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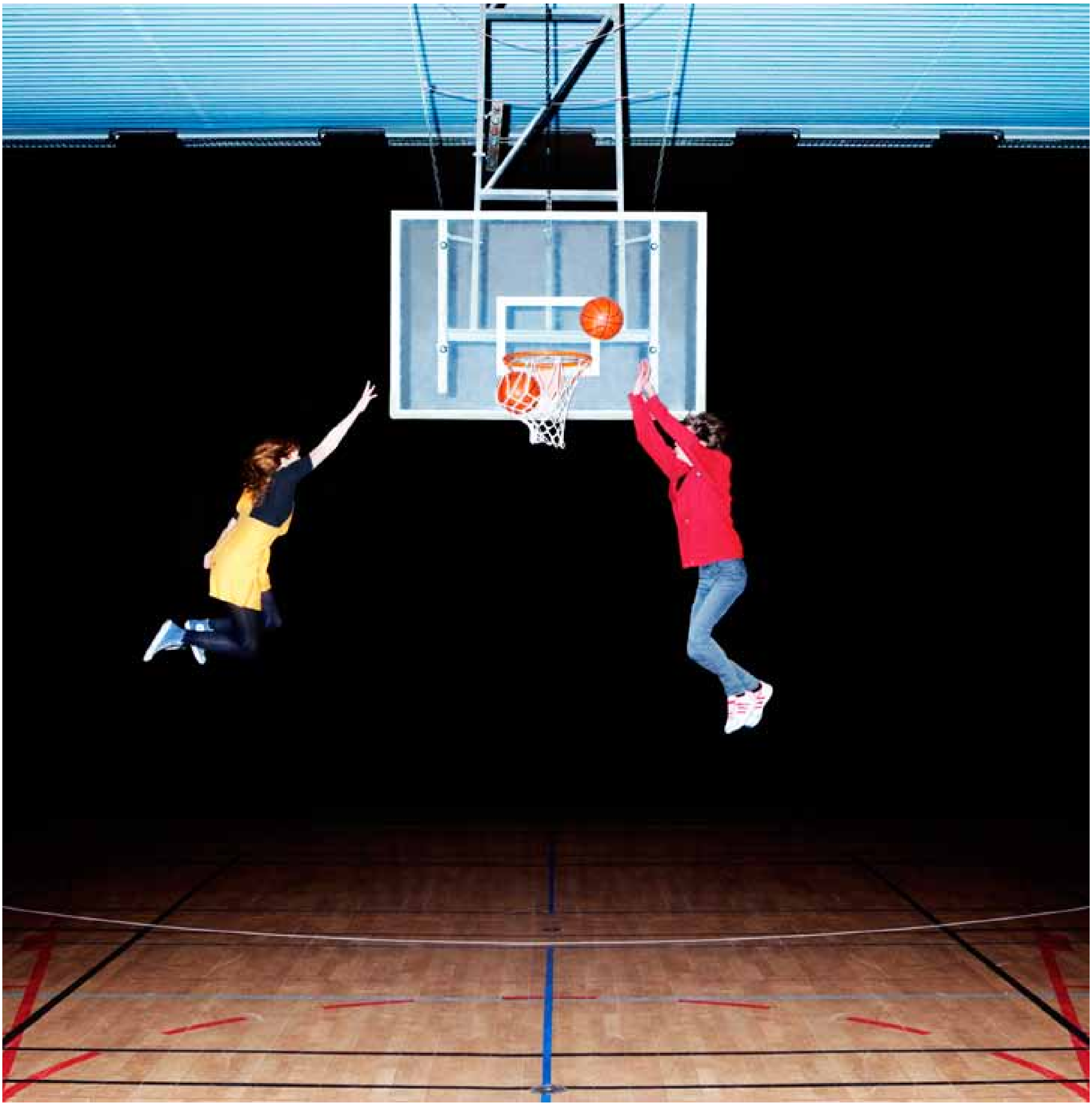
Tele2 is one of Europe's leading telecom operators, always offering its customers what they need for less. We have 38 million customers in 11 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. Ever since Jan Stenbeck founded the 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 2012, we had net sales of SEK 44 billion and reported an operating profit (EBITDA) of SEK 11 billion.



Annual Report 2012

Set to grow. By offering what you need for less.

This is Tele2

With 38 million customers in 11 countries, Tele2 is one of Europe's leading telecom operators. We offer mobile communication services, fixed broadband and telephony, data network services, cable TV and content services.

Ever since Jan Stenbeck founded Tele2 in 1993, the company has been a fast-moving challenger to incumbents and other established providers, with extensive experience in entering new markets and modernising pricing models.

Our mission is to always offer our customers what they need for less, and our vision is to be the champions of customer value in everything we do.

Since 2003, Tele2 has expanded its geographic footprint eastwards and is now present in Russia as well as Kazakhstan.

Mobile communications are the company's primary focus and most important growth segment.

Tele2 covers more than 120 million people with controlled mobile licences. As of 31 December 2012, mobile telephony accounted for 77 percent of Tele2's net sales.

In 2012, the Group generated net sales of SEK 43.7 billion and reported an operating profit (EBITDA) of SEK 11 billion. Tele2 has been listed on the Nasdaq OMX Nordic Exchange since 1996.

The Tele2 Way

We have a strong corporate culture and well-defined corporate values.

We are:
- Flexible
- Open
- Cost-conscious

Driven by:
- Quality
- Challenge
- Action

77%

of Tele2's net sales are attributable to mobile telephony

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Read more about Tele2 on our corporate website: www.tele2.com. Here you can also find a web version of the Annual Report, interim reports, press releases, contact persons and more.

Visit our online annual report on www.tele2.com

Calendar

Annual General Meeting
05/13/2013 Annual General Meeting, Stockholm

Financial Reports
- 10/22/2013 Interim Report January – September 2013
- 07/18/2013 Interim Report January – June 2013
- 04/18/2013 Interim Report January – March 2013
- 03/27/2013 Annual Report
- 02/05/2013 Interim Report January – December 2012

- 04/09/2013 Corporate Responsibility Capital Markets Day, Stockholm

Tele2 2012

Vision

We will be champions of customer value in everything we do

Mission

We are challengers, fast-movers and will always offer our customers what they need for less

- Tele2 Sweden maintained its lead in developing the most extensive 4G network in Sweden. The company also launched the first Multiple Operator Core Network on 2G in the world – a shared radio access network – and thereby created a reference point for cost efficiency.

- Tele2 Sweden introduced innovative services such as WyWallet and +46 VoIP.

- Tele2 Lithuania was the clear market leader in service revenue and profitability.

- In the Netherlands, Tele2 obtained 2x10 MHz licences in the 800 MHz band during a multiband frequency auction. This is a perfect complement to our existing spectrum portfolio and creates a unique opportunity for Tele2 Netherlands to become the new challenger in the 4G arena.

- In Russia, the State Commission for Radio Frequency (GKRCh) extended the evaluation period for technology neutrality. Tele2 will continue to give its full support to GKRCh.

- Tele2 Kazakhstan reached 3.4 million customers in December, with a total market share of 12 percent.

- Tele2 Norway focused on rolling out the country's third mobile network, reaching 66 percent network coverage by year-end.

- Tele2 Russia was acknowledged as one of the 10 best employers in Russia and took the 8th place in the Best Employers rating among Central and Eastern European countries (large companies' category), according to the results of an international AON Hewitt research.

- Tele2 Lithuania was acknowledged as best employer among all telecommunications companies and one of the top five best employers in Lithuania in general, according to the results of another international AON Hewitt research.

Net sales 2012

43,726

MSEK

EBITDA 2012

10,960

MSEK

Recommended dividend 2012

7.10

SEK per share

Key Financial Data

SEK million	2012	2011	2010	2009	2008
Net sales	43,726	41,001	40,585	39,836	38,630
EBITDA	10,960	11,212	10,643	9,621	8,452
EBIT	5,653	7,050	7,022	5,781	3,026
Net profit	3,264	4,751	6,469	4,736	1,758
Earnings per share, after dilution (SEK)	7.30	10.65	14.60	10.66	3.91

The figures presented in this report refer to continuing operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2011.

Fit For the Future

I am convinced that the strong underlying data trend we have started to leverage will continue to improve and enhance our operational performance over the long term.

Many of the structural trends foreseen in our industry materialized during 2012. Tele2 embraced the accelerated move from voice to data and migration from prepaid to postpaid. I am convinced that the strong underlying data trend we have started to leverage will continue to improve and enhance our operational performance over the long term. More immediate and evident during the past year are additional costs associated with the transition from traditional voice to a more data centric business model.

In that context, also marked by very fierce competition in all our markets, I am proud to report great results for Tele2 in 2012: net sales grew by 7 percent to SEK 44 billion and EBITDA reached SEK 10,960 (11,212) million at a margin of 25 (27) percent. We concentrated our efforts on maintaining strong customer momentum and continued to show solid revenue growth across our footprint.

Is telecom still a growing industry?

Many of our competitors do not believe that the telecommunications industry still has growth potential. At Tele2, we disagree. We are operating in an industry with rising competition as well as increasing price pressure on traditional telecom services like voice and SMS. We are currently experiencing a paradigm shift as we move towards a more data centric business model. And yet, I believe that Tele2 can – and will – take its pricing power back while differentiating itself from the competition.

As an operator, we will play an ever more crucial role for the simple reason that without us, there would be no service providers or device manufacturers, nor could people communicate with one another the way they are now used to. We will continue to grow provided that we never lose focus.

Growth is naturally of vital importance; and, even more so is the ability to stay ahead of competition. Fostering growth is tough, and doing so while maintaining profitability is a major challenge. There are many examples of companies that have failed in their desperation to grow and stay ahead of competition. They might have grown their businesses, but at what cost?

In such a dynamic industry as telecom – where the fast eat the slow – there is a risk of losing focus. Of course, we look into M&A opportunities and broadened services that fit our strategy, but our aim is not to become the fattest operator in the world. Instead, we take pride in our perfect size: we are large enough to enjoy economies of scale, yet nimble enough to adapt to ever changing market conditions. In other words, we are slim but we have clout.

So what is our ambition? It is to become the best at what we do in the industry. To achieve this, we must make the most of our two unique selling points: customer relationship and access. Those two areas are absolutely pivotal to our success and so long as we excel in them, I am confident that growth will persist.

Seamless customer experience and access are key

Providing an integrated and seamless customer experience is key to maintaining our customer relations. We need to offer simplicity and quality throughout the customer journey. In order for us to stay ahead of the game and offer our customers what they need, we must know what they want. We must get to know our customers' needs better than they do and shall always keep our promises: simplicity, ease of use and no frills.

Access is everything. Without access nothing in the world of devices, services, applications and telecommunications would work. We must focus on being an access provider and increasing the usage on our networks to be able to charge for that same traffic – but we will not invest in companies outside our core business; rather, we will look for partnerships that complement us. Access is of such importance to the whole telecom environment that we must be proud of that unique ability and be our own ambassadors.

To be the telecom service provider of choice will require even more. As customer experience is becoming more important, operators must offer both attractive and easy-to-use packages of access, devices and services with even easier-to-understand pricing models and proactive customer service. Put shortly, customers want to know what they get for their money. If a product or service provides value, then customers are also willing to pay for it. These trends prevail in all our markets at their different stages of growth and maturity.

Staying on course

We have started a fantastic journey – from Discounter to Value Champion. While addressing the strategic challenges that accompany us along that road, we have continued working to improve the quality of our network and the customers' perception of the value we offer.

In my view, quality means meeting or exceeding customer expectations. Quality equals transparency, honesty and simplicity. Quality is not just about the availability of our network, but also about our interaction with customers as we serve them. It should be easy for the customer to find us, buy and use our services, understand our invoices – even churning out should be a value creation exercise. By keeping a close relation to the customer and by knowing – or anticipating – what the customer wants we shall ensure that the whole customer journey becomes an added-value experience "from cradle to grave".

As we enhance the quality of our services, we push to maintain our position as industry price leader. This has constantly been at the core of our strategy. To differentiate ourselves, we must always deliver what the customer needs for less. In order to do so while still reaching our profitability targets, we clearly need to be selective in our investments and control our costs.

Keeping our focus on developing an ever more valuable business model for data services is central to our strategy through innovative pricing models designed to keep and develop our loyal customer base. During 2012, we could see early signs of the adoption of 4G services with Tele2 now servicing more than 152,000 users. Innovative offerings such as WyWallet (mobile payments), Billing on Behalf, Tele2 Fixit, +46 (VoIP when travelling abroad) and roaming packages support us in our established ambition to always better serve our customers.

Catching the next great wave of growth

Several of our established markets, notably Sweden and Russia, are reaching maturity while we continue to invest in new products and territories to fulfil our ambitions as a growth company.

Tele2 Kazakhstan is the Group's outperformer. We have been benefiting throughout the year from solid customer momentum and the broad awareness that Tele2 offers the best prices in the market with a strong data and value proposition. After establishing a wider base in which to grow, we have invested in the development of good network and data services to encourage our customers to use more of our services.

Our Norwegian operation sustained its swift roll out of the country's third mobile network. Increased marketing efforts also maintained the pace of our gain in market share necessary to create a healthy business. Ultimately, our aim is to achieve a number two position in the market.

Our success in securing 4G licences in the Netherlands in the 800 MHz band during a frequency auction in December 2012 creates an excellent opportunity for us to develop mobile services on our own infrastructure and be the new challenger in the 4G arena.

Honouring transparency: a prerequisite for our long-term success

Growing provides scale, and doing so in a responsible way will enable us to achieve sustainable, profitable development. Basic values such as those conveyed by international human rights standards and sustainability declarations are fundamental for doing business regardless of where we operate. Some countries and regions are naturally more challenging than others depending on their individual situation, rule of law and political climate.

Everywhere we operate, Tele2 is committed to safeguarding its reputation and stock market evaluation by ensuring compliance with its Code of Conduct and by honouring transparency within its sphere of influence. At Tele2, Corporate Responsibility (CR) is not managed separately, as a satellite function. Instead, Tele2 integrates CR into its business operations and processes because it is profitable and enables us to deliver the best results to our shareholders over time. Well-governed CR reduces risk, creates trust and strengthens Tele2's business proposal, making it a prerequisite for our long-term success.

Great people make a great place to work

Our employees' dedication to Tele2 is clearly recognized and appreciated. I want to thank everyone for their hard work and positive attitude. They are the glue that makes Tele2 so unique.
Looking at Tele2 from the inside, I must also say that I have been very impressed with the results of our last yearly employee survey. The response rate was great (98 percent) and the record high results that came out of the survey showed improvements in all areas: employee satisfaction, engagement, leadership and internal employer brand. Likewise, 90 percent of our employees believe that we are honestly committed to CR. Moving forward we will continue to focus on engagement, as engaged employees perform well, go the extra mile and are personally motivated to make Tele2 an even better place to work.

A challenger in essence

We will continue to embrace change and work to be the customers' operator of choice. We will manage to capitalize on our unique assets, customer relations and access, by being true to our legacy and keeping up our challenger spirit. It is that spirit that has made us so successful from the start, and will continue to be the foundation of our success in the future.

Today, we are no longer challenging monopolies but a whole industry that suffers from low self-esteem. As we do so, we need to push and challenge not just ourselves but also our customers. We must continue to do the unexpected. Tele2 is ordered, focused and streamlined in the midst of an industry in transformation, and has all the factors for success in place to carry out its mission: offering a long-term value proposition to its customers, employees and shareholders. The future looks bright for Tele2!

Mats Granryd
President and CEO

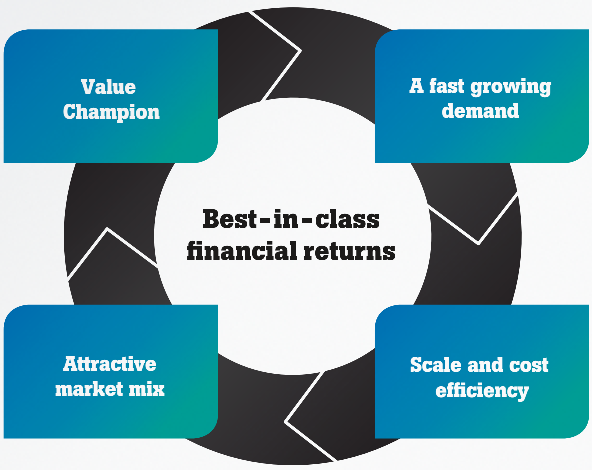
We Generate Value For Our Shareholders

Tele2 operates in fast growing markets characterized by an almost relentless demand for mobile communication services. The demand for mobile data services has increased dramatically in recent years and all indicators seem to suggest this trend will continue.

Individuals and companies throughout the world use smartphones and other mobile devices for more activities than ever – from entertainment, shopping and gaming to work and personal communication. Competition and price pressure are tough, but the average household's expenses for mobile communication services are increasing.

This development represents an excellent opportunity for a company such as Tele2, of which 77 percent of revenues are driven by mobile communications services.

The Tele2 Investment Case



We have defined four critical factors for gradually achieving our target of a return on capital employed (ROCE) that exceeds that of our competitors.

1 **Rapidly rising demand for mobile communications services**

2 **Cost efficiency and economy of scale**

3 **Attractive geographical mix**

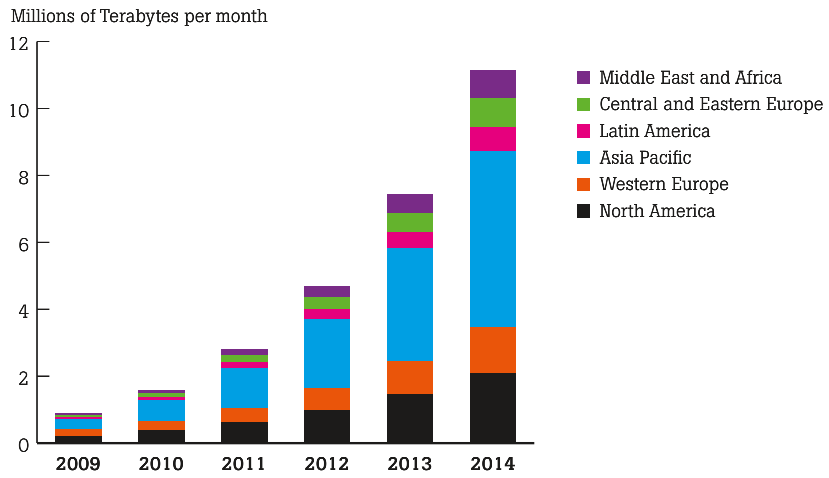
4 **Customer focus**

1 Rapidly rising demand

As the demand for mobile communication services grows, its principal area of usage is shifting from voice to data. That shift is occurring at an impressively high rate. The use of smartphones, tablets and other smart devices is rapidly increasing, as users acquire additional SIM cards for their various devices.

Naturally, fast-growing markets are attractive and consequently, competition intensifies in the telecommunications industry. This resulting price pressure poses a challenge for both Tele2 and its competitors. However, households are continuing to spend a greater portion of their disposable income on mobile communication services. This is a stable trend indicating that operators' revenues may increase despite falling prices.

Demand growth – mobile data usage



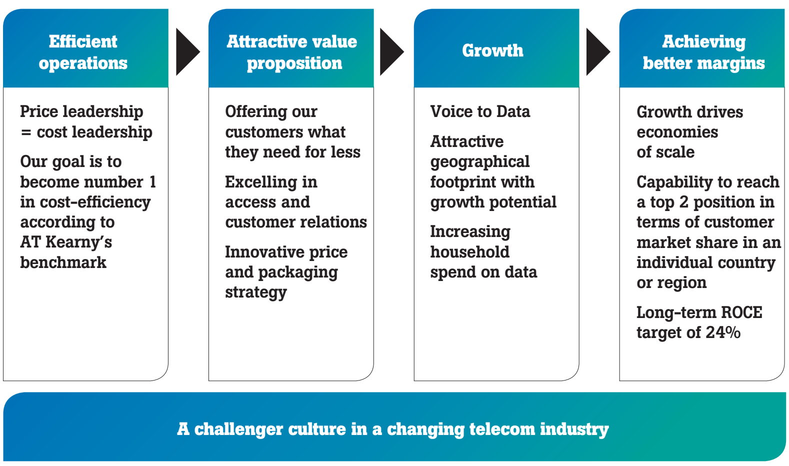
2 Cost efficiency and economy of scale

Low costs are the foundation for successfully capturing the growing demand. Cost awareness is deeply rooted in Tele2's culture. We are a flexible, agile and cost-efficient company – this has and will always characterize us. Tele2 continuously challenges itself and works hard to become the most cost efficient telecommunications operator in the markets where it operates.

Strong link between size and profitability

Significant investment is required to build a mobile network that covers entire countries. Consequently, mobile communication services have high overhead expense. This creates a strong link between size and profitability in the telecommunications industry. The largest companies in terms of market share always achieve higher margins. Therefore, Tele2's strategy is to only establish itself in markets where the company has a chance of achieving a leading position.

Our model for taking a top position



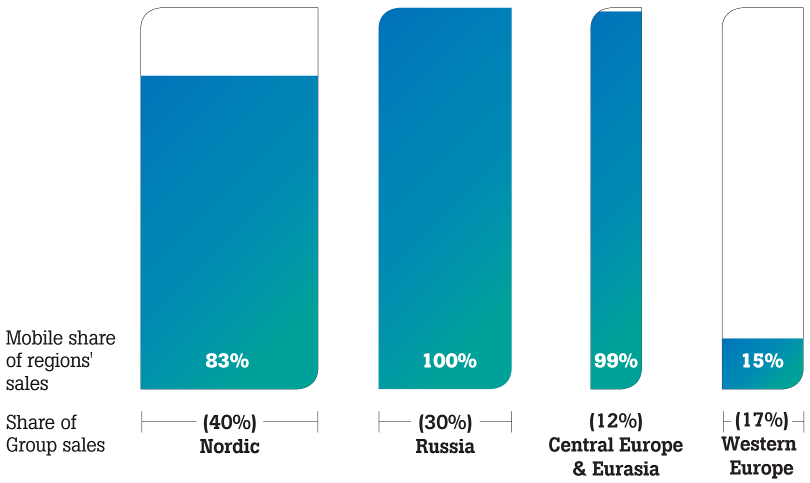
3 Attractive geographical mix

Tele2 has a good balance between mature markets and emerging markets. We are active in four market areas comprising eleven countries:

- Nordic (Sweden, Norway)
- Western Europe (The Netherlands, Germany and Austria)
- Russia
- Central Europe and Eurasia (Lithuania, Estonia, Latvia, Croatia and Kazakhstan)

This mix of markets provides us with excellent opportunities for positive development. Our two mature market areas comprise countries with the most positive outlook for economic growth in Europe, with a strong position as the clear number two in the Nordic region. In Russia, Central Europe and Eurasia, the number of mobile customers is strongly increasing. Our market share is gradually growing in the large countries of Russia and Kazakhstan.

Strong mobile exposure in our markets



Note: Other 1%

4 Customer focus

Tele2 shall offer customers the communications services they need at the most competitive prices. Through an attractive offering, we will secure more customers, which in turn will create opportunities for growth, high margins and a good return.

In 2013, Tele2 started working in accordance with the "Value Champion" concept, which means that we are to have an offering that provides customers with improved value-for-money. This entails:

- Our continued perception as the operator providing services at a good price
- Exceeding expectations throughout the entire customer experience

By setting our prices in a manner that provides customers with what they need for less, based on the volume of data traffic, we can combine value for the customer with value for the company. Moving forward, our ambition is to achieve a leading position in each of our markets.

The best customer experience

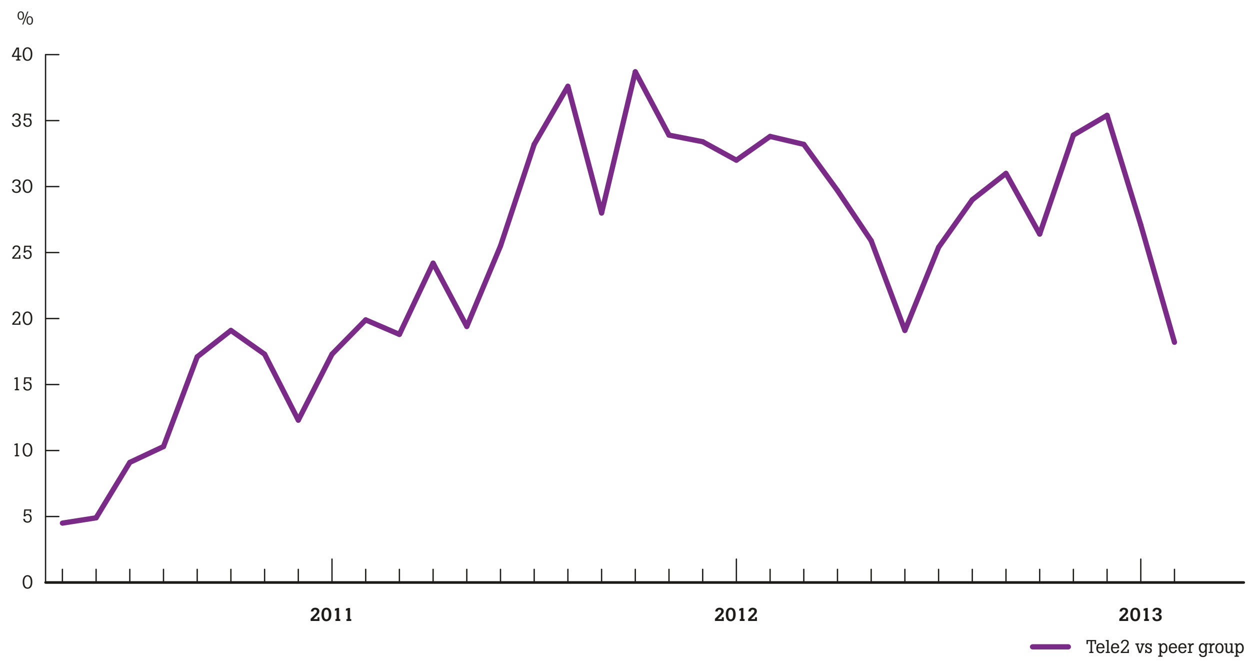
As customers use mobile communication in more areas of their everyday life, customer relationship becomes of even greater importance. Service in the customer relationship involves both the quality of the network and the simplicity of being a Tele2 customer. We must offer a service that suits the needs of our customers. We are working intensively to advance our positions in pace with customers' growing needs.

Our culture is a competitive advantage

Tele2 has a very strong culture of entrepreneurship. We have always challenged our competitors and will continue to do so. Our corporate culture will play a crucial role in our positioning, which will allow us to continue finding new and better ways to create additional services that will generate genuine value for our customers. The telecom industry is undergoing rapid changes. Tele2's agile culture will benefit us and provide a vital competitive edge for securing customers and generating value for shareholders in the future.

Target fulfillment

Total shareholder return



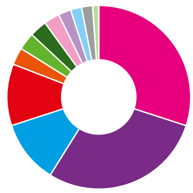
We have achieved our targets for the past five years by having a return on capital employed (ROCE) that exceeded that of our own stretch target.

Our total yield on shares has also exceeded that of our competitors. Tele2 will continue to focus on generating value for its customers in a way that also generates value for its shareholders.

Industry Trends and Drivers

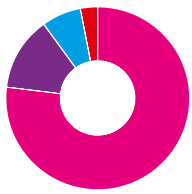
To be successful in our rapidly changing and competitive industry, we need to understand its key underlying trends and what implications they have for Tele2. Achieving to do so will also help us make the right decisions in the future.

Revenue and profit distribution



Sales per geography

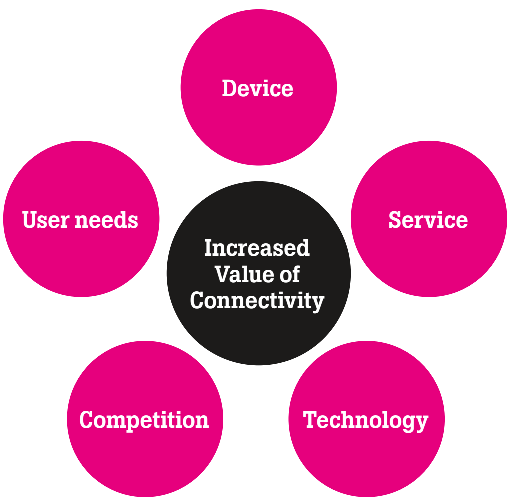
- Russia, 30%
- Sweden, 29%
- Netherlands, 12%
- Norway, 11%
- Austria, 3%
- Lithuania, 3%
- Croatia, 3%
- Kazakhstan, 2%
- Latvia, 2%
- Germany, 2%
- Estonia, 2%
- Other, 1%



Net sales per product area

- Mobile, 77%
- Fixed broadband, 13%
- Fixed telephony, 7%
- Other operations, 3%

Increased value of connectivity



Tele2 Strategy

Tele2 operates in 11 markets, each with its own characteristics. Our market regions include both emerging and mature markets with different cultural, economic and competitive prerequisites. However, there are a few common denominators applicable to all our regions: the transition from voice to data and the trend towards mobility. These are aspects that will require new business models within the industry. The players that manage to manoeuvre this changing scene, where customer needs and expectations are in constant flux, will be tomorrow's winners.

Customer trends

The most important customer trends are:

- **Customers demand not only low prices but also quality, particularly as markets become more mature.**
- **Smartphones, multiple devices and the increased number of mobile services drive customers' need for data access.**

These trends have the following impact on Tele2:

Tele2 must improve its understanding of what drives customer satisfaction
Customers demand more than just low prices. We must better understand the actual components that drive customer satisfaction and loyalty and manage them actively.

Tele2 must provide an appropriate data connectivity portfolio
Tele2's customers will show an increasing demand for data services; thus we have to secure a competitive service offering that meets the needs of the "always connected" customers. This includes having key enablers and sustainable price models in place.

Tele2 must secure an attractive device portfolio
The importance of mobile devices in the customer purchasing decision is growing; therefore we must secure a relevant, yet cost efficient portfolio of devices, including attractive financing options.

Tele2 must intensify the development of key customer touch points, such as online and Tele2 branded stores
Tele2 needs to satisfy and exceed customers' expectations on information, sales and service in both the physical and digital worlds. Tele2 will have to work especially on enabling integrated customer journeys across different channels and devices.

Tele2 must excel in customer service
As data connectivity becomes a vital service, the tolerance for failures reduces dramatically while customers' dependency on expert support increases. A world-class customer service is critical to defending our customer relationships.

Competition trends

The most important competition trends are:

- **The competitive landscape is changing with Internet players and device manufacturers entering the value chain.**
- **As a market matures and Tele2's market share grows, the company will be challenged by discount operators.**
- **Fixed operators and Wi-Fi providers will try to obtain parts of the growing mobile data traffic.**

These trends have the following impact on Tele2:

Tele2 will be challenged on price leadership by competitors
Adding value on top of low prices will be vital in attracting segments beyond the pure price-conscious customers and in reducing the risk of margin erosion due to price wars. The introduction of "price-fighting" brands, such as Comviq in Sweden, will help us tackle that challenge.

Tele2 will defend and retain ownership of its customer relationships
Tele2 will defend customer ownership from the threat of Over-the-Top (OTT) players and device manufacturers. The company will leverage on its customer relationships and outperform in delivering value in the most critical customer touch points.

Tele2 will focus on delivering access also to new customer segments
Tele2 will prepare for a new business model selling data and expand to new customer segments, e.g. Business-to-Business (B2B) and Machine-to-Machine (M2M).

Tele2 must continue leveraging its network as a competitive asset
To stay competitive and differentiate itself from potential new entrants, Tele2 will have to keep on investing in the network with the goal of providing the best connectivity experience at the lowest internal cost.

Tele2 will selectively explore new opportunities
In addition to access, Tele2 will leverage on its assets: customer data and the billing relationship. Tele2 will provide services that are bundled with access, and provide billing services on behalf of other service providers, such as social media sites and app stores. The company will very carefully monetise on customer data, without compromising customer integrity.

Technology trends

The most important technology trends are:

- **Demand for data increases due to superior customer experience, availability of data intensive applications, better and faster networks and the availability of affordable smartphones.**
- **Enhanced data capabilities allow for more competition from OTT high-quality Voice over IP (VoIP) solutions.**
- **Markets will introduce LTE, gradually upgrading to LTE advanced, delivering higher speed/capacities.**
- **Network vendors under pressure will not have the means of investing in new technologies, therefore leading to the risk of obsolescence.**

These trends have the following impacts on Tele2:

More Speed and Capacities for Data required
Focus on customer experience, real time charging and end-to-end performance will be a necessity.

Backhaul and transmission capacities are going to be critical in achieving economies of scale. Likewise, securing fibre based capacities in time and monitoring opportunities to secure wider spectrum will be of great importance.

Voice to data and Voice over data
Customer experience in Voice over Data needs to be at least of equal quality compared to customer experience in current circuit-switched voice.

Voice over LTE (VoLTE) will create opportunities for superior voice experiences and a potential integration with messaging and social networking.

LTE and LTE advanced are the future
Cost versus quality must remain a crucial focus. Tele2 needs to carefully balance its investments in its legacy networks to optimise customer experience and profitability.

Change in vendor landscape
We could face a potential ”Supplier Market” situation with fewer vendors attempting to increase prices.

Regulatory trends

The most important regulatory trends are:

- **Net Neutrality: Potential regulation in the area of net neutrality may prevent telecommunication operators from differentiating between their products or from offering services with prioritised traffic streams.**
- **Next Generation Network (NGN) – Fibre to the x (FTTx): There is a strong interest from the European Commission to promote massive fibre deployments through various forms of subsidies (State aid and Connecting Europe Facility fund).**
- **Mobile Termination Rates (MTRs): The trend in decreasing MTRs is likely to continue.**
- **Roaming: A new regulation has come into force which lowers both wholesale and retail prices drastically, and introduces new structural measures in order to promote competition in the European roaming market.**
- **Customer data and integrity: the European Commission has launched a draft regulation which may introduce new rigid rules on how private and public entities should handle personal data.**

These trends have the following impacts on Tele2:

We do not believe that one size fits all
Tele2 supports the underlying values of Net Neutrality and the importance of fair competition and level playing fields. However, the company wants to ensure end-user flexibility and will therefore continue to work with bundles and different packages, while safeguarding the underlying values of Net Neutrality.

Tele2 should continue to argue for a technology neutral definition of NGN
Public funding and support of specific technologies, such as massive fibre deployments, must be very carefully designed and implemented in order not to distort competition and favour incumbents. Tele2 has been arguing for a completely technology neutral approach and this position is now accepted by several other stakeholders, such as the Swedish Government.

Large operators in a low/zero MTR environment
The rapid reduction of MTRs is likely to persist, which will result in close to zero rates within 3–5 years. As a very efficient operator, Tele2 is well-positioned to manage this trend.

Improve roaming offers
The smartphone revolution has dramatically increased the importance of reasonably priced data offers to our customers when abroad. Tele2 must ensure that customers receive attractive and relevant roaming offers as competition on the end-user roaming market is likely to increase.

Personal data, privacy and integrity
Personal data and privacy are highly sensitive and complex issues; Tele2 must improve both its system capabilities and its understanding of the question in order to enable new possibilities in providing better services for customers without jeopardising their integrity.

Key Strategic Themes

Telecommunication has been and continues to be a very dynamic industry where trends and customer behaviour change rapidly. Based on the trends we can see today, we have identified four key strategic themes which we believe will be of great importance to the company going forward.

Our four key strategic themes

1

Focus on being an access provider: Tele2 should capitalise on growing usage of mobile applications and services but not invest in companies outside of its core business.

2

Focus on increased scale and cost efficiency: Maintaining cost leadership is key to the company's profitability.

3

Strong customer relationship: Providing an integrated and seamless customer experience is extremely important in strengthening Tele2's relationship to its customers.

4

Partnerships to add value to offers: Tele2 should work with application and service companies to provide value-added services closely related to its access business via partnerships.

Our vision

We will be the champions of customer value in everything we do.

Customers should think of Tele2 as the operator that provides them with the most value-for-money.

Our mission

We are challengers, fast-movers and will always offer our customers what they need for less.

Everything we do should lead to better and more relevant experiences for the customer at a better price.

For a more tangible overall vision we have created a wanted position for each of our three main stakeholders.

Our wanted position

Customers – We shall be the operator of choice. By providing the best value-for-money we shall be the operator of choice and grow our market share.

Employees – We shall be considered a great place to work. By being a great place to work, we shall attract and retain the best people who can deliver on our Vision.

Shareholders – We shall have the best Total Shareholder Return (TSR). By being the operator of choice and a great place to work, we shall deliver the best TSR within our peer group.

The Tele2 House – from vision to strategy implementation

For Tele2 to become even more efficient, it is essential that all its employees work towards the same vision. To make sure that everyone effectively understands their part in this work, we have developed the Tele2 House.

How to get there

After defining our wanted position from an outside-in perspective we have defined what it means for Tele2 from an inside-out perspective. We have identified six strategic challenges to assist us in reaching our wanted position.

Growth challenge

Tele2 has always been a growth company and shall continue to outgrow the industry while reaching its Return on Capital Employed (ROCE) targets.

2012 key priorities

- Pursuing organic growth in core business (addressed in several challenges below)
  - By differentiating ourselves and offering what our customers need for less, we will attract new customers and increase the loyalty of our existing customers.
  - By adapting our business model to the shifts "from voice to data" and "volume to value", we will increase the revenue per customer.
- Exploring in-market consolidation opportunities
  - We seek to engage into in-market consolidation opportunities to increase our scale and profitability.
- Looking for growth through geographical expansion
  - We look to find new licences or smaller operators in Europe, Russia and Eurasia.
- Exploring new revenue streams
  - We scan growth areas of strategic importance to see how we can expand our revenues outside the traditional telecom value chain. M2M and mobile payments are areas of interest.
- Divesting where and when it makes sense in terms of timing and price
  - We keep evaluating whether to divest a company that does not meet our financial targets.

Successful acquisitions and implementations in Kazakhstan and Estonia

During 2010, Tele2 acquired a 51 percent stake in the operator Neo in Kazakhstan. After having built out its network sufficiently the company re-launched the operator under the Tele2 brand. In September 2012, Tele2 Kazakhstan grew past 3 million customers. The company will continue to develop its network so as to offer even better services to its customers and pursue its growth.

At the end of 2011, Tele2 Estonia decided to acquire Televürgu to build scale and secure a sustainable cost structure in the Estonian market. Televürgu was integrated during 2012 and the company is ahead of plan in terms of synergies.

Differentiation challenge

Tele2 must give customers reasons to choose us instead of our competitors. We believe that price and quality are the two most important factors influencing customers' purchasing decisions. During the past years, we have made investments to increase quality in order to match the needs of our customers. Through such investments, we will be able to provide what our customers need for less.

Offering low prices will continue to be the cornerstone of our differentiation, but as our markets mature and the needs of our customers develop, we will focus more on offering the best value rather than offering only the lowest price.

The key priorities and activities in 2012 were:

- Achieving solid price leadership in the eyes of the customer in all markets
  - Tele2 Lithuania has experienced a fantastic journey and has for numerous years been the indisputable price leader.
  - Tele2 Kazakhstan has taken the price leader position in most of the regions in which the company operates.
- Understanding true customer needs and identifying the drivers of customer satisfaction without sacrificing the company's price leadership and profitability
  - We identified key drivers of customer satisfaction and the processes that require improvements.
  - We implemented improvement plans in relevant touch points where needed.

Tele2 Kazakhstan: an operator that makes a difference

The Tele2 brand was launched in Kazakhstan in April 2011 and since the company entered the market, its growth has been exceptional to the point of exceeding 3 million customers by the end of 2012. Tele2 Kazakhstan has not only demonstrated high growth in price perception, but also lowered the price for mobile communications services by 50 percent for the Kazakh consumers while raising quality on data. The price focus has been vital for Tele2 when entering new regions. In the regions where Tele2 has the highest price perception, it also has the highest market share.

Business model challenge

As technology has evolved, competitive pressures have grown and user behaviours have changed. This calls for increased efficiency and new long-term business models. The most obvious change impacting the telecom industry is the shift from selling voice to selling data. This, in turn, calls for new pricing models which, if correctly designed, will also open up new growth opportunities for the coming years.

Another important area to consider is the shift in focus from volume to value meant to improve profitability as markets mature. We are therefore working even harder to segment our customers based on profitability, and target each segment with customised offers in order to reduce churn and enhance profitability.

By addressing these two areas we will augment growth as well as profitability.

The 2012 key priorities and activities were:

- Benefiting from the shift from voice to data:
  - We created a new pricing structure based on buckets with voice and data bundles, complemented with new upsell and cross-sell methods.
  - We updated our product portfolio to include different buckets and price plans in order to always provide relevant and attractive offers for a variety of customers.
  - We kept working on improving customer experience though the development of traffic management tools designed to prioritise specific traffic.
  - We continued to explore and develop own IP-based voice and messaging services.
- Benefiting from the shift from volume to value:
  - We kept reducing the churn of the most valuable customers by increasing our knowledge about customer profitability, by anticipating customer behaviour and predicting churn risk, and by proactively contacting relevant customers.
  - We further increased the value of the existing customer base by means of micro-segmentation based on customer needs and usage profiles, in order to better customise upsells and cross-sells.

Successfull upsell and cross-sell methods in Sweden

In Sweden, there is strong price pressure on voice and SMS. Data consumption is increasing rapidly and by the end of Q3 2012, 71 percent of Tele2 Sweden's customers were using smartphones. Tele2 Sweden has been focusing successfully on buckets with bundles of voice and data with new upsell and cross-sell methods. The decline in voice and SMS revenues has been successfully compensated by the increased usage of data.

Cost leadership challenge

In order to offer our customers what they need for less, and still reach our profitability targets, we need to be the cost leader in our industry. We constantly work to improve our cost efficiency to make sure that we can deliver on our promise to the customers.

The key priorities and activities in 2012 were:

- Being the telecom industry cost leader by 2013
  - The goal is to be the most cost-efficient telecom operator group according to independent benchmarking by 2013. Action plans have been defined and tracked to ensure the fulfilment of our wanted position.
- Initiating a cost reengineering programme
  - The cost leadership process has been further integrated into the strategic planning process to ensure the alignment and fulfilment of cost efficiency initiatives.

Launch of new e-commerce platform

In 2012 we launched a new e-commerce platform that can be implemented across multiple countries. Our online focus has already resulted in great growth in both customer intake and service usage through this channel, and our online customers spend more, stay longer and cost less to acquire than customers acquired through other channels. By introducing even better infrastructure based on common components, we will meet and hopefully exceed this growing segment's ever increasing demand for information, service and transactions in a cost-efficient way.

Quality challenge

To support our ability to provide what our customers need for less, we shall improve quality in our internal processes, thereby securing cost leadership and improved customer perception of quality.

We will invest in areas that we believe will generate the highest return. For example, by making sure that we handle the root cause of a problem for the customer we can minimise the number of calls to the call centre, i.e. we can lower the customer care cost. This will help us to achieve cost leadership and deliver a better and more consistent service to our customers. When choosing which internal processes to focus on, we always prioritise according to the impact on the end-user.

The key priorities and activities in 2012 were:

- The Quality KPI dashboard was implemented to measure and manage critical areas in order to improve operating efficiency and the quality of services delivered to customers
- The Value Chain programme, which maps the customer journey in all major touch points, was put in place in order to synchronise people, processes and systems around customer experiences, and by measuring relevant KPIs in critical areas

Important reduction of incidents affecting customers

The quality improvement work carried out during 2012 in line with the activities mentioned above contributed to reducing the number of incidents affecting customers by more than 70 percent across the whole Tele2 footprint.

A better user experience for customers in Sweden and Estonia

At the end of 2012, Tele2 could claim over 80 percent LTE population coverage in Sweden and launched LTE in Estonia, providing higher quality and a better user experience for its customers.

People challenge

In creating a great work place, we shall sustain an organisation that is performance-driven, fosters talent and encourages long-term careers.

To reach this objective, we are working to further improve our leadership, our reward and recognition programme, as well as our performance and talent management. Subsequently it is important that our strategy and culture align so that we are coherent in what we say and do. Read more in the Human Resources section.

