

INTERIM REPORT THIRD QUARTER 2014

TELE2

Improved growth in mobile services

THIRD QUARTER 2014 REPORT

Strong mobile end-user service revenue growth for the Group

■ In the quarter, total net sales amounted to SEK 6,584 (6,500) million and EBITDA to SEK 1,682 (1,471) million, positively impacted by strong development in the mobile segment. Mobile end-user service revenue grew by 8 percent amounting to SEK 3,252 (3,008) million, driven by improved monetization of mobile data usage.

Healthy top and bottom line progress in Tele2 Sweden

■ Mobile end-user service revenue in Sweden grew by 6 percent in Q3 2014 and EBITDA increased to SEK 910 (760) million, both impacted by accelerated data usage in predominantly the postpaid segment.

Maintained positive customer intake within mobile for Tele2 Netherlands

■ Tele2 Netherlands continued to gain market share by adding 23,000 (56,000) customers and taking the total mobile customer base to 791,000 (640,000). Mobile end-user service revenue amounted to SEK 321 (259) million, growing by 24 percent in Q3 2014.

Quality customer intake for Tele2 Kazakhstan

■ Customer intake amounted to 108,000 (–14,000) in Q3 2014, as the new commission structure started to yield results. Improved quality of customer intake and increasing data consumption supported the operational development. As a result, Mobile end-user service revenue grew by 7 percent in Q3 2014, amounting to SEK 257 (240) million despite being impacted by devaluation of the local currency. Through improved operational scale and lower interconnect levels, EBITDA amounted to SEK 22 (–34) million.

Sale of Tele2 Norway

■ In July 2014, Tele2 agreed to sell its Norwegian business to TeliaSonera for SEK 5.3 billion. The transaction follows Tele2's strategic review of its Norwegian business prompted by changes to the structure of the Norwegian market as a result of the license auction in December 2013. The sale will be completed after approval by regulatory authorities, which is expected in Q1 2015. Tele2 Norway has been presented in this report as discontinued operations.

Net sales
Q3 2014

6,584

SEK million

Excl. Tele2 Norway

EBITDA
Q3 2014

1,682

SEK million

Excl. Tele2 Norway

Key Financial Data Q3

SEK million	Q3			9M		
	2014	2013	%	2014	2013	%
Net sales	6,584	6,500	1	19,079	19,172	–
Net sales excluding exchange rate differences	6,584	6,640	–1	19,079	19,507	–2
Mobile end-user service revenue	3,252	3,008	8	9,250	8,629	7
EBITDA	1,682	1,471	14	4,514	4,401	3
EBITDA excluding exchange rate differences	1,682	1,513	11	4,514	4,523	–
EBIT	1,004	297	238	2,755	1,812	52
Net profit /loss	726	–123	–	2,132	691	209
Earnings per share, after dilution (SEK)	1.62	–0.27	–	4.76	1.55	207

The figures presented in this report refer to Q3 2014 and continuing operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2013.

CEO Word, Q3 2014

Q3 2014 was a high quality quarter with strong results across the board, resulting from our ability to monetize a great customer experience from our excellent mobile network. Our persistent focus on LTE/4G is now paying off, with strong top and bottom line progress in the quarter. This trend has been very clear in Sweden, and is now also apparent in other parts of our footprint. As a result, our mobile end-user service revenue grew by 8 percent in combination with strong operational performance.

LTE/4G is surely a game changer, even though we still are in the early stage of monetizing mobile data. Today, our major opportunity is to ensure that we keep delivering services that will enable and support our customers' aspiration for a wireless lifestyle and foster further development of the current trend. Therefore we will relentlessly pursue our work to move the Tele2 brand from Discounter to Value Champion.

Sweden was the strongest performer in the quarter, leading the way for the rest of the Group. Mobile end-user service revenue increased by 6 percent as the usage of our mobile data service surged. I am particularly pleased with the revenue growth filtering through to better EBITDA contribution with a margin of 33 percent. Going forward we will maintain our investment efforts into what is already today the world's best LTE/4G network, as we see a strong correlation between the growing demand of mobile data services and great mobile networks.

In the Netherlands our network roll-out gathered further momentum in the quarter, delivering improved population coverage through better processes and close relationships with our vendors. The mobile business kept its pace during the quarter. However, better distribution and our own mobile network are crucial to improving performance. During the quarter, our fixed broadband business executed well in a demanding market environment with positive customer intake.

“Q3 2014 was a high quality quarter with strong results across the board, resulting from our ability to monetize a great customer experience from our excellent mobile network. Our persistent focus on LTE/4G is now paying off, with strong top and bottom line progress in the quarter.”

Our Kazakh operation maintained its positive trajectory and delivered solid results in the quarter. We continued to work on our distribution channel strategy, as further improvements are needed to reduce churn in our customer base. The demand for data services is growing fast. Our investments in the country will contribute to strengthening our position within 3G services and close the coverage gap between us and our competitors to better support our customers' needs.

Tele2's operations in the Baltic region and in Croatia showed very robust improvement in Q3 2014. It is always gratifying to see hard work paying off. Within this group

of well performing companies, I once again need to highlight Croatia as a phenomenal comeback kid that has moved from a struggling business to become a real growth story.

To proactively drive the process to get clearance from the competition authorities on our sale of Tele2 Norway, we announced an agreement on frequency lease and sale of infrastructure to the third largest mobile operator in the country. As a result, our view on getting the deal done by Q1 2015, is unchanged.

Our focus remains the same. The Netherlands and Kazakhstan are building mobile business for our future, contributing strongly to the Group's overall growth, while Sweden stands as standard when it comes to creating a profitable and data centric business model.

