

# FULL YEAR AND FOURTH QUARTER 2014 REPORT

**TELE2**

# Mobile data monetization continues

## Q4 2014 HIGHLIGHTS

### Strong mobile end-user service revenue growth for the Group

■ Mobile end user service revenue grew by 7 percent amounting to SEK 3,205 (3,006) million, driven by improved monetization of mobile data. Mobile strength fuelled a quarter where total net sales grew by 4 percent to 6,876 (6,585) million, and EBITDA amounted to SEK 1,412 (1,490) million. In the quarter EBITDA was impacted by marketing investments in Sweden behind Value Champion and iPhone 6 launches. Additionally, EBITDA was impacted negatively by a data center fire in Sweden and positively by a license sale in Estonia.

### Healthy top and bottom line progress in Tele2 Sweden

■ Mobile end-user service revenue in Sweden grew by 5 percent in Q4 2014 and EBITDA increased to SEK 792 (722) million, both positively impacted by accelerated data usage in predominantly the postpaid segment. Equipment sales were strong in the quarter amounting to SEK 759 (449) million, as a result of the iPhone6 launch, of which SEK 180 (0) million was from sales to distributors.

### Maintained positive customer intake within mobile for Tele2 Netherlands

■ Tele2 Netherlands continued to gain market share by adding 22,000 (62,000) customers and taking the total mobile customer base to

813,000 (694,000). Mobile end-user service revenue amounted to SEK 301 (261) million, growing by 15 percent in Q4 2014.

### Improved customer intake for Tele2 Kazakhstan

■ Customer intake increased to 205,000 (-393,000) in Q4 2014, partly because of the new commission structure and partly due to new price plans as a reaction to increased competition. Improved quality of customer intake and increasing data consumption supported the operational development. As a result, Mobile end-user service revenue grew by 12 percent in Q4 2014, amounting to SEK 280 (251) million despite being impacted by devaluation of the local currency and increased competitive pressure. Through improved operational scale and lower interconnect levels, EBITDA amounted to SEK 17 (-7) million.

### Sale of Tele2 Norway

■ On December 1, 2014, the competition authority in Norway preliminary rejected the transaction. To be able to complete the transaction, the parties have presented a new proposal to the authority. The sale will be completed after approval by regulatory authorities, which is expected in Q1 2015.

### Challenger program

■ A group-wide program focused on increasing productivity was launched in the quarter. The program will build over the next

Net sales  
Q4 2014

6,876

SEK million

Excl. Tele2 Norway

EBITDA  
Q4 2014

1,412

SEK million

Excl. Tele2 Norway

3 years and reap full benefits of SEK 1 billion per annum starting in 2018. The investment required will be SEK 1 billion, phased over the next 3 years. In the quarter EBIT was impacted by SEK -10 million by the program (Note 2).

### The Board of Directors recommend a dividend for 2014 amounting to SEK 4.85

■ The Board has decided to amend the progressive dividend policy to an annual 10 percent dividend growth for the coming 3 years. The Board therefore recommends an ordinary dividend of SEK 4.85 (4.40) per share in respect of the financial year 2014.

### Financial guidance for 2015

■ The financial guidance for the group is provided on p. 5.

## Key Financial Data Q4 and FY

SEK million	Q4			FY		
	2014	2013	%	2014	2013	%
Net sales	6,876	6,585	4	25,955	25,757	1
Net sales excluding exchange rate differences	6,876	6,706	3	25,955	26,213	-1
Mobile end-user service revenue	3,205	3,006	7	12,455	11,635	7
EBITDA	1,412	1,490	-5	5,926	5,891	1
EBITDA excluding exchange rate differences	1,412	1,522	-7	5,926	6,045	-2
EBIT	735	736	0	3,490	2,548	37
Net profit	494	277	78	2,626	968	171
Earnings per share, after dilution (SEK)	1.10	0.60	83	5.86	2.15	173

The figures presented in this report refer to Q4 2014 and continuing operations unless otherwise stated.

# CEO Word, Q4 2014

2014 was a year where we delivered on our commitments, despite the uncertainty in Norway and the significant transition from fixed to mobile in the Netherlands. Q4 2014 was no exception and we produced our 14<sup>th</sup> consecutive quarter of mobile growth, with end-user service revenue growing 7 percent as a result of a continued ability to monetize our customers' increasing need for mobile data. The catalyst has been LTE/4G services and a range of customer propositions that provide great value and a great experience.

In the quarter we shared our renewed strategy with our Board, our employees and our shareholders. We intend to remain focused on mobile, Europe/Eurasia and growing in both consumer and business segments. And our unique Way2Win will be via 4 key differentiators: *Value Champion*; *Focused Technology Choices*; *Step changing our Productivity*; and our *Winning People & Culture*. These differentiators are underpinning the success we saw in the quarter in each of our key markets.

Sweden maintained its status as the leader in mobile data for the Group. Mobile end-user service revenue increased by 5 percent as the usage of our mobile data service continued to expand. In the quarter we introduced a new commercial concept, based on the Value Champion strategy, which we refer to as Tele2.O. The concept includes changes such as no binding periods, a one-subscription solution, trial periods for both B2C and B2B customers, and removed expiry dates for all top-ups. The concept will improve customer satisfaction and restore trust for the industry, and through this strengthen the long-term positioning of Tele2 Sweden's brands. The reactions from customers and media have been very positive, which encourages us that this is the right way forward.

In the Netherlands we are proving our Focused Technology Choices strategy as we are rolling out the world's first nationwide LTE-Advanced/4G only network. In the quarter, yet another milestone was passed as we announced the launch of commercial LTE-Advanced/4G services as of January 2015. Meanwhile, the consumer mobile customer base continued to show solid growth and the business segment for Tele2 Netherlands saw important traction within the larger enterprise space. There is still a lot of work to be done before we are satisfied. During the quarter, our fixed broadband business executed well in a demanding market environment with positive customer intake.

Our Kazakh operation maintained its positive trajectory and delivered solid results in the quarter, despite increasing levels of competition. The continued work on our distribution channel strategy to further reduce churn rates in our customer base yielded positive results in the quarter. The demand for data services increased and

**“We remain confident in our strategy and our ability to monetize a great customer experience throughout our footprint.”**

we invested further in our 3G network to cater for our customers' needs. Going forward, we will increase investments in Kazakhstan to further strengthen our position as the leading mobile data provider and close the coverage gap to our competitors. And I am certain that we will be successful with our Winning People & Culture.

Tele2's operations in the Baltic region and in Croatia showed stable development in Q4 2014. The network upgrades to LTE/4G in Estonia, Latvia and Lithuania are progressing according to plan and will support our ambition to exploit the growing need for mobile data in the region. In Croatia, we secured additional frequencies in the 1,800 MHz band, making it possible for us to improve our mobile data proposition in the country.

As part of bringing the strategy alive, we also launched an initiative within Step Change our Productivity, dubbed the Challenger program. The program will focus on productivity increases by taking a holistic look at the organization. Productivity increases will be found by simplifying the way Tele2 interacts with customers and by consolidating and transforming the organization to work even smarter and better. The program will build over the next 3 years and reap full benefits of SEK 1 billion per annum starting in 2018. The investment required will be SEK 1 billion, phased over the next 3 years.

In the quarter, the negotiation process with the Norwegian competition authority on our sale of Tele2 Norway continued. Our view on closing the deal by Q1 2015 is unchanged.

Looking forward, we remain confident in our strategy and our ability to monetize a great customer experience throughout our footprint. Sweden will maintain its leadership in 4G/LTE, and we will take our learnings from Sweden to the Baltics and of course the Netherlands, as we plan for and fully exploit LTE/4G across our footprint. 2015 will be another exiting year of investments in our future 'Rockets' of Kazakhstan and the Netherlands, supported by continued strength in Sweden and the Baltics.

Mats Granryd  
President and CEO

#### **SIGNIFICANT EVENTS IN THE QUARTER | Q4**

- Tele2 announced the Challenger program - a program to step change productivity in the Tele2 Group
- Tele2 signed 4G Long-Term Evolution (LTE) roaming agreements with a number of international partners
- Tele2 and iBasis announced IPX Peering Agreement
- Tele2 AB hosted an analyst and journalist briefing in London on December 12, 2014
- Tele2 and Telit announced M2M/IoT cooperation
- Tele2 entered into a partnership with MTG's online streaming service Viaplay
- The Norwegian Competition Authority gave its preliminary view through a statement of objection to TeliaSonera/NetCom's acquisition of Tele2 Norway
- ICE Communication Norge AS and Tele2 Norway signed an agreement on frequency lease and purchase of infrastructure
- Tele2 and L&T Technology Services announced strategic M2M/IoT partnership, addressing the transportation industry

#### **SUBSEQUENT EVENTS**

- Tele2 presented a White Paper on its operations in Kazakhstan to increase transparency
- A new proposal on remedies was presented to the Norwegian competition authorities

# Financial Overview

Tele2's financial performance is driven by a consistent focus on developing mobile services on own infrastructure, complemented in certain countries by fixed broadband services and business-to-business offerings. Mobile net sales, which grew compared to the same period last year, combined with greater efforts to develop mobile services on own infrastructure have had a positive impact on Tele2's EBITDA. The Group will concentrate on maximizing the return from fixed-line services.

Following the announced sale of Tele2 Norway, the business unit is reported separately under discontinued operations in the income statement, with a retrospective effect in previous periods, and as assets held for sale in the balance sheet from June 30, 2014 (see Note 10).

**Net customer intake** amounted to -11,000 (-482,000) in Q4 2014. The customer intake in mobile services amounted to 50,000 (-414,000). This development was mainly driven by positive customer intake in Kazakhstan and the Netherlands. The fixed broadband customer base decreased by -10,000 (-22,000) customers in Q4 2014, primarily attributable to Tele2's operations in Sweden, Austria and Germany. However, the quarter also showed positive customer intake in the fixed broadband customer base in the Netherlands following an improved product portfolio. As expected, the number of fixed telephony customers fell in Q4 2014 by -51,000 (-46,000). On December 31, 2014 the total customer base amounted to 13,594,000 (13,582,000).

**Net sales** in Q4 2014 amounted to SEK 6,876 (6,585) million. The net sales development was mainly a result of strong usage of mobile data services, leading to a mobile end-user service revenue growth of 7 percent. It was also positively impacted by strong equipment sales in Sweden as a result of the iPhone 6 launch. This positive development was to some extent hampered by negative net sales development within consumer fixed telephony and fixed broadband.

**EBITDA** in Q4 2014 amounted to SEK 1,412 (1,490) million, equivalent to an EBITDA margin of 21 (23) percent. The operational development was mainly a result of expansion costs in the mobile segment, higher costs in the fixed broadband segment and a decreasing

fixed telephony customer base. More specifically, EBITDA was also impacted by marketing investments in Sweden behind Value Champion and iPhone 6 launches. Additionally, EBITDA was impacted negatively by a data center fire in Sweden and positively by a license sale in Estonia.

**EBIT** in Q4 2014 amounted to SEK 704 (725) million excluding one-off items. Including one-off items, EBIT amounted to SEK 735 (736) million. EBIT was positively affected by a one-off item of SEK 41 million related to a dispute from 2010 and negatively by the Challenger program of SEK -10 million (Note 2).

**Profit before tax** in Q4 2014 amounted to SEK 695 (557) million.

**Net profit** in Q4 2014 amounted to SEK 494 (277) million. Reported tax for Q4 2014 amounted to SEK -201 (-280) million. Tax payment affecting cash flow amounted to SEK -93 (-109) million. Deferred tax assets amounted to SEK 2.0 billion at the end of the year.

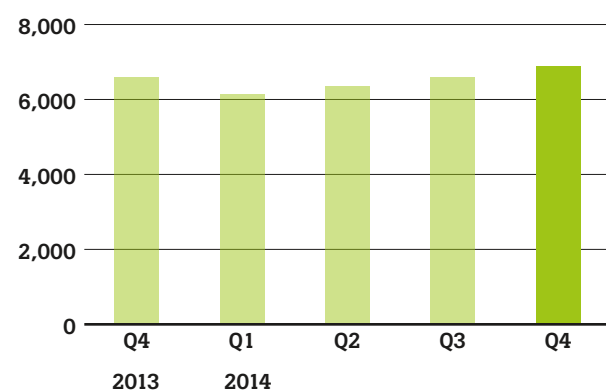
**Cash flow after CAPEX** in Q4 2014 amounted to SEK 238 (507) million including and SEK 273 (642) excluding Norway. The decline was mainly due to mobile network roll-outs in Sweden, the Netherlands, and Kazakhstan.

**CAPEX** in Q4 2014 amounted to SEK 1,030 (1,047) million, driven principally by further network expansion in Sweden, the Netherlands and Kazakhstan.

**Net debt** amounted to SEK 9,061 (8,007) million on December 31, 2014, or 1.53 times 12-month rolling EBITDA. Tele2's available liquidity amounted to SEK 8,224 (9,306) million (see Note 3 for further information on financial debt).

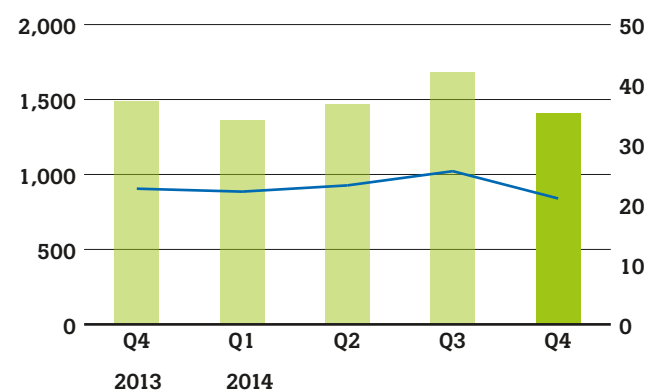
## Net sales

SEK million



## EBITDA/EBITDA margin

SEK million/Percent



# Financial Guidance

Tele2 AB gives the following guidance for 2015 for continuing operations in constant currencies:

- Mobile end-user service revenue growth of mid-single digits.
- Net revenue of between SEK 25.5 and 26.5 billion.
- EBITDA of between SEK 5.8 and 6.0 billion.
- CAPEX level of between SEK 3.8 and 4.0 billion.

Tele2 expects to invest around SEK 200 million in The Challenger Program in 2015. This will be treated as exceptional one-off, and therefore excluded from the EBITDA guidance indicated above.