The key priorities and activities in 2012 were:

- We reinforced the Tele2 Way leadership behaviours as a standard in the Group, starting with our CEO and the Leadership Team, to be a value-driven company with engaged employees
  - The Tele2Way training was updated.
  - Tele2Way became part of the employee rating and development process.
- We developed a **Learning and Development** programme
  - The 70:20:10 mind-set was implemented.
  - Internal and external best practices were analysed.
  - Recommendations for leadership development were made (implementation will be made during 2013).
- We implemented the **Performance and Talent Management** programme
  - We secured that all employees have yearly performance reviews to ensure that individual targets and performance are linked to the overall strategy.
  - We rolled-out the Tele2 Group Performance Management process with a common template, toolbox and KPIs.
  - Top talents and development plans were created, including succession, for all identified key positions.
  - We developed and implemented processes and tools for succession planning.
- We implemented a **Reward and Recognition** programme and set an aligned and competitive compensation structure linked to individual performance and relevant market benchmarks with a global Tele2 standard
  - A global grading system for all positions in the Group, linked to salary and reward structure, was put in place.
  - An aligned title structure was created and implemented.

Engaged employees

Employee Satisfaction Index (ESI) measures the level of employee satisfaction within an organization. The key drivers are work environment, leadership, information, development and the ability to influence. In the past five years, Tele2's ESI Index has improved from 90 to 97. The maximum for this index is 100 and the benchmark is 89. According to the employee survey 'My Voice' 2012, 94 percent of all employees are familiar with the strategy and 92 percent consistently work towards the Group's goals. With such an ESI Index development, we raised the bar last year and now focus on engagement. We know that engaged employees are those who make a difference in the company's quest for long-term business success. An engaged employee is willing to walk that extra mile and is the driver of customer loyalty. The 2012 survey showed that 51 percent of all employees are engaged (compared to 43 percent in 2011). This number is significantly above the benchmark (36 percent) and makes us very proud. Going forward, we will continue to focus on working with engagement.

Culture beats strategy

At the end of the day, all of our hard work in various areas aims at reaching our vision.

To do this we need to have highly skilled and engaged people who share our company values, the Tele2Way. Read more about Tele2Way in the Human Resources section.

How We Measure

The Tele2 Way is about satisfied customers and employees, operational efficiency and fast time to market. The value we create for our customers and shareholders is ultimately determined by our capability to attract customers through price and quality leadership, as well as by maximising every customer's lifetime value.

We have defined three Key Performance Indicators (KPI) in order to measure our success in delivering the best value for money in all our markets:

- Tele2 shall be perceived as the price leader (highest score on "low price" among competitors).
- The quality of Tele2's products and services shall be perceived as satisfactory by customers (rated as quality leader, or within striking distance to leader).
- Tele2 shall achieve a strong market position in all markets (number one or two in terms of market share).

Market Share

	Market share 2012	Trend "MS"	Trend "Gap"	Gap
Sweden	25%	→	↑	–16%
Norway	19%	→	↓	–39%
Russia	7.3%	↑	↑	–25%
Estonia	29%	↑	↑	–11%
Lithuania	34%	↑	↑	–1%
Latvia	34%	→	↑	–16%
Croatia	15%	→	↓	–30%
Kazakhstan	6.9%	↑	↑	–47%
Netherlands	1.5%	→	↑	–39%

Objective Tele2 achieves strong market share.
Market share Revenue market share in % of total mobile market.
Trend Development compared to previous year.
Gap Difference between Tele2 and best performing competitor.

How We Measure

Lowest Price Perception

Lowest price perception		Result Q4	Trend	Gap	Grade
Sweden	Prepaid	14	↓	–6	🟥
	Postpaid	22	↓	1	🟩
Norway	Prepaid	32	↑	24	🟩
	Postpaid	4	↓	–4	🟥
Russia	Prepaid	61	↑	55	🟩
Estonia		31	↓	7	🟩
Lithuania	Prepaid	46	→	32	🟩
	Postpaid	58	↑	12	🟩
Latvia	Prepaid	36	↓	6	🟩
	Postpaid	30	↑	0	🟩
Croatia		28	↑	8	🟩
Kazakhstan		31	↑	7	🟩
Netherlands		8	↓	–14	🟧

Objective Customers perceive that Tele2 has the lowest price.
Price perception score Percentage of consumers that name Tele2 as the price leader compared to competitors.
Research question "Which of the following brands would you say has the lowest price on the market?" Tele2 and relevant competitors are mentioned.
Trend Development compared to previous year.
Gap Difference between Tele2 and best performing competitor.
Grading 🟩 First place, 🟧 Second place and close to competitor, 🟥 Not close to competitor
Note When a Tele2 brand and sub-brand are in the first place and second place, both are marked in green.

Quality Perception

Quality perception		Result Q4	Trend	Gap	Grade
Sweden	Prepaid	25	→	–44	🟥
	Postpaid	34	↑	–35	🟧
Norway	Prepaid	33	↑	–32	🟥
	Postpaid	29	↓	–36	🟥
Russia	Prepaid	37	↓	–9	🟥
Estonia		44	→	–17	🟥
Lithuania	Prepaid	61	↓	–5	🟥
	Postpaid	67	↓	1	🟩
Latvia	Prepaid	66	↑	–9	🟧
	Postpaid	67	↑	–8	🟧
Croatia		35	↓	–28	🟥
Kazakhstan		51	↑	–34	🟥
Netherlands		29	↑	–32	🟥

Objective Customers perceive that Tele2 has satisfactory quality.
Quality perception score Consumer rating (on a scale from 1 to 5) of Tele2's quality compared to that of competitors. Number shown is percentage giving Tele2's quality a 4 or 5.
Research question "How would you rate the quality of the mobile telephony services of the following companies?"
Trend Development compared to previous year.
Gap Difference between Tele2 and best performing competitor.
Grading 🟩 First place, 🟧 Within striking distance to competitor, 🟥 Not within striking distance to competitor
Note New calculation this year for Russia, with a scale from 1 to 10.

Net Promoter Score

NPS		Result Q4	Trend
Sweden	Prepaid	12	↓
	Postpaid	–3	↓
Norway	Prepaid	51	↑
	Postpaid	–12	↓
Russia	Prepaid	58	↑
Estonia		26	→
Lithuania	Prepaid	58	↑
	Postpaid	43	↑
Latvia	Prepaid	45	↑
	Postpaid	42	↑
Croatia		24	↓
Kazakhstan		65	↑
Netherlands		–10	N/A

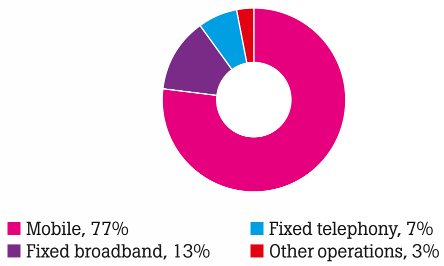
Result Q4 2012 Based on their responses, customers are categorized into one of three groups: Promoters (9–10 rating), Passives (7–8 rating), and Detractors (0–6 rating). The percentage of Detractors is then subtracted from the percentage of Promoters to obtain a Net Promoter Score. NPS can be as low as –100 (everybody is a detractor) or as high as +100 (everybody is a promoter).
Trend Development compared to previous year.

Services for Ubiquitous Connectivity

Tele2 is a telecom operator primarily focusing on mobile communication services. We believe that ubiquitous connectivity is a basic need both for consumers and business customers. Tele2 is therefore working with the development and provisioning of innovative and high-quality mobile communication services that support customers in realising this need.

In terms of sales, the mobile service area is the most important one, constituting with SEK 34 billion more than three quarters of Tele2's total sales. The mobile segment which grew by 15 percent in 2012 compared with 2011 is expected to grow even further, in size as well as in relative importance for the company.

Net sales per product area 2012



Depending on business feasibility and the company's potential to leverage existing network assets or an existing customer base, Tele2's mobile offering is complemented by fixed broadband and fixed telephony in selected countries, as listed in the table below.

Country/Product & services area	Mobile Services	Fixed Broadband	Fixed Telephony
Sweden	■	■	■
Norway	■		■
Russia	■		
Estonia	■		
Lithuania	■		
Latvia	■		
Croatia	■		
Kazakhstan	■		
Netherlands	■	■	■
Germany	Fixed via Mobile	■	■
Austria		■	■

Mobile Voice, Messaging and Handset Data

Our offer

Tele2 currently offers mobile telephony and handset related data services in all its markets except for Austria and Germany.

The services that Tele2 offers include:

- Mobile voice telephony
- Messaging services such as SMS and MMS
- Handset data services, i.e. access to the Internet using a mobile handset
- Home telephony via the mobile network (currently only in Sweden and Germany)
- Value-added services such as ringbacktones, antivirus, games, music, mobile TV and video

Driven by smartphones

The development of this area is to a large extent impacted by the increasing penetration of smartphones among Tele2's customers. Smartphone penetration within the company's footprint varies a great deal from one market to another.

The Western European markets still have a much higher penetration of smartphones than the Eastern markets. However, smartphone penetration is also increasing rapidly in those markets. Today, the variation is mainly attributable to the rather high price point of smartphones in relation to the purchasing power of customers in different markets. This is however expected to change over time as smartphone prices are progressively coming down.

The success of the smartphone, with the simplicity and improved user experience it provides, is the main driver behind the increased adoption and usage of new mobile services, and the greater overall consumption of the mobile data services that Tele2 delivers.

However, while we are quickly adapting to changed customer behaviours and needs, a large share of our customers do not yet own a smartphone and are therefore not heavy users of Internet services on the mobile phone. Tele2's ambition is to ultimately convert those customers into smartphone users but they will continue to represent an important market segment for several years to come.

Tele2 Sweden launches +46 app for cheaper calling while traveling abroad

During the summer 2012, Tele2 launched an app that makes it possible for users to call cheap via WiFi while being abroad. The price is the same as it would have been within Sweden. Customers can both make calls to and receive calls from anyone in the world, using their ordinary phone number. By using this app customers can avoid expensive roaming charges. The app is available for both Android and Iphone.

Tele2 introduced this app not only to make roaming less costly for the customers; it is also a way of showing that IP telephony is a technology that can be used by more traditional operators in order to meet the customers' new needs in a world where smart services are continuously pushing technical boundaries.

Tele2 Sweden successfully launches bundled subscription 'Volym'

In 2012, Tele2 Sweden launched subscriptions with pre-defined packages of voice, SMS and data. The offering, called 'Volym', is available in three different sizes: Low, Medium and High.

Volume	Voice	SMS	Data
Low	300 min	300	1 GB
Medium	Unlimited	Unlimited	3 GB
High	Unlimited	Unlimited	10 GB

In the years to come, Tele2 expects the mobile service arena to transform itself. A key factor is smartphone penetration, which reaches critical levels, together with growing demand for fast access to the Internet. More Internet-centric communication service providers will enter an increasingly fragmented market, making it more complicated for customers to purchase the services they need given the many alternatives they will have to choose from. As this change occurs, Tele2 will make sure that the customer can continue to easily find, buy and use its price-leading and customer-friendly mobile communication services.

Our activities and priorities

In 2012, Tele2 continued to evolve the pricing of voice and data to establish a sustainable pricing model with a stronger correspondence between customers' actual usage of data and the price they pay for using Tele2's services. In addition, to make it easier for our customers to buy mobile communication services Tele2 has been developing a bundling strategy, consisting in selling services such as voice telephony, messaging and data together, in most of its operations.

Mobile Broadband

Tele2 launches 4G in Estonia

The 4G service was launched in Estonia in late November with three different price plans.

	4G Small	4G Medium	4G Large
Monthly Price	€ 10	€ 20	€ 30
Speed	No limit	No limit	No limit
Data Included	5 GB	15 GB	30 GB

Customers can choose to buy either a USB dongle or a 4G-enabled home router to be able to use the service. Initially, the 4G service will be available in Tallinn. Coverage will be expanded during 2013.

Tele2 acquires a 4G licence in the Netherlands

In the Netherlands, Tele2 obtained 2x10 MHz licences in the 800 MHz band, as a perfect complement to its existing spectrum portfolio. With this spectrum in the 800 MHz band, and spectrum obtained earlier in the 2.600 MHz band, Tele2 will roll out a next generation 4G network on own infrastructure, offering businesses and consumers higher speed and lower prices for mobile broadband.

Our offer

Tele2 offers mobile broadband in all the markets where mobile services are available except for Russia. Mobile broadband enables data services such as access to the Internet at high data rates. It is made available through laptops (integrated or by means of dongles), tablets and mobile broadband-enabled routers.

The launch and roll-out of 4G in Sweden proceeded as planned during 2012 and the 4G network will cover approximately 99 percent of the population by Q1 2013, supporting Internet speeds of up to 80 Mbit/s with very low latency. For the customer, this translates into a true broadband experience.

In Sweden, Tele2 proved to be highly successful in offering mobile broadband and MBB routers as a substitution for xDSL subscriptions, generating a growth in customer base of 4 percent. Sweden also managed to successfully bundle mobile broadband with a fixed phone replacement solution called 'Hemtelefoni' (Home telephony via the mobile network), which enables the substitution of the copper-based landline phone with a 3G-based DECT solution, offering a complete package for Internet and fixed telephony. This has been a very attractive product bundle which Tele2 will continue to promote during 2013.

Customer demand for broadband is continually growing. Since mobile broadband is the easiest and most cost-efficient way to connect to the Internet, Tele2 expects future growth as the company's 4G footprint expands. During 2012, Tele2 launched 4G services in Tallinn and was awarded 4G licences in Latvia, Lithuania and the Netherlands.

Our activities and priorities

As the user experience continuously improves through enhanced network performance and customers require more than ever the ability to be constantly connected, new mobile broadband-enabled devices and services emerge. This offers a great opportunity to develop services that allow for customers to continuously stay connected through multiple devices wherever they are.

The pricing of mobile broadband access remains a challenge for the industry. Flat fee pricing has been a key driver behind the quick uptake of the service. At the same time, the ever increasing demand for bandwidth jeopardises profitability. To mitigate that risk, Tele2 avoids offering unlimited mobile broadband, if market conditions allow. Instead, we offer tiered pricing, based upon data volume and speed. Another example of how we intend to secure sustained profitability in the mobile broadband segment moving forward is the introduction of real-time billing, which enables upselling of data volume. Tele2 kept launching new price models during 2012. The company will continue to evolve the mobile broadband offering to better reflect customer usage and to safeguard the service's profitability. This is an on-going process that will take several years. It represents a challenge for all operators facing increased data volumes, driven by both mobile broadband and the growing use of Internet via mobile phones.

Business-to-Business (B2B) Services

Our offer

Tele2 targets the B2B segment in most of its markets. Typically the services offered are:

- Mobile telephony and data
- Fixed broadband
- Fixed telephony
- Specific B2B telecommunication services
- Cloud services

Today the basic mobile telephony business offering is, depending on market feasibility and maturity, complemented by niche business products and services like hosted PBX, private APN functionality, Closed User Groups, B2B Cloud applications, and also business-focused smartphones and tablets. Local needs and requirements, market research and customer expectations guide the composition of the product portfolio.

In Sweden and Norway, Tele2 offers a full scale of mobile business services whereas in the other markets the introduction of the different services is on-going.

Focus on understanding customer needs

Serving the business segment goes far beyond offering a selection of products. In order to provide best-in-class customer experiences, focus needs to be extended to the delivery and support of the sophisticated business products offered. Tele2 is therefore concentrating its efforts on understanding customer segments, needs and behaviour as these will determine both sales and the way we handle customers.

Tele2's overall experience in providing business services will ensure that all business customers are efficiently served. However, the Small- and Medium sized Enterprise (SME) segment is the largest business sub-segment in most economies and generally does not require a high level of costly account management, specific adjustments or customised solutions. SMEs are also more flexible and quicker in decision making, making it easier to acquire new customers in this segment. Tele2's goal is therefore to be the ultimate communications partner to the SMEs customers and be their 'one-stop-shop'. The idea is that they should grow and spend their time on their core business, while Tele2 takes care of their vital communications and IT needs.

Our activities and priorities

During 2012 we have ensured that each of our B2B markets have a solid and compelling portfolio of products and services addressing the needs of SME customers. We have been focusing on the customer need for cost-efficient and business-enhancing services in that segment.

Our main target is to keep building up a selective portfolio of mobile, but also fixed (where relevant) business products and services, as well as appropriate sales, delivery and support channels across our markets.

With each market having a basic business offering as a minimum, we will continue to promote other new innovative services, like the next generation IP Centrex platforms or Cloud services, where justified by market maturity and demand.

Furthermore, we want to lay particular emphasis on the optimisation of our Sales Channels and promote the idea of addressing industry verticals based on their value and very specific needs.

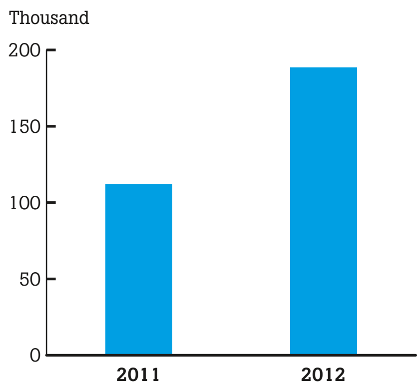
Russia reaches a significant B2B growth

During 2012, Russia has been experiencing extraordinary results in the Business to Business segment. Specifically the revenues grew by 68 percent and the subscriber base by 79 percent compared to 2011; there is still great potential for growth, knowing that Tele2's business customers represent a very small share of the total customer base.

After consolidating its portfolio of basic B2B services, mostly consisting of voice and data tariffs, and various cost control features corresponding with market demand, the local B2B team has put a tremendous effort into driving revenue and subscriber base.

B2B Sales presence has been established in all the regions and a common strategy has been leveraged and promoted through a structured Go-to-Market exercise. B2B products were also made available in the first Retail mono-brand shops, adding an extremely important sales channel. What is more, a call centre based in Rostov-on-Don reached excellent performance in creating the B2B leads and supporting the Direct Sales.

Tele2 B2B customers in Russia



Fixed Broadband

Our offer

Tele2 offers fixed broadband services to households and businesses in Austria, Germany, the Netherlands and Sweden.

The service portfolio varies between countries, but some examples of Tele2's broadband services to businesses are:

- Leased lines data connectivity offering data rates between 2 Mbit/s and 10 Gbit/s
- Fixed point-to-point Ethernet connectivity between customers facilities offering data rates between 1 Mbit/s and 10 Gbit/s
- VPN-Service for wholesale and carrier customers based on IP/MPLS-technology
- Wholesale of configurable DSL capacity to other operators
- International IP connectivity carried in Tele2's European IP backbone

The main broadband service delivered to households is Internet connectivity based on DSL technology. In Sweden and the Netherlands, Tele2 also offers fibre services to households that require higher bandwidth, either as a service on top of municipality-operated fibre networks or on own fibre and LAN infrastructure. Fibre Internet access with data rates of up to 100 Mbit/s (the Netherlands) and 1 Gbit/s (Sweden) can be provided.

Tele2 is also bundling fixed consumer services into a dual play (telephony and fixed broadband) offering, in all the markets where fixed broadband and fixed telephony are delivered. This increases usability, simplicity and cost minimisation for the customers.

In Sweden, the bundling strategy was successfully expanded into a triple play service (telephony, fixed broadband and TV packages); in the Netherlands, it was extended even further to also include mobile services, resulting in a quadruple play offering.

Our activities and priorities

To keep pace with customer expectations of increasingly higher data speeds, Tele2 continuously works on enhancing the fixed broadband offer by rolling out new infrastructure, including fibre, where there is a demand from customers.

In addition to the dedicated investments made to support the fixed broadband offering, there is a positive side effect of the on-going 4G network roll-out. Since most 4G sites will be deployed with fibre connectivity, it will be possible to offer high speed fixed broadband connections to households and businesses close to Tele2's 4G sites.

Tele2 Netherlands pilots a fibre offering together with the introduction of quadruple play

In 2012, Tele2 Netherlands piloted a quadruple play offering with fixed broadband, TV, and fixed and mobile telephony services.

With this offering Tele2 Netherlands is not only able to provide a set of high quality media and communications services, but it is also able to bundle them in a cost-efficient way. Furthermore, to make the transition to Tele2 as easy as possible for the customers, free installation was included.

The broadband service is based on fibre transmission and enables data rates up to 100 Mbit/s.

The offering is highly flexible and makes it possible for customers to pick and choose their own ideal package.

It was piloted during 2012 but the offering is expected to be launched on a larger scale in 2013.

Fixed Voice

Our offer

Tele2 offers IP telephony or traditional fixed telephony in Sweden, Norway, the Netherlands, Germany and Austria. The company also offers a fixed telephony replacement service using the mobile network in Sweden and Germany.

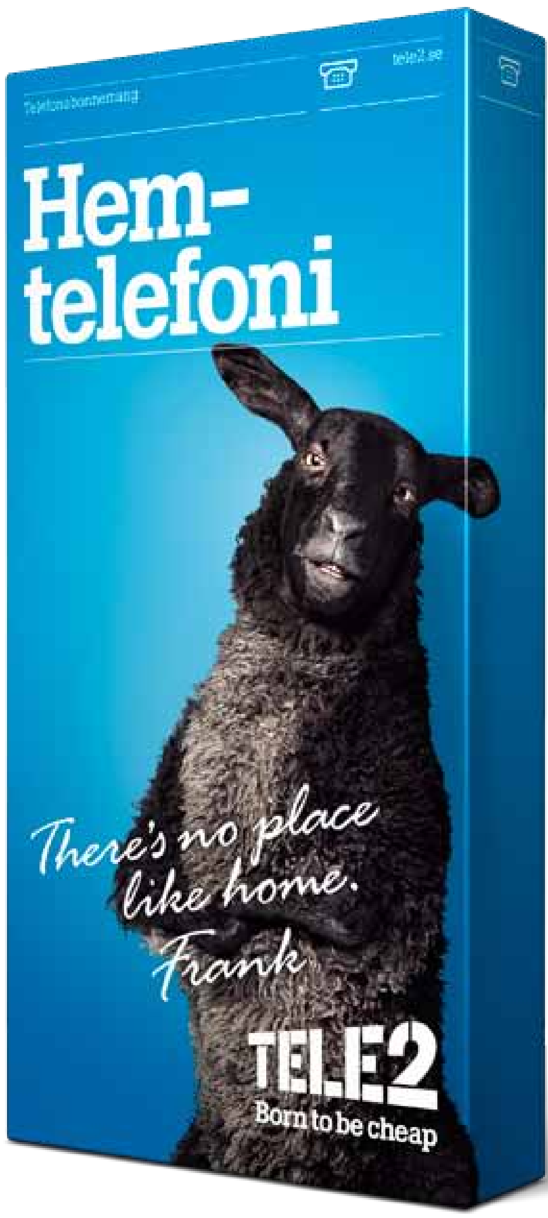
The fixed telephony service provided by Tele2 is very price competitive and is typically part of a larger service package delivered to business customers. For consumers, Tele2 provides an attractive price-leading alternative to the incumbent telephony operators.

Our activities and priorities

The trend of decreasing interest in fixed telephony persists, while mobile telephony is growing in popularity. Despite this fact, fixed telephony remains an important source of profit for Tele2.

With the necessary infrastructure already in place, no further investments are required, making this a viable business for many years to come.

Furthermore, the services form an important platform for cross-selling, as well as for creating attractive dual or triple play solutions.



New ventures

Our offer

Tele2 continuously investigates opportunities to introduce new services adding value to customers.

Any new Tele2 service must have reached an adequate technical state and show satisfactory business viability to be introduced to the market.

Examples of assets and competences that Tele2 leverages to identify such services include high performing wireless data networks and deep understanding of customers' needs and behaviours.

Growing demand for machine-to-machine communication

Machine-to-machine (M2M) communication is a focus area for new ventures across Tele2. The decreasing cost of devices and the regulatory push for automatic remote meter readers stimulate M2M demand across Tele2's footprint.

By leveraging our network, our service quality, our simple and standardised portfolio and our cost leadership position, we will grow our footprint in the competitive M2M arena. An M2M offering is currently provided in Estonia, Latvia, Lithuania, the Netherlands, Russia, and Sweden.

Mobile payments have become of greater relevance to Tele2. As a result, a variety of new services were launched during 2012 across different markets to bring to our customers secure and convenient payment methods for purchasing content, applications, goods and services on the web and, soon, also at point of sale.

Our activities and priorities

In 2012, Tele2 continued to strengthen its capabilities to better and more efficiently meet M2M demand from enterprises and consumers.

In the B2B area, the company aims to complement its telecom connectivity assets with vertical specific capabilities to better serve selected industry verticals via partners. In the B2B2C area, Tele2 launched innovative solutions bundling devices, applications and connectivity to serve specific emerging customer needs (e.g. tracking solution 'Hittaren' launched in the Swedish market).

Mobile Payments has seen a relevant amount of Group activities within Tele2 including:

- The launch of the payment solution 'WyWallet' in Sweden, in cooperation with the other Swedish MNOs
- The launch of Tele2 prepaid wallet in Russia
- The execution of 'billing on behalf' contracts to conveniently allow our customers to pay for services in app stores and on social network sites

Tele2 Russia drives the development of Mobile Payments within the Tele2 Group

Tele2 Russia is driving the development of mobile payment services within the Tele2 Group. During 2012, a Tele2 prepaid mobile wallet has been made available in all our regions.

The wallet allows Russian customers to pay in a fast, secure and convenient way for bills from different merchants including utilities, and Internet providers, thereby avoiding queues in front of payment machines and payment offices.

Additionally, the wallet allows customers to perform P2P value transfers, which is increasingly gaining popularity among our customer base. During 2012, Russian customers started to highly appreciate the convenience of performing payments on local social network sites via the Tele2 account (e.g. when purchasing more space to post pictures or when sending digital gifts to friends).

New services in the pipeline for the Russian market include temporary cards for web payments, international mobile remittances and NFC based-solutions.

Highly Engaged and Motivated People that Live Our Values

Tele2 is a growing company and a growth-oriented organisation. It is vital for us to attract and retain the best people. Being considered a great place to work is thus a major challenge and part of our strategic direction. Our annual employee survey shows a remarkably high and constantly increasing level of commitment and engagement among Tele2's employees.

Tele2 strives to have highly engaged and motivated employees that experience a great sense of pride and identification with the corporate values of the company and its overriding strategy.

We are:

Flexible

- Have a positive attitude to change; adjust to changes easily
- Go the extra mile; perform activities beyond own responsibility area
- Execute and react quickly
- Have the ability to prioritise; are structured, organised and unbureaucratic

Open

- Share knowledge and experience
- Are team-oriented, help out where and when needed
- Practise straight communication; give feedback
- Have a positive attitude towards our job; are enthusiastic
- Are available (returning calls, respecting deadlines)

Cost conscious

- Always question all costs and provide most efficient financial solutions
- Treat company money as it were our own private money

Driven by:

Quality

- Are customer-oriented; perform activities which improve (end-)customer satisfaction
- Do not change what is working well; share Tele2 practices proven to be working
- Have the ability to simplify; are practical-minded

Challenge

- Are proud but never satisfied; never give up; have a winning attitude
- Are tough – take a beating and still fight on
- Are courageous; make decisions and take risks

Action

- Take initiative; have a proactive behaviour; actively search for information
- Make and execute decisions
- Focus on the solutions, not the problems
- Admit mistakes

The above listed Tele2 Way values and value-based behaviours are a prerequisite to fit into the company's culture and succeed in its business environment.

Support a value-based & performance-driven culture and an excellent employer brand by focusing on:

Leadership and the Tele2 Way Value-driven company for engaged employees	**Performance and Talent** Growing our people to grow the business
Learning and Development Learning by doing 70:20:10	**Reward and Recognition** From payroll to a total rewards strategy

Leadership and the Tele2 Way

Tele2's corporate values, the Tele2 Way, as well as our Code of Conduct serve as the guidelines for our professional behaviour. They guide us in our decision making every day.

At Tele2, exemplary leadership behaviours are primarily based on the Tele2 Way, while managers are expected to be the culture role models that lead by example and truly "walk the talk".

A common performance and talent process

Our belief is that employees are motivated and engaged when they know the company's overall strategic direction and what is expected from them in their work. Receiving feedback and visualising growth and development opportunities are closely related to increased motivation and engagement.

A common performance management process for the whole Tele2 Group was introduced in 2012. The new aligned process provides a consistent way of setting goals and assessing performance, and serves as a foundation for dealing with talent management on a Group level.

As of 2012, all employees are assessed according to two parameters:

- What = goal completion
- How = attitude and professional behaviour based on the Tele2 Way values

When it comes to dealing with talent, Tele2 strongly supports and encourages:

- Internal promotions, both horizontal and vertical
- Diversity; the aim is to reach a level where the percentage of female and male managers and leaders reflects the percentage of female and male employees within the company

The mapping of high performers, top talents and roles was fully rolled out via the so called Talking Talent sessions in 2012. The Talking Talent session is a meeting held on a management level during which people are discussed in the context of strategy and future business needs and plans. The purpose of those sessions is to identify potential successors to managerial and key roles within the organisation as well as their development plans. Sessions were done bottom-up, i.e. in the following order:

- Local departments
- Local management teams
- Talking talent sessions on Group level including geographic and functional sessions

Ensuring long-term succession

The purpose of the talent management process is to ensure a long-term succession planning for managerial and key roles, developing the company's existing workforce, and minimising business risks if key position holders leave the company.

As this new way of working with performance and talent was introduced at Tele2, a decision was made to move the whole process online. Our new web-based performance and talent management system named "Tele2People" was launched across all 11 countries in November 2012, and is to be used by all employees. A set of e-learning modules and manuals has been developed to acquaint employees with "Tele2People".

Going forward, all performance and talent related activities will be addressed through that system.

Common framework for learning and development

In 2012, Tele2 adopted a common framework for learning and development based on the 70:20:10 principle, a learning philosophy developed by Morgan McCall, Robert W. Eichinger and Michael M. Lombardo from the Centre for Creative Leadership. 70:20:10 means that:

- 70 percent of learning comes from experience, such as learning by doing, job rotation, participation in cross-functional projects and challenging work tasks
- 20 percent comes from learning from relationships, such as mentoring, coaching and networking
- 10 percent comes from official training programs, such as academic courses, e-learning, books, periodicals and media

The identification of learning and development needs is carried out during a Performance and Development Review (twice a year) where both parties – the employee and the manager – provide their input. Together, based on the definition of performance goals and the future plans for the employee and the company, the manager and the employee agree on the most adequate learning and development actions following the 70:20:10 concept.

Competitive compensation and benefits

Tele2 offers competitive compensation and benefit packages in order to attract, retain and motivate employees. Our packages (salary, incentives and benefits) are determined by the local market and Tele2 participates in local salary surveys annually to ensure that its offerings remain competitive in terms of base salary, short-term incentives, long-term incentives and benefits. We believe in pay for performance; high-performing individuals should be well rewarded.

In 2012, Tele2 performed a global grading of all positions with the objective of aligning title structure and remuneration that link to a given job grade so as to ensure internal consistency and transparency.

Remarkable commitment and engagement

Every year, Tele2 conducts an employee survey called "My Voice". The survey measures:

- The general satisfaction of employees by means of the Employee Satisfaction Index (ESI)
- Managers´ leadership capabilities by means of the Leadership Index (LSI)
- Employee engagement
- Tele2's internal attractiveness as an employer by means of the Net Promoter Score (NPS)
- Tele2 Way index (TWI), assessing how well we live our corporate values

A total of 98 percent of all employees participated in the 2012 survey, a number which shows in itself the remarkable level of commitment and engagement of Tele2's employees.

The Group ESI soared to 97 percent, which reflects the fact that our employees are very satisfied, especially with:

- The overall working climate
- The quality and relevance of the information they receive
- Their relationship with their manager
- Their work in general

Furthermore, the NPS reveals that our employees would gladly recommend Tele2 as a good place to work. Employees particularly appreciate:

- Tele2's corporate culture and core values
- An inspiring work
- Workplace stability

Encouraged in 2011 by such remarkable results, we have laid during 2012 further emphasis on fostering employee engagement. Engaged employees:

- Are enthusiastic about their job and employer
- Have a clear understanding of the company´s strategy and future direction
- Are aware of how their work contributes to the organisation's purpose and goals
- Are prepared to go that extra mile to make a difference
- Tend to outperform in their job, consequently improving the company's overall performance and delivering increased value to both customers and shareholders

98%

A total of 98 percent of all employees participated in the 2012 survey, a number which shows in itself the remarkable level of commitment and engagement of Tele2's employees.

In other words, engaged employees know what to do at work and they love doing it.

"My Voice" showed that a total of 51 percent of Tele2's employees are engaged, compared to 43 percent last year and 36 percent of the benchmarked employees. The reason for such significant improvements is grounded in the fact that all managers and organisational units had identified goals to work with during 2011 – the outcome of which is clearly visible in the 2012 survey results.

Going forward, we will continue to focus on working with engagement.

Our objectives going forward can be summarised as follows:

- Increase and/or retain employee engagement levels
- Further strengthen Tele2's value-based and performance-driven organisation
- Foster talent across the borders and business units
- Work actively with employer branding

People Related Achievements and Challenges in 2012

Nordic

- There was an increased focus on the attraction and retention of female employees, as a result of which the percentage of female leaders in the Swedish leadership team is now over 50 percent
- Tele2 Sweden received the Womentor Award. The company was rewarded for its work in promoting and increasing the number of female managers
- Social media became the strongest employer branding communication channel
- The integration of Network Norway was completed

Russia

- Tele2 Russia was acknowledged as one of the 10 best employers in Russia and took the 8th place in the Best Employers rating among Central and Eastern European countries (large companies' category), according to the results of an international AON Hewitt research
- Competition for skilled staff continued, especially in the area of sales and engineering
- Employee retention improved, i.e. labour turnover decreased compared to 2011

Central Europe & Eurasia

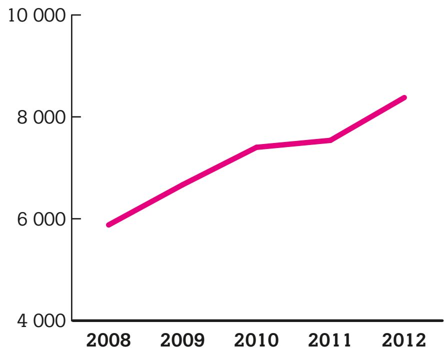
- Intensified growth in Kazakhstan continued throughout the year, both business and personnel wise, adding more than 300 new employees to the organisation in 2012
- Tele2 Lithuania was acknowledged as best employer among all telecommunications companies and one of the top five best employers in Lithuania in general, according to the results of an international AON Hewitt research
- Tele2 Estonia acquired Televõrgu AS, adding 50 new employees. The company's integration is in progress
- Malin Holmberg was appointed new CEO of Tele2 Croatia

Western Europe

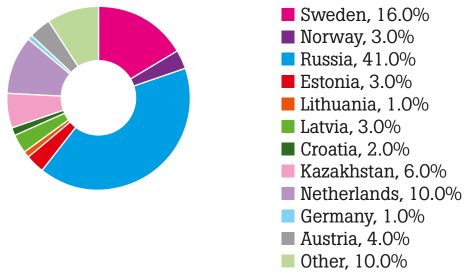
- The acquired company Silver Server in Austria was fully integrated
- Tele2 Netherlands and Tele2 Germany increased their focus on working with engagement, the outcome of which is visible in the results of the employee survey "My Voice" 2012

People related statistics

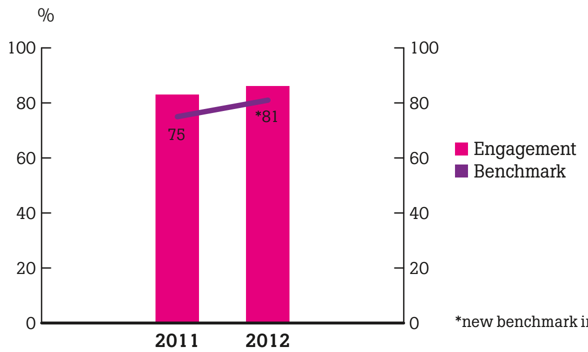
Total number of Tele2 employees



2012: Employee distribution per country



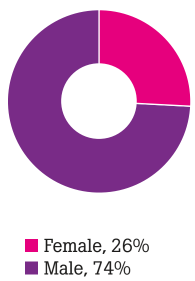
Engagement



*new benchmark in 2012.

Male/female employees

Male/female managers



Corporate Responsibility Results

Tele2 is moving towards the concept of "integrated reporting". Pending an international standard for what integrated reporting will actually look like, Tele2 is at liberty to define what it means for the company. This CR result report reflects our first steps in that direction.

The information published in this section is intended to provide a clear and concise picture of our most material matters and this year's result compared over time:

- Are we a sustainable company providing benefits to society, and to what costs in terms of resource consumption and negative impact?
- What CR risks and opportunities are there in our markets and operations and how are we addressing them?
- Are our businesses and business model sustainable in their current form?

Tele2 is reporting according to the Global Reporting Initiatives Reporting Guidelines (GRI), G3.1 self-declared level C, to facilitate comparability of its CR results. Using the G3.1, stressing the concept of materiality and other GRI principles, while moving towards integrated reporting brings a concise result report more similar to how financial information is traditionally presented. The next step will be a full integration which we plan to initiate in parallel with the development of the reporting standard by the International Integrated Reporting Council (IIRC).

The IIRC initiative is mainly aimed at the shareholders and investment community and Tele2 obviously has a variety of stakeholders from other groups, with specific interests in different CR aspects. Other CR information, such as descriptive and explanatory information outside the scope of this report, can be found on our homepage, www.tele2.com.

Highlights of the year and awards

- Tele2 formulated and introduced a new long-term CR strategy
- Tele2 finalized the signing of the Code of Conduct by all employees
- Tele2 took the next step in making the remaining Business Partners (suppliers, consultants and other parties) sign the Business Partner CoC
- Tele2 joined the Information Communication Technology (ICT) industry organisation the Global e-Sustainability Initiative (GeSI) to share and develop industry best practice in a number of CR areas
- Tele2 introduced and supported the establishment of Reach for Change in Russia
- Tele2 Sweden was awarded the Womentor achievement by Computer Sweden and the ICT industry, citing Tele2's work to promote equal opportunities and women managers
- Tele2 was awarded second best CR report, of the listed companies in Sweden, by magazine MiljöRapporten
- Tele2 in Estonia was recognized as having the best customer service among mobile operators for the second year running, according to the new Estonian Service Index prepared by TNS EMOR

Getting it right

Our strategic approach At Tele2 we want to contribute to Society by being a part of a "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". That is how the Brundtland Report, Our Common future, defined sustainable development in 1987.

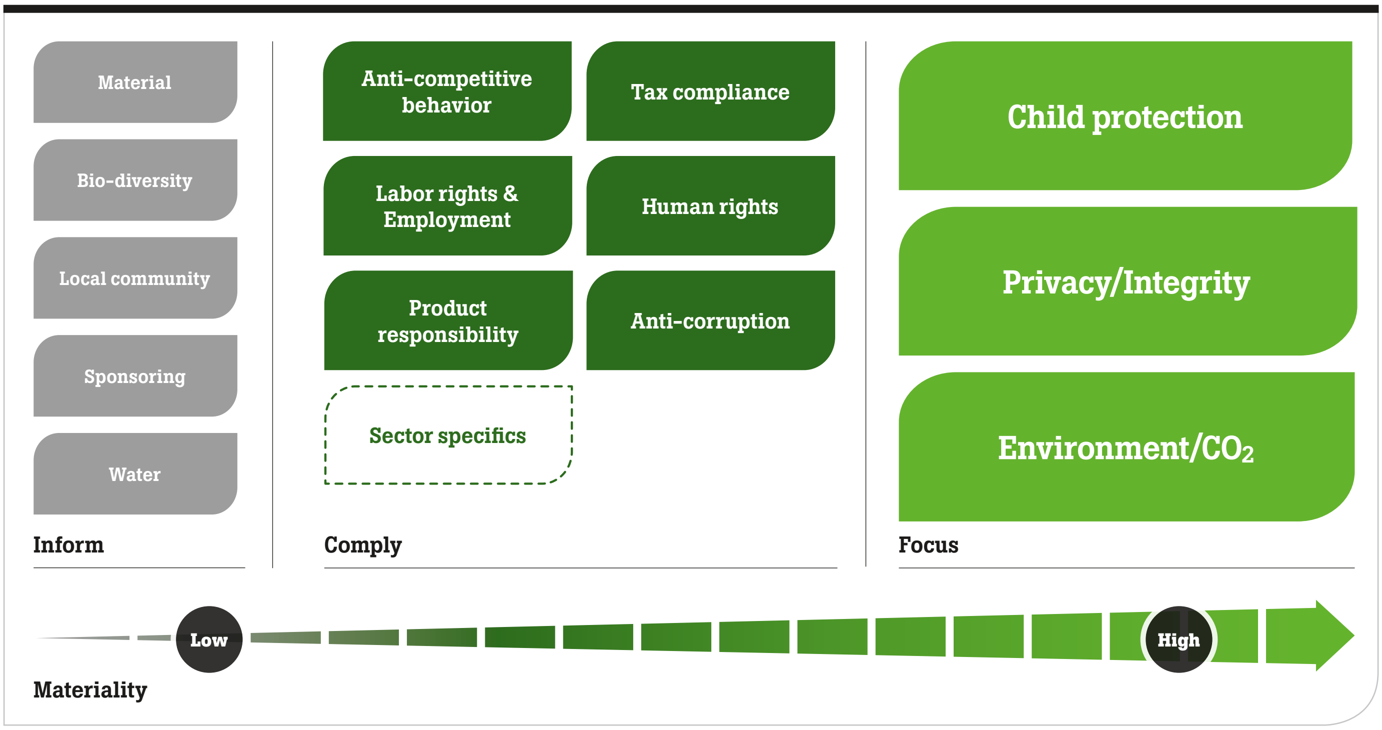
Breaking down the theoretical definition in practice, Tele2 has adopted the triple bottom line approach to sustainable development, aiming at finding the right balance between the economic, environmental and social areas. Finding such a sustainable balance, we believe, will stimulate long-term success in terms of value creation and provide future generations with the same opportunities as today.

As a result, Tele2's future CR work aims to be more focused and relevant with regard to the company's core operations, serving as a short-, medium- and long-term perspective, or filter, in business decisions and processes.

Focus on opportunities

CR strategy and materiality Tele2's CR strategy, which supports the company's overall strategy, has identified two categories of material areas: one compliance category of risks that we need to manage, and one focus category with opportunities. A good management of all areas in the compliance category is a minimum requirement from our various stakeholders and in general considered part of sound business practices. The focus category entails three prioritised areas which are seen as opportunities and supportive to future success. Below follows an illustrated overview of the strategy and a short presentation of the focus areas.

CR strategy | Towards our wanted position 2020



Children's safety and well-being are core issues for our largest owner Kinnevik, for Governments and Governmental Agencies and most probably for employees and our customers. We believe there is a business potential in developing new products and services supporting child protection and we intend to explore that path.

It is fundamental that Tele2 acts with respect for customers' right to privacy and integrity; it is part of our culture and our formal Code of Conduct. Without maintaining trust in this regard Tele2 could ultimately run out of business.

Environmental issues and climate change are in the middle of the international CR arena, making the focus on these themes self-evident. Even though Tele2 is committed to reducing its environmental footprint, the main objective is to help our customers reduce their CO_2 emissions by using our products and services.

Retain control

Risks Tele2 recognises the presence of industry, country/region and business risks of CR character linked to its operations. The most common risks, which are risks related to the UN Global Compact areas (environment, labour rights, human rights and corruption), are present in all our countries of operation; so are also the concerns linked to Electro Magnetic Fields (EMF).

Environmental risks are considered low due to the comparatively low environmental impact of our operations. Risks of infringements of labour rights are primarily expected to appear in the supply chain rather than in Tele2's own operations.

Based on international comparisons from Transparency International among others, corruption risks are higher in Russia and Kazakhstan compared to Europe. The World Press Freedom Index from Reporters Without Boarders gives poor ranking for Russia and Kazakhstan, indicating higher risks of human rights violations in terms of privacy and freedom of expression than in other countries where Tele2 operates.

