

Interim Report January – September 2010

Q3 2010 Highlights

■ Record net customer intake and EBITDA contribution in market area Russia

In Q3 2010, Tele2 Russia added 1,170,000 (1,100,000) customers. During the quarter, EBITDA amounted to SEK 1,011 (596) million and the third and fourth new regions reached EBITDA break-even on a monthly basis

■ Enhanced mobile revenue growth in market area Nordic

Mobile revenue in Sweden grew by more than 10 percent, driven by success in the smart phone segment

■ Market recovery in the Baltic region and further business improvement in Croatia, driving sequential EBITDA improvement in market area Central Europe & Eurasia

During the quarter, Tele2 Croatia added 81,000 (70,000) new customers, while further improving the EBITDA contribution. In the Baltic region, the general market continued its recovery, supporting Tele2's mobile operations in the countries

■ Further success in the corporate segment for market area Western Europe

In the corporate segment, Tele2 Netherlands was successful in extending the binding period of several large customers. The restructuring of Tele2 Austria led to further operational improvement in the quarter

Net sales Q3 2010
excl. one-off items

10,007
SEK million

EBITDA Q3 2010

2,751
SEK million

SEK million	Q3			9M		
	2010	2009	%	2010	2009	%
Net Sales	9,998	9,829	2	30,088	29,510	2
Net Sales excluding one-off items	10,007	9,753	3	29,509	29,493	–
EBITDA	2,751	2,441	13	7,796	7,131	9
EBIT	1,892	1,633	16	5,732	4,425	30
EBIT excluding one-off items	1,906	1,517	26	5,222	4,372	19
Net Profit	2,484	2,233	11	5,382	3,835	40
Earnings per share, after dilution (SEK)	5.61	5.04	11	12.16	8.63	41

The figures presented in this report refer to Q3 2010 and continued operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2009.

TELE2

Offering the best price is the cornerstone of our business model

Tele2's results in the third quarter were strong, and the positive momentum in our business continues in all our markets. We delivered all-time high profitability, as we grew our customer base at a fast pace while improving quality. Offering the best price is the cornerstone of our business model, and we will defend the price position in each of our markets. Sustaining our market position requires world-class cost control. We will continue to benchmark our cost performance against our peers to make sure that we stay ahead of the competition. We strive to understand customer needs and desires. The world of telecoms is a challenging one and we are standing on the verge of a new era. We monitor market trends closely in order to evolve our products and services, shape our future and ensure long-term success.

Nordic

Smart phones are now mass-market devices in Sweden. A greater selection of attractively priced handsets is fueling faster-than-expected growth in this segment for Tele2. The increasing demand for smart phones has proven to be an attractive source of revenue for our company, and we are capturing a fair share of this new market.

The roll-out of the 4G network in Sweden is proceeding according to plan and we will soon start offering next-generation mobile data services to the Swedish customers. This is an exciting new era we are moving into, as we enable our customers to become truly mobile and cut the cord for good.

We completed the acquisition of the remaining 50 percent of the Swedish mobile operator Spring Mobil during the quarter. Spring Mobil complements Tele2's existing product portfolio and will improve our position in the corporate market.

Russia

The strong inflow of new customers continued into Q3 2010, and the operational trends in both old and new regions remained positive. During the quarter, Kaliningrad and Tomsk surpassed EBITDA break-even, all ahead of plan. This is proof that our Best Deal concept continues to work well in the Russian market.

It is important that we future-proof our operations in Russia. As the clear number 4 operator with an undisputed price leadership position in the Russian market, it is clear to us that we provide services that fulfil a need for both private consumers and corporate customers. We are certain that our 2G business will continue to perform strongly for many years to come and a data license would of course enable us to extend our Best Deal concept into the data-centric future.

Central Europe & Eurasia

The economy in the Baltic region is recovering, resulting in a more stable operational development for Tele2. We have seen customer activity increase during the quarter, with stronger net intake and sequentially improving revenue trends.

In Q2 2010, Tele2 Croatia reached EBITDA break-even. Our next goal is for our operation to deliver positive cash flow. We believe that our improved network quality and attractive product portfolio should make this achievable within a year.

In Kazakhstan, we finalized our procurement process for a new telecom equipment vendor during the quarter. We have begun the roll-out of an improved network to support the re-launch of our services under the Tele2 brand in H1 2011.

Western Europe

At the beginning of October, we completed the acquisition of BBned, strengthening the position of our Dutch operations. In Austria, the streamlining of our operations is bearing fruit, as we show steadily improving performance. As a niche player, we will strive to keep our offers simple to ensure that we deliver robust results in the future.

Going forward our strategy is simple – Tele2 always offers the best deal.

Mats Granryd
President and CEO, Tele2 AB

Financial Overview

Tele2's financial performance is driven by its continued focus on developing mobile services on own infrastructure, complemented in some countries by fixed broadband services and business-to-business offerings. Mobile sales, which grew compared with the same period last year, and a greater focus on mobile services on own infrastructure have further improved our EBITDA margin. The decline in the fixed telephony customer base is expected to persist. The company will concentrate on maximizing the return from fixed-line operations.

Net customer intake amounted to 1,297,000 (1,088,000) in Q3 2010. The customer intake in mobile services amounted to 1,404,000 (1,306,000), of which 47,000 (53,000) were mobile internet users. This result was mainly driven by a solid performance in Tele2 Russia, Tele2 Sweden and Tele2 Croatia, but a more sustainable recovery in Tele2's Baltic operations also contributed to the positive development. During the period, Tele2 Russia's customer base grew by 1,170,000 (1,100,000) customers, of which 674,000 (742,000) were derived from new regions. Fixed broadband customer intake amounted to 15,000 (10,000) customers in Q3 2010, primarily attributable to our operations in Sweden and the Netherlands. As expected, the number of fixed telephony customers fell in Q3 2010. However the churn rate in fixed telephony continued to decrease in the quarter, partly driven by Tele2 Germany. On September 30, 2010 the total customer base reached a milestone by exceeding more than 30 million customers, amounting to 30,080,000 (25,692,000) thanks to a prolonged success in mobile services.

Net sales in Q3 2010 amounted to SEK 10,007 (9,753) million, excluding one-off items of SEK -9 (76) million¹⁾. Including one-off items, net sales amounted to SEK 9,998 (9,829) million. The revenue development was mainly a result of sustained success in mobile services, offset to some extent by negative sales development in fixed telephony. Exchange rate variations between January 1, 2010 and September 30, 2010 have impacted net sales by SEK -488 million in the quarter.

EBITDA in Q3 2010 amounted to SEK 2,751 (2,441) million, equivalent to an EBITDA margin of 27 (25) percent. The EBITDA development was positively affected by better-than-expected operational progress in Tele2's Russian and Croatian mobile operations, coupled with a stable result in fixed telephony services. Exchange rate variations between January 1, 2010 and September 30, 2010 have impacted EBITDA by SEK -122 million in the quarter.

EBIT in Q3 2010 amounted to SEK 1,906 (1,517) million excluding one-off items of SEK -14 (116) million²⁾. Including one-off items, EBIT amounted to SEK 1,892 (1,633) million.

Profit before tax in Q3 2010 amounted to SEK 1,876 (1,832) million.

Net profit in Q3 2010 amounted to SEK 2,484 (2,233) million. Reported tax for Q3 2010 amounted to SEK 608 (401) million, including valuation of deferred tax assets and other one-off items during the quarter of SEK 1,049 (862) million³⁾. Tax payment affecting cash flow amounted to SEK -152 (-98) million.

Cash flow after Capex in Q3 2010 amounted to SEK 1,697 (1,522) million.

CAPEX in Q3 2010 amounted to SEK 956 (1,169) million.

Net debt amounted to SEK 2,311 (3,951) million on September 30, 2010, or 0.25 times full-year 2009 EBITDA. Including guarantees to joint ventures, the net debt to full-year 2009 EBITDA amounted to 0.42 times. Tele2's available liquidity amounted to SEK 13,996 (10,465) million.

FINANCIAL GUIDANCE

Tele2's objective is to maintain a healthy balance between growth regions and more mature markets and to be established in Europe and Eurasia. The company will secure licenses through strong local connections within the business and political arenas in all its markets. Tele2's core markets will be characterized by:

- An established Best Deal position.
- The capability to reach a top 2 position, in terms of customer market share, in an individual country or region.
- A mobile operation based on own infrastructure should reach at least 35 percent EBITDA margin.
- All operations in the group should reach at least 20 percent return on capital employed (ROCE).

Tele2 Group forward looking statement

The following assumptions should be taken into account when estimating 2010 results for the Group:

- Tele2 forecasts a corporate tax rate of approximately 22 percent excluding one-off items. The tax payment will affect cash flow by approximately SEK 800 million. The oral hearing of the SEC tax dispute is expected to be conducted on November 26 and a verdict will be announced 1-2 month(s) later (see note 5).
- Tele2 forecasts a CAPEX level that will not exceed SEK 4,000 million (earlier SEK 4,200-4,400 million).

Tele2 Sweden forward looking statement

The following assumptions should be taken into account when estimating results for the Swedish mobile operations in 2010:

- Tele2 will continue to target the postpaid segment resulting in a full year EBITDA margin in the range of 33-35 percent, depending on customer intake.

Tele2 Russia forward looking statement

Tele2 has GSM licenses in 37 regions in Russia covering approximately 61 million inhabitants. The Russian operations have been divided into 17 old regions and 20 new regions. The following assumptions should be taken into account when estimating the operational performance of the total operations in Russia 2010-2011:

- Subscriber base should reach 19-20 million by YE 2011.
- Accumulated ARPU growth should amount to 5 percent in local currency.
- EBITDA margin in the old regions should stabilize at 45 percent. Most new regions' EBITDA margin will be break even within 18 months from commercial launch. Tele2 Russia's total EBITDA margin should evolve in the range of 34-37 percent.
- Accumulated Capex in Russia should be in the range of SEK 3,500-4,000 million (earlier SEK 4,500-5,000 million) by YE 2011.

1) See Note 1

2) See section EBIT on page 20

3) See Note 3

Tele2 Kazakhstan forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the total operations in Kazakhstan 2010–2011:

- Subscriber base should aim to reach 400,000–450,000 by YE 2010.
- Blended ARPU should be in the range of SEK 40–45.
- EBITDA contribution in 2010 should be approximately SEK –250 million. EBITDA contribution in 2011 should be in the range of SEK –400 to –450 million.
- Accumulated Capex in Kazakhstan should be in the range of SEK 1,400–1,600 million by YE 2011.
- Tele2's operations in Kazakhstan should be able to reach break-even within 2 years from the commercial re-launch, which is planned in 1H 2011.

Tele2 Croatia forward looking statement

The following assumptions should be taken into account when estimating the Croatian mobile operations in 2011:

- Tele2 Croatia will reach free cash-flow break-even by 2H 2011.

Shareholder remuneration

Tele2's intention is to pay a progressive ordinary dividend to its shareholders over the medium term.

Balance sheet

Tele2's longer term financial leverage, defined as net debt /EBITDA ratio, should be in line with the industry and the markets in which it operates and reflect the status of its operations, future strategic opportunities and contingent liabilities.

