

2007 CORPORATE GOVERNANCE REPORT

As of the 1st of July 2005 Tele2 applies the Swedish Code of Corporate Governance, “the Code”. Deviations from the Code are permitted but must be explained. The Corporate Governance Report is prepared in accordance with the provisions of the Code. The Corporate Governance Report is not a part of the formal annual report and has not been reviewed by the company’s auditor.

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

Openness and flexibility are two of Tele2’s most important values, which permeate the entire company and are reflected in the way the company has adopted the Code.

Shareholder Information

At the end of 2007, Tele2 AB had 34,466 shareholders according to the share register maintained by VPC. Tele2 fulfils the requirements of the Code as well as other acts and regulations applying to the company with regard to providing information to shareholders. This is primarily achieved by means of financial reports such as interim reports, full year report and annual report and by press releases. The company also carries out investor and analyst meetings. Tele2 regularly updates and improves its corporate web site and financial reports in order to increase understanding of the company’s strategies and results. For further shareholder information including information on share capital, voting rights, trade and market value, see the section “The share and shareholders”.

General Meeting

The General Meeting is, according to the Swedish Companies Act, the company’s highest decision-making body. The Annual General Meeting, the AGM, elects the Board and the company’s auditors, and moreover, amongst other things decides on changes in the Articles of Association. At the AGM shareholders are given the opportunity to speak, put forward proposals and pose questions to the Board and CEO. At the AGM the President and CEO submits reports on the company’s development.

THE NOMINATION PROCESS

The Nomination Committee

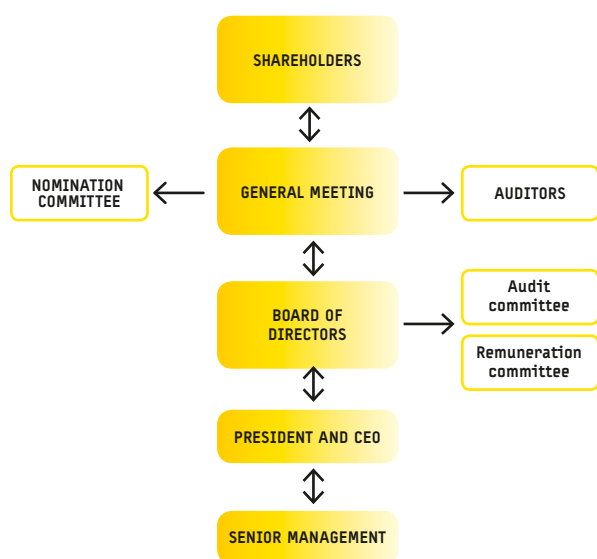
The Nomination Committee is a body of the AGM that prepares the Meeting’s recommendation on appointments with the aim

of creating a good basis for the Meeting’s consideration of these issues. The tasks of the Nomination Committee include amongst other things:

- › evaluating the Board’s composition and work.
- › submitting proposals to the AGM with regard to election of Directors of the Board and Chairman of the Board.
- › preparing proposal regarding election of auditors in cooperation with the Audit Committee, when relevant.
- › preparing proposals regarding fees to the Directors of the Board and to the auditors as well as preparing proposal of the Chairman for the AGM.
- › preparing proposal for the administration and order of appointment of the Nomination Committee.

The principles for appointing members to the company’s Nomination Committee were determined at the AGM 2007. In accordance with these principles, the convener Cristina Stenbeck as representative of Tele2’s largest shareholder Investment AB Kinnevik and Emesco AB, contacted, during the third quarter 2007, the major shareholders, Åsa Nisell as representative for Swedbank Robur, Ramsay Brufer as representative for Alecta and Björn Lind as representative for SEB Fonder and SEB TryggLiv; all of whom came to constitute the members of the Nomination Committee. The Nomination Committee represents more than 50 percent of the voting capital in Tele2. The Board member Cristina Stenbeck has been appointed Chairman of the Nomination Committee, which deviates from what the Code prescribes. The other members of the Nomination Committee have declared their decision regarding election of the Chairman of the Nomination Committee as being in the best interest of all shareholders, and a natural consequence of the fact that Cristina Stenbeck represents the company’s major shareholders. Shareholders can submit proposals to the Nomination Committee ahead of the AGM 2008.

