Taking it to the next level!

The Year in Brief

Best ever operational performance in 2009 for the Tele2 Group

- Despite a demanding economic environment in 2009, Tele2 demonstrated strong operational development, driven mainly by a prolonged underlying growth in its mobile assets and a successful turnaround of its Western European fixed line operations.

Record high EBITDA contribution from market area Russia

- In 2009, Tele2 Russia's EBITDA amounted to SEK 2,473 (2,368) million, driven by strong development in the more mature regions. 2,947,000 (1,858,000) new customers were added during the year, thanks to a successful roll-out of new regions.

The Board of Directors proposes a total dividend for 2009 amounting to SEK 5.85

- The Board of Tele2 AB has decided to recommend an increase in the ordinary dividend of 10 percent to SEK 3.85 (3.50) per share in respect of the financial year 2009. The Board has also decided to recommend an extraordinary dividend of SEK 2.00 (1.50) per share.

Net customer intake 2009

2.3 million

Increased net sales 2009

3%

EBITDA margin 2009

23%

TELE2

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 2009.

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, 2009 hold shares corresponding to 52 percent of the capital and 66 percent of the voting rights, of which Investment AB Kinnevik owns 30 percent of the capital and 48 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 2009 to purchase up to 10 percent of the shares in the company. Tele2 has in 2009 issued 850,000 Class C shares through a directed placement, which have immediately after the issue been repurchased.

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 34 Number of shares and earnings per share.

FINANCIAL OVERVIEW

With 27 million customers in 10 countries, Tele2 is one of Europe's leading telecom operators. Ever since Tele2 was founded in 1993, we have been a tough challenger to incumbents and other established providers. Tele2 strives to offer our customers the Best Deal at all times.

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 60 percent of Tele2's operating revenue.

The cornerstone of Tele2's concept is to always be able to offer the best deal on the market. We do this by listening to our customers' needs at all times, while keeping costs under tight control. We have steadily increased our market shares, while maintaining a healthy return on capital. We will make every effort to ensure that these positive trends continue, and would like more people to cut the cord and become truly mobile.

Tele2 has been listed on the OMX Nordic Exchange since 1996. In 2009, we generated net sales of SEK 39.3 billion and reported an operating profit (EBITDA) of SEK 9.2 billion.

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

Net customer intake

In 2009, the total customer base increased to 26,579,000 (24,018,000). Net customer intake, excluding acquired and divested companies was 2,327,000 customers compared with 1,141,000 customers the previous year. The customer intake in mobile services increased by 32 percent to 3,139,000 (2,372,000), of which 142,000 (88,000) were mobile internet users. The good intake in mobile services resulted from a solid performance mainly in Tele2 Russia and Tele2 Sweden. In 2009, Tele2 Russia launched 18 new regions resulting in a total customer intake of 2,947,000 (1,858,000) of which 1,898,000 (103,000) were derived from new operations. Fixed broadband lost –11,000 (71,000) customers in 2009, mainly due to less emphasis on market share and a larger focus on profitability throughout the Tele2 footprint. Fixed telephony had an expected outflow of customers during the year.

Net sales

Tele2's net sales amounted to SEK 39,265 (38,272) million. The positive revenue development was driven by good trends in core mobile services and fixed broadband services.

EBITDA

EBITDA was SEK 9,185 (8,169) million, with an EBITDA margin of 23.4 (21.3) percent. The EBITDA developments was positively affected by strong operational development in fixed broadband services and to some extent hampered by an increased push in mobile marketing spend with an emphasis on the roll-out of new regions in Russia.

EBIT

Operating profit/loss, EBIT, was SEK 5,527 (2,848) million, which includes impairment losses and other one-off items of SEK –11 (–1,642) million. The EBIT margin amounted to 14.1 (7.4) percent.

Profit/loss before tax

Net interest expense and other financial items totalled SEK –500 (–1,013) million. Exchange differences of SEK –77 (–550) million were reported under other financial items. The average interest rate on outstanding liabilities was 6.9 (6.2) percent. Profit/loss after financial items, EBT, amounted to SEK 5,027 (1,835) million.

Net profit/loss

Profit/loss after tax was SEK 4,601 (1,715) million. Earnings per share amounted to SEK 10.35 (3.81) after dilution. Tax on profit/loss for the year was SEK –426 (–120) million.

Cash flow

Cash flow from operating activities, including discontinued operations, amounted to SEK 9,118 (7,896) million and cash flow after CAPEX amounted to SEK 4,778 (3,288) million.

CAPEX

During 2009, Tele2 made investments of SEK 4,439 (4,481) million in tangible assets and intangible assets (CAPEX), mainly driven by expansion in Russia.

Net debt

Net debt amounted to SEK 2,171 (4,952) million at December 31, 2009, or 0.2 times EBITDA in 2009. Including guarantees to joint ventures, the net debt to EBITDA in 2009 amounted to 0.4 times. Tele2's available liquidity amounted to SEK 12,410 (17,248) million.

FIVE-YEAR SUMMARY

SEK million	2009	2008	2007	2006	2005
CONTINUING OPERATIONS					
Net sales	39,265	38,272	38,930	38,530	34,335
Number of customers (by thousands)	26,579	24,018	22,768	23,618	20,899
EBITDA	9,185	8,169	6,569	6,113	5,262
EBIT	5,527	2,848	1,588	904	2,733
EBT	5,027	1,835	857	339	2,291
Net profit/loss	4,601	1,715	–190	–235	1,636
KEY RATIOS					
EBITDA margin, %	23.4	21.3	16.8	15.9	15.4
EBIT margin, %	14.1	7.4	4.1	2.3	8.0
VALUE PER SHARE (SEK)					
Earnings	10.37	3.82	–0.20	–0.25	3.71
Earnings, after dilution	10.35	3.81	–0.20	–0.25	3.70
TOTAL (INCLUDING DISCONTINUED OPERATIONS)					
Sharesholders' equity	28,465	28,201	26,849	29,123	35,368
Sharesholders' equity, after dilution	28,465	28,211	26,893	29,137	35,401
Total assets	40,379	47,133	48,648	66,164	68,291
Cash flow from operating activities	9,118	7,896	4,350	3,847	5,487
Cash flow after CAPEX	4,778	3,288	–819	–1,673	1,847
Available liquidity	12,410	17,248	25,901	5,963	8,627
Net debt	2,171	4,952	5,198	15,311	11,839
Investments in intangible and tangible assets, CAPEX	4,439	4,623	5,198	5,365	3,750
Investments in shares and other long-term receivables, net	–3,357	–2,255	–11,444	1,616	7,953
Average number of employees	6,684	5,812	5,859	5,285	3,909
KEY RATIOS					
Equity/assets ratio, %	71	60	55	44	52
Debt/equity ratio, multiple	0.08	0.18	0.19	0.53	0.33
Return on shareholders' equity, %	16.0	8.8	–6.0	–11.3	6.9
Return on shareholders' equity after dilution, %	16.0	8.8	–6.0	–11.3	6.9
Return on capital employed, %	17.1	12.8	1.6	–5.5	8.3
Average interest rate, %	6.9	6.2	5.2	4.2	3.7
VALUE PER SHARE (SEK)					
Earnings	10.26	5.44	–3.75	–8.14	5.30
Earnings, after dilution	10.24	5.43	–3.75	–8.14	5.29
Sharesholders' equity	64.50	63.47	60.31	64.85	78.96
Sharesholders' equity, after dilution	64.36	63.44	60.34	64.84	78.93
Cash flow from operating activities	20.71	17.80	9.78	8.66	12.39
Dividend, ordinary	3.85[1]	3.50	3.15	1.83	1.75
Extraordinary dividend and redemption	2.00[1]	1.50	4.70	–	–
Market price at closing day	110.20	69.00	129.50	100.00	85.25

[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 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 maintain and harvest, while developing the corporate 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, Tele2 keeps growing and expanding businesses. Lastly, Russia is the growth engine of the group.

Tele2's position and priorities also vary within the regions. Local market characteristics differ in many ways, even in the same country. Our green field operations, e.g. Kazakhstan acquired in 2010, are focused on land grab, brand awareness and price leadership. As challenger in Latvia and Estonia, Tele2 pays particular attention to price, market share, expected quality and network capabilities. As 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 in order to address opportunities and challenges for 2010. These objectives go beyond the local context and are common to all the regions and countries where we operate.

- Increasing customers' perception of Tele2 as a supplier of attractively priced services that meet quality expectations.
- Maximizing Customer Lifetime Value (CLTV) by keeping churn rates to a minimum, while optimizing revenue from all customer segments.
- Securing high quality mobile networks.

These fundamental objectives will guide the company's regional activities through 2010 and beyond.

NORDIC

Sweden

SEK million	2009	2008	Change
Number of customers (in thousand)*)	4,553	4,608	–1%
Net sales, external	11,114	11,125	0%
EBITDA	2,984	3,018	–1%
EBIT	1,935	2,100	–8%

*) Including changed definition (see Note 5)

Key priorities in 2009

In 2009, Tele2 Sweden focused mainly on three areas: growth in the postpaid and mobile internet segments, improved quality, and market share expansion in the corporate segment.

Despite tough market conditions, Tele2 Sweden managed to achieve strong results through quality-enhancing activities, combined with cost containment efforts. The completion of the initial phases of Tele2's upgrade of its CRM system together with continued 2G and 3G network upgrades contributed to several quality awards and high rankings from customers. Cost efficiency and hence profitability was improved by Tele2's cost effective networks, such as the 3G network jointly owned with TeliaSonera.

Improved quality combined with low prices has enabled Tele2 to provide the Best Deal to mobile customers. This has generated strong sales in both the postpaid and prepaid segments. In the prepaid segment, the Comviq brand obtained the number one position in the market. Tele2 Sweden pushed harder in the postpaid segment with marketing activities, consequently generating higher ARPU customers. Tele2 Sweden increased sales and strengthened control of the distribution network by opening its own stores in 2009. Going forward, Tele2 Sweden will leverage its experience in net sharing, e.g. by investing in a 4G network together with Telenor. Tele2 Sweden will at the same time upgrade its 2G network.

The total mobile internet customer base amounted to 274,000 (170,000) in 2009. Tele2 Sweden secured the number one position in the prepaid mobile internet market. The total net intake amounted to 205,000 (259,000) in 2009. As a consequence of the changed principle of calculating the number of active customers in 2009 (Note 5), the total net intake during the year was lower compared to the same period last year.

Net sales for mobile services grew by 1 percent to SEK 7,668 (7,605) million. EBITDA contribution was SEK 2,375 (2,646) million in 2009 affected by an increased amount of subscriptions being sold with monthly instalments. Tele2 Sweden showed continued profitability within the prepaid voice segment with an EBITDA margin of 50 percent due to a strong ARPU development.

The mobile operations in Sweden reported an ARPU of SEK 196 (210). ARPU for mobile internet increased during the year to SEK 123 (109). MoU per customer, excluding mobile internet, increased to 230 (223) in 2009.

Costs associated with SUNAB joint venture amounted to SEK 417 (490) million in 2009.

Tele2's broadband services also delivered solid profitability in 2009. 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 internet network (4G). 4G will be an attractive alternative for those customers whom Tele2 cannot offer fixed broadband services today, ultimately enabling the company to provide internet access to more customers.

Fixed telephony continued to deliver strong profitability and cash flow during 2009, and managed to defend its market position. Mobile and fixed services are converging, a trend that Tele2 capitalizes on by offering services such as home telephony over the mobile network.

Challenges to address in 2010

The postpaid strategy of investing in high ARPU customers will continue and start to pay off. A stagnating market with fierce price competition and decreasing termination rates, will put pressure on margins. Despite the challenging outlook, 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. Growth in new areas will also contribute to increased sales, e.g. mobile internet, location-based services, mobile advertising and mobile payments. 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 will roll-out the 4G-network jointly with Telenor.

Norway

SEK million	2009	2008	Change
Number of customers (in thousand)*)	586	684	–14%
Net sales, external	3,260	3,451	–6%
EBITDA	246	188	31%
EBIT	127	79	61%

*) Including changed definition and sold operation (see Note 5)

Key priorities in 2009

In 2009, Tele2 Norway continued its efforts to keep costs down and target high-ARPU customers. The company delivered solid EBITDA development in spite of reduced termination price that affected both revenue and EBITDA. To ensure that Tele2 provides its customers with the Best Deal, the company has strengthened its price leadership position and its customer care. As a result of these efforts, the development of Tele2's customer satisfaction from 2008 to 2009 (EPSI) was the best in the industry. In 2009 Tele2 made a divestment of the DSL operations in order to focus on mobile and harvest in fixed.

The business segment was a priority area in 2009. During the year, Tele2 also established new sales channels for the distribution of prepaid voice services, which is expected to increase market shares going forward. As an MVNO, the competitive landscape for Mobile internet has been challenging for Tele2 Norway, and the company only chose to generate modest growth.

The EBIT result was negatively impacted by Tele2 Norway's share of the result from the Mobile Norway joint venture of SEK –73 (–51) million in 2009.

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

Challenges to address in 2010

In 2010, 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 build a 3G mobile network during 2010 through its ownership in Mobile Norway, a joint venture with Network Norway. Growth will be secured through improved customer retention and enhanced multi-channel distribution toward both residential and corporate customers. Tele2 will continue its work with the government, legal institutions and mobile operators to secure viable operational conditions.

RUSSIA

SEK million	2009	2008	Change
Number of customers (in thousand)*)	14,451	10,422	39%
Net sales, external	7,540	6,809	11%
EBITDA	2,473	2,368	4%
EBIT	1,822	1,834	–1%

*) Including changed definition (see Note 5)

Key priorities in 2009

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 (some of the new licences offered to operators have been challenged in court due to alleged non-compliance with license terms). In 2009, 18 new regions were launched.

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

The 20 new regions in Russia are predominantly seen as Newcomers. The main goal in these regions 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 14,451,000 (10,422,000) per December 31, 2009. The competitive environment in Russia is, and will continue to 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 differentiating against the competition. The marketing campaigns based on the "La Famiglia" concept were very successful in 2009. Tele2 has also been recognized for market leading customer care. Customer perception is even more critical when the total customer base uses pre-paid services.

In 2009, 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 2,947,000 (1,858,000) new customers despite a weak economy. The development of existing regional and federal retail channels, as well as the introduction of new means of distribution, also contributed to the strong customer intake in Russia throughout 2009.

Despite an impact from customer base growth in new regions, MoU for the total operations increased by 7 percent compared to 2008, amounting to 215 (201). ARPU amounted to 50 (54), despite a strong customer intake in new regions. The general pricing environment remained highly competitive throughout the Tele2 Russia footprint.

Tele2 Russia continued to deliver solid financial performance throughout the year. Revenue grew by 11 percent in 2009 compared to last year. The EBITDA margin development was robust, driven by strong operational performance in the more mature regions, focusing more on customer retention measures and stimulating usage rather than market share. EBITDA in the 17 mature regions amounted to SEK 2,950 (2,487) million, equivalent to a margin of 40 (36) percent. EBITDA in the new regions amounted to SEK –477 (–119) million.

Challenges to address in 2010

To be able to expand and also develop Tele2's operations in Russia, it will be important to secure that the company obtains new licenses. Tele2 Russia will continue to look for the possibility to receive 2G licenses in regions where it does not yet operate, as well as securing next generation mobile licenses in its existing footprint in order to future-proof its operations.

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 2010 it will be important to develop long term relationships with all parties and secure a well performing distribution network.

In 2010 it will continue to be important to balance improved profitability in Tele2 Russia's more mature regions while aggressively launching mobile services in its new regions.

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

CENTRAL EUROPE

Estonia

SEK million	2009	2008	Change
Number of customers (in thousand)*)	460	518	–11%
Net sales, external	1,009	1,059	–5%
EBITDA	292	345	–15%
EBIT	219	266	–18%

*) Including changed definition (see Note 5)

Key priorities in 2009

The economic downturn affected the operational performance of all telecom operators in Estonia. Tele2's efforts during the year were focused on efficiency improvements and cost reduction measures in order to limit the effects of the recession. Tele2's revenues proved more resilient than the overall market.

Tele2 Estonia continued to make significant investments in its mobile network in order to improve quality. Both industry regulators and Tele2's own measurements confirm that these investments are paying off. Tele2's network quality and coverage area are now on a par with, or even better, than the competition's.

Another important objective during the year was to strengthen its 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 this result.

Increasing the market share in the Business-to-Business segment was also an important objective for 2009. Tele2 moved into the number two market position during the year, increasing its market share from 20 percent at the beginning of the year to 34 percent. As a result of the economic downturn, corporate customers and municipalities have become more price-sensitive. This fact greatly contributed to Tele2's success. Customers' quality perception of Tele2 also improved, driving increased sales.

Challenges to address in 2010

The macroeconomic situation is still fragile, and unemployment is expected to rise further in 2010. Customers have clearly become more price-sensitive. Tele2 needs to respond by offering more flexibility when it comes to packaging and product offers.

Tele2 Estonia will keep focusing on attracting residential customers by means of a distinct price leadership position, coupled with improved quality. At the same time, Tele2 will continue to develop its market share in the corporate segment. Tele2's position is already relatively strong among small and medium enterprises (SMEs). Increasing the market share in the large corporate segment constitutes a significant opportunity.

Mobile internet is another major focus area. Tele2 will proceed with the roll-out of the 3G network, both in and outside of cities, in parallel with intensive marketing activities to drive sales.

Lithuania

SEK million	2009	2008	Change
Number of customers (in thousand)*)	1,655	1,969	–16%
Net sales, external	1,688	1,613	5%
EBITDA	598	492	22%
EBIT	493	407	21%

*) Including changed definition (see Note 5)

Key priorities in 2009

The main priority for Tele2 Lithuania in 2009 was to grow its postpaid customer base faster than the competition by means of aggressive marketing and sales campaigns. Very satisfactory results were obtained, and Tele2 Lithuania gained 53 000 net customers from number portability.

Continuing to improve profitability was also a key focus area throughout the year. Tele2 achieved this goal by increasing its revenue market share while managing to decrease acquisition costs. Tele2 Lithuania was able to grow its profit between 2008 and 2009, despite the persistent recession.

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 2010

Tele2 will focus on growing its share of industry revenue and profit by increasing the customer base, while at the same time lowering acquisition costs.

Customer satisfaction will be further improved by increasing network coverage and performance, and by enhancing customer service.

Finally, Tele2 aims to increase its market share in the corporate segment, chiefly by strengthening sales resources and improving network quality.

Latvia

SEK million	2009	2008	Change
Number of customers (in thousand)*)	1,059	1,108	–4%
Net sales, external	1,619	1,729	–6%
EBITDA	527	646	–18%
EBIT	427	556	–23%

*) Including changed definition (see Note 5)

Key priorities in 2009

In 2009, the main objective of Tele2 Latvia was to gain market share and to maintain an acceptable level of profitability in spite of the enduring economic crisis and increased competition.

To that end, Tele2 carried out several effective marketing campaigns. One of the most important activities in Latvia in 2009 was Tele2's brand re-launch. The product portfolio was updated and supported by a new marketing concept, with the objective of further reinforcing Tele2's position in Latvia. The re-launch campaign incorporated a mock meteor landing in the Latvian countryside in late October – the most discussed and noticed event in the Latvian marketing and advertising history. This campaign was particularly representative of Tele2's corporate values of Action and Challenger. It resulted in a major sales success as soon as the new product portfolio, containing the Meteorit tariff plan, was revealed. The result exceeded the initial sales forecast, contributing to strong full year results.

Challenges to address in 2010
First and foremost, Tele2 Latvia will concentrate on increasing market share. Currently the market leader in terms of number of customers, Tele2 Latvia's aim is to also hold a leading market share position in terms of revenue within two years.

Another important focus area is the improvement of customers' perception of quality at each major point of customer contact.

Lastly, Tele2 intends to strengthen its sales by means of targeted campaigns and offers. There is still potential to grow, particularly in the corporate segment.

Croatia

SEK million	2009	2008	Change
Number of customers (in thousand)*)	598	703	–15%
Net sales, external	1,296	859	51%
EBITDA	–244	–363	33%
EBIT	–353	–446	21%

*) Including changed definition (see Note 5)

Key priorities in 2009
On the road to positive EBITDA in the second half of 2010, Tele2 Croatia concentrated its efforts in 2009 on decreasing operational losses. This was achieved by optimizing costs across the board, and by better managing churn while increasing the company's market share.

Tele2 Croatia has grown its market share during the economic downturn by consolidating its price leadership position, for exampel by offering guaranteed savings opportunities to customers. Customers' quality perception of Tele2 has improved, due to enhanced network performance and better customer service. Also, a new store concept has been implemented. As a result, more and more customers now choose Tele2 as their preferred operator.

The development of the mobile internet business is another priority area in Croatia. During the year, Tele2's results in this product segment improved, mainly due to the fact that Tele2 could provide customers with a high speed network.

Challenges to address in 2010
In order to continue the positive trend and reach EBITDA break-even during 2010, 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, quality perception and customer experience across all touch points need to improve further.

Tele2 Croatia will keep building out its own network in order to lower its dependency on the National Roaming agreement while further increasing network performance. Lastly, Tele2 Croatia will intensify its focus on customer retention in order to generate higher revenue and increase customer lifetime value.

WESTERN EUROPE

The Netherlands

SEK million	2009	2008	Change
Number of customers (in thousand)*)	1,124	1,215	–7%
Net sales, external	6,668	6,184	8%
EBITDA	1,609	1,158	39%
EBIT	578	61	848%

*) Including changed definition (see Note 5)

Key priorities in 2009
Tele2 Netherlands successfully delivered on its strategy of connecting customers directly to its network, thereby improving margins. Tele2 Netherlands demonstrated the viability of providing multiple services over a single connection to a customer. This strategy makes it possible to provide additional or enhanced services with limited incremental capital expenditures, which improves profitability and customer value.

The marketing campaigns featuring the black sheep Frank strengthened Tele2's price leadership position. Tele2 Netherlands was ranked number one in a number of independent surveys. The launch of VDSL and the fixed and mobile internet combo package contributed to high broadband customer intake. The company was the fastest growing provider on the highly competitive Dutch broadband market.

Tele2 Netherlands strengthened its services portfolio aimed at the business segment. Significant growth was generated in the corporate customer segment by attracting major customers within the government, industry, retail and financial sectors. Tele2 Netherlands leads the way in terms of developing business-to-business services in the Tele2 Group.

