	<b>1,268</b>
Earnings per share (SEK)	10	0.83	1.16	2.84
Earnings per share, after dilution (SEK)	10	0.83	1.15	2.82

# Comprehensive income

SEK million	Note	2016 Jan 1-Mar 31	2015 Jan 1-Mar 31	2015 Full year
<b>NET PROFIT</b>		<b>339</b>	<b>2,234</b>	<b>2,986</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT				
Pensions, actuarial gains/losses		-5	-	38
Pensions, actuarial gains/losses, tax effect		1	-	-9
<b>Components not to be reclassified to net profit</b>		<b>-4</b>	<b>-</b>	<b>29</b>
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT				
<b>Exchange rate differences</b>				
Translation differences in foreign operations	5	102	-190	-1,420
Tax effect on above		10	-144	305
Reversed cumulative translation differences from divested companies	11	-	18	19
<i>Translation differences</i>		<i>112</i>	<i>-316</i>	<i>-1,096</i>
Hedge of net investments in foreign operations		-36	-102	-49
Tax effect on above		8	22	11
Reversed cumulative hedge from divested companies	11	-	-107	-107
<i>Hedge of net investments</i>		<i>-28</i>	<i>-187</i>	<i>-145</i>
<b>Exchange rate differences</b>		<b>84</b>	<b>-503</b>	<b>-1,241</b>
<b>Cash flow hedges</b>				
Loss arising on changes in fair value of hedging instruments		-47	-28	-40
Reclassified cumulative loss to income statement		15	19	83
Tax effect on cash flow hedges		7	2	-10
<b>Cash flow hedges</b>		<b>-25</b>	<b>-7</b>	<b>33</b>
<b>Components that may be reclassified to net profit</b>		<b>59</b>	<b>-510</b>	<b>-1,208</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>55</b>	<b>-510</b>	<b>-1,179</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>394</b>	<b>1,724</b>	<b>1,807</b>
ATTRIBUTABLE TO				
Equity holders of the parent company		424	1,724	1,807
Non-controlling interests	11	-30	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>394</b>	<b>1,724</b>	<b>1,807</b>

# Balance sheet

SEK million	Note	Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Goodwill		8,393	9,391	8,661
Other intangible assets		4,790	4,811	4,437
<b>Intangible assets</b>		<b>13,183</b>	<b>14,202</b>	<b>13,098</b>
Tangible assets		12,667	11,408	11,592
Financial assets	4	1,304	1,599	1,463
Deferred tax assets	6	2,011	1,927	1,964
<b>NON-CURRENT ASSETS</b>		<b>29,165</b>	<b>29,136</b>	<b>28,117</b>
<b>CURRENT ASSETS</b>				
Inventories		622	616	692
Current receivables		7,202	5,932	7,201
Current investments		33	37	32
Cash and cash equivalents	7	184	2,886	107
<b>CURRENT ASSETS</b>		<b>8,041</b>	<b>9,471</b>	<b>8,032</b>
<b>ASSETS</b>		<b>37,206</b>	<b>38,607</b>	<b>36,149</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Attributable to equity holders of the parent company		19,475	24,424	17,901
Non-controlling interests		-11	2	-
<b>EQUITY</b>	10	<b>19,464</b>	<b>24,426</b>	<b>17,901</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing liabilities	4	4,798	5,420	5,619
Non-interest-bearing liabilities	6	733	438	697
<b>NON-CURRENT LIABILITIES</b>		<b>5,531</b>	<b>5,858</b>	<b>6,316</b>
<b>CURRENT LIABILITIES</b>				
Interest-bearing liabilities	4	5,913	1,866	5,372
Non-interest-bearing liabilities		6,298	6,457	6,560
<b>CURRENT LIABILITIES</b>		<b>12,211</b>	<b>8,323</b>	<b>11,932</b>
<b>EQUITY AND LIABILITIES</b>		<b>37,206</b>	<b>38,607</b>	<b>36,149</b>

# Cash flow statement

(Total operations)

SEK million	Note	2016 Jan 1-Mar 31	2015 Jan 1-Mar 31	2015 Full year	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
<b>OPERATING ACTIVITIES</b>										
Operating profit from continuing operations		155	702	2,447	155	364	788	593	702	735
Operating profit/loss from discontinued operations		–	1,701	1,702	–	–	–	1	1,701	–72
<b>Operating profit</b>		<b>155</b>	<b>2,403</b>	<b>4,149</b>	<b>155</b>	<b>364</b>	<b>788</b>	<b>594</b>	<b>2,403</b>	<b>663</b>
Adjustments for non-cash items in operating profit		1,033	–977	1,271	1,033	736	778	734	–977	773
Financial items paid/received	5	–46	–203	–470	–46	–62	–129	–76	–203	37
Taxes paid		–67	–115	–349	–67	–62	–68	–104	–115	–93
<b>Cash flow from operations before changes in working capital</b>		<b>1,075</b>	<b>1,108</b>	<b>4,601</b>	<b>1,075</b>	<b>976</b>	<b>1,369</b>	<b>1,148</b>	<b>1,108</b>	<b>1,380</b>
Changes in working capital		–122	–219	–1,072	–122	–194	–255	–404	–219	–58
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>953</b>	<b>889</b>	<b>3,529</b>	<b>953</b>	<b>782</b>	<b>1,114</b>	<b>744</b>	<b>889</b>	<b>1,322</b>
<b>INVESTING ACTIVITIES</b>										
CAPEX paid	8	–1,107	–985	–4,015	–1,107	–1,073	–945	–1,012	–985	–1,084
<b>Free cash flow</b>		<b>–154</b>	<b>–96</b>	<b>–486</b>	<b>–154</b>	<b>–291</b>	<b>169</b>	<b>–268</b>	<b>–96</b>	<b>238</b>
Acquisition and sale of shares and participations	11	39	4,891	4,893	39	–	7	–5	4,891	–18
Other financial assets		–	–	–28	–	–29	–	1	–	–252
<b>Cash flow from investing activities</b>		<b>–1,068</b>	<b>3,906</b>	<b>850</b>	<b>–1,068</b>	<b>–1,102</b>	<b>–938</b>	<b>–1,016</b>	<b>3,906</b>	<b>–1,354</b>
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>		<b>–115</b>	<b>4,795</b>	<b>4,379</b>	<b>–115</b>	<b>–320</b>	<b>176</b>	<b>–272</b>	<b>4,795</b>	<b>–32</b>
<b>FINANCING ACTIVITIES</b>										
Change of loans, net	4	295	–1,998	2,276	295	228	–257	4,303	–1,998	–308
Dividends	10	–	–	–6,626	–	–	–	–6,626	–	–
Acquisition of non-controlling interests	10	–125	–	–	–125	–	–	–	–	–
Other financing activities		–	–	–2	–	–	–	–2	–	–
<b>Cash flow from financing activities</b>		<b>170</b>	<b>–1,998</b>	<b>–4,352</b>	<b>170</b>	<b>228</b>	<b>–257</b>	<b>–2,325</b>	<b>–1,998</b>	<b>–308</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>55</b>	<b>2,797</b>	<b>27</b>	<b>55</b>	<b>–92</b>	<b>–81</b>	<b>–2,597</b>	<b>2,797</b>	<b>–340</b>
Cash and cash equivalents at beginning of period		107	151	151	107	204	309	2,886	151	418
Exchange rate differences in cash and cash equivalents		22	–62	–71	22	–5	–24	20	–62	73
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>7</b>	<b>184</b>	<b>2,886</b>	<b>107</b>	<b>184</b>	<b>107</b>	<b>204</b>	<b>309</b>	<b>2,886</b>	<b>151</b>