Governance structure



Nomination of Board of Directors

The work of the Nomination Committee is aimed at ensuring that Tele2 has the best Board possible for securing the company's long-term development. The Nomination Committee's Board proposal is to be presented in the notice to the AGM 2008. As a basis for the Nomination Committee's proposals, the Chairman of the Board, Vigo Carlund, has presented the results of the evaluation of the Board and its Directors' performance in 2007. The Nomination Committee has worked on defining demand profiles for the individuals they consider needs to be recruited to the Board. The Nomination Committee's work has been carried out through a number of meetings and discussions.

No specific compensation has been made by Tele2 to any members in the Nomination Committee for their work.

Election of the company's auditors

At the AGM 2004, Deloitte AB, Sweden, was appointed as the company's audit firm until the AGM 2008. In the notice to the

AGM 2008, the Nomination Committee will present its proposal for election of the auditors. The Nomination Committee will at that time be assisted by the Audit Committee in their work.

Election of Nomination Committee

The Nomination Committee will present a proposal to the AGM 2008 of order for appointing a Nomination Committee ahead of the AGM 2009.

THE BOARD

According to Tele2's Articles of Association, the Board shall consist of at least five and maximum nine members. At the AGM 2007, Tele2's Board was appointed, consisting of seven members without deputies. Five board members were re-elected and Mike Parton and Pelle Törnberg were elected as new Board members. The AGM appointed Vigo Carlund as the Chairman of the Board and decided to establish a Remuneration Committee and an Audit Committee with the composition of both to be decided by the Board. At the constituent Board meeting following the AGM, the Board decided on the composition of the Remuneration Committee and the Audit Committee. These committees are the Board's preparatory bodies and do not reduce the Board's overall and joint responsibility for the handling of the company and the decisions made. All Board members have access to the same information, enabling them to be jointly and severally liable.

The Chairman of the Board and the Board members are compensated for their board work in accordance with the resolution passed at the AGM 2007, which means that the Board is compensated with a total of SEK 3,750,000 for the period until the AGM 2008 of which SEK 1,000,000 are allotted to the Chairman of the Board, SEK 400,000 to each other Board member, besides travelling expenses according to submitted invoices. For work within the Audit Committee SEK 150,000 was allocated to the chairman and SEK 50,000 to each of the other members and for work within the Remuneration Committee SEK 50,000 was allocated to the chairman and SEK 25,000 to each of the other members. There are no outstanding share- or share-price-related incentive programs for the Board.

The composition of the Board

The Board consists of seven members. None of the Directors of the Board is part of senior management in the company nor is a union representative. Three of the seven Board members, i.e.

Mia Brunell Livfors, Vigo Carlund and Cristina Stenbeck, are considered dependent of the company and its senior management. These three members are also considered dependent in relation to the company's major shareholders. The remaining four Board members are considered independent both in relation to the company and its senior management as well as in relation to the company's major shareholders. 28,5 percent of the Board's members are women.

The Board's responsibility and work procedures

In addition to the division of responsibility that generally applies according to the Swedish Companies Act, the annually determined work procedures and written instructions regulate the Board's work and the division of work between the Board on the one hand and the CEO and established committees on the other. The Board is responsible for Tele2's overall, long-term strategies and goals and it determines budgets and business plans, reviews and approves financial reports, adopts important guidelines, approves investment and personnel proposals, makes decisions in questions of acquisitions and disposals and monitors the CEO's work. The Board ensures the quality of the internal control functions, the financial reports and communicates with the company's auditors mainly through regular reports from the Audit Committee and the company's CFO. Further information about the way the Board ensures the quality of the internal controls, see under section "Internal Control Report".