Challenges to address in 2010
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 an important area of focus in 2010. In the business market, Tele2 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	2009	2008	Change
Number of customers (in thousand)	1,607	2,207	–27%
Net sales, external	2,407	2,810	–14%
EBITDA	516	491	5%
EBIT	424	338	25%

Key priorities in 2009
Tele2 Germany's key strategic priority in 2009 was to focus on customer loyalty and profitability.

In 2009 the fixed broadband market showed signs of market saturation, and the expected market consolidation started. The cable operators as well as the incumbent continued to use promotional pricing as an important marketing tool. Our strategy of focusing on profitability rather than on market share was successfully realized and led to improved EBITDA.

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 38% in 2009. Price competition in this segment was relatively low as most operators concentrated their marketing initiatives on fixed broadband services.

Challenges to address in 2010
Tele2 Germany will continue to focus on extending existing subscriptions and increase cross-selling, while pursuing effective cost management.

Austria

SEK million	2009	2008	Change
Number of customers (in thousand)	486	584	–17%
Net sales, external	2,273	2,128	7%
EBITDA	371	17	2,082%
EBIT	154	–277	156%

Key priorities in 2009
A turnaround effort characterized Tele2 Austria's activities during 2009, with positive cash flow effects. The results were achieved through successful restructuring and a highly efficient cost-cutting program in all areas, particularly with regards to indirect costs.

A competitive product portfolio and high brand awareness for Tele2 Austria's voice business stabilized the fixed-line customer base.

Tele2 Austria is still facing very strong competition. Tele2 Austria has the lowest prices for broadband access in Europe. In 2009, Tele2 Austria therefore focused – across all business areas – on increasing sales efficiency and on intensive efforts to improve customer retention.

In addition, Tele2 was able to gain a key role as supplier to the public health-care sector when implementing key parts of Austria's biggest health-care network, HEALIX. Furthermore the company won a number of important corporate customers.

Whereas the economic crisis affected many Austrian businesses, Tele2 Austria achieved its best financial results in the history of the company.

Challenges to address in 2010
In 2010, Tele2 Austria's management will focus on generating sustainable, profitable growth by further optimizing its structure and sales processes, and by continuing its efforts to offer the Best Deal to its customers. These objectives will be supported by the implementation of a clear differentiation strategy, the improvement of commercial quality at all levels, and by reaffirming the company's strong commitment towards its employees.

ACQUISITIONS AND DIVESTMENTS

In 2009 Tele2 acquired all shares in a company which possesses a license in Sweden and remaining shares in Izhevsk in Russia, Croatia and Netherlands. During 2009 Tele2 has also contributed capital to its joint ventures.

In 2009 Tele2 divested its mobile operation in France and the fixed broadband operation in Norway.

Further information can be found in Note 18.

EMPLOYEES

Tele2 had 6,999 (6,010) employees at the end of the year. The increase is largely due to new employments in Russia. See also Note 35 Number of employees and Note 36 Personnel costs.

Every employee creates yearly together with its manager an individual development plan. 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). As an employee of Tele2 you have a great responsibility to contribute both to your own as well as to Tele2's development by coming up with your 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 Tele2 as an employer and as workplace within a number of areas as for example communication and leadership. The results of the employee survey are analyzed on group level within Tele2 and leads 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 the pride to be working for Tele2 is at a very high level, the working environment is pervaded by respect, flexibility, professionalism and multitude.

ENVIRONMENT AND HEALTH

In line with its cost consciousness Tele2 promotes a sustainable development of the environment by reducing resource consumption and environmental impact of its operations. The main areas through which Tele2 impacts resources and the environment are:

- Energy consumption and greenhouse gas emissions
- Waste management and recycling
- Visual intrusion from masts and antennas

Energy consumption is measured and monitored and greenhouse gas emissions are estimated. Both should be taken into account when making investment decisions. Tele2 places strict environmental demands on company cars. All new cars should be environmentally friendly vehicles, unless particular requirements prevent such cars from being used.

Superfluous electric and electronic equipment should always be considered for use elsewhere within Tele2. If there is no need for the equipment in the organization it should be sold to a third party. If this is not an option, Tele2 recycles the product. We also encourage customers to use digital e-invoices to minimize the use of paper.

In particularly sensitive surroundings, Tele2 is limiting the visual intrusion of masts and antennas in its networks.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On March 17, 2010 Tele2 acquired 51 percent of mobile operator NEO in Kazakhstan. NEO operates a 900 MHz GSM license in Kazakhstan with a population of approximately 16.2 millions. Further information on purchased companies can be found in Note 18.

On February 18, 2010 Tele2 announced that the CEO Harri Koponen has left the company with immediate effect, due to irreconcilable differences over leadership. The Board of Directors has appointed Lars Nilsson, the Chief Financial Officer, as the interim CEO. Termination payment will affect the Q1 2010 result and is estimated for 18 months to be SEK 14.6 million as well as other benefits and remunerations of SEK 0.5 million. In addition pension costs of SEK 3.1 million and social security costs of SEK 3.6 million will be expensed. For further information see Note 36.

On January 28, 2010 Tele2 acquired the remaining shares in Rostov in Russia. 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. Further information on purchased companies can be found in Note 18.

Administration report

In Q1 2010 Tele2 has issued 20,000 new shares, as a result of stock options being exercised, as well as reclassified 4,140,326 class A shares into class B shares. The reclassification was made in accordance with the resolution approved at the Annual General Meeting on May 11, 2009.

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 to a reasonable price. Tele2 works in close contact with regulators and other industry associations to become aware of upcoming licence distributions or redistributions. Tele2 monitors current activities within this area.

Operations in Russia

Tele2's operations in Russia have a significant influence on the group's operational result and financial position. The political, economic, regulatory and legal environment as well as the tax system in Russia 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 therefore represent a different risk from those associated with Tele2's investments in other countries and can affect Tele2's abilities to operate and develop its operations in Russia.

Network sharing with other parties

Tele2 has in Sweden, Norway and Germany reached agreements with other telecom operators to build and operate common network infrastructure. Such agreements enable Tele2 to provide the Best Deal to our 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.

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, 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 incumbents in the various markets. Also, certain decisions such as the deployment 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.

Economic climate

2009 proved to be a very difficult year for the global economy. However, signs of a general recovery in business and consumer activity were noticed in the final months of the period. Despite this demanding environment, Tele2 has had a strong operational performance in 2009, driven mainly by growth in its mobile assets and a turnaround in its Western European fixed line operations. Measures were taken throughout the year to offset the impact of economic weakness on the operational performance, such as scrutinizing capital investments and reviewing operational expenditures to obtain the maximum return on investment. Tele2 will continue to secure best in class cost structure by prolonging the efficiency measures into 2010 to tackle any potential back-lash in the general economic recovery.

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 group staff. 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.

TAX DISPUTE

In 2000, Tele2 acquired the outstanding majority of the listed company S.E.C. SA. The assets and liabilities of S.E.C. SA were, in connection with a restructuring in 2001, transferred to a new legal entity. At the time of the transfer an independent valuation was carried out. The valuation showed a decrease in the market value of the assets. As a result, Tele2 claimed a tax deduction for the realized loss of SEK 13.9 billion. The tax authorities did not agree and Tele2's tax return was rejected in December, 2004. The decision was appealed to the County Administrative Court in 2005.

On January 27, 2009, the County Administrative Court declined Tele2's claim for a tax deduction of SEK 13.9 billion corresponding to a tax effect, excluding interest, of SEK 3.9 billion related to the

S.E.C. tax dispute, of which SEK 186 million has been expensed during 2009. The Court concluded that Tele2 had not proved that the loss should be considered real. Tele2's opinion is that the prerequisites for a deduction have been fulfilled and the decision by the County Administrative Court has been appealed to the Administrative Court of Appeal during 2009. The Administrative Court of Appeal is expected to issue a ruling during the fall 2010. The interest is estimated to amount to SEK 630 (653) million at December 31, 2009.

Tele2 is of the opinion that the dispute will be settled in Tele2's favour and has not provisioned any costs related to this. The dispute is however recognized as a contingent liability.

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 2009, all board members were re-elected. In addition, Vigo Carlund was re-elected as Chairman of the Board of Directors and Mike Parton was elected Deputy Chairman of the Board.

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 2009 the Board convened five times on different locations in Europe. In addition three per capsulam meetings and eight 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 36 and the Corporate Governance Report is available on Tele2's website www.tele2.com.

PROPOSAL OF REMUNERATION GUIDELINES FOR SENIOR EXECUTIVES

The Board proposes the following guidelines for determining remuneration for senior executives for 2010, to be 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 proposed guidelines include the CEO and members of the Executive Board ("senior executives"). At present Tele2 have 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.

There is no deviation during 2009 compared with the remuneration guideline for senior executives approved by the Annual General Meeting in May 2009.

The guidelines for 2009 as proposed by the Board and approved by the Annual General Meeting in May 2009 are stated in Note 36 Personnel costs.

PARENT COMPANY

The parent company performs functions and conducts certain group wide development projects. In 2009, the parent company paid an ordinary dividend of SEK 3.50 per share and an extraordinary dividend of SEK 1.50 per share corresponding to a total of SEK 2,202 million to shareholders.

PROPOSED APPROPRIATION OF PROFIT

The Board and CEO propose that, from the SEK 8,421,060,078 at the disposal of the Annual General Meeting, an ordinary dividend of SEK 3.85 per share and an extraordinary dividend of SEK 2.00 per share be paid to shareholders, corresponding at March 17, 2010 to SEK 1,695,545,155 and SEK 880,802,678 respectively, resulting in a total dividend of SEK 2,576,347,833, and that the remaining amount, SEK 5,844,712,245, 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 place 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	2009	2008
CONTINUING OPERATIONS			
Net sales	5	39,265	38,272
Cost of services sold	6	–22,486	–22,414
Impairment of goodwill and customer agreements	6, 16	–5	–1,033
Gross profit		**16,774**	**14,825**
Selling expenses	6	–8,033	–8,178
Administrative expenses	6	–3,203	–3,227
Sale of operations, profit	7	44	125
Sale of operations, loss	8	–37	–13
Result from shares in associated companies and joint ventures	9	–98	–212
Impairment of shares in joint ventures	9	–	–582
Other operating income	10	422	450
Other operating expenses	11	–342	–340
Operating profit/loss	6	**5,527**	**2,848**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Interest income	12	212	901
Interest costs	13	–570	–1,301
Other financial items	14	–142	–613
Profit/loss after financial items		**5,027**	**1,835**
Tax on profit/loss for the year	15	–426	–120
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		**4,601**	**1,715**
DISCONTINUED OPERATIONS			
Net profit/loss from discontinued operations	38	–46	718
NET PROFIT/LOSS	4	**4,555**	**2,433**
ATTRIBUTABLE TO			
Equity holders of the parent company		4,519	2,411
Minority interest		36	22
NET PROFIT/LOSS		**4,555**	**2,433**
Earnings per share, SEK	34	10.26	5.44
Earnings per share after dilution, SEK	34	10.24	5.43
FROM CONTINUING OPERATIONS			
Earnings per share, SEK		10.37	3.82
Earnings per share after dilution, SEK		10.35	3.81
Number of outstanding shares, basic	34	440,381,339	440,351,339
Number of shares in own custody	34	5,798,000	9,448,000
Number of shares, weighted average	34	440,355,339	443,538,839
Number of shares after dilution	34	441,506,048	441,063,416
Number of shares after dilution, weighted average	34	441,272,717	443,867,042

Consolidated comprehensive income

SEK million	Note	2009	2008
Net profit/loss		**4,555**	**2,433**
OTHER COMPREHENSIVE INCOME			
Exchange rate differences		–1,370	2,351
Exchange rate differences, tax effect		–565	800
Reversed cumulative exchange rate differences from divested companies	38	–138	–197
Withholding tax dividends		–19	–
Cash flow hedges	27	–6	–141
Cash flow hedges, tax effect		–	40
Other comphrehensive income for the year, net of tax		**–2,098**	**2,853**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,457**	**5,286**
ATTRIBUTABLE TO			
Equity holders of the parent company		2,425	5,259
Minority interest		32	27
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,457**	**5,286**

Change in consolidated shareholders' equity

SEK million	Note	Share capital	Other paid–in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Minority interest	Total shareholders' equity
		Attributable to equity holders of the parent company							
Shareholders' equity at January 1, 2008		**561**	**16,897**	**71**	**723**	**8,569**	**26,821**	**28**	**26,849**
Costs for stock options	36	–	–	–	–	24	24	–	24
New share issues	34	1	–	–	–	–	1	–	1
Repurchase of own shares	34	–	–1	–	–	–461	–462	–	–462
Dividends	34	–	–	–	–	–3,492	–3,492	–	–3,492
Purchase of minority	18	–	–	–	–	–	–	–12	–12
New share issues to minority		–	–	–	–	–	–	7	7
Comprehensive income for the year		–	–	–311	3,159	2,411	5,259	27	5,286
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2008		**562**	**16,896**	**–240**	**3,882**	**7,051**	**28,151**	**50**	**28,201**
Shareholders' equity at January 1, 2009		**562**	**16,896**	**–240**	**3,882**	**7,051**	**28,151**	**50**	**28,201**
Costs for stock options	36	–	–	–	–	25	25	–	25
New share issues	34	1	3	–	–	–	4	–	4
Repurchase of own shares	34	–	–1	–	–	–	–1	–	–1
Reduction of share capital	34	–5	–	–	–	5	–	–	–
Dividends	34	–	–	–	–	–2,202	–2,202	–4	–2,206
Purchase of minority	18	–	–	–	–	–	–	–15	–15
Comprehensive income for the year		–	–	–166	–1,909	4,500	2,425	32	2,457
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2009		**558**	**16,898**	**–406**	**1,973**	**9,379**	**28,402**	**63**	**28,465**

Consolidated balance sheet

SEK million	Note	Dec 31, 2009	Dec 31, 2008
ASSETS			
FIXED ASSETS			
Intangible assets			
Goodwill	16	10,179	11,473
Other intangible assets	16	2,234	2,121
Total intangible assets		**12,413**	**13,594**
Tangible assets			
Machinery and technical plant	17	13,336	13,023
Other tangible assets	17	2,008	2,543
Total tangible assets		**15,344**	**15,566**
Financial assets			
Shares in associated companies and joint ventures	19	551	277
Other financial assets	20	45	150
Total financial assets		**596**	**427**
Deferred tax assets	15	4,629	4,754
TOTAL FIXED ASSETS		**32,982**	**34,341**
CURRENT ASSETS			
Materials and supplies	21	201	368
Current receivables			
Accounts receivable	22	3,144	4,234
Current tax receivables		184	403
Other current receivables	23	459	538
Prepaid expenses and accrued income	24	1,983	2,640
Total current receivables		**5,770**	**7,815**
Short-term investments	25	114	3,359
Cash and cash equivalents	26	1,312	1,250
TOTAL CURRENT ASSETS		**7,397**	**12,792**
TOTAL ASSETS	4	**40,379**	**47,133**

SEK million	Note	Dec 31, 2009	Dec 31, 2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the parent company			
Share capital	34	558	562
Other paid-in capital		16,898	16,896
Reserves		1,567	3,642
Retained earnings		9,379	7,051
Total attributable to equity holders of the parent company		**28,402**	**28,151**
Minority interest		63	50
TOTAL SHAREHOLDERS' EQUITY		**28,465**	**28,201**
LONG-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	27	2,782	1,706
Provisions	28	218	193
Other interest-bearing liabilities	27	188	262
Total interest-bearing liabilities		**3,188**	**2,161**
Non-interest-bearing			
Deferred tax liability	15	731	758
Total non-interest-bearing liabilities		**731**	**758**
TOTAL LONG-TERM LIABILITIES		**3,919**	**2,919**
SHORT-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	27	109	7,085
Provisions	28	164	118
Other interest-bearing liabilities	27	170	432
Total interest-bearing liabilities		**443**	**7,635**
Non-interest-bearing			
Accounts payable	27	2,106	2,217
Current tax liabilities		221	227
Other short-term liabilities	27	640	679
Accrued expenses and deferred income	29	4,585	5,255
Total non-interest-bearing liabilities		**7,552**	**8,378**
TOTAL SHORT-TERM LIABILITIES		**7,995**	**16,013**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4	**40,379**	**47,133**

Consolidated cash flow statement

SEK million	Note	2009	2008
OPERATING ACTIVITIES			
Cash flow from operations before changes in working capital			
Operating profit/loss from continuing operations		5,527	2,848
Operating profit/loss from discontinued operations	38	–17	708
Operating profit/loss		**5,510**	**3,556**
Adjustments for non-cash items in operating profit/loss			
Depreciation and amortization		3,555	3,534
Impairment		526	1,936
Result from shares in associated companies and joint ventures		98	794
Gain/loss on sale of fixed assets		–339	–1,370
Exchange rate difference		–120	46
Interest received		520	953
Interest paid		–540	–1,196
Finance costs paid		–341	–87
Dividend received		1	–
Taxes paid		–883	–377
Cash flow from operations before changes in working capital	33	**7,987**	**7,789**
Changes in working capital			
Materials and supplies		106	92
Operating assets		1,211	1,781
Operating liabilities		–186	–1,766
Changes in working capital	33	**1,131**	**107**
CASH FLOW FROM OPERATING ACTIVITIES		**9,118**	**7,896**
INVESTING ACTIVITIES			
Acquisition of intangible assets	33	–358	–765
Sale of intangible assets	33	86	–8
Acquisition of tangible assets	33	–4,089	–3,880
Sale of tangible assets	33	21	45
Acquisition of shares in group companies (excluding cash)	18	–529	–535
Sale of shares in group companies	18	848	2,250
Capital contribution to joint ventures	18	–316	–141
Sale of other securities	18	–	23
Other financial assets, lending		–18	–110
Other financial assets, received payments		3,401	441
Cash flow from investing activities		**–954**	**–2,680**
CASH FLOW AFTER INVESTING ACTIVITIES		**8,164**	**5,216**
FINANCING ACTIVITIES			
Proceeds from credit institutions and similar liabilities		1,300	243
Repayment of loans from credit institutions and similar liabilities		–7,226	–2,511
Proceeds from other interest-bearing liabilities		111	29
Repayment of other interest-bearing lending		–57	–194
Dividends		–2,202	–3,492
New share issues		4	1
Repurchase of own shares		–1	–462
Dividends to minority		–4	–
New share issues to minority		–	7
Cash flow from financing activities		**–8,075**	**–6,379**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**89**	**–1,163**
Cash and cash equivalents at beginning of the year	26	1,250	2,459
Exchange rate differences in cash	26	–27	–46
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26	**1,312**	**1,250**

Cash flow for discontinued operations, please refer to Note 38.
For additional cash flow information, please refer to Note 1 and Note 33.

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 1.2, Supplementary Accounting Rules for Groups, which specifies additional information 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.

Net result from central group functions has, with retroactive effect, been separated from the segment Sweden and are instead reported in segment Other. For additional information please refer to Note 4. As a result segment Other now mainly includes the parent company Tele2 AB, central functions, Datametrix, Radio Components, Procure IT Right, and other minor operations.

From 2009 divested operations, which have not previously been classified as discontinued operations, are reported in the segment Other. Previous year has been adjusted retroactively.

As a way of standardizing reporting both internally and externally, Tele2 has decided to change its principles for calculating the number of active customers in its mobile prepaid base. For further information please refer to Note 5.

CHANGE IN ACCOUNTING PRINCIPLES

From 2009 the following new standards, amendments and interpretations are applied.

Revised IAS 1 Presentation of Financial Statements

The adoption of the revised IAS 1 results in that total comprehensive income is now presented in an income statement and a separate statement of comprehensive income. The statement of changes in equity now includes only transactions with owners and comprehensive income. Items of comprehensive income were previously included in the statement of changes in equity.

IFRS 8 Operating Segments

IFRS 8 replaces IAS 14 Segment Reporting and introduces the "management approach" to segment reporting. The operating segments are identified based on the internal reports regularly reviewed by the Tele2's Chief Operating Decision Maker. Tele2's Executive Board (EB) has been identified as the Chief Operating Decision Maker. The adoption of IFRS 8 does not require any change in the presentation of the segments since these already previously are presented at country level, which corresponds to the level they are reviewed by the EB. Accordingly, there has been no restatement of previously reported information except for the items described above. The accounting principles applicable for the segment presentation are the same as for the group.

Other new and amended IFRS standards and IFRIC interpretations

The other new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2009, have had no material effect on the consolidated financial statements. The revised IFRS-standards are the following; IFRS 2 *Shared-based payments*, IFRS 7 *Financial instruments: Disclosures*, IAS 23 *Borrowing costs*, IAS 27 *Consolidated and separate financial statements*, IAS 32 *Financial instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. The new IFRIC interpretations are the following: IFRIC 13 *Customer loyalty programs*, IFRIC 15 *Agreements for the construction of real estate* and IFRIC 16 *Hedges of a net investment in a foreign operation*.

IFRIC 18 *Transfer of Assets from Customers* applies prospectively to transfers of assets on or after July 1, 2009. IFRIC 18 has not had any material effect for Tele2.

NEW REGULATIONS

International Accounting Standards Board (IASB) has issued and adopted by the EU the following revised standards; IFRS 3 *Business Combinations* and related IAS 27 *Consolidated and separate financial statements*, IAS 39 *Financial Instruments: Recognition and Measurement* (effective for annual periods beginning on or after July 1, 2009) and IAS 32 *Financial Instruments: Presentation* (effective for annual periods beginning on or after February 1, 2010).

IASB has also issued improvements to IFRSs 2009, which have not yet been adopted by the EU (effective for annual periods beginning on or after July 1 2009). The improvements are not estimated to have any material effect to Tele2's financial reports.

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 cannot, as currently, be included as a part of the acquisition value for the acquired business. Also the definition of 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 interests and goodwill are reported at fair value at the time of acquisition. 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. In the current IFRS 3 a provision for conditional purchase price is initially reported at a value that corresponds to the company's best estimate of likely outcome. Subsequent changes in the provision, except for the discount effect, shall be reported against goodwill. The revised standard shall be applied prospectively.

The revised IAS 27 clarifies that changes in the 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 present standard gives no guidance on how changes in the parent company's participating interest shall be accounted for. The revised standard shall be applied prospectively and will result in changes compared with present principles.

The amendments to IAS 32 and IAS 39 are estimated to have no material effect for Tele2.

IFRIC has issued IFRIC 17 *Distributions of non-cash assets to owners* (effective for annual periods beginning on or after July 1, 2009) and amendments to IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after July 1, 2009). IFRIC 17 and the amendments to IFRIC 9 are expected to have no material effect on Tele2's financial statements.