Mats Granryd
President and CEO

SIGNIFICANT EVENTS IN THE QUARTER | Q3

- Tele2 completed the network modernization in all Baltic countries
- Tele2 and Aicent announced IPX Peering Agreement
- Tele2 agreed to sell its Norwegian business to TeliaSonera for SEK 5.3 billion (Note 10)

SUBSEQUENT EVENTS

- Tele2 AB to host an analyst and journalist briefing in London the 12, December 2014
- ICE Communication Norge AS and Tele2 Norway signed an agreement on frequency lease and purchase of infrastructure

Financial Overview

Tele2's financial performance is driven by a consistent focus on developing mobile services on own infrastructure, complemented in certain countries by fixed broadband services and business-to-business offerings. Mobile net sales, which grew compared to the same period last year, combined with greater efforts to develop mobile services on own infrastructure have had a positive impact on Tele2's EBITDA. The Group will concentrate on maximizing the return from fixed-line services.

Following the announced sale of Tele2 Norway, the business unit is reported separately under discontinued operations in the income statement, with a retrospective effect in previous periods, and as assets held for sale in the balance sheet from June 30, 2014 (see Note 10).

Net customer intake amounted to 166,000 (204,000) in Q3 2014. The customer intake in mobile services amounted to 208,000 (258,000). This development was mainly driven by positive customer intake in Kazakhstan, Croatia, and Sweden. The fixed broadband customer base decreased by -8,000 (-18,000) customers in Q3 2014, primarily attributable to Tele2's operations in Sweden and Austria. However, the quarter also showed a turnaround in the fixed broadband customer base in the Netherlands following an improved product portfolio. As expected, the number of fixed telephony customers fell in Q3 2014 by -34,000 (-36,000). On September 30, 2014 the total customer base amounted to 13,605,000 (14,153,000).

Net sales in Q3 2014 amounted to SEK 6,584 (6,500) million. The net sales development was mainly a result of strong usage of mobile data services, leading to a mobile end-user service revenue growth of 8 percent. This positive development was to some extent hampered by lower interconnect levels within mobile services (see page 18 for mobile external net sales split) and negative net sales development within consumer fixed telephony and fixed broadband.

EBITDA in Q3 2014 amounted to SEK 1,682 (1,471) million, equivalent to an EBITDA margin of 26 (23) percent. The operational development was mainly a result of better monetization of mobile data

usage. It was also affected by expansion costs in the mobile segment, tougher competition in the fixed broadband segment and a decreasing fixed telephony customer base.

EBIT in Q3 2014 amounted to SEK 1,004 (747) million excluding one-off items. Including one-off items, EBIT amounted to SEK 1,004 (297) million.

Profit before tax in Q3 2014 amounted to SEK 958 (138) million.

Net profit /loss in Q3 2014 amounted to SEK 726 (-123) million. Reported tax for Q3 2014 amounted to SEK -232 (-261) million. Tax payment affecting cash flow amounted to SEK -63 (-31) million. Deferred tax assets amounted to SEK 2.1 billion at the end of the quarter.

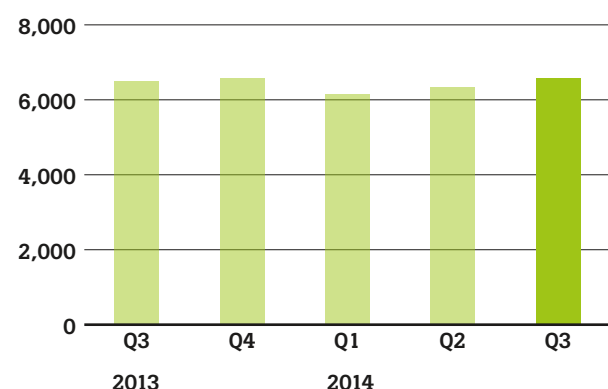
Cash flow after CAPEX in Q3 2014 amounted to SEK 475 (495) million including and SEK 621 (727) excluding Norway, mainly due to mobile network roll-outs in Sweden, the Netherlands, and Kazakhstan.

CAPEX in Q3 2014 amounted to SEK 861 (658) million, driven principally by further network expansion in Sweden, the Netherlands and Kazakhstan.

Net debt amounted to SEK 8,993 (8,346) million on September 30, 2014, or 1.49 times 12-month rolling EBITDA. Tele2's available liquidity amounted to SEK 8,788 (12,213) million (see Note 3 for further information on financial debt).

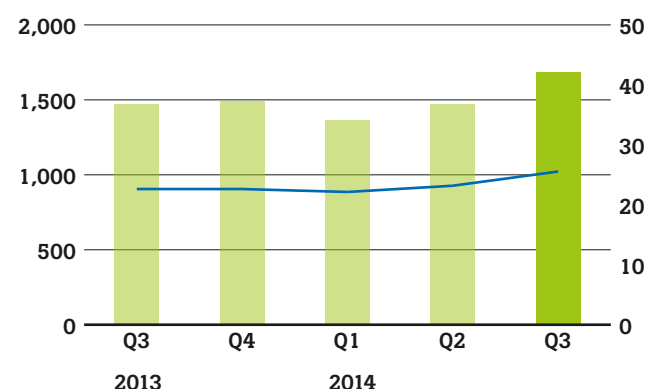
Net sales

SEK million



EBITDA/EBITDA margin

SEK million/Percent



Financial Guidance

Tele2 AB gives the following guidance for 2014 for continuing operations, which is unchanged from Q2 2014:

- Tele2 expects total revenue of between SEK 24.8 and 25.2 billion.
- Tele2 expects EBITDA of between SEK 5.7 and 5.8 billion.
- Tele2 forecasts a CAPEX level of between SEK 3.5 and 3.8 billion.

As a result of the strong Q3 2014, the company is confident that it will reach the top end of the guidance ranges on both total revenue and EBITDA.