Electro Magnetic Fields are not scientifically proven to have a negative impact on human health as long as they are below the recommended levels. However there is a potential risk of unforeseen future new guidelines, as with all areas subject to scientific research.

In addition to already established processes and control mechanisms to manage CR risks, Tele2 is continuously re-assessing and updating the internal control framework to reflect current and potential future risks. Read more about our work in the Board's report on Internal Control over Financial Reporting.

Stakeholders

Tele2's stakeholder map has been updated to include "Governments and Governmental Agencies".

Plan the work & work the plan

Stakeholder dialogues Stakeholder dialogues refer to transparency, to not being a closed company, and to considering and using stakeholders' input in forming strategies. Tele2's dialogues with its stakeholders are constantly on-going in different channels and Tele2 encourages such dialogues to take place.

In 2012, special emphasis has been laid on the strategic internal dialogue involving the Board and the executive management team. The dialogue was particularly focused on challenges and opportunities related to CR, leading to the definition of material areas to be included in the CR strategy.

As part of the process, Tele2 performed a gap analysis based on the governance requirements of Kinnevik with regard to CR. The result was presented to the CR Advisory Group (CRAG), where Mia Brunell Livfors is representing Kinnevik and is also the Head of the CRAG.

Because of concerns over telecom related issues in Eurasia which have been covered in national and international media, there have been quite intense dialogues with institutional investors in the Nordic region. The questions raised concerned Tele2's position and policies on business ethics and human rights, in particular with regard to privacy and integrity. None of the media coverage was linked to Tele2 specifically. Tele2 received good responses and feedback on its approach to these topics. For further information, see Tele2's position paper available on www.tele2.com.

Sharing is caring – and efficient

Collaborations and memberships During the year Tele2 participated in the industry initiative called the "Industry dialogue", focusing on Privacy and Freedom of Expression, together with a dozen other telecom operators. The purpose of the dialogue has been to work out joint principles to address companies' responsibility in specific circumstances when countries fail to live up to their responsibility to protect citizens. In fall 2012, Tele2 decided to leave the industry dialogue, and instead applied and was approved for membership in GeSI.

GeSI is a member-driven organization with a holistic approach to sustainability issues, including human rights, e-waste, climate change issues, sustainability in supply chains, conflict minerals and more. Through the membership, Tele2 can take part of best practice within CR for ICTs, and participate in developing future best practices. GeSI's operations do incorporate all CR areas material to Tele2, and just like Tele2 GeSI is integrating sustainability matters as part of ordinary operations.

Economic, Environmental and Social Results

Tele2's reported GRI KPIs all show results in the strategy's material areas; results per triple bottom line follow below.

Challenging the game

Economic responsibility results It is a Tele2 tradition to assume the challenger position in our markets. Tele2 is proud of its history of breaking up monopolies and providing affordable telecom services in emerging markets. By bridging the digital divide, Tele2 can help communities and people to unleash their potential and encourage socio-economic development.

EC1 Economic value generated and distributed

SEK million		2012	2011
Customers	+ Net sales	43,726	41,001
Direct economic value generated		**43,726**	**41,001**
Suppliers	– Operating expenses [1]	–28,870	–26,155
	– Capital expenditure paid	–4,609	–5,572
Employees	– Salaries and remunerations	–2,948	–2,750
	– Social security expenses	–955	–883
Shareholders	– Dividend paid	–5,781	–11,991
Creditors	– Interest expense net, paid	–599	–387
Community	– Donations and charity [2]	–5	–10
Government	– Income taxes	–1,311	–1,625
Economic value distributed		**–45,078**	**–49,373**

1) Operating expenses less depreciation/amortization and impairment, personnel costs and one-off items.
2) Reach for Change is a non-profit organization founded by Tele2 together with The Stenbeck Foundation, Kinnevik, Korsnäs, Metro, Millicom and MTG. The organization supports social entrepreneurs helping children to a better life. Reach for Change was launched in Sweden in 2010 and has since expanded to eight countries in three continents – Chad, DR Congo, Ghana, Russia, Rwanda, Senegal, Sweden and Tanzania. In 2012, 42 social entrepreneurs and more than 600,000 children were supported by Reach for Change.

Lean, mean, fit and hungry for results

Environmental responsibility results While the direct environmental impact from Tele2's operations is comparatively limited, climate change issues in particular are taken seriously into consideration as the company strives to reduce its environmental impact.

On the other hand, the ICT industry as a whole has an important role to play in helping stakeholders to reduce their environmental footprint. For instance, ICTs can help replace travelling and unnecessary transportation with smart communication services.

EN3 Direct energy use

Fuel	GJ	%
Gas	6,334	5
Petrol	74,186	58
Diesel	43,173	34
Ethanol	3,525	3
Total	**127,218**	**100**
Share of renewables		3

EN4 Indirect energy use

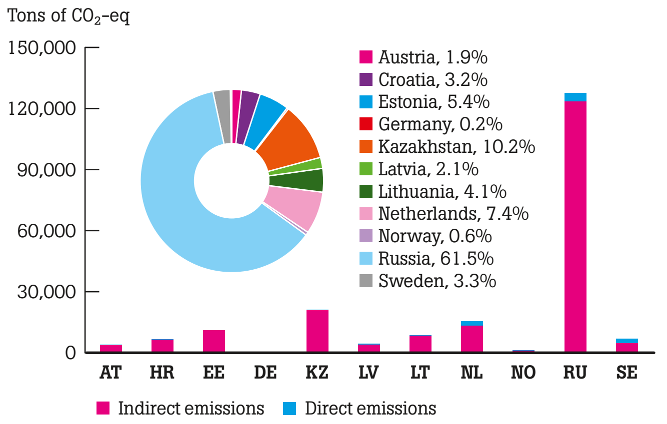
		Fuel consumption (GJ)	
Fuel	Purchased volume (GJ)	Direct	Indirect
Fossil fuels	822,634	1,828,076	1,310,583
Renewables	462,813	72,602	7,194
Nuclear	214,463	714,878	71,488
Total	**1,499,910**	**2,615,556**	**1,389,265**
Share of renewables	31%	3%	1%

EN16 Direct and indirect GHG-emissions, tons CO_2-eq

Country	Direct emissions	Indirect emissions	TOTAL
Austria	265	3,693	3,958
Croatia	200	6,390	6,590
Estonia	154	11,030	11,184
Germany	185	282	466
Kazakhstan	264	20,881	21,145
Latvia	517	3,919	4,436
Lithuania	222	8,321	8,543
Netherlands	2,007	13,392	15,399
Norway	168	1,013	1,180
Russia	4,105	123,466	127,571
Sweden	2,145	4,765	6,910
TOTAL	**10,232**	**197,150**	**207,382**

Data covers GHG Protocol Scope 1 and 2.

Charts over direct and indirect GHG-emissions, tons CO_2-eq



When distributing the emissions of greenhouse gases into country units it shows that Russia contributes with almost 2/3 of the Group´s emissions. Electricity consumed in base stations, which counts for almost 90 percent of our total emissions, is by far the largest source of indirect emissions.

Based on the result in 2012, Tele2 could be said to have a potential environmental liability related to climate change of 207,000 tonnes of CO_2 -eq. Should these emissions be regulated, for instance in a future Kyoto agreement in 2015 it could mean an estimated cost of 920,000 EUR for buying allowances, calculated by using today's spot price in the EU Emission Trading System (EU-ETS) (4.43 EUR, 2013/02/28).

EN28 Significant fines or sanctions for non-compliance with environmental laws

Tele2 has not identified any significant[1)] non-compliances with environmental laws or regulations during 2012.

[1)] Significant is defined as 250,000 EUR or more.

The Tele2 Way in practice

Social responsibility results Tele2 does its utmost to be a positive force in society, be a fair employer, have sound and respectful supplier/partner relations, respect human rights, and provide safe and reliable products and services. Furthermore, Tele2 acts in accordance with internationally accepted frameworks for business ethics and anti-corruption in the markets in which the company operates.

In our latest employee survey "My Voice" 90 percent of employees, compared with 86 percent last year, stated that they think Tele2 is honestly committed to CR, defined as the four areas of Global Compact (human rights, labor rights, anti-corruption and environment).

HR2 Suppliers that have undergone human rights screening

Tele2 requires its significant business partners, with contract values exceeding 1MSEK per year, to sign Tele2's Business Partner CoC. By doing so Tele2 includes clauses on human rights into a vast majority of its agreements with its business partners. Tele2 has implemented the Business Partner signing and escalation program during 2012, so no data is available yet.

HR5, HR6, HR7 Operations where there is a risk of child labor, compulsory labor or violations of the right to freedom of association and collective bargaining

Tele2 is currently assessing opportunities for an effective monitoring of the CR challenges in the supply chain, including freedom of association, child labour and forced and compulsary labor, with the aim to be able to report on results as soon as possible.

LA2 Total number and rate of new employee hires and employee turnover by gender and region

Number of new hires - Men:	1080
Number of new hires - Women:	1141
Number of employees who left Tele2 - Men:	452
Number of employees who left Tele2 - Women:	309
Total increase(+)/decrease(–) of employees - Men:	(+)622
Total increase(+)/decrease(–) of employees - Women:	(+)805

LA7 Absentee rate (sick leave), Tele2 Sweden[1)]

Women	3,7%
Men	2,1%
Total	**2,6%**

[1)] During 2012, there was one fatality in the Group, an employee in Russia died in a car accident.

LA13 Diversity in composition of governance bodies and breakdown of employees

Percentage of employees that are Managers - Men:	<30 Years	1.4%
	30-50 Years	8.2%
	>50 Years	0.8%
Percentage of employees that are Managers - Women:	<30 Years	1.1%
	30-50 Years	3.7%
	>50 Years	0.2%
Percentage of employees that are not managers - Men:	<30 Years	17.2%
	30-50 Years	26.6%
	>50 Years	3.0%
Percentage of employees that are not managers - Women:	<30 Years	20.5%
	30-50 Years	16.2%
	>50 Years	1.2%
Composition Board of Directors - Men:	<30 Years	
	30-50 Years	12.5%
	>50 Years	62.5%
Composition Board of Directors - Women:	<30 Years	
	30-50 Years	25.0%
	>50 Years	

SO4 Incidents of corruption[1]

	SE	NO	EE	LV	LI	NL	KZ	RU	HR	AT	DE
Number of incidents in which employees were dismissed or disciplined	–	–	–	–	–	–	1	–	–	–	–
Number of incidents when contracts with business partners were terminated or not renewed	–	–	–	–	–	–	–	–	–	–	–
Concluded legal cases regarding corrupt practices brought against the reporting organization or its employees during the reporting period.	–	–	–	–	–	–	–	–	–	–	–

[1] Tele2 has not detected any incidents of corruption during 2012, which we have had during previous years but without reporting on this particular GRI KPI. One case of intended facilitation payment was prevented during the year. With respect to transparency, Tele2 has chosen to report on it here.

SO5 Participation in public policy development and lobbying

In terms of public positions and lobbying, Tele2 strongly supports Technology Neutrality Spectrum in all the markets in which the company operates. In Russia, where Technology Neutral Spectrum does not exist today, Tele2 is working for its introduction since it enables a more efficient use of spectrum and fosters a more competitive environment, thanks to which more consumers (especially low-income and rural households) would be able to afford more advanced telecommunications services.

Secondly, Tele2 has taken a position for the harmonization of telecommunication laws. For Tele2, a company that operates in nine European markets, it is essential that telecommunication legislation be implemented and applied in an harmonised way by national legislators. As a matter-of-fact, Tele2 needs to be able to use resources as efficiently as possible, which means that we want to be able to use work methods and applications in the same manner in all our markets.

SO7 Number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices

	SE	NO	EE	LV	LI	NL	KZ	RU	HR	AT	DE
Pending	2[1]	–	–	–	–	–	1	–	–	–	–
Won	–	–	–	–	–	–	1	–	1[4]	–	–
Lost	–	–	–	–	–	–	1[2]	2[3]	–	–	–

[1] Related to joint venture WyWallet.
[2] Lost with minor fines.
[3] Two legal actions were lost with fines of EUR 2,500 and 7,500 respectively.
[4] In favour of Tele2; found that there had not been any price fixing.

SO8 Fines or sanctions for non-compliance with applicable laws

Report significant [1] fines and non-monetarysanctions in terms of:	
Total monetary value of significant fines	0
Number of non-monetary sanctions	0
Cases brought through dispute resolution mechanisms	0

[1] Significant is defined as exceeding 250,000 EUR

PR2 Number of incidents regarding product health and safety

Resulting in fine or penalty	0
Resulting in warning	0
Non-compliance with voluntary codes	0

PR7 Number of incidents regarding marketing communication

	SE	NO	EE	LV	LI	NL	KZ	RU	HR	AT	DE
Resulting in fine or penalty	–	–	2	1	–	–	–	1	1	1	–
Resulting in warning	–	2	–	1	–	–	–	–	–	–	8
Non-compliance with voluntary codes	–	–	–	–	–	–	–	–	–	–	–

PR8 Complaints regarding breaches of customer privacy and losses of customer data

	SE	NO	EE	LV	LI	NL	KZ	RU	HR	AT	DE
Number of complaints received from outside parties and substantiated by the organization[1]	4	–	1	–	–	1	1	1	–	8	–
Number of complaints from regulatory bodies	–	1	–	–	6	–	–	3	6	3	–
Number of identified leaks, thefts, or losses of customer data	3	–	–	–	2	1	–	–	6	–	–

[1] Tele2 aggregates the number of complaints received from outside parties and substantiated by the organization.

PR9 Non-compliance with regulations concerning the use of products and services

Report total monetary value of significant [1] fines	0

[1] Significant is defined as exceeding 250, 000 EUR

Moving forward

Focus for 2013 For 2013, a number of planned actions are in the pipeline, including;

- Developing and rolling-out an e-learning module with a Code of Conduct training for all employees
- Exploring opportunities to participate in a joint sustainability supply chain audit initiative, sharing results, and working for harmonized requirements on suppliers
- Exploring business opportunities, and formulating objectives and targets related to the strategic CR focus areas
- Introducing a CR Capital Market Day (CR CMD) for SRI/ESG analysts and investors
- Reviewing and elaborating on the quarterly reporting in relation to CR
- Exploring the possibility to establish new CR controls as part of internal control processes
- Monitoring and assessing new EU laws and regulations in regard to data protection
- Monitoring and assessing the development of GRI's G4 and material from the IIRC, in particular as regards governance and remuneration in relation to CR

GRI Information and Index

Tele2 reports in accordance with the Global Reporting Initiative (GRI) Reporting Guidelines. This is the third time Tele2 reports according to the GRI guidelines and the fifth year of CR reporting. This section of the Annual Report has been compiled in accordance with the principles of GRI, G 3.1, and Tele2 self-declares application level C. "CG" in the reference index below indicates that the information is included in the Corporate Governance report 2012, available from www.tele2.com.

Level of reporting ■ Fully reported ■ Partly reported ■ Not reported

	GRI Reference Index	Comment		Page
Profile				
1.1	CEO statement		■	2–3
2.1	Name of the organization		■	45
2.2	Primary brands, products, and services		■	Inside cover
2.3	Operational structure of the organization		■	104, CG 8
2.4	Location of organization's headquarters		■	Back cover
2.5	Countries where the organization operates		■	104
2.6	Nature of ownership and legal form		■	40, 45
2.7	Markets		■	17
2.8	Scale of the organization		■	46
2.9	Significant changes during the reporting period		■	59, 87–88
2.10	Awards received during the reporting period		■	32
Report parameters				
3.1	Reporting period	1 January to 31 December 2012	■	
3.2	Date of most recent previous report	Mars 2012	■	
3.3	Reporting cycle	Annual	■	
3.4	Contact point for questions regarding the report	Contact person is Head of CR, marie.baumgarts@tele2.com or +46704 26 4458	■	
3.5	Process for defining report content	Report content has been defined in an internal decision process and it reflects our understanding of what our most important stakeholders find material. Tele2 has been in contact, in various ways, with stakeholder groups and decided to form our new strategy as a joint materiality analysis for enhanced clarity of our priorities.	■	
3.6	Boundary of the report	All operations within the group, including subsidiaries and joint ventures, that are majority owned are within the first tier of our boundary. Operations, subsidiaries and joint ventures with minority ownership are within the second and third tier of our boundary, depending on the degree of ownership and level of control. Supply chains are considered outside of our third tier boundary. However we do have influence over our business partners (such as suppliers) in the sense that they are requested and obliged to sign our BP CoC. Applying GRI's boundary protocol, the reported data consequently covers our first tier operations. We are using our influence and governance on our second tier and we are reporting on risks and opportunities for third tier operations and beyond.	■	
3.7	Specific limitations on the scope or boundary of the report	None	■	
3.8	Basis for reporting on joint ventures, subsidiaries, etc	As stated in 3.6. Tele2 is complying with the Boundary protocol and have no additional information to report on which could affect comparability.	■	
3.9	Data measurement techniques and calculation principles	GRIs protocols have been followed including the references unless otherwise stated. The GHG Protocol Scope 1 and 2 has been applied for EN3, EN4 and EN16 for CO_2 and IFRS for EC1. Company HR, legal and security definitions for HR, legal and security KPIs e.g. where stated in the GRI protocols.	■	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	No material or significant re-statements have been made.	■	
3.11	Significant changes regarding scope, boundaries, etc.	Improved processes and quality control could affect comparability over time with historical data.	■	
3.12	Table identifying the location of the Standard Disclosures in the report		■	37–39
3.13	Policy and current practice with regard to seeking external assurance for the report	This year's report has not been externally assured but Tele2 is currently looking into that step as our reporting matures.	■	

Level of reporting ■ Fully reported ■ Partly reported ■ Not reported

	GRI Reference Index	Comment		Page
Governance, commitments & engagement				
4.1	Governance structure of the organization		■	CG 2
4.2	The Chairman of the Board's role in the organization		■	CG 6
4.3	Independent and/or non-executive board members		■	CG 4
4.4	Mechanisms for shareholders and employees to provide recommendations to the board		■	CG 3
4.5	Principles for compensation to senior executives		■	94
4.6	Processes for avoiding conflicts of interests in the board		■	CG 4
4.7	Processes for determining the qualifications of board members		■	CG 4
4.8	Mission, values, Code of Conduct, etc.	CoC and Business Partner CoC relate to UNHR, UNGC and else. Applied on Group level and in all countries corresponding to Tele2's boundary, see 3.6.	■	59
4.9	The board's monitoring of the sustainability work	Through a CR Advisory Group function. Head of CR provides an CR update, as an appendix, to each Board Meeting.	■	34, 59
4.10	Processes for evaluating the board's own performance		■	CG 6
4.11	Explanation of whether and how the precautionary principle is applied	The precautionary principle is applied with regard to EMF. Tele2 ensures compliance with applicable laws and regulations and follows related research and development.	■	
4.12	Endorsement of external voluntary codes, principles or other initiatives	Tele2 is following the OECD Guidelines for Multinational Enterprises, the United Nations Universal Declaration on Human Rights and the International Labour Organization's core conventions as part of Kinnevik's CR requirements on its major listed holdings.	■	
4.13	Memberships in associations	Tele2 has become a member of the Global e-Sustainability Initiative (GeSI) during 2012.	■	34
4.14	List of stakeholder groups		■	33–34
4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholder groups have been defined as parties that can affect Tele2 and that Tele2 affects. All relevant parties are welcome to take part in dialogues and we have accepted several inquiries for meetings.	■	
4.16	Approaches to stakeholder engagement	CR matters will be integrated into the various ongoing company dialogues as part of our mission to integrate CR into business processes and controls. Tele2 believes in transparency so we have an open approach to dialogues using a combination of platforms arranged by us as well as dialogues initiated upon external requests.	■	34
4.17	Key topics and concerns that have been raised through stakeholder engagement	Major CR concerns raised during the year have been human rights issues, such as Privacy and Freedom of Expression, and corruption. Tele2 has received requests specifically on these matters, and been in close contact with in order: the Swedish Church, Nordea, Swedbank Robur, SEB, Folksam and DnB Asset Management. Response includes meetings, published material on our homepage, replies at the AGM and explanations in this report. In addition to the above we have met with NGOs, other investors and been in contact with other parties, for "business as usual" discussions.	■	34
Economic indicators				
EC1	Direct economic value generated and distributed		■	34
Environmental performance indicators				
EN3	Direct energy consumption by primary source		■	34
EN4	Indirect energy consumption by primary source		■	34
EN16	Direct and indirect greenhouse gas emissions	Data covers GHG Protocol Scope 1 and 2.	■	35
EN28	Fines and/or non-monetary sanctions for non-compliance with environmental laws	Tele2 was not imposed any additional significant fines, defined as exceeding 250,000 EUR, or other non-monetary sanctions, or involved in related disputes.	■	35

Level of reporting ■ Fully reported ■ Partly reported ■ Not reported

	GRI Reference Index	Comment	Level of reporting	Page
Social performance indicators				
LA2	Rate of employee turnover by age group, gender and region		Fully reported	35
LA7	Rates of injury, occupational diseases, lost days, work related fatalities		Partly reported	35
LA13	Composition of governance bodies and employees according to diversity indicators		Fully reported	35
LA14	Ratio of basic salary of men to women	The KPI is material to us and we plan to identify the four largest profession categories during the year and report quotas for them.	Not reported	
HR2	Suppliers that have undergone screening on human rights, and actions taken		Partly reported	35
HR4	Total number of incidents of discrimination and actions taken	There have been no reported incidents of dicrimination during 2012.	Fully reported	
HR5	Operations where freedom of association and collective bargaining may be at significant risk and actions taken		Not reported	35
HR6	Operations identified as having significant risk for incidents of child labour and actions taken		Not reported	35
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken		Not reported	35
SO4	Actions taken in response to incidents of corruption		Fully reported	36
SO5	Participation in public policy development and lobbying		Fully reported	36
SO7	Legal actions for anti-competitive behaviour		Fully reported	36
SO8	Monetary value of fines for non-compliance with applicable laws	Tele2 was not imposed any additional significant fines, defined as exceeding 250,000 EUR, or other non-monetary sanctions, or involved in related disputes.	Fully reported	36
PR2	Incidents of non-compliance with regulations concerning health and safety impacts of products		Fully reported	36
PR5	Results related to customer satisfaction, including results of surveys	Measured and reported quarterly at central level.	Fully reported	19
PR7	Incidents of non-compliance with regulations concerning marketing communications		Fully reported	36
PR8	Substantiated complaints regarding breaches of customer privacy		Fully reported	36
PR9	Monetary value of fines for non-compliance with regulations concerning the use of products and services	Tele2 was not imposed any additional significant fines, defined as exceeding 250,000 EUR, or other non-monetary sanctions, or involved in related disputes.	Fully reported	36

The Share

Tele2 AB's shares are listed on the NASDAQ OMX Stockholm Large Cap list under the ticker symbols TEL2 A and TEL2 B. The fifteen largest shareholders on December 31, 2012 held shares corresponding to 48.3 percent of the capital and 59.8 percent of the voting rights, of which Investment AB Kinnevik owned 30.7 percent of the capital and 47.7 percent of the voting rights. No other shareholder owns, directly or indirectly, more than 10 percent of the shares in Tele2.

Tele2's A and B shares were first listed on the O-List of the Stockholm Stock Exchange in May 1996. Tele2 has been listed on the OMX Nordic Exchange Large Cap List since October 2006.

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

The share's performance in 2012

The OMX Stockholm Benchmark Index (OMXSBPI) increased by 12 percent during the year.

In 2012, average daily trading (including all market centers, such as NASDAQ OMX, Burgundy, Chi-X etc.) in the Tele2 B share decreased by 25 percent to SEK 559 million. The share price ended the year on SEK 117.10 (133.50), a decrease of 12 percent. Total shareholder return for 2012 was 1 percent. Average daily trading in the A share was SEK 238,000 (547,000) and the closing share price for the year was SEK 124 (149). Tele2's market value at the end of 2012 was SEK 52 billion and the total number of shareholders was 56,080 (51,762). Holdings of foreign shareholders accounted for 33.6 (41.5) percent of the shares. In total, 434 (560) million Tele2 shares changed hands on the Stockholm Stock Exchange during the year.

Dividend

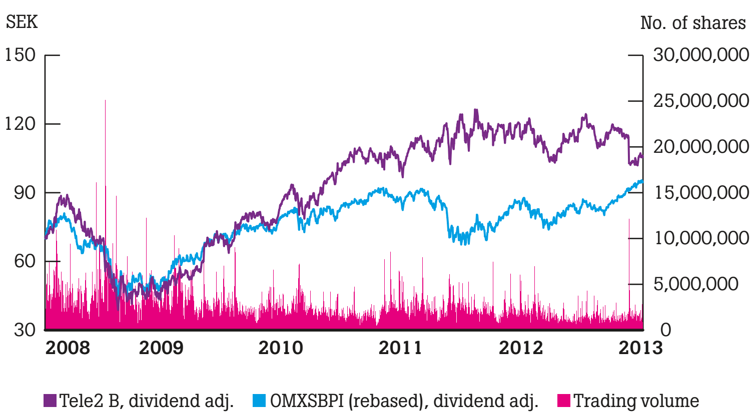
Tele2 will seek to pay a progressive ordinary dividend of 50 percent or more of net income excluding one-off items. Extraordinary dividends and the authority to purchase Tele2's own shares will be sought when the anticipated total return to shareholders is deemed to be greater than the achievable returns from the deployment of the capital within the Group's operating segments or the acquisition of assets within Tele2's economic requirements.

In respect of the financial year 2012, the Board of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) in May 13, 2013, a total dividend payment of SEK 7.10 (13) per ordinary A or B share, to be comprised of an ordinary dividend of SEK 7.10 (6.50) and an extraordinary dividend of SEK 0 (6.50).

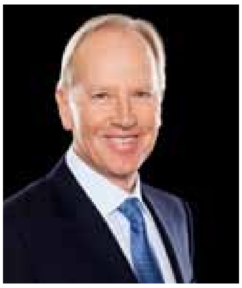
Balance sheet

Tele2 has a target net debt to EBITDA ratio of between 1.25 and 1.75 times over the medium term. The company's longer term financial leverage 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.

Share development 2008-03-19–2013-03-18



Board of Directors

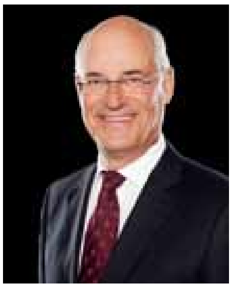


Mike Parton

Chairman, Non-Executive Director, elected in 2007.
Born: 1954
Nationality: British citizen.

Independence Independent in relation to the company and its management as well as in relation to the company's major shareholders.
Ownership 12,395 B shares, including related natural and legal persons.
Committee work Member of the Remuneration Committee.
Mike is presently CEO and Chairman of Damovo Group Ltd, an international IT-company, and member of the Chartered Institute of Management Accountants. Furthermore, he is a Member of the Advisory Board of a UK charity called Youth at Risk.
He was CEO and Executive member of Marconi plc between 2001 and 2006.

Trained as Chartered Management Accountant.



Lars Berg

Non-Executive Director, elected in 2010.
Born: 1947
Nationality: Swedish citizen.

Independence Independent in relation to the company, the company's management and in relation to the company's major shareholders.
Ownership 2,000 B shares, including related natural and legal persons.
Committee work Member of the Audit Committee. Lars was a member of the executive Board of Mannesmann AG as head of its telecommunications business from 1999 until the Vodafone takeover of Mannesmann in 2000. From 1994 until 1999, he was Chief Executive Officer of the TELIA Group and President of TELIA AB. Between 1970 and 1994 he held various executive positions in the Ericsson Group and was a member of the Ericsson Corporate Executive Committee for ten years, as well as president of the subsidiaries Ericsson Cables AB and Ericsson Business Networks AB.
Lars Berg has been the European venture partner of Constellation Growth Capital since 2006. He has been non-executive Chairman of Net Insight AB since 2001 and a Board member since 2000, a non-executive Board member of Ratos AB since 2000, a non-executive Board member of KPN/OnePhone since 2009 and a non-executive supervisory Board member of NORMA Group AG, Frankfurt since 2011.

Graduated from Gothenburg School of Economics.

Mia Brunell Livfors

Non-Executive Director, elected in 2006.
Born: 1965
Nationality: Swedish citizen.

Independence Independent in relation to the company and management, but not independent in relation to the company's major shareholders.
* As Preseident and CEO of Investment AB Kinnevik, Mia Brunell Livfors represents a shareholder who owns more than 10 percent of Tele2.
Ownership 1,000 B shares, including related physical and legal persons.
Committee work Member of the Remuneration Committee.
Mia is President and CEO of Investment AB Kinnevik (as of August 2006). Mia had several managerial positions within the Modern Times Group MTG AB 1992-2001 and served as Chief Financial Officer between 2001 and 2006. She is the Chairman of the Board in Metro International S.A and Member of the Board of BillerudKorsnäs AB, Millicom International Cellular S.A., Modern Times Group MTG AB, CDON Group AB and Hennes & Mauritz AB.

Studies in Business Administration at Stockholm University.

John Hepburn

Non-Executive Director, elected in 2005.
Born: 1949
Nationality: Canadian citizen.

Independence Independent in relation to the company and its management as well as in relation to the company's major shareholders.
Ownership 406,395 B-shares, including related natural and legal persons.
Committee work Chairman of the Remuneration Committee.
John has held a number of senior positions at Morgan Stanley since 1976, including Managing Director, Morgan Stanley & Co. and Vice Chairman of Morgan Stanley Europe Limited.
John is senior advisor to Morgan Stanley, Chairman of the Board of Sportfact Ltd., Vice Chairman of the Board of UKRD Ltd., Trustee of the Learning School Trust in England and member of the Board of Grand Hotel Holdings AB and Mölnlycke Health Care.

MBA, Harvard Business School and B.Sc. in Engineering, Princeton University.

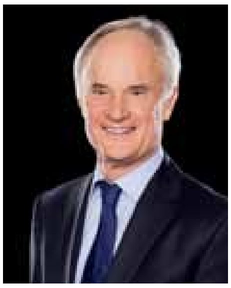
Board of Directors

Erik Mitteregger

Non-Executive Director, elected in 2010.
Born:1960
Nationality: Swedish citizen.

Independence Independent in relation to the company and management, but not independent in relation to the company's major shareholders*.
*As member of the Board of Investment AB Kinnevik, Erik Mitteregger represents major shareholders who own more than 10 percent of Tele2 AB.
Ownership 10,000 B shares, including related natural and legal persons.
Committee work Member of the Audit Committee. Erik was founding partner and Fund Manager of Brummer & Partners Kapitalförvaltning AB 1995–2002. In 1989–1995 he was Head of Equity Research and member of the Management Board at Alfred Berg Fondkommission. Erik has been Director of the Board of Investment AB Kinnevik since 2004. He has also been serving as Chairman of the Board of Wise Group AB and Director of the Board of Firefly AB and Metro International S.A. since 2009. Previously member of the Board of Invik & Co. AB 2004–2007.

Degree in Business Administration at Stockholm School of Economics.



John Shakeshaft

Non-Executive Director, elected in 2003.
Born: 1954
Nationality: British citizen.

Independence Independent in relation to the company and its management as well as in relation to the company's major shareholders.
Ownership 3,820 B shares, including related natural and legal persons.
Committee work Chairman of the Audit Committee. John has more than 25 years experience as a banker. He was Managing Director of Financial Institutions, ABN AMRO, 2004–2006, Managing Director and Partner, Cardona Lloyd, 2002–2004, Lazard, 2000–2002 and Barings Bank, 1995–2000.
Chairman of Ludgate Environmental Fund Ltd, Director of Valiance Funds and Investment Director of Corestone AG. Member of the Board of TT Electronics plc, Xebec Inc. and the Economy Bank NV. Also Member of Council and Chairman of the Audit Committee, Cambridge University and Trustee, Institute of Historical Research, London University.

MA Cambridge University, UK.

Cristina Stenbeck

Non-Executive Director, elected in 2003.
Born: 1977
Nationality: American and Swedish citizen.

Independence Independent in relation to the company and management, but not independent in relation to the company's major shareholders.*
* As Chairman of the Board of Investment AB Kinnevik, Cristina Stenbeck represents major shareholders who own more than 10 percent of Tele2 AB.
Ownership 1,400 class B shares. In addition to her own directly held shares, Cristina is via Verdere S.à r.l. indirectly owner of a considerable shareholding in Tele2's major shareholder, Investment AB Kinnevik.
Committee work Cristina has been a member of the Board of Directors since 2003. Cristina has been Chairman of the Board of Directors of Investment AB Kinnevik since 2007. She has been serving as a Non-Executive Director of Modern Times Group since 2003.

B.Sc. Georgetown University, Washington DC, USA.

Leadership Team

Mats Granryd

President and CEO Tele2 Group
Born 1962
M.Sc. in Mechanical Engineering.
Joined the company in 2010.

Holding 32,000 B-shares, 56,000 rights (2010), 56,000 rights (2011) and 56,000 rights (2012)

Lars Nilsson

Senior Executive Vice President
Group CFO
Born 1956
M.Sc. in Ba and Econ.
Joined the company in 2007.

Holding 41,891 B-shares, 24,000 rights (2010), 24,000 rights (2011) and 24,000 rights (2012)

Thomas Ekman

Executive Vice President
CEO Tele2 Sweden
Born 1969
M.Sc. in Ba and Econ.
Joined the company in 2006.

Holding 9,501 B-shares, 8,000 rights (2010), 8,000 rights (2011) and 24,000 rights (2012)

Jere Calmes*

Executive Vice President
CEO Tele2 Russia
Born 1969
Ba International Relations
Joined the company in 2008.

Holding 6,000 B-shares

*Resigned from Tele2's Board of Directors in 2013.

Günther Vogelpoel

Executive Vice President
CEO Tele2 Netherlands
Born 1969
B.Sc. in Ba
Joined the company in 1999.

Holding 10,933 B-shares, 8,000 rights (2010), 24,000 rights (2011) and 24,000 rights (2012)

Arild Hustad

Executive Vice President
CEO Tele2 Norway
Born 1964
BA Business and Management, MBA, LLM
Joined the company in 2011.

Holding 6,500 B-shares and 8,000 rights (2012)

Leadership Team

Niklas Sonkin

Executive Vice President
Central Europe and Eurasia
Born 1967
M.Sc in Eng.
Joined the company in 2009.

Holding 14,500 B-shares, 24,000 rights (2010), 24,000 rights (2011) and 24,000 rights (2012)

Cecilia Lundin

Executive Vice President
Group Human Resources
Born 1970
M.Sc. in Ba and Econ.
Joined the company in 2011.

Holding 2,000 B-shares, 6,000 rights (2011) and 6,000 rights (2012)

Anders Olsson

Executive Vice President
Group CCO
Born 1969
M.Sc. in Ba and Econ.
Joined the company in 1997.

Holding 20,500 B-shares, 24,000 rights (2010), 24,000 rights (2011) and 24,000 rights (2012)

Lars Torstensson

Executive Vice President
Group Corporate Communication
Born 1973
M. Sc in Ba
Joined the company in 2007.

Holding 12,000 B-shares, 24,000 rights (2010), 24,000 rights (2011) and 24,000 rights (2012)

Joachim Horn

Executive Vice President
Group CTIO
Born 1960
M. Sc. Computer Science
Joined the company in 2011.

Holding 8,000 B-shares, 24,000 rights (2011) and 24,000 rights (2012)

Roxanna Zea

Executive Vice President
Group Strategy
Born 1975
Bachelor of Commerce, MBA – concentration in Entrepreneurship
Joined the company in 2012.

Holding 0 B-shares, 0 rights

This report reflects the new Leadership Team structure (effective as of March 4, 2013).
Holding information as per signature date of the Annual Report.

Administration report

The Board of Directors and CEO herewith present the annual report and consolidated financial statements for Tele2 AB (publ), corporate reg. no. 556410-8917 for the financial year 2012.

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

Tele2 AB's shares are listed on the NASDAQ OMX Stockholm Large Cap list under the ticker symbols TEL2 A and TEL2 B. The fifteen largest shareholders on December 31, 2012 hold shares corresponding to 48 percent of the capital and 60 percent of the voting rights, of which Investment AB Kinnevik owns 31 percent of the capital and 48 percent of the voting rights. No other shareholder owns, directly or indirectly, more than 10 percent of the shares in Tele2.

The Board of Directors received authorization from the Annual General Meeting in May 2012 to purchase up to 10 percent of the shares in the company, which the Board did not make use of.

For further information on the number of shares and their conditions and important agreements which cease to apply if control over the company is changed, see Note 31 Number of shares and earnings per share.

Financial overview

With 38 million customers in 11 countries, Tele2 is one of Europe's leading telecom operators. We offer mobile communication services, fixed broadband and telephony, data network services, cable TV and content services. Ever since Jan Stenbeck founded the company in Sweden in 1993, Tele2 has been a fast-moving challenger to incumbents and other established providers, with extensive experience in entering new markets and modernising pricing models.

Our mission is to always offer our customers what they need for less, and ultimately our vision is to be the champions of customer value in everything we do. Since 2003, Tele2 has expanded its geographic footprint eastwards and is now present in Russia as well as in Kazakhstan.

Mobile communication is Tele2's primary focus and most important growth segment. In 2012, mobile telephony accounted for more than 77 (73) percent of Tele2's net sales.

In 2012, the Group generated net sales of SEK 43.7 billion and reported an operating profit (EBITDA) of SEK 11.0 billion.

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

Net customer intake

In 2012, the total customer base increased to 38,162,000 (34,186,000) customers, due to continued growth in mobile services. Net customer intake, excluding acquired and divested companies, was 3,962,000 (2,770,000) customers. The customer intake in mobile services amounted to 4,572,000 (3,413,000) customers. The good intake in mobile services resulted from a solid performance mainly driven by Tele2 Russia and Tele2 Kazakhstan, whose customer bases grew by 2,080,000 (2,198,000) and 2,041,000 (1,039,000) customers respectively. The fixed broadband base lost –69,000 (–70,000) customers in 2012, primarily attributable to Tele2's operation in the Netherlands. As expected, the number of fixed telephony customers fell during the year.

Net sales

Tele2's net sales amounted to SEK 43,726 (41,001) million corresponding to a growth of 8 percent excluding exchange rate effects. The net sales development was mainly a result of sustained success in mobile services.

EBITDA

EBITDA amounted to SEK 10,960 (11,212) million, equivalent to an EBITDA margin of 25 (27) percent. EBITDA excluding negative exchange rate effects of SEK –202 million was at the same level as in 2011. The EBITDA development was impacted by higher subsidies in the mobile segment.

EBIT

Operating profit, EBIT amounted to SEK 6,211 (7,054) million excluding one-off items. Including one-off items, EBIT amounted to SEK 5,653 (7,050) million. The EBIT margin was 13 (17) percent. The EBIT development was negatively impacted by SEK –258 million as a result of an accelerated depreciation of network equipment in the Baltic region in preparation for a network replacement. EBIT was also negatively impacted by one-off items amounting to SEK –558 (–4) million, mainly related to an impairment of goodwill and other assets in Croatia and the settlement of a dispute.

Profit before tax

Net interest expense and other financial items amounted to SEK –1,078 (–674) million. Exchange differences of SEK 45 (–11) million were reported under other financial items. The average interest rate on outstanding liabilities was 6.7 (6.2) percent. Profit after financial items, EBT, amounted to SEK 4,575 (6,376) million.

Net profit

Profit after tax amounted to SEK 3,264 (4,751) million. Earnings per share amounted to SEK 7.30 (10.65) after dilution. Reported tax for the year amounted to SEK –1,311 (–1,625) million. Tax payment affecting cash flow amounted to SEK –989 (–948) million.

Cash flow

Cash flow from operating activities amounted to SEK 8,679 (9,690) million and cash flow after paid CAPEX amounted to SEK 4,070 (4,118) million.

CAPEX
During 2012, Tele2 made investments of SEK 5,336 (6,105) million in tangible assets and intangible assets, driven mainly by further network expansion in Sweden, Norway, Russia and Kazakhstan.

Net debt
Net debt amounted to SEK 15,745 (13,518) million on December 31, 2012, or 1.44 times EBITDA in 2012. Tele2's available liquidity amounted to SEK 12,933 (9,986) million.

Five-year summary

SEK million	2012	2011	2010	2009	2008
CONTINUING OPERATIONS					
Net sales	43,726	41,001	40,585	39,836	38,630
Number of customers (by thousands)	38,162	34,186	30,883	26,579	24,018
EBITDA	10,960	11,212	10,643	9,621	8,452
EBIT	5,653	7,050	7,022	5,781	3,026
EBT	4,575	6,376	6,639	5,236	1,893
Net profit for the year	3,264	4,751	6,469	4,736	1,758
Key ratios					
EBITDA margin, %	25.1	27.3	26.6	24.2	21.8
EBIT margin, %	12.9	17.2	17.3	14.5	7.8
Value per share (SEK)					
Earnings	7.34	10.71	14.66	10.68	3.91
Earnings, after dilution	7.30	10.65	14.60	10.66	3.91
TOTAL					
Equity	20,429	21,452	28,875	28,823	28,405
Equity, after dilution	20,429	21,455	28,894	28,823	28,415
Total assets	49,189	46,864	42,085	43,005	49,697
Cash flow from operating activities	8,679	9,690	9,966	9,427	8,088
Cash flow after CAPEX	4,070	4,118	6,008	4,635	3,037
Available liquidity	12,933	9,986	13,254	12,520	17,283
Net debt	15,745	13,518	3,417	4,013	7,012
Investments in intangible and tangible assets, CAPEX	5,336	6,105	4,095	4,891	5,066
Investments in shares and other long-term receivables, net	215	1,563	1,424	–3,709	–2,342
Average number of employees	8,379	7,539	7,402	6,667	5,879
Key ratios					
Equity/assets ratio, %	42	46	69	67	57
Debt/equity ratio, multiple	0.77	0.63	0.12	0.14	0.25
Return on equity, %	15.6	18.9	24.0	16.3	8.9
Return on equity after dilution, %	15.6	18.9	24.0	16.3	8.9
Return on capital employed, %	15.3	20.4	22.2	16.7	12.8
Average interest rate, %	6.7	6.2	7.3	5.9	6.2
Value per share (SEK)					
Earnings	7.34	10.69	15.67	10.57	5.53
Earnings, after dilution	7.30	10.63	15.61	10.55	5.53
Equity	45.95	48.33	65.44	65.31	63.93
Equity, after dilution	45.68	48.09	65.23	65.18	63.90
Cash flow from operating activities	19.53	21.83	22.59	21.41	18.23
Dividend, ordinary	7.10[1]	6.50	6.00	3.85	3.50
Extraordinary dividend and redemption	–	6.50	21.00	2.00	1.50
Market price at closing day	117.10	133.90	139.60	110.20	69.00

1) Proposed dividend.

Overview by Region

Tele2's markets have been divided into four distinct regions, in order to make the best use of the company's resources: Nordic, Russia, Central Europe & Eurasia and Western Europe. These regions include both emerging and mature markets, where cultural, economic and competitive differences are significant. However, the trend towards mobility is universal, and is clearly evident in all countries.

