



# Information about mandatory share redemption in Tele2 AB

This document does not constitute an offer but is information on the Board of Directors' of Tele2 AB ("Tele2" or the "Company") proposal of share split and payment to the shareholders in Tele2 through a mandatory redemption of shares. The purpose of this document is to provide the shareholders in Tele2 with information ahead of the Annual General Meeting on 13 May 2013, which is proposed to resolve on the mandatory redemption of shares.

The Board of Directors' complete proposal, which includes resolutions on changes to the Company's Articles of Association, share split, reduction of the share capital and restoring of the share capital through a bonus issue, is available at the Company and at the Company's website, [www.tele2.com](http://www.tele2.com) and will be sent to shareholders who so request and state their postal address or e-mail address.

*This document is a translation of the Swedish version.*

*In the event of any discrepancies between this translation and the Swedish original, the Swedish original shall prevail.*

---

# Table of contents

<b>Summary of the redemption procedure</b>	<b>3</b>
<b>Background and reasons</b>	<b>4</b>
<b>Financial effects of the redemption procedure</b>	<b>5</b>
<b>Schematic outline of share split and redemption of shares</b>	<b>6</b>
<b>Preliminary timetable for share split and redemption of shares</b>	<b>7</b>
<b>Tax considerations in Sweden</b>	<b>8</b>
<b>Questions and answers concerning share split and the mandatory redemption procedure</b>	<b>10</b>
<b>Do you want to know more?</b>	<b>11</b>

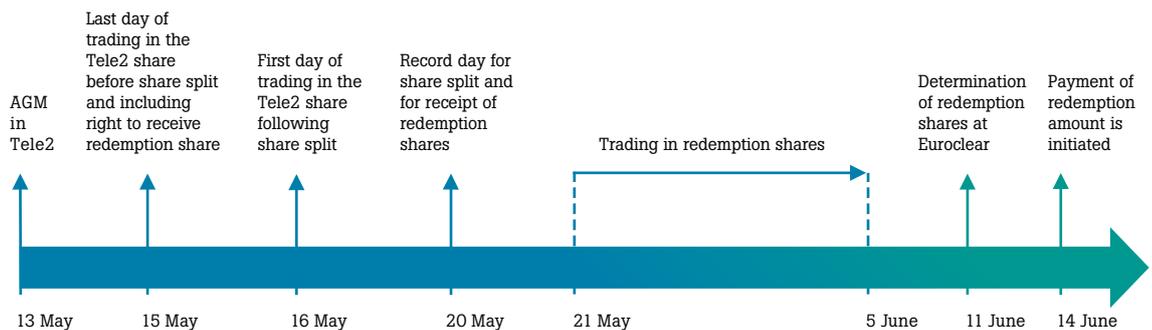
# Summary of the redemption procedure

The Annual General Meeting ("AGM") in Tele2 on 13 May 2013 is proposed to resolve on a share split and redemption of shares in accordance with the Board of Directors' proposal. The redemption procedure is automatic, i.e. **no action is required from the shareholder.**

The proposal principally implies that each share in Tele2 is split into two shares, one of which will be a redemption share. The redemption shares, called AK IL A and AK IL B, will be traded on NASDAQ OMX Stockholm

from and including 21 May up to and including 5 June 2013. Redemption shares of series A and series B will then automatically be redeemed for SEK 28 per share, which amount will be distributed on or about 14 June 2013. Payment will be made via Euroclear Sweden AB ("Euroclear") into the yield account linked to the directly registered shareholders' securities accounts. Nominee-registered shareholdings will be processed in accordance with each nominee's routines.

