Annual Report 2010

Administration report

The Board of Directors and CEO herewith present the annual report and consolidated financial statements for Tele2 AB (publ), corporate reg. no. 556410-8917 for the financial year 2010.

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

Tele2 AB's shares are listed on the NASDAQ OMX Stockholm Large Cap list under the ticker symbols TEL2 A and TEL2 B. The fifteen largest shareholders at December 31, 2010 hold shares corresponding to 57 percent of the capital and 67 percent of the voting rights, of which Investment AB Kinnevik owns 30 percent of the capital and 47 percent of the voting rights. No other shareholder owns, directly or indirectly, more than 10 percent of the shares in Tele2.

The Board of Directors received authorization by the Annual General Meeting in May 2010 to purchase up to 10 percent of the shares in the company.

For further information on the number of shares and their conditions and important agreements which cease to apply if control over the company is changed, see Note 32 Number of shares and earnings per share.

FINANCIAL OVERVIEW

With 31 million customers in 11 countries, Tele2 is one of Europe's leading telecom operators. Ever since Tele2 was founded in 1993, it has been a tough challenger to incumbents and other established providers. Tele2 offers mobile communication services, fixed broadband and telephony, data network services, cable TV and content services. Mobile communication is our primary focus area and it is our most important growth segment. In some countries, Tele2 also offers fixed communication services. Mobile telephony currently accounts for more than 68 percent of Tele2's net sales.

The cornerstone of Tele2's concept is to always offer the Best Deal on the market. We do this by continuously listening to our customers' needs while keeping costs under tight control. Tele2 has steadily increased market shares, while maintaining a healthy return on capital employed. We will make every effort to ensure that this positive development continues and that more people cut the cord and become truly mobile.

In 2010, the company generated net sales of SEK 40.2 billion and reported an operating profit (EBITDA) of SEK 10.3 billion.

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

Net customer intake

In 2010, the total customer base increased to 30,883,000 (26,579,000). Net customer intake, excluding acquired and divested companies, was 3,932,000 customers compared with 2,327,000 customers the previous year. The customer intake in mobile services increased by 42 percent to 4,443,000 (3,139,000), of which 128,000 (142,000) were mobile broadband users. The good intake in mobile services resulted from a solid performance mainly in Tele2 Russia, Tele2 Sweden and Tele2 Croatia. In 2010, Tele2 Russia had a total customer intake of 3,987,000 (2,947,000) of which 2,489,000 (1,898,000) were derived from new operations. Fixed broadband added 32,000 (–11,000) customers in 2010, thanks to an improved demand for dual and triple play offerings throughout the Tele2 footprint. Fixed telephony had an expected outflow of customers during the year.

Net sales

Tele2's net sales amounted to SEK 40,164 (39,436) million. The positive revenue development was driven by good trends in core mobile services and fixed broadband services.

EBITDA

EBITDA was SEK 10,284 (9,394) million, with an EBITDA margin of 26 (24) percent. EBITDA was positively affected by strong operational development in mobile services, particularly driven by Tele2's operations in Russia.

EBIT

Operating profit, EBIT, was SEK 7,088 (5,736) million, which includes one-off items of SEK 384 (–11) million. The EBIT margin amounted to 18 (15) percent.

Profit before tax

Net interest expense and other financial items totalled SEK –353 (–500) million. Exchange differences of SEK 282 (–77) million were reported under other financial items. The average interest rate on outstanding liabilities was 10.0 (6.9) percent. Profit after financial items, EBT, amounted to SEK 6,735 (5,236) million.

Net profit

Profit after tax was SEK 6,481 (4,755) million. Earnings per share amounted to SEK 14.63 (10.70) after dilution. Tax on profit for the year was SEK –254 (–481) million.

Cash flow

Cash flow from operating activities, including discontinued operations, amounted to SEK 9,610 (9,118) million and cash flow after CAPEX amounted to SEK 6,007 (4,778) million.

CAPEX

During 2010, Tele2 made investments of SEK 3,651 (4,439) million in tangible assets and intangible assets, mainly driven by expansion in Russia.

Net debt

Net debt amounted to SEK 1,691 (2,171) million at December 31, 2010, or 0.16 times EBITDA in 2010. Including guarantees to joint ventures, the net debt to EBITDA in 2010 amounted to 0.33 times. Tele2's available liquidity amounted to SEK 12,814 (12,410) million.

FIVE-YEAR SUMMARY

SEK million	2010	2009	2008	2007	2006
CONTINUING OPERATIONS					
Net sales	40,164	39,436	38,330	39,082	38,596
Number of customers (by thousands)	30,883	26,579	24,018	22,768	23,618
EBITDA	10,284	9,394	8,227	6,721	6,179
EBIT	7,088	5,736	2,906	1,740	970
EBT	6,735	5,236	1,893	1,009	405
Net profit/loss	6,481	4,755	1,758	–78	–186
KEY RATIOS					
EBITDA margin, %	26.0	23.8	21.4	17.1	16.0
EBIT margin, %	17.6	14.5	7.6	4.5	2.5
VALUE PER SHARE (SEK)					
Earnings	14.69	10.72	3.91	0.05	–0.14
Earnings, after dilution	14.63	10.70	3.91	0.05	–0.14
TOTAL (INCLUDING DISCONTINUED OPERATIONS)					
Shareholders' equity	28,875	28,823	28,405	27,010	29,172
Shareholders' equity, after dilution	28,894	28,823	28,415	27,054	29,186
Total assets	40,369	40,737	47,337	48,809	66,213
Cash flow from operating activities	9,610	9,118	7,896	4,350	3,847
Cash flow after CAPEX	6,007	4,778	3,288	–819	–1,673
Available liquidity	12,814	12,410	17,248	25,901	5,963
Net debt	1,691	2,171	4,952	5,198	15,311
Investments in intangible and tangible assets, CAPEX	3,651	4,439	4,623	5,198	5,365
Investments in shares and other long-term receivables, net	1,742	–3,357	–2,255	–11,444	1,616
Average number of employees	7,381	6,647	5,859	5,285	3,909
KEY RATIOS					
Equity/assets ratio, %	72	71	60	55	44
Debt/equity ratio, multiple	0.06	0.08	0.17	0.19	0.52
Return on shareholders' equity, %	24.0	16.4	8.9	–5.6	–11.2
Return on shareholders' equity after dilution, %	24.0	16.4	8.9	–5.6	–11.2
Return on capital employed, %	23.6	17.6	12.9	2.0	–5.4
Average interest rate, %	10.0	6.9	6.2	5.2	4.2
VALUE PER SHARE (SEK)					
Earnings	15.70	10.61	5.53	–3.50	–8.03
Earnings, after dilution	15.64	10.59	5.53	–3.50	–8.03
Shareholders' equity	65.44	65.31	63.93	60.67	64.96
Shareholders' equity, after dilution	65.23	65.18	63.90	60.70	64.95
Cash flow from operating activities	21.78	20.71	17.80	9.78	8.66
Dividend, ordinary	6.00[1]	3.85	3.50	3.15	1.83
Extraordinary dividend and redemption	21.00[1]	2.00	1.50	4.70	–
Market price at closing day	139.60	110.20	69.00	129.50	100.00

[1] Proposed dividend.

OVERVIEW BY REGION

Tele2's markets have been divided into four distinct regions, in order to make the best use of the company's resources: Nordic, Russia, Central Europe & Eurasia and Western Europe. These regions include both emerging and mature markets, where cultural, economic and competitive differences are significant. However, the trend towards mobility is universal, and is clearly evident in all countries. While mobile communication services are fairly standardized across different regions, the level of maturity differs widely. As a consequence, the focus of Tele2's operations in each region is different. In the Western European region, Tele2 aims to develop its operations with emphasis on the business segment. The Nordic region remains the cash flow generator of the Tele2 group, as well as its test bed for new services. In Central Europe & Eurasia, Tele2 keeps growing and expanding businesses. Lastly, Russia is the growth engine of the group.

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

While there are important local differences, Tele2 has established a number of general priorities to address opportunities and challenges for 2011. These objectives go beyond the local context and are common to all the regions and countries where Tele2 operates.

- Customers: Tele2 will provide the Best Deal in each country it operates in
- Employees: Tele2 will be considered "A Great Place to Work at" by its employees
- Shareholders: Tele2 will have the best TSR (Total Shareholder's Return) within its peer group

These fundamental objectives will guide the company's regional activities through 2011 and beyond.

NORDIC

Sweden

SEK million	2010	2009	Change
Number of customers (in thousand)	4,744	4,553	4%
Net sales, external	11,881	11,377	4%
EBITDA	3,272	3,184	3%
EBIT	2,201	2,134	3%

Key priorities in 2010

In 2010, Tele2 Sweden continued to focus on three areas: growth in the postpaid and mobile broadband segments, improved quality, and market share expansion in the business segment.

Tele2 Sweden pushed hard in the postpaid segment and the continued uptake of smartphones (mobile phones with text and data capacity that handle voice and data, and are able to download different applications) further boosted mobile data revenues and equipment sales. The uptake took off in the second half of 2010 with the introduction of iPhone in Tele2 Sweden's handset portfolio. As a result, seven out of ten postpaid customers in Sweden bought a smartphone, the majority of them opting also for a data subscription at the end of 2010. This development is not expected to stop as Tele2 Sweden expects to be able to offer a greater selection of attractively priced handsets, making it possible for the company to also address the prepaid market with smartphones.

To capitalize on the mobility trend among customers in Sweden, Tele2 continued the roll-out of the 4G network. In the fourth quarter, Tele2 Sweden commercially launched 4G offers to the consumer and business customers in five major cities in Sweden. The roll-out progresses according to plan. Tele2 expects to cover more than 100 cities by the end of 2011 and to have 99 percent population coverage by 2012. Faster mobile connections allow the customers to do everything they are used to doing via the fixed ADSL connection, but through the 4G network.

Despite tough market conditions, Tele2 Sweden managed to show strong results through quality-enhancing activities, combined with cost containment efforts. The ongoing upgrade of Tele2's system has started to show results. Cost efficiency was improved by Tele2's cost effective networks.

As to the business segment, Tele2 Sweden completed the acquisition of Spring Mobil. The one-phone solution will further strengthen Tele2's product portfolio and position within the SME segment. The continued focus on integrated services led to the acquisition of a number of customers to whom the product communication as a service is particularly important. The customer segmentation within the business segment generated a higher ARPU (average revenue per user) development and the customer base continued to grow, as the domestic economy strengthened.

The total mobile broadband customer base amounted to 361,000 (274,000) in 2010. Tele2 Sweden secured the number one position in the prepaid mobile broadband market. The total mobile net intake amounted to 212,000 (205,000) in 2010. Net sales for mobile services grew by 8 percent to SEK 8,474 (7,877) million. EBITDA contribution for mobile was SEK 2,803 (2,661) million in 2010, affected by an increased amount of subscriptions sold with monthly instalments. Tele2 Sweden showed continued profitability within the prepaid voice segment with an EBITDA margin of 48 (49) percent. The mobile operations in Sweden reported an ARPU of SEK 186 (187). ARPU for mobile broadband increased during the year to SEK 130 (112). MoU per customer, excluding mobile broadband, increased to 242 (230) in 2010.

EBITDA of Tele2 Sweden includes invoiced costs from the joint ventures SUNAB and Net4Mobiliy of SEK –491 (–417) million in 2010.

Tele2's broadband services also showed profitability in 2010. During the coming year, Tele2 expects demand for high-speed access to increase. Tele2 will meet the increased demand for data capacity by further developing its LAN business, and by complementing its fixed broadband services with a high-speed mobile broadband network (4G).

Again, fixed telephony reached profitability and positive cash flow during 2010, and Tele2 managed to defend its market position in that segment. Mobile and fixed services are converging, a trend that Tele2 capitalizes on by offering the latest product Home telephony via the mobile network. This product enables the customer to keep the home phone, but over the mobile network, making it a simple and cost efficient solution for all parties.

Challenges to address in 2011
The postpaid strategy of investing in high ARPU customers will continue into 2011. A stagnating market with fierce price competition and decreasing termination rates will put pressure on margins. Tele2 expects to deliver revenue growth through postpaid sales that generate higher ARPU. Tele2 will attract customers by responding to the increasingly price-conscious market as the undisputable price leader. Growth in new areas will also contribute to increasing sales, e.g. mobile broadband, mobile advertising and mobile payments. Tele2 expects an increased growth in data as customers go mobile. Voice over IP is still on very low levels, but Tele2 will monitor the development going forward. In addition, profitability will be enhanced through cost savings from operating joint-venture networks, the efficient use of distribution channels, stronger focus on online activities, and increased levels of self-service. Furthermore, Tele2 continues to roll-out the combined 2G and 4G-network through the joint venture Net4Mobility as cost efficiency is a necessity to be a price leader.

Norway

SEK million	2010	2009	Change
Number of customers (in thousands)	600	586	2%
Net sales, external	3,016	3,260	–7%
EBITDA	196	246	–20%
EBIT	157	127	24%

Key priorities in 2010
In 2010, Tele2 Norway continued its efforts to keep costs down and target high ARPU customers. In the second half of 2010, Tele2 Norway had a positive customer net intake despite strong competition in the marketplace. However, exchange rate and termination rates had a negative impact on the overall revenue.

The business segment remained a prioritized area in 2010 and the segment continued to develop positively. Tele2 Norway delivered on the Best Deal concept focusing on strengthening its price position and increasing quality perception.

As an MVNO (operator without its own license and/or infrastructure that uses another operator's network when selling services under own brand), the competitive landscape for mobile broadband has been challenging for Tele2 Norway, and the company only generated modest growth.

EBITDA of Tele2 Norway includes invoiced costs from the joint ventures Mobile Norway of SEK –52 (–) million in 2010.

In the fixed telephony segment, Tele2 Norway concentrated its efforts on defending market share and maintaining profitability.

Challenges to address in 2011
In 2011, Tele2 Norway will focus on providing the Best Deal for its customers by delivering expected quality and maintaining price leadership. In order to secure long term profitability, Tele2 Norway will continue to build a 3G mobile network during 2011 through its ownership in Mobile Norway, a joint venture with Network Norway. EBITDA is expected to be negatively affected by lower interconnect tariffs and start up costs related to joint venture Mobile Norway. Growth will be secured through improved customer retention and enhanced multi-channel distribution toward residential and corporate customers. Tele2 continues its efforts with governments, legal institutions and mobile operators to secure viable operational conditions.

RUSSIA

SEK million	2010	2009	Change
Number of customers (in thousands)	18,438	14,451	28%
Net sales, external	10,142	7,540	35%
EBITDA	3,573	2,473	44%
EBIT	2,770	1,822	52%

Key priorities in 2010
The Russian operation is Tele2's most important growth engine. Tele2 has GSM licenses in 37 regions in Russia covering 61 million inhabitants. The Russian operations consist of 17 old regions and 20 new regions, the main differentiator being the maturity level of each operation. The licenses for the 20 new regions were received in 2007 and all regions have been launched commercially.

Tele2 Russia can be split into three categories, during a transitional period, depending on maturity level: Newcomers, Challengers and Defenders.

In 20 out of 37 regions, Tele2 acts as a Newcomer. In these regions, the main goal is to acquire customers and expand market share. Through clear price leadership, wide distribution and innovative marketing, Tele2 can quickly expand its market position.

In 6 out of 37 regions, Tele2 acts as a Challenger. When moving from a Newcomer to a Challenger position, Tele2 Russia will increase its focus on ARPU development and retention activities beyond the strong focus on subscriber acquisition.

Tele2 Russia is market leader/Defender in 11 out of 37 regions. As a market leader, Tele2 focuses on retaining its existing customer base and maximizing its contribution. Through simple and easy-to-understand pricing plans, combined with attractive add-on services such as data access, the company is able to improve average revenue per user in mature regions.

Tele2 Russia's total customer base amounted to 18,438,000 (14,451,000) on December 31, 2010. The competitive environment in Russia is, and will be, very tough. Tele2's main differentiator, as in all countries, is a clear price leadership position. However, as the market evolves it will become increasingly important to find other means of differentiation against competition, be it marketing concepts, distribution channels or customer care. Customer perception is even more critical when the total customer base uses prepaid services.

In 2010, Tele2 Russia successfully pursued its strategy of improving the operational contribution of its more mature regions to support the roll-out of commercial networks in new regions. Tele2 gained totally 3,987,000 (2,947,000) new customers during the year. The turnover of the total customer base was improved during 2010, despite increased competition. Tele2 Russia maintained its effort to stay best in class when it comes to customer retention and continued to work with commission structure to the retail channels in order to further enhance the quality of the customer intake. During the year, Tele2 Russia expanded the geographic scope with several preferred distribution partners to include numerous new cities.

Despite an impact from customer base growth in new regions, MoU for the total operations increased by 7 percent compared to 2009, amounting to 231 (215). ARPU amounted to SEK 51 (50) or RUB 216 (207). The general pricing environment remained highly competitive throughout the Tele2 Russia footprint.

Tele2 Russia continued to deliver solid financial performance throughout the year. Net sales grew by 35 percent in 2010, compared to last year. The EBITDA margin development was driven by strong operational performance in the more mature regions, focusing on customer retention measures and stimulating usage. EBITDA in the 17 mature regions amounted to SEK 3,892 (2,950) million, equivalent to a margin of 46 (41) percent. EBITDA in the new regions amounted to SEK –319 (–477) million.

Challenges to address in 2011
Tele2 Russia will keep looking for possibilities to carefully expand its operations through new licenses as well as by complementary acquisitions. Tele2 Russia will continue to look for the possibility to receive 2G licenses in regions where it does not yet operate, and secure next generation mobile licenses in its existing footprint.

Distribution will remain an important differentiator in the Russian mobile market. Tele2 Russia will continue to pursue its multi-pronged approach with local distributors, together with federal dealers and mono brand stores. In 2011, it will be important to develop long term relationships with all parties and secure a well performing distribution network.

In 2011, it will still be a major focus point to balance improved profitability in Tele2 Russia's more mature regions, while gaining scale in the new regions – and by doing so, reaching EBITDA break-even.

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

CENTRAL EUROPE & EURASIA

Estonia

SEK million	2010	2009	Change
Number of customers (in thousands)	479	460	4%
Net sales, external	880	1,009	–13%
EBITDA	219	292	–25%
EBIT	152	219	–31%

Key priorities in 2010
Throughout 2010, the Estonian economy started to show clear signs of recovery. However, the situation remained challenging as consumer confidence continued to be relatively weak and price pressure persisted in all segments.

Tele2's efforts during the year were focused on enhanced efficiency and cost reduction measures in order to maintain a solid price position and stable market share. Tele2's revenues proved more resilient than the overall market.

Tele2 Estonia kept investing significantly in its mobile network in order to improve quality perception on the market. Tele2's network quality and coverage area are now on a par with, or even better than, the competitors. As a result, mobile broadband has been the fastest growing segment throughout the year. The expansion of its 3G network will enable Tele2 to offer the best priced mobile broadband services for larger customer segments.

Another important objective during the year was to strengthen Tele2 Estonia's market position in terms of revenue. These efforts were successful, and Tele2 gained market share in the consumer segment. Targeted campaigns, combined with improved network quality and clear price leadership have helped Tele2 achieve these results.

Increasing the market share in the Business-to-Business segment was another important objective for 2010. As a result of the economic uncertainty during the year, corporate customers and municipalities became more price-sensitive. This fact greatly contributed to Tele2's success. Customers' quality perception of Tele2 also improved, driving increased sales.

In the end of 2010, Tele2 was awarded a 4G (2.6 MHz) license.

Challenges to address in 2011
The macroeconomic situation is slowly recovering, and telecom spending are expected to grow further in 2011. Customers remaining quite price-sensitive, Tele2 will need to keep showing flexibility regarding packaging and product offers.

Tele2 Estonia will continue to concentrate its efforts on attracting residential customers by means of a distinct price leadership position, coupled with improved quality, while developing its market share in the large corporate segment. Tele2 Estonia will have to defend its perceived price leadership position and improve real and perceived quality EMT.

Tele2 will carry on rolling-out its 3G network in the rural areas, in parallel with intensive marketing activities to drive sales.

Lithuania

SEK million	2010	2009	Change
Number of customers (in thousands)	1,731	1,655	5%
Net sales, external	1,319	1,688	–22%
EBITDA	455	598	–24%
EBIT	358	493	–27%

Key priorities in 2010
The Lithuanian economic situation stabilized throughout 2010. The main priority for Tele2 Lithuania during the year was to keep capitalizing on a strong price leadership perception, supported by efficient sales and marketing campaigns, and to continue gaining market shares in both the postpaid consumer and corporate segments. Satisfactory results were obtained, as Tele2 Lithuania gained 76,000 (–63,000) net customers in 2010.

Continuing to improve profitability was another key focus area during 2010. Tele2 managed to reach this goal by increasing its revenue market share, while managing to decrease acquisition costs. Tele2 Lithuania was able to grow its profit between 2009 and 2010 in local currency, despite a persistent and tough price competition.

During the year, special stress was laid on maintaining the highest level of customer satisfaction in the industry, not least through low prices and effective customer relationship practices. The number of customers that recommended Tele2 Lithuania as the preferred operator increased.

Challenges to address in 2011
Tele2 will have to defend both actual and perceived price leadership as this is the most important factor in the Lithuanian mobile telecom market.

Tele2 Lithuania will continue to grow customer base in all the segments and keep focusing on increasing its market share in the corporate segment in particular, benefiting from general price sensitivity among private companies and state-owned organizations. To that end, network quality will have to be further enhanced.

Tele2 will also capitalize on the mobile broadband sales growth momentum in 2011.

Lastly, Tele2 Lithuania will continue to work on improving customer satisfaction by increasing network coverage and performance, and by providing a higher level of customer service.

Latvia

SEK million	2010	2009	Change
Number of customers (in thousands)	1,027	1,059	–3%
Net sales, external	1,261	1,619	–22%
EBITDA	398	527	–24%
EBIT	313	427	–27%

Key priorities in 2010
Strong signs indicated that the economic climate improved during the year. Nevertheless, fierce price pressure and harsh competition persisted across all customer segments. In 2010, the main objective of Tele2 Latvia was to gain market share and to maintain an acceptable level of profitability.

To that end, Tele2 continued to focus on customer satisfaction and service quality, while working steadily on strengthening its infrastructure in terms of coverage, capacity, performance and development of 3G capabilities. This resulted in a strong uptake of mobile broadband services, which exceeded volume forecasts.

Furthermore, Tele2 carried on developing activities and introduced innovative customer services, such as new web self-care channels, to maintain its Best Deal position on the market.

Challenges to address in 2011
Tele2 Latvia will defend its perceived price leadership position and concentrate its efforts on increasing market share in the postpaid and business customer segments, while defending its position in prepaid.

Tele2 Latvia is currently the market leader in terms of number of customers, and aims to also hold a leading market share position in terms of revenue.

Improving customer perception of quality at each major point of customer contact remains a focus area.

Lastly, Tele2 will continue to strengthen its sales by means of targeted campaigns and offers to pursue growth, most particularly in the corporate segment. Likewise, Tele2 Latvia will work on further improving customer loyalty and providing good retention offers to defend its customer base.

Croatia

SEK million	2010	2009	Change
Number of customers (in thousands)	738	598	23%
Net sales, external	1,346	1,296	4%
EBITDA	–21	–244	91%
EBIT	–134	–353	62%

Key priorities in 2010
Tele2 Croatia reached positive EBITDA in the second quarter of 2010, driven by strong customer growth and improved cost management programs in areas such as national roaming and customer acquisition costs.

Tele2 Croatia consistently kept its focus on further strengthening its Best Deal position through effective marketing campaigns across all segments. Tele2 Croatia steadily grew its market share during the year by consolidating its price leadership position, offering guaranteed savings opportunities to customers. Tele2 also improved quality perception, by means of enhanced network performance, better customer service, and an attractive store concept.

With the launch of its 21Mbps 3G network, Tele2 Croatia has all the elements to become one of the leading mobile data service providers in the country, thereby increasing overall customer satisfaction. The continued rollout of own network infrastructure contributes to reducing Tele2 Croatia's dependency on national roaming and improving the company's gross margins.

Challenges to address in 2011
In order to continue the positive trend and get cash flow break even in 2011, it is essential for Tele2 Croatia to keep scaling up operations and grow market share. Tele2 Croatia will focus on maintaining price leadership, while providing products that are tailored to customer needs. At the same time, Tele2 will keep enhancing quality perception and customer experience across all touch points.

Lastly, Tele2 Croatia will intensify its focus on customer retention in order to generate higher revenue and increase customer lifetime value.

