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TELE2 WILL APPEAL TAX DECISION

New York and Stockholm – Tele2 AB, (“Tele2”), (Nasdaq Stock Market: TLTOA and TLTOB and Stockholmsbörsen: TEL2A and TEL2B), the leading alternative pan-European telecommunications company, today announced that the tax authorities review of Tele2’s financial accounts for 2001 has been finalized and the tax authorities want to change Tele2’s taxation.

Hakan Zadler, CFO of Tele2 said; “Summer/Autumn 2000 Tele2 acquired the remaining majority in the listed company SEC SA. The total acquisition value for the acquisition was SEK 23.4 bn. The SEC SA business idea was to resell fixed telephony in Continental Europe with price as the main competitive element, a business idea that no one so far had managed to make profitable. At the time of the acquisition SEC SA was in a build up phase with strong growth, which demanded large continuous capital to be added to the company.

During 2001 Tele2 initiated a new restructuring of the group to integrate the SEC SA operations. In relation to this there was an external valuation of SEC SA to ascertain the current market value. The operations in SEC SA were thereafter transferred for this value inside the group and SEC SA was liquidated. It was for this realized loss that Tele2 has claimed the allowance. Before the transaction was made Tele2 sought advice from two independent tax firms. The tax authority though claims that it is not proven that any reduction in value de facto has occurred and therefore dismisses this claim.

Summer/Autumn 2000 at the time of our acquisition companies with strong growth and potentially large future profits were highly valued by the market. By the end of 2001, which was the time of our valuation, the market focus had changed dramatically to instead demand existing cash flows instead of growth. The valuation of companies in general and in particular growth companies with unproven business models was falling sharply during this period. With hindsight we should of-course have waited with the acquisition SA if the development of the stock market would have been possible to foresee, however this is not the case.

We have earlier said that we were expecting the tax authorities to question the tax allowance because it is a significant amount. However, it is strange that this is in reference to the absence of a real devaluation, despite the fact that an independent valuation obtained by Tele2 as well as valuations made by analysts in the financial markets and others showed the opposite.

We are still convinced that we have fulfilled all the demands that can be possibly put upon the need for proof in this issue and that the requested deduction will in the end be approved. We will either ask for review of the authorities decision or appeal to the County Administrative Court. Since we expect that our request for deferment of the tax charge will be approved there will be no cash flow or P&L impact ”.

Tele2 AB, formed in 1993, is the leading alternative and profitable pan-European telecommunications company offering fixed and mobile telephony, data network and Internet services under the brands Tele2, Tango and Comviq to 20.4 million people in 23 countries. Tele2 operates Datametrix, which specializes in systems integration, 3C Communications, providing integrated credit card processing, web payment solutions and public payphones; Transac, providing billing and transaction processing service; C³, offering co-branded pre-paid calling cards and Optimal Telecom, the price-guaranteed residential router device. The Group offers cable television services and, together with MTG, owns the Internet portal Everyday.com. The Company is listed on the Stockholmsbörsen, under TEL2A and TEL2B, and on the Nasdaq Stock Market under TLTOA and TLTOB.

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