IASB has issued the following new and revised standards which not yet have been adopted by the EU; IFRS 9 *Financial Instruments* (effec-

Continued note 1

tive for annual periods beginning on or after January 1, 2013) and IFRS 2 *Share Based Payment* (effective for annual periods beginning on or after January 1, 2010) and IAS 24 *Related Party Disclosures* (effective for annual periods beginning on or after January 1, 2011).

IFRS 9 presents new requirements concerning classification and valuation of financial assets. The new standard IFRS 9 and the amendments to IFRS 2 and IAS 24 are not estimated to have any material effect on Tele2's financial statements.

IFRIC has issued the following interpretations, which are not adopted by the EU; 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 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction* (effective for annual periods beginning on or after January 1, 2011).

IFRIC 19 and the amendments to IFRIC 14 are estimated to have no effects 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% of the voting rights or in any other way has control.

The consolidated accounts are prepared in accordance with the purchase method. This means that consolidated shareholders' equity only includes the subsidiary's equity that arose 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 difference between the acquisition value of shares in subsidiaries and the fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the time of acquisition is reported as goodwill.

The accounts of all foreign group companies are presented in the currency used in the primary economic environment of each company's main activity, 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 a translation reserve 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.

ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are companies in which Tele2 has voting power of between 20% and 50% 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 company 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 associated companies and joint ventures.

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 36.

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 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 continuously.

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 apply to secondary activities, exchange rate differences in operating items and profit/loss on the sale of tangible assets.

NUMBER OF EMPLOYEES, SALARY AND REMUNERATION

The average number of employees (Note 35) as well as salaries and remuneration (Note 36) 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

Continued note 1

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 fair value calculated by independent party at the date of grant. These payments are reported as employee costs during the vesting period. At the extent the earning-conditions in the program are linked to market-related factors (such as the market value of the company's shares), these are taken into consideration 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 be delivered. Payments received, after deductions for any costs directly related to transactions, are credited to shareholders' equity.

PENSIONS

The Group has a number of pension schemes, with the main part of Tele2's pension plans consisting of defined-contribution plans (Note 36) 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.

CORPORATE INCOME TAX

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. An item which alters the time when an item is taxable or deductible is considered a temporary difference. Deferred tax liabilities and assets are calculated based on the expected tax rate at the time of reversal of the temporary difference.

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

The calculation of deferred tax assets takes into account the loss carry-forwards and temporary differences where it is likely 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 persuasive evidence that there will be sufficient future profits.

Valuation and accounting of deferred taxes in connection with the acquisition of companies is done as part of the fair value 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. When an acquired company has loss carry-forwards and Tele2, at the time of acquisition, has made an assessment that the related tax assets are not realizable, but a subsequent assessment results in tax assets being recorded and reported in the income statement as a tax benefit, an amount corresponding to the reported value of the original loss carry-forward will reduce the book value of goodwill by means of an expense in the income statement.

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 38) 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 list figures for current and 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 booked value and fair value deducted with sales costs.

EARNINGS PER SHARE

Earnings per share after dilution (Note 34) are 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 16) and tangible assets (Note 17) with a finite useful life are reported at the 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 applied on a straight-line basis throughout the asset's estimated useful life. Useful lives and residual values are subject to annual review. Useful lives for fixed assets are illustrated below.

INTANGIBLE ASSETS	
Licenses, utilization rights and software	1–25 years
Customer agreements	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 achieved if the asset is divested to an independent party. 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 reported and amortized on a straight-line basis through the duration of the license agreements.

Goodwill is measured as the differences between the fair value of the identifiable assets, the liabilities and contingent liabilities and the total purchase price of the acquisition. Goodwill is reported at acquisition value with a deduction for any write-downs. Where the fair value

Continued note 1

of the acquired net assets exceeds the purchase cost, the surplus is immediately reported as income in the income statement.

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 put to use, subject to annual impairment testing even if there is no indication of a fall in value. Impairment testing of goodwill is at the lowest level at which goodwill is controlled. 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 16.

In the case of reorganization or divestment involving a change in the composition of cash generating units to which goodwill has 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 in conjunction with business acquisitions. 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. The customer agreements are amortized during their useful life on a straight-line basis.

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. Buildings are depreciated on a straight-line basis during the utilization period with deductions for estimated residual value at the end of the utilization period. 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. Depreciation of the asset is made on a straight-line basis over the utilization period. 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.

Loan expenses

Loan expenses which are directly attributable to the acquisition, construction or production of an asset which requires considerable time to complete for its intended usage are included in the acquisition value of the asset. Other interest expenses 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, each asset is recorded as a tangible or intangible asset, and a corresponding amount is entered as a lease obligation under financial liabilities (Note 17 and Note 27). The asset is depreciated on a straight-line basis over the utilization period, 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

Insofar as 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.

FINANCIAL ASSETS AND LIABILITIES

The group's financial assets and liabilities are recognized and measured in accordance with IAS 39. Financial assets recognized in the balance sheet include other financial assets, accounts receivable, other current receivables, short-term investments and cash & 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 then updated on a continuous basis to 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 define 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. For disclosure purposes, 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 any premiums and 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 in the present value measurement of 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.

Continued note 1

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 "Loan receivables and other receivables" and reported on a continuous basis 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 among operating expenses.

Cash and cash equivalents is categorized as "Loan receivables and other receivables" and is reported on a current basis 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.

Restricted cash and cash equivalents are reported as short-term investments if they may be released within 12 months and as 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 following valuation is done to 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 as a hedge reserve 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 the hedge reserve 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 27.

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 the translation reserve 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.

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 capital injections through 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 involves 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.

Translation reserves involve 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 net assets for subsidiaries included in the consolidated accounts at the time of the original acquisition and the minority shareholders' share of changes in equity after the acquisition.

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

SEGMENT REPORTING
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. Services that are offered within the segments are mobile telephony, fixed broadband and fixed telephony. The segment grouping is in line with the internal reporting to the chief operating decision maker, which is Tele's "Executive board" (EB).

Segment Other mainly includes the parent company Tele2 AB, central functions, Datametrix, 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 broad-

Continued note 1

band, 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.

The services mobile comprises various types of subscriptions for individuals 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.

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 16.

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.

CHOICE OF ACCOUNTING PRINCIPLES

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

Acquisition of minorities
When acquiring further minority interests after control has been obtained, the difference between the purchase consideration and the carrying amount of the acquired minority interest is reported as goodwill. When acquiring further minority interests in companies over which control was obtained prior to the transition to IFRS, the identifiable assets and liabilities of the newly acquired portion are valued at fair value. The remaining difference between purchase price and acquired assets and liabilities is reported as goodwill.

An alternative method is to report the difference between the purchase consideration and carrying amount of the acquired minority interest as a reduction (if the difference is positive) of the majority's 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. It is not possible to identify the total cash flow under the agreement, as call revenue differs considerably among customers. For this reason, revenue has not been allocated to individual components; instead, it is recognized when the total service is provided.

Tele2's DSL agreements include several different components if equipment such as a modem is delivered to the customer. If this is the case, it is possible to identify the total cash flow and the fair value of each component, as the customer pays a fixed monthly charge. However, revenue attributable to delivered equipment in excess of what the customer paid on delivery is not recognized, as the subsequent monthly payments are dependent on Tele2's continued delivery of the total service.

Customer acquisition costs
Customer acquisition costs are normally recognized directly.

When companies and operations are acquired, customer agreements are examined and customer contacts obtained from them are 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 segment.

ASSESSMENTS AND ESTIMATES

The consolidated financial statements are partly based on assumptions and estimates related to the preparation of the group accounts. The estimates and calculations 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 assessments.

The most crucial assessments and estimates 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 defined based on the prices on this market. Since there are often no active markets for these assets, a valuation model is developed to estimate the fair value. Examples of valuation models are discounting of future cash flows and estimates of Tele2's historical costs of acquiring corresponding assets. Please refer to Note 18 for acquisitions during the year.

Continued note 1

Valuation of goodwill
When estimating cash generating units' recoverable amounts for the evaluation of goodwill impairment, assumption of future values and estimates of parameters are made. These assumptions and a sensitivity analysis are presented in Note 16.

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 ascertain whether there is any indication of impairment. If such indication exists, an impairment test is conducted based on the management's estimate of future cash flows including the discount rate used. See Note 16 and Note 17.

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 calculated 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
Deferred income tax accounting 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 likely 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 in turn 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, additional changes in tax laws or the result of the taxation authorities' or courts' final examination of submitted declarations. See further Note 15.

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 28 and Note 31.

Valuation of accounts receivable
Accounts receivables are valued continuously and are reported at amortized cost. Reserves for doubtful accounts are based on various assumptions as well as historical experience, see Note 22.

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, 2010. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 17, 2010.

NOTE 2 FINANCIAL RISK MANAGEMENT

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 taken out to finance operations.

The carrying amount of financial assets measured at fair value in the income statement, which on initial recognition were identified for this type of measurement through discounted future cash flows, amount to SEK 23 (23) million. The carrying amount of financial assets in the category loan and account receivables amount to SEK 5,051 (9,508) million, and financial liabilities measured at amortized cost amount to SEK 5,910 (12,012) million. Tele2 does not have any financial instruments reported in other categories. The fair value of derivative financial instruments identified as hedging instruments amount to SEK –85 (–369) million. During the period no reclassification of financial instruments between the different categories has been done.

The fair value of Tele2's fixed-interest liabilities is SEK 2,923 (6,466) million while the carrying amount is SEK 2,786 (6,628) million. The fair value of Tele2's other financial assets and liabilities do not deviate significantly from their carrying amount. Other loan liabilities carry variable interest rates which are regularly adjusted in line with current market rates. As account receivables and account payables are short-term, discounting of cash flows does not cause any material differences in their carrying amount.

Net gains/losses on financial instruments amounted to SEK 146 (225) million, of which loan and trade receivables amounted to SEK 146 (265) 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 staff. 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 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's current view on a long-term debt/equity goal, defined as the quota of the net debt and EBITDA, is that it shall be in line with the industry and the markets in which the company acts and reflect the operative development as well as future 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's intention over the medium term is to pay a progressive ordinary dividend to its shareholders. The Board of Tele2 AB has decided to recommend an increase of the ordinary dividend of 10 percent to SEK 3.85 (3.50) per share in respect of the financial year 2009 to the Annual General Meeting (AGM) in May 2010. The board has also decided to recommend a special dividend of SEK 2.00 (1.50) per share related to divestments made during the year.

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.

Continued note 2

In telephony operations, a currency risk arises in connection with international call traffic, which generates a liability or a receivable between Tele2 and foreign operators. In mobile telephony these transactions are calculated in SDRs (Special Drawing Rights, a currency substitute), but are invoiced and paid in EUR. The Group's policy is not to hedge transaction exposure.

At the beginning of the year 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 has decided 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 (–183) million. The loans per December 31, 2009 in SEK amount to SEK 1,195 million, in USD SEK 1,587 million and in EUR SEK 109 million.

In 2009, 29 (30) percent of net sales is related to SEK, 29 (29) percent to EUR and 19 (18) percent RUB. For other currencies please refer to Note 3. During the year, Tele2's results were affected by fluctuations in the EUR, RUB, LVL and LTL.

Of the group's total net assets at December 31, 2009 of SEK 28.5 billion, 9.6 billion is related to EUR, 6.3 billion to SEK, 4.9 billion the Baltic currencies and 7.2 billion to RUB.

Tele2 keeps a close watch on interest market trends, and decisions to change the interest duration strategy are assessed regularly. At the end of 2009, 14 (30) percent of the Group's interest-bearing liabilities carried a variable interest rate. For additional information please refer to Note 27. As the outstanding interest rate derivatives at December 31, 2009 are held for hedging purposes and are determined to be effective, they are accounted for as hedges. No ineffective portion has been identified for these cash flow hedges. The capital amount is SEK 1.4 billion converting variable interest rate to fixed interest rate of 4.2 percent and is 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 currency- and interest rate derivatives. Outstanding currency- and interest rate derivatives at December 31, 2009 are shown below.

	Dec 31, 2009		Dec 31, 2008	
	Capital amount	Reported fair value	Capital amount	Reported fair value
Currency rate derivatives, net investment hedge EEK	–	–	635	–86
Currency rate derivatives, net investment hedge LVL	–	–	672	–109
Currency rate derivatives, net investment hedge LTL	–	–	873	–94
Total outstanding currency rate derivatives	**–**	**–**	**2,180**	**–289**
Interest rate derivatives, cash-flow hedging, SEK	1,400	–85	1,400	–80
TOTAL OUTSTANDING CURRENCY – AND INTEREST RATE DERIVATIVES	**1,400**	**–85**	**3,580**	**–369**

Capital amounts are nominal amounts in foreign currency measured at the closing rate. 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 2009, the Group had available liquidity of SEK 12.4 (17.2) billion. Tele2 signed in February 2009 a new borrowing agreement which replaces the previous borrowing facility. For additional information please refer to Note 26 and Note 27. Contractual commitments and commercial promises amounts to SEK 17,490 million, please refer to Note 32.

Continued note 2

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 corresponds to financial guarantees of SEK 1,825 (2,054) million and accounts receivables of SEK 3,144 (4,234) 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			
	Note	2009		2008		2009		2008	
SEK		11,410	29%	11,373	30%	2,817	31%	2,863	35%
EUR		11,422	29%	11,153	29%	2,452	27%	1,648	20%
RUB		7,546	19%	6,810	18%	2,481	27%	2,370	29%
NOK		3,260	8%	3,451	9%	249	3%	187	2%
EEK		1,009	3%	1,059	3%	293	3%	346	4%
LVL		1,617	4%	1,729	5%	529	6%	647	8%
LTL		1,688	4%	1,613	4%	597	6%	492	6%
HRK		1,295	3%	859	2%	–244	–3%	–363	–4%
Other		18	1%	225	–	11	–	–21	–
TOTAL CONTINUING OPERATIONS		**39,265**	**100%**	**38,272**	**100%**	**9,185**	**100%**	**8,169**	**100%**
Discontinued operations	38	1,092		3,714		148		298	
TOTAL		**40,357**		**41,986**		**9,333**		**8,467**	

A one percent currency movement against the Swedish krona affects the Group's net sales and EBITDA on an annual basis by SEK 279 (269) million and SEK 64 (53) million. Tele2's operating profit/loss for the year was mainly affected by fluctuations in EUR, RUB, LVL and LTL. Tele2's net sales and EBITDA have been affected positively by SEK 984 (635) million and SEK 56 (102) million in 2009, 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 amount.

	Note	2009	2008
Other operating income		175	85
Other operating expenses		–152	–29
Other financial items		–77	–550
TOTAL CONTINUING OPERATIONS		**–54**	**–494**
Discontinued operations	38	–	8
TOTAL EXCHANGE RATE DIFFERENCES IN INCOME STATEMENT		**–54**	**–486**

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 Executive Board (EB).

Segment Other mainly includes the parent company Tele2 AB, central functions, Datametrix, Radio Components and Procure IT Right, and other minor operations. From 2009 divested operations, which have not previously been classified as discontinued operations, are reported in the segment Other. Previous periods have been adjusted retroactively.

From 2009 Tele2 Sweden has, with retroactive effect, 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

Continued note 4

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. Segment Sweden has for 2008 been adjusted with the following amounts related to net result from central group functions.

	Net sales	Internal sales	EBITDA	EBIT	CAPEX
Mobile	–62	–47	–	105	–196
Fixed broadband	–10	1	56	71	–42
Fixed telephony	–16	–1	44	72	–51
Other operations	–304	–221	–20	27	–42
Total	**–392**	**–268**	**80**	**275**	**–331**

2009

	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	Netherlands	Germany	Austria	Other	One-off items	Undistributed as well as internal elimination	Total
INCOME STATEMENT														
Continuing operations														
Net sales														
external	11,114	3,260	7,540	1,009	1,688	1,619	1,296	6,668	2,407	2,273	375	16	–	39,265
internal	74	32	–	56	16	18	–	32	135	42	705	–	–1,110	–
Net sales	**11,188**	**3,292**	**7,540**	**1,065**	**1,704**	**1,637**	**1,296**	**6,700**	**2,542**	**2,315**	**1,080**	**16**	**–1,110**	**39,265**
Impairment of goodwill and customer agreements	–	–	–	–	–	–	–	–	–	–	–5	–	–	–5
Result from shares in associated companies and joint ventures	–26	–73	–	–	–	–	–	–	–	–	1	–	–	–98
Operating profit/loss	**1,828**	**127**	**1,762**	**219**	**493**	**428**	**–353**	**560**	**424**	**154**	**–310**	**–11**	**206**	**5,527**
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	212	212
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–	–570	–570
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–	–142	–142
Tax on profit/loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–426	–426
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**1,828**	**127**	**1,762**	**219**	**493**	**428**	**–353**	**560**	**424**	**154**	**–310**	**–11**	**–720**	**4,601**
Discontinued operations														
Net profit/loss from discontinued operations (Note 38)	–	–	–	–	–	–	–	–	–	–	–	–	–46	–46
NET PROFIT/LOSS	**1,828**	**127**	**1,762**	**219**	**493**	**428**	**–353**	**560**	**424**	**154**	**–310**	**–11**	**–766**	**4,555**
OTHER INFORMATION														
Continuing operations														
CAPEX	440	10	2,232	110	169	154	194	533	3	83	511		–	4,439
Non-cash-generating profit/loss items														
Depreciation/amortization	–1,023	–46	–651	–73	–105	–100	–109	–1,031	–92	–217	–102		–	–3,549
Impairment	–	–	–	–	–	–	–	–	–	–	–5		–	–5
Sales of fixed assets	–1	44	–12	–	–	–	–	–	–	–	–54		–	–23
Dec 31, 2009														
Shares in associated companies and joint ventures	358	187	–	–	–	–	–	–	–	–	6		–	551
Assets	7,636	835	8,296	1,561	1,687	2,185	1,634	8,452	435	802	2,223		4,633	40,379
Liabilities	1,936	625	1,232	90	239	213	370	1,429	413	590	648		4,129	11,914

Operating revenue, EBITDA and EBIT per segment before elimination of internal sales are presented in Note 5 and Note 6.

Notes

Continued note 4

	2008													
	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	Nether-lands	Germany	Austria	Other	One-off items	Undistri-buted as well as internal elimination	Total
INCOME STATEMENT														
Continuing operations														
Net sales														
external	11,125	3,451	6,809	1,059	1,613	1,729	859	6,184	2,810	2,128	595	–90	–	38,272
internal	305	45	–	62	15	7	–	61	219	103	637	–	–1,454	–
Net sales	**11,430**	**3,496**	**6,809**	**1,121**	**1,628**	**1,736**	**859**	**6,245**	**3,029**	**2,231**	**1,232**	**–90**	**–1,454**	**38,272**
Impairment of goodwill and customer agreements	–	–	–	–	–	–	–	–	–187	–846	–	–	–	–1,033
Result from shares in associated companies and joint ventures	–111	–51	–	–	–	–	–	–	–52	–	2	–	–	–212
Impairment of shares in joint ventures	–	–	–	–	–	–	–	–	–582	–	–	–	–	–582
Operating profit/loss	**2,157**	**79**	**1,776**	**266**	**407**	**556**	**–446**	**41**	**338**	**–277**	**–800**	**–1,642**	**393**	**2,848**
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	901	901
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–	–1,301	–1,301
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–	–613	–613
Tax on profit/loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–120	–120
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**2,157**	**79**	**1,776**	**266**	**407**	**556**	**–446**	**41**	**338**	**–277**	**–800**	**–1,642**	**–740**	**1,715**
Discontinued operations														
Net profit/loss from discontinued operations (Note 38)	–	–	–	–	–	–	–	–	–	–	–	–	718	718
NET PROFIT/LOSS	**2,157**	**79**	**1,776**	**266**	**407**	**556**	**–446**	**41**	**338**	**–277**	**–800**	**–1,642**	**–22**	**2,433**
OTHER INFORMATION														
Continuing operations														
CAPEX	967	32	1,699	194	112	214	235	474	7	180	367		–	4,481
Non-cash-generating profit/loss items														
Depreciation/amortization	–737	–58	–534	–79	–85	–90	–83	–1,097	–101	–294	–239		–	–3,397
Impairment	–184	–	–	–	–	–	–	–	–187	–846	–		–	–1,217
Sales of fixed assets	–	–	–	–	–	–	–	–	–	–	112		–8	104

	Dec 31, 2008													
	Sweden	Norway	Russia	Estonia	Lithuania	Latvia	Croatia	France	Nether-lands	Germany	Austria	Other	Undistri-buted as well as internal elimination	Total
Shares in associated companies and joint ventures	83	188	–	–	–	–	–	–	–	–	–	6	–	277
Assets	12,217	842	7,367	1,658	1,730	2,373	1,555	1,554	9,750	718	1,120	1,786	4,463	47,133
Liabilities	1,867	596	1,196	126	265	306	390	382	1,757	475	651	1,275	9,646	18,932

NOTE 5 NET SALES AND NUMBER OF CUSTOMERS

NET SALES

	Note	Net sales 2009	Net sales 2008	Internal sales 2009	Internal sales 2008
Sweden					
Mobile		7,722	7,698	54	93
Fixed broadband		1,400	1,313	–	1
Fixed telephony		1,909	2,120	7	–
Other operations		264	242	120	154
		11,295	**11,373**	**181**	**248**
Norway					
Mobile		2,616	2,533	–	3
Fixed broadband		194	409	–	–
Fixed telephony		482	554	32	42
		3,292	**3,496**	**32**	**45**
Russia					
Mobile		7,600	6,867	60	58
		7,600	**6,867**	**60**	**58**
Estonia					
Mobile		998	1,045	–	–
Fixed telephony		11	14	–	–
Other operations		56	62	56	62
		1,065	**1,121**	**56**	**62**
Lithuania					
Mobile		1,674	1,599	15	10
Fixed broadband		27	22	–	–
Fixed telephony		3	7	1	5
		1,704	**1,628**	**16**	**15**
Latvia					
Mobile		1,636	1,734	17	7
Fixed telephony		–	2	–	–
		1,636	**1,736**	**17**	**7**
Croatia					
Mobile		1,296	859	–	–
		1,296	**859**	**–**	**–**
Netherlands					
Mobile		1,014	1,060	–	–
Fixed broadband		3,529	2,895	18	20
Fixed telephony		1,429	1,505	–	–
Other operations		746	805	32	61
		6,718	**6,265**	**50**	**81**
Germany					
Fixed broadband		436	484	–	–
Fixed telephony		1,670	2,117	–	–
Other operations		436	428	135	219
		2,542	**3,029**	**135**	**219**
Austria					
Fixed broadband		1,123	996	–	–
Fixed telephony		522	597	–	–
Other operations		670	638	42	103
		2,315	**2,231**	**42**	**103**
Other					
Other operations		1,102	1,604	727	1,009
		1,102	**1,604**	**727**	**1,009**
TOTAL					
Mobile		**24,556**	**23,395**	**146**	**171**
Fixed broadband		**6,709**	**6,119**	**18**	**21**
Fixed telephony		**6,026**	**6,916**	**40**	**47**
Other operations		**3,274**	**3,779**	**1,112**	**1,608**
		40,565	**40,209**	**1,316**	**1,847**
Internal sales, elimination		–1,316	–1,847		
		39,249	**38,362**		
One-off items		16	–90	–	–
TOTAL CONTINUING OPERATIONS		**39,265**	**38,272**		
Discontinued operations	38	1,092	3,714	–	107
TOTAL OPERATION		**40,357**	**41,986**	**1,316**	**1,954**

Continued note 5

In 2008 net sales in Sweden were reduced by SEK 90 million related to interconnect disputes with TeliaSonera and a number of other operators. The amounts are reported as one-off items. Tele2 has from a cash flow view paid SEK 533 million regarding disputes with TeliaSonera in 2008. In December 2009 Tele2 made a settlement with TeliaSonera. The solved dispute has affected the cash flow positively by SEK 340 million and the interest income by SEK 60 million, but has not affected EBIT.