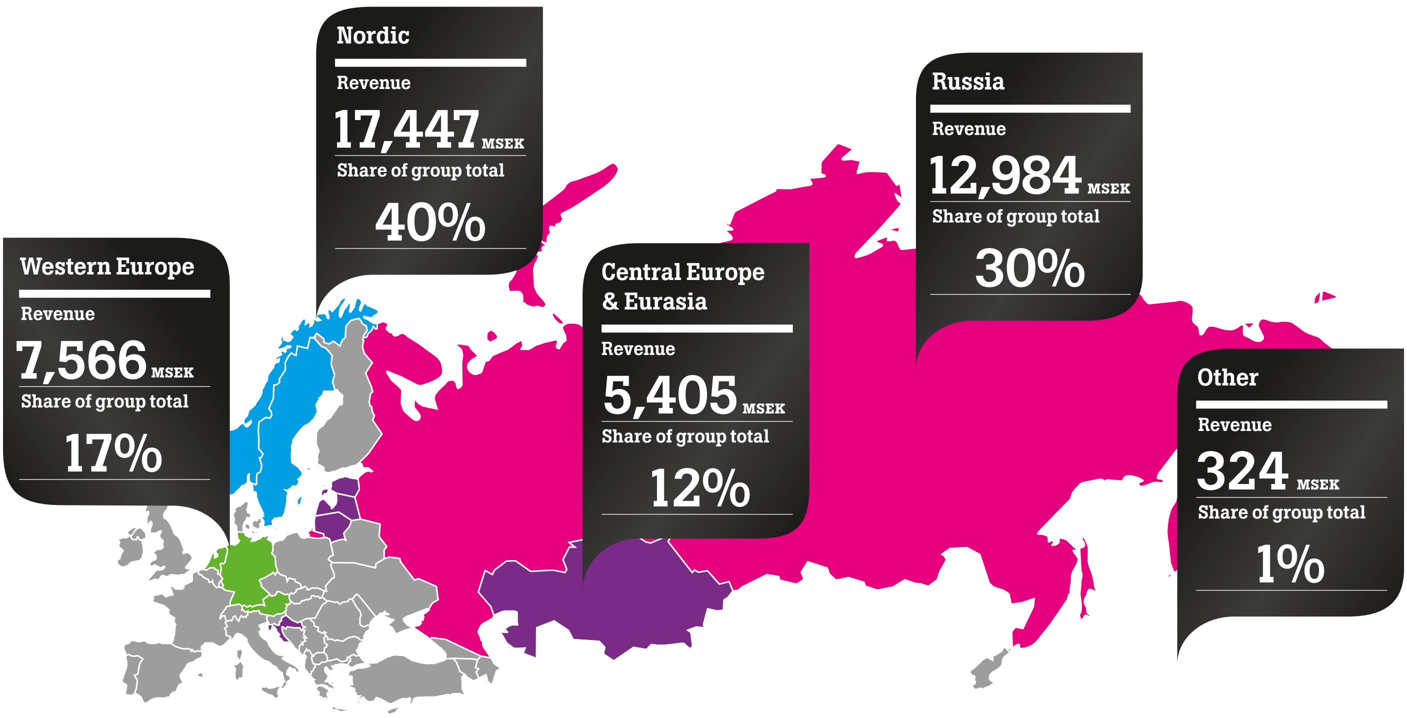
While mobile communication services are fairly standardized across different regions, the level of maturity differs widely. As a consequence, the focus of Tele2's operations in each region is different. In the Western European region, Tele2 aims to develop its operations with emphasis on the business segment. The Nordic region is the test bed for new services. In Central Europe & Eurasia, Tele2 keeps growing and expanding businesses. Lastly, Russia is the growth engine of the Group.

Tele2's position and priorities vary within the regions. Local market characteristics differ in many ways, even within the same country. Our green field operations, e.g. Kazakhstan, are focused on increasing market share, brand awareness and price leadership. As a challenger in Latvia and Estonia, Tele2 pays particular attention to price, market share, expected quality, and network capabilities. As a defender in many parts of Russia, in Sweden and in Lithuania, Tele2 focuses on retention, price stability, upselling, and quality.

While there are important local differences, Tele2 has established a number of general priorities to address opportunities and challenges for 2013. These objectives go beyond the local context and are common to all the regions and countries where Tele2 operates.

- **Customers** – Tele2 shall be the operator of choice. By providing the best value for money we shall be the operator of choice and grow our market share.
- **Employees** – We shall be considered a great place to work. By being a great place to work we shall attract and retain the best people who can deliver on our Vision.
- **Shareholders** – We shall have the best Total Shareholder Return (TSR). By being the operator of choice and a great place to work, we shall deliver the best TSR within our peer group.

These fundamental objectives will guide the company's regional activities through 2013 and beyond.



Nordic

Sweden

SEK million	2012	2011	Growth
Number of customers (in thousand)	4,582	4,742	–3%
Net sales	12,698	12,575	1%
EBITDA	3,365	3,665	–8%
EBIT [1]	1,881	2,120	

[1] excluding one-off items

2012 in brief

Despite increased competition, Tele2 Sweden managed to demonstrate strong results through quality-enhancing activities combined with cost-containment efforts.

Total mobile net intake amounted to 33,000 (117,000) in 2012. Mobile net sales grew by SEK 470 million. EBITDA contribution for mobile was SEK 2,869 (3,160) million in 2012.

2012 was characterised by strong competition in the mobile market. Despite this, the mobile segment grew by 4.9 percent compared with 2011. Marketing campaigns targeting the residential and the SME segments mainly focused on bundle offers rather than on unit pricing. The efforts to create high ARPU (Average revenue per customers) customers in postpaid proved to be fruitful and will continue into 2013.

In 2012, Tele2 Sweden prioritised four areas:

- the transition from a voice to a data centric business model
- the prepaid to postpaid migration
- the continued rollout of combined 2G and 4G networks
- market share expansion in the business segment

The shift from prepaid to postpaid continues

Strong demand for handsets continued to support the shift from prepaid to postpaid in the market. The company launched several innovative prepaid offerings in order to slow down this trend. During the year, Tele2 Sweden successfully launched both a prepaid and postpaid offer with fixed price plans under the Comviq brand.

The smartphone installed base in the postpaid segment continued to grow and was 75 percent at the end of the year. Several handset manufacturers released LTE-enabled smartphones with high data speeds that have been well received in both the business and residential segments.

Continued roll-out of combined 2G and 4G networks

Tele2 Sweden continued the roll-out of the combined 2G and 4G networks in the joint venture Net4Mobililty, covering at the end of 2012 more than 224 municipalities and 8.3 million people, with what will become the most extensive 4G network in the country.

During 2012, Net4Mobility successfully launched in the Stockholm area (with surrounding counties and the Swedish Mälardalen region) the first Multiple Operator Core Network on 2G in the world. This shared radio access network is now a reference point for cost efficiency. By the end of the year, Gotland and the West Coast region were also covered.

During 2013, the roll-out will continue in the rest of Sweden. With this new network, Tele2 Sweden will improve 2G coverage by installing 20 percent more base stations while future proofing customers' ever increasing demand for data.

Further growth in fixed broadband

Fixed telephony showed an expected decrease in demand, although delivering strong EBITDA contribution and EBITDA margin throughout the year. In 2013, Tele2 expects demand for high-speed access to keep increasing. Tele2 Sweden experienced further growth in the fixed broadband customer base, mainly driven by success in the fibre segment and triple play offerings. Tele2 will meet the accelerating demand for data capacity by further developing its fibre broadband offering in open access networks and by complementing it with the high-speed mobile broadband (4G) delivered through Net4Mobility.

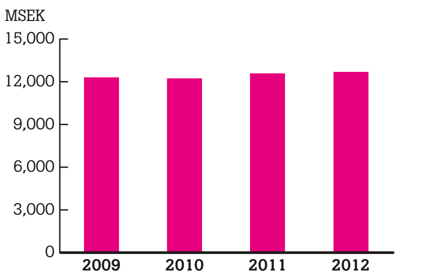
In the business segment, the year 2012 showed continued improved intake in the "Communication as a Service area", as well as growth in customer base and overall EBITDA.

Challenges to address in 2013

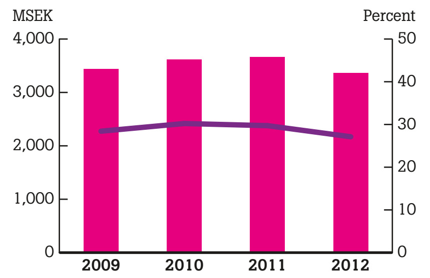
Tele2 Sweden expects the demand for data to keep growing as customers go mobile. Consequently, Tele2 will increase its focus on the upsell of data and drive sales towards 4G offering, thus increasing customer value and lowering production cost.

In the business segment, increased market presence and efforts to deliver integrated telecom solutions within both fixed and mobile will contribute to further expanding market share during 2013.

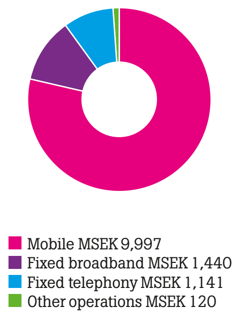
Net sales



EBITDA & EBITDA margin



Net sales per product area



Nordic, continued

In addition, Tele2 Sweden endeavours to continue to deliver good profitability during 2013 through:

- cost efficiency from operating joint-venture networks
- the effective use of distribution channels
- stronger focus on online activities, and
- increased levels of self-service

Tele2 Sweden will finalise the roll-out of the combined 2G and 4G network through the joint venture Net4Mobility as cost efficiency is a necessity to be a price leader. Tele2 will also roll out the 800 MHz frequency, complemented by 1800 MHz, in order to improve the coverage and capacity of its 4G network.

In an environment characterised by fierce competition for customer acquisition, Tele2 Sweden sees the need to cater to different customer needs by different means. The dual brand strategy, positioning Comviq as the mobile price fighter and Tele2 as the full suite value option, will accommodate dissimilar customer needs by delivering low prices with expected customer service.

Norway

SEK million	2012	2011	Growth[1]
Number of customers (in thousands)	1,217	1,158	5%
Net sales	4,749	3,319	42%
EBITDA	214	20	970%
EBIT	–213	–85	

[1] excluding exchange rate differences, including acquired companies

2012 in brief

The roll-out of Tele2 Norway's own mobile network has been a key priority during the year. By the end of 2012, Tele2 Norway had 66 percent population coverage, while the traffic volume to Tele2's own network continued to increase throughout the year. The roll-out progressed according to plan in the first half of 2012, but was delayed in the second half of the year mainly due to colocation problems with competitors.

Tele2 Norway's net sales were SEK 4,749 million in 2012, up from SEK 3,319 million in 2011. The increase was mainly driven by the acquisition of Network Norway in October 2011.

A successful year

2012 was a successful year for Tele2 Norway with increased market shares and satisfactory operational profitability. Tele2 Norway finalised the integration process and secured synergy effects from the acquisition of Network Norway. Growth was achieved through improved customer retention, price leadership and focus on smartphones bundled with fixed-price subscriptions.

4G roll-out and new frequencies

In November 2012, Tele2 Norway was granted a temporary permission to start building 4G in the 1800 MHz bandwidth, and began the roll-out immediately. In an auction on the 19th of November 2012, Tele2 Norway won 2x5 MHz frequencies in the 2.1 GHz bandwidth, presently amounting to a total of 2x20 MHz frequencies in this bandwidth.

In the fixed telephony segment, Tele2 Norway showed a stable development of net sales and profitability and concentrated its efforts on defending market share.

Challenges to address in 2013

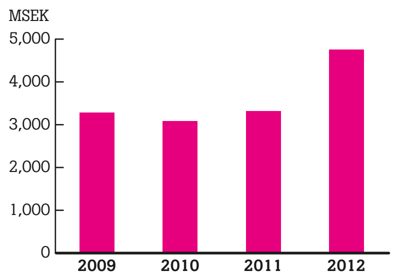
In 2013, Tele2 Norway will focus on rolling out Norway's third national mobile network, on launching 4G and on securing additional frequency resources in the national auction for the 800, 900 and 1800 MHz bandwidth.

Tele2 will continue to provide its customers with what they need for less by maintaining the company's price leadership while delivering expected quality, and by launching Tele2's own retail stores.

Profitability will be secured through focus on smartphones bundled with fixed-price subscriptions and through increasing traffic in Tele2's own network.

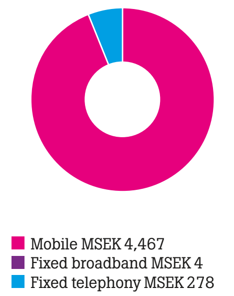
Improved customer retention, multi-channel distribution and the use of the company's four segmented brands in marketing will help Tele2 to pursue growth throughout 2013.

Net sales



EBITDA & EBITDA margin

Net sales per product area



Russia

Russia

SEK million	2012	2011	Growth[1]
Number of customers (in thousands)	22,716	20,636	10%
Net sales	12,984	11,463	15%
EBITDA	4,744	4,480	7%
EBIT	3,683	3,584	

[1] excluding exchange rate differences

2012 in brief

Russia is Tele2's largest market. Tele2 has GSM licences in 43 regions covering approximately 62 million inhabitants. Tele2 Russia can be split into three categories, during a transitional period, depending on maturity level: newcomers, challengers and defenders.

In 10 out of 41 launched regions, Tele2 is a newcomer. In these regions, the main goal is to acquire customers and expand market share. Through clear price leadership, wide distribution and innovative marketing, Tele2 can quickly expand its market position.

In 22 out of 41 launched regions, Tele2 is a challenger. When moving from a newcomer to a challenger position, Tele2 Russia will concentrate its efforts on ARPU development and retention activities beyond the strong focus on prepaid customer acquisition.

Tele2 Russia is market leader/defender in 9 out of 41 launched regions. As a market leader, Tele2 focuses on retaining its existing customer base and maximizing its contribution. Through simple and easy-to-understand pricing plans, combined with attractive add-on services such as data access, the company is able to improve average revenue per user in mature regions.

Clear price leader

Tele2 Russia's total customer base amounted to 22,716,000 (20,636,000) on December 31, 2012. The competitive environment in Russia is, and will remain, very tough. Tele2's main differentiator is a clear price leadership position. However, as the market evolves it will become increasingly important to find other means of differentiation against competition, be it marketing concepts, distribution channels or customer care. Customer perception is even more critical when the total customer base uses prepaid services.

2.1 million new customers in 2012

In 2012, Tele2 Russia successfully pursued its strategy of having a balanced approach to rolling out new regions, while maintaining a stable profitability in the more mature regions. Tele2 Russia gained totally 2,080,000 (2,198,000) new customers during the year. The churn rate was stable during 2012 compared with 2011, despite increased competition. Tele2 Russia maintained its effort to stay best in class in customer retention and continued to work with a commission structure to the retail channels in order to further enhance the quality of customer intake.

Despite an impact from customer base growth in newcomer and challenger regions with lower initial service usage, and generally high competitive pressure throughout Tele2 Russia's footprint, Minutes of Use (MoU) for the total operations increased by 8 percent compared to 2011, amounting to 258 (240). ARPU was SEK 50 (49) or RUB 229 (220).

Solid financial performance

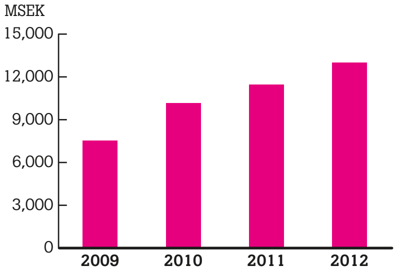
Tele2 Russia continued to deliver solid financial performance throughout the year. Net sales grew by 15 percent in 2012 compared to last year. The EBITDA development was driven by strong operational performance in the more mature regions, focusing on customer retention measures and stimulating usage. EBITDA amounted to SEK 4,744 (4,480) million, equivalent to a EBITDA margin of 37 (39) percent.

Challenges to address in 2013

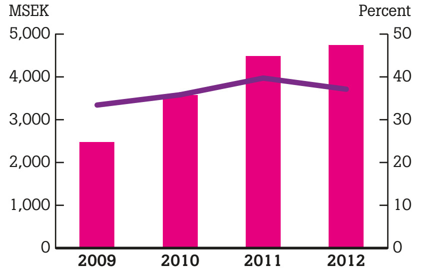
Tele2 Russia will keep looking for possibilities to carefully expand its operations through new licences as well as by complementary acquisitions.

On the regulatory side, Tele2 was disappointed by the decision in 2012 to postpone the introduction of technology neutrality in the Russian market. Nevertheless, the company will continue to give its full support to the State Commission for Radio Frequency (GKRCh) as it will extend the evaluation period for technology neutrality. The deadline for handing in test results is set to the 1st of June 2013. Tele2 expects that the regulatory authorities will maintain their established support to the regional operators.

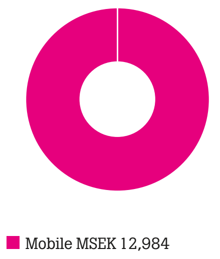
Net sales



EBITDA & EBITDA margin



Net sales per product area



Russia, continued

Distribution will remain an important differentiator in the Russian mobile market. Tele2 Russia will further pursue its multi-pronged approach with local distributors, together with federal dealers and mono-brand stores. In 2013, it will be important to develop long term relationships with all parties and secure a well performing distribution network.

Central Europe & Eurasia

Estonia

SEK million	2012	2011	Growth[1]
Number of customers (in thousands)	511	498	3%
Net sales	886	839	10%
EBITDA	236	234	5%
EBIT	86	166	

[1] excluding exchange rate differences, including acquired companies

2012 in brief

Although Estonia enjoyed relatively good economic growth in 2012, the Estonian mobile market remained particularly competitive during the year. As a result, the mobile operators' overall profitability level declined due to intense price pressure in all segments.

Increased customer base

Nevertheless, Tele2 Estonia continued to gain customers under difficult market conditions, adding 2,000 new mobile customers in 2012. The main driver behind Tele2 Estonia's positive net intake was continued growth in the company's core postpaid residential segment. Successful mobile broadband sales also contributed to increasing Tele2 Estonia's customer base.

Focus on cost, integration of Televõrgu and LTE services

During 2012, Tele2 Estonia focused on enhancing efficiency and on further improving its cost base in order to keep offering its customers what they need for less and ensure a satisfactory profitability level.

Tele2 Estonia managed to successfully integrate the backbone provider Televõrgu AS, an acquisition which was finalised in late February. Through the integration of Televõrgu, Tele2 Estonia was able to sustain its transmission costs and widen its highly profitable product portfolio.

In November 2012, Tele2 Estonia launched LTE services after completing its initial round of LTE roll-out in compliance with its licence obligations.

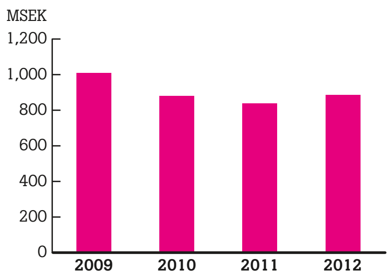
Challenges to address in 2013

Tele2 Estonia expects the mobile market to remain very competitive in 2013. The company will therefore focus on attracting residential and business customers, by means of a distinct price leadership position and improved quality, while further reducing operational costs.

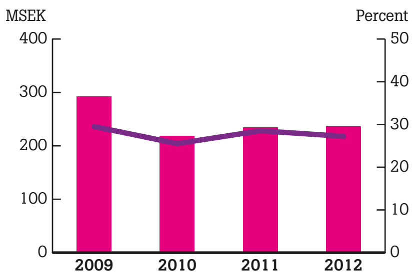
Mobile termination rates are planned to decline in 2013, which should lead to lower net sales for all mobile operators, but to higher EBITDA margins as interconnect costs would also decline.

Tele2 Estonia will continue to upgrade and/or swap the existing 2G and 3G networks and deploy LTE as per the licence requirements. The company will concentrate its efforts on growing data revenue, as Estonia is ahead of other Baltic countries in the LTE roll-out due to licence requirements.

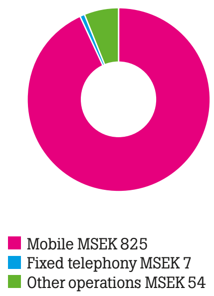
Net sales



EBITDA & EBITDA margin



Net sales per product area



Central Europe & Eurasia, continued

Lithuania

SEK million	2012	2011	Growth[1]
Number of customers (in thousands)	1,783	1,723	3%
Net sales	1,205	1,254	0%
EBITDA	432	451	–1%
EBIT	259	366	

[1] excluding exchange rate differences

2012 in brief

Tele2 Lithuania pursued its growth in a flat and mature mobile market. The company demonstrated solid financial performance during 2012, despite sustained levels of competition, and further strengthened its market leader position in service revenue and absolute EBITDA.

Positive customer intake and successful public tenders

In 2012, Tele2 Lithuania's net intake was 60,000 customers, mainly driven by very strong sales in its core postpaid residential market, and the accelerated customer acquisition of businesses and public governmental organisations. Tele2 Lithuania's participation in public tenders, a process through which state organisations purchase services, proved to be very favourable for the company in 2012.

High quality perception and price leadership

The key reasons for Tele2 Lithuania's successful development are not only its strong price leadership perception, but also high overall service quality and the recognition of its existing customer base. Tele2 Lithuania's quality perception was on a par with or better than competition.

Tele2 Lithuania was acknowledged as one of the most productive IT companies in the Baltics according to a study carried out by the third party agency ''Profiles International'' which analysed 1,200 companies within the Baltic countries.

According to an AON Hewitt international research, Tele2 Lithuania was recognised as "the best place to work in Lithuania" together with 5 other companies.

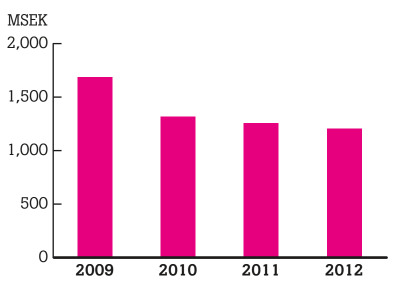
On August 29th, 2012 Tele2 Lithuania was awarded a 2.6 GHz license for the deployment of LTE.

Challenges to address in 2013

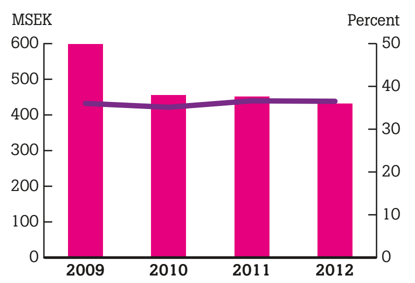
Tele2 Lithuania will have to defend both its actual and perceived price leadership and constantly improve its quality of service to ensure that it keeps offering its customers what they need for less.

Tele2 Lithuania will continue to work on reducing operational costs and on upgrading and/or swapping the existing 2G and 3G networks, adding LTE capability where and when deemed profitable.

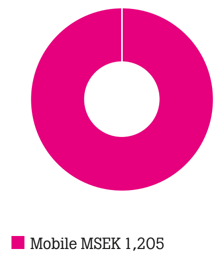
Net sales



EBITDA & EBITDA margin



Net sales per product area



Central Europe & Eurasia, continued

Latvia

SEK million	2012	2011	Growth[1]
Number of customers (in thousands)	1,043	1,019	2%
Net sales	1,036	1,094	–3%
EBITDA	358	380	–4%
EBIT	142	286	

[1] excluding exchange rate differences

2012 in brief

The Latvian mobile market remained highly competitive in 2012 and declined both in terms of net sales and profitability due to intense price pressure.

The year 2012 saw the development of flat all inclusive offers in the Latvian mobile market, where postpaid customers receive unlimited minutes, sms and some additional 50–1000 Mb data for a certain monthly fee varying approximately from SEK 60 to SEK 100.

Slight growth in customer intake

In spite of competitors' aggressively-priced offering , Tele2 Latvia managed to counterbalance a relative decline in the prepaid segment by means of a strong net intake in the postpaid residential segment, some of the company's prepaid customers having migrated due to better price level and unlimited usage in postpaid. Likewise, the net intake in the mobile broadband segment was robust throughout the year.

Marketing and pricing defends price leadership

During Q4 2012, Tele2 Latvia performed pricing and marketing communications changes meant to defend the company's price leadership perception in the market and to provide customers with what they need for less.

Focus on improved cost base

In 2012, Tele2 Latvia focused on further improving its cost base to be able to sustain a satisfactory profitability level.

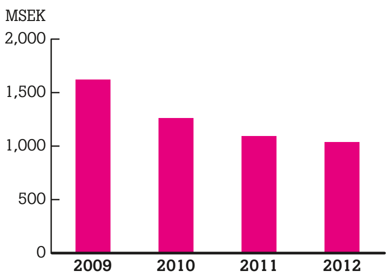
On January 5, 2012, Tele2 Latvia was awarded a 2.6 GHz licence for the deployment of LTE.

Challenges to address in 2013

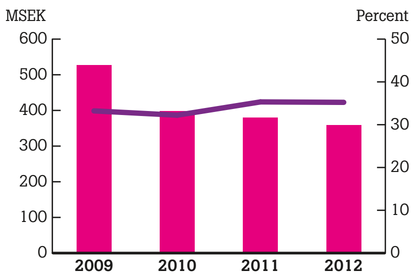
The mobile market is expected to remain very competitive in Latvia in 2013, with continued prepaid to postpaid customer migration flows. Tele2 Latvia will defend its perceived price leadership position and work on increasing market share in all segments. In an environment where postpaid customers will be presented with increasingly similar flat fee offers, Tele2 Latvia's key focus besides price is to further enhance service quality in all areas.

Tele2 Latvia will continue to work on reducing operational costs and on upgrading and/or swapping the existing 2G and 3G networks, adding LTE capability where and when deemed profitable.

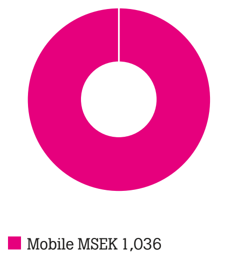
Net sales



EBITDA & EBITDA margin



Net sales per product area



Central Europe & Eurasia, continued

Croatia

SEK million	2012	2011	Growth[1)]
Number of customers (in thousands)	754	710	6%
Net sales	1,321	1,301	7%
EBITDA	60	78	–19%
EBIT[2)]	–65	–42	

1) excluding exchange rate differences
2) excluding one-off items

2012 in brief

Further to the unsatisfactory development of Tele2 Croatia's operation an impairment of goodwill and tangible assets of SEK 249 million (Note 6) was reported during the year. As a result, the company made organizational changes to promote a fresh start, with the aim of gaining market share and improving profitability. Tele2 Croatia worked intensely throughout 2012 on augmenting market share and increasing EBITDA margin to reach its set target (EBITDA margin of 4 percent) by year-end.

Successful "Revolution" offer

Tele2 Croatia's net intake was positive in 2012 with 44,000 new customers. The main driving force behind Tele2 Croatia's strong net intake growth was its new Revolutionary Postpaid tariff plan called ''Revolution''. Tele2 Croatia was the first operator in the market to launch this unlimited postpaid voice plus sms plus 500 Mb offer for SEK 170 per month with the objective of liberating people from high bills, extra charges and binding the customers to long contract periods.

During 2012, Tele2 Croatia successfully introduced a handset leasing model enabling customers to lease their handset, thereby reducing handset subsidy costs.

Tele2 Croatia launched special B2B services and products and consequently experienced strong intake in the business segment in the second half of 2012.

Challenges to address in 2013

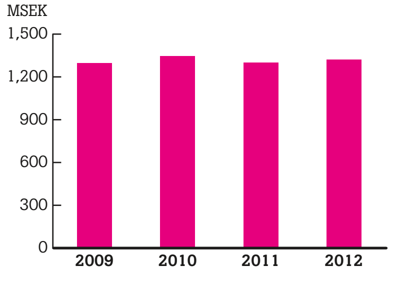
Tele2 Croatia will concentrate its efforts on increasing market share as the company currently lacks scale to deliver higher EBITDA margin.

Tele2 Croatia will focus on maintaining price leadership, while providing products that are tailored to customer needs. At the same time, Tele2 Croatia will keep enhancing quality perception and customer experience across all touch points.

The company will continue to challenge all costs to ensure that it can provide the best value proposition to customers in the market.

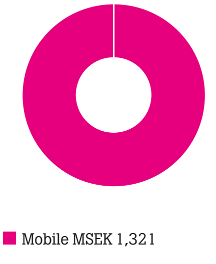
The fact that Croatia is expected to join the European Union in June 2013 should have a negative impact on visitor roaming revenue due to lower roaming prices mandated by EU regulations. Conversely, domestic MTR rates should decrease to EU levels, which should have a positive impact on Tele2, who is a net payer of interconnect to other operators.

Net sales



EBITDA & EBITDA margin

Net sales per product area



Central Europe & Eurasia, continued

Kazakhstan

SEK million	2012	2011	Growth[1]
Number of customers (in thousands)	3,412	1,371	149%
Net sales	957	346	170%
EBITDA	–387	–401	6%
EBIT	–691	–720	

[1] excluding exchange rate differences

2012 in brief

The Kazakh mobile market grows rapidly, with a mobile penetration estimated at 150 percent in the second half of 2012. This is attributable to both the fact that the larger part of the population is able to afford a mobile subscription, and that many customers have multiple SIM cards.

Tele2 Kazakhstan took its fair share of market penetration growth in 2012, accounting for 30–50 percent market share of the gross additions of new SIM cards.

The fastest growing operator

The Kazakh mobile market growth in revenue slowed down during 2012, despite an increase in mobile penetration, due to more intensive price competition further to Tele2's market entry. Tele2 Kazakhstan remains the fastest growing mobile operator with net sales more than doubling in 2012 compared with 2011.

During 2012, Tele2 launched the remaining four regions of Kazakhstan under the Tele2 Brand, the last one being Atyrau in April 2012.

Increasing market share and positive customer intake

Tele2 Kazakhstan's net intake was very satisfactory during 2012 adding 2,041,000 customers and with a year-end customer base of 3,412,000. By the end of 2012, Tele2 Kazakhstan's customer market share was 12 percent.

During 2012, Tele2 Kazakhstan experienced a strong net sales growth amounting to 170 percent. Data revenue amounted to 19.5 percent of total service revenue.

Tele2 continued the rollout of its 2G/3G network during 2012 to increase population coverage, especially in medium and smaller cities so as to improve quality perception.

Challenges to address in 2013

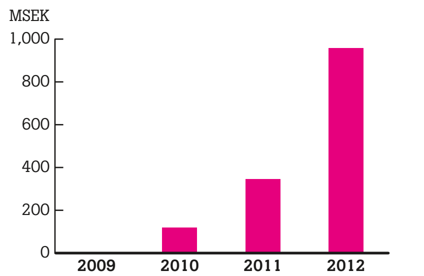
The company will continue to strengthen its network infrastructure in terms of coverage, capacity, performance, service quality and development of 2G and 3G capabilities.

Improving both quality and price leadership perception will be essential to the continued growth of Tele2 Kazakhstan's customer base.

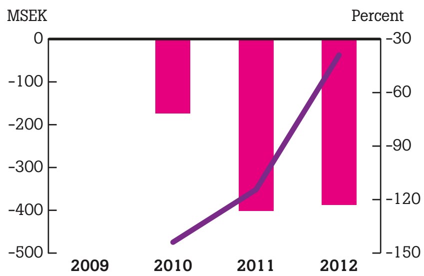
The company will also work steadily on increasing service usage and ARPU to ensure solid net sales growth, mainly by offering a wider range of additional products and services.

After the reduction of MTR rates at the end of 2012, and with continued subscriber base growth and improved traffic patterns, Tele2 Kazakhstan expects to reach EBITDA break-even in the second half of 2013.

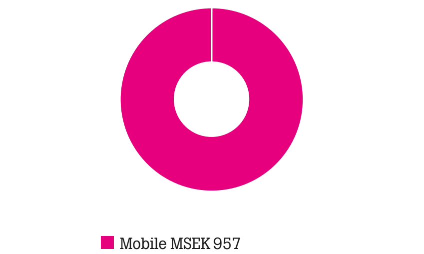
Net sales



EBITDA & EBITDA margin



Net sales per product area



Western Europe

Netherlands

SEK million	2012	2011	Growth[1]
Number of customers (in thousands)	1,040	984	6%
Net sales	5,267	5,823	–6%
EBITDA	1,549	1,806	–11%
EBIT	937	1,128	

[1] excluding exchange rate differences

2012 in brief

In 2012, Tele2 Netherlands surpassed the mark of 1 million customers and obtained important 800 MHz-licenses in the Dutch multiband frequency auction, enabling the company to build a 4G network.

Tele2 Netherlands showed solid financial results in 2012, despite a general declining trend in voice usage and price erosion in both the residential and business markets. A strong focus on the working capital position, combined with a smart and effective investment strategy led to a healthy cash flow result for the full year.

Mobile from voice to data

In the mobile segment Tele2 Netherlands saw the launch of a successful postpaid proposition. With SmartMix, Dutch consumers have got the freedom to compose their own subscription with their personal mix of voice and data. With that offer, Tele2 Netherlands provided its mobile customers with exactly what they needed for less, resulting in a large intake of new postpaid customers.

Fixed Broadband

Dutch consumers opted for bundled broadband services with TV offering as the general denominator. In spite of a slightly declining customer base, Tele2 Netherlands was able to protect its market share in the residential market in 2012. To meet the increasing "need for speed", Tele2 Netherlands launched fibre to the home during the summer 2012 in addition to its DSL services.

Expansion of business portfolio

In the business segment, Tele2 Netherlands managed to preserve its net sales levels despite price erosion. Tele2 Netherlands added several important new logos, among which OT2010, a large fixed telephony contract with more than 100 governmental organisations. Furthermore the company successfully offered added services to the existing product portfolio.

Fixed telephony

Both customer base development and voice usage in the fixed telephony segment showed a gradual decline in line with market trends throughout the year. Tele2 Netherlands continued to focus on retention to maximize value by up- and cross-selling bundled offerings to its fixed telephony customer base.

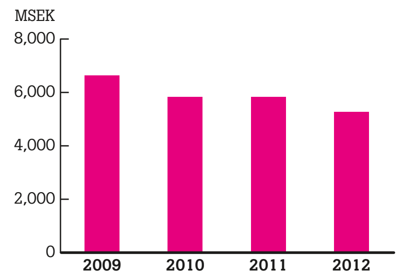
Challenges to address in 2013

The 2012 multiband frequency auction offered Tele2 a unique opportunity to become an MNO in the Netherlands. With a mix of 800 and 2600 MHz licenses, its own nationwide fibre optic network and a customer base exceeding 1 million customers, Tele2 Netherlands has valuable assets to grow its mobile operation.

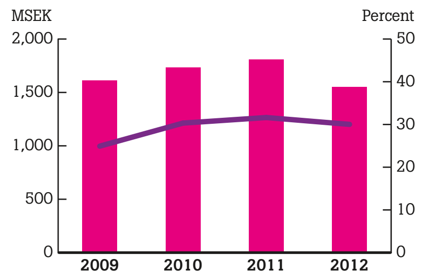
The focus in 2013 will be to roll out a 4G network and further strengthen Tele2's mobile footprint in the Netherlands.

Tele2 Netherlands foresees further growth in the business segment, profiting from its full data portfolio and the fixed/mobile convergence with its own hosted voice services.

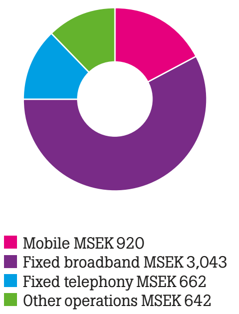
Net sales



EBITDA & EBITDA margin



Net sales per product area



Western Europe, continued

Germany

SEK million	2012	2011	Growth[1]
Number of customers (in thousands)	786	980	–20%
Net sales	946	1,096	–10%
EBITDA	278	352	–18%
EBIT	237	302	

[1] excluding exchange rate differences

2012 in brief

In 2012, Tele2 Germany achieved a strong financial performance. Besides capitalizing on its existing fixed business, the company's major focus during 2012 has been on further rolling out its new mobile products.

During the year, the mobile customer intake shifted from the migration of Carrier Pre-Select (CPS) customers to the acquisition of new customers. The acquisition of new mobile customers was conducted under strict cost control, ensuring profitable customer growth. As a result, the mobile segment turned EBITDA positive by year-end. The young mobile segment already yields a relevant financial contribution to the overall result of Tele2 Germany.

Fixed operations (Carrier Pre-Selection and Open Call-by-Call) generated a good EBITDA margin despite the continued declining market trend. In addition to the market decline, the legally required price announcement in effect since August 2012 affected the usage of OCBC services negatively. Nevertheless, that effect has been limited by a tight control and management of the OCBC segment, leading to better results than planned.

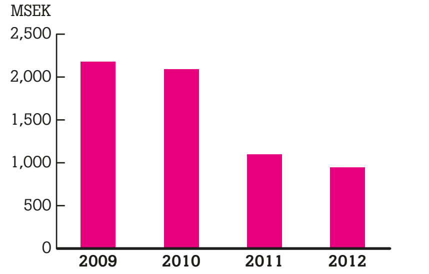
The fixed broadband segment further stabilized in a competitive environment with frequent promotional offers especially from cable operators.

Challenges to address in 2013

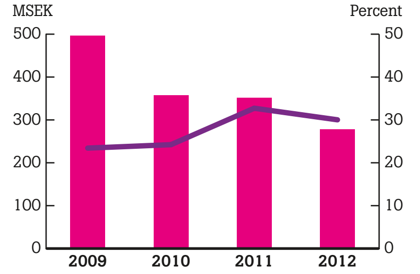
Tele2 Germany will concentrate its efforts on growing its mobile customer base by further strengthening its sales structures, as well as expanding its mobile product portfolio. As in the previous year, this will go hand in hand with a strong focus on customer satisfaction.

In the fixed business, Tele2 Germany will aim to defend its position in CPS and OCBC and continue to maximize profits from those declining segments.

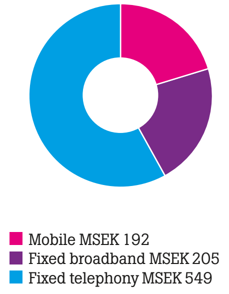
Net sales



EBITDA & EBITDA margin



Net sales per product area



Western Europe, continued

Austria

SEK million	2012	2011	Growth[1]
Number of customers (in thousands)	318	365	–13%
Net sales	1,353	1,377	2%
EBITDA	333	325	6%
EBIT	187	185	

[1] excluding exchange rate differences, including acquired companies

2012 in brief

Tele2 Austria showed good operational progress during 2012, as the company managed to deliver an all-time high EBITDA and cash flow performance in local currency. This development was supported by the successful integration of the business-focused Internet provider Silver Server acquired during 2011.

Tele2 Austria kept enhancing its focus on growth within the business segment by providing the business community with an enhanced customer experience at a low price. Data network services in particular showed healthy revenue development. In 2012, Tele2 Austria worked on increasing sales efficiency and on improving customer retention across all business segments.

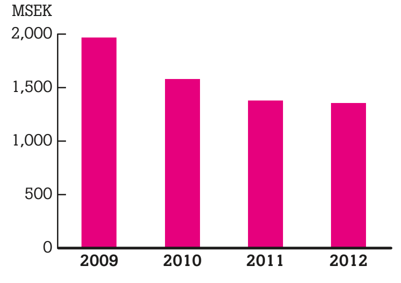
In the residential segment, Tele2 Austria concentrated its efforts on retaining its customer base by emphasizing value-based segmentation through retention campaigns.

Challenges to address in 2013

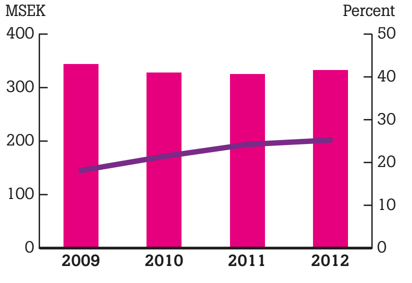
In 2013, Tele2 Austria will continue its successful growth path in the business segment through the optimization of the company's structure and sales processes.

In the residential segment, Tele2 Austria will keep focusing on retention by offering the most value to its customers and by extending its product range to a high-speed Internet portfolio – based on VDSL and FTTx.

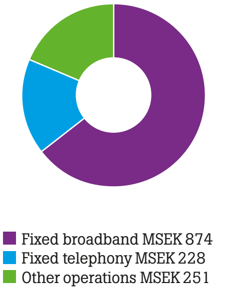
Net sales



EBITDA & EBITDA margin



Net sales per product area



Acquisitions and divestments

In 2012, Tele2 acquired all shares in Televõrgu AS, an Estonian telecommunication service provider. No material operations were divested during 2012. Further information can be found in Note 16.

Corporate Responsibility

2012 was characterized by the development of a long-term CR strategy and continued efforts to integrate Corporate Responsibility (CR) in the internal controls. This means in practice that Tele2 is conducting an on-going work to integrate CR as a filter in company processes within control environment, risk assessment, control activities, information & communication and monitoring e.g. follow up and reporting.

In 2012, the control environment with regards to governing documents was reviewed with minor updates in the environmental policy. The Code of Conduct (CoC) for business partners, developed in 2011, was also reviewed and finalized in 2012. Almost all employees have signed Tele2's CoC and more than 64 percent of business partners (suppliers, consultants and advisors etc), which accounted for 80 percent of the contracted volume managed by the procurement department, have signed the business partner code. The Business Partner Code is an almost identical reflection of the CoC, which means that we demand the same from our business partners as from ourselves.

During the year, a review of CR linked to the risk and M&A processes was initiated. This means that Tele2 has now updated processes and procedures for evaluating risks, related to corporate responsibility, as regards acquisitions of operations (CR Due Diligence).

The routines for monitoring and reporting CR have also been updated during the year. The work is expected to continue in 2013 and beyond, the plan then being to integrate the collection and compilation of CR data in Tele2's existing reporting systems for increased harmonization and enhanced quality.

As part of the strategic work, Tele2 introduced a definition of CR. This is available on the Tele2 corporate website together with additional descriptive information on Tele2's CR work, including governance, governing policies and systematic approach. The website also includes descriptions of our approach to CR topics such as human rights, anti-corruption, labor rights and environment. Tele2 reports its CR work according to the Global Reporting Initiative's (GRI) guidelines.

Focus on Corporate Responsibility

The CR working group formed in 2011, including among others the Board members Mia Brunell Livfors, John Shakeshaft and Lars Berg as well as the CEO Mats Granryd, convened on three occasions in 2012. In these meetings subjects discussed included, but were not limited to, governance of human rights (in particular privacy and freedom of expression), anti-corruption, CR in relation to remuneration, CR in internal controls and the new CR strategy.

Long-term CR strategy

The executive management decided on a long-term CR strategy in August. The strategy includes material CR areas for Tele2, with a clear distinction between risks and opportunities. The strategy, which is described in detail in a separate CR section, emphasises which CR areas Tele2 needs to address and comply with in the quest for its wanted position 2020. These so-called material areas are: human rights, labor rights, anti-competitive behavior, anti-corruption, legal compliance with respect to taxation, product liability and industry-specific issues.

Consequently, there is a risk of with failing to manage these areas in accordance with the demands and expectations of society, for example infringements of international norms and standards or declarations, as well as risks of failing in anti-corruption work.

The strategy also points out three focus areas for CR where Tele2 wants to rise and create opportunities. These focus areas are environment, child protection and privacy & integrity. The CR strategy was introduced to all Tele2 countries during 2012 and is currently being implemented.

In 2012, Tele2 focused on risk management, in the material areas and particularly with respect to privacy and freedom of expression, which work will also continue in 2013. During 2013–2014, Tele2 intends to deepen the evaluation of business opportunities in the three focus areas. To the extent possible and based on available information relevant to current information Tele2 will report on the progress of work on its website.

Employees

During 2012, the average number of employees in Tele2 was 8,379 (7,539), mainly due to increased operations in Russia and Kazakhstan, in addition to acquired operations in Norway, Estonia and Austria. See also Note 32 Number of employees and Note 33 Personnel costs.

Tele2 is a growing company and a growth-oriented organization. The aim of Tele2's human resources management is to prepare and grow employees in order to meet the requirements and future needs of the business. Tele2's employees need to be highly engaged and motivated and experience a great sense of pride and identification with the corporate values of the company and its overall strategy. To attract and retain the best people is vital to our growth strategy; being considered a great place to work is our major challenge and our strategic direction in the area of people management.

These have been our main focus areas during 2012:

Leadership and Tele2 Way

Exemplary leadership behaviours are primarily based on the corporate values, the Tele2Way. Managers are meant to be the culture role models that lead by example and truly "walk the talk". The Tele2 Way, along with the Code of Conduct, provides a framework and guides employees in their professional behaviour and decision making every day. All new managers are trained in the Tele2Way; which includes refreshment courses every second year.

Performance and Talent

A common performance management process for the whole Tele2 Group was introduced in 2012. The new, aligned process provides a consistent way of setting goals and assessing performance as well as a foundation to deal with talent management on a Group level. As of 2012 all employees are assessed in two dimensions: what and how, i.e. goal completion as well as professional behaviour based on Tele2´s corporate values, the Tele2 Way.

When it comes to managing talent, Tele2 strongly supports and encourages internal promotions, both horizontal and vertical. A greater emphasis has been put on diversity, the aim being that the percentage of female managers and leaders reflects the percentage of female employees within the company.