## Preliminary time table in brief



## The redemption procedure is conditional upon that the AGM 2013 resolves on the following:

- Amendment of the Articles of Association, so that the permitted range of number of shares is increased from a minimum of 200 million and a maximum of 800 million to a minimum of 400 million and a maximum of 1,600 million. At the same time, the maximum number of series A shares, series B shares and series C shares is increased from 800 millions of each to 1,600 millions of each.
- Split of each series A share, series B share and series C share (so-called share split) into two shares, one of which will be a redemption share. All series C shares are held by Tele2.
- Reduction of share capital through repayment to shareholders (share redemption) and cancellation of shares held in treasury by the Company for transfer to a free fund.
- Increase of the share capital through a bonus issue wherein the transfer occurs from the Company's non-restricted equity to the Company's share capital. After the bonus issue the share capital is restored to its original level. This is to allow for a timely and efficient redemption procedure that does not require permission from the Swedish Companies Registration Office (Sw: Bolagsverket) or a competent court.

---

# Background and reasons

Tele2 has, as previously announced, sold Tele2 Russia to VTB Group. The sale is a cash transaction which includes USD 2.4 billion (approximately SEK 15.6 billion) in equity and USD 1.15 billion (approximately SEK 7.5 billion) in net debt, corresponding to an EBITDA multiple of 4.9x based on the earnings for the financial year 2012.

In the light of the sale, the Board of Directors has

proposed that the AGM resolves on a share redemption program through which approximately SEK 12.5 billion will be paid out to the shareholders, equivalent to SEK 28 per share of series A and series B in Tele2. Combined with the proposed ordinary dividend of SEK 7.10 per share, shareholders will receive approximately SEK 15.6 billion, equivalent to SEK 35.10 for each original share.

# Financial effects of the redemption procedure

Should the AGM resolve on the proposal of redemption, approximately SEK 12.5 billion will be distributed to the shareholders in Tele2. The redemption procedure will have the following financial effects on the Company:

- Shareholders' equity will be reduced by approximately SEK 12.5 billion; and
- Net debt, that is interest-bearing liabilities less interest-bearing assets, will increase by approximately SEK 12.5 billion.

