TELE2

WE ARE EUROPE'S LEADING ALTERNATIVE TELECOM OPERATOR

We are in a period of focus. Our future is not only bright – it's golden.

ANNUAL REPORT 2006

TELE2 IN BRIEF

Tele2 is Europe's leading alternative telecom operator

We sell cheap and simple telecoms. Tele2 strives to offer its customers the best price. Our most important services are mobile telephony and broadband. Ever since Jan Stenbeck founded the company in 1993, we have been a tough challenger to incumbents everywhere and other established providers. Tele2 is currently in a focus period, which means we are concentrating on markets offering the most potential. Our shares are traded on the OMX Nordic Exchange. Operating revenue for 2006 was SEK 50.3 billion and we reported a operating profit (EBITDA) of SEK 5.7 billion.

CONTENTS

2006 IN BRIEF

MOBILE TELEPHONY

- Strong growth in customer intake, operating revenue and profitability in Russia. Tele2 is also the fastest-growing operator in Russia. The acquisition of four Russian operators means Tele2 now covers 17 regions.
- Continuing strong performance of the Swedish mobile telephony operation, with a EBITDA margin of 42%.
- The acquisition of Spring Mobil strengthens Tele2's onephone* solutions for the corporate market.

*Onephone means that just one mobile phone is used, rather than a separate mobile.

BROADBAND*

- Creation of the company Plusnet under a joint venture agreement with QSC consolidates Tele2's position in German broadband market.
- Continued strong growth in the broadband market. Launch of ULL network in Sweden, Italy and Belgium.
- Roll-out of ADSL network in Sweden and acquisition of E.ON Bredband in Southern Sweden strengthens Tele2's position in the Swedish broadband market.

*Broadband refers to resold broadband and direct access.

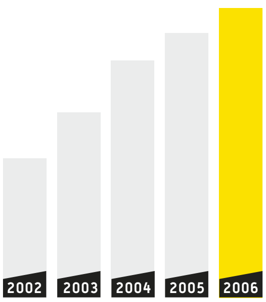
FIXED TELEPHONY

- Fixed telephony is still an important part of Tele2's operations and cross-selling from our large customer base will ensure continuing growth in broadband and mobile telephony.
- Deregulation of the local call market in Poland is now complete and Tele2 can now offer one bill for all types of services.

FINANCIAL DEVELOPMENT

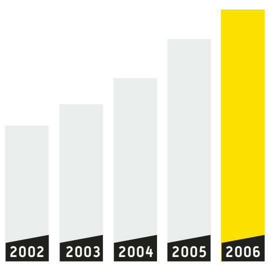
SEK million	2006	2005	Change
Continuing operations			
Operating revenue	50,306	44,457	13%
No. of customers, thousands	29,050	26,501	10%
EBITDA	5,652	5,772	–2%
Write-down of goodwill	–3,300	–278	
EBIT	–1,623	2,814	
EBT	–2,180	2,386	
Profit for the year	–2,405	1,836	
Earnings per share, after dilution, SEK	–5,13	4,15	
CAPEX	5,267	3,139	68%
Total (including discontinued operations)			
Cash flow from operating activities	3,847	5,487	
Cash flow after CAPEX	–1,673	1,847	
Average number of employees	5,285	3,909	35%

NUMBER OF CUSTOMERS
Thousands



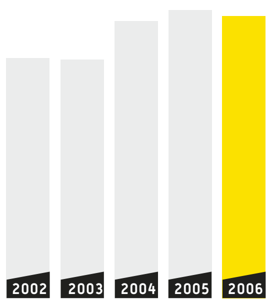
- Customer intake was 2.8 (2005: 3.6) million customers. Customer intake in mobile telephony increased significantly, particularly in Russia, and broadband also showed highly positive intake. On the other hand, fixed telephony experienced a downward trend.

OPERATING REVENUE
SEK million



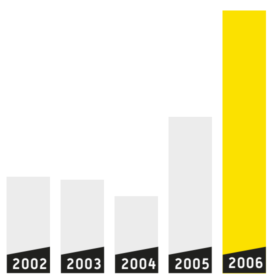
- Operating revenue rose by 13% to SEK 50.3 (2005: 44.4) billion. Mobile telephony experienced the biggest increase, rising by SEK 4.4 billion (30%), while operating revenue in broadband doubled, reaching a total of SEK 7.3 billion. Fixed telephony fell by 13.6%.

EBITDA
SEK million



- EBITDA was 5.7 (2005: 5.8) billion. Mobile telephony in Russia was highly positive during the year. EBITDA for broadband was SEK –1.1 (2005: –0.4) billion, as a result of the broadband focus during the year. Fixed telephony increased by 13.7%.

CAPEX
SEK million



- Tele2 made considerable investments during the year, particularly in mobile telephony in Russia and in broadband.

EVERYTHING POINTS TO CONTINUED SUCCESS'

Welcome to Tele2. I am pleased to report that we have changed shape once again. We have sharpened our brand, services and strategies in order to create value for our shareholders, from both a short-term and long-term perspective.

In 2006, we intensified our initiatives in mobile and broadband services in selected markets.

But is this a new Tele2? Although some would answer yes to this question, I prefer to say no. Tele2 has often surprised the world and gone its own way in previous years. Our goal is, and always has been, to create long-term shareholder value by generating strong cash flows.

THE JOURNEY TO TODAY'S TELE2

Jan Stenbeck sowed the first seed of what is now Tele2 back in the 1970s, when Kinnevik began its telecommunications operations. At that time, this was a daring incursion into an area under the control of the government monopolies. Comvik was established in Sweden and an analogue mobile telephony network was also launched.

Tele2's operations were initially confined to Sweden, but a period of expansion in foreign markets soon followed. This European growth was intensified in 1997. Our focus was to penetrate new markets quickly and resell fixed telephony, following this up with mobile telephony. During this period we assimilated a great deal of knowledge about different European markets and achieved strong results. We also adopted the salami principle (waiting as long as possible before investing) as a fundamental concept.

We moved into a focus period in 2005, realizing that regulatory conditions (legislation which controls competition in telecoms) and the competitive environment made further rational expansion impossible. In simple terms, one Swedish krona invested in Finland or the UK produced a poorer return than if we had invested it elsewhere. Given this situation, we decided to withdraw from certain markets, either completely or partly. Looking back, we have no regrets; in fact, quite the opposite.

It is no bed of roses fighting the European incumbents. It requires focus and resolution.

CHANGES WITH FAR-REACHING EFFECTS

Over 2005 and 2006, Tele2 has made some changes which will have far-reaching effects. Whereas we used to operate as a traditional reseller, we now have an increasing tendency to have our own infrastructure. Focusing on our success in mobile telephony, we are now using our customer base in fixed telephony to cross-sell broadband services. The Tele2 of the future will be a more product-focused company, with less geographical dispersion than today.

To achieve sufficient economies of scale, we must have conditions such as a favorable regulatory environment. We are continuing to implement our previously announced strategic overview and are taking the necessary steps to continue our successful journey.

Running a company like Tele2 – with a broad range of telecom services – is like driving a car. Our choice of driving speed and direction is based on the changing road conditions (in other words, customers' needs, regulations and the competitive situation).

PRODUCTIVE INITIATIVES

Our mobile telephony operations continue to generate fantastic results, with customer intake very strong in 2006. Russia was top of the class here, showing that it is possible to combine increased sales and customer growth, while maintaining strong profitability. We shall be evaluating our MVNO operations to ensure we maximize the shareholder value of assets.

Our focus on broadband began in earnest in 2005 when we tested different markets and set-ups, and I can tell you that we have really gotten the hang of how a broadband operation should be run. Customer intake in the broadband area is impressive, but it could have been even higher. The incumbents tend not to be particularly helpful when customers want to transfer to us.

In 2006, we intensified our initiatives in mobile and broadband services in selected markets. We can see that this focus has paid off and in 2007 we shall be able to demonstrate its results.

Attracting new customers is a bit of a balancing act. It starts, of course, with marketing and sales. But technology and customer service are two factors which can often hinder customer intake, quite simply because each customer needs to be linked into the system and get help from our customer service staff. I would like to make a personal apology to any customer who has been kept waiting by Tele2. We shall make an even greater effort in this area and hopefully increase customer satisfaction even more.

THE FUTURE

As I have already said, Tele2 will be even more focused in the future. To illustrate on this statement, I would like to draw your attention to some key items on Tele2's agenda.

Our future is not only bright – it's golden. And it also points towards continued success.

LOWEST COSTS

I am totally convinced that the company with the lowest costs will come out as the winner. Infrastructure prices will fall over the next few years, which will affect the entire sector. This is exactly why we normally wait as long as possible before investing in infrastructure.

NEW DEMANDS IN OUR ORGANIZATION

Tele2's more focused future means it is essential to have the right expertise and values. In many markets we have tripled our operating revenue, which places new demands on management and employees. We have examined every part of the company to ensure we have the right expertise, and that we never abandon our values – the Tele2 Way.

CUSTOMERS

Most Europeans are more than willing to spend money on a crate of beer or a new blouse – but not on telephone bills. I can promise you that our customers will always recognize us as a price leader and challenger – a company which offers the market's best prices, while maintaining a high level of quality in our services.

Our future is not only bright – it's golden. And it also points towards continued success.

With best wishes,

Lars-Johan Jarnheimer
President and CEO Tele2 AB

LONG-TERM SHAREHOLDER VALUE BY STRONG CASH FLOW

Presented below are the most important parts of Tele2's annual financial statements.

INCOME STATEMENT

SEK million	2006	2005
CONTINUING OPERATIONS		
Operating revenue	50,306	44,457
Operating expenses	–48,523	–41,456
Writedown of goodwill	–3,300	–278
Other operating revenues	100	231
Other operating expenses	–71	–40
Share of profit/loss of associated companies and joint ventures	–135	–100
Operating profit, EBIT	**–1,623**	**2,814**
Net interest expenses	–592	–242
Other financial items	35	–186
Profit after financial items, EBT	**–2,180**	**2,386**
Taxes	–225	–550
PROFIT FOR THE YEAR	**–2,405**	**1,836**
DISCONTINUED OPERATIONS		
Profit/loss from discontinued operations	–1,335	505
PROFIT FOR THE YEAR	**–3,740**	**2,341**
Attributable to:		
Equity holders of the parent company	–3,615	2,347
Minority interest	–125	–6
PROFIT FOR THE YEAR	**–3,740**	**2,341**
Earnings per share after tax, SEK	–8.14	5.30
Earnings per share after tax, after dilution, SEK	–8.14	5.29
CONTINUING OPERATIONS		
Earnings per share after tax, SEK	–5.13	4.16
Earnings per share after tax, after dilution, SEK	–5.13	4.15

Tele2 increases its operating revenue by 13% to SEK 50 billion.

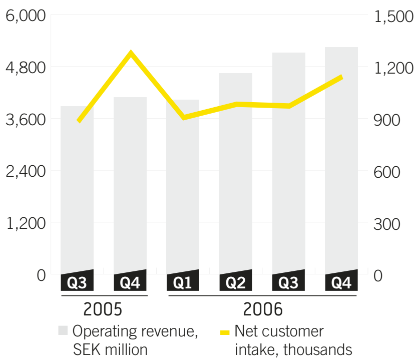
Operating revenue rose by 13% to SEK 50 billion. Largest growth was noted in market area Baltic & Russia and amounted to 60%. Operating profit (EBITDA) amounted to SEK 5.7 million, despite our aggressive focus on ADSL and mobile telephony.

Largest growth was noted in market area Baltic & Russia and amounted to 60%.

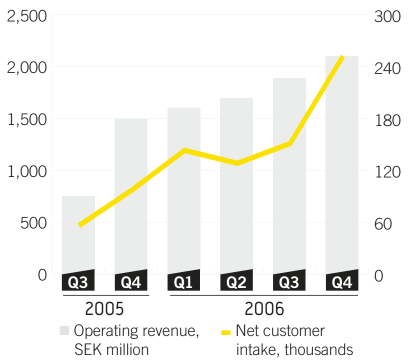
Strong growth in strategic product areas

The drive to win more customers in mobile telephony and broadband was fruitful, with mobile customers rising by 36% and broadband customers by 60%. Baltic & Russia in particular experienced a sharp surge in the number of customers. By cross-selling from our large fixed telephony customer base, we shall continue to attract new mobile telephony and broadband customers.

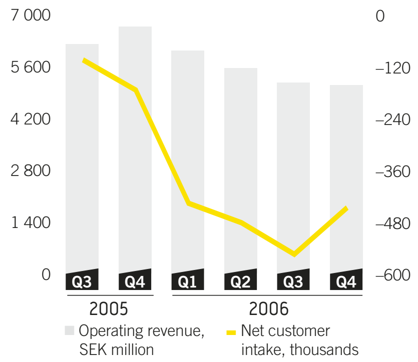
MOBILE TELEPHONY



BROADBAND



FIXED TELEPHONY



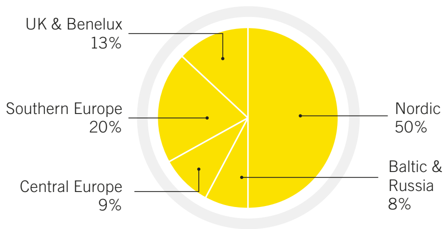
Strong growth in the European market

Tele2 is of Nordic origin and this market area has always accounted for the majority of its operating revenue and profit. However, the diagram below clearly shows that the rest of Europe is providing more and more of Tele2's operating revenue. The rest of Europe's share of Tele2's operating revenue rose from 50% in 2002 to 69% in 2006. In the same period, Tele2 as a group achieved growth of 86%.

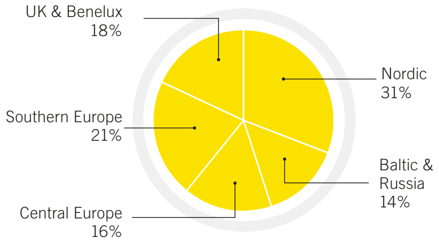
Operating profit (EBITDA) for the rest of Europe grew from 1% in 2002 to 38% in 2006. Tele2's operating profit increased by 18% during this period.

The figures show that Tele2 has succeeded in creating growth and profitability in all its European market areas.

REVENUES BY MARKET AREA, LESS SERVICES, IN 2002...



...AND IN 2006



Sharp rise in mobile telephony and broadband customers during the year

Growth in mobile telephony was 30% and in broadband 104%, which is clear evidence that growth is strong in our core areas. Broadband customers are generating higher ARPU, while the customer acquisition cost is rising.

CUSTOMERS BY MARKET AREA

Thousands	31 dec 2006	31 dec 2005	Change
NORDIC			
Mobile telephony	4,249	4,092	4%
Broadband	471	395	19%
Fixed telephony	1,534	1,793	–14%
Nordic	**6,254**	**6,280**	**0%**
BALTIC & RUSSIA			
Mobile telephony	10,032	6,260	60%
Broadband	32	28	14%
Fixed telephony	41	70	–41%
Baltic & Russia	**10,105**	**6,358**	**59%**
CENTRAL EUROPE			
Mobile telephony	174	166	5%
Broadband	231	96	141%
Fixed telephony	5,383	6,223	–13%
Central Europe	**5,788**	**6,485**	**–11%**
SOUTHERN EUROPE			
Mobile telephony	444	155	186%
Broadband	681	301	126%
Fixed telephony	3,505	4,172	–16%
Southern Europe	**4,630**	**4,628**	**0%**
UK & BENELUX			
Mobile telephony	827	854	–3%
Broadband	383	301	27%
Fixed telephony	1,063	1,595	–33%
UK & Benelux	**2,273**	**2,750**	**–17%**
TOTAL NUMBER OF CUSTOMERS	**29,050**	**26,501**	**10%**
CUSTOMERS BY BUSINESS AREA			
Mobile telephony	15,726	11,527	36%
Broadband	1,798	1,121	60%
Fixed telephony	11,526	13,853	–17%
TOTAL NUMBER OF CUSTOMERS	**29,050**	**26,501**	**10%**

WE DON'T CREATE TRENDS, WE EARN FROM THEM...

At Tele2 we rarely claim to be innovative technical developers. Instead, we set trends by keeping an ear to the ground to find out what customers are willing to pay for. Our intense customer focus and unrelenting hard work have enabled us to create a history we are proud to present.

THE PIONEER ERA

1970s to 1996

1970s The mobile telecommunications market starts to take off.

LATE 1970s Industriförvaltnings AB Kinnevik starts to invest in the telecom market.

1981 Demand for mobile telephony increases. Comvik AB launches its own analog network for mobile telephony.

1986 Tele2vision AB and Tele2 Sverige AB commence operations. Tele2 is founded by Industriförvaltnings AB Kinnevik under the name Comvik Skyport AB.

1988 Ordinary people start to show an interest in mobile telephony. Comviq is awarded a GSM license in Sweden.

MONOPOLY BUSTER AND ENTREPRENEUR

Jan Stenbeck founded Tele2 and was chairman of the company until his death in 2002. Back in the 1970s he took the initiative and pushed Kinnevik into the telecommunications market. Jan became famous as a monopoly buster in many different areas. His values live on today as an essential part of Tele2.

1991 The government monopoly is breaking up, while the Internet emerges as an interesting communications channel.

Tele2 is first to offer Internet access to the Swedish market and is granted a license to conduct fixed telephony operations. Tele2 establishes the first commercial IP network in Sweden.

1992 Comviq GSM starts up its own GSM network.

1993 Tele2 launches fixed telephony in Sweden, laying the foundation for today's Tele2.

1996 Tele2 is listed on the O-list of Stockholmsbörsen. International expansion continues with Tele2's launch of fixed telephony in Denmark.

THE AGE OF FOCUS
2005 and beyond

2005 Tele2 continues to invest in the broadband market through acquisitions of Spanish telecom operator Comunitel, Versatel (Netherlands and Belgium) and Tiscali (Denmark). Tele2 also enters into an infrastructure partnership with Neuf Telecom in France and initiates its own infrastructure roll-outs in Sweden, Norway and Italy. Tele2 discontinues operations in Finland, UK and Ireland, in the wake of unsatisfactory legislation.

2006 With the corporate market for telecom services having made significant progress in recent years, particularly in IP telephony and integrated solutions, Tele2 has improved its offering by acquiring 49 percent of the shares in the Swedish company Spring Mobil and 75.1 percent of the shares in E.ON Bredband in Southern Sweden. Tele2 has also formed a company called Plusnet, which has a large-scale infrastructure in Germany, under a joint venture with QSC. In addition, further operations were acquired in Russia. In 2006, Tele2 disposed of its fixed network and broadband operations in France* and its operations in the Czech Republic.

*The agreement is subject to clearance from the EU competition authorities.

EUROPEAN EXPANSION
1997 to 2004

1997 Comviq introduces the prepaid calling card. International expansion continues with Norway.

1998 The government monopolies start to break up in Europe. Tele2 expands operations to Estonia.

1999 Launch of new operations in Lithuania.

2000 Better infrastructure and a further loosening of monopolies make 2000 an eventful year. Tele2 strengthens its market position with the acquisition of Société Européenne de Communication S.A., SEC (Germany, Austria, France, Italy, Switzerland, the Netherlands and Luxembourg) and Baltkom GSM (Latvia). New services are launched in Poland, the Czech Republic, Finland and Liechtenstein. Tele2 becomes the first mobile virtual network operator (MVNO) in Denmark and is awarded a 3G license in Sweden and Finland.

2001 The Russian telecom market takes off and Tele2 acquires FORA Telecom. This enables Tele2 to offer its own mobile telephony operations in Russia. Tele2 establishes a joint 3G company with Telia in Sweden. The European expansion continues with new telephony services in Spain.

2002 MVNO launched in the Netherlands. Jan Stenbeck, Tele2's founder and Chairman, passes away at the age of 59.

2003 European expansion continues with launches in Portugal, Belgium and UK. Tele2's first GSM network is launched in Russia.

2004 Tele2 acquires Austrian telecom operator UTA and strenghtens its offer to the corporate market.

STRATEGIES

At Tele2 we work relentlessly to achieve our goals. We don't believe in long five-year plans which are set in stone. We prefer to develop a strong culture of growth and profitability. With the market and world around us changing rapidly, we have to be ready to do the same. These are the cornerstones of the Tele2 concept:

Seven things you should know about Tele2

1 CHEAP AND SIMPLE TELECOMS
Tele2 will be perceived as a price leader and offer the market's most attractive prices. Our services will be simple for everyone to use.

2 INCREASED GEOGRAPHICAL FOCUS
Tele2 has changed shape somewhat. We now focus on fewer countries than before and concentrate on a portfolio of services in broadband, mobile telephony and fixed telephony. And in doing so, we find customers with a higher ARPU and stronger loyalty.

3 LOWER COSTS
Whoever has the lowest costs will win the battle for customers. With this in mind, we invest as late as possible and question every single cost – always.

4 SHARPENED BRAND
Tele2 is one of the best known brands in Europe and is associated with low prices. We are sharpening our brand throughout the Tele2 organization.

5 CORPORATE MARKET HIGH ON THE AGENDA
Tele2 has made the consumer market its priority for a long time. However, following a string of acquisitions and the development of more advanced services, the corporate market is now higher on our agenda.

6 THE CUSTOMER IS KING
Customers are the ones who decide when it is time to launch new services. Our customers will always be treated in a professional and supportive way when they contact customer service.

7 STRONG VALUES
We call it the Tele2 Way – a simple set of values and working methods. They are not a desktop product; in fact, they run through the very veins of the company.

With the market and world around us changing rapidly, we have to be ready to do the same

HOW WE DEVELOP OUR PRODUCTS AND SERVICES

Mobile telephony
- More advanced mobile phones and fast technological development mean more scope for content services.
- Focus on corporate onephone solutions generates synergies for the customer.

Broadband
- Customers demand a choice of connection speed and price.
- IP telephony is an important part of our packages to the private and corporate market.

Fixed telephony
- Cross-selling from our large fixed telephony customer base continues to represent a success factor.
- There is still a substantial need for fixed telephony and we shall offer this service as long as we see such a need and profitability potential.

OUR MISSION:
CHEAP AND SIMPLE TELECOMS

Tele2 has an important mission: to provide cheap and simple telecoms. Our values are not a desktop product. They support us in our day-to-day work and are the very essence of everything we do.

WE ENSURE OUR WORK HAS...

Flexibility: We are in touch with customers' needs and can adapt quickly.

Openness: Tele2 prides itself on coherence, straight answers and a simple organization.

Cost-consciousness: We are careful with money, investing as late as possible and questioning all costs. Always.

... AND WE DO SO BY

Copying with pride: We select simple solutions, copying what is good and do not change what already works.

Challenging: We manage to achieve the impossible by going our own way. The fact that we have successfully done so on many occasions is the most important lesson in our history.

Acting: Focusing on the solutions, not the problems. We revel in speed and celebrate our successes.

Passion and commitment – key factors in recruitment

One requirement for working at Tele2 stands head and shoulders above all the others - customer focus. This is not some empty phrase we use, but an actual success factor. Passion and commitment in serving customers must permeate every part of the organization. Of course, there are other important qualities too. These include knowledge, professionalism, punctuality and keeping promises.

The best way of getting to know our customers is by direct contact. All employees are therefore required to complete a practical placement in customer service at least once a year. Managers must complete two such placements a year. Experience shows that practice is the best way of getting to know the market and ensuring that we fulfill our mission to provide cheap and simple telecoms.

EXCELLENT SCOPE FOR DEVELOPMENT

At Tele2 we keep the tempo high. You can see this in our flexibility and ability to adapt and respond quickly to market conditions. These qualities are essential when we launch new products and services or establish ourselves in new countries. Tele2 employees have excellent opportunities for international work and establishing contacts across Europe. These can be demanding environments, but they are also extremely rewarding.

To stay on top, employees need regular skills and career development. Tele2 creates individual development plans and arranges various internal programs and training schemes. These and our regular evaluations and performance appraisals (goal fulfillment and future input) all add up to a sound and widely appreciated personnel policy. It's as easy as that.

HIGH GROWTH POTENTIAL IN MOBILE COMMUNICATIONS AND BROADBAND

Broadband and mobile communications represent high growth potential for the private and corporate markets alike. Rapid technical progress and infrastructure roll-outs now set the scene for providing new high-quality and high-security services.

Tele2 is in close touch with customers and understands their preference for simple, well-functioning and cheap services. This is why we offer the market's best prices, with reliable and easy-to-use services and a range of choices, such as different Internet connection speeds. The future for our products and services lies essentially in mobile communication and broadband for the private and business market. Corporate customers currently account for an increasing proportion of Tele2's total sales and represent good future growth potential.

Tele2 has a unique position in the European market, with operations in 22 countries and markets characterized by varying maturity. The Nordic region and northern Europe have reached a high level of maturity, which indicates extensive Internet use and migration from fixed telephony to mobile and IP-based products and services. On the other hand, eastern Europe has a weak fixed communication infrastructure, resulting in higher demand for mobile products and services. The shift from fixed telephony to mobile and IP-based services looks set to continue. With this in mind, Tele2 uses its large fixed telephony customer base to cross-sell broadband and mobile telephony.

Our customers – our inspiration

Tele2 is well aware that both new and existing customers have their own views on our products and services. Customers in Denmark and Sweden are able to use a chat function on the local Tele2 website to talk to members of company management. The chatroom is extremely popular and provides us with invaluable information which we use to make our products and services even better.

COMBINED SOLUTIONS

There is an increasing trend for companies and private individuals to demand solutions comprising fixed and mobile telephony, broadband and TV. Private customers tend to demand what is known as a Triple Play solution – telephony, Internet and TV in one package.

In the Netherlands Tele2 offers a Triple Play package, which enables the customer to surf, watch TV and make calls with a single broadband connection. The Netherlands is a market which has come a long way in this area of technology. We are fortunate to be able to exploit the knowledge and experienced gained in the Dutch market when we launch Triple Play elsewhere in Europe.

The surge in intensity and demand for combined solutions is encouraging investors to opt for infrastructure maintenance and roll-out. With networks improved and more operationally reliable, there is now more scope to deliver new services with a high level of quality and security.

STRATEGIC PRICING ESSENTIAL

To be price leaders, we must have broad knowledge about customers' requirements and behavior. We use our knowledge and experience to obtain the right pricing, retain customers, attract new ones and increase the use of products and services in our different markets.

Pricing must be simple, giving customers a clear overview of their costs. It must also reward our loyal customers.

LOYAL CUSTOMERS – IMPORTANT AMBASSADORS

Loyal customers are a vital success factor for Tele2, as they keep on using our products and services and praise us. Faced by tougher competition and price squeezes, it is increasingly important to retain existing customers, particularly as the cost of attracting new customers has risen. With this in mind, Tele2 offers various types of loyalty programs aimed at rewarding loyal customers. These loyalty programs include free minutes for the private market, while the corporate market can obtain better price deals by combining several services from our company portfolio.

THE RIGHT BUSINESS MODEL FOR EACH MARKET

There are four different business models for growth, depending on market conditions and the opportunity for cross-selling to existing customers. They can be combined or used individually.

Reseller agreements are often a good way of establishing operations in a new market. Under these agreements, Tele2 resells products or services from other suppliers. This involves a lower level of risk, as fewer technical investments are required.

Reseller agreements

Acquisition of other companies is a fast response to a market's growth potential. This often brings synergies in markets where we already have a large customer base. Tele2 regularly evaluates acquisition and cooperation opportunities with a view to developing the product and services portfolio and offering cheap and simple telecoms.

Acquisitions

Infrastructure cooperation is an attractive option in markets which have a well developed but underused infrastructure. Under these initiatives, we co-fund an existing infrastructure and enter into a collaboration agreement with the network owner. The agreement provides generous access to networks and offers advantageous commercial conditions.

Infrastructure cooperation

Building our own infrastructure is a good option in several markets and offers a higher return than the reseller model.

Building our own infrastructure

Our experience tells us to focus on what we know and avoid introducing anything complicated. Tele2 may therefore decide to leave certain markets and focus on operations and countries where we see the best growth and profitability potential.

FAIR COMPETITION BENEFITS EVERYONE

Deregulation of the European telecommunications market has been in progress since the 1990s. The beginning of the end came in the summer of 2003 when the new electronic communication regulations came into force. The idea was that the regulations would harmonize the legislation of the EU countries and increased competition would favor the consumers.

Tele2's overall view is that competition in the European telecommunications market is still being fought on an unequal playing field, with the former monopolists enjoying a major advantage. The expected effects of the changes in legislation have still not been felt in many markets. Legal proceedings and appeals have caused major delays. The whole process has been exacerbated by the fact that it takes a long time for the deciding authority to analyze relevant markets and give a decision based on its conclusions. The ultimate losers in this unsatisfactory competition situation are the end customers who have to pay needlessly high prices for broadband and telephony.

LEGISLATION BENEFITS EVERYONE – EVEN THE OLD MONOPOLIES

The old telecom monopolies oppose the new regulations. They think that they will earn more money by shutting the door on competition. However, they will also benefit from competition. The telecommunications market has experienced strong growth in recent years. There are now many products and services which generate increased revenues – both for the old monopolies and alternative operators like Tele2. The increased competition also means that customers pay less for calls and are offered a wider range of products and services. We sell our services mainly through our own network but also lease infrastructure from the incumbents. Unfortunately the latter often respond negatively to our enquires about free network capacity. Time and time again, Tele2 comes up against remarkable excuses, including feigned claims that the network does not have sufficient capacity, and is asked to pay charges far in excess of the costs of the requested service. Tele2 strongly believes that the authorities should be tougher and force these companies to sell free network capacity at reasonable prices. Broadband and telephony belong to society at large – everyone should be entitled to good products and services and a high level of quality at reasonable prices.

UK LEADING THE WAY

The most important issue on Tele2's agenda is to separate the access network from the end customer business. This will increase the transparency of the incumbents, making it more difficult for them to exclude competitors. A change in this area is guaranteed to result in better conditions for consumers.

The UK is leading the way in this area. The authorities there have forced British Telecom (BT) to divide into two separate units – one company which deals with networks and leasing free capacity and another which concentrates on operator business.

In other European countries, the former incumbents still own and run network and operator business in one integrated operation, with the technical and commercial side often favoring their own end customer business. They can do this, for example, by having low margins or no margins to the end customers and higher ones to the alternative operators who lease parts of the network. As there is no alternative infrastructure to use, the old monopolies win, at the expense of the alternative operators and in the long run the end customers, including the incumbent's own customers. Tele2 is sparing no effort to encourage other countries to follow the UK's example and separate the former incumbent's operations in separate units.

ACTIVE WORK FOR A FAIR COMPETITIVE ARENA

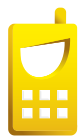
Tele2 has placed the issue of separation of network and operator business high on its agenda, with a view to achieving a fair competitive arena. We never miss an opportunity to make our voice heard in the European Commission and EU Parliament, and we also lobby regulators and politicians in the countries in which we operate. The message to Europe's politicians is simple – everyone should have the same terms and conditions regarding access to infrastructure. Customers will then have better products and services, which will ultimately benefit national economies.

SIMPLE SERVICES AT THE MARKET'S BEST PRICES

Tele2 is Europe's leading alternative telecom operator. Tele2 offers private individuals and companies products and services in fixed and mobile telephony, broadband, data networks, dial-up Internet, telephone cards, cable TV and content services.

MARKET AREA	MOBILE TELEPHONY	BROADBAND	FIXED TELEPHONY
NORDIC			
Sweden	✓ 1	✓ 1, 3, 4, 5, 6	✓
Norway	✓ 2	✓ 1, 3, 6	✓
Denmark	✓ 2	✓ 1	✓
BALTIC & RUSSIA			
Estonia	✓ 1	✓ 3	
Latvia	✓ 1	✓ 3	
Lithuania	✓ 1	✓ 3, 5	
Russia	✓ 1	✓ 3	
Croatia	✓ 1		
CENTRAL EUROPE			
Germany		✓	✓ 7
Austria	✓ 2	✓ 1, 4	✓ 7
Poland		✓ 3	✓ 7
Hungary			✓
SOUTHERN EUROPE			
France	✓ 2		
Spain		✓ 1, 4	✓ 7
Italy		✓ 1, 6	✓ 7
Switzerland	✓ 1	✓ 6	✓ 7
Portugal			✓ 7
UK & BENELUX			
Netherlands	✓ 2	✓ 1, 4, 5, 6	✓ 7
Luxembourg	✓ 1	✓	✓
Liechtenstein	✓ 1	✓	✓
Belgium	✓ 2	✓ 1, 4, 6	✓
UK			✓ 7

[1] Own or co-owned network.
[2] Tele2 acts as MVNO.
[3] Broadband via 3G, cabel TV or WLL.
[4] IP VPN, Managed LAN/WAN or leased lines.
[5] Cabel TV och IP TV.
[6] IP-telephony (VoIP).
[7] Telephone card.



Mobile telephony
Tele2 offers mobile telephony under several different subscription arrangements for private individuals and companies, as well as prepaid cards (pay-as-you-go).

Broadband
ADSL is strategically the most important service. We also offer other solutions, such as dial-up Internet, wireless broadband, metropolitan area networks and broadband via cable TV.

Fixed telephony
The product portfolio consists of preselection, subscription and telephone cards for the private and corporate markets.


Thanks for the money Mom – really need this vacation. I'll call this evening – if I have time.

THE MOBILE PHONE – EVERYONE HAS ONE

Mobile telephony and mobile solutions are product areas which are experiencing strong growth

Tele2 currently offers mobile telephony in 15 countries. In most of these countries we sell mobile telephony to private customers and companies. We have our own network in 9 countries. In other countries we lease network capacity from other operators under MVNO agreements.