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.

During 2009 two operations in Latvia have been merged. Internal sales between the two companies have been eliminated with retroactive effect on prevoius periods.

From 2009 Tele2 Sweden has, with retroactive effect, been split into core operations and central group functions. For additional information see Note 4.

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 were negatively impacted in 2008 by SEK 61 million in the Austrian fixed broadband operations due to revaluation of reserves.

	2009	2008
Service revenue	38,458	37,336
Sales of products	807	936
TOTAL NET SALES	**39,265**	**38,272**

NUMBER OF CUSTOMERS

	Note	Number of customers (by thousands) Dec 31, 2009	Number of customers (by thousands) Dec 31, 2008	Net customer intake (by thousands) 2009	Net customer intake (by thousands) 2008
Sweden					
Mobile		3,363	3,358	205	259
Fixed broadband		444	433	11	47
Fixed telephony		746	817	–71	–101
		4,553	**4,608**	**145**	**205**
Norway					
Mobile		466	460	8	12
Fixed broadband		–	91	–7	–21
Fixed telephony		120	133	–13	–30
		586	**684**	**–12**	**–39**
Russia					
Mobile		14,451	10,422	2,947	1,858
		14,451	**10,422**	**2,947**	**1,858**
Estonia					
Mobile		447	502	–23	10
Fixed telephony		13	16	–3	–4
		460	**518**	**–26**	**6**
Lithuania					
Mobile		1,608	1,924	–65	128
Fixed broadband		44	41	3	5
Fixed telephony		3	4	–1	–2
		1,655	**1,969**	**–63**	**131**
Latvia					
Mobile		1,058	1,106	–36	–16
Fixed telephony		1	2	–1	–2
		1,059	**1,108**	**–37**	**–18**
Croatia					
Mobile		598	703	122	233
		598	**703**	**122**	**233**
Netherlands					
Mobile		399	458	–19	–112
Fixed broadband		418	368	50	44
Fixed telephony		307	389	–82	–105
		1,124	**1,215**	**–51**	**–173**

Continued note 5

	Note	Number of customers (by thousands) Dec 31, 2009	Dec 31, 2008	Net customer intake (by thousands) 2009	2008
Germany					
Fixed broadband		139	177	–38	4
Fixed telephony		1,468	2,030	–562	–906
		1,607	**2,207**	**–600**	**–902**
Austria					
Fixed broadband		134	164	–30	–8
Fixed telephony		352	420	–68	–142
		486	**584**	**–98**	**–150**
Other					
Other operations		–	–	–	–10
		–	**–**	**–**	**–10**
TOTAL					
Mobile		**22,390**	**18,933**	**3,139**	**2,372**
Fixed broadband		**1,179**	**1,274**	**–11**	**71**
Fixed telephony		**3,010**	**3,811**	**–801**	**–1,292**
Other operations		**–**	**–**	**–**	**–10**
TOTAL CONTINUING OPERATIONS		**26,579**	**24,018**	**2,327**	**1,141**
Acquired companies				–	4
Divested companies				–84	–106
Changed method of calculation				318	211
Discontinued operations					
Net customer intake	38			–40	–18
Divested companies	38	–	468	–377	–1,467
Changed method of calculation	38	–	–	–51	–
TOTAL OPERATION		**26,579**	**24,486**	**2,093**	**–235**

In 2009 the number of customers has reduced by 84,000 through the divestment of the fixed broadband operation in Norway. In 2008 the number of customers increased by 4,000 through the acquisition of operation in Kaliningrad in Russia. The number of customers has reduced during 2008 by 106,000 customers through the divestment of the mobile operations in Austria.

As a way of standardizing reporting both internally and externally, Tele2 has decided 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 have not been adjusted retroactively.

An active prepaid customer is a customer who has a refillable active account and has been either refilling or doing an active outgoing transaction during the last 90 days (if the transaction does not generate revenues the customer must have refilled the account at least once before). Outgoing transactions which are free, count only if the customer refilled the card at least once. However, the customer will still, as before, be able to use their SIM card within the period that is valid for each country.

In 2009, the one-time effect was a net increase of 318,000 in the reported customer base. The large positive effect that the changed principle has had on the Russian customer base is mainly related to the fact that the 3 months period was previously calculated from the time of the payment and not as the new definition from the last outgoing call. The table below presents how the customer base (by thousands) has been affected by the changed definition in each country.

Sweden	–200
Norway	–2
Russia	1,082
Estonia	–32
Lithuania	–251
Latvia	–12
Croatia	–227
Netherlands	–40
	318

Continued note 5

In 2008 Tele2 decided to change its method for calculating the number of customers in the open-call-by-call service in its German fixed telephony base. The one-time effect was an increase of 211,000 in the reported customer base in Germany.

NOTE 6 EBITDA, EBIT AND DEPRECIATION/AMORTIZATION AND IMPAIRMENT

	Note	EBITDA 2009	2008	EBIT 2009	2008
Sweden					
Mobile		2,375	2,646	1,789	2,170
Fixed broadband		117	–34	–234	–369
Fixed telephony		433	440	378	390
Other operations		59	–34	2	–91
		2,984	**3,018**	**1,935**	**2,100**
Norway					
Mobile		180	143	90	75
Fixed broadband		2	–39	–16	–72
Fixed telephony		64	84	53	76
		246	**188**	**127**	**79**
Russia					
Mobile		2,473	2,368	1,822	1,834
		2,473	**2,368**	**1,822**	**1,834**
Estonia					
Mobile		290	333	217	255
Fixed telephony		–	2	–	1
Other operations		2	10	2	10
		292	**345**	**219**	**266**
Lithuania					
Mobile		591	483	491	401
Fixed broadband		6	5	1	2
Fixed telephony		1	4	1	4
		598	**492**	**493**	**407**
Latvia					
Mobile		527	646	427	556
		527	**646**	**427**	**556**
Croatia					
Mobile		–244	–363	–353	–446
		–244	**–363**	**–353**	**–446**
Netherlands					
Mobile		127	163	118	143
Fixed broadband		926	509	36	–435
Fixed telephony		344	332	264	250
Other operations		212	154	160	103
		1,609	**1,158**	**578**	**61**
Germany					
Fixed broadband		–134	–270	–173	–364
Fixed telephony		627	739	574	680
Other operations		23	22	23	22
		516	**491**	**424**	**338**
Austria					
Fixed broadband		169	–135	47	–300
Fixed telephony		167	129	108	31
Other operations		35	23	–1	–8
		371	**17**	**154**	**–277**
Other					
Other operations		–187	–191	–288	–428
		–187	**–191**	**–288**	**–428**
TOTAL					
Mobile		**6,319**	**6,419**	**4,601**	**4,988**
Fixed broadband		**1,086**	**36**	**–339**	**–1,538**
Fixed telephony		**1,636**	**1,730**	**1,378**	**1,432**
Other operations		**144**	**–16**	**–102**	**–392**
		9,185	**8,169**	**5,538**	**4,490**
One-off items				–11	–1,642
TOTAL CONTINUING OPERATIONS		**9,185**	**8,169**	**5,527**	**2,848**
Discontinued operations	38	148	298	–17	708
TOTAL OPERATION		**9,333**	**8,467**	**5,510**	**3,556**

Continued note 6

From 2009 Tele2 Sweden has, with retroactive effect, been split into core operations and central group functions. For additional information see Note 4.

In 2008 Tele2 Netherlands was positively affected by SEK 65 million concerning a settlement with Versatel AG/APAX mainly related to the valuation of stock options for tax purposes, and sales in Tele2 Sweden was reduced by SEK 90 million according to Note 5. The amounts are reported as a one-off item.

DEPRECIATION/AMORTIZATION AND IMPAIRMENT
By function

	Note	2009	2008
Depreciation/amortization			
Cost of service sold		–3,096	–2,983
Selling expenses		–85	–171
Administrative expenses		–368	–243
Total depreciation/amortization		**–3,549**	**–3,397**
Impairment			
Cost of service sold		–5	–1,217
Total impairment		**–5**	**–1,217**
TOTAL CONTINUING OPERATIONS		**–3,554**	**–4,614**
Discontinued operations, depreciation/amortization	38	–6	–137
Discontinued operations, impairment	38	–521	–719
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR		**–4,081**	**–5,470**

By type of asset

	2009	2008
Depreciation/amortization		
Licenses, utalization rights and software	–334	–350
Customer agreements	–263	–416
Buildings	–14	–10
Machinery and technical plant	–2,768	–2,457
Equipment and installations	–170	–164
Total depreciation/amortization	**–3,549**	**–3,397**
Impairment		
Licenses, utalization rights and software	–	–114
Customer agreements	–	–47
Goodwill	–5	–986
Machinery and technical plant	–	–70
Total impairment	**–5**	**–1,217**
TOTAL CONTINUING OPERATIONS	**–3,554**	**–4,614**

Impairment losses

In 2009 Tele2 recognized goodwill impairment losses of SEK 5 (986) million, related to operations stated below. In 2008 Tele2 also recognized impairment losses of SEK 47 million related to customer agreements in Austria, SEK 114 million attributable to central IT-systems in Sweden and fixed assets of 70 million mainly related to the cable TV network in Sweden.

	2009	2008
Radio Components	–5	–
Austria	–	–799
Germany	–	–187
Total impairment of goodwill	**–5**	**–986**

The impairment loss of goodwill, SEK 799 million, and customer agreements, SEK 47 million, in Austria was related to increased and severe competition from mobile internet providers for internet access services in Austria. Due to the existing severe competitive market situation for broadband in Germany, Tele2 performed an impairment test in 2008 that resulted in reported impairment losses related to goodwill of SEK 187 million and in investment in joint venture Plusnet of SEK 582 million. Additional information is presented in Note 16.

Continued note 6

The 2008 impairment loss of IT-systems in Sweden, SEK 114 million, was related to the expectation that utilization of common billing systems will be lower than planned, reduced expectations on customer stock in Austria, and due to the sale of the operations in Poland.

SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT

	Note	2009	2008
EBITDA		**9,185**	**8,169**
Impairment of goodwill	6	–5	–986
Impairment of customer agreements	6	–	–47
Impairment of shares in joint ventures	9	–	–582
Sale of operations	7, 8	7	112
Acquisition costs	18	–29	–
Other one-off items	5, 6	16	–139
Total one-off items		**–11**	**–1,642**
Depreciation/amortization and other impairment		–3,549	–3,467
Result from shares in associated companies and joint ventures	9	–98	–212
EBIT		**5,527**	**2,848**

NOTE 7 SALE OF OPERATIONS, PROFIT

	2009	2008
Norway, fixed broadband operation	44	–
Austria, MVNO operation	–	49
Belgium	–	58
Denmark	–	15
Hungary	–	5
Portugal	–	3
Uni2 Denmark	–	–5
Total sale of operations, profit	**44**	**125**

For additional information, please refer to Note 18.

NOTE 8 SALE OF OPERATIONS, LOSS

	2009	2008
Alpha Telecom/Calling Card company	–33	–13
3C Communications	–2	1
Datametrix Norway	–	–1
Other	–2	–
Total sale of operations, loss	**–37**	**–13**

For additional information, please refer to Note 18.

NOTE 9 RESULT FROM SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

	2009	2008
Participation in profit/loss of associated companies and joint ventures	–97	–151
Amortization on surplus values	–1	–61
	–98	**–212**
Impairment of Plusnet	–	–582
Total result of shares in associated companies and joint ventures	**–98**	**–794**

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

2008	Sv UMTS-nät	Plusnet	Mobile Norway	Net4 Mobility	
	Sweden	Germany	Norway	Sweden	Other
Profit/loss before taxes in associated companies and joint ventures	–137	12	–92	–	–65
Holdings	50.0%	32.5%	50.0%	–	9.1–49%
Share of profit/loss before tax	–69	4	–46	–	–34
Amortization on surplus values	–	–56	–	–	–5
Impairment on shares	–	–582	–	–	–
Correction of share of profit/loss from proceeding year	–	–	–5	–	–1
	–69	**–634**	**–51**	**–**	**–40**
Total result of shares in associated companies and joint ventures					**–794**

Due to the existing severe competitive market situation for broadband in Germany, in 2008 Tele2 performed an impairment test that resulted in a reported impairment loss related to investment in Plusnet of SEK 582 million.

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

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

Dec 31, 2009	Sv UMTS-nät	Plusnet	Mobile Norway	Net4 Mobility	
	Sweden	Germany	Norway	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**

Continued note 9

2008	Sv UMTS-nät	Plusnet	Mobile Norway	
	Sweden	Germany	Norway	Other
Income statement				
Net sales	1,052	1,723	38	477
Operating profit/loss	89	–	–92	–54
Profit/loss after financial items	–137	12	–92	–65
Net profit/loss	–137	9	–92	–67

Dec 31, 2008	Sv UMTS-nät	Plusnet	Mobile Norway	
	Sweden	Germany	Norway	Other
Balance sheet				
Intangible assets	–	2	59	–
Tangible assets	3,954	975	112	137
Financial assets	–	3	–	–
Current assets	530	369	46	217
Total assets	**4,484**	**1,349**	**217**	**354**
Shareholders' equity	127	1,087	102	22
Long-term liabilities	4,043	5	66	117
Short-term liabilities	314	257	49	215
Total shareholders' equity and liabilities	**4,484**	**1,349**	**217**	**354**

NOTE 10 OTHER OPERATING INCOME

	Note	2009	2008
Service level agreements, for sold operations		155	215
Sale of capacity, for sold operations		60	119
Exchange rate gains from operations		175	85
Sale of fixed assets		8	5
Other income		24	26
TOTAL CONTINUING OPERATIONS		**422**	**450**
Discontinued operations	38	–	19
TOTAL OTHER OPERATING INCOME		**422**	**469**

NOTE 11 OTHER OPERATING EXPENSES

	Note	2009	2008
Service level agreements, for sold operations		–116	–211
Sale of capacity, for sold operations		–33	–77
Exchange rate loss from operations		–152	–29
Sale/scrapping of fixed assets		–37	–20
Other expenses		–4	–3
TOTAL CONTINUING OPERATIONS		**–342**	**–340**
Discontinued operations	38	–	–8
TOTAL OTHER OPERATING INCOME		**–342**	**–348**

NOTE 12 INTEREST INCOME

	Note	2009	2008
Interest, bank balances		107	320
Interest, penalty interest		29	38
Interest, related to disputes	13	76	543
TOTAL CONTINUING OPERATIONS		**212**	**901**
Discontinued operations	38	–	8
TOTAL INTEREST INCOME		**212**	**909**

During 2008 a one-off item of SEK 543 million was reported for interest income related to disputes with other operators. At the same time an interest cost was reported with the same amount. During 2009 additional SEK 76 million has been received in interest income related to disputes with other operators.

All interest income is for financial assets reported at amortized cost. Interest income related to impaired financial assets, such as accounts receivable, totals to immaterial amounts.

NOTE 13 INTEREST COSTS

	Note	2009	2008
Interest, credit institutions and similar liabilities		–402	–666
Interest, other interest-bearing liabilities		–25	–33
Interest, penalty interest		–31	–34
Interest, related to disputes	12	–50	–543
Other finance expenses		–62	–25
TOTAL INTEREST COSTS		**–570**	**–1,301**

During 2008 a one off item of SEK 543 million was reported for interest costs related to disputes with other operators. At the same time an interest income was reported with the same amount. During 2009 interest costs related to the SEC tax dispute has been expensed with SEK 36 million.

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

NOTE 14 OTHER FINANCIAL ITEMS

	2009	2008
Exchange rate differences, external	3	–344
Exchange rate differences, intragroup	–80	–206
Withholding tax on interest, the Baltics	–24	–23
Other finance expenses	–41	–40
TOTAL OTHER FINANCIAL ITEMS	**–142**	**–613**

NOTE 15 TAXES

TAX EXPENSE/INCOME

	Note	2009	2008
Current tax expense		–919	–632
Deferred tax expense		493	512
TOTAL CONTINUING OPERATIONS		**–426**	**–120**
Discontinued operations	38	–29	2
TOTAL TAX EXPENSE (–) / TAX INCOME (+) ON PROFIT/LOSS FOR THE YEAR		**–455**	**–118**

Continued note 15

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.

	Note	2009		2008	
Profit/loss before tax		5,027		1,835	
Tax expense/income					
Theoretic tax according to prevailing tax rate in each country		–1,247	–24.8%	–455	–24.8%
TAX EFFECT OF					
Losses/gains in countries with a high tax rate		85	1.7%	28	1.5%
Impairment of goodwill, non-deductible		–1	0.0%	–260	–14.2%
Sales of shares in subsidiaries, non-taxable		–13	–0.3%	–155	–8.4%
Write-down of shares in group companies		–	–	676	36.8%
Tax disputes from previous years		–405	–8.1%	–	–
Other non-deductible expenses/ non-taxable revenue		–4	–0.1%	111	6.0%
Valuation of tax assets relating to loss carry-forwards etc from previous years		1,112	22.1%	127	6.9%
Adjustment due to changed tax rate		–95	–1.9%	–143	–7.8%
Adjustment of tax assets from previous years		106	2.1%	32	1.7%
Change of not reported loss-carry forwards		36	0.7%	–81	–4.4%
TOTAL CONTINUING OPERATIONS		**–426**	**–8.5%**	**–120**	**–6.5%**
Discontinued operations	38	–29	–170.6%	2	–0.3%
TAX EXPENSE/INCOME AND EFFECTIVE TAX RATE FOR THE YEAR		**–455**	**–9.1%**	**–118**	**–4.6%**

In 2009 Tele2 AB has expensed SEK 186 million as well as SEK 10 million regarding the S.E.C. 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. Tele2 Sweden has during 2009 received a negative tax ruling, mainly regarding a deduction for contribution to its subsidiary Tele2 Norway for the write off of a MVNO-agreement. The declined deductions have affected the tax cost negatively by SEK 209 million in 2009, but will not have any cash flow effects.

In 2009 net taxes have been positively affected by SEK 1,071 (127) million as a result of a valuation of deferred tax assets related to holding companies in Luxembourg (2008: in Russia), as well as negatively by SEK –97 (–143) million due to reduced tax rate in Luxembourg (2008: Russia and Sweden).

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

The tax cost during 2008 was affected positively with SEK 676 million as a result of that write-downs of shares in group companies were tax deductible in the legal entity in Luxembourg and no temporary differences existed related to those investments.

Continued note 15

DEFERRED TAX ASSETS AND LIABILITIES

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

	Dec 31, 2009	Dec 31, 2008
Deferred tax assets		
Unutilized loss carry-forwards	4,980	4,544
Tangible assets	167	67
Receivables	–219	143
Liabilities	–299	–4
Other	–	4
Total deferred tax assets	**4,629**	**4,754**
Deferred tax liabilities		
Intangible assets	–66	–168
Tangible assets	–630	–586
Other	–35	–4
Total deferred tax liabilities	**–731**	**–758**
TOTAL DEFERRED TAX ASSETS AND TAX LIABILITIES	**3,898**	**3,996**

	Dec 31, 2009	Dec 31, 2008
Deferred tax assets		
Companies reporting a profit this year and previous year	1,910	703
Companies reporting a profit this year but a loss the previous year	1,106	893
Companies reporting a loss this year	1,613	3,158
Total deferred tax assets	**4,629**	**4,754**

LOSS CARRY-FORWARDS

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. According to this principle, losses in newly started operations are not netted against profits in more mature operations. Deferred tax assets concerning operations which report losses in 2009 are mainly related to new regions in Russia and companies in Sweden. The result in Sweden fluctuates each year with changes in exchange rate effects on internal loans, which on Group level mainly are reported in the translation reserve within other comphrehensive income.

The Group's total loss carry-forwards as of December 31, 2009 were 26,967 (30,369) million of which SEK 18,955 (17,547) million has been recorded as a deferred tax asset and the remaining part, SEK 8,012 (12,822) million, has been valued at zero. Of the total loss carry-forwards, SEK 1,400 (1,464) million expires in five years and the remaining part, SEK 25,567 (28,905) million, expires after five years or may continue to apply in perpetuity.

SEC TAX DISPUTE

In 2000, Tele2 acquired the outstanding majority of the listed company S.E.C. SA. The assets and liabilities of S.E.C. SA were, in connection with a restructuring in 2001, transferred to a new legal entity. At the time of the transfer an independent valuation was carried out. The valuation showed a decrease in the market value of the assets. As a result, Tele2 claimed a tax deduction for the realized loss of SEK 13.9 billion. The tax authorities did not agree and Tele2's tax return was rejected in December, 2004. The decision was appealed to the County Administrative Court in 2005.

Continued note 15

On January 27, 2009, the County Administrative Court declined Tele2's claim for a tax deduction of SEK 13.9 billion corresponding to a tax effect, excluding interest, of SEK 3.9 billion related to the S.E.C. tax dispute, of which SEK 186 million has been expensed during 2009. The Court concluded that Tele2 had not proved that the loss should be considered real. Tele2's opinion is that the prerequisites for a deduction have been fulfilled and the decision by the County Administrative Court has been appealed to the Administrative Court of Appeal during 2009. The Administrative Court of Appeal is expected to issue a ruling during the fall 2010. The interest is estimated to amount to SEK 630 (653) million at December 31, 2009.