## Changes in shareholders' equity and number of shares in Tele2, proforma

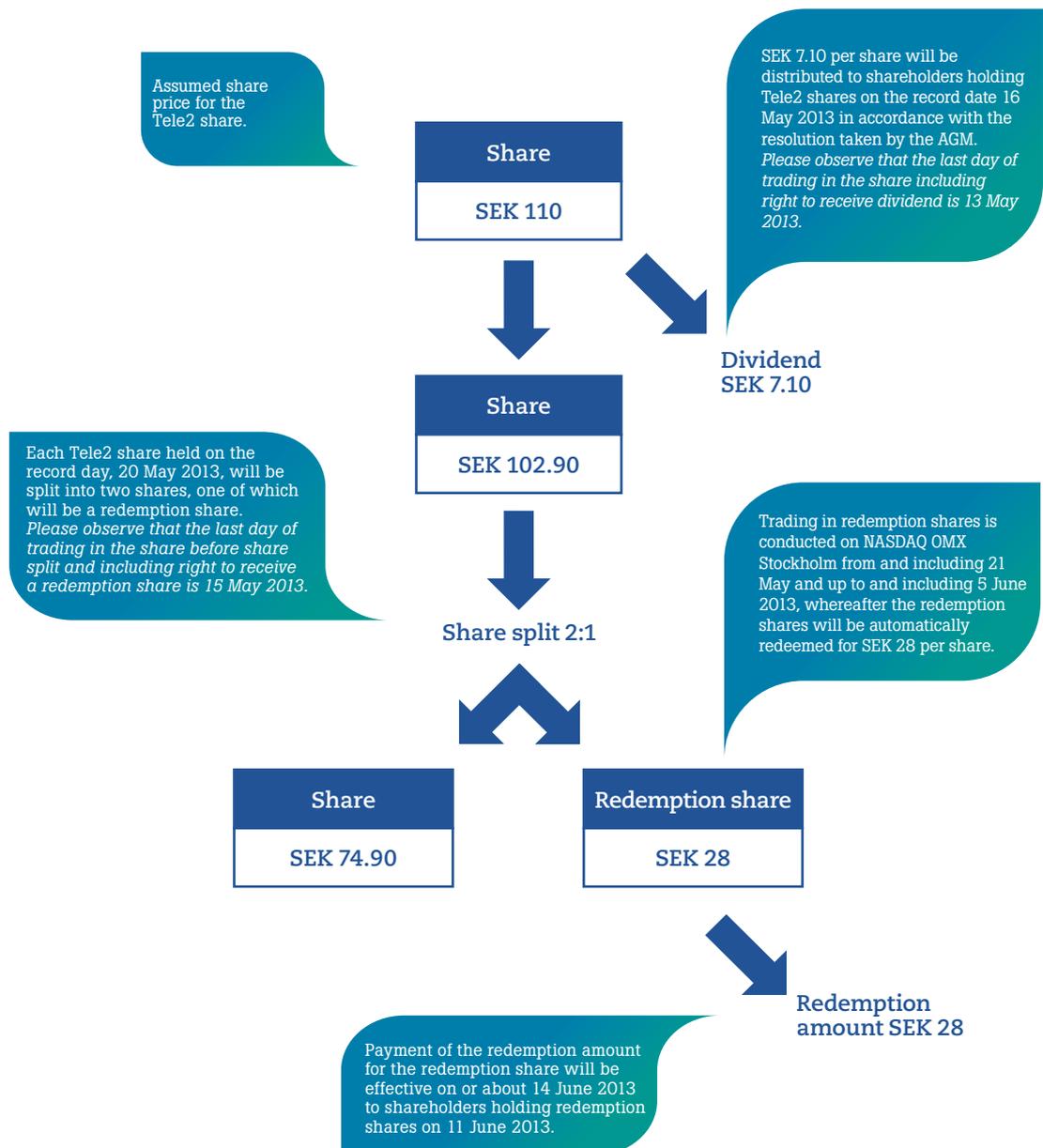
	Before the transaction	Share split 2:1	Redemption of shares	Bonus issue	Proforma after the transaction
Shareholders' equity (MSEK) <sup>1</sup>	20,825	20,825	-12,478		8,347
Share capital (MSEK) <sup>1</sup>	561	561	-281	281	561
Shares outstanding – total <sup>2</sup>	448,783,339	897,566,678	-448,783,339		448,783,339
of which series A <sup>2</sup>	20,987,966	41,975,932	-20,987,966		20,987,966
of which series B <sup>2</sup>	424,646,373	849,292,746	-424,646,373		424,646,373
of which series C <sup>2</sup>	3,149,000	6,298,000	-3,149,000		3,149,000

<sup>1</sup> Per 31 March 2013.

<sup>2</sup> Per 3 April 2013.

# Schematic outline of share split and redemption of shares

The outline is based on an assumed share price of SEK 110. The AGM on 13 May 2013 resolves on dividend, share split and redemption of shares. The effects on the share price following dividend, share split and redemption are only theoretical. The stock market's actual pricing of the Tele2 share (the share price) may very well deviate.



# Preliminary timetable for share split and redemption of shares

Activity	Dates 2013	Please note that
Annual General Meeting in Tele2. Resolution on share split and redemption of shares	13 May	Shareholders who wish to attend the AGM must both ensure that they are recorded in the share register kept by Euroclear on 6 May 2013 and notify the Company of their intent to participate in the meeting no later than 6 May 2013. Please see the notice for further information
Last day of trading in the Tele2 share before share split and including right to receive redemption share	15 May	Last day with the possibility of acquiring shares in Tele2 with the objective of obtaining redemption shares
First day of trading in the Tele2 share following share split	16 May	As from this day the Tele2 share will be traded with a new share price (following share split)
Record day for share split and for receipt of redemption shares <sup>1</sup>	20 May	All Tele2 shares held by the shareholders this day <sup>1</sup> will be split into two shares, one of which will be a redemption share
First day of trading in redemption shares	21 May	The redemption share is booked into the shareholders' securities account
Last day of trading in redemption shares	5 June	Last day for sale or acquisition of redemption shares on NASDAQ OMX Stockholm
Determination in the Euroclear system of the shareholders entitled to the redemption amount <sup>2</sup>	11 June	Shareholders holding redemption shares this day <sup>2</sup> will be entitled to the redemption amount
Payment of redemption amount is initiated	14 June	The redemption amount will be distributed via Euroclear into the yield account linked to the securities account of shareholders directly registered with Euroclear. Nominee registered shareholdings will be processed in accordance with each nominee's routines

<sup>1</sup> Record day for share split and right to receive redemption share occurs three trading days after the last day of trading in the Tele2 share before share split and including right to receive redemption share.