Shareholder remuneration

Tele2 will seek to pay a progressive ordinary dividend of 50 percent or more of net income excluding one-off items. Extraordinary dividends and the authority to purchase Tele2's own shares will be sought when the anticipated total return to shareholders is deemed to be greater than the achievable returns from the deployment of the capital within the Group's operations or the acquisition of assets within Tele2's economic requirements.

Balance sheet

Tele2 has a target net debt to EBITDA ratio of between 1.25 and 1.75 times over the medium term. The Group's longer term financial leverage should be in line with the industry and the markets in which it operates, and reflect the status of its operations, future strategic opportunities and obligations.

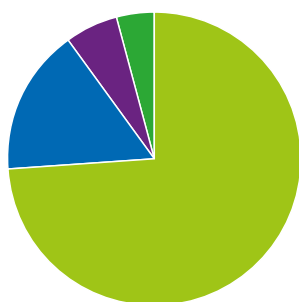
Financial summary

SEK million	Note	Q3 2014	Q3 2013	9M 2014	9M 2013	FY 2013
Mobile¹⁾						
Net customer intake (thousands)		208	258	548	1,008	594
Net sales		4,864	4,507	13,907	13,004	17,613
EBITDA		1,217	941	3,157	2,792	3,755
EBIT		774	501	1,867	1,495	1,939
CAPEX		691	376	1,692	2,521	3,217
Fixed broadband¹⁾						
Net customer intake (thousands)		-8	-18	-35	-64	-86
Net sales		1,040	1,227	3,120	3,786	5,025
EBITDA		237	291	695	881	1,194
EBIT		59	74	163	229	350
CAPEX		55	137	294	385	585
Fixed telephony¹⁾						
Net customer intake (thousands)		-34	-36	-105	-209	-255
Net sales		383	475	1,198	1,512	1,967
EBITDA	2	138	164	446	504	645
EBIT	2	120	147	385	443	564
CAPEX		10	16	29	37	46
Total						
Net customer intake (thousands)		166	204	408	735	253
Net sales		6,584	6,500	19,079	19,172	25,757
EBITDA		1,682	1,471	4,514	4,401	5,891
EBIT ²⁾	2	1,004	297	2,755	1,812	2,548
CAPEX		861	658	2,420	3,352	4,399
EBT	4	958	138	2,805	1,440	1,997
Net profit/loss		726	-123	2,132	691	968
Cash flow from operating activities, continuing operations		1,482	1,333	3,344	3,509	4,983
Cash flow from operating activities		1,443	1,357	3,256	4,293	5,813
Cash flow after CAPEX, continuing operations	7	621	727	889	157	799
Cash flow after CAPEX		475	495	194	65	572

1) Excluding one-off items (see section EBIT on page 20)

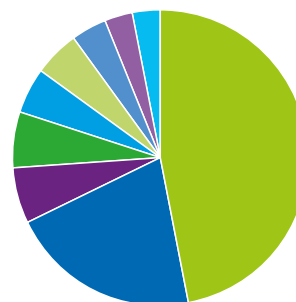
2) Total EBIT includes result from sale of operations and other one-off items stated under the segment reporting section of EBIT (page 20)

Net sales per service area, Q3 2014



Mobile	74%	Fixed telephony	6%
Fixed broadband	16%	Other	4%

Net sales per country, Q3 2014



Sweden	47%	Austria	5%
Netherlands	21%	Latvia	4%
Croatia	6%	Germany	3%
Lithuania	6%	Estonia	3%
Kazakhstan	5%		

Overview by country

NET SALES LESS EXCHANGE RATE FLUCTUATIONS

SEK million	2014 Q3	2013 Q3*	Growth	2014 YTD	2013 YTD*	Growth
Sweden	3,124	3,078	1%	9,256	9,297	-
Netherlands	1,369	1,468	-7%	4,007	4,280	-6%
Kazakhstan	349	317	10%	952	854	11%
Croatia	390	390	-	1,018	1,046	-3%
Lithuania	375	354	6%	1,009	1,004	-
Latvia	235	244	-4%	671	721	-7%
Estonia	165	193	-15%	480	529	-9%
Austria	308	332	-7%	898	988	-9%
Germany	232	226	3%	687	675	2%
Other	37	38	-3%	101	113	-11%
Continued operations	6,584	6,640	-1%	19,079	19,507	-2%
FX effects		-140	2%		-335	2%
Total	6,584	6,500	1%	19,079	19,172	-

* Adjusted for fluctuations in exchange rates

Sweden

The quarter was characterized by strong demand for mobile data as well as continued competitive pressure, especially in the discount segment. Total net sales over the period was SEK 3,124 (3,078) million, and total EBITDA amounted to SEK 1,025 (900) million.

The business segment saw continued strong mobile revenue growth, driven by increased customer stock as well as continued strong intake within cloud PBX. Only 18 months after its launch, the PBX service is number two in the market. A strong quarter also for the Large Enterprise segment with many new and prolonged contracts.

Mobile In Q3 2014 mobile end-user service revenue amounted to SEK 1,865 (1,767) million, a growth of 6 percent compared to the same period last year. Total customer base was 3,745,000 (3,803,000) and the EBITDA contribution reached SEK 910 (760) million in the quarter, representing a growth of 20 percent compared to the same period last year and an EBITDA margin of 33 (29) percent.

Within the residential segment the strong demand for mobile data shifted sales towards higher data buckets and 64 percent of residential postpaid customers were on bucket price plans in the quarter. The number of sold data-top ups increased with almost 270 percent compared to the same period last year, proving that the consumer behavior has shifted from voice to data services. The demand for 4G enabled smartphones was maintained in the quarter, making up close to 90 percent of total sales.

In Q3 2014 the market has been impacted by maintained competitive pressure. Despite this development, Tele2's price fighting brand Comviq experienced a strong quarter with a high net intake and an increased customer base on bucket price plans thanks to improved distribution strategy.

