Increased product focus – more mobile

EBITDA increased by 15%

We own more infrastructure

Fewer countries – improved focus

Our share price rose by 30%

Higher return requirement

New products – new possibilities

SPECIALIZATION AND CONCENTRATED FOCUS. WE ARE WELL UNDER WAY...

TELE2

ANNUAL REPORT 2007

CONTENTS


EVEN
BETTER!

EVEN HIGHER TARGETS
– and more value for shareholders

We have done what we promised.

We have now set higher internal targets, and have linked these to our management incentive program.

In addition, we are monitoring the performance of our operations down to the last detail to ensure we live up to our own and our customers' expectations. For Tele2, it's very much a question of specialization.

With a more concentrated focus on product areas, geography and customer segments, we are able to do what we do best.

DIVIDEND PER SHARE, SEK

2007	2006	2005	2004	2003
7,85**	1,83	1,75	5,00*	1,00

* Ordinary dividend 1.67 + redemption program 3.33.
** Ordinary dividend 3.15 + extraordinary dividend 4.70.

15%

EBITDA INCREASE IN 2007


TELE2
TELE2
TELE2
TELE2
TELE2

EVEN MORE SATISFIED CUSTOMERS

– thanks to simple services at the best prices

For Tele2, the customer is always our main source of inspiration.

By keeping our ear to the ground, we are always able to offer what the customer really wants. We must always be ready to respond to increased product complexity by keeping ourselves sharper.

Our equation is simple and inspired – we offer the services our customers want at the prices they are willing to pay.

Our solutions are based on three pillars – quality, simplicity and attractive prices.

3.2

MILLION NEW MOBILE CUSTOMERS CHOSE TELE2 IN 2007


Direct Drive Manual Turntable

EVEN MORE MOBILE
– plus a whole load of broadband

Tele2 is one of Europe's most cost-effective mobile operators.

Mobile telephony represents 79 percent of our profitability. This is where the most rapid growth in telephony lies. And our response is to invest even more in mobile! This involves initiatives such as increasing our coverage and upgrading networks to cope with new services and more customers.

Tele2 sharpened its broadband offering during the year and we now have even more ambitious goals in the markets in which we have chosen to operate. We see the broadband product as a good complement to our core mobile operations and it is important that profitability in this area improves in 2008.

79%

PERCENT OF OUR PROFITABILITY COMES FROM MOBILE TELEPHONY

EVEN MORE GROWTH
– from Russia, companies and new services

Tele2 has done what many did not believe.

We have established ourselves as one of Russia's leading mobile operators. Russia is our largest individual growth market today. The country accounts for 12 percent of Tele2's operating revenue and is the largest market in numbers of customers and second largest in terms of profitability (EBITDA).

We also see clear evidence of profitable growth in the corporate market. We avoid unnecessarily complex services – instead, we make them simple to use and attractively priced. We focus on providing even better quality in our products and customer service.

Demand for mobile broadband and content services has really taken off, and this area experienced strong growth in 2007. At present, we offer mobile broadband in Sweden, Estonia, Latvia and Luxembourg and we see good scope for launching the product in other countries too. The Baltic countries are an example of a region where we see great potential, given the relatively low penetration of fixed telephony and fixed broadband compared to many other countries.

24%

OF EBITDA COMES FROM RUSSIA

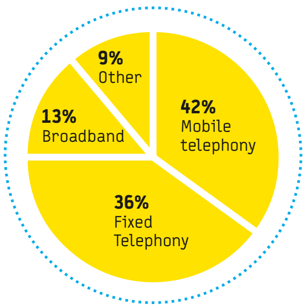
AN EVEN BETTER YEAR

2007	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
			Versatel, in which Tele2 is majority owner, takes over operations in the Netherlands and Belgium.		Tele2 sells its Alpha Telecom, C³ and Tele2 Denmark operations.	Tele2 sells its fixed telephony and broadband operations in Portugal.

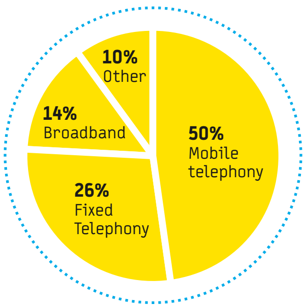
TELE2 IN BRIEF We sell attractively priced, easy-to-use communication solutions. Tele2 strives to offer its customers the best price at all times. Our most important service is mobile telephony complemented by broadband. Ever since Tele2 was founded in 1993, we have been tough challengers to incumbents and other established providers. Tele2 is currently in a focus period, which means we are concentrating on markets and products offering the most potential for profitable growth.

Mobile telephony currently accounts for over half of our operating revenue, while three years ago it accounted for a quarter. When we started to move around Europe, the fixed telephony market, which was in the clutches of the old government monopolies, was anything but fair and customers were paying outrageously high prices. Tele2 challenged the incumbents, cut prices significantly and quickly took market shares. Today, as fixed telephony sees itself increasingly replaced by mobile telephony, our response is to step up our focus on mobile telephony alone. Our concept is to keep the customer in focus at all times and keep costs down in order to offer customers the best price on the market. This has given us important market shares, a high level of growth and sound profitability in mobile telephony. We shall make every effort to ensure these positive trends continue.

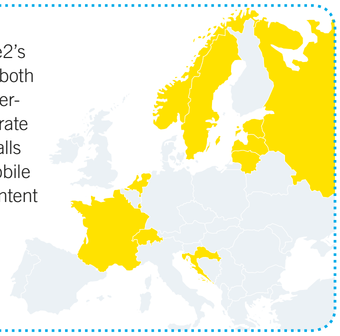
REVENUES BY PRODUCT AREA IN 2006



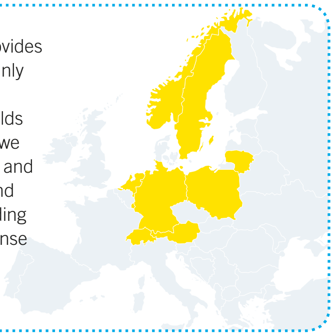
...AND IN 2007



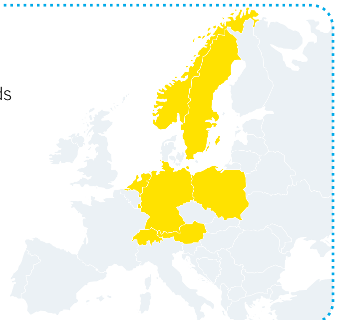
MOBILE TELEPHONY Tele2's product package includes both subscription and prepaid services for private and corporate customers in 13 countries. Voice calls still represent the largest part of mobile telephony, although demand for content services and mobile broadband is increasing rapidly. At the end of 2007 Tele2 had 17.4 million mobile customers.



BROADBAND Tele2 provides broadband services mainly via its own network, but also as a reseller to private households and companies. In many countries we combine Internet with IP telephony, and we also offer cable TV in Sweden and Lithuania. We are constantly upgrading and improving our network in response to increasing use of broadband and demand for faster connections.



FIXED TELEPHONY Tele2 offers traditional fixed telephony to private households and companies. As customers are becoming increasingly mobile, fixed telephony will continue to wane, although we are still seeing considerable cash flows from this product.



JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
EU grants Tele2 authorization to sell fixed telephony and broadband in France and fixed telephony in Hungary.	Tele2 obtains a national roaming agreement in Russia and sells its fixed telephony and broadband business in Belgium and its mobile business in Irkuts, Russia.	Tele2 signs a mobile network agreement in Norway.	Tele2 acquires mobile operator ZAO Smarts in the region of Krasnodar in Russia and sells fixed telephony and broadband in Italy and Spain.	Tele2 is awarded GSM licenses in three new regions in Russia.	Tele2 gains GSM licenses in another 14 regions in Russia and obtains access to a 3G license in Norway.

THE YEAR IN BRIEF 2007 was a very eventful year for Tele2. We achieved much of what we talked about in the last annual report – a more focused product portfolio and concentrated geographical footprint. We increased our mobile telephony drive, particularly in Russia, while we decided to withdraw from six countries where we had fixed telephony and broadband operations. At Group level, our operating revenue grew by one percent as a result of divestments, while EBITDA increased by 15 percent. Operating cash flow increased by 13 percent.

Comments on financial performance

OPERATING REVENUE The group's operating revenue for 2007 increased by one percent to SEK 43.4 billion. Growth in our core business mobile telephony was 21 percent and 13 percent in broadband.

EBITDA An evident result of the realignment process is that profit before depreciation (EBITDA) improved by 15 percent in 2007. EBITDA for mobile telephony had the strongest improvement of 36 percent, driven by increased profits in Russia.

PROFIT/LOSS FOR THE YEAR Tele2's net loss for 2007 amounted to SEK –302 million, up from SEK –1,003 million in 2006. The result was affected by goodwill writedowns in connection with the realignment process.

CAPEX Investments, CAPEX, decreased by one percent to SEK 4,269 million. The level of investments declined within mobile and increased within broadband.

13%

INCREASE IN OPERATING CASH FLOW

FINANCIAL DEVELOPMENT

SEK million	2007	2006	Change
Continuing operations			
Operating Revenue	43,420	43,098	1%
No. of customers, thousands	24,721	25,751	–4%
EBITDA	6,647	5,776	15%
Goodwill impairment	–1,315	–2,457	
EBIT	1,485	–106	
EBT	759	–668	
Profit/loss For The Year	–302	–1,003	
EPS, after dilution, SEK	–0.45	–1.98	
CAPEX	4,269	4,316	–1%
Total, incl. discontinued operations			
Cash flow from operating activities	4,350	3,847	13%
Cash flow after CAPEX	–819	–1,673	
Average number of employees	5,859	5,285	11%
Key figures			
Equity/assets ratio, %	55	44	
Return on capital employed, %	1.5	–5.4	
Data per share, SEK			
Shareholders' equity	60.31	64.85	
Dividend	7.85*	1.83	

*Proposed dividend including extra dividend of SEK 4.70

WE KEEP WORKING – WITH SHARPER FOCUS

Can you guess the most frequently asked questions from our customers? They usually ask about two things. They either want help in understanding how our services work or finding a solution which gives more value for money.

The reason I know is not because someone has thrust a hefty report into my hands, but because I, like all Tele2 employees, regularly visit our customer service departments in order to listen to and answer customers' questions. The customers are the very life force of our company and we never stop listening to find out what they want. You won't normally find us first on the scene shouting about new services and technical innovations. But when we act, we'll leave the rest trailing in our wake.

Although Tele2 has changed in many ways, our philosophy is still the same. We earn customers' confidence and continue to be a successful company by offering simple, attractively priced products.

WE HAVE DONE WHAT MANY DIDN'T BELIEVE

Last year we offered you a warm welcome to a new Tele2. Brand, products and strategies had all been sharpened. We called this a strategic realignment, aimed at concentrating harder on the products and countries with the best conditions for earning money. This process will continue during 2008 – with the aim of making our operations even more profitable.

We often hear it said that Tele2 has acted too late. When I and others explained the changes Tele2 would undergo, we heard the same objections. Today I can confirm that we have done what many people thought too difficult.

> Tele2 announced the sale of its operations in Belgium, Denmark, Italy, Portugal, Spain, Hungary and Austria during 2007.
> Tele2 has concentrated even harder on its mobile operations, particularly in Russia but also in other countries including Norway and Croatia.
> Tele2 has focused on a smaller number of markets in order to achieve economies of scale.

DESPITE THE GAPS THINGS ARE GOING BETTER NOW

In the 1970s, Jan Stenbeck laid the foundation of what is today's Tele2. In those days, challenging the old monopoly giants was considered really controversial. However, that's quite a long time ago. How can we, 30 years later, claim that we are still challengers and pioneers?

I believe the secret is that we constantly raise the standards our customers set for us and find new challenges.

During the year, we launched our new internal targets, one of which requires all operations to achieve an EBITDA margin of at least 20 percent in the short and medium term. I would emphasize that this 20 percent is not to be perceived as a final goal. We intended it as an acknowledgment that we must move from low margin products to those in our own infrastructure where we can earn more money. Our goal is, and always has been, to create long-term shareholder value by generating strong cash flows.

I have already spoken about the customers, but would like to return to the subject. While devoting much time and effort on concentrating our geographical footprint, we have never once lost sight of our mission to offer what the customer wants at all times.

We do our utmost to make our products simpler to use. It is still far too difficult to make settings on a mobile phone or connect a broadband modem, which we try to simplify.

With Tele2's large intake of customers, it is sometimes hard to grasp the structure of our own organization. When a customer is kept waiting too long in a telephone queue or is unable to get the right help, this represents failure. This is an area in which we have received criticism and I can promise that we are working diligently to improve our service to customers. We must also continue to train personnel as our services become more advanced and our customers' demands increase.

And now something no-one can take us to task about – price leadership. Tele2 endeavors to offer customers the market's best prices at all times. Some of you must be wondering how we can survive if we're always lowering prices. Of course, we have to make sure that what customers spend on our products grows, and we do so by means of attractive products and services. But possibly the most important key to maintaining our position as price leader is to be the telecom operator with the lowest costs.

Independent surveys on the efficiency of telecom operators across the world have placed Tele2 Baltic in the global premier league, with the company hailed as one of the world's most efficient mobile operations. This is recognition that our model for operating in our own infrastructure and creating profit is at world-class level.

At the close of 2007, mobile telephony accounted for more than half of our sales and close to 80 percent of profit (EBITDA). It is therefore only natural for us to push even harder to develop our mobile operations.

FROM TODAY INTO THE FUTURE

The future offers a host of opportunities for Tele2. We shall stay on track, with our main focus on mobile telephony based on our own infrastructure. In addition we shall embrace new services and interesting customer segments. We have only seen the start of what mobile broadband could mean – and that's just one example!

Whether you are a shareholder or customer, or both, I can promise you that here at Tele2 we are eager to tackle the challenges that lie ahead of us. Now it's back to work – even harder. As you know, there is much left to do.

Lars-Johan Jarnheimer
President and CEO, Tele2 AB

We earn customers' confidence and continue to be a successful company by offering simple, attractively priced products.

OFFERING

MISSION: EVEN MORE SATISFIED CUSTOMERS

Many companies are clever at portraying visions. Our strength is delivering here and now. Tele2's mission is simple – to give our customers what they want, at the prices they are willing to pay. This is a concept which has functioned well so far. We are proud, but not satisfied. We have therefore raised the bar again, with higher targets and a sharper offering. This is our model.

Our offering to our customers

PRICE LEADING AND EASY-TO-USE COMMUNICATION SOLUTIONS
Tele2 offers simple services at the market's most attractive prices. We are able to do so by investing as smartly as possible and questioning every single cost. Always.

Did you know that...

Tele2's brand awareness in Latvia is over 90 percent!

STRONG BRAND
Tele2 is one of Europe's largest alternative telecom operators and our name is associated with low prices. We have one of Europe's best known brands and we work persistently to strengthen and nurture it.

A SYMPATHETIC EAR
The customer is king here. Customers are the ones who decide when it is time to launch new services. The customer must be treated in a professional and helpful way by our customer service. In fact, everyone who works at Tele2, including management, is required to spend time in this department at regular intervals.

How we develop our offering

MOBILE TELEPHONY

- Advanced mobile phones and rapid technological progress opens the door to increased use of content services and mobile Internet.
- Our one-phone solutions for companies generate synergies for the customer.

BROADBAND

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

Tele2 offers services that are easy-to-use at the market's best prices.

FOCUSING IS OUR MODEL

- Focusing on the products customers are willing to pay for.
- Focusing on markets where we can generate profitability and growth.
- Focusing on customers by listening and responding flexibly to their wishes.

FIXED TELEPHONY

- Cross-selling from our large fixed telephony customer base continues to be important.
- There is still a considerable need for fixed telephony and we shall offer this service as long as we see this need and profitability potential.

KEEPING AN EAR TO THE GROUND

The faster the telecommunications market changes, the more important it is for us to listen to the customer. Our mission is, and will continue to be, to offer user-friendly and price-leading communication solutions. With a clear focus, Tele2 can remain a flexible company and by keeping an ear to the ground offer customers exactly what they want.

THE NETHERLANDS Tele2 focused on the corporate mobile telephony market and offers simple solutions for small and large companies in the Netherlands.

NORWAY Mobile telephony for private individuals is one of Tele2's largest growth engines. This is particularly the case in Norway.

Our customers – our constant inspiration

PRIVATE CUSTOMERS We want to reach the masses, not just the affluent few. We must be there at the right time with our products and services – and at the right price. We'll then have earned the customer's confidence and the effect will be widespread.

CORPORATE CUSTOMERS All companies are cost-conscious, or at least they should be. This has resulted in major interest in our products. However, we have taken our offering a step further. We are not satisfied with merely offering inexpensive services; they must be associated with high quality, reliability and confidence.

THE RIGHT FOCUS MEANS INCREASED GROWTH

Our main growth comes from mobile telephony. Our growth engines are found in countries including Sweden, Russia, the Baltic countries, Croatia and Norway. The corporate market also offers a number of new opportunities, and here we have a major advantage in the wide exchange of experience our different countries and products generate. We also believe we shall see increased demand for solutions which combine broadband and telephony.

INSPIRED BY CUSTOMERS' NEEDS

In recent years, there has been a tendency for voice calls to move from traditional fixed telephony to mobile and IP telephony. Internet use has shifted from dial-up subscription to broadband, cable and mobile broadband. In mobile telephony, data use has really taken off. Our customers are using their mobile phones to access the internet, process e-mail, send images and video clips and listen to music. This trend calls for constant alertness on our part, but in particular it offers excellent growth potential for Tele2.

OPPORTUNISTS IN RUSSIA

Russia is currently our single largest growth market. The country accounts for 12 percent of our operating revenues and, with 8.6 million customers, Russia is our largest country in customer numbers and generates good profitability. Towards

Did you know that...

50 percent of all ATMs in the Netherlands are linked via Tele2.

the end of 2007, Tele2 was awarded mobile telephony licenses in 17 new regions in Russia and our licenses now cover 60 million inhabitants in 34 regions in the country. The process for awarding licenses has been challanged in court. We believe in increased mobile usage in Russia, in terms of both calling minutes and mobile data services.

COMPANIES WANT SIMPLE SOLUTIONS TOO

Part of Tele2's strategic realignment involves increased focus on the corporate market.

We are currently active in the corporate markets of the Baltic region, the Netherlands, Norway, Sweden and Austria. Our customers are mainly small and medium-sized companies, although we also have large companies in the Netherlands, Sweden and Austria. In the next year, the aim is to expand further to other Tele2 countries. In August, Tele2 Russia signed a national roaming agreement, which allowed us to create a competitive offering also to the corporate market.

Our integrated corporate solutions include mobile and fixed telephony, broadband, data network services and value-added services, such as hosting, Internet security and payment transaction solutions.

As with private customers, we make life easier for corporate customers by avoiding unnecessarily complex solutions. Here too we challenge the working methods of the incumbents – and also the companies themselves. Modern telecommunications and IT offer scope for appreciable increases in productivity.

We see good potential for continuing our product development and growth in the corporate market. The focus is on raising the quality of our products and customer service even more.

A TAILORED OFFERING There is an increasing trend for companies and private individuals to demand solutions combining fixed and mobile telephony, broadband and TV. Private customers are increasingly demanding a Triple Play solution – telephony, Internet and TV in one package.

The Netherlands is a market which has come a long way in this area. In the Netherlands, Tele2 offers a Triple Play package, which enables the customer to access the internet, watch TV and make calls with a single broadband connection. In Sweden, Tele2 sold Triple Play solutions to cable TV customers during last year.

The increase in intensity and demand for combined solutions is encouraging investments in infrastructure maintenance and rollout. With improved and more operationally reliable networks, there is now more scope to deliver new services with a high level of quality and security.

RUSSIA Tele2 has invested seriously in Russia and the company is already one of the country's leading mobile operators. With 8.6 million customers, Russia is Tele2's largest market, accounting for 12 percent of total sales.

STRONG MOBILE TELEPHONY GROWTH IN THE FUTURE

Tele2 operates some of the world's most cost-effective mobile networks. Mobile telephony and mobile solutions are product areas which are in a phase of strong growth. With the answer sheet already in our hand, we can say that mobile telephony is one of our major strengths, which we shall kindle even more in the future.

21%

WAS OUR MOBILE TELEPHONY GROWTH FOR 2007

Just about every person in Europe owns a mobile phone. More affordable prices and the fact that people want to be able to make calls wherever they happen to be are factors which are pushing demand and making mobile telephony accessible to everyone. And it is not just voice calls which are driving demand; more and more customers want to be able to access the internet, read their e-mails and listen to music on their mobile phones.

OUR COST-EFFECTIVENESS – THE CUSTOMER'S GAIN

Tele2's history in mobile telephony is impressive. Not just in terms of growth and customer satisfaction, but also cost effectiveness. Independent surveys show us to be global leaders in low-cost operation of mobile networks, which enables us to combine the low prices we offer our customers with good profitability. This is a position we shall nurture by ensuring we listen to our customers when they tell us what they want with regard to price and simple, uncomplicated services.

STRONG CUSTOMER INTAKE IN KEY MARKETS

Tele2 currently offers mobile telephony in 13 countries. In most of these countries we sell mobile telephony to private individuals and companies. We have our own network in 9 countries. In other countries we lease network capacity from other operators under MVNO agreements.

Russia continues to impress, with strong customer growth and increased profitability. Tele2 currently has licenses in 34

SNACKIS In November Tele2 once again took a new grip on marketing and secured its price leadership by, in Sweden, launching Tele2 Snackis, at SEK 0.19, 0.39 or 0.59. The longer the binding period – the lower the price.

MOBILE BROADBAND The demand for mobile broadband really took off in 2007. Tele2 entered the Swedish market at just the right time and with the right pricing, and the effect was great. By the end of the year we had 93,000 mobile broadband customers and we believe in continued strong growth.

regions in the country, which is an increase of 17 regions over last year's number. It is our aim to continue our Russian growth in the existing regions, but we also hope to have the opportunity to launch Tele2's strong brand in new regions. Tele2's customer intake in mobile telephony also shows a clear upward trend in the Baltic region, Croatia and Norway – and in Sweden alone we added 255,000 new mobile customers during the year.

STRONG GROWTH FOR MOBILE BROADBAND

The mobile phone is still mainly used for normal voice calls and SMS messages. However, 3G technology has opened the door to much faster traffic and the user pattern is changing. Demand for mobile broadband really took off last year and we are now seeing more use of content services such as music, chat and gaming. Today, people are often able to reach the same speeds with mobile broadband as fixed broadband, which gives our customers increased mobility and a whole host of new opportunities.

We currently offer mobile broadband in Sweden, Estonia, Latvia and Luxembourg, where growth in 2007 was excellent. We see strong potential for the product in for example the Baltic region, where relatively low penetration of fixed telephony makes mobile broadband a simple and attractively priced alternative. Tele2 had 93,000 mobile broadband customers in Sweden at the end of the year.

CONTENT SERVICES

Mobile content services experienced good growth in 2007. Mobile payment for public transportation made a major breakthrough during the year – sure proof of high demand for additional mobile services. This was also the year in which mobile TV was launched in earnest and mobile music began to mean much more than ringtones.

ONE-PHONE SOLUTIONS – POPULAR WITH COMPANIES

We are seeing more companies investing in combined fixed and mobile telephony solutions, with employees using mobile phones for all their calls. These are known as one-phone solutions. The advantage of these solutions is lower telephony costs and increased flexibility for the customer. This increases customer loyalty and offers scope for cross-selling more products.

Did you know that...

In 1981, Tele2's Comvik launched the first mobile network in Sweden, two weeks before state owned Televerket.

Our Mobile telephony countries

We offer mobile telephony in Austria, Croatia, Estonia, France, Netherlands, Latvia, Liechtenstein, Lithuania, Luxembourg, Norway, Russia, Sweden and Switzerland.

IMPORTANT EVENTS

- Tele2 was awarded GSM licenses in 17 new regions in Russia and our licenses now cover 60 million inhabitants in 34 regions.
- Tele2 consolidated its drive into Norway with the rollout of a jointly owned mobile network and the award of a 3G license.
- Mobile broadband has really taken off in Sweden and we added approximately 80,000 new customers during the year.

FINANCIAL SUMMARY, MOBILE TELEPHONY

	2007	2006	Change
Operating revenue, SEK million	22,982	19,052	21%
EBITDA, SEK million	5,225	3,856	36%
Number of customers, thousands	17,427	15,726	11%

CONTINUING SUCCESS IN THE BROADBAND MARKET

Last year we promised to focus our operations on fewer countries in order to achieve better profitability. And that's exactly what we did. At the same time, we set ourselves more ambitious goals in the remaining countries.

We have seen a substantial expansion in the European broadband market, spurred on by rapid technical development and soaring demand for communication solutions. Everyone is demanding broadband at the moment, not just technical aces and computer whiz-kids, so we must keep it simple. Tele2's broadband drive means that the man in the street gets a secure high-speed Internet connection at the market's best prices.

17%

WAS THE REVENUE GROWTH IN INFRASTRUCTURE BASED BROADBAND OPERATIONS (DIRECT ACCESS & LLUB) IN 2007.

CONCENTRATED PRESENCE

It is vital for a broadband operator to have sufficient network volume, as major investments are required in the rollout phase. Last year we promised to focus our operations on fewer countries, in order to exploit network capacity and achieve better profitability. We did what we promised and in the aftermath withdrew from six broadband countries in order to step up our focus in other core markets and by doing that improve profitability.

Tele2 currently offers fixed broadband solutions to private individuals and companies in 10 countries. We operate our own jointly owned network in six countries and are resellers of network capacity in others.

BETTER BROADBAND FOR ALL

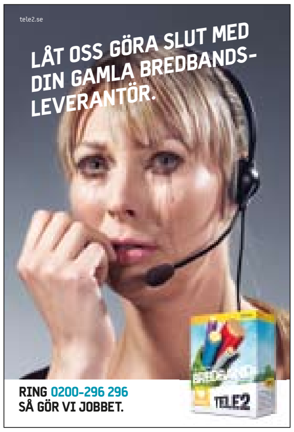
Our broadband strategy is to attract new customers and offer existing ones better integrated solutions in which we combine broadband with TV, fixed telephony (VoIP), mobile telephony and mobile broadband. Our products and services must reflect customers' preferences with regard to price, speed and increased security.

Fast and reliable Internet connections are now business-critical, as the Internet is becoming an integral part of companies' day-to-day business. For corporate customers we can offer user-friendly, attractively priced, tailored integrated solutions to cover all their IT and telecommunications needs.

COMPETITION ON EQUAL TERMS

Competition in the European broadband market is still fierce – from private companies and incumbents alike – although we saw some signs of consolidation last year.