The mapping of high performers, top talents and key roles was fully rolled out via the Talking Talent sessions in 2012. The purpose of the talent management process is to ensure long-term succession to managerial and key roles, develop the company's existing workforce and minimise business risk if key position holders leave the company.

Learning and Development
In 2012, Tele2 adopted the common framework for learning and development based on 70:20:10 principles (learning philosophy by Morgan McCall, Robert W. Eichinger and Michael M. Lombardo). According to these principles 70 percent of learning comes from experience, such as learning by doing, job rotation, participation in cross-functional projects and challenging work tasks; 20 percent comes from learning from relationships, such as mentoring, coaching and networking; and 10 percent comes from official training programs such as academic courses, e-learning, books/periodicals and media.

Reward and Recognition
Tele2 offers competitive compensation and benefit packages in order to attract, retain and motivate employees. Tele2's packages are determined by the local market and Tele2 participates in local salary surveys annually to ensure that its offerings remain competitive in terms of base salary, short-term incentives, long-term incentives and benefits. The company believes in pay for performance; high-performing individuals should be rewarded well.

In 2012, Tele2 performed a global grading of all positions. Going forward this will ensure internal consistency and transparency related to job titling and remuneration.

Engagement
Every year, Tele2 conducts an employee survey called 'My Voice'. The survey measures:

- General employee satisfaction by means of the Employee Satisfaction Index (ESI);
- Managers´ leadership capabilities by means of the Leadership Index (LSI);
- Employee engagement;
- Tele2's internal attractiveness as an employer by means of the Net Promoter Score (NPS);
- Tele2 Way index (TWI), assessing how well we live our corporate values.

A total of 98 percent of all employees participated in the 2012 survey and all indexes improved compared 2011. My Voice showed that a total of 51 percent of Tele2's employees are engaged, compared to 43 percent last year. The reason for such significant improvements is grounded in the fact that all managers and organizational units had identified engagement-related goals to work with during 2012. Going forward the focus will still be on engagement as engaged employees perform well, go the extra mile and are personally motivated to make Tele2 an even better place to work.

Events after the end of the financial year

Tele2 announced on December 14, 2012 that Tele2 Netherlands obtained two mobile licenses (2x10 MHz spectrum) in the 800 MHz band during the multiband frequency auction in the Netherlands for SEK 1.4 billion. Tele2 got the access and also made the payment in January 2013. With the acquired spectrum in the 800 MHz band and earlier obtained spectrum in the 2,600 MHz band, Tele2 will roll out a next generation 4G network, offering businesses and consumers higher speed and lower pricing for mobile broadband. The Dutch frequency auction created a unique opportunity for us to develop mobile services on our own infrastructure.

On January 3, 2013 Tele2 AB issued a SEK 500 million bond under the EMTN (Euro Medium-Term Note) program with one single investor. The issue has an investor put/issuer call every third month and will therefore be reported as short term funding. The bond has a floating rate coupon, and will not be listed.

Tele2 announced on February 5, 2013 that Jere Calmes was appointed new CEO of Tele2 Russia and stepped down as non-executive Tele2 Board member.

On February 12, 2013 Tele2 issued a SEK 250 million 7-year bond on the Swedish bond market with a coupon of three months STIBOR +2.45 percent.

In February 2013, 15 Class A shares were reclassified into Class B shares and 900,000 C shares into Class B shares.

Risk and uncertainty factors

Tele2's operations are affected by a number of external factors.

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

Availability of frequencies and telecom licences
The company is dependent on licences and frequencies to be able to operate its business. Tele2 needs to comply with licence requirements, secure the extension of existing licences and obtain new licences that will be distributed. Tele2's ability to retain customers by providing improved services or maintain its low cost structure may be hampered by not obtaining required licences or frequencies at all or at a reasonable price. Tele2 works in close contact with regulators and industry associations to become aware of upcoming licence distributions or redistributions.

Operations in Russia and Kazakhstan
Tele2's operation in Russia has a significant influence on the Group's operational result and financial position. The political, economic, regulatory and legal environment as well as the tax system in Russia and Kazakhstan are still developing and are less predictable than in countries with more mature institutional structures. This also applies to prevailing corporate governance codes, business practices and the reporting and disclosure standards. The market and the operations in Russia and Kazakhstan therefore represent a different risk from those associated with investments in other countries and can affect Tele2's abilities to operate and develop its operations in these countries. Tele2 continuously monitors the development in these markets and has contact with relevant authorities.

Network sharing with other parties
In Sweden, Tele2 has reached agreements with other telecom operators to build together and operate common network infrastructure. In Croatia and until today also in the Netherlands, Tele2 depends on agreements with network operators to provide mobile services. Such agreements enable Tele2 to provide its customers with what they need for less by sharing costs and the risks of investing in new technologies and adjusting quicker to technological developments. At the same time, these agreements impose risks in the form of delays in roll-out, limitations for customised development and limitations on operating profitability. Finally, such agreements inherently present the risk that Tele2´s partners are unable or unwilling to fulfil their commitments under these agreements. Tele2 continously evaluates these forms of co-operations and has a dialogue with its partners in these co-operations.

Integration of new business models

Tele2's business environment is experiencing continuous internal and external changes, which may affect our future operational result and financial position. External changes may be in the form of new business models, such as mobile VOIP, new customer behaviour such as revenue migration from voice to data or new revenue models introduced by handset companies or other parties. Internal changes may be in the form of IT infrastructure makeovers which aim to provide our customers with better services. Tele2's executive management closely reviews the internal and external changes to adapt its strategies to be able to benefit from its possibilities.

Destructive price competition, primarily in mobile markets
Tele2 operates in highly competitive markets with high penetration. Tele2's strategy is to be a price leader in all market segments. Competitors' aggressive actions can lead to overall price decreases and lower profitability. To counteract the effects of such actions, Tele2 monitors the price perception index on a regular basis and works to obtain a clear price leadership position through its product offering and marketing communication.

Changes in regulatory legislation
Changes in legislation, regulations and decisions from authorities for telecommunications services can have a considerable effect on Tele2's business operations and the competitive situation in its operating markets. Large scale deregulation has historically been advantageous to Tele2's development, while a limited or slow deregulation process has restricted the company's opportunities for development. These decisions also influence the prices which apply to interconnection agreements with the local former monopolist in the various markets and mobile termination rates. Also, certain decisions such as the regulation of next generation fixed broadband technology may include conditions that exclude Tele2 from offering similar products to its customers. Tele2 works actively with telecom regulators and industry associations, in order to create fair competition in its operating markets.

Financial Risk Management
Through its operations, the Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to the Group treasury function. The aim is to control and minimize the Group's financial risks as well as financial costs, and optimize the relation between risk and cost. Further information on financial risk management can be found in Note 2.

Work of the Board of Directors

The Board of Directors is appointed by the Annual General Meeting for terms extending until the next Annual General Meeting. At the Annual General Meeting in May 2012, all Board members were re-elected. In addition, Mike Parton was re-elected as new Chairman of the Board of Directors.

The Board is responsible for the company's organization and management, and is composed in such a way as to enable it to effectively support and manage the work of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, corporate transactions, major investments, and establishes the framework of Tele2's operations by defining the company's financial goals and guidelines. In 2012, the Board convened six times on different locations in Europe. In addition, seven per capsulam meetings and five telephone conference meetings were held.

In order to carry out its work more effectively, the Board has at the constituent Board meeting appointed members for a Remuneration Committee and an Audit Committee with special tasks. These committees are the Board's preparatory bodies and do not reduce the Board's overall and joint responsibility to the handling of the company and the decisions made. All Board members have access to the same information. Further, certain members of the Board have been selected to form preparatory working groups on topics of special interest, such as Corporate Responsibility, dividends and capital structure.

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

Remuneration to the Board is stated in Note 33.

Corporate Governance Report
The Corporate Governance Report is available on Tele2's website www.tele2.com.

Remuneration guidelines for senior executives
The Board proposes the following guidelines for determining remuneration for senior executives for 2013, to be approved by the Annual General Meeting in May 2013.

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

Remuneration to the senior executives should comprise annual base salary, and variable short-term incentive (STI) and long-term incentive (LTI) programs. The STI shall be based on the performance in relation to established objectives. The objectives shall be related to the company's overall result and the senior executives' individual performance. The STI can amount to a maximum of 100 percent of the annual base salary.

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

The Board is continually considering the need of imposing restrictions in the STI program regarding making payments, or a proportion thereof, of such variable compensation conditional on whether the performance on which it was based has proved to be sustainable over time, and/or allowing the company to reclaim components of such variable compensation that have been paid on the basis of information which later proves to be manifestly misstated.

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

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

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

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

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board of Directors.

There are no deviations during 2012 compared with the remuneration guidelines for senior executives approved by the Annual General Meeting in May 2011 and May 2012.

Pursuant to the employment contract established during 2013 with the new CEO of Tele2 Russia, Jere Calmes, Jere is under certain circumstances entitled to severance payment in case of termination of his employment with an amount equal to a maximum of three fixed yearly salaries. This is a deviation from the remuneration guidelines for senior executives and from the Swedish code of corporate governance. The company's assessment is that it was necessary to offer such termination terms as part of a competitive package for a senior executive in the Russian market and that the terms therefore are reasonable and in the best interest of the company.

The guidelines for 2012 as proposed by the Board and approved by the Annual General Meeting in May 2012 are stated in Note 33 Personnel costs.

Parent company

The parent company performs functions and conducts certain Group wide development projects. In 2012, the parent company paid an ordinary dividend of SEK 6.50 per share for 2011 and an extraordinary dividend of SEK 6.50 per share corresponding to a total of SEK 5,781 million to shareholders.

Proposed appropriation of profit

The Board and CEO propose that, from the SEK 18,605,451,707 at the disposal of the Annual General Meeting, an ordinary dividend of SEK 7.10 per share be paid to shareholders, corresponding on December 31, 2012 to SEK 3,157,094,598, and that the remaining amount, SEK 15,448,357,109, be carried forward.

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

Contents

Consolidated income statement

SEK million	Note	2012	2011
CONTINUING OPERATIONS			
Net sales	5	43,726	41,001
Cost of services sold	6	–25,991	–23,479
Gross profit		**17,735**	**17,522**
Selling expenses	6	–8,197	–6,944
Administrative expenses	6	–3,977	–3,756
Result from shares in associated companies	7	–7	1
Other operating income	8	204	392
Other operating expenses	9	–105	–165
Operating profit	6	**5,653**	**7,050**
Interest income	10	24	29
Interest costs	11	–981	–512
Other financial items	12	–121	–191
Profit after financial items		**4,575**	**6,376**
Tax on profit for the year	13	–1,311	–1,625
NET PROFIT FROM CONTINUING OPERATIONS		**3,264**	**4,751**
DISCONTINUED OPERATIONS			
Net profit/loss from discontinued operations		–	–7
NET PROFIT	4	**3,264**	**4,744**
ATTRIBUTABLE TO			
Equity holders of the parent company		3,264	4,744
Non-controlling interests		–	–
NET PROFIT		**3,264**	**4,744**
Earnings per share, SEK	31	7.34	10.69
Earnings per share after dilution, SEK	31	7.30	10.63
FROM CONTINUING OPERATIONS			
Earnings per share, SEK		7.34	10.71
Earnings per share after dilution, SEK		7.30	10.65

Consolidated comprehensive income

SEK million	Note	2012	2011
Net profit for the year		**3,264**	**4,744**
OTHER COMPREHENSIVE INCOME			
Components not to be reclassified to net profit			
Pensions, actuarial gains/losses	33	–49	–59
Pensions, actuarial gains/losses, tax effect	13	8	15
Total components not to be reclassified to net profit		**–41**	**–44**
Components that may be reclassified to net profit			
Exchange rate differences		–358	–163
Exchange rate differences, tax effect	13	1,857	17
Reversed cumulative exchange rate differences from divested companies	16	16	11
Cash flow hedges	2	–37	–133
Cash flow hedges, tax effect	13	1	35
Total components that may be reclassified to net profit		**1,479**	**–233**
Total other comprehensive income for the year, net of tax		**1,438**	**–277**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,702**	**4,467**
ATTRIBUTABLE TO			
Equity holders of the parent company		4,702	4,467
Non-controlling interests		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,702**	**4,467**

Consolidated balance sheet

SEK million	Note	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010 (Note 35)
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	14	10,174	10,510	10,154
Other intangible assets	14	5,540	5,668	3,802
Total intangible assets		**15,714**	**16,178**	**13,956**
Tangible assets				
Machinery and technical plant	15	15,261	15,129	14,795
Other tangible assets	15	2,818	2,756	2,068
Total tangible assets		**18,079**	**17,885**	**16,863**
Financial assets				
Shares in associated companies	17	22	6	6
Other financial assets	18	83	157	67
Total financial assets		**105**	**163**	**73**
Deferred tax assets	13	4,263	2,977	3,296
TOTAL NON-CURRENT ASSETS		**38,161**	**37,203**	**34,188**
CURRENT ASSETS				
Inventories	19	473	486	273
Current receivables				
Accounts receivable	20	3,985	3,831	3,312
Current tax receivables		44	65	115
Other current receivables	21	667	445	472
Prepaid expenses and accrued income	22	4,127	3,743	2,743
Total current receivables		**8,823**	**8,084**	**6,642**
Short-term investments	23	59	65	112
Cash and cash equivalents	24	1,673	1,026	870
TOTAL CURRENT ASSETS		**11,028**	**9,661**	**7,897**
TOTAL ASSETS	4	**49,189**	**46,864**	**42,085**

Continued Consolidated balance sheet

SEK million	Note	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010 (Note 35)
EQUITY AND LIABILITIES				
EQUITY				
Attributable to equity holders of the parent company				
Share capital	31	561	561	559
Other paid-in capital		4,980	16,980	16,967
Reserves		–1,487	–2,966	–2,733
Retained earnings		16,372	6,874	14,079
Total attributable to equity holders of the parent company		**20,426**	**21,449**	**28,872**
Non-controlling interest		**3**	**3**	**3**
TOTAL EQUITY		**20,429**	**21,452**	**28,875**
LONG-TERM LIABILITIES				
Interest-bearing				
Liabilities to financial institutions and similar liabilities	25	12,302	12,085	1,245
Provisions	26	426	335	192
Other interest-bearing liabilities	25	512	548	471
Total interest-bearing liabilities		**13,240**	**12,968**	**1,908**
Non-interest-bearing				
Deferred tax liability	13	933	1,114	851
Total non-interest-bearing liabilities		**933**	**1,114**	**851**
TOTAL LONG-TERM LIABILITIES		**14,173**	**14,082**	**2,759**
SHORT-TERM LIABILITIES				
Interest-bearing				
Liabilities to financial institutions and similar liabilities	25	2,596	210	1,420
Provisions	26	133	139	139
Other interest-bearing liabilities	25	1,543	1,347	957
Total interest-bearing liabilities		**4,272**	**1,696**	**2,516**
Non-interest-bearing				
Accounts payable	25	3,488	3,209	2,598
Current tax liabilities		18	42	77
Other short-term liabilities	25	1,008	710	588
Accrued expenses and deferred income	27	5,801	5,673	4,672
Total non-interest-bearing liabilities		**10,315**	**9,634**	**7,935**
TOTAL SHORT-TERM LIABILITIES		**14,587**	**11,330**	**10,451**
TOTAL EQUITY AND LIABILITIES	4	**49,189**	**46,864**	**42,085**

Consolidated cash flow statement

SEK million	Note	2012	2011
OPERATING ACTIVITIES			
Cash flow from operations before changes in working capital			
Operating profit from continuing operations		5,653	7,050
Operating profit/loss from discontinued operations		–	–7
Operating profit		**5,653**	**7,043**
Adjustments for non-cash items in operating profit			
Depreciation and amortization	6	4,713	4,035
Impairment	6	278	124
Result from shares in associated companies	7	7	–1
Gain/loss on sale of fixed assets and operations	8–9	23	80
Interest received		24	24
Interest paid		–692	–390
Finance costs paid		69	–21
Dividend received		1	1
Taxes paid	13	–989	–948
Cash flow from operations before changes in working capital	30	**9,087**	**9,947**
Changes in working capital			
Materials and supplies	19	6	–202
Operating assets		–608	–1,152
Operating liabilities		194	1,097
Changes in working capital	30	**–408**	**–257**
CASH FLOW FROM OPERATING ACTIVITIES		**8,679**	**9,690**
INVESTING ACTIVITIES			
Acquisition of intangible assets	30	–1,098	–1,033
Acquisition of tangible assets	30	–3,721	–4,778
Sale of tangible assets	30	210	239
Acquisition of shares in group companies (excluding cash)	16	–221	–1,589
Sale of shares in group companies	16	–3	14
Capital contribution to associated companies	16	–22	–
Sale of associated companies	16	–	–6
Other financial assets, lending		–2	–
Other financial assets, received payments		33	18
Cash flow from investing activities		**–4,824**	**–7,135**
CASH FLOW AFTER INVESTING ACTIVITIES		**3,855**	**2,555**
FINANCING ACTIVITIES			
Proceeds from credit institutions and similar liabilities	25	14,962	10,781
Repayment of loans from credit institutions and similar liabilities	25	–12,440	–1,384
Proceeds from other interest-bearing liabilities	25	17	5
Repayment of other interest-bearing lending	25	–41	–51
Dividends	31	–5,781	–11,991
New share issues	31	–	13
Repurchase of own shares	31	–	–2
Sale of own shares	31	6	46
Shareholders contribution from non-controlling interests	16	–	105
Cash flow from financing activities		**–3,277**	**–2,478**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**578**	**77**
Cash and cash equivalents at beginning of the year	24	1,026	870
Exchange rate differences in cash	24	69	79
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	**1,673**	**1,026**

For additional cash flow information, please refer to note 30.

Change in consolidated equity

		Attributable to equity holders of the parent company							
SEK million	Note	Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1, 2011		**559**	**16,967**	**–372**	**–2,361**	**14,079**	**28,872**	**3**	**28,875**
Changed accounting principle	35	–	–	–	–	–	–	–	–
Adjusted equity at January 1, 2011		**559**	**16,967**	**–372**	**–2,361**	**14,079**	**28,872**	**3**	**28,875**
Net profit for the year		–	–	–	–	4,744	4,744	–	4,744
Other comprehensive income for the year, net of tax		–	–	–66	–167	–44	–277	–	–277
Total comprehensive income for the year		**–**	**–**	**–66**	**–167**	**4,700**	**4,467**	**–**	**4,467**
Other changes in equity									
Share-based payments	33	–	–	–	–	44	44	–	44
New share issues	31	2	11	–	–	–	13	–	13
Repurchase of own shares	31	–	–2	–	–	–	–2	–	–2
Sale of own shares	31	–	4	–	–	42	46	–	46
Dividends	31	–	–	–	–	–11,991	–11,991	–	–11,991
EQUITY AT DECEMBER 31, 2011		**561**	**16,980**	**–438**	**–2,528**	**6,874**	**21,449**	**3**	**21,452**
Equity at January 1, 2012	35	**561**	**16,980**	**–438**	**–2,528**	**6,874**	**21,449**	**3**	**21,452**
Net profit for the year		–	–	–	–	3,264	3,264	–	3,264
Other comprehensive income for the year, net of tax		–	–	24	1,455	–41	1,438	–	1,438
Total comprehensive income for the year		**–**	**–**	**24**	**1,455**	**3,223**	**4,702**	**–**	**4,702**
Other changes in equity									
Share-based payments	33	–	–	–	–	50	50	–	50
Sale of own shares	31	–	–	–	–	6	6	–	6
Reduction of restricted reserve	31	–	–12,000	–	–	12,000	–	–	–
Dividends	31	–	–	–	–	–5,781	–5,781	–	–5,781
EQUITY AT DECEMBER 31, 2012		**561**	**4,980**	**–414**	**–1,073**	**16,372**	**20,426**	**3**	**20,429**

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) at the date of publication of this annual report, as endorsed by the EU. The Group also applies the Swedish Financial Reporting Board recommendation RFR 1 *Supplementary Accounting Rules for groups* which specifies additional disclosures required under the Swedish Annual Accounts Act.

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

CHANGE IN ACCOUNTING PRINCIPLES

From 2012 onwards, the new standards, amendments and interpretations presented below are applied.

Voluntary change in accounting principle

From 2012 Tele2 changed the accounting principles for joint ventures from the equity method to proportionate consolidation, with retrospective application.

The International Accounting Standards Board (IASB) has issued a new standard for joint arrangements, IFRS 11. IFRS 11 is focusing on the rights and obligations that exist between the parties. This is determinative when deciding which type of joint arrangement exists. A joint arrangement is a construction where two or more parties contractually agree on joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. It is not only the legal form of the arrangement that should be considered. There are two types of joint arrangements: joint operations and joint ventures. A joint operation arises when the joint control owners have rights to the assets and obligations for the liabilities that are connected to the investment. A joint venture applies to the case where the joint control parties have rights to the net assets of the investment. Depending on whether the arrangement is a joint operation or a joint venture, different accounting principles shall be applied. According to the new standard, only the equity method is allowed when consolidating joint ventures, i.e. proportionate consolidation is no longer allowed. The parties in a joint operation shall report their assets, liabilities, revenues and expenses and their share of joint assets, liabilities, revenues and expenses.

Based on guidance from the standard to come for joint arrangement, Tele2 has chosen to change its accounting treatment for joint arrangement from 2012 onwards. The effect is that the joint arrangements that Tele2 presently has entered are viewed as joint operations and are accounted for under proportionate consolidation. Previously the equity method was applied. Tele2 assesses that the changed accounting treatment is in line with the present standard, IAS 31 *Interests in Joint Ventures*. The decision was additionally based on the fact that Tele2 Sweden is building its 3G and 4G networks in joint ventures and that proportionate consolidation is expected to give a more true and fair view. The change of accounting principle increased the net sales, EBITDA, assets and liabilities of the Group and had a minor effect on operating profit and net cash flows. The change had no effect on net profit or equity.

The effects from the change of accounting principle are stated in Note 35. For more information concerning Tele2's joint ventures please refer to Note 36.

From 2012 internal sales within the segments (countries) are not reported in net sales and internal sales for the respective segment. The comparable periods are re-presented. The effects on the financial statements are presented in Note 35.

Improvements to IAS 32 concerning financial instruments –presentation

Within the scope of Annual Improvements to IFRSs 2009–2011 the amendments to IAS 32 (effective for annual periods beginning on or after January 1, 2013) clarifies that income tax relating to distributions shall be accounted for according to IAS 12. Tele2 has applied guidance from the amendments to IAS 32 and from Q4 2012 onwards, taxes on dividends from subsidiaries are recognized in the income statement instead of in Other comprehensive income. The comparable periods are re-presented and the effects on the financial statements are presented in Note 35.

Amendments to IAS 1 concerning presentation of items in Other comprehensive income

Tele2 has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* in advance of the effective date (effective for annual periods beginning on or after July 1, 2012). The amendments require that items in Other comprehensive income are grouped into two categories; items that will not be reclassified subsequently to the income statement and items that may be reclassified subsequently to the income statement. The change has been made retrospectively, thus the presentation in Other comprehensive income has been modified to reflect the changes.

Other new and amended IFRS standards and IFRIC interpretations

The other new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2012, have had no material effect on the consolidated financial statements. The amended IFRS standards are the following; IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* and Amendments to IAS 12 *Deferred tax: Recovery of underlying Assets.*

NEW REGULATIONS

The following new and revised standards have been issued by the International Accounting Standards Board (IASB) and endorsed by the EU;

- Amendments to IAS 19 *Employee Benefits* and IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2013),
- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013) and
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1, 2014),
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014).

Continued Note 1

IASB has also issued, which have not yet been endorsed by the EU:

- Improvements to IFRSs 2009–2011 (effective for annual periods beginning on or after January 1, 2013),
- IFRS10, IFRS 11 and IFRS 12 – *Transition Guidance* and IFRS 10, IFRS 12 and IAS 27 – *Investment Entities* (effective for annual periods beginning on or after January 1, 2014) and
- IFRS 9 *Financial Instruments* (*2009* and *2011*) (effective for annual periods beginning on or after January 1, 2015).

For information concerning the introduction of IFRS 11 please refer to section Voluntary change in accounting principle above.

The introduction of IFRS 12 will result in new disclosure requirements for investments in subsidiaries, joint arrangements and associated companies.

The amended IAS 19, IAS 27, IAS 28, IAS 32 and IFRS 7 as well as the new standards IFRS 9, IFRS 10 and IFRS 13 are estimated to have no material effect for Tele2.

CONSOLIDATION

Subsidiaries

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

The consolidated accounts are prepared in accordance with the acquisition method. This means that consolidated equity only includes the subsidiary's equity that has arisen after the acquisition and the consolidated income statements only include earnings from the date of acquisition until the date of divestment, if the subsidiary is sold. The Group's acquisition value of the shares in subsidiaries consists of the total of the fair value at the time of the acquisition of what was paid in cash, through transfer of liabilities to former owners or emitted shares. Contingent consideration is included in the acquisition value and is reported to its fair value at the time of the acquisition. Subsequent effects from the revaluation of contingent consideration are reported in the income statement. Acquired identifiable assets and assumed liabilities are reported initially to their fair value at the time of the acquisition. Exemptions from this principle are made for acquired tax assets/liabilities, employee benefits, share-based payment awards and assets held for sale which are measured according to the principles described below for each item. Exemptions are also done for indemnity assets and reacquired rights. Indemnity rights are valued according to the same principle as the indemnified item. Reacquired rights are valued based on the remaining contractual period even if other market participants would consider the possibilities for contract renewal when doing the valuation. Reported goodwill is measured as the difference between on one side the total purchase price for the shares in the subsidiary, the value of the non-controlling interests in the acquired subsidiary and the fair value of the previous owned share and on the other side the Group's reported value of acquired assets and assumed liabilities. Acquisition related costs (transaction costs) are recognized as expenses in the period in which they arise.

Non-controlling interest is reported at the time of the acquisition either to its fair value or to its proportional share of the Group's reported value of the acquired subsidiary's identified assets and liabilities. The choice of valuation method is done for each business combination. Subsequent profit or loss and other comprehensive income that are related to the non-controlling interests are allocated to the non-controlling interest even if it leads to a negative value for the non-controlling interest.

The acquisition of a non-controlling interest is accounted for as a transaction between the equity holders of the parent company and the non-controlling interest. The difference between paid purchase price and the proportional share of the acquired net assets is reported in equity. Thus no goodwill arises in connection with such transactions. At the sale of shares in subsidiaries that do not lead to a loss of control the difference between the sales price and the carrying value of the non-controlling interest is also recorded in equity.

At acquisition of a controlling interest in a company where Tele2 already holds an interest the carrying value of the previously held interest is adjusted to its fair value. The profit or loss from the revaluation of the previously owned share is recorded in the income statement.

When the control of the subsidiary ceases to exist but the Group retains shares in the company the remaining shares are initially reported to their fair value. Any gain or loss is reported in the income statement.

Joint ventures

Joint ventures are companies over which the owners have a joint control.

Joint ventures are accounted for in accordance with the proportionate method. Implying the consolidated financial statements includes Tele2's share of the assets, liabilities, revenues and costs in the jointly controlled company.

At the acquisition of a share in a joint venture, that is a jointly controlled company, a purchase price allocation is prepared at the acquisition date. The acquisition date is the date when the Group becomes a venturer to and jointly shares the control of the jointly controlled company. The starting-point for the purchase price allocation consists of the acquisition value of the share in the joint venture. The acquisition value is allocated on the Group's share of the acquisition date fair values of acquired assets and assumed liabilities including related deferred taxes, equity and any goodwill.

When the significant influence of the joint venture ceases to exist but the Group retains shares in the company the remaining shares are initially reported to their value. Any gain or loss is reported in the income statement.

Associated companies

Associated companies are companies in which Tele2 has a voting power of between 20 percent and 50 percent or in some other way has significant influence.

Associated companies are accounted for in accordance with the equity method. This means that the Group's carrying amount of the shares in the company corresponds to the Group's share of equity as well as any residual value of consolidated surplus values after application of the Group's accounting principles. The share of the company's profit or loss after tax is reported under "Operating profit", along with depreciation of the acquired surplus value.

In the event of an increase or decrease in the Group's equity share in associated companies through share issues without corresponding increase in the share in the associated company, the gain or loss is reported in the consolidated income statement. In the event of negative equity in an associated company, where the Group is committed to contribute additional capital, the negative portion is reported as a liability.

When the significant influence of the associated company ceases to exist but the Group retains shares in the company the remaining shares are initially reported to their fair value. Any gain or loss is reported in the income statement.

Foreign currency

The accounts of all foreign group companies, joint ventures and associated companies are prepared in the currency used in the primary economic environment of each company, i.e. the functional currency which is normally the local currency.

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

Goodwill and adjustments to fair value that are made in connection with acquisition of a foreign entity are treated as assets and liabilities of the acquired entity and are translated at the closing rates.

Continued Note 1

REVENUE RECOGNITION

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

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

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

OPERATING EXPENSES

Operating expenses are classified according to function, as described below. Depreciation and amortization and personnel costs are stated by function. Total costs for depreciation and amortization are presented in Note 6 and total personnel costs are presented in Note 33.

Cost of services sold

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

Selling expenses

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

Administrative expenses

Administrative expenses consist of the part of the personnel costs, rental costs, purchased services as well as depreciation and amortization of non-current assets attributable to the other joint functions. Costs associated with the Board of Directors, executive management and corporate functions are included in administrative expenses.

Other operating income and other operating expenses

Other operating income and other operating expenses include secondary activities, exchange rate differences in operating activities and gain/loss on the sale of tangible and intangible assets.

EMPLOYEE BENEFITS

The average number of employees (Note 32) as well as salaries and remuneration (Note 33) in companies acquired during each year are reported in relation to how long the company has been part of the Tele2 Group.

Share-based payments

Tele2 grants share-based instruments to certain employees.

Share-based payments are settled with the company's own shares. The costs for share based payments are based on the fair value of the share calculated by an independent party at the date of grant. These payments are reported as employee costs during the vesting period with a corresponding increase in equity. To the extent the vesting conditions in the program are linked to market conditions (TSR) and non-vesting conditions (investment in Tele2 shares), these factors are taken into consideration when determining the fair value of the program. Performance conditions (return on capital employed) and service conditions (be employed) are affecting the employee cost during the vesting period by the change in the number of shares that are expected to finally vest.

Tele2 records a liability for social security expenses, at each reporting period, for all outstanding incentive programs. The liability for social security expenses is calculated according to UFR 7, IFRS 2 and social security contributions for listed enterprises. The valuation method applied when the incentive programs were issued is used for the valuation of the social security liability. The liability is revaluated at the end of each reporting period and is based on the share-based payment's fair value at the end of the reporting date distributed over the vesting period.

Post-employment benefits

The Group has a number of pension schemes, with the main part of Tele2's pension plans consisting of defined-contribution plans (Note 33) for which the Group makes payments to public and private pension institutions. Fees with regard to defined-contribution pension plans are reported as an expense during the period in which the employees perform the services to which the contribution relates. The defined-contribution plans ensure a certain predefined payment of premiums and negative changes in the value of investments are not compensated by Tele2. Therefore Tele2 does not bear the risk at the time of pension payment. Only a small part of the Group's pension commitments relates to defined-benefit plans. The net present value of the obligation for these are calculated separately for each defined-benefit plan on the basis of assumptions of the future benefits earned during previous and currents periods. The obligation is reported in the balance sheet as the net present value of the obligation deducted with fair value of any plan assets.

The cost for the defined-benefit plans are calculated by application of the so called Projected Unit Credit Method, which means that the cost is distributed over to the employee's period of service. The calculation is carried out yearly by an independent actuary. The obligation is valued to the net present value of the expected future payments, taking into account assumptions as expected future increase in salaries, inflation, increases in health expenses and life span. Expected future payments are discounted with an interest that is effective on the closing day for first class commercial bonds or government bonds considering the estimated remaining tenor for each obligation. Actuarial gains and losses are reported in other comprehensive income.

Termination benefits

A cost for termination benefits is recognized only if the Group is committed by a formal plan to prematurely terminate an employee's employment without any possibility of withdrawing the commitment.

INCOME TAX

Income taxes consist of current and deferred tax. Income tax is reported in the income statement except when the underlying transaction is reported in other comprehensive income. In those cases the related tax effect is also reported in other comprehensive income.

Current tax is tax that is to be paid or received in respect of the taxable profit (tax loss) for the year including any adjustment of current tax related to previous periods and tax on dividends from subsidiaries.

When accounting for income taxes, the balance sheet method is applied. The method implies that deferred tax liabilities and assets are recognized for all temporary differences between the carrying amount of an asset or liability and its tax base, as well as other tax-related deductions or deficits. The following temporary differences are not considered: temporary difference that arises at the initial recognition of goodwill and the initial recognition of assets and liabilities that are not part of a business combination and at the time of the transaction affect neither accounting nor taxable profit/loss. An item which alters the time when an item is taxable or deductible is considered a temporary

Continued Note 1

difference. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

The recognition of deferred tax assets takes into account tax loss carry-forwards and temporary differences where it is probable that losses and temporary differences will be utilized against future taxable profits. In cases where a company reports losses, an assessment is made of whether there is any convincing evidence that there will be sufficient future profits.

Valuation and accounting of deferred taxes in connection with business combinations is done as part of the measurement of assets and liabilities at the time of acquisition. In these circumstances, the deferred tax assets are assessed at a value corresponding to what the Group expects to utilize. Deferred income tax liabilities are recognized on temporary differences related to subsidiaries, joint ventures and associates, except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

If a deferred tax liability exists and unvalued tax loss carry-forwards exist, a deferred tax asset is reported to the extent it can be netted against the deferred tax liability.

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

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group which either has been disposed of or is classified as held for sale, and represents a separate line of business or geographical area of operation. A discontinued operation is reported separately from continuing operations, and comparable information for prior periods is re-presented.

Assets classified as held for sale and associated liabilities are presented separately on the face of the balance sheet. Prior periods are not affected. Assets classified as held for sale are valued at the lower of carrying value and fair value less costs to sell.

EARNINGS PER SHARE

Earnings per share before dilution are calculated by dividing the profit or loss of the year attributable to the parent company's owners by the weighted average number of outstanding shares during the period. To calculate earnings per share after dilution the weighted average numbers of outstanding shares are adjusted for the dilutive effect of the total potential number of shares consisting of share based instruments settled with shares. The shared based instruments have a dilutive effect if the exercise price plus the fair value of future services is below the quoted price and the dilutive effect increases when the size of this difference increases (Note 31).

NON-CURRENT ASSETS

Intangible assets (Note 14) and tangible assets (Note 15) with a finite useful life are reported at acquisition value with deductions for accumulated depreciation and amortization. Depreciation and amortization are based on the acquisition value of the assets less estimated residual value at the end of the useful life and are recognized on a straight-line basis throughout the asset's estimated useful life. Useful lives and residual values are subject to annual assessments. Useful lives for fixed assets are presented below.

Intangible assets	
Licences, utilization rights and software	1–25 years
Customer agreements	2.5–5 years
Trademarks	2–10 years

Tangible assets	
Buildings	3–40 years
Modems	1.5–3 years
Machinery and technical plant	1–30 years
Equipment and installations	1–10 years

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

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

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

Intangible assets

Tele2 holds a number of licences entitling it to conduct telephony operations. The expenses related to the acquisition of these licences are recognized as an asset and amortized on a straight-line basis through the duration of the licence agreements.

Goodwill is measured as the difference between on one side the total purchase price for the shares in the subsidiary alternatively the acquired assets and liabilities, the value of the non-controlling interest in the acquired subsidiary and the fair value of the previous owned share, and on the other side the Group's reported value of acquired assets and assumed liabilities less any write-downs.

Goodwill is allocated to the cash generating units that are expected to obtain benefits as a result of the acquisition and is, along with the intangible assets with indefinite lives and intangible assets that are not yet ready to use, subject to annual impairment testing even if there is no indication of a decline in value. Impairment testing of goodwill is at the lowest level at which goodwill is monitored for internal management purposes and for which there are separately identifiable cash flows (cash generating units). The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value less costs to sell. The most important factors that have influenced this year's impairment testing are presented in Note 14.

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

Customer agreements are valued at fair value in conjunction with business combinations. Tele2 applies a model where the average historical customer acquisition cost or alternatively, the present value of expected future cash flows, is applied to value customer agreements.

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

Continued Note 1

Tangible assets
Buildings relate to assets intended for use in operations. The acquisition value includes the direct costs attributable to the building.

Machinery and technical plant include equipment and machinery intended for use in operations, such as network installations. The acquisition value includes the direct expenses attributable to the construction and installation of networks.

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

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

Expenses for modems that are rented to or used for free by customers are capitalized.

Borrowing costs
Borrowing costs which are directly attributable to the acquisition, construction or production of an asset which requires considerable time to complete for its intended use are included in the acquisition value of the asset. Other borrowing costs are expensed in the period in which they arise.

Leases
Leases are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the consolidated accounts, the leased object is recognized as a tangible asset at the lower of its fair value and the present value of the minimum lease payments, and a corresponding amount is recognized as a lease obligation under financial liabilities (Note 15 and Note 25). The asset is depreciated on a straight-line basis over the shorter of the lease term and its useful life, with the estimated residual value deducted at the end of the utilization period. Lease payments are apportioned between interest and repayment of the outstanding liability. A lease is classified as an operating lease if substantially all the economic risks and rewards of ownership of an asset remain with the leasing company. Payments are expensed in the income statement on a straight-line basis over the leasing period.

Dismantling costs
When there is a commitment to a third party, the estimated cost of dismantling and removing an asset and restoring the site/area is included in the acquisition value. Any change to the estimated cost of dismantling and removing an asset and restoring the site is added to or subtracted from the carrying amount of the particular asset.

FINANCIAL ASSETS AND LIABILITIES
Financial assets recognized in the balance sheet include other financial assets, accounts receivable, other current receivables, short-term investments and cash and cash equivalents. Financial liabilities recognized in the balance sheet include liabilities to credit institutions and similar liabilities, other interest-bearing liabilities, accounts payable and other current liabilities.

Acquisitions and sales of financial assets are reported on the trading date, which is the date that the Group has an undertaking to acquire or sell the asset. Financial liabilities are recognized in the balance sheet when the counterparty has performed and a contractual liability to pay exists.

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

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

Measurement of the fair value of financial instruments
Various measurement methods are used to measure the fair value of financial instruments not traded on an active market. When determining the fair value of interest swaps, official market listings are used as input in calculations of discounted cash flows. When determining the fair value of forward currency contracts, the listed forward rates at the balance sheet date are used. The fair value of loan liabilities is measured using generally accepted methods, such as discounting expected future cash flows at prevailing interest rates.

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

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

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

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

Cash and cash equivalents are categorized as "Loans and receivables" initially reported at fair value and subsequently at amortized cost. Cash and cash equivalents consist of cash and bank balances as well as current investments with a maturity of less than three months from the time of acquisition.

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

Financial liabilities
Financial liabilities are categorized as "Financial liabilities valued at amortized cost". These are initially measured at fair value and then at amortized cost using the effective interest method. Direct costs related to the origination of loans are included in the acquisition value. For accounts payables and other financial debts, with a short maturity, the subsequent valuation is done at the nominal amount. Financial liabilities in foreign currency are translated at the closing exchange rate.

Derivatives and hedge accounting
Exchange rate fluctuations on loans in foreign currency and changes in value of other financial instruments (forward agreements) that fulfil the hedge accounting requirements of net investment in foreign operations are reported on a continuous basis in other comprehensive income. The ineffective portion of the exchange rate fluctuation and the change in value is reported in the income statement under other financial items. When divesting foreign subsidiaries, the accumulated exchange rate

Continued Note 1

difference attributable to the divested subsidiary is recorded in the income statement.

Cash flow hedges are reported in the same way as hedges of net investments in foreign operations. This means that the effective portion of the gain or loss on an interest swap which meets the criteria for cash-flow hedge accounting is recognized in other comprehensive income and the ineffective portion are recognized in profit or loss within financial items. When cash flows relating to the hedged item are reported in profit or loss, amounts are transferred from equity to offset them. For more information regarding cash flow hedges, please refer to Note 2 and Note 25.

When a hedging instrument related to future cash flows is due, sold, divested or settled or the Group discontinues the hedge relation before the hedged transaction has occurred and the forecasted transaction still is expected to occur the accumulated reported profit or loss remains in the hedge reserve in equity and is reported in the income statement when the transaction occurs. If the hedged transaction no longer is expected to occur the hedging instrument's accumulated profit or loss are immediately reported in the income statement.

Other derivatives are reported to their fair value through profit or loss.

Receivables and liabilities in foreign currency

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

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

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

A summary of the exchange rate differences reported in other comprehensive income is presented in the statement of comprehensive income and the differences which affected profit or loss of the year are presented in Note 3.

INVENTORIES

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

EQUITY

Equity consists of registered share capital, other paid-in capital, hedge reserve, translation reserve, retained earnings, profit/loss for the year and non-controlling interests.

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

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

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

Non-controlling interests involve the value of minority shares in subsidiaries included in the consolidated accounts. The reporting and valuation of non-controlling interests are presented in the section regarding consolidation above.

PROVISIONS

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

CONTINGENT LIABILITIES

A contingent liability exists if there is a possible obligation related to a past event and whose existence is confirmed only by one or several uncertain future events, and when there is an obligation that is not reported as a liability or a provision because it is not probable that an outflow of resources will be required or the amount of the obligation cannot be calculated with sufficient reliability. Disclosure is made unless the probability of an outflow of resources is remote.

SEGMENT REPORTING

Segment

Since the risks in Tele2's operations are mainly linked to the various markets in which Tele2 operates, Tele2 follows up and appraises its business on country level. Hence each country represents Tele2's segment apart from the segment Other. The segment reporting is in line with the internal reporting to the chief operating decision maker, which is Tele2's "Leadership Team" (LT).

Segment Other mainly includes the parent company Tele2 AB, central functions, Datametrix (excluding Datametrix Integration AB), Radio Components and Procure IT Right, and other minor operations. Divested operations, which have not previously been classified as discontinued operations, are also reported in the segment Other.

Tele2 Sweden is split into core operations and central group functions. Core operations is reported in segment Sweden and central functions are included in the segment Other. The core operations of Tele2 Sweden comprise the commercial activities within Sweden, including the communications services of mobile, fixed telephony, fixed broadband, and domestic carrier business. The central functions of Tele2 Sweden comprise the activities which provide services for the benefit of Tele2 AB's shareholders, other group companies (including the core operations of Sweden), and the sold entities. These services are provided for example from group wide departments such as group finance, legal, product development, sales & marketing, billing, information technology, international network, and international carrier.

Assets in each segment include all operating assets that are utilized by the segment and consist mainly of intangible and tangible assets, shares in associated companies, inventories, accounts receivable, other receivables, prepaid expenses and accrued revenues. Goodwill is distributed among the Group's cash generating units, identified in accordance with Note 14.

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

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

Segment information is presented in Note 4.

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

Internal pricing

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

Services

Services that are offered within the segments are mobile telephony, fixed broadband and fixed telephony.

Continued Note 1

The service mobile comprises various types of subscriptions for residential and business customers as well as prepaid cards. Mobile also includes mobile internet (also called mobile broadband). Tele2 either owns the networks or rents them from other operators, a set-up called MVNO.

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

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

Other operations mainly include carrier operations and wholesale.

CHOICE OF ACCOUNTING PRINCIPLES

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

Choice of accounting principle for put options

For the 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, Tele2 has chosen the following principle: the chosen method means that initially, at the business combination, a non-controlling interest is recognized according to the principles for the reporting of non-controlling interests. This non-controlling interest is then immediately reclassified as a financial liability. The financial liability is subsequently recognized at its fair value at each reporting date, with the fair value changes reported within financial items in profit or loss.

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

Reporting of joint ventures

Tele2 reports joint ventures according to the proportionate method of accounting. Another accepted method is the equity method, which means that the consolidated balance sheet includes initially the shares in joint ventures at acquisition value subsequently adjusted for the Group's share of the joint ventures' net profit. The consolidated income statement includes the Group's share of joint ventures' net profit.