# Change in equity

SEK million	Note	Mar 31, 2016			Mar 31, 2015			Dec 31, 2015		
		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>17,901</b>	<b>–</b>	<b>17,901</b>	<b>22,680</b>	<b>2</b>	<b>22,682</b>	<b>22,680</b>	<b>2</b>	<b>22,682</b>
Net profit/loss for the period		371	–32	339	2,234	–	2,234	2,986	–	2,986
Other comprehensive income for the period, net of tax		53	2	55	–510	–	–510	–1,179	–	–1,179
<b>Total comprehensive income for the period</b>		<b>424</b>	<b>–30</b>	<b>394</b>	<b>1,724</b>	<b>–</b>	<b>1,724</b>	<b>1,807</b>	<b>–</b>	<b>1,807</b>
<b>OTHER CHANGES IN EQUITY</b>										
Share-based payments	10	7	–	7	21	–	21	40	–	40
Share-based payments, tax effect	10	–	–	–	–1	–	–1	–	–	–
New share issues	10	–	–	–	–	–	–	3	–	3
Repurchase of own shares	10	–	–	–	–	–	–	–3	–	–3
Dividends	10	–	–	–	–	–	–	–6,626	–	–6,626
Acquisition of non-controlling interests	10	456	475	931	–	–	–	–	–	–
Divestment to non-controlling interests	10	687	–456	231	–	–	–	–	–2	–2
<b>EQUITY, END OF THE PERIOD</b>		<b>19,475</b>	<b>–11</b>	<b>19,464</b>	<b>24,424</b>	<b>2</b>	<b>24,426</b>	<b>17,901</b>	<b>–</b>	<b>17,901</b>

# Number of customers

by thousands	Note	Number of customers		Net intake								
		2016 Mar 31	2015 Mar 31	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
<b>Sweden</b>												
Mobile		3,700	3,644	-41	-43	120	-41	27	84	52	-43	-58
Fixed broadband		67	52	-3	-5	-15	-3	-3	-2	-5	-5	-7
Fixed telephony		187	222	-9	-10	-46	-9	-13	-12	-11	-10	-11
		<b>3,954</b>	<b>3,918</b>	<b>-53</b>	<b>-58</b>	<b>59</b>	<b>-53</b>	<b>11</b>	<b>70</b>	<b>36</b>	<b>-58</b>	<b>-76</b>
<b>Netherlands</b>												
Mobile		875	834	31	21	31	31	3	-	7	21	22
Fixed broadband		345	360	1	-9	-25	1	-4	-7	-5	-9	1
Fixed telephony		51	69	-4	-6	-20	-4	-4	-5	-5	-6	-10
		<b>1,271</b>	<b>1,263</b>	<b>28</b>	<b>6</b>	<b>-14</b>	<b>28</b>	<b>-5</b>	<b>-12</b>	<b>-3</b>	<b>6</b>	<b>13</b>
<b>Kazakhstan</b>												
Mobile		6,298	3,725	110	428	1,103	110	38	166	471	428	205
		<b>6,298</b>	<b>3,725</b>	<b>110</b>	<b>428</b>	<b>1,103</b>	<b>110</b>	<b>38</b>	<b>166</b>	<b>471</b>	<b>428</b>	<b>205</b>
<b>Croatia</b>												
Mobile		778	799	-7	-24	-16	-7	-78	67	19	-24	-54
		<b>778</b>	<b>799</b>	<b>-7</b>	<b>-24</b>	<b>-16</b>	<b>-7</b>	<b>-78</b>	<b>67</b>	<b>19</b>	<b>-24</b>	<b>-54</b>
<b>Lithuania</b>												
Mobile		1,751	1,763	-18	-47	-68	-18	-37	16	-	-47	-40
		<b>1,751</b>	<b>1,763</b>	<b>-18</b>	<b>-47</b>	<b>-68</b>	<b>-18</b>	<b>-37</b>	<b>16</b>	<b>-</b>	<b>-47</b>	<b>-40</b>
<b>Latvia</b>												
Mobile		945	964	-13	-11	-17	-13	-27	11	10	-11	-28
		<b>945</b>	<b>964</b>	<b>-13</b>	<b>-11</b>	<b>-17</b>	<b>-13</b>	<b>-27</b>	<b>11</b>	<b>10</b>	<b>-11</b>	<b>-28</b>
<b>Estonia</b>												
Mobile		479	484	-5	-4	-4	-5	-2	2	-	-4	-6
Fixed telephony		1	3	-2	-	-	-2	-	-	-	-	-
		<b>480</b>	<b>487</b>	<b>-7</b>	<b>-4</b>	<b>-4</b>	<b>-7</b>	<b>-2</b>	<b>2</b>	<b>-</b>	<b>-4</b>	<b>-6</b>
<b>Austria</b>												
Fixed broadband		100	107	-2	-1	-6	-2	-2	-2	-1	-1	-2
Fixed telephony		126	141	-5	-7	-17	-5	-3	-3	-4	-7	-4
		<b>226</b>	<b>248</b>	<b>-7</b>	<b>-8</b>	<b>-23</b>	<b>-7</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>-8</b>	<b>-6</b>
<b>Germany</b>												
Mobile		205	240	-14	-2	-23	-14	-12	-13	4	-2	9
Fixed broadband		51	59	-2	-5	-11	-2	-2	-2	-2	-5	-2
Fixed telephony		261	363	-26	-40	-116	-26	-35	-51	10	-40	-26
		<b>517</b>	<b>662</b>	<b>-42</b>	<b>-47</b>	<b>-150</b>	<b>-42</b>	<b>-49</b>	<b>-66</b>	<b>12</b>	<b>-47</b>	<b>-19</b>
<b>TOTAL</b>												
Mobile		15,031	12,453	43	318	1,126	43	-88	333	563	318	50
Fixed broadband		563	578	-6	-20	-57	-6	-11	-13	-13	-20	-10
Fixed telephony		626	798	-46	-63	-199	-46	-55	-71	-10	-63	-51
<b>TOTAL NUMBER OF CUSTOMERS AND NET INTAKE</b>												
		<b>16,220</b>	<b>13,829</b>	<b>-9</b>	<b>235</b>	<b>870</b>	<b>-9</b>	<b>-154</b>	<b>249</b>	<b>540</b>	<b>235</b>	<b>-11</b>
Acquired companies	11			1,788	-	-	1,788	-	-	-	-	-
Changed method of calculation	2			27	-	-50	27	-22	-	-28	-	-
<b>TOTAL NUMBER OF CUSTOMERS AND NET CHANGE</b>												
		<b>16,220</b>	<b>13,829</b>	<b>1,806</b>	<b>235</b>	<b>820</b>	<b>1,806</b>	<b>-176</b>	<b>249</b>	<b>512</b>	<b>235</b>	<b>-11</b>