We continue to actively promote better competition and access to the networks of the incumbents on equal terms.



SNACKIS Tele2 is established as one of the leading broadband operators in Sweden. More than 100,000 customers now surf with Tele2's broadband. We see good opportunities for continued cross selling of broadband to existing mobile customers.

In some countries, among them the Netherlands and Germany, the incumbents have started to develop what is referred to as the next generation network, namely a fiber network which virtually stretches to the customer's front door and allows a greater variety of speeds than we can offer today. We are actively canvassing the regulatory authorities in these countries to ensure we are able to participate in this development, which otherwise looks likely to airbrush competition out of the picture.

During the year, there was a heated discussion in the EU about separation of the former monopolists' access networks. Tele2 believes the former telecom companies should legally separate the operation of the access networks from their own distribution channels, so that one network company is created and one sales and distribution company. This has worked well in the railway industry, where railway operation has been separated from actual train services. In this way, capacity competition is created on equal terms.

TELE2 TV IN SWEDEN 2007 was a successful year for Tele2 TV, the new name for Tele2 Vision. After digitalizing much of the cable TV network in 2006, Tele2 TV had approximately 167,000 digital TV customers at the end of 2007. This makes us the second largest player in the cable TV market, with around 270,000 households. During the year, Tele2 won a number of real estate contracts, in Sigtuna, Täby, Strängnäs and Växjö to name a few, and we look forward to continuing this success.

As part of our mission to offer user-friendly and attractively priced communication, Tele2 TV's customers can now customize their own program selection – a customer benefit which is unique to us. This flexibility has had a positive impact, which is reflected in our customer intake. We are also seeing soaring demand for integrated solutions, which combine broadband and telephony – both fixed and mobile – and TV. This makes the customer's life considerably simpler and means we can keep our costs down, as we can use Tele2's entire product platform and coordinate the sales channel. The focus next year will be to continue our digitalization of the network, to grow and win new contracts while continuing to sell more products to our cable TV customers.

Our broadband countries

We offer fixed broadband in 10 countries (Austria, Germany, Netherlands, Lithuania, Liechtenstein, Luxembourg, Norway, Poland, Sweden and Switzerland), with our own network in six countries (Austria, Germany, Netherlands, Lithuania, Norway and Sweden).

IMPORTANT EVENTS

- Tele2 sold its broadband operations in Denmark, Portugal, France, Belgium, Italy and Spain.
- In Sweden, Tele2 TV signed contracts for some 30,000 households.
- Tele2 launched broadband in Poland.

FINANCIAL SUMMARY, BROADBAND

	2007	2006	Change
Operating revenue, SEK million	6,552	5,778	13%
EBITDA, SEK million	–720	–502	
Number of customers, thousands	1,304	1,205	8%

FIXED TELEPHONY – STILL A MONEY EARNER

Our customer base in fixed telephony represents good potential for cross-selling of broadband and mobile telephony, while also generating a good cash flow.

Use of the traditional fixed telephone line is declining in pace with growth in mobile and IP telephony. The changed user pattern is a signal that we can grow in mobile telephony and broadband telephony. At the same time, we are keeping our investments in fixed telephony down to a minimum, in order to generate a good cash flow which we can use as we continue to expand in mobile telephony.

GOOD PLATFORM FOR CROSS-SELLING

Our broad customer base in fixed telephony represents a good platform for cross-selling other products, in particular broadband. The more products the customer has with Tele2, the more loyal the customer becomes. Tele2 has responded to customer demand by offering Dual Play or Triple Play packages in a number of markets. Tele2 offers fixed telephony, either an IP telephony solution or traditional fixed telephony, combined with broadband services.

STILL IMPORTANT

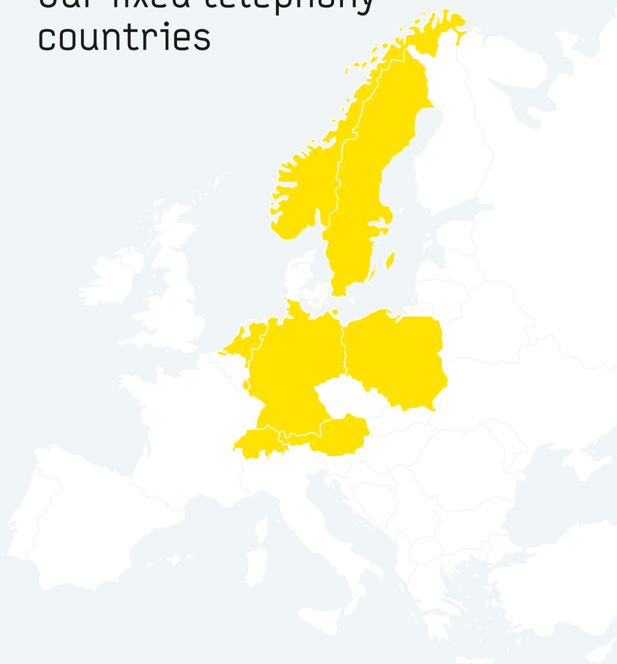
Fixed telephony will also continue to be important to many people. If there is a need for this service and it remains profitable, fixed telephony will continue to be an important part of our operations.

Other operations

CARRIER Carrier operations are a by-product of our mobile telephony, broadband and fixed telephony operations. By tapping into the capacity in our networks, we create revenues, while also reducing costs.

Tele2's carrier operations are aimed at creating cost-effective solutions for processing data and voice traffic for Tele2's end customers and wholesale customers, who are mainly other operators. The product portfolio includes IP and capacity services and transmission, roaming and termination of data traffic and voice calls. The services are based on our own networks. Tele2's size and geographical coverage allows competitive prices and offers the basis for strong business relationships with other operators.

Our fixed telephony countries



We offer fixed telephony in the Netherlands, Liechtenstein, Luxembourg, Norway, Poland, Switzerland, Sweden, Germany and Austria.

IMPORTANT EVENTS

- In Poland, Tele2 benefitted from deregulation with improved profitability and market shares.
- In Sweden, Tele2 won important fixed and mobile telephony contracts. These include Volvo, Statoil and a number of local authorities.

FINANCIAL SUMMARY, FIXED TELEPHONY

	2007	2006	Change
Operating revenue, SEK million	11,997	16,357	–27%
EBITDA, SEK million	1,823	2,107	–13%
Number of customers, thousands	5,990	8,820	–32%

SUSTAINABLE RELATIONSHIPS ARE THE KEY

With operations in 15 countries, 5,000 employees and 25 million customers, Tele2 has an important role in society and is a key part of many people's lives. It is therefore essential to build sound, sustainable external relationships in order to realize our goals and fulfill our mission.

It is our firm belief that open communication and good internal control systems not only produce a corporate culture which is sustainable and embraces business ethics, but also result in lower costs and better business opportunities.

GOOD BUSINESS IS BORN FROM GOOD COMMUNICATION

Sustainable growth in society and good business go hand in hand. The company has an important wealth-creating role – as employer, supplier, customer and taxpayer. This covers everything from conducting ethical and legal business transactions to making life simpler for our customers.

Our initiatives

CODE OF ETHICS Our code of ethics contains regulations defining the framework for Tele2's operations. The code of ethics describes Tele2's dealings with customers, suppliers, employees, public authorities and shareholders. The code was integrated into our Russian operations in 2005 and was implemented 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.

CODE OF CORPORATE GOVERNANCE Tele2 adopted the Swedish Code of Corporate Governance on July 1, 2005. Under the code, Tele2 has additional obligations regarding disclosure 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 in the section entitled Corporate Governance Report.

IN 2007 Tele2 participated in a number of charity projects in all the countries in which we operate. In many cases, this involves providing free telecom services for children, young people, war veterans and people who for various reasons are vulnerable members of society. We sponsor a large number of sports associations and help people with disabilities get started in work. We also support children's homes, hospitals and schools.

ENVIRONMENTAL RESPONSIBILITY

Tele2 encourages sustainable development of the environment at the workplace and in the market in general. We do this by maintaining close contact with authorities, politicians and subcontractors and by establishing clear guidelines and roles at the workplace.

One of Tele2's main initiatives is to offer flexible communication solutions at low prices, to help our customers reduce their time spent traveling. This is an area in which we can make a major contribution.

In our daily work, we endeavor to look after the environment in the best possible way. We use green cars and cut down on traveling. We also recycle office materials, use energy-efficient technical equipment on our websites and work with electronic documentation. Many of these measures also help reduce our costs.

COMPETITION ON EQUAL TERMS

Our mission is to provide simple, attractively priced communication. To do so, we must be able to compete on equal terms. We therefore fight hard to promote fair legislation and correct application of adopted regulations in our European markets. And our efforts have not been in vain. Tele2 has improved competition in every part of the European telecommunications market. This has resulted in lower prices, which in turn are essential to long-term development of society and free enterprise.

CHARITY

Communication is a key factor in the information society of today. We want everyone to have the same access to simple, attractively priced communication. In many cases we take the initiative ourselves, but we also support various local and global charitable organizations.

Since 2003 it has been Tele2's privilege to be a partner of the World Childhood Foundation. We offer support in a number of ways, including free telecommunications services. Tele2 also has a three-year partnership with BRIS (Swedish Children's Rights in Society). We contribute financially and also offer free telecom services and service development to improve the BRIS communication platform.

OUR CULTURE THRIVES ON DIVERSITY

Having passion and commitment and sharing our values is more important than brandishing an impressive resume. Tele2 is, and will remain, an attractive employer offering development opportunities and a good working environment.

Tele2 sees diversity as a business strength. A homogeneous business concept such as ours requires a heterogeneous culture in order to succeed. With this in mind, we work constantly to improve our diversity management, taking into account diversity of gender, country, background and skills.

PASSION AND COMMITMENT – KEY FACTORS IN RECRUITMENT

Tele2's success is dependent on one thing more than anything else – customer focus. This is not some empty phrase we use, but a real success factor in our daily working life. Whatever your place in Tele2's organization, you need to be passionately committed to helping and serving our customers. Of course, there are other important qualities too – knowledge, professionalism, punctuality and always keeping your promises, to name a few.

We set high standards for our managers. In particular, they must have the ability to clarify and break down our strategies into concrete goals and monitor the performance of groups and individuals alike. All employees have their own development plan for the future – they know what is expected and what they can expect.

Our employee surveys reveal that this is very much appreciated and that we are constantly improving the high marks our employees give us. Tele2 is passionately committed to ensuring it continues to be a successful company in which people are happy and proud to work.

PRACTICE The best way of getting to know our customers is by direct contact. All our employees are required to complete a practical placement in customer service at least once a year. Experience shows that practice is the best way of getting to know the market and ensuring we fulfill our mission to provide user-friendly and attractively priced communication.

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. We have a set of clear values and simple working methods. Our corporate culture is not some desktop product – it runs through the very veins of the company.

COST-CONSCIOUSNESS: We are careful with money and we question all costs. Always.

...and we succeed by:

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

COPYING WITH PRIDE: We select simple solutions, copying what is good and never changing what already works.

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

CAROLINA SACCARDO
Brazil, Test manager
"Based on my previous experience, I knew that Tele2 was the place to be, an international environment with daily challenges and values learned."

SUSANNE HOLMSTRÖM
Sweden, Manager mobile residential
"Every day I go to work and meet motivated, creative and talented colleagues – it makes being a manager at Tele2 a fantastically inspiring experience."

MAARTEN UYTTENDAELE
Belgium, Logistics manager
"Working at Tele2 is intriguing, educational, fulfilling, interesting and demanding! You have the opportunity to work in an international environment, learning and sharing knowledge with other cultures."

DANIELE MERCANTE
Italy, Retention director
"I really enjoy working at Tele2. Tele2 is a company that gives everyone a chance and a voice. All opinions are welcome, valued and listened to and if you're working well you will definitely be visible and recognized."

2007 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 2007, Tele2 AB had 34,466 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 "The share and shareholders".

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.

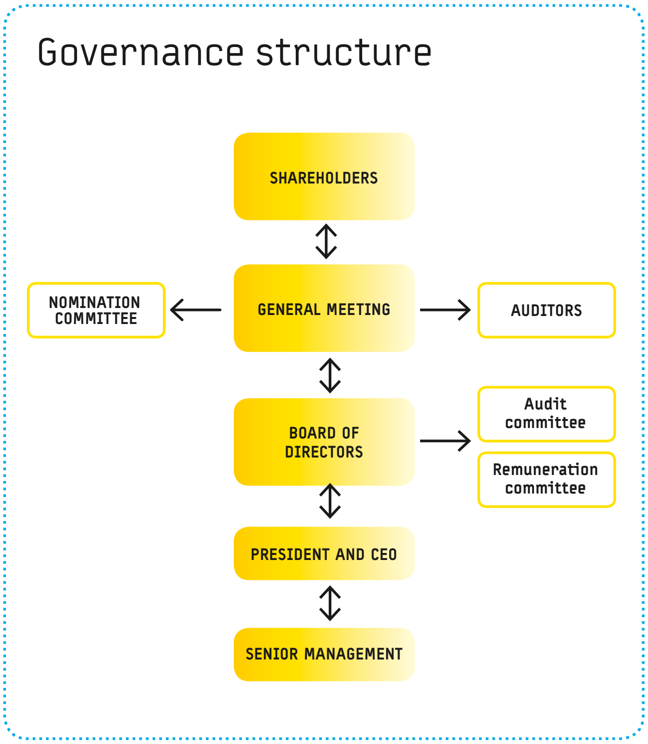
THE NOMINATION PROCESS

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 2007. 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 2007, the major shareholders, Åsa Nisell as representative for Swedbank Robur, Ramsay Brufer as representative for Alecta and Björn Lind as representative for SEB Fonder and SEB TryggLiv; 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 to the Nomination Committee ahead of the AGM 2008.



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 Board proposal is to be presented in the notice to the AGM 2008. As a basis for the Nomination Committee's proposals, the Chairman of the Board, Vigo Carlund, has presented the results of the evaluation of the Board and its Directors' performance in 2007. 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 Nomination Committee

The Nomination Committee will present a proposal to the AGM 2008 of order for appointing a Nomination Committee ahead of the AGM 2009.

THE BOARD

According to Tele2's Articles of Association, the Board shall consist of at least five and maximum nine members. At the AGM 2007, Tele2's Board was appointed, consisting of seven members without deputies. Five board members were re-elected and Mike Parton and Pelle Törnberg 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. 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 2007, which means that the Board is compensated with a total of SEK 3,750,000 for the period until the AGM 2008 of which SEK 1.000,000 are allotted to the Chairman of the Board, SEK 400,000 to each other Board member, besides travelling expenses according to submitted invoices. For work within the Audit Committee SEK 150.000 was allocated to the chairman and SEK 50.000 to each of the other members and for work within the Remuneration Committee SEK 50.000 was allocated to the chairman and SEK 25.000 to each of the other members. There are no outstanding share- or share-price-related incentive programs for the Board.

The composition of the Board

The Board consists of seven members. None of the Directors of the Board is part of senior management in the company nor is a union representative. Three of the seven Board members, i.e.

Mia Brunell Livfors , 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 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. 28,5 percent 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 review the draft of the financial report and to make its recommendation on whether or not to approve it.

The Board's work in 2007

In the financial year 2007 the Board convened five times on different locations in Europe, whereof one session was a two-days strategy review meeting. In addition, two per capsulam meetings and seven telephone conference meetings were held. All Board members were present at the Board meetings, with the exception Cristina Stenbeck and Mike Parton who were absent from one meeting each, and Pelle Törnberg who was absent from thrre meetings. Moreover, former Board member Jon Loeber was absent from one meeting. 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: disposal of the subsidiaries in Portugal, Denmark, Hungary, Belgium, Irkutsk, Italy and Spain and the subsidiary 3C, acquisition of mobile operator services, acquisition of 50

The Board's composition and holding of shares in Tele2 AB

Name	Function	Born	Nationality	Elected	Audit Committee	Remuneration Committee	Independent	Shareholding
Mia Brunell Livfors	Member	1965	Swedish	2006	Member	Member	No	1,000
Vigo Carlund	Chairman	1946	Swedish	1995	–	Chairman	No	26,000
John Hepburn	Member	1949	Canadian	2005	–	Member	Yes	117,215
Mike Parton	Member	1954	British	2007	Member	–	Yes	–
John Shakeshaft	Member	1954	British	2003	Chairman	–	Yes	1,200
Cristina Stenbeck	Member	1977	American	2003	–	–	No	1,400
Pelle Törnberg	Member	1956	Swedish	2007	–	–	Yes	1,400

percent of the shares in AMI AS (a joint venture for the mobile network roll out in Norway). The Board has also dealt with questions regarding an improvement of the reporting of internal controls. 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 2007, following the AGM, the Board re-appointed John Shakeshaft as Chairman of the Audit Committee and Mia Brunell Livfors and Mike Parton 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 2007, the committee has had five 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. The CFO and the Executive Vice President Corporate Finance &Treasury and the company's auditors have been present at all meetings during 2007. 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 2007, following the AGM the Board appointed Vigo Carlund as Chairman of the committee and Mia Brunell Livfors and John Hepburn as ordinary members.

According to the Code, Mia Brunell Livfors are not considered independent in relation is to the company and its management or in relation to the company's major shareholders. The Board however considers that Mia Brunell Livfors' experience will benefit the company and make her a most suitable committee member. The Code provisions notwithstanding, the Board believes that Mia Brunell Livfors will be as free of conflict in the exercise of her responsibilities on the committee as if she was independent.

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 Remuneration Committee met three times in the financial year 2007, 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: 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 2007/2008, Lars-Johan Jarnheimer's ownership in Tele2 was: 53,100 B-shares and moreover 100,000 warrants and 200,000 stock options in relation to the incentive program 2006–2011 and moreover 210,000 stock options in relation to the incentive program 2007–2012. Lars-Johan 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 costs and on pages 34–35.

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 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.

Share- and share-price-related incentive programs

Tele2 has two outstanding incentive programs. For information concerning the incentive program 2006–2011 as well as the incentive program 2007–2012, see Notes on Personal Costs and Tele2 corporate website www.tele2.com.

AUDITOR

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, Poolia and Attendo. 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 Fees to elected auditors.

THE BOARD'S REPORT ON INTERNAL CONTROL

The Report on internal controls relating to the financial reporting of the financial year 2007, 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. 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.

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.

BOARD OF DIRECTORS

VIGO CARLUND
Chairman of the Board
Born 1946.
Elected 1995. Has been with Kinnevik since 1968. Has since 1980 held the position as CEO for various companies, including Svenska Motor AB SMA, SMA Group USA, Korsnäs AB and Transcom Worldwide S.A. Between May 1999 and August 2006. He was President and CEO of Investment AB Kinnevik. Present Chairman of the Board of Korsnäs AB and Board Member of Investment AB Kinnevik and Academic Work.

CRISTINA STENBECK
Born 1977.
Elected 2003. B.Sc. (Econ)Georgetown University. Former Vice Chairman of Industriförvaltnings AB Kinnevik (2003–2004) and Investment AB Kinnevik (2004–2007). Present Chairman of Investment AB Kinnevik (elected 2007) and Emesco AB. Director of Metro International S.A., Millicom International Cellular S.A., Modern Times Group MTG AB, Transcom WorldWide S.A. and Korsnäs AB.

JOHN SHAKESHAFT
Born 1954.
Elected 2003. MA Cambridge University, UK. Executive Director of Morgan Stanley 1990–1994, Managing Director and Partner of Barings Bank 1995–2000, Lazard 2000–2002 and Cardona Lloyd 2002–2004. Managing Director of Financial Institutions, ABN Amro Bank 2004–2006. Present Chairman of the Board of Ludgate Environmental Fund Ltd and Investment Director of Cornerstone AG. Other directorships: Questair Technologies Inc., TT Electronics plc and The Economy Bank NV. Also Chairman of the Board of The Alternative Theatre Company and external member of the Cambridge University Audit Committee.

JOHN HEPBURN
Born 1949.
Elected 2005. MBA Harvard Business School, B.Sc. Engineering Princeton University. Has held a number of positions at Morgan Stanley since 1976, including Managing Director of Morgan Stanley & Co. and Vice Chairman of Morgan Stanley Europe Limited. Is at present Senior Adviser to Morgan Stanley, Chairman of Sportfact Ltd and Vice Chairman of UKRD Ltd. Other directorships: GHH Grand Hotel Holding AB and Mölnlycke Health Care.

From left: Vigo Carlund, John Shakeshaft, Pelle Törnberg, Cristina Stenbeck, Mia Brunell Livfors, John Hepburn, Mike Parton, Lars-Johan Jarnheimer

PELLE TÖRNBERG
Born 1956.
Elected 2007. Studies at the Department of Journalism, University of Gothenburg. Appointed Head of Industriförvaltnings AB Kinnevik's media companies in 1993. President and CEO of Modern Times Group MTG AB 1997–2000, then President and CEO of Metro International S.A. Advisory director of Metro International S.A. Other directorships: Modern Times Group MTG AB, RNB Retail and Brands and the Swedish-American Chamber of Commerce.

MIA BRUNELL LIVFORS
Born 1965.
Elected 2006. Studied Economics at Stockholm University. Has held several positions in Modern Times Group MTG AB since 1992, including CFO (2001–2006). Present President and CEO of Investment AB Kinnevik. Other directorships: Metro International S.A. Millicom International Cellular S.A., Modern Times Group MTG AB, Transcom WorldWide S.A., Korsnäs AB, Mellersta Sveriges Lantbruk AB and CTC Media Inc, a Russian associate company of MTG.

MIKE PARTON
Born 1954.
Elected 2007. Trained as Chartered Management Accountant. Former CEO of Marconi PLC (2001–2006). Has also held a number of financial positions in Marconi, GEC Plc, STC Plc and ICL. Present CEO and Chairman of Danovo Group Ltd, an international IT company. Member of the Chartered Institute of Management Accountants.

LARS-JOHAN JARNHEIMER
President and CEO of Tele2 AB since March 1999 (not a board member)
Born 1960.
M.Sc. in Business Administration and Economics, University of Växjö. Held positions at IKEA and H&M and was CEO of ZTV before joining Comviq as Vice President in 1992. President of Comviq from 1993 to 1997, and President of SAAB Automobiles in Nordic, Baltic and Russia from 1997 to 1998. Other directorships: Modern Times Group MTG AB, Arvid Nordquist Handels AB and INGKA Holding B.V. (IKEA's parent company).

From left standing: Anders Olsson, Niclas Palmstierna, Donna Cordner.
From left sitting: Bo Lindgren, Lars-Johan Jarnheimer, Lars Nilsson

MANAGEMENT

LARS-JOHAN JARNHEIMER
President and CEO
M.Sc. Bus. Admin. and Economics
Born 1960. Joined company 1992
Holding: 53,100 B shares; 200,000 stock options and 100,000 warrants[1]; and 210,000 stock options[2]

LARS NILSSON
Executive Vice President and CFO
M.Sc. Bus. Admin. and Economics
Born 1956. Joined company 2007
Holding: 2,000 B shares; and 210,000 stock options[2]

ANDERS OLSSON
Executive Vice President Sales & Marketing
M.Sc. Bus. Admin. and Economics.
Born 1969. Joined company 1997
Holding: 100,000 stock options and 50,000 warrants[1]; and 210,000 stock options[2]

NICLAS PALMSTIERNA
Market Area Director, Nordic
CEO of Tele2 Sweden
M.Sc. Bus. Admin. and Economics
Born 1973. Joined company 1999
Holding: 3,771 B shares; 72,000 stock options and 36,000 warrants[1]; and 75,000 stock options[2]

DONNA CORDNER
Executive Vice President
Market Area Director Russia and Central Europe
M, Sc. Bus. Admin. and Economics.
Born 1956. Joined company 2007
Holding: 210,000 stock options[2]

BO LINDGREN
Human Resources Director
Behavioral Scientist
Born 1960. Joined company 2007
Holding: 75,000 stock options[2]

1) Incentive program 2006–2011
2) Incentive program 2007–2012

THE SHARE AND SHAREHOLDERS

The company's efforts to make its reporting and communication more transparent continued throughout 2007. The aim is to provide shareholders and other interested parties with a clearer picture of Tele2's development. The strategic realignment which took place during the year also contributed towards increased openness. The share market reacted favorably to the initiative, with Tele2's B share rising by 30 percent, from SEK 100 at the beginning of the year to SEK 129.50 on December 31, 2007, while its benchmark OMX index fell by 7 percent. The Board proposes an ordinary dividend of SEK 3.15 per share in addition to an extraordinary dividend of SEK 4.70. The Board also seeks authorisation to repurchase up to 10 percent of the company's own shares.

THE TELE2 SHARE

LISTING: OMX Nordic Exchange

SHARE LOT: 100 shares

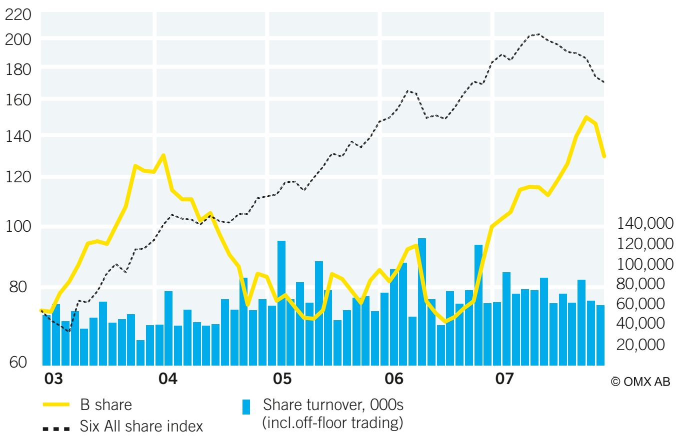
A SHARE: Par value SEK 1.25, 10 votes per share, 38,356,545 shares, short name TEL2 A, ISIN SE0000314304

B SHARE: Par value SEK 1.25, 1 vote per share, 406,494,794 shares, short name TEL2 B, ISIN SE0000314312

C SHARE: Depository shares, with no dividend entitlement 4,098,000 shares

SHARE CAPITAL: SEK 561 million, divided into 444,851,339 outstanding shares

Stockholm Stock Exchange



Tele2's A and B shares were first listed on the O-List of the Stockholm Stock Exchange in May 1996. Tele2 has been listed on the OMX Nordic Exchange Large Cap List since October 2006. Trading in Tele2 shares is in 100-share board lots. One A share corresponds to 10 votes at the annual general meeting and one B share to one vote. The C share carries no voting rights. The dividend is the same for share classes A and B (not C).