Kazakhstan

SEK million	2010
Number of customers (in thousands)	332
Net sales, external	119
EBITDA	–173
EBIT	–376

Key priorities in 2010
Tele2 completed the acquisition of a majority share in operator NEO in Kazakhstan in March 2010. Tele2 Kazakhstan has mainly been focusing on integrating processes and implementing a new organizational structure that better reflects the Tele2 Way of doing business. In parallel, the company prepared for the launch of the Tele2 brand.

The main activities consisted in swapping out the old equipment and rolling out the new 2G and 3G enabled networks. Tele2 Kazakhstan also worked intensely on establishing good relationships with the regional distributors and widening its distributor network throughout the country in order to support growth after the launch.

Lastly, Tele2 managed to negotiate interconnect rate cuts with the two largest competitors on the market.

Challenges to address in 2011

The re-launch is planned for the first half of 2011. The main challenge for Tele2 Kazakhstan will be to start building price leadership and provide customers with an initial quality brand experience.

Later on during the year, Tele2 Kazakhstan will work effectively to move closer to the customers through the Tele2 brand. Being aggressive on price leadership, creating innovative offers and strengthening public relations on the market will be other focus points for Tele2 Kazakhstan.

WESTERN EUROPE

The Netherlands

SEK million	2010	2009	Change
Number of customers (in thousands)	1,081	1,124	–4%
Net sales, external	5,838	6,625	–12%
EBITDA	1,735	1,612	8%
EBIT	978	581	68%

Key priorities in 2010

Tele2 Netherlands successfully delivered on its strategy of connecting customers directly to its network, thereby improving margins. Tele2 Netherlands also demonstrated the viability of providing multiple services over a single connection. This strategy makes it possible to provide additional or enhanced services with limited incremental capital expenditures, which improves profitability and customer value.

Tele2 Netherlands managed once again to materialize on the increased demand for multi-play offerings in the consumer segment. Especially the demand for Tele2's triple-play offerings, including TV, is increasing over dual play offerings, thereby improving the ARPU of the broadband base. Furthermore, Tele2 Netherlands continued to focus on postpaid offerings. Although the total mobile base declined, the focus on postpaid subscriptions enabled Tele2 Netherlands to improve its overall margin levels.

In the corporate segment, Tele2 Netherlands was successful in attracting major customers and in prolonging existing accounts, thereby extending the binding period of several large customers. However, the renewals also led to price reductions, resulting in an overall decline in revenue in the business segment. Moreover, Tele2 Netherlands launched a new campaign and corporate identity (and related website) on the business market in order to improve the brand awareness and sales activities in the SME/SOHO segment. Tele2 Netherlands stands as an example of good practice within business-to-business services in the Tele2 group.

The acquisition of the Dutch fixed operator BBned in October 2010 was a great opportunity for Tele2 Netherlands to strengthen the Dutch business and benefit from increased scale in its operations. During 2010, Tele2 Netherlands also acquired a 2.6 GHz license, which is an important first step to explore possibilities in mobile. Mobile access is all the more important, since mobile and fixed services are increasingly converging.

Challenges to address in 2011

Tele2 Netherlands will continue to deliver its Best Deal strategy by fortifying its price leadership position and by offering high quality services in all markets. Enhancing customer loyalty will be a major area of focus in 2011. In the business market, Tele2 Netherlands will keep focusing on attracting major corporate customers as well as small and medium enterprises. Furthermore, Tele2 Netherlands will pursue its strategy of improving margins by connecting customers directly to its network, providing multiple services over a single connection.

Germany

SEK million	2010	2009	Change
Number of customers (in thousands)	1,298	1,607	–19%
Net sales, external	1,515	2,178	–30%
EBITDA	357	496	–28%
EBIT	300	404	–26%

Key priorities in 2010

Tele2 Germany's key strategic priority in 2010 was to focus on customer loyalty and profitability.

The net broadband customer growth remained on low levels in 2010, continuing to show signs of market saturation. The incumbents and cable operators applied promotional pricing activities during the year, whereas Tele2 Germany maintained its focus on profitability rather than market share, and customer retention rather than customer acquisition. With its retention strategy, the company once more succeeded in stabilizing the customer base during the year.

Towards the end of 2010, Tele2 Germany sold its shares in Plusnet and got an early termination of the joint venture. Tele2 Germany will carry on selling its broadband services based on a wholesale agreement, which gives Tele2 more flexibility and favourable commercial conditions.

Tele2 Germany remained the largest CPS (Carrier Pre-Select) provider in the market. The emphasis on customer retention activities led to better-than-planned customer base development. The EBITDA margin for fixed line was 40 (38) percent in 2010. Price competition in this segment was relatively low as most operators concentrated their marketing initiatives on fixed broadband services.

Challenges to address in 2011

Tele2 Germany will continue to focus on extending existing subscriptions and increasing cross-selling, while pursuing effective cost management.

Austria

SEK million	2010	2009	Change
Number of customers (in thousands)	415	486	–15%
Net sales, external	1,580	1,967	–20%
EBITDA	328	344	–5%
EBIT	155	127	22%

Key priorities in 2010

Tele2 Austria continued to show good operational progress in 2010, leading to an improved full year EBITDA margin, from 17 percent in 2009 to 21 percent in 2010. Tele2 Austria is still facing very strong competition. For the top line development, Tele2 Austria kept emphasizing its focus on growth within the business segment by providing the business community with a superior customer experience to low prices. With a more concentrated product portfolio, Tele2 Austria became more competitive and will as a result manage to improve performance over time. Data network services in particular showed healthy revenue development. In 2010, Tele2 Austria therefore focused – across all business areas – on increasing sales efficiency and on improving customer retention. The customer satisfaction in the business segment improved.

In the residential segment, Tele2 Austria concentrated its efforts on retaining its customer base by emphasising value based-segmentation through retention campaigns, and by following a churn prediction model.

Challenges to address in 2011

In 2011, Tele2 Austria's management will work on generating sustainable, profitable growth by further optimizing the company's structure and sales processes, and by pursuing efforts to offer the Best Deal to its customers. These objectives will be supported by the implementation of a clear differentiation strategy and the improvement of commercial quality at all levels.

ACQUISITIONS AND DIVESTMENTS

In 2010, Tele2 acquired all shares in BBned, a Dutch provider of fixed telephony and broadband services in the retail, business and wholesale segment, 51 percent in the mobile operator NEO in Kazakhstan, with a 900 MHz GSM license, the remaining 50 percent in the Swedish company Spring Mobil and the remaining shares in Rostov in Russia, after which Tele2 owns 100 percent of its Russian operations. During 2010, Tele2 has also contributed capital to its joint ventures.

In 2010, Tele2 divested its 32.5 percent ownership in the joint venture Plusnet in Germany and at the same time Tele2 made an early termination of the joint venture agreement.

Further information can be found in Note 17.

CORPORATE RESPONSIBILITY

In 2010, Tele2 launched an extensive Corporate Responsibility (CR) program. The objective is to efficiently incorporate sustainability issues in the whole organisation, making it part of our everyday business.

Tele2's definition of Corporate Responsibility is to take responsibility for the impact Tele2 has on its surroundings. The responsibility comprises the following four areas: Human rights, Labour rights, Environment and Anti-Corruption.

New Code of Conduct

Existing governance documents have been scrutinised to ensure proper governing of the Corporate Responsibility work. This has so far resulted in the development of a new overarching Code of Conduct and a new environmental policy. Tele2 will continue to evaluate and make the necessary adjustments to other relevant policies.

The Code of Conduct, which is based on the four pillars of the United Nations Global Compact (Human rights, Labour rights, Environment and Anti-Corruption) applies to all Tele2 employees, the Board of Directors as well as suppliers and affiliates including persons representing Tele2. In conjunction with renewals or new contracts, suppliers and partners are obliged to sign the Code of Conduct. The Management and the Board of Directors have adopted the new Code of Conduct, which is available on Tele2's website www.tele2.com.

Identifying risks and opportunities

To ensure the right focus of the sustainability work, a risk and opportunity analysis of Tele2, including the supply chain and end usage, was performed at the beginning of the year. During the year Tele2 has also performed a materiality analysis with the purpose of identifying which areas are the most critical to Tele2 within the company's sphere of influence. The outcome of the two analyses together with Tele2's level of ambition have laid the foundation for Tele2's prioritized focus areas and a new set of long, medium and short term goals.

Verifying priorities

To learn more about how our stakeholders perceive our Corporate Responsibility work and where they think our priorities should lie, Tele2 has initiated an ongoing programme for stakeholder dialogues. So far, dialogues have been held with employees, management, analysts, customers and shareholders. A multistakeholder dialogue was held with NGO's in January 2011.

During the dialogues, one of the requests brought forward by the stakeholders was increased communication. Therefore several activities to improve communications have been launched. Two of these efforts are Tele2's publication of the first Corporate Responsibility report in accordance to GRI guidelines and the new Corporate Responsibility web.

Actions for Corporate Responsibility

Tele2's most significant impact on the climate are the greenhouse gas emissions we produce when operating our networks, heating, cooling and powering our buildings, using our vehicle fleet, and travelling for business.

Tele2 continuously strives to reduce the green house gas emissions. During the year, Tele2 has introduced a series of measurements. In the Nordic countries, Tele2 has switched to energy from renewable sources. Tele2 continues its efforts to minimize business travel by increasing the use of video and telephone conferencing. The transition to environmentally friendly company cars has continued during the year. Almost 80 percent of the vehicles in the fleet are now environmentally friendly.

Another environmental issue that has been identified as a risk area is electronic waste. Tele2 has therefore introduced a new program named Flip swap in the Swedish shops during the year. Flip swap enables the return of old mobile phones to a Tele2 store in exchange for a voucher, which can be used in the store.

During the past year, we initiated our first supply chain controls. For Tele2 it is a fundamental prerequisite that its suppliers and agents show respect for human rights, labour rights, environmental impact and conduct active anti-corruption work. To ensure the fulfilment and correct knowledge of the company's Code of Conduct, Tele2's Head of CR and its shareholder Swedbank visited suppliers, partners and sites in Russia. Tele2 will continue the visits, dialogues, and training in the full value chain to ensure full commitment to Human rights, Labour rights, Environment and Anti-Corruption.

Understanding and acting in line with our values means prioritising CR. To uphold the same level of understanding internally as well as externally we have completed training for management and key functions. As the next step we have initiated inclusion of Human rights, Labour rights, Environment and Anti-Corruption in our key internal learning "The Tele2 way" for all managers from 2011 and onwards.

EMPLOYEES

Tele2 had 7,337 (6,995) numbers of employees at the end of the year. The increase is largely due to acquired operations in Kazakhstan and BBned in Netherlands. See also Note 33 Number of employees and Note 34 Personnel costs.

Every employee creates an individual development plan together with his or her manager on a yearly basis. The development plan includes continuous evaluations and yearly result evaluations including how the goals are met and the plan for the future (new goals, development and initiative). Tele2 employees have a great responsibility to contribute both to their own as well as to Tele2's development by coming up with their own initiatives and ideas which can improve the business.

All employees are offered to participate in the yearly employee survey "My Voice". The goal of the survey is to develop the company as an employer and as a workplace within a number of areas, such as communication and leadership. The results of the employee survey are analyzed on group level within Tele2 and lead to action plans with concrete measures and improvements linked to the results. Usually, very good results are achieved in the employee survey, which shows among other things that there is a high level of pride to be working for Tele2; likewise, the working environment is pervaded by respect, flexibility, professionalism and multitude.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On January 21, 2011 the Administrative Court of Appeal has approved Tele2's claim for a deduction of a capital loss of SEK 13.3 billion (tax effect of SEK 4,354 million including interest), which was associated with the liquidation of S.E.C. SA in 2001. The decision by the Administrative Court of Appeal will not lead to reduced tax payments since the capital loss has been deducted against earlier years' profits.

Tele2 Sweden announced on March 4, 2011 that Tele2 Sweden has been awarded a mobile license of 2x10 MHz in the 800 MHz frequency band through the network company Net4Mobility for SEK 769 million. The frequencies will be used in the roll out of Sweden's most comprehensive 4G network. The ambition is to cover 99 percent of the Swedish households by the end of 2012.

On December 15, 2010 Tele2 sold its cable TV operation in Lithuania for SEK 42 million. The sale was approved by the regulatory authorities on February 3, 2011 and generates a capital gain of SEK 4 million.

On February 7, 2011, Tele2 entered into a 2-year revolving credit facility agreement of SEK 2.5 billion with a syndicate of five banks and with the same performance conditions as the larger credit facility.

RISK AND UNCERTAINTY FACTORS

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

Operating risks

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

Availability of frequencies and telecom licences

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

Operations in Russia and Kazakhstan

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

Administration report

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

Integration of new business models etc
Tele2's business environment is experiencing continuous internal and external changes, which may affect our future operational result and financial position. Change may be in the form of new business models such as mobile VOIP, geographical expansion or new revenue models introduced by handset companies. There is also internal change in the form of information technology infrastructure makeovers, which if successful will improve our capability to provide enhanced service to our customers. Tele2's executive management closely reviews the progress of internal and external change, to adjust its strategies and maximise returns for our shareholders.

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

Legal proceedings
Tele2 is a party to legal proceedings as a result of its normal business operations. As these proceedings can be complex, it is difficult to predict their outcome. An unfavourable result can have a significant negative effect on our business operations, operating profit or financial position. Tele2 uses both internal and external expertise to advice on strategies related to legal proceedings.

Financial Risk Management
Through its operations, the group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to Tele2 corporate. The aim is to minimize the group's capital costs through appropriate financing and effective management and control of the group's financial risks. Further information on financial risk management can be found in Note 2.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors is appointed by the Annual General Meeting for terms extending until the next Annual General Meeting. At the Annual General Meeting in May 2010, Lars Berg and Erik Mitteregger were appointed as new Board members, Vigo Carlund and Pelle Törnberg left the Board, while remaining Board members were re-elected. In addition, Mike Parton was appointed as new Chairman of the Board of Directors.

The Board is responsible for the company's organization and management, and is composed in such a way as to enable it to effectively support and manage the responsibility of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, corporate transactions, major investments, and establishes the framework of Tele2's operations by defining the company's financial goals and guidelines. In 2010, the Board convened five times on different locations in Europe. In addition, six per capsulam meetings and five telephone conference meetings were held.

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

The work of the Remuneration Committee includes salary matters, pension conditions, bonus systems and other terms of employment for the CEO and other senior executives. The Audit Committee's role is to maintain and improve the efficiency of contact with the group's auditors and to supervise the procedures for accounting and financial reporting and auditing within the group. Remuneration to the Board is stated in Note 34.

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

Remuneration guidelines for senior executives
The Board proposes the following guidelines for determining remuneration for senior executives for 2011, to be approved by the Annual General Meeting in May 2011.

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

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

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

The Board shall continually consider the need of imposing restrictions in the variable short-term incentive programs that are paid in cash, and make payments under such incentive programs or proportions of such payments, conditional on whether the performance on which it was based has proved to be sustainable over time, and/or allowing the company to reclaim components of such variable compensation that have been paid on the basis of information which later proves to be manifestly misstated.

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

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

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

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

There are no deviations during 2010 compared with the remuneration guideline for senior executives approved by the Annual General Meeting in May 2010.

The guidelines for 2010 as proposed by the Board and approved by the Annual General Meeting in May 2010 are stated in Note 34 Personnel costs.

PARENT COMPANY

The parent company performs functions and conducts certain group wide development projects. In 2010, the parent company paid an ordinary dividend for 2009 of SEK 3.85 per share and an extraordinary dividend of SEK 2.00 per share corresponding to a total of SEK 2,580 million to shareholders.

PROPOSED APPROPRIATION OF PROFIT

The Board and CEO propose that, from the SEK 19,978,601,680 at the disposal of the Annual General Meeting, an ordinary dividend of SEK 6.00 per share and an extraordinary dividend of SEK 21.00 per share be paid to shareholders, corresponding at December 31, 2010 to SEK 2,659,574,034 and SEK 9,308, 509,119 respectively, resulting in a total dividend of SEK 11,968,083,153, and that the remaining amount, SEK 8,010,518,527, be carried forward.

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

Contents

Financial statements – Group

Financial statements – Parent company

Notes – Group

Notes – Parent company

Consolidated income statement

SEK million	Note	2010	2009
CONTINUING OPERATIONS			
Net sales	5	40,164	39,436
Cost of services sold	6	–22,409	–22,491
Gross profit		**17,755**	**16,945**
Selling expenses	6	–7,339	–8,033
Administrative expenses	6	–3,305	–3,203
Sale of operations	7	–2	7
Result from shares in associated companies and joint ventures	8	–74	–98
Other operating income	9	207	460
Other operating expenses	10	–154	–342
Operating profit	6	**7,088**	**5,736**
PROFIT FROM FINANCIAL INVESTMENTS			
Interest income	11	14	212
Interest costs	12	–511	–570
Other financial items	13	144	–142
Profit after financial items		**6,735**	**5,236**
Tax on profit for the year	14	–254	–481
NET PROFIT FROM CONTINUING OPERATIONS		**6,481**	**4,755**
DISCONTINUED OPERATIONS			
Net profit/loss from discontinued operations	37	447	–46
NET PROFIT	4	**6,928**	**4,709**
ATTRIBUTABLE TO			
Equity holders of the parent company		6,926	4,673
Minority interest		2	36
NET PROFIT		**6,928**	**4,709**
Earnings per share, SEK	32	15.70	10.61
Earnings per share after dilution, SEK	32	15.64	10.59
FROM CONTINUING OPERATIONS			
Earnings per share, SEK		14.69	10.72
Earnings per share after dilution, SEK		14.63	10.70

Consolidated comprehensive income

SEK million	Note	2010	2009
Net profit		**6,928**	**4,709**
OTHER COMPREHENSIVE INCOME			
Exchange rate differences		–2,780	–1,370
Exchange rate differences, tax effect		–1,504	–565
Reversed cumulative exchange rate differences from divested companies	37	–50	–138
Withholding tax dividends		–12	–19
Cash flow hedges	26	46	–6
Cash flow hedges, tax effect		–12	–
Other comprehensive income for the year, net of tax		**–4,312**	**–2,098**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,616**	**2,611**
ATTRIBUTABLE TO			
Equity holders of the parent company		2,614	2,579
Minority interest		2	32
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,616**	**2,611**

Consolidated balance sheet

SEK million	Note	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008 (Note 36)
ASSETS				
FIXED ASSETS				
Intangible assets				
Goodwill	15	10,010	10,179	11,473
Other intangible assets	15	3,191	2,234	2,121
Total intangible assets		**13,201**	**12,413**	**13,594**
Tangible assets				
Machinery and technical plant	16	12,780	13,336	13,023
Other tangible assets	16	2,350	2,008	2,543
Total tangible assets		**15,130**	**15,344**	**15,566**
Financial assets				
Shares in associated companies and joint ventures	18	788	551	277
Other financial assets	19	353	45	150
Total financial assets		**1,141**	**596**	**427**
Deferred tax assets	14	3,200	4,502	4,682
TOTAL FIXED ASSETS		**32,672**	**32,855**	**34,269**
CURRENT ASSETS				
Materials and supplies	20	273	201	368
Current receivables				
Accounts receivable	21	3,280	3,144	4,234
Current tax receivables		115	184	403
Other current receivables	22	484	459	538
Prepaid expenses and accrued income	23	2,599	2,468	2,916
Total current receivables		**6,478**	**6,255**	**8,091**
Short-term investments	24	112	114	3,359
Cash and cash equivalents	25	834	1,312	1,250
TOTAL CURRENT ASSETS		**7,697**	**7,882**	**13,068**
TOTAL ASSETS	4	**40,369**	**40,737**	**47,337**

Continued Consolidated balance sheet

SEK million	Note	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008 (Note 36)
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Attributable to equity holders of the parent company				
Share capital	32	559	558	562
Other paid-in capital		16,967	16,898	16,896
Reserves		–2,733	1,567	3,642
Retained earnings		14,079	9,737	7,255
Total attributable to equity holders of the parent company		**28,872**	**28,760**	**28,355**
Minority interest		3	63	50
TOTAL SHAREHOLDERS' EQUITY		**28,875**	**28,823**	**28,405**
LONG-TERM LIABILITIES				
Interest-bearing				
Liabilities to financial institutions and similar liabilities	26	1,038	2,782	1,706
Provisions	27	183	218	193
Other interest-bearing liabilities	26	471	188	262
Total interest-bearing liabilities		**1,692**	**3,188**	**2,161**
Non-interest-bearing				
Deferred tax liability	14	851	731	758
Total non-interest-bearing liabilities		**851**	**731**	**758**
TOTAL LONG-TERM LIABILITIES		**2,543**	**3,919**	**2,919**
SHORT-TERM LIABILITIES				
Interest-bearing				
Liabilities to financial institutions and similar liabilities	26	160	109	7,085
Provisions	27	139	164	118
Other interest-bearing liabilities	26	957	170	432
Total interest-bearing liabilities		**1,256**	**443**	**7,635**
Non-interest-bearing				
Accounts payable	26	2,602	2,106	2,217
Current tax liabilities		77	221	227
Other short-term liabilities	26	561	640	679
Accrued expenses and deferred income	28	4,455	4,585	5,255
Total non-interest-bearing liabilities		**7,695**	**7,552**	**8,378**
TOTAL SHORT-TERM LIABILITIES		**8,951**	**7,995**	**16,013**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4	**40,369**	**40,737**	**47,337**

Consolidated cash flow statement

SEK million	Note	2010	2009
OPERATING ACTIVITIES			
Cash flow from operations before changes in working capital			
Operating profit from continuing operations		7,088	5,736
Operating profit/loss from discontinued operations	37	453	–17
Operating profit		**7,541**	**5,719**
Adjustments for non-cash items in operating profit			
Depreciation and amortization		3,597	3,555
Impairment		29	526
Result from shares in associated companies and joint ventures		74	98
Gain/loss on sale of fixed assets		–442	–339
Exchange rate difference		–	–120
Interest received		11	520
Interest paid		–357	–540
Finance costs paid		–4	–341
Dividend received		1	1
Taxes paid		–740	–883
Cash flow from operations before changes in working capital	31	**9,710**	**8,196**
Changes in working capital			
Materials and supplies		–64	106
Operating assets		–443	1,002
Operating liabilities		407	–186
Changes in working capital	31	**–100**	**922**
CASH FLOW FROM OPERATING ACTIVITIES		**9,610**	**9,118**
INVESTING ACTIVITIES			
Acquisition of intangible assets	31	–283	–358
Sale of intangible assets	31	20	86
Acquisition of tangible assets	31	–3,356	–4,089
Sale of tangible assets	31	16	21
Acquisition of shares in group companies (excluding cash)	17	–1,371	–529
Sale of shares in group companies	17	324	848
Capital contribution to joint ventures	17	–139	–316
Sale of joint ventures	17	–271	–
Other financial assets, lending		–202	–18
Other financial assets, received payments		2	3,401
Cash flow from investing activities		**–5,260**	**–954**
CASH FLOW AFTER INVESTING ACTIVITIES		**4,350**	**8,164**
FINANCING ACTIVITIES			
Proceeds from credit institutions and similar liabilities		–	1,300
Repayment of loans from credit institutions and similar liabilities		–2,587	–7,226
Proceeds from other interest-bearing liabilities		–	111
Repayment of other interest-bearing lending		–219	–57
Dividends		–2,580	–2,202
New share issues		74	4
Repurchase of own shares		–	–1
Sale of own shares		256	–
Shareholders contribution from minority		241	–
Dividends to minority		–	–4
Cash flow from financing activities		**–4,815**	**–8,075**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–465**	**89**
Cash and cash equivalents at beginning of the year	25	1,312	1,250
Exchange rate differences in cash	25	–13	–27
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	25	**834**	**1,312**

Cash flow for discontinued operations, please refer to Note 37.
For additional cash flow information, please refer to Note 31.

Change in consolidated shareholders' equity

SEK million	Note	Attributable to equity holders of the parent company: Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Minority interest	Total shareholders' equity
Shareholders' equity at January 1, 2009		**562**	**16,896**	**–240**	**3,882**	**7,051**	**28,151**	**50**	**28,201**
Changed accounting principle	36	–	–	–	–	204	204	–	204
Adjusted shareholders' equity at January 1, 2009		**562**	**16,896**	**–240**	**3,882**	**7,255**	**28,355**	**50**	**28,405**
Costs for stock options	34	–	–	–	–	25	25	–	25
New share issues	32	1	3	–	–	–	4	–	4
Repurchase of own shares	32	–	–1	–	–	–	–1	–	–1
Reduction of share capital	32	–5	–	–	–	5	–	–	–
Dividends	32	–	–	–	–	–2,202	–2,202	–4	–2,206
Purchase of minority	17	–	–	–	–	–	–	–15	–15
Comprehensive income for the year		–	–	–166	–1,909	4,654	2,579	32	2,611
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2009		**558**	**16,898**	**–406**	**1,973**	**9,737**	**28,760**	**63**	**28,823**
Shareholders' equity at January 1, 2010	36	**558**	**16,898**	**–406**	**1,973**	**9,737**	**28,760**	**63**	**28,823**
Costs for stock options	34	–	–4	–	–	58	54	–	54
New share issues	32	1	73	–	–	–	74	–	74
Sale of own shares	32	–	–	–	–	256	256	–	256
Dividends	32	–	–	–	–	–2,580	–2,580	–	–2,580
Purchase of minority	17	–	–	–	–	–306	–306	–62	–368
Comprehensive income for the year		–	–	34	–4,334	6,914	2,614	2	2,616
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2010		**559**	**16,967**	**–372**	**–2,361**	**14,079**	**28,872**	**3**	**28,875**

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) at the date of publication of this annual report, as adopted by the EU. The group also applies the Swedish Financial Reporting Board recommendation RFR 1 Supplementary Accounting Rules for groups (December 2010) which specifies additional disclosures required under the Swedish Annual Accounts Act.