# Net sales

SEK million	Note	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
<b>Sweden</b>										
Mobile		2,729	2,767	11,228	2,729	2,953	2,764	2,744	2,767	3,006
Fixed broadband		173	188	715	173	179	172	176	188	187
Fixed telephony		119	146	541	119	125	131	139	146	153
Other operations		32	30	147	32	42	33	42	30	35
		<b>3,053</b>	<b>3,131</b>	<b>12,631</b>	<b>3,053</b>	<b>3,299</b>	<b>3,100</b>	<b>3,101</b>	<b>3,131</b>	<b>3,381</b>
<b>Netherlands</b>										
Mobile	2	691	553	2,535	691	747	643	592	553	567
Fixed broadband		546	615	2,326	546	557	576	578	615	626
Fixed telephony		71	92	333	71	75	82	84	92	97
Other operations		137	142	552	137	134	139	137	142	143
		<b>1,445</b>	<b>1,402</b>	<b>5,746</b>	<b>1,445</b>	<b>1,513</b>	<b>1,440</b>	<b>1,391</b>	<b>1,402</b>	<b>1,433</b>
<b>Kazakhstan</b>										
Mobile		350	399	1,754	350	383	497	475	399	382
		<b>350</b>	<b>399</b>	<b>1,754</b>	<b>350</b>	<b>383</b>	<b>497</b>	<b>475</b>	<b>399</b>	<b>382</b>
<b>Croatia</b>										
Mobile		316	303	1,429	316	416	377	333	303	372
		<b>316</b>	<b>303</b>	<b>1,429</b>	<b>316</b>	<b>416</b>	<b>377</b>	<b>333</b>	<b>303</b>	<b>372</b>
<b>Lithuania</b>										
Mobile		386	336	1,539	386	405	417	381	336	358
		<b>386</b>	<b>336</b>	<b>1,539</b>	<b>386</b>	<b>405</b>	<b>417</b>	<b>381</b>	<b>336</b>	<b>358</b>
<b>Latvia</b>										
Mobile		233	218	948	233	248	250	232	218	238
		<b>233</b>	<b>218</b>	<b>948</b>	<b>233</b>	<b>248</b>	<b>250</b>	<b>232</b>	<b>218</b>	<b>238</b>
<b>Estonia</b>										
Mobile		146	142	608	146	155	159	152	142	142
Fixed telephony		1	1	7	1	2	2	2	1	2
Other operations		10	28	62	10	11	12	11	28	10
		<b>157</b>	<b>171</b>	<b>677</b>	<b>157</b>	<b>168</b>	<b>173</b>	<b>165</b>	<b>171</b>	<b>154</b>
<b>Austria</b>										
Fixed broadband		193	195	775	193	192	196	192	195	199
Fixed telephony		33	39	146	33	35	36	36	39	41
Other operations		59	66	267	59	62	70	69	66	71
		<b>285</b>	<b>300</b>	<b>1,188</b>	<b>285</b>	<b>289</b>	<b>302</b>	<b>297</b>	<b>300</b>	<b>311</b>
<b>Germany</b>										
Mobile		101	114	437	101	102	109	112	114	116
Fixed broadband		32	39	140	32	32	35	34	39	39
Fixed telephony		54	71	254	54	59	61	63	71	74
		<b>187</b>	<b>224</b>	<b>831</b>	<b>187</b>	<b>193</b>	<b>205</b>	<b>209</b>	<b>224</b>	<b>229</b>
<b>Other</b>										
Mobile		13	–	–	13	–	–	–	–	–
Other operations		33	36	153	33	37	40	40	36	33
		<b>46</b>	<b>36</b>	<b>153</b>	<b>46</b>	<b>37</b>	<b>40</b>	<b>40</b>	<b>36</b>	<b>33</b>
<b>TOTAL</b>										
<b>Mobile</b>		<b>4,965</b>	<b>4,832</b>	<b>20,478</b>	<b>4,965</b>	<b>5,409</b>	<b>5,216</b>	<b>5,021</b>	<b>4,832</b>	<b>5,181</b>
<b>Fixed broadband</b>		<b>944</b>	<b>1,037</b>	<b>3,956</b>	<b>944</b>	<b>960</b>	<b>979</b>	<b>980</b>	<b>1,037</b>	<b>1,051</b>
<b>Fixed telephony</b>		<b>278</b>	<b>349</b>	<b>1,281</b>	<b>278</b>	<b>296</b>	<b>312</b>	<b>324</b>	<b>349</b>	<b>367</b>
<b>Other operations</b>		<b>271</b>	<b>302</b>	<b>1,181</b>	<b>271</b>	<b>286</b>	<b>294</b>	<b>299</b>	<b>302</b>	<b>292</b>
		<b>6,458</b>	<b>6,520</b>	<b>26,896</b>	<b>6,458</b>	<b>6,951</b>	<b>6,801</b>	<b>6,624</b>	<b>6,520</b>	<b>6,891</b>
<b>Internal sales, elimination</b>										
Sweden, mobile		–	–1	–1	–	–	–	–	–1	–8
Lithuania, mobile		–5	–3	–20	–5	–4	–5	–8	–3	–3
Latvia, mobile		–1	–2	–9	–1	–2	–3	–2	–2	–2
Estonia, mobile		–	–1	–2	–	–	–	–1	–1	–
Netherlands, other operations		–4	–	–2	–4	–1	–	–1	–	–1
Other, other operations		–2	–2	–6	–2	–1	–2	–1	–2	–1
<b>TOTAL</b>		<b>6,446</b>	<b>6,511</b>	<b>26,856</b>	<b>6,446</b>	<b>6,943</b>	<b>6,791</b>	<b>6,611</b>	<b>6,511</b>	<b>6,876</b>

# Mobile external net sales split

SEK million	Note	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
<b>Sweden, mobile</b>										
End-user service revenue		1,797	1,809	7,368	1,797	1,841	1,889	1,829	1,809	1,856
Operator revenue		218	211	956	218	245	246	254	211	225
Service revenue		2,015	2,020	8,324	2,015	2,086	2,135	2,083	2,020	2,081
Equipment revenue		546	584	2,272	546	706	482	500	584	759
Other revenue		168	162	631	168	161	147	161	162	158
		<b>2,729</b>	<b>2,766</b>	<b>11,227</b>	<b>2,729</b>	<b>2,953</b>	<b>2,764</b>	<b>2,744</b>	<b>2,766</b>	<b>2,998</b>
<b>Netherlands, mobile</b>										
End-user service revenue	2	322	305	1,404	322	403	364	332	305	301
Operator revenue		43	40	169	43	42	44	43	40	38
Service revenue		365	345	1,573	365	445	408	375	345	339
Equipment revenue		326	208	962	326	302	235	217	208	228
		<b>691</b>	<b>553</b>	<b>2,535</b>	<b>691</b>	<b>747</b>	<b>643</b>	<b>592</b>	<b>553</b>	<b>567</b>
<b>Kazakhstan, mobile</b>										
End-user service revenue		265	315	1,287	265	253	348	371	315	280
Operator revenue		80	80	451	80	127	145	99	80	98
Service revenue		345	395	1,738	345	380	493	470	395	378
Equipment revenue		5	4	16	5	3	4	5	4	4
		<b>350</b>	<b>399</b>	<b>1,754</b>	<b>350</b>	<b>383</b>	<b>497</b>	<b>475</b>	<b>399</b>	<b>382</b>
<b>Croatia, mobile</b>										
End-user service revenue		202	197	839	202	207	225	210	197	205
Operator revenue		46	43	208	46	36	74	55	43	66
Service revenue		248	240	1,047	248	243	299	265	240	271
Equipment revenue		68	63	382	68	173	78	68	63	101
		<b>316</b>	<b>303</b>	<b>1,429</b>	<b>316</b>	<b>416</b>	<b>377</b>	<b>333</b>	<b>303</b>	<b>372</b>
<b>Lithuania, mobile</b>										
End-user service revenue		226	210	886	226	224	230	222	210	207
Operator revenue		55	46	198	55	50	51	51	46	50
Service revenue		281	256	1,084	281	274	281	273	256	257
Equipment revenue		100	77	435	100	127	131	100	77	98
		<b>381</b>	<b>333</b>	<b>1,519</b>	<b>381</b>	<b>401</b>	<b>412</b>	<b>373</b>	<b>333</b>	<b>355</b>
<b>Latvia, mobile</b>										
End-user service revenue		140	137	580	140	146	152	145	137	144
Operator revenue		49	46	185	49	47	46	46	46	46
Service revenue		189	183	765	189	193	198	191	183	190
Equipment revenue		43	33	174	43	53	49	39	33	46
		<b>232</b>	<b>216</b>	<b>939</b>	<b>232</b>	<b>246</b>	<b>247</b>	<b>230</b>	<b>216</b>	<b>236</b>
<b>Estonia, mobile</b>										
End-user service revenue		102	97	412	102	106	106	103	97	96
Operator revenue		16	17	70	16	17	18	18	17	13
Service revenue		118	114	482	118	123	124	121	114	109
Equipment revenue		28	27	124	28	32	35	30	27	33
		<b>146</b>	<b>141</b>	<b>606</b>	<b>146</b>	<b>155</b>	<b>159</b>	<b>151</b>	<b>141</b>	<b>142</b>
<b>Germany, mobile</b>										
End-user service revenue		101	114	436	101	102	108	112	114	116
Equipment revenue		–	–	1	–	–	1	–	–	–
		<b>101</b>	<b>114</b>	<b>437</b>	<b>101</b>	<b>102</b>	<b>109</b>	<b>112</b>	<b>114</b>	<b>116</b>
<b>Other, mobile</b>										
End-user service revenue		13	–	–	13	–	–	–	–	–
		<b>13</b>	<b>–</b>	<b>–</b>	<b>13</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL, MOBILE</b>										
End-user service revenue		<b>3,168</b>	<b>3,184</b>	<b>13,212</b>	<b>3,168</b>	<b>3,282</b>	<b>3,422</b>	<b>3,324</b>	<b>3,184</b>	<b>3,205</b>
Operator revenue		<b>507</b>	<b>483</b>	<b>2,237</b>	<b>507</b>	<b>564</b>	<b>624</b>	<b>566</b>	<b>483</b>	<b>536</b>
Service revenue		<b>3,675</b>	<b>3,667</b>	<b>15,449</b>	<b>3,675</b>	<b>3,846</b>	<b>4,046</b>	<b>3,890</b>	<b>3,667</b>	<b>3,741</b>
Equipment revenue		<b>1,116</b>	<b>996</b>	<b>4,366</b>	<b>1,116</b>	<b>1,396</b>	<b>1,015</b>	<b>959</b>	<b>996</b>	<b>1,269</b>
Other revenue		<b>168</b>	<b>162</b>	<b>631</b>	<b>168</b>	<b>161</b>	<b>147</b>	<b>161</b>	<b>162</b>	<b>158</b>
<b>TOTAL, MOBILE</b>		<b>4,959</b>	<b>4,825</b>	<b>20,446</b>	<b>4,959</b>	<b>5,403</b>	<b>5,208</b>	<b>5,010</b>	<b>4,825</b>	<b>5,168</b>

