MEANER AND LEANER IN 2008. YES, WE DID IT!

The Year in Brief

THE BOARD OF DIRECTORS PROPOSES A TOTAL DIVIDEND FOR 2008 AMOUNTING TO SEK 5

- The Board of Tele2 AB decided in 2008 to recommend an increase of the ordinary dividend of 11 percent to SEK 3.50 per share in respect of the financial year 2008. The Board has also decided to recommend a special dividend of SEK 1.50 per share.

TELE2'S NET DEBT AMOUNTED TO 0.6 TIMES FULL-YEAR 2008 EBITDA

- Including guarantees to joint ventures, Tele2´s net debt to full-year 2008 EBITDA amounted to approximately 0.9 times. In February 2009, Tele2 signed a new three year revolving credit facility of SEK 12 billion with a syndicate of nine banks. The deal was successfully oversubscribed and has been closed.

10.4 MILLION CUSTOMERS IN RUSSIA

- During 2008 Tele2 Russia made significant operational progress and the customer base amounted to 10.4 (8.6) million customers at year end.

NET CUSTOMER INTAKE 2008	INCREASED NET SALES 2008	EBITDA MARGIN 2008
1,1 million	7%	21%

TELE2

Administration report

The Board of Directors and CEO herewith present the annual report and consolidated financial statements for Tele2 AB (publ), corporate reg. no. 556410-8917 for the financial year 2008.

The figures shown in parentheses correspond to the comparable period last year.

Tele2 AB's shares are listed on the NASDAQ OMX Stockholm on the Large Cap-list under the ticker symbols TEL2 A and TEL2 B. The fifteen largest shareholders at December 31, 2008 hold shares corresponding to 57 percent of the capital and 73 percent of the voting rights, of which Investment AB Kinnevik owns 28.2 percent of the capital and 45.4 percent of the voting rights. No other shareholder owns directly or indirectly more than 10 percent of the shares in Tele2.

The Board of Directors received authorization by the Annual General Meeting in May 2008 to purchase up to 10 percent of shares in the company. Tele2 has in September 2008 issued 850,000 Class C shares through a directed placement, which has immediately after the issue been repurchased. In addition Tele2 has during 2008 repurchased own shares of Series B of 4,500,000 shares.

For further information on the number of shares and their conditions and important agreements which cease to apply if control over the company is changed, see Note 34 Number of shares and earnings per share.

OPERATIONS

With 24 million customers in 11 countries Tele2 is one of Europe's leading alternative telecom operators. Tele2 offers communication services with distinct price leadership in a quality wrapping. Ever since Tele2 was founded in 1993, the company has been a tough challenger to incumbents and other established providers. Tele2 strives to offer its customers the best deal at all times.

Tele2 offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. Mobile is Tele2's primary focus complemented in some countries by fixed broadband service. Mobile operations of Tele2 are the main driver for the continued strong growth development. Mobile telephony currently accounts for 62 percent of Tele2's net sales.

Tele2's concept is to keep the customer in focus at all times and keep costs down in order to offer the best deal on the market. This has given the company strong market share, a high level of growth and sound profitability in mobile telephony. Tele2 shall make every effort to ensure that these positive trends continue. It is the company's ambition to make more mobile users learn about its offerings and that each customer use more than one service.

Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2008, Tele2 had net sales of SEK 39.5 billion and reported an operating profit (EBITDA) of SEK 8.2 billion.

Comments below relate to Tele2's continuing operations unless otherwise stated.

Net sales and customer intake

Tele2's net sales amounted to SEK 39,505 (2007: 40,056) million. Tele2 had a total of 24.5 (2007: 23.2) million customers at December 31, 2008. Net customer intake, excluding acquired and divested companies was 1.2 million customers compared with 2.1 million customers the previous year.

Operating profit/loss

EBITDA was SEK 8,175 (2007: 6,320) million, with an EBITDA margin of 20.6 (2007: 15.7) percent.

Operating profit/loss, EBIT, was SEK 2,851 (2007: 1,337) million, which includes impairment losses and other one-off items of SEK 1,754 (2007: 1,923) million and divested operations of SEK 112 (2007: 739) million. The EBIT margin amounted to 7.2 (2007: 3.3) percent.

Net interest

Net interest expense and other financial items totalled SEK –1,013 (2007: –731) million. Exchange differences of SEK –550 (2007: 49) million were reported under other financial items. The average interest rate on outstanding liabilities was 6.2 (2007: 5.2) percent.

Profit/loss after financial items, EBT, amounted to SEK 1,838 (2007: 606) million.

Tax

Tax on profit/loss for the year was SEK –120 (2007: –988) million.

Profit/loss after tax

Profit/loss after tax was SEK 1,718 (2007: –382) million. Earnings per share amounted to SEK 3.82 (2007: –0.63) after dilution.

Investments

During 2008, Tele2 made investments of SEK 4,481 (2007: 4,120) million in tangible assets and intangible assets; CAPEX.

Cash flow

Cash flow from operating activities, including discontinued operations, amounted to SEK 7,896 (2007: 4,350) million and cash flow after CAPEX amounted to SEK 3,288 (2007: –819) million.

FIVE-YEAR SUMMARY

SEK million	2008	2007	2006	2005	2004
CONTINUING OPERATIONS					
Net sales	39,505	40,056	39,401	34,410	27,752
Number of customers (by thousands)	24,486	23,221	24,025	21,017	18,153
EBITDA	8,175	6,320	5,390	4,948	4,714
EBIT	2,851	1,337	181	2,419	2,693
EBT	1,838	606	–384	1,977	2,523
Net profit/loss	1,718	–382	–697	1,435	1,900
KEY RATIOS					
EBITDA margin, %	20.6	15.7	13.7	14.4	17.0
EBIT margin, %	7.2	3.3	0.5	7.0	9.7
VALUE PER SHARE (SEK)					
Earnings	3.82	–0.63	–1.29	3.25	4.29
Earnings, after dilution	3.82	–0.63	–1.29	3.25	4.28
TOTAL (INCLUDING DISCONTINUED OPERATIONS)					
Sharesholders' equity	28,201	26,849	29,123	35,368	32,900
Sharesholders' equity, after dilution	28,211	26,893	29,137	35,401	32,965
Total assets	47,133	48,648	66,164	68,291	49,873
Cash flow from operating activities	7,896	4,350	3,847	5,487	5,876
Cash flow after CAPEX	3,288	-819	-1,673	1,847	4,314
Available liquidity	17,248	25,901	5,963	8,627	5,113
Net debt	4,952	5,198	15,311	11,839	2,831
Investments in intangible and tangible assets, CAPEX	4,623	5,198	5,365	3,750	1,585
Investments in shares and other long-term receivables, net	–1,928	–11,444	1,616	7,953	1,653
Average number of employees	5,812	5,859	5,285	3,909	2,928
KEY RATIOS					
Equity/assets ratio, %	60	55	44	52	66
Debt/equity ratio, multiple	0.18	0.19	0.53	0.33	0.09
Return on shareholders' equity, %	8.8	–6.0	–11.3	6.9	10.8
Return on shareholders' equity after dilution, %	8.8	–6.0	–11.3	6.9	10.8
Return on capital employed, %	12.8	1.6	–5.5	8.3	11.6
Average interest rate, %	6.2	5.2	4.2	3.7	4.4
VALUE PER SHARE (SEK)					
Earnings	5.44	–3.75	–8.14	5.30	7.74
Earnings, after dilution	5.43	–3.75	–8.14	5.29	7.73
Sharesholders' equity	63.47	60.31	64.85	78.96	74.32
Sharesholders' equity, after dilution	63.44	60.34	64.84	78.93	74.29
Cash flow from operating activities	17.80	9.78	8.66	12.39	13.27
Dividend, ordinary	3.50[1)]	3.15	1.83	1.75	1.67
Extraordinary dividend and redemption	1.50[1)]	4.70	-	-	3.33
Market price at closing day	69.00	129.50	100.00	85.25	87.00

1) Proposed dividend.

NORDIC

The Nordic market area is the cash cow of the Tele2 organization and also the test bed of new services. The operational development during 2008 was positive with a higher full-year EBITDA contribution from both Sweden as well as Norway.

Sweden

Mobile: In 2008 mobile services had robust revenue development with an annual growth of 6.4 percent and the mobile internet customer base grew by 83 percent to 170,000 (93,000).

Mobile operations in Sweden reported an ARPU of SEK 197 (2007: 204) in 2008, including post-paid, pre-paid and mobile internet subscriptions. ARPU for mobile internet amounted to SEK 109. Minutes of use per customer, excluding mobile internet, were 209 (2007: 193) in 2008.

In 2008, Tele2 Sweden introduced a new marketing concept with the black sheep Frank ("Born to be Cheap"), which was well perceived. Higher marketing spend together with increased voice and data traffic carried by the Svenska UMTS Nät AB (SUNAB), had a negative effect on EBITDA. Costs associated with SUNAB amounted to approximately SEK 485 million in 2008.

Fixed broadband: The fixed broadband market developed more slowly in 2008, and the product segment was to some extent affected by promotional offerings in the mobile internet market. Tele2 focus on improved profitability in fixed broadband services by concentrating on bundled products together with lower direct costs.

Fixed telephony: The EBITDA margin improved in 2008 to 18.5 (2007: 16.5) percent, helped by improved cost control. The company continued its retention measures by providing add on services such as wholesale line rental, voice mail, etc.

Norway

Mobile: In 2008 Tele2 Norway successfully migrated its customer base to a new MVNO host, leading to improved profitability. During the year the company also confirmed its price position in the Norwegian market and started the roll-out of own infrastructure through the Mobile Norway joint venture.

The competitive environment was challenging during 2008, with strong price competition in both mobile voice as well as data. Through a successful marketing campaign and effective retention management Tele2 Norway was able to improve the customer intake in the second half of the year. The EBITDA contribution improved 2008 thanks to the new MVNO agreement. EBIT was negatively affected by Tele2's share of the result from the operations of Mobile Norway of SEK –51 (2007: –2) million in 2008.

Fixed broadband: During 2008 Tele2 moved its marketing efforts away from resold broadband and migrated its customers onto own infrastructure. During the later half of 2008 the revenue trend stabilized due to a better pricing environment. However, competition from fiber-based services and cable TV operators continued to be high throughout the year, driving churn rates up in the wholesale base. Tele2 will focus on cost control and improved customer care as the main areas for its broadband operations.

Fixed telephony: The operational trend for fixed telephony deteriorated, as expected, in 2008. Through better cost control, the EBITDA contribution stabilized in the second half of 2008.

RUSSIA

The Russian operation is Tele2's most important growth engine. The company has GSM licenses in 35 regions with approximately 61 million inhabitants. In 2008 Tele2 added 1,858,000 new customers, despite a weakening economy.

Mobile: During 2008 Tele2 Russia made significant operational progress and the customer base amounted to 10.4 (2007: 8.6) million customers at year end. The Krasnodar region was successfully launched and a mobile operation in the Kaliningrad region was acquired. Also the preparatory work of rolling out the 17 new GSM licenses was done during the year (the process for awarding the new licenses is still partially challenged in court).

The positive minutes of use trend continued throughout 2008 and ARPU grew to SEK 60 (2007: 56). The EBITDA margin was to some extent hampered during the year by an intensified roll-out of the 17 new GSM licenses and commercial launch of the Krasnodar region.

In 2008 Tele2 was able to further improve its market position by emphasising its price leadership and improve network quality by the introduction of EDGE technology.

Tele2 Russia will continue to look for possibilities to carefully expand its operations in Russia and CIS-countries through new licenses as well as by complementary acquisitions which fit with its corporate culture.

CENTRAL EUROPE

In 2008 the Baltic operations were negatively affected by a strong economic downturn in the region. To offset the negative impact, Tele2 has actively increased its marketing activities to gain market share on high value ARPU customers in both the consumer as well as the corporate segment. The tough economic climate is expected to continue during 2009. Tele2 sees this development as a possibility to move its market position carefully forward and make use of more price-sensitive customers.

The Croatian operation continued to develop according to plan with an increasing operational momentum during the year adding in total 233,000 new customers.

Estonia

Mobile: The economic environment in the country was challenging in 2008. Price pressure remained in particular segments, especially in corporate and pre-paid. However, there were no signs of an overall price war during the year.

Despite a difficult economic environment, Tele2's minutes of use and ARPU grew in 2008. This was achieved by clear price leadership and successful acquisition activities in residential post-paid and business segment. Tele2 was in the second half of 2008 particularly successful in the business segment, reaching a 21 percent market share and the customer base has doubled in the past 2 years.

Lithuania

Mobile: Tele2 had a strong operational development in 2008 adding share in the consumer as well as the corporate segment. A clear price position together with successful marketing campaigns led to a strong market position. Tele2's customer market share at the end of 2008 increased to 40 (2007: 36) percent. Competition continued to be high but stable throughout 2008, with minor movements in prices and subscriber acquisition costs.

As the market becomes more price sensitive, there is an opportunity for Tele2 to move its position forward among private companies, municipalities and state-owned organizations. Tele2 will also continue to stimulate interest around value-added services in all customer segments.

Latvia

Mobile: During 2008 the economic slowdown was strong in Latvia, affecting the overall activity in the mobile segment. Competition has been high during the year with lower prices both in the pre-paid as well as in the post-paid segment. Tele2, as the price leader, will try to take advantage of more customers reviewing their telecom service provider.

In 2008, Tele2 Latvia focused on attracting higher ARPU customers as a way of offsetting the weaker market environment.

Tele2 Latvia continues to see a good opportunity in the corporate segment as well as among the state-owned companies. This opportunity has been enhanced due to a slower economy, making business customers more price sensitive.

Croatia

Mobile: During 2008 the total customer intake for Tele2 Croatia more than doubled compared to 2007, driven by an improved marketing strategy together with better quality of service. The positive customer development has partially been the result of a successful launch of the new shop concept introduced in 2008.

The minutes of use and ARPU trend remained positive during 2008.

WESTERN EUROPE

The Western European market area has over the last two years changed significantly in geographic scope. In 2008 the focus has been on managing the existing operations more effectively by concentrating on customer base management and using more cost effective sales channels such as web and in-bound customer service calls. Hence, the operational performance of the market area improved during the year. Going forward Tele2 will continue to improve the efficiency of the different geographies by focusing less on market share and more on reducing the overall cost base.

France

Mobile: Tele2 reached its first profits in 2008 with a strong EBITDA development compared to 2007. Main drivers were a positive ARPU development together with cost reduction program.

The pricing environment for post-paid services in the French mobile market was stable during 2008. Going forward, Tele2 will continue to focus on profitability, leveraging on its post-paid customer base through retention management and usage development. Sales channels will be monitored closely in order to invest in the most profitable. Tele2 will continue to proactively work with the national regulator to have full MVNO legislation introduced in France.

The Netherlands

Mobile: The competitive landscape was stable in 2008. Due to better control over acquisition as well as retention costs, Tele2 Netherlands improved the profitability in 2008. The Company maintained its efforts in moving the customer base from the pre-paid segment towards higher ARPU post-paid subscriptions. As a result Tele2 Netherlands was able to retain good financial performance in the mobile segment, despite a slight decline in the customer base.

Fixed broadband: Tele2 continued to gain market share in the fixed broadband market despite fierce competition. Promotional offerings, such as subsidised laptops, led to a solid net intake in 2008. Tele2's business division added another strong year, mainly due to implementation of large corporate contracts and increased sales efforts of its on-net services. Going forward, Tele2 Netherlands expects both consumers as well as corporations to become more price sensitive as a result of a slower economy. This should prove beneficiary to the company as the market price leader. Tele2 Netherlands also expects some positive regulatory changes, such as migration service regulation, which could improve the sales process.

Fixed telephony: The fixed telephony market continued to stagnate in 2008 and was characterized by price increases and declining customer bases. The industry was not actively acquiring customers and was focusing solely on retention and up and-cross selling. Though still the price leading operator Tele2 benefited from the market trends and operations had strong development during 2008.

Germany

Fixed Broadband: The fixed broadband market continued to be highly competitive in 2008, driven mainly by increased activity from the cable operators. The lack of significant market consolidation during the year led to pricing once again becoming important as a promotional tool.

In 2008 the market was more focused on direct access products rather than resold services. The trend towards more bundled products was also strong during the year.

Tele2 Germany continued with a reactive customer acquisition strategy with the web as the main sales channel. No active marketing campaigns were used during the year, which resulted in a net customer outflow. The German operations continued to improve cost control at the Plusnet JV, reducing operational losses in ULL (Unbundled Local Loop) fixed broadband services. Wholesale fixed broadband services were negatively affected by higher direct costs to the incumbent. Churn rate continues to develop according to plan, with higher levels of customer turnover in wholesale compared to the direct access base.

Fixed telephony: The pricing environment in the fixed telephony market remained unchanged in 2008. Tele2's market share for CPS (Carrier Pre-Select) services remained stable at 40 percent during the year. As for fixed broadband services, no active marketing initiatives were used in 2008 for Tele2's fixed telephony segment. Instead the company continued to focus solely on retention and potential reactive cross-selling opportunities. As a result, the EBITDA margin for fixed telephony improved to 34.9 (2007: 17.6) percent in 2008.

Austria

Fixed broadband: Competition from bundled offerings together with aggressive pricing on mobile internet services pressured Tele2's operations in 2008. Tele2 maintained its effort to improve the overall cost structure by using best practice from Tele2's German and Dutch operations, leading to improving EBITDA in the second half of 2008. The process of streamlining the Austrian operations will continue in 2009. Revenues and churn levels for direct access developed according to plan. Tele2 expects further price pressure in the corporate segment.

Fixed Telephony: The decline of the fixed-line base continues in 2008 due to a larger focus on customer base management rather than on user intake. To improve profitability Tele2 Austria will look to up-sell customers to minute bundles with fixed monthly fees. In the consumer market competition from mobile remained high. However, in the business market fixed telephony services had stable development.

ACQUISITIONS AND DIVESTMENTS

In 2008 Tele2 acquired all shares in Teleset Ltd, Utel and Digital Expansion as well as Adigeja Cellular Communications, with 1800 MHz GSM-licenses in the Russian region Kaliningrad and an enclave inside Krasnodar. During 2008 Tele2 has also contributed capital to its joint ventures Mobile Norway, Plusnet and Spring Mobil.

In 2008 Tele2 divested a number of operations. The divested operations were Poland, Switzerland, Luxembourg and Liechtenstein.

Further information on acquisitions and divestments can be found in Note 18.

TAX DISPUTE

In 2000, Tele2 acquired the outstanding majority of the listed company S.E.C. SA. The assets and liabilities of S.E.C. SA were, in connection with a restructuring in 2001, transferred to a new legal entity. At the time of the transfer an independent valuation was carried out. The valuation showed a decrease in the market value of the assets. As a result, Tele2 claimed a tax deduction for the realized loss of SEK 13.9 billion. The tax authorities did not agree and Tele2's tax return was rejected in December, 2004. The decision was appealed to the County Administrative Court in 2005.

The County Administrative Court held an oral hearing in November, 2008. On January 27, 2009, the County Administrative Court declined Tele2's appeal. The Court concluded that Tele2 had not proved that the loss should be considered real. Tele2's opinion is that the prerequisites for a deduction have been fulfilled and the decision by the County Administrative Court will be appealed to the Administrative Court of Appeal.

If the County Administrative Court of Appeal declines Tele2's appeal and the Supreme Administrative Court, in connection with an appeal of the County Administrative Court of Appeal's decision, decide not to accept the case the result will be an increased tax payment of SEK 3.9 billion, excluding interest, since the capital loss has already been deducted against earlier years' profits. The interest is estimated to amount to SEK 741 (2007: 546) million at December 31, 2008.

Tele2 is of the opinion that the dispute will be settled in Tele2's favour and have not provisioned any costs associated with the verdict. The dispute is however stated as contingent liability.

RISKS AND UNCERTAINTY FACTORS

Tele2's operations are affected by a number of external factors. The most important risks are described below.

Operating risks

The risk factors considered to be most significant to Tele2's future development are described below.

The economic recession

The economic recession is spreading across Tele2's different markets, both in its more mature as well as in its emerging operations. The company has not yet been affected by the current turmoil and customers are still demanding telecom services in a similar manner as before. It is, however, difficult to more precisely predict to what extent consumer telecom spending will be affected in 2009. Tele2 will closely monitor operational developments in its different countries and be ready to take necessary steps if consumer and corporate demand for telecom services starts to deteriorate. These measures would include scrutinizing both operational as well as capital expenditures. Tele2 will keep the market informed on a quarterly basis on the current market trends.

Operations in Russia

Tele2's operations in Russia have an increasing importance for the group's results of operation and financial position. The political, economic, regulatory and legal environment as well as the tax system in Russia is still developing and are less predictable than in countries with more mature institutional structures. This also applies to prevailing corporate governance, business practices and the reporting and disclosure standards. The market and the operations in Russia therefore represent a different risk from those associated with Tele2's investments in other countries and can affect Tele2's abilities to operate and develop its operations in Russia.

Changes in regulatory legislation in telecommunication services

Changes in legislation, regulations and decisions from authorities can have a considerable effect on Tele2's business operations and the competition situation in the markets in which we operate. Large-scale deregulation has historically been advantageous to Tele2's development, while a limited or slow deregulation process has restricted the company's opportunities for development. These decisions also influence the prices which apply to interconnection agreements with the local incumbents in the various markets.

Tele2 works actively to improve legislation and regulations, in order to create fair competition in the European telecom market.

Increased competition

Tele2 has a large number of competitors in the markets in which we operate. Our growth, and therefore our profitability, is largely based on our ability to offer our customers a competitive price for our services. In a situation of aggressive pricing among participants in the market, this may have a negative effect on our operating result and financial position.

Introduction of new services

An important part of Tele2's business involves the ability to offer our customers added value in the form of new services. If we are unable to introduce new services commercially or suffer major delays in product launches, this may have a negative effect on our capacity to increase the revenue per user.

Ability to attract and retain customers

With saturated markets for telecommunications services and a high proportion of market penetration, Tele2 should attract new customers in direct competition with other operators. This may result in increased customer churn due to the behaviour of our competitors, which in turn will mean additional costs for customer procurement.

Legal proceedings

Tele2 is a party to legal proceedings as a result of our normal business operations. As these proceedings can be complex, it may be difficult to predict their outcome. An unfavourable result can have a significantly negative effect on our business operations, operating profit or financial position.

Financial Risk Management

Through its operations, the Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to group staff. The aim is to minimize the Group's capital costs through appropriate financing and effective management and control of the Group's financial risks. Further information on financial risk management can be found in Note 2.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

Tele2 signed a new loan facility agreement of SEK 12 billion in February 2009. The loan has a three-year term and expires in 2012. The new agreement has been reached with a group of nine banks. The deal was successfully oversubscribed and has been closed.

The new facility further strengthens Tele2's financial position in order to maintain a balance between growth and flexibility. Tele2 will use this facility to develop its business organically as well as to refinance its existing revolving credit facilities in order to keep an optimal capital structure.

On January 27, 2009, the County Administrative Court declined Tele2's appeal in the S.E.C. SA dispute. For additional information please refer to section Tax dispute.

ENVIRONMENT AND HEALTH

In line with its cost consciousness Tele2 promotes a sustainable development of the environment by reducing resource consumption and environmental impact of its operations. The main areas by which Tele2 impacts resources and the environment are:

- Energy consumption and greenhouse gas emissions
- Waste management and recycling
- Visual intrusion from masts and antennas

Energy consumption is measured and monitored and greenhouse gas emissions are estimated. Both should be taken into account when making investment decisions. Tele2 places strict environmental demands on company cars. All new cars should be environmentally friendly vehicles, unless particular requirements prevent such cars from being used.

Superfluous electric and electronic equipment should always be considered for use elsewhere within Tele2. If there is no need for the equipment in the organization it should be sold to a third party.

In particularly sensitive surroundings, Tele2 is limiting the visual intrusion of masts and antennas in its networks.

EMPLOYEES

Tele2 had 6,010 (5,300) employees at the end of the year. The increase is largely due to new employments having been performed in Russia. See also Note 35 Number of employees and Note 36 Personnel costs.

Every employee together with its manager creates an annual individual development plan. The development plan includes monthly evaluations and yearly result evaluations including how the goals are being met and the plan for the future (new goals, development and initiative).

To develop Tele2 as an employer and a work plan, all employees are offered to participate in the yearly employee survey “My voice”. The results from the employee survey are analyzed on group level within the whole Tele2 and leads to action plans with concrete measures and improvements linked to the results. Mostly very good results are being achieved in the employee survey and shows among other things that the pride to be working for Tele2 is at a very high level, the working environment is pervaded by respect, flexibility, professionalism and multitude.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors is appointed by the Annual General Meeting for terms extending until the next Annual General Meeting. At the Annual General Meeting in May 2008, Jere Calmes was appointed as new board member while the remaining board members were re-elected. In addition, Vigo Carlund was re-elected as Chairman of the Board of Directors.

The Board is responsible for the company's organization and management, and is composed in such a way as to enable it to effectively support and manage the responsibility of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, corporate transactions, major investments, and establishes the framework of Tele2's operations by defining the company's financial goals and guidelines. In 2008 the Board convened ten times on different locations in Europe, whereof one session was a strategy meeting. In addition three per capsulam meetings and eight telephone conference meetings were held.

Within the Board, a Remuneration Committee and an Audit Committee have been appointed. These committees should be seen as preparing bodies for the Board and as such do not reduce the Board's general or joint responsibilities for the company's interests and the decisions made. All Board members have access to the same information. The Chairman of the Board closely monitors the company's development and is responsible for ensuring that other members receive the information they need to perform their board duties efficiently and appropriately.

The work of the Remuneration Committee includes salary matters, pension conditions, bonus systems and other terms of employment for the CEO and other senior executives. The Audit Committee's role is to maintain and improve the efficiency of contact with the Group's auditors and to supervise the procedures for accounting and financial reporting and auditing within the Group.

REMUNERATION GUIDELINES FOR SENIOR EXECUTIVES

The Board proposes the following guidelines for determining remuneration for senior executives for 2009, to be approved by the Annual General Meeting in May 2009.

The objectives of the Tele2 remuneration guidelines are to offer competitive remuneration packages to attract, motivate, and retain key employees within the context of an international peer group. The aim is to create incentives for management to execute strategic plans and deliver excellent operating results and to align management's incentives with the interests of the shareholders. Senior executives covered by the proposed guidelines include the CEO and members of the Executive Board ("senior executives"). At present Tele2 have seven senior executives.

Remuneration to the senior executives should comprise annual base salary and variable short-term incentive (STI) and long-term incentive (LTI) programs. The STI shall be based on the performance in relation to established objectives. The objectives shall be related to the company's overall result and the senior executive's individual performance. The STI can amount to a maximum of 100 percent of the annual base salary. Based on exceptional performance, stretch goals, an additional bonus above the STI may be granted, amounting to a maximum of 20 percent of the annual base salary for the senior executives.

Over time, it is the intention of the Board to increase the proportion of variable performance based compensation as a component of the senior executives' total compensation.

Other benefits may include e.g. company cars and for expatriated senior executives e.g. housing benefits for a limited period of time. The senior executives may also be offered health care insurances.

The senior executives are offered premium based pension plans. Pension premiums for the CEO can amount to a maximum of 25 percent of the annual base salary. For the other senior executives pension premiums can amount to a maximum of 20 percent of the annual base salary.

The maximum period of notice of termination of employment shall be 12 months in the event of termination by the CEO and six months in the event of termination by any of the other senior executives. In the event of termination by the company, the maximum notice period during which compensation is payable is 18 months for the CEO and 12 months for any of the other senior executives.