Tele2 applies a structured and consistent process when preparing the financial reports, which are regularly inspected by

senior group management and the Audit Committee to improve the quality of the reports and making sure that the reports are adapted to new accounting standards. According to Board instructions the Audit Committee meets with the CFO and the company's auditors a few days before the publication of each report to review the draft of the financial report and to make its recommendation on whether or not to approve it.

The Board's work in 2007

In the financial year 2007 the Board convened five times on different locations in Europe, whereof one session was a two-days strategy review meeting. In addition, two per capsulam meetings and seven telephone conference meetings were held. All Board members were present at the Board meetings, with the exception Cristina Stenbeck and Mike Parton who were absent from one meeting each, and Pelle Törnberg who was absent from three meetings. Moreover, former Board member Jon Loeber was absent from one meeting. Each meeting followed an approved agenda and the agenda proposal and underlying documentation for each agenda item was sent to the Board well in advance of each meeting.

The Board makes its decisions following an open discussion led by the Chairman. The Board regularly deals with Tele2's strategic direction and financial goals, which questions the Board has devoted much time and effort to during the year. Some of the major decisions the Board has made during the year are: disposal of the subsidiaries in Portugal, Denmark, Hungary, Belgium, Irkutsk, Italy and Spain and the subsidiary 3C, acquisition of mobile operator services, acquisition of 50

The Board's composition and holding of shares in Tele2 AB

Name	Function	Born	Nationality	Elected	Audit Committee	Remuneration Committee	Independent	Shareholding
Mia Brunell Livfors	Member	1965	Swedish	2006	Member	Member	No	1,000
Vigo Carlund	Chairman	1946	Swedish	1995	–	Chairman	No	26,000
John Hepburn	Member	1949	Canadian	2005	–	Member	Yes	117,215
Mike Parton	Member	1954	British	2007	Member	–	Yes	–
John Shakeshaft	Member	1954	British	2003	Chairman	–	Yes	1,200
Cristina Stenbeck	Member	1977	American	2003	–	–	No	1,400
Pelle Törnberg	Member	1956	Swedish	2007	–	–	Yes	1,400

percent of the shares in AMI AS (a joint venture for the mobile network roll out in Norway). The Board has also dealt with questions regarding an improvement of the reporting of internal controls. Members of senior management have made presentations at Board meetings and the CEO has presented an update of relevant company information at every Board meeting. Moreover, the CEO has in monthly letters to the Board made sure that the Board has received the follow-up they need with regard to important events in the company. All Board members are educated and familiar with the Stockholm Stock Exchange's rules.

Evaluation of the Board

The Chairman of the Board supervises that an annual evaluation of the Board's work is performed, where the Board members are given the opportunity to share their views on working methods, board material, their own and other Board members' work as well as the extent of their assignment.

The Audit Committee

The Board appoints the members and the Chairman of the Audit Committee. At the constituent Board meeting in May 2007, following the AGM, the Board re-appointed John Shakeshaft as Chairman of the Audit Committee and Mia Brunell Livfors and Mike Parton as ordinary members.

The Audit Committee's work follows the written instructions and charter, which the Board has developed and determined. The committee's main task is to relieve and assist the Board in its supervision and review of the internal and external audit process as well as to review and ensure the quality of the company's financial reports before they are made public. Besides the supervision of the financial reporting and audit, the committee has been monitoring the company's internal control functions. The Board has delegated the following decision-making powers to the committee: the right to establish procedures for accounting, internal control and auditing issues; the right to determine the procedure for receiving and dealing with complaints received by the company with regard to accounting, internal audit controls or audit issues, and; the right to manage the procurement of audit services and approve the audit costs within the framework for the decision made by the General Meeting. In the financial year 2007, the committee has had five telephone conference meetings, which have been held in relation to the publication of the year end report and the interim reports. All committee members have

been present at the meetings. The CFO and the Executive Vice President Corporate Finance & Treasury and the company's auditors have been present at all meetings during 2007. The minutes of each respective committee meeting have been communicated to the Board.