Fixed broadband The fixed broadband showed a decline in line with previous years in Q3 2014 with an EBITDA contribution of SEK 34 (49) million, driven by solid demand within business data net services.

Fixed telephony The EBITDA contribution in the quarter amounted to SEK 51 (61) million. Tele2 Sweden saw, as expected, a continued decrease in demand for fixed telephony as a consequence of the increased demand for mobile bucket price plans.

EBITDA LESS EXCHANGE RATE FLUCTUATIONS

SEK million	2014 Q3	2013 Q3*	Growth	2014 YTD	2013 YTD*	Growth
Sweden	1,025	900	14%	2,732	2,590	5%
Netherlands	206	289	-29%	730	958	-24%
Kazakhstan	22	-30	-	26	-114	-
Croatia	72	50	44%	130	76	71%
Lithuania	143	115	24%	378	377	-
Latvia	83	76	9%	212	231	-8%
Estonia	41	46	-11%	118	131	-10%
Austria	62	81	-23%	169	255	-34%
Germany	35	19	84%	100	111	-10%
Other	-7	-33	79%	-81	-92	12%
Continued operations	1,682	1,513	11%	4,514	4,523	-
FX effects		-42	3%		-122	3%
Total	1,682	1,471	14%	4,514	4,401	3%

* Adjusted for fluctuations in exchange rates

The Netherlands

Tele2 Netherlands showed stable development in the quarter with net sales amounting to SEK 1,369 (1,383) million. EBITDA amounted to SEK 206 (271) million, impacted by MNO roll-out as well as maintained price pressure in the fixed broadband market.

Mobile Tele2 Netherlands added 23,000 (56,000) customers, bringing the total mobile customer base to 791,000 (640,000). The result was in some part due to a new mobile proposition, focused on delivering low priced, fair, transparent and simple packages which was launched in September.

In Q3 2014 the business met several important milestones in the 4G roll-out. Construction of new sites is going according to plan. Meanwhile an internal testing program has started, with a number of employees testing all different aspects of the 4G network. During the quarter, Samsung also validated Tele2's 4G-network, enabling all their LTE-devices to use the network.

Fixed broadband The turnaround in residential broadband customer base development continued, resulting in highest quarter of customer intake in two and a half years. The customer base development reflected the improvements made over the last couple of months with a net intake of 1,000 (-12,000) customers, opting mostly for bundled services. The total base amounted to 368,000 (385,000). The Business sales team added several big accounts in the quarter.

Norway

On the 7th of July, Tele2 AB agreed to sell Tele2 Norway to Telia-Sonera for SEK 5.3 billion. The sale will be completed after approval by regulatory authorities, which is expected at the latest in Q1 2015. As a result, Tele2 Norway is reported under discontinued operations in the income statement, with a retrospective effect in previous periods, and as assets held for sale in the balance sheet from June 30, 2014 (see Note 10).

Kazakhstan

Mobile Throughout Q3 2014, Tele2 Kazakhstan continued to focus on strengthening its market position and on increasing quality of customer intake. Net intake amounted to 108,000 (-14,000) customers during the quarter, taking the total customer base to 3,092,000 (3,148,000). Mobile end-user service revenue grew by 7 percent compared to same quarter previous year despite devaluation of local currency and amounted to SEK 257 (240) million. The EBITDA contribution was SEK 22 (-34) million through improved operational scale and lower interconnect level. Mobile data traffic showed steady growth, increasing by 118 percent compared to the same period last year.

Tele2 Kazakhstan continued to invest in its mobile network in order to improve quality perception in the market. Most efforts concentrated on expanding geographical coverage and improving network quality. New offers were introduced, such as "Internet for the whole year", as a response to strong pricing competition and to maintain the price leadership position. In July 2014, the company launched its brand-new mobile application allowing customers to get better control, in real-time, over costs.

Croatia

Mobile Even though the overall mobile market shrank in the quarter, with great value for money offers Tele2 had a good summer tourist season both in terms of visitor roaming and sales of tourist SIMs. Tele2 Croatia maintained its positive operational development and had a net intake of 33,000 (50,000) customers. Tele2 Croatia had a solid mobile end-user service revenue increase of 11 percent, amounting to SEK 220 (199) million, despite negative impact from reduced mobile termination rates and lower roaming prices. During Q3 2014, Tele2 Croatia continued to improve profitability with a strong EBITDA contribution of SEK 72 (48) million.

Lithuania

Mobile Despite strong competition, Tele2 Lithuania maintained a solid performance in Q3 2014 with mobile end-user services revenue growing to SEK 231 (221) million, an increase by 5 percent.

During the quarter, Tele2 Lithuania reached a solid EBITDA contribution of SEK 143 (109) million. The positive development was mainly driven by higher mobile data usage in combination with improved cost efficiency. As a result, Tele2 Lithuania's EBITDA margin increased to 38 (33) percent in the quarter helped by good cost control.

Faced with intensified price pressure from competition, Tele2 Lithuania will work to further improve its retention activities. The company will also continue to aggressively grow its market share in the business segment, benefiting from general price sensitivity among private companies and state-owned organizations.

Tele2 Lithuania continued to improve its mobile network and started to introduce LTE/4G services, to respond to the increasing customer demand for mobile data.

Latvia

Mobile Tele2 Latvia's mobile end-user service revenue was SEK 145 (139) million in the quarter, positively impacted by growing mobile data usage. Having achieved a significant gain in reputation through ongoing attention to service excellence and performance, Tele2 Latvia concentrated its efforts on maintaining its efficiency during the quarter, but also focused on quality of service and offer innovation. As a result the EBITDA contribution improved to SEK 83 (72) million, equivalent to an EBITDA margin of 35 (31) percent.