SEK million	Q3 2010	Q3 2009	9M 2010	9M 2009	FY 2009
Mobile¹⁾					
Net customer intake (thousands)	1,404	1,306	3,584	2,094	3,139
Net sales	7,020	6,196	20,032	18,229	24,619
EBITDA	2,034	1,677	5,716	4,942	6,605
EBIT	1,534	1,218	4,236	3,694	4,887
CAPEX	552	891	1,252	2,491	3,119
Fixed broadband¹⁾					
Net customer intake (thousands)	15	10	22	–1	–11
Net sales	1,457	1,592	4,476	5,084	6,691
EBITDA	271	321	846	791	1,055
EBIT	28	–36	81	–349	–370
CAPEX	214	141	533	470	661
Fixed telephony¹⁾					
Net customer intake (thousands)	–122	–228	–402	–653	–801
Net sales	1,129	1,433	3,651	4,580	5,986
EBITDA	372	405	1,097	1,230	1,590
EBIT	325	343	944	1,039	1,332
CAPEX	23	16	70	55	82
Total					
Net customer intake (thousands)	1,297	1,088	3,204	1,440	2,327
Net sales ²⁾	9,998	9,829	30,088	29,510	39,474
EBITDA	2,751	2,441	7,796	7,131	9,394
EBIT ³⁾	1,892	1,633	5,732	4,425	5,736
CAPEX	956	1,169	2,331	3,422	4,439
EBT	1,876	1,832	5,534	4,049	5,236
Net profit	2,484	2,233	5,382	3,835	4,755
Cash flow from operating activities	2,620	2,587	7,833	6,417	9,118
Cash flow after CAPEX	1,697	1,522	5,393	3,125	4,778

1) Less one-off items (see sections Net sales and EBIT on pages 16 and 19)

2) Including one-off items (see Note 1)

3) Total EBIT includes result from sale of operations, impairment and other one-off items stated under the segment reporting section of EBIT (page 19)

SIGNIFICANT EVENTS IN THE QUARTER

- Tele2's new CEO Mats Granryd started September 1, 2010
- The Board of Directors appointed CFO Lars Nilsson as deputy CEO of Tele2 AB
- Tele2 Sweden completed the acquisition of the remaining 50 percent of the Swedish mobile operator Spring Mobil for SEK 81 million
- Tele2 Sweden started offering iPhone 4

Significant subsequent events

- Tele2 Netherlands completed the acquisition of BBned for SEK 462 million

Overview by region

NORDIC

The Nordic market area continues to deliver strong cash-flow to the Tele2 organization and acts as the test bed for new services.

Sweden

Mobile Tele2 Sweden delivered all-time high revenue in the third quarter with net sales increasing by more than 10 percent to SEK 2,219 (2,009) million. The revenue growth was primarily driven by the postpaid segment, where smartphones were a large contributor. The rapidly increasing share of Tele2 customers using smartphones is attributable to a growing demand for mobile internet access combined with an improved supply of smartphones. Consequently, smartphones have generated both increased revenue from data as well as increased usage of minutes and sms. In addition, Tele2 achieved continued strong mobile net intake of 103,000 (107,000) customers.

The demand for mobile internet services continued to be high and Tele2 added 36,000 (43,000) customers during the quarter. As a result, Tele2 achieved a mobile internet customer base of 358,000 (261,000). Also, improved price plans and increased usage grew mobile internet ARPU to 127 (121) SEK.

Tele2 Sweden maintained a stable EBITDA margin of 34 (34) percent. The EBITDA-margin includes costs associated with the SUNAB joint venture. Total costs for SUNAB amounted to SEK -112 (-103) million in Q3 2010. The mobile operations in Sweden reported a MoU of 236 (229) and a blended ARPU of SEK 189 (187).

In Q3 2010, MoU increased to 295 (282) and ARPU was stable at SEK 238 (239) in the postpaid segment. Tele2 Sweden added 56,000 (48,000) mobile voice and mobile internet customers in the postpaid segment.

In the prepaid voice segment, Tele2 Sweden defended its market-leading position and delivered an EBITDA margin of 50 (52) percent.

As to the business segment, Tele2 Sweden completed the acquisition of Spring Mobil. The one-phone solution will further strengthen Tele2's product portfolio and position within the SME segment. Net sales within the corporate segment increased during the quarter and the customer base continued to grow.

Fixed Broadband During the third quarter of 2010, Tele2 Sweden experienced strong ADSL, VoIP, LAN and Citylink sales, which resulted in increased customer intake of 15,000 (7,000).

Fixed Telephony Despite a continued decrease in demand for fixed telephony services, Tele2 Sweden increased both ARPU to SEK 214 (203) and EBITDA margin to 24 (23) percent during the third quarter.

Norway

Mobile Tele2 Norway delivered revenue of SEK 640 (659) million. In the quarter, the termination rate was reduced from NOK 1.00 to NOK 0.90 per minute as per a decision by the National Regulatory Authority. This impacted revenue and EBITDA negatively in Q3 2010 with SEK 20 million. Tele2 Norway had an improved net customer intake of 10,000 (7,000) in Q3 2010.

Tele2 Norway achieved an EBITDA contribution of SEK 4 (58) million in Q3 2010. Total costs for JV Mobile Norway amounted to SEK -14 million in Q3 2010.

Tele2 Norway kept delivering on the best deal concept, focusing on strengthening its price position and enhancing quality perception. Fierce competition persisted during the quarter within the postpaid segment. The business segment continued to progress positively during the quarter.

Fixed Telephony Tele2 Norway was able to deliver stable revenue and profitability, generating an EBITDA contribution of SEK 15 (17) million in Q3 2010. This was achieved through intensified efforts to lower costs and to keep improving the quality of the overall customer base.

RUSSIA

The Russian operation is Tele2's most significant growth engine. The company has GSM licenses in 37 regions with approximately 61 million inhabitants.

Mobile In the quarter, the new regions Kaliningrad and Tomsk reached EBITDA break-even on a monthly basis. This strong performance supports the company's view that the roll-out of new regions is progressing ahead of plan.

Tele2 Russia's strategy is to have a balanced approach to rolling out new regions while maintaining a stable profitability in the more mature regions. The overall market's response has been in line with or even better than expected compared to the business plan. The total customer base grew by 1,170,000 (1,100,000), of which the new regions represented 674,000 (742,000) customers. Over the last 12 months, Tele2 Russia's customer base has grown by almost 4.4 million new users, proving that there is a solid demand for the company's services despite the introduction of 3G service from the competition.

The total customer base amounted to 17,683,000 (13,302,000) at the end of Q3 2010. The turnover of the total customer base increased sequentially due to seasonality. However, the churn rate improved compared to the same period last year, partly driven by the introduction of a new commission structure to the retail channels, enhancing the quality of the customer intake. During the quarter, Tele2 Russia expanded the geographic scope with several preferred distribution partners to include numerous new cities.

Despite an impact from customer base growth in new regions with lower initial service usage, MoU for the total operations increased by 7 percent compared to Q3 2009, amounting to 229 (215). ARPU amounted to SEK 52 (49) or RUB 219 (212), in spite of a strong customer intake in new regions. The general pricing environment remained highly competitive throughout the Tele2 Russia footprint.

Supported by accelerated customer growth, Tele2 Russia continued to deliver solid financial performance. Revenue grew by 41 percent in Q3 2010 compared to the same period last year. The EBITDA margin development was robust, driven by stable operational trends in the more mature regions and early scale benefits in the new regions. EBITDA in the mature regions amounted to SEK 1,064 (740) million, equivalent to a margin of 48 (40) percent. EBITDA in the new regions amounted to SEK -53 (-144) million. Capex in the quarter amounted to SEK 429 (707) million because of a temporary delay in investments. The investment level is expected to increase in 2011.

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

CENTRAL EUROPE AND EURASIA

Tele2's Baltic operations will remain focused on generating a strong cash flow contribution as the economy in the region stabilizes.

Tele2's Croatian operation is a strong challenger as it offers the Best Deal in both voice services and mobile internet. Tele2's Kazakhstan operation is the latest growth opportunity for the market area.

Estonia

Mobile In the third quarter, the Estonian market showed clear signs of economic recovery. Tele2's revenues were stable and EBITDA grew by 17 percent compared to Q2 2010, excluding a one-off effect of SEK 18 million. The provision is related to the settlement of a court dispute regarding excessive mobile termination fees during the years 2006–2007.

Despite fierce price competition, Tele2 Estonia added 7,000 (3,000) customers during the quarter by offering high quality services at the best price.

Tele2 continued to roll out its HSPA-enabled 3G network, both in cities and in rural areas, covering 80 percent of the population by the end of Q3 2010. During the quarter, the national regulator announced the auctioning process for 4G licenses in which Tele2 will participate.

Lithuania

Mobile The Lithuanian economy further stabilized during Q3 2010 and GDP is projected to grow for the remainder of 2010.

During the third quarter, Tele2 Lithuania continued to capitalize on a strong price leadership perception, supported by effective sales and marketing campaigns. As a result, Tele2 Lithuania kept gaining market share in both the postpaid consumer and corporate segments and added 40,000 (22,000) new customers in the quarter.

Tough price competition continued into Q3 2010, affecting the ARPU level negatively. Reduced capital expenditures improved the cash flow contribution during the quarter.

Tele2 Lithuania will continue to focus on growing its market share in the corporate segment, benefiting from general price sensitivity among private companies and state-owned organizations.

Tele2 launched 3G services countrywide in Q3 2010 as planned.

Latvia

Mobile Throughout Q3 2010, there were strong signs of increased customer activity in Latvia, indicating that the economic climate improved. Higher customer activity offered opportunities for

up-selling and sales of new mobile internet services. As a result, Tele2 Latvia added 8,000 (5,000) new customers in the quarter. Nevertheless, the quarter was marked by strong price pressure and harsh competition in voice and data services across all customer segments.

During Q3 2010, Tele2 Latvia continued to concentrate on customer satisfaction, price leadership and service quality, while working steadily on strengthening its infrastructure in terms of coverage, capacity, performance and development of 3G capabilities. This resulted in the launch of new customer services and the winning of a frequency auction in the 900 MHz band.

Going forward, Tele2 Latvia will maintain its price leadership position and focus on decisive moves to increase market share, particularly in the postpaid and corporate segments, while defending its position in prepaid. By doing so, Tele2 aims to keep its best deal position on the market.

Croatia

Mobile Tele2 Croatia sustained its strong performance into Q3 2010 and achieved a second consecutive profitable quarter with an EBITDA of SEK 14 (–43) million. The increase in profitability was driven by a significant increase in market share, in combination with a higher share of revenue from summer tourists in Croatia. Tele2 Croatia consistently kept its focus on further strengthening its best deal position through effective marketing campaigns across all segments.

The customer base has now reached 737,000, representing a net customer growth of 81,000 (70,000) during the quarter. Revenues grew by 12 percent to SEK 383 (342) million.

Kazakhstan

Mobile Tele2 Kazakhstan carried forward its preparations for the re-launch of the Tele2 brand. The procurement process of a new equipment vendor was finalized in Q3 2010, and the roll-out process was initiated. Tele2 Kazakhstan proceeded with the upgrade of its existing network. New market offerings were launched in order to reach the target of 400,000–450,000 subscribers by the end of 2010. As a result of these efforts, the negative trend was halted and 18,000 customers were added in September resulting in a total customer intake of 1,000 in the quarter. Tele2 Kazakhstan is in the process of launching Sales and Customer care offices in every region, and growing the retail network.

WESTERN EUROPE

Tele2's operations in Western Europe lead the Group in business to business services and consumer fixed broadband.

Netherlands

On October 5, 2010, Tele2 acquired the Dutch operator BBned from Telecom Italia for SEK 462 million. BBned primarily provides broadband telecommunication services in the consumer, business and wholesale segments.