## **The Challenger program:**

A group-wide program focused on increasing productivity was launched in the quarter. The program will build over the next 3 years and reap full benefits of SEK 1 billion per annum starting in 2018. The investment required will be SEK 1 billion, phased over the next 3 years. All program investments are, and will be, reported as exceptional costs, affecting EBIT.

## **Shareholder remuneration**

For the financial year 2014, the Board of Tele2 AB has decided to recommend an ordinary dividend payment of SEK 4.85 (4.40) per ordinary A or B share to the Annual General Meeting (AGM) in May 2015, representing a 10 percent increase.

Tele2 will also adopt a progressive ordinary dividend policy which aims to deliver 10 percent growth per annum in the coming 3 years.

Authorization to pay extraordinary dividends will be sought when the company has excess capital.

Pursuant to the approval received at the 2014 AGM, Tele2 has the authorization to repurchase up to 10 percent of its share capital.

## **Balance sheet**

Tele2 believes the financial leverage should be in line with both the industry and the markets in which it operates and reflect the status of its operations, future strategic opportunities and obligations. This would imply a target net debt to EBITDA ratio of 1.5-2.0x (earlier 1.25-1.75x) over the medium term.

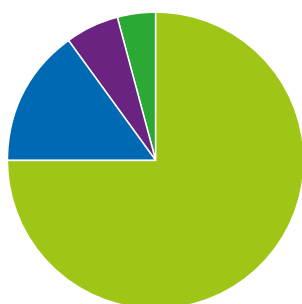
## Financial summary

SEK million	Q4 2014	Q4 2013	FY 2014	FY 2013
<b>Mobile<sup>1)</sup></b>				
Net customer intake (thousands)	50	-414	598	594
Net sales	5,168	4,609	19,075	17,613
EBITDA	1,017	963	4,174	3,755
EBIT	538	444	2,405	1,939
CAPEX	754	696	2,365	3,217
<b>Fixed broadband<sup>1)</sup></b>				
Net customer intake (thousands)	-10	-22	-45	-86
Net sales	1,051	1,239	4,171	5,025
EBITDA	224	313	919	1,194
EBIT	55	121	218	350
CAPEX	138	200	504	585
<b>Fixed telephony<sup>1)</sup></b>				
Net customer intake (thousands)	-51	-46	-156	-255
Net sales	367	455	1,565	1,967
EBITDA	126	141	572	645
EBIT	106	121	491	564
CAPEX	16	9	46	46
<b>Total</b>				
Net customer intake (thousands)	-11	-482	397	253
Net sales	6,876	6,585	25,955	25,757
EBITDA	1,412	1,490	5,926	5,891
EBIT <sup>2)</sup>	735	736	3,490	2,548
CAPEX	1,030	1,047	3,450	4,399
EBT	695	557	3,500	1,997
Net profit	494	277	2,626	968
Cash flow from operating activities, continuing operations	1,317	1,474	4,661	4,983
Cash flow from operating activities	1,322	1,520	4,578	5,813
Cash flow after CAPEX, continuing operations	273	642	1,162	799
Cash flow after CAPEX	238	507	432	572

1) Excluding one-off items (see section EBIT on page 23)

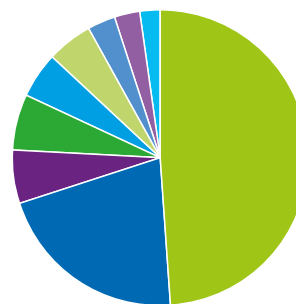
2) Total EBIT includes result from sale of operations and other one-off items stated under the segment reporting section of EBIT (page 23)

### Net sales per service area, Q4 2014



Mobile	75%	Fixed telephony	6%
Fixed broadband	15%	Other	4%

### Net sales per country, Q4 2014



Sweden	49%	Austria	5%
Netherlands	21%	Latvia	3%
Kazakhstan	6%	Germany	3%
Croatia	6%	Estonia	2%
Lithuania	5%		

# Overview by country

## FX-adjusted figures

SEK million	NET SALES					
	2014 Q4	2013 Q4*	Growth	2014 Full Year	2013 Full Year*	Growth
Sweden	3,373	3,156	7%	12,629	12,453	1%
Netherlands	1,432	1,434	-0.1%	5,439	5,714	-5%
Kazakhstan	382	349	9%	1,334	1,203	11%
Croatia	372	413	-10%	1,390	1,459	-5%
Lithuania	355	342	4%	1,364	1,346	1%
Latvia	236	240	-2%	907	961	-6%
Estonia	154	180	-14%	634	709	-11%
Austria	311	320	-3%	1,209	1,308	-8%
Germany	229	237	-3%	916	912	0.4%
Other	32	35	-9%	133	148	-10%
<b>Continued operations</b>	<b>6,876</b>	<b>6,706</b>	<b>3%</b>	<b>25,955</b>	<b>26,213</b>	<b>-1%</b>
FX effects		-121	1%		-456	2%
<b>Total</b>	<b>6,876</b>	<b>6,585</b>	<b>4%</b>	<b>25,955</b>	<b>25,757</b>	<b>1%</b>

\* Adjusted for fluctuations in exchange rates

### Sweden

The quarter was characterized by a continued strong demand for mobile data. Total net sales in Q4 2014 was SEK 3,373 (3,156) million, and EBITDA amounted to SEK 880 (858) million.

The business segment experienced an encouraging quarter with continued strong mobile revenue growth, driven by the Large Enterprise segment as well as continued strong intake within cloud PBX. This resulted in a positive development in terms of market share growth and end-user experience. The Swedish Quality Index for the business market showed that customer satisfaction has improved substantially over the year with Tele2 taking the number one position for broadband and the number two position for mobile.

During the quarter Tele2 Sweden launched its new game changing commercial concept, Tele2.0, including changes such as no binding periods, a one-subscription solution, trial periods for both B2C and B2B customers, and removed expiry date for all top-ups. This will improve customer satisfaction, and through this the long-term positioning of Tele2 Sweden's brands. The reaction from customers and media was very positive in the quarter.

In the quarter EBITDA was negatively impacted by a data center fire.

**Mobile** In Q4 2014 Mobile end-user service revenue amounted to SEK 1,856 (1,775) million, a growth of 5 percent compared to the same period last year. The customer intake in the postpaid consumer segment was 25,000 (31,000) in the quarter. Customer intake on prepaid declined as expected with -48,000 (-35,000) in the quarter. Equipment sales were also strong in the quarter amounting to SEK 759 (449) million, as a result of the iPhone 6 launch, of which SEK 180 (0) million was from sales to distributors.

The EBITDA contribution grew by 10 percent and amounted to SEK 792 (722) million in the quarter, despite being affected by higher marketing spend associated with Tele2.0 commercial concept and the launch of iPhone 6.

Within the postpaid consumer segment ASPU increased to SEK 220 (199) in the quarter, mainly driven by the continued strong demand for mobile data, which was visualized both in terms of top-ups as well as customers moving towards larger data buckets. The number of sold top-ups for consumer increased with almost 116 percent compared to the same period last year. The demand for 4G enabled smartphones continued in the quarter, and now stands for 98 percent of total sales.

SEK million	EBITDA					
	2014 Q4	2013 Q4*	Growth	2014 Full Year	2013 Full Year*	Growth
Sweden	880	858	3%	3,612	3,448	5%
Netherlands	173	362	-52%	903	1,320	-32%
Kazakhstan	17	-7	-	43	-121	-
Croatia	39	23	70%	169	99	71%
Lithuania	128	106	21%	506	483	5%
Latvia	82	75	9%	294	306	-4%
Estonia	55	38	45%	173	169	2%
Austria	62	67	-7%	231	322	-28%
Germany	31	33	-6%	131	144	-9%
Other	-55	-33	-67%	-136	-125	-9%
<b>Continued operations</b>	<b>1,412</b>	<b>1,522</b>	<b>-7%</b>	<b>5,926</b>	<b>6,045</b>	<b>-2%</b>
FX effects		-32	2%		-154	3%
<b>Total</b>	<b>1,412</b>	<b>1,490</b>	<b>-5%</b>	<b>5,926</b>	<b>5,891</b>	<b>1%</b>

**Fixed broadband** Fixed broadband showed, as expected, a decline in Q4 2014 with an EBITDA contribution of SEK 16 (55) million.

**Fixed telephony** The EBITDA contribution in the quarter amounted to SEK 44 (55) million. Tele2 Sweden saw a continued decrease in demand for fixed telephony as a consequence of the increased demand for mobile bucket price plans.

### The Netherlands

In the quarter, Tele2 Netherlands announced the plan to launch its 4G network in January 2015. This announcement marked an important milestone for the network rollout, which began when Tele2 obtained a frequency license in the beginning of 2013. Meanwhile, the consumer mobile customer base continued to show strong growth. In the B2B market, Tele2 Netherlands was selected as one of the three preferred suppliers for the combined data service tender of the Dutch government, with a maximum potential of up to EUR 35 million.

**Mobile** In Q4 2014, Tele2 Netherlands added 22,000 (62,000) customers, bringing the total mobile customer base to 813,000 (694,000). The result was in some part due to a new mobile proposition, focused on delivering affordable, fair, transparent and simple packages. End-user service revenue grew by 15 percent to SEK 301 (261) million driven by a larger customer base and further increasing mobile data usage. However, increasing traffic and costs associated with the MVNO agreement, resulted in an EBITDA contribution of SEK -78 (26) million.

In the quarter the company took the decision to only sell 4G handsets. This to ensure that new customers will be able to benefit from Tele2 Netherlands' 4G network. The focus on 4G-only devices was also a conscious decision not to target the lower priced 3G handset segment.

**MNO launch:** As of Q1 2015, Tele2 Netherlands will be offering commercial LTE-Advanced service. The network will cover an area stretching from Rotterdam to Amsterdam and Utrecht (2,100 square kilometers). Tele2 expects to reach nationwide coverage in Q1 2016, only three years after the frequency license was awarded.



**Fixed broadband** Tele2 continued to improve its consumer broadband product portfolio, adding an unlimited calling bundle within the EU and the possibility to switch on or off premium TV content, such as HBO or Fox Sports, on a monthly basis. These changes offer customers more flexibility and freedom of choice for bundled services. During the fourth quarter the number of customers grew by 1,000, taking the total customer base of 369,000 (374,000).

#### **Norway**

On the 7th of July, 2014, Tele2 agreed to sell Tele2 Norway to Telia-Sonera for SEK 5.3 billion. The sale will be completed after approval by regulatory authorities, which is expected in Q1 2015. As a result, Tele2 Norway is reported under discontinued operations in the income statement, with a retrospective effect in previous periods, and as assets held for sale in the balance sheet from June 30, 2014 (see Note 10).

#### **Kazakhstan**

**Mobile** Throughout Q4 2014, Tele2 Kazakhstan continued its focus on strengthening its market position and on increasing quality of customer intake. In the quarter, net intake amounted to 205,000 (–393,000), taking the total customer base to 3,297,000 (2,751,000). Mobile end-user service revenue grew by 12 percent compared to the same quarter previous year, despite devaluation of local currency and increased competitive pressure, and amounted to SEK 280 (251) million. The EBITDA contribution was SEK 17 (–7) million through improved operational scale and lower interconnect level. Mobile data traffic showed steady growth, increasing by 100 percent compared to the same period last year.

Tele2 Kazakhstan continued to invest in its mobile network in order to improve quality perception in the market. Most efforts concentrated on expanding geographical coverage and improving network quality. New bucket priced offers were introduced in the quarter as a response to strong pricing competition and to maintain the price leadership position.

Tele2 maintained a high customer satisfaction level during Q4 and in December it was at 92 percent (world class benchmark is 85 percent).

#### **Croatia**

**Mobile** In Q4 2014, Tele2 Croatia's net intake was negatively impacted by seasonally high churn due to tourism in the summer and amounted to –54,000 (–45,000). The company had a solid mobile end-user service revenue increase of 7 percent, amounting to SEK 205 (191) million, despite negative impact from lower roaming prices.

Tele2 Croatia continued to improve its profitability with a solid EBITDA contribution of SEK 39 (22) million and an EBITDA margin of 10 (6) percent thanks to service revenue growth and cost efficiency.

At the end of Q4 2014, Tele2 secured an additional 15 MHz of spectrum in the 1800 MHz band in order to continue to improve the network quality.

#### **Lithuania**

**Mobile** Despite strong competition, Tele2 Lithuania maintained stable performance in Q4 2014 with mobile end-user services revenue growing to SEK 207 (205) million. Tele2 Lithuania's net intake was –40,000 (–1,000) in Q4 2014, due to seasonally weak prepaid intake.

During the quarter, Tele2 Lithuania reached a solid EBITDA contribution of SEK 128 (102) million. The positive development was

mainly driven by higher mobile data usage in combination with improved cost efficiency. As a result, Tele2 Lithuania's EBITDA margin increased to 36 (31) percent in the quarter helped by good cost control.

In Q4 2014, Tele2 continued its fast 4G rollout focusing on LTE 800 MHz and achieved the planned population coverage of close to 50 percent at the end of 2014.

Tele2 Lithuania acquired its independent dealers in order to strengthen the quality perception and the customer satisfaction. As a result, the company added 50 shops to the Tele2 distribution network.

During Q4 2014, Tele2 Lithuania enabled 4G handsets, launched HD Voice service and introduced Deezer music services.

#### **Latvia**

**Mobile** Tele2 Latvia's mobile end-user service revenue was SEK 144 (130) million in the quarter, positively impacted by growing mobile data usage. Tele2 Latvia's net intake was –28,000 (–41,000) in Q4 2014, due to seasonally weak prepaid intake. Having achieved a significant gain in reputation through ongoing attention to service excellence and performance, Tele2 Latvia concentrated its efforts on maintaining its efficiency during the quarter, but also focused on quality of service and offer innovation. As a result the EBITDA contribution improved to SEK 82 (72) million, equivalent to an EBITDA margin of 35 (31) percent.

During Q4 2014, Tele2 Latvia enabled 4G handsets and launched HD Voice service. Tele2 Latvia will continue to strengthen its market position through focus on revenue growth, customer satisfaction and innovation.

In December 2014, customer satisfaction index amounted to 86 percent (world class benchmark is 85 percent). This was driven by prudent customer services process management and improved performance of the customer relationship management systems.