Tele2 Latvia will continue to strengthen its market position through focus on revenue growth, customer satisfaction and innovation.

During Q3 2014, Tele2 Latvia launched roaming data buckets for EU countries, making it more convenient for customers to use mobile data abroad. Also new data tariff plans for domestic use was introduced in the quarter.

Estonia

Mobile Tele2 Estonia showed a solid financial performance during Q3 2014 under difficult market conditions, with mobile end-user service revenue and EBITDA amounting to SEK 98 (102) million and SEK 35 (33) million respectively.

In Q3 2014, Tele2 Estonia introduced data centric bundled subscriptions with unlimited voice and sms, to stimulate further growth of data usage. Additionally, HD voice and Deezer music service was introduced to the end customer in the quarter.

Tele2 Estonia will focus on increasing customer intake by utilizing all commercial channels, but especially its own shops as they generate higher ARPU customers. Tele2 Estonia will also work on optimizing its fiber network. The objective is to acquire more business customers by providing them with direct data link not only in Estonia, but also through partners abroad.

Austria

In the quarter, Tele2 Austria's net sales amounted to SEK 308 (313) million, stabilized by enhanced focus on driving growth in the business and residential segments. As a result of increased marketing activities and lower carrier pre-select (CPS) revenues, EBITDA amounted to SEK 62 (77) million. Tele2 Austria maintained a very high customer satisfaction level at 83 percent.

Fixed broadband Tele2 Austria continued to work on improving its brand and market positioning during the quarter through summer campaigns. EBITDA contribution improved compared to Q2 2014 and reached SEK 34 million.

Fixed telephony Successful retention and cross-selling activities through online continued throughout the quarter

Germany

In the quarter, Tele2 Germany continued its growth in the mobile segment with a strong net intake backed up by a solid performance in the fixed and broadband segments. Net sales increased by 9 percent to SEK 232 (213) million and EBITDA amounted to 35 (18) million in Q3 2014. The total customer base grew by 2 percent to 728,000 (712,000) customers despite the continued decline within the fixed voice and broadband segments.

Mobile The mobile segment continued to show a strong performance, adding 19,000 (21,000) new customers in the quarter, taking the total customer base to 233,000 (156,000). End user service revenue increased to SEK 115 (81) million in Q3 2014. The segment's positive development emphasizes the transformation to a fixed and mobile player by mitigating the customer decline from the fixed and broadband segments.

Fixed broadband and telephony Though following the general declining market trend, the fixed telephony (Carrier Pre-Selection and Open Call-by-Call) and fixed broadband segments generated cash contributions above plan and provided a source for cross-sale to mobile services - both regular mobile services and higher ARPU fixed-via mobile services.

Other Items

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors. The risk factors considered to be most significant to Tele2's future development are operating risks, such as the availability of frequencies and telecom licenses, price competition, integration of new business models, changes in regulatory legislation, operation in Kazakhstan, network sharing with other parties, and financial risks such as currency risk, interest risk, liquidity risk and credit risk. In addition to the risks described in Tele2's annual report for 2013 (see Directors' report and Note 2 of the report for a detailed description of Tele2's risk exposure and risk management), no additional significant risks are estimated to have developed.

Company disclosure

Tele2 AB (publ) Annual General Meeting 2015

The 2015 Annual General Meeting will be held on May 19, 2015 in Stockholm. Shareholders wishing to have a matter considered at the Annual General Meeting should submit their proposals in writing to agm@tele2.com or to the Company Secretary, Tele2 AB (publ), P.O. Box 62, SE-164 94 Kista, Sweden, at least seven weeks before the Annual General Meeting for the proposal to be included in the notice to the meeting. Further details on how and when to register will be published in advance of the Annual General Meeting.

Nomination committee for the 2015 Annual General Meeting

In accordance with the resolution of the 2014 Annual General Meeting, Cristina Stenbeck has convened a Nomination Committee consisting of members appointed by the largest shareholders in Tele2 (wishing to appoint a member). The Nomination Committee is comprised of Cristina Stenbeck appointed by Investment AB Kinnevik; Mathias Leijon appointed by Nordea Funds; Jonas Eixmann appointed by Andra AP-fonden and Åsa Nisell appointed by Swedbank Robur Funds. The members of the Committee will appoint the Committee Chairman at their first meeting. Information about the work of the Nomination Committee can be found on Tele2's corporate website at www.tele2.com. Shareholders wishing to propose candidates for election to the Board of Directors of Tele2 AB (publ) should submit their proposal in writing to agm@tele2.com or to the Company Secretary, Tele2 AB (publ), P.O. Box 62, SE 164 94 Kista, Sweden.

Auditors' Review Report

This interim report has not been subject to review by the Company's auditors.

Other

Tele2 will release the financial and operating results for the period ending December 31, 2014 on January 30, 2015.

Stockholm, October 23, 2014
Tele2 AB

Mats Granryd
President and CEO

Q3 2014 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CEST (09:00 am BST/04:00 am EDT) on Thursday, October 23, 2014. The presentation will be held in English and also made available as an audio cast on Tele2's website: www.tele2.com.

Dial-in information

To ensure that you are connected to the conference call, please dial in a few minutes before the start of the conference call to register your attendance.

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APPENDICES

Income statement

Comprehensive income

Balance sheet

Cash flow statement

Change in equity

Numbers of customers

Net sales

Internal sales

Mobile external net sales split

EBITDA

EBIT

CAPEX

Key ratios

Parent company

Notes

VISIT OUR WEBSITE: www.tele2.com

TELE2 IS ONE OF EUROPE'S FASTEST GROWING TELECOM OPERATORS, ALWAYS PROVIDING CUSTOMERS WITH WHAT THEY NEED FOR LESS.