# EBITDA

SEK million	Note	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
<b>Sweden</b>										
Mobile		817	893	3,515	817	841	938	843	893	792
Fixed broadband		20	33	96	20	17	28	18	33	16
Fixed telephony		33	41	166	33	56	34	35	41	44
Other operations		24	9	67	24	32	14	12	9	28
		<b>894</b>	<b>976</b>	<b>3,844</b>	<b>894</b>	<b>946</b>	<b>1,014</b>	<b>908</b>	<b>976</b>	<b>880</b>
<b>Netherlands</b>										
Mobile	2-3	-243	-106	-410	-243	-150	-83	-71	-106	-78
Fixed broadband	3	124	161	545	124	116	128	140	161	169
Fixed telephony	3	18	18	50	18	7	12	13	18	20
Other operations	3	70	68	260	70	62	65	65	68	62
		<b>-31</b>	<b>141</b>	<b>445</b>	<b>-31</b>	<b>35</b>	<b>122</b>	<b>147</b>	<b>141</b>	<b>173</b>
<b>Kazakhstan</b>										
Mobile		6	-	54	6	-5	50	9	-	17
		<b>6</b>	<b>-</b>	<b>54</b>	<b>6</b>	<b>-5</b>	<b>50</b>	<b>9</b>	<b>-</b>	<b>17</b>
<b>Croatia</b>										
Mobile		11	21	138	11	29	54	34	21	39
		<b>11</b>	<b>21</b>	<b>138</b>	<b>11</b>	<b>29</b>	<b>54</b>	<b>34</b>	<b>21</b>	<b>39</b>
<b>Lithuania</b>										
Mobile		142	125	538	142	138	143	132	125	128
		<b>142</b>	<b>125</b>	<b>538</b>	<b>142</b>	<b>138</b>	<b>143</b>	<b>132</b>	<b>125</b>	<b>128</b>
<b>Latvia</b>										
Mobile		69	68	295	69	78	79	70	68	82
		<b>69</b>	<b>68</b>	<b>295</b>	<b>69</b>	<b>78</b>	<b>79</b>	<b>70</b>	<b>68</b>	<b>82</b>
<b>Estonia</b>										
Mobile	3	33	29	133	33	37	37	30	29	49
Fixed telephony		-	1	3	-	-	1	1	1	1
Other operations		2	8	20	2	4	3	5	8	5
		<b>35</b>	<b>38</b>	<b>156</b>	<b>35</b>	<b>41</b>	<b>41</b>	<b>36</b>	<b>38</b>	<b>55</b>
<b>Austria</b>										
Mobile		-15	-3	-30	-15	-14	-6	-7	-3	-2
Fixed broadband		46	26	126	46	36	40	24	26	33
Fixed telephony		17	22	83	17	20	21	20	22	26
Other operations		2	5	24	2	7	6	6	5	5
		<b>50</b>	<b>50</b>	<b>203</b>	<b>50</b>	<b>49</b>	<b>61</b>	<b>43</b>	<b>50</b>	<b>62</b>
<b>Germany</b>										
Mobile		40	-5	14	40	18	10	-9	-5	-10
Fixed broadband		6	5	21	6	6	5	5	5	6
Fixed telephony		28	32	130	28	36	32	30	32	35
		<b>74</b>	<b>32</b>	<b>165</b>	<b>74</b>	<b>60</b>	<b>47</b>	<b>26</b>	<b>32</b>	<b>31</b>
<b>Other</b>										
Mobile		-10	-	-	-10	-	-	-	-	-
Other operations		-14	-23	-81	-14	-34	-12	-12	-23	-55
		<b>-24</b>	<b>-23</b>	<b>-81</b>	<b>-24</b>	<b>-34</b>	<b>-12</b>	<b>-12</b>	<b>-23</b>	<b>-55</b>
<b>TOTAL</b>										
<b>Mobile</b>		<b>850</b>	<b>1,022</b>	<b>4,247</b>	<b>850</b>	<b>972</b>	<b>1,222</b>	<b>1,031</b>	<b>1,022</b>	<b>1,017</b>
<b>Fixed broadband</b>		<b>196</b>	<b>225</b>	<b>788</b>	<b>196</b>	<b>175</b>	<b>201</b>	<b>187</b>	<b>225</b>	<b>224</b>
<b>Fixed telephony</b>		<b>96</b>	<b>114</b>	<b>432</b>	<b>96</b>	<b>119</b>	<b>100</b>	<b>99</b>	<b>114</b>	<b>126</b>
<b>Other operations</b>		<b>84</b>	<b>67</b>	<b>290</b>	<b>84</b>	<b>71</b>	<b>76</b>	<b>76</b>	<b>67</b>	<b>45</b>
<b>TOTAL</b>		<b>1,226</b>	<b>1,428</b>	<b>5,757</b>	<b>1,226</b>	<b>1,337</b>	<b>1,599</b>	<b>1,393</b>	<b>1,428</b>	<b>1,412</b>