NOTE 16 INTANGIBLE ASSETS

	Note	Dec 31, 2009 Licenses, utalization rights and software	Customer agreements	Total other intangible assets	Goodwill	Total
Acquisition value						
Acquisition value at January 1		3,932	2,086	6,018	16,147	22,165
Acquisition value in acquired companies	18	95	–	95	420	515
Acquisition value in divested companies	18	–1	–	–1	–1,149	–1,150
Investments		356	–	356	–	356
Sales and scrapping		–549	–	–549	–	–549
Reclassification		432	–	432	–	432
Exchange rate differences		–127	–107	–234	–789	–1,023
Total acquisition value		**4,138**	**1,979**	**6,117**	**14,629**	**20,746**
Accumulated amortization						
Accumulated amortization at January 1		–1,764	–1,739	–3,503		–3,503
Amortization in divested companies	18	1	–	1		1
Amortization according to plan		–334	–263	–597		–597
Sales and scrapping		374	–	374		374
Reclassification		–14	–	–14		–14
Exchange rate differences		63	96	159		159
Total accumulated amortization		**–1,674**	**–1,906**	**–3,580**		**–3,580**
Accumulated impairment						
Accumulated impairment at January 1		–340	–54	–394	–4,674	–5,068
Impairment in divested companies	18	–	–	–	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		**2,212**	**22**	**2,234**	**10,179**	**12,413**

CAPEX per business area within each country is presented in Note 17.

Continued note 16

	Dec 31, 2008				
	Licenses, utalization rights and software	Customer agreements	Total other intangible assets	Goodwill	Total
Acquisition value					
Acquisition value at January 1	3,186	1,939	5,125	16,496	21,621
Acquisition value in acquired companies	48	1	49	176	225
Acquisition value in divested companies	–307	–119	–426	–2,379	–2,805
Valuation of acquired loss carry-forwards	–	–	–	–11	–11
Investments	764	–	764	–	764
Sales and scrapping	–117	–	–117	–	–117
Reclassification	159	–	159	–68	91
Exchange rate differences	199	265	464	1,933	2,397
Total acquisition value	**3,932**	**2,086**	**6,018**	**16,147**	**22,165**
Accumulated amortization					
Accumulated amortization at January 1	–1,632	–1,178	–2,810		–2,810
Amortization in divested companies	218	99	317		317
Amortization according to plan	–363	–441	–804		–804
Sales and scrapping	105	–	105		105
Reclassification	40	–	40		40
Exchange rate differences	–132	–219	–351		–351
Total accumulated amortization	**–1,764**	**–1,739**	**–3,503**		**–3,503**
Accumulated impairment					
Accumulated impairment at January 1	–226	–	–226	–3,893	–4,119
Impairment in divested companies	–	–	–	1,495	1,495
Impairment	–114	–47	–161	–1,705	–1,866
Exchange rate differences	–	–7	–7	–571	–578
Total accumulated impairment	**–340**	**–54**	**–394**	**–4,674**	**–5,068**
TOTAL INTANGIBLE ASSETS	**1,828**	**293**	**2,121**	**11,473**	**13,594**

In 2008 Tele2 Sweden invested SEK 549 million in a 4G/LTE (Long Term Evolution) license.

The valuation of acquired loss carry-forwards related to an adjustment of the acquisition value and accumulated impairment of goodwill related to acquired loss carry-forwards which at the time of acquisition were valued at zero, but during 2008 were valued and recognized as tax income.

GOODWILL

In connection with the acquisition of operations, goodwill is allocated to the cash generating units that expect 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, 2009	Dec 31, 2008
Sweden	1,060	1,059
Russia	900	668
Estonia	868	916
Lithuania	875	925
Latvia	1,242	1,317
Croatia	108	13
France	–	1,179
Netherlands	5,098	5,363
Other	28	33
Total goodwill	**10,179**	**11,473**

Continued note 16

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, investment needs and discount rates. The expected revenue growth rate, profit margin and investment needs are based on sector data, expected changes in the market, management's experience in different markets and managements' assessment of the different markets. 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 8 and 16 (9 and 15) percent.

Tele2 calculates future cash flows based on the most recently approved three-year (five-year) plan and in some cases we extend the business case an additional two years until the growth rates are considered more perpetual. For the period after this, growth of 0 to 3 (0–2) percent is assumed, with mobile operations in the emerging markets towards the top of this range. This does not exceed the average long-term growth of the sector as a whole nor does it exceed the expected long term GDP growth rates in the markets.

In 2009 Tele2 recognized goodwill impairment of SEK 5 (986) million related to continuing operations. For additional information see Note 6.

Changes to important assumptions

The carrying amounts of cash-generating units, for which impairment losses for goodwill were recognized in 2008 (Germany and Austria), was written down to 0 at December 31, 2008.

Tele2 assess for the other cash generating units to which goodwill have been allocated that reasonable possible changes in the major assumptions should not have such significant effects that they individually should reduce the value in use to a value that is lower than the carrying value for the cash generating units.

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

	WACC pre tax	Forcast period	Growth rate after the forcast period
Sweden	10%	3 years	0%
Russia	16%	5 years	3%
Estonia	10%	3 years	2%
Lithuania	16%	3 years	2%
Latvia	12%	3 years	2%
Croatia	13%	5 years	3%
Netherlands	8%	3 years	1%

OTHER FIXED ASSETS

Impairment test of other fixed assets

Impairment test of central IT-systems in Sweden and fixed assets related to the cable TV network was in 2008 based on value in use and a pre-tax discount rate of 9 percent. No need for impairment has been identified during 2009 related to other fixed assets. For additional information please refer to Note 6.

NOTE 17 TANGIBLE ASSETS

Dec 31, 2009	Note	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	18	–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	18	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**

Russia and Sweden account for 74 (74) percent of the year's construction in progress of SEK 1.6 (2.1) billion.
Finance leases relate to assets reported according to Note 27. Tele2 has not capitalized any interest expenses in fixed assets.

Dec 31, 2008	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	138	1,481	1,584	3,203	26,475	*660*	29,678
Acquisition value in acquired companies	–	–	7	7	10	–	17
Acquisition value in divested companies	–	–85	–10	–95	–1,364	*–1*	–1,459
Investments	31	93	2,548	2,672	1,187	*10*	3,859
Sales and scrapping	–10	–31	–7	–48	–417	–	–465
Reclassification	13	45	–2,084	–2,026	1,956	–	–70
Exchange rate differences	20	110	72	202	1,382	*41*	1,584
Total acquisition value	**192**	**1,613**	**2,110**	**3,915**	**29,229**	***710***	**33,144**
Accumulated depreciation							
Accumulated amortization at January 1	–77	–1,111		–1,188	–13,792	*–274*	–14,980
Amortization in divested companies	–	75		75	844	–	919
Amortization according to plan	–11	–167		–178	–2,552	*–55*	–2,730
Sales and scrapping	6	32		38	373	–	411
Reclassification	–11	–8		–19	–21	–	–40
Exchange rate differences	–11	–89		–100	–671	*–21*	–771
Total accumulated depreciation	**–104**	**–1,268**		**–1,372**	**–15,819**	***–350***	**–17,191**
Accumulated impairment							
Accumulated impairment at January 1	–	–		–	–310	–	–310
Impairment in divested companies	–	–		–	9	–	9
Impairment	–	–		–	–70	–	–70
Exchange rate differences	–	–		–	–16	–	–16
Total accumulated impairment	**–**	**–**		**–**	**–387**	**–**	**–387**
TOTAL TANGIBLE ASSETS	**88**	**345**	**2,110**	**2,543**	**13,023**	***360***	**15,566**

Continued note 17

CAPEX

	Dec 31, 2009	Dec 31, 2008
Intangible assets	356	764
Tangible assets	4,083	3,859
CAPEX according to balance sheet	**4,439**	**4,623**
Reverse discontinued operations in intangible assets	–	–1
Reverse discontinued operations in tangible assets	–	–141
TOTAL CAPEX IN CONTINUING OPERATIONS	**4,439**	**4,481**

The difference between CAPEX in the balance sheet and the cash flow statement is presented in Note 33.

		CAPEX	
	Note	Dec 31, 2009	Dec 31, 2008
Sweden			
Mobile		252	704
Fixed broadband		159	210
Fixed telephony		9	24
Other operations		20	29
		440	**967**
Norway			
Mobile		6	6
Fixed broadband		2	24
Fixed telephony		2	2
		10	**32**
Russia			
Mobile		2,232	1,699
		2,232	**1,699**
Estonia			
Mobile		110	194
		110	**194**
Lithuania			
Mobile		165	107
Fixed broadband		4	5
		169	**112**
Latvia			
Mobile		154	214
		154	**214**
Croatia			
Mobile		194	235
		194	**235**
Netherlands			
Mobile		6	12
Fixed broadband		448	392
Fixed telephony		46	40
Other operations		33	30
		533	**474**
Germany			
Fixed broadband		2	5
Fixed telephony		1	2
		3	**7**
Austria			
Fixed broadband		46	99
Fixed telephony		24	48
Other operations		13	33
		83	**180**
Other			
Other operations		511	367
		511	**367**
TOTAL			
Mobile		**3,119**	**3,171**
Fixed broadband		**661**	**735**
Fixed telephony		**82**	**116**
Other operations		**577**	**459**
		4,439	**4,481**
TOTAL CONTINUING OPERATIONS		**4,439**	**4,481**
Discontinued operations	38	–	142
TOTAL OPERATION		**4,439**	**4,623**

In 2008 Tele2 Sweden was awarded 4G/LTE (Long Term Evolution) 2.6 GHz spectrum. The payment for the license was SEK 549 million.

NOTE 18 ACQUISITIONS AND DIVESTMENTS

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

	2009	2008
Acquisitions		
Izhevsk, Russia	–293	–
Croatia	–100	–
Sweden	–70	–
Netherlands	–28	–416
Kaliningrad, Russia	–	–103
Adigeja, Russia	–	–14
Other acquisitions of group companies	–38	–2
	–529	**–535**
Capital contribution to joint venture companies	–316	–141
	–316	**–141**
Total acquisitions	**–845**	**–676**
Divestments		
France	537	–
Norway, fixed broadband operation	104	–
Luxembourg and Liechtenstein	–	1,955
Switzerland	–	254
Poland	–	220
Austria, MVNO	–	20
Settlements of previous years' discontinued operations	277	–145
Settlements of previous years' other divestments	–70	–54
	848	**2,250**
Managest Media, associated company	–	23
	–	**23**
Total divestments	**848**	**2,273**
CASH FLOW EFFECT	**3**	**1,597**

ACQUISITIONS

Izhevsk, Russia

In July 2009, Tele2 acquired the remaining 25.5 percent of the shares in Tele2 Izhevsk in Russia for SEK 322 million, of which SEK 29 million of the purchase price will be paid after 12 months of the completion. After this acquisition Tele2 owns 100 percent of the company's shares.

Croatia

In June 2009, Tele2 acquired the remaining 7 percent of the shares in Tele2 Croatia for SEK 100 million, which is reported as goodwill. After this acquisition Tele2 owns 100 percent of the company's shares.

Sweden

In March 2009, Tele2 acquired all shares in a company which possesses a license in Sweden, for SEK 70 million. During 2009 the acquisition has had no material impact on Tele2's income statement.

Netherlands

During the first half of 2009 Tele2 acquired the remaining 0.34 percent of the shares in Tele2 Netherlands for SEK 28 million. After this acquisition Tele2 owns 100 percent of the company's shares.

Other acquisitions

SEK 38 million was paid during 2009 regarding previous year's acquisition of Kaliningrad.

Continued note 18

Net assets at the time of acquisition

Assets, liabilities and contingent liabilities included in the acquired operations are stated below.

	Izhevsk, Russia			Sweden		
	Reported value at the time of acquisition	Adjust-ment to fair value	Fair value	Reported value at the time of acquisition	Adjust-ment to fair value	Fair value
Licenses	–	–	–	3	91	94
Deferred tax liabilities	–	–	–	–	–24	–24
Minority interest	8	–	8	–	–	–
Acquired net assets	**8**	**–**	**8**	**3**	**67**	**70**
Goodwill			314			–
Purchase price for shares in subsidiary			**322**			**70**
Liabilities to former owners			–29			–
EFFECT ON GROUP CASH AND CASH EQUIVALENTS			**293**			**70**

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

ACQUISITIONS AFTER CLOSING DAY

Kazakhstan

In 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.

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 option to buy the remaining 49 percent after five years from closing. The acquired company will be consolidated into the Tele2 group and will benefit from Tele2's successful brand marketing and product strategies. The other shareholder will be Asianet Holdings B.V. which is part of a well established private investment group.

Goodwill in connection with the acquisition 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.

In 2009 acquisition costs regarding Kazakhstan of SEK 29 million have been reported in the income statement and cash flow statement.

Assets, liabilities and contingent liabilities included in the acquired operations are stated below.

	Kazakhstan		
	Reported value at the time of acquisition	Adjust-ment to fair value	Fair value
Customer agreements	–	530	530
Licenses	118	466	584
Software	24	–	24
Tangible assets	728	–	728
Current receivables	111	–	111
Deferred tax liabilities	–	–199	–199
Other long-term liabilities	–1,068	–	–1,068
Short-term liabilities	–256	–	–256
Minority interest	–	–527	–527
Acquired net assets	**–343**	**270**	**–73**
Goodwill			618
Purchase price for shares in subsidiary			**545**
EFFECT ON GROUP CASH AND CASH EQUIVALENTS			**545**

The information above is to be viewed as preliminary.

Continued note 18

Rostov, Russia

On January 28, 2010 Tele2 acquired the remaining 12.5 percent in the company Rostov Cellular Communication, in the Russian region of Rostov, for SEK 368 million, of which SEK 92 million will be paid 36 months after the acquisition. 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.

DIVESTMENTS

Discontinued operations

On October 15, 2009 Tele2 announced the sale of its operation in France. Please refer to Note 38 for additional information.

Norway, fixed broadband operation

On May 29, 2009 Tele2 sold its fixed broadband operation including VoIP customers in Norway for SEK 120 million and with a capital gain of SEK 44 million. The operation has affected Tele2's net sales in 2009 by SEK 182 (391) million, and EBITDA in 2009 by SEK –2 (–44) million. The sale was completed on July 1, 2009 after receiving approval from the regulatory authorities. The sale has not been reported as discontinued operation since the entire operation in the country has not been sold.

Other

Other cash flow changes include settlements of sales costs and price adjustments in the amount of SEK 70 (54) million, for divestments during 2008 that have not been classified as discontinued operations.

Net assets at the time of divestment

Assets, liabilities and contingent liabilities included in the divested operations at the time of divestment are stated below.

	France	Norway, fixed broadband operation	Total
Goodwill	614	–	614
Tangible assets	3	58	61
Material and supplies	9	–	9
Current receivables	261	–	261
Cash and cash equivalents	133	–	133
Exchange rate difference	–151	2	–149
Long-term liabilities	–2	–	–2
Short-term liabilities	–391	–	–391
Divested net assets	**476**	**60**	**536**
Capital gain/loss	105	44	149
Sales price, net sales costs	**581**	**104**	**685**
Sales costs etc, non-cash	58	–	58
Price adjustments, non-cash	31	–	31
Less: cash in divested operations	–133	–	–133
TOTAL CASH FLOW EFFECT	**537**	**104**	**641**

PRO FORMA

The table below shows the effect of the acquired and divested operations on Tele2's operating revenue and result, had they been acquired or divested at January 1, 2009.

	2009			
	Tele2 Group	Acquired operations before the time of acquisition	Less divested operations[1]	Tele2 Group, pro forma
Net sales	39,265	–	–182	39,083
EBITDA	9,185	–	2	9,187
Net profit/loss	4,601	–	13	4,614

[1] Less Tele2 France since reported as discontinued operations.

NOTE 19 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/votes)	Dec 31, 2009	Dec 31, 2008
Joint ventures					
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	501,000	tSEK 50,100	50%	318	68
Plusnet GmbH & Co. KG, HRA86957, Cologne, Germany	–	–	32.5%	–	–
Mobile Norway AS, 888,137,122, Oslo, Norway	5,241,912	tNOK 52,419	50%	187	188
Net4Mobility HB, 969739-0293, Stockholm, Sweden	–	–	50%	21	–
Spring Mobil AB, 556609-0238, Stockholm, Sweden	10,290	tSEK 1,029	50%	19	15
Associated companies					
SCD Invest AB, 556353-6753, Stockholm, Sweden	1,058,425 A	tSEK 5,292	9.1%/49.9%	–	–
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	400	tSEK 40	20%	3	3
GH Giga Hertz HB as well as 15 other trading companies with licenses, Sweden			33.3%	3	3
ZAO Setevaya Kompanya, 1047796743312, Moscow, Russia	246	tRUB 2,460	41%	–	–
Total shares in associated companies and joint ventures				**551**	**277**

None of the associated companies and joint ventures are listed on stock exchanges.

	Dec 31, 2009	Dec 31, 2008
Acquisition value		
Acquisition value at January 1	1,202	1,298
Investments	352	113
Share of profit/loss for the year	–97	–153
Amortization according to plan	–4	–61
Change of deferred tax liabilities	3	7
Change of provisions	–2	–1
Divestments	–	–22
Exchange rate differences	–13	21
Total acquisition value	**1,441**	**1,202**
Impairment		
Accumulated impairment at January 1	–925	–343
Impairment	–	–582
Exchange rate differences	35	–
Total accumulated impairment	**–890**	**–925**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES	**551**	**277**

Continued note 19

CONTRIBUTION OF EACH ASSOCIATED COMPANY AND JOINT VENTURE TO GROUP EQUITY

	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 according to plan	–	–	–	–	–4
Exchange rate differences	–	8	–	–	–
Total accumulated amortization	**–**	**–146**	**–**	**–**	**–13**
Accumulated impairment					
Accumulated impairment at January 1	–	–342	–	–	–
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**

Surplus values in associated companies and joint ventures relate mainly to machinery and technical plant. Provisions related to financial guarantees for loans.

Continued note 19

	Dec 31, 2008				
	Sv UMTS-nät	Plusnet	Mobile Norway	Net4 Mobility	Other
	Sweden	Germany	Norway	Sweden	
SURPLUS VALUE					
Acquisition value					
Acquisition value at January 1	–	430	148	–	29
Exchange rate differences	–	66	–10	–	–
Total acquisition value	**–**	**496**	**138**	**–**	**29**
Accumulated amortization					
Accumulated amortization at January 1	–	–62	–	–	–4
Amortization according to plan	–	–56	–	–	–5
Exchange rate differences	–	–36	–	–	–
Total accumulated amortization	**–**	**–154**	**–**	**–**	**–9**
Total accumulated impairment					
Impairment	–	–342	–	–	–
Total accumulated impairment	**–**	**–342**	**–**	**–**	**–**
TOTAL SURPLUS VALUE	**–**	**–**	**138**	**–**	**20**
DEFERRED TAX LIABILITY					
Deferred tax liability at January 1	–	–121	–	–	–12
Effect of impairment	–	119	–	–	–
Change of deferred tax liabilities	–	4	–	–	3
Exchange rate differences	–	–2	–	–	–
TOTAL DEFERRED TAX LIABILITIES	**–**	**–**	**–**	**–**	**–9**
PROVISIONS					
Total provisions at January 1	5	–	–	–	–
Change of provisions	–1	–	–	–	–
TOTAL PROVISIONS	**4**	**–**	**–**	**–**	**–**
SHARE OF SHAREHOLDERS' EQUITY					
Share of shareholders' equity at January 1	133	323	58	–	28
Share of capital contribution and new issues	–	28	45	–	40
Effect of impairment	–	–359	–	–	–
Share of profit/loss for the year	–69	3	–51	–	–36
Divestments	–	–	–	–	–22
Exchange rate differences	–	5	–2	–	–
TOTAL SHARE OF SHAREHOLDERS' EQUITY	**64**	**–**	**50**	**–**	**10**
	68	**–**	**188**	**–**	**21**
TOTAL SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES					**277**

Svenska UMTS-nät AB, Sweden
Tele2 and TeliaSonera each own 50 percent of Svenska UMTS-nät AB, which has a 3G license in Sweden. 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 4.8 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.

Continued note 19

Plusnet, Germany
Tele2 owns 32.5 percent of Plusnet GmbH & Co KG and QSC owns 67.5 percent, although the two parties according to agreement have joint control. Both companies act as purchasers of capacity. As the company is not a profit-seeking entity, its fixed costs are shared between Tele2 and QSC, and its variable costs are distributed proportionately in relation to use. Due to the existing severe competitive market situation for broadband in Germany, in 2008 Tele2 performed an impairment test that resulted in a reported impairment loss related to investment in Plusnet of SEK 582 million.

Mobile 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.

Net4Mobility, Sweden
Net4Mobility is one in equal shares joint infrastructure venture 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).

NOTE 20 OTHER FINANCIAL ASSETS

	Dec 31, 2009	Dec 31, 2008
Restricted bankdeposits	–	109
Pension funds	1	1
Other long-term holdings of securities	23	23
Receivable from Spring Mobil, joint venture in Sweden	18	–
Other receivables	3	17
Total other financial assets	**45**	**150**

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

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2009	Dec 31, 2008
Modern Holdings Inc, 133799783, Delaware, US	1,806,575	tUSD 18	11.88%	17	17
OJSC Aero-Space Telecommunications, 1025002032648, Russia	8,750,025	tRUB 35,000	1%	5	5
Radio National Luleå AB, 556475-0411, Stockholm, Sweden	55	tSEK 5	5.5%	1	1
Total other long-term securities				**23**	**23**

NOTE 21 MATERIALS AND SUPPLIES

	Dec 31, 2009	Dec 31, 2008
Finished products & goods for resale	160	279
Advance payments to suppliers	26	51
Other	15	38
Total material and supplies	**201**	**368**

Tele2's materials and supplies are mainly telephones, SIM cards, modems held for sale and set-top boxes for cable TV. In 2009 material and supplies has been expensed by SEK 987 (1,092) million, of which SEK 8 (15) million is related to write-down.