The Remuneration Committee

The Board appoints the members and the Chairman of the Remuneration Committee. At the constituent Board meeting in May 2007, following the AGM the Board appointed Vigo Carlund as Chairman of the committee and Mia Brunell Livfors and John Hepburn as ordinary members.

According to the Code, Mia Brunell Livfors are not considered independent in relation to the company and its management or in relation to the company's major shareholders. The Board however considers that Mia Brunell Livfors' experience will benefit the company and make her a most suitable committee member. The Code provisions notwithstanding, the Board believes that Mia Brunell Livfors will be as free of conflict in the exercise of her responsibilities on the committee as if she was independent.

The Remuneration Committee's work follows the written instructions and the charter determined by the Board. The Board has not delegated any decision-making powers to the committee. The committee's main work entails all aspects of remuneration and terms of employment for senior group management as well as to present recommendations to the Board regarding remuneration guidelines, strategy and regulations for this group of employees. The Remuneration Committee met three times in the financial year 2007, and all ordinary members were present at the meeting.

GROUP MANAGEMENT

The President and CEO, Lars-Johan Jarnheimer, was born in 1960 in Kalmar, Sweden and has a M.Sc. in BA. and Economics from Växjö University. Lars-Johan Jarnheimer has previously held positions at IKEA, H&M and has been the CEO of ZTV before starting at Comviq as deputy CEO in 1992. He was CEO of the company from 1993 until 1997 and thereafter became Market Area Director for SAAB Automobiles in the Nordic, Baltic and Russian regions from 1997 until 1998. He started his present position as President and CEO of Tele2 AB in March 1999. Lars-Johan Jarnheimer holds Board positions in the following external companies: Modern Times Group MTG AB, Arvid Nordquist

Handels AB and INGKA Holding B.V., which is the parent company of IKEA. At the turn of the year 2007/2008, Lars-Johan Jarnheimer's ownership in Tele2 was: 53,100 B-shares and moreover 100,000 warrants and 200,000 stock options in relation to the incentive program 2006–2011 and moreover 210,000 stock options in relation to the incentive program 2007–2012. Lars-Johan Jarnheimer has no significant shareholding or partnership in companies with which Tele2 has significant business relations. Information on other senior executives can be found in Notes on personnel costs and on pages 34–35.

Salary and other remuneration for senior executives

Remuneration issues concerning senior executives are prepared by the Board via the Remuneration Committee, which submits proposals of remuneration to the President and CEO and also defines guidelines for remuneration to senior group management which the CEO applies following approval by the General Meeting. Incentive programs are prepared by the Remuneration Committee, which submits proposals to the Board, which in turn decides whether to bring the program to the General Meeting for resolution.

Share- and share-price-related incentive programs

Tele2 has two outstanding incentive programs. For information concerning the incentive program 2006–2011 as well as the incentive program 2007–2012, see Notes on Personal Costs and Tele2 corporate website www.tele2.com.

AUDITOR

At the AGM 2004, the registered audit firm Deloitte AB was appointed the company's auditors for a period of four years. The head of audit for Tele2, Jan Berntsson, succeeded Tommy Mårtensson at the AGM 2006 and apart from Tele2 is auditor for amongst others, ICA AB, Poolia and Attendo. He has no assignments in businesses that are related to Tele2's major owners or CEO. During the last three years, Deloitte has performed services for Tele2 other than the ordinary audit assignments with regard to audit related advice primarily in accounting issues, which scope of work is further described in Notes on Fees to elected auditors.