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

From Q4 2010, with prospective effect, revenues from customer agreements including the delivery of mobile phones or other equipment without the debit of any specific enhanced subscription fees are allocated to the individual components in the agreement. Before, they were recognized when the total service was provided. The changed principle means that revenues that can be allocated to the equipment are recognized at the delivery of the equipment to the customer and revenues from other subscription charges are recognized in the period covered by the charge. Prior periods have not been restated since it is impracticable to determine the effect on these.

During 2010, with retroactive effect, Datametrix Integration AB has been transferred to segment Sweden. In addition adjustment has been made retroactively in segment Other from net sales to other operating income.

From 2010, with retroactive effect, the international carrier business is reported in the segment Other.

With retroactive effect, the internal sale between mobile and fixed broadband/telephony is reported in segment Sweden.

In segment Sweden from 2010 sales with enhanced subscriptions fees are regarded as instalment payments and the accounting of revenues has been adjusted accordingly. Previous periods have been recalculated.

For additional information to the changes described above please refer to Note 36.

CHANGE IN ACCOUNTING PRINCIPLES

From 2010 the following new standards, amendments and interpretations are applied.

Revised IFRS 3 and IAS 27 concerning business acquisition

The revised IFRS 3 and IAS 27 are applied prospectively from January 1, 2010 without recalculation of prior periods.

In the revised IFRS 3, all acquisition related costs (transaction costs) are to be recognized as expenses in the period in which they arise, and shall no longer be capitalized as a part of the acquisition value for the acquired business. Acquisition related costs during 2010 amounts to SEK 16 million. Also the definition of a business combination has been clarified.

The revised IFRS 3 also allows the use of the so called full goodwill method. This means that the minority interest and goodwill are reported at fair value at the time of acquisition. The full goodwill method has been applied at the acquisition of the mobile operator NEO in Kazakhstan, which means a higher value of goodwill and minority interest compared to previous principles of SEK 452 million.

According to the revised IFRS 3 a conditional purchase price shall be reported, both initially as well as in the following periods, at fair value with any subsequent revaluation to be reported in the income statement. Previously a provision for conditional purchase price was initially reported at a value that corresponded to the company's best estimate of the likely outcome. Subsequent changes in the provision, except for the discount effect, were reported against goodwill. The change has not had any effect for Tele2.

The revised IFRS 3 standard effects acquisitions of a controlling interest in a company where Tele2 already holds an equity interest. The revised accounting standard requires Tele2 to adjust the carrying value of the previously held equity interest to fair value at acquisition. Any gain or loss shall be recorded in the income statement. Hence a positive effect was reported in 2010 of SEK 31 million in connection with the acquisition of the remaining 50 percent of the shares in Spring Mobil.

The revised IAS 27 clarifies that changes in a parent company's share in the subsidiary, where the parent company retains the control, shall be reported as a transaction within equity. This means that these types of changes shall not result in recognition of profit or loss in the income statement. Nor shall the transaction cause any changes of the subsidiary's net assets (including goodwill). The previous standard gave no guidance on how changes in the parent company's participating interest should be accounted for. Compared to Tele2's previous principles the revised standard has entailed a reduction of shareholders' equity by SEK 306 million in connection with the acquisition of the remaining 12.5 percent of the shares in Tele2 Rostov instead of an increase of goodwill by the same amount.

Other new and amended IFRS standards and IFRIC interpretations

The other new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2010, have had no material effect on the consolidated financial statements. The revised IFRS-standards are the following; IFRS 2 *Shared-based payments*, IAS 39 *Financial Instruments: Recognition and Measurement* and *Improvements to IFRSs 2009*. The new IFRIC interpretations are the following: IFRIC 17 *Distributions of non-cash assets to owners*.

NEW REGULATIONS

The following revised standards have been issued by the International Accounting Standards Board (IASB) and adopted by the EU; IAS 24 *Related party disclosures* (effective for annual periods beginning on or after January 1, 2011) and amendments to IAS 32 *Financial Instruments: Presentation* (effective for annual periods beginning on or after February 1, 2010).

IASB has also issued *Improvements to IFRSs 2010* (effective for annual periods beginning on or after July 1 2010), Amendments to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011), Amendments to IAS 12 *Deferred tax: Recovery of underlying Assets* (effective for annual periods beginning on or after January 1, 2012) and IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1, 2013) which have not yet been adopted by the EU. The improvements are not estimated to have any material effect to Tele2's financial reports.

The revised IAS 24 will most likely reduce the number of related party transactions to be disclosed in the financial reports.

The amendments to IAS 32 are estimated to have no material effect for Tele2.

Continued Note 1

IFRIC has issued IFRIC 19 *Extinguishing Financial Liabilites with Equity Instruments* (effective for annual periods beginning on or after July 1, 2010) and amendments to interpretation IFRIC 14 *Prepayments of a Minimum Funding Requirement* (effective for annual periods beginning on or after January 1, 2011) are expected to have no material effect on Tele2's financial statements.

CONSOLIDATION

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

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

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

The accounts of all foreign group companies are prepared in the currency used in the primary economic environment of each company, which is normally the local currency.

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

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

The group treats transactions with minority owners as transactions with equity owners of the group. At acquisitions from minority owners, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority owners are also recorded in equity if the group retains the control.

At acquisition of a controlling interest in a company where Tele2 already holds an interest the carrying value of the previously held interest is adjusted to its fair value. Any gain or loss is recorded in the income statement.

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

ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are companies in which Tele2 has voting power of between 20 percent and 50 percent or in some other way has significant influence. Joint ventures are companies over which the owners have a joint control.

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

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

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

When the significant influence of the associated company or joint venture cease to exist but the group retains shares in the company the remaining shares are initially reported to its fair value. Any gain or loss is reported in the income statement.

REVENUE RECOGNITION

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

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

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

OPERATING EXPENSES

Operating expenses are classified according to function, as described below. Depreciation and amortization and personnel costs are stated by function. Total costs for depreciation and amortization are presented in Note 6 and the total personnel costs are presented in Note 34.

Continued Note 1

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

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

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

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

NUMBER OF EMPLOYEES, SALARY AND REMUNERATION
The average number of employees (Note 33) as well as salaries and remuneration (Note 34) for companies acquired during each year is reported in relation to how long the company has been a part of the Tele2 group.

The number of employees as well as salaries and remuneration are reported by country which complies with other parts of the annual report.

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

Share-based payments which are settled with the company's own shares or other equity instruments are reported at their fair value calculated by an independent party at the date of grant. These payments are reported as employee costs during the vesting period. To the extent the earning-conditions in the program are linked to market-related factors (such as the market value of the company's shares) and non-vesting conditions (requirement to keep), these are taken into consideration when determining the fair value of the program. Other conditions than market-related (as for example return on capital employed) are affecting the employee cost during the vesting period by changing the number of shares or other equity based instruments that are expected to vest. Payments received, after deductions for any costs directly related to transactions, are credited to shareholders' equity.

Tele2 records a liability for social security expenses, at each reporting period, for all outstanding incentive programs. The liability for social security expenses are calculated according to UFR 7, IFRS 2 and social security contributions for listed enterprises. The valuation method applied when the incentive programs were issued is also used for the valuation of the social security liability. The liability is revalued at the end of each reporting period and reflects the best estimate of the social security expense expected to be paid when the incentive program is exercised.

PENSIONS
The group has a number of pension schemes, with the main part of Tele2's pension plans consisting of defined-contribution plans (Note 34) for which the group makes payments to public and private pension institutions. Fees with regard to defined-contribution pension plans are reported as an expense during the period in which the employees performed the services to which the contribution relates. Only a small part of the group's pension commitments relate to defined-benefit plans.

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

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

Actual tax is tax that is to be paid or received present year including any adjustment of actual tax related to previous periods.

When accounting for income taxes, the balance sheet method is applied. The method involves deferred tax liabilities and assets for all temporary differences, between the carrying amount of an asset or liability in the balance sheet and its tax base, as well as other tax-related deductions or deficits. The following temporary differences are not considered: temporary difference that arises at the initial recognition of goodwill and the initial recognition of assets and liabilities that are not part of a business combination and at the time of the transaction affect neither accounting nor taxable profit nor loss. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

DISCONTINUED OPERATIONS
A discontinued operation (Note 37) is a component of an entity which either has been disposed of or is classified as held for sale, and represents a separate line of business or geographical area of operation. A discontinued operation is reported separately from continuing operations, and must disclose comparable information for prior periods.

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

Continued Note 1

EARNINGS PER SHARE
Earnings per share after dilution (Note 32) is calculated according to a method where the redemption price of outstanding options is compared to the average market value of Tele2's shares during the financial period.

FIXED ASSETS
Intangible assets (Note 15) and tangible assets (Note 16) with a finite useful life are reported at acquisition value with deductions for accumulated depreciation and amortization. Depreciation and amortization are based on the acquisition value of the assets less estimated residual value at the end of the useful life and are recognized on a straight-line basis throughout the asset's estimated useful life. Useful lives and residual values are subject to annual assessments. Useful lives for fixed assets are illustrated below.

INTANGIBLE ASSETS	
Licenses, utilization rights and software	1–25 years
Customer agreements	2.5–4 years
Trademarks	2–4 years
TANGIBLE ASSETS	
Buildings	5–40 years
Modems	3 years
Machinery and technical plant	1–20 years
Equipment and installations	2–10 years

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

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

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

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

Goodwill is measured as the difference between on one side the total purchase price for the shares in the subsidiary alternatively the acquired assets and liabilities, the value of the minority in the acquired subsidiary and the fair value of the previous owned share and on the other side the groups reported value of acquired assets and transferred liabilities less any write-downs.

Goodwill is allocated to the cash generating units that are expected to obtain benefits as a result of the acquisition and is, along with the intangible assets with indefinite lives and intangible assets that are not ready to use, subject to annual impairment testing even if there is no indication of a decline in value. Impairment testing of goodwill is at the lowest level at which goodwill is monitored for internal management purposes and for which there are separately identifiable cash flows (cash generating units). The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value less sales costs. The most important factors that have influenced the year's impairment testing are presented in Note 15.

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

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

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

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

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

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

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

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

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

Leases
Leases are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the consolidated accounts, the leased object is recognized as a tangible asset at the lower of its fair value and the present value of the minimum lease payments, and a corresponding amount is recognized as a lease obligation under financial liabilities (Note 16 and Note 26). The asset is depreciated on a straight-line basis over the shorter of the lease term and its useful life, with the estimated residual value deducted at the end of the utilization period. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. A lease is classified as an operating lease if substantially all the economic risks and rewards of ownership of an asset remain with the leasing company. Payments are expensed in the income statement on a straight-line basis over the leasing period.

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

Continued Note 1

FINANCIAL ASSETS AND LIABILITIES

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

Acquisitions and sales of financial assets are reported on the trading date, which is the date that the group has an undertaking to acquire or sell the asset. Financial liabilities are recognized in the balance sheet when the counterparty has performed and a contractual liability to pay exists, even if the invoice has not yet been received.

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

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

Measurement of the fair value of financial instruments

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

Calculation of amortized cost of financial instruments

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

Offsetting financial assets and liabilities

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

Financial assets

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

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

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

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

Financial assets in foreign currency are translated at the closing exchange rate.

Financial liabilities

Financial liabilities are categorized as "Financial liabilities valued at amortized cost". These are initially measured at fair value and then at amortized cost using the effective interest method. Direct costs related to the origination of loans are included in the acquisition value. For accounts payables and other financial debts, with a short maturity, the subsequent valuation is done at the nominal amount without discounting according to the effective interest method. Financial liabilities in foreign currency are translated at the closing exchange rate.

Financial guarantee agreements are measured at the higher of the best estimate of the expenditure required to settle the present obligation and the amount at which it was originally valued.

Derivatives and hedge accounting

Changes in fair value of loans in foreign currency and changes in value of other financial instruments (forward agreements) that fulfill the hedge accounting requirements of net investment in foreign operations are reported on a continuous basis in other comprehensive income. The ineffective portion of the change in value is reported in the income statement under other financial items. When divesting foreign subsidiaries, the accumulated exchange rate difference attributable to the divested subsidiary is recorded in the income statement.

Cash flow hedges are reported in the same way as hedges of net investments in foreign operations. This means that the effective portion of the gain or loss on an interest swap which meets the criteria for cash-flow hedge accounting is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss within financial items. When cash flows relating to the hedged item are reported in profit or loss, amounts are transferred from equity to offset them. For more information regarding cash flow hedges, please refer to Note 2 and Note 26.

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

Receivables and liabilities in foreign currency

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

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

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

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

Continued Note 1

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

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

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

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

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

Hedge reserve and translation reserves are reported in other comprehensive income.

Minority interest involves the value of minority shares in subsidiaries included in the consolidated accounts. The reporting and valuation of minority interest is presented in the section on consolidation above.

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

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

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

SEGMENT REPORTING
Segment
Since the risks in Tele2's operations are mainly controlled by the various markets in which Tele2 operates Tele2 follow up and appraise the business on country level. Hence each country represents Tele2's segment apart from the segment Other. The segment grouping is in line with the internal reporting to the chief operating decision maker, which is Tele's "Leadership Team" (LT).

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

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

Assets in each segment include all operating assets that are utilized by the segment and consist mainly of intangible and tangible assets, shares in associated companies and joint ventures, materials and supplies, accounts receivable, other receivables, prepaid expenses and accrued revenues. Goodwill is distributed among the group's cash generating units, identified in accordance with Note 15.

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

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

Segment information is presented in Note 4.

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

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

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

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

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

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

Other operations mainly include carrier operations, IT-outsourcing and system integration through Datametrix as well as holding companies.

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

Choice of accounting principle for put options
For reporting of put options in connection with business combinations, where put options give the minority owner a right to sell its shares or part of its shares to Tele2 in a company in which Tele2 is the majority stockholder Tele2 has chosen the following principle. The chosen method means that initially, at the business combination, a minority interest is recognized according to the principles for reporting of minority interest. This minority interest is then immediately reclassified as a financial liability. The financial liability is recognized at its fair

Continued Note 1

value at each reporting date, with the changes reported within financial items in profit or loss.

An alternative method, not chosen by Tele2, would be to report both a minority interest and a financial liability with opposite booking of the liability initially directly to shareholders' equity and the following changes in the liability's fair value reported in profit and loss. This alternative would have decreased the group's shareholders' equity in connection with the acquisition of the mobile operator NEO in Kazakhstan by SEK 527 million.

Another additional alternative is to on a current basis report a minority interest which is reclassified as a financial liability at each reporting period. The difference between the reclassified minority interest and the fair value of the financial liability is reported as a change of the minority interest within equity. This alternative would have increased the group's profit for 2010 by SEK 128 million but not affected the group total shareholders' equity.

Reporting of joint ventures

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

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

Revenue reporting for agreements containing several components

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

Tele2's mobile service agreements, including free and discounted mobile phones, can be divided into different deliveries. For arrangements with subsidized phones and other equipment, the total revenues of the contract is allocated to each component based on its relative fair value of the total fair values of the bundled offer and is recognized as revenue upon delivery of each component to the customer.

Customer acquisition costs

Customer acquisition costs are normally recognized directly.

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

Goodwill – choice of level for goodwill impairment testing

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

ESTIMATES AND JUDGMENTS

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

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

Valuation of acquired intangible assets

When acquiring businesses, intangible assets are measured at fair value. If there is an active market for the acquired assets, the fair value is measured based on the prices on this market. Since there are often no active markets for these assets, valuation models have been developed to estimate the fair value. Examples of valuation models are discounted cash flows analysis and estimates of Tele2's historical costs of acquiring corresponding assets. Please refer to Note 17 for acquisitions during the year.

Valuation of goodwill

When estimating the recoverable amount of cash generating units for goodwill impairment purposes the group makes assumptions regarding future events and key parameters. The assumptions made and a sensitivity analysis is disclosed in Note 15. This kind of assessments includes for natural reasons always some uncertainty. Should actual outcome during the following year differ from the expected outcome for the same period, the expected future cash flows may need to be reconsidered which could lead to a write-down.

Valuation of fixed assets with a finite useful life

If the recoverable amount falls below the book value, an impairment loss is recognized. At each balance sheet date, a number of factors are analyzed in order to assess whether there is any indication of impairment. If such indication exists, an impairment test is prepared based on management's estimate of future cash flows including the applied discount rate. Please refer to Note 15 and Note 16.

Useful lives of fixed assets

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

Valuation of deferred income tax

Recognition of deferred income tax takes into consideration temporary differences and unutilized loss carry-forwards. Deferred tax assets are reported for deductible temporary differences and loss carry-forwards only to the extent that it is considered probable that they can be utilized to offset future profits. Management updates its assessments at regular intervals. The valuation of deferred tax assets is based on expectations of future results and market conditions, which for natural reasons are subjective. The actual outcome may differ from the assessments, partly as a result of future changes in business circumstances, which were not known at the time of the assessments, changes in tax laws or the result of the taxation authorities' or courts' final examination of submitted tax returns. See further Note 14.

Valuation of disputes and damages

Tele2 is party to a number of disputes. For each separate dispute an assessment is made of the most likely outcome, and the income statement is affected by the estimated expenses, see Note 27 and Note 30.

Valuation of accounts receivable

Accounts receivables are valued on a current basis and are reported at amortized cost. Reserves for doubtful accounts are based on various assumptions as well as historical experience, see Note 21.

Continued Note 1

OTHER INFORMATION

Tele2 AB (publ) is a limited company, with its registered office in Stockholm, Sweden. The company's registered office (phone +46 8 5620 0060) is at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden. The annual report was approved by the Board of Directors on March 17, 2011. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 16, 2011.

NOTE 2 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Tele2's financial assets consist of receivables from end customers and resellers. Other significant financial assets are cash and cash equivalents. Tele2's financial liabilities consist mainly of loans to finance the operations and accounts payables. Classification of financial assets and liabilities including their fair value is presented below.

Dec 31, 2010	Fair value through profit and loss	Loans and recei-vables	Cash flow hedges	Financial liabilities to amortized cost	Total reported value	Fair value
Other financial assets	17[1]	335	–	–	352	352
Accounts receivables	–	3,280	–	–	3,280	3,280
Other current receivables	–	484	–	–	484	484
Short-term investments	–	112	–	–	112	112
Cash and cash equivalents	–	834	–	–	834	834
Total financial assets	**17**	**5,045**	**–**	**–**	**5,062**	**5,062**
Liabilities to financial institutions and similar liabilities	–	–	–	1,198	1,198	1 238[3]
Other interest-bearing liabilities	866[2]	–	39[3]	523	1,428	1,447[3]
Accounts payable	–	–	–	2,602	2,602	2,602
Other short-term liabilities	–	–	–	561	561	561
Total financial liabilities	**866**	**–**	**39**	**4,884**	**5,789**	**5,848**

Dec 31, 2009	Fair value through profit and loss	Loans and recei-vables	Cash flow hedges	Financial liabilities to amortized cost	Total reported value	Fair value
Other financial assets	23[1]	22	–	–	45	45
Accounts receivables	–	3,144	–	–	3,144	3,144
Other current receivables	–	459	–	–	459	459
Short-term investments	–	114	–	–	114	114
Cash and cash equivalents	–	1,312	–	–	1,312	1,312
Total financial assets	**23**	**5,051**	**–**	**–**	**5,074**	**5,074**
Liabilities to financial institutions and similar liabilities	–	–	–	2,891	2,891	3,028[3]
Other interest-bearing liabilities	–	–	85[3]	273	358	358[3]
Accounts payable	–	–	–	2,106	2,106	2,106
Other short-term liabilities	–	–	–	640	640	640
Total financial liabilities	**–**	**–**	**85**	**5,910**	**5,995**	**6,132**

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

1) Level 3: measured at fair value in the income statement, which on initial recognition were identified for this type of measurement through discounted future cash flows.
2) Level 3: put option NEO, Kazakhstan. Fair value determined on the basis of future discounted cash flows to determine the future exercise price for 49 percent of the shares, please refer to Note 26.
3) Level 2: official market listings have been used to determine the fair value of interest rate derivatives, loans with fixed interest rate and other long-term non-interest bearing liabilities valued to fair value at initial recognition with subsequent measurement at amortized cost.

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

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

Net gains/losses on financial instruments amounted to SEK –111 (146) million, of which loan and trade receivables amounted to SEK 24 (146) million and financial liabilities at fair value through profit and loss to SEK –128 (–) million.

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

Capital risk structure management

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

- Tele2 has a target net debt to EBITDA ratio of between 1.25 and 1.75 times over the medium term. The company's longer term financial leverage should be in line with the industry and the markets in which it operates and reflect the status of its operations, future strategic opportunities and contingent liabilities.

- On a continuous basis, Tele2 will need to diversify its financing through a variation in duration and counterparts. A stable financial position is important to receive terms from the banks as well as other financial players that are well adjusted to the business needs.

The Board of Directors reviews the capital structure on a semi-annual basis.

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

Continued Note 2

The Board of Tele2 AB (publ) has decided to recommend a total dividend payment of 27.00 (5.85) SEK per ordinary A or B share to be comprised of an ordinary dividend of 6.00 (3.85) SEK and an extraordinary dividend of 21.00 (2.00) SEK in respect of the financial year 2010 to the Annual General Meeting (AGM) in May 2011.

Currency- and interest rate risk

Currency risk is the risk of changes in exchange rates having a negative impact on the group's result and equity. Currency exposure is associated with payment flows in foreign currency (transaction exposure) and the translation of foreign subsidiaries' balance sheets and income statements to SEK. The group's policy is not to hedge transaction and translation exposure.

At the beginning of 2009 the forward covers of Tele2's net investments in the Baltic currencies amounted to SEK 2.2 billion of a total of 5.6 billion, and became due in 2009 and were during the duration reported as a hedge of Tele2's net investment at that part they were an effective hedge. Tele2 decided in 2009 not to continue to hedge its net investment in foreign currencies. In the hedge reserve in equity the total amount related to net investments in foreign currencies amounts to SEK –343 (–343) million. The loans per December 31, 2010 in SEK amount to SEK 426 million, in USD SEK 233 million, in EUR SEK 494 million and in KZT SEK 45 million.

In 2010, 31 (29) percent of net sales is related to SEK, 25 (19) percent RUB and 24 (29) percent to EUR. For other currencies please refer to Note 3. During the year, Tele2's results were foremost affected by fluctuations in the EUR but also in RUB, LVL and LTL.

Of the group's total net assets at December 31, 2010 of SEK 28.9 billion, 7.5 billion is related to EUR, 7.4 billion to SEK, 7.0 billion to RUB and 4.8 billion the Baltic currencies.

Tele2 keeps a close watch on interest market trends and decisions to change the interest duration strategy are assessed regularly. At the end of 2010, 83 (14) percent of the group's interest-bearing liabilities carried a variable interest rate. For additional information please refer to Note 26. The capital amount of outstanding interest rate derivatives at December 31, 2010 amount to SEK 1.4 billion converting variable interest rate to fixed interest rate of 4.2 percent and are due in 2013. The cash flows related to outstanding interest rate derivative is expected to effect the income statement during the remaining duration for the interest rate swap.

Official market listings have been used to determine the fair value of interest rate derivatives. Outstanding interest rate derivatives at December 31, 2010 are shown below.

	Dec 31, 2010		Dec 31, 2009	
	Capital amount	Reported fair value	Capital amount	Reported fair value
Interest rate derivatives, cash-flow hedging, SEK	1,400	–39	1,400	–85
Total outstanding currency- and interest rate derivatives	**1,400**	**–39**	**1,400**	**–85**

Capital amounts are nominal amounts. Interest rate derivative matures 2013.