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

Revenue recognition for agreements containing several components

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

Tele2's bundled agreements, that include both subscription and equipment (e.g. handset), can be divided into different deliveries. The total revenues of the contract is allocated to each component based on its relative fair value of the total fair values of the bundled offer and is recognized as revenue upon delivery of each component to the customer.

Customer acquisition costs

Customer acquisition costs are normally recognized directly.

When companies and operations are acquired, customer agreements and customer contacts acquired as part of the acquisition are fair valued and capitalized as intangible assets.

Goodwill – choice of level for goodwill impairment testing

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

ESTIMATES AND JUDGMENTS

As part of preparing the consolidated financial statements management is required to make certain estimates and judgments. The estimates and judgments are based on historical experience and a number of other assumptions aimed at providing a decision regarding the value of the assets or liabilities which cannot be determined in any other way. The actual outcome may vary from these estimates and judgments.

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

Valuation of acquired intangible assets

When acquiring businesses, intangible assets are measured at fair value. If there is an active market for the acquired assets, the fair value is measured based on the prices on this market. Since there are often no active markets for these assets, valuation models have been developed to estimate the fair value. Examples of valuation models are discounted cash flows models and estimates of Tele2's historical costs of acquiring corresponding assets. Please refer to Note 16 for acquisitions during the year.

Valuation of goodwill

When estimating the recoverable amount of cash generating units for goodwill impairment purposes the Group makes assumptions regarding future events and key parameters. The assumptions made and sensitivity analyses are disclosed in Note 14. These kinds of assessments include for natural reasons always some uncertainty. Should actual outcome during the following year differ from the expected outcome for the same period, the expected future cash flows may need to be reconsidered which could lead to a write-down.

Valuation of non-current assets with a finite useful life

If the recoverable amount falls below the book value, an impairment loss is recognized. At each balance sheet date, a number of factors are analysed in order to assess whether there is any indication of impairment. If such indication exists, an impairment test is prepared based on management's estimate of future cash flows including the applied discount rate. Please refer to Note 14 and Note 15.

Useful lives of non-current assets

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

Valuation of deferred income tax receivables

Recognition of deferred income tax takes into consideration temporary differences and unutilized loss carry-forwards. Deferred tax assets are reported for deductible temporary differences and loss carry-forwards only to the extent that it is considered probable that they can be utilized

Continued Note 1

to offset future taxable profits. Management updates its assessments at regular intervals. The valuation of deferred tax assets is based on expectations of future results and market conditions, which for natural reasons are subjective. The actual outcome may differ from the assessments, partly as a result of future changes in business circumstances, which were not known at the time of the assessments, changes in tax laws or the result of the taxation authorities' or courts' final examination of submitted tax returns. See further Note 13.

Provisions for disputes and damages
Tele2 is party to a number of disputes. For each separate dispute an assessment is made of the most likely outcome, and is reported in the financial statements accordingly, see Note 26 and Note 29.

Valuation of accounts receivable
Accounts receivables are valued on a current basis and are reported at amortized cost. Reserves for doubtful accounts are based on various assumptions as well as historical experience, see Note 20.

OTHER INFORMATION
Tele2 AB (publ) is a limited company, with its registered office in Stockholm, Sweden. The company's registered office (phone +46 8 5620 0060) is at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden. The annual report was approved by the Board of Directors on March 14, 2013. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 13, 2013.

NOTE 2 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Tele2's financial assets consist mainly of receivables from end customers and resellers and cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds and accounts payables. Classification of financial assets and liabilities including their fair value is presented below.

Dec 31, 2012	Fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	19[1]	37	–	–	56	56
Accounts receivables	–	3,985	–	–	3,985	3,985
Other current receivables	–	649	18[3]	–	667	667
Short-term investments	–	59	–	–	59	59
Cash and cash equivalents	–	1,673	–	–	1,673	1,673
Total financial assets	**19**	**6,403**	**18**	**–**	**6,440**	**6,440**
Liabilities to financial institutions and similar liabilities	–	–	–	14,898	14,898	14,655[3]
Other interest-bearing liabilities	1,214[2]	–	209[3]	632	2,055	2,070[3]
Accounts payable	–	–	–	3,488	3,488	3,488
Other short-term liabilities	–	–	–	1,008	1,008	1,008
Total financial liabilities	**1,214**	**–**	**209**	**20,026**	**21,449**	**21,221**

Dec 31, 2011	Fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	18[1]	116	–	–	134	134
Accounts receivables	–	3,831	–	–	3,831	3,831
Other current receivables	–	445	–	–	445	445
Short-term investments	–	65	–	–	65	65
Cash and cash equivalents	–	1,026	–	–	1,026	1,026
Total financial assets	**18**	**5,483**	**–**	**–**	**5,501**	**5,501**
Liabilities to financial institutions and similar liabilities	–	–	–	12,295	12,295	12,231[3]
Other interest-bearing liabilities	1,136[2]	–	172[3]	587	1,895	1,917[3]
Accounts payable	–	–	–	3,209	3,209	3,209
Other short-term liabilities	–	–	–	710	710	710
Total financial liabilities	**1,136**	**–**	**172**	**16,801**	**18,109**	**18,067**

Continued Note 2

For the determination of fair values on financial assets and liabilities the following levels and inputs have been used:

1) Level 3: measured at fair value through profit/loss, which on initial recognition were designated for this type of measurement. Discounted future cash flow models are used to estimate the fair value.
2) Level 3: put option Tele2 Kazakhstan. Fair value determined on the basis of future discounted cash flows to determine the exercise price on the put option owned by the minority owner in Tele2 Kazakhstan, please refer to Note 25.
3) Level 2: official market listings have been used to determine the fair value of interest- and foreign exchange rate derivatives, loans with fixed interest rate and other long-term non-interest bearing liabilities valued at fair value at initial recognition with subsequent measurement at amortized cost.

Since accounts receivables, accounts payables and other short-term liabilities are short-term, discounting of cash flows does not cause any material differences in their carrying amount.

During the period no reclassification of financial instruments between the different categories has been done.

Net gains/losses on financial instruments amounted to SEK –186 (–157) million, of which loan and trade receivables amounted to SEK –41 (2) million, derivatives SEK 19 (-) million and financial assets and liabilities at fair value through profit and loss to SEK –164 (–159) million.

Through its operations, the Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to the Group treasury function. The aim is to control and minimize the Group's financial risks as well as financial costs, and optimize the relation between risk and cost.

CAPITAL RISK STRUCTURE MANAGEMENT
The Tele2 Group's view on capital structure management incorporates several inputs, of which the main items are listed below.

- Tele2 has a target net debt to EBITDA ratio of between 1.25 and 1.75 times over the medium term. The Group's longer term financial leverage 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 obligations.
- On a continuous basis, Tele2 will diversify its financing both in terms of duration and funding sources. A stable financial position is important to receive terms from the banks as well as other financial players that are in line with the business needs.
- Tele2 will seek to pay a progressive ordinary dividend of 50 percent or more of net income excluding one-off items. Extraordinary dividends and the authority to purchase Tele2's own shares will be sought when the anticipated total return to shareholders is deemed to be greater than the achievable returns from the deployment of the capital within the Group's operating segments or the acquisition of assets within Tele2's economic requirements.

The Board of Directors reviews the capital structure annually and as needed.

Net debt amounted to SEK 15,745 (13,518) million on December 31, 2012, or 1.44 times EBITDA in 2012. Tele2's available liquidity amounted to SEK 12,933 (9,986) million. For additional information please refer to Note 25.

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

The Group does not generally hedge transaction exposure. When considered appropriate, the translation exposure related to some investments in foreign operations is hedged by issuing debt or entering into derivatives transactions in the currencies involved. In the hedge reserve

Continued Note 2

in equity the total amount related to net investment hedges amounts to SEK –251 (–311) million. No reclassification has been done during the year to profit/loss. Outstanding currency swaps designated for net investment hedging amounts to EUR 150 (-) million and reported fair value to SEK 18 (-) million.

The borrowings in SEK million are carried in the following currencies (equivalent SEK amounts):

	Dec 31, 2012	Dec 31, 2011
SEK	5,881	6,855
RUB	5,555	2,784
EUR	895	1,744
NOK	2,437	714
USD	130	182
KZT	–	16
Total loans	**14,898**	**12,295**

In 2012, 30 (32) percent of net sales is related to SEK, 30 (28) percent to RUB and 19 (22) percent to EUR. For other currencies please refer to Note 3. During the year, Tele2's results were foremost affected by fluctuations in EUR and RUB but also in LTL.

Of the Group's total net assets on December 31, 2012 of SEK 20.4 billion, SEK 7.8 billion is related to EUR, SEK 2.0 billion to RUB and SEK 3.2 billion to the Baltic currencies.

INTEREST RATE RISK

Tele2 keeps a close watch on interest market trends and decisions to change the interest duration strategy are assessed regularly. Of interest-bearing financial liabilities as of December 31, 2012, SEK 5,700 (9,206) million, corresponding to 34 (65) percent are carried at a variable interest rate. An increase of the interest level of 1 percent would result in additional interest expenses of SEK 57 (92) million, and affect profit/loss after tax by SEK 44 (68) million, calculated on the basis of variable interest-bearing liabilities as of December 31, 2012. For additional information please refer to Note 25.

The capital amount of outstanding interest rate derivatives on December 31, 2012 amounts to SEK 2.2 billion converting variable interest rate to fixed interest rate. The cash flows related to outstanding interest rate derivative is expected to affect the income statement during the remaining duration of the interest rate swaps. During the year official market listings have been used to determine the fair value of interest rate derivatives.

Outstanding interest rate derivatives for cash flow hedging on December 31, 2012 are shown below.

			Dec 31, 2012		Dec 31, 2011	
Currency	Fixed interest rate terms %	Maturity	Capital amount, nominal	Reported fair value	Capital amount, nominal	Reported fair value
SEK	3.865	2018	1,400	–167	1,400	–147
SEK	2.7225	2018	300	–18	300	–11
SEK	2.5050	2016	300	–12	300	–7
SEK	2.6950	2018	200	–12	200	–7
Total outstanding interest rate derivatives			**2,200**	**–209**	**2,200**	**–172**

Of the total change in the hedge reserve for interest rate derivatives designated for cash flow hedging SEK 20 (17) million was reclassified to profit/loss and is included in interest costs by SEK –27 (–23) million and tax on profit for the year by SEK 7 (6) million. The change in fair value amounts to SEK –56 (–115) million of which tax SEK 8 (41) million.

LIQUIDITY RISK

The Group's excess liquidity is invested on a short-term basis or used for loan repayments. Liquidity reserves consist of available cash, undrawn committed credit facilities and committed overdraft facilities. At the end of 2012, the Group had available liquidity of SEK 12.9 (10.0) billion. For additional information please refer to Note 24.

In 2012, Tele2 signed a new EUR 1.2 billion senior credit facility with participation from twelve banks. The facility replaced four different credit facilities that would have matured in 2013. In 2012 Tele2 AB established a Euro Medium-Term Note (EMTN) Program (bonds). The Program will form the basis for Tele2's future medium and long term debt issuance in both international and domestic markets. Tele2 has continued to increase its presence in the capital markets by issuing debt in the domestic and international capital markets in the form of commercial papers and bonds. For additional information please refer to Note 25.

Undiscounted contractual commitments and commercial promises are presented below.

		Dec 31, 2012				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	25	9,388	5,998	7,713	915	24,014
Commitments, other	29	3,012	455	27	–	3,494
Operating leases	29	2,193	1,368	791	1,628	5,980
Total contractual commitments/ commercial pledges		**14,593**	**7,821**	**8,531**	**2,543**	**33,488**

		Dec 31, 2011				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	25	5,986	9,404	3,559	978	19,927
Commitments, other	29	1,687	1,143	3	–	2,833
Operating leases	29	1,709	1,233	599	993	4,534
Total contractual commitments/ commercial pledges		**9,382**	**11,780**	**4,161**	**1,971**	**27,294**

[1] Including future interest payments

CREDIT RISK

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

Maximum credit exposure for accounts receivables amounts to SEK 3,985 (3,831) million.

NOTE 3 EXCHANGE RATE EFFECTS

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

	Net sales				EBITDA			
	2012		2011		2012		2011	
SEK	13,024	30%	13,090	32%	3,132	29%	3,478	31%
RUB	12,982	30%	11,463	28%	4,757	43%	4,496	40%
EUR	8,451	19%	9,134	22%	2,391	22%	2,714	24%
NOK	4,749	11%	3,319	8%	214	2%	20	0%
HRK	1,321	3%	1,301	3%	60	1%	78	1%
LTL	1,206	3%	1,254	3%	432	4%	450	4%
LVL	1,036	2%	1,094	3%	362	3%	382	4%
KZT	957	2%	346	1%	–387	–4%	–401	–4%
Other	–	–	–	–	–1	–	–5	–
Total	**43,726**	**100%**	**41,001**	**100%**	**10,960**	**100%**	**11,212**	**100%**

A five percent currency movement against the Swedish krona affects the Group's net sales and EBITDA on an annual basis by SEK 1,535 (1,396) million and SEK 391 (387) million.

Tele2's operating profit for the year was mainly affected by fluctuations in EUR and RUB, but also in LTL. Tele2's net sales and EBITDA for 2012 were affected by SEK –590 (–1,724) million and SEK –202 (–484) million in 2012, as opposed to if the exchange rates had not been changed at all during the year.

Tele2's net sales growth and increase in EBITDA was 8 (7) and 0 (10) percent, respectively, excluding exchange rate differences.

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

	2012	2011
Other operating income	69	107
Other operating expenses	–62	–72
Other financial items	45	–11
Total exchange rate differences in income statement	**52**	**24**

NOTE 4 SEGMENTS

2012

	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	Kazakhstan	Netherlands	Germany	Austria	Other	Undistributed and internal elimination	Total
INCOME STATEMENT														
Net sales														
external	12,698	4,749	12,984	886	1,205	1,036	1,321	957	5,267	946	1,353	324	–	43,726
internal	5	38	–	–	8	8	–	–	2	–	–	–	–61	–
Net sales	**12,703**	**4,787**	**12,984**	**886**	**1,213**	**1,044**	**1,321**	**957**	**5,269**	**946**	**1,353**	**324**	**–61**	**43,726**
EBITDA	**3,365**	**214**	**4,744**	**236**	**432**	**358**	**60**	**–387**	**1,549**	**278**	**333**	**–222**	**–**	**10,960**
Depreciation/amortization and other impairment	–1,472	–427	–1,061	–150	–173	–216	–125	–304	–612	–41	–151	–10	–	–4,742
Result from shares in associated companies	–12	–	–	–	–	–	–	–	–	–	5	–	–	–7
One-off items (note 6)														
impairment of goodwill and other assets	–	–	–	–	–	–	–249	–	–	–	–	–	–	–249
sale of operations	–	–	–	–	–	–	–	–	–	–	–	–13	–	–13
acquisition costs	–	–1	–	–2	–	–	–	1	–	–	–	–	–	–2
other one-off items	–	–	–	–	–	–	–	–	–	–	–	–294	–	–294
Operating profit	**1,881**	**–214**	**3,683**	**84**	**259**	**142**	**–314**	**–690**	**937**	**237**	**187**	**–539**	**–**	**5,653**
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	24	24
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–	–981	–981
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–	–121	–121
Tax on profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–1,311	–1,311
NET PROFIT FROM CONTINUING OPERATIONS	**1,881**	**–214**	**3,683**	**84**	**259**	**142**	**–314**	**–690**	**937**	**237**	**187**	**–539**	**–2,389**	**3,264**
OTHER INFORMATION														
CAPEX	1,151	578	1,590	79	82	77	54	749	403	29	79	465	–	5,336
Non-cash-generating profit/loss items														
depreciation/amortization and impairments	–1,472	–427	–1,061	–150	–173	–216	–374	–304	–612	–41	–151	–10	–	–4,991
sales of fixed assets and operations	5	–1	–4	–	–	–	–	–	–3	–	–2	–18	–	–23

Dec 31, 2012

	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	Kazakhstan	Netherlands	Germany	Austria	Other	Undistributed and internal elimination	Total
BALANCE SHEET														
Assets	12,039	3,574	9,720	1,538	1,499	1,799	1,196	3,483	7,129	187	534	2,353	4,138	49,189
Liabilities	3,565	1,101	1,981	113	216	168	510	822	1,325	174	357	456	17,972	28,760

2011

	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	Kazakhstan	Netherlands	Germany	Austria	Other	Undistributed and internal elimination	Total
INCOME STATEMENT														
Net sales														
external	12,575	3,319	11,463	839	1,254	1,094	1,301	346	5,823	1,096	1,377	514	–	41,001
internal	6	42	–	28	9	9	–	–	3	–	–	148	–245	–
Net sales	**12,581**	**3,361**	**11,463**	**867**	**1,263**	**1,103**	**1,301**	**346**	**5,826**	**1,096**	**1,377**	**662**	**–245**	**41,001**
EBITDA	**3,665**	**20**	**4,480**	**234**	**451**	**380**	**78**	**–401**	**1,806**	**352**	**325**	**–178**	**–**	**11,212**
Depreciation/amortization and other impairment	–1,545	–105	–896	–68	–85	–94	–120	–319	–678	–50	–141	–58	–	–4,159
Result from shares in associated companies	–	–	–	–	–	–	–	–	–	–	1	–	–	1
One-off items (note 6)														
sale of operations	–	–	–	–	4	–	–	–	–	–	–	–47	–	–43
acquisition costs	–	–28	–	–	–	–	–	–13	–1	–	–4	–	–	–46
other one-off items	85	–	–	–	–	–	–	–	–	–	–	–	–	85
Operating profit	**2,205**	**–113**	**3,584**	**166**	**370**	**286**	**–42**	**–733**	**1,127**	**302**	**181**	**–283**	**–**	**7,050**
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	29	29
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–	–512	–512
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–	–191	–191
Tax on profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–1,625	–1,625
NET PROFIT FROM CONTINUING OPERATIONS	**2,205**	**–113**	**3,584**	**166**	**370**	**286**	**–42**	**–733**	**1,127**	**302**	**181**	**–283**	**–2,299**	**4,751**
OTHER INFORMATION														
CAPEX	1,367	288	2,010	83	114	91	102	902	454	39	71	584	–	6,105
Non-cash-generating profit/loss items														
depreciation/amortization and impairments	–1,545	–105	–896	–68	–85	–94	–120	–319	–678	–50	–141	–58	–	–4,159
sales of fixed assets and operations	–2	–	–6	1	2	–	–	–2	–2	–	–2	–62	–	–73

Dec 31, 2011

	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	Kazakhstan	Netherlands	Germany	Austria	Other	Undistributed and internal elimination	Total
BALANCE SHEET														
Assets	11,291	3,479	9,154	1,404	1,568	1,921	1,593	3,023	7,532	229	610	2,069	2,991	46,864
Liabilities	3,217	1,101	1,613	92	219	148	471	457	1,298	219	388	–120	16,309	25,412

Dec 31, 2010

	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	Kazakhstan	Netherlands	Germany	Austria	Other	Undistributed and internal elimination	Total
BALANCE SHEET														
Assets	10,099	1,015	8,429	1,356	1,469	1,882	1,631	2,381	7,792	420	582	1,870	3,159	42,085
Liabilities	2,411	541	1,475	83	185	195	513	226	1,341	351	463	447	4,979	13,210

Continued Note 4

The segment reporting is based on country level. Services offered within the different segments are mobile, fixed broadband and fixed telephony. The segment grouping is in line with the internal reporting to the chief operating decision maker, which is Tele2's Leadership team (LT).

Segment Other mainly includes the parent company Tele2 AB, central functions, Procure IT Right and other minor operations.

Tele2 Sweden has been split into core operations and central group functions. Core operations are reported in segment Sweden and central functions are included in the segment Other. The core operations of Tele2 Sweden comprise the commercial activities within Sweden, including the communications services of mobile, fixed telephony, fixed broadband, and domestic carrier business. The central functions of Tele2 Sweden comprise the activities which provide services for the benefit of Tele2 AB's shareholders, other Group companies (including the core operations of Sweden), and the sold entities. These services are provided for example from group wide departments such as group finance, legal, product development, sales & marketing, billing, information technology, international network, and international carrier.

NOTE 5 NET SALES AND NUMBER OF CUSTOMERS

NET SALES

		Net sales		Internal sales	
	Note	2012	2011	2012	2011
Sweden					
Mobile		10,002	9,533	5	6
Fixed broadband		1,440	1,530	–	–
Fixed telephony		1,141	1,408	–	–
Other operations		120	110	–	–
		12,703	**12,581**	**5**	**6**
Norway					
Mobile		4,467	2,981	–	–
Fixed broadband		4	6	–	–
Fixed telephony		316	365	38	42
Other operations		–	9	–	–
		4,787	**3,361**	**38**	**42**
Russia					
Mobile		12,984	11,463	–	–
		12,984	**11,463**	**–**	**–**
Estonia					
Mobile		825	834	–	–
Fixed telephony		7	5	–	–
Other operations		54	28	–	28
		886	**867**	**–**	**28**
Lithuania					
Mobile		1,213	1,261	8	9
Fixed broadband		–	2	–	–
		1,213	**1,263**	**8**	**9**
Latvia					
Mobile		1,044	1,103	8	9
		1,044	**1,103**	**8**	**9**
Croatia					
Mobile		1,321	1,301	–	–
		1,321	**1,301**	**–**	**–**
Kazakhstan					
Mobile		957	346	–	–
		957	**346**	**–**	**–**
Netherlands					
Mobile		920	844	–	–
Fixed broadband		3,043	3,388	–	–
Fixed telephony		662	823	–	–
Other operations		644	771	2	3
		5,269	**5,826**	**2**	**3**
Germany					
Mobile		192	26	–	–
Fixed broadband		205	254	–	–
Fixed telephony		549	802	–	–
Other operations		–	14	–	–
		946	**1,096**	**–**	**–**
Austria					
Fixed broadband		874	842	–	–
Fixed telephony		228	294	–	–
Other operations		251	241	–	–
		1,353	**1,377**	**–**	**–**
Other					
Other operations		324	662	–	148
		324	**662**	**–**	**148**
TOTAL					
Mobile		**33,925**	**29,692**	**21**	**24**
Fixed broadband		**5,566**	**6,022**	**–**	**–**
Fixed telephony		**2,903**	**3,697**	**38**	**42**
Other operations		**1,393**	**1,835**	**2**	**179**
		43,787	**41,246**	**61**	**245**
Internal sales, elimination	35	–61	–245		
TOTAL NET SALES AND INTERNAL SALES		**43,726**	**41,001**	**61**	**245**

NUMBER OF CUSTOMERS

	Number of customers		Net customer intake	
by thousands	Dec 31, 2012	Dec 31, 2011	2012	2011
Sweden				
Mobile	3,757	3,724	33	117
Fixed broadband	484	474	10	–12
Fixed telephony	341	544	–203	–107
	4,582	**4,742**	**–160**	**–2**
Norway				
Mobile	1,136	1,066	70	3
Fixed telephony	81	92	–11	–11
	1,217	**1,158**	**59**	**–8**
Russia				
Mobile	22,716	20,636	2,080	2,198
	22,716	**20,636**	**2,080**	**2,198**
Estonia				
Mobile	506	490	2	22
Fixed telephony	5	8	–3	–3
	511	**498**	**–1**	**19**
Lithuania				
Mobile	1,783	1,721	62	36
Fixed telephony	–	2	–2	–
	1,783	**1,723**	**60**	**36**
Latvia				
Mobile	1,043	1,019	24	–8
	1,043	**1,019**	**24**	**–8**
Croatia				
Mobile	754	710	44	–28
	754	**710**	**44**	**–28**
Kazakhstan				
Mobile	3,412	1,371	2,041	1,039
	3,412	**1,371**	**2,041**	**1,039**
Netherlands				
Mobile	478	327	151	–11
Fixed broadband	421	475	–54	–35
Fixed telephony	141	182	–41	–51
	1,040	**984**	**56**	**–97**
Germany				
Mobile	110	45	65	45
Fixed broadband	82	100	–18	–16
Fixed telephony	594	835	–241	–347
	786	**980**	**–194**	**–318**
Austria				
Fixed broadband	127	134	–7	–7
Fixed telephony	191	231	–40	–54
	318	**365**	**–47**	**–61**
TOTAL				
Mobile	**35,695**	**31,109**	**4,572**	**3,413**
Fixed broadband	**1,114**	**1,183**	**–69**	**–70**
Fixed telephony	**1,353**	**1,894**	**–541**	**–573**
TOTAL NUMBER OF CUSTOMERS AND NET CUSTOMER INTAKE	**38,162**	**34,186**	**3,962**	**2,770**
Acquired companies			14	577
Divested companies			–	–44
TOTAL NUMBER OF CUSTOMERS AND NET CHANGE	**38,162**	**34,186**	**3,976**	**3,303**

Net sales from external customers are comprised of the following categories.

	2012	2011
Service revenue	40,702	38,693
Sales of products	3,024	2,308
Total net sales	**43,726**	**41,001**

Continued Note 5

In 2012, the number of customers increased by 14,000 through the acquisitions of Televõrgu, with mobile operation in Estonia.

In 2012, the fixed line customer stock in Sweden was negatively impacted with –87,000 customers as a result of the closing down of the dial-up internet service.

In 2011, the number of customers increased by 566,000 through the acquisitions of mobile operation in Mobile Norway, as well as 11,000 fixed broadband customers from the acquisition of Silver Server in Austria. In addition, the number of customers was reduced by 44,000 through the divestment of the cable TV operation in Lithuania.

In 2011, number of customers in Russia and Croatia decreased by 96,000 and 60,000 customers respectively, as a one-time adjustment due to changes in IT systems.

NOTE 6 EBITDA, EBIT AND DEPRECIATION/AMORTIZATION AND IMPAIRMENT

		EBITDA		EBIT	
	Note	2012	2011	2012	2011
Sweden					
Mobile		2,869	3,160	1,780	2,050
Fixed broadband		93	111	–219	–239
Fixed telephony		327	348	288	301
Other operations		76	46	32	8
		3,365	**3,665**	**1,881**	**2,120**
Norway					
Mobile		169	–47	–253	–147
Fixed broadband		1	3	1	3
Fixed telephony		44	67	39	62
Other operations		–	–3	–	–3
		214	**20**	**–213**	**–85**
Russia					
Mobile		4,744	4,480	3,683	3,584
		4,744	**4,480**	**3,683**	**3,584**
Estonia					
Mobile		205	234	67	166
Other operations		31	–	19	–
		236	**234**	**86**	**166**
Lithuania					
Mobile		432	451	259	366
		432	**451**	**259**	**366**
Latvia					
Mobile		358	380	142	286
		358	**380**	**142**	**286**
Croatia					
Mobile		60	78	–65	–42
		60	**78**	**–65**	**–42**
Kazakhstan					
Mobile		–387	–401	–691	–720
		–387	**–401**	**–691**	**–720**
Netherlands					
Mobile		–34	115	–64	97
Fixed broadband		1,040	1,131	545	630
Fixed telephony		235	229	219	173
Other operations		308	331	237	228
		1,549	**1,806**	**937**	**1,128**
Germany					
Mobile		15	–10	–2	–15
Fixed broadband		26	45	14	35
Fixed telephony		237	317	225	282
		278	**352**	**237**	**302**
Austria					
Fixed broadband		197	185	109	106
Fixed telephony		123	129	86	93
Other operations		13	11	–8	–14
		333	**325**	**187**	**185**
Other					
Other operations		–222	–178	–232	–236
		–222	**–178**	**–232**	**–236**
TOTAL					
Mobile		**8,431**	**8,440**	**4,856**	**5,625**
Fixed broadband		**1,357**	**1,475**	**450**	**535**
Fixed telephony		**966**	**1,090**	**857**	**911**
Other operations		**206**	**207**	**48**	**–17**
		10,960	**11,212**	**6,211**	**7,054**
One-off items	4, 6			–558	–4
TOTAL EBITDA AND EBIT		**10,960**	**11,212**	**5,653**	**7,050**

In 2012, Sweden was negatively affected by SEK 25 million due to a new method for calculation of bad debt reserves, of which the main part was related to mobile.

In 2011, Sweden was negatively affected by SEK 45 million due to restructuring costs, of which the main part was related to mobile.

In 2011, the mobile operation in Norway was negatively affected by SEK 60 million, due to restructuring costs in connection with the acquisition of Network Norway.

SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT

	Note	2012	2011
EBITDA		**10,960**	**11,212**
Impairment of goodwill	6	–88	–
Impairment of machinery and technical plant	6	–161	–
Sale of operations	8, 9	–13	–43
Acquisition costs	16	–2	–46
Other one-off items	6, 8	–294	85
Total one-off items		**–558**	**–4**
Depreciation/amortization and other impairment		–4,742	–4,159
Result from shares in associated companies	7	–7	1
EBIT		**5,653**	**7,050**

Other one-off items

Tele2 has been a party to arbitration proceedings in Stockholm regarding a share option agreement, which previously was reported as a contingent liability at an amount of SEK 263 million. The arbitral tribunal issued its award during 2012 and the tribunal did not rule in favour of Tele2. Tele2 has paid the counterparty in accordance with the award and the operating profit for 2012 was negatively affected by SEK 294 million. The negative effect has been reported as a one-off item.

In 2011, the operating expenses in Sweden was negatively affected by SEK 54 million in relation to future rental costs for mobile sites to be dismantled. The negative effect has been reported as a one-off item.

In 2011, other operating income in Sweden increased by SEK 139 million relating to compensations in connection with the transferring and disposal of assets related to the 4G net co-operation. The positive effect has been reported as a one-off item.

DEPRECIATION/AMORTIZATION AND IMPAIRMENT
By function

	2012	2011
Depreciation/amortization		
Cost of service sold	–4,045	–3,469
Selling expenses	–136	–65
Administrative expenses	–532	–501
Total depreciation/amortization	**–4,713**	**–4,035**
Impairment		
Cost of service sold	–254	–79
Selling expenses	–	–11
Administrative expenses	–24	–34
Total impairment	**–278**	**–124**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–4,991**	**–4,159**

Continued Note 6

By type of asset

	2012	2011
Depreciation/amortization		
Utilization rights and software	–531	–455
Licenses (frequency)	–302	–288
Customer agreements	–447	–215
Buildings	–19	–14
Machinery and technical plant	–3,207	–2,849
Equipment and installations	–207	–214
Total depreciation/amortization	**–4,713**	**–4,035**
Impairment		
Utilization rights and software	–24	–30
Goodwill	–88	–
Buildings	–	–4
Machinery and technical plant	–165	–79
Equipment and installations	–1	–11
Total impairment	**–278**	**–124**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–4,991**	**–4,159**

During 2012 and 2013, the Baltic countries have been upgrading and replacing their existing networks. To reflect a shorter remaining useful life of related equipment accelerated depreciations of SEK 258 million are reported in 2012, of which SEK 48 million in Estonia, 87 million in Lithuania and 123 million in Latvia.

Impairment losses
In 2012, Tele2 recognized impairment losses of SEK 249 million, related to assets in Croatia, of which SEK 88 million refers to goodwill. In addition, Tele2 recognized impairment losses in 2012 of SEK 29 million, mainly attributable to abandoned IT development projects in Sweden of SEK 24 million. In 2011, Tele2 recognized impairment losses of SEK 124 million, mainly attributable to obsolete equipment in Kazakhstan of SEK 59 million and abandoned IT development projects, mainly in Sweden, of SEK 65 million.

The impairment loss of goodwill, SEK 88 million, and other fixed assets, SEK 161 million, in Croatia was based on the estimated value in use. Tele2 expects growth and profitability in Croatia going forward. However, due to unsatisfactory development during 2011–2012, Tele2 assesses that the estimated future profit levels do not support the previous book value. The negative effect has been reported as a one-off item. Additional information is presented in Note 14.

NOTE 7 RESULT FROM SHARES IN ASSOCIATED COMPANIES

	2012	2011
Participation in profit/loss of associated companies	–11	1
Reversal of impairment of shares	4	–
Total result of shares in associated companies	**–7**	**1**

	2012	2011
Profit/loss after taxes in associated companies	–46	1
Holdings	20% – 47.4%	20% – 47.5%
Share of profit/loss after tax	–11	1
Reversal of impairment of shares	4	–
Total result of shares in associated companies	**–7**	**1**

EXTRACTS FROM THE BALANCE SHEETS AND INCOME STATEMENTS OF ASSOCIATED COMPANIES

	2012	2011
Income statement		
Net sales	66	45
Operating profit/loss	–45	–
Profit/loss before tax	–45	–
Net profit/loss	–46	1

Continued Note 7

	Dec 31, 2012	Dec 31, 2011
Balance sheet		
Intangible assets	5	–
Tangible assets	1	1
Financial assets	1	–
Current assets	105	30
Total assets	**112**	**31**
Equity	69	21
Short-term liabilities	43	10
Total equity and liabilities	**112**	**31**

NOTE 8 OTHER OPERATING INCOME

	2012	2011
Sale to joint ventures and associated companies	104	78
Exchange rate gains from operations	69	107
Compensations for the transfer and disposal of assets	–	139
Sale of non-current assets	14	7
Settlements of previous years' divestments	5	–
Sale of Cable TV operation, KRT Lithuania	–	4
Service level agreements, for sold operations	–	17
Other income	12	40
Total other operating income	**204**	**392**

In 2011, other operating income in Sweden increased by SEK 139 million relating to compensations in connection with the transferring and disposal of assets related to the 4G net co-operation. The positive effect has been reported as a one-off item.

NOTE 9 OTHER OPERATING EXPENSES

	2012	2011
Exchange rate loss from operations	–62	–72
Sale/scrapping of non-current assets	–25	–38
Liquidation of companies in UK	–17	–
Sale of operation, Datametrix Outsourcing, Sweden	–1	–40
Sale of operation, Calling Card company	–	–6
Sale of operation, 3C Communications	–	–1
Service level agreements, for sold operations	–	–7
Other expenses	–	–1
Total other operating expenses	**–105**	**–165**

NOTE 10 INTEREST INCOME

	2012	2011
Interest, bank balances	14	16
Interest, penalty interest	10	13
Total interest income	**24**	**29**

All interest income is for financial assets reported at amortized cost. Interest income related to impaired financial assets, such as accounts receivable, are not significant.

NOTE 11 INTEREST COSTS

	2012	2011
Interest, financial institutions and similar liabilities	–816	–390
Interest, other interest-bearing liabilities	–87	–69
Interest, penalty interest	–9	–9
Upfront fee for early repayment of loan	–33	–
Other finance expenses	–36	–44
Total interest costs	**–981**	**–512**

All interest costs are for financial instruments, not valued at fair value through profit/loss.

NOTE 12 OTHER FINANCIAL ITEMS

	2012	2011
Exchange rate differences, external	–14	–24
Exchange rate differences, intragroup	59	13
Change in fair value, put option in Kazakhstan	–166	–159
EUR net investment hedge, interest component	19	–
Gain on sale of shares and participations	2	–
Other finance expenses	–21	–21
Total other financial items	**–121**	**–191**

For information regarding the put option in Kazakhstan and EUR net investment hedge please refer to Note 2 and Note 25.

NOTE 13 TAXES

TAX EXPENSE/INCOME

	2012	2011
Current tax expense, on profit/loss current year	–796	–782
Current tax expense, on profit/loss prior periods	46	–2
Witholding tax on dividend	–223	–153
Current tax expense	–973	–937
Deferred tax expense/income	–338	–688
Total tax on profit for the year	**–1,311**	**–1,625**

THEORETICAL TAX EXPENSE

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

	2012		2011	
Profit before tax	4,575		6,376	
Tax expense/income				
Theoretic tax according to prevailing tax rate in each country	–1,061	–23.2%	–1,551	–24.3%
TAX EFFECT OF				
Impairment of goodwill, non-deductible	–18	–0.4%	–	–
Sales of shares in subsidiaries, non-taxable	–	–	1	0.0%
Write-down of shares in group companies	–	–	2	0.0%
Withholding tax on dividend	–223	–4.9%	–153	–2.4%
Result from associated companies	–3	–0.1%	–	–
Other non-deductible expenses/non-taxable revenue	10	0.2%	56	0.9%
Valuation of tax assets relating to loss carry-forwards from previous years	261	5.7%	113	1.8%
Adjustment due to changed tax rate	–99	–2.2%	–9	–0.1%
Adjustment of tax assets from previous years	25	0.5%	27	0.4%
Change of not valued loss-carry forwards	–203	–4.4%	–111	–1.7%
Tax expense/income and effective tax rate for the year	**–1,311**	**–28.7%**	**–1,625**	**–25.5%**

In 2012, the tax expenses were positively affected by SEK 261 million as a result of a valuation of deferred tax assets in Austria. In addition, the expenses were negatively affected by SEK 127 million and positively affected by SEK 28 million due to decreased tax rate in Sweden and increased tax rate in Luxembourg, respectively, from January 1, 2013.

In 2012, Russia paid withholding tax on dividend of SEK –223 (–153) million.

In 2011, the tax expenses were positively affected by SEK 108 million as a result of a valuation of deferred tax assets related to BBned in Netherlands, as well as negatively by SEK 9 million due to decreased tax rate in Netherlands. In addition, the tax expenses were positively affected by a revaluation of the deferred tax assets in Netherlands of SEK 62 million, and negatively affected by SEK 35 million as a result of a reassessment of the deferred tax liability in Estonia.

The weighted average tax rate was 23.2 (24.3) percent. The decrease on the previous year's figure was mainly due to countries with higher tax rate, such as Sweden and Netherlands, having a relatively lower impact on the result than countries with lower tax rate, such as the Baltics and Croatia.

Continued Note 13

DEFERRED TAX ASSETS AND LIABILITIES

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

	Dec 31, 2012	Dec 31, 2011
Deferred tax assets		
Unutilized loss carry-forwards	4,148	5,396
Tangible assets	161	169
Receivables	11	12
Liabilities	203	202
Pensions	38	30
Other	–	5
Total deferred tax assets	**4,561**	**5,814**
Netted against deferred liabilities	–298	–2,837
Total deferred tax assets according to the balance sheet	**4,263**	**2,977**
Deferred tax liabilities		
Intangible assets	–217	–412
Tangible assets	–921	–940
Other	–93	–2,599
Total deferred tax liabilities	**–1,231**	**–3,951**
Netted against deferred assets	298	2,837
Total deferred tax liabilities according to the balance sheet	**–933**	**–1,114**
Total deferred tax assets and tax liabilities	**3,330**	**1,863**

The movement in deferred income tax assets and liabilities during the year is as follows.

	Note	Dec 31, 2012	Dec 31, 2011
Deferred tax assets/-liabilities as of January 1		1,863	2,349
Changed accounting principle	35	–	96
Adjusted deferred tax assets/-liabilities as of January 1		1,863	2,445
Reported in income statement		–338	–688
Reported in other comprehensive income		1,866	67
Acquired companies		–17	47
Exchange rate differences		–44	–8
Deferred tax assets/-liabilities as of December 31		**3,330**	**1,863**

In 2012, certain intra-group loans in Luxembourg were restructured, which resulted in cumulative foreign exchange differences on the loans, reported in other comprehensive income are no longer taxable. Consequently, a deferred tax liability of SEK 2,425 million was reversed over other comprehensive income. The transaction had no cash flow or income statement effect.

LOSS CARRY-FORWARDS

The Group's total loss carry-forwards as of December 31, 2012 were 20,044 (24,896) million of which SEK 16,539 (20,313) million were recognized as a deferred tax asset and the remaining part, SEK 3,505 (4,583) million, were valued at zero. Of the total loss carry-forwards, SEK 2,234 (3,051) million expires in five years and the remaining part, SEK 17,810 (21,845) million, expires after five years or has no expiration date.

	Dec 31, 2012	Dec 31, 2011
Deferred tax assets		
Companies reported a profit this year and previous year	3,694	2,412
Companies reported a profit this year but a loss the previous year	383	112
Companies reported a loss this year	186	453
Total deferred tax assets	**4,263**	**2,977**

Deferred tax assets were reported for deductible temporary differences and loss carry-forwards to the extent convincing evidence showed that these can be utilized against future taxible profits. Deferred tax assets concerning operations which reported losses in 2012 were mainly related to two new regions in Russia. The new regions in Russia are within the next years expected to report profit due to the synergies deriving from the replication of our successful operational model in Russia.

Deferred tax assets concerning operations that showed losses last year but profit during 2012, were related to last year's acquisition of Network Norway.

NOTE 14 INTANGIBLE ASSETS

Dec 31, 2012	Note	Utilization rights and software	Licenses (frequency)	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
Acquisition value								
Acquisition value at January 1		3,574	3,434	3,140	537	10,685	14,406	25,091
Acquisition value in acquired companies	16	78	–	20	–	98	69	167
Investments		92	104	–	942	1,138	–	1,138
Sales and scrapping		–144	–15	–	–8	–167	–	–167
Reclassification		787	199	–	–955	31	–	31
Exchange rate differences		–27	–76	–84	–1	–188	–447	–635
Total acquisition value		**4,360**	**3,646**	**3,076**	**515**	**11,597**	**14,028**	**25,625**
Accumulated amortization								
Accumulated amortization at January 1		–1,696	–988	–2,019		–4,703		–4,703
Amortization	16	–531	–302	–447		–1,280		–1,280
Sales and scrapping		103	15	–		118		118
Exchange rate differences		19	20	81		120		120
Total accumulated amortization		**–2,105**	**–1,255**	**–2,385**		**–5,745**		**–5,745**
Accumulated impairment								
Accumulated impairment at January 1		–270	–	–44		–314	–3,896	–4,210
Impairment		–24	–	–		–24	–88	–112
Sales and scrapping		24	–	–		24	–	24
Exchange rate differences		–	–	2		2	130	132
Total accumulated impairment		**–270**	**–**	**–42**		**–312**	**–3,854**	**–4,166**
TOTAL INTANGIBLE ASSETS		**1,985**	**2,391**	**649**	**515**	**5,540**	**10,174**	**15,714**

CAPEX per business area within each country is presented in Note 15.

Dec 31, 2011	Note	Utilization rights and software	Licenses (frequency)	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
Acquisition value								
Acquisition value at January 1		2,420	2,627	2,294	–	7,341	13,928	21,269
Changed accounting principle and reclassification	35	–	34	–	579	613	144	757
Adjusted acquisition value at January 1		2,420	2,661	2,294	579	7,954	14,072	22,026
Acquisition value in acquired companies		164	29	883	–	1,076	436	1,512
Acquisition value in divested companies		*–29*	–	–	–	*–29*	–	*–29*
Investments		249	739	–	939	1,927	–	1,927
Sales and scrapping		*–83*	*–5*	–	–	*–88*	–	*–88*
Reclassification		890	31	–	–981	–60	–	–60
Exchange rate differences		–37	–21	–37	–	–95	–102	–197
Total acquisition value		**3,574**	**3,434**	**3,140**	**537**	**10,685**	**14,406**	**25,091**
Accumulated amortization								
Accumulated amortization at January 1		–1,313	–713	–1,810		–3,836		–3,836
Changed accounting principle	35	–	–2	–		–2		–2
Adjusted accumulated amortization at January 1		–1,313	–715	–1,810		–3,838		–3,838
Amortization in divested companies		22	–	–		22		22
Amortization		–455	–288	–215		–958		–958
Sales and scrapping		37	5	–		42		42
Exchange rate differences		13	10	6		29		29
Total accumulated amortization		**–1,696**	**–988**	**–2,019**		**–4,703**		**–4,703**
Accumulated impairment								
Accumulated impairment at January 1		–270	–	–44		–314	–3,918	–4,232
Impairment		–30	–	–		–30	–	–30
Sales and scrapping		*30*	–	–		*30*	–	*30*
Exchange rate differences		–	–	–		–	22	22
Total accumulated impairment		**–270**	**–**	**–44**		**–314**	**–3,896**	**–4,210**
TOTAL INTANGIBLE ASSETS		**1,608**	**2,446**	**1,077**	**537**	**5,668**	**10,510**	**16,178**

In 2011 Tele2 Kazakhstan acquired additional frequencies in the 2100 MHz band for SEK 218 million.