Just about every person in Europe owns a mobile phone. More affordable prices and the fact that people want to be reached wherever they happen to be are factors that are pushing demand and making mobile telephony accessible to everyone.

Tele2's aim to offer simple solutions at the market's best prices has given us a unique position in the European telecommunications market. We shall nurture this position by listening to what customers say about prices and simple, easy-to-understand services.

STRONG CUSTOMER INTAKE CONTINUES IN KEY MARKETS

Russia continues to impress, with sharp customer growth and increased profitability. Tele2 now covers 17 regions in the country, which is an increase of four compared to last year's number. Tele2's customer intake in mobile telephony also shows a clear upward trend in Latvia, Lithuania, France, Croatia and Norway.

We expanded our mobile network in Switzerland during the year.

The acquisition of 49 percent of the shares in Spring Mobil has boosted Tele2's market share in corporate telephony in Sweden. Spring Mobil offers a unique solution in this segment and Tele2 can now supply a broader range of products and services to small, medium and large companies and organizations. This adds depth to the stable base that will ensure future growth for Tele2 in these segments.

BETTER TECHNOLOGY, NEW OPENINGS

The mobile phone is still used mainly for normal voice calls and SMS messages. However, with the roll-out of 3G, we are now seeing more use of content services such as music, chat and gaming.

The new, more advanced camera mobile phones and Tele2's increased marketing drives have been instrumental in bringing about a surge in multimedia messaging (MMS) and Internet connection via mobile phones. 3G technology has resulted in a step-up in demand for content services, as capacity is much higher than with GSM. The high data transfer speed makes it simpler and faster to use advanced mobile solutions. Content services can include anything from weather reports and stock prices to moving images and gaming. Tele2's strategic agreements with content providers mean that we do not need to invest in development and operation of these services. We offer the access, while content services are dealt with by partners who are specialists in these areas.

ONEPHONE SOLUTIONS MORE COMMON IN COMPANIES

We are seeing more companies opting for combined fixed and mobile telephony solutions, with employees using mobile phones for all their calls. These are known as onephone solutions and results in lower telephony costs and increased flexibility for the customer. The offshoot of this is increased customer loyalty and scope for cross-selling more products.

Our mobile telephony countries

Sweden, Norway, Denmark, Estonia, Latvia, Lithuania, Russia, Croatia, Austria, France, Switzerland, Netherlands, Luxembourg, Liechtenstein and Belgium.

IMPORTANT EVENTS

- Strong customer growth and increased profitability in Russia during the year.
- Continuing strong performance of the Swedish mobile telephony operation.
- Tele2 acquires 49 percent of the shares in Spring Mobil and increases its market share in corporate telephony and onephone solutions in Sweden.

FINANCIAL SUMMARY, MOBILE TELEPHONY

	2006	2005	Change
Operating revenue, SEK million	19,052	14,672	30%
EBITDA, SEK million	3,856	3,630	6%
Net customer intake, thousands	4,017	3,261	23%

WELL-EQUIPPED FOR SUCCESS IN THE BROADBAND MARKET

We have seen a substantial expansion in the European broadband market in recent years, spurred on by rapid technical development and a surge in demand for communication solutions. Tele2 has a strong broadband portfolio for the private and corporate market. In line with our strategy, we are now increasing the focus on the broadband market.

Tele2 offers broadband solutions in 17 countries. In most of these countries we sell broadband to private individuals and companies. We have our own network in 13 countries (fixed/mobile). In other countries we lease network capacity from other operators which we then resell.

Broadband refers to resold broadband and direct access.

POSITIVE CUSTOMER DEVELOPMENT

Customer development is in a phase of positive growth. Countries showing a positive customer intake include Italy, Spain, Germany, the Netherlands and Austria. We have created a company called Plusnet under a joint venture with QSC in Germany. Plusnet has taken over QSC's existing ULL (Unbundled Local Loop) network.

Tele2 launched ULL networks in Sweden, Italy and Belgium and acquired a 75,1% stake in E.ON Bredband in Sweden during the year. ULL networks are also being developed in Portugal and Norway.

We have seen an increase in demand in broadband in recent years, due to generally mounting interest in the Internet. Our customers want to be able to watch movie trailers on their computers, buy music online and take part in online gaming, which is much easier with broadband than dial-up Internet. Fast and reliable Internet connections are now business-critical, as the Internet is becoming an integral part of companies' day-to-day business.

BROADBAND FOR ALL

Tele2's broadband drive means that the man in the street gets a well functioning high-speed Internet connection at the market's best prices. Everyone is demanding broadband at the moment, not just technical aces and computer whiz-kids.

We have many different broadband products and services to satisfy customer preferences regarding price, speed and security. Interest in security solutions in the shape of firewalls and anti-virus programs is on the rise as more people choose to shop and conduct their bank business online. Competition in the European broadband market is fierce and comes from private companies and the former monopolists. The latter try to make it difficult for alternative operators to gain a foothold in the market. They do this by charging exorbitant fees for leasing their networks and generally impeding the customer intake process.

STRONG POSITION

Our unique market position with operations in 22 European countries means that we can use our size to create synergies between the different countries. The knowledge we gain from one country can then be smoothly transferred to another. We also have a strong position in fixed telephony, which we are able to use to our advantage when selling broadband solutions.

Our broadband countries

Sweden, Norway, Denmark, Estonia, Latvia, Lithuania, Russia, Germany, Austria, Poland, Spain, Italy, Switzerland, Netherlands, Luxembourg, Liechtenstein and Belgium.

IMPORTANT EVENTS

- We have created a company called Plusnet under a joint venture with QSC in Germany. Plusnet has taken over QSC's existing ULL network.
- Tele2 launches ULL networks in Sweden, Italy and Belgium during the year.
- Tele2 acquires a 75,1% stake in E.ON Bredband in Sweden.

FINANCIAL SUMMARY, BROADBAND

	2006	2005	Change
Operating revenue, SEK million	7,290	3,577	104%
EBITDA, SEK million	–1,086	–390	–178%
Net customer intake, thousands	678	261	160%


No furniture yet!! And they've been trying to get the air-conditioning working for hours. (sigh!) Thank goodness the broadband's working :-)
RAPIDO HOMBRES
empresa de mudanzas
RAPIDO HOMBRES


ver chiefs
OK – what was it they said? IP telephony is simple to install and use.

CROSS-SELLING FROM FIXED TELEPHONY

Fixed telephony is still Tele2's largest product area in terms of operating revenue, with over 11.5 million customers in Europe. Tele2 offers fixed telephony in 15 countries.

The fixed telephony market is showing a downward trend, largely due to an increase in the use of mobile phones at the expense of landlines. We are also seeing increased use of broadband-based fixed telephony, with Tele2 well-equipped to meet customer demand and future development. It is becoming increasingly common for customers to subscribe for fixed telephony and broadband with the same supplier. Tele2 has responded to this demand by offering dual play or triple play packages in a number of markets. Tele2 is offering fixed telephony either through an IP telephony solution or traditional fixed telephony bundled with broadband services. Bundling enables us to offer even more attractive prices and makes it easier for our customers to check the costs for their telecom usage, which in turn encourages customer loyalty and provides openings for cross-selling.

FIXED TELEPHONY – STILL A KEY SUCCESS FACTOR

When Tele2 establishes operations in new countries, we usually start by launching fixed telephony and then cross-selling other communication services, such as broadband and mobile telephony. This has been a successful strategy and Tele2 is now able to offer cheap and simple services in broadband, mobile telephony and fixed telephony to even more existing and potential customers. Fixed telephony is still one of the mainstays of Tele2's revenues, profitability and customer intake as a channel for cross-selling broadband. It will also remain important to many people in the future. As long as we see a need for fixed telephony and it offers profitability, this will continue to be an important part of our operations.

The fixed telephony product portfolio includes fixed subscription, fixed preselection, prefix calls, company packages and telephone cards.

Tele2's most popular service in fixed telephony is fixed preselection, which spares our customers the need to dial a prefix in front of the telephone number. Deregulation in several European markets means that Tele2's customers can now choose fixed preselection. However, these customers are still forced to pay two bills – one to the former monopolist for the fixed subscription and one to Tele2 for telecommunications traffic. Recent deregulation has made it possible to offer a subscription service in some markets, so that the customer only receives one fixed telephony bill.

For Tele2 and the people of Europe, it is important that deregulation of the telecommunications market, which started back in 1998, should continue. A deregulated market is vital if we are to compete with the former government monopolies on equal terms and give all Europeans access to cheap and simple telecom solutions.

Our fixed telephony countries

Sweden, Norway, Denmark, Germany, Austria, Poland, Hungary, Spain, Italy, Switzerland, Portugal, Netherlands, Luxembourg, Liechtenstein and Belgium.

IMPORTANT EVENTS

- Still an important part of Tele2's operations and cross-selling from our large customer base will ensure continuing growth in mobile telephony and broadband.
- Tele2 launches its fixed subscription service in Poland and Portugal, which means that customers only receive one bill for their fixed telephony services.

FINANCIAL SUMMARY, FIXED TELEPHONY

	2006	2005	Change
Operating revenue, SEK milion	21,787	25,207	–14%
EBITDA, SEK million	2,401	2,111	14%
Net customer intake, thousands	–1,917	99	

ROOTED IN REALITY

By maintaining contact and dialog with our customers in 22 European countries, we are able to regularly update our strong offering. We go the customers' way and seek to identify unique solutions to their wishes and preferences.

Tele2 only offers what customers want and are prepared to pay for. Our entire offering revolves around the customer.

If we are to offer simple and attractively priced services, we must have strong teams, both internally and externally. We therefore ensure that we have committed employees and we only work with the best companies in the sector. Our prepaid calling cards are a clear example of effective cooperation. They enable us to offer customers attractive prices for international calls to every corner of the globe.

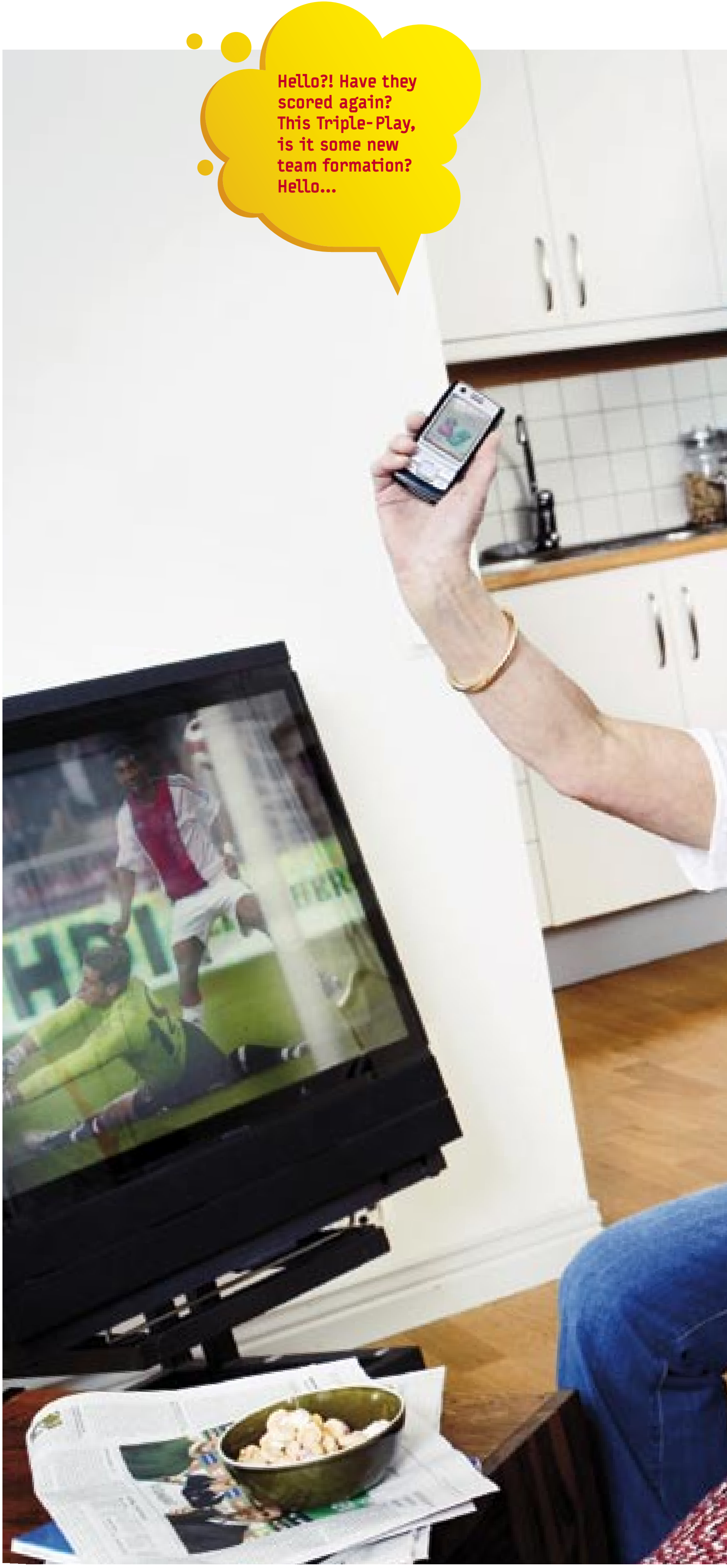
CUSTOMER IS KING

Many companies claim to know what their customers want and shower them with a host of different products and services, which are dominated by technology rather than the customers' preferences. Tele2 is not so easily dazzled by the charms of technology. We prefer to focus on what customers want and we offer simple services which our customers are actually willing to pay for.

NO SOLUTION IS SET IN STONE

Development of new products and services is a constant challenge. The customers of today are individualists who are looking for other solutions than those presented to them. In response, Tele2 must always be flexible and proactive, seeking opportunities to provide integrated solutions, such as those containing broadband, telephony and TV.

Our presence in 22 countries is a reflection of our proven working methods. Our customer service, resellers and sales organization help us to keep an ear to the ground and we are able to respond to customers' preferences and requirements in a flash. The unique experience we have gained from all our countries of operation means we only need a short take-off run for all our products and services. We know, for example, exactly how to structure marketing and customer service right from day one.



TELE2 IS GOVERNED BY CLEAR VALUES

Tele2 strives to contribute towards the development of a sustainable society. And what better way than our forte – offering cheap and simple telecoms. Communication is a key issue in the information society of today. We want everyone to have the same access to cheap and simple communication.

With operations in 22 countries, the average number of employees 5,285 and over 29 million customers, Tele2 is an important part of society and an important part of many people's lives. It is therefore essential to build sound, sustainable relationships with the world at large in order to realize our goals and fulfill our mission.

Tele2 also shows ethical and responsible behavior by encouraging sustainable development of the environment at the workplace and in the market as a whole. We do this by engaging in dialog with authorities, politicians and sub-contractors and by having clear guidelines and areas of accountability at the workplace. Sustainable growth in society and good business go hand in hand. The company has an important prosperity-creating role, whether as employer, supplier, customer or taxpayer. This can include anything from conducting our business according to the law and ethically to making the customer's day that bit simpler.

FAIRER COMPETITION

Tele2's position as Europe's leading alternative telecom operator means we can be a prime mover for competition on equal terms. We therefore fight hard to promote fair legislation and correct application of adopted regulations in the European markets. And our efforts have not been in vain. Tele2 has improved competition across the entire European telecommunications market. This has resulted in lower prices, which is important for long-term development of society and free enterprise.

CHARITY

In many cases we take the initiative and act ourselves, but we also support various types of local and global charitable organizations. Since 2003 it has been our privilege to be a partner of the World Childhood Foundation. We offer support in a number of ways, including free telecommunications services. Tele2 has also entered into a three-year partnership with Sweden's BRIS (Children's Rights in Society). As a main sponsor, Tele2 will contribute financially and also offer service development to improve the BRIS communication platform. Our areas of expertise and business complement each other well and we shall be joining forces with BRIS to arrange a series of different activities aimed at supporting children and young people.

We offer support in a number of ways, such as free telecommunications services. In 2006, Tele2 participated in a number of charity projects. These included:

- christmas donation to the NÖ Hilfswerk project in Austria which provides the elderly with medicine and other necessities,
- helping 150,000 people in Spain obtain clean water,
- donation of IT equipment to a school project in Romania,
- donation to the Red Cross and "the Holidays for All" project,
- working with the Danish foreign ministry and ADRA (Danish church help group) to house refugee families in Burundi,
- donation of clothing to the Stockholm City Mission.

Our initiatives

CODE OF ETHICS

Our code of ethics contains regulations defining the framework for Tele2's business. The code of ethics describes Tele2's conduct and attitudes towards customers, suppliers, employees, public authorities and – particularly important – shareholders. The code was integrated into our Russian operations in 2005 and at group level in 2006.

WHISTLE BLOWER POLICY

Tele2 has what we call a whistle blower policy, whereby any member of the public or employee may openly or anonymously report suspected irregularities at Tele2. All reported concerns go straight to the chairman of the audit committee.

CORPORATE GOVERNANCE

Tele2 has been applying the Swedish Code of Corporate Governance since July 1, 2005, which has increased requirements regarding dissemination of information and control units in the company. Tele2's own corporate governance reflects the provisions contained in the Swedish Code. More information can be found under Corporate Governance Report.

TELE2 IN THE COMMUNITY

Shareholders

All decisions made in Tele2 are aimed at increasing the value to our shareholders.

In 2006, Tele2 paid a dividend of SEK 1,75 per share for 2005. Tele2 communicates with its shareholders and the capital market by means of financial reports, press releases, presentations and other communication methods. Different types of investors' meetings help to increase knowledge and understanding of Tele2. Tele2 aims to increase its transparency, in order to facilitate evaluation of the company from an investor's perspective.

Customers

At Tele2 we like to say the customer is king. This means that we always listen to our customers and their needs.

It might sound like a jaded cliché, but it means that we avoid launching unnecessarily complicated and expensive services for which customers are not prepared to pay. All our employees do a stint of work in customer service at least once a year and managers are required to do so twice a year. The aim is to maintain Tele2's customer focus. Honesty and integrity are the hallmark of all our customer contacts – from sales to processing invoices, dealing with claims and complaints and customer service work.

Employees

Tele2's employees are our most important success factor.

The right attitude and enthusiasm and the ability to work according to Tele2's values are often more important than an impressive resume. Tele2 must be an attractive employer offering a stimulating workplace and secure environment. Tele2 is well aware that a homogeneous business concept such as ours requires a heterogeneous culture in order to succeed, and works constantly to improve diversity management. This includes diversity of gender, country, background and skills. For Tele2, diversity is a business strength.

Authorities

Tele2 conducts active dialog with public authorities, both at a national and European level.

The aim is to accelerate efforts to achieve fairer competition in the telecommunications market. With operations in 22 countries, Tele2 is in a position to offer unique experience and knowledge about competition in the telecommunications sector. Tele2 always acts in compliance with the legislation and regulations of the countries in which we operate.

Suppliers

Tele2's suppliers are important to our success.

By using their products and services, we can deliver our promise of cheap and simple telecoms. Cost-consciousness runs through the veins of our organization, and we demand the same attitude from our partners. Sound business awareness and ethics are the building blocks of our supplier relationships.

Community

Our most important contribution to the community is to offer cheap and simple telecoms.

Tele2's work on environmental issues permeates the entire organization. Tele2 follows Swedish and international research in mobile telephony and is an active participant in the health, environment and safety debate. Our local companies are also involved in various types of support projects. These include sports projects for the young, projects using telecoms to ease the situation of young people with disabilities, support projects in emerging countries, environmental projects, anti-drugs projects and a host of other activities.

SHARE AND OWNERSHIP STRUCTURE

In 2006, the B share's average daily trading on the Stockholm Stock Exchange increased with 16 % to SEK 308 million and the share price ended the year on SEK 100 (85.25), an increase of 17 percent. Tele2's market value at year-end was SEK 44.4 billion and the number of shareholders was 43,397. During the year, shareholders received a dividend of SEK 1.75 per share. The board recommends to the annual general meeting that the dividend be increased by 5% to SEK 1,83 per share.

STOCK EXCHANGE LISTING

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

Tele2 had de-listed from Nasdaq in April 2005, due to Tele2's low trading volumes on Nasdaq and because the costs did not justify the limited benefits of remaining on Nasdaq.

DEBENTURES AND SHARE ISSUES 2000–2004

At the Annual General Meeting in May 2000, the Board of Directors was authorized to settle an option commitment by means of a new share issue. 200,000 new B series shares were issued in October 2000, along with three convertible debentures with detachable warrants with rights to a new subscription totaling 300,000 B shares. 100,000 B shares were subscribed for each year in the period 2001-2003.

At an Extraordinary General Meeting of Tele2 AB in August 2000, a proposal was approved to issue a maximum of 40,901,585 Class A and Class B shares in Tele2 to shareholders and holders of depository receipts in Société Européenne de Communication, S.A. (SEC), in exchange for shares and depository receipts in SEC. By the end of the issue period, a total of 40,784,480 shares had been issued. At the end of 2001, all shares in FORA Telecom B.V. (the Russian operation) were acquired, in exchange for 2,461,449 newly issued B shares in Tele2 AB. In 2002, 8,317,143 and in 2004, 6,173,141 A shares were converted to B shares.

2005 SHARE ISSUE

In 2005, warrants under the staff incentive program equivalent to 972,307 were subscribed for.

2005 SPLIT AND REDEMPTION PROCEDURE

In 2005, a share split and a share redemption procedure were implemented, whereby every share was split into 3 ordinary shares and 1 redemption share. The redemption share was automatically redeemed at SEK 10 per share. This corresponds to a total of SEK 1,476 million. With the ordinary dividend of SEK 5 per share, shareholders received SEK 2,213 million.

2006

8,193,444 A shares were converted to B shares in 2006. Warrants corresponding to 836,761 shares were subscribed for during the year under the employee incentive program.

DIVIDEND

It is the Board's aim to pay a dividend to shareholders after taking into consideration consolidation needs, liquidity and financial position.

For the financial year 2006 the Board proposes a dividend of SEK 1.83 per share.

SHAREHOLDERS

At the end of the year, Tele2 had a total of approximately 43,000 (56,000) shareholders. Tele2's largest shareholder is Investment AB Kinnevik with 28.2 percent of share capital. The proportion of institutional owners was 90 (88) percent, which corresponds to 92 (91) percent of the voting rights on December 31, 2006.

The Tele2 Share

Listing: O List of Stockholmsbörsen since May 14, 1996

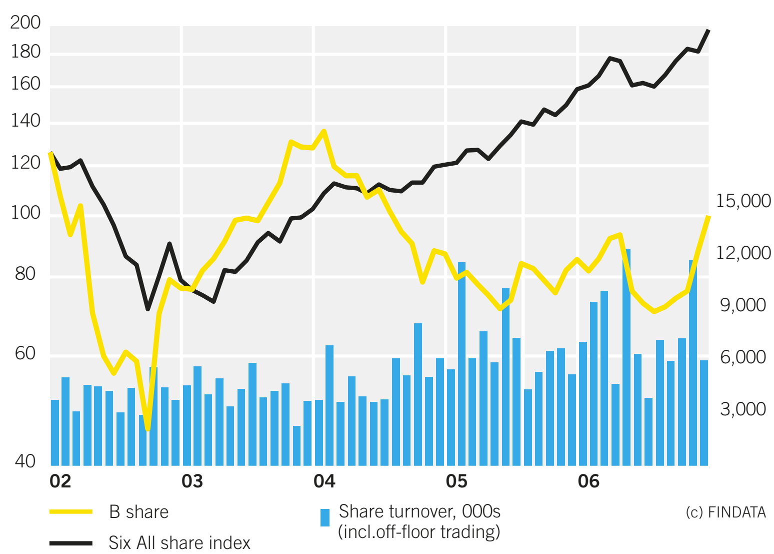
Share lot: 100 shares

Tele2's A share: Nominal value SEK 1.25, 10 votes per share, Stockholmsbörsen TEL2 A, ISIN code SE0000314304, 38,356,545 shares

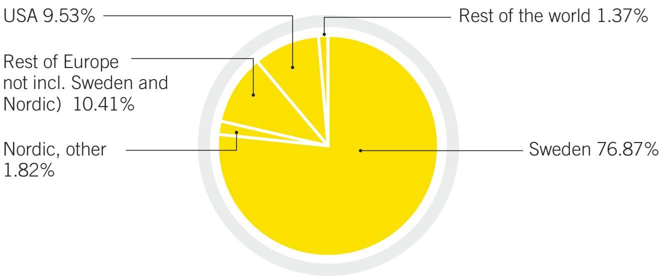
Tele2's B share: Nominal value SEK 1.25, 1 vote per share, Stockholmsbörsen TEL2 B, ISIN code SE0000314312, 406,133,048 shares

Share capital: SEK 556 million, divided into a total of 444,489,593 shares

STOCKHOLM STOCK EXCHANGE



OWNERSHIP STRUCTURE, BY GEOGRAPHICAL AREA



SHARE DISTRIBUTION

Number of shares	Number of shareholders	Holding (%)
1–500	27,689	1.05
501–1,000	6,974	1.15
1,001–5,000	6,671	3.31
5,001–10,000	905	1.45
10,001–15,000	280	0.79
15,001–20,000	120	0.48
20,001–	758	91.77
Total number of shareholders	**43,397**	**100.0**

Analysts following Tele2

ABG Sundal Collier	Henrik Vikström/Jesper Wilgodt
Arete	Steve Malcolm
Bear Sterns	Jonathan Dann
CAI Cheuvreux	Peter-Kurt Nielsen
Carnegie	Erik Pers Berglund
Citigroup Smith Barney	James Rivett/Jean-Christophe Labbe
Credit Suisse (CSFB)	Ben Spincer
Danske Equities	Poul Ernst Jessen
Deutsche Bank	Vivek Khanna
Dresdner Kleinwort Wasserstein	Sam Morton
EVLI	Anders Berg
Exane BNP Paribas	Justine Dimovic
Goldman Sachs	Olga Nouriaeva
Handelsbanken	Andreas Ekström
HSBC	Jakob Bluestone
ING	Nicolas Saillez
Kaupthing Bank	Stefan Pettersson
Lehman Brothers	James Britton
Merrill Lynch	Graham Ruck
Morgan Stanley	Saroop Purewal
New Street Research	Soomit Datta
Redeye	Urban Ekelund
SEB Enskilda	Lena Österberg/Andreas Joelsson
Société Générale	Francois Pierre Arth
Standard & Poor's	Bengt Mölleryd
Swedbank	Sven Sköld
Sydbank	Holger Smitt
UBS	Nick Lyall

OWNERSHIP STRUCTURE, DECEMBER 31, 2006

	A shares	B shares	Total number of shares	Share of capital, %	Number of votes	Share of votes, %
Investment AB Kinnevik*	25,830,229	99,651,296	125,481,525	28.2%	357,953,586	45.3%
Emesco**	7,365,000	2,251,137	9,616,137	2.2%	75,901,137	9.6%
Stenbeck Jan estate	2,742,471	0	2,742,471	0.6%	27,424,710	3.5%
Alecta Pension Insurance, Mutual	0	24,000,000	24,000,000	5.4%	24,000,000	3.0%
Fourth AP Fund	0	17,478,550	17,478,550	3.9%	17,478,550	2.2%
AMF Pension	0	16,368,900	16,368,900	3.7%	16,368,900	2.1%
SEB Group	0	15,647,754	15,647,754	3.5%	15,647,754	2.0%
Robur	0	12,283,916	12,283,916	2.8%	12,283,916	1.6%
SSB CL Omnibus AC	0	11,120,583	11,120,583	2.5%	11,120,583	1.4%
Skandia Group	0	8,601,856	8,601,856	1.9%	8,601,856	1.1%
JP Morgan	0	8,443,578	8,443,578	1.9%	8,443,578	1.1%
Didner & Gerge aktiefond	0	8,270,000	8,270,000	1.9%	8,270,000	1.0%
Nordea Group	47,400	6,599,496	6,646,896	1.5%	7,073,496	0.9%
State Of New Jersey Com Pens Fund D	0	6,244,331	6,244,331	1.4%	6,244,331	0.8%
First AP Fund	0	5,464,664	5,464,664	1.2%	5,464,664	0.7%
Total, fifteen largest shareholders	**35,985,100**	**242,426,061**	**278,411,161**	**62.6%**	**602,277,061**	**76.3%**
Other shareholders	2,371,445	163,706,987	166,078,432	37.4%	187,421,437	23.7%
TOTAL	**38,356,545**	**406,133,048**	**444,489,593**	**100.0%**	**789,698,498**	**100.0%**

*Investment AB Kinnevik includes: Industriförvaltningsaktiebolaget Kinnevik and Kinnevik International AB
**Emesco includes:Confidentia Förvaltnings AB, Investment AB Ementa and Emesco AB

CORPORATE GOVERNANCE REPORT

As of the 1st of July 2005 Tele2 applies the Swedish Code of Corporate Governance, “the Code”. Deviations from the Code are permitted but must be explained. The Corporate Governance Report is prepared in accordance with the provisions of the Code. The Corporate Governance Report is not a part of the formal annual report and has not been reviewed by the company’s auditor.

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

Openness and flexibility are two of Tele2’s most important values, which permeate the entire company and are reflected in the way the company has adopted the Code.

SHAREHOLDER INFORMATION

At the end of 2006, Tele2 AB had 43,397 shareholders according to the share register maintained by VPC. Tele2 fulfils the requirements of the Code as well as other acts and regulations applying to the company with regard to providing information to shareholders. This is primarily achieved by means of financial reports such as interim reports, full year report and annual report and by press releases. The company also carries out investor and analyst meetings. Tele2 regularly updates and improves its corporate web site and financial reports in order to increase understanding of the company’s strategies and results. For further shareholder information including information on share capital, voting rights, trade and market value, see the section “Shares and ownership structure”.

General Meeting

The General Meeting is, according to the Swedish Companies Act, the company’s highest decision-making body. The Annual General Meeting, the AGM, elects the Board and the company’s auditors, and moreover, amongst other things decides on changes in the Articles of Association. At the AGM shareholders are given the opportunity to speak, put forward proposals and pose questions to the Board and CEO. At the AGM the President and CEO submits reports on the company’s development.

THE NOMINATION PROCESS

The Nomination Committee

The Nomination Committee is a body of the AGM that prepares the Meeting’s recommendation on appointments with the aim of creating a good basis for the Meeting’s consideration of these issues. The tasks of the Nomination Committee include amongst other things:

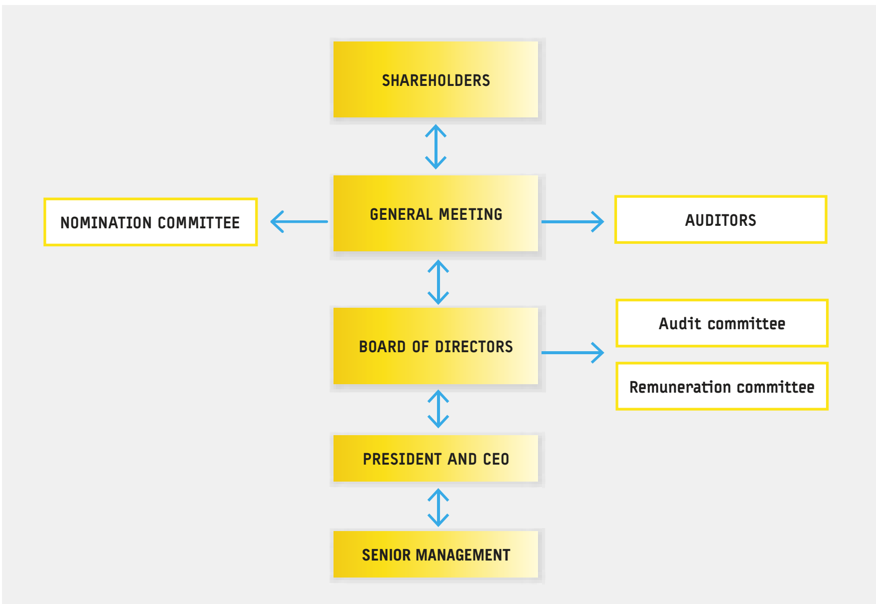
- evaluating the Board’s composition and work;
- submitting proposals to the AGM with regard to election of Directors of the Board and Chairman of the Board;
- preparing proposal regarding election of auditors in cooperation with the Audit Committee, when relevant;
- preparing proposals regarding fees to the Directors of the Board and to the auditors as well as preparing proposal of the Chairman for the AGM;
- preparing proposal for the administration and order of appointment of the Nomination Committee.

The principles for appointing members to the company’s Nomination Committee were determined at the AGM 2006. In accordance with these principles, the convener Cristina Stenbeck as representative of Tele2’s largest shareholder Investment AB Kinnevik and Emesco AB, contacted, during the third quarter 2006, the major shareholders, Peter van Berlekom as representative for Alecta, Annika Andersson as representative for the 4th Swedish National Pension Fund and Mats Guldbrand as representative for AMF Pension; all of whom came to constitute the members of the Nomination Committee. The Nomination Committee represents more than 50 percent of the voting capital in Tele2. The Board member Cristina Stenbeck has been appointed Chairman of the Nomination Committee, which deviates from what the Code prescribes. The other members of the Nomination Committee have declared their decision regarding election of the Chairman of the Nomination Committee as being in the best interest of all shareholders, and a natural consequence of the fact that Cristina Stenbeck represents the company’s major shareholders. Shareholders can submit proposals for a new Board to the Nomination Committee ahead of the AGM 2007.