<sup>2</sup> Determination of the shareholders entitled to redemption amount is based on the information in the Euroclear system as of the third trading day after the last day of trading in redemption shares.

# Tax considerations in Sweden

Unless otherwise stated, the summary below is based on Swedish tax regulations and practice currently in force for shareholders in Tele2 with an unlimited tax liability in Sweden and is intended as general information only. The summary does not cover situations in which securities are held as current assets in business operations or are held by partnerships. Neither does it deal with the special tax regulations applying to certain corporate categories nor the rules on tax-exempt capital gains (including non-deductible capital losses) and dividends on shares considered to be held for business purposes. Nor does the summary cover the special rules that may apply to holdings in companies that have been acquired by means of “qualified shares” in closely held companies. For shareholders that are not tax resident in Sweden, the tax consequences are affected by provisions of the shareholder’s home state and by tax treaties between Sweden and other states. The tax implications for each shareholder depend on the shareholder’s specific circumstances. Each shareholder should consult a tax advisor for information on the specific tax consequences arising from the redemption procedure applicable for him/her.

## Tax considerations for shareholders in Sweden

### Receipt of redemption shares and allocation of the acquisition cost

The receipt of redemption shares pursuant to the share split as such does not give rise to any taxation. Instead, the acquisition cost of the original Tele2 shares of each series (A and B shares respectively) shall be allocated to the redemption share and the remaining shares based on their market values at the split and separation of redemption shares. Tele2 intends to seek general advice from the Swedish Tax Agency regarding how this allocation should be made.<sup>1</sup>

### Redemption and disposal of redemption shares

Redemption of shares and disposal of redemption shares, for example by sale in the market, give rise to capital gains taxation. A capital gain or capital loss is calculated as the difference between the received payment, after deduction of any sales costs and the acquisition cost. The received payment for shares redeemed is the redemption amount. The received payment for redemption shares sold in the market is the sales price.

The acquisition cost for redemption shares received at the share split is calculated by allocating the acquisition cost as described above under the heading “Receipt of redemption shares and allocation of the acquisition cost”.

Please refer to the illustrative example on page 9. The acquisition cost of shares acquired in the market is the actual acquisition cost for the shares. The acquisition cost of all shares of the same series and type are added together and calculated collectively in accordance with the average method. It should be noted that the redemption shares of series A and B respectively are not considered to be of the same series and type as the ordinary Tele2 shares.

The acquisition cost may under the so called standard method (Sw. schablonmetoden) also be determined as 20% of the net remuneration amount upon redemption or sale of the redemption shares.

For individuals, the capital gain is taxed in the capital income category. The tax rate is 30%. A capital loss on quoted shares is fully deductible against taxable capital gains in the same year on shares and other quoted securities that are taxed as shares except for units in Swedish investment funds that only contain Swedish receivables (Sw: räntefonder). Any excess losses are 70% deductible against other income from capital. If an overall capital deficit arises, a reduction from tax on income from employment and business operations as well as real estate tax and municipal property charges is granted. Tax reduction is allowed for 30% of the deficit not exceeding SEK 100,000 and 21% of the remainder. Deficits may not be carried forward to future tax years.