We have 14 million customers in 9 countries. Tele2 offers mobile services, fixed broadband and fixed telephony, data network services, 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 the NASDAQ OMX Stockholm since 1996. In 2013, we had net sales of SEK 26 billion and reported an operating profit (EBITDA) of SEK 6 billion.

Income statement

SEK million	Note	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2013 Q3
CONTINUING OPERATIONS						
Net sales	1	19,079	19,172	25,757	6,584	6,500
Cost of services sold	2	-10,943	-11,599	-15,441	-3,756	-4,207
Gross profit		8,136	7,573	10,316	2,828	2,293
Selling expenses	2	-3,935	-4,113	-5,541	-1,268	-1,431
Administrative expenses	2	-1,790	-1,716	-2,321	-594	-583
Result from shares in joint ventures and associated companies		-9	-14	-17	-3	-3
Other operating income	10	531	144	206	90	42
Other operating expenses	2	-178	-62	-95	-49	-21
Operating profit, EBIT		2,755	1,812	2,548	1,004	297
Interest income/costs	3	-283	-279	-368	-98	-125
Other financial items	4	333	-93	-183	52	-34
Profit after financial items, EBT		2,805	1,440	1,997	958	138
Income tax	5	-673	-749	-1,029	-232	-261
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		2,132	691	968	726	-123
DISCONTINUED OPERATIONS						
Net profit/loss from discontinued operations	10	-330	13,730	13,622	-103	-48
NET PROFIT/LOSS		1,802	14,421	14,590	623	-171
ATTRIBUTABLE TO						
Equity holders of the parent company		1,802	14,421	14,590	623	-171
Earnings per share (SEK)	9	4.04	32.39	32.77	1.39	-0.40
Earnings per share, after dilution (SEK)	9	4.02	32.19	32.55	1.39	-0.40
FROM CONTINUING OPERATIONS						
ATTRIBUTABLE TO						
Equity holders of the parent company		2,132	691	968	726	-123
Earnings per share (SEK)	9	4.78	1.55	2.17	1.62	-0.27
Earnings per share, after dilution (SEK)	9	4.76	1.55	2.15	1.62	-0.27

Comprehensive income

SEK million	Note	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2013 Q3
NET PROFIT/LOSS		1,802	14,421	14,590	623	-171
OTHER COMPREHENSIVE INCOME						
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT/LOSS						
Pensions, actuarial gains/losses		-67	8	203	-52	8
Pensions, actuarial gains/losses, tax effect		15	-2	-45	12	-2
Components not to be reclassified to net profit/loss		-52	6	158	-40	6
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT/LOSS						
Exchange rate differences						
Translation differences in foreign operations	2	588	-177	272	142	-311
Tax effect on above		-130	-26	-20	-77	39
Reversed cumulative translation differences from divested companies	10	-3	1,720	1,719	-	-16
<i>Translation differences</i>		<i>455</i>	<i>1,517</i>	<i>1,971</i>	<i>65</i>	<i>-288</i>
Hedge of net investments in foreign operations		-189	81	-6	-88	40
Tax effect on above		42	-18	2	20	-9
Reversed cumulative hedge from divested companies		-	-3	-3	-	-1
<i>Hedge of net investments</i>		<i>-147</i>	<i>60</i>	<i>-7</i>	<i>-68</i>	<i>30</i>
Exchange rate differences		308	1,577	1,964	-3	-258
Cash flow hedges						
Gain/loss arising on changes in fair value of hedging instruments		-134	55	33	-32	-5
Reclassified cumulative gain/loss to income statement		44	37	49	15	13
Tax effect on cash flow hedges		19	-20	-18	3	-2
Cash flow hedges		-71	72	64	-14	6
Components that may be reclassified to net profit/loss		237	1,649	2,028	-17	-252
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		185	1,655	2,186	-57	-246
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,987	16,076	16,776	566	-417
ATTRIBUTABLE TO						
Equity holders of the parent company		1,987	16,076	16,776	566	-417

Balance sheet

SEK million	Note	Sep 30, 2014	Sep 30, 2013	Dec 31, 2013
ASSETS				
NON-CURRENT ASSETS				
Goodwill		9,180	9,329	9,537
Other intangible assets	2	4,802	5,097	5,183
Intangible assets		13,982	14,426	14,720
Tangible assets	2	10,397	11,497	11,747
Financial assets	3	517	103	365
Deferred tax assets	5	2,128	3,012	2,753
NON-CURRENT ASSETS		27,024	29,038	29,585
CURRENT ASSETS				
Inventories		486	339	471
Current receivables		6,777	7,969	7,948
Current investments		40	50	55
Cash and cash equivalents	6	418	1,024	1,348
CURRENT ASSETS		7,721	9,382	9,822
ASSETS CLASSIFIED AS HELD FOR SALE	10	4,204	–	448
ASSETS		38,949	38,420	39,855
EQUITY AND LIABILITIES				
EQUITY				
Attributable to equity holders of the parent company		21,638	20,882	21,589
Non-controlling interests		2	2	2
EQUITY	9	21,640	20,884	21,591
NON-CURRENT LIABILITIES				
Interest-bearing liabilities	3	5,287	6,158	6,282
Non-interest-bearing liabilities	5	392	563	441
NON-CURRENT LIABILITIES		5,679	6,721	6,723
CURRENT LIABILITIES				
Interest-bearing liabilities	3	4,077	3,280	3,148
Non-interest-bearing liabilities		6,676	7,535	8,340
CURRENT LIABILITIES		10,753	10,815	11,488
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	10	877	–	53
EQUITY AND LIABILITIES		38,949	38,420	39,855

Cash flow statement

(Total operations)