Nomination of Board of Directors

The work of the Nomination Committee is aimed at ensuring that Tele2 has the best Board possible for securing the company’s long-term development. The Nomination Committee’s complete Board proposal is to be presented in the notice to the AGM 2007. As a basis for the Nomination Committee’s proposals, the Chairman of

GOVERNANCE STRUCTURE



THE BOARD'S COMPOSITION AND SHAREHOLDINGS IN TELE2 AB AS PER DECEMBER 31, 2006

Name	Function	Born	Nationality	Elected	Audit Committee	Remuneration Committee	Independent	Shareholding
Mia Brunell	Director	1965	Swedish	2006	–	Member	No	–
Vigo Carlund	Chairman	1946	Swedish	1995	–	Member	No	24,191
Donna Cordner[1]	Director	1956	American	2006	–	Chairman	Yes	–
John Hepburn	Director	1949	Canadian	2005	Member	Member	Yes	95,015
Daniel Johannesson	Director	1943	Swedish	2006	–	–	Yes	3,000
Jan Loeber	Director	1943	American	2004	Member	–	Yes	22,500
John Shakeshaft	Director	1954	British	2003	Chairman	–	Yes	–
Cristina Stenbeck	Director	1977	American	2003	–	–	No	–

the Board, Vigo Carlund, has presented the results of the evaluation of the Board and its Directors' performance in 2006. The Nomination Committee has worked on defining demand profiles for the individuals they consider needs to be recruited to the Board. The Nomination Committee's work has been carried out through a number of meetings and discussions.

No specific compensation has been made by Tele2 to any members in the Nomination Committee for their work.

Election of the company's auditors

At the AGM 2004, Deloitte AB, Sweden, was appointed as the company's audit firm until the AGM 2008. In the notice to the AGM 2008, the Nomination Committee will present its proposal for election of the auditors. The Nomination Committee will at that time be assisted by the Audit Committee in their work.

Election of the Nomination Committee

The Nomination Committee will present a proposal to the AGM 2007 of order for appointing a Nomination Committee ahead of the AGM 2008.

THE BOARD AS PER DECEMBER 31, 2006

According to Tele2's Articles of Association, the Board shall consist of at least five and maximum nine members. At the AGM 2006, Tele2's Board was appointed, consisting of eight members without deputies. Five board members were re-elected and Mia Brunell, Donna Cordner[1] and Daniel Johannesson were elected as new Board members. The AGM appointed Vigo Carlund as the Chairman of the Board and decided to establish a Remuneration Committee and an Audit Committee with the composition of both to be decided by the Board. At the constituent Board meeting following the AGM, the Board decided on the composition of the Remuneration Committee and the Audit Committee, and moreover, decided on the allotment of remuneration fee for committee work. These committees are the Board's preparatory bodies and do not reduce the Board's overall and joint responsibility for the handling of the company and the decisions made. All Board members have access to the same information, enabling them to be jointly and severally liable.

The Chairman of the Board and the Board members are compensated for their board work in accordance with the resolution passed at the AGM 2006, which means that the Board is compensated with a total of SEK 3,750,000 for the period until the AGM 2007 of which SEK 800,000 are allotted to the Chairman of the Board, SEK 400,000 to each other Board member, and a total of SEK 150,000 for work in the Board's committees, besides travelling expenses according to submitted invoices. There are no outstanding share- or share-price-related incentive programs for the Board.

The composition of the Board

The Board consists of eight members.[1] None of the Directors of the Board is part of senior management in the company nor is a union representative. Three of the eight (presently seven) Board members, i.e. Mia Brunell, Vigo Carlund and Cristina Stenbeck, are considered dependent of the company and its senior management. These three members are also considered dependent in relation to the company's major shareholders. The remaining five (presently four) Board members are considered independent both in relation to the company and its senior management as well as in relation to the company's major shareholders. 37,5% (presently 28,6%) of the Board's members are women.

The Board's responsibility and work procedures

In addition to the division of responsibility that generally applies according to the Swedish Companies Act, the annually determined work procedures and written instructions regulate the Board's work and the division of work between the Board on the one hand and the CEO and established committees on the other. The Board is responsible for Tele2's overall, long-term strategies and goals and it determines budgets and business plans, reviews and approves financial reports, adopts important guidelines, approves investment and personnel proposals, makes decisions in questions of acquisitions and disposals and monitors the CEO's work. The Board ensures the quality of the internal control functions, the financial reports and communicates with the company's auditors mainly through regular reports from the Audit Committee and the company's CFO. Further information about the way the Board ensures the quality of the internal controls, see under section "Internal Control Report".

Tele2 applies a structured and consistent process when preparing the financial reports, which are regularly inspected by senior group management and the Audit Committee to improve the quality of the reports and making sure that the reports are adapted to new accounting standards. According to Board instructions the Audit Committee meets with the CFO and the company's auditors a few days before the publication of each report to approve of the release of the report.

The Board's work in 2006

In the financial year 2006 the Board convened five times on different locations in Europe, whereof one session was a two-days strategy review meeting. In addition, seven per capsulam meetings and four telephone conference meetings were held. All Board members were present at the

[1] Donna Cordner was appointed new Executive Vice President Corporate Finance & Treasury in Tele2 on January 31, 2007, and resigned from the Board with immediate effect. Since then the Board consists of seven members.

Board meetings, with the exception of John Hepburn, Jan Loeber and Cristina Stenbeck who were absent from one meeting each. Each meeting followed an approved agenda and the agenda proposal and underlying documentation for each agenda item was sent to the Board well in advance of each meeting.

The Board makes its decisions following an open discussion led by the Chairman. The Board regularly deals with Tele2's strategic direction and financial goals, which questions the Board has devoted much time and effort to during the year. Some of the major decisions the Board has made during the year are: a number of acquisitions of Russian telecom operators; the disposal of the Czech business; the acquisition of 75.1% of E.ON Broadband; the decision to de-register Tele2 from SEC's regulation; the establishment of a joint-venture with QSC, Plusnet, Germany; the divestment of the French fixed line and broadband business and a goodwill write-down and; acquisition of 49% of Spring Mobil, Sweden. The Board has also dealt with questions regarding an improvement of the reporting of internal controls and the roll-out of an internal code of business ethics in the Tele2 group. Members of senior management have made presentations at Board meetings and the CEO has presented an update of relevant company information at every Board meeting. Moreover, the CEO has in monthly letters to the Board made sure that the Board has received the follow-up they need with regard to important events in the company. All Board members are educated and familiar with the Stockholm Stock Exchange's rules.

Evaluation of the Board

The Chairman of the Board supervises that an annual evaluation of the Board's work is performed, where the Board members are given the opportunity to share their views on working methods, board material, their own and other Board members' work as well as the extent of their assignment.

The Audit Committee

The Board appoints the members and the Chairman of the Audit Committee. At the constituent Board meeting in May 2006, following the AGM, the Board re-appointed John Shakeshaft as Chairman of the Audit Committee and John Hepburn and Jan Loeber as ordinary members.

The Audit Committee's work follows the written instructions and charter, which the Board has developed and determined. The committee's main task is to relieve and assist the Board in its supervision and review of the internal and external audit process as well as to review and ensure the quality of the company's financial reports before they are made public. Besides the supervision of the financial reporting and audit, the committee has been monitoring the company's internal control functions. The Board has delegated the following decision-making powers to the committee: the right to establish procedures for accounting, internal control and auditing issues; the right to determine the procedure for receiving and dealing with complaints received by the company with regard to accounting, internal audit controls or audit issues, and; the right to manage the procurement of audit services and approve the audit costs within the framework for the decision made by the General Meeting. In the financial year 2006, the committee has had four telephone conference meetings, which have been held in relation to the publication of the year end report and the interim reports. All committee members have been present at the meetings, with the exception of John Hepburn who has been absent from one meeting. The CFO and the company's auditors have been present at all meetings during 2006. The minutes of each respective committee meeting have been communicated to the Board.

The Remuneration Committee

The Board appoints the members and the Chairman of the Remuneration Committee. At the constituent Board meeting in May 2006, following the AGM the Board appointed Donna Cordner as Chairman of the committee and Mia Brunell and Vigo Carlund as ordinary members. In December 2006, the Board also appointed John Hepburn as new ordinary member of the committee. Following Donna Cordner's resignation from the Board 31 January 2007, the Board has elected Vigo Carlund as Chairman of the Remuneration Committee and appointed Daniel Johannesson as new ordinary member of the committee.

According to the Code, Vigo Carlund and Mia Brunell are not considered independent in relation to the company and its management or in relation to the company's major shareholders. The Board however considers that Vigo Carlund's Board chairmanship as well as his long-standing and extensive experience and knowledge in remuneration issues qualify him to be a most suitable committee member. Furthermore, the Board considers that Mia Brunell's experience and knowledge in remuneration issues will benefit the company and make her a most suitable committee member. The Code provisions notwithstanding, the Board believes that Vigo Carlund and Mia Brunell will be as free of conflict in the exercise of their responsibilities on the committee as if they were independent.[2]

The Remuneration Committee's work follows the written instructions and the charter determined by the Board. The Board has not delegated any decision-making powers to the committee. The committee's main work entails all aspects of remuneration and terms of employment for senior group management as well as to present recommendations to the Board regarding remuneration guidelines, strategy and regulations for this group of employees. The committee has prepared and submitted for approval to the Board a proposal for remuneration guidelines for the CEO and other executives, which will be presented by the Board at the AGM 2007. The Remuneration Committee met once in the financial year 2006, and all ordinary members were present at the meeting.

GROUP MANAGEMENT

The President and CEO, Lars-Johan Jarnheimer, was born in 1960 in Kalmar, Sweden and has a M.Sc. in BA. and Economics from Växjö University. Lars-Johan Jarnheimer has previously held positions at IKEA, H&M and has been the CEO of ZTV before starting at Comviq as deputy CEO in 1992. He was CEO of the company from 1993 until 1997 and thereafter became Market Area Director for SAAB Automobiles in the Nordic, Baltic and Russian regions from 1997 until 1998. He started his present position as President and CEO of Tele2 AB in March 1999. Lars-Johan Jarnheimer holds Board positions in the following external companies: Millicom International Cellular SA., Modern Times Group MTG AB, Arvid Nordquist Handels AB and INGKA Holding B.V., which is the parent company of IKEA. At the turn of the year 2006/2007, Lars-Johan Jarnheimer's ownership in Tele2 was: 6,000 B-shares and moreover 47,100 stock options in relation to the incentive program 2002–2007, and moreover 100,000 warrants and 200,000 stock options in relation to the incentive program 2006–2011. Lars-John Jarnheimer has no significant shareholding or partnership in companies with which Tele2 has significant business relations. Information on other senior executives can be found in Notes on personnel expenses and on pages 32–33.

Salary and other remuneration for senior executives

Remuneration issues concerning senior executives are prepared by the Board via the Remuneration Committee, which submits proposals of remuneration to the President and CEO and also defines guidelines for remuneration to senior group management

[2] Following Vigo Carlund's election as Chairman of the Remuneration Committee, the company, according to the Code provisions, no longer deviates from the Code and has to provide an explanation regarding his membership of the Remuneration Committee.

which the CEO applies following approval by the General Meeting. Incentive programs are prepared by the Remuneration Committee, which submits proposals to the Board, which in turn decides whether to bring the program to the General Meeting for resolution. At the AGM 2007 the Board will present a proposal of remuneration guidelines for group senior executives for approval by the Meeting.

Share- and share-price-related incentive programs

Tele2 has two outstanding incentive programs. For information concerning the incentive program 2002–2007 as well as the incentive program 2006–2011, see Notes on Personal Expenses and Tele2 corporate website www.tele2.com.

AUDITORS

At the AGM 2004, the registered audit firm Deloitte AB was appointed the company's auditors for a period of four years. The head of audit for Tele2, Jan Berntsson, succeeded Tommy Mårtensson at the AGM 2006 and apart from Tele2 is auditor for amongst others, ICA AB. He has no assignments in businesses that are related to Tele2's major owners or CEO. During the last three years, Deloitte has performed services for Tele2 other than the ordinary audit assignments with regard to audit related advice primarily in accounting issues, which scope of work is further described in Notes on Remuneration of auditors.

THE BOARD'S REPORT ON INTERNAL CONTROL

The Report on internal controls relating to the financial reporting of the financial year 2006, has been prepared and issued by the Board in accordance with the Code, the guidelines produced by FAR (Swedish Institute of Authorized Public Accountants) and the Confederation of Enterprise and furthermore by applying the transitional rules for 2006 issued by the Swedish Corporate Governance Board. The report describes the organisation of internal control relating to financial reporting. Internal control concerning financial reporting is a process which involves the Board, the company's senior management and other employees, and has been designed to secure the accuracy of the external financial reporting.[3] The internal control function can be divided into five areas, which are; control environment; risk assessment; control activities; information and communication and; follow-up; further described below.

Control environment

The basis of the internal control environment is the values that are the cornerstones of 'The Tele2 Way'. The Tele2 Way is the collective name for our mission, our values and our work procedures. For a fast-growing company, attitudes and values are just as important as competence and experience, and we are strongly committed to having operations which are marked by openness. This is reflected in our efforts of a strong unity and encouraging straight answers. All employees take part in a program aimed at regularly evaluating how well we are measuring up to our values.

The internal control environment relating to financial reporting is based on a clear division of roles and responsibilities in the organisation, established and communicated decision paths and assignment of authority and responsibility which are documented and communicated in Board instructions, guidelines, manuals, codes and accounting and reporting instructions. On group level a well defined "Finance Manual" is regulary updated and distributed to secure a correct, matched and unanimous financial reporting in all the group companies. The control of correct reporting takes place locally at first, then on market area level and finally on group level. The financial reporting is secured on these levels through current analyses of detailed monthly financial statements and also through a "hard close process" that well in time before the year end secures the quality of the annual accounts.

Risk assessment

The group management annually conducts an overall risk assessment relating to financial reporting. In addition, the internal audit conducts a comprehensive risk assessment that constitutes the basis of its annual audit plan.

The internal audit is mainly focused on operational auditing but it also covers processes that affect financial reporting and risks of irregularities. Group management's risk assessment as well as the internal audit plan are reviewed by the Audit Committee and the Board.

In the risk assessment Tele2 has identified a number of processes where the risk for a significant irregularity is relatively higher, dependent on the complexity of the process, or where the effects of possible mistakes run the risk of being important as the values of the transactions are high. These processes include for example the routines for reporting of acquired companies, valuation of intangible fixed assets and deferred taxes and disputes.

During the summer of 2006,Tele2 deregistered from the Securities and Exchange Commission, SEC, and is no longer required to follow the principles for following up internal controls in accordance with the Sarbanes-Oxley Act, SOX. Nevertheless there is comprehensive work in progress to document internal controls relating to financial reporting and introducing processes to allow regular evaluation of the effectiveness of such controls. The majority of the routines implemented in relation to SOX will to a large extent continue to be applied within the group.

Control activities

The risk assessment results in a number of control activities. The control activities aim at preventing, discovering and correcting mistakes and irregularities, and include for example analytical follow-up on decisions, a comparison between income statement items, check lists and automatically controls through IT systems. A division of work tasks is preferred so that different individuals conduct, respectively control, an element. The important control activities are documented and updated regularly.

Information and communication

The company has clear information and reporting channels, which form the basis of the internal review and external financial reporting. Manuals and guidelines of significance to financial reporting are regularly updated and communicated to the employees concerned. The group management and the Audit Committee report regularly to the Board in accordance with determined instructions. There are also guidelines which ensure that the company's external communication measures up to the high requirements for correct information.

Follow-up

The internal audit regularly reports to the Audit Committee and makes suggestions of improvements. The Board regularly evaluates the information it receives from group management and the Audit Committee. The company's financial situation is addressed at each Board meeting. The Audit Committee reviews every interim and annual report prior to publication. The company's financial reporting procedures are evaluated annually by group management to ensure that they cover all important areas which have a bearing on financial reporting. Recommendations arising from the internal and external audits are followed up regularly by group management and the Audit Committee. The company also applies a process in relation to the annual accounts whereby the CEOs and financial managers of subsidiaries submit representation letters, which deal with information of importance to the financial statements.

[3] Financial reporting includes interim reports, full year report and annual report.

BOARD OF DIRECTORS

as per December 31, 2006

VIGO CARLUND

Chairman of the Board
Born 1946
Elected 1995
He has since 1980 been CEO for various companies, such as Svenska Motor AB SMA, SMA Group USA, Korsnäs AB and Transcom Worldwide S.A. Between May 1999 until August 2006 he was the President and CEO of Investment AB Kinnevik.
Presently Chairman of the Board of Korsnäs AB, and moreover, Board member of Kinnevik Investment AB, Millicom International Cellular S.A., Modern Times Group MTG AB and Academic Work.

CRISTINA STENBECK

Born 1977
Elected 2003
B.Sc. in economics
Presently Vice Chairman of Investment AB Kinnevik and moreover Board member of Invik & Co. AB, Metro International S.A., Millicom International Cellular S.A., Modern Times Group MTG AB and Transcom WorldWide S.A.

JOHN SHAKESHAFT

Born 1954
Elected 2003
MA Cambridge University, UK.
Has worked as Executive Director at Morgan Stanley, 1990-1994, Managing Director and Partner at Barings Bank, 1995-2000. Managing Director and Partner at Lazard, 2000-2002, Managing Director and Partner at Cardona Lloyd, 2002-2004, and moreover, Managing Director of Financial Institutions, ABN AMRO, 2004-2006.
Presently Chairman of Altis Investment Management, Switzerland, and of The Alternative Theatre Company Ltd., and moreover supervisory Board member of the Economy Bank NV and Board member of Questair Inc. as well as member of the Audit Committee at Cambridge University.

MIA BRUNELL

Born 1965
Elected 2006
Studies in economics
Has held various positions in Modern Times Group MTG AB since 1992 before becoming CFO of the company in 2001-2006.
Presently President and CEO of Investment AB Kinnevik as of August 2006 and Board member of Invik & Co. AB, Metro International S.A., Transcom WorldWide S.A. and CTC Media, a Russian broadcast associate company of MTG.

JAN LOEBER

Born 1943
Elected 2004
MBA, George Washington University, USA, and B.sc. in Physics, Michigan Tech University, USA Has worked as President of Nokia North America, 1987-1990. Has founded and been President of Unitel UK (TMobile UK), 1990-1993, and Managing Director of Global Telecoms at Bankers Trust Company, London and New York, 1993-1994. Has founded and been President of GTS Carrier Services/EBONE, 1995-2000.
Presently advisor to and Chairman of Interxion Holding B.V. – SAMI, and moreover, Board member of Newfound Communication Inc.

DONNA CORDNER

Donna Cordner is not a Board member as of 31 January 2007 when she was appointed new Executive Vice President Corporate Finance & Treasury at Tele2.
Born 1956
Elected 2006
B.Sc. and Masters in International Studies. Has worked as Senior Vice president and Managing Director of Media and Communications at ABN AMRO Bank N.V., 1994-1998. Managing Director for Telecom and Media Project and Sectorial Finance for America, Société General, NY, 1998-2000. Managing Director, Global Head, Telecom and Media Structured Finance for Citigroup, NY, 2000-2003. Managing Director of HOFKAM Ltd., Uganda, 2003-2005.
Presently Board member of Millicom International Cellular S.A. and Senior Vice President for Unitus Inc. USA.

JOHN HEPBURN

Born 1949
Elected 2005
MBA, Harvard Business School and B.Sc. in Engineering Princeton University. Has held a number of positions at Morgan Stanley since 1976, amongst other positions, Managing Director, Morgan Stanley & Co. and Vice Chairman of Morgan Stanley Europe Limited.
Presently advisor to Morgan Stanley as well as Chairman the Board of Sportfact Ltd. and Vice Chairman of UKRD Ltd. and moreover Board member of Grand Hotel Holdings AB.

DANIEL JOHANNESSON

Born 1943
Elected 2006
B.Sc. in Economics and ISMP. Has worked as CEO of Investment AB Kinnevik, 1983–1992. CEO of Telenordia AB, 1995-1997. CEO of Telenor Bedrift A/S, 1997-1998. Director General of Swedish State Railways, SJ, 1998-2001. Executive Vice President of Skanska AB, 2001-2003.
Presently active as Chairman of the Board of Millicom International Cellular S.A. and Board member of Unibet Plc., UK, and Kentor AB.

LARS-JOHAN JARNHEIMER

President and CEO, Tele2 AB, since March 1999 (not a member of the Board)
Born 1960
M.Sc. in BA and Economics from Växjö University, Sweden
He has held various positions at IKEA, H&M and has been CEO of ZTV for a short time before joining Comviq as Vice President in 1992. President of Comviq 1993-1997 and President of Saab Automobiles in Nordic, Baltic and Russia 1997-1998.
He is a Board member of Millicom International Cellular S.A, Modern Times Group MTG AB, Arvid Nordquist Handels AB and INGKA Holding B.V. (parent company to IKEA).

From left standing: Lars-Johan Jarnheimer, Donna Cordner, John Hepburn, Jan Loeber, John Shakeshaft, Cristina Stenbeck, Daniel Johannesson.
From left sitting: Vigo Carlund, Mia Brunell .

SENIOR EXECUTIVES

LARS-JOHAN JARNHEIMER
President and CEO
M.Sc. in Ba and Econ.
Born 1960.
Joined company in 1992.
Holding: 6,000 B shares, 47,100 options[1], 100,000 warrants and 200,000 stock options[2]

ANDERS OLSSON
Executive Vice President, Sales & Marketing. Market Area Director, Central Europe, UK and Benelux.
M.Sc. in Ba and Econ.
Born 1969.
Joined company in 1997.
Holding: 47,100 options[1], 50,000 warrants and 100,000 stock options[2]

JOHNNY SVEDBERG
Executive Vice President, Operations. Market Area Director, Baltic & Russia.
B.Sc. in Market Economics.
Born 1962.
Joined company in 1990.
Holding: 3 A shares, 3,717 B shares, 50,000 warrants and 100,000 stock options[2]

ENE RAJA
Director, Customer Service.
MBA.
Born 1964.
Joined company in 1998.
Holding: 30,000 warrants and 60,000 stock options[2]

NICLAS PALMSTIERNA
Market Area Director, Nordic.
CEO of Tele2 Sweden.
M.Sc. in Ba and Econ.
Born 1973.
Joined company in 1999.
Holding: 3,771 B shares, 36,000 warrants and 72,000 stock options[2]

ANDREA FILIPPETTI
Market Area Director, Southern Europe. CEO of Tele2 Italy.
M.Sc. in Ba and Econ.
Born 1960.
Joined company in 2000.
Holding: 36,000 warrants and 72,000 stock options[2]

FREDRIK LINTON
Market Area Director, Services.
Director, Mergers & Acquisitions.
M.Sc. in Ba and Econ.
Born 1966.
Joined company in 2005.
Holding: 30,000 warrants and
60,000 stock options[2]

BJÖRN LUNDSTRÖM
Technical Director.
M.Sc. in Engineering.
Born 1965.
Joined company in 1991.
Holding: 20,000 warrants and
40,000 stock options[2]

BO LINDGREN
Human Resources Director
Behavioral scientist.
Born 1960.
Joined company in 2007.

ANDERS CANDELL
Director, Billing and IT.
M.Sc. in Engineering.
Born 1969.
Joined company in 2006.
Holding: 100 B shares

IB ANDERSEN
Director, Carrier Business.
Born 1955.
Joined company in 2000.
Holding: 30,000 warrants and
60,000 stock options[2]

KARL-JOHAN NYBELL
Director, Product Implementation
and New Markets.
M.Sc. in Engineering.
Born 1968.
Joined company in 1995.
Holding: 47,100 options[1],
30,000 warrants and 60,000 stock
options[2]

JOHAN HELLSTRÖM
Special Assignments
Officer training to rank of major.
Born 1964.
Joined company in 2006.

1) Relates to incentive program 2002-2007.
2) Relates to incentive program 2006-2011.

DIRECTORS' 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 2006.

Tele2 AB's shares are listed on the OMX Nordic Exchange Large Cap-list under the ticker symbols TEL2 A and TEL2 B. The fifteen largest shareholders at December 31, 2006 hold shares corresponding to 63% of capital and 76% of voting rights, of which Investment AB Kinnevik owns 28.2% of capital and 45.3% of voting rights.

OPERATIONS

Tele2 is Europe's leading alternative telecom operator. Our mission is to offer cheap and simple telecom at the market's best prices. We have 29 million customers in 22 countries and offer products and services in:

- mobile telephony
- broadband
- fixed telephony
- other operations

In 2006, Tele2 sharpened its focus on broadband and mobile telephony and also strengthened its offering to the corporate market. Tele2 regularly assesses the growth potential and profitability of its market areas.

Our work is marked by flexibility, openness and cost consciousness. This means that we are quick to adapt to customers' needs, we have a clear, simple organization and we always question every single cost.

Ever since Jan Stenbeck founded Tele2 in 1993, the company has been a tough challenger to the former government monopolies. Tele2 has been listed on the OMX Nordic Exchange Large Cap-list since 1996. In 2006, the company had an operating revenue of SEK 50 billion and EBITDA of SEK 5.7 billion.

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

Operating revenue

Tele2's operating revenue amounted to SEK 50,306 (2005: 44,457) million, an increase of 13.2% including, and 13.6% excluding, exchange rate effects. Organic growth was 4.5% including, and 5.7% excluding, exchange rate effects.

Customer intake and ARPU

Tele2 had a total of 29.1 (2005: 26.5) million customers at December 31, 2006. Net customer intake, excluding acquired and divested companies was 2.8 million customers compared with 3.6 million customers the previous year.

The Group's ARPU (average monthly revenue per user) was SEK 142 (2005: 145).

Operating profit

Operating profit before depreciation/amortization and results from shares in associated companies and joint ventures, EBITDA, was SEK 5,652 (2005: 5,772) million, with an EBITDA margin of 11.2% (2005: 13.0).

Operating profit, EBIT, was SEK –1,623 (2005: 2,814) million, which includes goodwill impairment losses of SEK 3,300 (2005: 278) million. EBIT without these impairment losses amounted to SEK 1,677 (2005: 3,092) million, which corresponds to an EBIT margin of 3.3% (2005: 7.0).

Net interest

Net interest expense and other financial items totaled SEK –557 (2005: –428) million. Exchange differences of SEK 67 (2005: –198) million were reported under net financial items, of which SEK –127 (2005: 124) million relates to exchange differences on intra-group balances. The average interest rate on outstanding liabilities was 4.2% (2005: 3.7%).

Profit after financial items, EBT, amounted to SEK –2,180 (2005: 2,386) million.

Tax

Tax on profit for the year was SEK –225 (2005: –550) million. Profit after tax was SEK –2,405 (2005: 1,836) million. Earnings per share amounted to SEK –5.13 (2005: 4.15) after dilution.

Investments

During 2006, Tele2 Group made investments of SEK 5,267 (2005: 3,139) million in intangible assets and tangible assets. Investments in shares in companies, excluding cash and cash equivalents at the time of acquisition, amounted to SEK 1,546 (2005: 7,751) million. Sales of shares amounted to SEK 31 (2005: 170) million.

Cash flow

Cash flow from operating activities, including discontinued operations, amounted to SEK 3,847 (2005: 5,487) million and cash flow after investments in intangible assets and tangible assets was SEK – 1,673 (2005: 1,847) million.

Cash flow in continuing operations expressed as EBITDA minus CAPEX amounted to SEK 385 (2005: 2,633) million. Investments (CAPEX) in cash flow, including discontinued operations, amounted to SEK – 5,520 (2005: – 3,640) million.

FINANCIAL OVERVIEW

SEK million	2006	2005	Change
CONTINUING OPERATIONS			
Operating revenue	50,306	44,457	13%
Number of customers (millions)	29.1	26.5	10%
ARPU, average monthly revenue per user (SEK)	142	145	
EBITDA	5,652	5,772	–2%
EBITDA margin	*11.2%*	*13.0%*	*–1.8%*
EBIT, Operating profit	–1,623	2,814	
Write-down of goodwill	–3,300	–278	
EBIT, adjusted for write-down of goodwill	1,677	3,092	
EBIT margin, adjusted for write-down of goodwill	*3.3%*	*7.0%*	*–3.7%*
EBT	–2,180	2,386	
Net profit/loss	–2,405	1,836	
Earnings per share after dilution (SEK)	–5.13	4.15	
Average interest rate, %	4.2%	3.7%	
TOTAL (INCLUDING DISCONTINUED OPERATIONS)			
Investments in intangible and tangible assets	5,365	3,750	
Investments in shares in companies, excluding cash and cash equivalents at the time of acquisition	1,546	7,751	
Cash flow from operations	3,847	5,487	
Cash flow after CAPEX	–1,673	1,847	

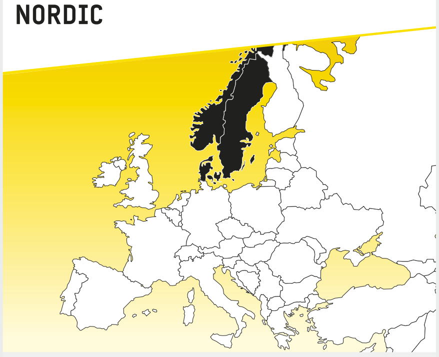
FIVE-YEAR SUMMARY

	2006	2005	2004	2003[1]	2002[1]
CONTINUING OPERATIONS (SEK MILLION)					
Operating revenue	50,306	44,457	36,613	31,452	27,052
Number of customers (by thousands)	29,050	26,501	23,762	18,558	13,981
EBITDA	5,652	5,772	5,554	4,775	4,808
EBIT	–1,623	2,814	3,286	970	1,251
EBT	–2,180	2,386	3,127	354	607
Net profit	–2,405	1,836	2,491	1,595	–93
KEY RATIOS					
EBITDA-margin, %	11.2	13.0	15.2	15.2	17.8
EBIT-margin	–3.2	6.3	9.0	3.1	4.6
VALUE PER SHARE (SEK)					
Earnings	–5.13	4.16	5.63	3.61	–0.21
Earnings, after dilution	–5.13	4.15	5.61	3.59	–0.21
TOTAL (INCLUDING DISCONTINUED OPERATIONS) (SEK MILLION)					
Shareholders' equity	29,123	35,368	32,900	30,360	28,728
Shareholders' equity, after dilution	29,137	35,401	32,965	30,422	28,743
Total assets	66,164	68,291	49,873	47,970	46,872
Cash flow from operating activities	3,847	5,487	5,876	5,974	4,365
Cash flow after CAPEX	–1,673	1,847	4,314	4,084	2,475
Available liquidity	5,963	8,627	5,113	3,444	2,332
Net borrowing	15,311	11,839	2,831	4,427	7,729
Investments in intangible and tangible assets, CAPEX	5,365	3,750	1,585	1,895	1,956
Investments in shares and other long-term receivables	1,616	7,953	1,653	727	599
Average number of employees	5,285	3,909	2,928	3,274	3,115
KEY RATIOS					
Equity/assets ratio, %	44	52	66	63	61
Debt/equity ratio, multiple	0.53	0.33	0.09	0.15	0.27
Return on shareholders' equity, %	–11.3	6.9	10.8	8.1	0.8
Return on shareholders' equity after dilution, %	–11.3	6.9	10.8	8.1	0.8
Return on capital employed, %	–5.3	8.2	12.1	5.0	3.9
Average interest rate, %	4.2	3.7	4.4	5.0	6.4
VALUE PER SHARE (SEK)					
Earnings	–8.14	5.30	7.74	5.42	0.50
Earnings, after dilution	–8.14	5.29	7.73	5.40	0.50
Shareholders' equity	64.85	78.96	74.32	68.63	64.98
Shareholders' equity, after dilution	64.84	78.93	74.29	68.56	64.89
Cash flow from operating activities	8.66	12.39	13.27	13.50	9.87
Dividend	1.83[2]	1.75	1.67	1.00	–
Redemption	–	–	3.33	–	–
Market price at closing day	100.00	85.25	87.00	128.00	76.83

1) 2002-2003 figures have not been restated for IFRS. As a result of the adoption of IFRS, the company no longer amortises goodwill. Consequently, the 2002 and 2003 figures include goodwill amortisation, whereas the figures for 2004 and beyond do not.

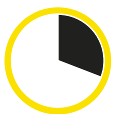
2) Proposed dividend.

NORDIC

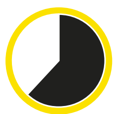


Country	Year of launch	Service
SWEDEN	1981	Mobile
	1993	Fixed
	1991	Broadband
NORWAY	2000	Mobile
	1996	Fixed
	1997	Broadband
DENMARK	2000	Mobile
	1996	Fixed
	1997	Broadband

SHARE OF THE GROUP'S OPERATING REVENUE
31%



SHARE OF THE GROUP'S EBITDA
62%

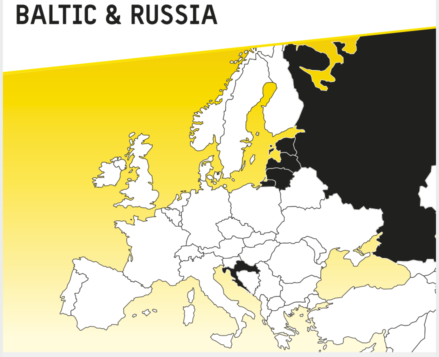


Nordic	2006	2005	Change
Operating revenue, SEK million	15,402	15,074	2%
EBITDA, SEK million	3,480	3,866	–10%
Net customer intake, thousands	–26	33	

IMPORTANT EVENTS

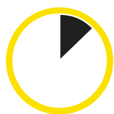
- Growth in Nordic increased during the year, particularly in mobile telephony and broadband.
- Tele2 completed the roll-out of its ADSL network in Sweden and strengthened its position in the Swedish broadband market by acquiring 75.1% of E.ON Bredband in the South of Sweden. In June, Tele2 launched commercial services over its own networks. The acquisition of 49% of the shares in Spring Mobil was clear evidence of the growing importance of the corporate segment in Sweden. Tele2 has also been awarded a number of important fixed and mobile telephony contracts. These include Volvo, SEB, the City of Stockholm and Stockholm County Council.
- Norway experienced strong customer intake and revenue growth, as a result of a commanding price position, effective customer service and simple sales channels. We continue to win market share in broadband and this growth will be consolidated by the roll-out of our own network.
- Danish operations continue to experience strong customer intake in mobile telephony.