In special circumstances, the Board may deviate from the above guidelines. In such case the Board is obligated to give account for the reason for the deviation on the following Annual General Meeting.

The Board has deviated from the guidelines which were decided at the 2008 Annual General Meeting on two occasions:

- When Lars-Johan Jarnheimer left the company, the Board decided to offer a notice period of 18 months. This decision was made to ensure a smooth handover to the new CEO and to ensure that Lars-Johan Jarnheimer would be available for consultation during this time. Lars-Johan Jarnheimer was also granted continued participation in the 2006, 2007 and 2008 Long-Term Incentive programs.
- When Johnny Svedberg left the company, the Board decided to offer a notice period of 12 months. This decision was made to ensure a smooth handover to his successor and to ensure that Johnny Svedberg would be available for consultation during this time. Johnny Svedberg was also granted continued participation in the 2006 Long-Term Incentive program.

The guidelines for 2008 as proposed by the Board and approved by the Annual General Meeting in May 2008 are stated in Note 36 Personnel costs.

PARENT COMPANY

The parent company performs functions and conducts certain group wide development projects. In 2008, the parent company paid an ordinary dividend of SEK 3.15 per share and an extraordinary dividend of SEK 4.70 per share corresponding to a total of SEK 3,492 million to shareholders.

PROPOSED APPROPRIATION OF PROFIT

The Board and CEO propose that, from the SEK 11,184,751,123 at the disposal of the Annual General Meeting, an ordinary dividend of SEK 3.50 per share and an extraordinary dividend of SEK 1.50 per share be paid to shareholders, corresponding at December 31, 2008 to SEK 1,541,229,686 and SEK 660,527,009 respectively, resulting in a total dividend of SEK 2,201,756,695, and that the remaining amount, SEK 8,982,994,428, be carried forward.

Based on this annual report, the consolidated financial statements and other information which has become known, the Board has considered all aspects of the parent company's and group's financial position. This evaluation has led the Board to the conclusion that the dividend is justifiable in view of the requirements that the nature and scope of, and risks involved in, Tele2's operations place on the size of the company's and group's equity, as well as its consolidation needs, liquidity and position in other respects.

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Consolidated income statement

SEK million	Note	2008	2007
CONTINUING OPERATIONS			
Net sales	5	39,505	40,056
Cost of services sold	6	–22,885	–23,759
Impairment of goodwill and customer agreements	6, 16	–1,033	–1,315
Gross profit		**15,587**	**14,982**
Selling expenses	6	–8,756	–10,291
Administrative expenses	6	–3,409	–3,878
Sale of operations, profit	7	125	1,562
Sale of operations, loss	8	–13	–823
Result from shares in associated companies and joint ventures	9	–212	–234
Impairment of shares in joint ventures	9	–582	–
Other operating income	10	451	112
Other operating expenses	11	–340	–93
Operating profit/loss	6	**2,851**	**1,337**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Interest income	12	901	253
Interest costs	13	–1,301	–1,018
Other financial items	14	–613	34
Profit/loss after financial items		**1,838**	**606**
Tax on profit/loss for the year	15	–120	–988
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		**1,718**	**–382**
DISCONTINUED OPERATIONS			
Net profit/loss from discontinued operations	38	715	–1,387
NET PROFIT/LOSS	4	**2,433**	**–1,769**
ATTRIBUTABLE TO			
Equity holders of the parent company		2,411	–1,669
Minority interest		22	–100
NET PROFIT/LOSS		**2,433**	**–1,769**
Earnings per share, SEK	34	5.44	–3.75
Earnings per share after dilution, SEK	34	5.43	–3.75
FROM CONTINUING OPERATIONS			
Earnings per share, SEK		3.82	–0.63
Earnings per share after dilution, SEK		3.82	–0.63
Number of outstanding shares, basic	34	440,351,339	444,851,339
Number of shares in own custody	34	9,448,000	4,098,000
Number of shares, weighted average	34	443,538,839	444,727,119
Number of shares after dilution	34	441,063,416	445,235,120
Number of shares after dilution, weighted average	34	443,867,042	445,220,904

Consolidated balance sheet

SEK million	Note	Dec 31, 2008	Dec 31, 2007
ASSETS			
FIXED ASSETS			
Intangible assets			
Goodwill	16	11,473	12,603
Other intangible assets	16	2,121	2,089
Total intangible assets		**13,594**	**14,692**
Tangible assets			
Machinery and technical plant	17	13,023	12,373
Other tangible assets	17	2,543	2,015
Total tangible assets		**15,566**	**14,388**
Financial assets			
Shares in associated companies and joint ventures	19	277	955
Other financial assets	20	150	52
Total financial assets		**427**	**1,007**
Deferred tax assets	15	4,754	3,258
TOTAL FIXED ASSETS		**34,341**	**33,345**
CURRENT ASSETS			
Materials and supplies	21	368	435
Current receivables			
Accounts receivable	22	4,234	5,555
Current tax receivables		403	534
Other current receivables	23	538	666
Prepaid expenses and accrued income	24	2,640	3,061
Total current receivables		**7,815**	**9,816**
Short-term investments	25	3,359	2,593
Cash and cash equivalents	26	1,250	2,459
TOTAL CURRENT ASSETS		**12,792**	**15,303**
TOTAL ASSETS	4	**47,133**	**48,648**

SEK million	Note	Dec 31, 2008	Dec 31, 2007
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the parent company			
Share capital	34	562	561
Other paid-in capital		16,896	16,897
Reserves		3,642	794
Retained earnings		7,051	8,569
Total attributable to equity holders of the parent company		**28,151**	**26,821**
Minority interest		50	28
TOTAL SHAREHOLDERS' EQUITY		**28,201**	**26,849**
LONG-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	27	1,706	5,152
Provisions	28	193	261
Other interest-bearing liabilities	27	262	257
Total interest-bearing liabilities		**2,161**	**5,670**
Non-interest-bearing			
Deferred tax liability	15	758	927
Total non-interest-bearing liabilities		**758**	**927**
TOTAL LONG-TERM LIABILITIES		**2,919**	**6,597**
SHORT-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	27	7,085	4,226
Provisions	28	118	172
Other interest-bearing liabilities	27	432	204
Total interest-bearing liabilities		**7,635**	**4,602**
Non-interest-bearing			
Accounts payable	27	2,217	3,868
Current tax liabilities		227	205
Other short-term liabilities	27	679	1,048
Accrued expenses and deferred income	29	5,255	5,479
Total non-interest-bearing liabilities		**8,378**	**10,600**
TOTAL SHORT-TERM LIABILITIES		**16,013**	**15,202**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4	**47,133**	**48,648**

Consolidated cash flow statement

SEK million	Note	2008	2007
OPERATING ACTIVITIES			
Cash flow from operations before changes in working capital			
Operating profit/loss from continuing operations		2,851	1,337
Operating profit/loss from discontinued operations	38	705	–944
Operating profit/loss		**3,556**	**393**
Adjustments for non-cash items in operating profit/loss			
Depreciation and amortization		3,534	4,260
Impairment		1,936	3,019
Result from shares in associated companies and joint ventures		794	234
Gain/loss on sale of fixed assets		–1,370	–1,264
Finance leases		–	3
Exchange rate difference		46	94
Interest received		953	335
Interest paid		–1,196	–997
Finance costs paid		–87	–19
Taxes paid		–377	–1,570
Cash flow from operations before changes in working capital	33	**7,789**	**4,488**
Changes in working capital			
Materials and supplies		92	–118
Operating assets		1,781	544
Operating liabilities		–1,766	–564
Changes in working capital	33	**107**	**–138**
CASH FLOW FROM OPERATING ACTIVITIES		**7,896**	**4,350**
INVESTING ACTIVITIES			
Acquisition of intangible assets	33	–765	–310
Sale of intangible assets	33	–8	2
Acquisition of tangible assets	33	–3,880	–4,885
Sale of tangible assets	33	45	24
Acquisition of shares in group companies (excluding cash)	18	–535	–1,122
Sale of shares in group companies	18	2,250	13,206
Acquisition and capital contribution of other shares and securities	18	–141	–316
Sale of other securities	18	23	9
Other financial assets, lending		–110	–262
Other financial assets, received payments		441	256
Cash flow from investing activities		**–2,680**	**6,602**
CASH FLOW AFTER INVESTING ACTIVITIES		**5,216**	**10,952**
FINANCING ACTIVITIES			
Proceeds from credit institutions and similar liabilities		243	3,749
Repayment of loans from credit institutions and similar liabilities		–2,511	–13,960
Proceeds from other interest-bearing liabilities		29	4
Repayment of other interest-bearing lending		–194	–591
Dividends		–3,492	–814
New share issues		1	27
Repurchase of own shares		–462	–5
Dividends to minority		–	–4
New share issues to minority		7	355
Cash flow from financing activities		**–6,379**	**–11,239**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–1,163**	**–287**
Cash and cash equivalents at beginning of the year	26	2,459	2,619
Exchange rate differences in cash	26	–46	127
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26	**1,250**	**2,459**

Cash flow for discontinued operations, please refer to Note 38.
For additional cash flow information, please refer to Note 1 and Note 33.

Change in consolidated shareholders' equity

SEK million	Note	Attributable to equity holders of the parent company: Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Minority interest	Total share-holders' equity
Shareholders' equity at January 1, 2007		**556**	**16,880**	**380**	**–179**	**11,163**	**28,800**	**323**	**29,123**
ITEMS RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUTIY									
Exchange rate differences		–	–	–497	1,345	–	848	9	857
Exchange rate differences, tax effect		–	–	139	491	–	630	–	630
Reversed cumulative exchange rate differences from divested companies		–	–	–	–1,053	–	–1,053	–	–1,053
Reclassification		–	–	–	119	–119	–	–	–
Cash flow hedges	27	–	–	68	–	–	68	–	68
Cash flow hedges, tax effect		–	–	–19	–	–	–19	–	–19
Total items recognized directly in shareholders' equity		**–**	**–**	**–309**	**902**	**–119**	**474**	**9**	**483**
Net profit/loss		–	–	–	–	–1,669	–1,669	–100	–1,769
Total for the year		**–**	**–**	**–309**	**902**	**–1,788**	**–1,195**	**–91**	**–1,286**
OTHER CHANGES IN SHAREHOLDERS' EQUITY									
Costs for stock options		–	–	–	–	8	8	–	8
New share issues		5	22	–	–	–	27	–	27
Repurchase of own shares		–	–5	–	–	–	–5	–	–5
Dividends		–	–	–	–	–814	–814	–4	–818
Purchase of minority		–	–	–	–	–	–	–595	–595
New share issues to minority		–	–	–	–	–	–	395	395
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2007		**561**	**16,897**	**71**	**723**	**8,569**	**26,821**	**28**	**26,849**
Shareholders' equity at January 1, 2008		**561**	**16,897**	**71**	**723**	**8,569**	**26,821**	**28**	**26,849**
ITEMS RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUTIY									
Exchange rate differences		–	–	–292	2,638	–	2,346	5	2,351
Exchange rate differences, tax effect		–	–	82	718	–	800	–	800
Reversed cumulative exchange rate differences from divested companies		–	–	–	–197	–	–197	–	–197
Cash flow hedges	27	–	–	–141	–	–	–141	–	–141
Cash flow hedges, tax effect		–	–	40	–	–	40	–	40
Total items recognized directly in shareholders' equity		**–**	**–**	**–311**	**3,159**	**–**	**2,848**	**5**	**2,853**
Net profit/loss		–	–	–	–	2,411	2,411	22	2,433
Total for the year		**–**	**–**	**–311**	**3,159**	**2,411**	**5,259**	**27**	**5,286**
OTHER CHANGES IN SHAREHOLDERS' EQUITY									
Costs for stock options		–	–	–	–	24	24	–	24
New share issues		1	–	–	–	–	1	–	1
Repurchase of own shares		–	–1	–	–	–461	–462	–	–462
Dividends		–	–	–	–	–3,492	–3,492	–	–3,492
Purchase of minority		–	–	–	–	–	–	–12	–12
New share issues to minority		–	–	–	–	–	–	7	7
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2008		**562**	**16,896**	**–240**	**3,882**	**7,051**	**28,151**	**50**	**28,201**

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) at the date of publication of this annual report, as adopted by the EU. The Group also applies the Swedish Financial Reporting Board recommendation RFR 1.1, Supplementary Accounting Rules for Groups, which specifies additional information required under the Swedish Annual Accounts Act.

As a result of the changed strategic focus and divestment of a number of operations in 2007, Tele2 has in 2008 chosen to change the reporting of the primary segment from market area level to country level. This change corresponds with the internal reporting to the Board and management, please refer to Note 4.

Tele2 has from 2008 chosen to change the definition of the following business areas (previous periods have been adjusted retrospectively). *The Fixed telephony* business area includes resold products within fixed telephony. The product portfolio within resold fixed telephony consists of prefix telephony, pre-selection (dial the number without a prefix) and subscription. The *Fixed broadband* business area includes direct access & LLUB, i.e. our own services based on access via copper cable, and other forms of access, such as cable TV networks, DNS networks, wireless broadband and metropolitan area networks. Fixed broadband also includes resold broadband while mobile internet is included in business area *Mobile*. The product portfolio within direct access & LLUB includes telephony services (including IP telephony), internet access services (including Tele2's own ADSL) and TV services. Please refer to Note 4.

Divestment of the total operations in a country will be reported as discontinued operations according to IFRS 5, from January 1, 2008. This is an effect of the transition from reporting at market area level to country level. Divestments up to 2007, which have not previously been reported as discontinued operations, did not amount to a material part of the respective market area and are reported as divested companies on a separate line within continuing operations, please refer to Note 4.

IFRIC 11 *IFRS 2 Group and Treasury Share Transactions* and IFRIC 14 *IAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction* is applied from January 1, 2008. From 2008 amendments to IAS 39 *Financial instruments: Recognition and measurement* and IFRS 7 *Financial instruments: Disclosures* concerning reclassification of financial assets is applied. These have had no effect for Tele2.

The financial reports have been prepared on the basis of historical cost, apart from financial instruments which are normally based on the amortized cost method, with the exception of other long-term securities and derivatives which are measured at fair value.

NEW REGULATIONS

The International Accounting Standards Board (IASB) has issued IFRS 8 *Operating Segments* (effective from financial year 2009), which has been adopted by the EU and replaces IAS 14 *Segment Reporting*. The main change from IAS 14 is that reported segments and applied accounting principles are based on assessments by a company's chief operating decision maker. IFRS 8 also contains changes in the disclosure requirements compared to those in IAS 14. These are not expected to make any material difference to Tele2 except for certain disclosure requirements.

IASB has also issued Improvements to IFRSs 2008, which has been adopted by the EU (effective for annual periods beginning on or after January 1, 2009). IASB has also issued amendments to a number of standards, adopted by the EU, including IAS 23 *Borrowing costs*, IAS 1 *Presentation of financial statements*, IFRS 2 *Shared-based payments*, IAS 32 *Financial instruments*, IFRS 1 *First-time adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and separate financial statements* (effective for annual periods beginning on or after January 1, 2009).

Revised IAS 1 *Presentation of Financial Statements* requires the company to present all non-owner changes in equity (previously reported in the statement of changes in equity) in a statement of comprehensive income. In certain situations, the company is also required to present a balance sheet for two comparative periods. The other amendments above do not have any material effect on Tele2's financial reports.

IFRIC has issued IFRIC 13 *Customer loyalty programs* (effective from the financial year 2009). The implementation of IFRIC 13 is not estimated to have any material effect on Tele2's financial reports.

The IASB has also issued the following amendments which are yet to be adopted by the EU: IFRS 3 *Business Combinations* and related revisions to IAS 27 *Consolidated and separate financial statements* IAS 39 *Financial Instruments: Recognition and Measurement* and a revised IFRS 1 *First-time adoption of International Financial Reporting Standards* (effective for annual periods beginning on or after July 1, 2009)

In the revised IFRS 3, all acquisition-related costs (transaction costs) are to be recognized as expenses in the period in which they arise and cannot, as currently, be included as a part of the acquisition value for the acquired business. Also the definition of business combination has been clarified. The revised IFRS 3 also allows the use of the so called full goodwill method. This means that the minority interests and goodwill are reported at fair value at the time of acquisition. According to the revised IFRS 3 a conditional purchase price shall be reported, both initially as well as in the following periods, at fair value with any subsequent revaluation to be reported in the income statement. In the current IFRS 3 a provision for conditional purchase price is initially reported at a value that corresponds to the company's best estimate of likely outcome. Subsequent changes in the provision, except for the discount effect, shall be reported against goodwill. The revised standard shall be applied prospectively.

The revised IAS 27 clarifies that changes in the parent company's share in the subsidiary, where the parent company retains the control shall be reported as a transaction within equity. This means that these types of changes shall not result in recognition of profit or loss in the income statement. Nor shall the transaction cause any changes of the subsidiary's net assets (including goodwill). The present standard gives no guidance on how changes in the parent company's participating interest shall be accounted for. The revised standard shall be applied prospectively and will result in changes compared with present principles.

The amendment to IAS 39 has no material effect for Tele2.

IFRIC has also issued the following interpretations that have not yet been adopted by the EU: IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008), IFRIC 15 *Agreements for the construction of real estate* (effective January 1, 2009), IFRIC 16 *Hedges of a net investment in a foreign operation* (effective for annual periods beginning on or after October 1, 2008) and IFRIC 17 *Distributions of non-cash assets to owners* and IFRIC 18 *Transfer of Assets from Customers* (effective for annual periods beginning on or after July 1, 2009).

IFRIC 12 and IFRIC 15 are not relevant to Tele2's operations. IFRIC 16 shall be applied prospectively. IFRIC 16, IFRIC 17 and IFRIC 18 are expected to have no material effect on Tele2's financial reports.

CONSOLIDATION

The consolidated accounts include the parent company and companies in which the parent company directly or indirectly holds more than 50% of the voting rights or in any other way has control.

The consolidated accounts are prepared in accordance with the purchase method. This means that consolidated shareholders' equity only includes the subsidiary's equity that arose after the acquisition and the consolidated income statements only include earnings from the date of acquisition until the date of divestment, if the subsidiary is sold. The difference between the acquisition value of shares in subsidiaries and the fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the time of acquisition is reported as goodwill.

The accounts of all foreign group companies are presented in the currency used in the primary economic environment of each company's main activity, which is normally the local currency.

The assets and liabilities of foreign group companies are translated to Tele2's reporting currency (SEK) at the closing exchange rate, while income and expense are translated at the year's average exchange rates. Exchange rate differences arising from translation are reported as a translation reserve in shareholders' equity. When foreign group companies are divested, the accumulated exchange rate difference attributable to the sold group company is recognized in the income statement.

Goodwill and adjustments to fair value which arise from the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity and are translated at the closing rate.

Continued Note 1

ASSOCIATED COMPANIES AND JOINT VENTURES
Associated companies are companies in which Tele2 has voting power of between 20% and 50% or in some other way has significant influence. Joint ventures are companies over which the owners have a joint control.

Associated companies and joint ventures are accounted for in accordance with the equity method. This means that the Group's carrying amount of the shares in the company corresponds to the Group's share of shareholders' equity as well as any residual value of consolidated surplus values after application of the Group's accounting principles. The share of the company's profit or loss after net financial items is reported under "Operating profit" as "Result from shares in associated companies and joint ventures", along with depreciation of the acquired surplus value. The share of the company's tax expense/income is included in the income statement under "Tax on profit for the year". The company's tax assets/liabilities are reported in the balance sheet as "Shares in associated companies and joint ventures".

In the event of an increase or decrease in the group's equity share in associated companies and joint ventures through share issues, the gain or loss is reported in the consolidated income statement as result from shares in associated companies and joint ventures. In the event of negative equity in an associated company and joint venture, where the company is committed to contribute additional capital, the negative portion is reported as a liability.

Group surplus values relating to foreign associated companies and joint ventures are reported as assets in foreign currencies. These values are translated in accordance with the same principles as the income statements and balance sheets for associated companies and joint ventures.

REVENUE RECOGNITION
Net sales includes revenue from services within mobile and fixed telephony, broadband and cable TV, such as connection charges, subscription charges, call charges, data and information services and other services. Net sales also includes interconnect revenue from other operators and income from the sale of products such as mobile phones and modems. Revenues are reported at fair value which usually is the selling value, less discounts and VAT.

Connection charges are recognized at the time of the sale to the extent that they cover the connection costs. Any excess is deferred and amortized over the estimated period of contract. Subscription charges for mobile and fixed telephony services, cable TV, ADSL, dial-up internet, leased capacity and internet connection for direct access customers are recognized in the period covered by the charge. Call charges and interconnect revenue are recognized in the period during which the service is provided. Revenue from the sale of products is recognized at the time the product is supplied to the customer. Revenue from the sale of cash cards is recognized based on actual use of the card or when the expiry date has passed.

Revenue from data and information services such as text messages and ring tones is recognized when the service is provided. When Tele2 acts as agent for another supplier, the revenue is reported net, i.e. only that part of the revenue that is allocated to Tele2 is reported as revenue.

OPERATING EXPENSES
Operating expenses are classified according to function, as described below.
Depreciation and amortization and personnel costs are stated by function. Total costs for depreciation and amortization are presented in Note 6 and the total personnel costs are presented in Note 36.

Cost of services sold
Cost of services sold consists of costs for renting networks and capacity as well as interconnect charges. The cost of services sold also includes the part of the cost for personnel, premises, purchased services and depreciation and amortization of fixed assets attributable to production of sold services.

Selling expenses
Selling expenses include costs for internal sales organization, purchased services, personnel costs, rental costs, bad debt losses as well as depreciation and amortization of fixed assets attributable to sales activities. Advertising and other marketing activities are also included and are expensed continuously.

Administrative expenses
Administrative expenses consist of the part of the personnel costs, rental costs, purchased services as well as depreciation and amortization of fixed assets attributable to the other joint functions. Costs associated with Board, business management and staff functions are included in administrative expenses.

Other operating income and other operating expenses
Other operating income and other operating expenses apply to secondary activities, exchange rate differences in operating items and profit/loss on the sale of tangible assets.

NUMBER OF EMPLOYEES, SALARY AND REMUNERATION
The average number of employees (Note 35) as well as salaries and remuneration (Note 36) for companies acquired during each year is reported in relation to how long the company has been a part of the Tele2 Group.

The number of employees as well as salaries and remuneration are reported by country which complies with other parts of the annual report.

SHARE-BASED PAYMENTS
Tele2 grants options and other share-based instruments to certain employees.

Share-based payments which are settled with the company's own shares or other equity instruments are reported at fair value calculated by independent party at the date of grant. These payments are reported as employee costs during the vesting period. At the extent the earning- conditions in the program are linked to market-related factors (such as the market value of the company's shares), these are taken into consideration determining the fair value of the program. Other conditions than market-related (as for example return on capital employed) are effecting the employee cost during the vesting period by changing the number of shares or other equity based instruments that is expected to be delivered. Payments received, after deductions for any costs directly related to transactions, are credited to shareholders' equity.

PENSIONS
The Group has a number of pension schemes, with the main part of Tele2's pension plans consisting of defined-contribution plans (Note 36) for which the Group makes payments to public and private pension institutions. Fees with regard to defined-contribution pension plans are reported as an expense during the period in which the employees performed the services to which the contribution relates. Only a small part of the Group's pension commitments relate to defined-benefit plans.

The defined-contribution plans ensure a certain predefined payment of premiums and changes in the value of investments are not compensated by Tele2. Therefore Tele2 does not bear the risk at the time of pension payment.

CORPORATE INCOME TAX
When accounting for income taxes, the balance sheet method is applied. The method involves deferred tax liabilities and assets for all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, as well as other tax-related deductions or deficits. An item which alters the time when an item is taxable or deductible is considered a temporary difference. Deferred tax liabilities and assets are calculated based on the expected tax rate at the time of reversal of the temporary difference.

Profit or loss for the year is charged with the tax on taxable income for the year ("current tax"), and with estimated tax/tax reduction for temporary differences ("deferred tax").

The calculation of deferred tax assets takes into account the loss carry-forwards and temporary differences where it is likely that losses and temporary differences will be utilized against future taxable profits. In cases where a company reports losses, an assessment is made of whether there is any persuasive evidence that there will be sufficient future profits. When Tele2 launches products and services in new markets by making use of a common business model applicable for the group, a continuous comparison can be made between actual and expected development according to the model. When newly established companies are showing they will generate a positive result and therefore will be likely to utilize tax loss carry-forwards that have accrued during the establishment period, deferred tax

Continued Note 1

assets are recorded under the company's loss carry-forward amount, including tax-deductible positive temporary differences, with the mentioned model as a basis.

Valuation and accounting of deferred taxes in connection with the acquisition of companies is done as part of the fair value measurement of assets and liabilities at the time of acquisition. In these circumstances, the deferred tax assets are assessed at a value corresponding to what the company expects to utilize. When an acquired company has loss carry-forwards and Tele2, at the time of acquisition, has made an assessment that the related tax assets are not realizable, but a subsequent assessment results in tax assets being recorded and reported in the income statement as a tax benefit, an amount corresponding to the reported value of the original loss carry-forward will reduce the book value of goodwill by means of an expense in the income statement.

Current and deferred tax assets and liabilities are netted only among group companies within the same tax jurisdiction. This form of reporting is only applied when Tele2 intends to offset tax assets and liabilities.

DISCONTINUED OPERATIONS

A discontinued operation (Note 38) is a component of an entity which either has been disposed of or is classified as held for sale, and represents a separate line of business or geographical area of operation. A discontinued operation is reported separately from continuing operations, and must list figures for current and prior periods.

Assets classified as held for sale and associated liabilities are presented separately on the face of the balance sheet. Prior periods are not affected.

EARNINGS PER SHARE

Earnings per share after dilution (Note 34) are calculated according to a method where the redemption price of outstanding options is compared to the average market value of Tele2's shares during the financial period.

FIXED ASSETS

Intangible assets (Note 16) and tangible assets (Note 17) with a finite useful life are reported at the acquisition value with deductions for accumulated depreciation and amortization. Depreciation and amortization are based on the acquisition value of the assets less estimated residual value at the end of the useful life and are applied on a straight-line basis throughout the asset's estimated useful life. Useful lives and residual values are subject to annual review. Useful lives for fixed assets are illustrated below.

INTANGIBLE ASSETS	
Licenses, utilization rights and software	1–25 years
Customer agreements	4 years
TANGIBLE ASSETS	
Buildings	5–40 years
Modems	3 years
Machinery and technical plant	2–20 years
Equipment and installations	2–10 years

At the end of each reporting period an assessment is made of whether there is any indication of impairment of any of the Group's assets over and above the scheduled depreciation plans. If there is any indication that a fixed asset has declined in value, a calculation of its recoverable amount is made.

The recoverable amount is the higher of the asset's value in use and its net sales value, which is the value that is achieved if the asset is divested to an independent party. The value in use consists of the present value of all cash flows from the asset during the utilization period as well as the addition of the present value of the net sales value at the end of the utilization period. If the estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

Impairments are reported in the income statement. Impairments that have been recorded are reversed if changes are made in the assumptions that led to the original impairment. The impairment reversal is limited to the carrying amount, net of depreciation according to plan, had the original impairment not occurred. A reversal of impairment is reported in the income statement. Impairment of goodwill is not reversed.

Intangible assets

Tele2 holds a number of licenses entitling it to conduct telephony operations. The costs related to the acquisition of these licenses are reported and amortized on a straight-line basis through the duration of the license agreements.