# EBIT

SEK million	Note	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
<b>Sweden</b>										
Mobile		574	647	2,544	574	589	711	597	647	515
Fixed broadband		-4	11	15	-4	-5	16	-7	11	-8
Fixed telephony		29	35	148	29	51	31	31	35	40
Other operations		15	4	40	15	20	12	4	4	18
		<b>614</b>	<b>697</b>	<b>2,747</b>	<b>614</b>	<b>655</b>	<b>770</b>	<b>625</b>	<b>697</b>	<b>565</b>
<b>Netherlands</b>										
Mobile	2-3	-328	-155	-669	-328	-223	-154	-137	-155	-109
Fixed broadband	3	-	30	42	-	-1	1	12	30	46
Fixed telephony	3	14	13	29	14	2	7	7	13	16
Other operations	3	54	52	193	54	46	47	48	52	45
		<b>-260</b>	<b>-60</b>	<b>-405</b>	<b>-260</b>	<b>-176</b>	<b>-99</b>	<b>-70</b>	<b>-60</b>	<b>-2</b>
<b>Kazakhstan</b>										
Mobile		-57	-89	-225	-57	-59	-16	-61	-89	-53
		<b>-57</b>	<b>-89</b>	<b>-225</b>	<b>-57</b>	<b>-59</b>	<b>-16</b>	<b>-61</b>	<b>-89</b>	<b>-53</b>
<b>Croatia</b>										
Mobile		-6	-7	-20	-6	-13	10	-10	-7	16
		<b>-6</b>	<b>-7</b>	<b>-20</b>	<b>-6</b>	<b>-13</b>	<b>10</b>	<b>-10</b>	<b>-7</b>	<b>16</b>
<b>Lithuania</b>										
Mobile		116	106	445	116	110	119	110	106	112
		<b>116</b>	<b>106</b>	<b>445</b>	<b>116</b>	<b>110</b>	<b>119</b>	<b>110</b>	<b>106</b>	<b>112</b>
<b>Latvia</b>										
Mobile		35	43	173	35	43	50	37	43	54
		<b>35</b>	<b>43</b>	<b>173</b>	<b>35</b>	<b>43</b>	<b>50</b>	<b>37</b>	<b>43</b>	<b>54</b>
<b>Estonia</b>										
Mobile	3	13	1	30	13	8	13	8	1	24
Fixed telephony		-1	1	3	-1	-	1	1	1	1
Other operations		-2	4	9	-2	5	-1	1	4	-
		<b>10</b>	<b>6</b>	<b>42</b>	<b>10</b>	<b>13</b>	<b>13</b>	<b>10</b>	<b>6</b>	<b>25</b>
<b>Austria</b>										
Mobile		-18	-3	-34	-18	-17	-7	-7	-3	-2
Fixed broadband		24	4	29	24	11	16	-2	4	11
Fixed telephony		14	16	66	14	16	17	17	16	16
Other operations		-2	2	6	-2	1	2	1	2	-
		<b>18</b>	<b>19</b>	<b>67</b>	<b>18</b>	<b>11</b>	<b>28</b>	<b>9</b>	<b>19</b>	<b>25</b>
<b>Germany</b>										
Mobile		38	-10	-3	38	16	2	-11	-10	-19
Fixed broadband		4	4	16	4	4	4	4	4	6
Fixed telephony		28	32	128	28	37	31	28	32	33
		<b>70</b>	<b>26</b>	<b>141</b>	<b>70</b>	<b>57</b>	<b>37</b>	<b>21</b>	<b>26</b>	<b>20</b>
<b>Other</b>										
Mobile		-10	-	-	-10	-	-	-	-	-
Other operations		-10	-25	-75	-10	-39	-4	-7	-25	-58
		<b>-20</b>	<b>-25</b>	<b>-75</b>	<b>-20</b>	<b>-39</b>	<b>-4</b>	<b>-7</b>	<b>-25</b>	<b>-58</b>
<b>TOTAL</b>										
<b>Mobile</b>		<b>357</b>	<b>533</b>	<b>2,241</b>	<b>357</b>	<b>454</b>	<b>728</b>	<b>526</b>	<b>533</b>	<b>538</b>
<b>Fixed broadband</b>		<b>24</b>	<b>49</b>	<b>102</b>	<b>24</b>	<b>9</b>	<b>37</b>	<b>7</b>	<b>49</b>	<b>55</b>
<b>Fixed telephony</b>		<b>84</b>	<b>97</b>	<b>374</b>	<b>84</b>	<b>106</b>	<b>87</b>	<b>84</b>	<b>97</b>	<b>106</b>
<b>Other operations</b>		<b>55</b>	<b>37</b>	<b>173</b>	<b>55</b>	<b>33</b>	<b>56</b>	<b>47</b>	<b>37</b>	<b>5</b>
		<b>520</b>	<b>716</b>	<b>2,890</b>	<b>520</b>	<b>602</b>	<b>908</b>	<b>664</b>	<b>716</b>	<b>704</b>
One-off items	3	-365	-14	-443	-365	-238	-120	-71	-14	31
<b>TOTAL</b>		<b>155</b>	<b>702</b>	<b>2,447</b>	<b>155</b>	<b>364</b>	<b>788</b>	<b>593</b>	<b>702</b>	<b>735</b>

# CAPEX

SEK million	Note	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
<b>Sweden</b>										
Mobile		179	129	664	179	185	135	215	129	220
Fixed broadband		18	9	95	18	50	16	20	9	8
Fixed telephony		1	2	12	1	3	4	3	2	2
Other operations		3	2	13	3	3	4	4	2	3
		<b>201</b>	<b>142</b>	<b>784</b>	<b>201</b>	<b>241</b>	<b>159</b>	<b>242</b>	<b>142</b>	<b>233</b>
<b>Netherlands</b>										
Mobile		214	236	1,210	214	332	315	327	236	313
Fixed broadband		278	139	471	278	140	68	124	139	118
Fixed telephony		5	4	15	5	4	3	4	4	7
Other operations		22	22	77	22	21	12	22	22	13
		<b>519</b>	<b>401</b>	<b>1,773</b>	<b>519</b>	<b>497</b>	<b>398</b>	<b>477</b>	<b>401</b>	<b>451</b>
<b>Kazakhstan</b>										
Mobile		79	119	532	79	154	123	136	119	78
		<b>79</b>	<b>119</b>	<b>532</b>	<b>79</b>	<b>154</b>	<b>123</b>	<b>136</b>	<b>119</b>	<b>78</b>
<b>Croatia</b>										
Mobile		53	24	272	53	93	74	81	24	70
		<b>53</b>	<b>24</b>	<b>272</b>	<b>53</b>	<b>93</b>	<b>74</b>	<b>81</b>	<b>24</b>	<b>70</b>
<b>Lithuania</b>										
Mobile	8	150	38	114	150	22	28	26	38	27
		<b>150</b>	<b>38</b>	<b>114</b>	<b>150</b>	<b>22</b>	<b>28</b>	<b>26</b>	<b>38</b>	<b>27</b>
<b>Latvia</b>										
Mobile		25	23	113	25	51	20	19	23	34
		<b>25</b>	<b>23</b>	<b>113</b>	<b>25</b>	<b>51</b>	<b>20</b>	<b>19</b>	<b>23</b>	<b>34</b>
<b>Estonia</b>										
Mobile	8	21	26	77	21	18	18	15	26	11
Other operations		–	2	7	–	1	1	3	2	–
		<b>21</b>	<b>28</b>	<b>84</b>	<b>21</b>	<b>19</b>	<b>19</b>	<b>18</b>	<b>28</b>	<b>11</b>
<b>Austria</b>										
Mobile		3	11	38	3	7	9	11	11	–
Fixed broadband		8	17	68	8	31	8	12	17	12
Fixed telephony		1	6	8	1	2	–	–	6	7
Other operations		1	5	10	1	4	1	–	5	4
		<b>13</b>	<b>39</b>	<b>124</b>	<b>13</b>	<b>44</b>	<b>18</b>	<b>23</b>	<b>39</b>	<b>23</b>
<b>Germany</b>										
Mobile		–	2	4	–	2	–	–	2	1
Fixed broadband		–	1	2	–	1	–	–	1	–
		<b>–</b>	<b>3</b>	<b>6</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>1</b>
<b>Other</b>										
Other operations		93	121	425	93	99	93	112	121	102
		<b>93</b>	<b>121</b>	<b>425</b>	<b>93</b>	<b>99</b>	<b>93</b>	<b>112</b>	<b>121</b>	<b>102</b>
<b>TOTAL</b>										
Mobile		724	608	3,024	724	864	722	830	608	754
Fixed broadband		304	166	636	304	222	92	156	166	138
Fixed telephony		7	12	35	7	9	7	7	12	16
Other operations		119	152	532	119	128	111	141	152	122
<b>TOTAL</b>	8	<b>1,154</b>	<b>938</b>	<b>4,227</b>	<b>1,154</b>	<b>1,223</b>	<b>932</b>	<b>1,134</b>	<b>938</b>	<b>1,030</b>

# Five-year summary

SEK million	Note	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015	2014	2013	2012
<b>CONTINUING OPERATIONS</b>							
Net sales		6,446	6,511	26,856	25,955	25,757	25,993
Numbers of customers (by thousands)		16,220	13,829	14,414	13,594	13,582	14,229
EBITDA		1,226	1,428	5,757	5,926	5,891	6,040
EBIT		155	702	2,447	3,490	2,548	2,190
EBT		504	675	2,012	3,500	1,997	1,668
Net profit		339	517	1,268	2,626	968	1,158
<b>Key ratios</b>							
EBITDA margin, %		19.0	21.9	21.4	22.8	22.9	23.2
EBIT margin, %		2.4	10.8	9.1	13.4	9.9	8.4
<b>Value per share (SEK)</b>							
Net profit		0.83	1.16	2.84	5.89	2.17	2.61
Net profit after dilution		0.83	1.15	2.82	5.86	2.15	2.59
<b>TOTAL</b>							
Equity		19,464	24,426	17,901	22,682	21,591	20,429
Total assets		37,206	38,607	36,149	39,848	39,855	49,189
Cash flow from operating activities		953	889	3,529	4,578	5,813	8,679
Cash flow after CAPEX		–154	–96	–486	432	572	4,070
Available liquidity		8,354	11,316	7,890	8,224	9,306	12,933
Net debt	4	9,415	3,465	9,878	8,135	7,328	15,187
Economic net debt	1, 4	9,397	3,465	9,878	8,135	7,328	15,187
Net investments in intangible and tangible assets, CAPEX		1,154	951	4,240	3,976	5,534	5,294
Investments/divestments in shares and other financial assets		86	–4,891	–4,865	–439	–17,235	215
<b>Key ratios</b>							
Equity/assets ratio, %		52	63	50	57	54	42
Debt/equity ratio, multiple		0.48	0.14	0.55	0.36	0.34	0.74
Return on equity, %		7.9	16.0	14.7	10.0	69.5	15.6
ROCE, return on capital employed, %	10	5.6	14.5	14.0	10.1	48.0	15.4
Average interest rate, %		3.1	5.0	4.4	5.0	5.2	6.7
<b>Value per share (SEK)</b>							
Net profit		0.83	5.01	6.69	4.96	32.77	7.34
Net profit after dilution		0.83	4.98	6.65	4.93	32.55	7.30
Equity		43.65	54.79	40.13	50.90	48.49	45.95
Cash flow from operating activities		2.14	1.99	7.91	10.27	13.06	19.53
Dividend, ordinary		–	–	5.35 <sup>1)</sup>	4.85	4.40	7.10
Extraordinary dividend		–	–	–	10.00	–	–
Redemption		–	–	–	–	28.00	–
Market price at closing day		75.30	103.10	84.75	94.95	72.85	117.10