THE SHARE'S PERFORMANCE IN 2007

The performance of the OMX Nordic Exchange was described by many observers as volatile. The OMX Stockholm Benchmark Index (OMXSBPI) fell by 6.7 percent during the year.

In 2007, average daily trading in the Tele2 B share increased by 34 percent to SEK 416 million. The share price ended the year on SEK 129.50 (100.00), an increase of 29.50 percent. Average daily trading in the A share was SEK 230,100 (239,600) and the closing share price for the year was SEK 129.00 (99.75).

Tele2's market value at the end of 2007 was SEK 57.6 billion, and the total number of shareholders was 34,466 (43,397). The percentage of foreign shareholders was 4.7 percent with their holdings accounting for 41.1 percent of the shares. In total, 862 million Tele2 shares changed hands on the Stockholm Stock Exchange during the year.

In 2007, warrants equivalent to 361,746 shares were subscribed for under the staff incentive program.

Number of shares

	A SHARES		B SHARES		C SHARES		TOTAL
	Change	Total	Change	Total	Change	Total	
At January 1, 2005		46,549,989		396,130,536		–	442,680,525
New share issue, warrants	–	46,549,989	972,307	397,102,843	–	0	443,652,832
As of December 31, 2005		**46,549,989**		**397,102,843**		**–**	**443,652,832**
New share issue, warrants	–	46,549,989	836,761	397,939,604	–	0	444,489,593
Conversion of A shares to B shares	–8,193,444	38,356,545	8,193,444	406,133,048	–	0	444,489,593
At December 31, 2006		**38,356,545**		**406,133,048**		**–**	**444,489,593**
New share issue, warrants		38,356,545	361,746	406,494,794	4,098,000	4,098,000	448,949,339
Total number of shares at December 31, 2007		**38,356,545**		**406,494,794**		**4,098,000**	**448,949,339**

Share Distribution

Number of shares	Number of shareholders	Holding (%)
1–500	24,211	0.88
501–1,000	5,603	0.92
1,001–5,000	5,025	2.44
5,001–10,000	645	1.01
10,001–15,000	207	0.58
15,001–20,000	103	0.41
20,001–	672	93.77
Total number of shareholders	**36,466**	**100.0**

DIVIDEND

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

For the financial year 2007, the Board proposes an ordinary dividend of SEK 3.15 per share and a special dividend of SEK 4.70 per share. In addition, the Board requests the authorisation to repurchase up to 10 percent of the company's own shares.

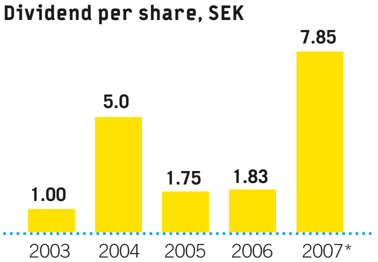
COMMUNICATION WITH SHAREHOLDERS

Tele2 endeavors to engage in open dialogue with its shareholders. In doing so the company provides shareholders with better understanding of its strategy and results and raises confidence in the management group and board.

In addition to its annual general meetings, Tele2 maintains a relationship with the stock market by holding regular meetings with the press and analysts, and by arranging conference calls to coincide with interim reports and other important events. In June 2007, Tele2 hosted a well attended Capital Market Day in Riga, Latvia. Top management also arranges numerous annual meetings with existing and potential shareholders, in Sweden and other countries, and takes part in investor conferences.

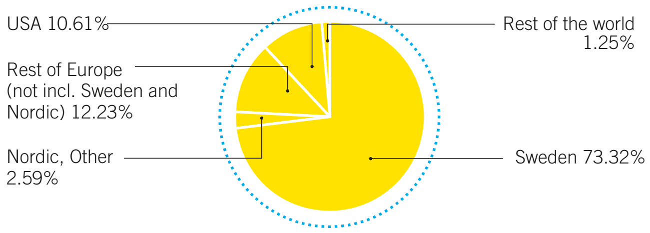
Up-to-date share information, press releases, interim reports, presentation webcasts and material and corporate governance information can be found on the company's website.

Dividend per share, SEK



* Dividend proposed by Board

Ownership structure, by geographical area



Ownership Structure, December 31, 2007

	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 AB*	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%
Robur	0	11,900,279	11,900,279	2.7%	11,900,279	1.5%
AMF Pension	0	11,171,905	11,171,905	2.5%	11,171,905	1.4%
Alecta	0	8,765,000	8,765,000	2.0%	8,765,000	1.1%
Nordea Group	73,700	7,894,195	7,967,895	1.8%	8,631,195	1.1%
SEB Group	0	8,344,293	8,344,293	1.9%	8,344,293	1.1%
Handelsbanken Group	116,203	5,226,500	5,342,703	1.2%	6,388,530	0.8%
Second AP Fund	0	6,000,465	6,000,465	1.3%	6,000,465	0.8%
State Of New Jersey Pension Fund	0	6,000,000	6,000,000	1.3%	6,000,000	0.8%
First AP Fund	0	4,186,464	4,186,464	0.9%	4,186,464	0.5%
Fourth AP Fund	0	4,028,750	4,028,750	0.9%	4,028,750	0.5%
Skandia Group	0	3,769,961	3,769,961	0.8%	3,769,961	0.5%
Unionen	0	3,651,300	3,651,300	0.8%	3,651,300	0.5%
Folksam	0	3,296,719	3,296,719	0.7%	3,296,719	0.4%
Fidelity	0	2,760,550	2,760,550	0.6%	2,760,550	0.3%
Third AP Fund	0	2,613,824	2,613,824	0.6%	2,613,824	0.3%
Government of Singapore	0	1,464,550	1,464,550	0.3%	1,464,550	0.2%
KPA	0	1,209,523	1,209,523	0.3%	1,209,523	0.2%
Total, fifteen largest shareholders	**36,127,603**	**182,841,545**	**218,969,148**	**49.2%**	**544,117,575**	**68.9%**
Other shareholders	2,228,942	223,653,249	225,882,191	50.8%	245,942,669	31.1%
TOTAL OUTSTANDING SHARES	**38,356,545**	**406,494,794**	**444,851,339**	**100.0%**	**790,060,244**	**100.0%**

*Emesco includes: Confidentia Förvaltnings AB, Investment AB Ementa and Emesco AB

ADMINISTRATION REPORT

The Board of Directors and CEO herewith present the annual report and consolidated financial statements for Tele2 AB (publ), corporate reg. no. 556410-8917 for the financial year 2007.

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, 2007 hold shares corresponding to 49 percent of the capital and 69 percent of the voting rights, of which Investment AB Kinnevik owns 28.2 percent of the capital and 45.3 percent of the voting rights. No other shareholder owns directly or indirectly more than 10 percent of the shares in Tele2.

The Board of Directors recieved an authorization by the Annual General Meeting in May 2007 to purchase up to 5 percent of shares in the company. The Board proposes the Annual General Meeting in May 2008 to increase this level to 10 percent. Tele2 has in December 2007 issued 4,098,000 Class C shares through a directed placement, which has immediately after the issue been repurchased.

For further information on the number of shares and their conditions and important agreements which cease to apply if control over the company is changed, see Note 27 Number of shares and earnings per share.

OPERATIONS

Tele2 is one of Europe's leading telecom operators. Our mission is to provide cheap and simple telecom. We have 25 million customers in 15 countries. Tele2 offers products and services in fixed and mobile telephony, broadband, data network services and cable TV.

We sell attractively priced, user-friendly communication solutions. Tele2 endeavors to offer its customers the best price at all times. Our most important services are mobile telephony and broadband. Tele2 is currently in a focus period, which means we are concentrating on markets and products offering the most potential for profitable growth.

Ever since Jan Stenbeck founded Tele2 in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on OMX Nordic Exchange since 1996. In 2007, we had operating revenue of SEK 43.4 billion and an EBITDA of SEK 6.6 billion.

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

Operating revenue and customer intake

Tele2's operating revenue amounted to SEK 43,420 (2006: 43,098) million.

Tele2 had a total of 24.7 (2006: 25.8) million customers at December 31, 2007. Net customer intake, excluding acquired and divested companies was 1.9 million customers compared with 3.0 million customers the previous year.

Operating profit/loss

Operating profit/loss before depreciation/amortization, results from shares in associated companies and joint ventures, divested operations and one off items, EBITDA, was SEK 6,647 (2006: 5,776) million, with an EBITDA margin of 15.2 (2006: 13.4) percent.

Operating profit/loss, EBIT, was SEK 1,485 (2006: –106) million, which includes goodwill impairment losses of SEK 1,315 (2006: 2,457) million and divested operations of SEK 739 (2006: 30) million. The EBIT margin amounted to 3.4 (2006: –0.2) percent.

Net interest

Net interest expense and other financial items totaled SEK –726 (2006: –562) million. Exchange differences of SEK 49 (2006: 67) million were reported under other financial items. The average interest rate on outstanding liabilities was 5.2 (2006: 4.2) percent.

Profit/loss after financial items, EBT, amounted to SEK 759 (2006: –668) million.

Tax

Tax on profit/loss for the year was SEK –1,061 (2006: SEK –335) million. Profit/loss after tax was SEK –302 (2006: 1,003) million. Earnings per share amounted to SEK –0.45 (2006: –1.98) after dilution.

Investments

During 2007, Tele2 made investments of SEK 4,269 (2006: 4,316) million in tangible and intangible assets; CAPEX.

Cash flow

Cash flow from operating activities, including discontinued operations, amounted to SEK 4,350 (2006: 3,847) million and cash flow after investments in intangible assets and tangible assets was SEK – 819 (2006: 1,673) million.

Nordic

Tele2's operations in market area Nordic were characterized by strong growth in mobile telephony and infrastructure based broadband, while traditional fixed telephony continued to decline.

During 2007, Tele2 divested its Danish operation including mobile and fixed telephony as well as broadband.

FIVE-YEAR SUMMARY

SEK million	2007	2006	2005	2004	2003[1]
CONTINUING OPERATIONS					
Operating revenue	43,420	43,098	37,870	30,570	26,686
Number of customers (by thousands)	24,721	25,751	23,023	19,998	15,350
EBITDA	6,647	5,776	5,293	4,996	5,025
EBIT	1,485	–106	2,607	2,858	913
EBT	759	–668	2,170	2,686	297
Net profit/loss	–302	–1,003	1,665	2,030	1,356
KEY RATIOS					
EBITDA margin, %	15.2	13.4	14.0	16.3	18.6
EBIT margin, %	3.4	–0.2	6.9	9.3	3.4
VALUE PER SHARE (SEK)					
Earnings	–0.45	–1.98	3.77	4.59	3.07
Earnings, after dilution	–0.45	–1.98	3.77	4.57	3.05
TOTAL (INCLUDING DISCONTINUED OPERATIONS)					
Sharesholders' equity	26,849	29,123	35,368	32,900	30,360
Sharesholders' equity, after dilution	26,893	29,137	35,401	32,965	30,422
Total assets	48,648	66,164	68,291	49,873	47,970
Cash flow from operating activities	4,350	3,847	5,487	5,876	5,974
Cash flow after CAPEX	–819	–1,673	1,847	4,314	4,084
Available liquidity	25,901	5,963	8,627	5,113	3,444
Net borrowing	5,198	15,311	11,839	2,831	4,427
Investments in intangible and tangible assets, CAPEX	5,198	5,365	3,750	1,585	1,895
Investments in shares and other long-term receivables	–11,444	1,616	7,953	1,653	727
Average number of employees	5,859	5,285	3,909	2,928	3,274
KEY RATIOS					
Equity/assets ratio, %	55	44	52	66	63
Debt/equity ratio, multiple	0.19	0.53	0.33	0.09	0.15
Return on shareholders' equity, %	–6.0	–11.3	6.9	10.8	8.1
Return on shareholders' equity after dilution, %	–6.0	–11.3	6.9	10.8	8.1
Return on capital employed, %	1.5	–5.4	8.2	11.4	4.7
Average interest rate, %	5.2	4.2	3.7	4.4	5.0
VALUE PER SHARE (SEK)					
Earnings	–3.75	–8.14	5.30	7.74	5.42
Earnings, after dilution	–3.75	–8.14	5.29	7.73	5.40
Sharesholders' equity	60.31	64.85	78.96	74.32	68.63
Sharesholders' equity, after dilution	60.34	64.84	78.93	74.29	68.56
Cash flow from operating activities	9.78	8.66	12.39	13.27	13.50
Dividend	7.85[2]	1.83	1.75	1.67	1.00
Redemption	–	–	–	3.33	–
Market price at closing day	129.50	100.00	85.25	87.00	128.00

1) 2003 figures have not been restated for IFRS. As a result of the adoption of IFRS, Tele2 no longer amortises goodwill. Consequently, the 2003 figures include goodwill amortisation, whereas the figures for 2004 and beyond do not.
2) Proposed dividend.

Mobile telephony: Tele2 added net 268,000 new mobile customers in market area Nordic in 2007 of which the lion's part, 255,000 customers, were added in Sweden. Operating revenue from mobile telephony increased by 8 percent to SEK 10,105 (2006: 9,342) million. EBITDA amounted to SEK 2,681 (2006: 2,912) million.

Mobile growth was driven by an increasing part of post paid customers, as well as by mobile broadband having taken off during the year. The number of broadband customers at Tele2 in Sweden at year end was 93,000 and the company expects demand for this product to remain at a high level in 2008. Tele2 also experienced an increasing demand for 3G and use of mobile content services such as listening to music and watching video clips on the mobile handset. Mobile phones are becoming more and more advanced, which has also led to increased mobile internet usage.

Tele2 Norway has invested in a network company, Mobile Norway, 50/50 owned by Tele2 and Network Norway. Mobile Norway was also awarded a 3G license and has already started the build out of the country's third mobile network.

Broadband: Tele2 added 93,000 broadband customers in market area Nordic in 2007 of which 87,000 were Direct Access & LLUB customer. Tele2 Sweden added 77,000 new broadband customers of which 63,000 were Direct Access & LLUB. Net customer intake in Norway was 20,000 of which 23,000 on Direct Access & LLUB while the number of customers on resold broadband decreased. Broadband revenue grew by 8 percent to SEK 1,801 (2006: 1,670) million while the stepped-up marketing efforts led to a lower EBITDA of SEK –176 (2006: –66) million.

Tele2 Sweden strengthened its corporate business by winning several significant contracts for complete solutions including data network services, fixed and mobile telephony. Tele2 also strengthened its position on the cable TV market during the year, with a number of large contracts and an increased market share.

Tele2 Norway continued building out its ADSL network, covering 55 percent of households by year end. Alongside to the increased coverage Tele2 concentrated its marketing to the areas covered by the network, to improve profitability and product quality. This resulted in a slight customer loss within resold broadband.

Fixed telephony: In 2007 Tele2 lost 246,000 fixed telephony customers in market area Nordic as a result of an increase in customers choosing mobile as their only telephony. Despite this Tele2 won market shares both in Sweden and in Norway. Fixed telephony revenue declined by 21 percent to SEK 3,570 (2006: 4,497) million while EBITDA remained stable at SEK 554 (2006: 556) million.

Baltic & Russia

Mobile telephony: Tele2 added a net of 2,985,000 mobile customers in 2007 in market area Baltic & Russia, of which the lion's part, 2,684,000, was in Russia. Mobile revenue increased by 43 percent to SEK 9,639 (6,725) million in 2007, in combination with an improved EBITDA result of SEK 2,732 (2006: 1,488) million.

Tele2 Russia has continuously improved its network coverage and combined with a strong demand and successful marketing, Tele2 was Russia's fastest growing mobile operator. Increased volumes led to the profitability of Tele2's Russian operation improving significantly from an EBITDA margin of 20 percent in 2006 to 31 percent in 2007.

Tele2 signed a national roaming agreement in Russia in 2007 to enable Tele2 to enter the corporate market in Russia going forward. In conjunction with the roaming agreement, Tele2 sold its operations in Irkutsk to Vimpelcom. In addition, Tele2 acquired a mobile company in the Krasnodar region and was awarded GSM 1800 licenses in 17 new regions in Russia. With the new licenses, Tele2's footprint covers 60 million people in 34 Russian regions. However the licence process has been challenged in court.

Tele2 also reported strong revenue growth and customer intake in the three Baltic countries, combined with maintained good profitability. Tele2 continued to build out its mobile network in Croatia and has taken market shares, although it had some issues with permission to set up sites. In 2007, Tele2 signed a new national roaming agreement effective in June 2008, meaning significantly improved profitability for Tele2 Croatia going forward.

Central Europe

In 2007 Tele2 divested its operations in Hungary. In addition, Tele2 announced the divestment of its MVNO operation in Austria. The sales process was however, by year end, not finalized pending approval from the relevant regulatory authorities.

Mobile telephony: Tele2 lost a net of 58,000 mobile customers in market area Central Europe in 2007 following intense competition among the mobile operators. Tele2's disadvantage has partly been the lack of 3G services in its product offering. Operating revenue amounted to SEK 45 (2006: 168) million. EBITDA amounted to SEK –94 (2006: –28) million.

Broadband: Net intake of broadband customers in market area Central Europe was 121,000, of which 80,000 on Direct Access & LLUB. Operating revenue, including resold broadband and Direct Access & LLUB, increased by 19 percent to SEK 1,413 (1,190) million while EBITDA declined to SEK –816 (–377) million as a consequence of fixed fees to Plusnet and increased marketing expenses primarily in Germany.

In 2007 Tele2 launched broadband services on its jointly owned German broadband network, Plusnet, resulting in increased costs. Competition on the German broadband market was intense during the year and Tele2 has considered different future routes for its broadband operation in Germany.

Tele2 Austria experienced a good customer intake for Direct Access & LLUB while the number of customers within resold broadband decreased. The demand for mobile broadband in Austria is significant and as a result of Tele2 not having the possibility to offer these services, Tele2 has seen a slightly declining demand for its own landline broadband products.

Tele2 launched resold ADSL services in Poland during 2007 with full national coverage and has experienced good customer interest initially.

Fixed telephony: Fixed telephony services in market area Central Europe continued to show solid results and strong cash flow. Tele2 lost 912,000 fixed telephony customers in 2007 as a result of a fast migration trend from fixed to mobile telephony both in Austria and in Germany, as mobile prices have come down significantly. Operating revenue declined to SEK 4,720 (2006: 6,179) million and

EBITDA amounted to SEK 823 (2006: 1,013) million. In Poland Tele2 successfully resold the fixed line rental to its customers.

Southern Europe

In 2007 Tele2 divested its fixed telephony and broadband operations in France, Italy, Portugal and Spain.

Mobile telephony: Tele2 added 74,000 mobile customers in market area Southern Europe in 2007, of which the majority in France. Operating revenue increased by 34 percent to SEK 1,249 (2006: 930) million and EBITDA improved to SEK –483 (2006: –848) million.

In the latter part of 2007 Tele2 increased its marketing within mobile telephony in France, following a restructuring of the business at the beginning of the year in conjunction with the sale of the French fixed telephony and broadband operations. Tele2 continued the build out of its GSM network in Switzerland and has seen a good demand from customers.

Broadband: The number of broadband customers in market area Southern Europe increased in 2007 with 21,000 customers. Operating revenue increased by 8 percent to SEK 266 (2006: 247) million while EBITDA decreased to SEK –122 (2006: –55) million.

Fixed telephony: The number of fixed telephony customers in market area Southern Europe declined by 179,000, as a consequence of increased churn to mobile services. Operating revenue in 2007 amounted to SEK 1,324 (2006: 1,754) million and EBITDA improved to SEK 299 (2006: 182) million.

Benelux

During 2007 Tele2 divested its fixed telephony and broadband operations in Belgium and increased its shareholding in Tele2 Netherlands Holding (formerly Versatel) to 98.81 percent. Tele2's operations Alpha Telecom/Calling Card Company were also divested.

Mobile telephony: Tele2 lost 20,000 mobile customers in market area Benelux in 2007. Operating revenue increased by 3 percent to SEK 1,944 (2006: 1,887) million and EBITDA improved by 17 percent to SEK 389 (2006: 332) million.

Tele2 has both in the Netherlands and in Luxembourg, shifted focus from simple prepaid to more advanced post paid services which has resulted in increased usage but also to somewhat higher churn.

Broadband: Tele2 grew its broadband customer base by 76,000 customers in market area Benelux in 2007, of which 97,000 were Direct Access & LLUB customers while the number of resold broadband customers declined. Broadband revenue increased by 14 percent to SEK 3,023 (2006: 2,654) million in 2007. EBITDA improved significantly to SEK 390 (2006: –7) million.

Tele2 was successful within the consumer segment but also within the corporate segment, where the company signed several significant contracts for data network services including broadband and telephony. Within the consumer market, Tele2 launched a number of successful offerings that attracted high customer interest.

Fixed telephony: The trend shift from fixed to mobile telephony was notable also in the Netherlands and consequently, Tele2 lost 359,000 customers. Operating revenue amounted to SEK 2,356 (2006: 3,883) million and EBITDA was SEK 146 (2006: 353) million in market area Benelux in 2007.

Services

During 2007, Tele2 divested its 3C Communications operations, UNI2 in Denmark as well as Datametrix in Norway and Denmark.

ACQUISITIONS AND DIVESTMENTS

In 2007 Tele2 acquired all shares in Telecom Eurasia with a 1800 MHz GSM-license in the Russian region Krasnodar as well as 50 percent of the shares in Mobile Norway AS, the owner of a GSM 900 license in Norway. In December Mobile Norway was awarded a 3G-license.

Tele2 has during the year increased its share holdings in Versatel (Netherlands) and is now holding 98.81 percent of the shares. In Croatia the holding increased to 93 percent of the shares and in Radio Components Sweden AB the holding increased to 80.3 percent of the shares. The outstanding 24.9 percent in Tele2 Syd AB was also acquired during the year.

During 2007 Tele2 has contributed capital to its joint ventures Plusnet and Spring Mobil.

In 2007 Tele2 divested a number of operations mainly within fixed telephony. The divested operations are Italy/Spain, Belgium, Portugal, Denmark, Hungary, 3C Communications, Alpha Telecom/Calling Card Company, Datametrix Norway and Denmark as well as UNI2 Denmark. During the year the 2006 divestment of the fixed and broadband business in France was finalized. In 2007 Tele2 divested its mobile telephony operation in Austria. The divestment is expected to be finalized during 2008.

In August 2007 Tele2 also divested its operation in Tele2 Irkutsk in Russia. The disposal was agreed in connection with the signing of a 10-year national roaming agreement in Russia with Vimpelcom, which enables Tele2 customers to obtain seamless roaming at low prices across Vimpelcom's network in Russia, where Tele2 has no mobile network presence.

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

ENVIRONMENT AND HEALTH

Tele2 encourages a sustainable development of the environment at the workplace and in the market as a whole. We do this for example by engaging in dialogue with authorities, politicians and sub-contractors and by establishing clear guidelines and areas of accountability at the workplace.

EMPLOYEES

Tele2 had 5,300 (5,479) employees at the end of the year. The decrease is largely due to divested operations. New employments have mainly been performed in Sweden and Russia; increasing the total number of employees in these countries. See also Note 37 Number of employees and Note 38 Personnel costs.

All employees have their own development plan for the future –they know what is expected and what they can expect. Our employee surveys reveal that this is very much appreciated and that we are constantly improving the already high marks our employees give us.

DISPUTES AND DAMAGES

Tele2 is involved in a number of tax disputes, with a dispute from 2003 of SEK 3,910 million representing 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 15.

RISKS AND UNCERTAINTY FACTORS

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

Operating risks

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

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 a significantly negative effect on our business operations, operating profit or financial position.

Operations in countries with uncertainties regarding the political development

Tele2 has significantly increased its exposure to Eastern Europe. The political, economic, regulatory and legal enviroments as well as the tax system in these countries are still developing, as is the prevailing corporate governance, business practices and the reporting and disclosure standards. These regulations could affect the possibilities for Tele2 to operate and develop its operation. These markets therefore present different risks from those associated with investment in Western Europe.

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 40.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

There have been no significant subsequent events after the end of the financial year.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors is appointed by the Annual General Meeting for terms extending until the next Annual General Meeting. At the Annual General Meeting in May 2007, Mike Parton and Pelle Törnberg were appointed as new board members, Daniel Johannesson and Jan Loeber left the Board while remaining board members were re-elected. In addition, Vigo Carlund was appointed as Chairman of the Board of Directors.

The Board is responsible for the company's organization and management, and is composed in such a way as to enable it to effectively support and manage the responsibility of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, corporate transactions, major investments, and establishes the framework of Tele2's operations by defining the company's financial goals and guidelines. The Board held 14 meetings during the year, of which two per capsulam meetings and seven telephone 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 general or joint responsibilities for the company's interests and the decisions made. All Board members have access to the same information. The Chairman of the Board closely monitors the company's development and is responsible for ensuring that other members receive the information they need to perform their board duties efficiently and appropriately.

The 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.

REMUNERATION GUIDELINES FOR SENIOR EXECUTIVES

The Board proposes the following guidelines for determining remuneration for senior executives for 2008, to be approved by the Annual General Meeting in May 2008.

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

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

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

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

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

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

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

The Board has deviated from the guidelines which were decided at the 2007 Annual General Meeting on two occasions:

- In 2008 the Board has decided to grant Donna Cordner a maximum STI of 100 percent. When the directorship as market area manager of Russia and CEO of the Russian organisation became vacant Donna Cordner was with immediate effect able to accept the appointment as market area manager of Russia and CEO of the Russian organisation. Her appointment has entailed a move to Russia, a significant additional workload and the continuation of existing responsibilities. Consequently, the Board decided to allow for a double STI opportunity for Donna Cordner to reflect the scope and the nature of the assignment.
- In 2007 the Board has amended the size of the components of the total compensation package for the CEO by decreasing the CEO's annual base salary and increasing the maximum STI opportunity to 70 percent and the maximum pension premium to 25 percent. The Board assessed the existing CEO's compensation package to provide insufficient motivation to create shareholder value and therefore decided to realign certain elements of his remuneration directly with prevailing market conditions. The new conditions are valid as of January 1, 2008. These changes could potentially increase the CEO's total compensation by 6 percent.

The guidelines for 2007 as proposed by the Board and approved by the Annual General Meeting in May 2007 are stated in Note 38 Personnel costs.

PARENT COMPANY

The parent company performs functions and conducts certain group wide development projects. In 2007, the parent company paid a dividend of SEK 1.83 per share corresponding to a total of SEK 814 million to shareholders.

In 2007 the parent company has received an anticipated dividend from a subsidiary in the amount of SEK 13 billion.