Goodwill is measured as the differences between the fair value of the identifiable assets, the liabilities and contingent liabilities and the total purchase price of the acquisition. Goodwill is reported at acquisition value with a deduction for any write-downs. Where the fair value of the acquired net assets exceeds the purchase cost, the surplus is immediately reported as income in the income statement.

Goodwill has been allocated to the cash generating units that are expected to obtain benefits as a result of the acquisition and is, along with the intangible assets with indefinite lives and intangible assets that are not put to use, subject to annual impairment testing even if there is no indication of a fall in value. Impairment testing of goodwill is at the lowest level at which goodwill is controlled. The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value less sales costs. The most important factors that have influenced the year's impairment testing are presented in Note 16.

In the case of reorganization or divestment involving a change in the composition of cash generating units to which goodwill has been allocated, the goodwill shall be allocated to the relevant units. The allocation is based on the relative value of the part of the cash generating unit to which the reorganization or divestment relates, and the part that remains after the reorganization or the divestment.

Customer agreements are valued in conjunction with business acquisitions. Tele2 applies a model where the average cost of acquiring new customers or alternatively, the present value of expected future cash flows, is applied to value customer agreements. The customer agreements are amortized during their useful life on a straight-line basis.

Tele2 capitalizes direct development expenses for software which are specific to its operations. These costs are amortized over the utilization period, which begins when the asset is ready for use. Costs relating to the planning phase of the projects as well as costs of maintenance and training are expensed as incurred. Other expenses relating to development work are expensed as they arise, since they do not meet the criteria for being reported as an asset.

Tangible assets

Land and buildings relate to assets intended for use in operations. Buildings are depreciated on a straight-line basis during the utilization period with deductions for estimated residual value at the end of the utilization period. The acquisition value includes the direct costs attributable to the building.

Machinery and technical plant include equipment and machinery intended for use in operations, such as network installations. Depreciation of the asset is made on a straight-line basis over the utilization period. The acquisition value includes the direct expenses attributable to the construction and installation of networks.

Additional expenses for extension and value-increasing improvements are reported as an asset, while additional expenses for repairs and maintenance are charged to income as an expense during the period in which they arise.

Equipment and installations comprise assets used in administration, sales and operations.

Expenses for modems that are rented to or used for free by customers are capitalized and amortized over a period of three years.

Loan expenses

Loan expenses which are directly attributable to the acquisition, construction or production of an asset which requires considerable time to complete for its intended usage are included in the acquisition value of the asset. Other interest expenses are expensed in the period in which they arise.

Leases

Leases are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the consolidated accounts, each asset is recorded as a tangible or intangible asset, and a corresponding amount is entered as a lease obligation under financial liabilities (Note 17 and Note 27). The asset is depreciated on a straight-line basis over the utilization period, with the estimated residual value deducted at the end of the utilization period. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. A lease is classified as an operating lease if substantially all the economic risks and rewards of ownership of an asset remain with the leasing company. Payments are expensed in the income statement on a straight-line basis over the leasing period.

Dismantling costs

Insofar as there is a commitment to a third party, the estimated cost of dismantling and removing an asset and restoring the site/area is included in the acquisition value. Any change to the estimated cost of dismantling and removing an asset and restoring the site is added to or subtracted from the carrying amount of the particular asset. Tele2 does not consider there to be any such significant commitments in respect of the company's assets at the present time.

Continued Note 1

FINANCIAL ASSETS AND LIABILITIES
The group's financial assets and liabilities are recognized and measured in accordance with IAS 39. Financial assets recognized in the balance sheet include other financial assets, accounts receivable, other current receivables, short-term investments and cash & cash equivalents. Financial liabilities recognized in the balance sheet include liabilities to credit institutions and similar liabilities, other interest-bearing liabilities, accounts payable and other current liabilities.

Acquisitions and sales of financial assets are reported on the trading date, which is the date that the Group has an undertaking to acquire or sell the asset. Financial liabilities are recognized in the balance sheet when the counterparty has performed and a contractual liability to pay exists, even if the invoice has not yet been received.

A financial asset is derecognized when the rights to receive benefits have been realized, expired or the Company loses control over them. The same applies to components of a financial asset. A financial liability is derecognized when the contractual obligation is discharged or extinguished in some other way. The same applies to components of a financial liability.

Financial instruments are initially recognized at fair value, which normally corresponds to the acquisition value and then updated on a continuous basis to fair value or amortized cost based on the initial categorization. The categorization reflects the purpose of the holding and is determined on initial recognition.

Measurement of the fair value of financial instruments
Various measurement methods are used to define the fair value of financial instruments not traded on an active market. Holdings of unlisted shares are measured at the present value of estimated future cash flows discounted to the current market return for similar financial assets. For disclosure purposes, the fair value of loan liabilities is measured using generally accepted methods, such as discounting expected future cash flows at prevailing interest rates. The fair value of interest swaps is calculated as the present value of estimated future cash flows. When determining the fair value of forward currency contracts, the listed forward rates at the balance sheet date are used.

Calculation of amortized cost of financial instruments
Amortized cost is calculated using the effective interest method, which means any premiums and discounts and directly attributable costs or income are recognized on an accrual basis over the life of the contract using the calculated effective interest. The effective interest is the interest which gives the instrument's cost of acquisition as a result in the present value measurement of future cash flows.

Offsetting financial assets and liabilities
Financial assets and liabilities are offset and the net amounts presented in the balance sheet when a legal right of set-off exists and the company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets
Tele2's other long-term securities mainly consist of holdings of unlisted shares, and these are classified as assets at fair value through profit or loss. Assets in this category are initially reported at acquisition value, i.e. fair value at the time of acquisition, and valued thereafter on a continuous basis at fair value. The change in values is reported in the income statement among other financial items. If Tele2 has not obtained a reliable valuation, the securities are valued at their acquisition cost.

Tele2's accounts receivables and other receivables are categorized as "Loan receivables and other receivables" and reported on a continuous basis at amortized cost, which corresponds to their nominal amounts as the duration is short. On each closing day, a revaluation is made of these assets based on the time each individual accounts receivable has been overdue. Any impairment loss is reported among operating expenses.

Cash and cash equivalents is categorized as "Loan receivables and other receivables" and is reported on a current basis at amortized cost. Cash and cash equivalents consist of cash and bank balances as well as current investments with a maturity of less than three months.

Restricted cash and cash equivalents are reported as short-term investments if they may be released within 12 months and as financial assets if they will be restricted for more than 12 months.

Financial assets in foreign currency are translated at the closing exchange rate.

Financial liabilities
Financial liabilities are categorized as "financial liabilities valued at amortized cost". These are initially measured at fair value and then at amortized cost using the effective interest method. Direct costs related to the origination of loans are included in the acquisition value. For accounts payables and other financial debts, with a short maturity, the following valuation is done to the nominal amount without discounting according to the effective interest method. Financial liabilities in foreign currency are translated at the closing exchange rate.

Financial guarantee agreements are measured at the higher of the best estimate of the expenditure required to settle the present obligation and the amount at which it was originally valued.

Derivatives and hedge accounting
Changes in fair values for loans in foreign currency and changes in values for other financial instruments (forward agreements) that fulfill the hedge accounting requirements of net investment in foreign operations are reported on a continuous basis as a hedge reserve in shareholders' equity. The ineffective portion of the change in value is reported in the income statement under other financial items. When divesting foreign subsidiaries, the accumulated exchange rate difference attributable to the divested subsidiary is recorded in the income statement.

Cash flow hedges are reported in the same way as hedges of net investments in foreign operations. This means that the effective portion of the gain or loss on an interest swap which meets the criteria for cash-flow hedge accounting is recognized in the hedge reserve in equity and the ineffective portion is recognized in profit or loss within financial items. When cash flows relating to the hedged item are reported in profit or loss, amounts are transferred from equity to offset them. For more information regarding cash flow hedges, please refer to Note 27.

Receivables and liabilities in foreign currency
Receivables and liabilities of group companies denominated in foreign currencies have been translated into Swedish kronor applying the year-end rates.

Gains or losses on foreign exchanges relating to regular operations are included in the income statement under Other operating income/expenses. Gains or losses on foreign exchanges in financial assets and liabilities are reported within profit/loss from financial items.

When long-term lending to/borrowing from Tele2's foreign operations is regarded as a permanent part of the parent company's financing of/borrowing from foreign operations, and thus as an expansion/reduction of the parent company's investment in the foreign operations, the exchange rate changes of these intra-group transactions are reported directly to the translation reserve in shareholders' equity.

A summary of the exchange rate differences charged directly to shareholders' equity is presented in the statement "Change in consolidated shareholders' equity" and the differences which affected profit/loss of the year are presented in Note 3.

INVENTORIES
Inventories of materials and supplies are valued in accordance with the first-in, first-out principle at the lower of acquisition value and net realizable value. Tele2's inventories essentially consist of SIM cards, modems held for sale and telephones.

SHAREHOLDERS' EQUITY
Shareholders' equity consists of registered share capital, other paid-in capital, hedge reserve, translation reserve, retained earnings, profit/loss for the year and minority interests.

Other paid-in capital relates to capital injections through issues of new shares. Additional direct costs attributable to the issue of new shares are reported directly against shareholders' equity as a reduction, net after taxes, of proceeds from the share issue.

The hedge reserve involves translation differences on external loans in foreign currencies and changes in values for financial instruments (forward agreements) which are used to secure net investments in foreign subsidiaries and the effective portion of gains or losses on interest swaps.

Translation reserves involve translation differences attributable to translation of foreign subsidiaries to Tele2's reporting currency as well as translation differences on intra-group transactions which are considered an expansion/reduction of the parent company's net investment in foreign operations.

Minority interest involves the value of minority shares in net assets for subsidiaries included in the consolidated accounts at the time of the original acquisition and the minority shareholders' share of changes in equity after the acquisition.

PROVISIONS
Provisions are reported when a company within the Group, as a result of events that have occurred, has a legal or constructive obligation, when it is probable that payments will be required in order to fulfill such an obligation and a reliable estimate can be made of the amount to be paid.

SEGMENT REPORTING
Tele2's operations are divided into countries and business areas. Since the risks in its operations are mainly controlled by the various markets in which Tele2 operates, country constitutes the primary segment and business areas the secondary. Country level grouping follows the method of internal reporting to the Board. Revenues and costs for each primary segment (country) are based on the customer's location.

Continued Note 1

Assets in each segment include all operating assets that are utilized by the segment and consist mainly of intangible and tangible assets, shares in associated companies and joint ventures, materials and supplies, accounts receivable, other receivables, prepaid expenses and accrued revenues. Goodwill is distributed among the Group's cash generating units, identified in accordance with Note 16.

Liabilities in each segment include all operating liabilities that are utilized by the segment and consist mainly of accounts payable, other non-interest-bearing liabilities, accrued expenses and deferred income.

Assets and liabilities not divided into segments include current and deferred taxes and items of a financial or interest-bearing nature.

For the secondary segment it is not practical to distribute accounts receivable and other current assets by business area and these assets are therefore reported as undistributed assets. Segment information by country and segment information by business area is presented in Note 4. Segment information for net sales, EBITDA, EBIT and investments are presented in Note 5, Note 6 and Note 17, where the intra-group sales eliminated for each country relate to sales to companies in the Tele2 Group.

The same accounting principles are applied for the segments as for the Group.

Internal pricing

The sales of services in the Tele2 Group are made on market terms. Group-wide costs are invoiced to operations that have used the services.

CHOICE OF ACCOUNTING PRINCIPLES

When choosing and applying Tele2's accounting principles, the Board and the President have made the following choices:

Acquisition of minorities

When acquiring further minority interests after control has been obtained, the difference between the purchase consideration and the carrying amount of the acquired minority interest is reported as goodwill. When acquiring further minority interests in companies over which control was obtained prior to the transition to IFRS, the identifiable assets and liabilities of the newly acquired portion are valued at fair value. The remaining difference between purchase price and acquired assets and liabilities is reported as goodwill.

An alternative method is to report the difference between the purchase consideration and carrying amount of the acquired minority interest as a reduction (if the difference is positive) of the majority's equity.

Reporting of joint ventures

Tele2 reports joint ventures according to the equity method of accounting. Another accepted method is the proportional method, which means that the consolidated balance sheet includes the Group's share of assets and liabilities in joint ventures as well as any residual value of consolidated surplus value when Group's accounting principles have been applied. The consolidated income statement includes the Group's share of joint ventures' revenues and expenses.

Application of the proportional method would increase Tele2's total assets and liabilities, while net income would be unchanged.

Revenue reporting for agreements containing several components

For customer agreements containing several components or parts, revenue is allocated to each part, based on its relative fair value. Accounting estimates are used to determine the fair value. If functionally important parts have not been delivered and the fair value of any of these is not available, revenue recognition is postponed until all important parts have been delivered and the fair value of non-delivered parts has been determined.

Tele2's mobile service agreements, including free and discounted mobile phones, can be divided into different deliveries. It is not possible to identify the total cash flow under the agreement, as call revenue differs considerably among customers. For this reason, revenue has not been allocated to individual components; instead, it is recognized when the total service is provided.

Tele2's DSL agreements include several different components if equipment such as a modem is delivered to the customer. If this is the case, it is possible to identify the total cash flow and the fair value of each component, as the customer pays a fixed monthly charge. However, revenue attributable to delivered equipment in excess of what the customer paid on delivery is not recognized, as the subsequent monthly payments are dependent on Tele2's continued delivery of the total service.

Customer acquisition costs

Customer acquisition costs are normally recognized directly.

When companies and operations are acquired, customer agreements are examined and customer contacts obtained from them are capitalized as intangible assets.

Goodwill – choice of level for goodwill impairment testing.

Goodwill arising from business combinations is allocated to the cash-generating units which are expected to receive future economic benefits, in the form of synergies, for example, from the acquired operation. If separate cash-generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets are monitored for internal management purposes.

ASSESSMENTS AND ESTIMATES

The consolidated financial statements are partly based on assumptions and estimates related to the preparation of the group accounts. The estimates and calculations are based on historical experience and a number of other assumptions aimed at providing a decision regarding the value of the assets or liabilities which cannot be determined in any other way. The actual outcome may vary from these estimates and assessments.

The most crucial assessments and estimates used in preparing the Group's financial reports are as follows:

Valuation of acquired intangible assets

When acquiring businesses, intangible assets are measured at fair value. If there is an active market for the acquired assets, the fair value is defined based on the prices on this market. Since there are often no active markets for these assets, valuation models have been developed to estimate the fair value. Examples of valuation models are discounting of future cash flows and estimates of Tele2's historical costs of acquiring corresponding assets.

Valuation of goodwill

When estimating cash generating units' recoverable amounts for the evaluation of goodwill impairment, assumption of future values and estimates of parameters are made. These assumptions and a sensitivity analysis are presented in Note 16.

Valuation of fixed assets with a finite useful life

If the recoverable amount falls below the book value, an impairment loss is recognized. At each balance sheet date, a number of factors are analyzed in order to ascertain whether there is any indication of impairment. If such indication exists, an impairment test is conducted based on the management's estimate of future cash flows including the discount rate used. See Note 16 and Note 17.

Useful lives of fixed assets

When determining the useful life of groups of assets, historical experience and assumptions about future technical development are taken into account. Depreciation rates are based on the acquisition value of the fixed assets and the estimated utilization period less calculated residual value at the end of the utilization period. If technology develops faster than expected or competition, regulatory or market conditions develop differently than expected, the company's evaluation of utilization periods and residual values will be influenced.

Valuation of deferred income tax

Deferred income tax accounting takes into consideration temporary differences and unutilized loss carry-forwards. Deferred tax assets are reported for deductible temporary differences and loss carry-forwards only to the extent that it is considered likely that they can be utilized to offset future profits. Management updates its assessments at regular intervals. The valuation of deferred tax assets is based on expectations of future results and market conditions, which in turn are subjective. The actual outcome may differ from the assessments, partly as a result of future changes in business circumstances, which were not known at the time of the assessments, additional changes in tax laws or the result of the taxation authorities' or courts' final examination of submitted declarations. See further Note 15.

Valuation of disputes and damages

Tele2 is party to a number of disputes. For each separate dispute an assessment is made of the most likely outcome, and the income statement is affected by the estimated expenses, see Note 28 and Note 31.

Valuation of accounts receivable

Accounts receivables are valued continuously and are reported at amortized cost. Reserves for doubtful accounts are based on various assumptions as well as historical experience, see Note 22.

OTHER INFORMATION

Tele2 AB (publ) is a limited company, with its registered office in Stockholm, Sweden. The company's registered office (phone +46 8 5620 0060) is at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden. The annual report was approved by the Board of Directors on March 13, 2009. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 11, 2009.

NOTE 2 FINANCIAL RISK MANAGEMENT

Tele2's financial assets consist of receivables from end customers and resellers. Other significant financial assets are short-term investments and cash and cash equivalents. Tele2's financial liabilities consist mainly of loans taken out to finance operations.

The carrying amount of financial assets measured at fair value in the income statement, which on initial recognition were identified for this type of measurement, amount to SEK 23 (2007: 23) million. The carrying amount of financial assets in the category Loan and account receivables amount to SEK 9,507 (2007: 11,224) million, and Financial liabilities measured at accrued acquisition value amount to SEK 12,012 (2007: 14,755) million. Tele2 does not have any financial instruments which are reported in other categories. The fair value of derivative financial instruments identified as hedging instruments amount to SEK –369 (2007: 61) million. In 2008 the hedge accounting of the derivative instrument EUR interest rate swap has been terminated as a consequence of the lack of foreseeable interest payments in EUR. The interest rate swap has been disposed by a loss of SEK 40 million. The previously effective part which has been reported in the hedge reserve in equity has been reported in the income statement. During the period no reclassification of financial instruments between the different categories has been done.

The fair value of Tele2's fixed-interest liabilities is SEK 6,466 (2007: 6,433) million while their carrying amount is SEK 6,595 (2007: 6,463) million. The fair value of Tele2's other financial assets and liabilities does not deviate significantly from their carrying amount. Other loan liabilities carry variable interest rates which are regularly adjusted in line with current market rates. As account receivables and account payables are short-term, discounting of cash flows does not cause any material differences in their carrying amount.

Net gains/losses on financial instruments amounted to SEK 225 (2007: –382) million and relate to the categories Loan and trade receivables SEK 265 (2007: –382) million.

Through its operations, the Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to group staff. The aim is to minimize the Group's capital costs through appropriate financing and effective management and control of the Group's financial risks.

CAPITAL RISK MANAGEMENT

The Tele2 Group's view on capital management incorporates several inputs that are necessary to take into consideration with the current strategy of the company. The main items are listed below.

- Tele2's current view on a long-term debt/equity goal, defined as the quota of the net debt and EBITDA, is that it shall be in line with the sector and the markets in which the company acts in and reflect the operative development as well as future opportunities. On a short term basis the company must take into consideration the situation in the financial sector which at the moment is uncertain and act accordingly.
- Tele2 is still pursuing its realignment process, focusing the scope of its current geographic footprint. However, further ahead the company will continue to invest in its core operations and also consider potential acquisitions.
- On a continuous basis, Tele2 will need to refinance its bank facilities. A stable financial situation is important in order to receive acceptable terms from the banks as well as from the private placement market.

The Board of Directors reviews the capital structure on a semi-annual basis. As a part of the review, the board considers the cost of capital, the risk associated with each class of capital, geographic concentration and product distribution.

Tele2's intention over the medium term is to pay a progressive ordinary dividend to its shareholders. The Board of Tele2 AB has decided to recommend an increase of the ordinary dividend of 11 percent to SEK 3.50 (3.15) per share in respect of the financial year 2008 to the Annual General Meeting (AGM) in May 2009. The board has also decided to recommend a special dividend of SEK 1.50 (4.70) per share.

CURRENCY- AND INTEREST RATE RISK

Currency risk is the risk of changes in exchange rates having a negative impact on the Group's result and equity. Currency exposure is associated with payment flows in foreign currency (transaction exposure) and the translation of foreign subsidiaries' balance sheets and income statements to SEK.

In telephony operations, a currency risk arises in connection with international call traffic, which generates a liability or a receivable between Tele2 and foreign operators. In mobile telephony these transactions are calculated in SDRs (Special Drawing Rights, a currency substitute), but are invoiced and paid in EUR. The Group's policy is not to hedge transaction exposure.

At the end of the year the forward covers of Tele2's net investments in the Baltic currencies amounted to SEK 2.2 billion of a total of 5.6 billion, and fall due in 2009 and will during the duration be reported as a hedge of Tele2's net investment at that part that they are an effective hedge. Tele2 has decided not to continue to hedge its net investment in foreign currencies. In the hedge reserve in equity the total amount related to net investments in foreign currencies is SEK -183 million. The loans as per December 31, 2008 in SEK amounts to SEK 3,595 million, in USD SEK 1,706 million and the Baltic currencies to SEK 280 million.

In 2008, 28 (2007: 28) percent of net sales is related to SEK, 31 (2007: 35) percent to EUR and 17 (2007: 12) percent RUB. For other currencies please refer to Note 3. During the year, Tele2's results were affected by fluctuations in the EUR, LVL, LTL and HRK.

Of the group's total net assets at December 31, 2008 of SEK 28.2 billion, 12.1 billion is related to EUR, 4.6 billion to SEK, 5.6 billion the Baltic currencies and 5.5 billion to RUB.

Tele2 keeps a close watch on interest market trends, and decisions to change the interest commitment strategy are assessed regularly. At the end of 2008, 30 (2007: 34) percent of the Group's interest-bearing liabilities carried a variable interest rate. For further information, please see Note 27. As the outstanding interest rate derivatives at December 31, 2008 are held for hedging purposes and are determined to be effective, they are accounted for as hedges. No ineffective portion has been identified for these cash flow hedges. The capital amount is SEK 1.4 billion converting variable interest rate to fixed interest rate of 4.2 percent and is due in 2013. The cash flows related to outstanding interest rate derivative is expected to effect the income statement during the remaining duration for the interest rate swap.

Official market listings have been used to determine the fair value of currency- and interest rate derivatives. Outstanding currency- and interest rate derivatives at December 31, 2008 are shown below.

	Dec 31, 2008		Dec 31, 2007	
	Capital amount	Reported fair value	Capital amount	Reported fair value
Currency rate derivatives, net investment hedge EEK	635	–86	–	–
Currency rate derivatives, net investment hedge LVL	672	–109	–	–
Currency rate derivatives, net investment hedge LTL	873	–94	–	–
Total outstanding currency rate derivatives	**2,180**	**–289**	**–**	**–**
Interest rate derivatives, cash-flow hedging, SEK	1,400	–80	1,400	33
Interest rate derivatives, cash-flow hedging, EUR	–	–	1,421	28
TOTAL OUTSTANDING CURRENCY- AND INTEREST RATE DERIVATIVES	**3,580**	**–369**	**2,821**	**61**

Capital amounts are nominal amounts in foreign currency measured at the closing rate.

Currency rate derivatives mature 2009 and interest rate derivatives mature 2013.

LIQUIDITY RISK

The Group's cash and cash equivalents are invested on a short-term basis, so that excess liquidity can be used for loan repayments. Under the Group's current financial policy, refinancing risk is managed by subscribing for long-term binding stand-by credit lines. At the end of 2008, the Group had available liquidity of SEK 17.2 (2007: 25.9) billion. Tele2 has in February 2009 signed a new borrowing agreement which replaces the previous borrowing facility. For further information, please see Note 26 and Note 27. Regarding contractual commitments and commercial promises, please refer to Note 32.

CREDIT RISK

Tele2's credit risk is mainly associated with accounts receivables and cash and cash equivalents. The Group regularly assesses its credit risk arising from accounts receivables. As the customer base is highly varied and includes individuals and companies, its exposure and associated overall credit risk is limited. The Group makes provisions for expected credit losses.

Maximum credit exposure corresponds to financial guarantees of SEK 2,054 (2007: 1,913) million and accounts receivables of SEK 4,234 (2007: 5,555) million.

NOTE 3 EXCHANGE RATE EFFECTS

The consolidated balance sheet and income statement are affected by fluctuations in subsidiaries' currencies against the Swedish krona. Group net sales and EBITDA are distributed among the following currencies.

	Note	Net sales				EBITDA			
		2008		2007		2008		2007	
SEK		11,373	29%	11,024	28%	2,863	35%	2,867	45%
EUR		12,386	31%	14,167	35%	1,654	20%	355	6%
RUB		6,810	17%	4,824	12%	2,370	29%	1,529	24%
NOK		3,451	9%	3,819	10%	187	2%	180	3%
EEK		1,059	3%	1,097	3%	346	4%	349	6%
LVL		1,729	4%	1,661	4%	647	8%	741	12%
LTL		1,613	4%	1,316	3%	492	6%	394	6%
Other		1,084	3%	2,148	5%	–384	–4%	–95	–2%
TOTAL CONTINUING OPERATIONS		**39,505**	**100%**	**40,056**	**100%**	**8,175**	**100%**	**6,320**	**100%**
Discontinued operations	38	2,481		12,577		292		629	
TOTAL		**41,986**		**52,633**		**8,467**		**6,949**	

Continued note 3

A one percent currency movement against the Swedish krona affects the Group's net sales and EBITDA on an annual basis by SEK 281 (2007: 290) million and SEK 53 (2007: 36) million. Tele2's operating profit/loss for the year was mainly affected by fluctuations in EUR, LVL, LTL and HRK. Tele2's net sales and EBITDA have been affected positively by SEK 681 (2007: –314) million and SEK 102 (2007: –102) million in 2008, as opposed to if the exchange rates had not been changed at all during the year.

Exchange rate differences which arise in operations are reported in the income statements and totals to the following amount.

	Note	2008	2007
Other operating income		86	48
Other operating expenses		–29	–24
Other financial items		–550	49
TOTAL CONTINUING OPERATIONS		**–493**	**73**
Discontinued operations	38	7	7
TOTAL EXCHANGE RATE DIFFERENCES IN INCOME STATEMENT		**–486**	**80**

NOTE 4 SEGMENTS

COUNTRIES

As a result of the changed strategic focus and divestment of a number of operations in 2007, Tele2 has in 2008 chosen to change the reporting of the primary segment from market area level to country level. This change corresponds with the internal reporting to the Board and management.

Segment Other mainly includes the parent company Tele2 AB, operations in the UK, Datametrix, Radio Components and Procure IT Right.

Divestment of the total operations in a country has been reported as discontinued operations according to IFRS 5, from January 1, 2008. This is an effect of the transition from reporting at market area level to country level. Divestments up to 2007, which have not previously been reported as discontinued operations, do not amount to a material part of the respective market area and are reported as divested companies in a separate line within continuing operations.