BALTIC & RUSSIA

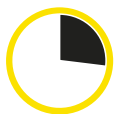


Country	Year of launch	Service
ESTONIA	1998	Mobile
	2000	Broadband
LATVIA	2000	Mobile
	2005	Broadband
LITHUANIA	1999	Mobile
	2005	Broadband
RUSSIA	2001	Mobile
	2004	Broadband
CROATIA	2005	Mobile

SHARE OF THE GROUP'S OPERATING REVENUE
13%



SHARE OF THE GROUP'S EBITDA
27%

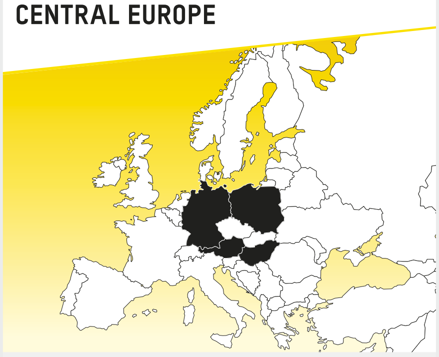


Baltic & Russia	2006	2005	Change
Operating revenue, SEK million	6,769	4,234	60%
EBITDA, SEK million	1,506	925	63%
Net customer intake, thousands	3,565	2,649	

IMPORTANT EVENTS

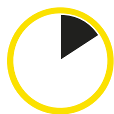
- Growth in operating revenue in the Baltic region continued to be strong in 2006, despite a higher degree of market saturation in mobile telephony and tougher competition.
- Estonia, Latvia and Lithuania continued their progress in the corporate area. Latvia had over 1.5 million subscriptions during the summer, while Lithuania had 1 million and Estonia 0.5 million.
- Russian operations achieved positive EBITDA figures in the first quarter, and margins improved in each quarter of the year. Tele2 retains its position as the fastest growing mobile telephony operator in Russia, with a significantly improved ARPU. The acquisition of four operators from MCT in Murmansk, Archangelsk, Komi and Novgorod enabled Tele2 to consolidate its position in the Russian market, where it is currently represented in 17 regions.
- Croatia continues to show positive customer intake and Tele2 has a market share of 7-8% after just one year.

CENTRAL EUROPE

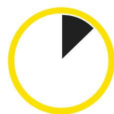


Country	Year of launch	Service
GERMANY	1998	Fixed
	2005	Broadband
AUSTRIA	2003	Mobile
	1998	Fixed
	2000	Broadband
POLAND	2003	Fixed
HUNGARY	2004	Fixed

SHARE OF THE GROUP'S OPERATING REVENUE
16%



SHARE OF THE GROUP'S EBITDA
13%

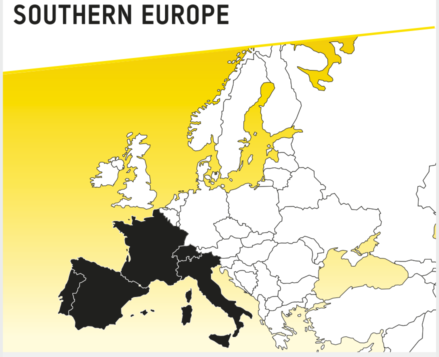


Central Europe	2006	2005	Change
Operating revenue, SEK million	8,121	8,378	–3%
EBITDA, SEK million	761	595	28%
Net customer intake, thousands	–286	907	

IMPORTANT EVENTS

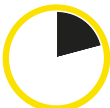
- During the year, Tele2 and QSC created a company called Plusnet under a joint venture. Plusnet will increase Tele2's scope for cross-selling from its large fixed telephony customer base. Tele2's attractive price plans have enhanced its position in the broadband market.
- Tele2 has continued to roll out its broadband network in Austria, which now covers 56% of the private market and 61% of the corporate market.
- Tele2 has launched its fixed subscription service in Poland, which means that customers only receive one bill for their fixed telephony services.
- Tele2 has sold its Czech Republic operations to Radiokomunikace A.S., as a result of an unsatisfactory regulatory situation.

SOUTHERN EUROPE



Country	Year of launch	Service
ITALY	1999 2003	Fixed Broadband
SPAIN	2001 2004	Fixed Broadband
FRANCE	2005	Mobile
SWITZERLAND	2000 1998 2003	Mobile Fixed Broadband
PORTUGAL	2003 2007	Fixed Broadband

SHARE OF THE GROUP'S OPERATING REVENUE
21%



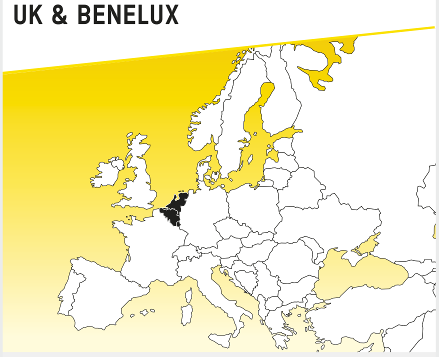
SHARE OF THE GROUP'S EBITDA
–17%

Southern Europe	2006	2005	Change
Operating revenue, SEK million	10,352	8,772	18%
EBITDA, SEK million	–954	90	N/A
Net customer intake, thousands	2	286	

IMPORTANT EVENTS

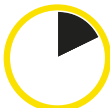
- In Italy, we introduced services over our own ULL network, with more than 500 finished base stations, during September. The result is that cheap and simple telecommunications are now available to even more customers in Italy.
- Tele2 is rolling out its own broadband network in Spain and expanding its network coverage to 60% of households and 70% of SMEs in 2006 and 2007.
- Tele2 has entered into an agreement to sell its French fixed telephony and broadband operations to SFR. MVNO operations are still strong and Tele2 retains its position as the number one alternative operator.
- In Switzerland, Tele2 has signed a national roaming agreement with Sunrise, enabling it to offer attractive mobile telephony prices throughout Switzerland, including the city network in Zurich.
- In Portugal, Tele2's ULL network now has over 100 base stations. Tele2 expects to be able to sell its services over its own ULL network from January 2007.

UK & BENELUX

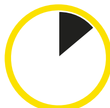


Country	Year of launch	Service
NETHERLANDS	2001 1997 2001	Mobile Fixed Broadband
LUXEMBOURG	1998 1999 2002	Mobile Fixed Broadband
LIECHTENSTEIN	2000 2001 2003	Mobile Fixed Broadband
BELGIUM	1998 2001	Fixed Broadband

SHARE OF THE GROUP'S OPERATING REVENUE
18%



SHARE OF THE GROUP'S EBITDA
14%



UK & Benelux	2006	2005	Change
Operating revenue, SEK million	9,055	7,406	22%
EBITDA, SEK million	816	240	240%
Net customer intake, thousands	–477	–254	

IMPORTANT EVENTS

- In the Netherlands and Belgium, Tele2 has successfully continued its migration of customers from fixed telephony to double and triple play products, thereby attracting new customers to Tele2 Complete and Tele2 All In.
- MVNO operations in the Netherlands are producing positive EBITDA figures, and pay-as-you-go customers are continuing to migrate to subscription arrangements, resulting in a higher ARPU.
- In Luxembourg , Tele2 launched national broadband coverage during the year.

SERVICES

The Services market area encompasses 3C, Datametrix, Procure IT Right, Radio Components and UNI2, with a number of these operating in several countries.

SHARE OF THE GROUP'S OPERATING REVENUE
1%

SHARE OF THE GROUP'S EBITDA
1%

Services	2006	2005	Change
Operating revenue, SEK million	607	593	2%
EBITDA, SEK million	43	56	–23%

IMPORTANT EVENTS

- Datametrix and UNI2 together showed growth of over 10%. New products, such as Standard Invoice and a Remote Backup were launched during the year.
- 3C was the first company in credit and debit card solutions to launch a fully integrated chip and pin solution for parking in the UK. We expect the competitive situation to change in 2007, partly due to continuing consolidation in the banking industry.
- Procure IT right (PIR) has provided procurement services for an increasing number of external customers both in telecom and other sectors such as energy.
- Radio Components, continuing its efforts to improve product quality, launched a booster based on EDGE technology in 2006. Contacts with new customers have been intensified and sales initiatives should hopefully bear fruit in 2007.

ACQUISITIONS AND DIVESTMENTS

On July 18, 2006, Tele2 acquired all the shares in four GSM operators in Northwest Russia, for SEK 260 million. On August 1, 2006, Tele2 acquired 75.1% in Tele2 Syd AB (formerly E.ON Bredband Sverige AB), a leading broadband provider in the South of Sweden, for SEK 486 million. On October 23, 2006 (completed in December 2006) Tele2 acquired 49% in Spring Mobile, which has the fourth Swedish GSM license and focuses on the growing fixed-to-mobile market for enterprises, for SEK 38 million. During the year Tele2 also acquired the remaining shares in five of its Russian operations (Belgorod, Smolensk, Lipetsk, St Petersburg and Omsk), for SEK 310 million.

During the third quarter, Tele2 and QSC created a company called "Plusnet", which has a substantial unbundled local loop broadband network in Germany. Tele2 has invested SEK 471 million in this company, of which Tele2 owns 32.5%, to finance its expansion.

On October 3, 2006, Tele2 announced the divestment of its fixed and broadband operations in Tele2 France to SFR for approximately SEK 3.3 billion on a debt free basis. Tele2's French mobile business is being retained by Tele2. The agreement is subject to clearance from the EU competition authorities and the sale is expected to be closed during 2007. The divestment has been reported separately as a discontinued operation in the income statement, with retrospective effect for previous periods, and in the balance sheet from September 30, 2006. On June 1, 2006, Tele2 divested its fixed telephony operation in the Czech Republic.

Further information on acquisitions and divestments can be found in Note 16.

ENVIRONMENT AND HEALTH

Tele2's work on environmental issues permeates the entire organization. Tele2 closely follows Swedish and international research in mobile telephony and is an active participant in HSE debate.

Tele2's environmental programs are governed by legal requirements and are based on appraisal of technical viability and economic feasibility.

EMPLOYEES

Tele2 had 5,479 (4,965) employees at the end of the year. The increase is largely due to Russia taking over existing personnel in acquired companies and new appointments. See also Note 35 Number of employees and Note 36 Personnel costs.

A survey is conducted each year to measure employees' level of satisfaction with regard to involvement in the company and control over their working situation. Tele2 creates individual development plans and arranges various internal programs and training schemes for its employees. We also arrange regular evaluations and performance appraisals which deal with goal fulfillment, planning and future input.

DISPUTES AND DAMAGES

Tele2 is involved in a number of tax disputes, with a dispute from 2003 of SEK 3,910 million the largest of these. The tax authority has questioned the calculated fair market value of SEC SA in conjunction with a restructuring program in 2001. In 2004, the local tax authorities reconsidered their decision and in doing so clarified the grounds for their decision. Nothing has emerged during the year to change Tele2's opinion that the company has fulfilled all possible requirements for its entitlement to the deduction claimed and an appeal against the result of the reconsideration has therefore been lodged with the county administrative court. Further information can be found in Note 13.

Tele2 has for a number of years had several disputes with TeliaSonera with regard to the pricing of interconnect rates in mobile telephony. On February 8, 2007, the Swedish Administrative Court of Appeal ruled against Tele2 regarding the interconnect cases between 2000 and 2004, (although the verdict was not unanimous). This was after a positive ruling from the Swedish County Administrative Court. Tele2 is now evaluating the verdicts and is considering seeking leave to appeal in the Supreme Administrative Court, among other things based on the outcome of the earlier verdicts and the fact that the Swedish Administrative Court was not unanimous. The maximum cost may be slightly less than SEK 200 million. An estimate of the most likely outcome of each dispute has been made and the income statement has been prepared on the basis of this. There are ongoing disputes in other countries, and Tele2 negotiates prices routinely in all its markets.

RISKS 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.

Changes in regulatory legislation in telecommunication services

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

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

Increased competition

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

Introduction of new services

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

Ability to attract and retain customers

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

Legal proceedings

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

Financial Risk Management
Through its operations, the Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to group staff. The aim is to minimize the group's capital costs through appropriate financing and effective management and control of the Group's financial risks. Further information on financial risk management can be found in Note 38.

EVENTS AFTER THE END OF THE FINANCIAL YEAR
On January 26, 2007 Tele2 announced that it agreed with Versatel on the sale and transfer of all shares in the capital of Tele2 Netherlands B.V. and Tele2 Belgium N.V. for the aggregate purchase price of EUR 200 million (on a cash and debt free basis and subject to certain adjustments). Versatel intends to issue new shares for the purpose of financing the acquisition of Tele2 Netherlands B.V. and Tele2 Belgium N.V. Tele2 Finance B.V. has undertaken to underwrite the complete offering from Versatel. On March 6, 2007 Tele2 announced that the sale and the new share issue has been closed.

On March 12, 2007, Tele2 announced the divestment of 100% of the shares in the Norwegian subsidiary Datametrix AS to Ignis ASA.

WORK OF THE BOARD OF DIRECTORS
At the Annual General Meeting in May 2006, Mia Brunell, Donna Cordner and Daniel Johannesson were appointed as new Board members, Sven Hagströmer and Marc Beuls left the Board while other Board members were re-elected. In addition, Vigo Carlund was appointed as Chairman of the Board of Directors. In early 2007, Donna Cordner resigned from the Board with immediate effect, in order to take up the appointment of Executive Vice President for Corporate Finance & Treasury.

The Board is responsible for the company's organization and management, and is composed in such a way as to enable it to effectively support and manage the responsibility of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, corporate transactions, major investments, and establishes the framework of Tele2's operations by defining the company's financial goals and guidelines. The Board held 16 meetings during the year, seven of which were per capsulam meetings.

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

The Nomination committee's work is aimed at ensuring that Tele2 has the best possible Board for the company's long-term development. The work of the Remuneration Committee includes salary matters, pension conditions, bonus systems and other terms of employment for the CEO and other senior executives. The Audit Committee's role is to maintain and improve the efficiency of contact with the Group's auditors and to supervise the procedures for accounting and financial reporting and auditing within the Group.

PARENT COMPANY
The parent company performs functions and conducts certain group-wide development projects. In 2006, the parent company paid a dividend of SEK 1.75 per share, corresponding to a total of SEK 777 million, to shareholders.

PROPOSED APPROPRIATION OF PROFIT
The Board and CEO propose that, from the SEK 3,627,227,329 at the disposal of the Annual General Meeting, a dividend of SEK 1.83 per share be paid to shareholders (corresponding to SEK 813,415,955 at December 31, 2006) and that the remaining amount, SEK 2,813,811,374, be carried forward. The total dividend paid will be dependent on the redemption of options, which is in progress, up to the record day.

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

CONTENTS FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK million	Note	2006	2005
CONTINUING OPERATIONS			
Operating revenue	4	50,306	44,457
Cost of services sold	5	–30,931	–26,401
Write-down of goodwill	5, 14	–3,300	–278
Gross profit		**16,075**	**17,778**
Selling expenses		–13,719	–11,206
Administrative expenses		–3,873	–3,849
Other operating revenue	6	100	231
Other operating expenses	7	–71	–40
Result from shares in associated companies and joint ventures	8	–135	–100
Operating profit/loss	5	**–1,623**	**2,814**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Interest income	9	146	44
Interest costs	10	–738	–286
Other financial items	11	35	–186
Profit/loss after financial items		**–2,180**	**2,386**
Tax on profit/loss for the year	13	–225	–550
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		**–2,405**	**1,836**
DISCONTINUED OPERATIONS			
Net profit/loss from discontinued operations	39	–1,335	505
NET PROFIT/LOSS	2, 3	**–3,740**	**2,341**
ATTRIBUTABLE TO			
Equity holders of the parent company		–3,615	2,347
Minority interest		–125	–6
NET PROFIT/LOSS		**–3,740**	**2,341**
Earnings per share, SEK	25	–8.14	5.30
Earnings per share after dilution, SEK	25	–8.14	5.29
FROM CONTINUING OPERATIONS			
Earnings per share, SEK		–5.13	4.16
Earnings per share after dilution, SEK		–5.13	4.15
Number of shares	25	444,489,593	443,652,832
Number of shares, weighted average	25	444,129,836	442,842,576
Number of shares after dilution	25	444,614,065	443,980,845
Number of shares after dilution, weighted average	25	444,353,295	443,391,246

CONSOLIDATED BALANCE SHEET

SEK million	Note	Dec. 31, 2006	Dec. 31, 2005
Assets			
FIXED ASSETS			
INTANGIBLE ASSETS			
Goodwill	14	18,491	26,623
Other intangible assets	14	3,353	4,202
Total intangible assets		**21,844**	**30,825**
TANGIBLE ASSETS			
Machinery and technical plant	15	14,042	12,556
Other tangible assets	15	2,017	1,980
Total tangible assets		**16,059**	**14,536**
FINANCIAL ASSETS			
Shares in associated companies and joint ventures	17	802	439
Other financial assets	18	74	82
Total financial assets		**876**	**521**
DEFERRED TAX ASSETS	13	4,986	5,281
TOTAL FIXED ASSETS		**43,765**	**51,163**
CURRENT ASSETS			
MATERIALS AND SUPPLIES	19	424	516
CURRENT RECEIVABLES			
Accounts receivable	20	7,645	6,726
Current tax receivables		148	149
Other current receivables	21	1,141	1,172
Prepaid expenses and accrued income	22	4,046	4,593
Total current receivables		**12,980**	**12,640**
SHORT-TERM INVESTMENTS	23	1,988	1,199
CASH AND CASH EQUIVALENTS	24	2,619	2,773
TOTAL CURRENT ASSETS		**18,011**	**17,128**
ASSETS CLASSIFIED AS HELD FOR SALE	39	4,388	–
TOTAL ASSETS	2, 3	**66,164**	**68,291**

SEK million	Note	Dec. 31, 2006	Dec. 31, 2005
Shareholders' equity and liabilities			
SHAREHOLDERS' EQUITY			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	25	556	555
Other paid-in capital		16,880	16,819
Reserves		201	2,035
Retained earnings		11,163	15,556
Total attributable to equity holders of the parent company		**28,800**	**34,965**
MINORITY INTEREST		323	403
TOTAL SHAREHOLDERS' EQUITY		**29,123**	**35,368**
LONG-TERM LIABILITIES			
INTEREST-BEARING			
Liabilities to financial institutions and bond holders'	26	12,419	8,633
Provisions	27	181	105
Other interest-bearing liabilities	28	450	819
Total interest-bearing liabilities		**13,050**	**9,557**
NON-INTEREST-BEARING			
Deferred tax liability	13	1,342	1,759
Provisions	27	1	114
Total non-interest-bearing liabilities		**1,343**	**1,873**
TOTAL LONG-TERM LIABILITIES		**14,393**	**11,430**
SHORT-TERM LIABILITIES			
INTEREST-BEARING			
Liabilities to financial institutions and bond holders'	26	6,231	5,812
Provisions	27	31	17
Other interest-bearing liabilities	28	645	447
Total interest-bearing liabilities		**6,907**	**6,276**
NON-INTEREST-BEARING			
Accounts payable		5,343	6,581
Current tax liabilities		1,007	396
Provisions	27	109	234
Other short-term liabilities	29	509	585
Accrued expenses and deferred income	30	7,256	7,421
Total non-interest-bearing liabilities		**14,224**	**15,217**
TOTAL SHORT-TERM LIABILITIES		**21,131**	**21,493**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	39	1,517	–
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2, 3	**66,164**	**68,291**

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	2006	2005
OPERATING ACTIVITIES			
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL			
Operating profit/loss from continuing operations		–1,623	2,814
Operating profit from discontinued operations	39	231	696
Operating profit/loss		**–1,392**	**3,510**
Adjustments for non-cash items in operating profit/loss			
Depreciation and amortization		3,945	2,664
Write-downs		3,333	304
Result from shares in associated companies and joint ventures		135	100
Net capital gain/loss on sale of fixed assets		–25	–130
Finance leases		–	–3
Exchange rate difference		–60	–74
Interest received		150	70
Interest paid		–530	–225
Finance costs paid		–15	–6
Dividend received		–	1
Taxes paid		–562	–552
Cash flow from operations before changes in working capital	34	**4,979**	**5,659**
CHANGES IN WORKING CAPITAL			
Materials and supplies		18	–158
Operating assets		–1,423	–918
Operating liabilities		273	904
Changes in working capital	34	**–1,132**	**–172**
CASH FLOW FROM OPERATING ACTIVITIES		**3,847**	**5,487**
INVESTING ACTIVITIES			
Acquisition of intangible assets	34	–324	–740
Sale of intangible assets	34	7	7
Acquisition of tangible assets	34	–5,229	–2,915
Sale of tangible assets	34	26	8
Acquisition of shares in group companies (excluding cash)	16	–1,346	–7,720
Sale of shares in group companies		31	148
Sale of other securities		–	22
Other long-term lending		–309	–398
Other payments from long-term lending		208	26
Cash flow from investing activities		**–6,936**	**–11,562**
CASH FLOW AFTER INVESTING ACTIVITIES		**–3,089**	**–6,075**
FINANCING ACTIVITIES			
Proceeds from credit institutions and bond holders'		4,811	11,306
Repayment of loans from credit institutions and bond holders'		–712	–2,049
Proceeds from other interest-bearing liabilities		10	–
Repayment of other interest-bearing lending		–334	–201
Dividends and redemption procedure		–777	–2,213
New share issues		58	59
Shareholder contribution from minority		–	38
Cash flow from financing activities		**3,056**	**6,940**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–33**	**865**
Cash and cash equivalents at beginning of the year	24	2,773	1,783
Exchange rate difference in cash	24	–121	125
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	**2,619**	**2,773**

Cash flow from discontinued operations, please refer to Note 39.
For additional cash flow information, please refer to Note 1 and Note 34.

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK million	Note	Attributable to equity holders of the parent company: Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Minority interest	Total share-holders' equity
Shareholders' equity at January 1, 2005		**738**	**16,577**	**59**	**140**	**15,384**	**32,898**	**2**	**32,900**
ITEMS RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUTIY									
Exchange rate difference		–	–	–183	1,917	–	1,734	–1	1,733
Exchange rate difference, tax effect		–	–	60	42	–	102	–	102
Total items recognized directly in shareholders' equity		**–**	**–**	**–123**	**1,959**	**–**	**1,836**	**–1**	**1,835**
Net profit/loss		–	–	–	–	2,347	2,347	–6	2,341
Total for the year		**–**	**–**	**–123**	**1,959**	**2,347**	**4,183**	**–7**	**4,176**
OTHER CHANGES IN SHAREHOLDERS' EQUITY									
New share issues		1	58	–	–	–	59	–	59
Dividends and redemption procedure		–184	184	–	–	–2,213	–2,213	–	–2,213
Minority's share in acquired companies		–	–	–	–	–	–	408	408
Shareholder contribution from minority		–	–	–	–	38	38	–	38
SHAREHOLDERS' EQUITY, AT DECEMBER 31, 2005		**555**	**16,819**	**–64**	**2,099**	**15,556**	**34,965**	**403**	**35,368**
Shareholders' equity at January 1, 2006		**555**	**16,819**	**–64**	**2,099**	**15,556**	**34,965**	**403**	**35,368**
ITEMS RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY									
Exchange rate difference		–	–	624	–2,158	–	–1,534	–2	–1,536
Exchange rate difference, tax effect		–	–	–175	–120	–	–295	–	–295
Cash flow hedges	26	–	–	–7	–	–	–7	–	–7
Cash flow hedges, tax effect		–	–	2	–	–	2	–	2
Total items recognized directly in shareholders' equity		**–**	**–**	**444**	**–2,278**	**–**	**–1,834**	**–2**	**–1,836**
Net profit/loss		–	–	–	–	–3,615	–3,615	–125	–3,740
Total for the year		**–**	**–**	**444**	**–2,278**	**–3,615**	**–5,449**	**–127**	**–5,576**
OTHER CHANGES IN SHAREHOLDERS' EQUITY									
Issue of warrants		–	7	–	–	–	7	–	7
Costs for stock options		–	4	–	–	–	4	–	4
New share issues		1	50	–	–	–	51	–	51
Dividends		–	–	–	–	–777	–777	–	–777
Minority's share in acquired companies		–	–	–	–	–	–	61	61
Purchase of minority		–	–	–	–	–	–	–14	–14
Round off		–	–	–	–	–1	–1	–	–1
SHAREHOLDERS' EQUITY, AT DECEMBER 31, 2006		**556**	**16,880**	**380**	**–179**	**11,163**	**28,800**	**323**	**29,123**

From the exchange rate differences, SEK 356 million relates to assets and liabilities held for sale.

ACCOUNTING POLICIES AND OTHER INFORMATION

NOTE 1 Accounting principles and other information

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) at the date of publication of this annual report, as adopted by EU. The Group also applies the Swedish Financial Accounting Standards Council's recommendation RR30:05, *Supplementary Rules for Consolidated Financial Statements*, which specifies additional information required under the Swedish Annual Accounts Act.

During the year, Tele2 adapted its accounting principles in line with the Amendment to IAS 39 – Financial Guarantee Contracts. This did not have any material effect on the balance sheet. In order to comply with IFRIC 4 *Determining Whether an Arrangement Contains a Lease* (effective from 2006), intangible and tangible fixed assets totaling SEK 266 million have been reclassified in the previous year's balance sheet. Tele2 has a number of long-term capacity utilization agreements with other operators, which are classified as Indefeasible Rights of Use (IRU). These come under IFRIC 4 and IAS 17 and are reported as finance leases in most cases.

With effect from 2006, Tele2 has also elected to classify restricted cash & cash equivalents retrospectively (SEK –1,206 million) as financial assets (SEK 7 million) or short-term investments (SEK 1,199 million) in order to adapt its reporting to generally accepted practice. The reclassification has changed the cash flow statement as follows: investing activities (SEK –386 million), financing activities (SEK –455 million), cash and cash equivalents (SEK –365 million).

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

IFRS 6 *Exploration for and Evaluation of Mineral Resources* and IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (effective date January 1, 2006) do not apply to Tele2's operations.

IFRIC 6 *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* was issued during the year, to be applied from 2006. This did not affect Tele2.

NEW REGULATIONS

The International Accounting Standards Board (IASB) has issued IFRS 7 *Financial Instruments: Disclosures* and an amendment to IAS 1 *Presentation of Financial Statements*, containing additional requirements for capital disclosures. The new standards, which have been adopted by the EU, are effective for annual periods beginning on or after January 1, 2007. IFRS 7 will be applied prospectively and will not require any adjustment to reported figures and the measurement of financial instruments. However, the company is now subject to additional requirements to those contained in IAS 32. The amendment to IAS 1 will be applied prospectively and will require additional disclosures on external financing.

The IASB has also issued IFRS 8 *Operating Segments* (effective date January 1, 2009). IFRS 8 replaces IAS 14 *Segment Reporting* and has yet to be adopted by the EU. The main change from IAS 14 is that reported segments and applied accounting principles are based on assessments by a company's chief operating decision maker. IFRS 8 also contains additional disclosure requirements to those in IAS 14. These are not expected to make any material difference to Tele2.

IFRIC has issued IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (effective for annual periods beginning on or after March 1, 2006), IFRIC 8 *Scope of IFRS 2* (effective for annual periods beginning on or after May 1, 2006) and IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after June 1, 2006). These have all been adopted by the EU.

IFRIC has also issued the following interpretations which have not yet been adopted by the EU: IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after November 1, 2006), IFRIC 11 *IFRS 2 Group and Treasury Share Transactions* (effective for annual periods beginning on or after March 1, 2007) and IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008).

IFRIC 10, which will be applied prospectively, does not allow an entity to reverse in a subsequent period an impairment loss on goodwill or an investment in an equity instrument that it had recognized in a prior interim period.

IFRIC 7–9 and IFRIC 11–12 are not relevant to Tele2's operations.

CONSOLIDATION

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

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

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

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

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

ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are companies in which the holding is considered to be long-term and Tele2 has voting power of between 20% and 50% or in some other way has significant influence. Joint ventures are companies over which the owners have a joint control.

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

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

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

REVENUE RECOGNITION

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

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

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

Continued Note 1

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 5 and the total personnel costs are presented in Note 36.

Cost of services sold

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

Selling expenses

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

Administrative expenses

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

Other operating revenues and other operating expenses

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

The group accounts also include capital profit/loss on the sale of subsidiaries and associated companies and joint ventures.

NUMBER OF EMPLOYEES, SALARY AND REMUNERATION

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

The number of employees as well as salaries and remuneration are not reported by country, but categorized and presented by market area in order to promote clarity and provide a more true and fair view which complies with other parts of the annual report and allows comparison with operating revenue and other income statement items.

SHARE-BASED PAYMENTS

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

Tele2 has chosen to use IFRS 1's exemption rule with regard to share-based payments. IFRS 2 Share-Based Payments is therefore not applied to the incentive programs that were granted before November 7, 2002 and were vested prior to January 1, 2005. For these incentive programs, previous accounting principles are applied which means that the premium paid by the employees upon exercise is reported directly against shareholders' equity. To the extent that the instrument's actual value exceeds the premium, no cost has been charged to the income statement.

For other incentive programs, the fair value, calculated at the date of grant, of the allotted options and other share-based instruments are charged over the vesting period. Possible influence of non market-related conditions for earnings has been excluded. Payments received, after deductions for any costs directly related to transactions, are credited to shareholders' equity.

PENSIONS

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

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

CORPORATE INCOME TAX

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

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

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

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

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

REPORTING DISCONTINUED OPERATIONS

A discontinued operation (Note 39) is a component of an entity which either has been disposed of or is classified as held for sale, and represents a separate line of business or geographical area of operation. A discontinued operation is reported separately from continuing operations, and must list figures for current and prior periods.

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

EARNINGS PER SHARE

Earnings per share after dilution (Note 25) is calculated according to a method where the redemption price of outstanding options is compared to the average market value of Tele2's shares during the financial period.

FIXED ASSETS

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

Intangible assets:	
Licenses, utilization rights and software	1–23 years
Interconnection agreements	5–10 years
Customer agreements	4 years
Tangible assets:	
Buildings	5–40 years
Modem	3 years
Machinery and technical plant	2–25 years
Equipment and installations	2–10 years

Continued Note 1

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

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

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

Intangible assets

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

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

Goodwill has been allocated to the cash generating units that are expected to obtain benefits as a result of the acquisition and is, along with the intangible assets with indefinite lives and intangible assets that are not put to use, subject to annual impairment testing even if there is no indication of a fall in value. Impairment testing of goodwill is at the lowest level where separable cash flows are identified. The value of the respective cash generating unit is based on the estimated value in use. The most important factors that have influenced the 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 shall be allocated to the relevant units. The allocation is based on the value of the part of the cash generating unit to which the reorganization or divestment relates, and the part that remains after the reorganization or the divestment.

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

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

Tangible assets

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

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

Additional expenses for extension and value-increasing improvements to the asset's original condition are capitalized, while additional expenses for repairs and maintenance are charged to income during the period in which they arise.

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

Modem expenses are capitalized and amortized over a period of three years.

Loan expenses

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

Leases

Leases are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the consolidated accounts, each asset is recorded as a tangible asset, and a corresponding amount is entered as a lease obligation under liabilities (Note 15 and Note 28). The asset is depreciated on a straight-line basis over the utilization period, with the estimated residual value deducted at the end of the utilization period. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. A lease is classified as an operating lease if substantially all the economic risks and rewards of ownership of an asset remain with the leasing company. Payments are expensed in the income statement on a straight-line basis over the leasing period.

Dismantling costs

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

FINANCIAL ASSETS AND 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 instruments are initially recognized at acquisition value and then updated on a continuous basis to fair value or amortized cost based on the initial categorization.

Measurement of the fair value of financial instruments

Market values on the balance sheet date are used to measure the fair value of loan liabilities (fixed interest). Where market values are not available, the fair value is measured using generally accepted methods, such as discounting expected future cash flows at prevailing interest rates. Amounts are translated to SEK at the exchange rate prevailing on the balance sheet date.

Other long-term securities

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

Receivables

Tele2's accounts receivable and other receivables are categorized as "Loan receivables and other receivables" and reported on a continuous basis at accrued acquisition value, which corresponds to their nominal amounts. On each closing day, a revaluation is made of these assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances as well as current investments with a maturity of less than three months.

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

Financial liabilities

Financial liabilities not included in hedge accounting are reported and measured at amortized cost using the effective interest method. Direct costs related to the origination of loans are included in the acquisition value. Financial liabilities in foreign currency are translated at the closing exchange rate.