For limited liability companies, capital gains on shares

<sup>1</sup> The general advice from the Swedish Tax Agency will be available on Tele2’s website ([www.tele2.com](http://www.tele2.com)) and on the Swedish Tax Agency’s website ([www.skatteverket.se](http://www.skatteverket.se)).

that are not deemed to be held for business purposes are taxed as income from business operations at a tax rate of 22%. Deductible capital losses on shares and other securities that are taxed as shares may normally be offset only against taxable capital gains on shares and other securities that are taxed as shares. In certain cases, capital losses may be offset against capital gains within a certain corporate group if group contributions are permitted among the companies. Capital losses that cannot be utilised during a certain year may be carried forward and be utilised against eligible capital gains in subsequent fiscal years.

### **Tax considerations for shareholders with limited tax liability in Sweden**

For shareholders with limited tax liability in Sweden, the redemption of shares is deemed to be a dividend, which means that Swedish withholding tax is levied on the received payment. The withholding tax rate is 30 % but is generally reduced under tax treaties that Sweden has concluded with other countries. The withholding tax is normally deducted by Euroclear or, in the case of nominee-registered shares, by the nominee. Swedish withholding tax is levied regardless of the redemption shares being received through the share split or acquired in the market. However, a refund for the withholding tax

that is attributable to the acquisition cost of the shares or, 20 % of the redemption amount, may be admitted if a claim for a refund is filed with the Swedish Tax Agency. The acquisition cost is usually allocated between the redemption shares and ordinary shares as described above under the heading "Receipt of redemption shares and allocation of the acquisition cost". Please also see the illustrative example below. A claim for refund is to be filed with the Swedish Tax Agency at the latest at the end of the fifth calendar year after payment.

Shareholders with limited tax liability in Sweden and who are not carrying on business operations from a permanent establishment in Sweden are generally exempt from capital gains taxation in Sweden on the disposal of shares. However, shareholders may be liable for tax in their country of residence. If a shareholder with limited tax liability in Sweden, being an individual, has been resident or lived permanently in Sweden at any time during the year of the sale or the ten calendar years immediately preceding the year of the sale of Swedish shares, Sweden has the right under a domestic rule to tax such a holder. This right to tax may, however, be limited by applicable tax treaties that Sweden has concluded with other countries.

It should be noted that no Swedish withholding tax is payable if the redemption shares are sold in the market.

#### **ILLUSTRATIVE EXAMPLE**

**Please note that the example is based only on assumptions and that the example is also applicable to holders of series A shares in Tele2.**

**Assume in this example, that a shareholder has 100 series B shares in Tele2 with an average acquisition cost of SEK 100 immediately before the share split, that the trading price at the time of the share split is SEK 110 and that the price of the redemption share is SEK 28.**

**In connection with the share split, the shareholder receives 100 redemption shares.**

**Furthermore, as assumed in this example, that the Swedish Tax Agency<sup>1</sup> in its forthcoming general advice determines that circa 25 % (SEK 28/110) of the acquisition cost for one original series B share will be allocated to the series B redemption share and circa 75 % to the ordinary series B share.**

**The acquisition cost of the redemption share will consequently be SEK 25 (25 % of SEK 100). The remaining shares have an average acquisition cost of SEK 75 per share (75 % of SEK 100).**

**Upon redemption or sale of the 100 redemption shares of series B shares for SEK 28 per share thus arises a capital gain of  $(28 \times 100) - (25 \times 100) = \text{SEK } 300$**

<sup>1</sup> The general advice from the Swedish Tax Agency will be available on Tele2's website ([www.tele2.com](http://www.tele2.com)) and on the Swedish Tax Agency's website ([www.skatteverket.se](http://www.skatteverket.se)).

---

# Questions and answers concerning share split and the mandatory redemption procedure

## **What does the share split and redemption procedure imply for me as a shareholder?**

Conditional upon that the AGM on 13 May 2013 resolves on a share split and redemption of shares in accordance with the Board of Directors' proposal, each share will be split into two shares, one of which will be a redemption share that automatically will be redeemed for SEK 28. On the shareholders' securities accounts the series A redemption share will be referred to as AK IL A and the series B redemption share will be referred to as AK IL B.