#### **Estonia**

**Mobile** Tele2 Estonia showed stable financial performance during Q4 2014 under difficult market conditions, with mobile end-user service revenue and EBITDA amounting to SEK 96 (96) million and SEK 49 (28) million respectively. A non-recurring EBITDA gain of SEK 20 million was reported in Q4 2014 for the sale of 2,600 MHz license to the incumbent.

Tele2 Estonia maintained its rapid LTE 800 MHz rollout in the quarter and managed to cover 90 percent of the population by the end of 2014. The rollout enables better monetization of mobile data growth in the country. The company will also focus on increasing customer intake by utilizing all commercial channels, but especially its own shops as they generate higher ARPU customers. Additionally, Tele2 Estonia will work on optimizing its fiber network. The objective is to acquire more business customers by providing them with direct data link not only in Estonia, but also through partners abroad.

#### **Austria**

In the quarter, Tele2 Austria had a negative net intake of –6,000 (–8,000) caused by market decline within the residential fixed telephony and broadband segments. Net sales amounted to SEK 311 (306) million, stabilized by enhanced focus on driving growth in the business and residential segments. As a result of investments into growth initiatives such as MVNO operations, EBITDA amounted to SEK 62 (65) Million.

Tele2 Austria will continue the launch of mobile B2B services based on an MVNO setup. Building on the high-speed broadband

and TV products launched in 2014, the residential segment will continue the focus on retention and selective growth.

**Fixed broadband** Tele2 Austria continued the expansion of the high-speed product coverage while launching a triple play product including TV in the residential market.

#### **Germany**

In the quarter, Tele2 Germany kept its good balance between profitability and growth within the mobile segment, supported by a solid performance in the fixed and broadband segments. This resulted in net sales of SEK 229 (226) million and an EBITDA amounting to SEK 31 (32) million. Although the fixed telephony and broadband segments continued to decline, the positive trend of growing mobile sustained, which resulted in a total customer base of 709,000 (713,000). The customer satisfaction within this customer base reached a level of more than 85 percent (world class benchmark is 85 percent) during Q4 2014.

**Mobile** Planned changes in the provisioning of new mobile customers, and a focused shift to improved customer value have led to a more moderate growth compared to previous quarters. Still, the total customer base grew by 38 percent to 242,000 (176,000). End-user service revenue amounted to SEK 116 (97) million in the quarter.

**Fixed broadband and telephony** The declining trend within the fixed voice segments continued in Q4 2014. However, the customer base in the segments exceeded the expectations for 2014, providing the possibility to cross subsidizing new mobile products.

# Other Items

## Risks and uncertainty factors

Tele2's operations are affected by a number of external factors. The risk factors considered to be most significant to Tele2's future development are operating risks, such as the availability of frequencies and telecom licenses, integration of new business models, changes in regulatory legislation, data privacy, dependency on suppliers and business partners, operation in Kazakhstan, geopolitical risks, risk of not obtaining final approval from the competition authorities and that this may impact the carrying values for the Norwegian operation, and financial risks such as currency risk, interest risk, liquidity risk and credit risk. In addition to the risks described in Tele2's annual report for 2013 (see Directors' report and Note 2 of the report for a detailed description of Tele2's risk exposure and risk management), no additional significant risks are estimated to have developed.

## Company disclosure

### Tele2 AB (publ) Annual General Meeting 2015

The 2015 Annual General Meeting will be held on May 19, 2015 in Stockholm. Shareholders wishing to have a matter considered at the Annual General Meeting should submit their proposals in writing to [agm@tele2.com](mailto:agm@tele2.com) or to the Company Secretary, Tele2 AB (publ), P.O. Box 62, SE-164 94 Kista, Sweden, at least seven weeks before the Annual General Meeting for the proposal to be included in the notice to the meeting. Further details on how and when to register will be published in advance of the Annual General Meeting.

## Nomination committee for the 2015 Annual General Meeting

In accordance with the resolution of the 2014 Annual General Meeting, Cristina Stenbeck has convened a Nomination Committee consisting of members appointed by the largest shareholders in Tele2 (wishing to appoint a member). The Nomination Committee is comprised of Cristina Stenbeck appointed by Investment AB Kinnevik; Mathias Leijon appointed by Nordea Funds; Jonas Eixmann appointed by Andra AP-fonden and Åsa Nisell appointed by Swedbank Robur Funds. The members of the Committee appointed Cristina Stenbeck as Committee Chairman at their first meeting. Information about the work of the Nomination Committee can be found on Tele2's corporate website at [www.tele2.com](http://www.tele2.com). Shareholders wishing to propose candidates for election to the Board of Directors of Tele2 AB (publ) should submit their proposal in writing to [agm@tele2.com](mailto:agm@tele2.com) or to the Company Secretary, Tele2 AB (publ), P.O. Box 62, SE 164 94 Kista, Sweden.

## Other

The annual report 2014 is expected to be released on March 27, 2015 and be available on [www.tele2.com](http://www.tele2.com).

Tele2 will release its financial and operating results for the period ending March 31, 2015 on April 21, 2015.

Stockholm, January 30, 2015

Tele2 AB

Mike Parton  
*Chairman*

Lars Berg

Mia Brunell Livfors

Lorenzo Grabau

Irina Hemmers

Erik Mitteregger

Carla Smits-Nusteling

Mario Zanotti

Mats Granryd  
*President and CEO*

# Auditors' Review Report

## Introduction

We have reviewed the full year report for Tele2 AB (publ) for the period January 1 – December 31, 2014. The Board of Directors and the President are responsible for the preparation and presentation of this full year report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this full year report based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different

focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the full year report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, January 30, 2015  
Deloitte AB

Thomas Strömberg  
Authorized Public Accountant

## Q4 2014 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CEST (09:00 am BST/04:00 am EDT) on Friday, January 30, 2015. The presentation will be held in English and also made available as an audio cast on Tele2's website: [www.tele2.com](http://www.tele2.com).

### Dial-in information

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

### Dial-in numbers

Sweden: +46 8 505 564 74

UK: +44 203 364 5374

US: +1 855 753 2230

### CONTACTS

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President & CEO

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CFO

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EVP, Group Communication & Strategy

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#### Tele2 AB

Company registration nr: 556410-8917

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**VISIT OUR WEBSITE: [www.tele2.com](http://www.tele2.com)**

### APPENDICES

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**TELE2 IS ONE OF EUROPE'S FASTEST GROWING TELECOM OPERATORS, ALWAYS PROVIDING CUSTOMERS WITH WHAT THEY NEED FOR LESS.**

We have 14 million customers in 9 countries. Tele2 offers mobile services, fixed broadband and fixed telephony, data network services, and content services. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2014, we had net sales of SEK 26 billion and reported an operating profit (EBITDA) of SEK 5.9 billion.

# Income statement

SEK million	Note	2014 Full year	2013 Full year	2014 Q4	2013 Q4
<b>CONTINUING OPERATIONS</b>					
Net sales	1	25,955	25,757	6,876	6,585
Cost of services sold	2	-15,054	-15,441	-4,111	-3,842
<b>Gross profit</b>		<b>10,901</b>	<b>10,316</b>	<b>2,765</b>	<b>2,743</b>
Selling expenses	2	-5,298	-5,541	-1,363	-1,428
Administrative expenses	2	-2,518	-2,321	-728	-605
Result from shares in joint ventures and associated companies		-14	-17	-5	-3
Other operating income	10	647	206	116	62
Other operating expenses	2	-228	-95	-50	-33
<b>Operating profit, EBIT</b>		<b>3,490</b>	<b>2,548</b>	<b>735</b>	<b>736</b>
Interest income/costs	3	-378	-368	-95	-89
Other financial items	4	388	-183	55	-90
<b>Profit after financial items, EBT</b>		<b>3,500</b>	<b>1,997</b>	<b>695</b>	<b>557</b>
Income tax	5	-874	-1,029	-201	-280
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>		<b>2,626</b>	<b>968</b>	<b>494</b>	<b>277</b>
<b>DISCONTINUED OPERATIONS</b>					
Net profit/loss from discontinued operations	10	-415	13,622	-85	-108
<b>NET PROFIT</b>		<b>2,211</b>	<b>14,590</b>	<b>409</b>	<b>169</b>
ATTRIBUTABLE TO					
Equity holders of the parent company		2,211	14,590	409	169
Earnings per share (SEK)	9	4.96	32.77	0.92	0.38
Earnings per share, after dilution (SEK)	9	4.93	32.55	0.91	0.36
<b>FROM CONTINUING OPERATIONS</b>					
ATTRIBUTABLE TO					
Equity holders of the parent company		2,626	968	494	277
Earnings per share (SEK)	9	5.89	2.17	1.11	0.62
Earnings per share, after dilution (SEK)	9	5.86	2.15	1.10	0.60

# Comprehensive income

SEK million	Note	2014 Full year	2013 Full year	2014 Q4	2013 Q4
<b>NET PROFIT</b>		<b>2,211</b>	<b>14,590</b>	<b>409</b>	<b>169</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT					
Pensions, actuarial gains/losses		-82	203	-15	195
Pensions, actuarial gains/losses, tax effect		18	-45	3	-43
<b>Components not to be reclassified to net profit</b>		<b>-64</b>	<b>158</b>	<b>-12</b>	<b>152</b>
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT					
<b>Exchange rate differences</b>					
Translation differences in foreign operations	2	1,137	272	549	449
Tax effect on above		-179	-20	-49	6
Reversed cumulative translation differences from divested companies	10	-3	1,719	-	-1
<i>Translation differences</i>		<i>955</i>	<i>1,971</i>	<i>500</i>	<i>454</i>
Hedge of net investments in foreign operations		4	-6	193	-87
Tax effect on above		-1	2	-43	20
Reversed cumulative hedge from divested companies		-	-3	-	-
<i>Hedge of net investments</i>		<i>3</i>	<i>-7</i>	<i>150</i>	<i>-67</i>
<b>Exchange rate differences</b>		<b>958</b>	<b>1,964</b>	<b>650</b>	<b>387</b>
<b>Cash flow hedges</b>					
Gain/loss arising on changes in fair value of hedging instruments		-172	33	-38	-22
Reclassified cumulative loss to income statement		61	49	17	12
Tax effect on cash flow hedges		25	-18	6	2
<b>Cash flow hedges</b>		<b>-86</b>	<b>64</b>	<b>-15</b>	<b>-8</b>
<b>Components that may be reclassified to net profit</b>		<b>872</b>	<b>2,028</b>	<b>635</b>	<b>379</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>808</b>	<b>2,186</b>	<b>623</b>	<b>531</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>3,019</b>	<b>16,776</b>	<b>1,032</b>	<b>700</b>
ATTRIBUTABLE TO					
Equity holders of the parent company		3,019	16,776	1,032	700

# Balance sheet

SEK million	Note	Dec 31, 2014	Dec 31, 2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill		9,503	9,537
Other intangible assets	2	4,913	5,183
<b>Intangible assets</b>		<b>14,416</b>	<b>14,720</b>
Tangible assets	2	11,138	11,747
Financial assets	3	531	365
Deferred tax assets	5	2,062	2,753
<b>NON-CURRENT ASSETS</b>		<b>28,147</b>	<b>29,585</b>
<b>CURRENT ASSETS</b>			
Inventories		500	471
Current receivables		7,179	7,948
Current investments		38	55
Cash and cash equivalents	6	151	1,348
<b>CURRENT ASSETS</b>		<b>7,868</b>	<b>9,822</b>
<b>ASSETS CLASSIFIED AS HELD FOR SALE</b>	10	3,833	448
<b>ASSETS</b>		<b>39,848</b>	<b>39,855</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Attributable to equity holders of the parent company		22,680	21,589
Non-controlling interests		2	2
<b>EQUITY</b>	9	<b>22,682</b>	<b>21,591</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	3	5,353	6,282
Non-interest-bearing liabilities	5	358	441
<b>NON-CURRENT LIABILITIES</b>		<b>5,711</b>	<b>6,723</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	3	3,837	3,148
Non-interest-bearing liabilities		6,869	8,340
<b>CURRENT LIABILITIES</b>		<b>10,706</b>	<b>11,488</b>
<b>LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE</b>	10	749	53
<b>EQUITY AND LIABILITIES</b>		<b>39,848</b>	<b>39,855</b>



# Cash flow statement

(Total operations)

SEK million	Note	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>OPERATING ACTIVITIES</b>									
Operating profit		3,102	16,339	663	906	679	854	586	248
Adjustments for non-cash items in operating profit		2,909	-9,141	773	812	806	518	891	1,286
Financial items paid/received		-246	-455	37	-120	-122	-41	-141	-132
Taxes paid		-327	-479	-93	-63	-46	-125	-109	-31
<b>Cash flow from operations before changes in working capital</b>		<b>5,438</b>	<b>6,264</b>	<b>1,380</b>	<b>1,535</b>	<b>1,317</b>	<b>1,206</b>	<b>1,227</b>	<b>1,371</b>
Changes in working capital		-860	-451	-58	-92	-11	-699	293	-14
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>4,578</b>	<b>5,813</b>	<b>1,322</b>	<b>1,443</b>	<b>1,306</b>	<b>507</b>	<b>1,520</b>	<b>1,357</b>
<b>INVESTING ACTIVITIES</b>									
CAPEX paid	7	-4,146	-5,241	-1,084	-968	-1,032	-1,062	-1,013	-862
<b>Cash flow after CAPEX</b>		<b>432</b>	<b>572</b>	<b>238</b>	<b>475</b>	<b>274</b>	<b>-555</b>	<b>507</b>	<b>495</b>
Acquisition and sale of shares and participations	10	674	17,228	-18	-18	-39	749	-4	-52
Other financial assets		-235	7	-252	-	3	14	-6	1
<b>Cash flow from investing activities</b>		<b>-3,707</b>	<b>11,994</b>	<b>-1,354</b>	<b>-986</b>	<b>-1,068</b>	<b>-299</b>	<b>-1,023</b>	<b>-913</b>
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>		<b>871</b>	<b>17,807</b>	<b>-32</b>	<b>457</b>	<b>238</b>	<b>208</b>	<b>497</b>	<b>444</b>
<b>FINANCING ACTIVITIES</b>									
Change of loans, net	3	-200	-2,433	-308	-546	1,640	-986	-169	-159
Dividends	9	-1,960	-3,163	-	-	-1,960	-	-	-
Redemption of shares	9	-	-12,474	-	-	-	-	-	-
Other financing activities	9	-	-94	-	-	-	-	-	-
<b>Cash flow from financing activities</b>		<b>-2,160</b>	<b>-18,164</b>	<b>-308</b>	<b>-546</b>	<b>-320</b>	<b>-986</b>	<b>-169</b>	<b>-159</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>-1,289</b>	<b>-357</b>	<b>-340</b>	<b>-89</b>	<b>-82</b>	<b>-778</b>	<b>328</b>	<b>285</b>
Cash and cash equivalents at beginning of period		1,348	1,673	418	526	593	1,348	1,024	740
Exchange rate differences in cash and cash equivalents		92	32	73	-19	15	23	-4	-1
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>6</b>	<b>151</b>	<b>1,348</b>	<b>151</b>	<b>418</b>	<b>526</b>	<b>593</b>	<b>1,348</b>	<b>1,024</b>