Mobile During Q3 2010, Tele2 Netherlands continued to push its postpaid offerings. Although the total mobile base declined, the focus on postpaid subscriptions enabled Tele2 Netherlands to sustain its overall margin levels.

Fixed Broadband Despite the competitive pressure from cable operators offering bundled products with high-speed internet access based on newly upgraded platforms, Tele2 was able to increase its customer base as a result of the growing demand for multi-play offerings. Especially the demand for Tele2's triple-play offerings, including TV, increased over dual-play offerings, thereby improving the ARPU of the broadband base.

In the corporate segment, Tele2 Netherlands was successful in prolonging existing customer contracts and acquiring new customers. However, prices were reduced because of a highly competitive market.

Capex increased in Q3 2010 as a consequence of the aforementioned demand for triple-play offerings, which include the delivery of set-top boxes enabling interactive TV.

Fixed Telephony The fixed telephony market kept declining in favour of bundled broadband offerings. Tele2 Netherlands continued its efforts to up- and cross-sell its own bundled offerings to its fixed telephony customer base.

Other During the third quarter, the company further benefited from the decision on the Wholesale Price Cap II (WPC II) imposed by the regulator. The WPC II decision had a favourable impact on both the direct access and fixed telephony products during the quarter.

Germany

Fixed Broadband The net growth remained at a low level. The incumbents, as well as the cable operators, intensified their promotional pricing activities. Tele2 Germany maintained its strategy of focusing on profitability rather than market share. The company's efforts on retention activities contributed to stabilizing the customer base in the quarter.

Fixed Telephony Tele2 Germany remained the largest CPS (Carrier Pre-Select) provider in the market with a market share of over 40 percent. Thanks to the Company's emphasis on retention activities and customer base management, the customer base developed better than planned. The EBITDA margin for fixed line was 46 (41) percent in Q3 2010. Price competition in the fixed telephony segment was relatively low, as most operators concentrated on fixed broadband services. Only in the call-by-call segment new players continued entering the market, which prompted increased price competition.

Austria

In Austria, the continuation of the healthy financials from 2009 has paved the way for sustainable and profitable growth. In the third quarter of 2010, Tele2 Austria kept emphasizing its growth focus in the corporate segment through a superior customer experience at a low price. As a nationwide infrastructure-based fixed network provider, Tele2 has been evaluating different cooperation models with mobile operators as regards the next generation of mobile technologies. In addition to the customer and market oriented activities, there is continued focus on skills, quality and cost structure.

Fixed Broadband While in Q3 2010 the goal in the corporate segment was to grow data revenue and keep voice revenue stable, the residential side focused more on retaining its customer base. Growth in the corporate segment will be achieved by increased sales efficiency and an improved value proposition through integrating an attractive third party solution portfolio. The new corporate identity also contributed to enhancing customer awareness of the Tele2 Business segment within the Austrian corporate community.

Fixed Telephony In the residential segment, several activities were undertaken during Q3 2010 to achieve more than just customer retention under challenging market conditions. One example is the migration of fixed indirect customers to own access. The project will secure the profitability of the fixed telephony segment and increase ARPU.

OTHER ITEMS

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors. The risk factors considered to be most significant to Tele2's future development are operating risks such as the availability of frequencies and other telecom licenses, operations in Russia and Kazakhstan, network sharing with other parties, integration of new business models, changes in regulatory legislation, legal proceedings, economic climate and financial risks such as currency risk, interest risk, liquidity risk and credit risk. In addition to the risks described in Tele2's annual report for 2009 (see Directors' report and Note 2 of the report for a detailed description of Tele2's risk exposure and risk management), no additional significant risks are estimated to have developed.

COMPANY DISCLOSURE

Tele2 AB (publ) Annual General Meeting 2011

The 2011 Annual General Meeting will be held on May 16, 2011 in Stockholm. Shareholders wishing to have a matter considered at the Annual General Meeting should submit their proposals in writing to agm@tele2.com or to the Company Secretary, Tele2 AB (publ), P.O. Box 62, SE-164 94 Kista, Sweden, at least seven weeks before the Annual General Meeting for the proposal to be included in the notice to the meeting. Further details on how and when to register will be published in advance of the Annual General Meeting.

Nomination committee for the 2011 Annual General Meeting

A Nomination Committee of major shareholders in Tele2 AB (publ) has been formed in accordance with the resolution of the 2010 Annual General Meeting. The Nomination Committee is comprised of Cristina Stenbeck on behalf of Investment AB Kinnevik, Ramsay Brufer on behalf of Alecta, Peder Hasslev on behalf of AMF Pension and Åsa Nisell on behalf of Swedbank Robur Fonder. Information about the work of the Nomination Committee can be found on Tele2's corporate website at www.tele2.com.

Shareholders wishing to propose candidates for election to the Board of Directors of Tele2 AB (publ) should submit their proposal in writing to agm@tele2.com or to the Company Secretary, Tele2 AB (publ), P.O. Box 62, SE 164 94, Kista, Sweden.

Other

Tele2 will release the financial and operating results for the period ending December 31, 2010 on February 8, 2011.

Stockholm, October 20, 2010

Tele2 AB

Mats Granryd
President and CEO

REVIEW REPORT

The financial and operating results for this interim report have not been subject to review by the Company's auditors.

Result Meeting

Tele2 will present the Q3 2010 results at a meeting at Myntkabinettet, Slottsbacken 6, Stockholm, at 10.00 am CET (09:00 am UK time/04:00 am NY time) on Wednesday, October 20, 2010. The presentation will be held in English and webcasted on Tele2's dedicated Q3 2010 website, reports.tele2.com/2010/Q3.

There will also be the possibility to listen to the meeting live over the phone and attend the Q&A session via a conference call. Please note that there might be a time lag of up to 30 seconds between the Internet broadcast and the conference call if you are simultaneously watching and calling in to the press conference.

Dial-in information

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

Dial-in numbers

Sweden: +46 (0)8 505 598 53

UK: +44 (0) 203 043 24 36

US: +1 866 458 40 87

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APPENDICES

Income statement

Comprehensive income

Change in shareholders' equity

Balance sheet

Cash flow statement

Number of customers

Net sales

Internal sales

EBITDA

EBIT

CAPEX

Key ratios

Parent company

Notes

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TELE2 IS ONE OF EUROPE 'S LEADING TELECOM OPERATORS, ALWAYS PROVIDING THE BEST DEAL. We have 30 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 the NASDAQ OMX Stockholm since 1996. In 2009, we had net sales of SEK 39.5 billion and reported an operating profit (EBITDA) of SEK 9.4 billion.

Income statement

SEK million	Note	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009 Full year	2010 Q3	2009 Q3
CONTINUING OPERATIONS						
Net sales	1	30,088	29,510	39,474	9,998	9,829
Operating expenses		-24,456	-25,098	-33,720	-8,139	-8,171
Result from shares in associated companies and joint ventures	7	75	-60	-98	40	-26
Other operating income		130	320	422	29	96
Other operating expenses		-105	-247	-342	-36	-95
Operating profit, EBIT		5,732	4,425	5,736	1,892	1,633
Interest income/costs	1	-307	-349	-358	-89	-111
Exchange rate differences, external		33	64	3	56	138
Exchange rate differences, intragroup		166	-50	-80	57	182
Other financial items		-90	-41	-65	-40	-10
Profit after financial items, EBT		5,534	4,049	5,236	1,876	1,832
Tax on profit	1, 3	-152	-214	-481	608	401
NET PROFIT FROM CONTINUING OPERATIONS		5,382	3,835	4,755	2,484	2,233
DISCONTINUED OPERATIONS						
Net profit from discontinued operations		43	-230	-46	29	-478
NET PROFIT		5,425	3,605	4,709	2,513	1,755
ATTRIBUTABLE TO						
Equity holders of the parent company		5,422	3,577	4,673	2,513	1,746
Minority interest		3	28	36	-	9
NET PROFIT		5,425	3,605	4,709	2,513	1,755
Earnings per share (SEK)		12.30	8.12	10.61	5.70	3.96
Earnings per share, after dilution (SEK)		12.26	8.11	10.59	5.68	3.96
FROM CONTINUING OPERATIONS						
Earnings per share (SEK)		12.20	8.64	10.72	5.63	5.04
Earnings per share, after dilution (SEK)		12.16	8.63	10.70	5.61	5.04
Number of outstanding shares, basic	4	442,109,339	440,351,339	440,381,339		
Number of shares in own custody	4	4,854,000	5,798,000	5,798,000		
Number of shares, weighted average	4	440,821,261	440,351,339	440,355,339		
Number of shares after dilution	4	444,021,954	441,516,784	441,506,048		
Number of shares after dilution, weighted average	4	442,371,237	441,200,332	441,272,717		

Comprehensive income

SEK million	2010 Jan 1-Sep 30	2009 Jan 1-Sep 30	2009 Full year	2010 Q3	2009 Q3
Net profit	5,425	3,605	4,709	2,513	1,755
OTHER COMPREHENSIVE INCOME					
Exchange rate differences	-2,577	-1,766	-1,370	-1,477	-1,795
Exchange rate differences, tax effect	-1,275	-749	-565	-381	-709
Reversed cumulative exchange rate differences from divested companies	-43	-11	-138	-43	-10
Withholding tax	-9	-	-19	-9	-
Cash flow hedges	21	-2	-6	27	6
Cash flow hedges, tax effect	-6	-1	-	-7	-2
Other comprehensive income for the period, net of tax	-3,889	-2,529	-2,098	-1,890	-2,510
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,536	1,076	2,611	623	-755
ATTRIBUTABLE TO					
Equity holders of the parent company	1,533	1,053	2,579	623	-767
Minority interest	3	23	32	-	12
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,536	1,076	2,611	623	-755

Change in shareholders' equity

SEK million	Note	Sep 30, 2010			Sep 30, 2009			Dec 31, 2009		
		Attributable to		Total share- holders' equity	Attributable to		Total share- holders' equity	Attributable to		Total share- holders' equity
		equity holders of the parent company	minority interests		equity holders of the parent company	minority interests		equity holders of the parent company	minority interests	
Shareholders' equity, January 1		28,402	63	28,465	28,151	50	28,201	28,151	50	28,201
Effect of restatement	10	358	-	358	204	-	204	204	-	204
Adjusted shareholders' equity, January 1		28,760	63	28,823	28,355	50	28,405	28,355	50	28,405
Costs for stock options	4	24	-	24	14	-	14	25	-	25
New share issues	4	74	-	74	1	-	1	4	-	4
Sale of own shares	4	115	-	115	-	-	-	-	-	-
Repurchase of own shares	4	-	-	-	-1	-	-1	-1	-	-1
Dividends	4	-2,580	-	-2,580	-2,202	-4	-2,206	-2,202	-4	-2,206
Purchase of minority	7	-306	-62	-368	-	-15	-15	-	-15	-15
Comprehensive income for the period		1,533	3	1,536	1,053	23	1,076	2,579	32	2,611
SHAREHOLDERS' EQUITY, END OF PERIOD		27,620	4	27,624	27,220	54	27,274	28,760	63	28,823