2008	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	France	Netherlands	Germany	Austria	Other	One-off items	Divested operations	Undistributed as well as internal elimination	Total
INCOME STATEMENT																
Continuing operations																
Net sales																
external	11,249	3,451	6,809	1,059	1,613	1,729	859	1,233	6,184	2,810	2,128	441	–90	30	–	39,505
internal	305	45	–	62	15	7	–	–	61	219	103	636	–	1	–1,454	–
Net sales	**11,554**	**3,496**	**6,809**	**1,121**	**1,628**	**1,736**	**859**	**1,233**	**6,245**	**3,029**	**2,231**	**1,077**	**–90**	**31**	**–1,454**	**39,505**
Impairment of goodwill and customer agreements	–	–	–	–	–	–	–	–	–	–187	–846	–	–	–	–	–1,033
Result from shares in associated companies and joint ventures	–111	–51	–	–	–	–	–	–	–	–52	–	2	–	–	–	–212
Impairment of shares in joint ventures	–	–	–	–	–	–	–	–	–	–582	–	–	–	–	–	–582
Operating profit/loss	**1,614**	**79**	**1,776**	**266**	**407**	**426**	**–446**	**3**	**41**	**338**	**–277**	**–162**	**–1,754**	**97**	**443**	**2,851**
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	–	–	901	901
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–1,301	–1,301
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–613	–613
Tax on profit/loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–120	–120
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**1,614**	**79**	**1,776**	**266**	**407**	**426**	**–446**	**3**	**41**	**338**	**–277**	**–162**	**–1,754**	**97**	**–690**	**1,718**
Discontinued operations																
Net profit/loss from discontinued operations (Note 38)	–	–	–	–	–	–	–	–	–	–	–	–	–	715	–	715
NET PROFIT/LOSS	**1,614**	**79**	**1,776**	**266**	**407**	**426**	**–446**	**3**	**41**	**338**	**–277**	**–162**	**–1,754**	**812**	**–690**	**2,433**
OTHER INFORMATION																
Continuing operations																
CAPEX	1,298	32	1,699	194	112	214	235	–	474	7	180	35		1	–	4,481
Non-cash-generating profit/loss items																
Depreciation/amortization	–932	–58	–534	–79	–85	–90	–83	–3	–1,097	–101	–294	–43		–1	–	–3,400
Impairment	–184	–	–	–	–	–	–	–	–	–187	–846	–		–	–	–1,217
Sales of fixed assets	–	–	–	–	–	–	–	–	–	–	–	–		112	–8	104
Dec 31, 2008																
Shares in associated companies and joint ventures	83	188	–	–	–	–	–	–	–	–	–	6		–	–	277
Assets	13,345	842	7,367	1,658	1,730	2,373	1,555	1,554	9,750	718	1,120	601		57	4,463	47,133
Liabilities	2,785	596	1,196	126	265	306	390	382	3,133	1,544	651	3,323		239	3,996	18,932

Operating revenue, EBITDA and EBIT per segment reduced for elimination of internal sales to companies in the other segments are presented in Note 5 and Note 6.

Continued note 4

	2007															
	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	France	Nether-lands	Germany	Austria	Other	One-off items	Divested operations	Undistribu-ted as well as internal elimination	Total
INCOME STATEMENT																
Continuing operations																
Net sales																
external	11,032	3,697	4,825	1,097	1,316	1,660	543	1,126	5,705	3,253	2,415	480	−200	3,107	–	40,056
internal	397	57	–	48	13	–	–	–	44	321	74	499	–	81	−1,534	–
Net sales	**11,429**	**3,754**	**4,825**	**1,145**	**1,329**	**1,660**	**543**	**1,126**	**5,749**	**3,574**	**2,489**	**979**	**−200**	**3,188**	**−1,534**	**40,056**
Impairment of goodwill and customer agreements	–	–	–	–	–	–	–	–	−176	−572	−291	–	–	−276	–	−1,315
Result from shares in associated companies and joint ventures	−193	−2	–	–	–	–	–	–	–	−46	–	7	–	–	–	−234
Operating profit/loss	**1,603**	**125**	**978**	**286**	**316**	**649**	**−388**	**−251**	**−280**	**−161**	**−276**	**−119**	**−1,647**	**47**	**455**	**1,337**
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	–	–	253	253
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–	–	–	−1,018	−1,018
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–	–	–	34	34
Tax on profit/loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–	−988	−988
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**1,603**	**125**	**978**	**286**	**316**	**649**	**−388**	**−251**	**−280**	**−161**	**−276**	**−119**	**−1,647**	**47**	**−1,264**	**−382**
Discontinued operations																
Net profit/loss from discontinued operations (Note 38)	–	–	–	–	–	–	–	–	–	–	–	–	–	−1,387	–	−1,387
NET PROFIT/LOSS	**1,603**	**125**	**978**	**286**	**316**	**649**	**−388**	**−251**	**−280**	**−161**	**−276**	**−119**	**−1,647**	**−1,340**	**−1,264**	**−1,769**
OTHER INFORMATION																
Continuing operations																
CAPEX	989	63	1,537	108	88	130	278	4	494	42	184	57		146	–	4,120
Non-cash-generating profit/loss items																
Depreciation/amortization	−875	−41	−515	−64	−77	−86	−57	−2	−1,082	−73	−318	−51		−274	–	−3,515
Impairment	−293	–	−21	–	–	–	–	–	−192	−576	−291	–		−276	–	−1,649
Sales of fixed assets	−8	–	2	–	–	–	–	–	–	–	–	−9		−2	740	723
	Dec 31, 2007															
Shares in associated companies and joint ventures	152	206	–	–	–	–	–	–	–	570	–	27		–	–	955
Assets	13,420	992	5,952	1,355	1,516	1,893	1,084	1,538	10,251	1,586	2,143	1,352		3,123	2,443	48,648
Liabilities	4,544	709	927	128	248	195	248	525	3,878	1,494	564	4,088		1,021	3,230	21,799

BUSINESS AREAS

Mobile comprises various types of subscriptions for individuals as well as business and prepaid cards. Mobile also include mobile internet (also called mobile broadband). Tele2 either owns the networks or we rent from other operators, a set-up called MVNO.

Fixed telephony includes resold products within fixed telephony. The product portfolio within resold fixed telephony consists of prefix telephony, pre-selection (dial the number without a prefix) and subscription.

Fixed broadband includes direct access & LLUB, i.e. our own services based on access via copper cable, and other forms of access, such as cable TV networks, DNS networks, wireless broadband and metropolitan area networks. Fixed broadband also includes resold broadband. The product portfolio within direct access & LLUB includes telephony services (including IP telephony), internet access services (including Tele2's own ADSL) and TV services.

Other operations mainly includes carrier operations, IT-outsourcing and system integration through Datametrix as well as holding companies.

	2008							
	Mobile	Fixed telephony	Fixed broadband	Other operations	One-off items	Divested operations	Undistributed as well as internal elimination	Total
CONTINUING OPERATIONS								
Net sales from external customers	24,472	6,884	6,109	2,100	−90	30	–	39,505
CAPEX	3,367	167	777	169	–	1	–	4,481
Total assets at December 31	10,405	1,750	4,990	542	–	–	29,446	47,133

	2007							
	Mobile	Fixed telephony	Fixed broadband	Other operations	One-off items	Divested operations	Undistributed as well as internal elimination	Total
CONTINUING OPERATIONS								
Net sales from external customers	21,390	8,274	5,504	1,981	−200	3,107	–	40,056
CAPEX	2,630	190	964	190	–	146	–	4,120
Total assets at December 31	8,576	1,907	5,347	647	–	–	32,171	48,648

EBITDA and EBIT per business area are presented in Note 6.
CAPEX per business area within each country are presented in Note 17.

NOTE 5 NET SALES AND NUMBER OF CUSTOMERS

NET SALES

	Note	Net sales 2008	Net sales 2007	Internal sales 2008	Internal sales 2007
Sweden					
Mobile		7,760	7,290	140	91
Fixed telephony		2,136	2,435	1	4
Fixed broadband		1,323	1,219	–	9
Other operations		546	740	375	548
		11,765	11,684	516	652
Norway					
Mobile		2,533	2,585	3	7
Fixed telephony		554	733	42	50
Fixed broadband		409	436	–	–
		3,496	3,754	45	57
Russia					
Mobile		6,867	4,837	58	12
		6,867	4,837	58	12
Estonia					
Mobile		1,045	1,079	–	–
Fixed telephony		14	18	–	–
Other operations		62	48	62	48
		1,121	1,145	62	48
Lithuania					
Mobile		1,599	1,305	10	10
Fixed telephony		7	6	5	4
Fixed broadband		22	19	–	–
		1,628	1,330	15	14
Latvia					
Mobile		1,864	1,661	137	3
Fixed telephony		2	2	–	–
		1,866	1,663	137	3
Croatia					
Mobile		859	543	–	–
		859	543	–	–
France					
Mobile		1,233	1,126	–	–
		1,233	1,126	–	–
Netherlands					
Mobile		1,060	1,087	–	–
Fixed telephony		1,505	1,564	–	27
Fixed broadband		2,895	2,452	20	24
Other operations		805	671	61	18
		6,265	5,774	81	69
Germany					
Fixed telephony		2,117	2,768	–	–
Fixed broadband		484	358	–	–
Other operations		428	448	219	321
		3,029	3,574	219	321
Austria					
Fixed telephony		597	833	–	–
Fixed broadband		996	1,053	–	–
Other operations		638	603	103	74
		2,231	2,489	103	74
Other					
Other operations		1,101	985	660	505
		1,101	985	660	505
TOTAL					
Mobile		24,820	21,513	348	123
Fixed telephony		6,932	8,359	48	85
Fixed broadband		6,129	5,537	20	33
Other operations		3,580	3,495	1,480	1,514
		41,461	38,904	1,896	1,755
Internal sales, elimination		–1,896	–1,755		
		39,565	37,149		
One-off items		–90	–200		
Divested operations		30	3,107	1	234
TOTAL CONTINUING OPERATIONS		39,505	40,056		
Discontinued operations	38	2,481	12,577	107	536
TOTAL OPERATION		41,986	52,633	2,004	2,525

In 2008, net sales in Tele2 Sweden were reduced by SEK 90 million due to a revaluation regarding Tele2's claim on TeliaSonera and a number of other operators concerning a number of disputes. The amount is reported as a one-off item and concerns the interconnect disputes between the years 2000-2004. In 2007, net sales in Tele2 Sweden were reduced by SEK 200 million concerning these disputes. In 2008, the Supreme Administrative Court decided to refuse appeal in one of the disputes hence from a cash flow view Tele2 has paid SEK 533 million to TeliaSonera in 2008. Decision by the district court in the case of Tele2's claims on TeliaSonera is expected in 2009.

Net sales were negatively impacted in 2008 by SEK 61 million in the Austrian fixed broadband operations due to revaluation of reserves.

Continued note 5

	2008	2007
Service revenue	38,562	39,338
Sales of products	943	718
TOTAL NET SALES	39,505	40,056

NUMBER OF CUSTOMERS

	Note	Number of customers (by thousands) Dec 31, 2008	Number of customers (by thousands) Dec 31, 2007	Net customer intake (by thousands) 2008	Net customer intake (by thousands) 2007
Sweden					
Mobile		3,358	3,099	259	255
Fixed telephony		817	918	–101	–162
Fixed broadband		433	386	47	77
		4,608	4,403	205	170
Norway					
Mobile		460	448	12	51
Fixed telephony		133	163	–30	–45
Fixed broadband		91	112	–21	20
		684	723	–39	26
Russia					
Mobile		10,422	8,560	1,858	2,541
		10,422	8,560	1,858	2,541
Estonia					
Mobile		502	492	10	–18
Fixed telephony		16	20	–4	–6
		518	512	6	–24
Lithuania					
Mobile		1,924	1,796	128	141
Fixed telephony		4	6	–2	–2
Fixed broadband		41	36	5	4
		1,969	1,838	131	143
Latvia					
Mobile		1,106	1,122	–16	65
Fixed telephony		2	4	–2	–3
		1,108	1,126	–18	62
Croatia					
Mobile		703	470	233	113
		703	470	233	113
France					
Mobile		468	453	15	46
		468	453	15	46
Netherlands					
Mobile		458	570	–112	–28
Fixed telephony		389	494	–105	–281
Fixed broadband		368	324	44	56
		1,215	1,388	–173	–253
Germany					
Fixed telephony		2,030	2,725	–906	–478
Fixed broadband		177	173	4	64
		2,207	2,898	–902	–414
Austria					
Fixed telephony		420	562	–142	–171
Fixed broadband		164	172	–8	50
		584	734	–150	–121
TOTAL					
Mobile		19,401	17,010	2,387	3,166
Fixed telephony		3,811	4,892	–1,292	–1,148
Fixed broadband		1,274	1,203	71	271
		24,486	23,105	1,166	2,289
Divested operations		–	116	–10	–206
NET CUSTOMER INTAKE				1,156	2,083
Acquired companies				4	10
Divested companies				–106	–2,138
Changed method of calculation				211	–759
TOTAL CONTINUING OPERATIONS		24,486	23,221		
Discontinued operations					
Net customer intake	38			–33	–891
Divested companies	38	–	1,500	–1,467	–5,687
TOTAL OPERATION		24,486	24,721	–235	–7,382

In 2008 the number of customers increased by 4,000 through the acquisition of operation in Kaliningrad in Russia. The number of customers has reduced during 2008 by 106,000 customers through the divestment of the mobile operations in Austria.

Tele2 has decided to change its method for calculating the number of customers in the open-call-by-call service in its German fixed telephony base. In 2008, the one-time effect was an increase of 211,000 in the reported customer base in Germany.

Continued note 5

As a way of standardizing reporting both internally and externally, Tele2 decided in 2007 to change its principles for calculating the number of inactive customers in its Nordic mobile prepaid base. As of 2007, Tele2 considers a customer inactive if the customer has not used its mobile service in 6 months, instead of earlier 13 months. However, the customer will still be able to use their SIM card within the 13 months period, as before. In 2007, the one-time effect was a decrease of 664,000 in the reported customer base in Sweden, Norway a decrease of 2,000 customers and Denmark a decrease of 93,000 customers.

NOTE 6 EBITDA, EBIT AND DEPRECIATION/AMORTIZATION AND IMPAIRMENT

		EBITDA		EBIT	
	Note	2008	2007	2008	2007
Sweden					
Mobile		2,646	2,600	2,065	1,936
Fixed telephony		396	402	318	321
Fixed broadband		–90	–111	–440	–371
Other operations		–14	44	–118	–28
		2,938	**2,935**	**1,825**	**1,858**
Norway					
Mobile		143	132	75	120
Fixed telephony		84	113	76	103
Fixed broadband		–39	–77	–72	–98
		188	**168**	**79**	**125**
Russia					
Mobile		2,368	1,526	1,834	990
		2,368	**1,526**	**1,834**	**990**
Estonia					
Mobile		333	348	255	285
Fixed telephony		2	–1	1	–1
Other operations		10	3	10	2
		345	**350**	**266**	**286**
Lithuania					
Mobile		483	387	401	314
Fixed telephony		4	3	4	2
Fixed broadband		5	4	2	1
		492	**394**	**407**	**317**
Latvia					
Mobile		646	738	556	652
		646	**738**	**556**	**652**
Croatia					
Mobile		–363	–331	–446	–388
		–363	**–331**	**–446**	**–388**
France					
Mobile		6	–249	3	–251
		6	**–249**	**3**	**–251**
Netherlands					
Mobile		163	106	143	99
Fixed telephony		332	198	250	97
Fixed broadband		509	419	–435	–513
Other operations		154	120	103	62
		1,158	**843**	**61**	**–255**
Germany					
Fixed telephony		739	487	680	433
Fixed broadband		–270	–554	–364	–623
Other operations		22	29	22	29
		491	**–38**	**338**	**–161**
Austria					
Fixed telephony		129	202	31	100
Fixed broadband		–135	–215	–300	–395
Other operations		23	55	–8	19
		17	**42**	**–277**	**–276**
Other					
Other operations		–97	–69	–138	–113
		–97	**–69**	**–138**	**–113**
TOTAL					
Mobile		**6,425**	**5,257**	**4,886**	**3,757**
Fixed telephony		**1,686**	**1,404**	**1,360**	**1,055**
Fixed broadband		**–20**	**–534**	**–1,609**	**–1,999**
Other operations		**98**	**182**	**–129**	**–29**
		8,189	**6,309**	**4,508**	**2,784**
One-off items				–1,754	–1,647
Divested operations		–14	11	97	200
TOTAL CONTINUING OPERATIONS		**8,175**	**6,320**	**2,851**	**1,337**
Discontinued operations	38	292	629	705	–944
TOTAL OPERATION		**8,467**	**6,949**	**3,556**	**393**

Continued note 6

SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT

	Note	2008	2007
EBITDA		**8,175**	**6,320**
Impairment of goodwill	6	–986	–1,039
Impairment of customer agreements	6	–47	–
Impairment of shares in joint ventures	9	–582	–
Other one-off items	5, 6	–139	–608
		–1,754	**–1,647**
Divested operations			
Impairment of goodwill	6	–	–276
Sale of operations	7, 8	112	739
Total one-off items		**–1,642**	**–1,184**
Depreciation/amortization and other impairment		–3,470	–3,565
Result from shares in associated companies and joint ventures	9	–212	–234
EBIT		**2,851**	**1,337**

In 2008 Tele2 Netherlands was positively affected by SEK 65 million concerning a settlement with Versatel AG/APAX mainly related to the valuation of stock options for tax purposes. In 2007 the costs for the Netherlands were increased by SEK 124 million following The Supreme Court in The Hague ruled negatively on Tele2 Netherlands Holding N.V.'s, formerly Versatel, appeal regarding the dispute with the tax authorities about the valuation of the stock options for tax purposes. The amounts are reported as a one-off item.

Tele2 Germany's EBITDA for fixed telephony was in 2008 negatively affected by SEK 49 million of costs related to a lost court case against Deutsche Post as well as other disputes .

In 2007 EBITDA was effected negatively by SEK 34 million, attributable to the fixed telephony and fixed broadband operation in Austria, due to revaluation of reserves.

DEPRECIATION/AMORTIZATION AND IMPAIRMENT

By function

	Note	2008	2007
Depreciation/amortization			
Cost of service sold		–2,983	–3,203
Selling expenses		–171	–56
Administrative expenses		–246	–256
Total depreciation/amortization		**–3,400**	**–3,515**
Impairment			
Cost of service sold		–1,217	–1,649
Total impairment		**–1,217**	**–1,649**
TOTAL CONTINUING OPERATIONS		**–4,617**	**–5,164**
Discontinued operations, depreciation/amortization	38	–134	–745
Discontinued operations, impairment	38	–719	–1,370
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR		**–5,470**	**–7,279**

By type of asset

	2008	2007
Depreciation/amortization		
Licenses, utalization rights and software	–350	–336
Interconnection agreements	–	–21
Customer agreements	–416	–501
Buildings	–11	–11
Machinery and technical plant	–2,459	–2,469
Equipment and installations	–164	–177
Total depreciation/amortization	**–3,400**	**–3,515**
Impairment		
Licenses, utalization rights and software	–114	–225
Customer agreements	–47	–
Goodwill	–986	–1,315
Machinery and technical plant	–70	–109
Total impairment	**–1,217**	**–1,649**
TOTAL CONTINUING OPERATIONS	**–4,617**	**–5,164**

Continued note 6

Impairment losses

In 2008 Tele2 recognized goodwill impairment losses of SEK 986 (2007: 1,315) million, related to operations stated below, impairment loss of SEK 47 million related to customer agreements in Austria and SEK 114 (2007: 293) million attributable to impairment loss of central IT-systems in Sweden. In 2008 Tele2 Sweden also recognized impairment losses on fixed assets of SEK 70 million mainly related to the cable TV network.

	2008	2007
Austria	–799	–291
Germany	–187	–572
Netherlands	–	–176
	–986	–1,039
Divested operations		
Belgium	–	–276
Total impairment of goodwill	**–986**	**–1,315**

The impairment loss of goodwill, SEK 799 million, and customer agreements, SEK 47 million, in Austria is related to increased and severe competition from mobile internet providers for internet access services in Austria. Due to the existing severe competitive market situation for broadband in Germany, in 2008 Tele2 performed an impairment test that resulted in reported impairment losses related to goodwill SEK 187 million and in investment in joint venture Plusnet of SEK 582 million. Additional information is presented in Note 16.

The impairment loss of IT-systems in Sweden, SEK 114 (2007:293) million, is related to the expectation that utilization of common billing systems will be lower than planned, included reduced expectations on customer stock in Austria, and due to the sale of the operations in Poland.

NOTE 7 SALE OF OPERATIONS, PROFIT

	2008	2007
MVNO operation in Austria	49	–
Belgium	58	–
Irkutsk	–	1,179
Denmark	15	318
Uni2 Denmark	–5	45
Hungary	5	17
Portugal	3	3
Total sale of operations, profit	**125**	**1,562**

For additional information, please refer to Note 18.

NOTE 8 SALE OF OPERATIONS, LOSS

	2008	2007
Alpha Telecom/Calling Card company	–13	–629
3C	1	–136
Belgium	–	–20
Datametrix Norway	–1	–12
Other	–	–26
Total sale of operations, loss	**–13**	**–823**

NOTE 9 RESULT FROM SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

	2008	2007
Participation in profit/loss of associated companies and joint ventures	–151	–178
Amortization on surplus	–61	–56
	–212	–234
Impairment of Plusnet	–582	–
Total result of shares in associated companies and joint ventures	**–794**	**–234**

Continued note 9

2008	Svenska UMTS-nät	Plusnet GmbH	Mobile Norway	Other
Profit/loss before taxes in associated companies and joint ventures	–137	12	–92	–65
Holdings	50.0%	32.5%	50.0%	9.1–49%
Share of profit/loss before tax	–69	4	–46	–34
Amortization on surplus	–	–56	–	–5
Impairment on shares	–	–582	–	–
Correction of share of profit/loss from proceeding year	–	–	–5	–1
	–69	**–634**	**–51**	**–40**
Total result of shares in associated companies and joint ventures				**–794**

Due to the existing severe competitive market situation for broadband in Germany, in 2008 Tele2 performed an impairment test that resulted in a reported impairment loss related to investment in Plusnet of SEK 582 million.

2007	Svenska UMTS-nät	Plusnet GmbH	Mobile Norway	Other
Profit/loss before taxes in associated companies and joint ventures	–297	17	–5	–64
Holdings	50.0%	32.5%	50.0%	9.1–49%
Share of profit/loss before tax	–149	6	–2	–32
Amortization on surplus	–	–52	–	–4
Correction of share of profit/loss from proceeding year	–	–	–	–1
	–149	**–46**	**–2**	**–37**
Total result of shares in associated companies and joint ventures				**–234**

EXTRACTS FROM THE BALANCE SHEETS AND INCOME STATEMENTS OF ASSOCIATED COMPANIES AND JOINT VENTURES

	2008				2007			
	Svenska UMTS-nät	Plusnet GmbH	Mobile Norway	Other	Svenska UMTS-nät	Plusnet GmbH	Mobile Norway	Other
Income statement								
Net sales	1,052	1,723	38	477	747	949	–	609
Operating profit/loss	89	–	–92	–54	–108	–	–5	–55
Profit/loss after financial items	–137	12	–92	–65	–297	17	–5	–64
Net profit/loss	–137	9	–92	–67	–297	14	–5	–72

	Dec 31, 2008				Dec 31, 2007			
	Svenska UMTS-nät	Plusnet GmbH	Mobile Norway	Other	Svenska UMTS-nät	Plusnet GmbH	Mobile Norway	Other
Balance sheet								
Intangible assets	–	2	59	–	–	1	65	1
Tangible assets	3,954	975	112	137	3,740	878	16	153
Financial assets	–	3	–	–	–	27	–	–
Current assets	530	369	46	217	326	512	44	358
Total assets	**4,484**	**1,349**	**217**	**354**	**4,066**	**1,418**	**125**	**512**
Shareholders' equity	127	1,087	102	22	265	903	117	82
Long-term liabilities	4,043	5	66	117	3,677	45	–	106
Short-term liabilities	314	257	49	215	124	470	8	324
Total shareholders' equity and liabilities	**4,484**	**1,349**	**217**	**354**	**4,066**	**1,418**	**125**	**512**

NOTE 10 OTHER OPERATING INCOME

	Note	2008	2007
Service level agreements, for sold operations		215	50
Sale of capacity, for sold operations		119	–
Exchange rate gains from operations		86	48
Sale of fixed assets		5	1
Other income		26	13
TOTAL CONTINUING OPERATIONS		**451**	**112**
Discontinued operations	38	18	24
TOTAL OTHER OPERATING INCOME		**469**	**136**

NOTE 11 OTHER OPERATING EXPENSES

	Note	2008	2007
Service level agreements, for sold operations		–211	–44
Sale of capacity, for sold operations		–77	–
Exchange rate loss from operations		–29	–24
Sale/scrapping of fixed assets		–20	–17
Other expenses		–3	–8
TOTAL CONTINUING OPERATIONS		–340	–93
Discontinued operations	38	–8	–10
TOTAL OTHER OPERATING EXPENSES		–348	–103

NOTE 12 INTEREST INCOME

	Note	2008	2007
Interest, bank balances		320	205
Interest, penalty interest		38	45
Interest, related to disputes	13	543	-
Interest, other securities and receivables		-	3
TOTAL CONTINUING OPERATIONS		901	253
Discontinued operations	38	8	12
TOTAL INTEREST INCOME		909	265

During 2008 a one off item of SEK 543 million has been reported for interest income related to disputes with other operators. At the same time a interest cost has been reported with the same amount.

All interest income is for financial assets reported at amortized cost. Interest income related to impaired financial assets, such as account receivables, totals to immaterial amounts.

NOTE 13 INTEREST COSTS

	Note	2008	2007
Interest, credit institutions and similar liabilities		–666	–871
Interest, other interest-bearing liabilities		–33	–71
Interest, penalty interest		–34	–57
Interest, related to disputes	12	–543	–
Other finance expenses		–25	–19
TOTAL CONTINUING OPERATIONS		–1,301	–1,018
Discontinued operations	38	–	–6
TOTAL INTEREST COSTS		–1,301	–1,024

During 2008 a one off item of SEK 543 million has been reported for interest costs related to disputes with other operators. At the same time a interest income has been reported with the same amount.

All interest costs are for financial instruments, not valued at fair value in the income statement.

NOTE 14 OTHER FINANCIAL ITEMS

	Note	2008	2007
Exchange rate differences on financial assets and liabilities		–550	49
Gain on sale of shares and participations		–	3
Other finance expenses		–63	–18
TOTAL CONTINUING OPERATIONS		–613	34
Discontinued operations	38	–	–1
TOTAL OTHER FINANCIAL ITEMS		–613	33

Exchange rate differences on external loans in USD amount to SEK –354 (2007: 119) million.

NOTE 15 TAXES

TAX EXPENSE/INCOME

	2008	2007
Current tax expense	–632	–311
Deferred tax expense	512	–677
TOTAL CONTINUING OPERATIONS	–120	–988
Discontinued operations	2	–448
TOTAL TAX EXPENSE (–) / TAX INCOME (+) ON PROFIT/LOSS FOR THE YEAR	–118	–1,436

THEORETICAL TAX EXPENSE

The difference between recorded tax expense for the Group and the tax expense based on prevailing tax rates in each country consists of the below listed components.

	2008		2007	
Profit/loss before tax	1,838		606	
Tax expense/income				
Theoretic tax according to prevailing tax rate in each country	–455	–24.8%	–150	–24.8%
TAX EFFECT OF				
Losses/gains in countries with a high tax rate	28	1.5%	364	60.1%
Impairment of goodwill, non-tax affecting	–260	–14.1%	–389	–64.2%
Sales of shares in subsidiaries, non-taxable	–155	–8.4%	1,253	206.8%
Write-down of shares in group companies	676	36.8%	–	–
Other non-deductible expenses/ non-taxable revenue	111	6.0%	191	31.5%
Valuation of tax assets relating to loss carry-forwards etc from previous years	127	6.9%	–	–
Adjustment of tax assets from previous years	–111	–6.0%	–832	–137.3%
Reserve for the year's additional loss carry-forwards	–81	–4.4%	–1,425	–235.1%
TOTAL CONTINUING OPERATIONS	–120	–6.5%	–988	–163.0%
Discontinued operations	2	–0.3%	–448	–47.7%
TAX EXPENSE/INCOME AND EFFECTIVE TAX RATE FOR THE YEAR	–118	–4.6%	–1,436	431.2%

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following items.