# Change in equity

SEK million	Note	Dec 31, 2014			Dec 31, 2013		
		Attributable to		Total equity	Attributable to		Total equity
		equity holders of the parent company	non-controlling interests		equity holders of the parent company	non-controlling interests	
<b>Equity, January 1</b>		<b>21,589</b>	<b>2</b>	<b>21,591</b>	<b>20,426</b>	<b>3</b>	<b>20,429</b>
Net profit for the year		2,211	–	2,211	14,590	–	14,590
Other comprehensive income for the year, net of tax		808	–	808	2,186	–	2,186
<b>Total comprehensive income for the year</b>		<b>3,019</b>	<b>–</b>	<b>3,019</b>	<b>16,776</b>	<b>–</b>	<b>16,776</b>
<b>Other changes in equity</b>							
Share-based payments	9	29	–	29	14	–	14
Share-based payments, tax effect	9	3	–	3	10	–	10
Dividends	9	–1,960	–	–1,960	–3,163	–	–3,163
Redemption of shares	9	–	–	–	–12,474	–	–12,474
Purchase of non-controlling interests	9	–	–	–	–	–1	–1
<b>EQUITY, END OF THE YEAR</b>		<b>22,680</b>	<b>2</b>	<b>22,682</b>	<b>21,589</b>	<b>2</b>	<b>21,591</b>

# Numbers of customers

by thousands	Note	Numbers of customers		Net intake							
		2014 Dec 31	2013 Dec 31	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>Sweden</b>											
Mobile		3,687	3,738	-51	38	-58	28	-8	-13	-8	60
Fixed broadband	1	57	465	-23	-19	-7	-4	-6	-6	-7	-2
Fixed telephony		232	273	-41	-68	-11	-9	-12	-9	-16	-15
		<b>3,976</b>	<b>4,476</b>	<b>-115</b>	<b>-49</b>	<b>-76</b>	<b>15</b>	<b>-26</b>	<b>-28</b>	<b>-31</b>	<b>43</b>
<b>Netherlands</b>											
Mobile		813	694	119	224	22	23	27	47	62	56
Fixed broadband		369	374	-5	-47	1	1	-1	-6	-11	-12
Fixed telephony		75	107	-32	-34	-10	-5	-7	-10	-7	-6
		<b>1,257</b>	<b>1,175</b>	<b>82</b>	<b>143</b>	<b>13</b>	<b>19</b>	<b>19</b>	<b>31</b>	<b>44</b>	<b>38</b>
<b>Kazakhstan</b>											
Mobile		3,297	2,751	546	154	205	108	213	20	-393	-14
		<b>3,297</b>	<b>2,751</b>	<b>546</b>	<b>154</b>	<b>205</b>	<b>108</b>	<b>213</b>	<b>20</b>	<b>-393</b>	<b>-14</b>
<b>Croatia</b>											
Mobile		823	793	30	40	-54	33	45	6	-45	50
		<b>823</b>	<b>793</b>	<b>30</b>	<b>40</b>	<b>-54</b>	<b>33</b>	<b>45</b>	<b>6</b>	<b>-45</b>	<b>50</b>
<b>Lithuania</b>											
Mobile		1,810	1,851	-41	81	-40	-15	-4	18	-1	54
		<b>1,810</b>	<b>1,851</b>	<b>-41</b>	<b>81</b>	<b>-40</b>	<b>-15</b>	<b>-4</b>	<b>18</b>	<b>-1</b>	<b>54</b>
<b>Latvia</b>											
Mobile		975	1,031	-56	-9	-28	10	1	-39	-41	24
		<b>975</b>	<b>1,031</b>	<b>-56</b>	<b>-9</b>	<b>-28</b>	<b>10</b>	<b>1</b>	<b>-39</b>	<b>-41</b>	<b>24</b>
<b>Estonia</b>											
Mobile		488	503	-15	-	-6	2	-6	-5	-8	7
Fixed telephony		3	4	-1	-1	-	-1	-1	1	-	-
		<b>491</b>	<b>507</b>	<b>-16</b>	<b>-1</b>	<b>-6</b>	<b>1</b>	<b>-7</b>	<b>-4</b>	<b>-8</b>	<b>7</b>
<b>Austria</b>											
Fixed broadband		108	118	-10	-9	-2	-4	-1	-3	-2	-2
Fixed telephony		148	167	-19	-24	-4	-4	-5	-6	-6	-5
		<b>256</b>	<b>285</b>	<b>-29</b>	<b>-33</b>	<b>-6</b>	<b>-8</b>	<b>-6</b>	<b>-9</b>	<b>-8</b>	<b>-7</b>
<b>Germany</b>											
Mobile		242	176	66	66	9	19	18	20	20	21
Fixed broadband		64	71	-7	-11	-2	-1	-1	-3	-2	-2
Fixed telephony		403	466	-63	-128	-26	-15	-2	-20	-17	-10
		<b>709</b>	<b>713</b>	<b>-4</b>	<b>-73</b>	<b>-19</b>	<b>3</b>	<b>15</b>	<b>-3</b>	<b>1</b>	<b>9</b>
<b>TOTAL</b>											
Mobile		<b>12,135</b>	<b>11,537</b>	<b>598</b>	<b>594</b>	<b>50</b>	<b>208</b>	<b>286</b>	<b>54</b>	<b>-414</b>	<b>258</b>
Fixed broadband	1	<b>598</b>	<b>1,028</b>	<b>-45</b>	<b>-86</b>	<b>-10</b>	<b>-8</b>	<b>-9</b>	<b>-18</b>	<b>-22</b>	<b>-18</b>
Fixed telephony		<b>861</b>	<b>1,017</b>	<b>-156</b>	<b>-255</b>	<b>-51</b>	<b>-34</b>	<b>-27</b>	<b>-44</b>	<b>-46</b>	<b>-36</b>
<b>TOTAL NUMBERS OF CUSTOMERS AND NET INTAKE</b>											
		<b>13,594</b>	<b>13,582</b>	<b>397</b>	<b>253</b>	<b>-11</b>	<b>166</b>	<b>250</b>	<b>-8</b>	<b>-482</b>	<b>204</b>
Divested companies	1			-385	-	-	-	-	-385	-	-
Changed method of calculation	1			-	-900	-	-	-	-	-89	-
<b>TOTAL NUMBERS OF CUSTOMERS AND NET CHANGE</b>											
		<b>13,594</b>	<b>13,582</b>	<b>12</b>	<b>-647</b>	<b>-11</b>	<b>166</b>	<b>250</b>	<b>-393</b>	<b>-571</b>	<b>204</b>

# Net sales

SEK million	Note	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>Sweden</b>									
Mobile	1	11,113	10,075	3,006	2,755	2,726	2,626	2,590	2,508
Fixed broadband	1, 10	728	1,411	187	176	185	180	345	334
Fixed telephony		660	841	153	158	168	181	188	203
Other operations		140	133	35	36	34	35	34	35
		<b>12,641</b>	<b>12,460</b>	<b>3,381</b>	<b>3,125</b>	<b>3,113</b>	<b>3,022</b>	<b>3,157</b>	<b>3,080</b>
<b>Netherlands</b>									
Mobile		1,957	1,682	567	497	458	435	447	463
Fixed broadband		2,496	2,632	626	627	617	626	651	646
Fixed telephony		421	551	97	104	103	117	131	135
Other operations		567	571	143	141	141	142	143	139
		<b>5,441</b>	<b>5,436</b>	<b>1,433</b>	<b>1,369</b>	<b>1,319</b>	<b>1,320</b>	<b>1,372</b>	<b>1,383</b>
<b>Kazakhstan</b>									
Mobile		1,334	1,344	382	349	309	294	365	357
		<b>1,334</b>	<b>1,344</b>	<b>382</b>	<b>349</b>	<b>309</b>	<b>294</b>	<b>365</b>	<b>357</b>
<b>Croatia</b>									
Mobile		1,390	1,397	372	390	329	299	396	372
		<b>1,390</b>	<b>1,397</b>	<b>372</b>	<b>390</b>	<b>329</b>	<b>299</b>	<b>396</b>	<b>372</b>
<b>Lithuania</b>									
Mobile		1,375	1,289	358	379	332	306	329	336
		<b>1,375</b>	<b>1,289</b>	<b>358</b>	<b>379</b>	<b>332</b>	<b>306</b>	<b>329</b>	<b>336</b>
<b>Latvia</b>									
Mobile		916	926	238	237	226	215	233	234
		<b>916</b>	<b>926</b>	<b>238</b>	<b>237</b>	<b>226</b>	<b>215</b>	<b>233</b>	<b>234</b>
<b>Estonia</b>									
Mobile		582	606	142	152	148	140	156	163
Fixed telephony		7	10	2	1	2	2	2	3
Other operations		45	58	10	12	11	12	14	16
		<b>634</b>	<b>674</b>	<b>154</b>	<b>165</b>	<b>161</b>	<b>154</b>	<b>172</b>	<b>182</b>
<b>Austria</b>									
Fixed broadband		783	811	199	196	195	193	203	204
Fixed telephony		165	190	41	41	41	42	47	46
Other operations		261	243	71	71	63	56	56	63
		<b>1,209</b>	<b>1,244</b>	<b>311</b>	<b>308</b>	<b>299</b>	<b>291</b>	<b>306</b>	<b>313</b>
<b>Germany</b>									
Mobile		440	321	116	112	108	104	99	82
Fixed broadband		164	171	39	41	41	43	40	43
Fixed telephony		312	375	74	79	77	82	87	88
		<b>916</b>	<b>867</b>	<b>229</b>	<b>232</b>	<b>226</b>	<b>229</b>	<b>226</b>	<b>213</b>
<b>Other</b>									
Other operations		135	152	33	36	38	28	37	40
		<b>135</b>	<b>152</b>	<b>33</b>	<b>36</b>	<b>38</b>	<b>28</b>	<b>37</b>	<b>40</b>
<b>TOTAL</b>									
Mobile		<b>19,107</b>	<b>17,640</b>	<b>5,181</b>	<b>4,871</b>	<b>4,636</b>	<b>4,419</b>	<b>4,615</b>	<b>4,515</b>
Fixed broadband	10	<b>4,171</b>	<b>5,025</b>	<b>1,051</b>	<b>1,040</b>	<b>1,038</b>	<b>1,042</b>	<b>1,239</b>	<b>1,227</b>
Fixed telephony		<b>1,565</b>	<b>1,967</b>	<b>367</b>	<b>383</b>	<b>391</b>	<b>424</b>	<b>455</b>	<b>475</b>
Other operations		<b>1,148</b>	<b>1,157</b>	<b>292</b>	<b>296</b>	<b>287</b>	<b>273</b>	<b>284</b>	<b>293</b>
		25,991	25,789	6,891	6,590	6,352	6,158	6,593	6,510
Internal sales, elimination		-36	-32	-15	-6	-9	-6	-8	-10
<b>TOTAL</b>		<b>25,955</b>	<b>25,757</b>	<b>6,876</b>	<b>6,584</b>	<b>6,343</b>	<b>6,152</b>	<b>6,585</b>	<b>6,500</b>

# Internal sales

SEK million	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>Sweden</b>								
Mobile	12	7	8	1	2	1	1	2
	<b>12</b>	<b>7</b>	<b>8</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Netherlands</b>								
Other operations	2	1	1	-	1	-	-	-
	<b>2</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Lithuania</b>								
Mobile	11	9	3	4	2	2	2	2
	<b>11</b>	<b>9</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Latvia</b>								
Mobile	9	11	2	2	3	2	3	4
	<b>9</b>	<b>11</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Other</b>								
Other operations	2	4	1	-1	1	1	2	2
	<b>2</b>	<b>4</b>	<b>1</b>	<b>-1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>TOTAL</b>								
Mobile	<b>32</b>	<b>27</b>	<b>13</b>	<b>7</b>	<b>7</b>	<b>5</b>	<b>6</b>	<b>8</b>
Other operations	<b>4</b>	<b>5</b>	<b>2</b>	<b>-1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>TOTAL</b>	<b>36</b>	<b>32</b>	<b>15</b>	<b>6</b>	<b>9</b>	<b>6</b>	<b>8</b>	<b>10</b>