Liquidity risk

The group's cash and cash equivalents are invested on a short-term basis, so that excess liquidity can be used for loan repayments. Under the group's current financial policy, refinancing risk is managed by subscribing for long-term binding credit lines. At the end of 2010, the group had available liquidity of SEK 12.8 (12.4) billion. Tele2 signed in February 2009 a borrowing agreement which, after prolongation, matures in February 2013. On February 7, 2011, Tele2 entered into a 2-year revolving credit facility agreement of SEK 2.5 billion with a syndicate of five banks. For additional information please refer to Note 25 and Note 26.

Undiscounted contractual commitments and commercial promises are presented below.

		Dec 31, 2010				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	26	4,320	1,030	352	447	6,149
Commitments, joint venture Mobile Norway	30	133	409	469	888	1,899
Commitments, other	30	1,022	388	29	–	1,439
Financial guarantees, joint ventures[2]	30	1,459	–	–	–	1,459
Operating leases	30	1,288	1,370	898	1,896	5,452
Total contractual commitments/ commercial pledges		**8,222**	**3,197**	**1,748**	**3,231**	**16,398**

		Dec 31, 2009				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	26	3,181	2,390	778	10	6,359
Commitments, joint venture Plusnet	30	180	331	153	–	664
Commitments, joint venture Mobile Norway	30	82	372	465	238	1,157
Commitments, other	30	1,003	31	–	–	1,034
Financial guarantees, joint ventures[2]	30	1,825	–	–	–	1,825
Operating leases	30	1,183	1,706	1,445	1,602	5,936
Total contractual commitments/ commercial pledges		**7,454**	**4,830**	**2,841**	**1,850**	**16,975**

1) Including future interest payments

2) Maximum exposure. Tele considers it not to be likely that an amount will be payable.

Credit risk

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

Maximum credit exposure for accounts receivables amounts to SEK 3,280 (3,144) million.

NOTE 3 EXCHANGE RATE EFFECTS

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

	Net sales				EBITDA			
	2010		2009		2010		2009	
SEK	12,290	31%	11,581	30%	3,174	31%	3,026	32%
RUB	10,141	25%	7,546	19%	3,561	35%	2,481	27%
EUR	9,788	25%	11,422	29%	2,433	24%	2,452	26%
NOK	3,016	8%	3,260	8%	196	2%	249	3%
HRK	1,346	3%	1,295	3%	–21	0%	–244	–3%
LTL	1,321	3%	1,688	4%	456	4%	597	6%
LVL	1,260	3%	1,617	4%	401	4%	529	6%
EEK	880	2%	1,009	3%	219	2%	293	3%
KZT	119	0%	–	–	–173	–2%	–	–
Other	3	–	18	–	38	–	11	–
Total	**40,164**	**100%**	**39,436**	**100%**	**10,284**	**100%**	**9,394**	**100%**

Continued Note 3

A five percent currency movement against the Swedish krona affects the group's net sales and EBITDA on an annual basis by SEK 1,394 (1,393) million and SEK 356 (318) million. Tele2's operating profit for the year was mainly affected by fluctuations in EUR but also in RUB, LVL and LTL. Tele2's net sales and EBITDA have been affected negatively by SEK –1,762 (positively 984) million and SEK –438 (56) million in 2010, as opposed to if the exchange rates had not been changed at all during the year.

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

	2010	2009
Other operating income	64	175
Other operating expenses	–82	–152
Other financial items	282	–77
Total exchange rate differences in income statement	**264**	**–54**

NOTE 4 SEGMENTS

The segment reporting is based on country level. Services offered within the different segments are mobile, fixed broadband and fixed telephony.

The segment grouping is in line with the internal reporting to the chief operating decision maker, which is Tele2's Leadership team (LT).

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

Tele2 Sweden has been split into core operations and central group functions. Core operations is reported in segment Sweden and central functions is included in the segment Other.

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

Changed accounting principle and other reclassifications between the segments are presented in Note 36.

	2010														
	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	Kazakh-stan	Nether-lands	Germany	Austria	Other	One-off items (Note 6)	Undistri-buted as well as internal elimination	Total
INCOME STATEMENT															
Net sales															
external	11,881	3,016	10,142	880	1,319	1,261	1,346	119	5,838	1,515	1,580	694	573	–	40,164
internal	69	23	–	51	11	9	–	–	5	0	0	226	–	–394	–
Net sales	**11,950**	**3,039**	**10,142**	**931**	**1,330**	**1,270**	**1,346**	**119**	**5,843**	**1,515**	**1,580**	**920**	**573**	**–394**	**40,164**
Result from shares in associated companies and joint ventures	184	–12	–	–	–	–	–	–	–	–247	–	1	–	–	–74
Operating profit	**2,201**	**157**	**2,770**	**152**	**358**	**313**	**–134**	**–376**	**978**	**300**	**155**	**–170**	**384**	**–**	**7,088**
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	–	14	14
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–	–	–511	–511
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–	–	144	144
Tax on profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–254	–254
NET PROFIT FROM CONTINUING OPERATIONS	**2,201**	**157**	**2,770**	**152**	**358**	**313**	**–134**	**–376**	**978**	**300**	**155**	**–170**	**384**	**–607**	**6,481**
OTHER INFORMATION															
CAPEX	397	16	1,495	59	112	94	115	169	578	7	65	544		–	3,651
Non-cash-generating profit/loss items															
Depreciation/amortization	–1,128	–27	–803	–67	–97	–85	–113	–203	–757	–57	–173	–116		–	–3,626
Sales of fixed assets	–2	–	–10	–	–	–	–	–4	–	–	–2	7	–	–	–11
	Dec 31, 2010														
Assets	8,565	643	8,429	1,356	1,469	1,882	1,631	2,381	7,792	420	582	1,870		3,349	40,369
Liabilities	2,171	541	1,475	83	185	195	513	226	1,341	351	463	447		3,503	11,494

Operating revenue per segment before elimination of internal sales within each country are presented in Note 5.

Continued Note 4

	2009													
	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	Nether-lands	Germany	Austria	Other	One-off items (Note 6)	Undistri-buted as well as internal elimination	Total
INCOME STATEMENT														
Net sales														
external	11,377	3,260	7,540	1,009	1,688	1,619	1,296	6,625	2,178	1,967	861	16	–	39,436
internal	168	32	–	56	16	18	–	4	–	–	412	–	–706	–
Net sales	**11,545**	**3,292**	**7,540**	**1,065**	**1,704**	**1,637**	**1,296**	**6,629**	**2,178**	**1,967**	**1,273**	**16**	**–706**	**39,436**
Result from shares in associated companies and joint ventures	–26	–73	–	–	–	–	–	–	–	–	1	–	–	–98
Impairment of shares in joint ventures	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Operating profit	**2,134**	**127**	**1,822**	**219**	**493**	**427**	**–353**	**581**	**404**	**127**	**–234**	**–11**	**–**	**5,736**
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	212	212
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–	–570	–570
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–	–142	–142
Tax on profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–481	–481
NET PROFIT FROM CONTINUING OPERATIONS	**2,134**	**127**	**1,822**	**219**	**493**	**427**	**–353**	**581**	**404**	**127**	**–234**	**–11**	**–981**	**4,755**
OTHER INFORMATION														
CAPEX	446	10	2,232	110	169	154	194	533	3	83	505		–	4,439
Non-cash-generating profit/loss items														
Depreciation/amortization	–1,024	–46	–651	–73	–105	–100	–109	–1,031	–92	–217	–106		–	–3,554
Sales of fixed assets	–1	44	–12	–	–	–	–	–	–	–	–54	–	–	–23
	Dec 31, 2009													
Assets	8,130	835	8,296	1,561	1,687	2,185	1,634	8,452	435	802	2,214		4,506	40,737
Liabilities	1,936	625	1,232	90	239	213	370	1,429	413	590	648		4,129	11,914

NOTE 5 NET SALES AND NUMBER OF CUSTOMERS

In 2010, net sales and cash flow in Germany has been increased by SEK 573 million due to a reached settlement with Deutsche Telekom regarding several legal disputes dated back to 2003 (e.g. regarding verbal ordering procedures). The positive effect has been reported as a one-off item.

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

In 2009 net sales in segment Other were increased by SEK 75 million related to a settlement with another operator and net sales in Sweden were decreased by SEK 59 million related to the revaluation of reserves. The amounts are reported as one-off items.

In 2009 net sales for fixed broadband in Netherlands were increased by SEK 50 million related to the settlement of disputes with another operator.

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

	2010	2009
Service revenue	38,524	38,420
Sales of products	1,640	1,016
Total net sales	**40,164**	**39,436**

In 2010 the number of customers has increased by 372,000 through the acquisitions of mobile operation in Kazakhstan and Spring in Sweden as well as fixed broadband operation in BBned in Netherlands.

In 2009 the number of customers was reduced by 84,000 through the divestment of the fixed broadband operation in Norway.

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

In 2009, the one-time effect was a net increase of 318,000 in the reported customer base.

Continued Note 5

NET SALES

	Note	Net sales 2010	Net sales 2009	Internal sales 2010	Internal sales 2009
Sweden					
Mobile		8,701	8,008	227	131
Fixed broadband		1,531	1,471	14	17
Fixed telephony		1,773	1,909	–	7
Other operations		140	264	23	120
		12,145	**11,652**	**264**	**275**
Norway					
Mobile		2,618	2,616	–	–
Fixed broadband		8	194	–	–
Fixed telephony		413	482	23	32
		3,039	**3,292**	**23**	**32**
Russia					
Mobile		10,296	7,600	154	60
		10,296	**7,600**	**154**	**60**
Estonia					
Mobile		872	998	–	–
Fixed telephony		8	11	–	–
Other operations		51	56	51	56
		931	**1,065**	**51**	**56**
Lithuania					
Mobile		1,306	1,674	12	15
Fixed broadband		24	27	–	–
Fixed telephony		1	3	–	1
		1,331	**1,704**	**12**	**16**
Latvia					
Mobile		1,270	1,636	9	17
		1,270	**1,636**	**9**	**17**
Croatia					
Mobile		1,346	1,296	–	–
		1,346	**1,296**	**–**	**–**
Kazakhstan					
Mobile		119	–	–	–
		119	**–**	**–**	**–**
Netherlands					
Mobile		859	1,014	–	–
Fixed broadband		3,340	3,529	12	18
Fixed telephony		1,064	1,429	–	–
Other operations		595	675	8	4
		5,858	**6,647**	**20**	**22**
Germany					
Fixed broadband		313	436	–	–
Fixed telephony		1,132	1,670	–	–
Other operations		70	72	–	–
		1,515	**2,178**	**–**	**–**
Austria					
Fixed broadband		930	1,123	–	–
Fixed telephony		373	522	–	–
Other operations		277	322	–	–
		1,580	**1,967**	**–**	**–**
Other					
Other operations		931	1,295	237	434
		931	**1,295**	**237**	**434**
TOTAL					
Mobile		**27,387**	**24,842**	**402**	**223**
Fixed broadband		**6,146**	**6,780**	**26**	**35**
Fixed telephony		**4,764**	**6,026**	**23**	**40**
Other operations		**2,064**	**2,684**	**319**	**614**
		40,361	**40,332**	**770**	**912**
Internal sales, elimination		–770	–912		
		39,591	**39,420**		
One-off items	6	573	16	–	–
TOTAL NET SALES AND INTERNAL SALES		**40,164**	**39,436**	**770**	**912**

NUMBER OF CUSTOMERS

	Number of customers (by thousands) Dec 31, 2010	Number of customers (by thousands) Dec 31, 2009	Net customer intake (by thousands) 2010	Net customer intake (by thousands) 2009
Sweden				
Mobile	3,607	3,363	212	205
Fixed broadband	486	444	42	11
Fixed telephony	651	746	–95	–71
	4,744	**4,553**	**159**	**145**
Norway				
Mobile	497	466	31	8
Fixed broadband	–	–	–	–7
Fixed telephony	103	120	–17	–13
	600	**586**	**14**	**–12**
Russia				
Mobile	18,438	14,451	3,987	2,947
	18,438	**14,451**	**3,987**	**2,947**
Estonia				
Mobile	468	447	21	–23
Fixed telephony	11	13	–2	–3
	479	**460**	**19**	**–26**
Lithuania				
Mobile	1,685	1,608	77	–65
Fixed broadband	44	44	–	3
Fixed telephony	2	3	–1	–1
	1,731	**1,655**	**76**	**–63**
Latvia				
Mobile	1,027	1,058	–31	–36
Fixed telephony	–	1	–1	–1
	1,027	**1,059**	**–32**	**–37**
Croatia				
Mobile	738	598	140	122
	738	**598**	**140**	**122**
Kazakhstan				
Mobile	332	–	67	–
	332	**–**	**67**	**–**
Netherlands				
Mobile	338	399	–61	–19
Fixed broadband	510	418	17	50
Fixed telephony	233	307	–74	–82
	1,081	**1,124**	**–118**	**–51**
Germany				
Fixed telephony	116	139	–23	–38
Fixed telephony	1,182	1,468	–286	–562
	1,298	**1,607**	**–309**	**–600**
Austria				
Fixed broadband	130	134	–4	–30
Fixed telephony	285	352	–67	–68
	415	**486**	**–71**	**–98**
TOTAL				
Mobile	**27,130**	**22,390**	**4,443**	**3,139**
Fixed broadband	**1,286**	**1,179**	**32**	**–11**
Fixed telephony	**2,467**	**3,010**	**–543**	**–801**
Other operations	**–**	**–**	**–**	**–**
TOTAL NUMBER OF CUSTOMERS AND NET CUSTOMER INTAKE	**30,883**	**26,579**	**3,932**	**2,327**
Acquired companies			372	–
Divested companies			–	–84
Changed method of calculation			–	318
TOTAL NUMBER OF CUSTOMERS	**30,883**	**26,579**	**4,304**	**2,561**

NOTE 6 EBITDA, EBIT AND DEPRECIATION/AMORTIZATION AND IMPAIRMENT

		EBITDA		EBIT	
	Note	2010	2009	2010	2009
Sweden					
Mobile		2,803	2,661	2,137	2,075
Fixed broadband		24	77	–293	–275
Fixed telephony		416	387	376	332
Other operations		29	59	–19	2
		3,272	**3,184**	**2,201**	**2,134**
Norway					
Mobile		122	180	87	90
Fixed broadband		10	2	10	–16
Fixed telephony		64	64	60	53
		196	**246**	**157**	**127**
Russia					
Mobile		3,573	2,473	2,770	1,822
		3,573	**2,473**	**2,770**	**1,822**
Estonia					
Mobile		218	290	151	217
Other operations		1	2	1	2
		219	**292**	**152**	**219**
Lithuania					
Mobile		450	591	357	491
Fixed broadband		5	6	1	1
Fixed telephony		–	1	–	1
		455	**598**	**358**	**493**
Latvia					
Mobile		398	527	313	427
		398	**527**	**313**	**427**
Croatia					
Mobile		–21	–244	–134	–353
		–21	**–244**	**–134**	**–353**
Kazakhstan					
Mobile		–173	–	–376	–
		–173	**–**	**–376**	**–**
Netherlands					
Mobile		162	127	146	118
Fixed broadband		1,037	926	436	36
Fixed telephony		307	344	237	264
Other operations		229	215	159	163
		1,735	**1,612**	**978**	**581**
Germany					
Fixed broadband		–89	–134	–101	–173
Fixed telephony		449	627	404	574
Other operations		–3	3	–3	3
		357	**496**	**300**	**404**
Austria					
Fixed broadband		144	169	46	47
Fixed telephony		164	167	119	108
Other operations		20	8	–10	–28
		328	**344**	**155**	**127**
Other					
Other operations		–55	–134	–170	–234
		–55	**–134**	**–170**	**–234**
TOTAL					
Mobile		**7,532**	**6,605**	**5,451**	**4,887**
Fixed broadband		**1,131**	**1,046**	**99**	**–380**
Fixed telephony		**1,400**	**1,590**	**1,196**	**1,332**
Other operations		**221**	**153**	**–42**	**–92**
		10,284	**9,394**	**6,704**	**5,747**
One-off items	6			384	–11
TOTAL EBITDA AND EBIT		**10,284**	**9,394**	**7,088**	**5,736**

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

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

DEPRECIATION/AMORTIZATION AND IMPAIRMENT
By function

	2010	2009
Depreciation/amortization		
Cost of service sold	–3,095	–3,096
Selling expenses	–87	–85
Administrative expenses	–415	–368
Total depreciation/amortization	**–3,597**	**–3,549**
Impairment		
Cost of service sold	–29	–5
Total impairment	**–29**	**–5**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–3,626**	**–3,554**

By type of asset

	2010	2009
Depreciation/amortization		
Utilization rights and software	–287	–177
Licenses (frequency)	–218	–157
Customer agreements	–145	–263
Buildings	–16	–14
Machinery and technical plant	–2,717	–2,768
Equipment and installations	–214	–170
Total depreciation/amortization	**–3,597**	**–3,549**
Impairment		
Utilization rights and software	–19	–
Goodwill	–	–5
Machinery and technical plant	–10	–
Total impairment	**–29**	**–5**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–3,626**	**–3,554**

Impairment losses

In 2010 Tele2 has recognized impairment losses of SEK 29 million attributable to mobile business solution (IP Centrex) in Sweden and Netherlands.

In 2009 Tele2 recognized goodwill impairment losses of SEK 5 million, related to Radio Components. Additional information is presented in Note 15.

SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT

	Note	2010	2009
EBITDA		**10,284**	**9,394**
Impairment of goodwill	6	–	–5
Sale of operations	7	–2	7
Acquisition costs	17	–16	–29
Sale of shares in joint venture	8	–247	–
Other one-off items in result from shares in joint ventures	8	127	–
Other one-off items	5, 6	522	16
Total one-off items		**384**	**–11**
Depreciation/amortization and other impairment		–3,626	–3,549
Result from shares in associated companies and joint ventures	8	46	–98
EBIT		**7,088**	**5,736**

NOTE 7 SALE OF OPERATIONS

	2010	2009
Norway, fixed broadband operation	–	44
Total profit	**–**	**44**
Calling Card company	–1	–33
3C Communications	–1	–2
Other	–	–2
Total loss	**–2**	**–37**
TOTAL SALE OF OPERATIONS	**–2**	**7**

For additional information, please refer to Note 17.

NOTE 8 RESULT FROM SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

	2010	2009
Participation in profit/loss of associated companies and joint ventures	143	–97
Amortization on surplus values	–1	–1
	142	**–98**
Sale of shares in Plusnet	–247	–
Gain from valuation of Spring Mobil to fair value	31	–
Total result of shares in associated companies and joint ventures	**–74**	**–98**

	2010				
	Sv UMTS-nät Sweden	Plusnet Germany	Mobile Norway Norway	Net4 Mobility Sweden	Other
Profit/loss after taxes in associated companies and joint ventures	333	–2	–24	–20	–2
Holdings	50%	32.5%	50.0%	50.0%	9.1%–50%
Share of profit/loss after tax	167	–	–12	–10	–2
Amortization on surplus values	–	–	–	–	–1
Sale of shares	–	–247	–	–	–
Valuation of shares to fair value	–	–	–	–	31
	167	**–247**	**–12**	**–10**	**28**
Total result of shares in associated companies and joint ventures					**–74**

During 2010, Tele2 has sold the shares in Plusnet. For additional information please refer to Note 17.

During 2010, Tele2 has acquired the remaining 50 percent of the shares in the Swedish company Spring Mobil. Tele2 has consequently adjusted the previously held shares of 50 percent to fair value, as a result of the acquisition of additional shares, and has reported the difference (a positive effect of SEK 31 million) in the income statement. For additional information please refer to Note 17.

During 2010, Svenska UMTS-nät has recognized loss-carry forwards with a positive effect on the result in Tele2 of SEK 96 million.

	2009				
	Sv UMTS-nät Sweden	Plusnet Germany	Mobile Norway Norway	Net4 Mobility Sweden	Other
Profit/loss after taxes in associated companies and joint ventures	5	2	–143	–8	–50
Holdings	50.0%	32.5%	50.0%	50.0%	9.1% –50%
Share of profit/loss after tax	3	–	–73	–4	–28
Amortization on surplus values	–	–	–	–	–1
Correction of share of profit/loss from preceding year	–	–	–	–	5
	3	**–**	**–73**	**–4**	**–24**
Total result of shares in associated companies and joint ventures					**–98**

Continued Note 8

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

	2010				
	Sv UMTS-nät Sweden	Plusnet Germany	Mobile Norway Norway	Net4 Mobility Sweden	Other
Income statement					
Net sales	1,227	1,332	184	15	174
Operating profit/loss	177	–4	–	–20	–1
Profit/loss before tax	142	–4	–24	–20	–3
Net profit/loss	333	–2	–24	–20	–2

	Dec 31, 2010				
	Sv UMTS-nät Sweden	Plusnet Germany	Mobile Norway Norway	Net4 Mobility Sweden	Other
Balance sheet					
Intangible assets	–	–	63	–	–
Tangible assets	3,795	–	635	195	1
Deferred tax assets	189	–	–	–	–
Current assets	412	–	77	28	23
Total assets	**4,396**	**–**	**775**	**223**	**24**
Shareholders' equity	1,216	–	36	22	15
Long-term liabilities	–	–	605	–	–
Short-term liabilities	3,180	–	134	201	9
Total shareholders' equity and liabilities	**4,396**	**–**	**775**	**223**	**24**

	2009				
	Sv UMTS-nät Sweden	Plusnet Germany	Mobile Norway Norway	Net4 Mobility Sweden	Other
Income statement					
Net sales	1,146	1,848	33	–	242
Operating profit/loss	76	2	–138	–8	–48
Profit/loss before tax	5	2	–143	–8	–50
Net profit/loss	5	2	–143	–8	–50

	Dec 31, 2009				
	Sv UMTS-nät Sweden	Plusnet Germany	Mobile Norway Norway	Net4 Mobility Sweden	Other
Balance sheet					
Intangible assets	–	5	72	–	–
Tangible assets	3,975	706	311	–	271
Financial assets	–	2	–	–	–
Current assets	431	229	126	45	277
Total assets	**4,406**	**942**	**509**	**45**	**548**
Shareholders' equity	633	756	65	42	29
Long-term liabilities	3,492	3	273	3	239
Short-term liabilities	281	183	171	–	280
Total shareholders' equity and liabilities	**4,406**	**942**	**509**	**45**	**548**

NOTE 9 OTHER OPERATING INCOME

	2010	2009
Service level agreements, for sold operations	53	155
Sale of capacity, for sold operations	6	60
Exchange rate gains from operations	64	175
Sale of fixed assets	21	8
Associated companies and joint ventures	27	28
Other income	36	34
Total other operating income	**207**	**460**

NOTE 10 OTHER OPERATING EXPENSES

	2010	2009
Service level agreements, for sold operations	–34	–116
Sale of capacity, for sold operations	–3	–33
Exchange rate loss from operations	–82	–152
Sale/scrapping of fixed assets	–30	–37
Other expenses	–5	–4
Total other operating expenses	**–154**	**–342**

NOTE 11 INTEREST INCOME

	2010	2009
Interest, bank balances	8	107
Interest, penalty interest	9	29
Interest, related to disputes with other operators	–6	76
Interest, other securities and receivables	3	–
Total interest income	**14**	**212**

In 2009 Tele2 made a settlement with TeliaSonera related to interconnect disputes, and the solved dispute affected the cash flow positively by SEK 340 million and the interest income by SEK 60 million, but did not affect EBIT.

All interest income is for financial assets reported at amortized cost. Interest income related to impaired financial assets, such as accounts receivable, are not significant.

NOTE 12 INTEREST COSTS

	2010	2009
Interest, credit institutions and similar liabilities	–264	–402
Interest, other interest-bearing liabilities	–44	–25
Interest, penalty interest	6	–31
Interest, related to disputes	–43	–50
Upfront fee for early repayment of loan	–116	–20
Other finance expenses	–50	–42
Total interest costs	**–511**	**–570**

Interest cost from the dispute with TeliaSonera has affected 2010 negatively by SEK 43 million. During 2009 interest costs related to the SEC tax dispute was expensed with SEK 36 million.

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

NOTE 13 OTHER FINANCIAL ITEMS

	2010	2009
Exchange rate differences, external	104	3
Exchange rate differences, intragroup	178	–80
Change in fair value, put option Kazakhstan	–128	–
Change in fair value, shares in Modern Holding Inc	–7	–
Withholding tax on interest, the Baltics	–	–24
Other finance expenses	–3	–41
Total other financial items	**144**	**–142**

For information regarding the put option Kazakhstan please refer to Note 2 and Note 26.