Continued Note 14

GOODWILL

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

	Dec 31, 2012	Dec 31, 2011
Sweden	1,100	1,100
Norway	548	537
Russia	810	813
Estonia	786	749
Lithuania	728	756
Latvia	1,051	1,088
Croatia	–	90
Kazakhstan	828	891
Netherlands	4,296	4,459
Austria	8	8
Other	19	19
Total goodwill	**10,174**	**10,510**

Allocation of goodwill and test for goodwill impairment

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

The most important criteria in the calculations of values in use are growth rates, profit margins, investment levels and discount rates. The expected revenue growth rate, profit margin and investment level are based on sector data as well as management's assessment of market-specific risks and opportunities, including expected changes in competition, the business model used by Tele2 and the regulatory environment. Management's assessment of the range of revenues, profits and investments are limited to Tele2's current telecom licences and assets. The discount rate takes into account the prevailing interest rates and specific risk factors in a particular cash-generating unit. The discount rate before tax varies between 9 and 23 (10 and 23) percent.

Tele2 calculates future cash flows based on the most recently presented three-year (three-year) plan. In three (one) cases we extend the business case for additional two-seven (seven) years until the forecasted cash flow growth is considered more stable. For the period after this, annual growth of –1 to 1 (–2 to 1) percent is assumed for mobile operations and –4 to –3 (–4) percent annual decline for fixed line operations. These rates do not exceed the average long-term growth for the sector as a whole nor do they exceed the expected long term GDP growth rates in the markets. In 2012, Tele2 recognized goodwill impairment of SEK 88 (0) million related to the operation in Croatia. For additional information see Note 6.

Changes to important assumptions

The carrying amounts of cash-generating units for which impairment losses for goodwill were recognized in 2012 have been written down to their value in use at December 31, 2012. A subsequent negative change to any important assumption would give rise to further impairment losses.

For other cash-generating units Tele2 assesses that reasonable possible changes in the major assumptions should not have such significant effects that they individually would reduce the value in use to a value that is lower than the carrying value on the cash generating units.

The value in use calculation is based on the following assumptions per country.

	WACC pre tax		Forecast period, in year		Growth rate after the forecast period	
	2012	2011	2012	2011	2012	2011
Sweden	10%	10%	3	3	–1%	–2%
Norway	13%		5		0%	
Russia	18%	18%	3	3	0%	–1%
Estonia	11%	12%	3	3	1%	1%
Lithuania	12%	13%	3	3	1%	1%
Latvia	11%	12%	3	3	1%	1%
Croatia	13%	14%	10	3	1%	1%
Kazakhstan	23%	23%	10	10	0%	0%
Netherlands	11%	10%	3	3	–3%	–3%
Austria	9%		3		–4%	

OTHER NON-CURRENT ASSETS

For impairment of other non-current assets, please refer to Note 6.

NOTE 15 TANGIBLE ASSETS

Dec 31, 2012	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Acquisition value							
Acquisition value at January 1	233	1,844	2,250	4,327	37,049	*699*	41,376
Acquisition value in acquired companies	–	2	4	6	55	–	61
Investments	4	101	2,783	2,888	1,310	*84*	4,198
Sales and scrapping	–7	–256	–1	–264	–964	*–45*	–1,228
Reclassification	27	204	–2,774	–2,543	2,512	*–14*	–31
Exchange rate differences	–7	–41	–46	–94	–461	*–10*	–555
Total acquisition value	**250**	**1,854**	**2,216**	**4,320**	**39,501**	***714***	**43,821**
Accumulated depreciation							
Accumulated depreciation at January 1	–135	–1,432		–1,567	–21,482	*–417*	–23,049
Depreciation	–19	–207		–226	–3,207	*–42*	–3,433
Sales and scrapping	6	253		259	797	*43*	1,056
Exchange rate differences	4	32		36	243	*6*	279
Total accumulated depreciation	**–144**	**–1,354**		**–1,498**	**–23,649**	***–410***	**–25,147**
Accumulated impairment							
Accumulated impairment at January 1	–4	–		–4	–438	–	–442
Impairment	–	–1		–1	–165	–	–166
Sales and scrapping	–	–		–	2	–	2
Exchange rate differences	1	–		1	10	–	11
Total accumulated impairment	**–3**	**–1**		**–4**	**–591**	**–**	**–595**
TOTAL TANGIBLE ASSETS	**103**	**499**	**2,216**	**2,818**	**15,261**	***304***	**18,079**

Machinery and technical plant in Kazakhstan of SEK 148 (176) million is pledged for loan in Kazakhstan according to Note 25.
Finance leases relate to the expansion of transmission capacity in Sweden, Russia and Austria, please refer to Note 25.

Dec 31, 2011	Note	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Acquisition value								
Acquisition value at January 1		229	1,807	1,873	3,909	31,894	*613*	35,803
Changed accounting principle and reclassification	35	–	2	–284	–282	3,226	–	2,944
Adjusted acquisition value at January 1		229	1,809	1,589	3,627	35,120	*613*	38,747
Acquisition value in acquired companies		–	*18*	*152*	*170*	*338*	*17*	*508*
Acquisition value in divested companies		–	*–139*	–	*–139*	*–65*	–	*–204*
Investments		*4*	*105*	*3,007*	*3,116*	*1,062*	73	*4,178*
Sales and scrapping		–6	–101	–17	–124	–1,423	*–1*	–1,547
Reclassification		6	169	–2,457	–2,282	2,342	–	60
Exchange rate differences		–	–17	–24	–41	–325	*–3*	–366
Total acquisition value		**233**	**1,844**	**2,250**	**4,327**	**37,049**	**699**	**41,376**
Accumulated depreciation								
Accumulated depreciation at January 1		–128	–1,431		–1,559	–18,741	*–380*	–20,300
Changed accounting principle	35	–	–		–	–1,211	–	–1,211
Adjusted accumulated depreciation at January 1		–128	–1,431		–1,559	–19,952	*–380*	–21,511
Depreciation in divested companies		–	120		120	31	–	151
Depreciation		–14	–214		–228	–2,849	*–38*	–3,077
Sales and scrapping		6	79		85	1,181	–	1,266
Reclassification		–	2		2	–2	–	–
Exchange rate differences		1	12		13	109	*1*	122
Total accumulated depreciation		**–135**	**–1,432**		**–1,567**	**–21,482**	**–417**	**–23,049**
Accumulated impairment								
Accumulated impairment at January 1		–	–		–	–373	–	–373
Impairment		–4	–11		–15	–79	–	–94
Sales and scrapping		–	*11*		*11*	*17*	–	*28*
Exchange rate differences		–	–		–	–3	–	–3
Total accumulated impairment		**–4**	**–**		**–4**	**–438**	**–**	**–442**
TOTAL TANGIBLE ASSETS		**94**	**412**	**2,250**	**2,756**	**15,129**	***282***	**17,885**

Continued Note 15

CAPEX

	Dec 31, 2012	Dec 31, 2011
Intangible assets	1,138	1,927
Tangible assets	4,198	4,178
Total CAPEX according to balance sheet	**5,336**	**6,105**

The difference between CAPEX in the balance sheet (below) and paid CAPEX in the cash flow statement is presented in Note 30.

	CAPEX	
	Dec 31, 2012	Dec 31, 2011
Sweden		
Mobile	907	1,096
Fixed broadband	206	245
Fixed telephony	5	2
Other operations	33	24
	1,151	**1,367**
Norway		
Mobile	572	282
Fixed telephony	6	6
	578	**288**
Russia		
Mobile	1,590	2,010
	1,590	**2,010**
Estonia		
Mobile	71	83
Other operations	8	–
	79	**83**
Lithuania		
Mobile	82	114
	82	**114**
Latvia		
Mobile	77	91
	77	**91**
Croatia		
Mobile	54	102
	54	**102**
Kazakhstan		
Mobile	749	902
	749	**902**
Netherlands		
Mobile	32	9
Fixed broadband	333	360
Fixed telephony	11	41
Other operations	27	44
	403	**454**
Germany		
Mobile	26	38
Fixed broadband	2	1
Fixed telephony	1	–
	29	**39**
Austria		
Fixed broadband	43	37
Fixed telephony	22	21
Other operations	14	13
	79	**71**
Other		
Other operations	465	584
	465	**584**
TOTAL		
Mobile	**4,160**	**4,727**
Fixed broadband	**584**	**643**
Fixed telephony	**45**	**70**
Other operations	**547**	**665**
Total capex according to balance sheet	**5,336**	**6,105**

NOTE 16 ACQUISITIONS AND DIVESTMENTS

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

	2012	2011
ACQUISITIONS		
Televõrgu, Estonia	–218	–
Silver Server, Austria	–	–97
Network Norway	–	–1,455
Connect Data Solutions, Netherlands	–	–37
Settlements of previous years' acquisitions	–3	–
Total group companies	**–221**	**–1,589**
Capital contribution to associated companies	–22	–
Total associated companies	**–22**	**–**
Total acquisition of shares and participations	**–243**	**–1,589**
DIVESTMENTS		
Officer, Norway	2	–
Datametrix Outsourcing, Sweden	–	–7
KRT, Lithuania	–	34
Settlements of previous years' divestments	–5	–13
Total group companies	**–3**	**14**
Associated companies and other securities	–	–6
Total divestments of shares and participations	**–3**	**8**
CASH FLOW EFFECT	**–246**	**–1,581**

ACQUISITIONS

Televõrgu, Estonia

On February 17, 2012 Tele2 acquired 100 percent of the Estonian telecommunication service provider Televõrgu AS for SEK 223 million.

Televõrgu is a provider of transmission and mobile Internet services based on a fibre optical network and a CDMA based 3G wireless network. The acquisition of Televõrgu will give Tele2 Estonia a stronger presence among business customers in the Estonian market, and full control over its transmission network until 2025.

Goodwill in connection with the acquisition is related to Tele2's expectation to benefit from cost savings and cost control, since Televõrgu is a provider of leased lines and transmission services to Tele2. In addition, the acquisition is expected to give Tele2 a stronger presence among business customers and contribute to expanding data transmission services in the Estonian market.

Televõrgu has affected net sales of SEK 77 million and EBITDA of SEK 37 million in 2012. Total acquisition costs of SEK 2 million have been reported as operating costs in the income statement.

Other acquisitions

On December 22, 2011 Tele2 acquired 100% of the Austrian Internet service provider Silver Server for SEK 100 million, of which SEK 97 million was paid in 2011. In 2012, the remaining purchase price of SEK 3 million was paid to the former owner.

Continued Note 16

Net assets at the time of acquisition

Assets, liabilities and contingent liabilities included in the operations acquired until December 31, 2012, are stated below:

	Televõrgu, Estonia
Customer agreements	20
Beneficial and renting rights	78
Tangible assets	63
Materials and supplies	1
Current receivables	18
Cash and cash equivalents	3
Deferred tax liabilities	–17
Short-term liabilities	–35
Acquired net assets	**131**
Goodwill	66
Purchase price shares	**197**
Liabilities to former owners	26
Exchange rate differences	–2
Less: cash in acquired companies	–3
Neteffect on group cash assets	**218**

DIVESTMENTS

Officer, Norway

In 2012, stores in Officer, Norway, were divested for SEK 2 million.

PRO FORMA

The table below shows how the acquired companies and operations in 2012 would have affected Tele2's net sales and result if they had been acquired at January 1, 2012.

	2012		
	Tele2 Group	Televõrgu, Estonia	Tele2 Group, pro forma
Net sales	43,726	19	43,745
EBITDA	10,960	8	10,968
Net profit for the year	3,264	2	3,266

NOTE 17 SHARES IN ASSOCIATED COMPANIES

Company	Holding (capital/votes)	Dec 31, 2012	Dec 31, 2011
4T Sverige AB, Sweden	25%	8	–
MPayment AS, Norway	33.3%	4	–
SNPAC Swedish Nr Portability Adm.Centre AB, Sweden	20%	3	3
Adworx Internetservice GmbH, Austria	47.4%	4	–
GH Giga Hertz HB as well as 15 other trading companies with licenses, Sweden	33.3%	3	3
Total shares in associated companies		**22**	**6**

	Dec 31, 2012	Dec 31, 2011
Acquisition value		
Acquisition value at January 1	6	349
Investments	24	–
Share of profit/loss for the year	–11	1
Reversal of impairment	4	–
Divestments	–	–343
Exchange rate differences	–1	–1
Total acquisition value	**22**	**6**
Impairment		
Accumulated impairment at January 1	–	–343
Divestments	–	343
Total accumulated impairment	**–**	**–**
TOTAL SHARES IN ASSOCIATED COMPANIES	**22**	**6**

GROUP SURPLUS VALUES AND SHARE OF EQUITY IN ASSOCIATED COMPANY

	Dec 31, 2012	Dec 31, 2011
Share of equity		
Share of equity at january 1	6	6
Share of capital contribution and new issues	24	–
Share of profit/loss for the year	–11	1
Reversal of impairment	4	–
Exchange rate differences	–1	–1
Total shares in associated companies	**22**	**6**

NOTE 18 OTHER FINANCIAL ASSETS

	Dec 31, 2012	Dec 31, 2011
VAT receivable, Kazakhstan	21	72
Restricted bankdeposits	13	37
Pension funds	27	23
Other non-current holdings of securities	19	18
Other receivables	3	7
Total other financial assets	**83**	**157**

Other non-current securities consist of shares in the companies listed below.

Company	Holding (capital/votes)	Dec 31, 2012	Dec 31, 2011
Modern Holdings Inc, US	11.88%	11	11
OJSC Aero-Space Telecommunications, Russia	1%	5	5
Radio National Skellefteå AB, Sweden	5.5%	1	1
Telering AS, Norway	10%	1	1
Estonian Broadband Development Foundation, Estonia	13%	1	–
Total other non-current securities		**19**	**18**

NOTE 19 INVENTORIES

	Dec 31, 2012	Dec 31, 2011
Finished products & goods for resale	460	452
Other	13	34
Total inventories	**473**	**486**

Tele2's inventories are mainly telephones, SIM cards, modems held for sale and set-top boxes for cable TV. In 2012 inventories was expensed by SEK 3,047 (2,088) million, of which SEK 11 (31) million was related to write-down.

NOTE 20 ACCOUNTS RECEIVABLE

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Accounts receivable	4,567	4,387	3,840
Reserve for doubtful accounts	–582	–556	–528
Total accounts receivable, net	**3,985**	**3,831**	**3,312**

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Reserve for doubtful accounts			
Reserve for doubtful accounts at January 1	556	528	612
Reserves in companies acquired during the year	–	34	9
Provisions	155	102	36
Recovery of previous provisions	–114	–104	–60
Exchange rate differences	–15	–4	–69
Total reserve for doubtful accounts	**582**	**556**	**528**

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Accounts receivable, overdue with no reserve			
Overdue between 1–30 days	551	277	336
Overdue between 31–60 days	92	51	74
Overdue more than 60 days	89	181	174
Total accounts receivable, overdue with no reserve	**732**	**509**	**584**

NOTE 21 OTHER CURRENT RECEIVABLES

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
VAT receivable	328	222	266
Receivable from Net4Mobility, joint venture in Sweden	148	90	16
Receivable from Svenska UMTS-nät, joint venture in Sweden	41	33	31
Receivable from sold account receivables	94	–	–
Receivable from former owner of BBned	–	36	36
Derivatives	18	–	–
Receivable from suppliers	12	14	69
Receivable from credit card companies, prepaid	4	14	6
Receivables clearinghouse, traffic	2	16	23
Other	20	20	25
Total other current receivables	**667**	**445**	**472**

NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Revenues from mobile phones	2,093	1,509	715
Traffic revenues, from customers	493	557	641
Traffic revenues, from other telecom operators	580	472	456
Subscription fees etc, from customers	72	103	55
Accrued income, other	149	230	185
Rental cost	413	485	396
Fixed subscription charges	60	77	70
Frequency usage	54	66	44
Retailers' commissions, prepaid cards	32	41	34
Prepaid expenses, other	181	203	147
Total prepaid expenses and accrued revenues	**4,127**	**3,743**	**2,743**

SEK 562 (2011: 866 and 2010: 478) million of the balance sheet item is estimated to be paid more than 12 months after the closing date, of which SEK 549 (848) million is attributable to revenues from mobile phones.

NOTE 23 SHORT-TERM INVESTMENTS

	Dec 31, 2012	Dec 31, 2011
Restricted funds	59	65
Total short-term investments	**59**	**65**

NOTE 24 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

AVAILABLE LIQUIDITY

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Cash and cash equivalents	1,673	1,026	870
Unutilized overdraft facilities and credit lines	11,260	8,960	11,980
Total available liquidity	**12,933**	**9,986**	**12,850**

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Unutilized overdraft facilities and credit lines			
Overdraft facilities granted	639	601	480
Overdraft facilities utilized	–17	–4	–
Total unutilized overdraft facilities	**622**	**597**	**480**
Unutilized credit lines	10,638	8,363	11,500
TOTAL UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES	**11,260**	**8,960**	**11,980**

Tele2's share of liquid funds in joint ventures, for which Tele2 has limited disposal rights, amounted at December 31, 2012 to SEK 65 (2011: 50 and 2010: 36) million and was included in the Group's cash and cash equivalents.

No specific collateral is provided for overdraft facilities or unutilized credit lines.

EXCHANGE RATE DIFFERENCE IN CASH AND CASH EQUIVALENTS

	Dec 31, 2012	Dec 31, 2011
Exchange rate differences in cash and cash equivalents at January 1	–45	–11
Exchange rate differences in cash flow for the year	114	90
Total exchange rate differences in cash and cash equivalents for the year	**69**	**79**

NOTE 25 FINANCIAL LIABILITIES

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Liabilities to financial institutions and similar liabilities	14,898	12,295	2,665
Other interest-bearing liabilities	2,055	1,895	1,428
Total interest-bearing financial liabilities	**16,953**	**14,190**	**4,093**
Accounts payable	3,488	3,209	2,598
Other short-term liabilities	1,008	710	588
Total non-interest-bearing financial liabilities	**4,496**	**3,919**	**3,186**
TOTAL FINANCIAL LIABILITIES	**21,449**	**18,109**	**7,279**

Financial risk management and financial instruments are presented in Note 2.

Financial liabilities fall due for payment according to below.

	Dec 31, 2012		Dec 31, 2011	
	Nominal value	Recorded value	Nominal value	Recorded value
Within 3 months	6,150	6,145	3,955	3,957
Within 3–12 months	2,498	2,490	1,521	1,519
Within 1–2 years	2,272	2,264	8,535	8,535
Within 2–3 years	2,586	2,555	285	276
Within 3–4 years	3,036	2,981	173	140
Within 4–5 years	4,257	4,200	2,978	2,920
Within 5–10 years	834	759	872	737
Within 10–15 years	55	55	25	25
Total financial liabilities	**21,688**	**21,449**	**18,344**	**18,109**

INTEREST-BEARING FINANCIAL LIABILITIES

Interest-bearing financial liabilities fall due for payments as follows:

	Within 1 year	Within 1-2 years	Within 2-3 years	Within 3-4 years	Within 4-5 years	Within 5-15 years	Total
Variable interest rates	1,758	251	471	124	2,374	722	5,700
Fixed interest rates	2,381	2,013	2,084	2,857	1,826	92	11,253
Total interest-bearing liabilities	**4,139**	**2,264**	**2,555**	**2,981**	**4,200**	**814**	**16,953**

Collateral provided

	Dec 31, 2012	Dec 31, 2011
Net assets in group companies	344	315
Fixed assets	148	176
Total collateral provided for own liabilities	**492**	**491**

Liabilities to financial institutions and similar liabilities

			Dec 31, 2012		Dec 31, 2011	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Syndicated loan facilities	variable interest rates	2017	–	–57	–	8,197
Nordiska Investeringsbanken (NIB)	variable interest rates	2017–2020	–	638	–	–
Bonds RUB	Fixed: 8.4%–9.1%	2014–2016	–	5,555	–	2,780
Bonds NOK	NIBOR +1.7%–2.35%	2015–2017	–	1,511	–	–
Bonds SEK	STIBOR +0.95%–2.85%	2014–2017	–	2,746	–	–
	Fixed: 4.875%	2017	–	798	–	–
Handelsbanken	variable interest rates	2013–2021	26	900	11	701
(collateral: net assets in Mobile Norway)						
Utilized bank overdraft facility	variable interest rates		17	–	4	–
Commercial paper	Fixed: 1.79%–3.17%	2013	2,377	–	–	–
Other financial institutions	variable interest rates		176	211	195	407
(collateral: fixed assets in Tele2 Kazakhstan)						
			2,596	**12,302**	**210**	**12,085**
Total liabilities to financial institutions and similar liabilities				**14,898**		**12,295**

Continued Note 25

In 2012, Tele2 signed a new EUR 1.2 billion 5-year revolving credit facility with the participation of twelve banks. The facility was used to repay four credit facilities that would have matured in 2013. The loans can be drawn in several currencies and the interest base is the relevant IBOR for that currency. On December 31, 2012 no loans were drawn under the credit facility (Dec 31, 2011: SEK 8.2 billion). The facility is conditioned by covenant requirements which Tele2 expects to fulfil. On 31 December 2012, the liability for syndicated loan facilities amounted to SEK –0.1 (8.2) billion, due to accrued upfront fee during the agreement period.

In 2012, Tele2 AB entered into an 8-year-maturity loan agreement with Nordic Investment Bank (NIB), totalling EUR 74 million, as a further step towards the diversification of Tele2's funding sources. On 31 December 2012, the loan amounted to SEK 0.6 (0) billion.

In 2011, Tele2 Russia issued a 13 billion rouble bond (with 3 tranches). The bond has a final maturity of 10 years and a put option providing for an effective tenor of 5 years. The coupon rate for the period is 8.40 percent per annum with semi-annual coupon payments. In 2012, Tele2 Russia issued additional two bonds, a 6 billion rouble bond and a 7 billion rouble bond (with 2 tranches). Both bonds have a final maturity of 10 years and a put option providing for an effective tenor of 3 and 2 years, respectively. The coupon rate for the period is 9.10 and 8.90 percent per annum, respectively, with semi-annual coupon payments. The reported value of the bonds amounted on December 31, 2012 to SEK 5.6 (2.8) billion.

In 2012, Tele2 AB issued a NOK 1.3 billion bond in the Norwegian bond market. The amount is split between a 3 year bond of NOK 300 million priced at NIBOR +1.70 percent and a 5 year bond of NOK 1 billion priced at NIBOR +2.35 percent. The reported value of the bond amounted on December 31, 2012 to SEK 1.5 (0) billion.

In 2012, Tele2 AB signed a Euro Medium-Term Note (EMTN) Program (bonds) that will form the basis for Tele2's future medium and long term debt issuance in both international and domestic markets. The program enables Tele2 to issue bonds and notes up to a total aggregate amount of EUR 3 billion. In 2012 Tele2 issued the following bonds under the program, which all have been listed on the Luxembourg Stock Exchange:

- a SEK 2.3 billion 5-year bond on the Swedish bond market under this program. The amount is split between a fixed rate tranche of SEK 0.8 billion with a coupon of 4.875 percent and a floating rate tranche of SEK 1.5 billion with a coupon of three months STIBOR +2.85 percent.
- a SEK 0.5 billon bond of 18 months on the Swedish bond market under this program with a coupon of three months STIBOR +0.95 percent.
- a SEK 0.75 billion bond of 2.25 years on the Swedish bond market under this program with a coupon of three months STIBOR +1.10 percent.

On January 3, 2013 Tele2 issued a SEK 500 million bond under the program with one single investor. The issue has an investor put/issuer call every third month and will therefore be reported as short term funding. The bond has a floating rate coupon, and will not be listed. The reported value of the bonds amounted on December 31, 2012 to SEK 3.5 (0) billion.

On February 12, 2013 Tele2 issued a SEK 0.25 billon 7-year bond on the Swedish bond market under this program with a coupon of three months STIBOR +2.45 percent.

In 2012, Tele2 AB established a Swedish commercial paper program. The program enables Tele2 to issue commercial papers up to a total amount of SEK 5 billion. Commercial papers can be issued with tenors up to 12 months under the program. The commercial paper program is a complement to Tele2's core funding. The reported values of the commercial papers amounted on December 31, 2012 to SEK 2.4 (0) billion.

Since 2011, Tele2 holds the full ownership of the previous joint venture Mobile Norway. The company had, at the time of acquisition, existing liabilities to financial institutions and on December 31, 2012, these liabilities amounted to SEK 0.9 (0.7) billion.

Since the acquisition in 2010, Tele2 holds 51 percent of Tele2 Kazakhstan. The company had, at the time of acquisition, existing liabilities to several financial institutions. The interest base is KazPrime and LIBOR. On December 31, 2012 these liabilities amounted to KZT 0 (484) million, EUR 30 (45) million and USD 20 (26) million, corresponding to a total of SEK 0.4 (0.6) billion.

The average interest rate on loans during the year was 6.7 (6.2) percent.

Other interest-bearing liabilities

	Dec 31, 2012		Dec 31, 2011	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Put option, Kazakhstan	1,214	–	1,136	–
Kazakhtelecom	–	319	–	309
Derivatives	209	–	172	–
Finance leases	24	192	36	142
Purchase price for purchase of Silver Server in Austria	1	1	3	–
Purchase price for purchase of Rostov	91	–	–	93
Purchase price for purchase of Izhevsk	4	–	–	4
	1,543	**512**	**1,347**	**548**
Total other interest-bearing liabilities		**2,055**		**1,895**

Tele2 owns 51 percent of the shares in Tele2 Kazakhstan with a call option to buy the remaining 49 percent from December 14, 2014 to April 14, 2015. The non-controlling shareholder, Asianet Holding BV, 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. The put option is reported to its estimated fair value at the closing date, determined on the basis of future discounted cash flows. The increase in value consists of changes in fair value reported as other financial items in the income statement of SEK 166 million and exchange rate differences of SEK –88 million.

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner. On December 31, 2012 the reported debt amounted to SEK 319 (309) million and the nominal value to SEK 545 (544) million.

Derivatives consisted of interest swaps, valued at fair value. The effective part of the interest swaps were reported in the hedge reserve in other comprehensive income and the ineffective part was reported as interest costs in the income statement. For additional information please refer to Note 2.

Finance leases

Finance leases relate to the expansion of transmission capacity in Sweden, Russia and Austria. Total future minimum lease payments and their present value amount to:

	Dec 31, 2012		Dec 31, 2011	
	Present value	Nominal value	Present value	Nominal value
Within 1 year	37	38	45	47
Within 1–2 years	33	37	31	34
Within 2–3 years	25	30	24	29
Within 3–4 years	23	28	16	21
Within 4–5 years	20	26	14	19
Within 5–10 years	51	82	34	56
Within 10–15 years	27	65	14	29
Total loan liability and interest		**306**		**235**
Less interest portion		–90		–57
Total finance leases	**216**	**216**	**178**	**178**

OTHER SHORT-TERM LIABILITIES

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
VAT liability	595	422	382
Employee withholding tax	77	61	58
Liability to joint venture, Net4Mobility, Sweden	95	68	–
Liability to joint venture, Svenska UMTS-nät	68	17	18
Debt to customers	51	44	29
Debt to content suppliers	34	33	27
Debt to other operators	18	19	15
Customer deposit	8	14	9
Other	62	32	50
Total short-term liabilities	**1,008**	**710**	**588**

NOTE 26 PROVISIONS

	2012						
	Rented buildings and cables	Legal disputes	Claims and guarantees for divested operations	Dismant-ling costs	Other provi-sions	Pension and similar commit-ments	Total
Provisions as of January 1	67	66	65	129	20	127	474
Additional provisions	–	1	–	73	1	57	132
Utilized/paid provisions	–5	–17	–1	–	–13	–	–36
Reversed unused provisions	–	–2	–4	–	–6	–5	–17
Present value adjustment	–	–	–	12	–	–	12
Exchange rate differences	–	–	–2	–3	–1	–	–6
Total provisions as of December 31	**62**	**48**	**58**	**211**	**1**	**179**	**559**

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Provisions, short-term	133	139	139
Provisions, long-term	426	335	192
Total provisions	**559**	**474**	**331**

Provisions are expected to fall due for payment according to below:

	Dec 31, 2012	Dec 31, 2011
Within 1 year	133	139
Within 1–3 years	75	117
Within 3–5 years	2	2
More than 5 years	349	216
Total provisions	**559**	**474**

NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Traffic expenses to other telecom operators	1,737	1,593	1,207
Personnel-related expenses	732	684	532
External service expenses	606	877	843
Expenses for dealers	189	243	171
Leasing and rental expenses	205	117	96
Interest costs	158	62	25
Other accrued expenses	485	323	141
Deferred income, prepaid cards	976	937	816
Deferred income, other	713	837	841
Total accrued expenses and deferred income	**5,801**	**5,673**	**4,672**

NOTE 28 PLEDGED ASSETS

	Dec 31, 2012	Dec 31, 2011
Fixed assets	148	176
Net assets in group companies	344	315
Short-term investments, bank deposits	59	65
Other long-term receivables, bank deposits	13	37
Other pledged assets	1	1
Total pledged assets	**565**	**594**

Pledged shares were reported at an amount corresponding to the carrying amount of the net assets which each subsidary represented in the Group balance sheet.

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

NOTE 29 CONTINGENT LIABILITIES, OPERATING LEASES AND OTHER COMMITMENTS

CONTINGENT LIABILITIES

	Dec 31, 2012	Dec 31, 2011
Disputes	–	263
Total contingent liabilities	**–**	**263**

Tele2 has been a party to arbitration proceedings in Stockholm regarding a share option agreement, which previously was reported as a contingent liability at an amount of SEK 263 million. The arbitral tribunal issued its award during 2012 and the tribunal did not rule in favour of Tele2. The effect on Tele2´s financial statements is stated in Note 6.

OPERATING LEASES

	2012	2011
Leased capacity	2,144	2,071
Other operating leases	774	664
Annual leasing expenses for operating leases	**2,918**	**2,735**

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

Contractual future lease expenses are stated below:

	Dec 31, 2012	Dec 31, 2011
Within 1 year	2,193	1,709
Within 1–2 years	835	695
Within 2–3 years	533	538
Within 3–4 years	413	325
Within 4–5 years	378	274
Within 5–10 years	856	616
Within 10–15 years	306	116
More than 15 years	466	261
Total future lease expenses for operating leases	**5,980**	**4,534**

OTHER CONTRACTUAL COMMITMENTS

	Dec 31, 2012	Dec 31, 2011
Commitments, acquired LTE license	1,386	–
Commitments, other	2,108	2,833
Total future fees for other contractual commitments	**3,494**	**2,833**

Tele2 announced on December 14, 2012 that Tele2 Netherlands has obtained two mobile licenses (2x10 MHz spectrum) in the 800 MHz band during the multiband frequency auction in the Netherlands for SEK 1.4 billion. With the acquired spectrum in the 800 MHz band and earlier obtained spectrum in the 2,600 MHz band, Tele2 will roll out a next generation 4G network, offering businesses and consumers higher speed and lower pricing for mobile broadband. The Dutch frequency auction created a unique opportunity for us to develop mobile services on our own infrastructure.

Other commitments mainly relate to commitments for networks, customer services and IT, as well as for purchse of handsets.

NOTE 30 SUPPLEMENTARY CASH FLOW INFORMATION

CASH FLOW FROM OPERATING ACTIVITIES BASED ON THE NET RESULT

	2012	2011
OPERATING ACTIVITIES		
Net profit for the year	3,264	4,744
Adjustments for non-cash items in operating profit		
Depreciation/amortization and impairment	4,991	4,159
Result from shares in associated companies	7	–1
Gain/loss on sale of fixed assets	10	30
Gain/loss on sale of operations	13	50
Unpaid financial items	481	288
Income tax	–17	–11
Deferred tax expense	338	688
Cash flow from operations before changes in working capital	**9,087**	**9,947**
Changes in working capital	–408	–257
CASH FLOW FROM OPERATING ACTIVITIES	**8,679**	**9,690**

CAPEX

The difference between investments in intangible and tangible assets (CAPEX) in the balance sheet and paid CAPEX, net, in the cash flow statement is stated below.

	2012	2011
CAPEX, according to balance sheet	–5,336	–6,105
This year unpaid CAPEX and paid CAPEX from previous year	518	294
Sales price in cash flow statement	209	239
Paid CAPEX, according to cash flow statement	**–4,609**	**–5,572**

Of the year's investment in intangible and tangible assets, SEK 584 (409) million is unpaid on December 31, 2012 and has therefore not been reported as investments in the cash flow statement. Payment of the previous year's investment of SEK 66 (115) million has been reported as investment in the cash flow for 2012. These items amount to a net of SEK 518 (294) million.

CAPEX per business area within each country are presented in Note 15.

NOTE 31 NUMBER OF SHARES AND EARNINGS PER SHARE

NUMBER OF SHARES

	A shares		B shares		C shares		Total
	Change	Total	Change	Total	Change	Total	
As of January 1, 2011		**20,990,150**		**422,704,189**		**3,269,000**	**446,963,339**
Reclassification of A shares to B shares	–100	20,990,050	100	422,704,289	–	3,269,000	446,963,339
Reclassification of C shares to B shares	–	20,990,050	920,000	423,624,289	–920,000	2,349,000	446,963,339
New share issue	–	20,990,050	120,000	423,744,289	1,700,000	4,049,000	448,783,339
As of December 31, 2011		**20,990,050**		**423,744,289**		**4,049,000**	**448,783,339**
Reclassification of A shares to B shares	–2,069	20,987,981	2,069	423,746,358	–	4,049,000	448,783,339
Total number of shares as of December 31, 2012		**20,987,981**		**423,746,358**		**4,049,000**	**448,783,339**

	2012	2011
Number of outstanding shares	444,661,211	444,149,959
Number of shares in own custody	4,122,128	4,633,380
Number of shares, weighted average	444,504,182	443,851,976
Number of shares after dilution	447,579,409	446,495,347
Number of shares after dilution, weighted average	447,146,240	446,137,759

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

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

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

New share issue and sale of shares

In 2012, A shares were reclassified to B shares.

In 2011, Tele2 issued, and immediately repurchased, 1,700,000 new C shares to be used for future exercises of LTIs, resulting in an increase in share capital of SEK 2 million.

As a result of 120,000 stock options in the LTI 2006 being exercised in 2011, Tele2 issued new B shares, bringing an increase of equity of SEK 11 million.

Shares in own custody

	B shares		C shares		Total
	Change	Total	Change	Total	
As of January 1, 2011		**432,000**		**3,269,000**	**3,701,000**
New share issue/repurchase of own shares	–	432,000	1,700,000	4,969,000	5,401,000
Reclassification of C shares to B shares	920,000	1,352,000	–920,000	4,049,000	5,401,000
Sale of own shares	–767,620	584,380	–	4,049,000	4,633,380
As of December 31, 2011		**584,380**		**4,049,000**	**4,633,380**
Sale of own shares	–511,252	73,128	–	4,049,000	4,122,128
Total number of shares in own custody as of December 31, 2012		**73,128**		**4,049,000**	**4,122,128**

Shares in own custody amount to 0.9 (1.0) percent of the share capital.

As a result of stock options in the LTI 2007 being exercised in 2012, Tele2 sold B shares in own custody of 45,000, resulting in an increase of equity of SEK 6 million. As a result of share rights in the LTI 2009 being exercised during 2012, Tele2 sold additional B shares in own custody of 466,252.

Outstanding share rights

	Dec 31, 2012	Dec 31, 2011
Incentive program 2012–2015	1,078,436	
Incentive program 2011–2014	998,389	995,436
Incentive program 2010–2013	841,373	858,057
Incentive program 2009–2012	–	484,196
Incentive program 2007–2010/2012	–	59,000
Total number of outstanding share rights	**2,918,198**	**2,396,689**

Further information is provided in Note 33.

Continued Note 31

Number of shares after dilution

	Dec 31, 2012	Dec 31, 2011
Number of shares	448,783,339	448,783,339
Number of shares in own custody	–4,122,128	–4,633,380
Number of outstanding shares	444,661,211	444,149,959
Incentive program 2012–2015	1,078,436	–
Incentive program 2011–2014	998,389	995,436
Incentive program 2010–2013	841,373	858,057
Incentive program 2009–2012	–	484,196
Incentive program 2007–2010/2012	–	7,699
Total number of shares after dilution	**447,579,409**	**446,495,347**

EARNINGS PER SHARE

	Earnings per share		Earnings per share, after dilution	
	2012	2011	2012	2011
Net profit attributable to equity holders of the parent company	3,264	4,744	3,264	4,744
Weighted average number of shares	444,504,182	443,851,976	444,504,182	443,851,976
Incentive program 2012–2015			602,798	–
Incentive program 2011–2014			1,018,423	549,866
Incentive program 2010–2013			867,593	857,340
Incentive program 2009–2012			152,480	507,005
Incentive program 2008–2011			–	344,295
Incentive program 2007–2010/2012			764	23,467
Incentive program 2006–2009/2011			–	3,810
Weighted average number of outstanding shares after dilution			447,146,240	446,137,759
Earnings per share, SEK	**7.34**	**10.69**	**7.30**	**10.63**

DIVIDEND

Tele2 will seek to pay a progressive ordinary dividend of 50 percent or more of net income excluding one-off items. Extraordinary dividends and the authority to purchase Tele2's own shares will be sought when the anticipated total return to shareholders is deemed to be greater than the achievable returns from the deployment of the capital within the Group's operating segments or the acquisition of assets within Tele2's economic requirements.

In respect of the financial year 2012, the Board of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) in May 2013, a total dividend payment of SEK 7.10 (13.00) per ordinary A or B share, to be comprised of an ordinary dividend of SEK 7.10 (6.50) and an extraordinary dividend of SEK 0 (6.50). At December 31, 2012 this correspond to a total of SEK 3,157 (5,774) million, of which ordinary dividend SEK 3,157 (2,887) million and extraordinary dividend SEK 0 (2,887) million.

NOTE 32 NUMBER OF EMPLOYEES

	Average number of employees			
	2012		2011	
	Total	*of whom men*	Total	*of whom men*
Sweden	1,379	*68%*	1,196	*69%*
Norway	280	*68%*	138	*71%*
Russia	3,437	*48%*	3,096	*49%*
Estonia	274	*44%*	232	*41%*
Lithuania	98	*56%*	87	*57%*
Latvia	270	*36%*	280	*40%*
Croatia	120	*55%*	110	*64%*
Kazakhstan	517	*51%*	435	*52%*
Netherlands	858	*76%*	872	*77%*
Germany	73	*68%*	74	*66%*
Austria	312	*74%*	258	*74%*
Other	761	*69%*	761	*65%*
Total average number of employees	**8,379**	***58%***	**7,539**	***58%***

	2012		2011	
	Women	Men	Women	Men
For all group companies				
Board members	19%	81%	18%	82%
Other senior executives	32%	68%	25%	75%
Total proportion of board members and other senior executives	**24%**	**76%**	**21%**	**79%**

NOTE 33 PERSONNEL COSTS

	2012			2011		
	Board of Directors and CEO	*of which bonus*	Other employees	Board of Directors and CEO	*of which bonus*	Other employees
Sweden	6	*1*	643	8	*2*	625
Norway	7	*2*	236	18	*3*	142
Russia	15	*6*	593	6	*3*	517
Estonia	2	–	44	2	–	40
Lithuania	2	*1*	25	2	*1*	24
Latvia	3	*1*	39	3	*1*	41
Croatia	3	*1*	38	4	*2*	38
Kazakhstan	3	*1*	95	4	*1*	77
Netherlands	3	*2*	461	4	*2*	494
Germany	3	*1*	38	4	*2*	40
Austria	3	*1*	170	3	*1*	146
Other	28	*7*	488	35	*13*	473
Total salaries and remuneration	**78**	***24***	**2,870**	**93**	***31***	**2,657**

	2012			2011		
	Salaries and remunerations	Social security expenses	*of which pension expenses*	Salaries and remunerations	Social security expenses	*of which pension expenses*
Board and President	78	25	*5*	93	27	*5*
Other employees	2,870	930	*192*	2,657	856	*184*
Total	**2,948**	**955**	***197***	**2,750**	**883**	***189***

PENSIONS

	2012	2011
Defined-benefit plans, retirement pension	35	31
Defined-benefit plans, survivors' and disability pension	5	7
Defined-contribution plans	157	151
Total pension expenses	**197**	**189**

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

	2012	2011
Income statement		
Current service costs	–33	–29
Interest cost for the obligation	–4	–5
Expected return on plan assets	3	3
Actuarial losses recognized for the year	–1	–
	–35	**–31**
Special employer's contribution	–	–12
Net cost recognized in the income statement	**–35**	**–43**

	Dec 31, 2012	Dec 31, 2011
Balance sheet		
Present value of funded obligations	–260	–209
Fair value of plan assets	142	128
Net	**–118**	**–81**
Unrecognized actuarial gains/losses	–	1
Special employer's contribution	–34	–24
Net asset (+) / obligation (–) in balance sheet	**–152**	**–104**
of which assets	*27*	*23*
of which liabilities	*–179*	*–127*

	2012	2011
Net asset (+) / obligation (–) at beginning of year	–104	–28
Net asset/obligation at beginning of year, acquired operations	–	–1
Net cost	–35	–43
Payments	37	27
Actuarial gains/losses in equity	–50	–59
Net asset (+) / obligation (–) in balance sheet at end of year	**–152**	**–104**

	Dec 31, 2012	Dec 31, 2011
Important actuarial assumptions		
Discount rate	1.8%–2.2%	2.2%–3.3%
Expected return on plan assets	2.2%	2.8%–4.8%
Annual salary increases	3.0%–3.2%	3.0%–4.0%
Annual pension increases	2.0%	0.5%–2.0%

Continued Note 33

REMUNERATION FOR SENIOR EXECUTIVES

2012	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
CEO and President, Mats Granryd	8.8	5.0	3.3	0.1	–	2.2	19.4
Other senior executives	31.5	15.0	7.9	1.1	7.9[1]	4.3	67.7
Total salaries and remuneration to senior executives	**40.3**	**20.0**	**11.2**	**1.2**	**7.9**	**6.5**	**87.1**

[1] remuneration during notice period.

The group Other senior executives comprises 10 (10) persons.

2011	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
CEO and President, Mats Granryd,	9.0	7.1	2.0	1.0	–	2.2	21.3
Other senior executives	30.6	16.0	7.1	1.0	5.4[1]	5.5	65.6
Total salaries and remuneration to senior executives	**39.6**	**23.1**	**9.1**	**2.0**	**5.4**	**7.7**	**86.9**

[1] remuneration during notice period.

During 2012 the senior executives received 254,000 (254,000) share rights in 2012 incentive program and 37,080 (48,745) share rights in the 2010 and 2011 (2009 and 2010) incentive programs as compensation for dividend. The market value of the share rights at the time of issue was SEK 4.3 (5.1) million for the CEO and SEK 14.7 (18.4) million for other senior executives. No premium was paid for the share rights.

	2012			
	LTI 2012		LTI 2011	
Number of share rights	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2012			56,000	198,000
Allocated	56,000	198,000		
Allocated, compensation for dividend	–	–	4,452	15,744
Reclassification	–	–	–	–25,908
Forfeited	–	–24,000	–	–25,908
Exercised	–	–	–	–
Total outstanding share rights	**56,000**	**174,000**	**60,452**	**161,928**

	2012			
	LTI 2010		LTI 2009	
Number of share rights	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2012	64,617	147,712	–	153,024
Allocated				
Allocated, compensation for dividend	5,138	11,746	–	–
Reclassification	–	–9,968	–	–
Forfeited	–	–29,898	–	–
Exercised	–	–	–	–153,024
Total outstanding share rights	**69,755**	**119,592**	**–**	**–**

Remuneration guidelines for senior executives 2012

The following guidelines for determining remuneration for senior executives for 2012 were approved by the Annual General Meeting in May 2012.

The objectives of the Tele2 remuneration guidelines are to offer competitive remuneration packages to attract, motivate and retain key employees within the context of an international peer group. The aim is to create incentives for management to execute strategic plans and deliver excellent operating results, and to align management's incentives with the interests of the shareholders. Senior executives covered by the guidelines include the CEO and members of the Leadership Team ("senior executives"). In May 2012 Tele2 had eleven senior executives.

Remuneration to the senior executives should comprise annual base salary, and variable short-term incentive (STI) and long-term incentive (LTI) programs. The STI shall be based on the performance in relation to established objectives. The objectives shall be related to the company's overall result and the senior executive's individual performance. The STI can amount to a maximum of 100 percent of the annual base salary.

