



PROPOSAL ON REMUNERATION POLICY AND OTHER TERMS OF EMPLOYMENT FOR SENIOR MANAGEMENT

Background

According to the Swedish Code of Corporate Governance the Board shall present a proposal for the company's policy on remuneration and other terms of employment for senior management to the Annual General Meeting (AGM) for its approval.

The policy shall include:

- the relative importance of fixed and variable components of the remuneration and the linkage between performance and remuneration,
- the principal terms of bonus and incentive schemes,
- the principal terms of non-monetary benefits, pension, notice of termination and severance pay, and
- the members of senior management covered by the terms.

Proposal of remuneration

The proposal has been prepared by the Remuneration Committee and adopted by the Board. The Board proposes that the Meeting decides on the following remuneration policy and other terms of employment for senior management.

Remuneration and other terms of employment

The objectives with the Tele2 Remuneration policy are to offer competitive remuneration packages to attract, motivate and retain senior group and operational management, within the context of the international peer group. The aim is to incentivize management to deliver excellent operating results and also align senior executive remuneration with the creation of value for shareholders. The remuneration should provide for an appropriate balance between fixed and variable as well as short and long term incentives. The current senior executive remuneration program therefore consists of a combination of fixed salary, variable remuneration and participation in option programs, and is designed to meet the objectives of the policy.

Senior management covered by this policy include the CEO, CFO and other members of the Executive Board, and moreover, market area directors and members of the executive leading team. The CEO and the other senior executives receive an annually fixed salary and a variable remuneration. The variable remuneration shall be based on the performance in relation to established goals. The goals are connected to the company's result and mainly the individual executive's performance, which is based on individual specific and result based targets. The general contractual remuneration system is based on an earnings period of one year, and is normally between 0-50 % of the fixed salary. However in some cases a super bonus above the 50% target may be granted based on exceptional performance.

The CEO is entitled to have 20 % of his fixed salary set aside as pension premium. The other senior executives are entitled to customary pension commitments based on the national pension plan. Pension commitments are secured through premiums paid to insurance companies.

Non-monetary benefits include company cars and health insurance.

If the Company terminates the employment of the CEO, salary will be paid during the period of notice, to a maximum of 18 months. If the company terminates the employment of other senior executives,

salary will be paid to a maximum of 12 months. If the CEO serves notice of termination of employment, salary will be paid during the period of notice, to a maximum of 12 months. If other senior executives serve notice of termination of employment, salary will be paid during the period of notice, to a maximum of 6 months. There is no "golden parachutes" or standard severance pay in addition to the notice periods.

Bonus and incentive programs

Tele2 applies a bonus system where senior management and key employees (a total of about 43 individuals) can be entitled to a bonus out of a fixed amount decided by the Board. The bonus amount received by each key employee depends on, amongst other things, his or her fulfilment of profit targets and Company values. The Board has decided to set aside an amount of MSEK 15 in 2005.

The Annual General Meeting 2002 decided on an incentive program for present and additional key personnel corresponding to an issuance of maximum 3,312,700 B-shares converted after the split and redemption procedure in 2005. These people are entitled to subscribe to Class B shares by means of warrants over a period of three to five years from the time of allotment, at a price corresponding to a market value +10% for B-shares at the time of allotment, provided that they remain in the group's employment. No premium is to be paid. Warrants corresponding to 2,630,378 shares were issued in 2002, with returned options (e.g. when terminating the employment) in 2002 - 2005 totaling 353,250. In 2005 warrants corresponding to 972,307 shares were exercised for subscription. As of December 31, 2005, Tele2 has outstanding warrants corresponding to 1,304,821 shares. All options have a redemption price of SEK 60.80/share. Included in the above, an allotment corresponding to 482,618 shares was made in 2002 to a wholly-owned group company to secure future cash flow for social expenses, of which 162,187 was exercised for subscription in 2005 and 320,431 is outstanding as of December 31, 2005. No warrants have been issued for subscription in 2003, 2004 or 2005.

At the Extraordinary General Meeting 21 February 2006 it was resolved to implement an incentive program for maximum 32 senior executives and key personnel employed by the Tele2 group which means that employees are offered a combination of warrants and stock options. For each warrant purchased, the participant will be offered a maximum of two stock options for free, each carrying the right to purchase one Class B share. The Meeting resolved to issue a maximum of 1,059,000 warrants in 2006. The Meeting further to authorise the Board of Directors, until the next Annual General Meeting, to resolve to issue a maximum of 2,118,000 warrants in order to ensure delivery of Class B shares under the stock options in the incentive program described above. Subscription for Class B shares by means of the warrants can be exercised during the period 25 February - 25 May 2009 and the stock options are valid for approximately five years and may be exercised not earlier than three years from the time when the options were granted. The subscription price for the warrants and the exercise price for the stock options shall correspond to the 110 per cent. of the average closing price of the company's Class B share during 22 February – 7 March 2006. The Board of Directors intends to make proposals to the Annual General Meetings of 2007 and 2008 regarding annual allocations in accordance with the above principles.

Decision process

The remuneration to the CEO was decided by the Board after recommendation from the remuneration committee. Remuneration to senior executives is proposed by the CEO and agreed by the Remuneration committee and decided by the Board of Directors.

The Board in February, 2006