# Mobile external net sales split

SEK million	Note	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>Sweden, mobile</b>									
End-user service revenue		7,252	6,950	1,856	1,865	1,815	1,716	1,775	1,767
Operator revenue	1	955	982	225	222	224	284	209	229
<i>Service revenue</i>		<i>8,207</i>	<i>7,932</i>	<i>2,081</i>	<i>2,087</i>	<i>2,039</i>	<i>2,000</i>	<i>1,984</i>	<i>1,996</i>
Equipment revenue	1	2,258	1,535	759	505	527	467	449	358
Other revenue		636	601	158	162	158	158	156	152
		<b>11,101</b>	<b>10,068</b>	<b>2,998</b>	<b>2,754</b>	<b>2,724</b>	<b>2,625</b>	<b>2,589</b>	<b>2,506</b>
<b>Netherlands, mobile</b>									
End-user service revenue		1,203	944	301	321	308	273	261	259
Operator revenue		149	131	38	38	39	34	34	34
<i>Service revenue</i>		<i>1,352</i>	<i>1,075</i>	<i>339</i>	<i>359</i>	<i>347</i>	<i>307</i>	<i>295</i>	<i>293</i>
Equipment revenue		605	607	228	138	111	128	152	170
		<b>1,957</b>	<b>1,682</b>	<b>567</b>	<b>497</b>	<b>458</b>	<b>435</b>	<b>447</b>	<b>463</b>
<b>Kazakhstan, mobile</b>									
End-user service revenue		978	909	280	257	225	216	251	240
Operator revenue		338	402	98	88	80	72	106	108
<i>Service revenue</i>		<i>1,316</i>	<i>1,311</i>	<i>378</i>	<i>345</i>	<i>305</i>	<i>288</i>	<i>357</i>	<i>348</i>
Equipment revenue		18	33	4	4	4	6	8	9
		<b>1,334</b>	<b>1,344</b>	<b>382</b>	<b>349</b>	<b>309</b>	<b>294</b>	<b>365</b>	<b>357</b>
<b>Croatia, mobile</b>									
End-user service revenue		803	749	205	220	196	182	191	199
Operator revenue		274	298	66	88	66	54	71	91
<i>Service revenue</i>		<i>1,077</i>	<i>1,047</i>	<i>271</i>	<i>308</i>	<i>262</i>	<i>236</i>	<i>262</i>	<i>290</i>
Equipment revenue		313	350	101	82	67	63	134	82
		<b>1,390</b>	<b>1,397</b>	<b>372</b>	<b>390</b>	<b>329</b>	<b>299</b>	<b>396</b>	<b>372</b>
<b>Lithuania, mobile</b>									
End-user service revenue		847	843	207	231	213	196	205	221
Operator revenue		183	145	50	49	44	40	37	35
<i>Service revenue</i>		<i>1,030</i>	<i>988</i>	<i>257</i>	<i>280</i>	<i>257</i>	<i>236</i>	<i>242</i>	<i>256</i>
Equipment revenue		334	292	98	95	73	68	85	78
		<b>1,364</b>	<b>1,280</b>	<b>355</b>	<b>375</b>	<b>330</b>	<b>304</b>	<b>327</b>	<b>334</b>
<b>Latvia, mobile</b>									
End-user service revenue		551	533	144	145	134	128	130	139
Operator revenue		203	225	46	46	55	56	55	49
<i>Service revenue</i>		<i>754</i>	<i>758</i>	<i>190</i>	<i>191</i>	<i>189</i>	<i>184</i>	<i>185</i>	<i>188</i>
Equipment revenue		153	157	46	44	34	29	45	42
		<b>907</b>	<b>915</b>	<b>236</b>	<b>235</b>	<b>223</b>	<b>213</b>	<b>230</b>	<b>230</b>
<b>Estonia, mobile</b>									
End-user service revenue		382	391	96	98	97	91	96	102
Operator revenue		64	65	13	19	17	15	16	18
<i>Service revenue</i>		<i>446</i>	<i>456</i>	<i>109</i>	<i>117</i>	<i>114</i>	<i>106</i>	<i>112</i>	<i>120</i>
Equipment revenue		136	150	33	35	34	34	44	43
		<b>582</b>	<b>606</b>	<b>142</b>	<b>152</b>	<b>148</b>	<b>140</b>	<b>156</b>	<b>163</b>
<b>Germany, mobile</b>									
End-user service revenue		439	316	116	115	106	102	97	81
<i>Service revenue</i>		<i>439</i>	<i>316</i>	<i>116</i>	<i>115</i>	<i>106</i>	<i>102</i>	<i>97</i>	<i>81</i>
Equipment revenue		1	5	-	-3	2	2	2	1
		<b>440</b>	<b>321</b>	<b>116</b>	<b>112</b>	<b>108</b>	<b>104</b>	<b>99</b>	<b>82</b>
<b>TOTAL, MOBILE</b>									
End-user service revenue		12,455	11,635	3,205	3,252	3,094	2,904	3,006	3,008
Operator revenue		2,166	2,248	536	550	525	555	528	564
<i>Service revenue</i>		<i>14,621</i>	<i>13,883</i>	<i>3,741</i>	<i>3,802</i>	<i>3,619</i>	<i>3,459</i>	<i>3,534</i>	<i>3,572</i>
Equipment revenue		3,818	3,129	1,269	900	852	797	919	783
Other revenue		636	601	158	162	158	158	156	152
<b>TOTAL</b>		<b>19,075</b>	<b>17,613</b>	<b>5,168</b>	<b>4,864</b>	<b>4,629</b>	<b>4,414</b>	<b>4,609</b>	<b>4,507</b>

# EBITDA

SEK million	Note	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>Sweden</b>									
Mobile	1-2	3,224	2,971	792	910	777	745	722	760
Fixed broadband	1, 2, 10	85	143	16	34	25	10	55	49
Fixed telephony	1-2	195	243	44	51	57	43	55	61
Other operations		108	91	28	30	23	27	26	30
		<b>3,612</b>	<b>3,448</b>	<b>880</b>	<b>1,025</b>	<b>882</b>	<b>825</b>	<b>858</b>	<b>900</b>
<b>Netherlands</b>									
Mobile		-182	-20	-78	-45	-23	-36	26	-22
Fixed broadband		693	854	169	163	169	192	217	192
Fixed telephony	2	142	137	20	29	63	30	30	35
Other operations		250	280	62	59	58	71	69	66
		<b>903</b>	<b>1,251</b>	<b>173</b>	<b>206</b>	<b>267</b>	<b>257</b>	<b>342</b>	<b>271</b>
<b>Kazakhstan</b>									
Mobile		43	-138	17	22	3	1	-7	-34
		<b>43</b>	<b>-138</b>	<b>17</b>	<b>22</b>	<b>3</b>	<b>1</b>	<b>-7</b>	<b>-34</b>
<b>Croatia</b>									
Mobile		169	95	39	72	33	25	22	48
		<b>169</b>	<b>95</b>	<b>39</b>	<b>72</b>	<b>33</b>	<b>25</b>	<b>22</b>	<b>48</b>
<b>Lithuania</b>									
Mobile		506	461	128	143	127	108	102	109
		<b>506</b>	<b>461</b>	<b>128</b>	<b>143</b>	<b>127</b>	<b>108</b>	<b>102</b>	<b>109</b>
<b>Latvia</b>									
Mobile		294	292	82	83	67	62	72	72
		<b>294</b>	<b>292</b>	<b>82</b>	<b>83</b>	<b>67</b>	<b>62</b>	<b>72</b>	<b>72</b>
<b>Estonia</b>									
Mobile	2	149	124	49	35	32	33	28	33
Fixed telephony		4	4	1	2	-	1	1	1
Other operations		20	33	5	4	6	5	8	9
		<b>173</b>	<b>161</b>	<b>55</b>	<b>41</b>	<b>38</b>	<b>39</b>	<b>37</b>	<b>43</b>
<b>Austria</b>									
Mobile		-2	-	-2	-	-	-	-	-
Fixed broadband		119	184	33	34	28	24	37	48
Fixed telephony		95	106	26	24	24	21	25	26
Other operations		19	18	5	4	6	4	3	3
		<b>231</b>	<b>308</b>	<b>62</b>	<b>62</b>	<b>58</b>	<b>49</b>	<b>65</b>	<b>77</b>
<b>Germany</b>									
Mobile		-27	-30	-10	-3	-7	-7	-2	-25
Fixed broadband		22	13	6	6	3	7	4	2
Fixed telephony		136	155	35	32	35	34	30	41
		<b>131</b>	<b>138</b>	<b>31</b>	<b>35</b>	<b>31</b>	<b>34</b>	<b>32</b>	<b>18</b>
<b>Other</b>									
Other operations		-136	-125	-55	-7	-36	-38	-33	-33
		<b>-136</b>	<b>-125</b>	<b>-55</b>	<b>-7</b>	<b>-36</b>	<b>-38</b>	<b>-33</b>	<b>-33</b>
<b>TOTAL</b>									
Mobile		<b>4,174</b>	<b>3,755</b>	<b>1,017</b>	<b>1,217</b>	<b>1,009</b>	<b>931</b>	<b>963</b>	<b>941</b>
Fixed broadband	10	<b>919</b>	<b>1,194</b>	<b>224</b>	<b>237</b>	<b>225</b>	<b>233</b>	<b>313</b>	<b>291</b>
Fixed telephony		<b>572</b>	<b>645</b>	<b>126</b>	<b>138</b>	<b>179</b>	<b>129</b>	<b>141</b>	<b>164</b>
Other operations		<b>261</b>	<b>297</b>	<b>45</b>	<b>90</b>	<b>57</b>	<b>69</b>	<b>73</b>	<b>75</b>
<b>TOTAL</b>		<b>5,926</b>	<b>5,891</b>	<b>1,412</b>	<b>1,682</b>	<b>1,470</b>	<b>1,362</b>	<b>1,490</b>	<b>1,471</b>

# EBIT

SEK million	Note	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>Sweden</b>									
Mobile	1-2	2,139	1,937	515	629	513	482	450	497
Fixed broadband	1, 2, 10	-13	-134	-8	10	-1	-14	11	-28
Fixed telephony	1-2	178	219	40	47	51	40	50	57
Other operations		67	41	18	20	12	17	17	14
		<b>2,371</b>	<b>2,063</b>	<b>565</b>	<b>706</b>	<b>575</b>	<b>525</b>	<b>528</b>	<b>540</b>
<b>Netherlands</b>									
Mobile		-244	-52	-109	-53	-37	-45	17	-29
Fixed broadband		178	371	46	32	34	66	90	74
Fixed telephony	2	126	121	16	24	60	26	27	30
Other operations		177	210	45	39	40	53	50	49
		<b>237</b>	<b>650</b>	<b>-2</b>	<b>42</b>	<b>97</b>	<b>100</b>	<b>184</b>	<b>124</b>
<b>Kazakhstan</b>									
Mobile	2	-178	-450	-53	-29	-46	-50	-155	-93
		<b>-178</b>	<b>-450</b>	<b>-53</b>	<b>-29</b>	<b>-46</b>	<b>-50</b>	<b>-155</b>	<b>-93</b>
<b>Croatia</b>									
Mobile		87	-6	16	51	14	6	4	21
		<b>87</b>	<b>-6</b>	<b>16</b>	<b>51</b>	<b>14</b>	<b>6</b>	<b>4</b>	<b>21</b>
<b>Lithuania</b>									
Mobile		430	342	112	120	108	90	73	80
		<b>430</b>	<b>342</b>	<b>112</b>	<b>120</b>	<b>108</b>	<b>90</b>	<b>73</b>	<b>80</b>
<b>Latvia</b>									
Mobile		187	188	54	51	45	37	55	49
		<b>187</b>	<b>188</b>	<b>54</b>	<b>51</b>	<b>45</b>	<b>37</b>	<b>55</b>	<b>49</b>
<b>Estonia</b>									
Mobile	2	47	32	24	13	4	6	6	8
Fixed telephony		3	3	1	1	1	-	-	2
Other operations		5	20	-	1	2	2	5	5
		<b>55</b>	<b>55</b>	<b>25</b>	<b>15</b>	<b>7</b>	<b>8</b>	<b>11</b>	<b>15</b>
<b>Austria</b>									
Mobile		-2	-	-2	-	-	-	-	-
Fixed broadband		37	109	11	13	8	5	19	28
Fixed telephony		61	74	16	16	17	12	15	19
Other operations		-2	-	-	-1	-1	-	-1	-1
		<b>94</b>	<b>183</b>	<b>25</b>	<b>28</b>	<b>24</b>	<b>17</b>	<b>33</b>	<b>46</b>
<b>Germany</b>									
Mobile		-61	-52	-19	-8	-21	-13	-6	-32
Fixed broadband		16	4	6	4	1	5	1	-
Fixed telephony		123	147	33	32	25	33	29	39
		<b>78</b>	<b>99</b>	<b>20</b>	<b>28</b>	<b>5</b>	<b>25</b>	<b>24</b>	<b>7</b>
<b>Other</b>									
Other operations		-145	-142	-58	-8	-39	-40	-32	-42
		<b>-145</b>	<b>-142</b>	<b>-58</b>	<b>-8</b>	<b>-39</b>	<b>-40</b>	<b>-32</b>	<b>-42</b>
<b>TOTAL</b>									
<b>Mobile</b>		<b>2,405</b>	<b>1,939</b>	<b>538</b>	<b>774</b>	<b>580</b>	<b>513</b>	<b>444</b>	<b>501</b>
<b>Fixed broadband</b>	10	<b>218</b>	<b>350</b>	<b>55</b>	<b>59</b>	<b>42</b>	<b>62</b>	<b>121</b>	<b>74</b>
<b>Fixed telephony</b>		<b>491</b>	<b>564</b>	<b>106</b>	<b>120</b>	<b>154</b>	<b>111</b>	<b>121</b>	<b>147</b>
<b>Other operations</b>		<b>102</b>	<b>129</b>	<b>5</b>	<b>51</b>	<b>14</b>	<b>32</b>	<b>39</b>	<b>25</b>
		<b>3,216</b>	<b>2,982</b>	<b>704</b>	<b>1,004</b>	<b>790</b>	<b>718</b>	<b>725</b>	<b>747</b>
One-off items	2	274	-434	31	-	1	242	11	-450
<b>TOTAL</b>		<b>3,490</b>	<b>2,548</b>	<b>735</b>	<b>1,004</b>	<b>791</b>	<b>960</b>	<b>736</b>	<b>297</b>



# EBIT, cont.

		SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT							
SEK million	Note	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>EBITDA</b>		<b>5,926</b>	<b>5,891</b>	<b>1,412</b>	<b>1,682</b>	<b>1,470</b>	<b>1,362</b>	<b>1,490</b>	<b>1,471</b>
Impairment of goodwill and other assets	2	-	-457	-	-	-	-	-3	-454
Sale of operations	10	261	23	-	-	1	260	14	4
Challenger program: restructuring costs	2	-10	-	-10	-	-	-	-	-
Other one-off items	2	23	-	41	-	-	-18	-	-
<b>Total one-off items</b>		<b>274</b>	<b>-434</b>	<b>31</b>	<b>-</b>	<b>1</b>	<b>242</b>	<b>11</b>	<b>-450</b>
Depreciation/amortization and other impairment	2	-2,696	-2,892	-703	-675	-677	-641	-762	-721
Result from shares in joint ventures and associated companies		-14	-17	-5	-3	-3	-3	-3	-3
<b>EBIT</b>		<b>3,490</b>	<b>2,548</b>	<b>735</b>	<b>1,004</b>	<b>791</b>	<b>960</b>	<b>736</b>	<b>297</b>