Balance sheet

SEK million	Note	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
ASSETS				
FIXED ASSETS				
Goodwill	7	10,108	10,078	10,179
Other intangible assets		3,004	1,937	2,234
Intangible assets		13,112	12,015	12,413
Tangible assets		14,571	15,304	15,344
Financial assets		850	462	596
Deferred tax assets	3	3,344	4,438	4,502
FIXED ASSETS		31,877	32,219	32,855
CURRENT ASSETS				
Materials and supplies		214	245	201
Current receivables		6,109	7,013	6,255
Short-term investments		101	74	114
Cash and cash equivalents		1,513	683	1,312
CURRENT ASSETS		7,937	8,015	7,882
ASSETS CLASSIFIED AS HELD FOR SALE	7	–	891	–
ASSETS		39,814	41,125	40,737
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Attributable to equity holders of the parent company		27,620	27,220	28,760
Minority interests		4	54	63
SHAREHOLDERS' EQUITY		27,624	27,274	28,823
LONG-TERM LIABILITIES				
Interest-bearing liabilities		1,992	4,386	3,188
Non-interest-bearing liabilities		790	681	731
LONG-TERM LIABILITIES		2,782	5,067	3,919
SHORT-TERM LIABILITIES				
Interest-bearing liabilities		1,964	365	443
Non-interest-bearing liabilities		7,444	8,044	7,552
SHORT-TERM LIABILITIES		9,408	8,409	7,995
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	7	–	375	–
EQUITY AND LIABILITIES		39,814	41,125	40,737

Cash flow statement*

SEK million	Note	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009 Full year	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
OPERATING ACTIVITIES										
Cash flow from operations, less paid taxes	1	8,139	6,519	9,079	2,733	3,065	2,341	2,560	2,499	2,097
Taxes paid	3	-580	-678	-883	-152	-195	-233	-205	-98	-124
Changes in working capital	1	274	576	922	39	52	183	346	186	26
CASH FLOW FROM OPERATING ACTIVITIES		7,833	6,417	9,118	2,620	2,922	2,291	2,701	2,587	1,999
INVESTING ACTIVITIES										
Capital expenditure in intangible and tangible assets, CAPEX		-2,440	-3,292	-4,340	-923	-909	-608	-1,048	-1,065	-1,078
Cash flow after CAPEX		5,393	3,125	4,778	1,697	2,013	1,683	1,653	1,522	921
Acquisition of shares and participations	7	-1,041	-678	-845	-95	-136	-810	-167	-302	-317
Sale of shares and participations	7	-93	337	848	-1	-83	-9	511	94	281
Changes of long-term receivables and short-term investments		-	3,399	3,383	15	-15	-	-16	103	2,934
Cash flow from investing activities		-3,574	-234	-954	-1,004	-1,143	-1,427	-720	-1,170	1,820
CASH FLOW AFTER INVESTING ACTIVITIES		4,259	6,183	8,164	1,616	1,779	864	1,981	1,417	3,819
FINANCING ACTIVITIES										
Change of loans, net		-1,711	-4,540	-5,872	-1,290	746	-1,167	-1,332	-1,564	-1,492
Dividends	4	-2,580	-2,202	-2,202	-	-2,580	-	-	-	-2,202
New share issues	4	74	1	4	19	53	2	3	1	-
Sale of own shares	4	115	-	-	115	-	-	-	-	-
Repurchase of own shares	4	-	-1	-1	-	-	-	-	-1	-
Shareholders contribution from minority	7	141	-	-	51	90	-	-	-	-
Dividend to minority		-	-4	-4	-	-	-	-	-3	-1
Cash flow from financing activities		-3,961	-6,746	-8,075	-1,105	-1,691	-1,165	-1,329	-1,567	-3,695
NET CHANGE IN CASH AND CASH EQUIVALENTS		298	-563	89	511	88	-301	652	-150	124
Cash and cash equivalents at beginning of period		1,312	1,250	1,250	1,072	993	1,312	683	1,021	792
Exchange rate differences in cash		-97	-4	-27	-70	-9	-18	-23	-188	105
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		1,513	683	1,312	1,513	1,072	993	1,312	683	1,021

* including discontinued operations (Note 7)

Number of customers

by thousands	Note	Number of customers		Net intake								
		2010 Sep 30	2009 Sep 30	2010 Jan 1– Sep 30	2009 Jan 1– Sep 30	2009 Full year	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
Sweden												
Mobile	8	3,587	3,343	192	185	205	103	74	15	20	107	56
Fixed broadband		468	443	24	10	11	15	-3	12	1	7	-3
Fixed telephony		672	763	-74	-54	-71	-20	-13	-41	-17	-17	-16
		4,727	4,549	142	141	145	98	58	-14	4	97	37
Norway												
Mobile	8	487	463	21	5	8	10	7	4	3	7	2
Fixed broadband		-	-	-	-7	-7	-	-	-	-	-	-3
Fixed telephony		108	120	-12	-13	-13	-4	-4	-4	-	-4	-3
		595	583	9	-15	-12	6	3	-	3	3	-4
Russia												
Mobile	8	17,683	13,302	3,232	1,798	2,947	1,170	1,113	949	1,149	1,100	478
		17,683	13,302	3,232	1,798	2,947	1,170	1,113	949	1,149	1,100	478
Estonia												
Mobile	8	472	459	25	-11	-23	7	7	11	-12	3	-1
Fixed telephony		11	14	-2	-2	-3	-1	-1	-	-1	-1	-1
		483	473	23	-13	-26	6	6	11	-13	2	-2
Lithuania												
Mobile	8	1,684	1,668	76	-5	-65	40	34	2	-60	22	-19
Fixed broadband		44	43	-	2	3	-	-	-	1	1	-
Fixed telephony		2	3	-1	-1	-1	-1	-	-	-	-1	-
		1,730	1,714	75	-4	-63	39	34	2	-59	22	-19
Latvia												
Mobile	8	1,052	1,077	-6	-17	-36	8	5	-19	-19	5	1
Fixed telephony		-	1	-1	-1	-1	-	-1	-	-	-1	-
		1,052	1,078	-7	-18	-37	8	4	-19	-19	4	1
Croatia												
Mobile	8	737	616	139	140	122	81	32	26	-18	70	8
		737	616	139	140	122	81	32	26	-18	70	8
Kazakhstan												
Mobile		218	-	-47	-	-	1	-48	-	-	-	-
		218	-	-47	-	-	1	-48	-	-	-	-
Netherlands												
Mobile	8	351	417	-48	-1	-19	-16	-16	-16	-18	-8	-1
Fixed broadband		438	410	20	42	50	4	3	13	8	15	13
Fixed telephony		250	324	-57	-65	-82	-19	-20	-18	-17	-20	-18
		1,039	1,151	-85	-24	-51	-31	-33	-21	-27	-13	-6
Germany												
Fixed broadband		121	145	-18	-32	-38	-4	-6	-8	-6	-8	-10
Fixed telephony		1,265	1,558	-203	-472	-562	-60	-50	-93	-90	-170	-115
		1,386	1,703	-221	-504	-600	-64	-56	-101	-96	-178	-125
Austria												
Fixed broadband		130	148	-4	-16	-30	-	4	-8	-14	-5	-4
Fixed telephony		300	375	-52	-45	-68	-17	-21	-14	-23	-14	-17
		430	523	-56	-61	-98	-17	-17	-22	-37	-19	-21
TOTAL												
Mobile	8	26,271	21,345	3,584	2,094	3,139	1,404	1,208	972	1,045	1,306	524
Fixed broadband		1,201	1,189	22	-1	-11	15	-2	9	-10	10	-7
Fixed telephony		2,608	3,158	-402	-653	-801	-122	-110	-170	-148	-228	-170
TOTAL CONTINUING OPERATIONS		30,080	25,692	3,204	1,440	2,327	1,297	1,096	811	887	1,088	347
Acquired companies	7			297	-	-	32	-	265	-	-	-
Divested companies				-	-84	-84	-	-	-	-	-84	-
Changed method of calculation	8			-	318	318	-	-	-	-	-249	567
Discontinued operations												
Net intake		-	-34	-	-34	-40	-	-	-	-6	-9	-
Divested companies		-	417	-	-	-377	-	-	-	-377	-	-
Changed method of calculation				-	-51	-51	-	-	-	-	-37	-14
TOTAL OPERATIONS		30,080	26,075	3,501	1,589	2,093	1,329	1,096	1,076	504	709	900

Net sales

SEK million	Note	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009 Full year	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
Sweden										
Mobile	9, 10	6,390	5,968	8,008	2,297	2,137	1,956	2,040	2,043	2,029
Fixed broadband		1,079	1,045	1,400	363	357	359	355	346	349
Fixed telephony		1,350	1,433	1,909	437	453	460	476	471	476
Other operations		104	212	264	25	37	42	52	49	75
		8,923	8,658	11,581	3,122	2,984	2,817	2,923	2,909	2,929
Norway										
Mobile		1,971	1,949	2,616	640	672	659	667	659	654
Fixed broadband		6	191	194	2	2	2	3	2	92
Fixed telephony		319	362	482	98	105	116	120	117	120
		2,296	2,502	3,292	740	779	777	790	778	866
Russia										
Mobile		7,611	5,445	7,600	2,720	2,654	2,237	2,155	1,918	1,843
		7,611	5,445	7,600	2,720	2,654	2,237	2,155	1,918	1,843
Estonia										
Mobile	1	655	762	998	212	230	213	236	247	261
Fixed telephony		6	9	11	2	2	2	2	3	3
Other operations		39	43	56	15	13	11	13	15	14
		700	814	1,065	229	245	226	251	265	278
Lithuania										
Mobile		984	1,270	1,674	336	329	319	404	413	435
Fixed broadband		18	20	27	5	7	6	7	6	7
Fixed telephony		1	3	3	1	–	–	–	1	–
		1,003	1,293	1,704	342	336	325	411	420	442
Latvia										
Mobile		967	1,267	1,636	313	317	337	369	399	420
		967	1,267	1,636	313	317	337	369	399	420
Croatia										
Mobile		1,011	950	1,296	383	331	297	346	342	316
		1,011	950	1,296	383	331	297	346	342	316
Kazakhstan										
Mobile		82	–	–	38	44	–	–	–	–
		82	–	–	38	44	–	–	–	–
Netherlands										
Mobile		649	782	1,014	206	218	225	232	245	272
Fixed broadband		2,429	2,650	3,529	788	795	846	879	869	845
Fixed telephony		825	1,102	1,429	248	271	306	327	338	375
Other operations	11	379	524	675	123	125	131	151	155	179
		4,282	5,058	6,647	1,365	1,409	1,508	1,589	1,607	1,671
Germany										
Fixed broadband		242	338	436	75	79	88	98	103	113
Fixed telephony		877	1,303	1,670	261	285	331	367	389	441
Other operations	11	50	56	72	22	15	13	16	16	20
		1,169	1,697	2,178	358	379	432	481	508	574
Austria										
Fixed broadband		711	854	1,123	226	235	250	269	271	286
Fixed telephony		290	401	522	88	97	105	121	122	131
Other operations	11	211	245	322	67	73	71	77	83	85
		1,212	1,500	1,967	381	405	426	467	476	502
Other										
Other operations	11	1,062	1,245	1,680	309	362	391	435	414	388
		1,062	1,245	1,680	309	362	391	435	414	388
TOTAL										
Mobile		20,320	18,393	24,842	7,145	6,932	6,243	6,449	6,266	6,230
Fixed broadband		4,485	5,098	6,709	1,459	1,475	1,551	1,611	1,597	1,692
Fixed telephony		3,668	4,613	6,026	1,135	1,213	1,320	1,413	1,441	1,546
Other operations		1,845	2,325	3,069	561	625	659	744	732	761
		30,318	30,429	40,646	10,300	10,245	9,773	10,217	10,036	10,229
Internal sales, elimination	9	–809	–936	–1,188	–293	–278	–238	–252	–283	–317
		29,509	29,493	39,458	10,007	9,967	9,535	9,965	9,753	9,912
One-off items	1	579	17	16	–9	588	–	–1	76	–59
TOTAL CONTINUING OPERATIONS		30,088	29,510	39,474	9,998	10,555	9,535	9,964	9,829	9,853
Discontinued operations	7	–	915	1,092	–	–	–	177	278	314
TOTAL OPERATIONS		30,088	30,425	40,566	9,998	10,555	9,535	10,141	10,107	10,167