NOTE 14 TAXES

TAX EXPENSE/INCOME

	2010	2009
Current tax expense, on profit/loss current year	–656	–500
Current tax expense, on profit/loss prior periods	9	–419
Current tax expense	–647	–919
Deferred tax income	393	438
Total tax on profit for the year	**–254**	**–481**

THEORETICAL TAX EXPENSE

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

	2010		2009	
Profit/loss before tax	6,735		5,236	
Tax expense/income				
Theoretic tax according to prevailing tax rate in each country	–1,621	–24.1%	–1,217	–23.2%
TAX EFFECT OF				
Impairment of goodwill, non-deductible	–	–	–1	0.0%
Sales of shares in subsidiaries, non-taxable	10	0.1%	–13	–0.2%
Tax disputes from previous years	–	–	–405	–7.7%
Result from associated companies and joint ventures	59	0.9%	–39	–0.7%
Other non-deductible expenses/ non-taxable revenue	56	0.8%	–16	–0.3%
Valuation of tax assets relating to loss carry-forwards from previous years	1,168	17.3%	1,112	21.2%
Valuation of temporary differences relating to transactions from previous years	132	2.0%	41	0.8%
Adjustment due to changed tax rate	14	0.2%	–95	–1.8%
Adjustment of tax assets from previous years	22	0.3%	106	2.0%
Change of not valued loss-carry forwards	–94	–1.4%	46	0.9%
Tax expense/income and effective tax rate for the year	**–254**	**–3.8%**	**–481**	**–9.2%**

In 2010 net taxes were positively affected by SEK 1,168 (1,112) million mainly as a result of a valuation of deferred tax assets related to holding companies in Luxembourg of SEK 885 (1,064) million, Netherlands of SEK 108 million and Germany of SEK 175 million, as well as positively (negatively) by SEK 14 (–95) million due to increased (reduced) tax rate in Luxembourg.

Income tax regarding the settlement with Deutsche Telekom according to Note 5 has affected the income statement negatively in 2010 with SEK 73 million.

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

In 2009 Tele2 AB has expensed SEK 186 million as well as SEK 10 million regarding the S.E.C. SA dispute and other tax disputes respectively, furthermore total tax and interest paid related to tax disputes amounted to SEK 395 million of which SEK 163 million had already been provisioned for in 2005.

During 2009 Luxembourg reported a tax revenue of SEK 117 million due to changed assessment related to 2008.

The weighted average tax rate was 24.1 (23.2) percent. The increase on the previous year’s figure is mainly due to countries with higher tax rate, such as Sweden and Luxembourg, having a relative higher impact on the result than countries with lower tax rate, such as the Baltics.

Continued Note 14

DEFERRED TAX ASSETS AND LIABILITIES

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

	Dec 31, 2010	Dec 31, 2009
Deferred tax assets		
Unutilized loss carry-forwards	5,544	4,978
Tangible assets	248	189
Receivables	8	12
Liabilities	119	102
Total deferred tax assets	**5,919**	**5,281**
Netted against deferred liabilities	–2,719	–779
Total deferred tax assets according to the balance sheet	**3,200**	**4,502**
Deferred tax liabilities		
Intangible assets	–294	–75
Tangible assets	–819	–644
Other	–2,457	–791
Total deferred tax liabilities	**–3,570**	**–1,510**
Netted against deferred assets	2,719	779
Total deferred tax liabilities according to the balance sheet	**–851**	**–731**
TOTAL DEFERRED TAX ASSETS AND TAX LIABILITIES	**2,349**	**3,771**

The movement in deferred income tax assets and liabilities during the year is as follows.

	Note	Dec 31, 2010	Dec 31, 2009
Deferred tax assets/-liabilities as of January 1		3,771	3,996
Changed accounting principle	36	–	–72
Adjusted deferred tax assets/-liabilities as of January 1		3,771	3,924
Reported in income statement		393	438
Reported in other comprehensive income		–1,516	–565
Reclassification to current tax		–	163
Acquired companies		–	–24
Exchange rate differences		–299	–165
Deferred tax assets/-liabilities as of December 31		**2,349**	**3,771**

LOSS CARRY-FORWARDS

The group's total loss carry-forwards as of December 31, 2010 were 24,003 (26,807) million of which SEK 20,932 (19,248) million has been recognized as a deferred tax asset and the remaining part, SEK 3,071 (7,559) million, has been valued at zero. Of the total loss carry-forwards, SEK 1,369 (947) million expires in five years and the remaining part, SEK 22,634 (25,860) million, expires after five years or may continue to apply in perpetuity.

	Dec 31, 2010	Dec 31, 2009
Deferred tax assets		
Companies reporting a profit this year and previous year	1,692	1,910
Companies reporting a profit this year but a loss the previous year	1,340	979
Companies reporting a loss this year	168	1,613
Total deferred tax assets	**3,200**	**4,502**

Deferred tax assets are reported only for loss carry-forwards to the extent convincing evidence shows that loss carry-forwards can be utilized against future profits. Deferred tax assets concerning operations which report losses in 2010 are mainly related to new regions in Russia. The new regions in Russia are within the next years expected to report profit due to the synergies deriving from the replication of our successful operational model in Russia. Deferred tax assets concerning operations showing losses in 2009 but profit in 2010 are mainly related to new regions in Russia, and shows that our expected synergies deriving from the replication of our successful operational model in Russia really is working.

Continued Note 14

S.E.C. SA TAX DISPUTE

At January 21, 2011 the Administrative Court of Appeal has approved Tele2's claim for a deduction of a capital loss of SEK 13.3 billion (tax effect of SEK 4,354 million including interest), which was associated with the liquidation of S.E.C. SA in 2001. The decision by the Administrative Court of Appeal will not lead to reduced tax payments since the capital loss has been deducted against earlier years' profits.

NOTE 15 INTANGIBLE ASSETS

	Note	Dec 31, 2010					
		Utilization rights and software	Licenses (frequency)	Customer agreements	Total other intangible assets	Goodwill	Total
Acquisition value							
Acquisition value at January 1		2,086	2,052	1,979	6,117	14,629	20,746
Acquisition value in acquired companies	17	46	591	568	1,205	980	2,185
Investments		241	54	–	295	–	295
Sales and scrapping		–33	–7	–	–40	–	–40
Reclassification		197	60	–	257	–	257
Exchange rate differences		–117	–123	–253	–493	–1,681	–2,174
Total acquisition value		**2,420**	**2,627**	**2,294**	**7,341**	**13,928**	**21,269**
Accumulated amortization							
Accumulated amortization at January 1		–1,131	–543	–1,906	–3,580		–3,580
Amortization according to plan		–287	–218	–145	–650		–650
Sales and scrapping		32	3	–	35		35
Reclassification		–4	–	–	–4		–4
Exchange rate differences		77	45	241	363		363
Total accumulated amortization		**–1,313**	**–713**	**–1,810**	**–3,836**		**–3,836**
Accumulated impairment							
Accumulated impairment at January 1		–252	–	–51	–303	–4,450	–4,753
Impairment		–19	–	–	–19	–	–19
Exchange rate differences		1	–	7	8	532	540
Total accumulated impairment		**–270**	**–**	**–44**	**–314**	**–3,918**	**–4,232**
TOTAL INTANGIBLE ASSETS		**837**	**1,914**	**440**	**3,191**	**10,010**	**13,201**

CAPEX per business area within each country is presented in Note 16.

Continued Note 15

	Dec 31, 2009					
	Utilization rights and software	Licenses (fre-quency)	Customer agree-ments	Total other intangible assets	Goodwill	Total
Acquisition value						
Acquisition value at January 1	1,883	2,049	2,086	6,018	16,147	22,165
Acquisition value in acquired companies	–	95	–	95	420	515
Acquisition value in divested companies	–1	–	–	–1	–1,149	–1,150
Investments	298	58	–	356	–	356
Sales and scrapping	–246	–303	–	–549	–	–549
Reclassification	205	227	–	432	–	432
Exchange rate differences	–53	–74	–107	–234	–789	–1,023
Total acquisition value	**2,086**	**2,052**	**1,979**	**6,117**	**14,629**	**20,746**
Accumulated amortization						
Accumulated amortization at January 1	–1,054	–710	–1,739	–3,503		–3,503
Amortization in divested companies	1	–	–	1		1
Amortization according to plan	–177	–157	–263	–597		–597
Sales and scrapping	70	304	–	374		374
Reclassification	–5	–9	–	–14		–14
Exchange rate differences	34	29	96	159		159
Total accumulated amortization	**–1,131**	**–543**	**–1,906**	**–3,580**		**–3,580**
Accumulated impairment						
Accumulated impairment at January 1	–340	–	–54	–394	–4,674	–5,068
Impairment in divested companies	–	–	–	–	521	521
Impairment	–	–	–	–	–526	–526
Sales and scrapping	88	–	–	88	–	88
Exchange rate differences	–	–	3	3	229	232
Total accumulated impairment	**–252**	**–**	**–51**	**–303**	**–4,450**	**–4,753**
TOTAL INTANGIBLE ASSETS	**703**	**1,509**	**22**	**2,234**	**10,179**	**12,413**

GOODWILL

In connection with the acquisition of operations, goodwill is allocated to the cash generating units that are expected to receive future financial benefits such as for example synergies as a result of the acquired operations. In the event that separate cash generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets is controlled and monitored internally.

	Dec 31, 2010	Dec 31, 2009
Sweden	1,081	1,069
Russia	842	900
Estonia	754	868
Lithuania	761	875
Latvia	1,079	1,242
Croatia	93	108
Kazakhstan	899	–
Netherlands	4,482	5,098
Other	19	19
Total goodwill	**10,010**	**10,179**

Allocation of goodwill and test for goodwill impairment

Tele2 tests goodwill for impairment annually by calculating the recoverable value for the cash-generating units to which goodwill items are allocated. The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value reduced with sales costs.

The most important criteria in the calculations of values in use are growth rate, profit margins, investments and discount rates. The expected revenue growth rate, profit margin and investments are based on sector data as well as management's assessment of market-specific risks and opportunities, including expected changes in competition, the business model used by Tele2 and the regulatory environment. Management's assessment of the range of revenues, profits and investments are limited to Tele2's current telecom licenses and assets. The discount rate takes into account the prevailing interest rates and specific risk factors in a particular cash-generating unit. The discount rate before tax varies between 10 and 20 (8 and 16) percent.

Tele2 calculates future cash flows based on the most recently approved three-year (three-year) plan. In some cases we extend the business case an additional two to six (two) years until the forecasted cash flow growth is considered more stable. For the period after this, annual growth of –2 to 1 (0–3) percent is assumed for mobile operation and –5 (0 to 11) percent annual decline for fixed line operations. These rates do not exceed the average long-term growth for the sector as a whole nor do they exceed the expected long term GDP growth rates in the markets. In 2010 Tele2 recognized goodwill impairment of SEK 0 (5) million related to continuing operations. For additional information see Note 6.

Changes to important assumptions

Tele2 assesses that reasonable possible changes in the major assumptions should not have such significant effects that they individually would reduce the value in use to a value that is lower than the carrying value on the cash generating units.

The value in use calculation is based on the following assumptions per country.

	WACC pre tax	Forecast period	Growth rate after the forecast period
Sweden	10%	3 years	–2%
Russia	17%	5 years	–2%
Estonia	10%	3 years	0%
Lithuania	12%	3 years	0%
Latvia	11%	3 years	0%
Croatia	14%	5 years	1%
Kazakhstan	20%	9 years	1%
Netherlands	11%	3 years	–5%

OTHER FIXED ASSETS

Impairment test of other fixed assets

In 2010 Tele2 has recognized impairment losses of SEK 29 million attributable to mobile business solution (IP Centrex) in Sweden and Netherlands. No need for impairment was identified during 2009 related to other fixed assets. For additional information please refer to Note 6.

NOTE 16 TANGIBLE ASSETS

	Dec 31, 2010						
	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Acquisition value							
Acquisition value at January 1	222	1,766	1,553	3,541	31,505	*668*	35,046
Acquisition value in acquired companies	8	99	160	267	592	–	859
Investments	13	57	2,809	2,879	477	–	3,356
Sales and scrapping	–3	–53	–16	–72	–837	*–21*	–909
Reclassification	18	92	–2,529	–2,419	2,162	–	–257
Exchange rate differences	–29	–154	–104	–287	–2,005	*–34*	–2,292
Total acquisition value	**229**	**1,807**	**1,873**	**3,909**	**31,894**	***613***	**35,803**
Accumulated depreciation							
Accumulated amortization at January 1	–130	–1,403		–1,533	–17,790	*–378*	–19,323
Amortization according to plan	–16	–214		–230	–2,717	*–39*	–2,947
Sales and scrapping	3	52		55	815	*15*	870
Reclassification	–2	14		12	–8	–	4
Exchange rate differences	17	120		137	959	*22*	1,096
Total accumulated depreciation	**–128**	**–1,431**		**–1,559**	**–18,741**	***–380***	**–20,300**
Accumulated impairment							
Accumulated impairment at January 1	–	–		–	–379	–	–379
Impairment	–	–		–	–10	–	–10
Exchange rate differences	–	–		–	16	–	16
Total accumulated impairment	**–**	**–**		**–**	**–373**	**–**	**–373**
TOTAL TANGIBLE ASSETS	**101**	**376**	**1,873**	**2,350**	**12,780**	***233***	**15,130**

Machinery and technical plant in Kazakhstan of SEK 197 million is pledged for loan in Kazakhstan according to Note 26. Finance leases relate to assets reported according to Note 26. Tele2 has not capitalized any interest expenses in fixed assets.

	Dec 31, 2009						
	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Acquisition value							
Acquisition value at January 1	192	1,613	2,110	3,915	29,229	*710*	33,144
Acquisition value in divested companies	–3	–3	–1	–7	–150	–	–157
Investments	16	98	3,173	3,287	796	*3*	4,083
Sales and scrapping	–2	–44	–4	–50	–364	*–29*	–414
Reclassification	31	180	–3,601	–3,390	3,039	–	–351
Exchange rate differences	–12	–78	–124	–214	–1,045	*–16*	–1,259
Total acquisition value	**222**	**1,766**	**1,553**	**3,541**	**31,505**	***668***	**35,046**
Accumulated depreciation							
Accumulated amortization at January 1	–104	–1,268		–1,372	–15,819	*–350*	–17,191
Amortization in divested companies	1	3		4	91	–	95
Amortization according to plan	–15	–170		–185	–2,773	*–49*	–2,958
Sales and scrapping	1	40		41	299	*12*	340
Reclassification	–20	–63		–83	16	–	–67
Exchange rate differences	7	55		62	396	*9*	458
Total accumulated depreciation	**–130**	**–1,403**		**–1,533**	**–17,790**	***–378***	**–19,323**
Accumulated impairment							
Accumulated impairment at January 1	–	–		–	–387	–	–387
Exchange rate differences	–	–		–	8	–	8
Total accumulated impairment	**–**	**–**		**–**	**–379**	**–**	**–379**
TOTAL TANGIBLE ASSETS	**92**	**363**	**1,553**	**2,008**	**13,336**	***290***	**15,344**

Continued Note 16

CAPEX

	Dec 31, 2010	Dec 31, 2009
Intangible assets	295	356
Tangible assets	3,356	4,083
Total CAPEX according to balance sheet	**3,651**	**4,439**

The difference between CAPEX in the balance sheet (below) and CAPEX in the cash flow statement is presented in Note 31.

	CAPEX	
	Dec 31, 2010	Dec 31, 2009
Sweden		
Mobile	158	252
Fixed broadband	210	165
Fixed telephony	14	9
Other operations	15	20
	397	**446**
Norway		
Mobile	14	6
Fixed broadband	–	2
Fixed telephony	2	2
	16	**10**
Russia		
Mobile	1,495	2,232
	1,495	**2,232**
Estonia		
Mobile	59	110
	59	**110**
Lithuania		
Mobile	110	165
Fixed broadband	2	4
	112	**169**
Latvia		
Mobile	94	154
	94	**154**
Croatia		
Mobile	115	194
	115	**194**
Kazakhstan		
Mobile	169	–
	169	**–**
Netherlands		
Mobile	9	6
Fixed broadband	472	448
Fixed telephony	55	46
Other operations	42	33
	578	**533**
Germany		
Fixed broadband	4	2
Fixed telephony	3	1
	7	**3**
Austria		
Fixed broadband	34	46
Fixed telephony	20	24
Other operations	11	13
	65	**83**
Other		
Other operations	544	505
	544	**505**
TOTAL		
Mobile	**2,223**	**3,119**
Fixed broadband	**722**	**667**
Fixed telephony	**94**	**82**
Other operations	**612**	**571**
	3,651	4,439
TOTAL CAPEX ACCORDING TO BALANCE SHEET	3,651	4,439

NOTE 17 ACQUISITIONS AND DIVESTMENTS

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

	2010	2009
Acquisitions		
BBned, Netherlands	–471	–
Spring Mobil, Sweden	–67	–
Kazakhstan	–534	–
Rostov, Russia	–274	–
Izhevsk, Russia	–25	–293
Croatia	–	–100
Sweden	–	–70
Netherlands	–	–28
Other acquisitions of group companies	–	–38
Group companies	**–1,371**	**–529**
Capital contribution to joint venture companies	–139	–316
Associated companies/joint ventures and other securities	**–139**	**–316**
Total acquisitions	**–1,510**	**–845**
Divestments		
France	–	537
Norway, fixed broadband operation	–	104
Settlements of previous years' discontinued operations	323	277
Settlements of previous years' other divestments	1	–70
Group companies	**324**	**848**
Plusnet, joint venture in Germany	–271	–
Associated companies/joint ventures and other securities	**–271**	**–**
Total divestments	**53**	**848**
CASH FLOW EFFECT	**–1,457**	**3**

ACQUISITIONS

BBned, Netherlands

On October 5, 2010 Tele2 acquired 100 percent of the Dutch operator BBned for SEK 462 million. The acquisition has affected Tele2's net sales in the segment Netherlands year-to-date by SEK 197 million, EBITDA by SEK 12 million and net profit by SEK –48 million.

BBned is a provider of fixed telephony and broadband services in the Netherlands, active in retail, business and wholesale segment. BBned operates on the business market with its brand BBeyond and on the consumer market with its brands Alice and InterNLnet.

Goodwill in connection with the acquisition is related to Tele2's expectation that BBned will strengthen Tele2's position and improve Tele2's distribution in the Dutch market. Tele2 will benefit from the synergies that exist between Tele2 and BBned given the similarity between BBned's and Tele2's operations. Tele2's expectation is that the transaction will contribute positively to the company's growth opportunities.

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

Spring Mobil, Sweden

July 23, 2010 Tele2 acquired the remaining 50 percent of the shares in the Swedish company Spring Mobil for SEK 81 million. The acquisition has affected Tele2's net sales in the segment Sweden year-to-date by SEK 84 million, EBITDA by SEK 6 million and net profit by SEK 13 million including a positive effect of SEK 31 million described below.

As a result of Tele2 receiving controlling interest, by the acquisition, Spring Mobil is no longer reported according to the equity method but instead according to the purchase method. Tele2 has consequently adjusted the previously held shares of 50 percent to fair value, as a result of the acquisition of additional shares, and report the difference

Continued Note 17

in the income statement (result from shares in associated companies and joint ventures). Accordingly a positive effect has been reported during 2010 of SEK 31 million. Fair value of the previously 50 percent owned shares has been based on the purchase price of the additional acquired shares.

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

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

Kazakhstan

On March 17, 2010 Tele2 acquired 51 percent of mobile operator NEO in Kazakhstan for SEK 545 million. Tele2 has in addition committed to a capital injection of SEK 360 million, of which SEK 251 million has been paid by Tele2, and additional SEK 241 million by the minority owner. The acquisition has affected Tele2's net sales in the segment Kazakhstan by SEK 119 million, EBITDA by SEK –173 million and net profit by SEK –538 million.

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

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

Total acquisition costs of SEK 35 (29) million have been reported in the income statement.

Rostov, Russia

In January 2010, Tele2 acquired the remaining 12.5 percent of the shares in the subsidiary Tele2 Rostov in Russia for SEK 366 million, of which SEK 92 million will be paid in Q1 2013. This was the last minority stake in Tele2 Russia and as a result of this acquisition Tele2 now owns 100 percent of its Russian operation. Tele2 record the effect of the change in the parent company's shares in the subsidiary, when the parent company retains control, within equity. The Rostov acquisition has resulted in a decrease in equity of SEK 306 million.

Other acquisitions

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

Net assets at the time of acquisition

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

	BBned, Netherlands	Kazakhstan	Spring Mobil, Sweden	Total
Customer agreements	150	373	45	568
Licenses	–	594	10	604
Software	–	26	9	35
Trademarks	5	–	17	22
Tangible assets	278	401	119	798
Financial assets	–	48	1	49
Materials and supplies	2	7	–	9
Current receivables	146	64	73	283
Cash and cash equivalents	6	11	14	31
Long-term liabilities	–74	–999	–107	–1,180
Short-term liabilities	–175	–371	–101	–647
Minority interest	–	–527	–	–527
Acquired net assets	**338**	**–373**	**80**	**45**
Goodwill	50	918	12	980
Fair value of equity interest at acquisition	–	–	–46	–46
Purchase price shares	**388**	**545**	**46**	**979**
Payment of debts in acquired companies	74	–	35	109
	462	**545**	**81**	**1,088**
Exchange rate differences	15	–	–	15
Less: cash in acquired companies	–6	–11	–14	–31
NETEFFECT ON GROUP CASH ASSETS	**471**	**534**	**67**	**1,072**

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

The put option in Kazakhstan is measured to its fair value and the minority interest within equity has been reclassified to an interest bearing financial liability. Fair value of the 49 percent minority interest, SEK 527 million, has been determined based on the purchase price of Tele2's 51 percent interest in Kazakhstan, SEK 545 million.

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

At the time of the acquisition BBned, Spring Mobil and Kazakhstan had tax losses carried forward. In the purchase price allocation, deferred tax asset relating to the tax loss carried forward has been reported to the extent they offset the deferred tax liability.

DIVESTMENTS

On December 23, 2010 Tele2 sold its 32.5 percent ownership in the joint venture Plusnet in Germany and at the same time made an early termination of the joint venture agreement. Tele2 Germany has paid in net SEK 271 million and report a capital loss of SEK 247 million.

Tele2 Germany currently develops its network independent service portfolio for the residential market and has yearly paid an operational expenditure of approximately SEK 160 million and a capital expenditure of approximately SEK 20 million to the joint venture. By exiting the joint venture agreement Tele2 will save a total of approximately SEK 600 million, offsetting the cost for terminating the agreement early. As a result of the completion of the transaction Tele2 Germany will enter into a new vendor agreement based on commercial terms with QSC for xDSL and telephony services.

Continued Note 17

Other

Other cash flow changes include settlements of purchase prices in the amount of SEK 1 million, for divestments that have not been classified as discontinued operations.

Divestment after closing day

On December 15, 2010 Tele2 sold its cable TV operation in Lithuania for SEK 42 million. The sale was approved by the regulatory authorities on February 3, 2011 and generates a capital gain of SEK 4 million. The sold operation is immaterial and has consequently not been reported as assets held for sale at December 31, 2010.

Discontinued operations

Please refer to Note 37 for information.

PRO FORMA

The table below shows how the acquired and divested companies and operations at December 31, 2010 should have affected Tele2's net sales and result if they had been acquired or divested before January 1, 2010.

	2010					
		Acquired and divested operations				
	Tele2 Group[1]	Kazakhstan	Spring Mobil	BBned	Plusnet	Tele2 Group, pro forma
Net sales	40,164	46	135	594	–	40,939
EBITDA	10,284	–36	24	101	140	10,513
Net profit	6,481	–122	–14	–23	387	6,709

[1] continued operations.

NOTE 18 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

Company	Holding (capital/votes)	Dec 31, 2010	Dec 31, 2009
Joint ventures			
Svenska UMTS-nät AB, Sweden	50%	609	318
Mobile Norway AS, Norway	50%	162	187
Net4Mobility HB, Sweden	50%	11	21
Spring Mobil AB, Sweden	100%	–	19
Associated companies			
SCD Invest AB, Sweden	9.1% / 49.9%	–	–
SNPAC Swedish Nr Portability Adm.Centre AB, Sweden	20%	3	3
GH Giga Hertz HB as well as 15 other trading companies with licenses, Sweden	33.3%	3	3
Total shares in associated companies and joint ventures		**788**	**551**

	Dec 31, 2010	Dec 31, 2009
Acquisition value		
Acquisition value at January 1	1,441	1,202
Investments	125	352
Reclassifications due to achieved control	–14	–
Share of profit/loss for the year	142	–97
Amortization	–3	–4
Divestments	–465	–
Change of deferred tax liabilities	2	3
Change of provisions	–1	–2
Exchange rate differences	–96	–13
Total acquisition value	**1,131**	**1,441**
Impairment		
Accumulated impairment at January 1	–890	–925
Divestments	465	–
Exchange rate differences	82	35
Total accumulated impairment	**–343**	**–890**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES	**788**	**551**

Continued Note 18

None of the associated companies and joint ventures are listed on stock exchanges. Information regarding commitments please see Note 30.