# CAPEX

SEK million	Note	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>Sweden</b>									
Mobile		553	766	220	115	133	85	226	144
Fixed broadband	10	46	165	8	12	13	13	35	42
Fixed telephony		8	7	2	1	3	2	1	3
Other operations		15	27	3	6	3	3	10	5
		<b>622</b>	<b>965</b>	<b>233</b>	<b>134</b>	<b>152</b>	<b>103</b>	<b>272</b>	<b>194</b>
<b>Netherlands</b>									
Mobile	7	1,042	1,648	313	320	272	137	232	30
Fixed broadband		426	379	118	107	90	111	154	82
Fixed telephony		15	8	7	4	2	2	2	1
Other operations		44	32	13	14	8	9	13	7
		<b>1,527</b>	<b>2,067</b>	<b>451</b>	<b>445</b>	<b>372</b>	<b>259</b>	<b>401</b>	<b>120</b>
<b>Kazakhstan</b>									
Mobile		319	464	78	90	85	66	118	120
		<b>319</b>	<b>464</b>	<b>78</b>	<b>90</b>	<b>85</b>	<b>66</b>	<b>118</b>	<b>120</b>
<b>Croatia</b>									
Mobile		116	62	70	13	24	9	29	12
		<b>116</b>	<b>62</b>	<b>70</b>	<b>13</b>	<b>24</b>	<b>9</b>	<b>29</b>	<b>12</b>
<b>Lithuania</b>									
Mobile		107	93	27	34	26	20	27	15
		<b>107</b>	<b>93</b>	<b>27</b>	<b>34</b>	<b>26</b>	<b>20</b>	<b>27</b>	<b>15</b>
<b>Latvia</b>									
Mobile		82	103	34	10	27	11	31	41
		<b>82</b>	<b>103</b>	<b>34</b>	<b>10</b>	<b>27</b>	<b>11</b>	<b>31</b>	<b>41</b>
<b>Estonia</b>									
Mobile	7	133	62	11	26	15	81	32	9
Other operations		5	3	–	1	4	–	1	1
		<b>138</b>	<b>65</b>	<b>11</b>	<b>27</b>	<b>19</b>	<b>81</b>	<b>33</b>	<b>10</b>
<b>Austria</b>									
Fixed broadband		30	38	12	6	5	7	10	13
Fixed telephony		23	29	7	6	4	6	6	10
Other operations		9	13	4	1	2	2	3	5
		<b>62</b>	<b>80</b>	<b>23</b>	<b>13</b>	<b>11</b>	<b>15</b>	<b>19</b>	<b>28</b>
<b>Germany</b>									
Mobile		13	19	1	2	4	6	1	5
Fixed broadband		2	3	–	2	–	–	1	–
Fixed telephony		–	2	–	–	–	–	–	2
		<b>15</b>	<b>24</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>2</b>	<b>7</b>
<b>Other</b>									
Other operations		462	476	102	91	130	139	115	111
		<b>462</b>	<b>476</b>	<b>102</b>	<b>91</b>	<b>130</b>	<b>139</b>	<b>115</b>	<b>111</b>
<b>TOTAL</b>									
Mobile		<b>2,365</b>	<b>3,217</b>	<b>754</b>	<b>610</b>	<b>586</b>	<b>415</b>	<b>696</b>	<b>376</b>
Fixed broadband	10	<b>504</b>	<b>585</b>	<b>138</b>	<b>127</b>	<b>108</b>	<b>131</b>	<b>200</b>	<b>137</b>
Fixed telephony		<b>46</b>	<b>46</b>	<b>16</b>	<b>11</b>	<b>9</b>	<b>10</b>	<b>9</b>	<b>16</b>
Other operations		<b>535</b>	<b>551</b>	<b>122</b>	<b>113</b>	<b>147</b>	<b>153</b>	<b>142</b>	<b>129</b>
<b>TOTAL</b>	<b>7</b>	<b>3,450</b>	<b>4,399</b>	<b>1,030</b>	<b>861</b>	<b>850</b>	<b>709</b>	<b>1,047</b>	<b>658</b>

# Key ratios

SEK million	2014	2013	2012	2011	2010
<b>CONTINUING OPERATIONS</b>					
Net sales	25,955	25,757	25,993	26,219	27,361
Numbers of customers (by thousands)	13,594	13,582	14,229	12,392	11,845
EBITDA	5,926	5,891	6,040	6,755	6,880
EBIT	3,490	2,548	2,190	3,613	4,088
EBT	3,500	1,997	1,668	3,074	3,664
Net profit	2,626	968	1,158	2,169	3,986
<b>Key ratios</b>					
EBITDA margin, %	22.8	22.9	23.2	25.8	25.7
EBIT margin, %	13.4	9.9	8.4	13.8	14.9
<b>Value per share (SEK)</b>					
Net profit	5.89	2.17	2.61	4.88	9.03
Net profit after dilution	5.86	2.15	2.59	4.85	9.00
<b>TOTAL</b>					
Equity	22,682	21,591	20,429	21,452	28,875
Total assets	39,848	39,855	49,189	46,864	42,085
Cash flow from operating activities	4,578	5,813	8,679	9,690	9,966
Cash flow after CAPEX	432	572	4,070	4,118	6,008
Available liquidity	8,224	9,306	12,933	9,986	13,254
Net debt	9,061	8,007	15,745	13,518	3,417
Investments in intangible and tangible assets, CAPEX	3,976	5,534	5,294	6,095	4,094
Investments in shares and other financial assets	-439	-17,235	215	1,563	1,424
<b>Key ratios</b>					
Equity/assets ratio, %	57	54	42	46	69
Debt/equity ratio, multiple	0.40	0.37	0.77	0.63	0.12
Return on equity, %	10.0	69.5	15.6	18.9	24.0
ROCE, return on capital employed, %	10.1	48.0	15.4	20.5	22.2
Average interest rate, %	5.0	5.2	6.7	6.2	7.3
<b>Value per share (SEK)</b>					
Net profit	4.96	32.77	7.34	10.69	15.67
Net profit after dilution	4.93	32.55	7.30	10.63	15.61
Equity	50.90	48.49	45.95	48.33	65.44
Cash flow from operating activities	10.27	13.06	19.53	21.83	22.59
Dividend, ordinary	4.85 <sup>1)</sup>	4.40	7.10	6.50	6.00
Extraordinary dividend	-	-	-	6.50	21.00
Redemption	-	28.00	-	-	-
Market price at closing day	94.95	72.85	117.10	133.90	139.60

<sup>1)</sup>Proposed dividend

# Parent company

## INCOME STATEMENT

SEK million	2014 Full year	2013 Full year
Net sales	55	47
Administrative expenses	-122	-95
<b>Operating loss, EBIT</b>	<b>-67</b>	<b>-48</b>
Dividend from group company	967	9,900
Exchange rate difference on financial items	-35	134
Net interest expenses and other financial items	-268	-216
<b>Profit after financial items, EBT</b>	<b>597</b>	<b>9,770</b>
Appropriations, group contribution	372	265
Tax on profit	-	-23
<b>NET PROFIT</b>	<b>969</b>	<b>10,012</b>

## BALANCE SHEET

SEK million	Note	Dec 31, 2014	Dec 31, 2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible assets		2	-
Financial assets		13,617	13,586
<b>NON-CURRENT ASSETS</b>		<b>13,619</b>	<b>13,586</b>
<b>CURRENT ASSETS</b>			
Current receivables		10,407	11,933
Cash and cash equivalents		3	-
<b>CURRENT ASSETS</b>		<b>10,410</b>	<b>11,933</b>
<b>ASSETS</b>		<b>24,029</b>	<b>25,519</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Restricted equity	9	5,546	5,546
Unrestricted equity	9	12,077	13,126
<b>EQUITY</b>		<b>17,623</b>	<b>18,672</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	3	4,305	5,308
<b>NON-CURRENT LIABILITIES</b>		<b>4,305</b>	<b>5,308</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	3	2,018	1,452
Non-interest-bearing liabilities		83	87
<b>CURRENT LIABILITIES</b>		<b>2,101</b>	<b>1,539</b>
<b>EQUITY AND LIABILITIES</b>		<b>24,029</b>	<b>25,519</b>

# Notes

## ACCOUNTING PRINCIPLES AND DEFINITIONS

The full year report for the Group has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board.

The new and amended IFRS standards and IFRIC interpretations (IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28, IAS 32, IAS 36 and IAS 39), which became effective January 1, 2014, have had no material effect on the consolidated financial statements.

In all other respects, Tele2 has presented this full year report in accordance with the accounting principles and calculation methods used in the 2013 Annual Report. The description of these principles and definitions is found in the 2013 Annual Report.

## NOTE 1 NET SALES AND CUSTOMERS

### NET SALES

In Q4 2014 and full year 2014, equipment revenue in Sweden was positively impacted by SEK 180 and 445 million, respectively, as a result of sale to other than end-user.

In Q3 2014, the net sales in Lithuania was positively impacted by SEK 15 million as a result of expired prepaid balances.

In Q1 2014, the net sales in Sweden was positively impacted by SEK 73 million as a result of decisions by the Swedish Post and Telecom Authority (PTS) regarding termination rates for previous periods, of which mobile amounted to SEK 78 million and fixed broadband to SEK -5 million. The effect on EBITDA is stated in Note 2.

### CUSTOMERS

In Q1 2014, the fixed broadband customer stock in Sweden decreased with -385,000 customers as a result of the sale of the Swedish residential cable and fiber operations. For additional information please refer to Note 10.

In Q4 2013, the definition of an active customer in the customer stock was changed to exclude Machine-to-Machine subscriptions (M2M). The one time effect on the customer stock in each segment is presented below:

Sweden	- 57,000
Netherlands	- 8,000
Kazakhstan	- 4,000
Croatia	- 1,000
Lithuania	- 13,000
Latvia	- 3,000
Estonia	- 3,000
<b>Total mobile</b>	<b>- 89,000</b>

In Q2 2013, the mobile customer stock was negatively impacted by a one-time adjustment of -811,000 customers in Kazakhstan as a result of a changed method for calculating number of customers so a customer with only incoming calls to its voicemail is no longer counted as an active customer.

## NOTE 2 OPERATING EXPENSES

### EBITDA

In Q4 2014, the EBITDA for mobile in Estonia was positively impacted by SEK 20 million as a result of the sales of a mobile license in the 2600 MHz frequency band.

In Q2 2014, the EBITDA for fixed telephony in Netherlands was positively impacted by SEK 48 million as a result of settled disputes regarding wholesale line rental.

In Q1 2014, the EBITDA in Sweden was positively impacted by SEK 8 million as a result of decisions by PTS, as stated in Note 1, regarding termination rates for previous periods, of which mobile amounted to SEK 35 million, fixed broadband to SEK -15 million and fixed telephony to SEK -12 million.

## DEPRECIATION/AMORTIZATION AND IMPAIRMENT

In Q4 2013, Kazakhstan was negatively affected by SEK 89 million, related to an impairment loss of SEK 73 million due to change to a new billing system and an extra depreciation of SEK 16 million.

In Q3 2013, an impairment loss on non-current assets was recognized of the cash generating unit Croatia amounting to SEK 454 million. The impairment loss was based on an estimated value in use of SEK 400 million by using pre-tax discount rate of 10 percent. Due to unsatisfactory development, Tele2 assessed that the estimated future profit levels did not support the previous book value. The negative effect was reported as a one-off item for segment reporting purposes.

## ONE-OFF ITEMS FOR SEGMENT REPORTING

In Q4 2014, Tele2 announced its Challenger program, which is a program to step change productivity in the Tele2 Group. The program will strengthen the organization further and enable it to continue to challenge the industry. The costs associated with the program are reported as one-off items, and amount to SEK -10 million for 2014.

In Q4 2014, Sweden has been positively affected by SEK 41 million, due to the counterparty withdrawn its claim concerning the ruling from the Administrative Court of Appeal in June 2010 regarding price on whole and split copper cable. The positive effect was reported as a one-off item.

In Q1 2014, other operating expenses was negatively affected by SEK 18 million, related to the devaluation in Kazakhstan. The negative effect has been reported as a one-off. The total foreign exchange rate effect of assets and liabilities in Kazakhstan was reported in other comprehensive income and amounted in Q1 2014 to SEK -117 million. Please refer to Note 4 regarding effects on change in fair value of put option Kazakhstan.

## NOTE 3 FINANCIAL ASSETS AND LIABILITIES

### FINANCING

SEK million	Interest-bearing liabilities			
	Dec 31, 2014		Dec 31, 2013	
	Current	Non-current	Current	Non-current
Bonds NOK, Sweden	315	1,049	-	1,371
Bonds SEK, Sweden	1,250	2,547	1,000	3,295
Commercial papers, Sweden	215	-	325	-
Financial institutions	715	667	210	636
	<b>2,495</b>	<b>4,263</b>	<b>1,535</b>	<b>5,302</b>
Put option, Kazakhstan (Note 4)	887	-	1,350	-
Other liabilities	455	1,090	263	980
<b>Total interest-bearing liabilities</b>	<b>3,837</b>	<b>5,353</b>	<b>3,148</b>	<b>6,282</b>

## CLASSIFICATION AND FAIR VALUES

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds and accounts payables. Classification of financial assets and liabilities including their fair value is presented below. During 2014, compared to year-end 2013, no transfers were made between the different levels in the fair value hierarchy and no significant changes were made to valuation techniques, inputs used or assumptions except for the put option in Tele2 Kazakhstan (Note 4).

The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. The value of reported derivatives at December 31, 2014 amounted on the asset side to SEK 47 (8) million and on the liabilities side to SEK 294 (146) million.