SEK million	Note	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
OPERATING ACTIVITIES										
Operating profit		2,439	15,753	16,339	906	679	854	586	248	13,926
Adjustments for non-cash items in operating profit		2,136	-10,032	-9,141	812	806	518	891	1,286	-12,426
Financial items paid		-283	-314	-455	-120	-122	-41	-141	-132	-69
Taxes paid		-234	-370	-479	-63	-46	-125	-109	-31	-7
Cash flow from operations before changes in working capital		4,058	5,037	6,264	1,535	1,317	1,206	1,227	1,371	1,424
Changes in working capital		-802	-744	-451	-92	-11	-699	293	-14	-63
CASH FLOW FROM OPERATING ACTIVITIES		3,256	4,293	5,813	1,443	1,306	507	1,520	1,357	1,361
INVESTING ACTIVITIES										
CAPEX paid	7	-3,062	-4,228	-5,241	-968	-1,032	-1,062	-1,013	-862	-905
Cash flow after CAPEX		194	65	572	475	274	-555	507	495	456
Acquisition and sale of shares and participations	10	692	17,232	17,228	-18	-39	749	-4	-52	17,392
Other financial assets		17	13	7	-	3	14	-6	1	8
Cash flow from investing activities		-2,353	13,017	11,994	-986	-1,068	-299	-1,023	-913	16,495
CASH FLOW AFTER INVESTING ACTIVITIES		903	17,310	17,807	457	238	208	497	444	17,856
FINANCING ACTIVITIES										
Change of loans, net	3	108	-2,264	-2,433	-546	1,640	-986	-169	-159	-1,876
Dividends	9	-1,960	-3,163	-3,163	-	-1,960	-	-	-	-3,163
Redemption of shares	9	-	-12,474	-12,474	-	-	-	-	-	-12,474
Other financing activities	9	-	-94	-94	-	-	-	-	-	-
Cash flow from financing activities		-1,852	-17,995	-18,164	-546	-320	-986	-169	-159	-17,513
NET CHANGE IN CASH AND CASH EQUIVALENTS		-949	-685	-357	-89	-82	-778	328	285	343
Cash and cash equivalents at beginning of period		1,348	1,673	1,673	526	593	1,348	1,024	740	386
Exchange rate differences in cash and cash equivalents		19	36	32	-19	15	23	-4	-1	11
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6	418	1,024	1,348	418	526	593	1,348	1,024	740

Change in equity

SEK million	Note	Sep 30, 2014			Sep 30, 2013			Dec 31, 2013		
		Attributable to		Total equity	Attributable to		Total equity	Attributable to		Total equity
		equity holders of the parent company	non-controlling interests		equity holders of the parent company	non-controlling interests		equity holders of the parent company	non-controlling interests	
Equity, January 1		21,589	2	21,591	20,426	3	20,429	20,426	3	20,429
Net profit for the period		1,802	–	1,802	14,421	–	14,421	14,590	–	14,590
Other comprehensive income for the period, net of tax		185	–	185	1,655	–	1,655	2,186	–	2,186
Total comprehensive income for the period		1,987	–	1,987	16,076	–	16,076	16,776	–	16,776
Other changes in equity										
Share-based payments	9	21	–	21	7	–	7	14	–	14
Share-based payments, tax effect	9	1	–	1	10	–	10	10	–	10
Dividends	9	–1,960	–	–1,960	–3,163	–	–3,163	–3,163	–	–3,163
Redemption of shares	9	–	–	–	–12,474	–	–12,474	–12,474	–	–12,474
Purchase of non-controlling interests	9	–	–	–	–	–1	–1	–	–1	–1
EQUITY, END OF THE PERIOD		21,638	2	21,640	20,882	2	20,884	21,589	2	21,591

Numbers of customers

by thousands	Note	Numbers of customers			Net intake							
		2014 Sep 30	2013 Sep 30	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Sweden												
Mobile		3,745	3,803	7	46	38	28	-8	-13	-8	60	20
Fixed broadband	1	64	472	-16	-12	-19	-4	-6	-6	-7	-2	3
Fixed telephony		243	289	-30	-52	-68	-9	-12	-9	-16	-15	-16
		4,052	4,564	-39	-18	-49	15	-26	-28	-31	43	7
Netherlands												
Mobile		791	640	97	162	224	23	27	47	62	56	49
Fixed broadband		368	385	-6	-36	-47	1	-1	-6	-11	-12	-10
Fixed telephony		85	114	-22	-27	-34	-5	-7	-10	-7	-6	-10
		1,244	1,139	69	99	143	19	19	31	44	38	29
Kazakhstan												
Mobile		3,092	3,148	341	547	154	108	213	20	-393	-14	309
		3,092	3,148	341	547	154	108	213	20	-393	-14	309
Croatia												
Mobile		877	839	84	85	40	33	45	6	-45	50	13
		877	839	84	85	40	33	45	6	-45	50	13
Lithuania												
Mobile		1,850	1,865	-1	82	81	-15	-4	18	-1	54	16
		1,850	1,865	-1	82	81	-15	-4	18	-1	54	16
Latvia												
Mobile		1,003	1,075	-28	32	-9	10	1	-39	-41	24	11
		1,003	1,075	-28	32	-9	10	1	-39	-41	24	11
Estonia												
Mobile		494	514	-9	8	-	2	-6	-5	-8	7	2
Fixed telephony		3	4	-1	-1	-1	-1	-1	1	-	-	-1
		497	518	-10	7	-1	1	-7	-4	-8	7	1
Austria												
Fixed broadband		110	120	-8	-7	-9	-4	-1	-3	-2	-2	-2
Fixed telephony		152	173	-15	-18	-24	-4	-5	-6	-6	-5	-6
		262	293	-23	-25	-33	-8	-6	-9	-8	-7	-8
Germany												
Mobile		233	156	57	46	66	19	18	20	20	21	13
Fixed broadband		66	73	-5	-9	-11	-1	-1	-3	-2	-2	-3
Fixed telephony		429	483	-37	-111	-128	-15	-2	-20	-17	-10	-76
		728	712	15	-74	-73	3	15	-3	1	9	-66
TOTAL												
Mobile		12,085	12,040	548	1,008	594	208	286	54	-414	258	433
Fixed broadband	1	608	1,050	-35	-64	-86	-8	-9	-18	-22	-18	-12
Fixed telephony		912	1,063	-105	-209	-255	-34	-27	-44	-46	-36	-109
TOTAL NUMBERS OF CUSTOMERS AND NET INTAKE												
		13,605	14,153	408	735	253	166	250	-8	-482	204	312
Divested companies	1			-385	-	-	-	-	-385	-	-	-
Changed method of calculation	1			-	-811	-900	-	-	-	-89	-	-811
TOTAL NUMBERS OF CUSTOMERS AND NET CHANGE												
		13,605	14,153	23	-76	-647	166	250	-393	-571	204	-499