Svenska UMTS-nät AB, Sweden

Tele2 is one of two turnkey contractors which plan, expand and operate the joint venture Svenska UMTS-nät AB's 3G network. Tele2 and TeliaSonera each own 50 percent and both companies have contributed capital to the 3G company. In addition to this, the build-out has external financing, with a loan facility of SEK 2.75 billion, which is 50 percent guaranteed by each party. Tele2 and TeliaSonera are technically MVNO's with the 3G company and hence act as capacity purchasers. The size of the fee is based on used capacity.

Plusnet, Germany

At the end of 2010 Tele2 divested its 32.5 percent share of Plusnet and at the same time made an early termination of the joint venture agreement.

Mobile Norway, Norway

Tele2 owns 50 percent of the shares in Mobile Norway AS, which owns a license in the GSM-900 frequency and a 3G license. Tele2 is one of two parties involved in the roll-out of Norway's third mobile telephony network. Both companies have contributed capital. In addition to this, the build-out has external financing, with a loan facility of NOK 1.07 billion, which is 50 percent guaranteed by each party.

Net4Mobility, Sweden

Net4Mobility is one of equal shares joint venture infrastructure between Telenor Sweden and Tele2 Sweden. The company's mission is to build and operate an extensive network for the next generation mobile communications, 4G. The new mobile network will enable Telenor and Tele2 to offer their customers mobile services for data communications (LTE/4G) and voice (GSM).

Spring Mobil, Sweden

During 2010 Tele2 acquired the remaining shares in Spring Mobil and achieved control of the company, why the company is reported as a subsidiary.

Continued Note 18

CONTRIBUTION OF EACH ASSOCIATED COMPANY AND JOINT VENTURE TO GROUP EQUITY

	Dec 31, 2010				
	Sv UMTS-nät	Plusnet	Mobile Norway	Net4 Mobility	Other
	Sweden	Germany	Norway	Sweden	
SURPLUS VALUE					
Acquisition value					
Acquisition value at January 1	–	470	155	–	29
Divestments	–	–409	–	–	–
Reclassifications due to achieved control	–	–	–	–	–29
Exchange rate differences	–	–61	–11	–	–
Total acquisition value	**–**	**–**	**144**	**–**	**–**
Accumulated amortization					
Accumulated amortization at January 1	–	–146	–	–	–13
Amortization	–	–	–	–	–3
Divestments	–	127	–	–	–
Reclassifications due to achieved control	–	–	–	–	16
Exchange rate differences	–	19	–	–	–
Total accumulated amortization	**–**	**–**	**–**	**–**	**–**
Accumulated impairment					
Accumulated impairment at January 1	–	–324	–	–	–
Divestments	–	282	–	–	–
Exchange rate differences	–	42	–	–	–
Total accumulated impairment	**–**	**–**	**–**	**–**	**–**
TOTAL SURPLUS VALUE	**–**	**–**	**144**	**–**	**–**
DEFERRED TAX LIABILITY					
Deferred tax liability at January 1	–	–	–	–	–6
Reclassifications due to achieved control	–	–	–	–	4
Change of deferred tax liabilities	–	–	–	–	2
TOTAL DEFERRED TAX LIABILITIES	**–**	**–**	**–**	**–**	**–**
PROVISIONS					
Total provisions at January 1	2	–	–	–	–
Change of provisions	–1	–	–	–	–
TOTAL PROVISIONS	**1**	**–**	**–**	**–**	**–**
SHARE OF SHAREHOLDERS' EQUITY					
Share of shareholders' equity at January 1	316	–	32	21	15
Share of capital contribution and new issues	125	–	–	–	–
Share of profit/loss for the year	167	–	–12	–10	–3
Reclassifications due to achieved control	–	–	–	–	–5
Exchange rate differences	–	–	–2	–	–1
TOTAL SHARE OF SHAREHOLDERS' EQUITY	**608**	**–**	**18**	**11**	**6**
	609	**–**	**162**	**11**	**6**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES					**788**

Surplus value in associated companies and joint ventures relates to goodwill. Provisions related to financial guarantees for loans.

Continued Note 18

	Dec 31, 2009				
	Sv UMTS-nät	Plusnet	Mobile Norway	Net4 Mobility	Other
	Sweden	Germany	Norway	Sweden	
SURPLUS VALUE					
Acquisition value					
Acquisition value at January 1	–	496	138	–	29
Exchange rate differences	–	–26	17	–	–
Total acquisition value	**–**	**470**	**155**	**–**	**29**
Accumulated amortization					
Accumulated amortization at January 1	–	–154	–	–	–9
Amortization	–	–	–	–	–4
Exchange rate differences	–	8	–	–	–
Total accumulated amortization	**–**	**–146**	**–**	**–**	**–13**
Accumulated impairment					
Accumulated impairment at January 1	–	–342	–	–	–
Impairment	–	–	–	–	–
Divestments	–	–	–	–	–
Reclassifications due to achieved control	–	–	–	–	–
Exchange rate differences	–	18	–	–	–
Total accumulated impairment	**–**	**–324**	**–**	**–**	**–**
TOTAL SURPLUS VALUE	**–**	**–**	**155**	**–**	**16**
DEFERRED TAX LIABILITY					
Deferred tax liability at January 1	–	–	–	–	–9
Change of deferred tax liabilities	–	–	–	–	3
TOTAL DEFERRED TAX LIABILITIES	**–**	**–**	**–**	**–**	**–6**
PROVISIONS					
Total provisions at January 1	4	–	–	–	–
Change of provisions	–2	–	–	–	–
TOTAL PROVISIONS	**2**	**–**	**–**	**–**	**–**
SHARE OF SHAREHOLDERS' EQUITY					
Share of shareholders' equity at January 1	64	–	50	–	10
Share of capital contribution and new issues	250	–	49	25	28
Share of profit/loss for the year	2	–	–72	–4	–23
Exchange rate differences	–	–	5	–	–
TOTAL SHARE OF SHAREHOLDERS' EQUITY	**316**	**–**	**32**	**21**	**15**
	318	**–**	**187**	**21**	**25**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES					**551**

NOTE 19 OTHER FINANCIAL ASSETS

	Dec 31, 2010	Dec 31, 2009
Pension funds	1	1
Other long-term holdings of securities	17	23
Receivable from Svenska UMTS-nät, joint venture in Sweden	200	–
Receivable from Mobile Norway, joint venture in Norway	86	–
Receivable from Spring Mobil, joint venture in Sweden	–	18
VAT receivable, Kazakhstan	47	–
Other receivables	2	3
Total other financial assets	**353**	**45**

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

Company	Holding (capital/votes)	Dec 31, 2010	Dec 31, 2009
Modern Holdings Inc, US	11.88%	11	17
OJSC Aero-Space Telecommunications, Russia	1%	5	5
Radio National Skellefteå AB, Sweden	5.5%	1	1
Total other long-term securities		**17**	**23**

NOTE 20 MATERIALS AND SUPPLIES

	Dec 31, 2010	Dec 31, 2009
Finished products & goods for resale	248	160
Other	25	41
Total material and supplies	**273**	**201**

Tele2's materials and supplies are mainly telephones, SIM cards, modems held for sale and set-top boxes for cable TV. In 2010 material and supplies has been expensed by SEK 1,283 (987) million, of which SEK 11 (8) million is related to write-down.

NOTE 21 ACCOUNTS RECEIVABLE

	Dec 31, 2010	Dec 31, 2009
Accounts receivable	3,808	3,756
Reserve for doubtful accounts	–528	–612
Total accounts receivable, net	**3,280**	**3,144**

	Dec 31, 2010	Dec 31, 2009
Reserve for doubtful accounts		
Reserve for doubtful accounts at January 1	612	1,328
Reserves in companies acquired during the year	9	–
Reserves in companies divested during the year	–	–569
Provisions	36	215
Recovery of previous provisions	–60	–358
Exchange rate differences	–69	–4
Total reserve for doubtful accounts	**528**	**612**

	Dec 31, 2010	Dec 31, 2009
Accounts receivable, overdue with no reserve		
Overdue between 1–30 days	336	432
Overdue between 31–60 days	74	87
Overdue more than 61 days	174	308
Total accounts receivable, overdue with no reserve	**584**	**827**

NOTE 22 OTHER CURRENT RECEIVABLES

	Dec 31, 2010	Dec 31, 2009
VAT receivable	255	219
Receivable from suppliers	69	30
Receivables clearinghouse, traffic	23	25
Receivable from Svenska UMTS-nät, joint venture in Sweden	46	52
Receivable from Net4Mobility, joint venture in Sweden	24	–
Receivable from Mobile Norge, joint venture in Norway	–	89
Receivable from former owner of BBned	36	–
Receivable related to divestment of operations	–	14
Other	31	30
Total other current receivables	**484**	**459**

NOTE 23 PREPAID EXPENSES AND ACCRUED INCOME

	Note	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Revenues from mobile phones	36	715	485	276
Traffic revenues, from customers		641	868	1,031
Traffic revenues, from other telecom operators		456	485	789
Subscription fees etc, from customers		55	30	36
Interest income		–	–	68
Accrued income, other		61	43	67
Rental cost		382	351	364
Fixed subscription charges		70	73	72
Retailers' commissions, prepaid cards		34	29	28
Prepaid expenses, other		185	104	185
Total prepaid expenses and accrued revenues		**2,599**	**2,468**	**2,916**

SEK 478 (176) million of the balance sheet item is estimated to be paid more than 12 months after the closing date and is mainly attributable to revenues from mobile phones.

Changed principle related to revenue recognition is presented in Note 36.

NOTE 24 SHORT-TERM INVESTMENTS

	Dec 31, 2010	Dec 31, 2009
Restricted funds	112	114
Total short-term investments	**112**	**114**

NOTE 25 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

AVAILABLE LIQUIDITY

	Dec 31, 2010	Dec 31, 2009
Cash and cash equivalents	834	1,312
Unutilized overdraft facilities and credit lines	11,980	11,098
Total available liquidity	**12,814**	**12,410**

	Dec 31, 2010	Dec 31, 2009
Unutilized overdraft facilities and credit lines		
Overdraft facilities granted	480	507
Overdraft facilities utilized	–	–109
Total unutilized overdraft facilities	**480**	**398**
Unutilized credit lines	11,500	10,700
TOTAL UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES	**11,980**	**11,098**

No specific collateral is provided for overdraft facilities.

EXCHANGE RATE DIFFERENCE IN CASH AND CASH EQUIVALENTS

	Dec 31, 2010	Dec 31, 2009
Exchange rate differences in cash and cash equivalents at January 1	–81	37
Exchange rate differences in cash flow for the year	68	–64
Total exchange rate difference in cash and cash equivalents	**–13**	**–27**

NOTE 26 FINANCIAL LIABILITIES

	Dec 31, 2010	Dec 31, 2009
Liabilities to financial institutions and similar liabilities	1,198	2,891
Other interest-bearing liabilities	1,428	358
Total interest-bearing financial liabilities	**2,626**	**3,249**
Accounts payable	2,602	2,106
Other short-term liabilities	561	640
	3,163	**2,746**
TOTAL FINANCIAL LIABILITIES	**5,789**	**5,995**

Financial liabilities fall due for payment according to below.

	Dec 31, 2010		Dec 31, 2009	
	Nominal value	Recorded value	Nominal value	Recorded value
Within 3 months	3,171	3,171	2,688	2,688
Within 3–12 months	1,109	1,109	337	337
Within 1–2 years	353	353	957	957
Within 2–3 years	631	631	1,248	1,248
Within 3–4 years	231	219	742	742
Within 4–5 years	116	76	13	13
Within 5–10 years	447	230	10	10
Total financial liabilities	**6,058**	**5,789**	**5,995**	**5,995**

INTEREST-BEARING FINANCIAL LIABILITIES

Interest rate risk

Of interest-bearing financial liabilities as of December 31, 2010 SEK 2,175 million, corresponding to 83 percent, (SEK 463 million 14 percent) are at variable interest rates. An increase of the interest level of 1 percent would result in additional interest expenses of SEK 22 (5) million, and affect profit/loss after tax by SEK 16 (3) million, calculated on the basis of variable interest-bearing liabilities as of December 31, 2010.

Continued Note 26

Interest-bearing financial liabilities fall due for payments as follows.

	Within 1 year	Within 1–2 years	Within 2–3 years	Within 3–4 years	Within 4–5 years	Within 5–15 years	Total
Variable interest rates	1,096	349	205	219	76	230	2,175
Fixed interest rates	21	4	426	–	–	–	451
Total interest-bearing liabilities	**1,117**	**353**	**631**	**219**	**76**	**230**	**2,626**

Collateral provided

	Dec 31, 2010	Dec 31, 2009
Fixed assets	197	–
Total collateral provided for own liabilities	**197**	**–**

Liabilities to financial institutions and similar liabilities

			Dec 31, 2010		Dec 31, 2009	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Syndicated loan facility	variable interest rates	2013	–	426	–	1,195
Bond holders'			–	–	–	1,587
Utilized bank overdraft facility	variable interest rates		–	–	109	–
Other financial institutions	Fixed: 14%		21	–	–	–
(collateral: fixed assets in Tele2 Kazakhstan)	variable interest rates		139	612		
			160	**1,038**	**109**	**2,782**
Total liabilities to financial institutions and similar liabilities				**1,198**		**2,891**

In February 2009 Tele2 signed a credit facility agreement, and has at December 31, 2010 a facility of SEK 12.0 (12.0) billion. The credit facility is agreed with a group of nine banks. The loan can be drawn in several currencies and the interest base is the relevant IBOR for that currency. At December 31, 2010 the loan is drawn in SEK. The facility allows a ratio net liabilities (including external guarantees)/EBITDA for the group of up to 3.0. The facility is also conditioned by an interest coverage ratio to be fulfilled. Tele2 expects to fulfil both these ratios. In December 2010 Tele2 have agreed with the lenders to prolong the maturity of the facility with one year from February 2012 to February 2013. On February 7, 2011, Tele2 entered into a 2-year revolving credit facility agreement of SEK 2.5 billion with a syndicate of five banks and with the same financial ratio conditions as the larger credit facility.

In 2006 Tele2 issued notes under a US Private Placement program totalling USD 220 million. During 2010 Tele2 has repaid the loan to bond holders.

On March 17, 2010 Tele2 acquired 51 percent of mobile operator NEO in Kazakhstan. NEO had, at the time of acquisition, existing liabilities to several financial institutions. The interest base is KazPrime and LIBOR. At December 31, 2010 these liabilities amounted to KZT 967 million, EUR 54 million and USD 34 million corresponding to a total of SEK 772 million.

The average interest rate on loans during the year was 10.0 (6.9) percent. The high interest rate is a result of low level of loan in combination with high share of commitment fees.

Other interest-bearing liabilities

	Dec 31, 2010		Dec 31, 2009	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Put option, Kazakhstan	866	–		
Kazakhtelecom	–	281		
Derivatives	39	–	85	–
Finance leases	52	86	60	154
Purchase price for purchase of Rostov	–	88	–	–
Purchase price for purchase of Izhevsk	–	4	25	4
Other	–	12	–	30
	957	**471**	**170**	**188**
Total other interest-bearing liabilities		**1,428**		**358**

Continued Note 26

Tele2 owns 51 percent of the shares in NEO, Kazakhstan with a call option to buy the remaining 49 percent from December 14, 2014 to April 14, 2015. The minority shareholder, Asianet Holding BV, has a put option to sell its shares to Tele2 from December 14, 2011. The exercise price of both options is the fair market value of the shares at the date of exercise. The put option is reported to its calculated fair value at the closing date, please refer to Note 17.

At the time of the acquisition of NEO the company had an existing interest free liability to the former owner. At December 31, 2010 the reported debt amounted to SEK 281 (–) million and the nominal value to SEK 550 (–) million.

Derivatives consist of interest swap, valued to fair value. The effective part of the interest swap is reported in the hedge reserve in other comprehensive income and the ineffective part is reported as interest costs in the income statement.

Finance leases relate to the expansion of transmission capacity in Sweden and Austria, and consists of the following items.

	Dec 31, 2010		Dec 31, 2009	
	Present value	Nominal value	Present value	Nominal value
Within 1 year	55	56	64	65
Within 1–2 years	50	52	62	64
Within 2–3 years	16	17	52	55
Within 3–4 years	10	11	16	17
Within 4–5 years	3	4	12	14
Within 5–10 years	4	5	8	10
Total loan liability and interest		**145**		**225**
Less interest portion		–7		–11
TOTAL FINANCE LEASES	**138**	**138**	**214**	**214**

OTHER SHORT-TERM LIABILITIES

	Dec 31, 2010	Dec 31, 2009
VAT liability	382	413
Employee withholding tax	57	58
Other taxes	28	17
Debt to content suppliers	27	25
Debt to other operators	15	26
Liability to joint venture, Plusnet	–	45
Customer deposit	9	10
Other	43	46
Total short-term liabilities	**561**	**640**

NOTE 27 PROVISIONS

	2010						
	Rented buildings and cables	Legal disputes	Claims and guarantees for divested operations	Other provisions	Financial guarantee for loans	Pension and similar commit-ments	Total
Provisions as of January 1	21	30	259	45	2	25	382
Provisions in acquired companies	–	–	–	23	–	–	23
Provisions in divested companies	–	–	–31	–	–	–	–31
Additional provisions	–	57	33	39	–	5	134
Utilized/paid provisions	–5	–8	–109	–	–	–1	–123
Reversed unused provisions	–	–7	–22	–	–1	–	–30
Exchange rate differences	–1	–3	–29	–	–	–	–33
Total provisions as of December 31	**15**	**69**	**101**	**107**	**1**	**29**	**322**

	Dec 31, 2010	Dec 31, 2009
Provisions, short-term	139	164
Provisions, long-term	183	218
Total provisions	**322**	**382**

Continued Note 27

Provisions is expected to fall due for payment according to below.

	Dec 31, 2010	Dec 31, 2009
Within 1 year	139	164
Within 1–3 years	120	182
Within 3–5 years	2	3
More than 5 years	61	33
Total provisions	**322**	**382**

NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2010	Dec 31, 2009
Traffic expenses to other telecom operators	1,207	1,253
External service expenses	659	642
Personnel-related expenses	530	476
Expenses for dealers	171	183
Interest costs	22	26
Leasing and rental expenses	85	55
Other accrued expenses	140	177
Deferred income, prepaid cards	816	752
Deferred income, other	825	1,021
Total accrued expenses and deferred income	**4,455**	**4,585**

NOTE 29 PLEDGE ASSETS

	Dec 31, 2010	Dec 31, 2009
Fixed assets	197	–
Shares in joint venture, Mobile Norway	162	–
Short-term investments, bank deposits	112	114
Total pledged assets	**471**	**114**

The opposite parties can only take over the pledged items in case Tele2 neglects its duty to pay its debts according to the agreements.

NOTE 30 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

CONTINGENT LIABILITIES

	Dec 31, 2010	Dec 31, 2009
Tax dispute, S.E.C. SA liquidation	–	4,354
Other disputes	258	–
Guarantee related to joint ventures	1,459	1,825
Total contingent liabilities	**1,717**	**6,179**

At January 21, 2011 the Administrative Court of Appeal has approved Tele2's claim for a deduction of a capital loss of SEK 13.3 billion (tax effect of SEK 4,354 million including interest), which was associated with the liquidation of S.E.C. SA in 2001. For additional information regarding the tax dispute related to the liquidation of S.E.C. SA please refer to Note 14.

Tele2 is the defendant in an arbitration regarding a dispute relating to a Share Option Agreement and related issues where the claimant has put forward claims of USD 38 million, corresponding to SEK 258 million. We estimate that the arbitration award will be announced during the second half of 2011. Based on current information, our assessment is that it is more likely than not that we will win.

Continued Note 30

Guarantees related to joint ventures is the maximum amount Tele2 could be forced to settle under the agreement. Tele2 considers it to be more likely than not that no amount will be payable, please refer to Note 18.

Svenska UMTS-nät AB, a joint venture holding in Tele2, has a granted loan facility of SEK 2,750 (4,800) million, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 1,375 (2,400) million. As of December 31, 2009, Tele2's guarantee for Svenska UMTS-nät AB amounted to SEK 1,260 (1,745) million.

Mobile Norway, a joint venture holding in Tele2, has a granted loan facility of NOK 1,070 (1,070) million, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of NOK 541 (541) million, corresponding to SEK 623 (672) million. In addition, Tele2 has provided a bank guarantee of SEK 0 (30) million. As of December 31, 2010, Tele2's guarantee for Mobile Norway amounted to a total of SEK 199 (80) million.

OPERATING LEASES

	2010	2009
Leased capacity	2,165	2,181
Other operating leases	587	610
Annual leasing expenses for operating leases	**2,752**	**2,791**

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

Contractual future lease due for payments is stated below.

	Dec 31, 2010	Dec 31, 2009
Within 1 year	1,288	1,183
Within 1–2 years	765	880
Within 2–3 years	605	826
Within 3–4 years	474	736
Within 4–5 years	424	709
Within 5–10 years	1,692	1,275
Within 10–15 years	102	113
More than 15 years	102	214
Total future lease payments for operating leases	**5,452**	**5,936**

OTHER CONTRACTUAL COMMITMENTS

	Dec 31, 2010	Dec 31, 2009
Commitments, joint venture Plusnet	–	664
Commitments, joint venture Mobile Norway	1,899	1,157
Commitments, other	1,439	1,034
Total future fees for other contractual commitments	**3,338**	**2,855**

Commitments to joint venture Mobile Norway relates to obligations according to joint venture agreement with a duration until year 2019. Other commitments are mainly related to future deliveries of fixed assets and services.

NOTE 31 SUPPLEMENTARY CASH FLOW INFORMATION

CASH FLOW FROM OPERATING ACTIVITIES BASED ON THE NET RESULT

	2010	2009
OPERATING ACTIVITIES		
Net profit	6,928	4,709
Adjustments for non-cash items in operating profit		
Depreciation/amortization and impairment	3,626	4,081
Result from shares in associated companies and joint ventures	74	98
Gain/loss on sale of fixed assets	9	30
Gain/loss on sale of shares	−451	−369
Change in fair value, shares	6	–
Unpaid financial items	−2	20
Unpaid/paid tax	−87	65
Deferred tax expense	−393	−438
Cash flow from operations before changes in working capital	**9,710**	**8,196**
Changes in working capital	−100	922
CASH FLOW FROM OPERATING ACTIVITIES	**9,610**	**9,118**

CAPEX

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

	2010	2009
CAPEX according to cash flow statement	3,603	4,340
This year unpaid CAPEX and paid CAPEX from previous year	12	−8
Sales price in cash flow statement	36	107
CAPEX according to balance sheet	**3,651**	**4,439**

Of the year's investment in intangible and tangible assets, SEK 176 (186) million is unpaid at December 31, 2010 and has therefore not been reported as investments in the cash flow statement. Payment of the previous year's investment of SEK 164 (194) million has been reported as investment in the cash flow for 2010. These items amount to a net of SEK 12 (−8) million.

CAPEX per business area within each country are presented in Note 16.

NOTE 32 NUMBER OF SHARES AND EARNINGS PER SHARE

	2010	2009
Number of outstanding shares, basic	443,262,339	440,381,339
Number of shares in own custody	3,701,000	5,798,000
Number of shares, weighted average	441,229,755	440,355,339
Number of shares after dilution	445,111,903	441,522,048
Number of shares after dilution, weighted average	442,920,782	441,282,050

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

There are no limitations regarding how many votes each shareholder may vote for at general meetings of shareholders. The Articles of Association make no stipulation that limits the right to transfer the shares.

In the case of a bid for all shares or a controlling part of the shares in Tele2, the loan facility may be accelerated and due for immediate repayment. In addition, some interconnect agreements and some other agreements may be terminated.

Continued Note 32

CHANGE OF NUMBER OF SHARES

	A shares		B shares		C shares		Total
	Change	Total	Change	Total	Change	Total	
As of January 1, 2009		**38,173,706**		**406,677,633**		**4,948,000**	**449,799,339**
Reclassification of A shares to B shares	−13,041,710	25,131,996	13,041,710	419,719,343	–	4,948,000	449,799,339
Cancellation of shares	–	25,131,996	−4,500,000	415,219,343	–	4,948,000	445,299,339
New share issue	–	25,131,996	30,000	415,249,343	850,000	5,798,000	446,179,339
As of December 31, 2009		**25,131,996**		**415,249,343**		**5,798,000**	**446,179,339**
Reclassification of A shares to B shares	−4,141,846	20,990,150	4,141,846	419,391,189	–	5,798,000	446,179,339
Reclassification of C shares to B shares	–	20,990,150	2,529,000	421,920,189	−2,529,000	3,269,000	446,179,339
New share issue	–	20,990,150	784,000	422,704,189		3,269,000	446,963,339
Total number of shares as of December 31, 2010		**20,990,150**		**422,704,189**		**3,269,000**	**446,963,339**

As a result of 2,097,000 stock options in the incentive program 2007 being exercised during 2010, Tele2 has sold B-shares in own custody of 2,097,000 resulting in an increase of shareholders' equity of SEK 256 million.