<sup>1)</sup> Proposed dividend

# Parent company

## Income statement

SEK million	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year
Net sales	5	15	53
Administrative expenses	-19	-32	-121
<b>Operating loss, EBIT</b>	<b>-14</b>	<b>-17</b>	<b>-68</b>
Exchange rate difference on financial items	-32	-18	106
Net interest expenses and other financial items	-58	-69	-269
<b>Loss after financial items, EBT</b>	<b>-104</b>	<b>-104</b>	<b>-231</b>
Tax on loss	23	28	56
<b>NET LOSS</b>	<b>-81</b>	<b>-76</b>	<b>-175</b>

## Balance sheet

SEK million	Note	Mar 31, 2016	Dec 31, 2015
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible assets		1	1
Financial assets		13,673	13,666
<b>NON-CURRENT ASSETS</b>		<b>13,674</b>	<b>13,667</b>
<b>CURRENT ASSETS</b>			
Current receivables		6,492	5,987
Cash and cash equivalents		2	3
<b>CURRENT ASSETS</b>		<b>6,494</b>	<b>5,990</b>
<b>ASSETS</b>		<b>20,168</b>	<b>19,657</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Restricted equity	10	5,549	5,549
Unrestricted equity	10	5,247	5,346
<b>EQUITY</b>		<b>10,796</b>	<b>10,895</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	4	3,734	4,204
<b>NON-CURRENT LIABILITIES</b>		<b>3,734</b>	<b>4,204</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	4	5,555	4,479
Non-interest-bearing liabilities		83	79
<b>CURRENT LIABILITIES</b>		<b>5,638</b>	<b>4,558</b>
<b>EQUITY AND LIABILITIES</b>		<b>20,168</b>	<b>19,657</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.

The amended IFRS standards (IAS 1, IAS 16, IAS 38, IAS 27 and IFRS 11), which became effective January 1, 2016, have had no material effect on the consolidated financial statements.

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

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

Disclosures in accordance with IAS 34 Interim Financial Reporting are presented either in the Notes or elsewhere in the interim report.

## NOTE 2 NET SALES AND CUSTOMERS

### Net sales

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

### Customers

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

## NOTE 3 OPERATING EXPENSES

### EBITDA

In 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.

In Q4 2014, the EBITDA for mobile in Estonia was positively impacted by SEK 20 million as a result of the sales of a mobile license in the 2600 MHz frequency band.

### Bridge from EBITDA to EBIT

SEK million	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year
<b>EBITDA</b>	<b>1,226</b>	<b>1,428</b>	<b>5,757</b>
Impairment of goodwill	-326	-	-196
Sale of operations	-	-	12
Acquisition costs	-3	-	-118
Challenger program	-34	-14	-247
Integration costs, Kazakhstan	-2	-	-
Other one-off items	-	-	106
<b>Total one-off items</b>	<b>-365</b>	<b>-14</b>	<b>-443</b>
Depreciation/amortization and other impairment	-706	-712	-2,862
Result from shares in joint ventures and associated companies	-	-	-5
<b>EBIT</b>	<b>155</b>	<b>702</b>	<b>2,447</b>

## One-off items in segment reporting

### Impairment of goodwill

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

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

### Acquisition costs

In Q1 2016 and Q4 2015, EBIT (administrative expenses) was negatively impacted by SEK -3 and -118 million respectively concerning expenses related to the combination of the Tele2 and Kazakhtelecom mobile operations in Kazakhstan. For further information please refer to Note 11.

### 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 and in the income statement on the following line items.

SEK million	2016 Jan 1–Mar 31	2015 Jan 1–Mar 31	2015 Full year
Costs of service provided	-9	-4	-58
Selling expenses	-	-	-34
Administrative expenses	-25	-10	-155
<b>Total Challenger program costs</b>	<b>-34</b>	<b>-14</b>	<b>-247</b>
<i>of which:</i>			
-redundancy costs	-5	-	-105
-other employee and consultancy costs	-28	-14	-119
-exit of contracts and other costs	-1	-	-23

### Integration costs, Kazakhstan

As a result of the acquisition of Altel and the ongoing merger with Tele2's present operations in Kazakhstan, integration costs are reported as one-off items with a negative effect in EBIT (administrative expenses) of SEK 2 million in Q1 2016 relating to employee redundancies.

### Other one-off items

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

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

In Q4 2014, Sweden has been positively affected by SEK 41 million, due to the counterparty withdrew its claim concerning the ruling from the Administrative Court of Appeal in June 2010 regarding price on whole and split copper cable.

## NOTE 4 FINANCIAL ASSETS AND LIABILITIES

### Net debt and economic net debt

SEK million	2016 Jan 1 – Mar 31	2015 Jan 1 – Mar 31	2015 Full year	2014 Full year	2013 Full year	2012 Full year
Interest-bearing non-current and current liabilities	10,711	7,286	10,991	9,190	9,430	17,512
Excluding provisions	-988	-850	-926	-807	-679	-559
Excluding equipment financing	-69	-	-	-	-	-
Cash & cash equivalents, current investments and restricted funds	-218	-2,923	-139	-189	-1,413	-1,745
Other financial interest-bearing receivables (swap agreements etc)	-21	-48	-48	-47	-10	-21
Net debt for assets classified as held for sale	-	-	-	-12	-	-
<b>Net debt</b>	<b>9,415</b>	<b>3,465</b>	<b>9,878</b>	<b>8,135</b>	<b>7,328</b>	<b>15,187</b>
Excluding loan from Kazakhtelecom	-18	-	-	-	-	-
<b>Economic net debt</b>	<b>9,397</b>	<b>3,465</b>	<b>9,878</b>	<b>8,135</b>	<b>7,328</b>	<b>15,187</b>

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

## Financing

SEK million	Interest-bearing liabilities			
	Mar 31, 2016		Dec 31, 2015	
	Current	Non-current	Current	Non-current
Bonds NOK, Sweden <sup>1)</sup>	980	-	-	955
Bonds SEK, Sweden	500	3,048	500	2,548
Commercial papers, Sweden	3,849	-	3,784	-
Financial institutions	238	640	543	655
	<b>5,567</b>	<b>3,688</b>	<b>4,827</b>	<b>4,158</b>
Put option, Kazakhstan (Note 5)	-	-	125	416
Provisions	52	936	52	874
Other liabilities	294	174	368	171
	<b>5,913</b>	<b>4,798</b>	<b>5,372</b>	<b>5,619</b>
<b>Total interest-bearing liabilities</b>		<b>10,711</b>		<b>10,991</b>

<sup>1)</sup> The bonds in NOK are hedged for currency exposure via currency swaps

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner Kazakhtelecom. In connection with the completion of the agreement with Kazakhtelecom during Q1 2016, the liability maturity period was extended to 2031 and as a consequence the loan was revalued to fair value at the remeasurement date. On March 31, 2016 the reported debt amounted to SEK 18 (247) million and the nominal value to SEK 277 (287) million. The change in book value was reported in equity, please refer to Note 10.

In Q1 2016 and onwards, Tele2 has started to transfer the right for payment of certain operating receivables to financial institutions. The obligation that occur when receiving payment from financial institutions connected to the transfer of right of payment of receivables for sold equipment has been netted against the receivables in the balance sheet and resulted in a positive effect on cash flow.