Internal sales

SEK million	Note	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009 Full year	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
Sweden										
Mobile	9, 10	157	93	131	78	42	37	38	34	30
Fixed telephony		–	7	7	–	–	–	–	1	3
Other operations		22	108	120	–	7	15	12	21	43
		179	208	258	78	49	52	50	56	76
Norway										
Fixed telephony		17	25	32	6	5	6	7	7	7
		17	25	32	6	5	6	7	7	7
Russia										
Mobile		115	44	60	42	55	18	16	25	12
		115	44	60	42	55	18	16	25	12
Estonia										
Other operations		39	43	56	15	13	11	13	15	14
		39	43	56	15	13	11	13	15	14
Lithuania										
Mobile		9	11	15	3	3	3	4	3	5
Fixed telephony		–	1	1	–	–	–	–	–	–
		9	12	16	3	3	3	4	3	5
Latvia										
Mobile		7	16	17	2	3	2	1	8	3
		7	16	17	2	3	2	1	8	3
Netherlands										
Fixed broadband		9	14	18	2	4	3	4	5	4
Other operations	11	5	2	4	2	2	1	2	–	1
		14	16	22	4	6	4	6	5	5
Other										
Other operations	11	429	572	727	143	144	142	155	164	195
		429	572	727	143	144	142	155	164	195
TOTAL										
Mobile	9	288	164	223	125	103	60	59	70	50
Fixed broadband		9	14	18	2	4	3	4	5	4
Fixed telephony		17	33	40	6	5	6	7	8	10
Other operations		495	725	907	160	166	169	182	200	253
TOTAL OPERATIONS		809	936	1,188	293	278	238	252	283	317

EBITDA

SEK million	Note	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009 Full year	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
Sweden										
Mobile	9, 10	2,134	2,009	2,661	748	722	664	652	681	680
Fixed broadband	9	44	74	86	23	6	15	12	38	7
Fixed telephony	9	318	294	387	106	105	107	93	107	82
Other operations		13	52	59	2	3	8	7	6	32
		2,509	2,429	3,193	879	836	794	764	832	801
Norway										
Mobile		94	134	180	4	51	39	46	58	51
Fixed broadband		10	–	2	3	6	1	2	1	2
Fixed telephony		50	44	64	15	17	18	20	17	13
		154	178	246	22	74	58	68	76	66
Russia										
Mobile		2,674	1,778	2,473	1,011	944	719	695	596	644
		2,674	1,778	2,473	1,011	944	719	695	596	644
Estonia										
Mobile	1	168	227	290	52	60	56	63	74	77
Other operations		–	1	2	–	1	–1	1	–1	–
		168	228	292	52	61	55	64	73	77
Lithuania										
Mobile		354	466	591	124	118	112	125	143	167
Fixed broadband		4	4	6	1	2	1	2	1	2
Fixed telephony		–	–	1	–	–	–	1	–1	–
		358	470	598	125	120	113	128	143	169
Latvia										
Mobile		310	419	527	99	102	109	108	132	138
		310	419	527	99	102	109	108	132	138
Croatia										
Mobile		–24	–191	–244	14	3	–41	–53	–43	–57
		–24	–191	–244	14	3	–41	–53	–43	–57
Kazakhstan										
Mobile		–99	–	–	–54	–45	–	–	–	–
		–99	–	–	–54	–45	–	–	–	–
Netherlands										
Mobile		105	100	127	36	38	31	27	36	50
Fixed broadband	2	777	699	926	233	283	261	227	249	201
Fixed telephony	2	259	260	344	81	89	89	84	82	95
Other operations	11	161	163	215	50	58	53	52	54	56
		1,302	1,222	1,612	400	468	434	390	421	402
Germany										
Fixed broadband		–89	–111	–134	–28	–29	–32	–23	–20	–38
Fixed telephony		342	501	627	121	103	118	126	158	164
Other operations	11	–1	1	3	–1	–	–	2	–	1
		252	391	496	92	74	86	105	138	127
Austria										
Fixed broadband		100	125	169	39	25	36	44	52	55
Fixed telephony		128	131	167	49	39	40	36	42	49
Other operations	11	17	6	8	6	2	9	2	1	6
		245	262	344	94	66	85	82	95	110
Other										
Other operations	2, 11	–53	–55	–143	17	–16	–54	–88	–22	–31
		–53	–55	–143	17	–16	–54	–88	–22	–31
TOTAL										
Mobile		5,716	4,942	6,605	2,034	1,993	1,689	1,663	1,677	1,750
Fixed broadband		846	791	1,055	271	293	282	264	321	229
Fixed telephony		1,097	1,230	1,590	372	353	372	360	405	403
Other operations		137	168	144	74	48	15	–24	38	64
TOTAL CONTINUING OPERATIONS		7,796	7,131	9,394	2,751	2,687	2,358	2,263	2,441	2,446
Discontinued operations	7	–	110	148	–	–	–	38	55	41
TOTAL OPERATIONS		7,796	7,241	9,542	2,751	2,687	2,358	2,301	2,496	2,487

EBIT

SEK million	Note	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009 Full year	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
Sweden										
Mobile	9	1,707	1,599	2,075	612	581	514	476	520	531
Fixed broadband	9	-195	-195	-265	-54	-75	-66	-70	-45	-85
Fixed telephony	9	290	253	332	97	95	98	79	92	69
Other operations		-26	7	2	-11	-10	-5	-5	-6	16
		1,776	1,664	2,144	644	591	541	480	561	531
Norway										
Mobile		75	72	90	-	42	33	18	36	31
Fixed broadband		10	-18	-16	3	6	1	2	2	-8
Fixed telephony		47	36	53	13	17	17	17	15	10
		132	90	127	16	65	51	37	53	33
Russia										
Mobile		2,082	1,293	1,822	822	720	540	529	419	481
		2,082	1,293	1,822	822	720	540	529	419	481
Estonia										
Mobile	1	119	173	217	37	43	39	44	55	60
Other operations		-	2	2	-	1	-1	-	-	-
		119	175	219	37	44	38	44	55	60
Lithuania										
Mobile		283	391	491	99	96	88	100	118	142
Fixed broadband		1	1	1	-	1	-	-	-	-
Fixed telephony		-	-	1	-	-	-	1	-1	-
		284	392	493	99	97	88	101	117	142
Latvia										
Mobile		246	345	427	79	79	88	82	107	114
		246	345	427	79	79	88	82	107	114
Croatia										
Mobile		-109	-272	-353	-13	-26	-70	-81	-71	-84
		-109	-272	-353	-13	-26	-70	-81	-71	-84
Kazakhstan										
Mobile		-262	-	-	-134	-128	-	-	-	-
		-262	-	-	-134	-128	-	-	-	-
Netherlands										
Mobile		95	93	118	32	35	28	25	34	47
Fixed broadband	2	335	-30	36	95	135	105	66	13	-43
Fixed telephony	2	208	198	264	65	70	73	66	63	73
Other operations	11	129	124	163	39	49	41	39	42	43
		767	385	581	231	289	247	196	152	120
Germany										
Fixed broadband		-97	-138	-173	-31	-32	-34	-35	-29	-45
Fixed telephony		307	466	574	112	91	104	108	146	153
Other operations	11	-1	1	3	-1	-	-	2	-	1
		209	329	404	80	59	70	75	117	109
Austria										
Fixed broadband		27	31	47	15	1	11	16	23	22
Fixed telephony		92	86	108	38	27	27	22	28	34
Other operations	11	-6	-22	-28	-2	-5	1	-6	-9	-3
		113	95	127	51	23	39	32	42	53
Other										
Other operations	2, 11	-135	-124	-244	-6	-46	-83	-120	-35	-55
		-135	-124	-244	-6	-46	-83	-120	-35	-55
TOTAL										
Mobile		4,236	3,694	4,887	1,534	1,442	1,260	1,193	1,218	1,322
Fixed broadband		81	-349	-370	28	36	17	-21	-36	-159
Fixed telephony		944	1,039	1,332	325	300	319	293	343	339
Other operations		-39	-12	-102	19	-11	-47	-90	-8	2
		5,222	4,372	5,747	1,906	1,767	1,549	1,375	1,517	1,504
One-off items		510	53	-11	-14	527	-3	-64	116	-59
TOTAL CONTINUING OPERATIONS		5,732	4,425	5,736	1,892	2,294	1,546	1,311	1,633	1,445
Discontinued operations	7	43	-213	-17	29	-5	19	196	-461	51
TOTAL OPERATIONS		5,775	4,212	5,719	1,921	2,289	1,565	1,507	1,172	1,496

EBIT, cont.

SEK million	Note	Specification of items between EBITDA and EBIT								
		2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009 Full year	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
EBITDA		7,796	7,131	9,394	2,751	2,687	2,358	2,263	2,441	2,446
Impairment of goodwill		–	–	–5	–	–	–	–5	–	–
Sale of operations		–2	36	7	–2	–	–	–29	40	–
Acquisition costs	7	–16	–	–29	–3	–10	–3	–29	–	–
Other one-off items	1, 2	528	17	16	–9	537	–	–1	76	–59
Total one-off items		510	53	–11	–14	527	–3	–64	116	–59
Depreciation/amortization and other impairment		–2,649	–2,699	–3,549	–885	–941	–823	–850	–898	–926
Result from shares in associated companies and joint ventures		75	–60	–98	40	21	14	–38	–26	–16
EBIT		5,732	4,425	5,736	1,892	2,294	1,546	1,311	1,633	1,445

CAPEX

SEK million	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009 Full year	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
Sweden									
Mobile	138	186	252	38	28	72	66	60	50
Fixed broadband	130	119	159	53	48	29	40	32	49
Fixed telephony	13	5	9	2	3	8	4	2	3
Other operations	9	16	20	–	3	6	4	2	8
	290	326	440	93	82	115	114	96	110
Norway									
Mobile	12	2	6	4	6	2	4	1	–
Fixed broadband	–	3	2	–	–	–	–1	1	1
Fixed telephony	1	1	2	–	1	–	1	–	1
	13	6	10	4	7	2	4	2	2
Russia									
Mobile	863	1,791	2,232	429	332	102	441	707	529
	863	1,791	2,232	429	332	102	441	707	529
Estonia									
Mobile	44	88	110	12	19	13	22	19	24
	44	88	110	12	19	13	22	19	24
Lithuania									
Mobile	78	145	165	22	35	21	20	47	57
Fixed broadband	1	2	4	–	–	1	2	1	–
	79	147	169	22	35	22	22	48	57
Latvia									
Mobile	59	128	154	24	16	19	26	21	38
	59	128	154	24	16	19	26	21	38
Croatia									
Mobile	51	147	194	21	14	16	47	35	60
	51	147	194	21	14	16	47	35	60
Kazakhstan									
Mobile	1	–	–	–	1	–	–	–	–
	1	–	–	–	1	–	–	–	–
Netherlands									
Mobile	6	4	6	2	2	2	2	1	1
Fixed broadband	378	319	448	155	109	114	129	96	84
Fixed telephony	41	32	46	17	12	12	14	9	9
Other operations	32	24	33	12	12	8	9	7	7
	457	379	533	186	135	136	154	113	101
Germany									
Fixed broadband	2	1	2	1	1	–	1	1	–
Fixed telephony	2	1	1	1	1	–	–	–	1
	4	2	3	2	2	–	1	1	1
Austria									
Fixed broadband	22	26	46	5	9	8	20	10	10
Fixed telephony	13	16	24	3	5	5	8	5	7
Other operations	7	8	13	1	3	3	5	3	3
	42	50	83	9	17	16	33	18	20
Other									
Other operations	428	358	511	154	133	141	153	109	143
	428	358	511	154	133	141	153	109	143
TOTAL									
Mobile	1,252	2,491	3,119	552	453	247	628	891	759
Fixed broadband	533	470	661	214	167	152	191	141	144
Fixed telephony	70	55	82	23	22	25	27	16	21
Other operations	476	406	577	167	151	158	171	121	161
TOTAL OPERATIONS	2,331	3,422	4,439	956	793	582	1,017	1,169	1,085

CAPEX, cont.