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

The Board is continually considering the need of imposing restrictions in the variable short-term incentive program regarding making payments, or a proportion thereof, of such variable compensation conditional on whether the performance on which it was based has proved to be sustainable over time, and/or allowing the company to reclaim components of such variable compensation that have been paid on the basis of information which later proves to be manifestly misstated.

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

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

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

Under special circumstances, the Board may deviate from the above guidelines. In such case, the Board is obligated to give account of the reason for the deviation during the following Annual General Meeting. For additional information, please refer to the Administration report.

BOARD OF DIRECTORS

Total fees to the Board of Directors amount to SEK 5,665 (5,425) thousand following a decision by the Annual General Meeting in May 2012.

	Fees to the board		Fees to the board committees		Total fees	
SEK	2012	2011	2012	2011	2012	2011
Mike Parton	1,365,000	1,300,000	25,000	25,000	1,390,000	1,325,000
Lars Berg	525,000	500,000	100,000	100,000	625,000	600,000
Mia Brunell Livfors	525,000	500,000	25,000	25,000	550,000	525,000
Jere Calmes	525,000	500,000	125,000	125,000	650,000	625,000
John Hepburn	525,000	500,000	50,000	50,000	575,000	550,000
Erik Mitteregger	525,000	500,000	100,000	100,000	625,000	600,000
John Shakeshaft	525,000	500,000	200,000	200,000	725,000	700,000
Cristina Stenbeck	525,000	500,000	–	–	525,000	500,000
Total fee to board members	**5,040,000**	**4,800,000**	**625,000**	**625,000**	**5,665,000**	**5,425,000**

In addition, Jere Calmes received SEK 169 (169) thousand in remuneration for work in the Advisory Board for Tele2 Russia.

SHARE-BASED PAYMENTS

The objective of the long-term incentive programs (LTI) is to create conditions for retaining competent employees in the Tele2 Group. The plan has been designed based on the view that it is desirable that senior executives and other key employees within the Group are shareholders in Tele2 AB. By offering an allotment of retention rights and performance rights which are based on profits and other retention and performance-based conditions, the participants are rewarded for increasing shareholder value. Furthermore, the Plan rewards employees' loyalty and long-term growth in the Group. In that context, the Board of Directors is of the opinion that the Plan will have a positive effect on the future development of the Tele2 Group and thus be beneficial to both the company and its shareholders.

	Number of participants at grant date	Measure period	Exercise period	Exercise price	Dec 31, 2012	Dec 31, 2011
LTI 2012	304	Apr 1, 2012–Mar 31, 2015	–	–	1,078,436	–
LTI 2011	283	Apr 1, 2011–Mar 31, 2014	–	–	998,389	995,436
LTI 2010	142	Apr 1, 2010–Mar 31, 2013	–	–	841,373	858,057
LTI 2009	72	Apr 1, 2009–Mar 31, 2012	–	–	–	484,196
LTI 2007	83	Jul 1, 2007–Jun 30, 2010	Jul 22, 2010–Aug 2012	SEK 116.60	–	59,000
Total number of outstanding share rights					**2,918,198**	**2,396,689**
of which exercisable at the end of each year					–	*59,000*

Continued Note 33

Cost before tax for outstanding incentive programs and liability for social security costs is stated below.

	Actual costs before tax		Estimated cumulative cost		Liability for social security costs	
	2012	2011	2012	2011	Dec 31, 2012	Dec 31, 2011
LTI 2012	13	–	61	–	4	–
LTI 2011	24	15	69	74	10	4
LTI 2010	29	27	76	72	20	13
LTI 2009	3	15	37	39	–	13
LTI 2007	–	–	59	59	–	–
Total	**69**	**57**	**302**	**244**	**34**	**30**

Incentive program 2009, 2010, 2011 and 2012

During the Annual General Meeting held on May 7, 2012, the shareholders approved a performance-based incentive program for senior executives and other key employees in the Tele2 Group. The plan has the same structure as last year's incentive program.

In general, the participants in the Plan are required to own shares in Tele2. Thereafter, the participants were granted retention rights and performance rights free of charge. As a consequence of market conditions, employees in Russia and Kazakhstan were offered to participate in the Plan without being required to hold shares in Tele2. In such cases, the number of allotted rights has been reduced, and corresponds to 37.5 percent of the number of rights allotted for participation with a personal investment.

Subject to the fulfilment of certain retention and performance-based conditions during the period April 1, 2012 – March 31, 2015 (the measure period), the participant maintaining employment within the Tele2 Group at the release of the interim report January – March 2015 and subject to the participant maintaining the invested shares (where applicable) during the vesting period, 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 shares that each retention and performance right entitles to in order to treat the shareholders and the participants equally.

The rights are divided into Series A, Series B and Series C. The number of shares the participant will receive depends on which category the participant belongs to and on the fulfilment of the following defined conditions:

Series A Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period exceeding 0 percent as entry level.

Series B Tele2's average normalized return of capital employed (ROCE) during the measurement period being at least 19 percent as entry level and at least 23 percent as the stretch target.

Series C Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period being equal to the average TSR for a peer group including Elisa, KPN, Millicom, Mobistar, MTS – Mobile Telesystems, Telenor, TeliaSonera, Turkcell and Vodafone as entry level, and exceeding the average TSR for the peer group with 10 percentage points as the stretch target.

The determined levels of the conditions include an entry level and a stretch target with a linear interpolation applied between those levels as regards the number of rights that vests. The entry level constitutes the minimum level which must be reached in order to enable the vesting of the rights in that series. If the entry level is reached, the number of rights that vests is proposed to be 100 percent for Series A and 20 percent for Series B and C. If the entry level is not reached, all rights to retention and performance shares (as applicable) in that series lapse. If a stretch target is met, all retention rights or performance rights (as applicable) vest in that series.

The Plan comprised a total number of 297,109 shares, of which 232,209 related to employees who invested in Tele2 shares and 64,900 related to employees in Russia and Kazakhstan who choose not to invest in Tele2 shares. In total this resulted in an allotment of 1,132,186 share rights, of which 256,546 Series A, 437,820 Series B and 437,820 Series C. The participants were divided into different categories and were granted the following number of share rights for the different categories:

At grant date	No of partici-pants	Maximum no of shares	Share right per Series A	B	C	Total	Total allotment
CEO	1	8,000	1	3	3	7	56,000
Other senior executives and other key employees	11	4,000	1	2.5	2.5	6	246,000
Category 1	29	2,000	1	1.5	1.5	4	231,344
Category 1, no investment	2	2,000	0.375	0.5625	0.5625	1.5	6,000
Category 2	28	1,500	1	1.5	1.5	4	142,420
Category 2, no investment	11	1,500	0.375	0.5625	0.5625	1.5	24,750
Category 3	55	1,000	1	1.5	1.5	4	193,160
Category 3, no investment	18	1,000	0.375	0.5625	0.5625	1.5	24,150
Category 4	90	500	1	1.5	1.5	4	165,912
Category 4, no investment	59	500	0.375	0.5625	0.5625	1.5	42,450
Total	**304**						**1,132,186**

Total costs before tax for outstanding rights in the incentive program are expensed as they arise over a three-year period.

The participant's maximum profit per share right in the Plan is limited to SEK 590, five times the average closing share price of the Tele2 Class B shares during February 2012 with deduction for the dividend paid in May 2012.

The estimated average fair value of the granted rights was SEK 63.90 on the grant date, June 15, 2012. The calculation of the fair value 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%
Weighted average share price	SEK 105.05	SEK 105.05	SEK 105.05
Expected life	2.84 years	2.84 years	2.84 years
Expected value reduction parameter market condition	55%	–	25%

To ensure the delivery of Class B shares under the Plan, the Annual General Meeting (AGM) decided to authorise the Board of Directors to resolve on a directed issue of a maximum of 500,000 Class C shares and subsequently to repurchase the Class C shares. The Class C-shares will then be held by the company during the vesting period, after which the appropriate number of Class C shares will be reclassified into Class B shares and delivered to the participants under the Plan. The Board of Directors did not make use of the authorization from the AGM.

	LTI 2012		LTI 2011	
Number of rights	2012	Cumulative	2012	Cumulative
Allocated at grant date	1,132,186	**1,132,186**		**1,056,436**
Outstanding as of January 1, 2012			995,436	
Allocated, compensation for dividend	–	–	77,819	77,819
Forfeited	−53,750	−53,750	−74,866	−135,866
Exercised	–	–	–	–
Total outstanding rights	**1,078,436**	**1,078,436**	**998,389**	**998,389**

	LTI 2010		LTI 2009	
Number of rights	2012	Cumulative	2012	Cumulative
Allocated at grant date		**873,120**		**656,160**
Outstanding as of January 1, 2012	858,057		484,196	
Allocated, compensation for dividend	67,590	190,679	–	92,096
Forfeited	−84,274	−222,426	−17,944	−282,004
Exercised	–	–	−466,252	−466,252
Total outstanding rights	**841,373**	**841,373**	**–**	**–**

Corresponding principles and conditions have been used for 2010 and 2011 year incentive program except for the measure period and levels for retention and performance based conditions.

		Retention and performance based conditions		
	Maximum profit/right	Series A TSR	Series B ROCE	Series C TSR peer group
LTI 2011	SEK 591	> 0%	20–24%	> 10%
LTI 2010	SEK 529	> 0%	15–18%	> 10%

Continued Note 33

The exercise of the share rights in LTI 2009 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2009 until March 31, 2012. The outcome of these decided performance conditions was in accordance with below:

		Exercised during the year			
Series	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
A	Total Shareholder Return Tele2 (TSR)		≥ 0%	156.2%	100%
B	Average normalised Return on Capital Employed (ROCE)	14%	17%	22.0%	100%
C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	65.2%	100%

Weighted average share price for share rights at date of exercise amounted to SEK 124.00 during 2012.

Exercise of LTI 2007
It was possible to exercise stock option in LTI 2007 until August 2012.

Number of options	2012	Cumulative
Allocated August 28, 2007		3,552,000
Outstanding as of January 1, 2012	59,000	
Forfeited	–14,000	–1,037,000
Exercised	–45,000	–2,515,000
Total outstanding stock options	**–**	**–**

Weighted average share price for stock options at date of exercise amounted to SEK 130.70 (149.19) during 2012. The exercise price was SEK 116.60.

SEK 1 million was paid to the programme participants in connection with the exercise during 2012, as a compensation for the extraordinary dividend of SEK 21.00 and 6.50 paid during 2011 and 2012 respectively.

NOTE 34 FEES TO THE APPOINTED AUDITOR

Total fees to the appointed auditor (Deloitte) during the year amounted to SEK 24 (27) million of which audit fees SEK 19 (21) million, audit-related fees SEK 1 (1) million and all other consultation fees SEK 4 (5) million. There was no tax-related consultation fees.

Audit fees consisted of fees expensed for the annual audit of the statutory financial statements and statutory audits of subsidiaries.

Audit-related fees consisted of fees expensed for assurance and other services which were closely related to the audit of the company's financial statements or which are normally performed by the appointed auditor, and consultations concerning financial accounting and reporting standards. Examples are limited reviews of quarterly reports, comfort letters and opinions.

All other fees included fees expensed for all other consultations, such as costs of investigations and analyses in conjunction with corporate acquisitions (due diligence).

NOTE 35 CHANGED ACCOUNTING PRINCIPLE AND OTHER RECLASSIFICATIONS

JOINT VENTURES

On January 1, 2012 Tele2 changed the accounting principles for joint ventures from the equity method to proportionate consolidation, with retrospective application.

The International Accounting Standards Board (IASB) has issued a new standard for joint arrangements, IFRS 11 (effective from 2014). IFRS 11 is focusing on the rights and obligations that exist between the parties. This is determinative when deciding which type of joint arrangement exists. A joint arrangement is a construction where two or more parties contractually agree on joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. It is not only the legal form of the arrangement that should be considered. There are two types of joint arrangements: joint operations and joint ventures. A joint operation arises when the joint control owners have rights to the assets and obligations for the liabilities that are connected to the investment. A joint venture applies to the case where the joint control parties have rights to the net assets of the investment. Depending on whether the arrangement is a joint operation or a joint venture, different accounting principles shall be applied. According to the new standard, only the equity method is allowed when consolidating joint ventures, i.e. proportionate consolidation is no longer allowed. The parties in a joint operation shall report their assets, liabilities, revenues and expenses and their share of joint assets, liabilities, revenues and expenses.

Based on guidance from the standard to come for joint arrangement, Tele2 has chosen to change its accounting treatment for joint arrangement from 2012 onwards. The effect is that the joint arrangements that Tele2 has presently entered are viewed as joint operations and are accounted for under proportionate consolidation. Previously the equity method was applied. Tele2 assesses that the changed accounting treatment is in line with the present standard, IAS 31 Interests in Joint Ventures. The decision was additionally based on the fact that Tele2 Sweden is building its 3G and 4G networks in joint ventures and that proportionate consolidation is expected to give a more true and fair view. The change of accounting principle increased the net sales, EBITDA, assets and liabilities of the Group and had a minor effect on operating profit and net cash flows. The change had no effect on net profit or shareholders' equity.

The effects from the change of accounting principle are stated below.

Income statement

	2011	2010
Net sales	251	421
Cost of services sold	–192	–349
Administrative expenses	–23	–24
Result from shares in associated companies	–16	–145
Other operating income	62	31
Operating profit/loss	**82**	**–66**
Interest income	–24	–2
Interest costs	–51	–28
Profit/loss after financial items	**7**	**–96**
Tax on profit/loss for the year	–7	96
Net profit	**–**	**–**

Balance sheet

	Dec 31, 2011	Dec 31, 2010
ASSETS		
Goodwill	–	144
Other intangible assets	450	32
Intangible assets	450	176
Tangible assets	2,189	2,312
Financial assets	–2,529	–1,068
Deferred tax assets	91	96
TOTAL NON-CURRENT ASSETS	**201**	**1,516**
Current receivables	104	164
Cash and cash equivalents	50	36
TOTAL CURRENT ASSETS	**154**	**200**
TOTAL ASSETS	**355**	**1,716**
EQUITY AND LIABILITIES		
Interest-bearing liabilities	–	216
TOTAL LONG-TERM LIABILITIES	**–**	**216**
Interest-bearing liabilities	–	1,260
Non-interest-bearing liabilities	355	240
TOTAL SHORT-TERM LIABILITIES	**355**	**1,500**
TOTAL EQUITY AND LIABILITIES	**355**	**1,716**

Continued Note 35

Cash flow statement

	2011	2010
OPERATING ACTIVITIES		
Cash flow from operations before changes in working capital	285	330
Changes in working capital	157	42
Cash flow from operating activities	**442**	**372**
INVESTING ACTIVITIES		
CAPEX	–905	–355
Cash flow after CAPEX	***–463***	***17***
Acquisition of shares and participations	–372	125
Long-term receivables from joint ventures	1,999	200
Cash flow from investing activities	**722**	**–30**
CASH FLOW AFTER INVESTING ACTIVITIES	**1,164**	**342**
FINANCING ACTIVITIES		
Change of loans, net	–1,150	–393
Cash flow from financing activities	**–1,150**	**–393**
Net change in cash and cash equivalents	**14**	**–51**
Cash and cash equivalents at beginning of the year	36	87
Net change in cash and cash equivalents	**50**	**36**

Segments and other information

2011	Net sales	Internal sales	EBITDA	EBIT	CAPEX
Sweden					
Mobile	222	16	318	66	882
Other operations	–4	25	–	–	–
	218	**41**	**318**	**66**	**882**
Norway					
Mobile	74	–	42	16	130
	74	**–**	**42**	**16**	**130**
Internal sales, elimination	–41				
Tele2 Group	**251**	**41**	**360**	**82**	**1,012**

2010	Net sales	Internal sales	EBITDA	EBIT	CAPEX
Sweden					
Mobile	382	12	345	18	254
Other operations	–11	4	–	–	–
	371	**16**	**345**	**18**	**254**
Norway					
Mobile	66	–	14	12	190
	66	**–**	**14**	**12**	**190**
Internal sales, elimination	–16				
One-off items	–	–	–	–96	–
Tele2 Group	**421**	**16**	**359**	**–66**	**444**

Specification of items between EBITDA and EBIT is stated below.

	2011	2010
EBITDA	**360**	**359**
Depreciation/amortization and other impairment	–262	–280
Result from shares in associated companies	–16	–49
One-off items in result from shares in joint ventures	–	–96
EBIT	**82**	**–66**

Specification of items between CAPEX and paid CAPEX is stated below.

	2011	2010
CAPEX, according to balance sheet	–1,012	–444
This year unpaid CAPEX and paid CAPEX from previous year	107	89
Paid CAPEX, according to cash flow statement	**–905**	**–355**

Key ratios

	2011	2010	2009	2008
Net sales	251	421	400	300
EBITDA	360	359	227	225
EBIT	82	–66	45	120
EBT	7	–96	–	–
Total assets	355	1,716	2,268	2,360
Cash flow from operating activities	442	372	309	192
Cash flow after CAPEX	–463	17	–143	–251
Available liquidity	50	440	110	35
Net debt	2,149	1,726	1,842	2,060
Investments in intangible and tangible assets, CAPEX	1,012	444	452	443
Investments in shares and other long-term receivables, net	–1,627	–325	–352	–87
Key ratios				
EBITDA margin, %	0.7	0.6	0.4	0.4
EBIT margin, %	0.1	–0.3	–	0.2

INTERNAL SALE

From 2012 internal sales within the segments (countries) are not reported in net sales and internal sales for the respective segment. The comparable periods are restated. The effects on the financial statements are stated below.

2011	Mobile	Fixed broadband	Other operations	Total
Internal net sales				
Sweden	–410	–14	–31	–455
Norway	–32	–	–	–32
Russia	–206	–	–	–206
Netherlands	–	–8	–51	–59
Other	–	–	–4	–4
	–648	**–22**	**–86**	**–756**
Elimination of internal sale				756
Net sales				**–**

OTHER RECLASSIFICATIONS

Withholding taxes on dividend

Withholding taxes on dividends, paid by subsidiaries, were previously reported as comprehensive income. From 2012, these taxes are reported as current tax in the income statement. The comparable periods are restated. The effects on the financial statements are stated below.

	2011	2010	2009
Income statement			
Current income tax	–153	–12	–19

Construction in progress

A reclassification was made of construction in progress related to intangible assets from previously been reported as construction in progress in tangible assets until it was completed and by that time reclassified to intangible assets, to being reported as construction in progress in intangible assets already from the start. The effects on the financial statements are stated below.

	2011	2010
Balance sheet		
Acquisition value at January 1	579	
Reclassification	–981	
Investments	939	
Intangible assets	**537**	**579**
Tangible assets	–537	–579

NOTE 36 JOINT VENTURES AND OTHER RELATED PARTIES

Business relations and pricing between Tele2 and all related parties are based on commercial terms and conditions. During 2012, Tele2 engaged in transactions with the following related companies/persons.

SENIOR EXECUTIVES AND BOARD MEMBERS

Information of senior executives and Board members is presented in Note 33.

KINNEVIK GROUP

Kinnevik buys telecommunication services from Tele2. Tele2 rents premises from Kinnevik, buys internal audit services from Audit Value and strategic advisory service from G3 Good Governence Group. Tele2 also buys advertising from Metro.

ASSOCIATED COMPANIES AND JOINT VENTURES

Svenska UMTS-nät AB, Sweden

Tele2 is one of two turnkey contractors which plan, expand and operate the joint venture Svenska UMTS-nät AB's 3G network. Tele2 and TeliaSonera each own 50 percent and both companies have contributed capital to the 3G company. In addition to this, the build-out has owner financing. Tele2 and TeliaSonera are technically MVNO's with the 3G company and hence act as capacity purchasers. The size of the fee is based on used capacity.

Net4Mobility, Sweden

Net4Mobility is an infrastructure joint venture between Tele2 Sweden and Telenor Sweden, where each party owns 50 percent. The company's mission is to build and operate the combined 2G and 4G network. The 4G network will become the most extensive 4G network in Sweden. The new mobile network will enable Tele2 and Telenor to offer their customers mobile services for data communications (LTE/4G) and voice (GSM). The build-out has owner financing. During the year frequencies and sites have been transfered from the owners to Net4Mobility. The tranfer has not had any material effect to Tele2's financial statments.

Mobile Norway, Norway

During 2011 Tele2 acquired the remaining shares in Mobile Norway and obtained control of the company, and from October 3, 2011, the company is reported as a subsidiary.

Extracts from the balance sheets and income statements of joint ventures

	2012		2011		
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden	Mobile Norway Norway
Income statement					
Net sales	1,345	467	1,182	152	223
Operating profit/loss	187	37	139	13	46
Profit/loss before tax	35	–8	30	–2	20
Net profit/loss	–3	–8	22	–2	14

	Dec 31, 2012		Dec 31, 2011	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Balance sheet				
Intangible assets	–	2,365	–	–
Tangible assets	3,710	1,288	3,604	1,675
Deferred tax assets	144	–	181	–
Current assets	465	370	464	137
Total assets	**4,319**	**4,023**	**4,249**	**1,812**
Equity	485	1,568	488	169
Long-term liabilities	3,408	1,758	3,360	976
Short-term liabilities	426	697	401	667
Total equity and liabilities	**4,319**	**4,023**	**4,249**	**1,812**

Information regarding commitments please see Note 29.

TRANSACTIONS BETWEEN TELE2 AND RELATED PARTIES

Transactions between Tele2 and joint ventures are below included to 100 percent. In the consolidated financial statements the joint ventures are however based on the proportional method (50 percent).

	Net sales		Operating expenses		Interest revenue	
	2012	2011	2012	2011	2012	2011
Kinnevik	4	4	–22	–13	–	–
Associated companies	5	14	–11	–5	–	–
Joint ventures	273	196	–881	–732	99	48
Total	**282**	**214**	**–914**	**–750**	**99**	**48**

BALANCES BETWEEN TELE2 AND RELATED PARTIES

	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Kinnevik	1	–	–	–	–	1
Associated companies	–	4	–	–	3	3
Joint ventures	378	246	2,582	2,199	266	110
Total	**379**	**250**	**2,582**	**2,199**	**269**	**114**

Parent company's financial statement

The parent company's income statement

SEK million	Note	2012	2011
Net sales	2	49	65
Gross profit		**49**	**65**
Administrative expenses		–124	–117
Operating loss		**–75**	**–52**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Result from shares in group companies	3	–	4,500
Result from other securities and receivables classified as non-current assets	4	296	274
Other interest revenue and similar income	5	–	2
Interest expense and similar costs	6	–390	–224
Profit after financial items		**–169**	**4,500**
Appropriations, group contribution		163	–11
Tax on profit for the year	7	–5	6
NET PROFIT		**–11**	**4,495**

The parent company's comprehensive income

SEK million	Note	2012	2011
Net profit/loss		**–11**	**4,495**
OTHER COMPREHENSIVE INCOME			
Components that may be reclassified to net profit			
Cash flow hedges	12	–37	–133
Cash flow hedges, tax effect		1	35
Total other comprehensive income for the year, net of tax		**–36**	**–98**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–47**	**4,397**

The parent company's balance sheet

SEK million	Note	Dec 31, 2012	Dec 31, 2011
ASSETS			
NON-CURRENT ASSETS			
Financial assets			
Shares in group companies	8	13,507	13,507
Receivables from group companies	9	18,698	20,300
Deferred tax assets	7	77	81
Other financial assets	10	22	20
TOTAL NON-CURRENT ASSETS		**32,304**	**33,908**
CURRENT ASSETS			
Current receivables			
Accounts receivables from group companies		11	11
Other receivables from group companies	9	163	4,500
Other current receivables		1	1
Prepaid expenses and accrued income		1	–
Total current receivables		**176**	**4,512**
Cash and cash equivalents	**11**	**2**	**3**
TOTAL CURRENT ASSETS		**178**	**4,515**
TOTAL ASSETS		**32,482**	**38,423**

SEK million	Note	Dec 31, 2012	Dec 31, 2011
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital		561	561
Restricted reserve		4,985	16,985
Total restricted equity		**5,546**	**17,546**
Unrestricted equity			
Reserves		–163	–127
Retained earnings		18,780	8,060
Net profit/loss		–11	4,495
Total unrestricted equity		**18,606**	**12,428**
TOTAL EQUITY		**24,152**	**29,974**
LONG-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	12	5,636	8,197
Pension and similar commitments		27	24
TOTAL LONG-TERM LIABILITIES		**5,663**	**8,221**
SHORT-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	12	2,377	–
Other interest-bearing liabilities	12	209	172
Total interest-bearing liabilities		**2,586**	**172**
Non-interest-bearing			
Accounts payable	12	3	4
Other short-term liabilities	12	2	3
Other liabilities to group companies		–	11
Accrued expenses and deferred income	13	76	38
Total non-interest-bearing liabilities		**81**	**56**
TOTAL SHORT-TERM LIABILITIES		**2,667**	**228**
TOTAL EQUITY AND LIABILITIES		**32,482**	**38,423**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets		None	None
Contingent liabilities	14	1,435	1,014

The parent company's cash flow statement

SEK million	2012	2011
OPERATING ACTIVITIES		
Operating loss	–75	–52
Interest received	1	2
Interest paid	–230	–174
Finance costs paid	–6	–16
Cash flow from operations before changes in working capital	**–310**	**–240**
CHANGES IN WORKING CAPITAL		
Operating assets	–1	1
Operating liabilities	1	12
Changes in working capital	**–**	**13**
CASH FLOW FROM OPERATING ACTIVITIES	**–310**	**–227**
INVESTING ACTIVITIES		
Received dividend from group companies	–	13,000
Cash flow from investing activities	**–**	**13,000**
CASH FLOW AFTER INVESTING ACTIVITIES	**–310**	**12,773**
FINANCING ACTIVITIES		
Proceeds from credit institutions and similar liabilities	11,937	7,733
Repayment of loans from credit institutions and similar liabilities	–12,236	–
Loans from group companies	6,383	–
Repayment of loans from group companies	–	–8,572
Dividends	–5,781	–11,991
Repurchase of own shares	–	–2
Sale of own shares	6	46
New share issues	–	13
Cash flow from financing activities	**309**	**–12,773**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–1**	**–**
Cash and cash equivalents at beginning of the year	3	3
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**2**	**3**

For additional cash flow information, please refer to Note 15.

Change in the parent company's equity

	Restricted equity		Unrestricted equity		
SEK million	Share capital	Restricted reserve	Hedge reserve	Retained earnings	Total equity
Equity at January 1, 2011	559	16,974	–29	20,007	37,511
Net profit/loss	–	–	–	4,495	4,495
Other comprehensive income for the year, net of tax	–	–	–98	–	–98
Total comprehensive income for the year	**–**	**–**	**–98**	**4,495**	**4,397**
OTHER CHANGES IN EQUITY					
New share issues	2	11	–	–	13
Repurchase of own shares	–	–	–	–2	–2
Sale of own shares	–	–	–	46	46
Dividends	–	–	–	–11,991	–11,991
EQUITY AT DECEMBER 31, 2011	**561**	**16,985**	**–127**	**12,555**	**29,974**
Equity at January 1, 2012	561	16,985	–127	12,555	29,974
Net profit/loss	–	–	–	–11	–11
Other comprehensive income for the year, net of tax	–	–	–36	–	–36
Total comprehensive income for the year	**–**	**–**	**–36**	**–11**	**–47**
OTHER CHANGES IN EQUITY	**–**	**–**	**–**	**6**	**6**
Sale of own shares	–	–12,000	–	12,000	–
Reduction of restricted reserve	–	–	–	–5,781	–5,781
Dividends					
EQUITY AT DECEMBER 31, 2012	**561**	**4,985**	**–163**	**18,769**	**24,152**

Notes to the parent company's financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act, the Swedish Financial Reporting Board recommendation RFR 2 Reporting for legal entities and statements from the Swedish Financial Reporting Board.

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

Business combination

At a business combination all expenses directly related to the acquisition are included in the acquisition value.

Financial assets and liabilities and other financial instruments

Value changes relating to foreign currency loans are recognized in other comprehensive income in the Group, but in the income statement in the parent company.

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

Group contributions

Group contributions are reported as appropriations in the income statement.

OTHER INFORMATION

The annual report has been approved by the Board of Directors on March 14, 2013. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 13, 2013.

NOTE 2 NET SALES

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

NOTE 3 RESULT OF SHARES IN GROUP COMPANIES

	2012	2011
Anticipated dividend from subsidiary	–	4,500
Total result of shares in group companies	**–**	**4,500**

NOTE 4 RESULT FROM OTHER SECURITIES AND RECEIVABLES CLASSIFIED AS NON-CURRENT ASSETS

	2012	2011
Interest, Group	280	318
Exchange rate difference on receivables from group companies	16	–44
Total result from other securities and receivables classified as fixed assets	**296**	**274**

NOTE 5 OTHER INTEREST REVENUE AND SIMILAR INCOME

	2012	2011
Interest, bank balances	–	1
Interest, penalty interest	–	1
Total other interest revenue and similar income	**–**	**2**

NOTE 6 INTEREST EXPENSE AND SIMILAR COSTS

	2012	2011
Interest, credit institutions and similar liabilities	–388	–251
Exchange rate difference on financial liabilities	6	43
Other finance expenses	–8	–16
Total interest expenses and similar costs	**–390**	**–224**

In 2011, other financial expenses related to an amendment fee for the loan facility, when issuing a bond in Russia.

NOTE 7 TAXES

	2012	2011
Deferred tax income/expense	–5	6
Total tax on profit/loss for the year	**–5**	**6**

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

	2012		2011	
Profit before tax	–6		4,489	
Tax effect according to tax rate in Sweden	2	–26.3%	–1,181	–26.3%
Tax effect of				
Non-deductible expenses	–2	33.3%	–1	0.0%
Non-taxable anticipated dividend	–	–	1,184	26.4%
Other non-taxable revenue	1	–16.7%	–	–
Changed tax rate	–6	100.0%	–	–
Capital insurance from previous years	–	–	4	0.1%
Tax expense/income and effective tax rate	**–5**	**83.3%**	**6**	**0.1%**

Deferred tax asset of SEK 77 (81) million is attributable to liabilities of SEK 46 (45) million, pensions of SEK 6 (7) million and unutilized loss carry-forwards of SEK 25 (29) million.

NOTE 8 SHARES IN GROUP COMPANIES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2012	Dec 31, 2011
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	13,507	13,507
Total shares in group companies				**13,507**	**13,507**

A list of all subsidiaries, excluding dormant companies, is presented in Note 19.

	Dec 31, 2012	Dec 31, 2011
Acquisition value		
Acquisition value at January 1	13,507	13,507
Total shares in group companies	**13,507**	**13,507**

NOTE 9 RECEIVABLES FROM GROUP COMPANIES

	Long term receivables		Current receivables	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Acquisition value at January 1	20,300	9,867	4,500	14,580
Lending	11,943	7,749	–	4,500
Repayments	–18,017	–12,004	163	–
Reclassification	4,500	14,580	–4,500	–14,580
Other changes in cash pool	–28	108	–	–
Total receivables from group companies	**18,698**	**20,300**	**163**	**4,500**

Long term receivables from group companies relate to balances in the cash pool.

NOTE 10 OTHER FINANCIAL ASSETS

	Dec 31, 2012	Dec 31, 2011
Pension funds	22	20
Total other financial assets	**22**	**20**

NOTE 11 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

	Dec 31, 2012	Dec 31, 2011
Cash and cash equivalents	2	3
Unutilized overdraft facilities and credit lines	10,340	7,857
Total available liquidity	**10,342**	**7,860**

NOTE 12 FINANCIAL LIABILITIES

	Dec 31, 2012	Dec 31, 2011
Liabilities to financial institutions and similar liabilities	8,013	8,197
Other interest-bearing liabilities	209	172
Total interest-bearing financial liabilities	**8,222**	**8,369**
Accounts payable	3	4
Other short-term liabilities	2	3
TOTAL FINANCIAL LIABILITIES	**8,227**	**8,376**

Financial liabilities fall due for payment according to below.

	Dec 31, 2012	Dec 31, 2011
Within 3 months	1,820	179
Within 3–12 months	771	–
Within 1–2 years	500	8,197
Within 2–3 years	1,098	–
Within 3–4 years	–57	–
Within 4–5 years	3,548	–
Within 5–10 years	547	–
Total financial liabilities	**8,227**	**8,376**

INTEREST-BEARING FINANCIAL LIABILITIES

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

Liabilities to financial institutions and similar liabilities

			Dec 31, 2012		Dec 31, 2011	
Liabilities	Interest rate terms	Maturity date	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Syndicated loan facilities	variable interest rates	2017	–	–57	–	8,197
Nordiska Investerings-banken (NIB)	variable interest rates	2017–2020	–	638	–	–
Bonds NOK	NIBOR +1.7%–2.35%	2015–2017	–	1,511	–	–
Bonds SEK	STIBOR +0.95%–2.85%	2014–2017	–	2,746	–	–
	Fixed: 4.875%	2017	–	798	–	–
Commercial paper	Fixed: 1.79%–3.17%	2013	2,377	–	–	–
			2,377	**5,636**	**–**	**8,197**
Total liabilities to financial institutions and similar liabilities				**8,013**		**8,197**

For additional information please refer to Group Note 25.

Continued Note 12

Other interest-bearing liabilities

	Short-term liabilities	
	Dec 31, 2012	Dec 31, 2011
Derivatives	209	172
Total other interest-bearing liabilities	**209**	**172**

Derivatives consisted of interest swaps, valued at fair value.
For additional information please refer to Group Note 2.

OTHER SHORT-TERM LIABILITIES

	Dec 31, 2012	Dec 31, 2011
VAT liability	1	2
Other taxes	1	1
Total short-term liabilities	**2**	**3**

NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2012	Dec 31, 2011
Interest costs	53	11
Personnel-related expenses	21	26
External services expenses	2	1
Total accrued expenses and deferred income	**76**	**38**

NOTE 14 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

CONTINGENT LIABILITIES

	Dec 31, 2012	Dec 31, 2011
Guarantee related to group companies	1,435	1,014
Total contingent liabilities	**1,435**	**1,014**

OPERATING LEASES

The parent company's operating lease expenses amounted to SEK 4 (1) million during the year. Future lease expenses amount to SEK 3 (1) million and these are due for payment during the next year.

NOTE 15 SUPPLEMENTARY CASH FLOW INFORMATION

In 2012, the parent company had interest revenues from other group companies of SEK 283 (320) million and interest expenses to other group companies of SEK 3 (2) million which were capitalized on the loan amount.

The parent company reported SEK 13 (43) million in currency effects from loans to financial institutions and similar liabilities. These did not have any cash effect.

In 2011, the parent company received an anticipated dividend from a subsidiary in the amount of SEK 4,500 million, which did not have any cash effect.

NOTE 16 NUMBER OF EMPLOYEES

The average number of employees in the parent company is 6 (6), of whom 2 (2) are women.

NOTE 17 PERSONNEL COSTS

	2012			2011		
	Salaries and remune-rations	Social security expenses	*of which pension expenses*	Salaries and remune-rations	Social security expenses	*of which pension expenses*
Board and CEO	20	7	*2*	23	9	*2*
Other employees	19	12	*2*	26	17	*2*
Total salaries and remuneration	**39**	**19**	***4***	**49**	**26**	***4***

The parent company's pension expenses relate to defined-contribution plans. Salary and remuneration for the CEO are presented in Group Note 33.

NOTE 18 FEES TO THE APPOINTED AUDITOR

Audit fees to the appointed auditor are SEK 1 (1) million and audit-related fees are SEK 1 (1) million.

NOTE 19 LEGAL STRUCTURE

The table below lists all the subsidiaries, associated companies, joint ventures and other holdings that are not dormant companies or branches.

Company, reg. No., reg'd office	Note	Holding (capital/ votes)
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden		100%
Tele2 Treasury AB, 556606-7764, Stockholm, Sweden		100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden		100%
Triangelbolaget D4 AB, 556007-9799, Stockholm, Sweden	17	25%
Modern Holdings Inc, 133799783, Delaware, US	18	11.88%
e-Village Nordic AB, 556050-1644, Stockholm, Sweden		100%
Radio National Luleå AB, 556475-0411, Stockholm, Sweden	18	5.5%
GH Giga Hertz HB as well as 15 other partnerships with licenses	17	33.3%
Tele2Butikerna AB, 556284-7565, Stockholm, Sweden		100%
Spring Mobil AB, 556609-0238, Stockholm, Sweden		100%
4T Sverige AB AB, 556857-8495, Stockholm, Sweden	17	25%
Svenska UMTS-nät Holding AB, 556606-7988, Stockholm, Sweden		100%
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	17	50%
Interloop AB, 556450-2606, Stockholm, Sweden		100%
Net4Mobility HB, 969739-0293, Stockholm, Sweden	17	50%
Procure IT Right AB, 556600-9436, Stockholm, Sweden		100%
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	17	20%
Datametrix AB, 556580-2682, Stockholm, Sweden		100%
Tele2 Norge AS, 974534703, Oslo, Norway		100%
Mobile Norway AS, 888 137 122, Oslo, Norway		50%
Tele2 Butikkene AS, 998 894 468, Oslo, Norway		100%
MPayment AS, 999 504 655, Oslo, Norway		33.3%
Network Norway AS, 983714463, Oslo, Norway		100%
Mobile Norway AS, 888 137 122, Oslo, Norway		50%
Officer AS, 992 898 089, Oslo, Norway		92.24%
Tele2 Netherlands Holding NV, 33272606, Amsterdam, Netherlands		100%
Tele2 Nederlands BV, 33303418, Amsterdam, Netherlands		100%
Tele2 Internetdiensten BV, 34144876, Amsterdam, Netherlands		100%
Connect Data Solutions BV, 32090233, Naarden, Netherlands		100%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia		100%
Mobile Telecom Service LLP, 66497-1910-TOO, Almaty, Kazakhstan		51%
Tele2 Eesti AS, 10069046, Tallinn, Estonia		100%
Televõrgu AS, 10718810, Tallinn, Estonia		100%
Estonian Broadband Development Foundation, Estonia	17	12.5%
Tele2 Holding Lithuania AS, 11920703, Tallinn, Estonia		100%
Tele2 Holding Lithuania AS Filialas, 302514793, Vilnius, Lithuania		100%
UAB Tele2, 111471645, Vilnius, Lithuania		100%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania		100%
Tele2 Holding SIA, 40003512063, Riga, Latvia		100%
SIA Tele2, 40003272854, Riga, Latvia		100%
SIA Tele2 Shared Service Center, 40003690571, Riga, Latvia		100%

Company, reg. No., reg'd office	Note	Holding (capital/ votes)
Tele2 Europe SA, R.C.B56944, Luxembourg		100%
Tele2 Austria Holding GmbH, FN178222t, Vienna, Austria		100%
Tele2 Telecommunication GmbH, FN138197g, Vienna, Austria		100%
Tele2 communication GmbH s.r.o., 35820616, Bratislava, Slovakia		100%
Adworx Internetservice GmbH, FN207118k, Vienna, Austria	17	47.4%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany		100%
Collecta Forderungsmanagement GmbH, HRB 67126, Düsseldorf, Germany		100%
Tele2 International Call GmbH, HRB64239, Düsseldorf, Germany		100%
Tele2 Beteiligungs GmbH, HRB64230, Düsseldorf, Germany		100%
IntelliNet Holding BV, 34126307, Amsterdam, Netherlands		100%
010033 Telecom GmbH, HRB 48344, Frankfurt, Germany		100%
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg		100%
Tele2 Finance Belgium CVBA, 0878159608, Brussels, Belgium		100%
SEC Finance SA, B104730, Luxembourg		100%
Tele2 Luxembourg AB, 556304-7025, Stockholm, Sweden		100%
Tele2 Finance Luxembourg SARL, RCB112873, Luxembourg		100%
Tele2 Financial Services (Belgium), 0882.856.089, Wemmel, Belgium		100%
Tele2 Russia Telecom BV, 33287334, Rotterdam, Netherlands		100%
Tele2 Russia Holding AB, 556469-7836, Stockholm, Sweden		100%
Tele2 Russian Investments AB, 556907-5616, Stockholm, Sweden		100%
Tele2 Financial Services AB, 556244-2466, Stockholm, Sweden		100%
Kursk Cellular Communications, 1024600947403, Kursk, Russia		100%
Belgorod Cellular Communications, 1023101672923, Belgorod, Russia		100%
Votec Mobile ZAO, 1023601558694, Voronezh, Russia		100%
Lipetsk Mobile CJSC, 1024840840419, Lipetsk, Russia		100%
PSNR Personal System Networks in region, 1025202610157, Niznhy Novgorod, Russia		100%
Udmurtiya Cellular Communications, 1021801156893, Izhevsk, Russia		100%
Chelyabinsk Cellular Network, 1027403876862, Chelyabinsk, Russia		100%
CJSC Parma Mobile, 1101051099, Syktyvkar, Russia		100%
Kemerovo Mobile Communications, 1024200689941, Kemerovo, Russia		100%
Siberian Cellular Communications, 1025500746072, Omsk, Russia		100%
Rostov Cellular Communications, 1026103168520, Rostov, Russia		100%
Telecom Eurasia JSC, 1027739455215, Krasnodar, Russia		100%
JSC Adigeja Cellular Communications, 105025940, Adigeja, Russia		100%
Teleset Ltd, 3906044891, Kaliningrad, Russia		100%
St Petersburg Telecom, 1027809223903, St Petersburg, Russia		100%
Smolensk Cellular Communications, 1026701433494, Smolensk, Russia		100%
CJSC Arkhangelsk Mobile Networks, 2901068336, Arkhangelsk, Russia		100%
CJSC Novgorod Telecomunication, 5321059118, Novgorod, Russia		100%
CJSC Murmansk Mobile Networks, 5190302373, Murmansk, Russia		100%
Tele2 Russia International Cellular BV, 33221654, Amsterdam, Netherlands		100%
OJSC Aero-Space Telecommunications, 1025002032648, Russia	18	1%

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

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

Stockholm March 14, 2013

Mike Parton
Chairman

Lars Berg

Mia Brunell Livfors

John Hepburn

Erik Mitteregger

John Shakeshaft

Cristina Stenbeck

Mats Granryd
President and CEO

Our auditors' report was submitted on March 14, 2013

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Auditor’s report

To the annual general meeting of the shareholders of Tele2 AB (publ)

Corporate identity number 556410-8917

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Tele2 AB (publ) for the financial year 2012. The annual accounts and consolidated accounts of the companys are included in the printed version of this document on pages 45-105.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company’s preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors [and the Managing Director], as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company’s profit or loss and the administration of the Board of Directors and the Managing Director of Tele2 AB (publ) for the financial year 2012.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company’s profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my (our) audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 14 March 2013

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Definitions

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

EBITDA
Operating profit/loss before depreciation/amortization and impairments, acquisition costs, one-off items and result from shares in associated companies.

EBIT
Operating profit/loss including depreciation/amortization and impairments, acquisition costs, one-off items and result from shares in associated companies.

EBT
Profit/loss after financial items.

Cash flow from operating activities
Operating transactions affecting cash (cash flow) and change in working capital.

Cash flow after CAPEX
Cash flow after investments in CAPEX affecting cash, but before investment in shares and other financial fixed assets.

Available liquidity
Cash and cash equivalents including undrawn borrowing facilities.

Net debt
Interest-bearing liabilities less interest-bearing assets.

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

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

Equity/assets ratio
Shareholders' equity divided by total assets.

DEBT/equity ratio
Net debt divided by shareholders' equity at the end of the period.

Return on equity
Profit/loss after tax attributable to holders of the parent company divided by average shareholders' equity attributable to holders of the parent company.

Return on capital employed
Profit/loss after financial items less finance costs divided by average total assets less non-interest bearing liabilities (capital employed).

Average interest rate
Interest expense divided by average interest-bearing liabilities.

Earnings per share
Profit/loss for the period attributable to the parent company divided by the weighted average number of shares outstanding during the fiscal year.

Equity per share
Equity attributable to parent company shareholders divided by the weighted average number of shares outstanding during the fiscal year.

ARPU – average revenue per user
Average monthly revenue for each customer less sale of equipment and terminals.

MOU – minutes of usage
Monthly call minutes for each customer.