PROPOSED APPROPRIATION OF PROFIT

The Board and CEO propose that, from the SEK 15,689,182,509 at the disposal of the Annual General Meeting, an ordinary dividend of SEK 3.15 per share and an extraordinary dividend of SEK 4.70 per share be paid to shareholders (corresponding to SEK 1,401,281,718 and SEK 2,090,801,293 respectively at December 31, 2007) and that the remaining amount, SEK 12,197,099,498, be carried forward.

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

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CONSOLIDATED INCOME STATEMENT

SEK million	Note	2007	2006
CONTINUING OPERATIONS			
Operating revenue	4	43,420	43,098
Cost of services sold	5	–25,816	–25,963
Impairment of goodwill	5, 16	–1,315	–2,457
Gross profit		**16,289**	**14,678**
Selling expenses		–11,218	–11,322
Administrative expenses		–4,116	–3,351
Sale of operations, profit	6	1,562	50
Sale of operations, loss	7	–823	–20
Result from shares in associated companies and joint ventures	8	–234	–135
Other operating revenue	9	125	42
Other operating expenses	10	–100	–48
Operating profit/loss	5	**1,485**	**–106**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Interest income	11	258	129
Interest costs	12	–1,018	–727
Other financial items	13	34	36
Profit/loss after financial items		**759**	**–668**
Tax on profit/loss for the year	15	–1,061	–335
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		**–302**	**–1,003**
DISCONTINUED OPERATIONS			
Net profit/loss from discontinued operations	41	–1,467	–2,737
NET PROFIT/LOSS	2, 3	**–1,769**	**–3,740**
ATTRIBUTABLE TO			
Equity holders of the parent company		–1,669	–3,615
Minority interest		–100	–125
NET PROFIT/LOSS		**–1,769**	**–3,740**
Earnings per share, SEK	27	–3.75	–8.14
Earnings per share after dilution, SEK	27	–3.75	–8.14
FROM CONTINUING OPERATIONS			
Earnings per share, SEK		–0.45	–1.98
Earnings per share after dilution, SEK		–0.45	–1.98
Number of outstanding shares	27	444,851,339	444,489,593
Number of shares in own custody	27	4,098,000	–
Number of shares, weighted average	27	444,727,119	444,129,836
Number of shares after dilution	27	445,235,120	444,614,065
Number of shares after dilution, weighted average	27	445,220,904	444,353,295

CONSOLIDATED BALANCE SHEET

SEK million	Note	Dec 31, 2007	Dec 31, 2006
ASSETS			
FIXED ASSETS			
INTANGIBLE ASSETS			
Goodwill	16	12,603	18,491
Other intangible assets	16	2,089	3,353
Total intangible assets		**14,692**	**21,844**
TANGIBLE ASSETS			
Machinery and technical plant	17	12,373	14,042
Other tangible assets	17	2,015	2,017
Total tangible assets		**14,388**	**16,059**
FINANCIAL ASSETS			
Shares in associated companies and joint ventures	19	955	802
Other financial assets	20	52	74
Total financial assets		**1,007**	**876**
DEFERRED TAX ASSETS	15	3,258	4,986
TOTAL FIXED ASSETS		**33,345**	**43,765**
CURRENT ASSETS			
MATERIALS AND SUPPLIES	21	435	424
CURRENT RECEIVABLES			
Accounts receivable	22	5,555	7,645
Current tax receivables		534	148
Other current receivables	23	666	1,141
Prepaid expenses and accrued income	24	3,061	4,046
Total current receivables		**9,816**	**12,980**
SHORT-TERM INVESTMENTS	25	2,593	1,988
CASH AND CASH EQUIVALENTS	26	2,459	2,619
TOTAL CURRENT ASSETS		**15,303**	**18,011**
ASSETS CLASSIFIED AS HELD FOR SALE	41	–	4,388
TOTAL ASSETS	2, 3	**48,648**	**66,164**

SEK million	Note	Dec 31, 2007	Dec 31, 2006
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMMPANY			
Share capital	27	561	556
Other paid-in capital		16,897	16,880
Reserves		794	201
Retained earnings		8,569	11,163
Total attributable to equity holders of the parent company		**26,821**	**28,800**
MINORITY INTEREST		28	323
TOTAL SHAREHOLDERS' EQUITY		**26,849**	**29,123**
LONG-TERM LIABILITIES			
INTEREST-BEARING			
Liabilities to financial institutions and bond holders'	28	5,152	12,419
Provisions	29	261	181
Other interest-bearing liabilities	30	257	450
Total interest-bearing liabilities		**5,670**	**13,050**
NON-INTEREST-BEARING			
Deferred tax liability	15	927	1,342
Provisions	29	–	1
Total non-interest-bearing liabilities		**927**	**1,343**
TOTAL LONG-TERM LIABILITIES		**6,597**	**14,393**
SHORT-TERM LIABILITIES			
INTEREST-BEARING			
Liabilities to financial institutions and bond holders'	28	4,226	6,231
Provisions	29	172	31
Other interest-bearing liabilities	30	204	645
Total interest-bearing liabilities		**4,602**	**6,907**
NON-INTEREST-BEARING			
Accounts payable		3,868	5,343
Current tax liabilities		205	1,007
Provisions	29	–	109
Other short-term liabilities	31	1,048	509
Accrued expenses and deferred income	32	5,479	7,256
Total non-interest-bearing liabilities		**10,600**	**14,224**
TOTAL SHORT-TERM LIABILITIES		**15,202**	**21,131**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	41	–	1,517
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2, 3	**48,648**	**66,164**

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	2007	2006
OPERATING ACTIVITIES			
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL			
Operating profit/loss from continuing operations		1,485	–106
Operating profit/loss from discontinued operations	41	–1,092	–2,786
Operating profit/loss		**393**	**–2,892**
Adjustments for non-cash items in operating profit			
Depreciation and amortization		4,260	3,945
Impairment		3,019	4,833
Result from shares in associated companies and joint ventures		234	135
Net capital gain/loss on sale of fixed assets		–1,264	–25
Finance leases		3	–
Exchange rate difference		94	–60
Interest received		335	150
Interest paid		–997	–530
Finance costs paid		–19	–15
Taxes paid		–1,570	–562
Cash flow from operations before changes in working capital	36	**4,488**	**4,979**
CHANGES IN WORKING CAPITAL			
Materials and supplies		–118	18
Operating assets		544	–1,423
Operating liabilities		–564	273
Changes in working capital	36	**–138**	**–1,132**
CASH FLOW FROM OPERATING ACTIVITIES		**4,350**	**3,847**
INVESTING ACTIVITIES			
Acquisition of intangible assets	36	–310	–324
Sale of intangible assets	36	2	7
Acquisition of tangible assets	36	–4,885	–5,229
Sale of tangible assets	36	24	26
Acquisition of shares in group companies (excluding cash)	18	–1,122	–1,346
Sale of shares in group companies	18	13,206	31
Acquisition of other securities		–316	–
Sale of other securities		9	–
Other long-term lending		–262	–309
Other payments from long-term lending		256	208
Cash flow from investing activities		**6,602**	**–6,936**
CASH FLOW AFTER INVESTING ACTIVITIES		**10,952**	**–3,089**
FINANCING ACTIVITIES			
Proceeds from credit institutions and bond holders’		3,749	4,811
Repayment of loans from credit institutions and bond holders’		–13,960	–712
Proceeds from other interest-bearing liabilities		4	10
Repayment of other interest-bearing lending		–591	–334
Dividends		–814	–777
New share issues		27	58
Repurchase of own shares		–5	–
Dividend to minority		–4	–
New share issue to minority		355	–
Cash flow from financing activities		**–11,239**	**3,056**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–287**	**–33**
Cash and cash equivalents at beginning of the year	26	2,619	2,773
Exchange rate difference in cash	26	127	–121
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26	**2,459**	**2,619**

Cash flow for discontinued operations, please refer to Note 41.
For additional cash flow information, please refer to Note 1 and Note 36.

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

		Attributable to equity holders of the parent company							
SEK million		Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Minority interest	Total share-holders' equity
Shareholders' equity at January 1, 2006		**555**	**16,819**	**–64**	**2,099**	**15,556**	**34,965**	**403**	**35,368**
ITEMS RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUTIY									
Exchange rate difference		–	–	624	–2,158	–	–1,534	–2	–1,536
Exchange rate difference, tax effect		–	–	–175	–120	–	–295	–	–295
Cash flow hedges	28	–	–	–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**
Shareholders' equity at January 1, 2007		**556**	**16,880**	**380**	**–179**	**11,163**	**28,800**	**323**	**29,123**
ITEMS RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUTIY									
Exchange rate difference		–	–	–497	1,836	–	1,339	9	1,348
Exchange rate difference, tax effect		–	–	139	–	–	139	–	139
Reversed cumulative exchange rate differences from divested companies		–	–	–	–1,053	–	–1,053	–	–1,053
Reclassification		–	–	–	119	–119	–	–	–
Cash flow hedges	28	–	–	68	–	–	68	–	68
Cash flow hedges, tax effect		–	–	–19	–	–	–19	–	–19
Total items recognized directly in shareholders' equity		**–**	**–**	**–309**	**902**	**–119**	**474**	**9**	**483**
Net profit/loss		–	–	–	–	–1,669	–1,669	–100	–1,769
Total for the year		**–**	**–**	**–309**	**902**	**–1,788**	**–1,195**	**–91**	**–1,286**
OTHER CHANGES IN SHAREHOLDERS' EQUITY									
Costs for stock options		–	–	–	–	8	8	–	8
New share issues		5	22	–	–	–	27	–	27
Repurchase of own shares		–	–5	–	–	–	–5	–	–5
Dividends		–	–	–	–	–814	–814	–4	–818
Purchase of minority		–	–	–	–	–	–	–595	–595
New share issue to minority		–	–	–	–	–	–	395	395
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2007		**561**	**16,897**	**71**	**723**	**8,569**	**26,821**	**28**	**26,849**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Accounting principles and other information

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) at the date of publication of this annual report, as adopted by EU. The Group also applies the Swedish Financial Accounting Standards Council's recommendation RR30:06, Supplementary Rules for Consolidated Financial Statements, which specifies additional information required under the Swedish Annual Accounts Act.

From January 1, 2007, IFRS 7 *Financial Instruments: disclosures*, which requires additional disclosures for the Group's financial instruments is applied. The amendment to IAS 1 *Presentation of Financial Statements*, which has lead to additional disclosures for capital management, is also applied.

The definition for EBITDA has been changed during 2007 to exclude profit and loss from sale of operations and one off items. Previous periods have been adjusted retrospectively, please refer to Note 5.

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 has in 2007, as a result of the changed strategic focus and divestments of a number of operations, changed allocation of goodwill from market area level to country level. Please refer to Note 16.

During the year, the definition for inactive mobile prepaid customers has been changed, please refer to Note 4.

IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*, IFRIC 8 *Scope of IFRS 2,* IFRIC 9 *Reassessment of embedded derivatives* and IFRIC 10 *Interim financial reporting and impairment* which are applied from January 1, 2007, have had no effect for Tele2.

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

NEW REGULATIONS

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

The IASB has also issued the following amendments and revisions which are yet to be adopted by the EU: revised IFRS 3 *Business Combinations* (effective January 1, 2009) and related revisions to IAS 27 *Consolidated and separate financial statements* (effective for annual periods beginning on or after July 1, 2009), amendment to IAS 23 *Borrowing costs*, amendment to IAS 1 *Presentation of financial statements: a revised presentation* and amendment to IFRS 2 *Shared-based payments: vesting conditions and cancellations*.

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

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

The revised IAS 1 contains changes to the presentation of the financial reports. The revised IAS 23 and IFRS 2 are expected to have no material effect for Tele2.

IFRIC has issued IFRIC 11 IFRS 2 *Group and Treasury Share Transactions* (effective for annual periods beginning on or after March 1, 2007).

IFRIC has also issued the following interpretations that have not yet been adopted by the EU: IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008), IFRIC 13 *Customer loyalty programs* (effective for annual periods beginning on or after July 1, 2008), IFRIC 14 *IAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction* (effective for annual periods beginning on or after January 1, 2008).

IFRIC 14, is to be applied from the beginning of the first period presented in the financial statements for annual periods beginning on or after the effective date. IFRIC 14 is estimated to have insignificant or no effect for Tele2.

IFRIC 13 shall be applied retroactively with adjustments of previous periods. The implementation of IFRIC 13 is not estimated to have any material effect to Tele2s results and financial position.

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 corresponds to the Group's share of shareholders' equity as well as

Continued Note 1

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.

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 38.

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.

NUMBER OF EMPLOYEES, SALARY AND REMUNERATION

The average number of employees (Note 37) as well as salaries and remuneration (Note 38) 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 38) 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

Continued Note 1

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 41) 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 27) are calculated according to a method where the redemption price of outstanding options is compared to the average market value of Tele2's shares during the financial period.

FIXED ASSETS

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

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

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

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

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

A reversal of impairment is reported in the income statement. Impairment of goodwill is not reversed.

Intangible assets

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

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

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

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

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

Tele2 capitalizes 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.

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

Loan expenses

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

Leases

Leases are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the consolidated accounts, each asset is recorded as a tangible or intangible asset, and a corresponding amount is entered as a lease obligation under liabilities (Note 17 and Note 30). 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

Continued Note 1

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 14.

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.

INVENTORIES

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

SHAREHOLDERS' EQUITY

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

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

The hedge reserve involves translation differences on external loans in foreign currencies which are used to secure net investments in foreign subsidiaries and the effective portion of gains or losses on interest swaps.

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

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

PROVISIONS

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

SEGMENT REPORTING

Tele2's operations are divided into 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 16.

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

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

For the secondary segment it is not practical to distribute accounts receivable and other current assets by business area and these assets are therefore reported as undistributed assets. Segment information by 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 36, 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.

Continued Note 1

CHOICE OF ACCOUNTING PRINCIPLES

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

Acquisition of minorities

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

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

Reporting of joint ventures

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

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

Revenue reporting for agreements containing several components

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

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

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

Customer acquisition costs

Customer acquisition costs are normally recognized directly. 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. Tele2 has in 2007, as a result of the changed strategic focus and divestments of a number of operations, changed allocation of goodwill from market area level to country level. Please refer to Note 16.

ASSESSMENTS AND ESTIMATES

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

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

Valuation of acquired intangible assets

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

Valuation of goodwill

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

Valuation of fixed assets with a finite useful life

If the recoverable amount falls below the book value, an impairment loss is recognized. 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 16 and Note 17.

Useful lives of fixed assets

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

Valuation of deferred income tax

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

Valuation of disputes and damages

Tele2 is party to a number of disputes. For each separate dispute an assessment is made of the most likely outcome, and the income statement is affected by the estimated expenses, see Note 29.

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 22.

OTHER INFORMATION

Tele2 AB (publ) is a limited company, with its registered office in Stockholm, Sweden. The company's registered office (phone +46 8 5620 0060) is at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden. The annual report was approved by the Board of Directors on March 13, 2008. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 14, 2008.

NOTE 2 Market areas

The market area *Nordic* encompasses operations in Sweden and Norway, as well as Denmark up until July 12, 2007.

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

The market area *Central Europe* encompasses operations in Germany, Austria and Poland, as well as Hungary up until October 18, 2007.

The market area *Southern Europe* encompasses operations in France and Switzerland, as well as Portugal up until September 11, 2007.

The market area *Benelux* encompasses operations in the Netherlands, Luxembourg and Liechtenstein, as well as Belgium and Alpha Telecom/Calling Card Company up until October 1, 2007 and May 9, 2007 respectively.

The market area *Services* encompasses Datametrix, Procure IT Right and Radio Components, as well as Datametrix Norway, UNI2 Denmark and 3C Communications up until March 31, 2007, August 31, 2007 and September 19, 2007 respectively.

2007	Nordic	Baltic & Russia	Central Europe	Southern Europe	Benelux	Services	Undistributed as well as internal elimination	Total
INCOME STATEMENT								
Continuing operations								
Operating revenue								
external	15,265	9,656	6,888	2,951	8,267	393	–	43,420
internal	323	7	319	–8	–741	329	–229	–
Operating revenue	**15,588**	**9,663**	**7,207**	**2,943**	**7,526**	**722**	**–229**	**43,420**
Impairment of goodwill	–	–	–863	–	–452	–	–	–1,315
Result from shares in associated companies and joint ventures	–195	–	–46	–	7	–	–	–234
Operating profit/loss	**1,365**	**3,008**	**–1,439**	**–429**	**–2,800**	**–159**	**1,939**	**1,485**
Interest income	–	–	–	–	–	–	258	258
Interest costs	–	–	–	–	–	–	–1,018	–1,018
Other financial items	–	–	–	–	–	–	34	34
Tax on profit/loss for the year	–	–	–	–	–	–	–1,061	–1,061
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**1,365**	**3,008**	**–1,439**	**–429**	**–2,800**	**–159**	**152**	**–302**
Discontinued operations								
Net profit/loss from discontinued operations (Note 41)	–	–	–	–1,467	–	–	–	–1,467
NET PROFIT/LOSS	**1,365**	**3,008**	**–1,439**	**–1,896**	**–2,800**	**–159**	**152**	**–1,769**
OTHER INFORMATION								
Continuing operations								
Investments, intangible assets	126	58	48	–	1	7	–	240
Investments, tangible assets	932	2,111	213	93	638	42	–	4,029
Non-cash-generating profit/loss items								
Depreciation/amortization	–940	–823	–430	–62	–1,393	–46	–	–3,694
Impairment	–293	–21	–867	–	–468	–	–	–1,649
Sales of fixed assets	310	1,180	–8	3	–656	–107	–	722
Dec 31, 2007								
Shares in associated companies and joint ventures	364	–	570	–	21	–	–	955
Assets	14,749	11,799	4,416	2,497	11,630	277	3,280	48,648
Liabilities	4,039	1,742	2,196	814	2,722	319	9,967	21,799

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.

2006	Nordic	Baltic & Russia	Central Europe	Southern Europe	Benelux	Services	Undistributed as well as internal elimination	Total
INCOME STATEMENT								
Continuing operations								
Operating revenue								
external	15,402	6,769	8,121	3,144	9,055	607	–	43,098
internal	279	6	367	11	230	288	–1,181	–
Operating revenue	**15,681**	**6,775**	**8,488**	**3,155**	**9,285**	**895**	**–1,181**	**43,098**
Impairment of goodwill	–	–	–1,863	–94	–500	–	–	–2,457
Result from shares in associated companies and joint ventures	–124	–	–8	–	–3	–	–	–135
Operating profit/loss	**1,942**	**871**	**–1,622**	**–952**	**–1,744**	**–85**	**1,484**	**–106**
Interest income	–	–	–	–	–	–	129	129
Interest costs	–	–	–	–	–	–	–727	–727
Other financial items	–	–	–	–	–	–	36	36
Tax on profit/loss for the year	–	–	–	–	–	–	–335	–335
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**1,942**	**871**	**–1,622**	**–952**	**–1,744**	**–85**	**587**	**–1,003**
DISCONTINUED OPERATIONS								
Net profit/loss from discontinued operations (Note 41)	–	–	–	–2,737	–	–	–	–2,737
NET PROFIT/LOSS	**1,942**	**871**	**–1,622**	**–3,689**	**–1,744**	**–85**	**587**	**–3,740**
OTHER INFORMATION								
Continuing operations								
Investments, intangible assets	107	79	26	–	5	16	–	233
Investments, tangible assets	850	2,284	202	77	639	31	–	4,083
Non-cash-generating profit/loss items								
Depreciation/amortization	–886	–591	–369	–50	–1,449	–55	–	–3,400
Impairment	–9	–	–1,867	–94	–500	–	–	–2,470
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

NOTE 3 Business areas

The *Mobile telephony* business area, comprises 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 business area *Other operations* includes carrier operations as well as IT-outsourcing and system integration through Datametrix.

2007	Mobile telephony	Indirect access	Direct access & LLUB	Other operations	Undistributed as well as internal elimination	Total
Continuing Operations						
Operating revenue from external customers	22,718	13,298	5,030	2,374	–	43,420
Investments, intangible assets	155	24	49	12	–	240
Investments, tangible assets	2,644	289	911	185	–	4,029
Total assets at December 31	9,395	1,291	5,146	645	32,171	48,648

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	17,501	4,289	2,404	–	43,098
Investments, intangible assets	163	28	24	18	–	233
Investments, tangible assets	2,730	411	806	136	–	4,083
Total assets at December 31	8,481	3,259	7,024	648	42,364	61,776

EBITDA and EBIT per business area are presented in 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)	
	2007	2006	Dec 31, 2007	Dec 31, 2006	2007	2006
Nordic						
Mobile telephony	10,105	9,342	3,547	4,249	268	157
Indirect access	4,131	5,083	1,214	1,694	–240	–240
of which fixed telephony resale	*3,570*	*4,497*	*1,081*	*1,534*	*–246*	*–259*
of which broadband resale	*561*	*586*	*133*	*160*	*6*	*19*
Direct access & LLUB	1,240	1,084	365	311	87	57
Other operations	740	691				
One-off items	–200	–				
Adjustments for intra-group sales	–751	–798				
	15,265	**15,402**	**5,126**	**6,254**	**115**	**–26**
Baltic & Russia						
Mobile telephony	9,639	6,725	12,440	10,032	2,985	3,590
Indirect access	27	37	30	41	–11	–29
of which fixed telephony resale	*27*	*37*	*30*	*41*	*–11*	*–29*
Direct access & LLUB	19	17	36	32	4	4
Other operations	48	40				
Adjustments for intra-group sales	–77	–50				
	9,656	**6,769**	**12,506**	**10,105**	**2,978**	**3,565**
Central Europe						
Mobile telephony	45	168	116	174	–58	8
Indirect access	5,197	6,520	4,221	5,544	–871	–321
of which fixed telephony resale	*4,720*	*6,179*	*4,019*	*5,383*	*–912*	*–430*
of which broadband resale	*477*	*341*	*202*	*161*	*41*	*109*
Direct access & LLUB	936	849	150	70	80	27
Other operations	1,132	1,090				
Adjustments for intra-group sales	–422	–506				
	6,888	**8,121**	**4,487**	**5,788**	**–849**	**–286**
Southern Europe						
Mobile telephony	1,249	930	518	444	74	289
Indirect access	1,569	2,001	425	887	–182	–108
of which fixed telephony resale	*1,324*	*1,754*	*340*	*799*	*–179*	*–122*
of which broadband resale	*245*	*247*	*85*	*88*	*–3*	*14*
Direct access & LLUB	21	–	–	–	24	–
Other operations	179	325				
Adjustments for intra-group sales	–67	–112				
	2,951	**3,144**	**943**	**1,331**	**–84**	**181**
Benelux						
Mobile telephony	1,944	1,887	806	827	–20	–27
Indirect access	2,552	4,174	574	1,170	–380	–548
of which fixed telephony resale	*2,356*	*3,883*	*520*	*1,063*	*–359*	*–532*
of which broadband resale	*196*	*291*	*54*	*107*	*–21*	*–16*
Direct access & LLUB	2,827	2,363	279	276	97	98
Other operations	1,428	1,469				
Adjustments for intra-group sales	–484	–838				
	8,267	**9,055**	**1,659**	**2,273**	**–303**	**–477**
Services						
Indirect access	–	7				
of which fixed telephony resale	*–*	*7*				
Other operations	760	961				
Adjustments for intra-group sales	–367	–361				
	393	**607**				
NET CUSTOMER INTAKE					**1,857**	**2,957**
Acquired companies					10	182
Divested companies					–2,138	–411
Changed method of calculation					–759	–
TOTAL CONTINUING OPERATIONS	**43,420**	**43,098**	**24,721**	**25,751**	**–1,030**	**2,728**
Discontinued operations (note 41)	9,213	11,533	–	6,352	–6,352	–877
TOTAL OPERATION	**52,633**	**54,631**	**24,721**	**32,103**	**–7,382**	**1,851**

Continued Note 4

	Operating revenue		Number of customers (by thousands)		Net customer intake (by thousands)	
	2007	2006	Dec 31, 2007	Dec 31, 2006	2007	2006
Mobile telephony	22,982	19,052	17,427	15,726	3,249	4,017
of which prepaid cards			*13,633*	*12,261*	*2,707*	*3,349*
Indirect access	13,476	17,822	6,464	9,336	–1,684	–1,246
of which fixed telephony resale	*11,997*	*16,357*	*5,990*	*8,820*	*–1,707*	*–1,372*
of which broadband resale	*1,479*	*1,465*	*474*	*516*	*23*	*126*
Direct access & LLUB	5,043	4,313	830	689	292	186
Other operations	4,287	4,576				
One-off items	–200	–				
Adjustments for intra-group sales	–2,168	–2,665				
Acquired companies					10	182
Divested companies					–2,138	–411
Changed method of calculation					–759	–
Total continuing operations	**43,420**	**43,098**	**24,721**	**25,751**	**–1,030**	**2,728**

TELE2 IN SWEDEN

	Operating revenue		Number of customers (by thousands)		Net customer intake (by thousands)	
	2007	2006	Dec 31, 2007	Dec 31, 2006	2007	2006
Mobile telephony	7,386	6,843	3,099	3,508	255	–46
Indirect access	2,581	2,751	977	1,125	–148	–131
of which fixed telephony resale	*2,436*	*2,625*	*918*	*1,080*	*–162*	*–140*
of which broadband resale	*145*	*126*	*59*	*45*	*14*	*9*
Direct access & LLUB	1,074	864	327	264	63	41
Other operations	740	691	–	–	–	–
One-off items	–200	–				
Net customer intake					**170**	**–136**
Changed method of calculation					–664	–
TOTAL TELE2 IN SWEDEN	**11,581**	**11,149**	**4,403**	**4,897**	**–494**	**–136**

Tele2 in Sweden includes Tele2 Sverige AB, Optimal Telecom 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)	
	2007	2006	Dec 31, 2007	Dec 31, 2006	2007	2006
Russia	5,051	2,819	8,560	6,453	2,684	2,997
Acquired companies					10	182
Divested companies					–587	–
Total Russia	**5,051**	**2,819**	**8,560**	**6,453**	**2,107**	**3,179**

OPERATING REVENUE

	2007	2006
Service revenue	42,604	42,552
Product sales	816	546
Total operating revenue	**43,420**	**43,098**

In 2007, the operating revenue in Tele2 Sweden was reduced by SEK 200 million which is related to a dispute with Telia Sonera. The negative one-off item is related to interconnect disputes between year 2000–2004. While awaiting decision on appeal from the Swedish Supreme Administrative Court, Tele2 has decided to book this as reduced revenue in 2007.

From 2007 onwards, the two operations in the Netherlands, i.e. Tele2 Netherlands and Versatel Netherlands, is reported as one operation. Internal sales between the companies have been eliminated in market area Benelux. Previous periods have been adjusted retrospectively.