	Dec 31, 2008	Dec 31, 2007
Deferred tax assets		
Unutilized loss carry-forwards	4,544	3,148
Tangible assets	67	85
Receivables	143	36
Other	–	–11
Total deferred tax assets	4,754	3,258
Deferred tax liabilities		
Intangible assets	–168	–268
Tangible assets	–586	–659
Other	–4	–
Total deferred tax liabilities	–758	–927
TOTAL DEFERRED TAX ASSETS AND TAX LIABILITIES	3,996	2,331

	Dec 31, 2008	Dec 31, 2007
Deferred tax assets		
Companies reporting a profit this year and previous year	703	1,186
Companies reporting a profit this year but a loss the previous year	893	93
Companies reporting a loss this year	3,158	1,979
Total deferred tax assets	4,754	3,258

Continued note 15

LOSS CARRY-FORWARDS

Deferred tax assets are reported only for loss carry-forwards to the extent convincing evidence shows that loss carry-forwards can be utilized against future profits. According to this principle, losses in newly started operations are not netted against profits in more mature operations. Deferred tax assets concerning operations which report losses in 2008 is mainly related to companies in Sweden reporting gains in previous years and are expected to make profits in the next years. The result in Sweden fluctuates each year with changes in exchange rate effects on internal loans, that on Group level mainly are reported directly in equity on translation reserve.

In 2008 net taxes has been positively affected by SEK 127 million as a result of revaluation of deferred tax assets related to continued improved earnings in Russia, as well as negatively by SEK 143 million due to reduced taxrates in Russia and Sweden.

The tax cost has during 2008 been affected positively with SEK 676 million as a result of that write-downs of shares in group companies are tax deductible in the legal entity in Luxembourg and no temporary differences exist relating to these investments.

In 2007 a revaluation of tax assets of SEK 793 million has been reported in Germany due to reduced income tax rate as well as an impairment in connection with the impairment of goodwill.

The Group's total loss carry-forwards as of December 31, 2008 were 30,369 (2007: 23,275) million of which SEK 17,547 (2007: 11,991) million has been recorded as a deferred tax asset and the remaining part, SEK 12,822 (2007: 11,284) million, has been valued at zero. Of the total loss carry-forwards, SEK 1,464 (2007: 1,707) million expires in five years and the remaining part, SEK 28,905 (2007: 21,568) million, expires after five years or may continue to apply in perpetuity.

TAX DISPUTES

In 2000, Tele2 acquired the outstanding majority of the listed company S.E.C. SA. The assets and liabilities of S.E.C. SA were, in connection with a restructuring in 2001, transferred to a new legal entity. At the time of the transfer an independent valuation was carried out. The valuation showed a decrease in the market value of the assets. As a result, Tele2 claimed a tax deduction for the realized loss of SEK 13.9 billion. The tax authorities did not agree and Tele2's tax return was rejected in December, 2004. The decision was appealed to the County Administrative Court in 2005.

The County Administrative Court held an oral hearing in November, 2008. On January 27, 2009, the County Administrative Court declined Tele2's appeal. The Court concluded that Tele2 had not proved that the loss should be considered real. Tele2's opinion is that the prerequisites for a deduction have been fulfilled and the decision by the County Administrative Court will be appealed to the Administrative Court of Appeal.

If the County Administrative Court of Appeal declines Tele2's appeal and the Supreme Administrative Court, in connection with an appeal of the County Administrative Court of Appeal's decision, decide not to accept the case the result will be an increased tax payment of SEK 3.9 billion, excluding interest, since the capital loss has already been deducted against earlier years' profits. The interest is estimated to amount to SEK 741 (2007: 546) million at December 31, 2008.

Tele2 is of the opinion that the dispute will be settled in Tele2's favor and have not provisioned any costs associated with the verdict. The dispute is however stated as a contingent liability.

Tax disputes in Tele2 Sverige AB amount to a total of SEK 247 (2007: 303) million.

NOTE 16 INTANGIBLE ASSETS

		Dec 31, 2008				
	Note	Licenses, utalization rights and software	Customer agree-ments	Total other intangible assets	Goodwill	Total
Acquisition value						
Acquisition value at January 1		3,186	1,939	5,125	16,496	21,621
Acquisition value in acquired companies		48	1	49	176	225
Acquisition value in divested companies	18	–307	–119	–426	–2,379	–2,805
Valuation of acquired loss carry-forwards		–	–	–	–11	–11
Investments		764	–	764	–	764
Sales and scrapping		–117	–	–117	–	–117
Reclassification		159	–	159	–68	91
Exchange rate differences		199	265	464	1,933	2,397
Total acquisition value		**3,932**	**2,086**	**6,018**	**16,147**	**22,165**
Accumulated amortization						
Accumulated amortization at January 1		–1,632	–1,178	–2,810		–2,810
Accumulated amortization in divested companies	18	218	99	317		317
Amortization according to plan		–363	–441	–804		–804
Sales and scrapping		105	–	105		105
Reclassification		40	–	40		40
Exchange rate differences		–132	–219	–351		–351
Total accumulated amortization		**–1,764**	**–1,739**	**–3,503**		**–3,503**
Accumulated impairment						
Accumulated impairment at January 1		–226	–	–226	–3,893	–4,119
Accumulated impairment in divested companies	18	–	–	–	1,495	1,495
Impairment		–114	–47	–161	–1,705	–1,866
Exchange rate differences		–	–7	–7	–571	–578
Total accumulated impairment		**–340**	**–54**	**–394**	**–4,674**	**–5,068**
TOTAL INTANGIBLE ASSETS		1,828	293	2,121	11,473	13,594

In 2008 Tele2 Sweden invested SEK 549 million in a 4G/LTE (Long Term Evolution) license. CAPEX per business area within each country are presented in Note 17.

The valuation of acquired loss carry-forwards relates to an adjustment of the acquisition value and accumulated impairment of goodwill related to acquired loss carry-forwards which at the time of acquisition were valued at zero, but during 2008 were valued and recognized as tax income.

Continued note 16

	Dec 31, 2007					
	Licenses, utalization rights and software	Intercon-nection agree-ments	Customer agree-ments	Total other intangible assets	Goodwill	Total
Acquisition value						
Acquisition value at January 1	2,762	261	2,581	5,604	22,442	28,046
Acquisition value at January 1, discontinued operations	–90	–93	–425	–608	–3,932	–4,540
Acquisition value in acquired companies	–	–	–	–	976	976
Acquisition value in divested companies	–132	–169	–292	–593	–3,544	–4,137
Investments	240	–	–	240	–	240
Sales and scrapping	–106	–	–	–106	–	–106
Reclassification	430	–	–	430	–	430
Exchange rate differences	82	1	75	158	554	712
Total acquisition value	**3,186**	**–**	**1,939**	**5,125**	**16,496**	**21,621**
Accumulated amortization						
Accumulated amortization at January 1	–1,237	–106	–900	–2,243		–2,243
Accumulated amortization at January 1, discontinued operations	37	12	133	182		182
Accumulated amortization in divested companies	86	116	156	358		358
Amortization according to plan	–360	–21	–529	–910		–910
Sales and scrapping	94	–	–	94		94
Reclassification	–186	–	–	–186		–186
Exchange rate differences	–66	–1	–38	–105		–105
Total accumulated amortization	**–1,632**	**–**	**–1,178**	**–2,810**		**–2,810**
Accumulated impairment						
Accumulated impairment at January 1	–8	–	–	–8	–3,951	–3,959
Accumulated impairment at January 1, discontinued operations	–	–	–	–	843	843
Accumulated impairment in divested companies	8	–	–	8	566	574
Impairment	–225	–	–	–225	–1,315	–1,540
Exchange rate differences	–1	–	–	–1	–36	–37
Total accumulated impairment	**–226**	**–**	**–**	**–226**	**–3,893**	**–4,119**
TOTAL INTANGIBLE ASSETS	1,328	–	761	2,089	12,603	14,692

Continued note 16

GOODWILL

In connection with the acquisition of operations, goodwill is allocated to the cash generating units that expect to achieve future financial benefits such as for example synergies as a result of the acquired operations. In the event that separate cash generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets is controlled and monitored internally.

	Dec 31, 2008	Dec 31, 2007
Sweden	1,059	1,061
Russia	668	642
Estonia	916	793
Lithuania	925	793
Latvia	1,317	1,149
Croatia	13	11
France	1,179	1,021
Netherlands	5,363	4,585
Germany	–	185
Austria	–	788
Poland	–	437
Switzerland	–	515
Luxembourg	–	590
Other	33	33
Total goodwill	**11,473**	**12,603**

Allocation of goodwill and test for goodwill impairment

Tele2 tests goodwill for impairment annually by calculating the recoverable value for the cash-generating units to which goodwill items are allocated. The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value reduced with sales costs.

The most important criteria in the calculations of values in use are growth rate, profit margins, investment needs and discount rates. The expected revenue growth rate, profit margin and investment needs are based on sector data, expected changes in the market, management's experience in different markets and managements' assessment of the different markets. The discount rate takes into account the prevailing interest expenses and specific risk factors in a particular cash-generating unit. The discount rate before tax varies between 9 and 15 (2007: 12–15) percent.

Tele2 calculates future cash flows based on the most recently approved five-year (2007: five-year) plan. For the period after this, growth of 0–2 (2007: 1–2) percent is assumed, with mobile operations in the emerging markets towards the top of this range. This does not exceed the average long-term growth for the sector as a whole nor does it exceed the expected long term GDP growth rates in the markets.

In 2008 Tele2 recognized goodwill impairment of SEK 986 (2007: 1,315) million. For additional information please refer to Note 6.

Changes to important assumptions

The carrying amounts of cash-generating units, for which impairment losses were recognized in 2008 (Germany and Austria), have been written down to their value in use at December 31, 2008. A subsequent negative change to any important assumption would give rise to further impairment losses. When calculating the value in use the main assumptions for the period 2009–2013 are an average annual EBITDA growth of –5 to –34 percent , CAPEX in relation to net sales of 1 to 3 percent and a discount rate before tax of 9 to 12 percent.

Tele2 assess that reasonable possible changes in the major assumptions should not have such significant effects that they individually should reduce the value in use to a value that is lower than the carrying value for the cash generating units with no impairment.

OTHER FIXED ASSETS

Impairment test of other fixed assets

Impairment test of central IT-systems in Sweden and fixed assets related to the cable TV network are based on value in use and a pre-tax discount rate amounts to 9 percent.

NOTE 17 TANGIBLE ASSETS

Dec 31, 2008

	Note	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Acquisition value								
Acquisition value at January 1		138	1,481	1,584	3,203	26,475	*660*	29,678
Acquisition value in acquired companies		–	–	7	7	10	–	17
Acquisition value in divested companies	18	–	–85	–10	–95	–1,364	*–1*	–1,459
Investments		31	93	2,548	2,672	1,187	*10*	3,859
Sales and scrapping		–10	–31	–7	–48	–417	–	–465
Reclassification		13	45	–2,084	–2,026	1,956	–	–70
Exchange rate differences		20	110	72	202	1,382	*41*	1,584
Total acquisition value		**192**	**1,613**	**2,110**	**3,915**	**29,229**	***710***	**33,144**
Accumulated depreciation								
Accumulated amortization at January 1		–77	–1,111		–1,188	–13,792	*–274*	–14,980
Accumulated amortization in divested companies	18	–	75		75	844	–	919
Amortization according to plan		–11	–167		–178	–2,552	*–55*	–2,730
Sales and scrapping		6	32		38	373	–	411
Reclassification		–11	–8		–19	–21	–	–40
Exchange rate differences		–11	–89		–100	–671	*–21*	–771
Total accumulated depreciation		**–104**	**–1,268**		**–1,372**	**–15,819**	***–350***	**–17,191**
Accumulated impairment								
Accumulated impairment at January 1		–	–		–	–310	–	–310
Accumulated impairment in divested companies	18	–	–		–	9	–	9
Impairment		–	–		–	–70	–	–70
Exchange rate differences		–	–		–	–16	–	–16
Total accumulated impairment		**–**	**–**		**–**	**–387**	**–**	**–387**
TOTAL TANGIBLE ASSETS		88	345	2,110	2,543	13,023	*360*	15,566

Russia and Sweden account for 74 (2007: 70) percent of the year's construction in progress of SEK 2.1 (2007: 1.6) billion.
Finance leases relate to assets reported according to Note 27. Tele2 has not capitalized any interest expenses in fixed assets.

Dec 31, 2007

	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Acquisition value							
Acquisition value at January 1	191	1,570	1,488	3,249	27,153	*1,103*	30,402
Acquisition value at January 1, discontinued operations	–39	–98	–	–137	–1,947	*–420*	–2,084
Acquisition value in acquired companies	–	–	–	–	4	–	4
Acquisition value in divested companies	–9	–232	–48	–289	–1,820	*–33*	–2,109
Investments	18	138	2,161	2,317	1,712	*7*	4,029
Sales and scrapping	–30	–81	–19	–130	–446	*–9*	–576
Reclassification	1	147	–2,029	–1,881	1,451	–	–430
Exchange rate differences	6	37	31	74	368	*12*	442
Total acquisition value	**138**	**1,481**	**1,584**	**3,203**	**26,475**	***660***	**29,678**
Accumulated depreciation							
Accumulated amortization at January 1	–115	–1,117		–1,232	–12,885	*–313*	–14,117
Accumulated amortization at January 1, discontinued operations	30	47		77	413	*66*	490
Accumulated amortization in divested companies	6	196		202	755	*28*	957
Amortization according to plan	–11	–181		–192	–2,592	*–55*	–2,784
Sales and scrapping	18	71		89	432	*5*	521
Reclassification	–	–98		–98	284	–	186
Exchange rate differences	–5	–29		–34	–199	*–5*	–233
Total accumulated depreciation	**–77**	**–1,111**		**–1,188**	**–13,792**	***–274***	**–14,980**
Accumulated impairment							
Accumulated impairment at January 1	–	–		–	–226	–	–226
Accumulated impairment at January 1, discontinued operations	–	–		–	27	–	27
Accumulated impairment in divested companies	–	–		–	2	–	2
Impairment	–	–		–	–109	–	–109
Exchange rate differences	–	–		–	–4	–	–4
Total accumulated impairment	**–**	**–**		**–**	**–310**	**–**	**–310**
TOTAL TANGIBLE ASSETS	61	370	1,584	2,015	12,373	*386*	14,388

Continued note 17

CAPEX

	Dec 31, 2008	Dec 31, 2007
Intangible assets	764	240
Tangible assets	3,859	4,029
CAPEX according to balance sheet	**4,623**	**4,269**
Reverse discontinued operations in intangible assets	–1	–4
Reverse discontinued operations in tangible assets	–141	–145
TOTAL CAPEX IN CONTINUING OPERATIONS	**4,481**	**4,120**

The difference between CAPEX in the balance sheet and the cash flow statement is presented in Note 33.

		CAPEX	
	Note	Dec 31, 2008	Dec 31, 2007
Sweden			
Mobile		900	483
Fixed telephony		75	102
Fixed broadband		252	335
Other operations		71	69
		1,298	**989**
Norway			
Mobile		6	6
Fixed telephony		2	-
Fixed broadband		24	57
		32	**63**
Russia			
Mobile		1,699	1,537
		1,699	**1,537**
Estonia			
Mobile		194	108
		194	**108**
Lithuania			
Mobile		107	84
Fixed broadband		5	4
		112	**88**
Latvia			
Mobile		214	130
		214	**130**
Croatia			
Mobile		235	278
		235	**278**
France			
Mobile		-	4
		-	**4**
Netherlands			
Mobile		12	-
Fixed telephony		40	39
Fixed broadband		392	427
Other operations		30	28
		474	**494**
Germany			
Fixed telephony		2	2
Fixed broadband		5	40
		7	**42**
Austria			
Fixed telephony		48	47
Fixed broadband		99	101
Other operations		33	36
		180	**184**
Other			
Other operations		35	57
		35	**57**
TOTAL			
Mobile		**3,367**	**2,630**
Fixed telephony		**167**	**190**
Fixed broadband		**777**	**964**
Other operations		**169**	**190**
		4,480	**3,974**
Divested operations		1	146
TOTAL CONTINUING OPERATIONS		**4,481**	**4,120**
Discontinued operations	38	142	1,078
TOTAL OPERATION		**4,623**	**5,198**

In 2008 Tele2 Sweden was awarded 4G/LTE (Long Term Evolution) 2.6 GHz spectrum. The payment for the license was SEK 549 million.

NOTE 18 ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments of shares and participations affecting cash flow refer to the following.

	2008	2007
Acquisitions		
Acquisition of minority in Versatel	–416	–871
Kaliningrad, Russia	–103	–
Adigeja, Russia	–14	–
Telecom Eurasia, Russia	–	–105
Tele2 Syd, Sweden	–	–135
Acquisition of minority in Radio Components	–	–7
Other acquisitions of group companies	–2	–4
	–535	**–1,122**
Mobile Norway, joint venture in Norway	–	–203
Capital contribution to joint venture companies	–141	–113
	–141	**–316**
Total acquisitions	**–676**	**–1,438**
Divestments		
Luxembourg and Liechtenstein	1,955	–
Switzerland	254	–
Poland	220	–
Austria, MVNO	20	–
Italy and Spain	–	6,739
Belgium	–	862
Portugal	–	125
Irkutsk, Russia	–	1,570
France	–	2,874
Denmark	–	743
Hungary	–	36
3C Communications	–	75
UNI2 Denmark	–	65
Alpha Telecom and Calling Card Company	–	15
Datametrix Norway	–	100
Settlements of previous years' divestments	–199	–
Other divestments of group companies	–	2
	2,250	**13,206**
Managest Media, associated company	23	–
Other divestments of other securities	–	9
	23	**9**
Total divestments	**2,273**	**13,215**
CASH FLOW EFFECT OF ACQUISITIONS AND DIVESTMENTS IN SHARES AND PARTICIPATIONS	**1,597**	**11,777**

ACQUISITIONS
Netherlands

During 2008 Tele2 increased its shares in Tele2 Netherlands (formerly Versatel) by an additional 0.85 percent and is now holding 99.66 percent of the shares. The purchase price amounted to SEK 77 million. An additional SEK 339 million was paid during 2008 as settlement for shares purchased in 2007.

Kaliningrad, Russia

On November 27, 2008, Tele2 acquired all shares in Teleset Ltd, UTel and Digital Expansion, with an 1800 MHz GSM-license in the Russian region Kaliningrad for SEK 103 million. The customer base in the acquired companies was 4,000 mobile telephony customers. During 2008 the acquisition has had no impact on Tele2's financial statements.

Kaliningrad is one of Russia's fastest growing regions. Goodwill in connection with the acquisition is related to economies of scale and synergies through integration in Tele2 Russia's existing operation with a successful brand and product strategies in the Russian market.

Adigeja, Russia

On February 22, 2008 Tele2 acquired all shares in Adigeja Cellular Communications with an 1800 MHz GSM-license in the Russian region Adigeja for SEK 14 million. Adigeja is a small enclave inside Krasnodar. During 2008 the acquisition has had no impact on Tele2's financial statements.

Goodwill in connection with the acquisition is related to economies of scale and synergies through integration in Tele2 Russia's existing operation with a successful brand and product strategies in the Russian market.

Continued note 18

Other acquisitions
In July, 2008 Tele2 acquired the remaining 49 percent in Tele2 Retail Latvia for SEK 2 million. During 2008 Tele2 has made capital contribution to the joint venture companies Plusnet, Mobile Norway and Spring mobil of SEK 141 million.

Net assets at the time of acquisition
Assets, liabilities and contingent liabilities included in the acquired operations are stated below.

	Kaliningrad, Russia		
	Reported value at the time of acquisition	Adjustment to fair value	Fair value
Customer agreements	–	1	1
Licenses	–	53	53
Tangible assets	18	–	18
Deferred tax assets	16	–	16
Current receivables	43	–	43
Deferred tax liabilities	–	–11	–11
Other long-term liabilities	–164	25	–139
Short-term liabilities	–68	–	–68
Acquired net assets	**–155**	**68**	**–87**

Goodwill	100
Purchase price for shares in subsidiary	**13**
Payment of debts in acquired operations	130
Acquisition value	**143**
Liabilities to former owners	–40
EFFECT ON GROUP CASH AND CASH EQUIVALENTS	**103**

The information above and pro forma below are to be viewed as preliminary, since the valuation of acquired assets has not been finalized, as the acquisition date is close to the end of the financial year.

DIVESTMENTS
Discontinued operations
During 2008 Tele2 has announced the sale of its operations in Luxembourg, Liechtenstein, Switzerland and Poland. The divested operations have been reported as discontinued operations, please refer to Note 38 for additional information.

Austria, MVNO
On October 8, 2007 Tele2 announced its divestment of the mobile operation in Tele2 Austria. The sale was completed on March 31, 2008 after receiving approval from the regulatory authorities. The sales price was SEK 20 million which affected the cash flow in 2008. The operation has affected Tele2's net sales year-to-date by SEK 19 (2007: 45) million, EBITDA by SEK –6 (2007: –94) million and net profit/loss by SEK –7 (2007: –105) million in addition to a capital gain of SEK 49 million.

Since the divested operation above, was not a significant part of Tele2's result and financial position, separate reporting in the income statement according to IFRS 5, has not been made.

Managest Media, associated company
On August 2008 Tele2 divested the shares in the associated company Managest Media for SEK 23 million.

Other
Other cash flow changes include settlements of sales costs and price adjustments in the amount of SEK –199 million, for divestments during 2007.

Continued note 18

Net assets at the time of divestment
Assets, liabilities and contingent liabilities included in the divested operations at the time of divestment are stated below.

	Luxembourg and Liechtenstein	Switzerland	Poland	Austria, MVNO	Total
Goodwill	590	108	195	–	893
Other intangible assets	84	22	3	–	109
Tangible assets	259	236	45	9	549
Deferred tax assets	6	–	–	21	27
Long-term receivables	–	–	1	–	1
Material and supplies	9	3	–	1	13
Current receivables	431	213	131	6	781
Cash and cash equivalents	63	80	74	–	217
Exchange rate difference	–86	–157	47	–	–196
Deferred tax liabilities	–21	–14	–	–	–35
Long-term liabilities	–17	–126	–	–	–143
Short-term liabilities	–489	–256	–135	–57	–937
Divested net assets	**829**	**109**	**361**	**–20**	**1,279**
Capital gain/loss	1,126	118	–31	49	1,262
Sales price, net sales costs	**1,955**	**227**	**330**	**29**	**2,541**
Sales costs etc, non-cash	63	–20	–36	–9	–2
Payment of debts in divested operation	–	127	–	–	127
Less: cash in divested operations	–63	–80	–74	–	–217
EFFECT ON GROUP CASH AND CASH EQUIVALENTS	**1,955**	**254**	**220**	**20**	**2,449**

PRO FORMA
The table below shows the effect of the acquired and divested operations on Tele2's operating revenue and result, had they been acquired or divested at January 1, 2008.

	2008			
	Tele2 Group[1]	Acquired operations before the time of acquisition	Less divested operations[1]	Tele2 Group, pro forma
Net sales	39,505	7	–30	39,482
EBITDA	8,175	-8	14	8,181
Net profit/loss	1,718	-27	–99	1,592

[1] Less Tele2 Switzerland, Poland, Luxembourg and Liechtenstein since these are reported as discontinued operations.

NOTE 19 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/votes)	Dec 31, 2008	Dec 31, 2007
Joint ventures					
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	501,000	tSEK 50,100	50%	68	138
Plusnet GmbH & Co. KG, HRA86957, Cologne, Germany	–	–	32.5%	–	570
Mobile Norway AS, 888 137 122, Oslo, Norway	500,000	tNOK 5,000	50%	188	206
Spring Mobil AB, 556609-0238, Stockholm, Sweden	10,290	tSEK 1,029	49%	15	14
Associated companies					
ZAO Setevaya Kompanya, 1047796743312, Moscow, Russia	246	tRUB 2,460	41%	–	–
SCD Invest AB, 556353-6753, Stockholm, Sweden	1,058,425 A	tSEK 5,292	9.1%/ 49.9%	–	–
Managest Media SA, RCB87091, Luxembourg	–	–	–	–	21
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	400	tSEK 40	20%	3	3
GH Giga Hertz HB as well as 15 other trading companies with licenses, Sweden			33.3%	3	3
Total shares in associated companies and joint ventures				**277**	**955**

None of the associated companies and joint ventures are listed on stock exchanges.

Continued note 19

	Dec 31, 2008	Dec 31, 2007
Acquisition value		
Acquisition value at January 1	1,298	1,145
Investments	113	323
Share of profit/loss for the year	–153	–181
Amortization according to plan	–61	–56
Change of deferred tax liabilities	7	49
Change of provisions	–	–2
Divestments	–22	–
Exchange rate differences	20	20
Total acquisition value	**1,202**	**1,298**
Impairment		
Accumulated impairment at January 1	–343	–343
Impairment	–582	–
Total accumulated impairment	**–925**	**–343**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES	277	955

CONTRIBUTION OF EACH ASSOCIATED COMPANY AND JOINT VENTURE TO GROUP EQUITY

	Dec 31, 2008			
	Svenska UMTS-nät	Plusnet GmbH	Mobile Norway	Other
SURPLUS VALUE				
Acquisition value				
Acquisition value at January 1	–	430	148	29
Exchange rate differences	–	66	–10	–
Total acquisition value	**–**	**496**	**138**	**29**
Accumulated amortization				
Accumulated amortization at January 1	–	–62	–	–4
Amortization according to plan	–	–56	–	–5
Exchange rate differences	–	–36	–	–
Total accumulated amortization	**–**	**–154**	**–**	**–9**
Accumulated impairment				
Impairment	–	–342	–	–
Total accumulated impairment	**–**	**–342**	**–**	**–**
TOTAL SURPLUS VALUE	–	–	138	20
DEFERRED TAX LIABILITY				
Deferred tax liability at January 1	–	–121	–	–12
Effect of impairment	–	119	–	–
Change of deferred tax liabilities	–	4	–	3
Exchange rate differences	–	–2	–	–
TOTAL DEFERRED TAX LIABILITIES	–	–	–	–9
PROVISIONS				
Total provisions at January 1	5	–	–	–
Exchange rate differences	–1	–	–	–
TOTAL PROVISIONS	4	–	–	–
SHARE OF SHAREHOLDERS' EQUITY				
Share of shareholders' equity at January 1	133	323	58	28
Share of capital contribution and new issues	–	28	45	40
Effect of impairment	–	–359	–	–
Share of profit/loss for the year	–69	3	–51	–36
Divestments	–	–	–	–22
Exchange rate differences	–	5	–2	–
TOTAL SHARE OF SHAREHOLDERS' EQUITY	64	–	50	10
	68	–	188	21
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES				277

Surplus values in associated companies and joint ventures relate mainly to machinery and technical plant. Provisions related to financial guarantees for loans.