SEK million	Additional cash flow information								
	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009 Full year	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
CAPEX according to cash flow statement	2,440	3,292	4,340	923	909	608	1,048	1,065	1,078
This year unpaid CAPEX and paid CAPEX from previous year	-156	30	-8	11	-142	-25	-38	76	5
Sales price in cash flow statement	47	100	107	22	26	-1	7	28	2
CAPEX according to balance sheet	2,331	3,422	4,439	956	793	582	1,017	1,169	1,085

Key ratios

SEK million	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30	2009	2008	2007	2006
CONTINUING OPERATIONS						
Net sales	30,088	29,510	39,474	38,330	39,082	38,596
Number of customers (by thousands)	30,080	25,692	26,579	24,018	22,768	23,618
EBITDA	7,796	7,131	9,394	8,227	6,721	6,179
EBIT	5,732	4,425	5,736	2,906	1,740	970
EBT	5,534	4,049	5,236	1,893	1,009	405
Net profit/loss	5,382	3,835	4,755	1,758	-78	-186
KEY RATIOS						
EBITDA margin, %	26.4	24.2	23.8	21.4	17.1	16.0
EBIT margin, %	19.1	15.0	14.5	7.6	4.5	2.5
VALUE PER SHARE (SEK)						
Earnings	12.20	8.64	10.72	3.91	0.05	-0.14
Earnings after dilution	12.16	8.63	10.70	3.91	0.05	-0.14
TOTAL (INCLUDING DISCONTINUED OPERATIONS)						
Shareholders' equity	27,624	27,274	28,823	28,405	27,010	29,172
Shareholders' equity after dilution	27,637	27,274	28,823	28,415	27,054	29,186
Total assets	39,814	41,125	40,737	47,337	48,809	66,213
Cash flow from operating activities	7,833	6,417	9,118	7,896	4,350	3,847
Cash flow after CAPEX	5,393	3,125	4,778	3,288	-819	-1,673
Available liquidity	13,996	10,465	12,410	17,248	25,901	5,963
Net debt	2,311	3,951	2,171	4,952	5,198	15,311
Investments in intangible and tangible assets, CAPEX	2,331	3,422	4,439	4,623	5,198	5,365
Investments in shares, short-term investments etc	1,219	-3,033	-3,357	-2,255	-11,444	1,616
KEY RATIOS						
Equity/assets ratio, %	69	66	71	60	55	44
Debt/equity ratio, multiple	0.08	0.14	0.08	0.17	0.19	0.52
Return on shareholders' equity, %	25.6	17.2	16.4	8.9	-5.6	-11.2
Return on shareholders' equity after dilution, %	25.6	17.2	16.4	8.9	-5.6	-11.2
Return on capital employed, %	24.1	17.3	17.6	12.9	2.0	-5.4
Average interest rate, %	9.7	6.8	6.9	6.2	5.2	4.2
VALUE PER SHARE (SEK)						
Earnings	12.30	8.12	10.61	5.53	-3.50	-8.03
Earnings after dilution	12.26	8.11	10.59	5.53	-3.50	-8.03
Shareholders' equity	62.66	61.81	65.31	63.93	60.67	64.96
Shareholders' equity after dilution	62.47	61.69	65.18	63.90	60.70	64.95
Cash flow from operating activities	17.77	14.57	20.71	17.80	9.78	8.66
Dividend, ordinary			3.85	3.50	3.15	1.83
Extraordinary dividend			2.00	1.50	4.70	-
Market price at closing day	141.50	92.50	110.20	69.00	129.50	100.00

Parent company

INCOME STATEMENT

SEK million	2010 Jan 1–Sep 30	2009 Jan 1–Sep 30
Net sales	34	26
Administrative expenses	–94	–55
Operating profit/loss, EBIT	–60	–29
Exchange rate difference on financial items	45	204
Net interest expenses and other financial items	–240	–121
Profit/loss after financial items, EBT	–255	54
Tax on profit/loss	57	–222
NET PROFIT/LOSS	–198	–168

BALANCE SHEET

SEK million	Note	Sep 30, 2010	Dec 31, 2009
ASSETS			
FIXED ASSETS			
Financial assets		27,145	30,985
FIXED ASSETS		27,145	30,985
CURRENT ASSETS			
Current receivables		86	15
Cash and cash equivalents		3	4
CURRENT ASSETS		89	19
ASSETS		27,234	31,004
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted equity	4	17,533	17,459
Unrestricted equity	4	5,774	8,420
SHAREHOLDERS' EQUITY		23,307	25,879
LONG-TERM LIABILITIES			
Interest-bearing liabilities		2,223	4,984
LONG-TERM LIABILITIES		2,223	4,984
SHORT-TERM LIABILITIES			
Interest-bearing liabilities		1,618	85
Non-interest-bearing liabilities		86	56
SHORT-TERM LIABILITIES		1,704	141
EQUITY AND LIABILITIES		27,234	31,004

Notes

ACCOUNTING PRINCIPLES AND DEFINITIONS

For the Group, the interim report has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2.3 Reporting for legal entities and its statements.

From Q3 2010, with retroactive effect, the international carrier business is reported in the segment Other. For additional information please refer to Note 11.

From Q1 2010, with retroactive effect, the internal sale between mobile and fixed broadband/telephony is reported within Tele2 Sweden. For additional information please refer to Note 9.

In Sweden from January 1, 2010 sales with enhanced subscriptions fees are regarded as instalment payments and the accounting of revenues has been adjusted accordingly. Previous periods have been recalculated. For additional information please refer to Note 10.

Revenues from customer agreements including the delivery of mobile phones or other equipment without the debit of any specific enhanced subscription fees (for example discounts) are not allocated to the individual components. Instead, they are recognized when the total service is provided (for additional information please refer to the 2009 Annual Report). Tele2 now prepares to change this principle so that revenues that can be allocated to the equipment are recognized at the delivery of the equipment to the customer and revenues from other subscription charges are recognized in the period covered by the charge. The change in allocation is expected to be implemented in Q4 2010. Historical figures will not be restated since it is not possible to determine the effect on prior periods.

Revised IFRS 3 and IAS 27 concerning business acquisition

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 shall no longer be capitalized as a part of the acquisition value for the acquired business. Also the definition of a 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 interest 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. Previously a provision for conditional purchase price was initially reported at a value that corresponded to the company's best estimate of the likely outcome. Subsequent changes in the provision, except for the discount effect, were reported against goodwill.

The revised IFRS 3 standard effects acquisitions of a controlling interest in a company where Tele2 already holds an equity interest. The revised accounting standard requires Tele2 to adjust the carrying value of the previously held equity interest to fair value at acquisition. Any gain or loss shall be recorded in the income statement. The revised IFRS 3 standard is applied prospectively.

The revised IAS 27 clarifies that changes in a 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 previous standard gave no guidance on how changes in the parent company's participating interest should be accounted for. The revised standard is applied prospectively and will result in changes compared to the previous principles.

Choice of accounting principle for put options

When choosing and applying its accounting principles, Tele2 has chosen the following principle for reporting of put options in connection with business combinations, where put options give the minority owner a right to sell its shares or part of its shares to Tele2 in a company in which Tele2 is the majority stockholder. The chosen method means that initially, at the business combination, a minority interest is recognized. This minority interest is then immediately reclassified as a financial liability. The financial liability is recognized at its fair value at each reporting date, with the changes reported within financial items in profit or loss.

An alternative method, not chosen by Tele2, would be to report both a minority interest and a financial liability with opposite booking of the liability initially directly to shareholders' equity and the following changes in the liability's fair value reported in profit and loss. Another additional alternative is to on a current basis report a minority interest which is reclassified as a financial liability at each reporting period. The difference between the reclassified minority interest and the fair value of the financial liability is reported as a change of the minority interest within equity.

Other new and amended IFRS standards and IFRIC interpretations

The other new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2010, have had no material effect on the consolidated financial statements.

Tele2 has, in all other respects, presented its interim report in accordance with the accounting principles and calculation methods used in the 2009 Annual Report. Definitions are found in the 2009 Annual Report.

NOTE 1 NET SALES

In Q3 2010, net sales in Estonia were decreased by SEK 18 million related to the settlement of a court dispute regarding excessive mobile termination fees during 2006–2007.

In Q2 2010, net sales and cash flow in Germany has been increased by SEK 588 million due to a reached settlement with Deutsche Telekom regarding several legal disputes dated back to 2003 (e.g. regarding verbal ordering procedures). The positive effect has been reported as a one-off item. Income tax regarding this settlement has affected the income statement negatively in Q2 2010 with SEK 73 million.

In Q4 2009 Tele2 made a settlement with TeliaSonera related to interconnect disputes, and the solved dispute affected the cash flow positively by SEK 340 million and the interest income by SEK 60 million, but did not affect EBIT. In addition an interest cost has affected Q2 2010 negatively by SEK 43 million.

In Q3 2009, net sales in segment Other were increased by SEK 76 million related to a settlement with another operator. The positive effect was reported as a one-off item.

In Q2 2009, net sales in Sweden were decreased by SEK 59 million related to the revaluation of reserves. The negative effect was reported as a one-off item.

NOTE 2 OPERATING EXPENSES

In Q2 2010 Sweden has been negatively affected by SEK 51 million, due to the ruling from the Administrative Court of Appeal in June 2010 regarding price on whole and split copper cable. The negative effect has been reported as a one-off item.

Due to telecom regulatory changes Netherlands has in Q2 2010 been positively affected by SEK 79 million mainly in the fixed broadband and fixed telephony business.

In Q1 2010 segment Other has been negatively affected with SEK 22 million associated with termination payment, including pension costs and social security cost, to former President and CEO Harri Koponen.

NOTE 3 TAXES

In Q3 2010 net taxes were positively affected by SEK 1,049 (1,071) million as a result of a valuation of deferred tax assets related to holding companies in Luxembourg of SEK 895 (1,071) million and for Netherlands of SEK 154 million.

In Q3 2009 Tele2 Sweden received a negative tax ruling, mainly regarding a deduction for contribution to its subsidiary Tele2 Norway for the write off of an MVNO-agreement. The declined deductions affected the tax cost negatively by SEK 209 million in Q3 2009, but had no cash flow effects.

In Q1 2009 SEK 186 million as well as SEK 10 million were expensed regarding the S.E.C. dispute and other tax disputes respectively. Total tax and interest paid in Q1 2009, related to tax disputes, amounted to SEK 395 million out of which SEK 163 million was already provisioned for in 2005. The tax dispute is presented in Note 15 of the 2009 Annual Report.