Dec 31, 2014						
SEK million	Assets and liabilities at fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	8	222	–	–	230	230
Accounts receivables	–	2,480	–	–	2,480	2,480
Other current receivables	–	375	47	–	422	422
Current investments	–	38	–	–	38	38
Cash and cash equivalents	–	151	–	–	151	151
Assets classified as held for sale	1	337	–	–	338	338
<b>Total financial assets</b>	<b>9</b>	<b>3,603</b>	<b>47</b>	<b>–</b>	<b>3,659</b>	<b>3,659</b>
Liabilities to financial institutions and similar liabilities	–	–	–	6,758	6,758	7,085
Other interest-bearing liabilities	887	–	294	444	1,625	1,553
Accounts payable	–	–	–	2,848	2,848	2,848
Other current liabilities	–	–	–	467	467	467
Liabilities directly associated with assets classified as held for sale	–	–	–	249	249	249
<b>Total financial liabilities</b>	<b>887</b>	<b>–</b>	<b>294</b>	<b>10,766</b>	<b>11,947</b>	<b>12,202</b>

Dec 31, 2013						
SEK million	Assets and liabilities at fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	14	233	–	–	247	247
Accounts receivables	–	3,317	–	–	3,317	3,317
Other current receivables	–	313	8	–	321	321
Current investments	–	55	–	–	55	55
Cash and cash equivalents	–	1,348	–	–	1,348	1,348
<b>Total financial assets</b>	<b>14</b>	<b>5,266</b>	<b>8</b>	<b>–</b>	<b>5,288</b>	<b>5,288</b>
Liabilities to financial institutions and similar liabilities	–	–	–	6,837	6,837	7,021
Other interest-bearing liabilities	1,350	–	146	418	1,914	1,889
Accounts payable	–	–	–	3,140	3,140	3,140
Other current liabilities	–	–	–	516	516	516
<b>Total financial liabilities</b>	<b>1,350</b>	<b>–</b>	<b>146</b>	<b>10,911</b>	<b>12,407</b>	<b>12,566</b>

#### NOTE 4 OTHER FINANCIAL ITEMS

SEK million	2014 Full year	2013 Full year	2014 Q4	2013 Q4
Exchange rate differences	–27	–28	2	–58
Change in fair value, put option Kazakhstan	427	–166	68	–38
EUR net investment hedge, interest component	9	17	1	6
NOK net investment hedge, interest component	–11	2	–10	1
Other financial expenses	–10	–8	–6	–1
<b>Total other financial items</b>	<b>388</b>	<b>–183</b>	<b>55</b>	<b>–90</b>

In Q2 2014, financial items was positively affected by SEK 363 million, due to a revaluation of the put option of the business in Kazakhstan. The change was related to the devaluation of the Kazakhstan currency as well as increased financing provided by Tele2.

#### NOTE 5 TAXES

During 2014, the effective tax rate was mainly affected by below stated items, indicating an underlying effective tax rate of 23 (28) percent.

SEK million	2014 Full year		2013 Full year	
<b>Profit before tax</b>	<b>3,500</b>		<b>1,997</b>	
Income tax	–874	25.0%	–1,029	51.5%
<b>Tax effect of:</b>				
Sale of operations	–95	2.7%	–	–
Expired tax loss carry-forwards	36	–1.0%	–	–
Result from JV and associated companies	3	–0.1%	4	–0.2%
Not valued tax loss-carry forwards	–2	–	196	–9.8%
Non-deductible expenses	134	–3.8%	266	–13.3%
Adjustment of taxes from previous years	3	–0.1%	4	–0.2%
<b>Adjusted tax expense and effective tax rate</b>	<b>–795</b>	<b>22.7%</b>	<b>–559</b>	<b>28.0%</b>

In Q3 2014, net taxes were negatively affected by SEK 36 million due to a write down of expected expired tax loss carry-forwards in the Netherlands.

In Q4 2013, net taxes were positively affected by a valuation of deferred tax assets in Austria of SEK 10 million.

#### NOTE 6 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations, for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at each closing date to the sums stated below.

SEK million	2014 Dec 31	2014 Sep 30	2014 Jun 30	2014 Mar 31	2013 Dec 31	2013 Sep 30
Cash and cash equivalents in joint operations	4	133	58	42	11	70

In Q4 2012, as well as during 2013 and 2014, frequencies and sites were transferred from Tele2 and Telenor to their joint operation Net-4Mobility. The transfers did not have any material effect on Tele2's financial statements. Apart from transactions with joint operations, no other significant related party transactions were carried out during 2014. Related parties are presented in Note 38 of the Annual Report 2013.

#### NOTE 7 CAPEX

In Q1 2014, Tele2 Estonia acquired two mobile licenses in the 800 MHz and 2100 MHz frequency bands for SEK 54 million and in Q4 2014, Tele2 Estonia sold a mobile license in the 2600 MHz frequency band for SEK 24 million.

In Q1 2013, Tele2 Netherlands acquired two mobile licenses (2x10 MHz spectrum) in the 800 MHz band for SEK 1,391 million. With the acquired spectrum in the 800 MHz band and earlier obtained spectrum in the 2600 MHz band, the roll out is ongoing for the next generation 4G network, offering businesses and consumers higher speed and lower pricing for mobile broadband.

SEK million	2014 Full year	2013 Full year	2014 Q4	2013 Q4
CAPEX, continued operations	–3,450	–4,399	–1,030	–1,047
CAPEX, discontinued operations	–526	–1,135	–21	–208
<b>CAPEX, total operation</b>	<b>–3,976</b>	<b>–5,534</b>	<b>–1,051</b>	<b>–1,255</b>
This year's unpaid CAPEX and paid CAPEX from previous year	–226	186	–62	223
Received payment of sold non-current assets	56	107	29	19
<b>Paid CAPEX</b>	<b>–4,146</b>	<b>–5,241</b>	<b>–1,084</b>	<b>–1,013</b>

## NOTE 8 CONTINGENT LIABILITIES

SEK million	Dec 31, 2014	Dec 31, 2013
Asset dismantling obligation	137	126
Dispute KPN, Netherlands	83	-
Dispute Verizon, Sweden	-	220
<b>Total contingent liabilities</b>	<b>220</b>	<b>346</b>

Tele2 has obligations to dismantle assets and restore premises within fixed telephony and fixed broadband in the Netherlands as well as in Austria. Tele2 assesses such dismantling as unlikely and consequently only reported this obligation as contingent liabilities.

Tele2 Netherlands is, in the ordinary course of its business, involved in several regulatory complaints and disputes pending with the appropriate governmental authorities. In a specific case regarding the rental fees of copper lines, which Tele2 Netherlands uses as part of its fixed operations, the regulator (ACM) has determined that the rental fees are to be adjusted with retroactive effect from 2009. This has resulted in a claim from KPN amounting to EUR 8.7 million (SEK 83 million) and is subject to pending appeals and court cases. Our assessment is that it is unlikely that Tele2 will have to pay these fees and consequently no provision has been made. We estimate that the Administrative Court will give its ruling in Q1 2015.

The tax authorities in Russia are currently performing tax audits on several of Tele2's former subsidiaries in Russia. Per the sales agreement with the VTB-group Tele2 is liable for any additional taxes payable as result of the tax audits. During 2014, Tele2 has won tax disputes of SEK 124 million, of which the Russian tax authorities still have the opportunity to appeal SEK 86 million, and lost tax disputes of SEK -25 million, of which Tele2 has appealed one dispute of SEK -22 million. Even though it cannot be ruled out that Tele2 may be liable to certain costs, Tele2 assesses that it is not likely that any additional taxes need to be paid and consequently no provision has been made.

On December 31, 2013 Tele2 Sweden was defendant in a dispute with Verizon Sweden AB of SEK 220 million. On February 7, 2014 the District court issued its award and ruled in favor of Tele2. In Q2 2014, the case was settled where the parties agreed to pay for their own litigation costs.

Additional contractual commitments are stated in Note 29 in the Annual Report 2013.

## NOTE 9 EQUITY AND NUMBER OF SHARES

	Dec 31, 2014	Dec 31, 2013
<b>Number of shares</b>		
Outstanding	445,722,973	445,497,600
In own custody	3,060,366	3,285,739
Weighted average	445,594,010	445,228,097
After dilution	448,799,576	448,465,420
Weighted average, after dilution	448,606,438	448,181,516

## DIVIDEND/REDEMPTION

Tele2's Board of Directors intends to propose an ordinary dividend of SEK 4.85 per share in respect of the financial year 2014 at the Annual General Meeting in 2015.

In Q2 2014, Tele2 paid to its shareholders a dividend of SEK 4.40 (7.10) per share for 2013. This corresponded to a total of SEK 1,960 (3,163) million.

As a result of the sale of Tele2 Russia in April 2013 a mandatory share redemption program of SEK 28 per share was issued during Q2 2013, equivalent to SEK 12,474 million. The redemption program implied a share split where each share was split into two shares, of which one was a redemption share. Retirement of redemption shares in own custody of SEK 92 million was transferred to unrestricted equity. A bonus issue was performed in order to increase the share capital to its prior level, SEK 561 million, through a transfer of SEK 280 million from unrestricted equity. Thereafter, the quota value of each share amounts to SEK 1.25, the same as prior to the share redemption program. In total SEK 15,637 million was paid to the shareholders in Q2 2013 as dividend and redemption.

## RECLASSIFICATION

In Q2 2014, 150,000 class C shares in own custody were reclassified into class B shares in own custody.

In Q1 2014 and Q3 2013, 406 (15) and 726,650 class A shares respectively were reclassified into class B shares in Tele2.

## SALE OF SHARES

As a result of share rights in the LTI 2011 being exercised during Q3 2014, Tele2 delivered 225,373 (836,389) B-shares, in own custody.

## PURCHASE OF NON-CONTROLLING INTEREST

In February 2013, Tele2 acquired the remaining 7.76 percent of the shares in the subsidiary Officer AS in Norway for SEK 1 million.

In July 2009 and January 2010, Tele2 acquired the remaining 25.5 and 12.5 percent respectively of the shares in Tele2 Izhevsk and Tele2 Rostov in Russia. The final purchase price of SEK 3 and 90 million respectively was paid in Q1 2013.

## LONG-TERM INCENTIVE PROGRAM (LTI)

Additional information related to LTI programs are presented in Note 34 of the Annual Report 2013.

## LTI 2014

	2014 Full year
Number of share rights	
Allocated June 2, 2014	1,180,268
Forfeited	-63,100
<b>Total outstanding share rights</b>	<b>1,117,168</b>
<i>of which will be settled in cash</i>	<i>12,000</i>

During the Annual General Meeting held on May 12, 2014, the shareholders approved a performance-based incentive program (the Plan) for senior executives and other key employees in the Tele2 Group. The Plan has the same structure as last year's incentive program.

The objective of the Plan is to create conditions for retaining competent employees in the Tele2 Group. The Plan has been designed based on the view that it is desirable that senior executives and other key employees within the Group are shareholders in Tele2 AB. By offering an allotment of retention rights and performance rights which are based on profits and other retention and performance-based conditions, the participants are rewarded for increasing shareholder value. Furthermore, the Plan rewards employees' loyalty and long-term growth in the Group. In that context, the Board of Directors is of the opinion that the Plan will have a positive effect on the future development of the Tele2 Group and thus be beneficial to both the company and its shareholders.

The incentive program included a total of 198 senior executives and other key employees within the Tele2 Group. In general, the participants in the Plan are required to own shares in Tele2. Thereafter, the participants were granted retention rights and performance rights free of charge. As a consequence of market conditions, employees in Kazakhstan were offered to participate in the Plan without being required to hold shares in Tele2. In such cases, the number of allotted rights has been reduced, and corresponds to 37.5 percent of the number of rights allotted for participation with a personal investment.

Subject to the fulfilment of certain retention and performance-based conditions during the period April 1, 2014 - March 31, 2017 (the measurement period), the participant maintaining employment within the Tele2 Group at the release of the interim report January - March 2017 and subject to the participant maintaining the invested shares (where applicable) during the vesting period, each right entitles the employee to receive one Class B share in the company. Dividends paid on the underlying share will increase the number of shares that each retention and performance right entitles to in order to treat the shareholders and the participants equally.

In the event delivery of shares under the plan cannot be achieved at reasonable costs, with reasonable administrative efforts or due to market conditions, participants may instead be offered a cash-based settlement. Outstanding share rights that will be settled in cash are

remeasured to fair value in each period and the obligation is reported as a liability.

The rights are divided into Series A, Series B and Series C. The number of shares the participant will receive depends on which category the participant belongs to and on the fulfilment of the following defined conditions:

Series A	Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period exceeding 0 percent as entry level.
Series B	Tele2's average normalized return of capital employed (ROCE) during the measurement period being at least 9 percent as entry level and at least 12 percent as the stretch target.
Series C	Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period being equal to the average TSR for a peer Group including Elisa, Iliad, Millicom International Cellular, TalkTalk Telecom Group, Telenor, TeliaSonera and TDC as entry level, and exceeding the average TSR for the peer Group with 10 percentage points as the stretch target.

The determined levels of the conditions include an entry level and a stretch target with a linear interpolation applied between those levels as regards the number of rights that vests. The entry level constitutes the minimum level which must be reached in order to enable the vesting of the rights in that series. If the entry level is reached, the number of rights that vests is proposed to be 100 percent for Series A and 20 percent for Series B and C. If the entry level is not reached, all rights to retention and performance shares (as applicable) in that series lapse. If a stretch target is met, all retention rights or performance rights (as applicable) vest in that series.

The Plan comprised a total number of 273,192 shares, of which 259,692 related to employees who invested in Tele2 shares and 13,500 related to employees in Kazakhstan who chose not to invest in Tele2 shares. In total this resulted in an allotment of 1,180,268 share rights, of which 267,556 Series A, 456,356 Series B and 456,356 Series C. The participants were divided into different categories and were granted the following number of share rights for the different categories:

At grant date	No of participants	Maximum no of shares	Share right per Series				Tot	Total allotment
			A	B	C			
CEO	1	8,000	1	3	3	7	56,000	
Other senior executives and other key employees	11	4,000	1	2.5	2.5	6	258,000	
Category 1	42	2,000	1	1.5	1.5	4	315,400	
Category 2	39	1,500	1	1.5	1.5	4	196,212	
Category 2, no investment	2	1,500	0.375	0.5625	0.5625	1.5	4,500	
Category 3	97	1,000	1	1.5	1.5	4	341,156	
Category 3, no investment	6	1,000	0.375	0.5625	0.5625	1.5	9,000	
<b>Total</b>	<b>198</b>						<b>1,180,268</b>	

Total costs before tax for outstanding rights in the incentive program are expensed over the three-year vesting period, and these costs are expected to amount to SEK 64 million, of which social security costs amount to SEK 24 million.

The participant's maximum profit per share right in the Plan is limited to SEK 355, five times the average closing share price of the Tele2 Class B shares during February 2014 with deduction for the dividend paid in May 2014.

The estimated average fair value of the granted rights was SEK 54 on the grant date, June 2, 2014. The calculation of the fair value was carried out by an external expert. The following variables were used:

	Series A	Series B	Series C
Expected annual turnover of personnel	7.0%	7.0%	7.0%
Weighted average share price	79.39	79.39	79.39
Expected life	2.90 years	2.90 years	2.90 years
Expected value reduction parameter market condition	70%	-	35%
Estimated fair value	55.60	79.40	27.80

To ensure the delivery of Class B shares under the Plan, the Annual General Meeting decided to authorise the Board of Directors to resolve on a directed issue of a maximum of 1,700,000 Class C shares and subsequently to repurchase the Class C shares. The Class C shares will then be held by the company during the vesting period, after which the appropriate number of Class C shares will be reclassified into Class B shares and delivered to the participants under the Plan.