Continued note 19

	Dec 31, 2007			
	Svenska UMTS-nät	Plusnet GmbH	Mobile Norway	Other
SURPLUS VALUE				
Acquisition value				
Acquisition value at January 1	–	413	–	29
Investments	–	–	148	–
Exchange rate differences	–	17	–	–
Total acquisition value	**–**	**430**	**148**	**29**
Accumulated amortization				
Accumulated amortization at January 1	–	–9	–	–
Amortization according to plan	–	–52	–	–4
Exchange rate differences	–	–1	–	–
Total accumulated amortization	**–**	**–62**	**–**	**–4**
TOTAL SURPLUS VALUE	–	368	148	25
DEFERRED TAX LIABILITY				
Deferred tax liability at January 1	–	–158	–	–16
Change of deferred tax liabilities	–	45	–	4
Exchange rate differences	–	–8	–	–
TOTAL DEFERRED TAX LIABILITIES	–	–121	–	–12
PROVISIONS				
Total provisions at January 1	7	–	–	–
Change of provisions	–2	–	–	–
TOTAL PROVISIONS	5	–	–	–
SHARE OF SHAREHOLDERS' EQUITY				
Share of shareholders' equity at January 1	281	211	–	44
Acquired companies opening balance	–	–	61	–
Share of capital contribution and new issues	–	95	–	19
Share of profit/loss for the year	–148	5	–3	–35
Exchange rate differences	–	12	–	–
TOTAL SHARE OF SHAREHOLDERS' EQUITY	133	323	58	28
	138	570	206	41
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES				955

Svenska UMTS-nät, Sweden

Tele2 and TeliaSonera each own 50 percent of Svenska UMTS-nät AB, which has a 3G license in Sweden. Both companies have contributed capital in the 3G company. In addition to this, the build-out has external financing, with a loan facility of SEK 4.8 billion, which is 50 percent guaranteed by each party. Tele2 and TeliaSonera are technically MVNO's with the 3G company and hence act as capacity purchasers. The size of the fee is based on used capacity.

Plusnet, Germany

Tele2 owns 32.5 percent of Plusnet GmbH & Co KG and QSC owns 67.5 percent, although the two parties according to agreement have joint control. Both companies act as purchasers of capacity. As the company is not a profit-seeking entity, its fixed costs are shared between Tele2 and QSC, and its variable costs are distributed proportionately in relation to use. Due to the existing severe competitive market situation for broadband in Germany, in 2008 Tele2 performed an impairment test that resulted in a reported impairment loss related to investment in Plusnet of SEK 582 million.

Mobile Norway

Tele2 owns 50 percent of the shares in Mobile Norway AS, which owns a license in the GSM-900 frequency and a 3G license. Tele2 is one of two parties involved in the roll-out of Norway's third mobile telephony network.

NOTE 20 OTHER FINANCIAL ASSETS

	Dec 31, 2008	Dec 31, 2007
Restricted bankdeposits	109	–
Pension funds	1	16
Other long-term holdings of securities	23	23
Other receivables	17	13
Total other financial assets	**150**	**52**

Restricted cash for the benefit of a bank guarantee to the joint venture company Plusnet in Germany amount to SEK 109 million.

Other long-term securities consist of shares in the companies listed below.

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2008	Dec 31, 2007
Modern Holdings Inc, 133799783, Delaware, US	1,806,575	tUSD 18	11.88%	17	17
OJSC Aero-Space Telecommunications, 1025002032648, Russia	8,750,025	tRUB 35,000	1%	5	5
Radio National Luleå AB, 556475-0411, Stockholm, Sweden	55	tSEK 5	5.5%	1	1
Total other long-term securities				**23**	**23**

NOTE 21 MATERIALS AND SUPPLIES

	Dec 31, 2008	Dec 31, 2007
Finished products & goods for resale	279	359
Advance payments to suppliers	51	39
Other	38	37
Total material and supplies	**368**	**435**

Tele2s materials and supplies are mainly telephones, SIM cards, modems held for sale and set-top boxes for cable TV. In 2008 material and supplies has been expensed by SEK 1,092 (2007: 1,217) million, of which SEK 15 (2007: 35) million is related to write-down.

NOTE 22 ACCOUNTS RECEIVABLE

	Dec 31, 2008	Dec 31, 2007
Accounts receivable	5,562	6,800
Reserve for doubtful accounts	–1,328	–1,245
Total account receivables, net	**4,234**	**5,555**

	Dec 31, 2008	Dec 31, 2007
Reserve for doubtful accounts		
Reserve for doubtful accounts at January 1	1,245	1,721
Reserves in companies divested during the year	–161	–940
Provisions, net	175	587
Recovery of previous provisions	–440	–205
Exchange rate differences	509	82
Total reserve for doubtful accounts	**1,328**	**1,245**

	Dec 31, 2008	Dec 31, 2007
Account receivables, overdue with no reserve		
Overdue between 1–30 days	592	946
Overdue between 31–60 days	212	364
Overdue more than 61 days	597	1,758
Total account receivables, overdue with no reserve	**1,401**	**3,068**

NOTE 23 OTHER CURRENT RECEIVABLES

	Dec 31, 2008	Dec 31, 2007
VAT receivable	274	280
Receivable related to divestment of operations	141	171
Receivables clearinghouse, trafic	24	–
Receivable from suppliers	21	86
Receivable from Svenska UMTS-nät, joint venture	33	9
Receivable from Plusnet, joint venture	1	–
Derivatives	–	62
Receivable from APAX Partners	–	10
Other	44	48
Total other current receivables	**538**	**666**

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2008	Dec 31, 2007
Traffic revenues, from customers	1,031	1,331
Traffic revenues, from other telecom operators	789	852
Interest income	68	105
Subscription fees etc, from customers	36	85
Accrued income, other	67	112
Rental cost	364	304
Fixed subscription charges	72	64
Retailers' commissions, prepaid cards	28	53
Prepaid expenses, other	185	155
Total prepaid expenses and accrued revenues	**2,640**	**3,061**

SEK 22 (2007: 45) million of the balance sheet item is estimated to be paid more than 12 months after the closing date.

NOTE 25 SHORT-TERM INVESTMENTS

	Dec 31, 2008	Dec 31, 2007
Restricted funds	3,359	2,592
Other	–	1
Total short-term investments	**3,359**	**2,593**

NOTE 26 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

AVAILABLE LIQUIDITY

	Dec 31, 2008	Dec 31, 2007
Cash and cash equivalents	1,250	2,459
Unutilized overdraft facilities and credit lines	15,998	23,442
Total available liquidity	**17,248**	**25,901**

	Dec 31, 2008	Dec 31, 2007
Unutilized overdraft facilities and credit lines		
Overdraft facilities granted	155	78
Unutilized credit lines	15,843	23,364
Total unutilized overdraft facilities and credit lines	**15,998**	**23,442**

No specific collateral is provided for overdraft facilities.

EXCHANGE RATE DIFFERENCE IN CASH AND CASH EQUIVALENTS

	Dec 31, 2008	Dec 31, 2007
Cash and cash equivalents at January 1	177	94
Cash flow for the year	–223	33
Total exchange rate difference in cash and cash equivalents	**–46**	**127**

NOTE 27 FINANCIAL LIABILITIES

	Dec 31, 2008	Dec 31, 2007
Liabilities to financial institutions and similar liabilities	8,791	9,378
Other interest-bearing liabilities	694	461
Total interest-bearing financial liabilities	**9,485**	**9,839**
Accounts payable	2,217	3,868
Other short-term liabilities	679	1,048
Total financial liabilities	**12,381**	**14,755**

Financial liabilities fall due for payment according to below.

	Dec 31, 2008	Dec 31, 2007
Within 3 months	3,068	4,918
Within 3–12 months	7,345	4,428
Within 1–2 years	62	3,788
Within 2–3 years	1,027	58
Within 3–4 years	54	833
Within 4–5 years	795	44
Within 5–10 years	30	686
Total financial liabilities	**12,381**	**14,755**

INTEREST-BEARING FINANCIAL LIABILITIES

Interest rate risk

Of interest-bearing financial liabilities as of December 31, 2008 SEK 2,857 million, corresponding to 30 percent, (2007: SEK 3,376 million 34 percent) are at variable interest rates. An increase of the interest level of 1 percent would involve additional interest expenses of SEK 29 (2007: 34) million, and affect profit/loss after tax by SEK 21 (2007: 24) million, calculated on the basis of variable interest-bearing liabilities as of December 31, 2008. Interest-bearing financial liabilities fall due for payments as follows.

	Within 1 year	Within 1–2 years	Within 2–3 years	Within 3–4 years	Within 4–5 years	Within 5–15 years	Total
Variable interest rates	2,625	62	66	54	20	30	2,857
Fixed interest rates	4,892	–	961	–	775	–	6,628
Total interest-bearing liabilities	**7,517**	**62**	**1,027**	**54**	**795**	**30**	**9,485**

Collateral provided

	Dec 31, 2008	Dec 31, 2007
Short-term investments, bank deposits	3,272	2,083
Total collateral provided for own liabilities	**3,272**	**2,083**

Liabilities to financial institutions and similar liabilities

			Dec 31, 2008		Dec 31, 2007	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
5-year syndicated loan facility	STIBOR +0.20–0.90%	2009	3,595	–	2,154	3,729
Bond holders'	Fixed rate 6.35% and 6.47%	2011, 2013	–	1,706	–	1,423
Commercial paper	Fixed rate 6.80% and 10.10%	2009	280	–	–	–
Banque Invik *(collateral: restricted bank funds in Tele2 Russia Telecom BV and Tele2 Sverige AB)*	Margin: +0.07–0.15%	2009	3,210	–	2,072	–
			7,085	**1,706**	**4,226**	**5,152**
Total liabilities to financial institutions and similar liabilities				**8,791**		**9,378**

Tele2 had at December 31, 2008 a borrowing facility of SEK 19.5 (2007: 29.3) billion. The limit, of SEK 29.3 billion at the beginning of the year, has been reduced twice during 2008. In June the facility was reduced by 5.4 billion as extensive payments were received which in the loan agreement stipulated a certain reduction of the borrowing facility. In November Tele2 chose to reduce existing borrowing facility by 4.4 billion as the total borrowing requirement was not assessed as necessary during the remaining time until definite due date on November 2008. At December 31, 2008 the loan was drawn in SEK.

Continued note 27

Tele2 has in February 2009 signed a new credit facility agreement, which replaced the previous credit facility of SEK 19.5 billion. The new credit facility has been reached with a group of nine banks, and amount to SEK 12 billion with a three-year term (due in February 2012). The interestbase will be IBOR. The loan can be used in several currencies. The facility allows a ratio net liabilities/EBITDA for the Group of up to 3.0 including external guarantees. The three-year loan facility is based on requirements involving the fulfillment of certain financial ratios. Tele2 expects to fulfill these requirements.

Tele2 AB has floated a bond issue on the US market totaling USD 220 million. This is divided into USD 120 million with a five-year maturity and a fixed interest rate of 6.35 percent and USD 100 million with a seven-year maturity and a fixed interest rate of 6.47 percent. The loan is conditional on Tele2 achieving certain financial ratios. Tele2 expects to fulfill these requirements.

In 2008 Tele2 has issued commercial paper on the Latvian and Estonian market of 13 million LVL and 150 million EEK. The loans run with a fixed interest rate of 10.1 and 6.8 respectively and fall due during the first half of 2009.

The loan in Banque Invik relates to loans to Tele2's operations in Russia and Croatia. Tele2 has deposited a corresponding amount in Banque Invik. The margin between interest on bank funds and interest on loan liabilities respectively is 0.07–0.15 percent.

The average interest rate on loans during the year was 6.2 (2007: 5.2) percent.

Other interest-bearing liabilities

	Dec 31, 2008		Dec 31, 2007	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Eredivisie CV	–	–	140	–
Derivatives	369	–	–	–
Finance leases	61	232	58	254
Other	2	30	6	3
	432	**262**	**204**	**257**
Total other interest-bearing liabilities		**694**		**461**

Derivatives consist of forward agreements and interest swaps. Forward agreements and interest swaps are valued to fair value. The purpose of signing forward agreements is to make a hedge for exchange fluctuations of our investments in the Baltic countries. The effective part of the forward agreements and the interest swaps is reported in the hedge reserve in equity and the ineffective part is reported in the income statement as other financial items and interest cost, respectively.

Finance leases relate to the expansion of transmission capacity in Sweden and Austria. The portion of the Finance lease consist of the following items.

	Dec 31, 2008		Dec 31, 2007	
	Present value	Nominal value	Present value	Nominal value
Within 1 year	67	68	70	71
Within 1–2 years	65	67	65	69
Within 2–3 years	65	69	56	62
Within 3–4 years	51	56	53	62
Within 4–5 years	19	21	38	47
Within 5–10 years	26	30	30	41
Total loan liability and interest		**311**		**352**
Less interest portion		–18		–40
Total finance leases	**293**	**293**	**312**	**312**

OTHER SHORT-TERM LIABILITIES

	Dec 31, 2008	Dec 31, 2007
VAT liability	384	329
Wage tax on 1999 option scheme in Versatel including interest	–	165
Employee withholding tax	50	45
Other taxes	34	46
Purchase price for purchase of Kaliningrad	46	–
Purchase price for purchase of minority in Versatel	–	335
Liability to joint venture, Plusnet GmbH & Co. KG	68	35
Customer deposit	15	15
Other	82	78
Total short-term liabilities	**679**	**1,048**

NOTE 28 PROVISIONS

	2008					
	Rented building	Legal disputes	Claims and guarantees for divested operations	Financial guarantee for loans	Pension and similar commitments	Total
Provisions as of January 1	58	51	315	5	4	433
Provisions in divested companies	–	–8	–	–	–	–8
Additional provisions	–	30	204	–	11	245
Utilized/paid provisions	–51	–36	–158	–	–1	–246
Reversed unused provisions	–	–	–147	–1	–	–148
Exchange rate differences	6	7	22	–	–	35
Total provisions as of December 31	**13**	**44**	**236**	**4**	**14**	**311**

	Dec 31, 2008	Dec 31, 2007
Provisions, short-term	118	172
Provisions, long-term	193	261
Total provisions	**311**	**433**

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2008	Dec 31, 2007
Traffic expenses to other telecom operators	1,386	1,576
External services expenses	699	875
Personnel-related expenses	466	436
Expenses for dealers	229	157
Interest costs	166	120
Leasing and rental expenses	77	58
Other accrued expenses	211	321
Deferred income, prepaid cards	846	848
Other deferred income	1,175	1,088
Total accrued expenses and deferred income	**5,255**	**5,479**

NOTE 30 PLEDGE ASSETS

	Dec 31, 2008	Dec 31, 2007
Short-term investments, bank deposits	3,359	2,593
Other long-term receivables, bank deposits	109	–
Total pledged assets	**3,468**	**2,593**

The opposite parties can only take over the pledged items in case Tele2 neglects its duty to pay its debts according to the agreements.

NOTE 31 CONTINGENT LIABILITIES

	Dec 31, 2008	Dec 31, 2007
Tax dispute, S.E.C. SA liquidation	4,651	4,456
Guarantee related to joint ventures	2,054	1,913
Future commitments	1	1
Total contingent liabilities	**6,706**	**6,370**

For information regarding the tax dispute related to the liquidation of S.E.C. SA please refer to Note 15.

Svenska UMTS-nät AB, a joint venture holding in Tele2, has an approved loan facility of SEK 4.8 (2007: 4.8) billion, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 2.4 (2007: 2.4) billion. As of December 31, 2008, Tele2's guarantee amounted to SEK 2,021 (2007: 1,838) million.

In 2008, the guarantee for the benefit of Plusnet has been replaced by a deposit in a restricted bank account of SEK 109 million. Tele2 has also provided a bank guarantee of SEK 33 (2007: 28) million for its joint venture Mobile Norway.

NOTE 32 OPERATING LEASES AND OTHER COMMITMENTS

ANNUAL EXPENSES

	2008	2007
Leased capacity	1,979	1,662
Other operating leases	552	537
Annual leasing expenses for operating leases	**2,531**	**2,199**

The cost of operating leases relates mainly to leased capacity. Other assets that are owned under operating leases relate to rented premises, machines and office equipment. Tele2 has a multitude of agreements relating to rented connections. The majority of these involve some type of initiation fee and thereafter monthly or quarterly fees. Most of the agreements have terms ranging from six months to three years with the option of extending the terms. Generally these agreements have no index clauses or possibilities to acquire the asset.

CONTRACTUAL FUTURE LEASE PAYMENTS DUE FOR PAYMENT

	Dec 31, 2008	Dec 31, 2007
Within 1 year	1,264	1,123
Within 1–2 years	850	879
Within 2–3 years	824	760
Within 3–4 years	745	728
Within 4–5 years	701	766
Within 5–10 years	1,662	1,232
Within 10–15 years	208	526
More than 15 years	124	765
Total future lease payments for operating leases	**6,378**	**6,779**

CONTRACTUAL COMMITMENTS/COMMERCIAL PLEDGES

	Dec 31, 2008				
	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities	10,413	1,089	849	30	12,381
Interest payments on loans	237	189	75	–	501
Commitments, joint venture Plusnet	233	433	433	–	1,099
Commitments, joint venture Mobile Norway	–	155	261	133	549
Commitments, other	635	–	–	–	635
Operating leasing	1,264	1,674	1,446	1,994	6,378
Total contractual commitments/ commercial pledges	**12,782**	**3,540**	**3,064**	**2,157**	**21,543**

NOTE 33 SUPPLEMENTARY CASH FLOW INFORMATION

CASH FLOW FROM OPERATING ACTIVITIES BASED ON THE NET RESULT

	2008	2007
OPERATING ACTIVITIES		
Net profit/loss	2,433	–1,769
Adjustments for non-cash items in operating profit/loss		
Depreciation and amortization	5,470	7,279
Result from shares in associated companies and joint ventures	794	234
Gain/loss on sale of fixed assets	16	18
Gain/loss on sale of shares	–1,386	–1,282
Unpaid financial items	722	142
Unpaid tax	257	–1,139
Deferred tax expense	–517	1,005
Cash flow from operations before changes in working capital	**7,789**	**4,488**
Changes in working capital	107	–138
CASH FLOW FROM OPERATING ACTIVITIES	**7,896**	**4,350**

Continued note 33

CAPEX

The difference between investments in intangible and tangible assets (CAPEX) in the balance sheet and the cash flow statement is as follows.

	2008	2007
CAPEX according to cash flow statement	4,608	5,169
This year unpaid CAPEX and paid CAPEX from previous year		
Continuing operations	–1	48
Discontinued operations	–21	–37
Sales price in cash flow statement		
Continuing operations	37	17
Discontinued operations	–	1
CAPEX according to balance sheet	**4,623**	**5,198**

Of the year's investment in intangible and tangible assets, SEK 75 (2007: 189) million is unpaid at December 31, 2008 and has therefore not been reported as investments in the cash flow statement. Payment of the previous year's investment of SEK 97 (2007: 178) million has been reported as investment in the cash flow for 2008. These items amount to SEK -22 (2007: 11) million, with SEK -21 (2007: -37) million relating to unpaid CAPEX in discontinued operations.

CAPEX per business area within each country are presented in Note 17.

NOTE 34 NUMBER OF SHARES AND EARNINGS PER SHARE

The share capital in Tele2 is divided into three classes of shares: Class A, B and C shares. All types of shares have a quota value of SEK 1.25 per share and Class A and B shares have the same rights on the company's net assets and profits while Class C shares are not entitled to dividend. Shares of Class A shares, however, entitle the holder to 10 voting rights per share and Class B and C shares to one voting right per share.

There are no limitations regarding how many votes each shareholder may vote for at general meetings of shareholders. Tele2's Articles of Association make no stipulation that limits the right to transfer shares.

In the case of a bid for all shares in Tele2 or a controlling part of the shares in Tele2, the loan facility may be accelerated and due for immediate repayment. In addition, some interconnect agreements may be terminated.

The Board of Directors received an authorization by the Annual General Meeting (AGM) in May 2008 to purchase up to 10 percent of shares in the company. In 2008 Tele2 has repurchased own shares of Series B of 4,500,000, corresponding to 1 percent of all shares in Tele2, for a cost of SEK 462 million. The Board of Directors will propose to cancel the repurchased shares at the Annual General Meeting in May 2009.

In order to ensure delivery of shares under the incentive program 2008–2011 Tele2 has, in 2008, issued 850,000 Class C shares through a directed placement at a subscription price corresponding to a quota value of SEK 1.25 per share, a total of SEK 1 million. Tele2 has immediately after the issue repurchased all Class C shares at a price corresponding to the subscription price. Shares in own custody amount to 2.1 (2007: 0.9) percent of the share capital.

During the year, 182,839 class A shares were reclassified into class B shares. The reclassification was made in accordance with the resolution passed at the Annual General Meeting on May 10, 2006.

CHANGE OF NUMBER OF SHARES

	A shares		B shares		C shares		Total
	Change	Total	Change	Total	Change	Total	
As of January 1, 2006		46,549,989		397,102,843		–	443,652,832
New share issue, convertibles	–	46,549,989	836,761	397,939,604	–	–	444,489,593
Reclassification of A shares to B shares	–8,193,444	38,356,545	8,193,444	406,133,048	–	–	444,489,593
As of December 31, 2006		**38,356,545**		**406,133,048**		**–**	**444,489,593**
New share issue, convertibles	–	38,356,545	361,746	406,494,794	4,098,000	4,098,000	448,949,339
As of December 31, 2007		**38,356,545**		**406,494,794**		**4,098,000**	**448,949,339**
Reclassification of A shares to B shares	–182,839	38,173,706	182,839	406,677,633	–	4,098,000	448,949,339
New share issue, convertibles	–	38,173,706	–	406,677,633	850,000	4,948,000	449,799,339
Total number of shares as of December 31, 2008		**38,173,706**		**406,677,633**		**4,948,000**	**449,799,339**

CHANGE OF NUMBER OF SHARES IN OWN CUSTODY

	B shares		C shares		Total
	Change	Total	Change	Total	
New share issue, convertibles	–	–	4,098,000	4,098,000	4,098,000
As of December 31, 2007		**–**		**4,098,000**	**4,098,000**
Repurchase of own shares		–	850,000	4,948,000	4,948,000
Repurchase of own shares	4,500,000	4,500,000	–	4,948,000	9,448,000
Total number of shares in own custody as of December 31, 2008		**4,500,000**		**4,948,000**	**9,448,000**

Continued note 34

NUMBER OF OUTSTANDING OPTIONS AND RIGHTS

	Dec 31, 2008	Dec 31, 2007
Incentive program 2008–2011	611,272	
Incentive program 2007–2012	2,823,000	3,489,000
Incentive program 2006–2011	1,571,000	1,881,000
Total Number of outstanding options and rights	**5,005,272**	**5,370,000**

Further information is provided in Note 36.

NUMBER OF SHARES AFTER DILUTION

	Dec 31, 2008	Dec 31, 2007
Number of shares	449,799,339	448,949,339
Repurchase of own shares	-9,448,000	-4,098,000
Number of outstanding shares, basic	440,351,339	444,851,339
Incentive program 2008–2011	611,272	–
Incentive program 2006–2011	100,805	383,781
Total number of shares after dilution	**441,063,416**	**445,235,120**

Stock options under the 2007–2012 incentive program do not give rise to any dilution effect.

EARNINGS PER SHARE

	Earnings per share		Earnings per share, after dilution	
	2008	2007	2008	2007
Net profit/loss attributable to equity holders of the parent company	2,411	–1,669	2,411	–1,669
Weighted average number of shares	443,538,839	444,727,119	443,538,839	444,727,119
Incentive program 2008–2011			220,233	–
Incentive program 2006–2011			107,970	413,875
Incentive program 2002–2007			–	79,910
Weighted average number of outstanding shares after dilution			**443,867,042**	**445,220,904**
Earnings per share, SEK	**5.44**	**–3.75**	**5.43**	**-3.75**

DIVIDEND

Tele2's intention over the medium term is to pay a progressive ordinary dividend to its shareholders. The Board of Tele2 has decided to recommend an increase of the ordinary dividend of 11 percent for 2008.

At the Annual General Meeting in May 2009, a dividend for 2008 of SEK 5.00 (2007: 7.85) per share will be proposed, of which the ordinary dividend amounts to SEK 3.50 (2007: 3.15) per share and an extraordinary dividend amounts to SEK 1.50 (2007: 4.70). At December 31, 2008 this correspond to a total of SEK 2,202 (2007: 3,492) million, of which ordinary dividend SEK 1,541 (2007: 1,401) million and extraordinary dividend SEK 661 (2007: 2,091) million.

NOTE 35 NUMBER OF EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

	2008		2007	
	Total	*of whom men*	Total	*of whom men*
Sweden	1,219	*69%*	1,137	*67%*
Norway	57	*77%*	53	*79%*
Russia	1,969	*51%*	1,501	*49%*
Estonia	209	*42%*	153	*40%*
Lithuania	100	*58%*	79	*59%*
Latvia	320	*42%*	168	*42%*
Croatia	79	*59%*	63	*57%*
France	29	*48%*	57	*58%*
Netherlands	708	*79%*	686	*80%*
Germany	68	*71%*	77	*69%*
Austria	403	*72%*	376	*73%*
Other	451	*77%*	462	*74%*
Divested operations	200	*71%*	1,047	*63%*
Total average number of employees	**5,812**	***62%***	**5,859**	***63%***
of which discontinued operations	*200*	*71%*	*640*	*68%*

Continued note 35

	2008		2007	
	Women	Men	Women	Men
For all group companies				
Board members	12%	88%	6%	94%
Other senior executives	29%	71%	25%	75%
Total proportion of board members and other senior executives	**25%**	**75%**	**20%**	**80%**

NOTE 36 PERSONNEL COSTS

	2008			2007		
	Board of Directors and CEO	*of which bonus*	Other employees	Board of Directors and CEO	*of which bonus*	Other employees
Sweden	4	*1*	624	4	*1*	577
Norway	3	*1*	36	3	*1*	36
Russia	29	–	262	19	*5*	165
Estonia	3	*1*	40	2	–	24
Lithuania	3	–	19	2	–	14
Latvia	2	–	51	2	–	25
Croatia	3	–	35	3	–	28
France	–	–	18	–	–	6
Netherlands	7	–	449	9	*1*	384
Germany	2	–	51	2	–	44
Austria	3	–	214	4	–	189
Other	52	*3*	210	36	*4*	193
Divested operations	9	*3*	76	33	*7*	436
Total salaries and remuneration	**120**	***9***	**2,085**	**119**	***19***	**2,121**
of which discontinued operations	*9*	*3*	*76*	*15*	*2*	*273*

During the years 2007–2009, Tele2 will make a provision of SEK 10 million per year to cover bonus payments to a group of key employees. The bonus is based on profit targets during 2007–2009. The bonus amount will be determined in 2010.

In 2007 Tele2 made a payment of SEK 44 million and social security costs related to the incentive program 1997–2006. The payment was a result of a decision by the Board to compensate the participators in the incentive program for the negative tax consequences connected with the program.

	2008			2007		
	Personnel costs	Social security expenses	*of which pension expenses*	Personnel costs	Social security expenses	*of which pension expenses*
Board and President	120	37	*11*	119	33	*9*
Other employees	2,085	622	*151*	2,121	592	*109*
Total	**2,205**	**659**	***162***	**2,240**	**625**	***118***
of which discontinued operations	*85*	*10*	*7*	*288*	*4*	*7*

PENSIONS

	2008	2007
Defined-benefit plans, retirement pension	43	11
Defined-benefit plans, compliance and disability pension	5	4
Defined-contribution plans	114	103
Total pension expenses	**162**	**118**

Additional information regarding defined-benefit retirement plans is shown in the table below.