NOTE 4 SHARES AND CONVERTIBLES

DIVIDEND

Tele2 has, in Q2 2010, paid to the shareholders a dividend for 2009 of SEK 5.85 (5.00) per share, of which the ordinary dividend amounts to SEK 3.85 (3.50) per share and the extraordinary dividend amounts to SEK 2.00 (1.50) per share. This corresponds to a total of SEK 2,580 (2,202) million, of which ordinary dividend SEK 1,698 (1,541) million and extraordinary dividend SEK 882 (661) million.

NEW SHARE ISSUE, CANCELLATION AND REPURCHASE OF SHARES

As a result of 944,000 stock options in the incentive program 2007–2010/2012 being exercised during Q3 2010, Tele2 has sold 944,000 B-shares in own custody resulting in an increase of shareholders' equity of SEK 115 million. In addition, as a result of 207,000 stock options in the incentive program 2006–2009/2011 being exercised during Q3 2010, Tele2 has issued new shares resulting in an increase of shareholders' equity of SEK 19 million.

As a result of 557,000 stock options being exercised during Q2 2010, Tele2 has issued new shares resulting in an increase of shareholders' equity of SEK 53 million.

As a result of 20,000 stock options being exercised during Q1 2010, Tele2 has issued new shares resulting in an increase of shareholders' equity of SEK 2 million.

As a result of 30,000 stock options were exercised during Q4 2009, Tele2 issued new shares resulted in an increase of shareholders' equity of SEK 3 million.

In order to ensure delivery of shares under the incentive program 2009–2012 Tele2 has, in Q3 2009, issued 850,000 Class C shares through a direct placement at a subscription price corresponding to a quota value of SEK 1.25 per share, a total of SEK 1 million. The Class C shares are not entitled to dividends and represent one vote each. Tele2 has immediately after the issue repurchased all Class C shares at a price corresponding to the subscription price.

The, in Q3 2008, repurchased Series B shares in Tele2 AB (4,500,000) were cancelled in Q2 2009, which resulted in a reduction of the share capital of SEK 5 million.

RECLASSIFICATION

In Q3 2010, 1,520 class A shares have been reclassified into class B shares in Tele2.

In order to ensure delivery of shares under the incentive program 2007–2010/2012 Tele2 has, in Q2 2010, reclassified 2,529,000 Class C shares to Class B shares.

In Q1 2010, 4,140,326 class A shares have been reclassified into class B shares in Tele2. The reclassification has been made in accordance with the resolution approved at the Annual General Meeting on May 11, 2009.

In Q2 and Q3 2009, 44,710 and 12,997,000 class A shares in Tele2 respectively were reclassified into class B shares.

CONT. NOTE 4

INCENTIVE PROGRAM 2010–2013

The Annual General Meeting on May 17, 2010, approved an incentive programme for allocation to senior executives and other key employees in the Tele2 Group.

The incentive program (the Plan) includes a total of 143 senior executives and other key employees within the Tele2 Group. The participants in the Plan are required to own shares in Tele2. These shares could either be shares already held or shares purchased on the market in connection with notification to participate in the Plan. Thereafter the participants were granted, free of charge, retention rights and performance rights on the terms stipulated below.

For each share 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, 2010 – March 31, 2013 (the measure period), the participant maintaining the employment within the Tele2 Group at the date of the release of the interim report January – March 2013 and subject to the participant maintaining the invested shares, each 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 529, five times the average closing share price of the Tele2 Class B shares during February 2010 (SEK 105.90).

The rights are divided into Series A rights retention shares, Series B rights performance shares and Series C rights performance shares. The shares to be received by the employee depend on the fulfilment of certain defined retention and performance based conditions during the Measure Period as follows:

Series A rights	Tele2's total shareholder return (TSR) on the Tele2 shares, with a minimum hurdle exceeding 0 percent during the Measure Period.
Series B rights	Average normalized return of capital employed (ROCE), with a minimum hurdle of 15 percent during the Measure Period and a stretch target of 18 percent.
Series C rights	TSR compared with a peer group including Elisa, KPN, Millicom, Mobistar, MTS – Mobile Telesystems, Telenor, TeliaSonera, Turkcell and Vodafone during the Measure Period with TSR being better than the average TSR for the peer group as a minimum hurdle and TSR being 10 percentage points better than the average TSR for the peer group as a stretch target.

The determined levels of the retention and performance based conditions are minimum hurdle and stretch target with a linear interpolation applied between those levels. The minimum hurdle constitutes the minimum level which must be exceeded in order to enable exercise of the rights. If the minimum hurdle is not reached all respective rights to retention and performance shares in that series lapse. If a stretch target is met all retention rights and performance rights remain exercisable in that series. If the minimum hurdle is reached the number of rights exercisable will be 20 percent for the Series B and C rights and 100 percent for the A rights.

To ensure the delivery of Class B shares under the Plan, the Annual General Meeting decided that maximum 1,180,000 Class C shares held by the company after reclassification into Class B shares may be transferred to the participants under the Plan.

The Plan comprises a total number of 200,664 shares and the following number of rights for the different Groups: a) 8,000 shares and

7 rights (1 Series A, 3 Series B and 3 Series C) per invested share for the CEO, b) 32,000 shares and 6 rights (1 Series A, 2.5 Series B and 2.5 Series C) per invested share for other senior executives and other key employees (8 persons) and c) 160,664 shares and 4 rights (1 Series A, 1.5 Series B and 1.5 Series C) per invested share for other participants (134 persons).

	2010
Number of share rights	Jun 9–Sep 30
Allocated June 9, 2010	890,656
Total outstanding share rights	890,656

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 63 million.

The estimated average fair value of the granted rights was SEK 78.60 on the grant date, June 9, 2010. The calculation of the fair values was carried out by external analysts. The following variables were used:

	Series A	Series B	Series C
Expected annual turnover of personnel	7.0%	7.0%	7.0%
Expected value reduction parameter fulfilment	–	50%	–
Weighted average share price	115.49	115.49	115.49
Expected life	2.87 years	2.87 years	2.87 years
Expected value reduction parameter market condition	70%	–	35%

INCENTIVE PROGRAM 2009–2012

	2010	Cumulative
	Jan 1–Sep 30	from start
Number of share rights		
Allocated June 1, 2009		656,160
Outstanding as of January 1, 2010	648,160	
Allocated Q2 2010, compensation for dividend	20,184	20,184
Forfeited	–87,256	–95,256
Total outstanding share rights	581,088	581,088

The Plan comprised a total number of 140,040 shares and the following number of rights for the different Groups: a) 8,000 shares and 7 rights per invested share for the CEO, b) 36,000 shares and 6 rights per invested share for other senior executives and other key employees (9 persons) and c) 96,040 shares and 4 rights per invested share for other participants (62 persons).

INCENTIVE PROGRAM 2008–2011

	2010	Cumulative
	Jan 1–Sep 30	from start
Number of share rights		
Allocated May 30, 2008		384,400
Allocated October 24, 2008		56,000
Allocated December 19, 2008		186,872
Allocated Q2 2009, compensation for dividend		25,165
		652,437
Outstanding as of January 1, 2010	492,549	
Allocated Q2 2010, compensation for dividend	14,372	14,372
Forfeited	–97,605	–257,493
Total outstanding share rights	409,316	409,316

INCENTIVE PROGRAM 2007–2010/2012

	2010	Cumulative
	Jan 1–Sep 30	from start
Number of options		
Allocated August 28, 2007		3,552,000
Outstanding as of January 1, 2010	2,550,000	
Forfeited	–21,000	–1,023,000
	2,529,000	2,529,000
Adjustments for outcome of the performance conditions	–	–
Exercise	–944,000	–944,000
Total outstanding stock options	1,585,000	1,585,000

CONT. NOTE 4

The Exercise of the stock options is conditional upon the fulfilment of certain performance conditions, measured from July 1, 2007 until June 30, 2010. The Board has established that the outcome of these decided performance conditions are in accordance with below.

Performance conditions	Minimum (50%)	Target (100%)	Outcome	Outcome of incentive program
Average normalised Return on Capital Employed (ROCE)	7%	14.5%	15.5%	100%
Total Shareholder Return compared to a peer group (TSR)	> 0%	≥ 5%	38.9%	100%

The exercise price has been adjusted from SEK 124 at December 31, 2009 to SEK 122 due to a compensation for the extraordinary dividend paid during 2010.

Weighted average share price at date of exercise for stock options has during 2010 amounted to SEK 129.34.

INCENTIVE PROGRAM 2006–2009/2011

Number of options	Stock options		Warrants	
	2010 Jan 1–Sep 30	Cumulative from start	2010 Jan 1–Sep 30	Cumulative from start
Allocated March 7, 2006		1,504,000		752,000
Outstanding as of January 1, 2010	904,000		–	
Forfeited	–	–570,000	–	–752,000
Exercise	–784,000	–814,000	–	–
Total outstanding	120,000	120,000	–	–

Weighted average share price at date of exercise for stock options has during 2010 amounted to SEK 121.69 (105.39).

A total bonus of SEK 5 million has been paid in connection with exercise during 2009–2010, as a compensation for the extraordinary dividend of SEK 6.20 and 8.20 paid during 2008, 2009 and 2010.

NOTE 5 CONTINGENT LIABILITIES

SEK million	2010 Sep 30	2009 Dec 31
Tax dispute, S.E.C. SA liquidation	4,354	4,354
Guarantee related to joint ventures		
– Svenska UMTS-nät, Sweden	1,443	1,745
– Mobile Norway, Norway	155	80
Total contingent liabilities	5,952	6,179

On January 27, 2009, the County Administrative Court declined Tele2's claim for a tax deduction of SEK 13.9 billion corresponding to a tax effect, excluding interest, of SEK 3.9 billion related to the S.E.C. tax dispute, of which SEK 186 million was expensed and paid in 2009 (please refer to Note 3). In Q1 2009 the County Administrative Court's ruling was appealed to the Administrative Court of Appeal. An oral hearing will take place at the 26th of November, and a verdict is expected 1–2 months following the oral hearing. The interest is estimated to amount to SEK 630 million at September 30, 2010 and SEK 630 million at December 31, 2009. The tax dispute is presented in detail in Note 15 of the 2009 Annual Report.

Additional contractual commitments and liabilities related to joint ventures are stated in Note 31 and Note 32 in the Annual Report for 2009.

NOTE 6 TRANSACTIONS WITH RELATED PARTIES

Apart from transactions with Transcom and joint ventures no other significant related party transactions have been carried out during 2010. Related parties are presented in Note 39 of the 2009 Annual Report.

NOTE 7 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2010 Jan 1–Sep 30
Acquisitions	
Spring Mobil, Sweden	–67
Kazakhstan	–534
Rostov, Russia	–279
Other acquisitions	–25
	–905
Capital contribution to joint venture companies	–136
	–136
Total acquisitions	–1,041
Divestments	
Settlements of previous years' discontinued operations	–95
Settlements of previous years' other divestments	2
Total divestments	–93
TOTAL CASH FLOW EFFECT	–1,134

ACQUISITIONS

Spring Mobil, Sweden

On July 23, 2010 Tele2 acquired the remaining 50 percent of the shares in the Swedish company Spring Mobil for SEK 81 million.