Hedge accounting

Changes in fair values for loans in foreign currency fulfilling the hedge accounting requirements of net investment in foreign operations are reported on a continuous basis as a hedge reserve in shareholders' equity. When divesting foreign subsidiaries, the accumulated exchange rate difference attributable to the divested subsidiary is recorded in the income statement.

The effective portion of the gain or loss on an interest swap which meets the criteria for cash-flow hedge accounting is recognized in the hedge reserve in equity. The ineffective portion is recognized in profit or loss. When cash flows relating to the hedged item are reported in profit or loss, amounts are transferred from equity to offset them.

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

Gains or losses on foreign exchanges relating to regular operations are included in the income statement under Other operating revenues/expenses. Differences in financial assets and liabilities are reported within profit/loss from financial items. A summary of the exchange rate differences charged directly to shareholders' equity is presented in the statement "Change in consolidated shareholders' equity" and the differences which affected profit/loss of the year are presented in Note 12.

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

MATERIALS AND SUPPLIES
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 materials and supplies essentially consist of SIM cards and telephones.

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

Other paid-in capital relates to capital injections through issues of new shares. Additional direct costs attributable to the issue of new shares are reported directly against shareholders' equity as a reduction, net after taxes, of proceeds from the share issue. The hedge reserve involves translation differences on external loans in foreign currencies which are used to secure net investments in foreign subsidiaries and the effective portion of gains or losses on interest swaps.

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

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

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

SEGMENT REPORTING
Tele2's operations are divided into market areas and business areas. Since the risks in its operations are mainly controlled by the various markets in which Tele2 operates, the market areas constitute the primary segment and business areas the secondary. Market area grouping follows the method of internal reporting to the board and management and is divided into six market areas of which five are geographic. Revenues and costs for each primary segment (market area) are based on the customer's location.

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

For the secondary segment it is not practical to distribute accounts receivable and other current assets by business area and these assets are therefore reported as undistributed assets.

Segment information by market area is provided in Note 2 and segment information by business area is presented in Note 3. Segment information for operating revenue, EBITDA, EBIT and investments are presented in Note 4, Note 5 and Note 34, where the intra-group sales eliminated under each market area relate to sales to companies in the Tele2 Group.

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

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

CHOICE OF ACCOUNTING PRINCIPLES
When choosing and applying Tele2's accounting principles, the board and the president have made the following choices.

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

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

As IFRS does not prescribe which method should be used, we have used IAS 8 as our basis.

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

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

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

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

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

Customer acquisition costs
Customer acquisition costs are normally recognized directly. In some cases, they may be capitalized as intangible assets in accordance with IAS 38.

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

Goodwill - choice of level for goodwill impairment testing
Goodwill arising from business combinations is allocated to the cash-generating units which are expected to receive future economic benefits, in the form of synergies, for example, from the acquired operation. If separate cash-generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets are monitored for internal management purposes. The primary level at which Tele2 monitors its operations and assets for internal management purposes is market segment level. Goodwill has therefore been allocated by market segment, as shown in Note 14.

Continued Note 1

ASSESSMENTS AND ESTIMATES

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

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

Valuation of acquired intangible assets

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

Valuation of goodwill

When estimating cash generating units' recoverable amounts for the evaluation of goodwill impairment, assumption of future values and estimates of parameters are made. These assumptions and a sensitivity analysis are presented in Note 14.

Valuation of fixed assets with a finite useful life

If the recoverable amount falls below the book value, an impairment loss is recognized. The decision on whether existing factors indicate that an asset is impaired is based on management's evaluation of future cash flows including discounting factors. See Note 14 and Note15.

Useful lives of fixed assets

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

Valuation of deferred income tax

Deferred income tax accounting takes into consideration temporary differences and unutilized loss carry-forwards. Deferred tax assets are reported for deductible temporary differences and loss carry-forwards only to the extent that it is considered likely that they can be utilized to offset future profits. Management updates its assessments at regular intervals. The valuation of deferred tax assets is based on expectations of future results and market conditions, which in turn are subjective. The actual outcome may differ from the assessments, partly as a result of future changes in business circumstances, which were not known at the time of the assessments, additional changes in tax laws or the result of the taxation authorities' or courts' final examination of submitted declarations. See Note 13.

Valuation of disputes and damages

Tele2 is party to a number of disputes, see Note 27. For each separate dispute an assessment is made of the most likely outcome, and the income statement is affected by the estimated expenses.

Valuation of accounts receivable

Accounts receivables are valued continuously and are reported at accrued acquisition value. 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. The company's registered office (phone +46 8 5620 0060) is at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden. The annual report was approved by the Board of Directors on March 13, 2007. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 9, 2007.

NOTE 2 Market areas

The *Nordic* market area encompasses operations in Sweden, Norway and Denmark.

The *Baltic & Russia* market area encompasses operations in Estonia, Latvia, Lithuania, Russia and Croatia.

The *Central Europe* market area encompasses operations in Germany, Austria, Poland and Hungary.

The *Southern Europe* market area encompasses operations in Italy, Spain, France, Switzerland and Portugal.

The *UK & Benelux* market area encompasses operations in the Netherlands, Luxembourg, Liechtenstein, Belgium, C³ operations and Alpha Telecom.

The *Services* market area encompasses 3C, Datametrix, Procure IT Right, Radio Components and UNI2, with a number of these operating in several countries.

2006	Nordic	Baltic & Russia	Central Europe	Southern Europe	UK & Benelux	Services	Undistributed as well as internal elimination	Total
INCOME STATEMENT								
Continuing operations								
Operating revenue								
external	15,402	6,769	8,121	10,352	9,055	607	–	50,306
internal	279	6	367	277	230	288	–1,447	–
Operating revenue	**15,681**	**6,775**	**8,488**	**10,629**	**9,285**	**895**	**–1,447**	**50,306**
Write-down of goodwill	–	–	–1,863	–937	–500	–	–	–3,300
Result from shares in associated companies and joint ventures	–124	–	–8	–	–3	–	–	–135
Operating profit/loss	1,942	871	–1,622	–2,607	–2,214	–85	2,092	–1,623
Interest income	–	–	–	–	–	–	146	146
Interest costs	–	–	–	–	–	–	–738	–738
Other financial items	–	–	–	–	–	–	35	35
Tax on profit for the year	–	–	–	–	–	–	–225	–225
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**1,942**	**871**	**–1,622**	**–2,607**	**–2,214**	**–85**	**1,310**	**–2,405**
Discontinued operations								
Net profit/loss from discontinued operations (Note 39)	–	–	–	–1 335	–	–	–	–1,335
NET PROFIT/LOSS	**1,942**	**871**	**–1,622**	**–3,942**	**–2,214**	**–85**	**1,310**	**–3,740**
OTHER INFORMATION								
Continuing operations								
Investments, intangible assets	107	79	26	95	5	16	–	328
Investments, tangible assets	850	2,284	202	933	639	31	–	4,939
Non-cash-generating operating profit/loss items								
Depreciation/amortization	–886	–591	–369	–457	–1,449	–55	–	–3,807
Write-down	–9	–	–1,867	–957	–500	–	–	–3,333
Sales of fixed assets	–7	1	57	30	–61	5	–	25
Dec. 31, 2006								
Shares in associated companies and joint ventures	329	–	457	–	16	–	–	802
Assets	15,603	10,491	5,706	11,533	13,563	609	4,271	61,776
Liabilities	5,392	1,537	2,301	6,645	2,635	215	16,799	35,524

Investments in market areas in accordance with the cash flow analysis are presented in Note 34. Operating revenue, EBITDA and EBIT per market area based on elimination of internal sales to companies in the other market areas are presented in Note 4 and Note 5.

2005	Nordic	Baltic & Russia	Central Europe	Southern Europe	UK & Benelux	Services	Undistributed as well as internal elimination	Total
INCOME STATEMENT								
Continuing operations								
Operating revenue								
external	15,074	4,234	8,378	8,772	7,406	593	–	44,457
internal	331	26	441	268	188	233	–1,487	–
Operating revenue	**15,405**	**4,260**	**8,819**	**9,040**	**7,594**	**826**	**–1,487**	**44,457**
Write-down of goodwill	–14	–1	–	–	–263	–	–	–278
Result from shares in associated companies and joint ventures	–100	–	–	–	–	–	–	–100
Operating profit/loss	2,300	472	–38	–267	–1,116	–50	1,513	2,814
Interest income	–	–	–	–	–	–	44	44
Interest costs	–	–	–	–	–	–	–286	–286
Other financial items	–	–	–	–	–	–	–186	–186
Tax on profit for the year	–	–	–	–	–	–	–550	–550
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**2,300**	**472**	**–38**	**–267**	**–1,116**	**–50**	**535**	**1,836**
Discontinued operations								
Net profit/loss from discontinued operations (Note 39)	–	–	–	505	–	–	–	505
NET PROFIT/LOSS	**2,300**	**472**	**–38**	**238**	**–1,116**	**–50**	**535**	**2,341**
OTHER INFORMATION								
Continuing operations								
Investments, intangible assets	45	252	72	8	1	12	–	390
Investments, tangible assets	561	1,396	200	242	300	50	–	2,749
Non-cash-generating operating profit/loss items								
Depreciation/amortization	–858	–445	–515	–177	–507	–52	–	–2,554
Write-down	–24	–	–	–7	–273	–	–	–304
Sales of fixed assets	–4	–	43	154	–67	5	–	131
Finance leases	–	1	–	–	2	–	–	3
Dec. 31, 2005								
Shares in associated companies and joint ventures	416	–	–	–	23	–	–	439
Assets	13,418	8,331	9,599	15,943	15,370	512	5,118	68,291
Liabilities	4,828	1,217	2,684	4,988	3,070	290	15,846	32,923

NOTE 3 Business areas

The heightened focus on mobile and broadband services continues to be reflected in the Group's financial performance. Mobile telephony and broadband sales continue to rise sharply compared with the previous year, while fixed telephony sales are declining. In an effort to align our reporting structure and segment classification with this trend we have used, from 2006, separate reporting for broadband services where the customer is connected by direct access or LLUB (Local Loop Unbundling) and our broadband resale services.

In the *Mobile telephony* business area, there are various types of subscriptions for individuals as well as business and prepaid cards. Either Tele2 owns the networks or we rent from other operators (a set-up called MVNO).

The *Indirect access* business area comprises resold fixed telephony products, dial-up internet and ADSL. The product portfolio in resold fixed telephony includes prefix telephony, preselection (dialing the number without a prefix) and subscription.

The *Direct access & LLUB* business area comprises our own services based on access via copper cable and other forms of access, such as cable TV networks, DNS networks, wireless broadband and metropolitan area networks. The product portfolio consists of telephony services (including IP telephony), internet access services (including Tele2's own ADSL) and TV services.

The *Other operations* business area includes carrier operations, IT-outsourcing via UNI2, system integration through Datametrix, internet payment, cash card transactions, as well as call phone services through 3C and cash card transactions for fixed telephony through C^3.

2006	Mobile telephony	Indirect access	Direct access & LLUB	Other operations	Undistributed as well as internal elimination	Total
Continuing operations						
Operating revenue from external customers	18,904	23,417	5,125	2,860	–	50,306
Investments, intangible assets	163	72	75	18	–	328
Investments, tangible assets	2,730	620	1,453	136	–	4,939
Total assets at December 31	8,481	3,259	7,024	648	42,364	61,776

2005	Mobile telephony	Indirect access	Direct access & LLUB	Other operations	Undistributed as well as internal elimination	Total
Continuing operations						
Operating revenue from external customers	14,676	25,736	2,303	1,742	–	44,457
Investments, intangible assets	281	73	24	12	–	390
Investments, tangible assets	1,598	477	576	98	–	2,749
Total assets at December 31	6,951	4,076	7,154	557	49,553	68,291

EBITDA and EBIT per business area are presented in Note 4 and Note 5.

NOTE 4 Operating revenue and number of customers

MARKET AREAS BY BUSINESS AREA

	Operating revenue		Number of customers (by thousands)		Net customer intake (by thousands)	
	2006	2005	Dec. 31, 2006	Dec. 31, 2005	2006	2005
Nordic						
Mobile telephony	9,342	8,561	4,249	4,092	157	282
Indirect access	5,083	5,601	1,694	1,934	–240	–253
of which fixed telephony resale	*4,497*	*5,098*	*1,534*	*1,793*	*–259*	*–296*
of which broadband resale	*586*	*503*	*160*	*141*	*19*	*43*
Direct access & LLUB	1,084	1,005	311	254	57	4
Other operations	691	688				
One-off items	–	134				
Adjustments for intra-Group sales	–798	–915				
	15,402	**15,074**	**6,254**	**6,280**	**–26**	**33**
Baltic & Russia						
Mobile telephony	6,725	4,126	10,032	6,260	3,590	2,640
Indirect access	37	79	41	70	–29	4
of which fixed telephony resale	*37*	*79*	*41*	*70*	*–29*	*4*
Direct access & LLUB	17	27	32	28	4	5
Other operations	40	36				
Adjustments for intra-Group sales	–50	–34				
	6,769	**4,234**	**10,105**	**6,358**	**3,565**	**2,649**
Central Europe						
Mobile telephony	168	184	174	166	8	68
Indirect access	6,520	6,909	5,544	6,275	–321	813
of which fixed telephony resale	*6,179*	*6,761*	*5,383*	*6,223*	*–430*	*815*
of which broadband resale	*341*	*148*	*161*	*52*	*109*	*–2*
Direct access & LLUB	849	698	70	44	27	26
Other operations	1,090	1,146				
Adjustments for intra-Group sales	–506	–559				
	8,121	**8,378**	**5,788**	**6,485**	**–286**	**907**
Southern Europe						
Mobile telephony	930	105	444	155	289	115
Indirect access	7,917	8,314	3,885	4,448	–527	167
of which fixed telephony resale	*6,998*	*7,804*	*3,505*	*4,172*	*–667*	*33*
of which broadband resale	*919*	*510*	*380*	*276*	*140*	*134*
Direct access & LLUB	836	105	301	25	240	4
Other operations	1,185	689				
Adjustments for intra-Group sales	–516	–441				
	10,352	**8,772**	**4,630**	**4,628**	**2**	**286**
UK & Benelux						
Mobile telephony	1,887	1,696	827	854	–27	156
Indirect access	4,360	5,518	1,170	1,718	–548	–424
of which fixed telephony resale	*4,069*	*5,437*	*1,063*	*1,595*	*–532*	*–457*
of which broadband resale	*291*	*81*	*107*	*123*	*–16*	*33*
Direct access & LLUB	2,367	496	276	178	98	14
Other operations	1,749	460				
Adjustments for intra-Group sales	–1,308	–764				
	9,055	**7,406**	**2,273**	**2,750**	**–477**	**–254**
Services						
Indirect access	7	28				
of which fixed telephony resale	*7*	*28*				
Direct access & LLUB	–	4				
Other operations	961	848				
Adjustments for intra-Group sales	–361	–287				
	607	**593**				
NET CUSTOMER INTAKE					**2,778**	**3,621**
Acquired companies					182	721
Divested companies					–411	–274
Changed method of calculation					–	–1,329
TOTAL CONTINUING OPERATIONS	**50,306**	**44,457**	**29,050**	**26,501**	**2,549**	**2,739**
Discontinued operations (Note 39)	4,325	5,486	3,053	3,751	–698	–281
TOTAL OPERATIONS	**54,631**	**49,943**	**32,103**	**30,252**	**1,851**	**2,458**

Continued Note 4

	Operating revenue		Number of customers (by thousands)		Net customer intake (by thousands)	
	2006	2005	Dec. 31, 2006	Dec. 31, 2005	2006	2005
Mobile telephony	19,052	14,672	15,726	11,527	4,017	3,261
of which prepaid cards			*12,261*	*8,738*	*3,349*	*2,666*
Indirect access	23,924	26,449	12,334	14,445	–1,665	307
of which fixed telephony resale	*21,787*	*25,207*	*11,526*	*13,853*	*–1,917*	*99*
of which broadband resale	*2,137*	*1,242*	*808*	*592*	*252*	*208*
Direct access & LLUB	5,153	2,335	990	529	426	53
Other operations	5,716	3,867				
One-off items	–	134				
Adjustments for intra-Group sales	–3,539	–3,000				
Acquired companies					182	721
Divested companies					–411	–274
Changed method of calculation					–	–1 329
Total continuing operations	**50 306**	**44 457**	**29 050**	**26 501**	**2 549**	**2 739**

TELE2 IN SWEDEN

	Operating revenue		Number of customers (by thousands)		Net customer intake (by thousands)	
	2006	2005	Dec. 31, 2006	Dec. 31, 2005	2006	2005
Mobile telephony	6,843	6,776	3,508	3,554	–46	105
Indirect access	2,751	2,896	1,125	1,256	–131	–119
of which fixed telephony resale	*2,625*	*2,805*	*1,080*	*1,220*	*–140*	*–135*
of which broadband resale	*126*	*91*	*45*	*36*	*9*	*16*
Direct access & LLUB	864	814	264	223	41	–4
Other operations	691	688	–	–	–	–
One-off items	–	134				
Net customer intake					**–136**	**–18**
Changed method of calculation						–512
TOTAL TELE2 IN SWEDEN	**11,149**	**11,308**	**4,897**	**5,033**	**–136**	**–530**

Tele2 in Sweden includes Tele2 Sverige AB, Optimal Telecom AB, Tele2 Vision AB, Tele2 Syd AB and result from shares in the joint ventures Svenska UMTS-nät AB and Spring Mobil AB.

RUSSIA

	Operating revenue		Number of customers (by thousands)		Net customer intake (by thousands)	
	2006	2005	Dec. 31, 2006	Dec. 31, 2005	2006	2005
Russia	2,819	1,058	6,453	3,274	2,997	1,928
Acquired companies					182	2
Total Russia	**2,819**	**1,058**	**6,453**	**3,274**	**3,179**	**1,930**

OPERATING REVENUE

	2006	2005
Service revenue	49,728	44,019
Product sales	578	438
Total operating revenue	**50,306**	**44,457**

In 2005, Tele2 recognized income of SEK 134 million attributable to a dispute relating to interconnect charges in mobile telephony.

Operating revenue for Tele2 in Sweden includes SEK 96 (2005: 96) million relating to mobile telephony according to the MVNO agreement with Telenor. The capacity swap in the agreement is viewed at the group level as a barter transaction between Tele2 and Telenor, where revenues from the swap are settled against costs.

NUMBER OF CUSTOMERS

In 2006 the number of customers increased by 182,000 following the acquisition of four GSM operators in Northwest Russia. The number of customers fell by 411,000 in 2006, as a result of the divestment of the operation in the Czech Republic.

In the previous year the number of customers increased by 76,000 following the acquisition of Tiscali of Denmark, 128,000 following the acquisition of Econophone in Switzerland, 81,000 following the acquisition of Comunitel in Spain, 434,000 following the acquisition of Versatel in the Netherlands and Belgium and 2,000 as a result of the acquisition of Votec in Russia. In addition, the number of customers fell by 274 000 in the previous year as a result of the sale of the operations in Tele2 UK and Tele2 Ireland.

Following the acquisition of Versatel and Comunitel, the previous number of customers with dial-up internet changed. If a fixed telephony customer also used the dial-up internet service, this was previously reported as two customers. As one reported customer in direct access and LLUB can use up to three services, fixed telephony customers who use dial-up internet are reported as one customer, with effect from 2005. The one-off effects were a reduction of 1,329,000 in the reported customer base in continuing operations. These figures are distributed as follows: 616,000 Nordic, 1,000 Baltic & Russia, 315,000 Central Europe, 344,000 Southern Europe and 53,000 UK & Benelux.

NOTE 5 EBITDA, EBIT and depreciation/amortization

MARKET AREAS BY BUSINESS AREA

	EBITDA		EBIT	
	2006	2005	2006	2005
Nordic				
Mobile telephony	2,912	2,933	2,305	2,346
Indirect access	454	629	306	439
of which fixed telephony resale	*556*	*723*	*418*	*547*
of which broadband resale	*–102*	*–94*	*–112*	*–108*
Direct access & LLUB	36	75	–167	–86
Other operations	28	95	–33	51
One-off items	50	134	50	134
	3,480	**3,866**	**2,461**	**2,884**
Baltic & Russia				
Mobile telephony	1,488	939	900	497
Indirect access	13	–23	12	–24
of which fixed telephony resale	*13*	*–23*	*12*	*–24*
Direct access & LLUB	3	10	1	8
Other operations	2	–1	2	–1
	1,506	**925**	**915**	**480**
Central Europe				
Mobile telephony	–28	–73	–40	–82
Indirect access	693	590	514	352
of which fixed telephony resale	*1,013*	*607*	*844*	*374*
of which broadband resale	*–320*	*–17*	*–330*	*–22*
Direct access & LLUB	–57	–6	–222	–229
Other operations	103	84	78	39
One-off items	50	–	–1,813	–
	761	**595**	**–1,483**	**80**
Southern Europe				
Mobile telephony	–848	–351	–852	–353
Indirect access	93	366	–170	223
of which fixed telephony resale	*492*	*705*	*245*	*564*
of which broadband resale	*–399*	*–339*	*–415*	*–341*
Direct access & LLUB	–240	16	–450	–22
Other operations	88	59	88	58
One-off items	–47	–	–984	–
	–954	**90**	**–2,368**	**–94**
UK & Benelux				
Mobile telephony	332	182	211	47
Indirect access	247	3	–41	–163
of which fixed telephony resale	*337*	*99*	*155*	*–47*
of which broadband resale	*–90*	*–96*	*–196*	*–116*
Direct access & LLUB	83	60	–864	–134
Other operations	111	19	15	–3
One-off items	43	–24	–457	–287
	816	**240**	**–1,136**	**–540**
Services				
Indirect access	–10	–	–10	–2
of which fixed telephony resale	*–10*	*–*	*–10*	*–2*
Direct access & LLUB	–	1	–	–
Other operations	53	55	–2	6
	43	**56**	**–12**	**4**
TOTAL CONTINUING OPERATIONS	**5,652**	**5,772**	**–1,623**	**2,814**
Discontinued operations (Note 39)	369	806	231	696
TOTAL OPERATIONS	**6,021**	**6,578**	**–1,392**	**3,510**

	EBITDA margin		EBIT margin	
	2006	2005	2006	2005
Nordic	23%	26%	16%	19%
Baltic & Russia	22%	22%	14%	11%
Central Europe	9%	7%	–18%	1%
Southern Europe	–9%	1%	–23%	–1%
UK & Benelux	9%	3%	–13%	–7%
Services	7%	9%	–2%	1%
Total continuing operations	**11%**	**13%**	**–3%**	**6%**

Continued Note 5

	EBITDA		EBITDA margin		EBIT		EBIT margin	
	2006	2005	2006	2005	2006	2005	2006	2005
Mobile telephony	3,856	3,630	20%	25%	2,524	2,455	13%	17%
Indirect access	1,490	1,565	6%	6%	611	825	3%	3%
of which fixed telephony resale	*2,401*	*2,111*	*11%*	*8%*	*1,664*	*1,412*	*8%*	*6%*
of which broadband resale	*–911*	*–546*	*–43%*	*–44%*	*–1,053*	*–587*	*–49%*	*–47%*
Direct access & LLUB	–175	156	–3%	7%	–1,702	–463	–33%	–20%
Other operations	385	311	7%	8%	148	150	3%	4%
One-off items	96	110			–3,204	–153		
Total continuing operations	**5,652**	**5,772**	**11%**	**13%**	**–1,623**	**2,814**	**–3%**	**6%**

TELE2 IN SWEDEN

	EBITDA		EBITDA margin		EBIT		EBIT margin	
	2006	2005	2006	2005	2006	2005	2006	2005
Mobile telephony	2,899	3,034	42%	45%	2,302	2,497	34%	37%
Indirect access	306	428	11%	15%	205	306	7%	11%
of which fixed telephony resale	*352*	*446*	*13%*	*16%*	*253*	*324*	*10%*	*12%*
of which broadband resale	*–46*	*–18*	*–37%*	*–20%*	*–48*	*–18*	*–38%*	*–20%*
Direct access & LLUB	20	67	2%	8%	–155	–81	–18%	–10%
Other operations	27	95	4%	14%	–33	51	–5%	7%
One-off items	50	134			50	134		
Total Tele2 in Sweden	**3,302**	**3,758**	**30%**	**33%**	**2,369**	**2,907**	**21%**	**26%**

Tele2 in Sweden includes Tele2 Sverige AB, Optimal Telecom AB, Tele2 Vision AB, Tele2 Syd AB and result from shares in the joint ventures Svenska UMTS-nät AB and Spring Mobil AB.

RUSSIA

	EBITDA		EBITDA margin		EBIT		EBIT margin	
	2006	2005	2006	2005	2006	2005	2006	2005
Total Russia	566	–163	20%	–15%	244	–359	9%	–34%

EBITDA

Tele2 conducts annual price negotiations in all markets and retrospective adjustments are a natural part of Tele2's business. The adjustment in 2006 was nevertheless greater than normally occurs and moreover concentrated in certain market areas. In 2006 the costs were reduced by SEK 50 million for the market area Nordic as a result of price negotiations with another operator and in addition the costs were increased by SEK 47 million for the market area Southern Europe due to settlement of disputes. In 2006 the costs were also reduced by SEK 43 million for the market area UK & Benelux as a result of a settlement with another operator of SEK 95 million and estimated future unused part of leased premises of SEK 52 million.

In 2006, market area Central Europe reported a capital gain from the divestment of Tele2's operation in the Czech Republic, corresponding to SEK 50 million.

In the previous year, market area UK & Benelux reported a capital gain from the divestment of Tele2's operation in the UK and Ireland, corresponding to SEK 137 million and was affected by a reserve of SEK 161 million related to a VAT dispute in the prepaid card operation. The dispute is related to 2003 until the first quarter of 2005, and the reserve corresponds to the estimated probable outcome, which amounts to 75 percent of the maximum amount. In 2006, SEK 122 million has been paid and SEK 39 million is still in reserved costs.

DEPRECIATION/AMORTIZATION AND WRITE-DOWNS

Tele2 has in connection with the divestment of parts of the operations in France obtained an indication of fair value of Tele2's other operations in Continental Europe. A fair value estimate of remaining operations in Continental Europe was prepared based on multiples rendered from the divestment of the operations in France. In addition, the plan for the future of indirect fixed telephony has been revised. One of the business models expected to replace indirect fixed telephony, direct access, is considerably more capital-intensive. This indicated a need to write-down goodwill and a write-down was recorded. The annual impairment tests based on value in use have confirmed the amount of write-down. The recoverable amount at December 31, 2006 is therefore based on value in use. The write-down of goodwill recorded in 2006 amounted to SEK 3,300, of which SEK 1,863 million related to Central Europe, SEK 937 million to Southern Europe and SEK 500 million to UK & Benelux. For additional information please refer to Note 14.

In the previous year market area UK & Benelux reported a goodwill write-down of SEK 263 million in Alpha Telecom. The reason for this impairment was primarily a change in the rate of VAT, which resulted in lower margins.

	2006	2005
Depreciation/amortization		
Cost of service sold	–3,425	–2,147
Selling expenses	–52	–36
Administrative expenses	–330	–371
Total depreciation/amortization	**–3,807**	**–2,554**
Write-downs		
Cost of service sold	–3,333	–304
Total write-downs	**–3,333**	**–304**
TOTAL CONTINUING OPERATIONS	**–7,140**	**–2,858**
Discontinued operations, depreciation/amortization (Note 39)	–138	–110
Discontinued operations, write-downs (Note 39)	–1,500	–
TOTAL DEPRECIATION/AMORTIZATION AND WRITE-DOWNS FOR THE YEAR	**–8,778**	**–2,968**

	2006	2005
Depreciation/amortization		
Licenses, utilization rights and software	–345	–288
Interconnection agreements	–57	–52
Customer agreements	–640	–280
Buildings	–24	–18
Machinery and technical plant	–2,526	–1,741
Equipment and installations	–215	–175
Total depreciation/amortization	**–3,807**	**–2,554**
Write-downs		
Licenses, utilization rights and software	–	–8
Goodwill	–3,300	–278
Machinery and technical plant	–33	–18
Total write-downs	**–3,333**	**–304**
TOTAL CONTINUING OPERATIONS	**–7,140**	**–2,858**

NOTE 6 Other operating revenue

	2006	2005
Sale of operations	50	147
Exchange rate gains from operations	29	57
Sale of fixed assets	2	1
Other revenue	19	26
Total other operating revenues	**100**	**231**

In 2006 Tele2 has divested the operation in the Czech Republic. The shares in Tele2 UK, Tele2 Ireland, Proceedo Solution in Sweden as well as Trigger Software in Estonia were divested in the previous year. For additional information, please refer to Note 16.

NOTE 7 Other operating expenses

	2006	2005
Sale of operations	–20	–
Exchange rate loss from operations	–34	–19
Sale/scrapping of fixed assets	–9	–17
Other expenses	–8	–4
Total other operating expenses	**–71**	**–40**

NOTE 8 Result from shares in associated companies and joint ventures

	2006	2005
Participation in profit/loss of associated companies and joint ventures	–126	–100
Write-down of surplus values	–9	–
Total result of shares in associated companies and joint ventures	**–135**	**–100**

	2006			2005		
	Svenska UMTS-nät	Plusnet GmbH	Other	Svenska UMTS-nät	Plusnet GmbH	Other
Profit/loss before taxes in associated companies and joint ventures	–254	5	12	–205	–	1
Holdings	50%	32.5%	9.1–50%	50%	–	9.1–50%
Share of profit/loss before tax	–127	1	3	–102	–	–
Write-down of surplus values	–	–9	–	–	–	–
Correction of share of profit/loss from preceding year	7	–	–10	3	–	–1
	–120	**–8**	**–7**	**–99**	**–**	**–1**
Total result of shares in associated companies and joint ventures			**–135**			**–100**

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

	2006			2005		
	Svenska UMTS-nät	Plusnet GmbH	Other	Svenska UMTS-nät	Plusnet GmbH	Other
Income statement						
Operating revenue	626	194	462	551	–	228
Operating profit/loss	–113	2	13	–89	–	13
Profit/loss after financial items	–254	5	12	–205	–	1
Net profit	–254	5	5	–205	–	1

	Dec. 31, 2006			Dec. 31, 2005		
	Svenska UMTS-nät	Plusnet GmbH	Other	Svenska UMTS-nät	Plusnet GmbH	Other
Balance sheet						
Intangible assets	–	–	1	–	–	–
Tangible assets	3,688	213	117	3,471	–	–
Current assets	388	560	287	374	–	126
Total assets	**4,076**	**773**	**405**	**3,845**	**–**	**126**
Shareholders' equity	562	653	114	796	–	40
Long-term liabilities	3,372	5	42	2,951	–	2
Short-term liabilities	142	115	249	98	–	84
Total shareholders' equity and liabilities	**4,076**	**773**	**405**	**3,845**	**–**	**126**

NOTE 9 Interest income

	2006	2005
Interest, bank balances	105	17
Interest, penalty interest	39	25
Interest, other securities and receivables	2	2
TOTAL CONTINUING OPERATIONS	**146**	**44**
Discontinued operation (Note 39)	33	45
TOTAL INTEREST INCOME	**179**	**89**

NOTE 10 Interest costs

	2006	2005
Interest, credit institutions and bond holders'	–631	–213
Interest, other interest-bearing liabilities	–85	–29
Interest, penalty interest	–11	–38
Other finance expenses	–11	–6
Total interest costs	**–738**	**–286**

NOTE 11 Other financial items

	2006	2005
Exchange rate differences on financial assets and liabilities	67	–198
Write-down of shares in Modern Holdings Inc.	–19	–
Gain on sale of shares in Travellink AB	–	12
Other finance expenses	–13	–
Total other financial items	**35**	**–186**

NOTE 12 Exchange rate effects

Exchange rate differences which arise in operations are reported in the income statements and amount to:

	2006	2005
Other operating revenue	29	57
Other operating expenses	–34	–19
Other financial items	67	–198
Total exchange rate differences in income statment	**62**	**–160**

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

	Operating revenue				EBITDA			
	2006		2005		2006		2005	
SEK	10,509	21%	10,527	24%	3,133	55%	3,631	63%
EUR	24,031	48%	20,388	46%	490	9%	1,077	19%
Other	15,766	31%	13,542	30%	2,029	36%	1,064	18%
TOTAL CONTINUING OPERATIONS	**50,306**	**100%**	**44,457**	**100%**	**5,652**	**100%**	**5,772**	**100%**
Discontinued operations (Note 39)	4 325		5 486		369		806	
TOTAL	**54,631**		**49,943**		**6,021**		**6,578**	

A one percent currency movement against the Swedish krona affects the Group's operating revenue and EBITDA on an annual basis by SEK 398 (2005: 339) million and SEK 25 (2005: 21) million.Tele2's operating profits for the year were mainly affected by fluctuations in EUR, NOK and LVL. Tele2's operating revenue and EBITDA have been affected negatively by SEK –193 (2005: 749) million and SEK –16 (2005: 10) million in 2006, as opposed to no change in exchange rates during the year.

NOTE 13 Taxes

TAX EXPENSE/INCOME FOR THE YEAR

	2006	2005
Current tax expense	–1,249	–618
Deferred tax expense	1,024	68
TOTAL CONTINUING OPERATIONS	**–225**	**–550**
Discontinued operations	–99	–236
TOTAL TAX EXPENSE (–) / TAX INCOME (+) ON PROFIT/LOSS FOR THE YEAR	**–324**	**–786**

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 components listed below.