Operating revenue for Tele2 in Sweden includes SEK 96 (2006: 96) million relating to mobile telephony according to the MVNO agreement with Telenor. The capacity swap in the agreement is viewed upon as exchange of capacity between Tele2 and Telenor on a group level, where revenues from the swap are settled against costs. The agreement runs up to and including March 31, 2008.

NUMBER OF CUSTOMERS

In 2007 the number of customers increased by 10,000 through the acquisition of Telecom Eurasia in Russia.

The number of customers has reduced during 2007 by 2,138,000 customers through the divestment of the operations in Denmark, Irkutsk, Hungary, Portugal and Belgium.

As a way of standardizing reporting both internally and externally, Tele2 has decided to change its principles for calculating the number of inactive customers in its Nordic mobile prepaid base. As of 2007, Tele2 considers a customer as inactive if the customer has not used its mobile service in 6 months, instead of as earlier in 13 months. However, the customer will still be able to use their SIM card within the 13 month period, as before. In 2007, the one-time effect was a decrease of 759,000 in the reported customer base in the market area Nordic.

NOTE 5 EBITDA, EBIT and depreciation/amortization and impairment

MARKET AREAS BY BUSINESS AREA

	EBITDA		EBIT	
	2007	2006	2007	2006
Nordic				
Mobile telephony	2,681	2,912	2,004	2,305
Indirect access	437	454	317	306
of which fixed telephony resale	*554*	*556*	*457*	*418*
of which broadband resale	*–117*	*–102*	*–140*	*–112*
Direct access & LLUB	–59	36	–334	–167
Other operations	44	28	–28	–33
One-off items			–166	50
	3,103	**3,430**	**1,793**	**2,461**
Baltic & Russia				
Mobile telephony	2,732	1,488	1,893	900
Indirect access	4	13	3	12
of which fixed telephony resale	*4*	*13*	*3*	*12*
Direct access & LLUB	4	3	1	1
Other operations	3	2	2	2
One-off items		–	1,179	–
	2,743	**1,506**	**3,078**	**915**
Central Europe				
Mobile telephony	–94	–28	–105	–40
Indirect access	576	693	368	514
of which fixed telephony resale	*823*	*1,013*	*641*	*844*
of which broadband resale	*–247*	*–320*	*–273*	*–330*
Direct access & LLUB	–569	–57	–794	–222
Other operations	93	103	57	78
One-off items			–862	–1,813
	6	**711**	**–1,336**	**–1,483**
Southern Europe				
Mobile telephony	–483	–848	–492	–852
Indirect access	247	148	198	102
of which fixed telephony resale	*299*	*182*	*258*	*141*
of which broadband resale	*–52*	*–34*	*–60*	*–39*
Direct access & LLUB	–70	–21	–74	–21
Other operations	11	18	11	14
One-off items			3	–94
	–295	**–703**	**–354**	**–851**
Benelux				
Mobile telephony	389	332	273	211
Indirect access	102	263	–137	–41
of which fixed telephony resale	*146*	*353*	*–*	*155*
of which broadband resale	*–44*	*–90*	*–137*	*–196*
Direct access & LLUB	434	83	–525	–864
Other operations	133	111	45	15
One-off items			–1,231	–457
	1,058	**789**	**–1,575**	**–1,136**
Services				
Indirect access	–3	–10	–3	–10
of which fixed telephony resale	*–3*	*–10*	*–3*	*–10*
Other operations	35	53	–11	–2
One-off items	–	–	–107	–
	32	**43**	**–121**	**–12**
TOTAL CONTINUING OPERATIONS	**6,647**	**5,776**	**1,485**	**–106**
Discontinued operations (Note 41)	302	169	–1,092	–2,786
TOTAL OPERATION	**6,949**	**5,945**	**393**	**–2,892**

	EBITDA margin		EBIT margin	
	2007	2006	2007	2006
Nordic	20%	22%	12%	16%
Baltic & Russia	28%	22%	32%	14%
Central Europe	0%	9%	–19%	–18%
Southern Europe	–10%	–22%	–12%	-27%
Benelux	13%	9%	–19%	–13%
Services	8%	7%	–31%	–2%
Total continuing operations	**15%**	**13%**	**3%**	**0%**

Continued Note 5

	EBITDA		EBITDA margin		EBIT		EBIT margin	
	2007	2006	2007	2006	2007	2006	2007	2006
Mobile telephony	5,225	3,856	23%	20%	3,573	2,524	16%	13%
Indirect access	1,363	1,561	10%	9%	746	883	6%	5%
of which fixed telephony resale	*1,823*	*2,107*	*15%*	*13%*	*1,356*	*1,560*	*11%*	*10%*
of which broadband resale	*–460*	*–546*	*–31%*	*–37%*	*–610*	*–677*	*–41%*	*–46%*
Direct access & LLUB	–260	44	–5%	1%	–1,726	–1,273	–34%	–30%
Other operations	319	315	7%	7%	76	74	2%	2%
One-off items					–1,184	–2,314		
Total continuing operations	**6,647**	**5,776**	**15%**	**13%**	**1,485**	**–106**	**3%**	**0%**

Items between EBITDA and EBIT are specified below.

	2007	2006
EBITDA	6,647	5,776
Impairment of goodwill	–1,315	–2,457
Depreciation/amortization and other impairment	–4,028	–3,413
Sale of operations (Note 6, 7)	739	30
Other one-off items	–324	93
Result from shares in associated companies and joint ventures (Note 8)	–234	–135
EBIT	**1,485**	**–106**

TELE2 IN SWEDEN

	EBITDA		EBITDA margin		EBIT		EBIT margin	
	2007	2006	2007	2006	2007	2006	2007	2006
Mobile telephony	2,696	2,899	37%	42%	2,032	2,302	28%	34%
Indirect access	318	306	12%	11%	228	205	9%	7%
of which fixed telephony resale	*402*	*352*	*17%*	*13%*	*321*	*253*	*13%*	*10%*
of which broadband resale	*–84*	*–46*	*–58%*	*–37%*	*–93*	*–48*	*–64%*	*–38%*
Direct access & LLUB	–27	20	–3%	2%	–278	–155	–26%	–18%
Other operations	44	27	6%	4%	–28	–33	–4%	–5%
One-off items					–484	50		
Total Tele2 in Sweden	**3,031**	**3,252**	**26%**	**29%**	**1,470**	**2,369**	**13%**	**21%**

Tele2 in Sweden includes Tele2 Sverige AB, Optimal Telecom 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	
	2007	2006	2007	2006	2007	2006	2007	2006
Total Russia	1,590	566	31%	20%	2,209	244	44%	9%

The Supreme Court in The Hague has ruled negatively on Tele2 Netherlands Holding N.V.'s, formerly Versatel, appeal regarding a dispute with the tax authorities about the valuation of stock options for tax purposes. As a result the costs for market area Benelux were increased by SEK 124 million in 2007.

Tele2 continuously conducts price negotiations in all markets and retroactive adjustments are a natural part of Tele2's business. The adjustments in 2006 were nevertheless out of the ordinary and concentrated to 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. In 2006 the costs were reduced net by SEK 43 million for the market area 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.

Continued Note 5

DEPRECIATION/AMORTIZATION AND IMPAIRMENT

	2007	2006
Depreciation/amortization		
Cost of service sold	–3,370	–3,073
Selling expenses	–58	–52
Administrative expenses	–266	–275
Total depreciation/amortization	**–3,694**	**–3,400**
Impairment		
Cost of service sold	–1,649	–2,470
Total impairment	**–1,649**	**–2,470**
TOTAL CONTINUING OPERATIONS	**–5,343**	**–5,870**
Discontinued operations, depreciation/amortization (Note 41)	–566	–545
Discontinued operations, impairment (Note 41)	–1,370	–2,363
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–7,279**	**–8,778**

	2007	2006
Depreciation/amortization		
Licenses, utalization rights and software	–360	–303
Interconnection agreements	–21	–51
Customer agreements	–529	–532
Buildings	–11	–20
Machinery and technical plant	–2,592	–2,301
Equipment and installations	–181	–193
Total depreciation/amortization	**–3,694**	**–3,400**
Impairment		
Licenses, utalization rights and software	–225	–
Goodwill	–1,315	–2,457
Machinery and technical plant	–109	–13
Total impairment	**–1,649**	**–2,470**
TOTAL CONTINUING OPERATIONS	**–5,343**	**–5,870**

In 2007 Tele2 recognized goodwill impairment of SEK 1,315 (2006: 2,457) million, related to operations stated below.

	2007	2006
Germany, Central Europe	–572	
Austria, Central Europe	–291	
Belgium, Benelux	–276	
Netherlands, Benelux	–176	
Central Europe		–1,863
Southern Europe		–94
Benelux		–500
Total impairment of goodwill	**–1,315**	**–2,457**

In connection with the changed strategic focus, the business and financial performance has started to be monitored to a larger extent for each country rather than for each market area. Tele2 has in line with its adjusted strategic focus divested a number of businesses that did not meet Tele2's long-term financial goals. In 2007 Tele2 has consequently changed its allocation of goodwill from being allocated to each market area to being allocated to each country. The allocation of goodwill has been based on each country's relative value. The impairment of the goodwill in Germany and Austria is related to declining volumes and prices. During 2007, Tele2 divested its operation in Belgium and the impairment reflects the difference between sales price and the now sold assets. The impairment of goodwill in the Netherlands is an effect of allocating goodwill to each country in 2007. Additional information is presented in Note 16.

In 2007 Tele2 recognized the impairment losses of SEK 293 million attributable to Tele2's IT systems and is related to that the utilization of common billing systems will be lower than planned due to the sales of a number of businesses.

NOTE 6 Sale of operations, profit

	2007	2006
Irkutsk, Baltic & Russia	1,179	–
Denmark, Nordic	318	–
Uni2 Denmark, Services	45	–
Hungary, Central Europe	17	–
Portugal, Southern Europe	3	–
The Czech Republic, Central Europe	–	50
Total sale of operations, profit	**1,562**	**50**

For additional information, please refer to Note 18.

NOTE 7 Sale of operations, loss

	2007	2006
Alpha Telecom/Calling Card company, Benelux	–629	–
3C, Services	–136	–
Belgium, Benelux	–20	–
Datametrix Norway, Services	–12	–
Other	–26	–20
Total sale of operations, loss	**–823**	**–20**

NOTE 8 Result from shares in associated companies and joint ventures

	2007	2006
Participation in profit/loss of associated companies and joint ventures	–178	–126
Amortization on surplus	–56	–9
Total result of shares in associated companies and joint ventures	**–234**	**–135**

	2007			2006		
	Svenska UMTS-nät	Plusnet GmbH	Other	Svenska UMTS-nät	Plusnet GmbH	Other
Profit/loss before taxes in associated companies and joint ventures	–297	17	–69	–254	5	12
Holdings	50%	32.5%	9.1–50%	50%	32.5%	9.1–50%
Share of profit/loss before tax	–149	6	–34	–127	1	3
Amortization on surplus	–	–52	–4	–	–9	–
Correction of share of profit/loss from proceeding year	–	–	–1	7	–	–10
	–149	**–46**	**–39**	**–120**	**–8**	**–7**
Total result of shares in associated companies and joint ventures			**–234**			**–135**

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

	2007			2006		
	Svenska UMTS-nät	Plusnet GmbH	Other	Svenska UMTS-nät	Plusnet GmbH	Other
Income statement						
Operating revenue	747	949	609	626	194	462
Operating profit/loss	–108	–	–60	–113	2	13
Profit/loss after financial items	–297	17	–69	–254	5	12
Net profit/loss	–297	14	–77	–254	5	5

	Dec 31, 2007			Dec 31, 2006		
	Svenska UMTS-nät	Plusnet GmbH	Other	Svenska UMTS-nät	Plusnet GmbH	Other
Balance sheet						
Intangible assets	–	1	66	–	–	1
Tangible assets	3,740	878	169	3,688	213	117
Financial assets	–	27	–	–	–	–
Current assets	326	512	402	388	560	287
Total assets	**4,066**	**1,418**	**637**	**4,076**	**773**	**405**
Shareholders' equity	265	903	199	562	653	114
Long-term liabilities	3,677	45	106	3,372	5	42
Short-term liabilities	124	470	332	142	115	249
Total shareholders' equity and liabilities	**4,066**	**1,418**	**637**	**4,076**	**773**	**405**

NOTE 9 Other operating revenue

	2007	2006
Exchange rate gains from operations	58	28
Sale of fixed assets	1	2
Service level agreements for sold operations	50	1
Other revenue	16	11
TOTAL CONTINUING OPERATIONS	**125**	**42**
Discontinued operations (Note 41)	11	8
TOTAL OTHER OPERATING REVENUES	**136**	**50**

NOTE 10 Other operating expenses

	2007	2006
Exchange rate loss from operations	–29	–31
Sale/scrapping of fixed assets	–19	–9
Service level agreements for sold operations	–44	–
Other expenses	–8	–8
TOTAL CONTINUING OPERATIONS	**–100**	**–48**
Discontinued operations (Note 41)	–3	–3
TOTAL OTHER OPERATING EXPENSES	**–103**	**–51**

NOTE 11 Interest income

	2007	2006
Interest, bank balances	210	89
Interest, penalty interest	45	38
Interest, other securities and receivables	3	2
TOTAL CONTINUING OPERATIONS	**258**	**129**
Discontinued operations (Note 41)	7	50
TOTAL INTEREST INCOME	**265**	**179**

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

NOTE 12 Interest costs

	2007	2006
Interest, credit institutions and bond holders'	–871	–631
Interest, other interest-bearing liabilities	–71	–84
Interest, penalty interest	–57	–1
Other finance expenses	–19	–11
TOTAL CONTINUING OPERATIONS	**–1,018**	**–727**
Discontinued operations (Note 41)	–6	–11
TOTAL INTEREST COSTS	**–1,024**	**–738**

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

NOTE 13 Other financial items

	2007	2006
Exchange rate differences on financial assets and liabilities	49	67
Gain on sale of shares and participations	3	–
Impairment of shares in Modern Holdings Inc	–	–19
Other finance expenses	–18	–12
TOTAL CONTINUING OPERATIONS	**34**	**36**
Discontinued operations (Note 41)	–1	–1
TOTAL OTHER FINANCIAL ITEMS	**33**	**35**

In 2007, the functional currency in all Russian companies was changed from USD to RUB (rubel). On account of this change, previous hedging of net investments in USD through loans in USD became partly ineffective. The ineffective portion was reported in the income statement and amounts to SEK 101 (2006: 0) million.

NOTE 14 Exchange rate effects

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

	2007	2006
Other operating revenue	58	28
Other operating expenses	–29	–31
Other financial items	49	67
TOTAL CONTINUING OPERATIONS	**78**	**64**
Discontinued operations (Note 41)	2	-2
TOTAL EXCHANGE RATE DIFFERENCES IN INCOME STATEMENT	**80**	**62**

Continued Note 14

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			
	2007		2006		2007		2006	
SEK	11,024	25%	10,509	24%	2,867	43%	3,083	53%
EUR	15,084	35%	16,823	39%	626	9%	698	12%
Other	17,312	40%	15,766	37%	3,154	48%	1,995	35%
TOTAL CONTINUING OPERATIONS	**43,420**	**100%**	**43,098**	**100%**	**6,647**	**100%**	**5,776**	**100%**
Discontinued operations (Note 41)	9,213		11,533		302		169	
TOTAL	**52,633**		**54,631**		**6,949**		**5,945**	

A one percent currency movement against the Swedish krona affects the Group's operating revenue and EBITDA on an annual basis by SEK 324 (2006: 326) million and SEK 38 (2006: 27) million. Tele2's operating profit/loss for the year was mainly affected by fluctuations in EUR, NOK and LVL. Tele2's operating revenue and EBITDA have been affected negatively by SEK -356 (2006: –169) million and SEK –102 (2006: –16) million in 2007, as opposed to if the exchange rates had not been changed at all during the year.

NOTE 15 Taxes

TAX EXPENSE/INCOME FOR THE YEAR

	2007	2006
Current tax expense	–321	–1,246
Deferred tax expense	–740	911
TOTAL CONTINUING OPERATIONS	**–1,061**	**–335**
Discontinued operations	–375	11
TOTAL TAX EXPENSE (–)/TAX INCOME (+) ON PROFIT/LOSS FOR THE YEAR	**–1,436**	**–324**

THEORETICAL TAX EXPENSE

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

	2007		2006	
Profit/loss before tax	759		-668	
Tax expense/income				
Theoretic tax according to prevailing tax rate in each country	–196	–25.8%	169	–25.3%
TAX EFFECT OF				
Losses/gains in countries with a high tax rate	364	48.0%	175	–26.2%
Impairment of goodwill, non-tax affecting	–389	–51.3%	–735	110.0%
Sales of shares in subsidiaries, non-taxable	1,253	165.1%	–	–
Other non-deductible expenses/non-taxable revenue	178	23.5%	483	–72.3%
Valuation of tax assets relating to loss carry-forwards etc from previous years	–	–	148	–22.2%
Adjustment of tax assets from previous years	–904	–119.1%	–176	26.3%
Reserve for the year's additional loss carry-forwards	–1,367	–180.1%	–399	59.7%
TOTAL CONTINUING OPERATIONS	**–1,061**	**–139.8%**	**–335**	**50.1%**
Discontinued operations	–375	34.3%	11	–0.4%
TAX EXPENSE/INCOME AND EFFECTIVE TAX RATE FOR THE YEAR	**–1,436**	**431.2%**	**–324**	**9.5%**

Continued Note 15

DEFERRED TAX ASSETS AND LIABILITIES

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

	Dec 31, 2007	Dec 31, 2006
Deferred tax assets		
Unutilized loss carry-forwards	3,148	4,439
Tangible assets	85	412
Other	25	135
Total deferred tax assets	**3,258**	**4,986**
Deferred tax liabilities		
Intangible assets	–268	–435
Tangible assets	–659	–865
Other	–	–42
Total deferred tax liabilities	**–927**	**–1,342**
TOTAL DEFERRED TAX ASSETS AND TAX LIABILITIES	**2,331**	**3,644**

	Dec 31, 2007	Dec 31, 2006
Deferred tax assets		
Companies reporting a profit this year and previous year	1,979	1,493
Companies reporting a profit this year but a loss the previous year	93	1,159
Companies reporting a loss this year	1,186	2,334
Total deferred tax assets	**3,258**	**4,986**

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.

In 2007 a total impairment of tax assets of SEK 793 million has been reported in Germany due to reduced income tax rate as well as an impairment in connection with the impairment of goodwill. Deferred tax assets have also during the year been affected by an impairment of SEK 62 million in Tele2 Poland.

Not valued loss carry-forwards in companies acquired during the year amount to SEK 44 million with a tax effect of SEK 11 million.

The Group's total loss carry-forwards as of December 31, 2007 were 23,275 (2006: 18,855) million of which SEK 11,991 (2006: 15,993) million has been recorded as a deferred tax asset and the remaining part, SEK 11,284 (2006: 2,862) million, has been valued at zero. Of the total loss carry-forwards, SEK 1,707 (2006: 1,474) million expires in five years and the remaining part, SEK 21,568 (2006: 17,381) 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 based on there not having been an actual decline in the value of SEC SA, in spite of the fact that the independent valuation that was made 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 did in December 2004.

In October 2005 Tele2 submitted a supplementary statement since tha tax authorities did not provide their own statement. No information has been presented changing Tele2's opinion that the requirements for submission of evidence are fulfilled. Tele2's opinion remains that the deduction claimed should be approved, and an appeal with the county administrative court has therefore been lodged.

Loss carry-forwards in Tele2 questioned by the tax authorities with regard to this correspond to a tax effect of SEK 3,910 million. Other tax disputes in Tele2 AB amount to SEK 6 (2006: 7) million and tax disputes in Tele2 Sverige AB amount to SEK 303 (2006: 289) million. Tele2 is of the opinion that the disputes will be settled in Tele2's favor, which is why a continget tax liability has not been recorded for losses utilized.

NOTE 16 Intangible assets

Dec 31, 2007	Licenses, utalization rights and software	Intercon-nection agree-ments	Customer agree-ments	Total other intangible assets	Goodwill	Total
Acquisition value						
Acquisition value at January 1	2,762	261	2,581	5,604	22,442	28,046
Acquisition value at January 1, discontinued operations (Note 41)	–90	–93	–425	–608	–3,932	–4,540
Acquisition value in acquired companies	–	–	–	–	976	976
Acquisition value in divested companies	–132	–169	–292	–593	–3,544	–4,137
Investments for the year	240	–	–	240	–	240
Sales and scrapping	–106	–	–	–106	–	–106
Reclassification	430	–	–	430	–	430
Exchange rate differences for the year	82	1	75	158	554	712
Total acquisition value	**3,186**	**–**	**1,939**	**5,125**	**16,496**	**21,621**
Accumulated amortization						
Accumulated amortization at January 1	–1,237	–106	–900	–2,243		–2,243
Accumulated amortization at January 1, discontinued operations (Note 41)	37	12	133	182		182
Accumulated amortization in divested companies	86	116	156	358		358
Amortization according to plan	–360	–21	–529	–910		–910
Sales and scrapping	94	–	–	94		94
Reclassification	–186	–	–	–186		–186
Exchange rate differences for the year	–66	–1	–38	–105		–105
Total accumulated amortization	**–1,632**	**–**	**–1,178**	**–2,810**		**–2,810**
Accumulated impairment						
Accumulated impairment at January 1	–8	–	–	–8	–3,951	–3,959
Accumulated impairment at January 1, discontinued operations	–	–	–	–	843	843
Accumulated impairment in divested companies	8	–	–	8	566	574
Impairment during the year	–225	–	–	–225	–1,315	–1,540
Exchange rate differences for the year	–1	–	–	–1	–36	–37
Total accumulated impairment	**–226**	**–**	**–**	**–226**	**–3,893**	**–4,119**
TOTAL INTANGIBLE ASSETS	**1,328**	**–**	**761**	**2,089**	**12,603**	**14,692**

Dec 31, 2006	Licenses, utalization rights and software	Intercon-nection agree-ments	Customer agree-ments	Total other intangible assets	Goodwill	Total
Acquisition value						
Acquisition value at January 1	2,229	799	2,526	5,554	27,283	32,837
Acquisition value at January 1, discontinued operations (Note 41)	–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 41)	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 impairment						
Accumulated impairment at January 1	–9	–	–	–9	–660	–669
Impairment during the year	–	–	–	–	–3,300	–3,300
Exchange rate differences for the year	1	–	–	1	9	10
Total accumulated impairment	**–8**	**–**	**–**	**–8**	**–3,951**	**–3,959**
TOTAL INTANGIBLE ASSETS	**1,517**	**155**	**1,681**	**3,353**	**18,491**	**21,844**

GOODWILL

In connection with the acquisition of operations, goodwill is allocated to the cash generating units that expect to achieve future financial benefits such as for example synergies as a result of the acquired operations. In the event that separate cash generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets is controlled and monitored internally. In connection with the changed strategic focus, the business and financial performance has started to be monitored to a larger extent for each country rather than for each market area. Tele2 has in line with its adjusted strategic focus divested a number of businesses that did not meet Tele2's long-term financial goals. In 2007 Tele2 has consequently changed its allocation of goodwill from being allocated to each market area to being allocated to each country. The allocation of goodwill has been based on each country's relative value.

Continued Note 16

	Dec 31, 2007	Dec 31, 2006
Sweden	1,061	
Nordic	**1,061**	**991**
Russia	642	604
Estonia	793	
Lithuania	793	
Latvia	1,149	
Baltic	2,735	2,702
Croatia	11	–
Baltic & Russia	**3,388**	**3,306**
Germany	185	
Austria	788	
Poland	437	
Central Europe	**1,410**	**2,203**
France	1,021	
Switzerland	515	
Southern Europe	**1,536**	**6,751**
Netherlands	4,585	
Luxembourg	590	
Benelux	**5,175**	**5,153**
Services	**33**	**87**
Total goodwill	**12,603**	**18,491**

Continued Note 16

Allocation of goodwill and test for goodwill impairment

Tele2 tests goodwill for impairment annually by calculating the recoverable value for the cash-generating units to which goodwill items are allocated. The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value reduced with sales costs. The most important criteria in the calculations of values in use are growth rate, profit margins, investment needs and discount rates. The 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 12–15 (2006: 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 managements' assessment of the different markets.

Tele2 calculates future cash flows based on the most recently approved five-year (2006: two-year) plan. For the period after this, growth of 1–2 (2006: 2–3) percent is assumed, with mobile operations towards the top of this range. This does not exceed the average long-term growth for the sector as a whole.

In 2007 Tele2 recognized goodwill impairment of SEK 1,315 (2006: 2,457) million. For additional information please refer to Note 5. The calculations of fair value reduced for sales costs are based on multiples calculated on the value of divested operations and external valuations. Important assumptions are revenues, EBITDA, number of customers and value per customer.

Changes to important assumptions

The carrying amounts of cash-generating units for which impairment losses were recognized in 2007 have been written down to their recoverable amounts at December 31, 2007. A subsequent negative change to any important assumption would give rise to futher impairment losses. When calculating the value in use the main assumptions for the period 2008-2012 are a long-term EBITDA margin of 12–21 percent, a CAPEX/sales ratio of 4–9 percent and a discount rate before tax of 12 percent, with Netherlands in the higher range for CAPEX and EBITDA margin. The most important assumption when calculating the fair value reduced for sales costs are the value per customer.