NOTE 22 ACCOUNTS RECEIVABLE

	Dec 31, 2009	Dec 31, 2008
Accounts receivable	3,756	5,562
Reserve for doubtful accounts	–612	–1,328
Total accounts receivable, net	**3,144**	**4,234**

	Dec 31, 2009	Dec 31, 2008
Reserve for doubtful accounts		
Reserve for doubtful accounts at January 1	1,328	1,245
Reserves in companies divested during the year	–569	–161
Provisions, net	215	175
Recovery of previous provisions	–358	–440
Exchange rate differences	–4	509
Total reserve for doubtful accounts	**612**	**1,328**

	Dec 31, 2009	Dec 31, 2008
Accounts receivable, overdue with no reserve		
Overdue between 1–30 days	432	592
Overdue between 31–60 days	87	212
Overdue more than 61 days	308	597
Total accounts receivable, overdue with no reserve	**827**	**1,401**

NOTE 23 OTHER CURRENT RECEIVABLES

	Dec 31, 2009	Dec 31, 2008
VAT receivable	219	274
Receivable from suppliers	30	21
Receivables clearinghouse, traffic	25	24
Receivable related to divestment of operations	14	141
Receivable from Svenska UMTS-nät, joint venture in Sweden	52	–
Receivable from Mobile Norge, joint venture in Norway	89	33
Receivable from Plusnet, joint venture in Germany	–	1
Other	30	44
Total other current receivables	**459**	**538**

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2009	Dec 31, 2008
Traffic revenues, from customers	868	1,031
Traffic revenues, from other telecom operators	485	789
Interest income	–	68
Subscription fees etc, from customers	30	36
Accrued income, other	43	67
Rental cost	351	364
Fixed subscription charges	73	72
Retailers' commissions, prepaid cards	29	28
Prepaid expenses, other	104	185
Total prepaid expenses and accrued revenues	**1,983**	**2,640**

SEK 31 (22) million of the balance sheet item is estimated to be paid more than 12 months after the closing date.

NOTE 25 SHORT-TERM INVESTMENTS

	Dec 31, 2009	Dec 31, 2008
Restricted funds	114	3,359
Total short-term investments	**114**	**3,359**

NOTE 26 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

AVAILABLE LIQUIDITY

	Dec 31, 2009	Dec 31, 2008
Cash and cash equivalents	1,312	1,250
Unutilized overdraft facilities and credit lines	11,098	15,998
Total available liquidity	**12,410**	**17,248**

	Dec 31, 2009	Dec 31, 2008
Unutilized overdraft facilities and credit lines		
Overdraft facilities granted	507	155
Overdraft facilities utilized	–109	–
Total unutilized overdraft facilities	**398**	**155**
Unutilized credit lines	10,700	15,843
Total unutilized overdraft facilities and credit lines	**11,098**	**15,998**

No specific collateral is provided for overdraft facilities.

EXCHANGE RATE DIFFERENCE IN CASH AND CASH EQUIVALENTS

	Dec 31, 2009	Dec 31, 2008
Exchange rate differences in cash and cash equivalents at January 1	37	177
Exchange rate differences in cash flow for the year	–64	–223
Total exchange rate difference in cash and cash equivalents	**–27**	**–46**

NOTE 27 FINANCIAL LIABILITIES

	Dec 31, 2009	Dec 31, 2008
Liabilities to financial institutions and similar liabilities	2,891	8,791
Other interest-bearing liabilities	358	694
Total interest-bearing financial liabilities	**3,249**	**9,485**
Accounts payable	2,106	2,217
Other short-term liabilities	640	679
	2,746	**2,896**
Total financial liabilities	**5,995**	**12,381**

Financial liabilities fall due for payment according to below.

	Dec 31, 2009	Dec 31, 2008
Within 3 months	2,688	3,271
Within 3–12 months	337	7,142
Within 1–2 years	957	62
Within 2–3 years	1,248	1,027
Within 3–4 years	742	54
Within 4–5 years	13	795
Within 5–10 years	10	30
Total financial liabilities	**5,995**	**12,381**

INTEREST-BEARING FINANCIAL LIABILITIES

Interest rate risk

Of interest-bearing financial liabilities as of December 31, 2009 SEK 463 million, corresponding to 14 percent, (SEK 2,857 million 30 percent) are at variable interest rates. An increase of the interest level of 1 percent would result in additional interest expenses of SEK 5 (29) million, and affect profit/loss after tax by SEK 3 (21) million, calculated on the basis of variable interest-bearing liabilities as of December 31, 2009. 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	279	91	53	17	13	10	463
Fixed interest rates	–	866	1,195	725	–	–	2,786
Total interest-bearing liabilities	**279**	**957**	**1,248**	**742**	**13**	**10**	**3,249**

Collateral provided

	Dec 31, 2009	Dec 31, 2008
Short-term investments, bank deposits	–	3,272
Total collateral provided for own liabilities	**–**	**3,272**

Liabilities to financial institutions and similar liabilities

			Dec 31, 2009		Dec 31, 2008	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
3-year syndicated loan facility	Variable interest rates	2012	–	1,195	3,595	–
Bond holders'	Fixed rate 6.35% and 6.47%	2011, 2013	–	1,587	–	1,706
Utilized bank overdraft facility	Variable interest rates		109	–	–	–
Commercial paper			–	–	280	–
Banque Invik	Margin: +0.07–0.15%		–	–	3,210	–
			109	**2,782**	**7,085**	**1,706**
Total liabilities to financial institutions and similar liabilities'				**2,891**		**8,791**

In February 2009 Tele2 signed a new credit facility agreement, and has at December 31, 2009 a borrowing facility of SEK 12.0 (19.5) billion. The new credit facility is reached with a group of nine banks, and amounts to SEK 12 billion with a three-year term and is due in February 2012. The interestbase is IBOR. The loan can be drawn in several

Continued note 27

currencies. At December 31, 2009 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 three-year loan facility is based on requirements involving the fulfilment of certain financial ratios. Tele2 expects to fulfil these requirements. The three-year loan facility is hedged by an interest rate derivative converting variable interest rate to fixed interest rate of 4.2 percent.

Since 2006 Tele2 has a bond issued on the US market totalling USD 220 million. This is divided into USD 120 million with a five-year maturity and a fixed interest rate of 6.35 percent and USD 100 million with a seven-year maturity and a fixed interest rate of 6.47 percent. The loan is conditioned on Tele2 achieving certain financial ratios. Tele2 expects to fulfil these requirements.

In 2009 the commercial papers issued on the Latvian and Estonian market of LVL 13 million and EEK 150 million respectively were due.

During the year Tele2 repaid all loans from Banque Invik to Tele2's operations in Russia and Croatia, consequently an equivalent amount of restricted cash was released.

The average interest rate on loans during the year was 6.9 (6.2) percent.

Other interest-bearing liabilities

	Dec 31, 2009		Dec 31, 2008	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Derivatives	85	–	369	–
Finance leases	60	154	61	232
Purchase price for purchase of Izhevsk	25	4	–	–
Other	–	30	2	30
	170	**188**	**432**	**262**
Total other interest-bearing liabilities		**358**		**694**

Derivatives consist of forward agreements and interest swaps, valued to fair value. The purpose of signing forward agreements was to make a hedge for exchange fluctuations of our investments in the Baltic countries. As per December 31, 2009 Tele2 does not hold any forward agreements. The effective part of the forward agreements and the interest swaps is reported in the hedge reserve in other comphrehensive income and the ineffective part is reported in the income statement as other financial items and interest cost, respectively.

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

	Dec 31, 2009		Dec 31, 2008	
	Present value	Nominal value	Present value	Nominal value
Within 1 year	64	65	67	68
Within 1–2 years	62	64	65	67
Within 2–3 years	52	55	65	69
Within 3–4 years	16	17	51	56
Within 4–5 years	12	14	19	21
Within 5–10 years	8	10	26	30
Total loan liability and interest		**225**		**311**
Less interest portion		-11		-18
Total finance leases	**214**	**214**	**293**	**293**

OTHER SHORT-TERM LIABILITIES

	Dec 31, 2009	Dec 31, 2008
VAT liability	413	384
Employee withholding tax	58	50
Other taxes	17	34
Purchase price for purchase of Kaliningrad	–	46
Liability to joint venture, Plusnet GmbH & Co. KG	45	68
Customer deposit	10	15
Other	97	82
Total short-term liabilities	**640**	**679**

NOTE 28 PROVISIONS

	2009					
	Rented buildings and cables	Legal disputes	Claims and guarantees for divested operations	Financial guarantee for loans	Pension and similar commit-ments	Total
Provisions as of January 1	13	44	236	4	14	311
Provisions in divested companies	–	–	–	–	–2	–2
Additional provisions	14	19	211	–	13	257
Utilized/paid provisions	–6	–1	–71	–	–	–78
Reversed unused provisions	–	–32	–64	–2	–	–98
Exchange rate differences	–	–	–8	–	–	–8
Total provisions as of December 31	**21**	**30**	**304**	**2**	**25**	**382**

	Dec 31, 2009	Dec 31, 2008
Provisions, short-term	164	118
Provisions, long-term	218	193
Total provisions	**382**	**311**

Long-term provisions of SEK 218 million is expected to be solved with SEK 182 million within 1–3 years, SEK 3 million within 3–5 years and SEK 33 million after 5 years or later.

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2009	Dec 31, 2008
Traffic expenses to other telecom operators	1,253	1,386
External services expenses	642	699
Personnel-related expenses	476	466
Expenses for dealers	183	229
Interest costs	26	166
Leasing and rental expenses	55	77
Other accrued expenses	177	211
Deferred income, prepaid cards	752	846
Other deferred income	1,021	1,175
Total accrued expenses and deferred income	**4,585**	**5,255**

NOTE 30 PLEDGE ASSETS

	Dec 31, 2009	Dec 31, 2008
Short-term investments, bank deposits	114	3,359
Other long-term receivables, bank deposits	–	109
Total pledged assets	**114**	**3,468**

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 31 CONTINGENT LIABILITIES

	Dec 31, 2009	Dec 31, 2008
Tax dispute, S.E.C. SA liquidation	4,354	4,563
Guarantee related to joint ventures	1,825	2,054
Future commitments	–	1
Total contingent liabilities	**6,179**	**6,618**

On January 27, 2009, the County Administrative Court declined Tele2's claim for a tax deduction of SEK 13.9 billion corresponding to a tax effect, excluding interest, of SEK 3.9 billion related to the S.E.C. tax dispute, of which SEK 186 million has been expensed and paid during 2009. In 2009 the County Administrative Court's ruling has been appealed to the Administrative Court of Appeal. The interest is esti-

Continued note 31

mated to amount to SEK 630 (653) million at December 31, 2009. For information regarding the tax dispute related to the liquidation of S.E.C. SA please refer to Note 15.

Svenska UMTS-nät AB, a joint venture holding in Tele2, has a granted loan facility of SEK 4.8 (4.8) billion, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 2.4 (2.4) billion. As of December 31, 2009, Tele2's guarantee for UMTS-nät AB amounted to SEK 1,745 (2,021) million.

Mobile Norway, a joint venture holding in Tele2, has a granted loan facility of NOK 1,070 million, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of NOK 541 million (corresponding to SEK 672 million). In addition, Tele2 has provided a bank guarantee of SEK 30 (33) million. As of December 31, 2009, Tele2's guarantee for Mobile Norway amounted to a total of SEK 80 (33) million.

NOTE 32 OPERATING LEASES AND OTHER COMMITMENTS

ANNUAL EXPENSES

	2009	2008
Leased capacity	2,185	1,987
Other operating leases	629	547
Annual leasing expenses for operating leases	**2,814**	**2,534**

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 PAYMENTS DUE FOR PAYMENT

	Dec 31, 2009	Dec 31, 2008
Within 1 year	1,234	1,264
Within 1–2 years	919	850
Within 2–3 years	864	824
Within 3–4 years	791	745
Within 4–5 years	758	701
Within 5–10 years	1,450	1,563
Within 10-15 years	212	208
More than 15 years	223	124
Total future lease payments for operating leases	**6,451**	**6,279**

CONTRACTUAL COMMITMENTS/COMMERCIAL PLEDGES

		Dec 31, 2009				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities	27	3,025	2,205	755	10	5,995
Interest payments on loans		156	185	23	–	364
Commitments, joint venture Plusnet		180	331	153	–	664
Commitments, joint venture Mobile Norway		82	372	465	238	1,157
Commitments, other		1,003	31	–	–	1,034
Guarantees, joint ventures	31	1,825	–	–	–	1,825
Operating leases	32	1,234	1,783	1,549	1,885	6,451
Total contractual commitments/ commercial pledges		**7,505**	**4,907**	**2,945**	**2,133**	**17,490**

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 refere to Note 31.

NOTE 33 SUPPLEMENTARY CASH FLOW INFORMATION

CASH FLOW FROM OPERATING ACTIVITIES BASED ON THE NET RESULT

	2009	2008
OPERATING ACTIVITIES		
Net profit/loss	4,555	2,433
Adjustments for non-cash items in operating profit/loss		
Depreciation and amortization	4,081	5,470
Result from shares in associated companies and joint ventures	98	794
Gain/loss on sale of fixed assets	30	16
Gain/loss on sale of shares	–369	–1,386
Unpaid financial items	20	722
Unpaid tax	65	257
Deferred tax expense	–493	–517
Cash flow from operations before changes in working capital	**7,987**	**7,789**
Changes in working capital	1,131	107
CASH FLOW FROM OPERATING ACTIVITIES	**9,118**	**7,896**

Continued note 33

CAPEX

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

	2009	2008
CAPEX according to cash flow statement	4,340	4,608
This year unpaid CAPEX and paid CAPEX from previous year		
Continuing operations	–8	–1
Discontinued operations	–	-21
Sales price in cash flow statement		
Continuing operations	107	37
CAPEX according to balance sheet	**4,439**	**4,623**

Of the year's investment in intangible and tangible assets, SEK 186 (75) million is unpaid at December 31, 2009 and has therefore not been reported as investments in the cash flow statement. Payment of the previous year's investment of SEK 194 (97) million has been reported as investment in the cash flow for 2009. These items amount to SEK –8 (–22) million, with SEK 0 (–21) million relating to unpaid CAPEX in discontinued operations.

CAPEX per business area within each country are presented in Note 17.

NOTE 34 NUMBER OF SHARES AND EARNINGS PER SHARE

The share capital in Tele2 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. Tele2's Articles of Association make no stipulation that limits the right to transfer shares.

In the case of a bid for all shares in Tele2 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.

As a result of 30,000 stock options being exercised during 2009, Tele2 has issued new shares resulting in an increase of shareholders' equity of SEK 3 million.

Continued note 34

In order to ensure delivery of shares under the incentive program 2009–2012 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. Shares in own custody amount to 1.3 (2.1) percent of the share capital.

In 2008 Tele2 repurchased own shares of Series B of 4,500,000, corresponding to 1 percent of all shares in Tele2, for a cost of SEK 462 million. The repurchased shares have been cancelled in 2009, which has resulted in a reduction of the share capital of SEK 5 million.

During the year, 13,041,710 class A shares were reclassified into class B shares. The reclassification was made in accordance with the resolution passed at the Annual General Meeting on May 11, 2009.

CHANGE OF NUMBER OF SHARES

	A shares		B shares		C shares		Total
	Change	Total	Change	Total	Change	Total	
As of January 1, 2007		38,356,545		406,133,048		–	444,489,593
New share issue, warrants	–	38,356,545	361,746	406,494,794	4,098,000	4,098,000	448,949,339
As of December 31, 2007		**38,356,545**		**406,494,794**		**4,098,000**	**448,949,339**
Reclassification of A shares to B shares	–182,839	38,173,706	182,839	406,677,633	–	4,098,000	448,949,339
New share issue, warrants	–	38,173,706	–	406,677,633	850,000	4,948,000	449,799,339
As of December 31, 2008		**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, warrants	–	25,131,996	30,000	415,249,343	850,000	5,798,000	446,179,339
Total number of shares as of December 31, 2009		**25,131,996**		**415,249,343**		**5,798,000**	**446,179,339**

Continued note 34

CHANGE OF NUMBER OF SHARES IN OWN CUSTODY

	B shares		C shares		Total
	Change	Total	Change	Total	
As of January 1, 2007		–		–	–
New share issue/repurchase of own shares, warrants	–	–	4,098,000	4,098,000	4,098,000
As of December 31, 2007		**–**		**4,098,000**	**4,098,000**
New share issue/repurchase of own shares, warrants	–	–	850,000	4,948,000	4,948,000
Repurchase of own shares	4,500,000	4,500,000	–	4,948,000	9,448,000
As of December 31, 2008		**4,500,000**		**4,948,000**	**9,448,000**
New share issue/repurchase of own shares, warrants	–	4,500,000	850,000	5,798,000	10,298,000
Cancellation of own shares	–4,500,000	–	–	5,798,000	5,798,000
Total number of shares in own custody as of December 31, 2009		**–**		**5,798,000**	**5,798,000**

NUMBER OF OUTSTANDING OPTIONS AND SHARE RIGHTS

	Dec 31, 2009	Dec 31, 2008
Incentive program 2009–2012	632,160	
Incentive program 2008–2011	492,549	611,272
Incentive program 2007–2010/2012	2,550,000	2,823,000
Incentive program 2006–2009/2011	904,000	1,571,000
Total number of outstanding options and share rights	**4,578,709**	**5,005,272**

Further information is provided in Note 36.

NUMBER OF SHARES AFTER DILUTION

	Dec 31, 2009	Dec 31, 2008
Number of shares	446,179,339	449,799,339
Repurchase of own shares	–5,798,000	–9,448,000
Number of outstanding shares, basic	440,381,339	440,351,339
Incentive program 2009–2012	632,160	–
Incentive program 2008–2011	492,549	611,272
Incentive program 2006–2009/2011	–	100,805
Total number of shares after dilution	**441,506,048**	**441,063,416**

Stock options under the 2006 and 2007–2010/2012 incentive program do not give rise to any dilution effect at December 31, 2009.

EARNINGS PER SHARE

	Earnings per share		Earnings per share, after dilution	
	2009	2008	2009	2008
Net profit/loss attributable to equity holders of the parent company	4,519	2,411	4,519	2,411
Weighted average number of shares	440,355,339	443,538,839	440,355,339	443,538,839
Incentive program 2009–2012			373,427	–
Incentive program 2008–2011			543,951	220,233
Incentive program 2006–2009/2011			–	107,970
Weighted average number of outstanding shares after dilution			**441,272,717**	**443,867,042**
Earnings per share, SEK	**10.26**	**5.44**	**10.24**	**5.43**

DIVIDEND

Tele2's intention over the medium term is to pay a progressive ordinary dividend to its shareholders. The Board of Tele2 has decided to recommend an increase of the ordinary dividend of 10 percent for 2009.

At the Annual General Meeting in May 2010, a dividend for 2009 of SEK 5.85 (5.00) per share will be proposed, of which the ordinary dividend amounts to SEK 3.85 (3.50) per share and an extraordinary dividend amounts to SEK 2.00 (1.50). At December 31, 2009 this correspond to a total of SEK 2,576 (2,202) million, of which ordinary dividend SEK 1,695 (1,541) million and extraordinary dividend SEK 881 (661) million.

NOTE 35 NUMBER OF EMPLOYEES

		Average number of employees			
		2009		2008	
	Note	Total	*of whom men*	Total	*of whom men*
Sweden		1,311	*68%*	1,219	*69%*
Norway		58	*78%*	57	*77%*
Russia		2,738	*50%*	1,969	*51%*
Estonia		234	*43%*	209	*42%*
Lithuania		105	*53%*	100	*58%*
Latvia		426	*35%*	320	*42%*
Croatia		88	*60%*	79	*59%*
Netherlands		789	*78%*	708	*79%*
Germany		78	*72%*	68	*71%*
Austria		347	*70%*	403	*72%*
Other		441	*77%*	451	*77%*
		6,615	*59%*	**5,583**	*62%*
Discontinued operations	38	69	*52%*	229	*68%*
Total average number of employees		**6,684**	***59%***	**5,812**	***62%***

	2009		2008	
	Women	Men	Women	Men
For all group companies				
Board members	11%	89%	9%	91%
Other senior executives	31%	69%	29%	71%
Total proportion of board members and other senior executives	**26%**	**74%**	**24%**	**76%**

NOTE 36 PERSONNEL COSTS

		2009			2008		
	Note	Board of Directors and CEO	*of which bonus*	Other employees	Board of Directors and CEO	*of which bonus*	Other employees
Sweden		4	*1*	678	4	*1*	624
Norway		2	–	36	3	*1*	36
Russia		54	–	292	29	–	262
Estonia		4	*1*	46	3	*1*	40
Lithuania		4	–	23	3	–	19
Latvia		3	–	65	2	–	51
Croatia		7	*1*	43	3	–	35
Netherlands		3	*2*	528	7	*1*	449
Germany		2	*2*	48	2	–	51
Austria		2	–	217	3	–	214
Other		37	*9*	185	52	*2*	210
		122	***16***	**2,161**	**111**	***6***	**1,991**
Discontinued operations	38	9	–	15	9	*3*	94
Total salaries and remuneration		**131**	***16***	**2,176**	**120**	***9***	**2,085**

		2009			2008		
	Note	Personnel costs	Social security expenses	*of which pension expenses*	Personnel costs	Social security expenses	*of which pension expenses*
Board and President		122	29	*7*	111	34	*10*
Other employees		2,161	667	*156*	1,991	619	*148*
		2,283	**696**	***163***	**2,102**	**653**	***158***
Discontinued operations	38	24	11	–	103	18	*4*
Total		**2,307**	**707**	***163***	**2,205**	**671**	***162***

PENSIONS

	2009	2008
Defined-benefit plans, retirement pension	32	43
Defined-benefit plans, compliance and disability pension	7	5
Defined-contribution plans	124	114
Total pension expenses	**163**	**162**

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

	2009	2008
Income statement		
Current service costs	–20	–11
Expected return on plan assets	–2	–4
Actuarial net losses/gains recognized for the year	–10	–28
Net cost recognized in the income statement	**–32**	**–43**

	Dec 31, 2009	Dec 31, 2008
Balance sheet		
Present value of funded obligations	–113	–125
Fair value of plan assets	90	110
Net	**–23**	**–15**
Unrealized actuarial gains/losses	–1	2
Net asset (+) / obligation (–) in balance sheet	**–24**	**–13**
of which assets	*1*	*1*
of which liabilities	*–25*	*–14*

	2009	2008
Net asset (+) / obligation (–) at beginning of year	–13	12
Net asset/obligation at beginning of year, divested operations	2	2
Net cost	–32	–43
Payments	21	16
Exchange rate differences	–2	–
Net asset (+) / obligation – in balance sheet at end of year	**–24**	**–13**

Continued note 36

	Dec 31, 2009	Dec 31, 2008
Important actuarial assumptions		
Discount rate	3.5–4.3%	3.8–4.3%
Expected return on plan assets	4.0–6.3%	4.2–6.3%
Annual salary increases	1.8–4.5%	3–4.5%
Annual pension increases	2%	2%

REMUNERATION FOR SENIOR EXECUTIVES

2009	Basic salary/ board fees	Variable remune-ration	Option program	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
Chairman of the Board, Vigo Carlund	1.2						1.2
Deputy Chairman of the Board, Mike Parton	0.7						0.7
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*)	5.8*)	61.2
Total salaries and remuneration to senior executives	**33.5**	**18.8**	**9.1**	**1.7**	**12.0**	**8.1**	**83.2**

*) mainly remuneration during notice period to Donna Cordner and Bo Lindgren.