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

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

## Classification and fair values

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

SEK million	Mar 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	7	1,199	-	-	1,206
Accounts receivables	-	1,995	-	-	1,995	1,995
Other current receivables	-	3,520	21	-	3,541	3,541
Current investments	-	33	-	-	33	33
Cash and cash equivalents	-	184	-	-	184	184
<b>Total financial assets</b>	<b>7</b>	<b>6,931</b>	<b>21</b>	<b>-</b>	<b>6,959</b>	<b>6,959</b>
Liabilities to financial institutions and similar liabilities	-	-	-	9,255	9,255	9,541
Other interest-bearing liabilities	-	-	227	241	468	470
Accounts payable	-	-	-	2,316	2,316	2,316
Other current liabilities	-	-	-	675	675	675
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>227</b>	<b>12,487</b>	<b>12,714</b>	<b>13,002</b>

SEK million	Dec 31 2015					
	Assets and liabilities at fair value through profit/loss (level 3)	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
	Other financial assets	9	1,349	-	-	1,358
Accounts receivables	-	2,163	-	-	2,163	2,163
Other current receivables	-	3,296	48	-	3,344	3,344
Current investments	-	32	-	-	32	32
Cash and cash equivalents	-	107	-	-	107	107
<b>Total financial assets</b>	<b>9</b>	<b>6,947</b>	<b>48</b>	<b>-</b>	<b>7,004</b>	<b>7,004</b>
Liabilities to financial institutions and similar liabilities	-	-	-	8,985	8,985	9,240
Other interest-bearing liabilities	541	-	231	308	1,080	1,049
Accounts payable	-	-	-	2,746	2,746	2,746
Other current liabilities	-	-	-	502	502	502
<b>Total financial liabilities</b>	<b>541</b>	<b>-</b>	<b>231</b>	<b>12,541</b>	<b>13,313</b>	<b>13,537</b>

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

SEK million	Mar 31, 2016		Dec 31, 2015	
	Assets	Liabilities	Assets	Liabilities
<b>As of January 1</b>	<b>9</b>	<b>541</b>	<b>9</b>	<b>887</b>
Changes in fair value	–	–413	–	51
Divestment of shares	–2	–	–	–
Payment of liability	–	–125	–	–
Exchange rate differences*	–	–3	–	–397
<b>Total</b>	<b>7</b>	<b>–</b>	<b>9</b>	<b>541</b>

\* Recognised in other comprehensive income.

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

### NOTE 5 OTHER FINANCIAL ITEMS

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

SEK million	2016	2015	2015
	Jan 1–Mar 31	Jan 1–Mar 31	Full year
Change in fair value, put option Kazakhstan	413	73	–51
Exchange rate differences	9	2	1
EUR net investment hedge, interest component	–1	1	–3
NOK net investment hedge, interest component	–	–1	–1
Other financial expenses	–3	–2	–5
<b>Total other financial items</b>	<b>418</b>	<b>73</b>	<b>–59</b>

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 has changed to zero, affecting financial items in the income statement positively by SEK 413 million. The fair value was calculated based on expected future cash flows of the jointly owned company. The reason for the change in fair value is due to the macro environment, including the Tenge devaluation which implies weaker consumer purchase power and higher expenses. In addition, intense competitive pressure during Q1 has eroded pricing power for all market participants. 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 positive deviation from the current assumptions would increase the earn-out liability.

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

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

### NOTE 6 TAXES

During the first three months 2016, the effective tax rate was mainly affected by below stated items, indicating an underlying effective tax rate of 21 (21) percent.

SEK million	2016		2015	
	Jan 1–Mar 31	Full year	Jan 1–Mar 31	Full year
<b>Profit before tax</b>	<b>504</b>	<b>2,012</b>		
Income tax	–165	32.7%	–744	37.0%
<b>Tax effect of:</b>				
Impairment of goodwill, non-deductible	65	–12.9%	39	–1.9%
Not valued tax loss–carry forwards	111	–22.0%	144	–7.2%
Valuation tax loss–carry forwards	–40	7.9%	–	–
Non-deductible expenses/non-taxable revenue	–77	15.3%	191	–9.5%
Adjustment of taxes from previous years	–	–	–58	2.9%
<b>Adjusted tax expense and effective tax rate</b>	<b>–106</b>	<b>21.0%</b>	<b>–428</b>	<b>21.3%</b>

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

### NOTE 7 RELATED PARTIES

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

SEK million	2016	2015	2015	2015	2015	2014
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Cash and cash equivalents in joint operations	42	34	1	11	33	4

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

### NOTE 8 CAPEX

#### Bridge from CAPEX to paid CAPEX

SEK million	2016	2015	2015
	Jan 1–Mar 31	Jan 1–Mar 31	Full year
CAPEX, continued operations	–1,154	–938	–4,227
CAPEX, discontinued operations	–	–13	–13
<b>CAPEX, total operation</b>	<b>–1,154</b>	<b>–951</b>	<b>–4,240</b>
This year's unpaid CAPEX and paid CAPEX from previous year	32	–38	205
Received payment of sold non-current assets	15	4	20
<b>Paid CAPEX</b>	<b>–1,107</b>	<b>–985</b>	<b>–4,015</b>

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

In Q4 2014, Tele2 Estonia sold a mobile license in the 2600 MHz frequency band for SEK 24 million.

## NOTE 9 CONTINGENT LIABILITIES

SEK million	Mar 31, 2016	Dec 31, 2015
Asset dismantling obligation	139	137
KPN dispute, Netherlands	214	212
Tax dispute, Russia	146	154
<b>Total contingent liabilities</b>	<b>499</b>	<b>503</b>

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 214 million) which is subject to pending appeals and court cases which are expected to go on for several years. Our assessment is that it is unlikely that Tele2 will have to pay these fees and consequently no provision has been made.

The tax authorities in Russia are currently performing tax audits on several of Tele2's former subsidiaries in Russia. Per the sales agreement with the VTB-Group Tele2 is liable for any additional taxes payable as result of the tax audits. On March 31, 2016 (and December 31, 2015 respectively) Tele2 has won tax disputes equivalent to SEK 199 (187) million, of which the Russian tax authorities has appealed SEK 146 (154) million. In addition, Tele2 has lost tax disputes of SEK –17 (–16) million, of which Tele2 has appealed SEK –1 (–7) million. On March 31, 2016 (and December 31, 2015 respectively) total provisions for Russian tax disputes amounted to SEK 17 (16) million. Even though it cannot be ruled out that Tele2 may be liable to certain costs, Tele2 assesses that it is not likely that any additional taxes need to be paid and consequently no additional provisions have been made.

Additional contractual commitments are stated in Note 29 in the Annual Report 2015.

## NOTE 10 EQUITY AND NUMBER OF SHARES

### Number of shares

	Mar 31, 2016	Dec 31, 2015
<b>Number of shares</b>		
Outstanding	446,188,367	446,188,367
In own custody	4,894,972	4,894,972
Weighted average	446,188,367	446,032,991
After dilution	448,364,585	449,020,673
Weighted average, after dilution	448,692,629	448,904,102

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

### Dividend

Tele2's Board of Directors has proposed an ordinary dividend of SEK 5.35 per share in respect of the financial year 2015 at the Annual General Meeting in May 2016. This corresponds to a total of SEK 2,387 million.

## Transactions with non-controlling interests

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

## Long-term incentive program (LTI)

For additional information related to the LTI programs please refer to Note 33 of the Annual Report 2015.