THE BOARD'S REPORT ON INTERNAL CONTROL

The Report on internal controls relating to the financial reporting of the financial year 2007, has been prepared and issued by the Board in accordance with the Code, the guidelines produced by FAR (Swedish Institute of Authorized Public Accountants) and the Confederation of Enterprise and furthermore by applying the transitional rules for 2006 issued by the Swedish Corporate Governance Board. The report describes the organisation of internal control relating to financial reporting. Internal control concerning financial reporting is a process which involves the Board, the company's senior management and other employees, and has been designed to secure the accuracy of the external financial reporting. The internal control function can be divided into five areas, which are; control environment, risk assessment, control activities, information and communication and follow-up, further described below.

Control environment

The basis of the internal control environment is the values that are the cornerstones of 'The Tele2 Way'. The Tele2 Way is the collective name for our mission, our values and our work procedures. For a fast-growing company, attitudes and values are just as important as competence and experience, and we are strongly committed to having operations which are marked by openness. This is reflected in our efforts of a strong unity and encouraging straight answers. All employees take part in a program aimed at regularly evaluating how well we are measuring up to our values.

The internal control environment relating to financial reporting is based on a clear division of roles and responsibilities in the organisation, established and communicated decision paths and assignment of authority and responsibility which are documented and communicated in Board instructions, guidelines, manuals, codes and accounting and reporting instructions. On group level a well defined "Finance Manual" is regularly updated and distributed to secure a correct, matched and unanimous financial reporting in all the group companies. The control of correct reporting takes place locally at first, then on market area level and finally on group level. The financial reporting is secured on these levels through current analyses of detailed monthly financial statements and also through a "hard

close process” that well in time before the year end secures the quality of the annual accounts.

Risk assessment

The group management annually conducts an overall risk assessment relating to financial reporting. In addition, the internal audit conducts a comprehensive risk assessment that constitutes the basis of its annual audit plan.

The internal audit is mainly focused on operational auditing but it also covers processes that affect financial reporting and risks of irregularities. Group management’s risk assessment as well as the internal audit plan are reviewed by the Audit Committee and the Board.

In the risk assessment Tele2 has identified a number of processes where the risk for a significant irregularity is relatively higher, dependent on the complexity of the process, or where the effects of possible mistakes run the risk of being important as the values of the transactions are high. These processes include for example the routines for reporting of acquired companies, valuation of intangible fixed assets and deferred taxes and disputes.

Control activities

The risk assessment results in a number of control activities. The control activities aim at preventing, discovering and correcting mistakes and irregularities, and include for example analytical follow-up on decisions, a comparison between income statement items, check lists and automatically controls through IT systems. A division of work tasks is preferred so that different individuals conduct, respectively control, an element. The important control activities are documented and updated regularly.

Information and communication

The company has clear information and reporting channels, which form the basis of the internal review and external financial reporting. Manuals and guidelines of significance to financial reporting are regularly updated and communicated to the employees concerned. The group management and the Audit Committee report regularly to the Board in accordance with determined instructions. There are also guidelines which ensure that the company’s external communication measures up to the high requirements for correct information.

Follow-up

The internal audit regularly reports to the Audit Committee and makes suggestions of improvements. The Board regularly evaluates the information it receives from group management and the Audit Committee. The company’s financial situation is addressed at each Board meeting. The Audit Committee reviews every interim and annual report prior to publication. The company’s financial reporting procedures are evaluated annually by group management to ensure that they cover all important areas which have a bearing on financial reporting. Recommendations arising from the internal and external audits are followed up regularly by group management and the Audit Committee. The company also applies a process in relation to the annual accounts whereby the CEOs and financial managers of subsidiaries submit representation letters, which deal with information of importance to the financial statements.

BOARD OF DIRECTORS

VIGO CARLUND

Chairman of the Board

Born 1946.

Elected 1995. Has been with Kinnevik since 1968. Has since 1980 held the position as CEO for various companies, including Svenska Motor AB SMA, SMA Group USA, Korsnäs AB and Transcom Worldwide S.A. Between May 1999 and August 2006. He was President and CEO of Investment AB Kinnevik. Present Chairman of the Board of Korsnäs AB and Board Member of Investment AB Kinnevik and Academic Work.