As a result of 784,000 (30,000) stock options in the incentive program 2006 being exercised during 2010, Tele2 has issued new shares resulting in an increase of shareholders' equity of SEK 74 (4) million.

During the year 4,141,846 (13,041,710) class A shares have been reclassified into class B-shares in Tele2 AB. In order to ensure delivery of B-shares under the incentive program 2007 Tele2 has in 2010 reclassified 2,529,000 Class C shares to Class B shares.

In order to ensure delivery of B-shares under the incentive program 2009 Tele2 has, in 2009, issued 850,000 Class C shares through a directed placement at a subscription price corresponding to a quota value of SEK 1.25 per share, a total of SEK 1 million. Tele2 has immediately after the issue repurchased all Class C shares at a price corresponding to the subscription price.

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

Continued Note 32

Change of number of shares in own custody

	B shares		C shares		Total
	Change	Total	Change	Total	
As of January 1, 2009		**4,500,000**		**4,948,000**	**9,448,000**
New share issue/repurchase of own shares	–	4,500,000	850,000	5,798,000	10,298,000
Cancellation of own shares	–4,500,000	–	–	5,798,000	5,798,000
As of December 31, 2009		**–**		**5,798,000**	**5,798,000**
Reclassification of C shares to B shares	2,529,000	2,529,000	–2,529,000	3,269,000	5,798,000
Sale of own shares	–2,097,000	432,000	–	3,269,000	3,701,000
Total number of shares in own custody as of December 31, 2010		**432,000**		**3,269,000**	**3,701,000**

Shares in own custody amount to 0.8 (1.3) percent of the share capital.

NUMBER OF OUTSTANDING OPTIONS AND SHARE RIGHTS

	Dec 31, 2010	Dec 31, 2009
Incentive program 2010–2013	869,120	
Incentive program 2009–2012	545,372	648,160
Incentive program 2008–2011	392,452	492,549
Incentive program 2007–2010/2012	432,000	2,550,000
Incentive program 2006–2009/2011	120,000	904,000
Total number of outstanding options and share rights	**2,358,944**	**4,594,709**

Further information is provided in Note 34.

Number of shares after dilution

	Dec 31, 2010	Dec 31, 2009
Number of shares	446,963,339	446,179,339
Repurchase of own shares	–3,701,000	–5,798,000
Number of outstanding shares, basic	443,262,339	440,381,339
Incentive program 2010–2013	869,120	–
Incentive program 2009–2012	545,372	648,160
Incentive program 2008–2011	392,452	492,549
Incentive program 2007–2010/2012	13,049	–
Incentive program 2006–2009/2011	29,571	–
Total number of shares after dilution	**445,111,903**	**441,522,048**

EARNINGS PER SHARE

	Earnings per share		Earnings per share, after dilution	
	2010	2009	2010	2009
Net profit attributable to equity holders of the parent company	6,926	4,673	6,926	4,673
Weighted average number of shares	441,229,755	440,355,339	441,229,755	440,355,339
Incentive program 2010–2013			508,820	–
Incentive program 2009–2012			582,434	382,760
Incentive program 2008–2011			421,143	543,951
Incentive program 2007–2010/2012			64,144	–
Incentive program 2006–2009/2011			114,486	–
Weighted average number of outstanding shares after dilution			**442,920,782**	**441,282,050**
Earnings per share, SEK	**15.70**	**10.61**	**15.64**	**10.59**

DIVIDEND

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

In respect of the financial year 2010, the Board of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) in May 2011, a total dividend payment of SEK 27.00 (5.85) per ordinary A or B share, to be comprised of an ordinary dividend of SEK 6.00 (3.85) and an extraordinary dividend of SEK 21.00 (2.00). At December 31, 2010 this correspond to a total of SEK 11,968 (2,580) million, of which ordinary dividend SEK 2,660 (1,698) million and extraordinary dividend SEK 9,308 (882) million.

NOTE 33 NUMBER OF EMPLOYEES

		Average number of employees			
		2010		2009	
	Note	Total	*of whom men*	Total	*of whom men*
Sweden		1,503	*69%*	1,311	*68%*
Norway		63	*75%*	58	*78%*
Russia		2,931	*48%*	2,738	*50%*
Estonia		237	*43%*	234	*43%*
Lithuania		112	*54%*	105	*53%*
Latvia		294	*37%*	426	*35%*
Croatia		97	*61%*	88	*60%*
Kazakhstan		375	*45%*	–	–
Netherlands		1,048	*80%*	762	*78%*
Germany		79	*68%*	78	*72%*
Austria		276	*72%*	337	*70%*
Other		366	*76%*	441	*77%*
		7,381	*59%*	**6,578**	*59%*
Discontinued operations	37	–	–	69	*52%*
Total average number of employees		**7,381**	***59%***	**6,647**	***59%***

	2010		2009	
	Women	Men	Women	Men
For all group companies				
Board members	23%	77%	11%	89%
Other senior executives	19%	81%	31%	69%
Total proportion of board members and other senior executives	**21%**	**79%**	**26%**	**74%**

NOTE 34 PERSONNEL COSTS

	Note	2010 Board of Directors and CEO	2010 *of which bonus*	2010 Other employees	2009 Board of Directors and CEO	2009 *of which bonus*	2009 Other employees
Sweden		9	*6*	811	4	*1*	678
Norway		3	*1*	57	2	–	36
Russia		21	*6*	439	29	*8*	300
Estonia		2	–	43	4	*1*	46
Lithuania		4	*1*	26	4	–	23
Latvia		3	*1*	49	3	–	65
Croatia		4	*2*	36	6	*1*	30
Kazakhstan		3	*1*	46	–	–	–
Netherlands		3	*2*	500	3	*2*	528
Germany		2	*2*	40	2	*2*	48
Austria		3	*1*	159	2	–	234
Other		36	*1*	191	37	*9*	190
		93	***24***	**2,397**	**96**	***24***	**2,178**
Discontinued operations	37	–	–	–	9	–	15
Total salaries and remuneration		**93**	***24***	**2,397**	**105**	***24***	**2,193**

	Note	2010 Salaries and remune-rations	2010 Social security expenses	2010 *of which pension expenses*	2009 Salaries and remune-rations	2009 Social security expenses	2009 *of which pension expenses*
Board and President		93	25	*8*	96	26	*7*
Other employees		2,397	754	*166*	2,178	670	*156*
		2,490	**779**	***174***	**2,274**	**696**	***163***
Discontinued operations	37	–	–	–	24	11	–
Total		**2,490**	**779**	***174***	**2,298**	**707**	***163***

PENSIONS

	2010	2009
Defined-benefit plans, retirement pension	28	32
Defined-benefit plans, compliance and disability pension	6	7
Defined-contribution plans	140	124
Total pension expenses	**174**	**163**

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

	2010	2009
Income statement		
Current service costs	–22	–20
Interest cost for the obligation	–1	–
Expected return on plan assets	–2	–2
Actuarial gains/losses recognized for the year	–3	–10
Net cost recognized in the income statement	**–28**	**–32**

	Dec 31, 2010	Dec 31, 2009
Balance sheet		
Present value of funded obligations	–140	–113
Fair value of plan assets	111	90
Net	**–29**	**–23**
Unrecognized actuarial gains/losses	1	–1
Net asset (+) / obligation (–) in balance sheet	**–28**	**–24**
of which assets	*1*	*1*
of which liabilities	*–29*	*–25*

Continued Note 34

	2010	2009
Net asset (+) / obligation (–) at beginning of year	–24	–13
Net asset/obligation at beginning of year, divested operations	–	2
Net cost	–28	–32
Payments	24	21
Exchange rate differences	–	–2
Net asset (+) / obligation (–) in balance sheet at end of year	**–28**	**–24**

	Dec 31, 2010	Dec 31, 2009
Important actuarial assumptions		
Discount rate	3.2–4.4%	3.5–4.3%
Expected return on plan assets	3.8–5.6%	4.0–6.3%
Annual salary increases	3.0–4.3%	1.8–4.5%
Annual pension increases	2%	2%

REMUNERATION FOR SENIOR EXECUTIVES

2010	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
CEO and President,							
Mats Granryd (Sep–Dec),	3.2	–	0.6	0.1	–	0.2	4.1
Lars Nilsson (Mar–Aug),	4.6	–	–	–	–	0.4	5.0
Harri Koponen (Jan–Feb)	1.4	–	–	0.1	14.0	3.7	19.2
Other senior executives	21.9	14.3	9.1	0.4	3.8[1]	4.2[1]	53.7
Total salaries and remuneration to senior executives	**31.1**	**14.3**	**9.7**	**0.6**	**17.8**	**8.5**	**82.0**

[1] mainly remuneration during notice period to HR directors.

In February 2010 Tele2 announced that the CEO Harri Koponen had left the company with immediate effect, due to irreconcilable differences over leadership. The Board of Directors appointed Lars Nilsson, the Chief Financial Officer, as the interim CEO until Mats Granryd started in September 2010. The termination payment has affected 2010 result and is, for 18 months, SEK 17.3 million excluding social security costs.

The group Other senior executives comprises 11 (7) persons, which is an increase of four persons from September 2010.

2009	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
CEO and President,							
Harri Koponen	9.5	7.1	1.1	0.1	–	2.3	20.1
Other senior executives	22.1	11.7	8.0	1.6	12.0[1]	5.8[1]	61.2
Total salaries and remuneration to senior executives	**31.6**	**18.8**	**9.1**	**1.7**	**12.0**	**8.1**	**81.3**

[1] mainly remuneration during notice period to Donna Cordner and Bo Lindgren.

During 2010 the senior executives received 248,000 (224,000) share rights from the year's new incentive program and 10,736 (8,457) share rights regarding compensation for dividend from 2008–2009 (2008) year incentive program. The market value of the stock options at the time of issue was SEK 4.4 (2.9) million for the CEO and SEK 15.4 (9.1) million for other senior executives. No premium was paid for the share rights.

Continued Note 34

	2010									
	LTI 2010		LTI 2009		LTI 2008		LTI 2007		LTI 2006	
Number of stock options	CEO	Other senior executives	CEO	Other senior executives	CEO	Other senior executives	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2010	–	–	56,000	216,000	58,569	106,692	210,000	945,000	200,000	272,000
Allocated	56,000	192,000								
Allocated, compensation for dividend	–	–	–	6,912	–	3,824	–	–	–	–
Forfeited	–	–	–56,000	–24,000	–58,569	–	–	–	–	–
Exercised	–	–	–	–	–	–	–140,000	–945,000	–200,000	–272,000
Total outstanding stock options	**56,000**	**192,000**	**–**	**198,912**	**–**	**110,516**	**70,000**	**–**	**–**	**–**

Remuneration guidelines for senior executives 2010

The following guidelines for determining remuneration for senior executives in 2010 were approved by the Annual General Meeting in May 2010.

The objectives of the Tele2 remuneration guidelines are to offer competitive remuneration packages to attract, motivate and retain key employees within the context of an international peer group. The aim is to create incentives for management to execute strategic plans and deliver excellent operating results and to align management's incentives with the interests of the shareholders. Senior executives covered by the guidelines include the CEO and members of the Executive Board ("senior executives"). At present (May 2010) Tele2 has eight senior executives.

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

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

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

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

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

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

BOARD OF DIRECTORS

Total fees to the Board of Directors in 2010 were SEK 4,975 (5,125) thousand following a decision by the Annual General Meeting in May 2010.

	Fees to the board		Fees to the board committees	
SEK	2010	2009	2010	2009
Mike Parton	1,200,000	600,000	25,000	100,000
Vigo Carlund	–	1,200,000	–	25,000
Lars Berg	450,000	–	100,000	–
Mia Brunell Livfors	450,000	450,000	25,000	125,000
Jere Calmes	450,000	450,000	125,000	125,000
John Hepburn	450,000	450,000	50,000	50,000
Erik Mitteregger	450,000	–	100,000	–
John Shakeshaft	450,000	450,000	200,000	200,000
Christina Stenbeck	450,000	450,000	–	–
Pelle Törnberg	–	450,000	–	–
Total fee to Board members	**4,350,000**	**4,500,000**	**625,000**	**625,000**

SHARE-BASED PAYMENTS

The objective of the long-term incentive programs (LTI) are to create conditions for retaining competent employees in the group. The plans have been designed based on the view that it is desirable that senior executives and other key employees within the group are shareholders in the company. Further, the plans reward employees' loyalty and long-term growth in the company. Against this background, the Board of directors is of the opinion that the plans will have a positive effect on the company's future development and thus be beneficial for both the company and its shareholders.

	Number of participants at grant date	Measure period	Exercise period	Exercise price	Dec 31, 2010	Dec 31, 2009
LTI 2010	142	Apr 1, 2010–Mar 31, 2013	–	–	869,120	–
LTI 2009	72	Apr 1, 2009–Mar 31, 2012	–	–	545,372	648,160
LTI 2008	70	Apr 1, 2008–Mar 31, 2011	–	–	392,452	492,549
LTI 2007	83	Jul 1, 2007–Jun 30, 2010	Jul 22, 2010–Aug 2012	SEK 122	432,000	2,550,000
LTI 2006	23	–	Mar 3, 2009–Mar 31, 2011	SEK 94.80	120,000	904,000
Total number of outstanding options and share rights					**2,358,944**	**4,594,709**
of which exercisable					*552,000*	*904,000*

Total costs before tax for outstanding rights and options in the incentive programs 2007–2010 are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 204 million, of which SEK 60 (45) million has been expensed in 2010. Total liability for social security costs from the incentive programs amount at December 31, 2010 to SEK 25 (17) million.

Continued Note 34

Incentive program 2008, 2009 and 2010

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

The participants in the Plan are required to own shares in Tele2. These shares could either be shares already held or shares purchased on the market in connection with notification to participate in the Plan. Thereafter the participants were granted, free of charge, retention rights and performance rights on the terms stipulated below.

For each share under the Plan, the participants will be granted retention rights and performance rights by the company. Subject to fulfilment of certain retention and performance based conditions during the period April 1, 2010 – March 31, 2013 (the measure period), the participant maintaining the employment within the Tele2 Group at the date of the release of the interim report January – March 2013 and subject to the participant maintaining the invested shares, each right entitles the employee to receive one Class B share in the company. Dividends paid on the underlying share will increase the number of retention and performance shares being allotted in order to treat the shareholders and the participants equally. The participant's maximum profit per right in the Plan is limited to SEK 529, five times the average closing share price of the Tele2 Class B shares during February 2010 (SEK 105.90).

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

Series A Tele2's total shareholder return (TSR) on the Tele2 shares, with a minimum hurdle exceeding 0 percent during the Measure Period.

Series B Average normalized return of capital employed (ROCE), with a minimum hurdle of 15 percent during the Measure Period and a stretch target of 18 percent.

Series C TSR compared with a peer group including Elisa, KPN, Millicom, Mobistar, MTS – Mobile Telesystems, Telenor, TeliaSonera, Turkcell and Vodafone during the Measure Period with TSR being better than the average TSR for the peer group as a minimum hurdle and TSR being 10 percentage points better than the average TSR for the peer group as a stretch target.

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

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

The Plan comprises at grant date a total number of 196,280 shares and the following number of rights for the different Groups: a) 8,000 shares and 7 rights (1 Series A, 3 Series B and 3 Series C) per invested share for the CEO, b) 32,000 shares and 6 rights (1 Series A, 2.5 Series B and 2.5 Series C) per invested share for other senior executives and other key employees (8 persons) and c) 156,280 shares and 4 rights (1 Series A, 1.5 Series B and 1.5 Series C) per invested share for other participants (133 persons).

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

	Serie A	Serie B	Serie C
Annual turnover of personnel	7.0%	7.0%	7.0%
Expected value reduction parameter fulfilment	–	50%	–
Weighted average share price	SEK 115,49	SEK 115,49	SEK 115,49
Expected life	2.87 years	2.87 years	2.87 years
Expected value reduction parameter market condition	70%	–	35%

Total costs before tax for outstanding rights in the incentive program 2010 are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 61 million, of which SEK 13 million has been expensed in 2010.

	LTI 2010		LTI 2009		LTI 2008	
Number of rights	2010	Cumulative	2010	Cumulative	2010	Cumulative
Allocated at grant date	873,120	873,120		656,160		627,272
Outstanding as of January 1, 2010			648,160		492,549	
Allocated, compensation for dividend	–	–	20,184	20,184	14,372	39,537
Forfeited	–4,000	–4,000	–122,972	–130,972	–114,469	–274,357
Total outstanding rights	**869,120**	**869,120**	**545,372**	**545,372**	**392,452**	**392,452**

Corresponding principles and conditions have been used for 2009 and 2008 year incentive program except for the measure period and levels for retention and performance based conditions.

		Retention and performance based conditions		
	Maximum profit/right	Series A TSR	Series B ROCE	Series C TSR peer group
LTI 2010	SEK 529	> 0%	15–18%	> 10%
LTI 2009	SEK 355	> 0%	14–17%	> 10%
LTI 2008	SEK 540	> 0%	12–15%	> 10%

Exercise of the 2007 option program

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

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

Continued Note 34

Stock options in incentive program 2007 can be exercised up until August 2012. The exercise price has been adjusted from SEK 130.20 to SEK 122 due to a compensation for the extraordinary dividend paid during 2008, 2009 and 2010. Weighted average share price at date of exercise for stock options has during 2010 amounted to SEK 139.21.

Number of options	2010	Cumulative
Allocated August 28, 2007		3,552,000
Outstanding as of January 1, 2010	2,550,000	
Forfeited	–21,000	–1,023,000
Exercised	–2,097,000	–2,097,000
Total outstanding stock options	**432,000**	**432,000**

Exercise of the 2006 option program

Stock options in incentive program 2006 can be exercised up until March 31, 2011. The acquisition price for exercising the stock options is SEK 94.80. Weighted average share price at date of exercise for stock options has during 2010 amounted to SEK 121.69 (105.39).

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

	Stock options	
Number of options	2010	Cumulative
Allocated March 7, 2006		1,504,000
Outstanding as of January 1, 2010	904,000	
Forfeited	–	–570,000
Exercised	–784,000	–814,000
Total outstanding options	**120,000**	**120,000**

NOTE 35 FEES TO THE APPOINTED AUDITOR

Total fees to the appointed auditor (Deloitte) during the year amount to SEK 29 (35) million of which audit fees SEK 25 (26) million, audit-related fees SEK 1 (2) million and all other consultation fees SEK 3 (7) million. There has been no tax-related consultation fees.

Audit fees consist of fees expensed for the annual audit of the statutory financial statements and statutory audits of subsidiaries.

Audit-related fees consist of fees expensed for assurance and other services which are closely related to the audit of the company's financial statements or which are normally performed by the appointed auditor, and consultations concerning financial accounting and reporting standards. Examples are limited reviews of quarterly reports comfort letters and opinions.

Taxes fees consist of fees expensed for the checking of tax computations, services connected with tax audits and appeals, tax advice relating to mergers, acquisitions and transfer pricing, as well as consultation concerning fiscal regulations.

All other fees include fees expensed for all other consultations, such as costs of investigations and analyses in conjunction with corporate acquisitions (due diligence).

NOTE 36 CHANGED ACCOUNTING PRINCIPLE AND OTHER RECLASSIFICATIONS

CHANGED REVENUE RECOGNITION PRINCIPLE

Multiple deliveries

With prospective effect, revenues from customer agreements including the delivery of mobile phones or other equipment, without the debit of any specific enhanced subscription fees, are allocated to the individual components in the agreement. Before, the revenue was recognized when the total service was provided to the customer. The changed principle means that revenues that can be allocated to the equipment are recognized at the delivery of the equipment to the customer and revenues from other subscription charges are recognized in the period covered by the charge. Prior periods have not been restated since it is impracticable to determine the effect on these. The change has had a positive effect on net sales during 2010 of SEK 111 million.

Enhanced fees

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

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

	2009	2008	2007	2006
Net sales (mobile)	209	58	152	66
Tax on profit/loss for the year	–55	–15	–40	–17
Net profit	**154**	**43**	**112**	**49**
Earnings per share, SEK	0.35	0.10	0.25	0.11
Earnings per share after dilution, SEK	0.35	0.10	0.25	0.11

	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Deferred tax assets	–127	–72	–57	–17
Accrued income	485	276	218	66
Total assets	**358**	**204**	**161**	**49**
Retained earnings, previous years	204	161	49	–
Net profit	154	43	112	49
Total shareholders' equity and liabilities	**358**	**204**	**161**	**49**

	2009	2008	2007	2006
Cash flow from operations, less paid taxes	209	58	152	66
Change in working capital	–209	–58	–152	–66
Cash flow from operating activities	**–**	**–**	**–**	**–**

Continued Note 36

OTHER RECLASSIFICATIONS

Sales between mobile and fixed within segment Sweden

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

	2009			2008		
	Net sales	Internal sales	EBITDA and EBIT	Net sales	Internal sales	EBITDA and EBIT
Sweden						
Mobile	77	77	77	109	109	109
Fixed broadband	–	–	–31	–	–	–40
Fixed telephony	–	–	–46	–	–	–69
Elimination of internal sales	–77			–109		
Tele2 Group	**–**	**77**	**–**	**–**	**109**	**–**

International Carrier is moved to segment Other

From 2010, the international carrier business is reported in segment Other as a result of the business having been moved into the central group functions. Previously this operation was reported in the respective country except for Sweden where it was reported in segment Other together with the other group central functions. Previous periods have been recalculated retroactively and the effects on Other operations in the financial statements are presented below.

	2009		
	Net sales	Internal sales	EBITDA and EBIT
Netherlands	–71	–28	3
Germany	–364	–135	–20
Austria	–348	–42	–27
Other	578	–	44
Elimination of internal sales	205		
Tele2 Group	**–**	**–205**	**–**

Datametrix Integration is moved to segment Sweden

From 2010, the business for IP-based switchboard solutions to major companies is reported in segment Sweden as a result of part of the business having been moved into the Swedish fixed broadband operation. Previously this part of the operation was reported in segment Other. Previous periods have been recalculated retroactively and the effects on segment Sweden (fixed broadband) in the financial statements are presented below. Segment Other (Other operations) has been affected with opposite sign.

	2009				
	Net sales	Internal sales	EBITDA	EBIT	CAPEX
Sweden					
Fixed broadband	71	17	–9	–10	6
Other					
Other operations	–71	–17	9	10	–6
Tele2 Group	**–**	**–**	**–**	**–**	**–**

Continued Note 36

Internal sale from central functions

During 2010, reallocation has been done in segment Other between net sales and other operating revenues concerning central functions. Previous periods have been recalculated retroactively and the effects in segment Other in the financial statements are presented below.

	2009
Other	
Net sales, total	–314
Elimination of internal sale	276
Net sales, external	**–38**
Other operating income	38
EBITDA	**–**

NOTE 37 DISCONTINUED OPERATIONS

Discontinued operations include settlements of sales costs and price adjustments for discontinued operations sold during previous years, of which SEK 417 (178) million refers to a positive outcome from a dispute in the divested operation in Switzerland with a positive effect on both income statement and cash flow. In addition 2009 includes the, during 2009, divested mobile operation in France.

FINANCIAL STATEMENTS

Income statement

Income statement for discontinued operations is stated below.

	2010	2009
Net sales	–	1,092
Profit/loss after financial items	453	–17
Tax on profit/loss for the year	–6	–29
Net profit/loss	**447**	**–46**
Earnings per share, SEK	1.01	–0.11
Earnings per share after dilution, SEK	1.01	–0.11

Cash flow statement

	2010	2009
Cash flow from operating activities	–	198
Cash flow from investing activities	323	814
Net change in cash and cash equivalents	**323**	**1,012**

NOTE 38 TRANSACTIONS WITH RELATED PARTIES

Business relations and pricing between Tele2 and all related parties are subject to principles based on commercial terms and conditions. During 2009 and 2010, Tele2 engaged in transactions with the following related companies/persons.

Senior executives and Board members

Information of senior executives and Board members is presented in Note 34.

Kinnevik Group

Kinnevik buys IT services from Datametrix and Tele2 rents premises from Kinnevik. Korsnäs purchases certain consultancy services from the Tele2 company Procure IT right.

Continued Note 38

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

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

Modern Holding Inc Group
The Basset Group provides systems for operator settlement, mediation device and anti-fraud for Tele2. The Tailormade Group provides Tele2 with billing- and payment systems.