The group Other senior executives comprises 7 (6) persons.

On February 18, 2010 Tele2 announced that the CEO Harri Koponen has left the company with immediately effect, due to irreconcilable differences over leadership. The Board of Directors has appointed Lars Nilsson, the Chief Financial Officer, as the interim CEO. Termination payment will effect the Q1 2010 result and is estimated for 18 months to be SEK 14.6 million as well as other benefits and remunerations of SEK 0.5 million. In addition pension costs of SEK 3.1 million and social security costs of SEK 3.6 million will be expensed.

2008	Basic salary/ board fees	Variable remune-ration	Option program	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
Chairman of the Board, Vigo Carlund	1.2						1.2
CEO and President, Harri Koponen	3.1	–	0.1	0.0	1.4	0.8	5.4
Lars-Johan Jarnheimer							
– up until August 31, 2008	9.2	1.5	0.7	0.0	0.1	1.7	13.2
– notice period	–	–	5.2	–	18.0	3.9	27.1
Other senior executives	17.0	6.7	8.0	0.2	3.7*)	5.1*)	40.7
Total salaries and remuneration to senior executives	**30.5**	**8.2**	**14.0**	**0.2**	**23.2**	**11.5**	**87.6**

*) include remuneration during notice period to Johnny Svedberg.

At September 1, 2008 Lars-Johan Jarnheimer, President and CEO, decided to leave Tele2. When Lars-Johan left the company, the Board decided to offer a notice period of 18 months. This decision was made to ensure a smooth handover to the new CEO and to ensure that Lars-Johan would be available for consultation during this time. Lars-Johan was also granted continued participation in the 2006 and 2007 Long-Term Incentive programs. In 2008 a one-time cost affected Tele2 as a consequence of this. Lars-Johan has returned his rights to the 2008 Long-Term Incentive programs, and figures for 2008 have been adjusted accordingly.

During 2009 the senior executives received 224,000 (184,000) share rights from the year's new incentive program and 8,457 share rights regarding compensation for dividend from 2008 year incentive program. The market value of the stock options at the time of issue was SEK 2.9 (2.3) million for the CEO (prior and present) and SEK 9.1 (13.8) million for other senior executives. No premium was paid for the share rights.

Continued note 36

	2009							
	Program 2009–2012		Program 2008–2011		Program 2007–2012		Program 2006–2011	
Number of stock options	CEO	Other senior executives	CEO	Other senior executives	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2009			56,000	128,000	210,000	855,000	200,000	272,000
Allocated	56,000	168,000						
Allocated, compensation for dividend	–	–	2,569	5,888	–	–	–	–
Forfeited	–	–	–	–50,208	–	–210,000	–	–
Total outstanding stock options	**56,000**	**168,000**	**58,569**	**83,680**	**210,000**	**645,000**	**200,000**	**272,000**

Remuneration guidelines for senior executives 2009

The following guidelines for determining remuneration for senior executives in 2009 were approved by the Annual General Meeting in May 2009.

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 2009) Tele2 have 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. Based on exceptional performance, stretch goals, an additional bonus above the STI may be granted, amounting to a maximum of 20 percent of the annual base salary for the senior executives.

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 2009 were SEK 5,125 (4,975) thousand following a decision by the Annual General Meeting in May 2009. SEK 1,200 (1,200) thousand was paid to the Chairman of the Board, SEK 600 (–) thousand to the Deputy Chairman, SEK 450 (450) thousand to each of the other six (seven) board members and a total of 625 (625) thousand for assignments performed by the board's committees. The split of fees to each boardmember is stated below.

Continued note 36

	Fees to the board		Fees to the board committees	
SEK	2009	2008	2009	2008
Vigo Carlund	1,200,000	1,200,000	25,000	32,535
Mike Parton	600,000	450,000	100,000	100,000
Jere Calmes	450,000	450,000	125,000	125,000
Mia Brunell Livfors	450,000	450,000	125,000	125,000
John Hepburn	450,000	450,000	50,000	42,465
John Shakeshaft	450,000	450,000	200,000	200,000
Christina Stenbeck	450,000	450,000	–	–
Pelle Törnberg	450,000	450,000	–	–
Total fee to board members	**4,500,000**	**4,350,000**	**625,000**	**625,000**

SHARE-BASED PAYMENTS

The purpose with the incentive programmes are to strengthen the employees' loyalty, improve the conditions or the company's continued demands on profitability and create an opportunity for the employees to take part in the group's development. The incentive programmes will constitute a competitive incentive and a motivation offer for senior executives and other key employees within the group.

Number of outstanding options and rights are stated below.

	Dec 31, 2009	Dec 31, 2008
Incentive program 2009–2012	632,160	
Incentive program 2008–2011	492,549	611,272
Incentive program 2007–2010/2012	2,550,000	2,823,000
Incentive program 2006–2009/2011	904,000	1,571,000
Total Number of outstanding options and share rights	**4,578,709**	**5,005,272**

Incentive program 2009-2012

The Annual General Meeting on May 11, 2009, approved an incentive program for allocation to senior executives and other key employees in the Tele2 Group.

The incentive program (the Plan) included a total of 72 senior executives and other key employees within 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.

Subject to fulfilment of certain retention and performance based conditions during the period April 1, 2009 – March 31, 2012 (the measure period), the participant maintaining the employment within the Tele2 Group at the date of the release of the interim report January – March 2012 and subject to the participant maintaining the invested shares, each retention right and performance 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 355, five times the average closing share price of the Tele2 Class B shares during February 2009 (SEK 71).

The Board of Directors was authorized during the period until the next Annual General Meeting, to increase the company's share capital by not more than SEK 1,062,500 by the issue of not more than 850,000 Class C shares, each with a ratio value of SEK 1.25. The new issue was performed during Q3 2009. Moreover, it was resolved to authorize the Board of Directors, during the period until the next Annual General Meeting, to repurchase the new Class C shares, which was performed in Q3 2009. The purpose of the repurchase is to ensure the delivery of Class B shares under the Plan. Further, it was resolved that Class C shares that the Company purchases by virtue of the authorization to repurchase its own shares, following reclassification into Class B shares, may be transferred to participants in accordance with the terms of the Plan.

Continued note 36

The Plan comprised a total number of 140,040 shares and the following number of rights for the different Groups: a) 8,000 shares and 7 rights per invested share for the CEO, b) 28,000 shares and 6 rights per invested share for other senior executives (7 persons) and c) 104,040 shares and 4 rights per invested share for other participants (64 persons).

Number of rights	2009
Allocated June 1, 2009	640,160
Forfeited	–8,000
Total outstanding rights	**632,160**

Total costs before tax for outstanding rights in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 31 million, of which SEK 6 million has been expensed in 2009. Total liability for social security costs from the incentive program amounts at December 31, 2009 to SEK 2 million.

The estimated average fair value of the granted rights was SEK 50.70 on the grant date, June 1, 2009. The calculation of the fair values was carried out by external analysts. The following variables was used where Serie A was based on total shareholder return (TSR), Serie B was based on the company's average normalized return on capital employed (ROCE) and Serie C was based on total shareholder return (TSR) compared to a peer Group.

	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 76.70	SEK 76.70	SEK 76.70
Expected life	2.90 years	2.90 years	2.90 years
Expected value reduction parameter market condition	70%	–	30%

Incentive program 2008–2011

The Annual General Meeting on May 14, 2008, approved an incentive program for allocation to senior executives and other key employees in the Tele2 Group.

The incentive program (the Plan) included a total of approximately 80 senior executives and other key employees within 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.

Subject to fulfilment of certain retention and performance based conditions during the period April 1, 2008–March 31, 2011 (the measure period), the participant maintaining the employment within the Tele2 Group at the date of the release of the interim report January–March 2011 and subject to the participant maintaining the invested shares, each retention right and performance 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 540, five times the average closing share price of the Tele2 Class B shares during March 2008 (SEK 108).

The Board of Directors was authorized during the period until the next Annual General Meeting, to increase the company's share capital by not more than SEK 1,062,500 by the issue of not more than 850,000 Class C shares, each with a ratio value of SEK 1.25. The new issue was performed during Q3 2008. Moreover, it was resolved to authorize the Board of Directors, during the period until the next Annual General Meeting, to repurchase the new Class C shares, which was performed in Q3 2008. The purpose of the repurchase is to ensure the delivery of Class B shares under the Plan. Further, it was resolved that Class C shares that the Company purchases by virtue of the authorization to repurchase its own shares, following reclassification into Class B shares, may be transferred to participants in accordance with the terms of the Plan.

Continued note 36

The Plan comprised, at the three allocation dates, a total number of 134,818 shares and the following number of rights for the different Groups: a) 16,000 shares and 7 rights per invested share for the CEO (prior and present), b) 20,000 shares and 6 rights per invested share for other senior executives (5 persons) and c) 98,818 shares and 4 rights per invested share for other participants (63 persons).

In the end of 2008 allocation has been done to President and CEO Harri Koponen and key employees in Russia.

Number of rights	2009	Cumulative from start
Allocated May 30, 2008		384,400
Allocated October 24, 2008		56,000
Allocated December 19, 2008		186,872
Total allocated		**627,272**
Outstanding as of January 1, 2009	611,272	
Allocated, compensation for dividend	25,165	25,165
Forfeited	–143,888	–159,888
Total outstanding rights	**492,549**	**492,549**

Total costs before tax for outstanding rights in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 40 million, of which SEK 11 million has been expensed in 2008 and SEK 9 million in 2009. Total liability for social security costs from the incentive program amounts at December 31, 2009 to SEK 5 million.

The estimated average fair value of the granted rights was SEK 108.10 on the grant date, May 30, 2008, SEK 41.20 on October 24, 2008 and SEK 41.00 on December 19, 2008. The calculation of the fair values was carried out by external analysts. The following variables was used where Serie A was based on total shareholder return (TSR), Serie B was based on the company's average normalized return on capital employed (ROCE) and Serie C was based on total shareholder return (TSR) compared to a peer Group.

	Serie A	Serie B	Serie C
Annual turnover of personnel	7.0%	7.0%	7.0%
Expected value reduction parameter fulfilment	–	50%	–
Allocated May 30, 2008			
Weighted average share price	SEK 128.60	SEK 128.60	SEK 128.60
Expected life	2.91 years	2.91 years	2.91 years
Expected value reduction parameter market condition	90%	–	65%
Allocated October 24, 2008			
Weighted average share price	SEK 65.60	SEK 65.60	SEK 65.60
Expected life	2.50 years	2.50 years	2.50 years
Expected value reduction parameter market condition	35%	–	35%
Allocated December 19, 2008			
Weighted average share price	SEK 69.00	SEK 69.00	SEK 69.00
Expected life	2.35 years	2.35 years	2.35 years
Expected value reduction parameter market condition	35%	–	35%

Incentive program 2007-2010/2012

The Extraordinary General Meeting on August 28, 2007 decided to adopt a performance based incentive program totalling a maximum of 4,098,000 stock options for approximately 80 senior executives and key employees in the Tele2 Group.

The participants under the program were granted free of charge stock options which exercise is conditional upon the fulfilment of certain performance conditions and that the holder is still employed within the Tele2 Group at the start of the exercise period. Each stock option entitles the holder to purchase one Class B share at an exercise price corresponding to SEK 124. The stock options were granted in three different series. The exercise period for the options in series I is the period from the day after the company has published its second interim report for 2010 until two weeks after the publication of the third interim report for 2010. The exercise period for the options in series II and series III is

Continued note 36

the period from the day after the company has published its second interim report for 2010 until two weeks after the publication of the second interim report for 2012.

The exercise of the stock options is conditional upon the fulfilment of certain performance conditions. The performance conditions are measured from July 1, 2007 until June 30, 2010 and are based on the company's average normalised return on capital employed (ROCE) and total shareholder return compared to a peer group (TSR). Based on the outcome of these performance conditions, the participants will be able to exercise 0–100 percent of the granted stock options.

The right to exercise options in series I (a) and series II is conditional upon ROCE exceeding a minimum threshold defined by the Board of Directors (the Minimum ROCE Threshold). The Minimum ROCE Threshold constitutes a ROCE that is above Tele2's average ROCE during the last three years. If ROCE exceeds the Minimum ROCE Threshold, 50 percent of the options in series I (a) and series II will be exercisable. If ROCE reaches a stretch target defined by the Board (the ROCE Target), reflecting a further improved ROCE, which is significantly above the Minimum ROCE Threshold, all options in series I (a) and series II will be exercisable. If ROCE exceeds the Minimum ROCE Threshold, but is less than the ROCE Target, options in series I (a) and series II will be exercisable in proportion to a linear reduction, meaning that 50–100 percent of the options will be exercisable.

The right to exercise options in series I (b) and series III is conditional upon Tele2's TSR exceeding the peer group's TSR (the Minimum TSR Threshold). If Tele2's TSR exceeds the Minimum TSR Threshold, 50 percent of the options in series I (b) and series III will be exercisable. If Tele2's TSR exceeds the peer groups' TSR with 5 percentage points or more (the TSR Target), all options in series I (b) and series III will be exercisable. If Tele2's TSR exceeds the Minimum TSR Threshold, but is less that than the TSR Target, options in series I (b) and series III will be exercisable in proportion to a linear reduction, meaning that 50–100 percent of the options will be exercisable.

Number of options	2009	Cumulative from start
Allocated		3,552,000
Outstanding as of January 1, 2009	2,823,000	
Forfeited	–273,000	–1,002,000
Total outstanding stock options	**2,550,000**	**2,550,000**

In order to ensure the delivery of Class B shares to the participants in the program, it was resolved at the Extraordinary General Meeting on August 28 2007, to authorize a new share issue and the repurchase of convertible Class C shares and the transfer of Class B shares to the participants in accordance to the incentive program. In December 2007, a directed new share issue of 4,098,000 Class C shares was carried out, each with a nominal value of SEK 1.25, to the subscription price of SEK 1.25 per share. The Class C shares have no right to dividends and each share has one voting right. Newly issued Class C shares were immediately repurchased to the same price as the subscription price.

The exercise price has been adjusted from SEK 130.20 to SEK 124 due to a compensation for the extra ordinary dividend paid during 2008 and 2009. Total costs before tax for outstanding stock options in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 56 million, of which SEK 6 million was expensed in 2007, SEK 15 million in 2008 and SEK 24 million in 2009. Total liability for social security costs from the incentive program amounts at December 31, 2009 to SEK 5 million.

The estimated fair value of the granted stock options was SEK 15.80 on the grant date, August 28, 2007. The calculations of the fair values were carried out by external analysts using the Black & Scholes option pricing model. The following variables were used.

Continued note 36

	Serie I (a)	Serie I (b)	Serie II	Serie III
Weighted average share price	SEK 120.10	SEK 120.10	SEK 120.10	SEK 120.10
Exercise price	SEK 130.20	SEK 130.20	SEK 130.20	SEK 130.20
Expected volatility	25%	25%	25%	25%
Expected life	3.0 years	3.0 years	3.5 years	3.5 years
Risk free rate	4.15%	4.15%	4.15%	4.15%
Yield	1.8%	1.8%	1.8%	1.8%
Expected value reduction parameter market conditions	–	56%	–	56%

Expected volatility was determined by calculating the historical volatility of Tele2's share price over the previous 100 days. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferablility, exercise restrictions and behavioral considerations.

Incentive program 2006–2009/2011

The Extraordinary General Meeting on February 21, 2006, decided to adopt an incentive program for a maximum of 32 senior executives and key employees in the Tele2 Group, resulting in a combined offering of a maximum of 1,059,000 warrants and a maximum of 2,118,000 stock options. Exposures in the incentive program were secured by a directed new issue of 2,118,000 warrants to a wholly-owned group company. For each warrant acquired by the participant, two free stock options were offered, each carrying an entitlement to acquire one B share in the company. Stock options can only be exercised if the employee is still in Tele2's employment on the date of exercise. The premium for 752,000 issued warrants increased equity for 2006 by SEK 7 million.

Subscription for class B shares through the warrants may take place during February 25 – May 25, 2009, and the stock options run for five years, with the earliest exercise date three years after the grant date. The subscription price for warrants and the acquisition price for exercising the stock options is SEK 94.80, which corresponds to 110 percent of the average closing price for the company's B shares in the period February 22 to March 7, 2006. In 2009 all outstanding warrants have forfeited without exercise. Weighted average share price at date of exercise for stock options amounted during 2009 to SEK 105.39.

	Stock options		Warrants	
Number of options	2009	Cumulative from start	2009	Cumulative from start
Allocated		1,504,000		752,000
Outstanding as of January 1, 2009	934,000		637,000	
Forfeited	–	–570,000	–637,000	–752,000
Exercised	–30,000	–30,000	–	–
Total outstanding options	**904,000**	**904,000**	**–**	**–**

In addition to the above incentive programs, the Board has the possibility to decide that a cash bonus will be paid three years after the options were acquired. The purpose of the bonus is to encourage participation in the incentive program. The bonus will only be paid if options and/or associated Class B shares are owned by the participant and the participant is still employed in the Tele2 Group. The bonus will amount to no more than the net difference between the acquisition price of the warrants and two percent of the value of the associated Class B shares when the warrants were acquired. The Board has in 2009 decided and paid a bonus cost of approximately SEK 6 million.

During 2008 and 2009 the incentive program for 2006–2011 has been supplemented with a possibility to receive a bonus, as a compensation for the extra ordinary dividend paid during 2008 and 2009. Total costs before tax for outstanding stock options and warrants in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 25 million, of which SEK 7 million was expensed in 2006, SEK 8 million in 2007, SEK 8 million in 2008 and SEK 2 million in 2009. Total liability for social security costs from the incentive program amounts at December 31, 2009 to SEK 5 million.

Continued note 36

The estimated fair value of the stock options granted was SEK 12.10 at the grant date, March 7, 2006. This fair value was calculated using the Black & Scholes option pricing model. The following variables were used.

Weighted average share price	SEK 86.50
Exercise price	SEK 94.80
Expected volatility	21%
Expected life	5 years
Risk free rate	3.2%
Yield	2.3%

Expected volatility was determined by calculating the historical volatility of Tele2's share price over the previous 100 days. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferablility, exercise restrictions and behavioral considerations.

NOTE 37 FEES TO ELECTED AUDITORS

	2009		2008	
	Deloitte	Other elected auditors	Deloitte	Other elected auditors
Audit assignments	27	–	30	3
Other assignments, audit-related	1	–	–	–
Other assignments, taxes	–	–	–	2
Other assignments, other	7	–	14	–
	35	**–**	**44**	**5**
Total fees to elected auditors		**35**		**49**

The item Audit assignments refers to invoiced fees for auditing the financial statements of the parent company and group and auditing of subsidiaries. This also includes a fee for other auditing services. This refers to services which can only normally be performed by the appointed auditor.

The item Other assignments, audit-related includes invoiced fees for analyses and other similar investigations which are closely related to the auditing of the company's annual accounts or which are normally performed by the appointed auditor, and consultations relating to accounting principles.

The item Taxes includes invoiced fees for the checking of tax computations, services connected with tax audits and appeals, tax advice relating to mergers, acquisitions and intra-group pricing, as well as consultation concerning fiscal regulations.

The item Other covers all other assignments, including the costs of investigations and analyses in conjunction with corporate acquisitions (due diligence).

NOTE 38 DISCONTINUED OPERATIONS

The following divestment has been reported separately as discontinued operation in the income statement, with a retrospective effect on previous periods, and in the balance sheet during 2009, according to IFRS 5-Non-current assets held for sale and discontinued operations.

France

On October 15, 2009 Tele2 announced the sale of its operation in France for SEK 644 million. The sale was completed on December 14, 2009 after approval from the regulatory authorities.

In 2009 Tele2 recognized goodwill impairment loss in France of SEK 521 million. An agreement to sell the operation in France was signed in October 2009 and the impairment in September reflected the difference between estimated sales price and assets sold. In 2009, a capital gain of SEK 105 million has been reported as discontinued operations,

Continued note 38

whereof a gain of SEK 159 million is related to a reversal of exchange rate differences previously reported as other comprehensive income. The sale and the impairment loss was related to severe competition on the mobile market where Tele2 had a disadvantageous position as MVNO-operator.

Other discontinued operations

Discontinued operations also include settlements of sales costs and price adjustments for discontinued operations sold during previous year, of which SEK 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, and a positive cash flow effect of SEK 115 million related to settlement regarding Poland.

FINANCIAL STATEMENTS

Income statement

Income Statement for discontinued operations (France and divestments during 2008) is stated below.

	2009	2008
Net sales	1,092	3,714
Impairment of goodwill	–521	–719
Cost of services sold	–397	–1,991
Selling expenses	–377	–1,184
Administrative expenses	–176	–389
Sale of operations, profit	331	1,297
Sale of operations, loss	31	–31
Other operating income	–	19
Other operating expenses	–	–8
Operating profit/loss	**–17**	**708**
Interest income	–	8
Profit/loss after financial items	**–17**	**716**
Tax on profit/loss for the year	–29	2
NET PROFIT/LOSS	**–46**	**718**
Earnings per share, SEK	-0.11	1.62
Earnings per share after dilution, SEK	-0.11	1.62

Segments

	Net sales		EBITDA		EBIT	
	2009	2008	2009	2008	2009	2008
Mobile	1,092	1,901	148	–40	142	–122
Fixed broadband	–	244	–	–29	–	–39
Fixed telephony	–	1,469	–	350	–	305
Other operations	–	207	–	17	–	17
	1,092	**3,821**	**148**	**298**	**142**	**161**
Internal sales, elimination	–	–107				
Impairment of goodwill					–521	–719
Sale of operations, profit					331	1,297
Sale of operations, loss					31	–31
Total	**1,092**	**3,714**	**148**	**298**	**–17**	**708**

In 2009 France was positively affected by SEK 39 million concerning revaluation of reserves.

Specification of items between EBITDA and EBIT is stated below.