#### LTI 2013

	2014 Full year	Cumulative from start
Number of share rights		
Allocated June 4, 2013		1,204,128
Outstanding as of January 1, 2014	1,132,228	
Allocated, compensation for dividend	39,922	39,922
Forfeited	-143,124	-215,024
<b>Total outstanding share rights</b>	<b>1,029,026</b>	<b>1,029,026</b>
<i>of which will be settled in cash</i>	<i>11,690</i>	<i>11,690</i>

#### LTI 2012

	2014 Full year	Cumulative from start
Number of share rights		
Allocated June 15, 2012		1,132,186
Outstanding as of January 1, 2014	968,263	
Allocated, compensation for dividend	34,986	274,177
Performance conditions not reached, Russia	-	-163,660
Forfeited	-107,179	-346,633
<b>Total outstanding share rights</b>	<b>896,070</b>	<b>896,070</b>
<i>of which will be settled in cash</i>	<i>4,995</i>	<i>4,995</i>

#### LTI 2011

	2014 Full year	Cumulative from start
Number of share rights		
Allocated June 17, 2011		1,056,436
Outstanding as of January 1, 2014	867,329	
Allocated, compensation for dividend	-	294,579
Performance conditions not reached, Russia	-	-92,041
Exercised, Russia	-	-44,156
Forfeited	-3,807	-351,296
Performance conditions not reached	-602,796	-602,796
Exercised, cash settled	-1,014	-1,014
Exercised, share settled	-225,373	-225,373
<b>Total outstanding share rights</b>	<b>34,339</b>	<b>34,339</b>

The exercise of the share rights in LTI 2011 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2011 until March 31, 2014. The outcome of these performance conditions was in accordance with below and the outstanding share rights were exchanged for shares or cash in Tele2 during Q3 2014, except for a limited number that is expected to be settled with shares in 2015.

	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		≥ 0%	9.7%	100%
Series B	Average normalised Return on Capital Employed (ROCE) <sup>1)</sup>	20%/8%	24%/12.5%	20.5%/7.2%	20%
Series C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	-5.6%	0%

<sup>1)</sup> The targets are split into two parts; before and after the divestment of Tele2 Russia

Weighted average share price for share rights at date of exercise amounted to SEK 88.50 during 2014.



## NOTE 10 BUSINESS ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments of shares and participations affecting cash flow were as follows:

SEK million	2014 Full year
<b>Acquisitions</b>	
Capital contribution to joint ventures	-9
Repayment capital contribution joint ventures	4
Other acquisitions	2
<b>Total acquisition of shares and participations</b>	<b>-3</b>
<b>Divestments</b>	
Residential cable and fiber operations, Sweden	709
Transaction costs, Russia	-32
<b>Total sale of shares and participations</b>	<b>677</b>
<b>TOTAL CASH FLOW EFFECT</b>	<b>674</b>

### ACQUISITIONS

#### Other acquisitions

In November, 2014 Tele2 Lithuania acquired 100 percent in a company with independent dealers in order to strengthen the quality perception and the customer satisfaction, and as a result the company added 50 shops to the Tele2 distribution network. The acquired company held liquid funds of SEK 6 million.

In June, 2014 Tele2 Norway acquired 33.3 percent in the joint venture, Strex AS for SEK 4 million. The company holds a license to perform financial services.

### DIVESTMENTS

#### Residential cable and fiber operations, Sweden

On October 23, 2013 Tele2 announced the sale of its Swedish residential cable and fiber operations to Telenor for SEK 793 million. The sale was completed on January 2, 2014 after approval by regulatory authorities and the capital gain amounted to SEK 258 million. In 2013, the operation affected Tele2's net sales by SEK 564 million and EBITDA by SEK -9 million.

### Net assets at the time of divestment

Assets, liabilities and contingent liabilities included in the divested operation at the time of divestment is stated below:

SEK million	
Goodwill	9
Other intangible assets	2
Tangible assets	440
Current receivables	10
Deferred tax liabilities	-18
Current non-interest-bearing liabilities	-35
<b>Divested net assets</b>	<b>408</b>
Capital gain	258
Tax income	18
<b>Sales price, net sales costs</b>	<b>684</b>
Unpaid sales costs etc	25
<b>TOTAL CASH FLOW EFFECT</b>	<b>709</b>

### DISCONTINUED OPERATIONS

On July 7, 2014 Tele2 announced the divestment of its Norwegian operations to TeliaSonera Group for SEK 5.3 billion and an expected capital gain of SEK 2 billion, including costs for central support system for the Norwegian operation and other transaction costs. In addition, the capital gain is expected to be affected positively with approximately SEK 276 million related to reversal of exchange rate differences previously reported in other comprehensive income which will be reversed over the income statement but with no effect on total equity. On December 1, 2014, the competition authority in Norway preliminary rejected the transaction. To be able to complete the transaction, the parties has presented a new suggestion to the authority. The sale will be completed after approval by regulatory authorities, which is expected in Q1 2015.

The divested operations has been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods, and as assets held for sale in the balance sheet from June 30, 2014 and onwards.

The Norwegian and Russian operations reported as discontinued operations are stated below.

### Income statement

SEK million	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Net sales	4,009	7,375	970	1,059	1,024	956	983	1,029
Cost of services sold	-3,115	-4,822	-731	-833	-797	-754	-756	-788
<b>Gross profit</b>	<b>894</b>	<b>2,553</b>	<b>239</b>	<b>226</b>	<b>227</b>	<b>202</b>	<b>227</b>	<b>241</b>
Selling expenses	-932	-1,459	-202	-244	-254	-232	-283	-243
Administrative expenses	-332	-546	-90	-81	-84	-77	-95	-69
Result from shares in joint ventures	-1	-	-1	-	-1	1	-	-
Sale of operations, profit	-17	13,238	-17	-	-	-	-	23
Other operating income	3	8	1	1	-	1	1	-
Other operating expenses	-3	-3	-2	-	-	-1	-	-1
<b>EBIT</b>	<b>-388</b>	<b>13,791</b>	<b>-72</b>	<b>-98</b>	<b>-112</b>	<b>-106</b>	<b>-150</b>	<b>-49</b>
Interest income/costs	4	-145	1	1	1	1	-1	2
Other financial items	-	-19	-	-	-	-	18	-28
<b>EBT</b>	<b>-384</b>	<b>13,627</b>	<b>-71</b>	<b>-97</b>	<b>-111</b>	<b>-105</b>	<b>-133</b>	<b>-75</b>
Income tax	-31	-5	-14	-6	-6	-5	25	27
<i>of which from the normal operation</i>	<i>-31</i>	<i>-46</i>	<i>-14</i>	<i>-6</i>	<i>-6</i>	<i>-5</i>	<i>25</i>	<i>27</i>
<i>of which from the capital gain</i>	<i>-</i>	<i>41</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>NET PROFIT/LOSS</b>	<b>-415</b>	<b>13,622</b>	<b>-85</b>	<b>-103</b>	<b>-117</b>	<b>-110</b>	<b>-108</b>	<b>-48</b>
Earnings per share (SEK)	-0.93	30.60	-0.19	-0.23	-0.26	-0.25	-0.24	-0.13
Earnings per share, after dilution (SEK)	-0.93	30.40	-0.19	-0.23	-0.26	-0.25	-0.24	-0.13

### Balance sheet

Assets held for sale refer to the Norwegian operation.

SEK million	Dec 31, 2014
<b>ASSETS</b>	
NON-CURRENT ASSETS	
Goodwill	495
Other intangible assets	236
<b>Intangible assets</b>	<b>731</b>
Tangible assets	2,109
Financial assets	22
Deferred tax assets	313
<b>NON-CURRENT ASSETS</b>	<b>3,175</b>
CURRENT ASSETS	
Inventories	4
Current receivables	654
<b>CURRENT ASSETS</b>	<b>658</b>
<b>ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>3,833</b>

SEK million	Dec 31, 2014
<b>LIABILITIES</b>	
NON-CURRENT LIABILITIES	
Interest-bearing liabilities	109
<b>NON-CURRENT LIABILITIES</b>	<b>109</b>
CURRENT LIABILITIES	
Interest-bearing liabilities	10
Non-interest-bearing liabilities	630
<b>CURRENT LIABILITIES</b>	<b>640</b>
<b>LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>749</b>

### Cash flow statement

SEK million	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>OPERATING ACTIVITIES</b>								
Operating profit/loss	-388	13,791	-72	-98	-112	-106	-150	-49
Adjustments for non-cash items in operating profit	444	-12,507	77	123	119	125	121	101
Financial items paid	7	-75	1	3	2	1	2	-3
Taxes paid	-	-177	-	-	-	-	-	-
<b>Cash flow from operations before changes in working capital</b>	<b>63</b>	<b>1,032</b>	<b>6</b>	<b>28</b>	<b>9</b>	<b>20</b>	<b>-27</b>	<b>49</b>
Changes in working capital	-146	-202	-1	-67	142	-220	73	-25
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-83</b>	<b>830</b>	<b>5</b>	<b>-39</b>	<b>151</b>	<b>-200</b>	<b>46</b>	<b>24</b>
<b>INVESTING ACTIVITIES</b>								
CAPEX paid	-647	-1,057	-40	-107	-186	-314	-181	-256
<i>Cash flow after CAPEX</i>	<i>-730</i>	<i>-227</i>	<i>-35</i>	<i>-146</i>	<i>-35</i>	<i>-514</i>	<i>-135</i>	<i>-232</i>
Acquisition of shares	-	-8	-	-	-	-	-	-
Sale of shares	-32	17,252	-1	-6	-21	-4	-1	-48
Changes of non-current receivables	13	2	-	-	2	11	-7	-
<b>Cash flow from investing activities</b>	<b>-666</b>	<b>16,189</b>	<b>-41</b>	<b>-113</b>	<b>-205</b>	<b>-307</b>	<b>-189</b>	<b>-304</b>
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>-749</b>	<b>17,019</b>	<b>-36</b>	<b>-152</b>	<b>-54</b>	<b>-507</b>	<b>-143</b>	<b>-280</b>
<b>FINANCING ACTIVITIES</b>								
Changes of loans, net	-	-899	-	-	-	-	9	12
Other financing activities	-	-94	-	-	-	-	-	-
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-993</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>12</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-749</b>	<b>16,026</b>	<b>-36</b>	<b>-152</b>	<b>-54</b>	<b>-507</b>	<b>-134</b>	<b>-268</b>

## Additional information

Thousands	Numbers of customers				Net intake			
	2014 Dec 31	2013 Dec 31	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Mobile	1,125	1,119	-33	-3	28	14	-3	5
Fixed telephony	51	63	-3	-3	-3	-3	-7	-3
<b>Numbers of customers and net intake</b>	<b>1,176</b>	<b>1,182</b>	<b>-36</b>	<b>-6</b>	<b>25</b>	<b>11</b>	<b>-10</b>	<b>2</b>
Changed method	-	-	-	-	-	-	-4	-
<b>Numbers of customers and net change</b>	<b>1,176</b>	<b>1,182</b>	<b>-36</b>	<b>-6</b>	<b>25</b>	<b>11</b>	<b>-14</b>	<b>2</b>

SEK million	Net sales							
	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Mobile	3,832	7,135	929	1,015	980	908	929	974
Fixed telephony	198	252	46	50	51	51	56	59
Other operations	-	6	-	-	-1	1	2	2
Internal sales, elimination	4,030	7,393	975	1,065	1,030	960	987	1,035
<b>Net sales</b>	<b>4,009</b>	<b>7,375</b>	<b>970</b>	<b>1,059</b>	<b>1,024</b>	<b>956</b>	<b>983</b>	<b>1,029</b>

SEK million	EBITDA							
	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Mobile	36	1,280	3	20	3	10	-20	49
Fixed telephony	40	24	10	10	10	10	1	4
Other operations	-20	-19	-8	-5	-6	-1	-10	-1
<b>EBITDA</b>	<b>56</b>	<b>1,285</b>	<b>5</b>	<b>25</b>	<b>7</b>	<b>19</b>	<b>-29</b>	<b>52</b>

SEK million	EBIT							
	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Mobile	-402	537	-61	-106	-119	-116	-144	-76
Fixed telephony	32	21	7	8	8	9	1	3
Other operations	-1	-5	-1	-	-1	1	-7	1
Sale of operations (Russia)	-371	553	-55	-98	-112	-106	-150	-72
<b>EBIT</b>	<b>-388</b>	<b>13,791</b>	<b>-72</b>	<b>-98</b>	<b>-112</b>	<b>-106</b>	<b>-150</b>	<b>-49</b>

SEK million	Specification of items between EBITDA and EBIT							
	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
<b>EBITDA</b>	<b>56</b>	<b>1,285</b>	<b>5</b>	<b>25</b>	<b>7</b>	<b>19</b>	<b>-29</b>	<b>52</b>
Sale of operations (Russia)	-17	13,238	-17	-	-	-	-	23
Depreciation/amortization and other impairment	-426	-732	-59	-123	-118	-126	-121	-124
Result from shares in joint ventures	-1	-	-1	-	-1	1	-	-
<b>EBIT</b>	<b>-388</b>	<b>13,791</b>	<b>-72</b>	<b>-98</b>	<b>-112</b>	<b>-106</b>	<b>-150</b>	<b>-49</b>

SEK million	CAPEX							
	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Mobile	513	1,105	21	87	156	249	193	257
Fixed telephony	13	30	-	3	5	5	15	8
<b>CAPEX</b>	<b>526</b>	<b>1,135</b>	<b>21</b>	<b>90</b>	<b>161</b>	<b>254</b>	<b>208</b>	<b>265</b>

SEK million	Additional cash flow information							
	2014 Full year	2013 Full year	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
CAPEX	-526	-1,135	-21	-90	-161	-254	-208	-265
This year unpaid CAPEX and paid CAPEX from previous year	-121	29	-19	-17	-25	-60	27	9
Received payment of sold non-current assets	-	49	-	-	-	-	-	-
<b>Paid CAPEX</b>	<b>-647</b>	<b>-1,057</b>	<b>-40</b>	<b>-107</b>	<b>-186</b>	<b>-314</b>	<b>-181</b>	<b>-256</b>

**TELE2**