	2006		2005	
Profit/loss before tax	–2,180		2,386	
Tax expense/income for the year				
Theoretical tax according to prevailing tax rate in each country	556	–25.5%	–613	–25.7%
TAX EFFECT OF				
Losses/gains in countries with a high tax rate	251	–11.5%	–52	–2.2%
Impairment of goodwill, non-tax affecting	–988	45.3%	–78	–3.3%
Sales of shares in subsidiaries, non-taxable	–	–	515	21.6%
Tax dispute from previous years expensed	–	–	–162	–6.8%
Other non-deductible expenses/non-taxable revenue	481	–22.1%	32	1.3%
Valuation of tax assets relating to loss carry-forwards, etc., from previous years	148	–6.8%	300	12.6%
Adjustment of tax assets from previous years	–179	8.2%	–196	–8.2%
Reserve for the year's additional loss carry-forwards	–494	22.7%	–296	–12.4%
TOTAL CONTINUING OPERATIONS	**–225**	**10.3%**	**–550**	**–23.1%**
Discontinued operations	–99	8.0%	–236	–31.8%
TAX EXPENSE/INCOME AND EFFECTIVE TAX RATE	**–324**	**9.5%**	**–786**	**–25.1%**

The weighted average tax rate was 25.5 (2005: 25.7) percent. The fall on the previous year's figure is mainly due to increased profits in countries with a low tax rate, such as Russia and the Baltic states.

Continued Note 13

DEFERRED TAX ASSETS AND LIABILITIES

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

	Dec. 31, 2006	Dec. 31, 2005
Deferred tax assets		
Unutilized loss carry-forwards	4,439	4,566
Tangible assets	412	480
Other	135	235
Total deferred tax assets	**4,986**	**5,281**
Deferred tax liabilities		
Intangible assets	–435	–543
Tangible assets	–865	–880
Other	–42	–336
Total deferred tax liabilities	**–1,342**	**–1,759**
TOTAL DEFERRED TAX ASSETS AND TAX LIABILITIES	**3,644**	**3,522**

	Dec. 31, 2006	Dec. 31, 2005
Deferred tax assets		
Companies reporting a profit	1,493	1,808
Companies reporting a profit this year but a loss the previous year	1,159	87
Companies reporting a loss this year	2,334	3,386
Total deferred tax assets	**4,986**	**5,281**

LOSS CARRY-FORWARDS

Deferred tax assets are reported only for loss carry-forwards to the extent that it is considered likely that the loss carry-forwards can be utilized against future profits. According to this principle, losses in newly started operations are not netted against profits in more mature operations.

As a result of Russia's improving results, a deferred tax asset of SEK 148 (2005: a net of 182) million has been recognized in the income statement. The amount includes SEK 148 (2005: 340) million attributable to companies which are now reporting positive results, for which we expect to be able to offset accumulated losses against future profits, and SEK 0 (2005: –158) million attributable to companies for which we no longer expect to be able to utilize accumulated losses.

The Group's total loss carry-forwards as of December 31, 2006 were 18,855 (2005: 17,679) million of which SEK 15,993 (2005: 15,053) million has been recorded as a deferred tax asset and the remaining part, SEK 2,862 (2005: 2,626) million, has been valued at zero. Of the total loss carry-forwards, SEK 1,474 (2005: 1,399) million expires in five years and the remaining part, SEK 17,381 (2005: 16,280) million, expires after five years or may continue to apply in perpetuity.

TAX DISPUTES

In December 2003, Tele2 announced that the tax authorities' investigation of Tele2's financial year 2001 had been completed and that the authorities wished to change Tele2's tax assessment. In 2000, Tele2 acquired the outstanding majority of the listed company SEC SA. Because the operations had been restructured an external valuation was carried out, which indicated a decline in value, and the operations were transferred for this value. Tele2 has claimed a deduction for this realized loss

The authorities' notification that they wished to change Tele2's tax assessment was expected, since it involved a significant amount. However, Tele2 considered it remarkable that the assessment was made claiming that there should not have been an actual decline in the value of SEC SA, in spite of the fact that the independent valuation that was performed as well as the analysts' and other sector observers' valuations at this time showed that there had actually been a decline in the value of SEC SA. Tele2 chose to request a reconsideration by the same local tax authorities to enable them to explain the grounds for their decision, which the tax authorities made in December 2004.

In October 2005 Tele2 submitted a supplementary statement since the tax authorities did not provide their own statement. No information has been presented altering Tele2's opinion that they fulfill the requirements for submission of evidence. Tele2's opinion is still that the deduction claimed will finally be approved, and we have lodged an appeal with the county administrative court.

Loss carry-forwards in Tele2 questioned by the tax authorities in this regard correspond to a tax effect of SEK 3,910 million. Other tax disputes in Tele2 AB amount to SEK 7 (2005: 21) million. Tax disputes in Tele2 Sverige AB amount to SEK 289 million. Tele2 is of the opinion that the disputes will be settled in Tele2's favor, which is why a contingent tax liability has not been recorded for losses utilized.

NOTE 14 Intangible assets

Dec. 31, 2006	Licenses, utilization rights and software	Intercon-nection agree-ments	Customer agree-ments	Total other intangible assets	Goodwill	Total
Acquisition value						
Acquisition value at January 1	2,229	799	2,526	5,554	27,283	32,837
Acquisition value at January 1, discontinued operations (Note 39)	–16	–598	–	–614	–4,326	–4,940
Acquisition value in acquired companies	144	–	158	302	514	816
Investments for the year	255	70	–	325	3	328
Sales and scrapping	–13	–3	–	–16	–	–16
Reclassification	276	–	–	276	–	276
Exchange rate differences for the year	–113	–7	–103	–223	–1,032	–1,255
Total acquisition value	**2,762**	**261**	**2,581**	**5,604**	**22,442**	**28,046**
Accumulated amortization						
Accumulated amortization at January 1	–971	–88	–284	–1,343		–1,343
Accumulated amortization at January 1, discontinued operations (Note 39)	10	35	–	45		45
Amortization according to plan	–345	–57	–640	–1,042		–1,042
Sales and scrapping	11	–	–	11		11
Reclassification	14	3	–	17		17
Exchange rate differences for the year	44	1	24	69		69
Total accumulated amortization	**–1,237**	**–106**	**–900**	**–2,243**		**–2,243**
Accumulated write-downs						
Accumulated write-downs at January 1	–9	–	–	–9	–660	–669
Write-downs during the year	–	–	–	–	–3,300	–3,300
Exchange rate differences for the year	1	–	–	1	9	10
Total accumulated write-downs	**–8**	**–**	**–**	**–8**	**–3,951**	**–3,959**
TOTAL INTANGIBLE ASSETS	**1,517**	**155**	**1,681**	**3,353**	**18,491**	**21,844**

Dec. 31, 2005	Licenses, utilization rights and software	Intercon-nection agree-ments	Customer agree-ments	Total other intangible assets	Goodwill	Total
Acquisition value						
Acquisition value at January 1	1,345	165	666	2,176	22,828	25,004
Acquisition value in acquired companies	381	20	1,802	2,203	3,359	5,562
Acquisition value in divested companies	–	–	–	–	–13	–13
Investments for the year	395	589	–	984	–	984
Sales and scrapping	–39	–2	–	–41	–2	–43
Reclassification	20	–	–	20	–	20
Exchange rate differences for the year	127	27	58	212	1,111	1,323
Total acquisition value	**2,229**	**799**	**2,526**	**5,554**	**27,283**	**32,837**
Accumulated amortization						
Accumulated amortization at January 1	–610	–	–	–610		–610
Amortization according to plan	–311	–87	–280	–678		–678
Sales and scrapping	36	–	–	36		36
Reclassification	–6	–	–	–6		–6
Exchange rate differences for the year	–80	–1	–4	–85		–85
Total accumulated amortization	**–971**	**–88**	**–284**	**–1,343**		**–1,343**
Accumulated write-downs						
Accumulated write-downs at January 1	–	–	–	–	–378	–378
Write-downs during the year	–8	–	–	–8	–278	–286
Exchange rate differences for the year	–1	–	–	–1	–4	–5
Total accumulated write-downs	**–9**	**–**	**–**	**–9**	**–660**	**–669**
TOTAL INTANGIBLE ASSETS	**1,249**	**711**	**2,242**	**4,202**	**26,623**	**30,825**

As IFRIC 4 is applied from 2006, a reclassification has been made in the previous year's balance sheet, from intangible assets to tangible assets of SEK 266 million. Valuation to fair value of the acquisition last year of Versatel Netherlands/Belgium has been finalized and a reclassification has been made between different fixed assets.

Continued Note 14

GOODWILL

Goodwill is distributed among the Group's cash generating units identified by market area.

	Dec. 31, 2006	Dec. 31, 2005
Nordic	991	762
Baltic	2,702	2,822
Russia	604	421
Central Europe	2,203	4,405
Southern Europe	6,751	12,391
UK & Benelux	5,153	5,738
Services	87	84
Total goodwill	**18,491**	**26,623**

Allocation of goodwill and test for goodwill impairment

In connection with the acquisition of operations, goodwill is allocated to the cash generating units that expect to achieve future financial benefits and synergies as a result of the acquired operations. In the event that separate cash generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets is controlled and monitored internally. Tele2 monitors and controls its operations and acquisitions primarily based on market areas and therefore allocates goodwill to each market area.

Tele2 tests goodwill for impairment annually by calculating the value in use for the cash-generating units or groups of units to which goodwill items are allocated. The most important criteria in these calculations are growth rate, profit margins, investment needs and discount rates. The discount rate takes into account the prevailing interest situation and specific risk in a particular cash-generating unit. The discount rate before tax varies between 12–16 (2005: 12–16) percent. The expected future growth rate, profit margin and investment needs are based on sector data, expected changes in the market, management's experience in different markets and management's assessment of the different markets.

Tele2 calculates future cash flows based on the most recently approved two-year (2005: three-year) plan and incremental sales growth over the next three (2005: seven) years. For the period after this, growth of 2–3 (2005: 2–3) percent is assumed, with Russia towards the top of this range. This does not exceed the average long-term growth for the sector as a whole.

Goodwill impairment

Tele2 has in connection with the divestment of parts of the operations in France obtained an indication of fair value of Tele2's other operations in Continental Europe. A fair value estimate of remaining operations in Continental Europe was prepared based on multiples rendered from the divestment of the operations in France. In addition, the plan for the future of indirect fixed telephony has been revised. One of the business models expected to replace indirect fixed telephony, direct access, is considerably more capital-intensive. This indicated a need to write-down goodwill and a write-down was recorded. The annual impairment tests based on value in use have confirmed the amount of write-down. The recoverable amount at December 31, 2006 is therefore based on value in use. The write-down of goodwill recorded in 2006 amounted to SEK 3,300, of which SEK 1,863 million related to Central Europe, SEK 937 million to Southern Europe and SEK 500 million to UK & Benelux.

Changes to important assumptions

The carrying amounts of cash-generating units for which impairment losses were recognized in 2006 have been written down to their recoverable amounts at December 31, 2006. A subsequent negative change to any important assumption would give rise to further impairment losses. The main assumptions for the period 2007–2011 are average annual EBITDA growth of 12–30 percent, a CAPEX/sales ratio of 3–9 percent and a discount rate before tax of 12 percent, with Central Europe and UK & Benelux in the lower range for EBITDA growth. The low CAPEX level reflects expectations for these three market areas at the end of the period.

NOTE 15 Tangible assets

	Dec. 31, 2006						
	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	232	1,424	1,464	3,120	23,640	*984*	26,760
Acquisition value at January 1, discontinued operations (Note 39)	–49	–14	–	–63	–339	–	–402
Acquisition value in acquired companies	–	4	51	55	569	–	624
Acquisition value in divested companies	–3	–61	–	–64	–	–	–64
Investments for the year	17	179	2,371	2,567	2,372	*159*	4,939
Sales and scrapping	–13	–22	–2	–37	–133	*–8*	–170
Reclassification	16	123	–2,274	–2,135	1,858	*–5*	–277
Exchange rate differences for the year	–9	–63	–122	–194	–814	*–27*	–1,008
Total acquisition value	**191**	**1,570**	**1,488**	**3,249**	**27,153**	***1,103***	**30,402**
Accumulated depreciation							
Accumulated amortization at January 1	–125	–1,015		–1,140	–10,891	*–216*	–12,031
Accumulated amortization at January 1, discontinued operations (Note 39)	28	9		37	169	–	206
Accumulated amortization in divested companies	2	56		58	–	–	58
Amortization according to plan	–24	–215		–239	–2,526	*–114*	–2,765
Sales and scrapping	10	21		31	104	*6*	135
Reclassification	–12	–10		–22	7	*5*	–15
Exchange rate differences for the year	6	37		43	252	*6*	295
Total accumulated depreciation	**–115**	**–1,117**		**–1,232**	**–12,885**	***–313***	**–14,117**
Accumulated write-downs							
Accumulated write-downs at January 1	–	–		–	–193	–	–193
Write-downs during the year	–	–		–	–33	–	–33
Total accumulated write-downs	**–**	**–**		**–**	**–226**	**–**	**–226**
TOTAL TANGIBLE ASSETS	**76**	**453**	**1,488**	**2,017**	**14,042**	***790***	**16,059**

Of the year's total investments in c
and Russian alone accounts for 34
account for 75 percent of the year's construction in progress (SEK 1.5 billion). Finance leases relate to assets reported according to Note 28.

Continued Note 15

	Dec. 31, 2005						
	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	194	1,143	526	1,863	17,262	*698*	19,125
Acquisition value in acquired companies	11	144	426	581	3,686	*276*	4,267
Acquisition value in divested companies	–	–24	–	–24	–	–	–24
Investments for the year	16	159	1,031	1,206	1,560	–	2,766
Sales and scrapping	–2	–45	–1	–48	–188	–	–236
Reclassification	–	–27	–607	–634	613	–	–21
Exchange rate differences for the year	13	74	89	176	707	*10*	883
Total acquisition value	**232**	**1,424**	**1,464**	**3,120**	**23,640**	***984***	**26,760**
Accumulated depreciation							
Accumulated amortization at January 1	–95	–851		–946	–8,901	*–146*	–9,847
Accumulated amortization in divested companies	–	23		23	–	–	23
Amortization according to plan	–23	–176		–199	–1,787	*–69*	–1,986
Sales and scrapping	–	42		42	156	–	198
Reclassification	–	6		6	1	–	7
Exchange rate differences for the year	–7	–59		–66	–360	*–1*	–426
Total accumulated depreciation	**–125**	**–1,015**		**–1,140**	**–10,891**	***–216***	**–12,031**
Accumulated write-downs							
Accumulated write-downs at January 1	–	–		–	–171	–	–171
Write-downs during the year	–	–	–	–	–18	–	–18
Exchange rate differences for the year	–	–		–	–4	–	–4
Total accumulated write-downs	**–**	**–**		**–**	**–193**	**–**	**–193**
TOTAL TANGIBLE ASSETS	**107**	**409**	**1,464**	**1,980**	**12,556**	***768***	**14,536**

As IFRIC 4 is applied with effect from 2006, a reclassification of intangible and tangible assets has been made in the previous year's balance sheet. This has affected the figures by SEK 266 million. The fair value measurement of last year's acquisition of Versatel Netherlands/Belgium has been finalized and a reclassification has been made between different fixed assets.

Approximately 40 percent of the previous year's total investments of SEK 2,766 million relates to Russia. Approximately 89 percent of the previous year's construction in progress of SEK 1.5 billion relates to Russia, Sweden and the Netherlands.

Tele2 has not capitalized any interest expenses in fixed assets.

NOTE 16 Business acquisitions and divestments

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

	2006	2005
Four GSM operators in Northwest Russia	–218	–
Tele2 Syd, Sweden	–485	–
Plusnet, Germany	–471	–
Spring Mobil, Sweden	–38	–
Acquisition of minority interest in Russian operations	–110	–
Communitel, Spain	–	–2,258
Versatel Netherlands/Belgium	–	–5,203
Other acquisitions	–	–255
Divestments	36	148
Other cash flow changes in shares and participations	–29	18
Total cash flow effect of acquisitions and divestments in shares and participations	**–1,315**	**–7,550**

ACQUISITIONS

Four GSM operators in Northwest Russia (Baltic & Russia)

On July 18, 2006, Tele2 acquired all the shares in four GSM operators in Northwest Russia, with 182,000 mobile telephony customers, for SEK 260 million. In 2006, the acquisition of the four GSM operators has affected Tele2's operating revenue by SEK 75 million and the net profit by SEK -15 million.

The goodwill item in conjunction with the acquisition of the four Russian GSM operators is based on Tele2's expectations of economies of scale and application of the successful concepts from Tele2's existing Russian operations.

Tele2 Syd (Nordic)

On August 1, 2006 Tele2 acquired 75.1 percent of Tele2 Syd AB (formerly E.ON Bredband Sverige AB), a leading broadband provider in the South of Sweden, for SEK 486 million. In 2006 the acquisition of Tele2 Syd has affected Tele2's operating revenue by SEK 112 million and the net profit by SEK -1 million.

The goodwill item arising from the acquisition of Tele2 Syd, is based on Tele2's expectations of a strengthened position in the area covered by Tele2 Syd through lower costs and a shorter time to market.

Plusnet Germany (Central Europe)

During the third quarter Tele2 and QSC created a company called Plusnet, which has a substantial unbundled local loop broadband network in Germany. At closing date, Tele2 has invested SEK 471 million in this associated company, of which Tele2 owns 32.5 percent, to finance its expansion.

Spring Mobil (Nordic)

On October 23, 2006 (completed in December 2006), Tele2 acquired 49 percent of Spring Mobil AB for SEK 38 million, with an option to acquire the remaining shares in the first quarter of 2009. Spring Mobil owns the fourth GSM license in Sweden and is focused on the growing market for One-Phone solutions, which mean one phone for enterpises' entire telephony services.

Other acquisitions

On February 23, 2006, Tele2 announced that it had increased its shareholding in five of its Russian operations. The operations in Belgorod, Smolensk, Lipetsk and St Petersburg are, after these transactions, fully owned, and the holding in Omsk is 70 percent. The total purchase price was SEK 51 million. On June 13, 2006, Tele2 acquired the remaining 30 percent minority stake in Omsk for SEK 259 million, of which SEK 59 million has a cash flow effect and the remaining part is a loan from the seller.

The fair value measurement of the acquisition last year of Versatel Netherlands/Belgium has been finalized and a reclassification has been made between assets in 2006, by retrospective effect in 2005.

Continued Note 16

Assets, liabilities and contingent liabilities included in the acquired operations

	Four GSM operators in Northwest Russia			Tele2 Syd, Sweden		
	Reported value at the time of acquisition	Adjustment to fair value	Fair value	Reported value at the time of acquisition	Adjustment to fair value	Fair value
Customer agreements	–	27	27	–	105	105
Interconnection agreements	3	–	3	–	–	–
Licenses	–	22	22	–	–	–
Tangible assets	107	–	107	502	–	502
Deferred tax assets	4	21	25	–	–	–
Other financial assets	–	–	–	4	–	4
Materials and supplies	2	–	2	–	–	–
Current receivables	19	–	19	38	–	38
Cash and cash equivalents	4	–	4	1	–	1
Deferred tax liabilities	–	–12	–12	–49	–29	–78
Other long-term liabilities	–174	–	–174	–1	–	–1
Short-term liabilities	–32	–	–32	–323	–	–323
Minority interest	–	–	–	–43	–19	–62
Acquired net assets	**–67**	**58**	**–9**	**129**	**57**	**186**
Goodwill			68			229
Purchase price for shares in subsidiary			**59**			**415**
Payment of debts in acquired operations			201			71
Acquisition value			**260**			**486**
Liabilities to former owners			–38			–
Less: cash in acquired operations			–4			–1
Effect on group cash and cash equivalents			**218**			**485**

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

DIVESTMENTS

On October 3, 2006 Tele2 announced the sale of its fixed and broadband business in France to SFR. The agreement is subject to clearance from EU competition authorities and this had not been received by the closing date. The divestment is estimated to be finalized in 2007. See Note 39 for details.

On June 1, 2006, Tele2 divested its operation in the Czech Republic, with 411,000 fixed telephony customers, for SEK 37 million. Tele2 Czech has affected Tele2's operating revenue year-to-date by SEK 121 (2005: 271) million and net profit by SEK -11 (2005: -40) million in addition to the capital gain recorded of SEK 50 million.

On April 28, 2006, Tele2 divested all of its shares in Germinus XXI SA, a Spanish company which develops software and designs websites, for SEK 4 million. Germinus has affected Tele2's operating revenue year-to-date by SEK 15 (2005: 11) million and net profit/loss by SEK -1 (2005: 1) million in addition to the capital loss recorded of SEK 3 million.

Since the divested operations in Tele2 Czech Republic and Germinus do not constitute a significant part of the Tele2's result and financial position, disclosure in the income statement has not been made according to IFRS 5 *Non-current assets held for sale and discontinued operations.*

Assets, liabilities and contingent liabilities included in the divested operations

	Net assets at the time of divestments
Tangible assets	6
Material and supplies	3
Current receivables	46
Cash and cash equivalents	5
Short-term liabilities	–65
Divested net assets	**–5**
Capital gain	46
Sales price	**41**
Less: cash in divested operations	–5
Effect on group cash and cash equivalents	**36**

PRO FORMA

The table below shows the effect of the acquired and divested companies on Tele2's operating revenue and profit/loss, had they been acquired or divested at January 1, 2006.

	2006			
	Tele2 Group[1]	Acquired operations before the time of acquisition	Less divested operations	Tele2 Group (pro forma)
Operating revenue	50,306	186	–136	50,356
Net profit/loss	–2,405	–10	–35	–2,450

[1] Less the fixed and broadband business in France since reported as discontinued operations.

NOTE 17 Shares in associated companies and joint ventures

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/-votes)	Dec. 31, 2006	Dec. 31, 2005
Joint ventures					
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	501,000	tSEK 50,100	50%	288	409
Plusnet GmbH & Co. KG, HRA86957, Cologne, Germany	–	–	32.5%	457	–
Spring Mobil AB, 556609-0238, Stockholm, Sweden	10,290	tSEK 1,029	49%	34	–
Associated companies					
ZAO Setevaya Kompanya, 1047796743312, Moscow, Russia	246	tRUR 2,460	41%	–	–
SCD Invest AB, 556353-6753, Stockholm, Sweden	1,058,425 A	tSEK 5,292	9.1% /49.9%	–	–
Managest Media SA, RCB87091, Luxembourg	12,000 B	tEURO 120	40%	16	23
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	400	tSEK 40	20%	4	4
GH Giga Hertz HB as well as 15 other trading companies with licenses			33.3%	3	3
Total shares in associated companies and joint ventures				**802**	**439**

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

	Dec. 31, 2006	Dec. 31, 2005
Acquisition value		
Acquisition value at January 1	782	882
Investments for the year	499	–
Share of profit/loss	–130	–100
Amortization according to plan	–9	–
Change of deferred tax liabilities during the year	4	–
Change of provisions during the year	–1	–
Total acquisition value	**1,145**	**782**
Write-downs		
Accumulated write-downs at January 1	–343	–343
Total accumulated write-downs	**–343**	**–343**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES	**802**	**439**

Continued Note 17

CONTRIBUTION OF EACH ASSOCIATED COMPANY AND JOINT VENTURE TO GROUP EQUITY

	Dec. 31, 2006			Dec. 31, 2005		
	Svenska UMTS-nät	Plusnet GmbH	Other	Svenska UMTS-nät	Plusnet GmbH	Other
SURPLUS VALUE						
ACQUISITION VALUE						
Investments for the year	–	413	29	–	–	–
Total acquisition value	**–**	**413**	**29**	**–**	**–**	**–**
ACCUMULATED DEPRECIATION						
Depreciation according to plan	–	–9	–	–	–	–
Total accumulated amortization	**–**	**–9**	**–**	**–**	**–**	**–**
TOTAL SURPLUS VALUE	**–**	**404**	**29**	**–**	**–**	**–**
DEFERRED TAX LIABILITY						
Acquired companies during the year	–	–162	–16	–	–	–
Change of deferred tax liabilities during the year	–	4	–	–	–	–
TOTAL DEFERRED TAX LIABILITIES	**–**	**–158**	**–16**	**–**	**–**	**–**
PROVISIONS						
Provisions at January 1	8	–	–	8	–	–
Change of provision during the year	–1	–	–	–	–	–
TOTAL PROVISIONS	**7**	**–**	**–**	**8**	**–**	**–**
SHARE OF SHAREHOLDERS' EQUITY						
Share of equity, Jan. 1	401	–	30	500	–	31
OB of acquired companies	–	210	25	–	–	–
Share of profit/loss	–120	1	–11	–99	–	–1
TOTAL SHARE OF SHAREHOLDERS' EQUITY	**281**	**211**	**44**	**401**	**–**	**30**
	288	**457**	**57**	**409**	**–**	**30**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES			**802**			**439**

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

Tele2 owns 32.5 percent of Plusnet GmbH & Co KG and QSC owns 67.5 percent, although both parties have joint control. Tele2 has paid in approx. SEK 0.5 billion and QSC has contributed Unbundled Local Loop (ULL) networks in Germany. Both companies act as purchasers of capacity. As the company is not a profit-seeking entity, its fixed costs are shared between Tele2 and QSC, and its variable costs are distributed proportionately in relation to use.

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

NOTE 18 Other financial assets

	Dec. 31, 2006	Dec. 31, 2005
Receivables from Telefonica	26	–
Receivables from Modern Holdings Inc	9	11
Receivables from LCC Peoples Mobile	–	3
Restricted bank deposits	–	7
Pension funds	7	9
Other long-term holdings of securities	24	39
Other	8	13
Total other financial assets	**74**	**82**

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

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/-votes)	Dec. 31, 2006	Dec. 31, 2005
Modern Holdings Inc, 133799783, Delaware, USA	1,806,575	tUSD 18	11.88%	17	36
LCC Peoples Mobile Telephone, 1047796469973, Moscow, Russia				–	1
OJSC Aero-Space Telecommunica-tions, 1025002032648, Russia	8,750,025	tRUR 35,000	1%	5	–
Radio National Luleå AB, 556475-0411, Stockholm, Sweden	55	tSEK 5	5.5%	1	1
Other				1	1
Total other long-term securities				**24**	**39**

NOTE 19 Materials and supplies

	Dec. 31, 2006	Dec. 31, 2005
Finished products & goods for resale	366	493
Advance payments to suppliers	41	12
Other	17	11
Total material and supplies	**424**	**516**

Tele2s materials and supplies are mainly SIM cards and telephones.

NOTE 20 Accounts receivable

	Dec. 31, 2006	Dec. 31, 2005
Accounts receivable	9,366	8,521
Reserve for doubtful accounts	–1,721	–1,795
Total accounts receivable	**7,645**	**6,726**

	Dec. 31, 2006	Dec. 31, 2005
Reserve for doubtful accounts at January 1	1,795	1,483
Reserve for doubtful accounts at January 1, discontinued operations	–121	–
Reserves in companies acquired during the year	–	165
Reserves in companies divested during the year	–2	–27
Provisions during the year	390	395
Recovery of previous provisions	–265	–301
Exchange rate differences	–76	80
Total reserve for doubtful accounts	**1,721**	**1,795**

NOTE 21 Other current receivables

	Dec. 31, 2006	Dec. 31, 2005
VAT receivable	703	734
Receivable from suppliers	289	122
Receivable from Svenska UMTS-nät	22	–
Receivable from APAX Partners	9	187
Receivable from Plusnet	1	–
Other	117	129
Total other current receivables	**1,141**	**1,172**

NOTE 22 Prepaid expenses and accrued income

	Dec. 31, 2006	Dec. 31, 2005
Traffic revenues, from customers	2,214	3,013
Traffic revenues, from other telecom operators	649	534
Interest income	110	88
Accrued income, other	249	128
Fixed subscription charges	237	173
Rental cost	180	139
Retailers' commissions, prepaid cards	82	119
Prepaid expenses, other	325	399
Total prepaid expenses and accrued revenues	**4,046**	**4,593**

SEK 31 (2005: 7) million of the balance sheet item is estimated to be paid more than 12 months after the closing date.

NOTE 23 Short-term investments

	Dec. 31, 2006	Dec. 31, 2005
Restricted funds	1,981	1,199
Other	7	–
Total short-term investments	**1,988**	**1,199**

NOTE 24 Cash and cash equivalents and overdraft facilities

AVAILABLE LIQUIDITY

	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents	2,619	2,773
Unutilized overdraft facilities and credit lines	3,208	5,854
Total available liquidity	**5,827**	**8,627**

UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES

	Dec. 31, 2006	Dec. 31, 2005
Overdraft facilities granted	83	238
Total unutilized overdraft facilities	**83**	**238**
Unutilized credit lines	3,125	5,616
Total unutilized overdraft facilities and credit lines	**3,208**	**5,854**

No specific collateral is provided for overdraft facilities.

EXCHANGE RATE DIFFERENCE IN CASH AND CASH EQUIVALENTS

	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents at January 1	–141	142
Cash flow for the year	20	–17
Total exchange rate difference in cash and cash equivalents	**–121**	**125**

NOTE 25 Number of shares and earnings per share

The share capital in Tele2 is divided into two classes of shares: Class A and B shares. Both types of shares have a quota value of SEK 1.25 per share and have the same rights on the company's net assets and profits. Shares of class A-shares, however, entitle the holder to 10 voting rights per share and class B-shares to one voting right per share.

NUMBER OF SHARES

	A-shares		B-shares		Total
	Change	Total	Change	Total	
As of January 1, 2004		65,069,412		377,611,113	442,680,525
Restamping of A-shares to B-shares	–18,519,423	46,549,989	18,519,423	396,130,536	442,680,525
As of Dec. 31, 2004		**46,549,989**		**396,130,536**	**442,680,525**
New share issue, convertibles	–	46,549,989	972,307	397,102,843	443,652,832
As of Dec. 31, 2005		**46,549,989**		**397,102,843**	**443,652,832**
New share issue, convertibles	–	46,549,989	836,761	397,939,604	444,489,593
Restamping of A-shares to B-shares	–8,193,444	38,356,545	8,193,444	406,133,048	444,489,593
Total number of shares as of Dec. 31, 2006		**38,356,545**		**406,133,048**	**444,489,593**

NUMBER OF SHARES AFTER DILUTION

	Dec. 31, 2006	Dec. 31, 2005
Number of outstanding shares	444,489,593	443,652,832
Incentive program 2002-2007	124,472	328,013
Number of outstanding shares after dilution	**444,614,065**	**443,980,845**

As of December 31, 2006, Tele2 has outstanding warrants related to the incentive program 2002-2007 corresponding to 439,800 (2005: 1,304,821) B-shares in Tele2 AB at a subscription price of SEK 60.80 per share and a subscription period 2005–2007.

As of December 31, 2006, Tele2 has outstanding warrants and stock options related to the incentive program 2006–2011 corresponding to 2,256,000 (2005: 0) B-shares in Tele2 AB at a subscription price of SEK 94.80 per share and a subscription period 2009–2011.

Warrants and stock options under the 2006–2011 incentive program do not give rise to any dilution effect.

Further information is provided in Note 36.

EARNINGS PER SHARE

	Earnings per share		Earnings per share, after dilution	
	2006	2005	2006	2005
Net profit/loss attributable to equity holders of the parent company	–3,615	2,347	–3,615	2,347
Weighted average number of shares	444,129,836	442,842,576	444,129,836	442,842,576
Effect of warrants			223,459	548,670
Weighted average number of outstanding shares after dilution			**444,353,295**	**443,391,246**
Earnings per share, SEK	**–8.14**	**5.30**	**–8.14**	**5.29**

Continue Note 25

DIVIDEND

The dividends that were determined at the Annual General Meeting and paid in 2006 were SEK 1.75 (2005: 1.67). In 2005 SEK 3,33 per share was also paid under a redemption procedure. At the Annual General Meeting in May 2007, a dividend for 2006 of SEK 1.83 (2005: 1.75) per share will be proposed. At December 31, 2006 this corresponded to a total of SEK 813 (2005: 777) million.

NOTE 26 Liabilities to financial institutions and bond holders'

Creditors *(collateral provided)*	Interest rate terms	Maturity date	Dec. 31, 2006 Short-term liabilities	Dec. 31, 2006 Long-term liabilities	Dec. 31, 2005 Short-term liabilities	Dec. 31, 2005 Long-term liabilities
5-year syndicated loan facility	EURIBOR et.al. +0.20%–0.50%	2007–2009	4,688	10,905	4,921	8,491
Bond holders'	Fixed rate 6,35% and 6,47%	2011. 2013	–	1,512	–	–
Banque Invik *(collateral: restricted bank funds in Tele2 Russia Telecom BV and Tele2 Sverige AB)*	Margin: +0.07%–0.50%	2007	1,542	–	822	–
SEB			–	–	69	137
Other		2007–2008	1	2	–	5
			6,231	**12,419**	**5,812**	**8,633**
Total liabilities to financial institutions and bond holders'				**18,650**		**14,445**

Tele2 has an existing borrowing facility of SEK 18.8 (2005: 19.1) billion, which is divided as follows: SEK 14.1 (2005: 14.1) billion due for repayment in November 2009 and SEK 4.7 (2005: 5.0) billion due for repayment in November 2007, with the option to renew the loan one year at a time. The interest margin on the long-term portion is 25-50 points depending on the debt/equity ratio, while the interest margin on the short-term portion is 20 points. In 2006, EUR 150 million and SEK 1,400 million were hedged by means of two interest swaps. The interest rates on the hedged loan liability are 4.0949 percent and 4.2 percent. The effective portion of the interest swap's fair value is reported in the hedge reserve in equity. As the interest swap's interest payments affect the income statement, amounts will be transferred from the hedge reserve to offset this. The loan can be drawn in several currencies. SEK, EUR and GBP are used at December 31, 2006. The facility allows the group a debt/equity ratio (net liabilities/EBITDA) of up to 3.5. The five-year borrowing facility is conditional on the achievement of certain financial ratios. Tele2 expects to fulfill these requirements. The borrowing facility has been guaranteed by a number of banks.