	2008	2007
Income statement		
Current service costs	–11	–16
Expected return on plan assets	–4	2
Actuarial net losses/gains recognized for the year	–28	3
Net cost recognized in the income statement	**–43**	**–11**

Continued note 36

	Dec 31, 2008	Dec 31, 2007
Balance sheet		
Present value of funded obligations	–125	–111
Fair value of plan assets	110	124
Net	**-15**	**13**
Unrealized actuarial gains/losses	2	–1
Net asset (+) / obligation (–) in balance sheet	**–13**	**12**
of which assets	*1*	*16*
of which liabilities	*–14*	*–4*

	2008	2007
Net asset (+) / obligation (–) at beginning of year	12	–4
Net asset/obligation at beginning of year, divested operations	2	7
Net cost	–43	–11
Payments	16	19
Exchange rate differences	–	1
Net asset (+) / obligation (–) in balance sheet at end of year	**–13**	**12**

	Dec 31, 2008	Dec 31, 2007
Important actuarial assumptions		
Discount rate	3.8–4.3%	4–4.7%
Expected return on plan assets	4.2–6.3%	4–5.8%
Annual salary increases	3–4.5%	2–4.5%
Annual pension increases	2%	2–2.5%

REMUNERATION FOR SENIOR EXECUTIVES

2008	Basic salary/ board fees	Variable remune-ration	Option program	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
Chairman of the Board, Vigo Carlund	1.2						1.2
CEO and President, Harri Koponen	3.1	–	0.1	0.0	1.4	0.8	5.4
Lars-Johan Jarnheimer							
- up until August 31, 2008	9.2	1.5	0.7	0.0	0.1	1.7	13.2
- notice period	–	–	10.0	–	18.0	3.9	31.9
Other senior executives	17.0	6.7	8.0	0.2	3.7*)	5.1*)	40.7
Total salaries and remune-ration to senior executives	**30.5**	**8.2**	**18.8**	**0.2**	**23.2**	**11.5**	**92.4**

*) Remuneration for notice period to Johnny Svedberg is included with SEK 3.6 and 0,7 million respectively.

The group Other senior executives comprises 6 (2007: 6) persons.

At September 1, 2008 Lars-Johan Jarnheimer, President and CEO, decided to leave Tele2. When Lars-Johan left the company, the Board decided to offer a notice period of 18 months. This decision was made to ensure a smooth handover to the new CEO and to ensure that Lars-Johan would be available for consultation during this time. Lars-Johan was also granted continued participation in the 2006, 2007 and 2008 Long-Term Incentive programs. In 2008 a cost has affected Tele2 as a consequence of this agreement.

During the years 2007–2009, Tele2 will make a provision of SEK 10 million per year to cover bonus payments to a group of key employees. The CEO and other senior executives are included in this group of key employees. The bonus is based on profit targets during 2007–2009. The bonus amount will be determined in 2010.

2007	Basic salary/ board fees	Variable remune-ration	Option program	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
Chairman of the Board, Vigo Carlund	1.1						1.1
CEO and President, Lars-Johan Jarnheimer	11.2	3.5	3.5	0.0	5.3*)	2.1	25.6
Other senior executives	17.2	3.5	5.3	0.3	-	3.2	29.5
Total salaries and remune-ration to senior executives	**29.5**	**7.0**	**8.8**	**0.3**	**5.3**	**5.3**	**56.2**

*) Compensation for negative tax consequences connected with the incentive program 1997–2006.

Continued note 36

In 2007 Tele2 made a payment to the CEO of SEK 5.3 million related to the incentive program 1997–2006. The payment was a result of a decision by the Board to compensate the participators in the incentive program for the negative tax consequences connected with the program.

During 2008 the senior executives received 240,000 share rights (2007: 1,200,000 stock options) from the year's new incentive program. The market value of the stock options at the time of issue was SEK 8.3 (2007: 3.3) million for the CEO (prior and present) and SEK 13.8 (2007: 15.7) million for other senior executives. No premium was paid for the share rights (2007: stock options).

2008	Program 2008–2018		Program 2007–2012		Program 2006–2011	
Number of stock options	CEO (prior and present)	Other senior ex-ecutives	CEO (prior)	Other senior ex-ecutives	CEO (prior)	Other senior executives
Outstanding as of January 1, 2008			210,000	1,065,000	200,000	272,000
Allocated	112,000	128,000				
Forfeited	–	–	–	–210,000	–	–
Exercised	–	–	–	–	–	–
Total outstanding stock options	**112,000**	**128,000**	**210,000**	**855,000**	**200,000**	**272,000**

Remuneration guidelines for senior executives 2008

The following guidelines for determining remuneration for senior executives were approved by the Annual General Meeting in May 2008.

The objectives of the Tele2 remuneration guidelines are to offer competitive remuneration packages to attract, motivate, and retain key employees within the context of an international peer group. The aim is to create incentives for management to execute strategic plans and deliver excellent operating results, and moreover, to align management's incentives with the interests of the shareholders. The guidelines concerns senior executives including the CEO and members of the Executive Board ("senior executives"). At present (May 2008) Tele2 has six senior executives.

Remuneration to the senior executives should consist of a combination of an annual base salary and variable short-term incentive (STI) and long-term incentive programs. The STI shall be based on the performance in relation to established objectives. The objectives are connected to the company's outcome and mainly the individual performance. The STI can amount to a maximum of 100 percent of the annual base salary for the CEO and for the other senior executives. Based on exceptional performance, stretch goals, an additional bonus above the STI may be granted, amounting to a maximum of 20 percent of the annual base salary for the senior executives.

Over time, it is the intention of the Board to increase the proportion of variable performance based compensation as a component of the senior executives' total compensation.

Other benefits may include e.g. company cars and for expatriated senior executives e.g. housing benefits for a limited period of time. The senior executives may also be offered health care insurances.

The senior executives are offered premium based pension plans. Pension premiums for the CEO can amount to a maximum of 25 percent of the annual base salary. For the other senior executives pension premiums can amount to a maximum of 20 percent of the annual base salary.

The period of notice of termination of employment shall be 12 months in the event of termination by the CEO and six months in the event of termination by any of the other senior executives. In the event of termination by the company, the maximum notice period during which compensation is payable is 18 months for the CEO and 12 months for any of the other senior executives.

In special circumstances, the Board may deviate from the above guidelines. In such case the Board is obligated to give account for the reason for the deviation on the following Annual General Meeting.

Continued note 36

BOARD OF DIRECTORS

Total fees to the Board of Directors in 2008 were SEK 4,975 (2007: 3,750) thousand following a decision by the Annual General Meeting in May 2008. SEK 1,200 (2007: 1,000) thousand was paid to the Chairman of the Board, SEK 450 (2007: 400) thousand was paid to each of the other seven (2007: six) board members and a total of 625 (2007: 350) thousand for assignments performed by the board's committees. The split of fees to each boardmember is stated below.

	Fees to the board		Fees to the board committees	
SEK	2008	2007	2008	2007
Vigo Carlund	1,200,000	1,000,000	32,535	50,000
Jere Calmes	450,000	–	125,000	–
Mia Brunell Livfors	450,000	400,000	125,000	75,000
John Hepburn	450,000	400,000	42,465	25,000
Mike Parton	450,000	400,000	100,000	50,000
John Shakeshaft	450,000	400,000	200,000	150,000
Christina Stenbeck	450,000	400,000	–	–
Pelle Törnberg	450,000	400,000	–	–
Total fee to board members	**4,350,000**	**3,400,000**	**625,000**	**350,000**

SHARE-BASED PAYMENTS

The purpose with the incentive programmes are to strengthen the employees' loyalty, improve the conditions or the company's continued demands on profitability and create an opportunity for the employees to take part in the group's development. The incentive programmes will constitute a competitive incentive and a motivation offer for senior executives and other key employees within the group.

Number of outstanding options and rights are stated below.

	Dec 31, 2008	Dec 31, 2007
Incentive program 2008–2011	611,272	
Incentive program 2007–2012	2,823,000	3,489,000
Incentive program 2006–2011	1,571,000	1,881,000
Total Number of outstanding options and rights	**5,005,272**	**5,370,000**

Incentive program 2008–2011

The Annual General Meeting on May 14, 2008, approved an incentive program for allocation to senior executives and other key employees in the Tele2 Group.

The incentive program (the Plan) includes a total of approximately 80 senior executives and other key employees within the Tele2 Group. The participants in the Plan are required to own shares in Tele2. These shares can either be shares already held or shares purchased on the market in connection with notification to participate in the Plan. Thereafter the participants have been granted, free of charge, retention rights and performance rights on the terms stipulated below.

For each share held under the Plan, the participants will be granted retention rights and performance rights by the company. Subject to fulfilment of certain retention and performance based conditions during the period April 1, 2008–March 31, 2011 (the Measure Period), the participant maintaining the employment within the Tele2 Group at the date of the release of the interim report January–March 2011 and subject to the participant maintaining the invested shares, each retention right and performance right entitles the employee to receive one Class B share in the company. Dividends paid on the underlying share will increase the number of retention and performance shares being allotted in order to treat the shareholders and the participants equally. The participant's maximum profit per right in the Plan is limited to SEK 540, five times the average closing share price of the Tele2 Class B shares during March 2008 (SEK 108).

The Board of Directors was authorized during the period until the next Annual General Meeting, to increase the company's share capital by not more than SEK 1,062,500 by the issue of not more than 850,000 Class C shares, each with a ratio value of SEK 1.25. The new issue was performed during Q3 2008. Moreover, it was resolved to authorize the Board of Directors, during the period until the next Annual General Meeting, to repurchase the new Class C shares, which was performed in Q3 2008. The purpose of the repurchase is to ensure the delivery of Class B shares under the Plan. Further, it was resolved that Class C shares that the Company purchases by virtue of the authorization to repurchase its own shares, following reclassification into Class B shares, may be transferred to participants in accordance with the terms of the Plan.

The Plan comprise, at the three allocation dates, a total number of 134,818 shares and the following number of rights for the different Groups: a) 16,000 shares and 7 rights per invested share for the CEO (prior and present), b) 20,000 shares and 6 rights per invested share for other senior executives (5 persons) and c) 98,818 shares and 4 rights per invested share for other participants (63 persons).

In the end of 2008 allocation has been done to President and CEO Harri Koponen and key employees in Russia.

Continued note 36

Number of stock options	2008
Allocated May 30, 2008	384,400
Allocated October 24, 2008	56,000
Allocated December 19, 2008	186,872
Total allocated	**627,272**
Forfeited	–16,000
Total stock options	**611,272**

Total costs before tax for outstanding rights in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 40 million, of which SEK 11 million has been expensed in 2008.

The estimated average fair value of the granted rights was SEK 108.10 on the grant date, May 30, 2008, SEK 41.20 on October 24, 2008 and SEK 41.00 on December 19, 2008. The calculation of the fair values has been carried out by external analysts. The following variables have been used where Serie A is based on total shareholder return (TSR), Serie B is based on the company's average normalized return on capital employed (ROCE) and Serie C is based on total shareholder return (TSR) compared to a peer Group.

	Serie A	Serie B	Serie C
Annual turnover of personnel	7.0%	7.0%	7.0%
Expected value reduction parameter fulfilment	–	50%	-
Allocated May 30, 2008			
Weighted average share price	SEK 128.60	SEK 128.60	SEK 128.60
Expected life	2.91 years	2.91 years	2.91 years
Expected value reduction parameter market condition	90%	–	65%
Allocated October 24, 2008			
Weighted average share price	SEK 65.60	SEK 65.60	SEK 65.60
Expected life	2.50 years	2.50 years	2.50 years
Expected value reduction parameter market condition	35%	–	35%
Allocated December 19, 2008			
Weighted average share price	SEK 69.00	SEK 69.00	SEK 69.00
Expected life	2.35 years	2.35 years	2.35 years
Expected value reduction parameter market condition	35%	–	35%

Value reduction parameter for market condition is evaluated to be 50 percent at December 31, 2008.

Incentive program 2007–2012

The Extraordinary General Meeting on August 28, 2007 decided to adopt a performance based incentive program totalling a maximum of 4,098,000 stock options for approximately 80 senior executives and key employees in the Tele2 Group.

The participants under the program have been granted free of charge stock options which exercise is conditional upon the fulfilment of certain performance conditions and that the holder is still employed within the Tele2 Group at the start of the exercise period. Each stock option entitles the holder to purchase one Class B share at an exercise price corresponding to SEK 130.20. The stock options were granted in three different series. The exercise period for the options in series I is the period from the day after the company has published its second interim report for 2010 until two weeks after the publication of the third interim report for 2010. The exercise period for the options in series II and series III is the period from the day after the company has published its second interim report for 2010 until two weeks after the publication of the second interim report for 2012.

The exercise of the stock options is conditional upon the fulfilment of certain performance conditions. The performance conditions are measured from July 1, 2007 until June 30, 2010 and are based on the company's average normalised return on capital employed (ROCE) and total shareholder return compared to a peer group (TSR). Based on the outcome of these performance conditions, the participants will be able to exercise 0–100 percent of the granted stock options.

The right to exercise options in series I (a) and series II is conditional upon ROCE exceeding a minimum threshold defined by the Board of Directors (the Minimum ROCE Threshold). The Minimum ROCE Threshold constitutes a ROCE that is above Tele2's average ROCE during the last three years. If ROCE exceeds the Minimum ROCE Threshold, 50 percent of the options in series I (a) and series II will be exercisable. If ROCE reaches a stretch target defined by the Board (the ROCE Target), reflecting a further improved ROCE, which is significantly above the Minimum ROCE Threshold, all options in series I (a) and series II will be exercisable. If ROCE exceeds the Minimum ROCE Threshold, but is less than the ROCE Target, options in series I (a) and series II will be exercisable in proportion to a linear reduction, meaning that 50–100 percent of the options will be exercisable.

Continued note 36

The right to exercise options in series I (b) and series III is conditional upon Tele2's TSR exceeding the peer group's TSR (the Minimum TSR Threshold). If Tele2's TSR exceeds the Minimum TSR Threshold, 50 percent of the options in series I (b) and series III will be exercisable. If Tele2's TSR exceeds the peer groups' TSR with 5 percentage points or more (the TSR Target), all options in series I (b) and series III will be exercisable. If Tele2's TSR exceeds the Minimum TSR Threshold, but is less that than the TSR Target, options in series I (b) and series III will be exercisable in proportion to a linear reduction, meaning that 50–100 percent of the options will be exercisable.

Number of stock options	2008	Febr 28, 2007 –Dec 31, 2008
Allocated		3,552,000
Outstanding as of January 1, 2008	3,489,000	
Forfeited	–666,000	–729,000
Total stock options	**2,823,000**	**2,823,000**

In order to ensure the delivery of Class B shares to the participants in the program, it was resolved at the Extraordinary General Meeting on August 28 2007, to authorize a new share issue and the repurchase of convertible Class C shares and the transfer of Class B shares to the participants in accordance to the incentive program. In December 2007, a directed new share issue of 4,098,000 Class C shares was carried out, each with a nominal value of SEK 1.25, to the subscription price of SEK 1.25 per share. The Class C shares have no right to dividends and each share has one voting right. Newly issued Class C shares were immediately repurchased to the same price as the subscription price.

During 2008 the incentive program for 2007–2012 has been supplemented with a possibility to receive a bonus, as a compensation for the extra ordinary dividend paid during 2008. Total costs before tax for outstanding stock options in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 49 million, of which SEK 6 million was expensed in 2007 and SEK 15 million in 2008.

The estimated fair value of the granted stock options was SEK 15.80 on the grant date, August 28, 2007. The calculations of the fair values have been carried out by external analysts using the Black & Scholes option pricing model and correlation model. The following variables have been used.

	Serie I (a)	Serie I (b)	Serie II	Serie III
Weighted average share price	SEK 120.10	SEK 120.10	SEK 120.10	SEK 120.10
Exercise price	SEK 130.20	SEK 130.20	SEK 130.20	SEK 130.20
Expected volatility	25%	25%	25%	25%
Expected life	3.0 years	3.0 years	3.5 years	3.5 years
Risk free rate	4.15%	4.15%	4.15%	4.15%
Yield	1.8%	1.8%	1.8%	1.8%
Expected value reduction parameter market conditions	-	56%	-	56%

Expected volatility was determined by calculating the historical volatility of Tele2's share price over the previous 100 days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferablility, exercise restrictions and behavioral considerations.

Incentive program 2006–2011

The Extraordinary General Meeting on February 21, 2006, decided to adopt an incentive program for a maximum of 32 senior executives and key employees in the Tele2 Group, resulting in a combined offering of a maximum of 1,059,000 warrants and a maximum of 2,118,000 stock options. Exposures in the incentive program were secured by a directed new issue of 2,118,000 warrants to a wholly-owned group company. For each warrant acquired by the participant, two free stock options were offered, each carrying an entitlement to acquire one B share in the company. Stock options can only be exercised if the employee is still in Tele2's employment on the date of exercise. The premium for 752,000 issued warrants increased equity for 2006 by SEK 7 million.

Subscription for class B shares through the warrants may take place during February 25–May 25, 2009, and the stock options run for five years, with the earliest exercise date three years after the grant date. The subscription price for warrants and the acquisition price for exercising the stock options is SEK 94.80, which corresponds to 110 percent of the average closing price for the company's B shares in the period February 22 to March 7, 2006.

Continued note 36

	Stock options		Warrants	
Number of stock options and warrants	2008	March 7, 2006 –Dec 31, 2008	2008	March 7, 2006 –Dec 31, 2008
Allocated		1,504,000		752,000
Outstanding as of January 1, 2008	1,164,000		717,000	
Forfeited	–230,000	–570,000	–80,000	–115,000
Total stock options and warrants	**934,000**	**934,000**	**637,000**	**637,000**

In addition to the above incentive programs, the Board has the possibility to decide that a cash bonus will be paid three years after the options were acquired. The purpose of the bonus is to encourage participation in the incentive program. The bonus will only be paid if options and/or associated Class B shares are owned by the participant and the participant is still employed in the Tele2 Group. The bonus will amount to no more than the net difference between the acquisition price of the warrants and two percent of the value of the associated Class B shares when the warrants were acquired. The total bonus cost after tax is estimated to SEK 5 million.

During 2008 the incentive program for 2006-2011 has been supplemented with a possibility to receive a bonus, as a compensation for the extra ordinary dividend paid during 2008. Total costs before tax for outstanding stock options and warrants in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 25 million, of which SEK 7 million was expensed in 2006, SEK 8 million in 2007 and SEK 8 million in 2008.

The estimated fair value of the stock options granted was SEK 12.10 at the grant date, March 7, 2006. This fair value was calculated using the Black & Scholes option pricing model. The following variables have been used.

Weighted average share price	SEK 86.50
Exercise price	SEK 94.80
Expected volatility	21%
Expected life	5 years
Risk free rate	3.2%
Yield	2.3%

Expected volatility was determined by calculating the historical volatility of Tele2's share price over the previous 100 days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferablility, exercise restrictions and behavioral considerations.

NOTE 37 FEES TO ELECTED AUDITORS

	2008		2007	
	Deloitte	Other elected auditors	Deloitte	Other elected auditors
Audit assignments	30	3	32	7
Other assignments, taxes	–	2	–	3
Other assignments, other	14	–	6	3
	44	**5**	**38**	**13**
Total fees to elected auditors		**49**		**51**

The item Audit assignments refers to invoiced fees for auditing the financial statements of the parent company and group and auditing of subsidiaries. This also includes a fee for other auditing services. This refers to services which can only normally be performed by the appointed auditor.

The item Taxes includes invoiced fees for the checking of tax computations, services connected with tax audits and appeals, tax advice relating to mergers, acquisitions and intra-group pricing, as well as consultation concerning fiscal regulations.

The item Other covers all other assignments, including the costs of investigations and analyses in conjunction with corporate acquisitions (due diligence).

NOTE 38 DISCONTINUED OPERATIONS

The following divestments have been reported separately as discontinued operations in the income statement, with a retrospective effect on previous periods, and in the balance sheet during 2008, according to IFRS 5-*Non-current assets held for sale and discontinued operations.*

Switzerland

On September 29, 2008 Tele2 announced the sale of its operation in Switzerland for SEK 275 million. The sale was completed on November 21, 2008 after approval from the regulatory authorities.

In 2008 Tele2 recognized goodwill impairment loss of SEK 450 million, related to the operation in Switzerland. The impairment reflects the difference between sales price and assets sold. During 2008, a capital gain of SEK 118 million has been reported as discontinued operations, whereof a gain of SEK 144 million is related to a reversal of exchange rate differences previously reported directly in equity.

Poland

On June 30, 2008 Tele2 announced the sale of its operation in Poland for SEK 397 million. The sale was completed on September 15, 2008 after approval from the regulatory authorities.

In 2008 Tele2 recognized goodwill impairment loss of SEK 269 million, related to the operation in Poland. The impairment reflects the difference between sales price and assets sold. During 2008, a capital loss of SEK 31 million has been reported as discontinued operations, whereof a loss of SEK 45 million is related to a reversal of exchange rate differences previously reported directly in equity.

Luxembourg and Liechtenstein

On June 26, 2008 Tele2 announced the sale of its operation in Luxembourg and Liechtenstein for SEK 1,997 million. The sale was completed on August 5, 2008 after approval from the regulatory authorities.

During 2008, a capital gain of SEK 1,126 million has been reported as discontinued operations, whereof a gain of SEK 98 million is related to a reversal of exchange rate differences previously reported directly in equity.

France, Italy and Spain

The discontinued operations during 2007 comprised the fixed and broadband business in France as well as Tele2's operations in Italy and Spain. During 2008, an additional capital gain of SEK 53 million has been reported as discontinued operations, regarding these divestments.

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Income statement

Income Statement for discontinued operations in Switzerland, Poland, Luxembourg, Liechtenstein, Italy, Spain and France is stated below.

	2008	2007
Net sales	2,481	12,577
Impairment of goodwill	–719	–1,370
Cost of services sold	–1,520	–7,750
Selling expenses	–606	–4,033
Administrative expenses	–207	–924
Sale of operations, profit	1,297	542
Sale of operations, loss	–31	–
Other operating income	18	24
Other operating expenses	–8	–10
Operating profit/loss	**705**	**–944**
Interest income	8	12
Interest costs	–	–6
Other financial items	–	–1
Profit/loss after financial items	**713**	**–939**
Tax on profit/loss for the year	2	–448
NET PROFIT/LOSS	**715**	**–1,387**
Earnings per share, SEK	1.62	–3.12
Earnings per share after dilution, SEK	1.61	–3.12

Continued note 38

Segments

	Net sales		EBITDA		EBIT	
	2008	2007	2008	2007	2008	2007
Mobile	668	974	–46	46	–125	–70
Fixed telephony	1,469	7,178	350	1,210	305	939
Fixed broadband	244	3,691	–29	–733	–39	–1,093
Other operations	207	1,270	17	106	17	108
	2,588	**13,113**	**292**	**629**	**158**	**–116**
Internal sales, elimination	–107	–536				
Impairment of goodwill					–719	–1,370
Sale of operations, profit					1,297	542
Sale of operations, loss					–31	–
Total	**2,481**	**12,577**	**292**	**629**	**705**	**–944**

Specification of items between EBITDA and EBIT:

	2008	2007
EBITDA	**292**	**629**
Impairment of goodwill	–719	–1,370
Sale of operations	1,266	542
Total one-off items	**547**	**–828**
Depreciation/amortization and other impairment	–134	–745
EBIT	**705**	**–944**

	Number of customers		Net intake	
In thousands	2008	2007	2008	2007
Mobile	–	301	45	36
Fixed telephony	–	1,098	–92	–1,434
Fixed broadband	–	101	14	507
Net customer intake	**–**	**1,500**	**–33**	**–891**
Divested operations			–1,467	–5,687
Total	**–**	**1,500**	**–1,500**	**–6,578**

Cash Flow statement

	2008	2007
OPERATING ACTIVITIES		
Cash flow from operations before changes in working capital	304	613
Changes in working capital	–6	–182
Cash flow from operating activities	**298**	**431**
INVESTING ACTIVITIES		
CAPEX	–163	–1,114
Cash flow after CAPEX	***135***	***–683***
Sale of shares and participations	2,429	9,678
Other investing activities	–	10
Cash flow from investing activities	**2,266**	**8,574**
CASH FLOW AFTER INVESTING ACTIVITIES	**2,564**	**9,005**
FINANCING ACTIVITIES		
Change of loans, net	–	29
Cash flow from financing activities	**–**	**29**
Net change in cash and cash equivalents	**2,564**	**9,034**
Tax paid included in cash flow from operation	*–*	*–40*

	CAPEX	
	2008	2007
Mobile	128	129
Fixed telephony	5	103
Fixed broadband	9	846
Total	**142**	**1,078**

Additional cash flow information:

	2008	2007
CAPEX according to cash flow statement	163	1,114
This year unpaid CAPEX and paid CAPEX from previous year	–21	–37
Sales price in cash flow statement	–	1
CAPEX according to balance sheet	**142**	**1,078**

NOTE 39 TRANSACTIONS WITH RELATED PARTIES

Business relations and pricing between Tele2 and all related parties are subject to principles based on commercial terms and conditions. During 2008 and 2007, Tele2 engaged in transactions with the following related companies.

Kinnevik Group
Kinnevik buys IT services from Datametrix and Tele2 rents premises from Kinnevik.

Transcom WordWide Group
Transcom provides customer services and telemarketing for Tele2. CIS Collection AB provides debt-collection services for Tele2.

Millicom Group
Millicom Group purchases certain consulting services from the Tele2 company Procure IT Right.

Modern Holding Inc Group
The Basset Group provides systems for operator settlement, mediation device and anti-fraud for Tele2. The Tailormade Group provides Tele2 with billing- and payment systems.

MTG Group
Tele2 buys advertising time on radio and TV channels owned by MTG. Tele2 purchases cable TV programs from MTG Group.

Associated companies and joint ventures
Tele2 is one of two turnkey contractors which plan, expand and operate the joint venture Svenska UMTS-nät AB's 3G network. Tele2 owns 32.5 percent of the non-profit infrastructure company Plusnet in Germany. Fixed costs are shared between the parties and variable costs are distributed proportionately in relation to use. Tele2 owns 49 percent of Spring Mobil AB, which holds the fourth GSM license in Sweden. Under the agreement, Spring Mobil has made certain frequencies available to Tele2 and Spring Mobil uses Tele2's network under an MVNO agreement. Tele2 owns 50 percent of the shares in Mobile Norway AS, which owns a license in the GSM-900 frequency and a 3G license. Tele2 is one of two parties involved in the roll-out of Norway's third mobile telephony network. Transactions with associated companies and joint ventures are based on commercial terms.