As a result of Tele2 receiving controlling interest, by the acquisition, Spring Mobil is no longer reported according to the equity method but instead according to the purchase method. As described in the Accounting principles, a revised accounting standard requires Tele2 to adjust the previously held shares of 50 percent to fair value, as a result of the acquisition of additional shares, and report the difference in the income statement (result from shares in associated companies and joint ventures). Accordingly a positive effect has been reported in Q3 2010 of SEK 31 million. Fair value of the previously 50 percent owned shares has been based on the purchase price of the additional acquired shares.

Spring Mobil operates on the Swedish business market with so-called One Phone solutions. Goodwill in connection with the acquisition is related to Tele2's expectation that Spring Mobil complement Tele2's existing product portfolio and will improve Tele2's position in the corporate market. As a wholly owned subsidiary, Tele2 can fully benefit from the synergies that exist between Tele2 and Spring Mobil and the transaction will contribute positively to the company's growth opportunities.

Total acquisition costs of SEK 3 million have been reported in the income statement.

Kazakhstan

On March 17, 2010 Tele2 acquired 51 percent of mobile operator NEO in Kazakhstan for SEK 545 million. Tele2 has in addition committed to a capital injection of SEK 360 million, of which SEK 146 million has been paid by Tele2 and additional SEK 141 million by the minority owner.

NEO operates a 900 MHz GSM license in Kazakhstan with a population of approximately 16.2 millions. Tele2 owns 51 percent of the shares with a call option to buy the remaining 49 percent from December 14, 2014. The other shareholder Asianet Holding B.V. has a put option to sell its shares to Tele2 from December 14, 2011. The exercise price of both options is the fair market value of the shares at the date of exercise.

Goodwill in connection with the acquisition was recognized in accordance with the so called full-goodwill method and is related to Tele2's expectations of strengthening this operation using its solid experience as a leading mobile challenger. The acquisition will provide the potential of synergies given the proximity and similarity of the Kazakhstan asset to other Tele2 operations as well as from the replication of Tele2's successful operational model, including the successful brand and product strategies used in the Russian market.

CONT. NOTE 7

Total acquisition costs of SEK 35 million have been reported in the income statement, whereof SEK 29 million was reported in Q4 2009.

Rostov, Russia

In January 2010, Tele2 acquired the remaining 12.5 percent of the shares in the subsidiary Tele2 Rostov in Russia for SEK 364 million, of which SEK 85 million will be paid in Q1 2013. This was the last minority stake in Tele2 Russia and as a result of this acquisition Tele2 now owns 100 percent of its Russian operation. As described in the Accounting principles, a revised accounting standard requires Tele2 to record the effect of a change in the parent company's shares in a subsidiary, when the parent company retains control, within equity. The Rostov acquisition has resulted in a decrease in equity of SEK 306 million.

Other acquisitions

Other acquisitions of SEK 25 million relates to final payment in August 2010 of previous year acquisition of shares in Tele2 Izhevsk.

Net assets at the time of acquisition

Fair value of assets, liabilities and contingent liabilities included in the acquired operations are stated below.

SEK million	Jan 1 - Sept 30, 2010			Total
	Spring Mobil	Kazakhstan	Tele2 Group ¹⁾	
Customer contracts	45	373	418	418
Licenses	10	594	604	604
Software	9	26	35	35
Trademarks	17	-	17	17
Tangible assets	119	375	494	494
Financial assets	1	48	49	49
Current receivables	73	71	144	144
Cash and cash equivalents	14	11	25	25
Deferred tax liabilities	-19	-	-19	-19
Other long-term liabilities	-107	-999	-1,106	-1,106
Short-term liabilities	-101	-371	-472	-472
Minority interest	-	-527	-527	-527
Acquired net assets	61	-399	-338	-338
Goodwill	31	944	975	975
Fair value of equity interest at acquisition	-46	-	-46	-46
Purchase price shares	46	545	591	591
Payment for debt in acquired company	35	-	35	35
Less: cash in acquired operations	-14	-11	-25	-25
NET EFFECT ON GROUP CASH ASSETS	67	534	601	601

The information above and the pro forma below are to be viewed as preliminary.

The put option in Kazakhstan is measured to its fair value and the minority interest within equity has been reclassified to an interest bearing financial liability. Fair value of the 49 percent minority interest, SEK 527 million, has been determined based on the purchase price of Tele2's 51 percent interest in Kazakhstan, SEK 545 million. More details about the accounting policy applied can be found in the section Accounting principles and definitions.

In the balance sheet for Kazakhstan there is a loan from the former owner. At the time of the acquisition the nominal value of the liability was SEK 561 million and the fair value was SEK 265 million.

Kazakhstan had at the time of the acquisition tax loss carried forward of SEK 724 million. In the purchase price allocation, deferred tax asset relating to the tax loss carried forward has been reported to the extent they offset the deferred tax liability.

Acquisitions after closing day

On October 5, 2010 Tele2 acquired 100 percent of the Dutch operator BBNed for SEK 462 million.

BBNed is a provider of fixed telephony and broadband services in the Netherlands, active in retail, business and wholesale segment. BBNed operates on the business market with its brand BBeyond and on the consumer market with its brands Alice and InterNLnet. This is a great opportunity for Tele2 to strengthen the Dutch business and benefit from increased operational scale.

Total acquisition costs of SEK 7 million have been reported in the income statement.

DIVESTMENTS

Other divestments

Other cash flow changes include settlements of purchase prices in the amount of SEK 2 million, for divestments that have not been classified as discontinued operations.

PRO FORMA

The table below shows the effect of the acquired companies and operations at September 30, 2010 on Tele2's net sales and result, had they been acquired at January 1, 2010.

SEK million	Jan 1 - Sept 30, 2010			Tele2 Group pro forma
	Tele2 Group ¹⁾	Acquired operations before the time of acquisition	Spring Mobil	
Net sales	30,088	46	135	30,269
EBITDA	7,796	-36	24	7,784
Net profit/loss	5,382	-128	-11	5,243

¹⁾ Continued operation

DISCONTINUED OPERATIONS

Discontinued operations include settlements of sales costs and price adjustments for discontinued operations sold during previous years.

NOTE 8 NUMBER OF CUSTOMERS

As a way of standardizing reporting both internally and externally, Tele2 decided in 2009 to change its principles for calculating the number of active customers in its mobile prepaid base. As of June 30, 2009, Tele2 considers a customer inactive if the customer has not used its mobile service in 3 months, instead of as earlier 3 to 13 months. Previous periods were not adjusted retroactively. In Q3 2009, additional adjustments were done to the customer base in Russia and Lithuania to reach conformity with the new principle.

In Q2 and Q3 2009, the one-time effect was a net increase of 567,000 and a net decrease of -249,000 respectively in the reported customer base. The large positive effect that the changed principle had on the Russian customer base was mainly related to the fact that the 3 months period was previously calculated from the time of the payment and not (as the new definition) from the last outgoing call. The table below presents how the customer base was affected by the changed definition in each country.

Thousands	Number of customers at June 30, 2009			Q3 2009 Additional change ¹⁾
	Before	Changed definition	After	
Sweden	3,436	-200	3,236	-
Norway	458	-2	456	-
Russia	11,120	1,261	12,381	-179
Estonia	488	-32	456	-
Lithuania	1,897	-181	1,716	-70
Latvia	1,084	-12	1,072	-
Croatia	773	-227	546	-
Netherlands	465	-40	425	-
Number of customers	19,721	567	20,288	-249

¹⁾ Additional change due to the new principle decided in Q2 2009

NOTE 9 SALES BETWEEN MOBILE AND FIXED

Previously, in the segment specification for Sweden, effects from mobile traffic terminated in the fixed access network and traffic in the fixed access network terminated in the mobile access network were not reported since they were related to traffic within the same company. From Q1 2010, with retroactive effect, the internal sale between mobile and fixed broadband/telephony has been reported for Tele2 Sweden. Segment Sweden has been adjusted with the following amounts.

INTERNAL SALES

SEK million	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Full year	2008 Q4
Mobile	77	17	15	23	22	109	23
Internal sales	77	17	15	23	22	109	23

EBITDA AND EBIT

SEK million	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Full year	2008 Q4
Mobile	77	17	15	23	22	109	23
Fixed broadband	-31	-7	-6	-9	-9	-40	-10
Fixed telephony	-46	-10	-9	-14	-13	-69	-13
EBITDA and EBIT	-	-	-	-	-	-	-

NOTE 10 NEW REVENUE RECOGNITION PRINCIPLE

In Sweden the sale of phones and computers via so called enhanced subscription fee has increased. Enhanced fees are an offering for the customer to pay explicitly for the equipment during a period of 12 to 24 months. This change in customer offering has led to a revaluation of how much cash flow can be allocated to equipment such as mobile phones etc.

In Sweden from January 1, 2010 sales with enhanced subscription fees are regarded as instalment payments and the accounting of the revenues reflect that. Hence both the cost and the revenue from the equipment are accounted for at the time it is supplied to the customer. Previously the cost was taken up front and the revenue was recognized when the total services were provided. Previous periods have been recalculated and the effects on the financial statements are presented below.

INCOME STATEMENT

SEK million	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Full year	2008 Q4	2007 Full year	2006 Full year
Net sales, mobile	209	75	66	37	31	58	43	152	66
Tax	-55	-20	-17	-10	-8	-15	-11	-40	-17
Net profit/loss	154	55	49	27	23	43	32	112	49

BALANCE SHEET

SEK million	2009 Dec 31	2009 Sep 30	2009 Jun 30	2009 Mar 31	2008 Dec 31	2007 Dec 31	2006 Dec 31
Assets							
Accrued income	485	410	344	307	276	218	66
Deferred tax assets	-127	-107	-90	-80	-72	-57	-17
Assets	358	303	254	227	204	161	49
Shareholders' equity							
Equity and liabilities	358	303	254	227	204	161	49

CASH FLOW STATEMENT

SEK million	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Full year	2008 Q4	2007 Full year	2006 Full year
Cash flow from operations, less paid taxes	209	75	66	37	31	58	43	152	66
Change in working capital	-209	-75	-66	-37	-31	-58	-43	-152	-66
Cash flow from operating activities	-	-	-	-	-	-	-	-	-

NOTE 11 INTERNATIONAL CARRIER

From Q3 2010, the international carrier business is reported in segment Other as a result of the business having been moved into the central group functions. Previously this operation was reported in the respective country except for Sweden where it was reported in segment Other together with the other group central functions.

Previous periods have been recalculated retroactively and the effects on Other operations in the financial statements are presented below.

NET SALES

SEK million	2010 H1	2010 Q2	2010 Q1	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Netherlands	-30	-15	-15	-71	-16	-19	-19	-17
Germany	-149	-65	-84	-364	-95	-88	-89	-92
Austria	-127	-53	-74	-348	-108	-90	-65	-85
Other	253	105	148	578	177	148	112	141
Elimination of internal sales	53	28	25	205	42	49	61	53
Tele2 Group	-	-	-	-	-	-	-	-

INTERNAL SALES

SEK million	2010 H1	2010 Q2	2010 Q1	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Netherlands	-10	-5	-5	-28	-7	-6	-8	-7
Germany	-32	-18	-14	-135	-26	-32	-40	-37
Austria	-11	-5	-6	-42	-9	-11	-13	-9
Tele2 Group	-53	-28	-25	-205	-42	-49	-61	-53

EBITDA AND EBIT

SEK million	2010 H1	2010 Q2	2010 Q1	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Netherlands	3	2	1	3	-	1	-	2
Germany	-1	3	-4	-20	-4	-6	-4	-6
Austria	-5	-2	-3	-27	-3	-7	-9	-8
Other	3	-3	6	44	7	12	13	12
Tele2 Group	-	-	-	-	-	-	-	-