### LTI 2015

	2016 Jan 1–Mar 31	Cumulative from start
Number of share rights		
Allocated June 8, 2015		1,241,935
Outstanding as of January 1, 2016	1,093,535	
Forfeited	–95,000	–243,400
<b>Total outstanding share rights</b>	<b>998,535</b>	<b>998,535</b>

### LTI 2014

	2016 Jan 1–Mar 31	Cumulative from start
Number of share rights		
Allocated June 2, 2014		1,180,268
Outstanding as of January 1, 2016	897,508	
Allocated, compensation for dividend	–	109,288
Forfeited	–84,230	–430,881
Performance conditions not reached, Norway	–	–43,665
Exercised, cash settled, Norway	–	–1,732
<b>Total outstanding share rights</b>	<b>813,278</b>	<b>813,278</b>
<i>of which will be settled in cash</i>	<i>9,147</i>	<i>9,147</i>

### LTI 2013

	2016 Jan 1–Mar 31	Cumulative from start
Number of share rights		
Allocated June 4, 2013		1,204,128
Outstanding as of January 1, 2016	841,263	
Allocated, compensation for dividend	–	139,134
Forfeited	–32,224	–478,174
Performance conditions not reached, Norway	–	–41,260
Performance conditions not reached, other	–444,634	–444,634
Exercised, cash settled, Norway	–	–14,789
<b>Total outstanding share rights</b>	<b>364,405</b>	<b>364,405</b>
<i>of which will be settled in cash</i>	<i>19,380</i>	<i>19,380</i>

The exercise of the share rights in LTI 2013 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2013 until March 31, 2016. The outcome of these performance conditions was in accordance with below and the outstanding share rights will be exchanged for shares in Tele2 or cash during Q2 2016.

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



## ROCE, return on capital employed

SEK million	2016 Jan 1– Mar 31	2015 Jan 1– Mar 31	2015 Full year	2014 Full year	2013 Full year	2012 Full year
EBIT, total operation	155	2,403	4,149	3,102	16,339	5,653
Financial income, total operation	5	5	9	26	55	24
<b>Return<sup>1)</sup></b>	<b>160</b>	<b>2,408</b>				
<b>Annualised return in relation to</b>	<b>1,618</b>	<b>4,508</b>	<b>4,158</b>	<b>3,128</b>	<b>16,394</b>	<b>5,677</b>
Total assets	37,206	38,607	36,149	36,015	39,407	49,189
Non-interest bearing liabilities	-7,031	-6,895	-7,257	-7,227	-8,781	-11,248
Provisions for asset dismantling	-833	-645	-771	-634	-488	-211
Capital employed for assets classified as held for sale	-	-	-	3,098	395	-
Capital employed, closing balance	29,342	31,067	28,121	31,252	30,533	37,730
<b>Capital employed, average</b>	<b>28,732</b>	<b>31,160</b>	<b>29,687</b>	<b>30,893</b>	<b>34,132</b>	<b>36,859</b>
<b>Total ROCE, %</b>	<b>5.6</b>	<b>14.5</b>	<b>14.0</b>	<b>10.1</b>	<b>48.0</b>	<b>15.4</b>

<sup>1)</sup> Including impairment of goodwill of SEK -326 (2015: capital gain for Norway of SEK 1,708) million

## NOTE 11 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2016 Jan 1–Mar 31	2015 Full year
<b>Acquisitions</b>		
Cash in acquired company, Altel Kazakhstan	40	-
Capital contribution to joint ventures	-	-4
<b>Total acquisition of shares and participations</b>	<b>40</b>	<b>-4</b>
<b>Divestments</b>		
Norway	-	4,904
Residential cable and fiber operations, Sweden	-	-6
Transaction costs, Russia	-1	-6
Proceeds from liquidation, Adworx Austria	-	5
<b>Total sale of shares and participations</b>	<b>-1</b>	<b>4,897</b>
<b>TOTAL CASH FLOW EFFECT</b>	<b>39</b>	<b>4,893</b>

## ACQUISITIONS

### Combination of operations, Kazakhstan

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

Kazakhtelecom has subscribed for newly issued shares in the Dutch holding company Khan Tengri Holding B.V. (previously 100 percent owned by Tele2 after the buyout of Asianet), being the owner of Tele2 Kazakhstan, in exchange for 100 percent of the shares in Altel. The estimated fair value of identifiable net assets in Altel was SEK 821 million.

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

Tele2 has a 49 percent economic ownership in the jointly owned company and 51 percent of the voting rights. Tele2 has the

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

As part of the transaction Tele2 acquired Asianet's 49 percent stake in Tele2 Kazakhstan. The purchase price amounted to an initial payment of SEK 125 million and a deferred consideration equivalent to an 18 percent economic interest in the jointly owned company during a three year period. After three years Asianet has a put option on its 18 percent earn out interest and Tele2 has a symmetrical call option. The exercise price of the put and call options will be the fair market value of the 18 percent interest in the jointly owned company, where Asianet will receive, as deferred payment, the first KZT 8.4 billion (SEK 199 million) of any equity value attributable to a 49 percent stake. Thereafter, the purchase agreement with Asianet means that Tele2's effective economic interest in the jointly owned company during the first three years will be 31 percent.

The financing of the jointly owned company has been provided with existing shareholder loans from Tele2 of KZT 97 billion (SEK 2.3 billion) and a pre-existing interest free subordinated loan of KZT 11.7 billion (SEK 277 million) from Kazakhtelecom with extended maturity to 2031. Future funding needs for the jointly owned company will be provided via bank debt guaranteed by Kazakhtelecom.

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

Altel is providing telecommunication services, including mobile services and internet services under the trademark ALTEL 4G in Kazakhstan. The business areas consist of prepaid mobile regular and mobile broadband. The company affected net sales of SEK 71 million and EBITDA of SEK 12 million in Q1 2016. Total acquisition costs of SEK -121 million have been reported as operating costs in the income statement in Q4 2015 and Q1 2016 by SEK -118 and -3 million respectively.

### Net assets at the time of acquisition

Assets, liabilities and contingent liabilities included in the acquired operations of Altel as of February 29, 2016 are stated below. The valuation of acquired assets and assumed liabilities is still preliminary.

SEK million	Altel, Kazakhstan
Patents and software	7
Licenses	148
Customer agreements	81
Trademarks	66
Tangible assets	682
Financial assets	14
Deferred tax assets	31
Inventories	37
Current receivables	134
Cash and cash equivalents	41
Non-current interest bearing liabilities	-55
Deferred tax liabilities	-29
Current liabilities	-336
<b>Acquired net assets</b>	<b>821</b>
<b>Purchase price shares</b>	<b>821</b>
Fair value of equity interest 51 percent in Khan Tengri Holding at acquisition	-821
Exchange rate differences	1
Less: cash in acquired companies	-41
<b>NET CASH INFLOW (-)</b>	<b>-40</b>

## PRO FORMA

The table below shows how the acquired companies on March 31, 2016 would have affected Tele2's net sales and result if they had been acquired on January 1, 2016.

SEK million	January 1 – March 31, 2016		
	Tele2 Group	Acquired operations Altel, Kazakhstan	Tele2 Group, pro forma
Net sales	6,446	137	6,583
EBITDA	1,226	6	1,232
Net profit	339	-22	317

The information below shows the pro forma for Kazakhstan and Tele2 Group respectively, if Altel had been acquired on January 1, 2015. The pro forma are to be viewed as preliminary and have to a considerable extent been affected by fluctuations of the currency.

SEK million (customers by thousands)	2016 Jan 1-Mar 31	2015 Jan 1-Mar 31	2015 Full year	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
<b>Pro forma Kazakhstan</b>								
Net sales	487	733	3,426	487	827	951	915	733
Mobile end-user service revenue	371	539	2,181	371	448	577	617	539
EBITDA	12	27	-14	12	-61	45	-25	27
EBIT	-80	-169	-633	-80	-154	-112	-198	-169
CAPEX	204	198	942	204	354	232	158	198
Net intake	184	765	2,040	184	245	290	740	765
<b>Pro forma Tele2 Group</b>								
Net sales	6,583	6,845	28,528	6,583	7,387	7,245	7,051	6,845
Net sales, mobile	5,096	5,159	22,118	5,096	5,847	5,662	5,450	5,159
Mobile end-user service revenue	3,274	3,408	14,106	3,274	3,477	3,651	3,570	3,408
EBITDA	1,232	1,455	5,689	1,232	1,281	1,594	1,359	1,455
EBITDA, mobile	856	1,049	4,179	856	916	1,217	997	1,049
EBIT	132	640	2,055	132	268	691	456	640
EBIT, mobile	334	453	1,833	334	359	632	389	453
CAPEX	1,279	1,017	4,637	1,279	1,423	1,041	1,156	1,017
CAPEX, mobile	849	687	3,434	849	1,064	831	852	687
Net intake	65	572	1,807	65	53	373	809	572
Net intake, mobile	117	655	2,063	117	119	457	832	655

**TELE2**