TRANSACTIONS BETWEEN TELE2 AND RELATED PARTIES

	Net sales		Operating expenses	
	2008	2007	2008	2007
Kinnevik	6	5	13	5
Invik	-	3	-	21
Transcom WorldWide	40	79	1,239	2,831
Millicom	18	16	-	-
Modern Holdings Inc	1	1	92	94
MTG	43	31	66	77
Metro International	5	4	-	6
Associated companies and joint ventures	194	188	828	287
Other related companies	-	-	8	78
Total	**307**	**327**	**2,246**	**3,399**

	Interest revenue		Interest expenses	
	2008	2007	2008	2007
Invik	-	17	-	52
Modern Holdings Inc	-	1	-	4
Total	**-**	**18**	**-**	**56**

BALANCES BETWEEN TELE2 AND RELATED PARTIES

	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Kinnevik	–	2	–	–	1	–
Transcom WorldWide	7	12	–	–	158	175
Millicom	6	10	–	–	–	–
Modern Holdings Inc	–	–	–	2	2	6
MTG	17	10	–	–	9	22
Metro International	1	1	–	–	–	–
Associated companies and joint ventures	85	36	33	9	83	34
Other related companies	14	–	–	–	–	24
Total	**130**	**71**	**33**	**11**	**253**	**261**

Parent company's financial statement

THE PARENT COMPANY'S INCOME STATEMENT

SEK million	Note	2008	2007
Net sales	2	30	30
Gross profit		**30**	**30**
Administrative expenses	3	–160	–167
Operating profit/loss		**–130**	**–137**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Result from shares in group companies	4	–	13,000
Result from other securities and receivables classified as fixed assets	5	1,203	1,053
Other interest revenue and similar income	6	31	3
Interest expense and similar costs	7	–1,323	–1,187
Profit/loss after financial items		**–219**	**12,732**
Tax on profit/loss for the year	8	49	100
NET PROFIT/LOSS		**–170**	**12,832**

THE PARENT COMPANY'S BALANCE SHEET

SEK million	Note	Dec 31, 2008	Dec 31, 2007
ASSETS			
FIXED ASSETS			
Financial assets			
Shares in group companies	9	12,607	11,707
Receivables from group companies	10	22,825	15,432
Deferred tax assets		97	53
TOTAL FIXED ASSETS		**35,529**	**27,192**
CURRENT ASSETS			
Current receivables			
Accounts receivables from group companies		61	69
Other receivables from group companies	10	–	13,000
Other current receivables	11	2	63
Prepaid expenses and accrued income	12	1	7
Total current receivables		**64**	**13,139**
Short-term investments	13	–	250
Cash and cash equivalents	13	2	15
TOTAL CURRENT ASSETS		**66**	**13,404**
TOTAL ASSETS		35,595	40,596

SEK million	Note	Dec 31, 2008	Dec 31, 2007
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital		562	561
Restricted reserve		16,898	16,898
Total restricted equity		**17,460**	**17,459**
Unrestricted equity			
Reserves		–57	44
Retained earnings		11,412	2,813
Net profit/loss		–170	12,832
Total unrestricted equity		**11,185**	**15,689**
TOTAL SHAREHOLDERS' EQUITY		**28,645**	**33,148**
LONG-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	14	1,706	5,152
Liabilities to group companies		900	–
TOTAL LONG-TERM LIABILITIES		**2,606**	**5,152**
SHORT-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	14	3,875	2,154
Other interest-bearing liabilities	14	369	–
Total interest-bearing liabilities		**4,244**	**2,154**
Non-interest-bearing			
Accounts payable	14	11	31
Current tax liabilities		–	83
Other short-term liabilities	14	9	9
Accrued expenses and deferred income	15	80	19
Total non-interest-bearing liabilities		**100**	**142**
TOTAL SHORT-TERM LIABILITIES		**4,344**	**2,296**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		35,595	40,596
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	16	None	250
Contingent liabilities	17	7,547	7,770

THE PARENT COMPANY'S CASH FLOW STATEMENT

SEK million	2008	2007
OPERATING ACTIVITIES		
Operating profit/loss	–130	–137
Exchange rate difference	33	–
Interest received	10	3
Interest paid	–423	–799
Finance costs paid	–63	–18
Taxes paid	53	–238
Cash flow from operations before changes in working capital	**–520**	**–1,189**
CHANGES IN WORKING CAPITAL		
Operating assets	–7	–26
Operating liabilities	31	–19
Changes in working capital	**24**	**–45**
CASH FLOW FROM OPERATING ACTIVITIES	**–496**	**–1,234**
INVESTING ACTIVITIES		
Repayments from group companies	6,414	12,462
Other financial assets, lending	–	–250
Other financial assets, received payments	250	–
Cash flow from investing activities	**6,664**	**12,212**
CASH FLOW AFTER INVESTING ACTIVITIES	**6,168**	**10,978**
FINANCING ACTIVITIES		
Proceeds from credit institutions and similar liabilities	243	3,749
Repayment of loans from credit institutions and similar liabilities	–2,471	–13,927
Dividends	–3,492	–814
Repurchase of own shares	–462	–5
New share issues	1	27
Cash flow from financing activities	**–6,181**	**–10,970**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–13**	**8**
Cash and cash equivalents at beginning of the year	15	7
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**2**	**15**

For additional cash flow information, please refer to Note 19.

CHANGE IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

		Restricted equity		Unrestricted equity		Total share-
SEK million	Note	Share capital	Restricted reserve	Hedge reserve	Retained earnings	holders' equity
Shareholders' equity at January 1, 2007		556	16,876	–5	3,632	21,059
Cash flow hedges	14	–	–	68	–	68
Cash flow hedges, tax effect		–	–	–19	–	–19
New share issues		5	22	–	–	27
Repurchase of own shares		–	–	–	–5	–5
Dividends		–	–	–	–814	–814
Net profit/loss		–	–	–	12,832	12,832
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2007		**561**	**16,898**	**44**	**15,645**	**33,148**
Shareholders' equity at January 1, 2008		561	16,898	44	15,645	33,148
Cash flow hedges	14	–	–	–141	–	–141
Cash flow hedges, tax effect		–	–	40	–	40
Group contribution		–	–	–	–401	–401
Group contribution, tax effect		–	–	–	112	112
Kostnader för personaloptioner		–	–	–	10	10
New share issues		1	–	–	–	1
Repurchase of own shares		–	–	–	–462	–462
Dividends		–	–	–	–3,492	–3,492
Net profit/loss		–	–	–	–170	–170
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2008		**562**	**16,898**	**–57**	**11,242**	**28,645**

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act, the Swedish Financial Reporting Board recommendation RFR 2.1 *Reporting for legal entities* and statements from the Swedish Financial Reporting Board.

The parent company follows the same accounting policies as the Group (see Group Note 1) with the following exceptions.

Associates and joint ventures
Shares in associates and joint ventures are reported in the parent company using the cost method. Only received dividends are reported as income, provided that these are attributable to earnings that have been earned after the acquisition. Dividends exceeding these earnings are considered to be a repayment of the investment and should therefore reduce the reported value of the shares.

Financial assets and liabilities and other financial instruments
Value changes relating to foreign currency loans are recognized directly in equity in the Group, but in the income statement in the parent company.

IFRS 7 *Financial Instruments: Disclosures* has not been applied to the parent company's financial statements, as its disclosures do not deviate materially from the Group's disclosures already submitted.

Group contributions
Group contributions that are made for the purpose of minimizing the Group's tax expense are reported directly against retained earnings after deduction for the relevant tax effect.

OTHER INFORMATION
The annual report has been approved by the Board of Directors March 13, 2009. The balance sheet and income statement are subject to adoption by the Annual General Meeting May 11, 2009.

NOTE 2 NET SALES

Net sales relates to sales to other companies in the Group.

NOTE 3 ADMINISTRATIVE EXPENSES

At September 1, 2008 Lars-Johan Jarnheimer, President and CEO, decided to leave Tele2. In 2008 a cost has affected Tele2 as a consequence of this. For additional information please refer to Group Note 36.

In 2007 the parent company reported a cost of SEK 66 million related to the incentive program 1997–2006. The cost was a result of a decision by the Board to compensate the participators in the incentive program for the negative tax consequences connected with the program. The cost has previously been provided for on group level.

NOTE 4 RESULT OF SHARES IN GROUP COMPANIES

	2008	2007
Anticipated dividend from subsidiary	–	13,000
Total result of shares in group companies	**–**	**13,000**

NOTE 5 RESULT FROM OTHER SECURITIES AND RECEIVABLES CLASSIFIED AS FIXED ASSETS

	2008	2007
Interest, group	1,191	1,053
Exchange rate difference on receivables from group companies	12	–
Total result from other securities and receivables classified as fixed assets	**1,203**	**1,053**

NOTE 6 OTHER INTEREST REVENUE AND SIMILAR INCOME

	2008	2007
Interest, bank balances	9	3
Interest, penalty interest	1	–
Exchange rate difference on financial current assets	21	–
Total other interest revenue and similar income	**31**	**3**

NOTE 7 INTEREST EXPENSE AND SIMILAR COSTS

	2008	2007
Interest, credit institutions and similar liabilities	–490	–773
Interest, group	–3	–
Exchange rate difference on financial liabilities	–478	–396
Derivatives, valuation to fair value	–329	–
Other finance expenses	–23	–18
Total interest expenses and similar costs	**–1,323**	**–1,187**

Derivatives consist of forward agreements and interest swaps. Forward agreements and interest swaps are valued to fair value. The purpose of signing forward agreements is to make a hedge for exchange fluctuations of our investments in the Baltic countries. The effective part of the interest swaps is reported in the hedge reserve in equity and the ineffective part is reported in the income statement. Forward agreements are always reported in the income statement, since they are not an effective hedge for the parent company.

NOTE 8 TAXES

	2008	2007
Current tax expense	–5	29
Deferred tax expense	54	71
Total tax expense (–) /tax income (+) on profit/loss for the year	**49**	**100**

The difference between recorded tax expense and the tax expense based on prevailing tax rate consist of the below listed components.

	2008		2007	
Profit/loss before tax	–219		12,732	
Tax effect according to tax rate in Sweden	61	–28.0%	–3,565	–28.0%
Tax effect of				
Non-taxible dividend from group company	–	–	3,640	28.6%
Non-deductible expenses/non-taxable revenue	–6	2.7%	14	0.1%
Changed tax rate	–6	2.7%	–	–
Positive outcome from tax dispute from previous years	–	–	11	0.1%
Tax expense/income and effective tax rate	**49**	**–22.4%**	**100**	**0.8%**

The tax authorities have questioned tax losses in Tele2 AB of SEK 13,964 million, corresponding to a tax effect of SEK 3,910 million. For additional information please refer to Group Note 15.

NOTE 9 SHARES IN GROUP COMPANIES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/votes)	Dec 31, 2008	Dec 31, 2007
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	12,607	11,707
Total shares in group companies				**12,607**	**11,707**

A list of all subsidiaries, excluding dormant companies, is presented in Note 23.

	Dec 31, 2008	Dec 31, 2007
Acquisition value		
Acquisition value at January 1	11,707	11,707
Shareholders contribution	900	–
Total shares in group companies	**12,607**	**11,707**

NOTE 10 RECEIVABLES FROM GROUP COMPANIES

	Long term receivables		Current receivables	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Acquisition value at January 1	15,432	26,862	13,000	–
Lending	7,014	7,083	–	–
Repayments	–12,621	–18,513	–	–
Dividend	–	–	–	13,000
Reclassification	13,000	–	–13,000	–
Total receivables from group companies	**22,825**	**15,432**	**–**	**13,000**

NOTE 11 OTHER CURRENT RECEIVABLES

	Dec 31, 2008	Dec 31, 2007
Derivatives	–	62
Other	2	1
Total other current receivables	**2**	**63**

NOTE 12 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2008	Dec 31, 2007
Interest income	–	2
Accrued income, other	–	4
Insurance costs	1	1
Total prepaid expenses and accrued revenues	**1**	**7**

NOTE 13 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

	Dec 31, 2008	Dec 31, 2007
Cash and cash equivalents	2	15
Unutilized overdraft facilities and credit lines	15,843	23,364
Total available liquidity	**15,845**	**23,379**

NOTE 14 FINANCIAL LIABILITIES

	Dec 31, 2008	Dec 31, 2007
Liabilities to financial institutions and similar liabilities	5,581	7,306
Other interest-bearing liabilities	369	–
Total interest-bearing financial liabilities	**5,950**	**7,306**
Accounts payable	11	31
Other short-term liabilities	9	9
Total financial liabilities	**5,970**	**7,346**

Financial liabilities fall due for payment according to below.

	Dec 31, 2008	Dec 31, 2007
Within 3 months	287	40
Within 3–12 months	3,977	2,154
Within 1-2 years	–	3,729
Within 2–3 years	931	–
Within 3–4 years	–	776
Within 4–5 years	775	–
Within 5-10 years	–	647
OTHER SHORT-TERM LIABILITIES	5,970	7,346

INTEREST-BEARING FINANCIAL LIABILITIES

No specific collateral is provided for interest-bearing financial liabilities.

Liabilities to financial institutions and similar liabilities

			Dec 31, 2008		Dec 31, 2007	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
5-year syndicated loan facility *(collateral: guarantee from Tele2 Sverige AB)*	STIBOR +0.20–0.90%	2009	3,595	–	2,154	3,729
Bond holders' *(collateral: guarantee from Tele2 Sverige AB)*	Fixed rate 6.35% and 6.47%	2011, 2013	–	1,706	–	1,423
Commercial paper	Fixed rate 6.80% and 10.10%	2009	280	–	–	–
			3,875	**1,706**	**2,154**	**5,152**
Total liabilities to financial institutions and similar liabilities				**5,581**		**7,306**

For additional information regarding each of above liabilities please refer to Group Note 27.

Other interest-bearing liabilities

	Short-term liabilities	
	Dec 31, 2008	Dec 31, 2007
Derivatives	369	–
Total other interest-bearing liabilities	**369**	**–**

Derivatives consist of forward agreements and interest swaps. Forward agreements and interest swaps are valued to fair value. The purpose of signing forward agreements is to make a hedge for exchange fluctuations of our investments in the Baltic countries.

OTHER SHORT-TERM LIABILITIES

	Dec 31, 2008	Dec 31, 2007
VAT liability	8	1
Other taxes	1	4
Other	–	4
Total short-term liabilities	**9**	**9**

NOTE 15 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2008	Dec 31, 2007
Interest costs	45	11
Personnel-related expenses	30	8
External services expenses	5	–
Total accrued expenses and deferred income	**80**	**19**

Personnel-related expenses are mainly related to reserves for remuneration to the former CEO. For additional information please refer to Group Note 36.

NOTE 16 PLEDGED ASSETS

	Dec 31, 2008	Dec 31, 2007
Short-term investments	-	250
Total pledged assets for the account of group companies	**-**	**250**

NOTE 17 CONTINGENT LIABILITIES

	Dec 31, 2008	Dec 31, 2007
Tax dispute, S.E.C. SA liquidation	4,651	4,456
Guarantee related to group companies	875	1,476
Guarantee related to joint venture	2,021	1,838
Total contingent liabilities	**7,547**	**7,770**

For information regarding the tax dispute related to the liquidation of S.E.C. SA please refer to Group Note 15.

Svenska UMTS-nät AB, a joint venture holding in Tele2, has an approved loan facility of SEK 4.8 (2007: 4.8) billion, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 2.4 (2007: 2.4) billion. As of December 31, 2008, Tele2's guarantee amounted to SEK 2,021 (2007: 1,838) million.

NOTE 18 OPERATING LEASES AND OTHER COMMITMENTS

The parent company's operating lease payments amounted to SEK 1 (2007: 1) million during the year. Future lease payments amount to SEK 1 (2007: 1) million and these are due for payment during the next year.

NOTE 19 SUPPLEMENTARY CASH FLOW INFORMATION

In 2008, the parent company had interest revenues from other group companies of SEK 1,191 (2007: 1,053) million and interest expenses to other group companies of SEK 3 (2007: 0) million which were capitalized on the loan amount.

The parent company reported SEK –478 (2007: –396) million in currency losses in loans to financial institutions and similar liabilities. These did not have any effect on cash.

In 2008, the parent company made a shareholder contribution of SEK 900 million, which did not have any effect on cash.

In 2007, the parent company received an anticipated dividend from a subsidiary in the amount of SEK 13,000 million, which did not have any effect on cash.

NOTE 20 NUMBER OF EMPLOYEES

The average number of employees in the parent company is 5 (2007: 7), of whom 1 (2007: 3) is woman.

NOTE 21 PERSONNEL COSTS

	2008			2007		
	Personnel costs	Social security expenses	of which pension expenses	Personnel costs	Social security expenses	of which pension expenses
Board and CEO	38	18	6	24	11	2
Other employees	15	8	3	12	8	4
Total salaries and remuneration	**53**	**26**	**9**	**36**	**19**	**6**

The parent company's pension expenses relate to defined-contribution plans. Salary and remuneration for the CEO are presented in Group Note 36.

At September 1, 2008 Lars-Johan Jarnheimer, President and CEO, decided to leave Tele2. In 2008 a cost has affected Tele2 as a consequence of this. For additional information please refer to Group Note 36.

NOTE 22 FEES TO ELECTED AUDITORS

Remuneration to elected auditors for audit assignments is SEK 5 (2007: 5) million. Remuneration for other audit-related assignments amounts to SEK 0 (2007: 2) million.

NOTE 23 LEGAL STRUCTURE

The table below lists all the subsidiaries that are not dormant companies or branches.

Company, reg. No., reg'd office	Holding (capital/ votes)
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden	100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden	100%
Tele2Butikerna AB, 556284-7565, Stockholm, Sweden	100%
Kopparstaden Kabelvision KB, 916583-0564, Västerås, Sweden	80%
Skaraborg Kabelvision AB, 556483-6467, Mariestad, Sweden	60%
NetCom GSM Sverige AB, 556304-7025, Stockholm, Sweden	100%
Procure IT Right AB, 556600-9436, Stockholm, Sweden	100%
Radio Components Sweden AB, 556573-3846, Stockholm, Sweden	80.43%
Radio Components do Brasil, 01.424-001, Sao Paulo, Brasil	100%
Radio Components de Mexico S.A. de C.V.,RCM070116EM7, Mexico	100%
e-Village Nordic AB, 556050-1644, Stockholm, Sweden	100%
Everyday Webguide AB, 556182-6016, Stockholm, Sweden	99.99%
Tele2 Norge Holding AB, 556580-8143, Stockholm, Sweden	100%
Tele2 Norge AS, 974534703, Oslo, Norway	100%
Datametrix AB, 556580-2682, Stockholm, Sweden	100%
Datametrix BPO AB, 556580-7871, Stockholm, Sweden	100%
Datametrix Integration AB, 556539-4870, Stockholm, Sweden	100%
Datametrix Outsourcing AB, 556290-2238, Stockholm, Sweden	100%
UNI2 OÜ, 11010450, Tallinn, Estonia	100%
SIA UNI2, 40003681691, Riga, Latvia	100%
UNI2 SA, 986768270, Oslo, Norway	100%
Datametrix GmbH, HRB 58959, Düsseldorf, Germany	100%
Optimal Telecom Holding AB, 556580-7855, Stockholm, Sweden	100%
Optimal Telecom Sverige AB, 556440-1924, Stockholm, Sweden	100%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia	93%
Tele2 (UK) Ltd, 4940295, London, UK	100%
Bethany Group Ltd, 390385, Virgin Islands, UK	100%
Tele2 UK Services Ltd, 4028792, London, UK	100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia	48%
Tele2 Holding AS, 10262238, Tallinn, Estonia	100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia	52%
UAB Tele2, 111471645, Vilnius, Lithuania	100%
UAB Kabeliniai Rysiu Tinklai, 1223046883, Vilnius, Lithuania	100%
UAB Trigeris, 21239677, Vilnius, Lithuania	100%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania	100%
Tele2 Holding SIA, 40003512063, Riga, Latvia	100%
SIA Tele2, 40003272854, Riga, Latvia	100%
SIA Tele2 billing, 40003690571, Riga, Latvia	100%
SIA Tele2 Telecom Latvia, 40003616935, Riga, Latvia	100%
Tele2 Retail SIA, 40003941901, Riga, Latvia	100%
Tele2 Netherlands Holding NV, 33272606, Amsterdam, Netherlands	99.66%
Tele2 Nederlands BV, 33303418, Amsterdam, Netherlands	100%
Versatel Internetdiensten BV, 34144876, Amsterdam, Netherlands	100%
Tele2 Financial Services (Belgium), 0882.856.089, Wemmel, Belgium	100%
Tele2 Mobile SAS, 490841467, Versailles, France	100%

Company, reg. No., reg'd office	Holding (capital/ votes)
Tele2 Europe SA, R.C.B56944, Luxembourg	100%
Tele2 Austria Holding GmbH, FN178222t, Vienna, Austria	100%
Tele2 Telecommunication GmbH, FN138197g, Vienna, Austria	100%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany	100%
Tele2 Billing GmbH, HRB56850, Düsseldorf, Germany	100%
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg	100%
Tele2 ESP AB, 556690-7449, Stockholm, Sweden	100%
Tele2 Finance Holdings BV, 342328750, Amsterdam, Netherlands	100%
SEC Finance SA, B104730, Luxembourg	100%
Tele2 Finance Luxembourg SA, RCB112873, Luxembourg	100%
Tele2 Finance Belgium CVBA, 0878159608, Brussels, Belgium	100%
Tele2 Russia Telecom BV, 33287334, Rotterdam, Netherlands	100%
Tele2 Russia Holding AB, 556469-7836, Stockholm, Sweden	100%
St Petersburg Telecom, 1027809223903, St Petersburg, Russia	100%
Oblcom, 1024700557408, St Petersburg, Russia	100%
Votec Mobile ZAO, 1023601558694, Voronezh, Russia	100%
Lipetsk Mobile CJSC, 1024840840419, Lipetsk, Russia	100%
Telecom Eurasia LLC, 1027739455215, Krasnodar, Russia	100%
JSC Adigeja Cellular Communications, 105025940, Adigeja, Russia	100%
PSNR Personal System Networks in region, 1025202610157, Niznhy Novgorod, Russia	100%
Vostok Mobile Northwest BV, 33150958, Amsterdam, Netherlands	100%
CJSC Arkhangelsk Mobile Networks, 2901068336, Arkhangelsk, Russia	100%
CJSC Novgorod Telecomunication, 5321059118, Novgorod, Russia	100%
CJSC Murmansk Mobile Networks, 5190302373, Murmansk, Russia	100%
CJSC Parma Mobile, 1101051099, Syktyvkar, Russia	100%
Tele2 Russia VOL Holding GmbH, FN 131602 h, Vienna, Austria	100%
Kursk Cellular Communications, 1024600947403, Kursk, Russia	100%
Smolensk Cellular Communications, 1026701433494, Smolensk, Russia	100%
Belgorod Cellular Communications, 1023101672923, Belgorod, Russia	100%
Kemerovo Mobile Communications, 1024200689941, Kemerovo, Russia	100%
Rostov Cellular Communications, 1026103168520, Rostov, Russia	87.5%
Udmurtiya Cellular Communications, 1021801156893, Izhevsk, Russia	77.5%
RP Technology, 1041800281093, Izhevsk, Russia	100%
Siberian Cellular Communications, 1025500746072, Omsk, Russia	100%
Chelyabinsk Cellular Network, 1027403876862, Chelyabinsk, Russia	100%
LLC KF-INVEST, 1025501247420, Omsk, Russia	100%
Teleset Ltd, 3906044891, Kaliningrad, Russia	100%
Digital expansion, 3905057312, Kaliningrad, Russia	100%
Utel, 3905054833, Kaliningrad, Russia	100%
Peoples Mobile Telephone International Ltd, 5770778, London, UK	51%
LCC Peoples Mobile Telephone, 1047796469973, Moscow, Russia	100%
Tele2 Russia International Cellular BV, 33221654, Amsterdam, Netherlands	100%

The consolidated financial statements and Annual Report have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of International Financial Reporting Standards and generally accepted accounting principles, and gives a fair overview of the parent company's and group's financial position and results of operations.

The administration report for the group and parent company gives a fair overview of the group's and parent company's operations, financial position and results of operations, and describes significant risks and uncertainties that the parent company and companies included in the group face.

Stockholm March 13, 2009

Vigo Carlund *Chairman*	Jere Calmes	Mia Brunell Livfors
John Hepburn	Mike Parton	John Shakeshaft
Cristina Stenbeck	Pelle Törnberg	Harri Koponen *President and CEO*

Our auditors' report was submitted on March 13, 2009

Deloitte AB

Jan Berntsson
Authorized Public Accountant

Audit report

To the annual meeting of the shareholders of Tele2 AB (publ), corporate identity number 556410-8917

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Tele2 AB (publ) for the financial year 2008. The Board of Directors and the Managing Director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the Managing Director. We also examined whether any board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 13, 2009
Deloitte AB

Jan Berntsson
Authorized Public Accountant

Definitions

The figures shown in parentheses correspond to the comparable period last year.

EBITDA
Operating profit/loss before depreciation/amortization, impairment, one-off items and result from shares in associated companies and joint ventures.

EBIT
Operating profit/loss including depreciation/amortization and impairment, one-off items and result from shares in associated companies and joint ventures.

EBT
Profit/loss after financial items.

CASH FLOW FROM OPERATING ACTIVITIES
Operating transactions affecting cash (cash flow from operations) and change in working capital.

CAPEX
Investments in intangible assets and property, plant and equipment.

CASH FLOW AFTER CAPEX
Cash flow after net investments in CAPEX affecting cash, but before net investment in shares and other financial assets.

AVAILABLE LIQUIDITY
Cash and cash equivalents including undrawn borrowing facilities.

NET BORROWING
Interest-bearing liabilities (not convertible debentures) less interest-bearing assets.

AVERAGE NUMBER OF EMPLOYEES
The average number of employees during the year, in which an acquired/sold company is reported in relation to the length of time the company has been a part of the Tele2 Group.

EQUITY/ASSETS RATIO
Shareholders' equity (including convertible debentures) divided by total assets.

DEBT/EQUITY RATIO
Interest-bearing net debt divided by shareholders' equity including minority interests at the end of the period.

RETURN ON EQUITY
Profit/loss after tax less minority interests (and interest expense for convertible debentures less tax) divided by average equity (including convertible debentures and excluding minority interests).

CAPITAL EMPLOYED
Total assets less non-interest bearing liabilities.

RETURN ON CAPITAL EMPLOYED
Profit/loss after financial items less finance costs (less interest expense for convertible debentures) divided by average capital employed.

AVERAGE INTEREST RATE
Interest expense (less interest expense for convertible debentures) divided by average interest-bearing liabilities (less convertible debentures).

EARNINGS PER SHARE
Profit/loss for the period attributable to the parent company (less interest expense on convertible debentures less tax) divided by the weighted average number of shares outstanding during the fiscal year (which would result from conversion of outstanding convertible debentures and exercised options).

EQUITY PER SHARE
Equity attributable to parent company shareholders (including convertible debentures) less minority interests, divided by the weighted average number of shares outstanding during the fiscal year (which would result from conversion of outstanding convertible debentures and exercised options).

ARPU – AVERAGE REVENUE PER USER
Average monthly revenue for each customer.

MOU – MINUTES OF USAGE
Monthly call minutes for each customer.

Tele2 in Brief

TELE2 IS ONE OF EUROPE'S LEADING ALTERNATIVE TELECOM OPERATORS. Tele2's mission is to provide price leading and easy to use communication services. Tele2 always strives to offer the market's best prices. We have 24 million customers in 11 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. 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 NASDAQ OMX since 1996. In 2008, we had net sales of SEK 39.5 billion and reported an operating profit (EBITDA) of SEK 8.2 billion.

FOR MORE INFORMATION, TELE2.COM

If you visit our website www.tele2.com you will always find the latest information. Here we publish our press releases, our interim reports and much more. Furthermore you will find links to our European operations.

! Read more about Tele2 2008 on www.tele2.com

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 1.30 p.m. on Monday, May 11, 2009 at the Hotel Rival, Mariatorget 3, 118 91 Stockholm. The doors will open at 12.30 p.m. and registration will take place until 1.30 p.m., when the doors will close. Shareholders wishing to participated must notify the Company no later than 1 p.m. on Thursday, May 5, 2009. More information on tele2.com.

FINANCIAL CALENDAR

Q1 2009, Interim Report	April 22
AGM (Stockholm)	May 11
Q2 2009, Interim Report	July 22
Q3 2009, Interim Report	October 22

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TELE2