NOTE 17 Tangible assets

	Dec 31, 2007						
	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Acquisition value							
Acquisition value at January 1	191	1,570	1,488	3,249	27,153	*1,103*	30,402
Acquisition value at January 1, discontinued operations (Note 41)	–39	–98	–	–137	–1,947	*–420*	–2,084
Acquisition value in acquired companies	–	–	–	–	4	*–*	4
Acquisition value in divested companies	–9	–232	–48	–289	–1,820	*–33*	–2,109
Investments for the year	18	138	2,161	2,317	1,712	*7*	4,029
Sales and scrapping	–30	–81	–19	–130	–446	*–9*	–576
Reclassification	1	147	–2,029	–1,881	1,451	*–*	–430
Exchange rate differences for the year	6	37	31	74	368	*12*	442
Total acquisition value	**138**	**1,481**	**1,584**	**3,203**	**26,475**	***660***	**29,678**
Accumulated depreciation							
Accumulated amortization at January 1	–115	–1,117		–1,232	–12,885	*–313*	–14,117
Accumulated amortization at January 1, discontinued operations (Note 41)	30	47		77	413	*66*	490
Accumulated amortization in divested companies	6	196		202	755	*28*	957
Amortization according to plan	–11	–181		–192	–2,592	*–55*	–2,784
Sales and scrapping	18	71		89	432	*5*	521
Reclassification	–	–98		–98	284	*–*	186
Exchange rate differences for the year	–5	–29		–34	–199	*–5*	–233
Total accumulated depreciation	**–77**	**–1,111**		**–1,188**	**–13,792**	***–274***	**–14,980**
Accumulated write-downs							
Accumulated impairment at January 1	–	–		–	–226	*–*	–226
Accumulated impairment at January 1, discontinued operations (Note 41)	–	–		–	27	*–*	27
Accumulated impairment in divested companies	–	–		–	2	*–*	2
Impairment during the year	–	–		–	–109	*–*	–109
Exchange rate differences for the year	–	–		–	–4	*–*	–4
Total accumulated write-downs	**–**	**–**		**–**	**–310**	***–***	**–310**
TOTAL TANGIBLE ASSETS	**61**	**370**	**1,584**	**2,015**	**12,373**	***386***	**14,388**

Of the year's total investments in continuing operations, which amount to SEK 4.0 billion, Russia, Sweden and the Netherlands account for 71 percent, whereof Russia accounts for 38 percent. Distribution of the investments into market and business areas is shown in Note 2 and Note 3. Russia and Sweden account for 70 percent of the year's construction in progress of SEK 1.6 billion. Finance leases relate to assets reported according to Note 30.

Continued Note 17

	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 41)	–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 41)	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 impairment at January 1	–	–		–	–193	*–*	–193
Impairment 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**

Tele2 has not capitalized any interest expenses in fixed assets.

NOTE 18 Acquisitions and divestments

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

	2007	2006
Acquisitions		
Acquisition of minority in Versatel	–871	–
Telecom Eurasia, Russia	–105	–
Mobile Norway, joint venture in Norway	–203	–
Tele2 Syd, Sweden	–135	–485
Acquisition of minority in Radio Components	–7	–
Four GSM operators in Northwest Russia	–	–218
Plusnet, joint venture in Germany	–	–471
Spring Mobil, joint venture in Sweden	–	–38
Acquisition of minority in Russian operations	–	–110
	–1,321	**–1,322**
Divestments		
Italy/Spain	6,739	–
Belgium	862	–
Portugal	125	–
Irkutsk, Russia	1,570	–
France	2,874	–
Denmark	743	–
Hungary	36	–
3C Communications	75	–
UNI2 Denmark	65	–
Alpha Telecom and Calling Card Company	15	–
Datametrix Norway	100	–
Other divestments	2	36
	13,206	**36**
Other		
Other cash flow changes in shares and participations	**–108**	**–29**
CASH FLOW EFFECT OF ACQUISITIONS AND DIVESTMENTS IN SHARES AND PARTICIPATIONS	**11,777**	**–1,315**

ACQUISITIONS

Netherlands and Belgium

On March 6, 2007 Tele2 sold the shares in Tele2 Netherlands and Tele2 Belgium to Versatel Telecom International N.V. The reorganization has been carried out as a part of the integration process of Tele2's and Versatel's operations in the Netherlands and Belgium. Versatel has financed the acquisition by an issue of new shares. As a result of the issue Tele2 increased its share holdings in Versatel by 1.36 percent. During December 2007 Tele2 increased its shares in Versatel with an additional 17.16 percent and is now holding 98.81 percent of the shares. The purchase price amounted to SEK 1,213 million, of which SEK 871 million affected the cash flow for 2007.

Telecom Eurasia, Russia

On October 5, 2007, Tele2 acquired all shares in Telecom Eurasia, with a 1800 MHz GSM-license in the Russian region Krasnodar and a customer base of 10,000, for SEK 129 million. The acquisition has affected Tele2's operating revenue in the market area Baltic & Russia year-to-date by SEK 3 million, EBITDA by SEK –5 million and net profit/loss by SEK –6 million.

Krasnodar is the third biggest region in Russia as well as the second biggest roaming region. Goodwill in connection with the acquisition is related to Tele2's expectations of a positive economic development in the region as well as economies of scale and synergies through integration in Tele2 Russia's existing operation with a successful brand and product strategies in the Russian market. Goodwill also arises from a deferred tax asset included in the acquisition that was not judged to meet the criteria for recognition.

Croatia

On October 3, 2007, Tele2 acquired 42 percent of the shares in Tele2 Croatia for SEK 150 million. Thereafter the holding in the company represents 93 percent. The acquisition, by an issue of new shares, has not effected Tele2s result, cash flow or financial position.

Mobile Norway

On October 1, 2007, Tele2 acquired 50 percent of the shares in Mobile Norway AS (formerly AMI AS), the owner of a GSM 900 license, for SEK 161 million. At

Continued Note 18

the same time Tele2 and Network Norway AS have entered into an agreement to build the third mobile network in Norway. Phase one of the joint venture build-out is ongoing and the new 3G-license that the company was awarded in December 2007 will further enhance the network. Tele2's total investment, after capital contribution, amounts to SEK 209 million at the balance sheet date.

Other acquisitions

On June 1, 2007 Tele2 acquired the remaining 24.9 percent in Tele2 Syd AB, former E.ON Bredband, for SEK 135 million. In June 2007, Tele2 also acquired 10.7 percent in Radio Components Sweden AB. The holding in the company now represents 80.3 percent. On February 1, 2007 Tele2 acquired the remaining 0.03 percent in Comunitel, Spain by issuing new shares. During 2007 Tele2 has also contributed capital to its joint ventures Plusnet and Spring Mobil.

Net assets at the time of acquisition

Assets, liabilities and contingent liabilities included in the acquired operations are stated below.

	Telecom Eurasia, Russia		
	Reported value at the time of acquisition	Adjustment to fair value	Fair value
Customer agreements	–	1	1
Tangible assets	4	–	4
Materials and supplies	3	–	3
Current receivables	46	–	46
Cash and cash equivalents	24	–	24
Deferred tax liabilities	–	–1	–1
Short-term liabilities	–209	–	–209
Acquired net assets	**–132**	**–**	**–132**
Goodwill			154
Purchase price for shares in subsidiary			**22**
Payment of debts in acquired operations			107
Acquisition value			**129**
Less: cash in acquired operations			–24
Effect on group cash and cash equivalents			**105**

The information above and pro forma below are to be viewed as preliminary, since the valuation of acquired assets has not been finalized.

DIVESTMENTS

Italy/Spain

On October 6, 2007 Tele2 announced the sale of its operations in Italy and Spain. The sale was completed on December 3, 2007 after approval from the European Commission. The divested operation has been reported as discontinued operations. For additional information refer to Note 41.

Belgium

On October 1, 2007, Tele2 divested its Belgium operation for SEK 927 million. An impairment of goodwill regarding the Belgium operations has been reported during 2007 amounting to SEK 276 million (please refer to Note 5). The operation has affected Tele2's operating revenue in the market area Benelux year-to-date by SEK 901 (1,381) million, EBITDA by SEK –40 (–56) million and net profit/loss by SEK –156 (–242) million in addition to a capital loss of SEK 20 million.

Portugal

On September 11, 2007, Tele2 divested its operation in Tele2 Portugal for SEK 133 million. Tele2 Portugal has affected Tele2's operating revenue in the market area Southern Europe year-to-date by SEK 349 (415) million, EBITDA by SEK –59 (–74) million and net profit/loss by SEK –67 (–77) million in addition to a recorded capital gain of SEK 3 million.

Irkutsk, Russia

On August 13, 2007, Tele2 divested its operation in Tele2 Irkutsk in Russia for SEK 1,595 million. Tele2 Irkutsk has affected Tele2's operating revenue in the market area Baltic & Russia year-to-date by SEK 214 (237) million, EBITDA by SEK 64 (79) million and net profit/loss by SEK 35 (44) million in addition to a recorded capital gain of SEK 1,179 million.

The disposal was agreed in connection with signing of a 10-year national roaming agreement in Russia with Vimpelcom, which enables Tele2 customers seamless roaming at low prices across Vimpelcom's network in Russia, where Tele2 has no mobile network presence. Both transactions are on commercial terms.

Continued Note 18

Fixed and broadband business in France

On October 3, 2006 Tele2 announced the sale of its fixed and broadband business in France. The divestment was finalized on July 18, 2007, after receiving approval from the EU competition authorities. The divested operation has been reported as discontinued operations. For additional information refer to Note 41.

Denmark

On July 12, 2007, Tele2 divested its operation in Tele2 Denmark for SEK 776 million. Tele2 Denmark has affected Tele2's operating revenue in the market area Nordic year-to-date by SEK 736 (1,668) million, EBITDA by SEK 89 (68) million and net profit/loss by SEK 44 (–14) million in addition to a recorded capital gain of SEK 318 million.

Other divestments

On July 9, 2007, Tele2 announced the divestment of its Hungarian operations for SEK 87 million. The divestment was finalized on October 18, 2007, after receiving approval from the Hungarian competition authorities. The operation has affected Tele2's operating revenue in the market area Central Europe year-to-date by SEK 223 (353) million, EBITDA by SEK 50 (–31) million and net profit/loss by SEK 46 (–38) million in addition to a capital gain of SEK 17 million.

On September 19, 2007, Tele2 divested its operation 3C Communications for SEK 46 million. 3C has affected Tele2's operating revenue in the market area Services year-to-date by SEK 45 (73) million, EBITDA by SEK –14 (–6) million and net profit/loss by SEK –28 (–13) million in addition to a recorded capital loss of SEK 136 million.

On August 31, 2007, Tele2 divested its operation UNI2 Denmark for SEK 70 million. UNI2 Denmark has affected Tele2's operating revenue in the market area Services year-to-date by SEK 38 (53) million, EBITDA by SEK 12 (6) million and net profit/loss by SEK 3 (–8) million in addition to a recorded capital gain of SEK 45 million.

In May 2007, Tele2 divested its Alpha Telecom and Calling Card Company operation for SEK 82 million. The operation has affected Tele2's operating revenue in the market area Benelux year-to-date by SEK 379 (1,166) million, EBITDA by SEK 36 (40) million and net profit/loss by SEK 9 (–98) million in addition to a recorded capital loss of SEK 629 million.

On March 31, 2007, Tele2 divested its operation Datametrix Norway for SEK 128 million. Datametrix AS has affected Tele2's operating revenue in the market area Services year-to-date by SEK 119 (323) million, EBITDA by SEK 4 (5) million and net profit/loss by SEK 2 (2) million in addition to a recorded capital loss of SEK 12 million.

Net assets at the time of divestment

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

	Italy/ Spain	Belgium	Portugal	Irkutsk, Russia	France	Denmark	Other	Total
Goodwill	4,079	216	119	99	2,737	–	396	7,646
Other intangible assets	389	130	1	1	468	28	83	1,100
Tangible assets	2,083	700	65	211	247	87	100	3,493
Deferred tax assets	910	3	–	–	9	264	172	1,358
Long-term receivables	3	–	–	–	1	6	30	40
Material and supplies	3	–	1	2	80	–	26	112
Current receivables	1,787	309	119	36	610	362	549	3,772
Cash and cash equivalents	72	60	–	1	386	3	103	625
Exchange rate difference	–601	–28	–76	82	–428	9	–18	–1,060
Deferred tax liabilities	–153	–33	–	–	–	–	–16	–202
Provisions	–30	–22	–4	–	–	–18	–10	–84
Long-term liabilities	–253	–1	–	–	–1	–	–46	–301
Short-term liabilities	–1,971	–447	–131	–40	–1,186	–515	–375	–4,665
Divested net assets	**6,318**	**887**	**94**	**392**	**2,923**	**226**	**994**	**11,834**
Capital gain	261	–20	3	1,179	281	318	–741	1,281
Sales price, net sales costs	**6,579**	**867**	**97**	**1,571**	**3,204**	**544**	**253**	**13,115**
Sales costs etc, non-cash	232	55	28	–	56	27	100	498
Payment for receivable in divested operation	–	–	–	–	–	175	43	218
Less: cash in divested operations	–72	–60	–	–1	–386	–3	–103	–625
Effect on group cash and cash equivalents	**6,739**	**862**	**125**	**1,570**	**2,874**	**743**	**293**	**13,206**

Continued Note 18

The divested operations in Tele2 Italy/Spain and Tele2 France have been reported as discontinued operations according to IFRS 5 *Non-current assets held for sale and discontinued operations.* Since the remaining divested operations above, were not a significant part of Tele2's result and financial position, separate reporting in the income statement according to IFRS 5 has not been made.

Ongoing divestments

On October 8, 2007, Tele2 divested its mobile telephony operations in Tele2 Austria for approximately SEK 65 million. The capital gain is estimated at SEK 0 million. The operation has affected Tele2's operating revenue in the market area Central Europe year-to-date by SEK 45 (168) million, EBITDA by SEK –94 (–28) million and net profit/loss by SEK –104 (–40) million. Completion is expected following approval from the relevant regulatory authorities.

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

PRO FORMA

The table below shows the effect of the acquired and divested operations on Tele2's operating revenue and result, had they been acquired or divested at January 1, 2007.

	2007			
	Tele2 Group[1)]	Acquired operations before the time of acquisition	Less divested operations	Tele2 Group (pro forma)
Operating revenue	43,420	20	–3,009	40,431
EBITDA	6,647	19	–134	6,532
Net profit/loss	–302	2	–622	–922

1) Less Tele2 Italy/Spain and the fixed and broadband business in France since these are reported as discontinued operations.

NOTE 19 Shares in associated companies and joint ventures

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2007	Dec 31, 2006
Joint ventures					
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	501,000	tSEK 50,100	50%	138	288
Plusnet GmbH & Co. KG, HRA86957, Cologne, Germany	–	–	32.5%	570	457
Spring Mobil AB, 556609-0238, Stockholm, Sweden	10,290	tSEK 1,029	49%	14	34
Mobile Norway AS, 888 137 122, Oslo, Norway	500,000	tNOK 5,000	50%	206	–
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%	21	16
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	400	tSEK 40	20%	3	4
GH Giga Hertz HB as well as 15 other trading companies with licenses, Sweden			33.3%	3	3
Total shares in associated companies and joint ventures				**955**	**802**

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

Continued Note 19

	Dec 31, 2007	Dec 31, 2006
Acquisition value		
Acquisition value at January 1	1,145	782
Investments for the year	323	499
Share of profit/loss for the year	–181	–130
Amortization according to plan	–56	–9
Change of deferred tax liabilities during the year	49	4
Change of provisions during the year	–2	–1
Exchange rate differences for the year	20	–
Total acquisition value	**1,298**	**1,145**
Impairment		
Accumulated impairment at January 1	–343	–343
Total accumulated impairment	**–343**	**–343**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES	**955**	**802**

CONTRIBUTION OF EACH ASSOCIATED COMPANY AND JOINT VENTURE TO GROUP EQUITY

	Dec 31, 2007			Dec 31, 2006		
	Svenska UMTS-nät	Plusnet GmbH	Other	Svenska UMTS-nät	Plusnet GmbH	Other
SURPLUS VALUE						
Acquisition value						
Acquisition value at January 1	–	413	29	–	–	–
Investments for the year	–	–	148	–	413	29
Exchange rate differences for the year	–	17	–	–	–	–
Total acquisition value	**–**	**430**	**177**	**–**	**413**	**29**
Accumulated amortization						
Accumulated amortization at January 1	–	–9	–	–	–	–
Amortization according to plan	–	–52	–4	–	–9	–
Exchange rate differences for the year	–	–1	–	–	–	–
Total accumulated amortization	**–**	**–62**	**–4**	**–**	**–9**	**–**
TOTAL SURPLUSVALUE	**–**	**368**	**173**	**–**	**404**	**29**
DEFERRED TAX LIABILITY						
Deferred tax liability at January 1	–	–158	–16	–	–	–
Acquired companies during the year	–	–	–	–	–162	–16
Change of deferred tax liabilities during the year	–	45	4	–	4	–
Exchange rate differences for the year	–	–8	–	–	–	–
TOTAL DEFERRED TAX LIABILITIES	**–**	**–121**	**–12**	**–**	**–158**	**–16**
TOTAL PROVISIONS						
Total provisions at January 1	7	–	–	8	–	–
Change of provisions during the year	–2	–	–	–1	–	–
TOTAL PROVISIONS	**5**	**–**	**–**	**7**	**–**	**–**
SHARE OF SHAREHOLDERS' EQUITY						
Share of shareholders' equity at January 1	281	211	44	401	–	30
Acquired companies opening balance	–	–	61	–	210	25
Share of capital contribution and new issues for the year	–	95	19	–	–	–
Share of profit/loss for the year	–148	5	–38	–120	1	–11
Exchange rate differences for the year	–	12	–	–	–	–
TOTAL SHARE OF SHAREHOLDERS' EQUITY	**133**	**323**	**86**	**281**	**211**	**44**
	138	**570**	**247**	**288**	**457**	**57**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES			**955**			**802**

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

Tele2 owns 32.5 percent of Plusnet GmbH & Co KG and QSC owns 67.5 percent, although the two parties have joint control. Both companies act as purchasers of

Continued Note 19

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.

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

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

NOTE 20 Other financial assets

	Dec 31, 2007	Dec 31, 2006
Pension funds	16	7
Other long-term holdings of securities	23	24
Receivables from Modern Holdings Inc	2	9
Receivables from Telefonica	–	26
Other	11	8
Total other financial assets	**52**	**74**

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, 2007	Dec 31, 2006
Modern Holdings Inc, 133799783, Delaware, US	1,806,575	tUSD 18	11.88%	17	17
OJSC Aero-Space Telecommunications, 1025002032648, Russia	8,750,025	tRUB 35,000	1%	5	5
Radio National Luleå AB, 556475-0411, Stockholm, Sweden	55	tSEK 5	5.5%	1	1
Other				–	1
Total other long-term securities				**23**	**24**

NOTE 21 Materials and supplies

	Dec 31, 2007	Dec 31, 2006
Finished products & goods for resale	359	366
Advance payments to suppliers	39	41
Other	37	17
Total material and supplies	**435**	**424**

Tele2s materials and supplies are mainly SIM cards, modems held for sale and telephones.

NOTE 22 Accounts receivable

	Dec 31, 2007	Dec 31, 2006
Accounts receivable	6,800	9,366
Reserve for doubtful accounts	–1,245	–1,721
Total account receivables, net	**5,555**	**7,645**

	Dec 31, 2007	Dec 31, 2006
RESERVE FOR DOUBTFUL ACCOUNTS		
Reserve for doubtful accounts at January 1	1,721	1,795
Reserve for doubtful accounts at January 1, discontinued operations	–	–121
Reserves in companies divested during the year	–940	–2
Provisions during the year, net	587	390
Recovery of previous provisions	–205	–265
Exchange rate differences	82	–76
Total reserve for doubtful accounts	**1,245**	**1,721**

	Dec 31, 2007	Dec 31, 2006
ACCOUNT RECEIVABLES, OVERDUE WITH NO RESERVE		
Overdue between 1–30 days	946	1,010
Overdue between 31–60 days	364	402
Overdue more than 61 days	1,758	3,081
Total account receivables, overdue with no reserve	**3,068**	**4,493**

NOTE 23 Other current receivables

	Dec 31, 2007	Dec 31, 2006
VAT receivable	280	703
Receivable related to divestment of operations	171	–
Receivable from suppliers	86	289
Derivatives	62	–
Receivable from APAX Partners	10	9
Receivable from Svenska UMTS-nät, joint venture	9	22
Receivable from Plusnet, joint venture	–	1
Other	48	117
Total other current receivables	**666**	**1,141**

NOTE 24 Prepaid expenses and accrued income

	Dec 31, 2007	Dec 31, 2006
Traffic revenues, from customers	1,331	2,214
Traffic revenues, from other telecom operators	852	649
Interest income	105	110
Accrued income, other	197	249
Rental cost	304	180
Fixed subscription charges	64	237
Retailers' commissions, prepaid cards	53	82
Prepaid expenses, other	155	325
Total prepaid expenses and accrued revenues	**3,061**	**4,046**

SEK 45 (2006: 31) million of the balance sheet item is estimated to be paid more than 12 months after the closing date.

NOTE 25 Short-term investments

	Dec 31, 2007	Dec 31, 2006
Restricted funds	2,592	1,981
Other	1	7
Total short-term investments	**2,593**	**1,988**

NOTE 26 Cash and cash equivalents and overdraft facilities

AVAILABLE LIQUIDITY

	Dec 31, 2007	Dec 31, 2006
Cash and cash equivalents	2,459	2,619
Unutilized overdraft facilities and credit lines	23,442	3,208
Total available liquidity	**25,901**	**5,827**

UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES

	Dec 31, 2007	Dec 31, 2006
Overdraft facilities granted	78	83
Unutilized credit lines	23,364	3,125
Total unutilized overdraft facilities and credit lines	**23,442**	**3,208**

No specific collateral is provided for overdraft facilities.

EXCHANGE RATE DIFFERENCE IN CASH AND CASH EQUIVALENTS

	Dec 31, 2007	Dec 31, 2006
Cash and cash equivalents at January 1	94	–141
Cash flow for the year	33	20
Total exchange rate difference in cash and cash equivalents	**127**	**–121**

NOTE 27 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 There are no limitations regarding how many votes each shareholder may vote for at general meetings of shareholders. Tele2's Articles of Association make no stipulation that limits the right to tranfer shares. In the case of a bid for all shares in Tele2 or a controlling part of the shares in Tele2, the 5-year loan facility may be accelerated and due for immediate repayment. In addition, some interconnect agreements may be terminated.

Continued Note 27

Tele2 has, in December 2007, issued 4,098,000 Class C shares through a directed placement at a subscription price corresponding to a quota value of SEK 1.25 per share. The Class C shares do not entitle to dividends and represent one vote each. Tele2 has immediately after the issue repurchased all Class C shares at a price corresponding to the subscription price. Shares in own custody amount to 0.9 percent of the share capital.

The Board of Directors recieved an authorization by the Annual General Meeting (AGM) in May 2007 to purchase up to 5 percent of shares in the company. The Board proposes the AGM in May 2008 to increase this level to 10 percent.

NUMBER OF SHARES

	A shares		B shares		C shares		Total
	Change	Total	Change	Total	Change	Total	
As of January 1, 2005		46,549,989		396,130,536		–	442,680,525
New share issue, convertibles	–	46,549,989	972,307	397,102,843	–	0	443,652,832
As of December 31, 2005		**46,549,989**		**397,102,843**		–	**443,652,832**
New share issue, convertibles	–	46,549,989	836,761	397,939,604	–	0	444,489,593
Restamping of A-shares to B-shares	–8,193,444	38,356,545	8,193,444	406,133,048	–	0	444,489,593
As of December 31, 2006		**38,356,545**		**406,133,048**		–	**444,489,593**
New share issue, convertibles	–	38,356,545	361,746	406,494,794	4,098,000	4,098,000	448,949,339
Total number of shares as of December 31, 2007		**38,356,545**		**406,494,794**		**4,098,000**	**448,949,339**

NUMBER OF SHARES AFTER DILUTION

	Dec 31, 2007	Dec 31, 2006
Number of shares	448,949,339	444,489,593
Repurchase of own shares	–4,098,000	–
Number of outstanding shares	**444,851,339**	**444,489,593**
Incentive program 2006-2011	383,781	–
Incentive program 2002-2007	–	124,472
Total number of shares after dilution	**445,235,120**	**444,614,065**

As of December 31, 2007, Tele2 has outstanding stock options related to the incentive program 2007–2012 corresponding to 3,489,000 (2006: 0) Class B shares in Tele2 AB at a subscription price of SEK 130.20 per share and a subscription period 2010–2012.

As of December 31, 2007, Tele2 has outstanding warrants and stock options related to the incentive program 2006–2011 corresponding to 1,881,000 (2006: 2,256,000) Class B shares in Tele2 AB at a subscription price of SEK 94.80 per share and a subscription period 2009–2011.

Stock options under the 2007–2012 incentive program do not give rise to any dilution effect. Further information is provided in Note 38.

EARNINGS PER SHARE

	Earnings per share		Earnings per share, after dilution	
	2007	2006	2007	2006
Net profit/loss attributable to equity holders of the parent company	–1,669	–3,615	–1,669	–3,615
Weighted average number of shares	444,727,119	444,129,836	444,727,119	444,129,836
Incentive program 2006–2011			413,875	
Incentive program 2002–2007			79,910	223,459
Weighted average number of outstanding shares after dilution			**445,220,904**	**444,353,295**
Earnings per share, SEK	**–3.75**	**–8.14**	**–3.75**	**–8.14**

DIVIDEND

The dividends that were determined at the Annual General Meeting and paid in 2007 were SEK 1.83 (2006: 1.75) per share. At the Annual General Meeting in May 2008, a dividend for 2007 of SEK 7.85 (2006: 1.83) per share will be proposed, of which the ordinary dividend amounts to SEK 3.15 per share and an extraordinary dividend amounts to SEK 4.70. At December 31, 2007 this correspond to a total of SEK 3,492 (2006: 814) million.

NOTE 28 Liabilities to financial institutions and bond holders'

Creditors *(collateral provided)*	Interest rate terms	Maturity date	Dec 31, 2007 Short-term liabilities	Dec 31, 2007 Long-term liabilities	Dec 31, 2006 Short-term liabilities	Dec 31, 2006 Long-term liabilities
5-year syndicated loan facility	EURIBOR et.al. +0.20–0.90%	2008–2009	2,154	3,729	4,688	10,905
Bond holders'	Fixed rate 6.35% and 6.47%	2011, 2013	–	1,423	–	1,512
Banque Invik *(collateral: restricted bank funds in Tele2 Russia Telecom BV and Tele2 Sverige AB)*	Margin: +0.07–0.15%	2008	2,072	–	1,542	–
Other			–	–	1	2
			4,226	**5,152**	**6,231**	**12,419**
Total liabilities to financial institutions and bond holders'				**9,378**		**18,650**

Tele2 has an existing borrowing facility of SEK 29.3 (2006: 18.8) billion, which is divided as follows: SEK 24.9 (2006: 14.1) billion due for repayment in November 2009 and SEK 4.4 (2006: 4.7) billion due for repayment in November 2008, with the option to renew the loan one year at a time. The interest margin on the long-term portion is 25–90 points depending on the debt/equity ratio, while the interest margin on the short-term portion is 20 points. EUR 150 million and SEK 1,400 million has been 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 used in several currencies, and at December 31, 2007 the loan is drawn in SEK and EUR. The facility allows net liabilities to EBITDA, for the Group of up to 4.5. 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.