	2009	2008
EBITDA	**148**	**298**
Impairment of goodwill	–521	–719
Sale of operations	362	1,266
Total one-off items	**–159**	**547**
Depreciation/amortization and other impairment	–6	–137
EBIT	**–17**	**708**

Continued note 38

	Number of customers		Net intake	
In thousands	2009	2008	2009	2008
Mobile	–	468	–40	60
Fixed broadband	–	–	–	14
Fixed telephony	–	–	–	–92
Net customer intake	**–**	**468**	**–40**	**–18**
Divested companies			–377	–1,467
Changed method of calculation			–51	–
Total	**–**	**468**	**–468**	**–1,485**

In 2009, Tele2 decided to change its method for calculation the number of customers in its French mobile post-paid base. The one-time effect was a decrease of 37,000 in the reported customer base in France. In 2009 Tele2 changed its principles for calculating the number of active prepaid customers with a one-time effect of –14,000 customers.

Cash Flow statement

	2009	2008
OPERATING ACTIVITIES		
Cash flow from operations before changes in working capital	148	309
Changes in working capital	50	–96
Cash flow from operating activities	**198**	**213**
INVESTING ACTIVITIES		
CAPEX	–	–163
Cash flow after CAPEX	***198***	***50***
Sale of shares and participations	814	2,429
Cash flow from investing activities	**814**	**2,266**
Net change in cash and cash equivalents	**1,012**	**2,479**
Tax paid included in cash flow from operation	–	–

	CAPEX	
	2009	2008
Mobile	–	128
Fixed broadband	–	9
Fixed telephony	–	5
Total	**–**	**142**

Additional cash flow information:

	2009	2008
CAPEX according to cash flow statement	–	163
This year unpaid CAPEX and paid CAPEX from previous year	–	–21
CAPEX according to balance sheet	**–**	**142**

NOTE 39 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 2008, Tele2 engaged in transactions with the following related companies.

Kinnevik Group
Kinnevik buys IT services from Datametrix and Tele2 rents premises from Kinnevik.

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.

Continued note 39

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.

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
Tele2 is one of two turnkey contractors which plan, expand and operate the joint venture Svenska UMTS-nät AB's 3G network. Tele2 owns 32.5 percent of the non-profit infrastructure company Plusnet in Germany. Fixed costs are shared between the parties and variable costs are distributed proportionately in relation to use. Tele2 owns 50 percent of Spring Mobil AB, which holds the fourth GSM license in Sweden. Under the agreement, Spring Mobil has made certain frequencies available to Tele2 and Spring Mobil uses Tele2's network under an MVNO agreement. 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. 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). Transactions with associated companies and joint ventures are based on commercial terms.

TRANSACTIONS BETWEEN TELE2 AND RELATED PARTIES

	Net sales		Operating expenses	
	2009	2008	2009	2008
Kinnevik	4	6	11	13
Transcom WorldWide	34	40	1,001	1,239
Millicom	8	18	–	–
Modern Holdings Inc	1	1	66	92
MTG	32	43	74	66
Metro International	4	5	9	–
Associated companies and joint ventures	116	194	729	828
Other related companies	1	–	18	8
Total	**200**	**307**	**1,908**	**2,246**

	Interest revenue		Interest expenses	
	2009	2008	2009	2008
Associated companies and joint ventures	3	–	–	–
Total	**3**	**–**	**–**	**–**

BALANCES BETWEEN TELE2 AND RELATED PARTIES

	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Kinnevik	1	–	–	–	2	1
Transcom WorldWide	8	7	–	–	40	158
Millicom	3	6	–	–	–	–
Modern Holdings Inc	–	–	–	–	7	2
MTG	8	17	–	–	11	13
Metro International	1	1	–	–	–	–
Associated companies and joint ventures	94	85	89	33	73	83
Other related companies	–	14	–	–	–	–
Total	**115**	**130**	**89**	**33**	**133**	**257**

Parent company's financial statement

THE PARENT COMPANY'S INCOME STATEMENT

SEK million	Note	2009	2008
Net sales	2	32	30
Gross profit		**32**	**30**
Administrative expenses	3	–79	–160
Operating profit/loss		**–47**	**–130**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Result from other securities and receivables classified as fixed assets	4	407	1,203
Other interest revenue and similar income	5	41	31
Interest expense and similar costs	6	–500	–1,323
Profit/loss after financial items		**–99**	**–219**
Tax on profit/loss for the year	7	–185	49
NET PROFIT/LOSS		**–284**	**–170**

THE PARENT COMPANY'S COMPREHENSIVE INCOME

SEK million	Note	2009	2008
Net profit/loss		**–284**	**–170**
Other comprehensive income			
Cash flow hedges	13	–6	–141
Cash flow hedges, tax effect		–	40
Group contribution		–370	–401
Group contribution, tax effect		97	112
Other comphrehensive income for the year, net of tax		**–279**	**–390**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–563**	**–560**

CHANGE IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

	Restricted equity		Unrestricted equity		
SEK million	Share capital	Restricted reserve	Hedge reserve	Retained earnings	Total share-holders' equity
Shareholders' equity at January 1, 2008	561	16,898	44	15,645	33,148
Costs for stock options	–	–	–	10	10
New share issues	1	–	–	–	1
Repurchase of own shares	–	–	–	–462	–462
Dividends	–	–	–	–3,492	–3,492
Comprehensive income for the year	–	–	–101	–459	–560
SHAREHOLDERS' EQUITY, AT DECEMBER 31 2008	**562**	**16,898**	**–57**	**11,242**	**28,645**
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**

THE PARENT COMPANY'S BALANCE SHEET

SEK million	Note	Dec 31, 2009	Dec 31, 2008
ASSETS			
FIXED ASSETS			
Financial assets			
Shares in group companies	8	13,507	12,607
Receivables from group companies	9	17,109	22,825
Deferred tax assets		369	97
TOTAL FIXED ASSETS		**30,985**	**35,529**
CURRENT ASSETS			
Current receivables			
Accounts receivables from group companies		11	61
Other current receivables	10	3	2
Prepaid expenses and accrued income	11	1	1
Total current receivables		**15**	**64**
Cash and cash equivalents	12	4	2
TOTAL CURRENT ASSETS		**19**	**66**
TOTAL ASSETS		**31,004**	**35,595**

SEK million	Note	Dec 31, 2009	Dec 31, 2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital		558	562
Restricted reserve		16,901	16,898
Total restricted equity		**17,459**	**17,460**
Unrestricted equity			
Reserves		–63	–57
Retained earnings		8,767	11,412
Net profit/loss		–284	–170
Total unrestricted equity		**8,420**	**11,185**
TOTAL SHAREHOLDERS' EQUITY		**25,879**	**28,645**
LONG-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	13	2,782	1,706
Liabilities to group companies		2,202	900
TOTAL LONG-TERM LIABILITIES		**4,984**	**2,606**
SHORT-TERM LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	13	–	3,875
Other interest-bearing liabilities	13	85	369
Total interest-bearing liabilities		**85**	**4,244**
Non-interest-bearing			
Accounts payable	13	6	11
Other short-term liabilities	13	8	9
Accrued expenses and deferred income	14	42	80
Total non-interest-bearing liabilities		**56**	**100**
TOTAL SHORT-TERM LIABILITIES		**141**	**4,344**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**31,004**	**35,595**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	15	None	None
Contingent liabilities	16	6,653	7,459

THE PARENT COMPANY'S CASH FLOW STATEMENT

SEK million	2009	2008
OPERATING ACTIVITIES		
Operating profit/loss	–47	–130
Interest received	2	10
Interest paid	–337	–423
Finance costs paid	–341	–63
Taxes paid	–359	53
Cash flow from operations before changes in working capital	**–1,082**	**–553**
CHANGES IN WORKING CAPITAL		
Operating assets	48	–7
Operating liabilities	–7	31
Changes in working capital	**41**	**24**
CASH FLOW FROM OPERATING ACTIVITIES	**–1,041**	**–529**
INVESTING ACTIVITIES		
Repayments from group companies	6,044	6,447
Other financial assets, received payments	–	250
Cash flow from investing activities	**6,044**	**6,697**
CASH FLOW AFTER INVESTING ACTIVITIES	**5,003**	**6,168**
FINANCING ACTIVITIES		
Proceeds from credit institutions and similar liabilities	1,300	243
Repayment of loans from credit institutions and similar liabilities	–4,102	–2,471
Dividends	–2,202	–3,492
Repurchase of own shares	–1	–462
New share issues	4	1
Cash flow from financing activities	**–5,001**	**–6,181**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**2**	**–13**
Cash and cash equivalents at beginning of the year	2	15
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**4**	**2**

For additional cash flow information, please refer to Note 18.

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 2.2 Reporting for legal entities 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.

Associates and joint ventures
Shares in associates and joint ventures are reported in the parent company using the cost method. Received dividends are reported as income regardless when the profit has been earned.

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, 2010. The balance sheet and income statement are subject to adoption by the Annual General Meeting May 17, 2010.

NOTE 2 NET SALES

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

NOTE 3 ADMINISTRATIVE EXPENSES

At September 1, 2008 Lars-Johan Jarnheimer, President and CEO, decided to leave Tele2. In 2008 a one-time cost affected Tele2 as a consequence of this. For additional information please refer to Group Note 36.

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

	2009	2008
Interest, group	407	1,191
Exchange rate difference on receivables from group companies	–	12
Total result from other securities and receivables classified as fixed assets	**407**	**1,203**

NOTE 5 OTHER INTEREST REVENUE AND SIMILAR INCOME

	2009	2008
Interest, group	2	–
Interest, bank balances	–	9
Interest, penalty interest	–	1
Exchange rate difference on financial current assets	39	21
Total other interest revenue and similar income	**41**	**31**

NOTE 6 INTEREST EXPENSE AND SIMILAR COSTS

	2009	2008
Interest, credit institutions and similar liabilities	–373	–490
Interest, group	–150	–3
Interest, SEC dispute	–36	–
Interest, penalty interest	–2	–
Exchange rate difference on financial liabilities	113	–478
Derivatives, valuation to fair value	–45	–329
Other finance expenses	–7	–23
Total interest expenses and similar costs	**–500**	**–1,323**

Derivatives consist of forward agreements and interest swaps, valued to fair value. The purpose of signing forward agreements was to make a hedge for exchange fluctuations of our investments in the Baltic countries. As per December 31, 2009 Tele2 does not hold any forward agreements. The effective part of the interest swaps is reported in the hedge reserve in other comprehensive income and the ineffective part is reported in the income statement. Forward agreements are always reported in the income statement, since they are not an effective hedge for the parent company.

NOTE 7 TAXES

	2009	2008
Current tax expense	–197	–5
Deferred tax expense	12	54
Total tax expense (–) / tax income (+) on profit/loss for the year	**–185**	**49**

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

	2009		2008	
Profit/loss before tax	–99		–219	
Tax effect according to tax rate in Sweden	26	–26.3%	61	–28.0%
Tax effect of				
Non-deductible expenses/non-taxable revenue	–15	15.2%	–6	2.7%
Changed tax rate	–	–	–6	2.7%
SEC tax disputes from previous years	–186	187.9%	–	–
Other tax disputes from previous years	–10	10.1%	–	–
Tax expense/income and effective tax rate	**–185**	**186.9%**	**49**	**–22.4%**

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

The tax authorities have questioned tax losses in Tele2 AB of SEK 13,964 million, corresponding to a tax effect of SEK 3,910 million and interest cost of SEK 630 (653) million. For additional information please refer to Group Note 15.

NOTE 8 SHARES IN GROUP COMPANIES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2009	Dec 31, 2008
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	13,507	12,607
Total shares in group companies				**13,507**	**12,607**

A list of all subsidiaries, excluding dormant companies, is presented in Note 22.

	Dec 31, 2009	Dec 31, 2008
Acquisition value		
Acquisition value at January 1	12,607	11,707
Shareholders contribution	900	900
Total shares in group companies	**13,507**	**12,607**

NOTE 9 RECEIVABLES FROM GROUP COMPANIES

	Long term receivables		Current receivables	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Acquisition value at January 1	22,825	15,432	–	13,000
Lending	28,331	7,014	–	–
Repayments	–34,047	–12,621	–	–
Reclassification	–	13,000	–	–13,000
Total receivables from group companies	**17,109**	**22,825**	**–**	**–**

Receivables from group companies relates to balances in the cash pool.

NOTE 10 OTHER CURRENT RECEIVABLES

	Dec 31, 2009	Dec 31, 2008
VAT receivable	1	–
Other	2	2
Total other current receivables	**3**	**2**

NOTE 11 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2009	Dec 31, 2008
Insurance costs	1	1
Total prepaid expenses and accrued revenues	**1**	**1**

NOTE 12 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

	Dec 31, 2009	Dec 31, 2008
Cash and cash equivalents	4	2
Unutilized overdraft facilities and credit lines	10,700	15,843
Total available liquidity	**10,704**	**15,845**

NOTE 13 FINANCIAL LIABILITIES

	Dec 31, 2009	Dec 31, 2008
Liabilities to financial institutions and similar liabilities	2,782	5,581
Other interest-bearing liabilities	85	369
Total interest-bearing financial liabilities	**2,867**	**5,950**
Accounts payable	6	11
Other short-term liabilities	8	9
Total financial liabilities	**2,881**	**5,970**

Financial liabilities fall due for payment according to below.

	Dec 31, 2009	Dec 31, 2008
Within 3 months	93	287
Within 3–12 months	6	3,977
Within 1–2 years	866	–
Within 2–3 years	1,195	931
Within 3–4 years	721	–
Within 4–5 years	–	775
OTHER SHORT-TERM LIABILITIES	**2,881**	**5,970**

INTEREST-BEARING FINANCIAL LIABILITIES

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

Liabilities to financial institutions and similar liabilities

			Dec 31, 2009		Dec 31, 2008	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
3-year syndicated loan facility *(collateral: guarantee from Tele2 Sverige AB)*	Variable interest rates	2012	–	1,195	3,595	–
Bond holders' *(collateral: guarantee from Tele2 Sverige AB)*	Fixed rate 6.35% and 6.47%	2011, 2013	–	1,587	–	1,706
Commercial paper			–	–	280	–
			–	**2,782**	**3,875**	**1,706**
Total liabilities to financial institutions and similar liabilities				**2,782**		**5,581**

For additional information regarding each of above liabilities please refer to Group Note 27.

Other interest-bearing liabilities

	Short-term liabilities	
	Dec 31, 2009	Dec 31, 2008
Derivatives	85	369
Total other interest-bearing liabilities	**85**	**369**

Derivatives consist of forward agreements and interest swaps, valued to fair value. The purpose of signing forward agreements was to make a hedge for exchange fluctuations of our investments in the Baltic countries. As per December 31, 2009 Tele2 does not hold any forward agreements.

OTHER SHORT-TERM LIABILITIES

	Dec 31, 2009	Dec 31, 2008
VAT liability	7	8
Other taxes	1	1
Total short-term liabilities	**8**	**9**

NOTE 14 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2009	Dec 31, 2008
Interest costs	26	45
Personnel-related expenses	13	30
External services expenses	3	5
Total accrued expenses and deferred income	**42**	**80**

Personnel-related expenses in 2008 was mainly related to reserves for remuneration to the former CEO. For additional information please refer to Group Note 36.

NOTE 15 PLEDGED ASSETS

The parent company has no pledged collateral.

NOTE 16 CONTINGENT LIABILITIES

	Dec 31, 2009	Dec 31, 2008
Tax dispute, S.E.C. SA liquidation	4,354	4,563
Guarantee related to group companies	554	875
Guarantee related to joint venture	1,745	2,021
Total contingent liabilities	**6,653**	**7,459**

For information regarding the tax dispute related to the liquidation of S.E.C. SA please refer to Group Note 15.

Svenska UMTS-nät AB, a joint venture holding in Tele2, has a granted loan facility of SEK 4.8 (4.8) billion, where Tele2 guarantees utilized amounts up to its 50 percent holding or a maximum of SEK 2.4 (2.4) billion. As of December 31, 2009, Tele2's guarantee for UMTS-nät AB amounted to SEK 1,745 (2,021) million.

NOTE 17 OPERATING LEASES AND OTHER COMMITMENTS

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 18 SUPPLEMENTARY CASH FLOW INFORMATION

In 2009, the parent company had interest revenues from other group companies of SEK 407 (1,191) million and interest expenses to other group companies of SEK 150 (3) million which were capitalized on the loan amount.

The parent company reported SEK 113 (–478) million in currency effects from loans to financial institutions and similar liabilities'. These did not have any effect on cash.

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

NOTE 19 NUMBER OF EMPLOYEES

The average number of employees in the parent company is 6 (5), of whom 1 (1) is woman.

NOTE 20 PERSONNEL COSTS

	2009			2008		
	Personnel costs	Social security expenses	*of which pension expenses*	Personnel costs	Social security expenses	*of which pension expenses*
Board and CEO	22	8	*2*	38	18	*6*
Other employees	16	7	*2*	15	8	*3*
Total salaries and remuneration	**38**	**15**	***4***	**53**	**26**	***9***

On February 18, 2010 Tele2 announced that the CEO Harri Koponen has left the company with immediately effect, due to irreconcilable differences over leadership. The Board of Directors has appointed Lars Nilsson, the Chief Financial Officer, as the interim CEO. Termination payment will effect the Q1 2010 result and is estimated for 18 months to be SEK 14.6 million as well as other benefits and remunerations of SEK 0.5 million. In addition pension costs of SEK 3.1 million and social security costs of SEK 3.6 million will be expensed.

The parent company's pension expenses relate to defined-contribution plans. Salary and remuneration for the CEO are presented in Group Note 36.

At September 1, 2008 Lars-Johan Jarnheimer, President and CEO, decided to leave Tele2. In 2008 a one-time cost affected Tele2 as a consequence of this. For additional information please refer to Group Note 36.

NOTE 21 FEES TO ELECTED AUDITORS

Remuneration to elected auditors for audit assignments is SEK 4 (5) million.

NOTE 22 LEGAL STRUCTURE

The table below lists all the subsidiaries that are not dormant companies or branches.

Company, reg. No., reg'd office	Holding (capital/ votes)
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	99.99%
Tele2Butikerna AB, 556284-7565, Stockholm, Sweden	100%
Rebcap AB, 556304-7025, Stockholm, Sweden	100%
Skaraborg Kabelvision AB, 556483-6467, Mariestad, Sweden	60%
Interloop AB, 556450-2606, Stockholm, Sweden	100%
Swefour GSM AB, 556646-2189, Stockholm, Sweden	100%
Radio Components Sweden AB, 556573-3846, Stockholm, Sweden	80.43%
Radio Components do Brasil, 01.424-001, Sao Paulo, Brasil	100%
Radio Components de Mexico S.A. de C.V., RCM070116EM7, Mexico	100%
Procure IT Right AB, 556600-9436, Stockholm, Sweden	100%
Datametrix AB, 556580-2682, Stockholm, Sweden	100%
Datametrix BPO AB, 556580-7871, Stockholm, Sweden	100%
Datametrix Integration AB, 556539-4870, Stockholm, Sweden	100%
Datametrix Outsourcing AB, 556290-2238, Stockholm, Sweden	100%
UNI2 OÜ, 11010450, Tallinn, Estonia	100%
SIA UNI2, 40003681691, Riga, Latvia	100%
Datametrix GmbH, HRB 58959, Düsseldorf, Germany	100%
Tele2 Norge Holding AB, 556580-8143, Stockholm, Sweden	100%
Tele2 Norge AS, 974534703, Oslo, Norway	100%
Tele2 Netherlands Holding NV, 33272606, Amsterdam, Netherlands	100%
Tele2 Nederlands BV, 33303418, Amsterdam, Netherlands	100%
Versatel Internetdiensten BV, 34144876, Amsterdam, Netherlands	100%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia	100%
Tele2 UK Services Ltd, 4028792, London, UK	100%
Tele2 Holding AS, 10262238, Tallinn, Estonia	100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia	100%
UAB Tele2, 111471645, Vilnius, Lithuania	100%
UAB Kabeliniai Rysiu Tinklai, 1223046883, Vilnius, Lithuania	100%
UAB Trigeris, 21239677, Vilnius, Lithuania	100%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania	100%
Tele2 Holding SIA, 40003512063, Riga, Latvia	100%
SIA Tele2, 40003272854, Riga, Latvia	100%
SIA Tele2 billing, 40003690571, Riga, Latvia	100%
SIA Tele2 Telecom Latvia, 40003616935, Riga, Latvia	100%

Company, reg. No., reg'd office	Holding (capital/ votes)
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 Telecom BV, 33287334, Rotterdam, Netherlands	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%
Vostok Mobile Northwest BV, 33150958, Amsterdam, Netherlands	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%
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	87.5%
Udmurtiya Cellular Communications, 1021801156893, Izhevsk, Russia	100%
Siberian Cellular Communications, 1025500746072, Omsk, Russia	100%
Chelyabinsk Cellular Network, 1027403876862, Chelyabinsk, Russia	100%
Teleset Ltd, 3906044891, Kaliningrad, Russia	100%
Digital expansion, 3905057312, Kaliningrad, Russia	100%
Utel, 3905054833, Kaliningrad, Russia	100%
Tele2 Russia International Cellular BV, 33221654, Amsterdam, Netherlands	100%

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, 2010

Vigo Carlund *Chairman*	Mike Parton *Deputy chairman*	Mia Brunell Livfors
Jere Calmes	John Hepburn	John Shakeshaft
Cristina Stenbeck	Pelle Törnberg	Lars Nilsson *Interim President and CEO*

Our auditors' report was submitted on March 17, 2010

Deloitte AB

Jan Berntsson
Authorized Public Accountant

Audit report

To the annual 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 2009. The company's annual accounts and consolidated accounts are included on page 1–56 of this document. 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, 17 March 2010

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 equity attributable to holders of the parent company.

CAPITAL EMPLOYED
Total assets less non-interest bearing liabilities.

RETURN ON CAPITAL EMPLOYED
Profit/loss after financial items less finance costs divided by average 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.

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 27 million customers in 10 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 NASDAQ OMX Stockholm since 1996. In 2009, we had net sales of SEK 39.3 billion and reported an operating profit (EBITDA) of SEK 9.2 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.

! Read more about Tele2 2009 on http://reports.tele2.com/2009/ar

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 1.00 p.m. on Monday, May 17, 2010 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.

FINANCIAL CALENDAR

Q1 2010, Interim Report	April 21
AGM (Stockholm)	May 17
Q2 2010, Interim Report	July 21
Q3 2010, Interim Report	October 20

Tele2 AB
Company registration nr: 556410-8917
Skeppsbron 18
Box 2094, SE-103 13 Stockholm
Tel: +46 (0) 8 5620 0060
www.tele2.com

TELE2