In May 2006, Tele2 AB floated a bond issue on the US market totaling USD 220 million. This is divided into USD 120 million with a five-year maturity and a fixed interest rate of 6.35 percent and USD 100 million with a seven-year maturity and a fixed interest rate of 6.47 percent. The loan is conditional on Tele2 achieving certain financial ratios. Tele2 expects to fulfill these requirements.

The loan in Banque Invik relates to loans to Tele2's operations in Russia and Croatia. Tele2 has deposited the corresponding amount with Banque Invik. The margin between interest on bank balances and interest on loan liabilities is 0.07–0.50 percent.

The average interest on debt during the year was 4.2 (2005: 3.7) percent.

COLLATERAL PROVIDED

	Dec. 31, 2006	Dec. 31, 2005
Short-term investments, bank deposits	1,553	831
Total collateral provided for own liabilities	**1,553**	**831**

MATURITIES FOR THE OUTSTANDING DEBT

	Dec. 31, 2006	Dec. 31, 2005
Within 1 year	6,231	5,812
Within 1–2 years	1	60
Within 2–3 years	10,906	12
Within 3–4 years	–	8,530
Within 4–5 years	825	19
Within 5–10 years	687	12
Total liabilities to financial institutions and bond holders'	**18,650**	**14,445**

Continued Note 26

INTEREST RATE RISK

Of the total loan liabilities as of December 31, 2006 to financial institutions and bond holders' (above) and other interest-bearing liabilities (as in Note 28), SEK 13,252 million corresponding to 67 percent (2005: SEK 14,096 million, 90 percent) are at variable interest rates. An increase of the interest level of 1 percent would involve additional interest expenses of SEK 132 (2005: 141) million, and affect profit/loss after tax by SEK 95 (2005: 99) million, calculated on the basis of interest-bearing liabilities as of December 31, 2006.

Interest-bearing liabilities to financial institutions and bondholders' as well as other interest-bearing liabilities fall due for payment 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
Interest-bearing liabilities with							
Variable interest rates	4,813	77	8,197	50	52	63	13,252
Fixed interest rates	2,063	160	2,758	–	825	687	6,493
Total interest-bearing liabilities	**6,876**	**237**	**10,955**	**50**	**877**	**750**	**19,745**

NOTE 27 Provisions

	2006				
	Rented building	Legal requi-rements	Financial guarantee for loans	Pension and similar com-mitments	Total
Provisions as of January 1	106	348	8	8	470
Provisions in acquired companies	–	–	–	2	2
Additional provisions	50	84	–	1	135
Utilized/paid provisions	–54	–189	–1	–	–244
Reversed unused provisions	–	–16	–	–	–16
Exchange rate differences	–8	–17	–	–	–25
Total provisions as of December 31	**94**	**210**	**7**	**11**	**322**

	Dec. 31, 2006	Dec. 31, 2005
Provisions, short-term portion	140	251
Provisions, long-term portion	182	219
Total provisions	**322**	**470**

In 2005, Tele2 made a provision of SEK 161 million relating to a VAT dispute in its card operations. The dispute is related to 2003 until the first quarter of 2005, and the reserve corresponds to the estimated probable outcome, which amounts to 75 percent of the maximum amount. In 2006, SEK 122 million has been paid and SEK 39 million is still in reserved costs. Other legal disputes are associated with Tele2's operations in Italy, Hungary, Belgium and Spain. These are mainly disputes with other operators, tax disputes and VAT disputes.

In 2005, Telecom Italia lodged a claim against Tele2 for EUR 200 million, which the company claimed it had suffered due to misleading marketing on Tele2's part. The claim has been made jointly and severally against Tele2 Italia S.p.A. and Tele2 AB, as Tele2 Italia was acting on the instructions of Tele2 AB, according to Telecom Italia. Tele2 opposes the claim. Even if Telecom Italia is successful, Tele2 believes that the damages will only amount to a fraction of the amount claimed.

NOTE 28 Other interest-bearing liabilities

	Dec. 31, 2006		Dec. 31, 2005	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Eredivisie CV	286	101	228	364
Samsung	60	–	124	56
Winter Dream Ltd	159	–	–	–
Finance leases	131	341	66	384
Other	9	8	29	15
	645	**450**	**447**	**819**
Total other interest-bearing liabilities		**1,095**		**1,266**

COLLATERAL PROVIDED

	Dec. 31, 2006	Dec. 31, 2005
Net assets in group companies	–	52
Bank deposits	206	314
Total pledged collateral for other interest-bearing liabilities	**206**	**366**

Continued Note 28

OTHER INTEREST-BEARING LIABILITIES FALL DUE

	Dec. 31, 2006			Dec. 31, 2005		
	Total loan liabilities	*of which finance lease, present value*	*of which finance lease, nominal value*	Total loan liabilities	*of which finance lease, present value*	*of which finance lease, nominal value*
Within 1 year	645	*145*	*148*	447	*80*	*81*
Within 1–2 years	236	*131*	*139*	356	*73*	*77*
Within 2–3 years	49	*52*	*57*	192	*53*	*58*
Within 3–4 years	50	*48*	*56*	50	*52*	*59*
Within 4–5 years	52	*46*	*56*	52	*51*	*59*
Within 5–10 years	63	*50*	*64*	161	*136*	*164*
Within 10–15 years	–			8	*5*	*8*
Total loan liability and interest			***520***			***506***
Less interest portion			*–48*			–56
Total other interest-bearing liabilities	**1,095**	***472***	***472***	**1,266**	***450***	***450***

Finance leases relate to the expansion of transmission capacity in Sweden, Austria, Italy and Spain. The portion of the liability that includes variable interests totals SEK 397 (2005: 264) million and has during the year resulted in interest expense of SEK 27 (2005: 18) million.

NOTE 29 Other short-term liabilities

	Dec. 31, 2006	Dec. 31, 2005
VAT liability	269	340
Employee withholding tax	59	46
Other taxes	49	40
Purchase price for shares in Siberian Cellular Communications (Omsk)	33	–
Liability to joint venture, Plusnet GmbH & Co. KG	13	–
Liability to joint venture, Svenska UMTS-nät AB	–	11
Customer deposit	28	30
Derivatives	7	–
Other	51	118
Total short-term liabilities	**509**	**585**

NOTE 30 Accrued expenses and deferred income

	Dec. 31, 2006	Dec. 31, 2005
Traffic expenses to other telecom operators	2,243	2,476
External services expenses	726	1,065
Personnel-related expenses	346	431
Expenses for dealers	135	133
Interest costs	156	174
Leasing and rental expenses	47	97
Other accrued expenses	445	432
Deferred income, prepaid cards	817	821
Other deferred income	2,341	1,792
Total accrued expenses and deferred income	**7,256**	**7,421**

NOTE 31 Pledged assets

	Dec. 31, 2006	Dec. 31, 2005
Net assets in group companies	–	52
Materials and supplies	32	19
Short-term investments, bank deposits	1,981	1,199
Other long-term receivables, bank deposits	–	7
Total pledged assets	**2,013**	**1,277**

NOTE 32 Contingent liabilities

	Dec. 31, 2006	Dec. 31, 2005
Guarantee related to joint ventures	1,730	1,475
Future commitments	32	163
Total contingent liabilities	**1,762**	**1,638**

Svenska UMTS-nät AB, a joint venture to Tele2, has an approved loan facility of SEK 4.8 (2005: 5.3) billion, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 2.4 (2005: 2.7) billion. As of December 31, 2006, Tele2's guarantee amounted to SEK 1,685 (2005: 1,475) million.

Tele2 Germany has provided a bank guarantee of SEK 45 million as security for its joint venture Plusnet GmbH & Co. KG.

In Sweden, disputes between Tele2 and TeliaSonera have been in progress for some years. These relate to the pricing of interconnect charges in mobile

Continued Note 32

telephony. On February 8, 2007, the Court of Appeal ruled against Tele2 in the cascade and termination cases relating to the period 2000-2004. The verdict was not unanimous. The County Administrative Court had previously ruled in Tele2's favor. Tele2 is now considering the verdicts and may seek leave to appeal in the Swedish Supreme Administrative Court, based on the previous verdicts and the fact that the court of appeal verdict was not unanimous. The maximum cost will be SEK 200 million. Tele2 assesses the most likely outcome of each dispute, and this is reflected in its financial statements. There are also current disputes in other countries, and Tele2 is regularly involved in price negotiations in all its markets.

Additional information regarding claims is presented in Note 13 and Note 27.

NOTE 33 Operating leases and other commitments

ANNUAL EXPENSES

	2006	2005
Annual leasing expenses for operating leases	2,906	1,924

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

CONTRACTUAL FUTURE LEASE PAYMENTS DUE FOR PAYMENT

	Dec. 31, 2006	Dec. 31, 2005
Within 1 year	1,253	1,421
Within 1–2 years	682	570
Within 2–3 years	498	467
Within 3–4 years	361	234
Within 4–5 years	256	128
Within 5–10 years	802	383
Within 10–15 years	415	239
More than 15 years	72	93
Total future lease payments for operating leases	**4,339**	**3,535**

CONTRACTUAL COMMITMENTS/COMMERCIAL PLEDGES

	Dec. 31, 2006				
	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Liabilities to financial institutions and bond holders’	6,231	10,907	825	687	18,650
Other interest-bearing liabilities	645	285	102	63	1,095
Contractual and other commitments	453	447	444	444	1,788
Operating leasing	1,253	1,180	617	1,289	4,339
Total contractual commitments/ Commercial pledges	**8,582**	**12,819**	**1,988**	**2,483**	**25,872**

NOTE 34 Supplementary cash flow information

CASH FLOW FROM OPERATING ACTIVITIES BASED ON THE NET RESULT

	2006	2005
OPERATING ACTIVITIES		
Net profit	–3,740	2,341
Adjustments for non-cash items in operating profit		
Depreciation, amortization and write-downs	7,278	2,968
Result from shares in associated companies and joint ventures	135	100
Net capital gain/loss on sale of fixed assets	7	17
Net capital gain/loss on sale of shares	–32	–159
Goodwill impairment, discontinued operations (Note 39)	1,500	–
Finance leases	–	–3
Write-down of shares in Modern Holdings Inc	19	–
Unpaid financial items	50	160
Unpaid tax	685	192
Dividend from associated companies	–	1
Deferred tax expense	–923	42
Cash flow from operations before changes in working capital	**4,979**	**5,659**
Changes in working capital	–1,132	–172
CASH FLOW FROM OPERATING ACTIVITIES	**3,847**	**5,487**

Continued Note 34

INVESTMENTS IN INTANGIBLE AND TANGIBLE FIXED ASSETS (CAPEX)

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

	2006	2005
CAPEX according to cash flow statement	5,520	3,640
This year's unpaid CAPEX and reversal of previous years' CAPEX paid during the year		
Continuing operations	–187	–159
Discontinued operations	–	255
Selling price according to cash flow statement	32	14
CAPEX according to the balance sheet	**5,365**	**3,750**

Of the year's investment in intangible assets and tangible assets, SEK 90 (2005: 439) million is unpaid at December 31, 2006 and has therefore not been reported as investments in the cash flow statement. Payment of the previous year's investment of SEK 277 (2005: 343) million has been reported as investment in the cash flow for 2006. These items amount to SEK –187 (2005: 96) million, with SEK 0 (2005: 255) million relating to unpaid CAPEX in discontinued operations.

	2006	2005
Nordic	957	606
Baltic & Russia	2,363	1,648
Central Europe	228	272
Southern Europe	1,028	250
UK & Benelux	644	301
Services	47	62
TOTAL CONTINUING OPERATIONS	**5,267**	**3,139**
Discontinued operations	98	611
TOTAL CAPEX	**5,365**	**3,750**

	2006	2005
Mobile telephony	2,893	1,879
Indirect access	692	550
of which fixed telephony resale	*495*	*514*
of which broadband resale	*197*	*36*
Direct access & LLUB	1,528	600
Other operations	154	110
Total continuing operations	**5,267**	**3,139**

Futher information on the segments is provided in Note 2 and Note 3.

NOTE 35 Number of employees

	AVERAGE NUMBER OF EMPLOYEES			
	2006		2005	
	Total	*of whom men*	Total	*of whom men*
Nordic	1,064	*69%*	975	*68%*
Baltic & Russia	1,578	*51%*	1,027	*53%*
Central Europe	510	*70%*	576	*71%*
Southern Europe	566	*64%*	360	*56%*
UK & Benelux	1,153	*76%*	538	*75%*
Services	414	*78%*	433	*79%*
Total average number of employees	**5,285**	***66%***	**3,909**	***65%***
of which discontinued operations	*56*	*61%*	*48*	*56%*

	2006		2005	
	Women	Men	Women	Men
Proportion of Board members in all group companies	6%	94%	4%	96%
Proportion of other Senior executives in all group companies	18%	82%	19%	81%
Total proportion of board members and other senior executives	**14%**	**86%**	**14%**	**86%**

NOTE 36 Personnel costs

	SALARIES AND REMUNERATION					
	2006			2005		
	Board of Directors and CEO	*of which bonus*	Other employees	Board of Directors and CEO	*of which bonus*	Other employees
Nordic	28	*4*	526	30	*4*	494
Baltic & Russia	28	*6*	182	18	*3*	115
Central Europe	12	*3*	224	8	*3*	282
Southern Europe	19	*2*	289	13	*2*	149
UK & Benelux	38	*5*	654	19	*3*	299
Services	5	–	209	5	–	159
Total salaries and remuneration	**130**	***20***	**2,084**	**93**	***15***	**1,498**

During the year, Tele2 made a provision of SEK 11 (2005:14) million to cover bonus payments to key personnel, and a provision of SEK 4 (2005: 5) million for social security contributions. The distribution of the amount will be decided in 2007.

	2006			2005		
	Salaries and remune-ration	Social security	*of which pension costs*	Salaries and remune-ration	Social security	*of which pension costs*
Board and President	130	27	*7*	93	23	*6*
Other employees	2,084	539	*105*	1,498	412	*86*
Total	**2,214**	**566**	***112***	**1,591**	**435**	***92***
of which discontinued operations	*55*	*17*	*–*	*46*	*16*	*–*

OBLIGATIONS RELATING TO DEFINED-BENEFIT RETIREMENT PENSION PLANS

	Pension expenses	
	2006	2005
Defined-benefit plans, retirement pension	20	19
Defined-benefit plans, compliance and disability pension	3	5
Defined-contribution plans	89	68
Total pension expenses	**112**	**92**

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

Income statement

	2006	2005
Current service costs	–11	–9
Expected return on plan assets	1	1
Actuarial losses/gains (net) recognized for the year	–10	–11
Net cost recognized in income statement	**–20**	**–19**

Balance sheet

	Dec. 31, 2006	Dec. 31, 2005
Present value of funded obligations	–98	–70
Fair value of plan assets	93	71
Net	**–5**	**1**
Unrealized actuarial gains/losses	1	–
Net asset (+)/obligation(–) in balance sheet	**–4**	**1**
of which assets	*7*	*9*
of which iabilities	*–11*	*-8*

	Dec. 31, 2006	Dec. 31, 2005
Net asset(+)/-obligation(–) at beginning of year	1	8
Net cost recognized in income statement	–20	–19
Payments	13	11
Exchange rate differences	2	1
Net asset (+)/obligation(–) in balance sheet at end of year	**–4**	**1**

Important actuarial assumptions (weighted average)

	Dec. 31, 2006	Dec. 31, 2005
Discount rate	4–4.5%	4–4.5%
Expected return on plan assets	4–5.0%	4–5.3%
Annual salary increases	3–4.5%	2–3%
Annual pension increases	2–2.5%	2–2.5%

Continued Note 36

REMUNERATION OF SENIOR EXECUTIVES

2006	Basic salary/ board fees	Variable remunera-tion	Option program	Other benefits	Pension expenses	Total remunera-tion
Chairman of the Board, Vigo Carlund	0.8					0.8
CEO and President, Lars-Johan Jarnheimer	11.2	3.1	0.6	0.1	2.1	17.1
Other Senior executives	30.2	12.7	10.1	1.6	3.3	57.9
Total salaries and remuneration to senior executives	**42.2**	**15.8**	**10.7**	**1.7**	**5.4**	**75.8**

The group Other Senior Executives comprises 13 (2005: 13) persons. In addition to the expenses mentioned above, Tele2 has also had social security expenses

2005	Basic salary/ board fees	Variable remunera-tion	Option program	Other benefits	Pension expenses	Total remunera-tion
Chairman of the Board, Sven Hagströmer	0.8					0.8
CEO and President, Lars-Johan Jarnheimer	11.2	3.3	–	0.1	2.1	16.7
Other Senior executives	25.4	13.2	–	1.1	2.7	42.4
Total salaries and remuneration to senior executives	**37.4**	**16.5**	**–**	**1.2**	**4.8**	**59.9**

At December 31, 2006, Tele2 had 1,044,000 outstanding stock options to senior executives from the year's option program (2006-2111 incentive program). The CEO owned 200,000 of the outstanding stock options and other senior executives 844,000. The market value of the stock options at the time of issue was SEK 2.4 million for the CEO and SEK 10.2 million for other senior executives. No premium was paid for the stock option.

At December 31, 2006, in addition to the above stock options, there were 141,300 (2005: 423,900) outstanding stock options to senior executives from a previous option program (2002–2007 incentive program). The CEO owned 47,100 (2005: 47,100) of these and other senior executives 94,200 (376,800).

Board of Directors

Total fees to the Board of Directors in 2006 were SEK 3,750 (2005: 3,350) thousand following a decision by the Annual General Meeting in May 2006. SEK 800 (2005: 800) thousand was paid to the chairman of the board, 400 (2005: 400) thousand was paid to each board member and a total of 150 (2005: 150) thousand for assignments performed by the board's committees. SEK 100 thousand of this amount was paid to John Shakeshaft and 50 thousand to Donna Cordner.

CEO/President

In addition to a fixed salary, Lars-Johan Jarnheimer, CEO and President of Tele2 AB, received a bonus of SEK 3.1 (2005: 3.3) million. The bonus is based on individual targets. The CEO's option program of SEK 0.6 million relate to the 2006–2011 incentive program. Pension premiums, which are defined-contribution, are paid at 20 percent of the fixed basic salary. The retirement age is 65. In the case of involuntary termination of employment, the CEO is entitled to a salary paid over a minimum 12-month and a maximum 18-month period of notice. In the case of voluntary termination of employment, salary is paid over a 12-month period of notice. No other remuneration is made. The CEO's salary and remuneration are determined annually by the board of directors following proposals from the compensation committee.

Other Senior executives

Variable salary paid to other senior executives includes a bonus of 0–50 percent of fixed salary, based on profit benchmarks and other individual targets. In addition, a bonus not exceeding SEK 4 (2005: 7) million may be paid to the senior executives. The bonus, which is performance-linked, will be set in 2007. 7.5 million of the share option program for other senior executives, which totals SEK 10.1 million, relates to the 2002–2007 incentive program and SEK 2.6 million to the 2006–2011 program. Pensions are paid in accordance with the public pension plan, of which SEK 2.6 (2005: 2.4) million relates to defined-contribution plans and SEK 0.7 (2005: 0.3) million to defined-benefit plans. The retirement age is 65 years. In the case of involuntary termination of employment, senior executives are entitled to salary paid over a minimum 6-month and a maximum 12-month period of notice. In the case of voluntary termination of employment, salary is paid over a 6-month period of notice. No other remuneration is made.

Continued Note 36

SHARE-BASED PAYMENTS

Change in the number of outstanding stock options and warrants and their weighted average redemption price is stated below.

	2006			2005		
	Average market price, SEK	Weighted redemption price per share, SEK	Options (number)	Average market price, SEK	Weighted redemption price per share, SEK	Options (number)
Outstanding as of January 1		60.80	1,304,821		60.80	2,418,428
Allocated		94.80	2,256,000			–
Forfeited		60.80	–28,260		60.80	–141,300
Exercised	84.80	60.80	–836,761	81.22	60.80	–972,307
Total outstanding options as of December 31		**89.25**	**2,695,800**		**60.80**	**1,304,821**
of which may be exercised as of December 31			*439,800*			*1,304,821*
of which may not be exercised as of December 31			*2,256,000*			–

Outstanding stock options and warrants at the end of the year have the following expiration date and exercise price.

Expiration date	Exercise price	2006	2005
2007	60.80	439,800	1,304,821
2009	94.80	752,000	
2011	94.80	1,504,000	–

Incentive program 2006–2011

The Extraordinary General Meeting on February 21, 2006, decided to adopt an incentive program for a maximum of 32 senior executives and key employees in the Tele2 Group, resulting in a combined offering of a maximum of 1,059,000 warrants and a maximum of 2,118,000 stock options. The bonus for approximately 752,000 issued warrants increased equity for Q1 2006 by SEK 7 million. For each warrant acquired, two free stock options were offered, each carrying an entitlement to acquire one B share in the company. Stock options can only be exercised if the employee is still in Tele2's employment on the date of exercise.

At December 31, 2006, outstanding warrants and stock options related to the 2006/2011 incentive program corresponded to 2,256,000 class B-shares in Tele2 AB. Subscription for class B-shares through the warrants may take place during February 25 – May 25, 2009, and the stock options run for five years, with the earliest exercise date three years after the grant date. The subscription price for warrants and the acquisition price for exercising stock options is SEK 94.80, which corresponds to 110 percent of the average closing price for the company's B shares in the period February 22 to March 7, 2006. Those entitled to subscribe, notwithstanding shareholders' preferential rights, are wholly-owned subsidiaries of Tele2. It is the board's intention to submit a proposal to the 2007 and 2008 AGMs in accordance with the above conditions.

In addition to the above option programs, the board has a possibility to decide that a cash bonus will be paid three years after options are acquired. The purpose of the bonus is to encourage participation in the option program. The bonus will only be paid if options and/or associated B shares are owned by the participant and the participant is still employed in the Tele2 Group. The bonus will amount to no more than the net difference between the acquisition price of the warrants and two percent of the value of the associated B shares when the warrants were acquired. The cost is estimated to approximately a maximum of SEK 10 million.

The total costs after tax of outstanding stock options and warrants in the incentive program are expensed, as they arise, over a three-year period, starting in March 2006. These costs are expected to amount to SEK 21 million, of which 5 million was expensed in 2006.

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

	2006
Weighted average share price	SEK 86.23
Exercise price	SEK 94.80
Expected volatility	21%
Expected life	5 years
Risk free rate	3.2%
Yield	2.3%

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

Incentive program 2002–2007

The 2002 annual general meeting approved an incentive program corresponding to a maximum of 3,312,700 B shares (converted after the split and redemption procedure in 2005) for present and future key employees in the group. These individuals are entitled to acquire for B shares by means of warrants over a period of three to five years, at a price corresponding to the market price of the B shares +10 percent at the date of grant, on condition that they remain in the group's employment. No premium will be paid. All options have a redemption price of SEK 60.80/share.

Warrants corresponding to 2,630,378 shares were issued in 2002, of which 381,510 (2006: 28,260) were forfeited between 2002 and 2006. In the period 2005-2006, warrants corresponding to 1,809,068 (2006: 836,761) shares were exercised. At December 31, 2006, Tele2 had outstanding warrants corresponding to 439,800 (2005: 1,304,821) shares. The 2002 program included warrants corresponding to 482,618 shares granted to a wholly-owned group company for the purpose of securing future cash flows for social security expenses. 315,998 (2006: 153,811) were exercised in the period 2005–2006 and 166,620 were outstanding at December 31, 2006 (2005: 320,431).

NOTE 37 Remuneration of auditors

	2006		2005	
	Deloitte	Other auditors	Deloitte	Other auditors
Audit assignments	30	7	23	5
Other assignments				
Audit-related	1	–	2	1
Taxes	9	2	1	1
Other	1	3	–	1
	41	**12**	**26**	**8**
Total remuneration to auditors		**53**		**34**

The item audit assignments refers to invoiced fees for auditing the financial statements of the parent company and Group, auditing of subsidiaries. This also includes a fee for other auditing services. This refers to services which can only normally be performed by the appointed auditor. The increase on the previous year's fees is largely due to acquisitions, including Versatel and Comunitel, and additional auditing assignments required to achieve compliance with the Sarbanes Oxley Act.

The item Other assignments, audit-related, includes invoiced fees for analyses and other similar investigations which are closely related to the auditing of the company's annual accounts or which are normally performed by the appointed auditor, and consultations relating to accounting principles.

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

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

NOTE 38 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 in group staff. The aim is to minimize the Group's capital costs through appropriate financing and effective management and control of the Group's financial risks.

Foreign currency exchange risk

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

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

Currency exposure arising on translation of foreign operations is limited by ensuring that the group's borrowing is confined to currencies which reflect the net investment in these operations. At December 31, 2006 we have borrowing facilities in SEK, EUR and GBP. Currency exposure arising from net investments in foreign operations/subsidiaries is minimized by arranging the loan in the same currency. In 2006, 21 (2005: 24) percent of operating revenue was in SEK and 48 (2005: 46) percent in EUR. Tele2's results for the year were most affected by fluctuations in EUR, NOK and LVL. For further information, please see Note 12.

Interest rate risk

Tele2 keeps a close watch on interest market trends, and decisions to change the interest commitment strategy are assessed regularly. In 2006, the group used interest rate derivatives in order to reduce its interest exposure. Outstanding interest rate derivatives at December 31, 2006 were held for hedging purposes and, as they were deemed effective, hedge accounting was applied. At the end of 2006, 67 (2005: 90) percent of the group's interest-bearing liabilities carried a variable interest rate. For further information, please see Note 25.

	Dec. 31, 2006		Dec. 31, 2005	
	Capital-amount	Reported fair value	Capital-amount	Reported fair value
Interest rate derivatives, cash-flow hedging, SEK	1,400	–5	–	–
Interest rate derivatives, cash-flow hedging, EUR	1,358	–2	–	–
Total outstanding interest rate derivatives	**2,758**	**–7**	**–**	**–**

Liquidity risk

The Group's cash and cash equivalents are invested on a short-term basis, so that excess liquidity can be used for loan repayments. Under the group's current financial policy, refinancing risk is managed by subscribing for long-term binding stand-by credit lines. At the end of 2006, the group had available liquidity of SEK 5.8 billion. For further information, please see Note 23.

Credit risk

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

Maximum credit exposure corresponds to financial guarantees of SEK 1,730 (2005: 1,475) million and accounts receivable of SEK 7,645 (2005: 6,726) million.

The fair value of Tele2's fixed-interest liabilities is SEK 6,457 (2005:1,615), while their carrying amount is SEK 6,493 (2005:1,615) million. The fair value of Tele2's financial assets and liabilities does not deviate significantly from their carrying amount.

NOTE 39 Discontinued operations

On October 3, 2006 Tele2 announced the divestment of its fixed and broadband operations in Tele2 France to SFR for approximately SEK 3.3 billion on a debt free basis. Tele2's French mobile business is being retained by Tele2. The transaction is pending approval by the EU Competition Authority and Tele2 expects to be able to complete this during 2007.

In 2006, a goodwill write-down of SEK 1.5 billion affected results from discontinued operations. This was attributable to the estimated capital loss on the sale, excluding a reversal of exchange rate differences associated with the French operation and and was recognized directly in equity. The expected positive currency effect will be reported in the 2007 results when the sale is completed.

Tele2 has successfully marketed fixed line telephony in France since 1998, creating a very profitable business. As the French market is consolidating, Tele2 has decided that selling the fixed line and broadband businesses to SFR is the best way to maximize the value of the operations.

In accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, the disposal has been reported separately in the income statement as a discontinued operation – retrospectively for prior periods, and in the balance sheet from 30 September 2006.

The results from discontinued operations, previously reported in the Southern Europe market area, are presented below.

	2006	2005
Operating revenue	4,325	5,486
Operating expenses	–4,094	–4,790
Operating profit	**231**	**696**
Interest revenue	33	45
Profit after financial items	**264**	**741**
Tax on profit for the year	–99	–236
NET PROFIT	**165**	**505**
Goodwill impairment	–1,500	–
PROFIT/LOSS FOR THE YEAR, TOTAL EFFECT	**–1,335**	**505**
Earnings per share, SEK	–3.01	1.14
Earnings per share after dilution, SEK	–3.01	1,14

	Dec. 31, 2006
Goodwill	2,826
Other intangible assets	488
Total intangible assets	**3,314**
Machinery and technical plant	138
Other tangible assets	86
Total tangible assets	**224**
Deferred tax assets	169
TOTAL FIXED ASSETS	**3,707**
Materials and supplies	49
Accounts receivable	391
Current tax receivables	76
Other current receivables	2
Prepaid expenses and accrued income	163
Total current receivables	**632**
TOTAL CURRENT ASSETS	**681**
TOTAL ASSETS	**4,388**

	Dec. 31, 2006
Accounts payable	1,074
Other short-term liabilities	60
Accrued expenses and deferred income	383
Total short-term liabilities	**1,517**

	2006	2005
Cash flow from operating activities	463	479
Cash flow from investing activities	–99	–356
Cash flow from financing activities	–729	–76
Net change in cash and cash equivalents	**–365**	**47**

Continued Note 39

	Operating revenue		EBITDA		Operating profit/loss	
	2006	2005	2006	2005	2006	2005
Indirect access	4,325	5,486	357	809	278	735
of which fixed telephony resale	*3,731*	*4,969*	*798*	*1,111*	*734*	*1 037*
of which broadband resale	*594*	*517*	*–441*	*–302*	*–456*	*–302*
Direct access & LLUB	–	–	–	–	–59	–36
Other operations	274	235	12	–3	12	–3
Adjustments for intra-Group sales	–274	–235				
Total	**4,325**	**5,486**	**369**	**806**	**231**	**696**

	Number of customers (by thousands)		CAPEX	
	Dec. 31, 2006	Dec. 31, 2005	2006	2005
Indirect access	3,053	3,751	98	22
of which fixed telephony resale	*2,736*	*3,475*	*17*	*22*
of which broadband resale	*317*	*276*	*81*	*–*
Direct access & LLUB	–	–	–	589
Total	**3,053**	**3,751**	**98**	**611**
of which period's unpaid CAPEX			*–*	*255*
of which CAPEX according to cash flow			*98*	*356*

NOTE 40 Transactions with related parties

As a result of substantial direct and indirect shareholdings by the Jan Hugo Stenbeck estate in the Tele2, Kinnevik, Invik & Co, Transcom WorldWide, Millicom, Modern Holdings Inc, MTG, Metro and Viking Telecom Groups as well as certain other companies, the above mentioned estate has the potential to exert considerable influence in terms of financial and operational decisions regarding activities by these companies. The above companies including associated companies and joint ventures according to Note 17, are regarded as related parties to Tele2. Business relations and pricing between Tele2 and all related parties are subject to principles based on commercial terms and conditions.

OPERATING AGREEMENTS BETWEEN TELE2 AND RELATED PARTIES

Tele2 supplies telecommunications and broadband services, on commercial terms, to related corporate groups.

Kinnevik Group
Kinnevik buys IT services from UNI2 and Tele2 rents premises from Kinnevik.

Invik Group
Tele2 Group's operations are insured by Moderna Försäkringar AB. Banque Invik provides certain financial services for the Tele2 Group. Banque Invik is also the credit card supplier and conducts credit card transactions arising via the 3C-operation's equipment.

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

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

Modern Holdings Inc. Group
The Basset Group provides an operator settlement and anti-fraud system for Tele2.

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

Associated companies and joint ventures
Tele2 is one of two turnkey contractors which plan, expand and operate the joint venture Svenska UMTS-nät AB's 3G network. Tele2 owns 32.5 percent of the non-profit infrastructure company Plusnet in Germany. Fixed costs are shared between the parties and variable costs are distributed proportionately in relation to use.

Tele2 owns 49 percent of Spring Mobil AB. Spring Mobil holds the fourth GSM license in Sweden. Under the agreement, Spring Mobil has made certain frequencies available to Tele2 for a total of SEK 60 million. Spring Mobil uses Tele2's network under an MVNO agreement. Transactions with associates and joint ventures are based on commercial terms.