## **As a shareholder, do I need to do anything?**

No, as a shareholder you do not need to take any action. If you are a foreign shareholder it might be beneficial from a tax perspective to sell your redemption shares, please see the question "What are the tax consequences for me as a foreign shareholder?" on the next page.

## **When will the payment occur under the redemption procedure?**

Redemption shares (series A shares and Series B shares) will automatically be redeemed for SEK 28 per share, which amount will be distributed on or about 14 June 2013. Shareholders that want to receive payment earlier may choose to sell their redemption shares on NASDAQ OMX Stockholm during the period from and including 21 May up to and including 5 June 2013, at the prevailing market price.

## **Why does Tele2 propose a share redemption procedure?**

Tele2 has, as previously announced, sold Tele2 Russia to VTB Group. The sale is a cash transaction which includes

USD 2.4 billion (approximately SEK 15.6 billion) in equity and USD 1.15 billion (approximately SEK 7.5 billion) in net debt. In the light of the sale, the Board of Directors proposes that the AGM resolves on a share redemption program through which approximately SEK 12.5 billion will be paid out to the shareholders, equivalent to SEK 28 per share of series A and B in Tele2.

## **Why is the capital not invested in the business instead of being distributed?**

The Board of Directors believes that the financial position of the Company is satisfying and that the business may continue to develop with existing liquidity even after the proposed redemption procedure.

## **Why does not Tele2 instead propose a one-time dividend?**

Dividend to the shareholders is paid annually in accordance with Tele2's dividend policy, under which the dividend shall amount to about 50 % of earnings per share before one-off items. Redemption of shares is an extra measure taken to adjust Tele2's capital structure. Compared to a one-time dividend, redemption of shares may, from a taxation point of view, be more advantageous to certain shareholders.

## **What day will be the record day?**

The record date for the share split and entitlement to redemption shares is 20 May 2013.

## **What day is the last day to buy Tele2 shares in order to receive redemption shares?**

The last day of trading in Tele2 shares including the entitlement to redemption shares is 15 May 2013.

---

### **What are my options in connection with the redemption procedure?**

You can choose either to:

1. do nothing. You will automatically receive payment for your redemption shares following the redemption of these shares; or to
2. sell all or some of your redemption shares on NASDAQ OMX Stockholm during the period from and including 21 May up to and including 5 June 2013.

### **How many shares will I have?**

You will have the same number of shares in Tele2 before and after the redemption procedure is carried out, presuming that you do not buy or sell any Tele2 shares. The redemption shares created through the share split will all be subject to automatic redemption.

### **How and when will the Tele2 share price be affected?**

It is impossible to predict in detail how the share price will be affected by the share split and redemption of shares. Theoretically, the price of the Tele2 share should decrease by the redemption payment of the redemption share, i.e. with SEK 28 per share. This share price change should occur two trading days prior to the record date for the share split.

### **What are the tax consequences for me as a shareholder at redemption of shares compared to a dividend?**

Shareholders must report the sale and/or redemption of redemption shares in their tax returns, please see "Tax considerations in Sweden" on pages 8-9. A large group of shareholders, for example individuals in Sweden, may deduct a portion of the acquisition cost of the original share held before the split. This is also the case should the shareholder choose to sell the redemption share, see example on page 9. Note, however, that the acquisition cost for the original share will be correspondingly lower.

### **What are the tax consequences for me as a foreign shareholder?**

Shareholders who are not tax resident in Sweden and participate in the redemption procedure are obliged to pay Swedish withholding tax if their shares are redeemed, see "Tax considerations in Sweden" on pages 8-9. Withholding tax will thus be withheld for foreign shareholders in connection with the payment of the redemption amount. However, no Swedish withholding tax is payable if the redemption shares are sold in the market.

## **Do you want to know more?**

Further questions about the redemption of shares will be answered by telephone on weekdays from 8.00-18.00 CET or via e-mail to [redemption@tele2.com](mailto:redemption@tele2.com).

From Sweden, please dial: 070-426 45 19

From abroad, please dial: +46 (0)70-426 45 19

**TELE2**