CRISTINA STENBECK

Born 1977.

Elected 2003. B.Sc. (Econ) Georgetown University. Former Vice Chairman of Industriförvaltnings AB Kinnevik (2003–2004) and Investment AB Kinnevik (2004–2007). Present Chairman of Investment AB Kinnevik (elected 2007) and Emesco AB. Director of Metro International S.A., Millicom International Cellular S.A., Modern Times Group MTG AB, Transcom WorldWide S.A. and Korsnäs AB.

JOHN SHAKESHAFI

Born 1954.

Elected 2003. MA Cambridge University, UK. Executive Director of Morgan Stanley 1990–1994, Managing Director and Partner of Barings Bank 1995–2000, Lazard 2000–2002 and Cardona Lloyd 2002–2004. Managing Director of Financial Institutions, ABN Amro Bank 2004–2006. Present Chairman of the Board of Ludgate Environmental Fund Ltd and Investment Director of Cornerstone AG. Other directorships: Questair Technologies Inc., TT Electronics Plc and The Economy Bank NV. Also Chairman of the Board of The Alternative Theatre Company and external member of the Cambridge University Audit Committee.

JOHN HEPBURN

Born 1949.

Elected 2005. MBA Harvard Business School, B.Sc. Engineering Princeton University. Has held a number of positions at Morgan Stanley since 1976, including Managing Director of Morgan Stanley & Co. and Vice Chairman of Morgan Stanley Europe Limited. Is at present Senior Adviser to Morgan Stanley, Chairman of Sportfact Ltd and Vice Chairman of UKRD Ltd. Other directorships: GHH Grand Hotel Holding AB and Mölnlycke Health Care.

From left: Vigo Carlund, John Shakeshaft, Pelle Törnberg, Cristina Stenbeck, Mia Brunell Livfors, John Hepburn, Mike Parton, Lars-Johan Jarnheimer

PELLE TÖRNBERG

Born 1956.

Elected 2007. Studies at the Department of Journalism, University of Gothenburg. Appointed Head of Industriförvaltnings AB Kinnevik's media companies in 1993. President and CEO of Modern Times Group MTG AB 1997–2000, then President and CEO of Metro International S.A. Advisory director of Metro International S.A. Other directorships: Modern Times Group MTG AB, RNB Retail and Brands and the Swedish-American Chamber of Commerce.

MIA BRUNELL LIVFORS

Born 1966.

Elected 2006. Studied Economics at Stockholm University. Has held several positions in Modern Times Group MTG AB since 1992, including CFO (2001–2006). Present President and CEO of Investment AB Kinnevik. Other directorships: Metro International S.A. Millicom International Cellular S.A., Modern Times Group MTG AB, Transcom WorldWide S.A., Korsnäs AB, Mellersta Sveriges Lantbruk AB and CTC Media Inc, a Russian associate company of MTG.

MIKE PARTON

Born 1954.

Elected 2007. Trained as Chartered Management Accountant. Former CEO of Marconi Plc (2001–2006). Has also held a number of financial positions in Marconi, GEC Plc, STC Plc and ICL. Present CEO and Chairman of Danovo Group Ltd, an international IT company. Member of the Chartered Institute of Management Accountants.

LARS-JOHAN JÄRNHEIMER

President and CEO of Tele2 AB since March 1999 (not a board member)

Born 1960.

M.Sc. in Business Administration and Economics, University of Växjö. Held positions at IKEA and H&M and was CEO of ZTV before joining Comviq as Vice President in 1992. President of Comviq from 1993 to 1997, and President of SAAB Automobiles in Nordic, Baltic and Russia from 1997 to 1998. Other directorships: Modern Times Group MTG AB, Arvid Nordquist Handels AB and INGKA Holding B.V. (IKEA's parent company).