Continued Note 28

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

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

The average interest rate on loans during the year was 5.2 (2006: 4.2) percent.

COLLATERAL PROVIDED

	Dec 31, 2007	Dec 31, 2006
Short-term investments, bank deposits	2,083	1,553
Total collateral provided for own liabilities	**2,083**	**1,553**

MATURITIES FOR THE OUTSTANDING DEBT

	Dec 31, 2007	Dec 31, 2006
Within 1 year	4,226	6,231
Within 1–2 years	3,729	1
Within 2–3 years	–	10,906
Within 3–4 years	776	–
Within 4–5 years	–	825
Within 5–10 years	647	687
Total liabilities to financial institutions and bond holders'	**9,378**	**18,650**

INTEREST RATE RISK

Of the total loan liabilities as of December 31, 2007 to financial institutions and bondholder (above) and other interest-bearing liabilities (as in Note 30), SEK 3,376 million corresponding to 34 percent (2006: SEK 13,252 million, 67 percent) are at variable interest rates. An increase of the interest level of 1 percent would involve additional interest expenses of SEK 34 (2006: 132) million, and affect profit/loss after tax by SEK 24 (2006: 95) million, calculated on the basis of variable interest-bearing liabilities as of December 31, 2007.

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	2,214	967	55	57	44	39	3,376
Fixed interest rates	2,216	2,821	3	776	–	647	6,463
Total interest-bearing liabilities	**4,430**	**3,788**	**58**	**833**	**44**	**686**	**9,839**

NOTE 29 Provisions

	2007					
	Rented building	Legal disputes	Claims and guarantees for divested operations	Financial guarantee for loans	Pension and similar commitments	Total
Provisions as of January 1	94	210	–	7	11	322
Provisions in divested companies	–37	–64	–	–	–7	–108
Additional provisions	10	18	315	–	1	344
Utilized/paid provisions	–12	–80	–	–	–1	–93
Reversed unused provisions	–	–42	–	–2	–	–44
Exchange rate differences	3	9	–	–	–	12
Total provisions as of December 31	**58**	**51**	**315**	**5**	**4**	**433**

	Dec 31, 2007	Dec 31, 2006
Provisions, short-term	172	140
Provisions, long-term	261	182
Total provisions	**433**	**322**

Legal disputes are mainly related to a VAT dispute in the card operation from 2005.

NOTE 30 Other interest-bearing liabilities

	Dec 31, 2007		Dec 31, 2006	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Eredivisie CV	140	–	286	101
Samsung	–	–	60	–
Winter Dream Ltd	–	–	159	–
Finance leases	58	254	131	341
Other	6	3	9	8
	204	**257**	**645**	**450**
Total other interest-bearing liabilities		**461**		**1,095**

COLLATERAL PROVIDED

	Dec 31, 2007	Dec 31, 2006
Bank deposits	–	206
Total pledged collateral for other interest-bearing liabilities	**–**	**206**

OTHER INTEREST-BEARING LIABILITIES FALL DUE

	Dec 31, 2007			Dec 31, 2006		
	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	204	*70*	*71*	645	*145*	*148*
Within 1–2 years	59	*65*	*69*	236	*131*	*139*
Within 2–3 years	58	*56*	*62*	49	*52*	*57*
Within 3–4 years	57	*53*	*62*	50	*48*	*56*
Within 4–5 years	44	*38*	*47*	52	*46*	*56*
Within 5–10 years	39	*30*	*41*	63	*50*	*64*
Total loan liability and interest			***352***			***520***
Less interest portion			*–40*			*–48*
Total other interest-bearing liabilities	**461**	***312***	***312***	**1,095**	***472***	***472***

Finance leases relate to the expansion of transmission capacity in Sweden and Austria. The portion of the liability that includes variable interests totals to SEK 313 (2006: 397) million and has during the year resulted in an interest expense of SEK 29 (2006: 27) million.

NOTE 31 Other short-term liabilities

	Dec 31, 2007	Dec 31, 2006
VAT liability	329	269
Wage tax on 1999 option scheme in Versatel including interest	165	–
Employee withholding tax	45	59
Other taxes	46	49
Purchase price for purchase of minority in Versatel	335	–
Purchase price for shares in Siberian Cellular Communications (Omsk)	–	33
Liability to joint venture, Plusnet GmbH & Co. KG	35	13
Customer deposit	15	28
Derivatives	–	7
Other	78	51
Total short-term liabilities	**1,048**	**509**

NOTE 32 Accrued expenses and deferred income

	Dec 31, 2007	Dec 31, 2006
Traffic expenses to other telecom operators	1,576	2,243
External services expenses	875	726
Personnel-related expenses	436	346
Expenses for dealers	157	135
Interest costs	120	156
Leasing and rental expenses	58	47
Other accrued expenses	321	445
Deferred income, prepaid cards	848	817
Other deferred income	1,088	2,341
Total accrued expenses and deferred income	**5,479**	**7,256**

NOTE 33 Pledge assets

	Dec 31, 2007	Dec 31, 2006
Materials and supplies	–	32
Short-term investments, bank deposits	2,593	1,981
Total pledged assets	**2,593**	**2,013**

NOTE 34 Contingent liabilities

	Dec 31, 2007	Dec 31, 2006
Guarantee related to joint ventures	1,913	1,730
Future commitments	1	32
Total contingent liabilities	**1,914**	**1,762**

Svenska UMTS-nät AB, a joint venture holding in Tele2, has an approved loan facility of SEK 4.8 (2006: 4.8) billion, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 2.4 (2006: 2.4) billion. As of December 31, 2007, Tele2's guarantee amounted to SEK 1,838 (2006: 1,685) million.

Tele2 Germany has provided a bank guarantee of SEK 47 (2006: 45) million as security for its joint venture Plusnet GmbH & Co. KG. Tele2 has also provided a bank guarantee of SEK 28 million for its joint venture Mobile Norway.

Information regarding claims are presented in Note 15 and Note 29.

NOTE 35 Operating leases and other commitments

ANNUAL EXPENSES

	2007	2006
Annual leasing expenses for operating leases	2,342	2,049

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, 2007	Dec 31, 2006
Within 1 year	1,123	1,071
Within 1–2 years	879	604
Within 2–3 years	760	437
Within 3–4 years	728	311
Within 4–5 years	766	222
Within 5–10 years	1,232	800
Within 10–15 years	526	415
More than 15 years	765	72
Total future lease payments for operating leases	**6,779**	**3,932**

CONTRACTUAL COMMITMENTS/COMMERCIAL PLEDGES

	Dec 31, 2007				
	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Liabilities to financial institutions and bond holders'	4,226	3,729	776	647	9,378
Accounts payable	3,868	–	–	–	3,868
Other interest-bearing liabilities	204	117	101	39	461
Interest payments on loans	356	346	108	21	831
Contractual and other commitments, joint venture Plusnet	188	375	375	188	1,126
Contractual and other commitments, joint venture Mobile Norway	48	95	47	–	190
Contractual and commitments, other	265	9	–	–	274
Operating leasing	1,123	1,639	1,494	2,523	6,779
Total contractual commitments/commercial pledges	**10,278**	**6,310**	**2,901**	**3,418**	**22,907**

NOTE 36 Supplementary cash flow information

CASH FLOW FROM OPERATING ACTIVITIES BASED ON THE NET RESULT

	2007	2006
OPERATING ACTIVITIES		
Net profit/loss	–1,769	–3,740
Adjustments for non-cash items in operating profit		
Depreciation and amortization	7,279	8,778
Result from shares in associated companies and joint ventures	234	135
Net capital gain/loss on sale of fixed assets	18	7
Net capital gain/loss on sale of shares	–1,282	–32
Impairment of shares in Modern Holdings Inc	–	19
Unpaid financial items	142	50
Unpaid tax	–1,139	685
Deferred tax expense	1,005	–923
Cash flow from operations before changes in working capital	**4,488**	**4,979**
Changes in working capital	–138	–1,132
CASH FLOW FROM OPERATING ACTIVITIES	**4,350**	**3,847**

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.

	2007	2006
CAPEX according to cash flow statement	5,169	5,520
This year's unpaid CAPEX and paid CAPEX from previous year		
Continuing operations	23	–188
Discontinued operations	–12	1
Selling price according to cash flow statement	18	32
CAPEX according to balance sheet	**5,198**	**5,365**

Of the year's investment in intangible and tangible assets, SEK 189 (2006: 90) million is unpaid at December 31, 2007 and has therefore not been reported as investments in the cash flow statement. Payment of the previous year's investment of SEK 178 (2006: 277) million has been reported as investment in the cash flow for 2007. These items amount to SEK 11 (2006: –187) million, with SEK –12 (2006: 1) million relating to unpaid CAPEX in discontinued operations.

NOTE 37 Number of employees

	AVERAGE NUMBER OF EMPLOYEES			
	2007		2006	
	Total	*of whom men*	Total	*of whom men*
Nordic	1,242	*67%*	1,064	*69%*
Baltic & Russia	2,195	*47%*	1,578	*51%*
Central Europe	554	*72%*	510	*70%*
Southern Europe	625	*64%*	566	*64%*
Benelux	965	*77%*	1,153	*76%*
Services	278	*76%*	414	*78%*
Total average number of employees	**5,859**	***62%***	**5,285**	***66%***
of which discontinued operations	*464*	*66%*	*480*	*64%*

	2007		2006	
	Women	Men	Women	Men
Proportion of board members in all group companies	6%	94%	6%	94%
Proportion of other senior executives in all group companies	24%	76%	18%	82%
Total proportion of board members and other senior executives	**19%**	**81%**	**14%**	**86%**

NOTE 38 Personnel costs

SALARIES AND REMUNERATION

	2007			2006		
	Board of Directors and CEO	*of which bonus*	Other employees	Board of Directors and CEO	*of which bonus*	Other employees
Nordic	33	*6*	646	28	*4*	526
Baltic & Russia	45	*6*	262	28	*6*	182
Central Europe	10	*1*	276	12	*3*	224
Southern Europe	13	*3*	238	19	*2*	289
Benelux	26	*3*	549	38	*5*	654
Services	7	–	135	5	–	209
Total salaries and remuneration	**134**	***19***	**2,106**	**130**	***20***	**2,084**
of which discontinued operations	*8*	*1*	*187*	*13*	*1*	*245*

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

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

	2007			2006		
	Personnel costs	Social security expenses	*of which pension expenses*	Personnel costs	Social security expenses	*of which pension expenses*
Board and President	134	35	*9*	130	27	*7*
Other employees	2,106	590	*109*	2,084	539	*105*
Total	**2,240**	**625**	***118***	**2,214**	**566**	***112***
of which discontinued operations	*195*	*52*	*2*	*258*	*66*	*2*

OBLIGATIONS RELATING TO DEFINED-BENEFIT RETIREMENT PENSION PLANS

	Pension expenses	
	2007	2006
Defined-benefit plans, retirement pension	11	20
Defined-benefit plans, compliance and disability pension	4	3
Defined-contribution plans	103	89
Total pension expenses	**118**	**112**

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

Income statement

	2007	2006
Current service costs	–16	–11
Expected return on plan assets	2	1
Actuarial net losses/gains recognized for the year	3	–10
Net cost recognized in the income statement	**–11**	**–20**

Balance sheet

	Dec 31, 2007	Dec 31, 2006
Present value of funded obligations	–111	–98
Fair value of plan assets	124	93
Net	**13**	**–5**
Unrealized actuarial gains/losses	–1	1
Net asset (+)/obligation (–) in balance sheet	**12**	**–4**
of which assets	*16*	*7*
of which liabilities	*–4*	*–11*

	Dec 31, 2007	Dec 31, 2006
Net asset (+) / obligation (–) at beginning of year	–4	1
Net asset/obligation at beginning of year, divested operations	7	–
Net cost recognized in income statement	–11	–20
Payments	19	13
Exchange rate differences	1	2
Net asset (+) / obligation (–) in balance sheet at end of year	**12**	**–4**

Important actuarial assumptions (weighted average)

	Dec 31, 2007	Dec 31, 2006
Discount rate	4–4.7%	4–4.5%
Expected return on plan assets	4–5.8%	4–5.0%
Annual salary increases	2–4.5%	3–4.5%
Annual pension increases	2–2.5%	2–2.5%

Continued Note 38

REMUNERATION FOR SENIOR EXECUTIVES

2007

	Basic salary/ board fees	Variable remune-ration	Option program	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
Chairman of the Board, Vigo Carlund	1.1				–		1.1
CEO and President, Lars-Johan Jarnheimer	11.2	3.5	3.5	0.0	5.3[1]	2.1	25.6
Other senior executives	17.2	3.5	5.3	0.3	–	3.2	29.5
Total salaries and remune-ration to senior executives	**29.5**	**7.0**	**8.8**	**0.3**	**5.3**	**5.3**	**56.2**

[1]Compensation for negative tax consequenses conected with the incentive program 1997–2006.

2006

	Basic salary/ board fees	Variable remune-ration	Option program	Other benefits	Pension expenses	Total remune-ration
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 remune-ration to senior executives	**42.2**	**15.8**	**10.7**	**1.7**	**5.4**	**75.8**

The group Other senior executives comprises 6 (2006: 13) persons. In addition to the expenses mentioned above, Tele2 has also had social security expenses. The executive group has during the year been changed to a more concentrated form; from 13 persons to 6 persons. During the years 2007–2009, Tele2 will make a provision of SEK 10 million per year to cover bonus payments to a group of key employees. The CEO and other senior executives are included in this group of key employees. The bonus is based on profit targets during 2007–2009. The bonus amount will be determined in 2010. The options program comprises the current incentive program and the exercise of incentive program 2002–2007. In 2007 Tele2 has made a payment to the CEO of SEK 5.3 million related to the incentive program 1997–2006. The payment is a result of a decision by the Board to compensate the participators in the incentive program for the negative tax consequences connected with the program. Pension premiums, which are defined-contribution are paid at 20 percent of the fixed basic salary. The CEO's salary and remuneration are determined annually by the Board of Directors following proposals from the Renumeration Commitee. Additional terms of employment are stated below under section Guideline for remuneration for senior executives.

During 2007 the senior executives received 1,200,000 stock options from the year's new option program. The market value of the stock options at the time of issue was SEK 3.3 million for the CEO and SEK 15.7 million for other senior executives. No premium was paid for the stock option.

2007

	Program 2007–2012		Program 2006–2011		Program 2002–2007	
Number of stock options	CEO	Other senior executives	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2007			200,000	272,000	47,100	94,200
Allocated	210,000	990,000				
Exercised	–	–	–	–	–47,100	–94,200
Total outstanding stock options	**210,000**	**990,000**	**200,000**	**272,000**	**–**	**–**

Remuneration guidelines for senior executives 2007

The following guidelines for determining remuneration for senior executives were approved by the Annual General Meeting in May 2007.

The objectives of the Tele2 remuneration guidelines are to offer competitive remuneration packages to attract, motivate, and retain senior group and operational management, within the Group. The aim is to create an incentive for the management to deliver excellent operating results and also to align the shareholders' and the management's incentives. Remuneration to the senior executives should consist of a combination of fixed salary, variable compensation and long term incentive programmes.

Senior executives covered by the proposed guidelines include the CEO and members of the Executive Board (senior executives). At present Tele2 has 14 senior executives.

Continued Note 38

The senior executives should receive an annually fixed salary and a variable compensation. The variable compensation shall be based on the performance in relation to established goals. The goals are connected to the company's results and the executive's performance, which is based on individual specific and result based targets. The variable compensation can amount to a maximum of 30–50 percent of the fixed salary. Based on exceptional performance, so called stretch goals, an additional bonus above the normal variable compensation may be granted, amounting to a maximum of one third of the total fixed salary for the senior executives.

Other benefits may include e.g. company cars and for expatriated senior executives e.g. housing benefits for a limited period of time.

The senior executives are offered premium based pension plans which are designed to be competitive in each of the executive's home states. Pension commitments are secured through premiums paid to insurance companies. The senior executives may also be offered health insurances.

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

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

Board of Directors

Total fees to the Board of Directors in 2007 were SEK 3,750 (2006: 3,750) thousand following a decision by the Annual General Meeting in May 2007. SEK 1,000 (2006: 800) thousand was paid to the Chairman of the Board, SEK 400 (2006: 400) thousand was paid to each of the other six (2006: seven) board members and a total of 350 (2006: 150) thousand for assignments performed by the board's committees. The split of fees to each boardmember is stated below.

	Fees to the board		Fees to the board committees	
SEK	2007	2006	2007	2006
Vigo Carlund	1,000,000	800,000	50,000	–
Mia Brunell Livfors	400,000	400,000	75,000	–
John Hepburn	400,000	400,000	25,000	–
Mike Parton	400,000	–	50,000	–
John Shakeshaft	400,000	400,000	150,000	100,000
Christina Stenbeck	400,000	400,000	–	–
Pelle Törnberg	400,000	–	–	–
Donna Cordner	–	400,000	–	50,000
Daniel Johannesson	–	400,000	–	–
Jan Loeber	–	400,000	–	–
Total fee to board members	**3,400,000**	**3,600,000**	**350,000**	**150,000**

SHARE-BASED PAYMENTS

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

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

	2007			2006		
	Average market price, SEK	Weighted redemption price per share, SEK	Warrants (number)	Average market price, SEK	Weighted redemption price per share, SEK	Warrants (number)
Outstanding as of January 1		94.80	2,529,180		60.80	984,390
Allocated		130.20	3,552,000		94.80	2,256,000
Forfeited		99.89	–438,000		60.80	–28,260
Exercised	119.10	60.80	–273,180	84.80	60.80	–682,950
Total outstanding options as of December 31		**117.80**	**5,370,000**		**94.80**	**2,529,180**
of which may be exercised as of December 31			*–*			*273,180*
of which may not be exercised as of December 31			*5,370,000*			*2,256,000*

Continued Note 38

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

Expiration date	Exercise price	2007	2006
2007	60.80		273,180
2009	94.80	717,000	752,000
2010	130.20	1,163,000	–
2011	94.80	1,164,000	1,504,000
2012	130.20	2,326,000	–

Incentive program 2007–2012

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

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

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

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

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

Number of stock options	2007
Allocated	3,552,000
Forfeited	–63,000
Total stock options	**3,489,000**

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

The total costs after tax for outstanding stock options in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 46 million, of which SEK 5 million was expensed in 2007.

Continued Note 38

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

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

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

Incentive program 2006–2011

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

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

	Stock options		Warrants	
Number of stock options and warrants	2007	March 7, 2006–Dec 31, 2007	2007	March 7, 2006–Dec 31, 2007
Allocated		1,504,000		752,000
Outstanding as of January 1, 2007	1,504,000		752,000	
Forfeited	–340,000	–340,000	–35,000	–35,000
Total stock options and warrants	**1,164,000**	**1,164,000**	**717,000**	**717,000**

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

The total costs after tax for outstanding stock options and warrants in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 23 million, of which SEK 8 (2006: 5) million was expensed in 2007.

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 & Sholes option pricing model. The following variables have been used.

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

Continued Note 38

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 for key employees in the Group. These individuals were offered stock options, to in a time period of 3 to 5 years from the date of grant acquire Class B shares at an exercise price to 110 percent of the market price of the Class B shares at the date of grant, on conditional that they remain in the group's employment. No premium was paid. All options had an excercise price of SEK 60.80 per share. Exposures in the incentive program, including hedging for cash flows and for social security costs, were ensured by a directed new issue of warrants representing 3,312,700 Class B shares after the split and redemption procedure in 2005 to a wholly-owned group company.

	Outstanding stock options		To wholly owned subsidiary	
Number of stock options	2007	2002–Dec 31, 2007	2007	2002–Dec 31, 2007
Allocated		2,147,760		482,618
Outstanding as of January 1, 2007	273,180		166,620	
Forfeited	–	–381,510	–78,054	–78,054
Exercised	–273,180	–1,766,250	–88,566	–404,564
Total stock options	**–**	**–**	**–**	**–**

Incentive program 2002–2007 ended during 2007, and as of December 31, 2007, there are no outstanding stock options or held warrants.

NOTE 39 Fees to elected auditors

	2007		2006		2005	
	Deloitte	Other elected auditors	Deloitte	Other elected auditors	Deloitte	Other elected auditors
Audit assignments	32	7	30	7	23	5
Other assignments, audit-related	–	–	1	–	2	1
Other assignments, taxes	–	3	9	2	1	1
Other assignments, other	6	3	1	3	–	1
	38	**13**	**41**	**12**	**26**	**8**
Total fees to elected auditors		**51**		**53**		**34**

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

The item 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, as well as consultation concerning fiscal regulations.

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

NOTE 40 Financial risk management

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

The carrying amount of financial assets measured at fair value in the income statement, which on initial recognition were identified for this type of measurement, amount to SEK 23 (previous year 24) million. The carrying amount of financial assets in the category Loan and account receivables amounts to SEK 11,774 (2006: 13,591) million, and financial liabilities measured at accrued acquisition value amount to SEK 14,928 (2006: 26,597) million. Tele2 does not have any financial

Continued Note 40

instruments which are reported in other categories. The fair value of derivative financial instruments identified as hedging instruments amounts to SEK 62 (2006: –7) million. During the period, no reclassification of financial instruments between the different categories was made.

The fair value of Tele2's fixed-interest liabilities is SEK 6,433 (2006: 6,457) million while their carrying amount is SEK 6,463 (2006: 6,493) million. The fair value of Tele2's financial assets and liabilities does not deviate significantly from their carrying amount. Other loan liabilities carry variable interest rates which are regularly adjusted in line with current market rates. As account receivables and account payables are short-term, discounting of cash flows does not cause any material differences in their carrying amount.

Net gains/losses on financial instruments amounted to SEK –382 (2006: –125) million and relate to the category Loan and trade receivables.

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

Capital risk management

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

- Tele2 is still pursuing its realignment process, focusing the scope of its current geographic footprint. However, futher ahead the company will continue to invest in its core operations and also consider potential acquisitions.
- On a continuous basis, Tele2 will need to refinance its bank facilities. A stable financial situation is important in order to receive acceptable terms from the banks as well as from the private placement market.

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

Currency risk

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

In telephony operations, a currency risk arises in connection with international call trafic, while 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. Our borrowing facilities are in SEK and EUR. Currency exposure relating to net investment in foreign operations/subsidiaries is covered and hedged partly by means of borrowing facilities in the same currency. As further protection against currency fluctuations, Tele2 intends to enter into hedging contracts to cover its net exposure, particularly in the Baltic countries. In 2007, 25 (2006: 24) percent of operating revenues related to SEK and 35 (2006: 39) percent to EUR. During the year, Tele2's results were affected by fluctuations in the EUR, NOK and LVL. See also Note 14.

In 2007, the functional currency in all Russian companies was changed from USD to RUB (rubel). On account of this change, previous hedging of net investments in USD through loans in USD became partly ineffective. The ineffective portion was reported in the income statement and amounts to SEK 101 (2006: 0) million.

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. As the outstanding interest rate derivatives at December 31, 2007 are held for hedging purposes and are determined to be effective, they are accounted for as hedges. No in effective portion has been identified for these cash flow hedges.

At the end of 2007, 34 (2006: 67) percent of the Group's interest-bearing liabilities carried a variable interest rate. For futher information, please see Note 28.

Official market listings have been used to determine the fair value of interest rate derivatives. Outstanding interest rate derivatives at December 31, 2007 are shown below.

	Dec 31, 2007		Dec 31, 2006	
	Capital-amount	Reported fair value	Capital-amount	Reported fair value
Interest rate derivatives, cash-flow hedging, SEK	1,400	33	1,400	–5
Interest rate derivatives, cash-flow hedging, EUR	1,421	28	1,358	–2
Total outstanding interest rate derivatives	**2,821**	**61**	**2,758**	**–7**

Capital amounts are nominal amounts in foreign currency measured at the closing rate. Interest rate derivatives mature in 2013.

Liquidity risk

The Group's cash and cash equivalents are invested on a short-term basis, so that excess liquidity can be used for loan repayments. Under the Group's current financial policy, refinancing risk is managed by subscribing for long-term binding stand-by credit lines. At the end of 2007, the Group had available liquidity of SEK 25.9 (2006: 5.8) billion. For further information, please see Note 26.

Credit risk

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

Maximum credit exposure corresponds to financial guarantees of SEK 1,913 (2006: 1,730) million and accounts receivables of SEK 5,555 (2006: 7,645) million.

NOTE 41 Discontinued operations

The operation in Italy and Spain

On October 6, 2007 Tele2 announced the sale of its operations in Italy and Spain for SEK 6 973 million. The sale was completed on December 3, 2007 after approval from the European Commission.

An impairment of goodwill regarding the Italian and Spanish operations has been reported during 2007 amounting to SEK 1,295 million. The impairment reflects the difference between sales price and assets sold. In 2006 an impairment of goodwill on market area level was reported, of which SEK 843 million is estimated to be attributable to the operation in Italy and Spain. In 2007, a capital gain has been reported in discontinued operations of SEK 261 million, of which SEK 580 million is related to a reversal of exchange rate differences previously reported directly in equity.

The divestment has been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods according to IFRS 5-*Non-current assets held for sale and discontinued operations*.

France fixed and broadband business

On October 3, 2006 Tele2 announced the sale of its fixed and broadband operations in France for SEK 3,301 million. Tele2's French mobile business is retained. On July 18, 2007, Tele2 announced it has received approval from the EU competition authorities on the sale. The divestment was finalized in Q3 2007.

In 2006, a goodwill impairment loss of SEK 1 500 million affected the results from the discontinued operations. This was attributable to the estimated capital loss due to the sale, excluding a reversal of exchange rate differences associated with the French operation recognized directly in equity. 2007 includes additional goodwill impairment of SEK 75 million. In 2007, a capital gain has been reported in discontinued operations of SEK 281 million, of which SEK 443 million is related to a reversal of exchange rate differences previous reported directly in equity.

The divestment has been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods according to IFRS 5-*Non-current assets held for sale and discontinued operations*.

Continued Note 41

Income statement etc

Income Statement for discontinued operations in Italy, Spain and France, formely reported in market area Southern Europe, is stated below.