MTG Group
Tele2 buys advertising time on radio and TV channels owned by MTG. Tele2 purchases cable TV programs from MTG Group. MTG Group (including CDON) purchases certain consultancy services from the Tele2 company Procure IT right.

Metro International Group
Metro International is purchasing outsourcing services from Datametrix and telephone communication services from Tele2. Tele2 buys advertising from Metro International.

Associated companies and joint ventures
Information of associated companies and joint ventures is presented in Note 18.

TRANSACTIONS BETWEEN TELE2 AND RELATED PARTIES

	Net sales		Operating expenses		Interest revenue	
	2010	2009	2010	2009	2010	2009
Kinnevik	3	4	9	11	–	–
Transcom WorldWide	35	34	979	1,001	–	–
Millicom	15	8	–	–	–	–
Modern Holdings Inc	1	1	43	66	–	–
MTG	34	32	59	74	–	–
Metro International	3	4	7	9	–	–
Associated companies and joint ventures	120	116	747	729	4	3
Other related companies	1	1	7	18	–	–
Total	**212**	**200**	**1,851**	**1,908**	**4**	**3**

BALANCES BETWEEN TELE2 AND RELATED PARTIES

	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Kinnevik	–	1	–	–	–	2
Transcom WorldWide	6	8	–	–	111	40
Millicom	7	3	–	–	–	–
Modern Holdings Inc	–	–	–	–	5	7
MTG	4	8	–	–	5	11
Metro International	1	1	–	–	1	–
Associated companies and joint ventures	89	94	286	89	37	73
Total	**107**	**115**	**286**	**89**	**159**	**133**

Parent company's financial statement

THE PARENT COMPANY'S INCOME STATEMENT

SEK million	Note	2010	2009
Net sales	2	48	32
Gross profit		**48**	**32**
Administrative expenses		–120	–79
Operating profit/loss		**–72**	**–47**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Result from shares in group companies	3	13,000	–
Result from other securities and receivables classified as fixed assets	4	42	409
Interest expense and similar costs	5	–386	–461
Profit/loss after financial items		**12,584**	**–99**
Tax on profit/loss for the year	6	99	–185
NET PROFIT/LOSS		**12,683**	**–284**

THE PARENT COMPANY'S COMPREHENSIVE INCOME

SEK million	Note	2010	2009
Net profit/loss		**12,683**	**–284**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges	10	46	–6
Cash flow hedges, tax effect		–12	–
Group contribution		1,580	–370
Group contribution, tax effect		–415	97
Other comprehensive income for the year, net of tax		**1,199**	**–279**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,882**	**–563**

THE PARENT COMPANY'S BALANCE SHEET

SEK million	Note	Dec 31, 2010	Dec 31, 2009
ASSETS			
FIXED ASSETS			
Financial assets			
Shares in group companies	7	13,507	13,507
Receivables from group companies	8	9,867	17,109
Deferred tax assets		40	369
TOTAL FIXED ASSETS		**23,414**	**30,985**
CURRENT ASSETS			
Current receivables			
Accounts receivables from group companies		19	11
Other receivables from group companies	8	14,580	–
Other current receivables		1	3
Prepaid expenses and accrued income		1	1
Total current receivables		**14,601**	**15**
Cash and cash equivalents	9	3	4
TOTAL CURRENT ASSETS		**14,604**	**19**
TOTAL ASSETS		**38,018**	**31,004**

SEK million	Note	Dec 31, 2010	Dec 31, 2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital		559	558
Restricted reserve		16,974	16,901
Total restricted equity		**17,533**	**17,459**
Unrestricted equity			
Reserves		–29	–63
Retained earnings		7,324	8,767
Net profit/loss		12,683	–284
Total unrestricted equity		**19,978**	**8,420**
TOTAL SHAREHOLDERS' EQUITY		**37,511**	**25,879**
LONG-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	10	426	2,782
Liabilities to group companies		–	2,202
TOTAL LONG-TERM LIABILITIES		**426**	**4,984**
SHORT-TERM LIABILITIES			
Interest-bearing			
Other interest-bearing liabilities	10	39	85
Total interest-bearing liabilities		**39**	**85**
Non-interest-bearing			
Accounts payable	10	3	6
Other short-term liabilities	10	4	8
Accrued expenses and deferred income	11	35	42
Total non-interest-bearing liabilities		**42**	**56**
TOTAL SHORT-TERM LIABILITIES		**81**	**141**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**38,018**	**31,004**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets		None	None
Contingent liabilities	12	2,378	6,653

THE PARENT COMPANY'S CASH FLOW STATEMENT

SEK million	2010	2009
OPERATING ACTIVITIES		
Operating profit/loss	–72	–47
Interest paid	–283	–337
Finance costs paid	–	–341
Taxes paid	–	–359
Cash flow from operations before changes in working capital	**–355**	**–1,084**
CHANGES IN WORKING CAPITAL		
Operating assets	–6	48
Operating liabilities	–5	–7
Changes in working capital	**–11**	**41**
CASH FLOW FROM OPERATING ACTIVITIES	**–366**	**–1,043**
INVESTING ACTIVITIES		
Repayments from group companies	9,462	6,046
Cash flow from investing activities	**9,462**	**6,046**
CASH FLOW AFTER INVESTING ACTIVITIES	**9,096**	**5,003**
FINANCING ACTIVITIES		
Proceeds from credit institutions and similar liabilities	–	1,300
Repayment of loans from credit institutions and similar liabilities	–2,445	–4,102
Repayment of loans from group companies	–4,402	–
Dividends	–2,580	–2,202
Repurchase of own shares	–	–1
Sale of own shares	256	–
New share issue	74	4
Cash flow from financing activities	**–9,097**	**–5,001**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–1**	**2**
Cash and cash equivalents at beginning of the year	4	2
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**3**	**4**

For additional cash flow information, please refer to Note 13.

CHANGE IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

	Restricted equity		Unrestricted equity		Total share-holders' equity
SEK million	Share capital	Restricted reserve	Hedge reserve	Retained earnings	
Shareholders' equity at January 1, 2009	562	16,898	–57	11,242	28,645
Costs for stock options	–	–	–	–4	–4
New share issues	1	3	–	–	4
Repurchase of own shares	–	–	–	–1	–1
Reduction of share capital	–5	–	–	5	–
Dividends	–	–	–	–2,202	–2,202
Comprehensive income for the year	–	–	–6	–557	–563
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2009	**558**	**16,901**	**–63**	**8,483**	**25,879**
Shareholders' equity at January 1, 2010	558	16,901	–63	8,483	25,879
New share issues	1	73	–	–	74
Sale of own shares	–	–	–	256	256
Dividends	–	–	–	–2,580	–2,580
Comprehensive income for the year	–	–	34	13,848	13,882
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2010	**559**	**16,974**	**–29**	**20,007**	**37,511**

Parent company's financial statement

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act, the Swedish Financial Reporting Board recommendation RFR 2 Reporting for legal entities (December 2010) and statements from the Swedish Financial Reporting Board.

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

Business combination
At a business combination all expenses directly related to the acquisition are included in the acquisition value.

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

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

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

OTHER INFORMATION
The annual report has been approved by the Board of Directors March 17, 2011. The balance sheet and income statement are subject to adoption by the Annual General Meeting May 16, 2011.

NOTE 2 NET SALES

Net sales relates to sales to other companies in the group.

NOTE 3 RESULT OF SHARES IN GROUP COMPANIES

	2010	2009
Anticipated dividend from subsidiary	13,000	–
Total result of shares in group companies	**13,000**	**–**

NOTE 4 RESULT FROM OTHER SECURITIES AND RECEIVABLES CLASSIFIED AS FIXED ASSETS

	2010	2009
Interest, group	44	409
Exchange rate difference on receivables from group companies	–2	–
Total result from other securities and receivables classified as fixed assets	**42**	**409**

NOTE 5 INTEREST EXPENSE AND SIMILAR COSTS

	2010	2009
Interest, credit institutions and similar liabilities	–412	–373
Interest, group	–24	–150
Interest, SEC dispute	–	–36
Interest, penalty interest	–	–2
Exchange rate difference on financial liabilities	50	152
Derivatives, valuation to fair value	–	–45
Other finance expenses	–	–7
Total interest expenses and similar costs	**–386**	**–461**

NOTE 6 TAXES

	2010	2009
Current tax expense	–	–197
Deferred tax expense	99	12
Total tax on profit for the year	**99**	**–185**

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

	2010		2009	
Profit/loss before tax	12,584		–99	
Tax effect according to tax rate in Sweden	–3,310	–26.3%	26	–26.3%
Tax effect of				
Non-deductible expenses	–3	0.0%	–15	15.2%
Non-taxable anticipated dividend	3,419	27.2%	–	–
Changed tax rate	–7	–0.1%	–	–
S.E.C. SA tax disputes from previous years	–	–	–186	187.9%
Other tax disputes from previous years	–	–	–10	10.1%
Tax expense/income and effective tax rate	**99**	**0.8%**	**–185**	**186.9%**

In 2009 Tele2 AB has expensed SEK 186 million as well as SEK 10 million regarding the S.E.C. SA dispute and other tax disputes respectively, furthermore total tax and interest paid related to tax disputes amounted to SEK 395 million of which SEK 163 million had already been provisioned for in 2005.

At January 21, 2011 the Administrative Court of Appeal has approved Tele2's claim for a deduction of a capital loss of SEK 13.3 billion (tax effect of SEK 4,354 million including interest), which was associated with the liquidation of S.E.C. SA in 2001.

NOTE 7 SHARES IN GROUP COMPANIES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2010	Dec 31, 2009
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	13,507	13,507
Total shares in group companies				**13,507**	**13,507**

A list of all subsidiaries, excluding dormant companies, is presented in Note 17.

	Dec 31, 2010	Dec 31, 2009
Acquisition value		
Acquisition value at January 1	13,507	12,607
Shareholders contribution	–	900
Total shares in group companies	**13,507**	**13,507**

NOTE 8 RECEIVABLES FROM GROUP COMPANIES

	Long term receivables		Current receivables	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Acquisition value at January 1	17,109	22,825	–	–
Lending	330	1,304	14,580	–
Repayments	–4,886	–4,473	–	–
Reclassification	–2,202	–	–	–
Other changes in cash pool	–484	–2,547	–	–
Total receivables from group companies	**9,867**	**17,109**	**14,580**	**–**

Long term receivables from group companies relates to balances in the cash pool.

NOTE 9 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

	Dec 31, 2010	Dec 31, 2009
Cash and cash equivalents	3	4
Unutilized overdraft facilities and credit lines	11,500	10,700
Total available liquidity	**11,503**	**10,704**

NOTE 10 FINANCIAL LIABILITIES

	Dec 31, 2010	Dec 31, 2009
Liabilities to financial institutions and similar liabilities	426	2,782
Other interest-bearing liabilities	39	85
Total interest-bearing financial liabilities	**465**	**2,867**
Accounts payable	3	6
Other short-term liabilities	4	8
TOTAL FINANCIAL LIABILITIES	**472**	**2,881**

Financial liabilities fall due for payment according to below.

	Dec 31, 2010	Dec 31, 2009
Within 3 months	46	93
Within 3 – 12 months	–	6
Within 1 – 2 years		866
Within 2 – 3 years	426	1,195
Within 3 – 4 years	–	721
Total financial liabilities	**472**	**2,881**

INTEREST-BEARING FINANCIAL LIABILITIES

No specific collateral is provided for interest-bearing financial liabilities.

Liabilities to financial institutions and similar liabilities

			Dec 31, 2010		Dec 31, 2009	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Syndicated loan facility *(collateral: guarantee from Tele2 Sverige AB)*	variable interest rates	2013	–	426	–	1,195
Bond holders'			–	–	–	1,587
			–	**426**	**–**	**2,782**
Total liabilities to financial institutions and similar liabilities				**426**		**2,782**

For additional information please refer to group Note 26.

Other interest-bearing liabilities

	Short-term liabilities	
	Dec 31, 2010	Dec 31, 2009
Derivatives	39	85
Total other interest-bearing liabilities	**39**	**85**

Derivatives consist of interest swap, valued to fair value.

OTHER SHORT-TERM LIABILITIES

	Dec 31, 2010	Dec 31, 2009
VAT liability	3	7
Other taxes	1	1
Total short-term liabilities	**4**	**8**

Parent company's financial statement

NOTE 11 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2010	Dec 31, 2009
Interest costs	15	26
Personnel-related expenses	18	13
External services expenses	2	3
Total accrued expenses and deferred income	**35**	**42**

Personnel-related expenses are mainly related to reserves for remuneration to the former CEOs and HR directors. For additional information please refer to group Note 34.

NOTE 12 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

CONTINGENT LIABILITIES

	Dec 31, 2010	Dec 31, 2009
Tax dispute, S.E.C. SA liquidation	–	4,354
Guarantee related to group companies	1,118	554
Guarantee related to joint venture	1,260	1,745
Total contingent liabilities	**2,378**	**6,653**

At January 21, 2011 the Administrative Court of Appeal has approved Tele2's claim for a deduction of a capital loss of SEK 13.3 billion (tax effect of SEK 4,354 million including interest), which was associated with the liquidation of S.E.C. SA in 2001.

Svenska UMTS-nät AB, a joint venture holding in Tele2, has a granted loan facility of SEK 2,750 (4,800) million, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 1,375 (2,400) million. As of December 31, 2009, Tele2's guarantee for Svenska UMTS-nät AB amounted to SEK 1,260 (1,745) million.

OPERATING LEASES

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

NOTE 13 SUPPLEMENTARY CASH FLOW INFORMATION

In 2010, the parent company had interest revenues from other group companies of SEK 47 (409) million and interest expenses to other group companies of SEK 27 (150) million which were capitalized on the loan amount.

The parent company reported SEK 50 (113) million in currency effects from loans to financial institutions and similar liabilities. These did not have any cash effect.

In 2010, the parent company received an anticipated dividend from a subsidiary in the amount of SEK 13,000 million, which did not have any cash effect.

In 2010, the parent company has received a group contribution in the amount of SEK 1,580 (370) million, which did not have any cash effect.

In 2009, the parent company made a shareholder contribution of SEK 900 million, which did not have any cash effect.

NOTE 14 NUMBER OF EMPLOYEES

The average number of employees in the parent company is 6 (6), of whom 2 (1) are women.

NOTE 15 PERSONNEL COSTS

	2010			2009		
	Salaries and remune-rations	Social security expenses	*of which pension expenses*	Salaries and remune-rations	Social security expenses	*of which pension expenses*
Board and CEO	28	11	*4*	22	8	*2*
Other employees	19	11	*2*	16	7	*2*
Total salaries and remuneration	**47**	**22**	***6***	**38**	**15**	***4***

In February 2010 Tele2 announced that the CEO Harri Koponen had left the company with immediate effect, due to irreconcilable differences over leadership. The Board of Directors appointed Lars Nilsson, the Chief Financial Officer, as the interim CEO until Mats Granryd started in September 2010. The termination payment has affected 2010 result and is, for 18 months, SEK 17 million excluding social security costs.

The parent company's pension expenses relate to defined-contribution plans. Salary and remuneration for the CEO are presented in group Note 34.

NOTE 16 FEES TO THE APPOINTED AUDITOR

Audit fees to the appointed auditor is SEK 2 (2) million and audit-related fees is SEK 1 (2) million.

NOTE 17 LEGAL STRUCTURE

The table below lists all the subsidiaries, associated companies, joint ventures and other holdings that are not dormant companies or branches.

Company, reg. No., reg'd office	Note	Holding (capital/votes)
SCD INVEST AB, 556353-6753, Stockholm, Sweden	18	9.1%/49.9%
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden		100%
Tele2 Treasury AB, 556606-7764, Stockholm, Sweden		100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden		100%
Everyday Webguide AB, 556182-6016, Stockholm, Sweden		100%
Modern Holdings Inc, 133799783, Delaware, US	19	11.88%
e-Village Nordic AB, 556050-1644, Stockholm, Sweden		100%
GH Giga Hertz HB as well as 15 other partnerships with licenses	18	33.3%
Radio National Luleå AB, 556475-0411, Stockholm, Sweden	19	5.5%
Tele2Butikerna AB, 556284-7565, Stockholm, Sweden		100%
Spring Mobil AB, 556609-0238, Stockholm, Sweden		100%
Skaraborg Kabelvision AB, 556483-6467, Mariestad, Sweden		60%
Swefour GSM AB, 556646-2189, Stockholm, Sweden		100%
Datametrix Integration AB, 556539-4870, Stockholm, Sweden		100%
Svenska UMTS-nät Holding AB, 556606-7988, Stockholm, Sweden		100%
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	18	50%
Interloop AB, 556450-2606, Stockholm, Sweden		100%
Net4Mobility HB, 969739-0293, Stockholm, Sweden	18	50%
Radio Components Sweden AB, 556573-3846, Stockholm, Sweden		80.43%
Procure IT Right AB, 556600-9436, Stockholm, Sweden		100%
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	18	20%
Datametrix AB, 556580-2682, Stockholm, Sweden		100%
Datametrix BPO AB, 556580-7871, Stockholm, Sweden		100%
UNI2 OÜ, 11010450, Tallinn, Estonia		100%
Datametrix Outsourcing AB, 556290-2238, Stockholm, Sweden		100%
SIA UNI2, 40003681691, Riga, Latvia		100%
Datametrix GmbH, HRB 58959, Düsseldorf, Germany		100%
Tele2 Norge AS, 974534703, Oslo, Norway		100%
Mobile Norway AS, 888 137 122, Oslo, Norway	18	50%
Tele2 Netherlands Holding NV, 33272606, Amsterdam, Netherlands		100%
Tele2 Nederlands BV, 33303418, Amsterdam, Netherlands		100%
Versatel Internetdiensten BV, 34144876, Amsterdam, Netherlands		100%
BBned NV, 34137310, Hoofddorp, Netherlands		100%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia		100%
Mobile Telecom Service LLP, 66497-1910-TOO, Almaty, Kazakhstan		51%
Tele2 UK Services Ltd, 4028792, London, UK		100%
Tele2 Holding AS, 10262238, Tallinn, Estonia		100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia		100%
Tele2 Holding Lithuania AS, 11920703, Tallinn, Estonia		100%
Tele2 Holding Lithuania AS Filialas, 302514793, Vilnius, Lithuania		100%
UAB Tele2, 111471645, Vilnius, Lithuania		100%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania		100%

Company, reg. No., reg'd office	Note	Holding (capital/votes)
Tele2 Holding SIA, 40003512063, Riga, Latvia		100%
SIA Tele2, 40003272854, Riga, Latvia		100%
SIA Tele2 Shared Service Center, 40003690571, Riga, Latvia		100%
SIA Tele2 Telecom Latvia, 40003616935, Riga, Latvia		100%
Tele2 Europe SA, R.C.B56944, Luxembourg		100%
Tele2 Austria Holding GmbH, FN178222t, Vienna, Austria		100%
Tele2 Telecommunication GmbH, FN138197g, Vienna, Austria		100%
Tele2 communication GmbH s.r.o., 35820616, Bratislava, Slovakia		100%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany		100%
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg		100%
SEC Finance SA, B104730, Luxembourg		100%
Tele2 Finance Luxembourg SA, RCB112873, Luxembourg		100%
Tele2 Finance Belgium CVBA, 0878159608, Brussels, Belgium		100%
Tele2 Financial Services (Belgium), 0882.856.089, Wemmel, Belgium		100%
Tele2 Russia Holding AB, 556469-7836, Stockholm, Sweden		100%
St Petersburg Telecom, 1027809223903, St Petersburg, Russia		100%
Votec Mobile ZAO, 1023601558694, Voronezh, Russia		100%
Lipetsk Mobile CJSC, 1024840840419, Lipetsk, Russia		100%
Telecom Eurasia LLC, 1027739455215, Krasnodar, Russia		100%
JSC Adigeja Cellular Communications, 105025940, Adigeja, Russia		100%
PSNR Personal System Networks in region, 1025202610157, Niznhy Novgorod, Russia		100%
CJSC Arkhangelsk Mobile Networks, 2901068336, Arkhangelsk, Russia		100%
CJSC Novgorod Telecomunication, 5321059118, Novgorod, Russia		100%
CJSC Murmansk Mobile Networks, 5190302373, Murmansk, Russia		100%
CJSC Parma Mobile, 1101051099, Syktyvkar, Russia		100%
Tele2 Russia VOL Holding GmbH, FN 131602 h, Vienna, Austria		100%
Chelyabinsk Cellular Network, 1027403876862, Chelyabinsk, Russia		100%
Kursk Cellular Communications, 1024600947403, Kursk, Russia		100%
Smolensk Cellular Communications, 1026701433494, Smolensk, Russia		100%
Belgorod Cellular Communications, 1023101672923, Belgorod, Russia		100%
Kemerovo Mobile Communications, 1024200689941, Kemerovo, Russia		100%
Rostov Cellular Communications, 1026103168520, Rostov, Russia		100%
Udmurtiya Cellular Communications, 1021801156893, Izhevsk, Russia		100%
Siberian Cellular Communications, 1025500746072, Omsk, Russia		100%
Teleset Ltd, 3906044891, Kaliningrad, Russia		100%
Tele2 Russia International Cellular BV, 33221654, Amsterdam, Netherlands		100%
OJSC Aero-Space Telecommunications, 1025002032648, Russia	19	1%

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

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

Stockholm, March 17, 2011

Mike Parton *Chairman*	Lars Berg	Mia Brunell Livfors
Jere Calmes	John Hepburn	Erik Mitteregger
John Shakeshaft	Cristina Stenbeck	Mats Granryd *President and CEO*

Our auditors' report was submitted on March 17, 2011

Deloitte AB

Jan Berntsson
Authorized Public Accountant

Audit report

To the annual general meeting of the shareholders of Tele2 AB (publ)

Corporate identity number 556410-8917

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Tele2 AB for the financial year 2010. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

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

Stockholm March 17, 2011

Deloitte AB

Jan Berntsson
Authorized Public Accountant

Definitions

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

EBITDA
Operating profit/loss before depreciation/amortization and impairments, acquisition costs, one-off items and result from shares in associated companies and joint ventures.

EBIT
Operating profit/loss including depreciation/amortization and impairments, acquisition costs, one-off items and result from shares in associated companies and joint ventures.

EBT
Profit/loss after financial items.

CASH FLOW FROM OPERATING ACTIVITIES
Operating transactions affecting cash (cash flow) and change in working capital.

CAPEX
Investments in intangible assets and property, plant and equipment.

CASH FLOW AFTER CAPEX
Cash flow after investments in CAPEX affecting cash, but before investment in shares and other financial fixed assets.

AVAILABLE LIQUIDITY
Cash and cash equivalents including undrawn borrowing facilities.

NET BORROWING
Interest-bearing liabilities less interest-bearing assets.

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

EQUITY/ASSETS RATIO
Shareholders' equity divided by total assets.

DEBT/EQUITY RATIO
Interest-bearing net debt divided by shareholders' equity at the end of the period.

RETURN ON EQUITY
Profit/loss after tax attributable to holders of the parent company divided by average shareholders' equity attributable to holders of the parent company.

RETURN ON CAPITAL EMPLOYED
Profit/loss after financial items less finance costs divided by average total assets less non-interest bearing liabilities (capital employed).

AVERAGE INTEREST RATE
Interest expense divided by average interest-bearing liabilities.

EARNINGS PER SHARE
Profit/loss for the period attributable to the parent company divided by the weighted average number of shares outstanding during the fiscal year (after exercised options).

EQUITY PER SHARE
Equity attributable to parent company shareholders divided by the weighted average number of shares outstanding during the fiscal year.

ARPU – AVERAGE REVENUE PER USER
Average monthly revenue for each customer less sale of equipment and terminals.

MOU – MINUTES OF USAGE
Monthly call minutes for each customer.

Tele2 in Brief

TELE2 IS ONE OF EUROPE'S LEADING TELECOM OPERATORS, ALWAYS PROVIDING THE BEST DEAL.
We have 31 million customers in 11 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2010, we had net sales of SEK 40.2 billion and reported an operating profit (EBITDA) of SEK 10.3 billion.

For more information, tele2.com
If you visit our website www.tele2.com you will always find the latest information. Here we publish our press releases, our interim reports and much more. Furthermore you will find links to our European operations.

Annual General Meeting
The Annual General Meeting will be held at 1.00 p.m. on Monday, May 16, 2011 at the Hotel Rival, Mariatorget 3, 118 91 Stockholm. The doors will open at 12.00 p.m. and registration will take place until 1.00 p.m. when the doors will close.

! Read more about Tele2 2010 on http://reports.tele2.com/2010/ar

FINANCIAL CALENDAR

Q1 2011, Interim Report	April 19
AGM (Stockholm)	May 16
Q2 2011, Interim Report	July 20
Q3 2011, Interim Report	October 19

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