Continued Note 40

TRANSACTIONS BETWEEN TELE2 AND RELATED PARTIES

	Operating revenue		Operating expenses	
	2006	2005	2006	2005
Kinnevik Group	6	6	2	3
Invik Group	3	3	29	18
Transcom WorldWide Group	45	52	3,425	2,896
Millicom Group	13	12	1	–
Modern Holdings Inc. Group	2	3	116	145
MTG, Modern Times Group	31	33	52	56
Metro International Group	4	5	13	17
Viking Telecom Group	–	1	–	5
Associated companies and joint ventures	128	252	285	252
Other related companies	1	1	40	36
Total	**233**	**368**	**3,963**	**3,428**

	Interest revenue		Interest expenses	
	2006	2005	2006	2005
Invik Group	88	26	90	30
Modern Holdings Inc. Group	1	1	2	–
Total	**89**	**27**	**92**	**30**

BALANCES BETWEEN TELE2 AND RELATED PARTIES

	Restricted cash		Other receivables		Interest-bearing receivables	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Kinnevik Group	–	–	–	1	–	–
Invik Group	1,553	831	17	–	–	–
Transcom WorldWide Group	–	–	24	31	–	–
Millicom Group	–	–	7	4	–	–
Modern Holdings Inc. Group	–	–	1	1	8	11
MTG, Modern Times Group	–	–	12	12	–	–
Metro International Group	–	–	2	1	–	–
Associated companies and joint ventures	–	–	25	45	–	–
Other related companies	–	–	–	21	–	–
Total	**1,553**	**831**	**88**	**116**	**8**	**11**

	Non-interest-bearing liabilities		Interest-bearing liabilities	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Invik Group	107	92	1 542	822
Transcom WorldWide Group	596	557	–	–
Modern Holdings Inc. Group	17	33	–	–
MTG, Modern Times Group	9	9	–	–
Metro International Group	–	4	–	–
Associated companies and joint ventures	23	13	–	–
Total	**752**	**708**	**1,542**	**822**

PARENT COMPANY'S FINANCIAL STATEMENTS

The parent company's income statement

SEK million	Note	2006	2005
Operating revenue	2	20	18
Gross profit		**20**	**18**
Administrative expenses		–84	–104
Other operating revenue	2	1	26
Operating profit/loss		**–63**	**–60**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Result from other securities and receivables classified as fixed assets	3	784	308
Other interest revenue and similar income	4	2	1
Interest expense and similar costs	5	60	–24
Profit after financial items		**783**	**225**
Tax on profit for the year	6	–219	–223
NET PROFIT/LOSS		**564**	**2**

The parent company's cash flow statement

SEK million	Note	2006	2005
OPERATING ACTIVITIES			
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL			
Operating profit/loss		–63	–60
Interest received		2	1
Interest paid		–351	–12
Finance costs paid		–10	–
Cash flow from operations before changes in working capital		**–422**	**–71**
CHANGES IN WORKING CAPITAL			
Operating assets		–32	–9
Operating liabilities		12	–27
Changes in working capital		**–20**	**–36**
CASH FLOW FROM OPERATING ACTIVITIES		**–442**	**–107**
INVESTING ACTIVITIES			
Lending to group companies		–2,812	–
Repayments from group companies		–	2,317
Cash flow from investing activities		**–2,812**	**2,317**
CASH FLOW AFTER INVESTING ACTIVITIES		**–3,254**	**2,210**
FINANCING ACTIVITIES			
Proceeds from credit institutions and bond holders'		4,178	–
Repayment of loans from credit institutions and bond holders'		–261	–
Dividends and redemption procedure		–777	–2,213
New share issues		58	59
Cash flow from financing activities		**3,198**	**–2,154**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–56**	**56**
Cash and cash equivalents at beginning of the year		63	7
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**7**	**63**

For additional cash flow information, please refer to Note 17.

The parent company's balance sheet

SEK million	Note	Dec. 31, 2006	Dec. 31, 2005
ASSETS			
FIXED ASSETS			
FINANCIAL ASSETS			
Shares in group companies	7	11,707	2,686
Receivables from group companies	8	26,862	18,956
Deferred tax assets		2	1
TOTAL FIXED ASSETS		**38,571**	**21,643**
CURRENT ASSETS			
CURRENT RECEIVABLES			
Accounts receivables from group companies		52	21
Prepaid expenses and accrued income	9	2	2
Total current receivables		**54**	**23**
CASH AND CASH EQUIVALENTS	10	7	63
TOTAL CURRENT ASSETS		**61**	**86**
TOTAL ASSETS		**38,632**	**21,729**
EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY			
RESTRICTED EQUITY			
Share capital		556	555
Restricted reserve		16,876	16,819
Total restricted equity		**17,432**	**17,374**
UNRESTRICTED EQUITY			
Reserves		–5	–
Retained earnings		3,068	3,843
Net profit		564	2
Total unrestricted equity		**3,627**	**3,845**
TOTAL SHAREHOLDER'S EQUITY		**21,059**	**21,219**
LONG-TERM LIABILITIES			
INTEREST BEARING			
Liabilities to financial institutions and bond holders'	11	12,417	–
Liabilities to group companies		–	327
TOTAL LONG-TERM LIABILITIES		**12,417**	**327**
SHORT-TERM LIABILITIES			
INTEREST BEARING			
Liabilities to financial institutions and bond holders'	11	4,688	–
Total interest bearing liabilities		**4,688**	**–**
NON-INTEREST-BEARING			
Accounts payable		15	6
Current tax payable		379	162
Other liabilities	12	18	5
Accrued expenses and deffered income	13	56	10
Total non-interest-bearing liabilities		**468**	**183**
TOTAL SHORT-TERM LIABILITIES		**5,156**	**183**
TOTAL SHAREHOLDER´S EQUITY AND LIABILITIES		**38,632**	**21,729**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	14	None	None
Contingent liabilities	15	2,461	8,173

Change in parent company's shareholders' equity

	Restricted equity		Unrestricted equity		
SEK million	Share capital	Restricted reserve	Hedge reserve	Retained earnings	Total shareholders' equity
Shareholders' equity at January 1, 2005	738	16,577	–	5,189	22,504
Group contribution, received	–	–	–	1,205	1,205
Group contribution, tax effect	–	–	–	–338	–338
New share issues	1	58	–	–	59
Dividends and redemption procedure	–184	184	–	–2,213	–2,213
Net profit	–	–	–	2	2
Shareholders' equity at Dec. 31, 2005	**555**	**16,819**	**–**	**3,845**	**21,219**

	Restricted equity		Unrestricted equity		
SEK million	Share capital	Restricted reserve	Hedge reserve	Retained earnings	Total shareholders' equity
Shareholders' equity at January 1, 2006	555	16,819	–	3,845	21,219
Cash flow hedges (Note 11)	–	–	–7	–	–7
Cash flow hedges, tax effect	–	–	2	–	2
Issue of warrants	–	7	–	–	7
New share issues	1	50	–	–	51
Dividends	–	–	–	–777	–777
Net profit	–	–	–	564	564
Shareholders' equity at Dec. 31, 2006	**556**	**16,876**	**–5**	**3,632**	**21,059**

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 RR32:05 *Reporting for, legal entities* and the recommendations of the Swedish Financial Accounting Standards and its Emerging Issues Task Force.

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

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

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

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

OTHER INFORMATION
The annual report has been approved by the Board of Directors on March 13, 2007. The balance sheet and income statement are subject to adoption by the Annual General Meeting May 9, 2007.

NOTE 2 Operating revenue and other operating revenue

Operating revenue and other operating revenues relate to sales to other companies in the Group.

NOTE 3 Result from other securities and receivables classified as fixed assets

	2006	2005
Interest, Group	718	308
Exchange rate difference on receivables from Group companies	66	–
Total result from other securities and receivables classified as fixed assets	**784**	**308**

NOTE 4 Other interest revenue and similar income

	2006	2005
Interest, bank balances	1	1
Interest, penalty interest	1	–
Total other interest revenue and similar income	**2**	**1**

NOTE 5 Interest expense and similar costs

	2006	2005
Interest, credit institutions and bond holders'	–401	–
Interest, Group	–4	–12
Interest, penalty interest	–	–12
Exchange rate difference on financial liabilities	481	–
Other finance expeses	–16	–
Total interest expenses and similar costs	**60**	**–24**

NOTE 6 Taxes

	2006	2005
Current tax expense	–217	–162
Deferred tax expense	–2	–61
Total tax expense (–)/tax income (+) on profit for the year	**–219**	**–223**

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

	2006		2005	
Profit before tax	783		225	
Tax expense/income				
Tax effect according to tax rate in Sweden	–219	–28.0%	–63	–28.0%
TAX EFFECT OF				
Other non-deductible expenses/non-taxable revenue	–	–	2	0.9%
Tax dispute from previous years expensed	–	–	–162	–72.0%
Tax expense/income and effective tax rate	**–219**	**–28.0%**	**–223**	**–99.1%**

The tax authorities have questioned tax losses in Tele2 AB amounting to SEK 3,910 million. For additional information regarding the tax dispute, refer to Group Note 13. Other tax disputes in Tele2 AB amount to SEK 7 (2005: 21) million. Tele2 is of the opinion that the disputes will be settled in Tele2's favor, which is why a contingent tax liability has not been recorded for losses utilized.

NOTE 7 Shares in group companies

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec. 31, 2006	Dec. 31, 2005
Netcom Luxembourg SA, RC B73.796, Luxembourg	1,000	tEURO 35	100%	11,707	2,686
Total shares in group companies				**11,707**	**2,686**

List of all subsidiaries, excluding dormant companies, is presented in Note 21.

	Dec. 31, 2006	Dec. 31, 2005
Acquisition value		
Acquisition value at January 1	2,686	2,686
Shareholders contribution	9,021	–
Total shares in group companies	**11,707**	**2,686**

NOTE 8 Receivables from group companies

	Dec. 31, 2006	Dec. 31, 2006
Acquisition value at January 1	18,956	19,761
Lending	20,925	1,514
Shareholders contribution	–9,021	–
Repayments	–3,998	–2,319
Total receivables from group companies	**26,862**	**18,956**

NOTE 9 Prepaid expenses and accrued income

	Dec. 31, 2006	Dec. 31, 2006
Rental cost	1	2
Insurance cost	1	–
Total prepaid expenses and accrued revenue	**2**	**2**

NOTE 10 Cash and cash equivalents and overdraft facilities

AVAILABLE LIQUIDITY

	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents	7	63
Unutilized overdraft facilities and credit lines	3,125	–
Total available liquidity	**3,132**	**63**

UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES

	Dec. 31, 2006	Dec. 31, 2005
Unutilized credit lines	3,125	–
Total unutilized overdraft facilities and credit lines	**3,125**	**–**

NOTE 11 Liabilities to financial institutions and bond holders'

			Dec. 31, 2006		Dec. 31, 2005	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
5-year syndicated loan facility *(collateral: guarantee from Tele2 Sverige AB)*	EURIBOR et.al. + 0.20%–0.50%	2007–2009	4,688	10,905	–	–
Bond holders' *(collateral: guarantee from Tele2 Sverige AB)*	Fixed rate 6.35% and 6.47%	2011, 2013	–	1,512	–	–
			4,688	**12,417**	**–**	**–**
Total liabilities to financial institutions and bond holders'				**17,105**		**–**

In 2006, Tele2 AB took over a 5-year loan from one of its subsidiaries. The loan, which amounts to SEK 18.8 billion, is divided into SEK 14.1 billion maturing in November 2009 and SEK 4.7 billion maturing in November 2007, with the opportunity to extend the loan, one year at a time. The interest margin for the long-term portion is 25–50 points, depending on the debt/equity ratio and on the short-term portion being 20 points. In 2006, loans of EUR 150 million and SEK 1,400 million were hedged by means of two interest swaps. Interest on the hedged loans is 4,0949 percent and 4.2 percent. The effective portion of the interest swap's fair value is reported in the hedge reserve in equity. As the interest swap's interest payments affect the income statement, amounts will be transferred from the hedge reserve to offset this. The loan can be used in several currencies, at December 31, 2006 the loan is drawn in SEK, EUR and GBP. The facility allows a debt/equity ratio and net liabilities to EBITDA, for the Group of up to 3.5. The five-year loan facility is based on requirements involving the fulfillment of certain financial ratios. Tele2 expects to fulfill these requirements. The borrowing facility has been guaranteed by a number of banks.

In May 2006, Tele2 AB floated a bond issue on the US market totaling USD 220 million. This was divided into USD 120 million with a 5-year maturity and a fixed interest rate of 6.35 percent and USD 100 million with a 7-year maturity and a fixed interest rate of 6.47 percent. The loan is conditional on Tele2's achieving certain financial key figures. Tele2 expects to fulfill these requirements.

No specific collateral is provided for liabilities to financial institutions and bond holders'.

MATURITIES FOR THE OUTSTANDING DEBT

	Dec. 31, 2006	Dec. 31, 2005
Within 1 year	4,688	–
Within 2 - 3 years	10,905	–
Within 4 - 5 years	825	–
Within 5 - 10 years	687	–
Total liabilities to financial institutions and bond holders'	**17,105**	**–**

NOTE 12 Other short-term liabilities

	Dec. 31, 2006	Dec. 31, 2005
VAT liability	3	1
Employee withholding tax	1	1
Other taxes	3	–
Derivatives	7	–
Other	4	3
Total other short-term liabilities	**18**	**5**

NOTE 13 Accrued expenses and deferred income

	Dec. 31, 2006	Dec. 31, 2005
Interest costs	50	–
Personnel-related expenses	6	6
External services expenses	–	4
Total accrued expenses and deferred income	**56**	**10**

NOTE 14 Pledged assets

The parent company has no pledged collateral.

NOTE 15 Contingent liabilities

	Dec. 31, 2006	Dec. 31, 2005
Guarantee related to group companies	776	6,698
Guarantee related to joint venture	1,685	1,475
Total contingent liabilities	**2,461**	**8,173**

Svenska UMTS-nät AB, a joint venture with Tele2, has an approved loan facility of SEK 4.8 (2005: 5.3) billion, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 2.4 (2005: 2.7) billion. As of December 31, 2006, Tele2's guarantee amounted to SEK 1,685 (2005: 1,475) million.

NOTE 16 Operating leases and other commitments

The parent company's operating lease payments amounted to SEK 3 (2) million during the year. Future lease payments amount to SEK 3 (1) million and these are due for payment during the next year.

NOTE 17 Supplementary cash flow information

In 2006, the parent company had interest revenues from other group companies of SEK 718 (2005: 308) million and interest expenses to other group companies of SEK -4 (2005: -12) million which were capitalized on the loan amount.

The parent company reported SEK 66 million in currency gains from intra-group transactions and SEK 481 million in loans to financial institutions and bond holders'. These did not have any effect on cash.

In 2006, the parent company made a shareholder contribution of SEK 9,021 million, which did not have any effect on cash.

NOTE 18 Number of employees

The average number of employees in the parent company is 3 (2005: 3), of whom 1 (2005: 1) is a woman.

NOTE 19 Personnel costs

	SALARIES AND REMUNERATION					
	2006			2005		
	Personnel costs	Social security	*of which pension costs*	Personnel costs	Social security	*of which pension costs*
Board and CEO	18	8	*2*	18	8	*2*
Other employees	5	2	–	4	2	–
Total salaries and remuneration	**23**	**10**	***2***	**22**	**10**	***2***

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

NOTE 20 Remuneration of auditors

Remuneration for audit assignments performed by elected auditors is SEK 10 (2005: 7) million, which is an increase on the previous year's figure. The increase is largely due to additional auditing required to comply with the Sarbanes Oxley Act. Other audit-related assignments amount to SEK 1 (2005: 1) million.

NOTE 21 Legal structure

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

Company, reg. No., reg'd office	Holding (capital/ votes)
NETCOM LUXEMBOURG SA, RC B73.796, Luxembourg	100%
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden	100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden	100%
Tele2 Sweden SA, RC B73.802, Luxembourg	100%
X-Source Holding AB, 556580-2682, Stockholm, Sweden	100%
UNI2 AB, 556290-2238, Stockholm, Sweden	100%
Uni2 A/S, 26904056 Copenhagen, Denmark	100%
UNI2 OÜ, 11010450, Tallinn, Estonia	100%
UAB X-Source, 1421989, Vilnius, Lithuania	100%
SIA UNI2, 40003681691, Riga, Latvia	100%
UNI2 Ltd 4381179 London, UK	100%
UNI2 SA, 986768270, Oslo, Norway	100%
UNI2 It-Services GmbH, FN271528, Vienna, Austria	100%
Optimal Telecom Holding AB, 556580-7855, Stockholm, Sweden	100%
Optimal Telecom Sweden AB, 556440-1924, Stockholm, Sweden	100%
Datametrix Sweden Holding AB, 556580-7871, Stockholm, Sweden	100%
Datametrix AB, 556539-4870, Stockholm, Sweden	100%
Tele2 Norway Holding AB, 556580-8143, Stockholm, Sweden	100%
Tele2 Norway AS, 974534703, Oslo, Norway	100%
Tele2 Denmark Holding AB, 556580-8028, Stockholm, Sweden	100%
Tele2 Denmark A/S, 221234, Copenhagen, Denmark	100%
Datametrix Norway AS, 975993108, Oslo, Norway	100%
Datametrix Denmark A/S, 39419, Copenhagen, Denmark	100%
Web Communication BV, 34112460, Amsterdam, Netherlands	100%
Tele2 Polska Sp, 57496, Warsaw, Poland	100%
In2loop Polska Sp. So.o, 54380, Warsaw, Poland	100%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia	51%
Tele2 (UK) Ltd, 4940295, London, UK	100%
Bethany Group) Ltd, 390385, Virgin Islands, UK	100%
Tele2 UK Services Ltd, 4028792, London, UK	100%
Alpha Int. Overseas Telecomm. Services Ltd, 359452, Virgin Islands, UK	100%
AIOTSL UK Branch, 359452, Richmond, UK	100%
Tele2 Financial Services (Belgium), 0882.856.089, Wemmel, Belgien	98%
Tele2Vision AB, 556650-2455, Stockholm, Sweden	100%
Kopparstaden Kabelvision KB, 916583-0564, Västerås, Sweden	80%
Nelab Kabelvision KB, 916597-8983, Västerås, Sweden	80%
Skaraborgs Kabelvision AB, 556483-6467, Mariestad, Sweden	60%
Tele2 Syd AB, 556420-3833, Malmö, Sweden	75,1%
Everyday Webguide AB, 556182-6016, Stockholm, Sweden	99,99%
NetCom GSM Sweden AB, 556304-7025, Stockholm, Sweden	100%
Procure IT Right AB, 556600-9436, Stockholm, Sweden	100%
Radio Components Sweden AB, 556573-3846, Stockholm, Sweden	69,6%
Radio components do Brasil, 01.424-001, Sao Paulo, Brasil	100%
e-Village Nordic AB, 556050-1644, Stockholm, Sweden	100%
Belmus BV, 33261289, Amsterdam, Netherlands	100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia	48%
Tele2 Holding AS, 10262238, Tallinn, Estonia	100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia	52%
UAB Tele2, 111471645, Vilnius, Lithuania	100%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania	100%
UAB Kabeliniai Rysiu, 1223046883, Vilnius, Lithuania	100%
UAB Trigeris, 21239677, Vilnius, Lithuania	100%
Tele2 Holding SIA, 40003512063, Riga, Latvia	100%
SIA Tele2, 40003272854, Riga, Latvia	100%
SIA "Tele2 billing", 40003690571, Riga, Latvia	100%
SIA Tele2 Telecom Latvia, 40003616935, Riga, Latvia	100%
Tele2 S:t Pet Holding AB, 556636-7362, Stockholm, Sweden	100%
St Petersburg Telecom, 1027809223903, St Petersburg, Russia	25,4%
Oblcom, 1024700557408, St Petersburg, Russia	36,64%
Corporation Severnaya Korona, 1023801757451.16, Irkutsk, Russia	100%
St Petersburg Telecom, 1027809223903, St Petersburg, Russia	74,6%
Oblcom, 1024700557408, St Petersburg, Russia	63,36%
Votec Mobile ZAO, 1023601558694, Voronezh, Russia	100%
Lipetsk Mobile CJSC, 1024840840419, Lipetsk, Russia	100%
Vostok Mobile Northwest BV, 33150958, Amsterdam, Netherlands	100%
CJSC "Arkhangelsk Mobile Networks", 2901068336, Arkhangelsk, Russia	100%
CJSC Novgorod Telecomunication, 5321059118, Novgorod, Russia	100%
CJSC Murmansk Mobile Networks, 5190302373, Murmansk, Russia	75%
CJSC Parma Mobile, 1101051099, Syktyvkar, Russia	75%
CJSC Murmansk Mobile Networks, 5190302373, Murmansk, Russia	25%
CJSC Parma Mobile, 1101051099, Syktyvkar, Russia	25%

Company, reg. No., reg'd office	Holding (capital/ votes)
Tele2 Russia Telecom BV, 33287334, Rotterdam, Netherlands	100%
PSNR Personal System Networks in region, 1025202610157, Niznhy Novgorod, Russia	100%
Tele2 Russia EKA Holding GmbH, FN 131600 f, Vienna, Austria	100%
Fora Telecom M, 1027739380767, Moskva, Russia	100%
Tele2 Russia VOL Holding GmbH, FN 131602 h, Vienna, Austria	100%
Kursk Cellular Communications, 1024600947403, Kursk, Russia	100%
Smolensk Cellular Communications, 1026701433494, Smolensk, Russia	100%
Belgorod Cellular Communications, 1023101672923, Belgorod, Russia	100%
Kemerovo Mobile Communications, 1024200689941, Kemerovo, Russia	100%
Rostov Cellular Communications, 1026103168520, Rostov, Russia	87,5%
Udmurtiya Cellular Communications, 1021801156893, Izhevsk, Russia	77,5%
RP Technology, 1041800281093, Izhevsk, Russia	100%
Siberian Cellular Communications, 1025500746072, Omsk, Russia	100%
Chelyabinsk Cellular Network, 1027403876862, Chelyabinsk, Russia	100%
LLC "KF-INVEST", 1025501247420, Omsk, Russia	100%
Peoples Mobile Telephony International Ltd, 5770778, London, UK	51%
LCC Peoples Mobile Telephone, 1047796469973, Moscow, Russia	100%
Tele2 Europe SA, R.C.B56944, Luxembourg	100%
Tango SA, RC.B59560, Luxembourg	100%
Parlino SA, RCB111686, Luxembourg	100%
IntelliNet Holding BV, 34126307, Amsterdam, Netherlands	100%
01047 Telecommunication GmbH, HRB 48344, Frankfurt, Germany	100%
Tele2 Austria Holding GmbH, FN178222t, Vienna, Austria	100%
Tele2UTA Telecommunication GmbH, FN138197g, Vienna, Austria	100%
Tele2 Belgium SA, 609392, Zellik, Belgium	100%
Télé2 France SA, B409914058, Velizy, France	100%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany	100%
Tele2 Italia Spa, MI-1998-247322, Segrate, Italy	100%
Tele2 Telecommunication Services S.L, B82051913, Madrid, Spain	100%
Comunitel Globel SA,A82025644, Vigo, Spain	99,97%
Tele2 Telecommunication Services AG, CH-020390 55 969, Zürich, Schweiz	100%
ServiceStream NV, 3131, Antwerpen, Belgium	99%
Tele2 AG, H.1045/80, Liechstenstein	100%
Tele2 Luxembourg SA, R.C.B65774, Luxembourg	100%
Telemilenio, Telecomunicacoes, Sociedade Unipessoal, 10468, Lisbon, Portugal	100%
Tele2 /Slovakia/ s.r.o., 35806486, Bratislava, Slovakia	100%
Tele2 Magyarorszag Kft., 12634402-2-41, Budapest, Hungary	100%
Everyday Media SA, R.C. B 78.227, Luxembourg	100%
Everyday Prod. SA, R.C.B69802, Luxembourg	100%
Media Tele SA, RCB106239, Luxembourg	100%
SEC Finance SA, B104730, Luxembourg	100%
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg	19%
Tele2 Finance Luxembourg SA, RCB112873, Luxembourg	100%
Tele2 Finance Belgium SA, 0878159608, Brussels, Belgium	100%
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg	81%
Tele2 Financial Services (Belgium), 0882.856.089, Wemmel, Belgium	1%
Tele2 Services Luxembourg SA, RCB70203, Luxembourg	100%
Tele2 ESP AB, 556690-7449, Stockholm, Sweden	100%
Tele2 Billing GmbH, HRB56850, Düsseldorf, Germany	100%
Tele2 Financial Services (Belgium), 0882.856.089, Wemmel, Belgium	1%
Tele2 Netherlands Holdings BV, 342328750, Amsterdam, Netherlands	100%
Tele2 Netherlands BV, 33274127, Amsterdam, Netherlands	100%
Tele2 Finance BV, 342328770, Amsterdam, Netherlands	100%
Versatel Telecom International NV, 33272606, Amsterdam, Netherlands	80,29%
Versatel Nederland BV, 33303418, Amsterdam, Netherlands	100%
Versatel Internetdiensten BV, 34144876, Amsterdam Netherlands	100%
Versatel Belgium NV, BE0463193905, Wemmel, Belgium	99%
Versatel Belgium NV, BE0463193905, Wemmel, Belgium	1%
3C Communications International SA, RC B 29697, Luxembourg	100%
3C Communications GmbH, FN695021, Vienna, Austria	100%
3C Communications BVBA, 514 274, Brussels, Belgium	100%
3C Communications SRL Italy, 28894/7359/14, Segrate, Italy	100%
3C Communications A/S,184462, Ballerup, Denmark	100%
3C Communications GmbH, HRB 24104, Germany	100%
3C Communications Luxembourg SA, B39690, Luxembourg	100%
3C Communications BV,14630454, Amsterdam, Netherlands	100%
3C Communications A/S, 939980652, Oslo, Norway	100%
3C Communicacoes a Credito Ltda, 503390865, Domingos de Rana, Portugal	100%

Continued Note 21

Company, reg. No., reg'd office	Holding (capital/ votes)
3C Communications Espana SA, A.79-028007, Madrid, Spain	100%
3C Communications AB, 556332-6346, Stockholm, Sweden	100%
3C Communications Ltd, 2343138, Kingston-upon-Thames, UK	100%
3C Transac Ltd, 3257901, Kingston-upon-Thames, UK	100%
3C North America Corp., 20-4082423, Wilmington, USA	100%
3C Communications Equipment SA, B25465, Luxembourg	100%
CCC Holding BV, 33 269 398, Amsterdam, Netherlands	100%
Calling Card Company Limited, 3794813, UK	100%
Calling Card Company Germany GmbH, HRB 40498, Germany	100%
C3 Calling Card Company Limited, 309745, Ireland	100%
Calling Card Company SA, B424906618, Paris, France	100%

Company, reg. No., reg'd office	Holding (capital/ votes)
Calling Card Company Italy SpA, 233372, Milano, Italy	100%
Tele2 International Card Company S.A., RC 64 902, Luxembourg	100%
Calling Card Company Netherlands BV, BV 82334, Amsterdam, Netherlands	100%
Calling Card Company Spain, S.A. A-62426457, Spain	100%
Calling Card Company Telecommunication Services GmbH, FN 215362i, Austria	100%
Calling Card Company (UK) Ltd, 3812138, London, UK	100%
C3 Prepaid Telecom Spain S.L., B-38778163, Teneriffa, Kanarieöarna, Spain	100%
C3 Poland Sp.o.o.Z, PL5213327199, Warsaw, Poland	100%
C3 Calling Card Company GmbH, CH0204032340-4, Zürich, Schweiz	100%

The annual accounts and consolidated accounts have been drawn up in accordance with generally accepted accounting principles for public companies. The information provided is in accordance with the actual circumstances of operations, and nothing significant has been omitted from the annual accounts which may influence the view of the Group and parent company.

Stockholm March 13, 2007

Vigo Carlund
Chairman

Mia Brunell

John Hepburn

Daniel Johannesson

Jan Loeber

John Shakeshaft

Cristina Stenbeck

Lars-Johan Jarnheimer
President and CEO

Our auditors' report was submitted on March 15, 2007

Deloitte AB

Jan Berntsson
Authorized Public Accountant

AUDIT REPORT

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Tele2 AB (publ) for the financial year 2006. The annual accounts and the consolidated accounts are presented in the printed version of the document on pages 34–72. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

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

Stockholm March 15, 2007

Deloitte AB

Jan Berntsson
Authorized Public Accountant

DEFINITIONS

EBITDA

Operating profit/loss before depreciation/amortization, write-down and result from shares in associated companies and joint ventures.

EBIT

Operating profit/loss after depreciation/amortization and write-down.

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 intangible assets and property, plant and equipment affecting cash (CAPEX), but before investment in shares and changes in lending.

AVAILABLE LIQUIDITY

Cash and cash equivalents, including undrawn borrowing facilities.

NET BORROWING

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

AVERAGE NUMBER OF EMPLOYEES

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

EQUITY/ASSETS RATIO

Shareholders' equity (including convertible debentures) divided by total assets.

DEBT/EQUITY RATIO

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

RETURN ON EQUITY

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

CAPITAL EMPLOYED

Total assets less and non-interest bearing liabilities.

RETURN ON CAPITAL EMPLOYED

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

AVERAGE INTEREST RATE

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

EARNINGS PER SHARE

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

EQUITY PER SHARE

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

ARPU – AVERAGE REVENUE PER USER

Average monthly revenue for each customer.

MOU – MINUTES OF USAGE

Monthly call minutes for each customer.

GLOSSARY

DSL – DIGITAL SUBSCRIBER LINE
Generic name covering several different technologies for data transmission over fixed phone lines.

GSM – GLOBAL SYSTEM OF MOBILE COMMUNICATIONS OR GROUPE SPÉCIAL MOBILE
2nd-generation mobile telephony system. Digital, as opposed to analog NMT.

IP – INTERNET PROTOCOL
A series of rules for communication between computers over the Internet.

LAN – LOCAL AREA NETWORK
Local network of computers, often in the same room or building.

MMS – MULTIMEDIA MESSAGING SERVICE
A service which makes it possible to send text, -images and audio messages between mobile phones or -between online computers and a mobile telephone.

MVNO – MOBILE VIRTUAL NETWORK OPERATOR.
Mobile virtual network operator. MVNOs have greater network resources than service providers with which to offer their own telecom services to subscribers. However, they do not have radio access network capacity, which must be purchased from a network operator.

SMS – SHORT MESSAGE SERVICE
Enables the transmission of short text messages between mobile phones or between a computer which is connected to the Internet and a mobile phone.

UMTS (3G) – UNIVERSAL MOBILE TELECOMMUNICATIONS
System. A technology for 3rd-generation mobile -telephony designed to handle text, images, and video. UMTS has greater capacity than GSM.

VOIP – VOICE OVER INTERNET PROTOCOL
Telephony which uses Internet Protocol.

VPN – VIRTUAL PRIVATE NETWORK
A service linking a company's local and telephony networks with the computers and phones of employees who work remotely, forming a telecom or data communications network. Users see this as one single business network.

WAN – WIDE AREA NETWORK
A network of computers in different geographical -locations. Often consists of several LANs linked together.

WAP – WIRELESS APPLICATION PROTOCOL
An industrial standard for Internet-based data communications over mobile networks. Developed by the WAP Forum, consisting of big corporations such as Ericsson, IBM, Motorola and Nokia.

WLL – WIRELESS LOCAL LOOP
Wireless broadband access via radio networks.

WELCOME TO TELE2'S ANNUAL GENERAL MEETING 2007

TIME AND PLACE

The Annual General Meeting will be held at 1.30 p.m. on Wednesday, May 9, 2007 at the Skandia cinema, Drottninggatan 82, Stockholm. The doors will open at 12.30 p.m. and registration will take place until 1.30 p.m., when the doors will close.

WHO IS ENTITLED TO PARTICIPATE?

Shareholders wishing to participate in the Annual General Meeting must be recorded in the shareholders' register maintained by VPC AB (the Swedish Securities Register Center), and must notify the Company of their intention to participate no later than 3 p.m. on Thursday, May 3, 2007.

WHAT IS THE PROCEDURE FOR ENTRY IN THE REGISTER OF SHAREHOLDERS?

Shares may be recorded in the VPC register of shareholders in the name of the shareholder or a nominee. Shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own name in order to participate in the Meeting. Shareholders should request temporary re-registration reasonably well in advance of May 3, 2007.

HOW DO I NOTIFY THE COMPANY OF MY INTENTION TO PARTICIPATE?

Following publication of the notice convening the Meeting, the company may be notified as follows:

– on the company's website, www.tele2.com
– by telephone +46 (0)433-747 56
– by writing to the company at the following address: Tele2 AB, Box 2094, 103 13 Stockholm.

Please mark the envelope "AGM."
Summons to shareholders will be announced in Post & Inrikes Tidningar and in Svenska Dagbladet at least four weeks before the Annual General Meeting.

THE FOLLOWING INFORMATION SHOULD BE PROVIDED:

– Name
– Personal identification number (or company registration number)
– Address and telephone number
– Shareholding
– Any advisors attending

Shareholders who wish to use a representative are requested to submit a power of attorney with the notice of participation.

The notice of participation must be received by the company no later than 3 p.m. on Thursday, May 3, 2007.

FINANCIAL CALENDER

Q1 2007, Interim Report	April 25, 2007
Q2 2007, Interim Report	July 25, 2007
Q3 2007, Interim Report	October 24, 2007
Annual General Meeting (Stockholm)	May 9, 2007

Read more on the web
You can find the latest information by visiting our website www.tele2.com, where we publish our press releases on current events, our quarterly reports and much more information. You will also find links to all our European operations.

IR-contact

Lars Torstensson
Tel: +46 8 5620 0042
investor.relations@tele2.com

Skeppsbron 18
Box 2094
SE-103 13 Stockholm
Tel: +46 8 5620 0000
Fax: +46 8 5620 0040

Narva. PHOTO: Alexander Ruas (p. 14–21), Håkan Flank (p. 3, 30–33), Karolina Henke/Skarp Agent, Getty Images and Pressens Bild. PRINT: Elanders 2007

Tele2 AB
Skeppsbron 18
SE-103 13 Stockholm
Sweden
Tel: +46 8 5620 0060
Fax: +46 8 5620 0040
www.tele2.com