	2007	2006
Operating revenue	9,213	11,533
Cost of services sold	–5,693	–7,440
Impairment of goodwill	–1,370	–2,343
Selling expenses	–3,106	–3,671
Administrative expenses	–686	–870
Sale of operations, profit	542	–
Other operating revenue	11	8
Other operating expenses	–3	–3
Operating profit/loss	**–1,092**	**–2,786**
Interest income	7	50
Interest costs	–6	–11
Other financial items	–1	–1
Profit/loss after financial items	**–1,092**	**–2,748**
Tax on profit/loss for the year	–375	11
NET PROFIT/LOSS	**–1,467**	**–2,737**
Earnings per share, SEK	–3.30	–6.16
Earnings per share after dilution, SEK	–3.30	–6.16

	2007	2006
Cash flow from operating activities	–141	–117
Cash flow from investing activities	8,749	–1,103
of which sale of shares and participations	*9,678*	–
of which other investing activities	*–929*	*–1,103*
Cash flow from financing activities	989	1,195
Net change in cash and cash equivalents	**9,597**	**–25**

	Operating revenue		EBITDA		Operating profit/loss	
	2007	2006	2007	2006	2007	2006
Indirect access	6,245	10,241	275	302	26	6
of which fixed telephony resale	*5,188*	*8,975*	*839*	*1,108*	*623*	*838*
of which broadband resale	*1,057*	*1,266*	*–564*	*–806*	*–597*	*–832*
Direct access & LLUB	2,368	836	–64	–219	–381	–488
Other operations	987	1,134	91	86	91	86
One-off items	–	–	–	–	–828	–2,390
of which impairment of goodwill					*–1,370*	*–2,343*
of which capital gain					*542*	–
of which settlement of disputes	–	–	–	–	–	*–47*
Adjustments for intra-group sales	–387	–678				
Total	**9,213**	**11,533**	**302**	**169**	**–1,092**	**–2,786**

	Number of customers (by thousands)		CAPEX	
	Dec 31, 2007	Dec 31, 2006	2007	2006
Indirect access	–	6,051	170	351
of which fixed telephony resale	–	*5,442*	*98*	*234*
of which broadband resale	–	*609*	*72*	*117*
Direct access & LLUB	–	301	759	698
Total	**–**	**6,352**	**929**	**1,049**
of which period's unpaid CAPEX			*–12*	*1*
of which CAPEX according to cash flow			*941*	*1,048*

NOTE 42 Transactions with related parties

During 2007 and 2006, Tele2 engaged in transactions with the following related companies. Business relations and pricing between Tele2 and all related parties are subject to principles based on commercial terms and conditions.

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. The Invik Group is not included in the group of related parties from Q2 2007 due to Kinnevik no longer holding shares in Invik.

Continued Note 42

Transcom WordWide Group

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

Millicom Group

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

Modern Holding Inc Group

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

MTG Group

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

Associated companies and joint ventures

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

TRANSACTIONS BETWEEN TELE2 AND RELATED PARTIES

	Operating revenue		Operating expenses	
	2007	2006	2007	2006
Kinnevik	5	6	5	2
Invik	3	3	21	29
Transcom WorldWide	79	45	2,831	3,425
Millicom	16	13	–	1
Modern Holdings Inc	1	2	94	116
MTG	31	31	77	52
Metro International	4	4	6	13
Associated companies and joint ventures	188	128	287	285
Other related companies	–	1	78	40
Total	**327**	**233**	**3,399**	**3,963**

	Interest revenue		Interest expenses	
	2007	2006	2007	2006
Invik	17	88	52	90
Modern Holdings Inc	1	1	4	2
Total	**18**	**89**	**56**	**92**

BALANCES BETWEEN TELE2 AND RELATED PARTIES

	Restricted cash		Other receivables		Interest-bearing receivables	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Kinnevik	–	–	2	–	–	–
Invik	–	1,553	–	17	–	–
Transcom WorldWide	–	–	12	24	–	–
Millicom	–	–	10	7	–	–
Modern Holdings Inc	–	–	–	1	2	8
MTG	–	–	10	12	–	–
Metro International	–	–	1	2	–	–
Associated companies and joint ventures	–	–	45	25	–	–
Total	**–**	**1,553**	**80**	**88**	**2**	**8**

	Non-interest-bearing liabilities		Interest-bearing liabilities	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Invik	–	107	–	1,542
Transcom WorldWide	175	596	–	–
Modern Holdings Inc	6	17	–	–
MTG	22	9	–	–
Associated companies and joint ventures	34	23	–	–
Other related companies	24	–	–	–
Total	**261**	**752**	**–**	**1,542**

PARENT COMPANY'S FINANCIAL STATEMENT

THE PARENT COMPANY'S INCOME STATEMENT

SEK million	Note	2007	2006
Operating revenue	2	30	20
Gross profit		**30**	**20**
Administrative expenses	3	–167	–84
Other operating revenue	4	–	1
Operating profit/loss		**–137**	**–63**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Result from shares in group companies	5	13,000	–
Result from other securities and receivables classified as fixed assets	6	1,053	784
Other interest revenue and similar income	7	3	2
Interest expense and similar costs	8	–1,187	60
Profit/loss after financial items		**12,732**	**783**
Tax on profit/loss for the year	9	100	–219
NET PROFIT/LOSS		**12,832**	**564**

THE PARENT COMPANY'S BALANCE SHEET

SEK million	Note	Dec 31, 2007	Dec 31, 2006
ASSETS			
FIXED ASSETS			
FINANCIAL ASSETS			
Shares in group companies	10	11,707	11,707
Receivables from group companies	11	15,432	26,862
Deferred tax assets		53	2
TOTAL FIXED ASSETS		**27,192**	**38,571**
CURRENT ASSETS			
CURRENT RECEIVABLES			
Accounts receivables from group companies		69	52
Other receivables from group companies	11	13,000	–
Other current receivables	12	63	–
Prepaid expenses and accrued income	13	7	2
Total current receivables		**13,139**	**54**
SHORT-TERM INVESTMENTS	14	250	–
CASH AND CASH EQUIVALENTS	14	15	7
TOTAL CURRENT ASSETS		**13,404**	**61**
TOTAL ASSETS		**40,596**	**38,632**

SEK million	Note	Dec 31, 2007	Dec 31, 2006
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
RESTRICTED EQUITY			
Share capital		561	556
Restricted reserve		16,898	16,876
Total restricted equity		**17,459**	**17,432**
UNRESTRICTED EQUITY			
Reserves		44	–5
Retained earnings		2,813	3,068
Net profit/loss		12,832	564
Total unrestricted equity		**15,689**	**3,627**
TOTAL SHAREHOLDERS' EQUITY		**33,148**	**21,059**
LONG-TERM LIABILITIES			
INTEREST-BEARING			
Liabilities to financial institutions and bond holders'	15	5,152	12,417
TOTAL LONG-TERM LIABILITIES		**5,152**	**12,417**
SHORT-TERM LIABILITIES			
INTEREST-BEARING			
Liabilities to financial institutions and bond holders'	15	2,154	4,688
Total interest-bearing liabilities		**2,154**	**4,688**
NON-INTEREST-BEARING			
Accounts payable		31	15
Current tax liabilities		83	379
Other short-term liabilities	16	9	18
Accrued expenses and deferred income	17	19	56
Total non-interest-bearing liabilities		**142**	**468**
TOTAL SHORT-TERM LIABILITIES		**2,296**	**5,156**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**40,596**	**38,632**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	18	250	None
Contingent liabilities	19	3,314	2,461

THE PARENT COMPANY'S CASH FLOW STATEMENT

SEK million	2007	2006
OPERATING ACTIVITIES		
Operating profit/loss	–137	–63
Interest received	3	2
Interest paid	–799	–351
Finance costs paid	–18	–10
Taxes paid	–238	0
Cash flow from operations before changes in working capital	**–1,189**	**–422**
CHANGES IN WORKING CAPITAL		
Operating assets	–26	–32
Operating liabilities	–19	12
Changes in working capital	**–45**	**–20**
CASH FLOW FROM OPERATING ACTIVITIES	**–1,234**	**–442**
INVESTING ACTIVITIES		
Lending to group companies	–	–2,812
Repayments from group companies	12,462	–
Other long-term lending	–250	–
Cash flow from investing activities	**12,212**	**–2,812**
CASH FLOW AFTER INVESTING ACTIVITIES	**10,978**	**–3,254**
FINANCING ACTIVITIES		
Proceeds from credit institutions and bond holders'	3,749	4,178
Repayment of loans from credit institutions and bond holders'	–13,927	–261
Dividends	–814	–777
Repurchase of own shares	–5	–
New share issues	27	58
Cash flow from financing activities	**–10,970**	**3,198**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**8**	**–56**
Cash and cash equivalents at beginning of the year	7	63
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**15**	**7**

For additional cash flow information, please refer to Note 21.

CHANGE IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

		Restricted equity		Unrestricted equity		
SEK million	**Note**	**Share capital**	**Restricted reserve**	**Hedge reserve**	**Retained earnings**	**Total share-holders' equity**
Shareholders' equity at January 1, 2006		555	16,819	–	3,845	21,219
Cash flow hedges	15			–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/loss		–	–	–	564	564
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2006		**556**	**16,876**	**–5**	**3,632**	**21,059**
Shareholders' equity at January 1, 2007		556	16,876	–5	3,632	21,059
Cash flow hedges	15	–	–	68	–	68
Cash flow hedges, tax effect		–	–	–19	–	–19
New share issues		5	22	–	–	27
Repurchase of own shares		–	–	–	–5	–5
Dividends		–	–	–	–814	–814
Net profit/loss		–	–	–	12,832	12,832
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2007		**561**	**16,898**	**44**	**15,645**	**33,148**

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 RR32:06 *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 received dividends are reported as income, provided that these are attributable to earnings that have been earned after the acquisition. Dividends exceeding these earnings are considered to be a repayment of the investment and should therefore reduce the reported value of the shares.

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

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

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

OTHER INFORMATION
The annual report has been approved by the Board of Directors March 13, 2008. The balance sheet and income statement are subject to adoption by the Annual General Meeting May 14, 2008.

NOTE 2 Operating revenue

Operating revenue relates to sales to other companies in the Group.

NOTE 3 Administrative expenses

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

NOTE 4 Other operating revenue

	2007	2006
Exchange rate gains from operations	–	1
Total other operating revenue	**–**	**1**

NOTE 5 Result of shares in group companies

	2007	2006
Anticipated dividend from subsidiary	13,000	–
Total result of shares in group companies	**13,000**	**–**

NOTE 6 Result from other securities and receivables classified as fixed assets

	2007	2006
Interest, group	1,053	718
Exchange rate difference on receivables from group companies	–	66
Total result from other securities and receivables classified as fixed assets	**1,053**	**784**

NOTE 7 Other interest revenue and similar income

	2007	2006
Interest, bank balances	3	1
Interest, penalty interest	–	1
Total other interest revenue and similar income	**3**	**2**

NOTE 8 Interest expense and similar costs

	2007	2006
Interest, credit institutions and bond holders'	–773	–401
Interest, group	–	–4
Exchange rate difference on financial liabilities	–396	481
Other finance expeses	–18	–16
Total interest expenses and similar costs	**–1,187**	**60**

NOTE 9 Taxes

	2007	2006
Current tax expense	29	–217
Deferred tax expense	71	–2
Total tax expense (–)/tax income (+) on profit/loss for the year	**100**	**–219**

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

	2007		2006	
Profit/loss before tax	12,732		783	
Tax effect according to tax rate in Sweden	–3,565	–28.0%	–219	–28.0%
Tax effect of				
Dividend from group company, non-taxable revenue	3,640	28.6%	–	–
Other non-taxable revenue	18	0.1%	–	–
Other non-deductible expenses/non-taxable revenue	–4	0.0%	–	–
Positive outcome from tax dispute from previous years	11	0.1%	–	–
Tax expense/income and effective tax rate	**100**	**0.8%**	**–219**	**–28.0%**

The tax authorities have questioned tax losses in Tele2 AB amounting to a tax effect of SEK 3,910 million. For additional information regarding the tax dispute, refer to Group Note 15. Other tax disputes in Tele2 AB amount to SEK 6 (2006: 7) 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 10 Shares in group companies

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2007	Dec 31, 2006
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tEURO 35	100%	11,707	–
Netcom Luxembourg SA, RC B73.796, Luxembourg				–	11,707
Total shares in group companies				**11,707**	**11,707**

A list of all subsidiaries, excluding dormant companies, is presented in Note 25.

	Dec 31, 2007	Dec 31, 2006
Acquisition value		
Acquisition value at January 1	11,707	2,686
Shareholders contribution	–	9,021
Total shares in group companies	**11,707**	**11,707**

Netcom Luxembourg SA has been liquidated during the year, and as a consequence the net book value of the shares has been transfered to Tele2 Holding AB.

NOTE 11 Receivables from group companies

	Long term receivables		Current receivables	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Acquisition value at January 1	26,862	18,956	–	–
Dividend	–	–	13,000	–
Lending	7,083	20,925	–	–
Shareholders contribution	–	–9,021	–	–
Repayments	–18,513	–3,998	–	–
Total receivables from group companies	**15,432**	**26,862**	**13,000**	**–**

NOTE 12 Other current receivables

	Dec 31, 2007	Dec 31, 2006
Derivatives	62	–
Other	1	–
Total other current receivables	**63**	**–**

NOTE 13 Prepaid expenses and accrued income

	Dec 31, 2007	Dec 31, 2006
Interest income	2	–
Accrued income, other	4	–
Insurance costs	1	1
Rental costs	–	1
Total prepaid expenses and accrued revenues	**7**	**2**

NOTE 14 Cash and cash equivalents and overdraft facilities

	Dec 31, 2007	Dec 31, 2006
Cash and cash equivalents	15	7
Unutilized overdraft facilities and credit lines	23,364	3,125
Total available liquidity	**23,379**	**3,132**

NOTE 15 Liabilities to financial institutions and bond holders'

Creditors *(collateral provided)*	Interest rate terms	Maturity date	Dec 31, 2007 Short-term liabilities	Dec 31, 2007 Long-term liabilities	Dec 31, 2006 Short-term liabilities	Dec 31, 2006 Long-term liabilities
5-year syndicated loan facility *(collateral: guarantee from Tele2 Sverige AB)*	EURIBOR et.al. +0.20–0.90%	2008–2009	2,154	3,729	4,688	10,905
Bond holders' *(collateral: guarantee from Tele2 Sverige AB)*	Fixed rate 6.35% and 6.47%	2011, 2013	–	1,423	–	1,512
			2,154	**5,152**	**4,688**	**12,417**
Total liabilities to financial institutions and bond holders'				**7,306**		**17,105**

Tele2 has an existing borrowing facility of SEK 29.3 (2006: 18.8) billion, which is divided as follows: SEK 24.9 (2006: 14.1) billion due for repayment in November 2009 and SEK 4.4 (2006: 4.7) billion due for repayment in November 2008, with the option to renew the loan one year at a time. The interest margin on the long-term portion is 25–90 points depending on the debt/equity ratio, while the interest margin on the short-term portion is 20 points. EUR 150 million and SEK 1,400 million has been 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 used in several currencies, at December 31, 2007 the loan is drawn in SEK and EUR. The facility allows a debt/equity ratio and net liabilities to EBITDA, for the Group of up to 4.5. 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.

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

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

MATURITIES FOR THE OUTSTANDING DEBT

	Dec 31, 2007	Dec 31, 2006
Within 1 year	2,154	4,688
Within 1–2 years	3,729	–
Within 2–3 years	–	10,905
Within 3–4 years	776	–
Within 4–5 years	–	825
Within 5–10 years	647	687
Total liabilities to financial institutions and bond holders'	**7,306**	**17,105**

NOTE 16 Other short-term liabilities

	Dec 31, 2007	Dec 31, 2006
VAT liability	1	3
Employee withholding tax	–	1
Other taxes	4	3
Derivatives	–	7
Other	4	4
Total short-term liabilities	**9**	**18**

NOTE 17 Accrued expenses and deferred income

	Dec 31, 2007	Dec 31, 2006
Interest costs	11	50
Personnel-related expenses	8	6
Total accrued expenses and deferred income	**19**	**56**

NOTE 18 Pledged assets

	Dec 31, 2007	Dec 31, 2006
Short-term investments	250	–
Total pledged assets for the account of group companies	**250**	**–**

NOTE 19 Contingent liabilities

	Dec 31, 2007	Dec 31, 2006
Guarantee related to group companies	1,476	776
Guarantee related to joint venture	1,838	1,685
Total contingent liabilities	**3,314**	**2,461**

Svenska UMTS-nät AB, a joint venture holding in Tele2, has an approved loan facility of SEK 4.8 (2006: 4.8) billion, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 2.4 (2006: 2.4) billion. As of December 31, 2007, Tele2's guarantee amounted to SEK 1,838 (2006: 1,685) million.

NOTE 20 Operating leases and other commitments

The parent company's operating lease payments amounted to SEK 1 (2006: 3) million during the year. Future lease payments amount to SEK 1 (2006: 3) million and these are due for payment during the next year.

NOTE 21 Supplementary cash flow information

In 2007, the parent company had interest revenues from other group companies of SEK 1,053 (2006: 718) million and interest expenses to other group companies of SEK 0 (2006: –4) million which were capitalized on the loan amount.

The parent company reported SEK –396 (2006: 481) million in currency losses in loans to financial institutions and bond holders'. These did not have any effect on cash.

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

NOTE 22 Number of employees

The average number of employees in the parent company is 7 (2006: 3), of whom 3 (2006: 1) are women.

NOTE 23 Personnel costs

	SALARIES AND REMUNERATION					
	2007			2006		
	Personnel costs	Social security expenses	*of which pension expenses*	Personnel costs	Social security expenses	*of which pension expenses*
Board and CEO	24	11	*2*	18	8	*2*
Other employees	12	8	*4*	5	2	*–*
Total salaries and remuneration	**36**	**19**	***6***	**23**	**10**	***2***

The parent company's pension expenses relate to defined-contribution plans. Salary and remuneration for the CEO are presented in Group Note 38.

NOTE 24 Fees to elected auditors

Remuneration to elected auditors for audit assignments is SEK 5 (2006: 10) million, which is a decrease on the previous year's figure. The decrease is partly due to additional auditing in 2006 required to comply with the Sarbanes Oxley Act. Remuneration for other audit-related assignments amounts to SEK 2 (2006: 1) million.

NOTE 25 Legal structure

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

Company, reg. No., reg'd office	Holding (capital/ votes)
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden	100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden	100%
Tele2 Sweden SA, RC B73.802, Luxembourg	100%
Datametrix AB, 556580-2682, Stockholm, Sweden	100%
Datametrix BPO AB, 556580-7871, Stockholm, Sweden	100%
Datametrix Integration AB, 556539-4870, Stockholm, Sweden	100%
Datametrix Outsourcing AB, 556290-2238, Stockholm, Sweden	100%
UNI2 OÜ, 11010450, Tallinn, Estonia	100%
SIA UNI2, 40003681691, Riga, Latvia	100%
UNI2 SA, 986768270, Oslo, Norway	100%
UNI2 It-Services GmbH, FN271528, Vienna, Austria	100%
Optimal Telecom Holding AB, 556580-7855, Stockholm, Sweden	100%
Optimal Telecom Sverige AB, 556440-1924, Stockholm, Sweden	100%
Tele2 Norge Holding AB, 556580-8143, Stockholm, Sweden	100%
Tele2 Norge AS, 974534703, Oslo, Norway	100%
Tele2 Danmark Holding AB, 556580-8028, Stockholm, Sweden	100%
Tele2 Polska Sp, 57496, Warsaw, Poland	100%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia	93%
Tele2 (UK) Ltd, 4940295, London, UK	100%
Bethany Group) Ltd, 390385, Virgin Islands, UK	100%
Tele2 UK Services Ltd, 4028792, London, UK	100%
Kopparstaden Kabelvision KB, 916583-0564, Västerås, Sweden	80%
Skaraborg Kabelvision AB, 556483-6467, Mariestad, Sweden	60%
Tele2 Syd AB, 556420-3833, Malmö, Sweden	100%
Everyday Webguide AB, 556182-6016, Stockholm, Sweden	99.99%
NetCom GSM Sverige AB, 556304-7025, Stockholm, Sweden	100%
Procure IT Right AB, 556600-9436, Stockholm, Sweden	100%
Radio Components Sweden AB, 556573-3846, Stockholm, Sweden	80.3%
Radio Components do Brasil, 01.424-001, Sao Paulo, Brasil	100%
Radio Components de Mexico S.A. de C.V.,RCM070116EM7, Mexico	100%
e-Village Nordic AB, 556050-1644, Stockholm, Sweden	100%
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 Retail SIA, 40003941901, Riga, Latvia	51%
Tele2 S:t Pet Holding AB, 556636-7362, Stockholm, Sweden	100%
Tele2 Russia Telecom BV, 33287334, Rotterdam, Netherlands	100%

Continued Note 25

Company, reg. No., reg'd office	Holding (capital/ votes)
Tele2 Russia Holding AB, 556469-7836, Stockholm, Sweden	100%
St Petersburg Telecom, 1027809223903, St Petersburg, Russia	100%
Oblcom, 1024700557408, St Petersburg, Russia	100%
Votec Mobile ZAO, 1023601558694, Voronezh, Russia	100%
Lipetsk Mobile CJSC, 1024840840419, Lipetsk, Russia	100%
Telecom Eurasia LLC, 1027739455215, Krasnodar, Russia	100%
PSNR Personal System Networks in region, 1025202610157, Niznhy Novgorod, Russia	100%
Vostok Mobile Northwest BV, 33150958, Amsterdam, Netherlands	100%
CJSC Arkhangelsk Mobile Networks, 2901068336, Arkhangelsk, Russia	100%
CJSC Novgorod Telecomunication, 5321059118, Novgorod, Russia	100%
CJSC Murmansk Mobile Networks, 5190302373, Murmansk, Russia	100%
CJSC Parma Mobile, 1101051099, Syktyvkar, Russia	100%
Tele2 Russia VOL Holding GmbH, FN 131602 h, Vienna, Austria	100%
Kursk Cellular Communications, 1024600947403, Kursk, Russia	100%
Smolensk Cellular Communications, 1026701433494, Smolensk, Russia	100%
Belgorod Cellular Communications, 1023101672923, Belgorod, Russia	100%
Kemerovo Mobile Communications, 1024200689941, Kemerovo, Russia	100%
Rostov Cellular Communications, 1026103168520, Rostov, Russia	87.5%
Udmurtiya Cellular Communications, 1021801156893, Izhevsk, Russia	77.5%
RP Technology, 1041800281093, Izhevsk, Russia	100%
Siberian Cellular Communications, 1025500746072, Omsk, Russia	100%
Chelyabinsk Cellular Network, 1027403876862, Chelyabinsk, Russia	100%
LLC KF-INVEST, 1025501247420, Omsk, Russia	100%
Peoples Mobile Telephone International Ltd, 5770778, London, UK	51%
LCC Peoples Mobile Telephone, 1047796469973, Moscow, Russia	100%
Tele2 Russia International Cellular BV, 33221654, Amsterdam, Netherlands	100%

Company, reg. No., reg'd office	Holding (capital/ votes)
Tele2 Financial Services (Belgium), 0882.856.089, Wemmel, Belgium	100%
Tele2 Mobile SAS, 490841467, Versailles, France	100%
Tele2 Europe SA, R.C.B56944, Luxembourg	100%
Tele2 Austria Holding GmbH, FN178222t, Vienna, Austria	100%
Tele2 Telecommunication GmbH, FN138197g, Vienna, Austria	100%
Tele2 Mobile Russia BV, 24421742, Rotterdam, Netherlands	100%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany	100%
Tele2 AG, H.1045/80, Liechstenstein	100%
Tele2 Telecommunication Services AG, CH-020390 55 969, Zürich, Switzerland	100%
Tele2 Luxembourg SA, R.C.B65774, Luxembourg	100%
Tango SA, RC.B59560, Luxembourg	100%
Tele2 Billing GmbH, HRB56850, Düsseldorf, Germany	100%
Tele2 Finance Holdings BV, 342328750, Amsterdam, Netherlands	100%
Tele2 Finance BV, 342328770, Amsterdam, Netherlands	100%
Tele2 Netherlands Holding NV, 33272606, Amsterdam, Netherlands	98.81%
Tele2 Netherlands BV, 33274127, Amsterdam, Netherlands	100%
Versatel Nederlands BV, 33303418, Amsterdam, Netherlands	100%
Versatel Internetdiensten BV, 34144876, Amsterdam, Netherlands	100%
Tele2 ESP AB, 556690-7449, Stockholm, Sweden	100%
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg	100%
Tele2 Services Luxembourg SA, RCB70203, Luxembourg	100%
SEC Finance SA, B104730, Luxembourg	100%
Tele2 Finance Luxembourg SA, RCB112873, Luxembourg	100%
Tele2 Finance Belgium SA, 0878159608, Brussels, Belgium	100%

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

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

Stockholm, March 13, 2008

Vigo Carlund
Chairman

Mia Brunell Livfors

John Hepburn

Mike Parton

John Shakeshaft

Cristina Stenbeck

Pelle Törnberg

Lars-Johan Jarnheimer
President and CEO

Our auditors' report was submitted on March 14, 2008

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 2007. The annual accounts and the consolidated accounts are presented in the printed version of the document on pages 38–80. 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 14, 2008
Deloitte AB

Jan Berntsson
Authorized Public Accountant

DEFINITIONS

The figures shown in parentheses correspond to the comparable periods in 2006.

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 and tangible assets 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 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 2008

TIME AND PLACE

The Annual General Meeting will be held at 1.30 p.m. on Wednesday, May 14, 2008 at the Hotel Rival, Mariatorget 3, 118 91 Stockholm. The doors will open at 12.30 p.m. and registration will take place until 1.30 p.m., when the doors will close.

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 1 p.m. on Thursday, May 8, 2008.

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 8, 2008.

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)8 562 00 112
- by writing to the company at the following address: Tele2 AB, Box 2094, 103 13 Stockholm.

Please mark the envelope "AGM."
Notice to attend the Annual General Meeting 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 should submit a power of attorney with the notice of participation. A power of attornoy form will be available on the company's web site, www.tele2.com.

The notice of participation must be received by the company no later than 1 p.m. on Thursday, May 8, 2008.

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.

FINANCIAL CALENDER

Q1 2008, Interim Report	April 23, 2008
Q2 2008, Interim Report	July 23, 2008
Q3 2008, Interim Report	October 22, 2008
Annual General Meeting (Stockholm)	May 14, 2008

IR-CONTACT

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Narva. PHOTO Getty Images, NordicPhotos, Maskot and Håkan Flank. PRINT Strokirk-Landströms, 2008

TELE2 IN BRIEF

We sell attractively priced, easy-to-use communication solutions. Tele2 strives to offer its customers the best price at all times. Our most important service is mobile telephony complemented by broadband. Ever since Tele2 was founded in 1993, we have been tough challengers to incumbents and other established providers. Tele2 is currently in a focus period, which means we are concentrating on markets and products offering the most potential for profitable growth.

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