Net sales

SEK million	Note	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Sweden										
Mobile	1	8,107	7,485	10,075	2,755	2,726	2,626	2,590	2,508	2,540
Fixed broadband	1, 10	541	1,066	1,411	176	185	180	345	334	349
Fixed telephony		507	653	841	158	168	181	188	203	218
Other operations		105	99	133	36	34	35	34	35	33
		9,260	9,303	12,460	3,125	3,113	3,022	3,157	3,080	3,140
Netherlands										
Mobile		1,390	1,235	1,682	497	458	435	447	463	417
Fixed broadband		1,870	1,981	2,632	627	617	626	651	646	650
Fixed telephony		324	420	551	104	103	117	131	135	142
Other operations		424	428	571	141	141	142	143	139	141
		4,008	4,064	5,436	1,369	1,319	1,320	1,372	1,383	1,350
Kazakhstan										
Mobile		952	979	1,344	349	309	294	365	357	333
		952	979	1,344	349	309	294	365	357	333
Croatia										
Mobile		1,018	1,001	1,397	390	329	299	396	372	333
		1,018	1,001	1,397	390	329	299	396	372	333
Lithuania										
Mobile	1	1,017	960	1,289	379	332	306	329	336	329
		1,017	960	1,289	379	332	306	329	336	329
Latvia										
Mobile		678	693	926	237	226	215	233	234	221
		678	693	926	237	226	215	233	234	221
Estonia										
Mobile		440	450	606	152	148	140	156	163	148
Fixed telephony		5	8	10	1	2	2	2	3	2
Other operations		35	44	58	12	11	12	14	16	14
		480	502	674	165	161	154	172	182	164
Austria										
Fixed broadband		584	608	811	196	195	193	203	204	202
Fixed telephony		124	143	190	41	41	42	47	46	47
Other operations		190	187	243	71	63	56	56	63	62
		898	938	1,244	308	299	291	306	313	311
Germany										
Mobile		324	222	321	112	108	104	99	82	74
Fixed broadband		125	131	171	41	41	43	40	43	43
Fixed telephony		238	288	375	79	77	82	87	88	97
		687	641	867	232	226	229	226	213	214
Other										
Other operations		102	115	152	36	38	28	37	40	36
		102	115	152	36	38	28	37	40	36
TOTAL										
Mobile		13,926	13,025	17,640	4,871	4,636	4,419	4,615	4,515	4,395
Fixed broadband	10	3,120	3,786	5,025	1,040	1,038	1,042	1,239	1,227	1,244
Fixed telephony		1,198	1,512	1,967	383	391	424	455	475	506
Other operations		856	873	1,157	296	287	273	284	293	286
		19,100	19,196	25,789	6,590	6,352	6,158	6,593	6,510	6,431
Internal sales, elimination		-21	-24	-32	-6	-9	-6	-8	-10	-7
TOTAL		19,079	19,172	25,757	6,584	6,343	6,152	6,585	6,500	6,424

Internal sales

SEK million	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Sweden									
Mobile	4	6	7	1	2	1	1	2	1
	4	6	7	1	2	1	1	2	1
Netherlands									
Other operations	1	1	1	-	1	-	-	-	1
	1	1	1	-	1	-	-	-	1
Lithuania									
Mobile	8	7	9	4	2	2	2	2	3
	8	7	9	4	2	2	2	2	3
Latvia									
Mobile	7	8	11	2	3	2	3	4	2
	7	8	11	2	3	2	3	4	2
Other									
Other operations	1	2	4	-1	1	1	2	2	-
	1	2	4	-1	1	1	2	2	-
TOTAL									
Mobile	19	21	27	7	7	5	6	8	6
Other operations	2	3	5	-1	2	1	2	2	1
TOTAL	21	24	32	6	9	6	8	10	7

Mobile external net sales split

SEK million	Note	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Sweden, mobile										
End user service revenue		5,396	5,175	6,950	1,865	1,815	1,716	1,775	1,767	1,746
Operator revenue	1	730	773	982	222	224	284	209	229	274
<i>Service revenue</i>		6,126	5,948	7,932	2,087	2,039	2,000	1,984	1,996	2,020
Equipment revenue		1,499	1,086	1,535	505	527	467	449	358	373
Other revenue		478	445	601	162	158	158	156	152	146
		8,103	7,479	10,068	2,754	2,724	2,625	2,589	2,506	2,539
Netherlands, mobile										
End user service revenue		902	683	944	321	308	273	261	259	227
Operator revenue		111	97	131	38	39	34	34	34	34
<i>Service revenue</i>		1,013	780	1,075	359	347	307	295	293	261
Equipment revenue		377	455	607	138	111	128	152	170	156
		1,390	1,235	1,682	497	458	435	447	463	417
Kazakhstan, mobile										
End user service revenue		698	658	909	257	225	216	251	240	223
Operator revenue		240	296	402	88	80	72	106	108	102
<i>Service revenue</i>		938	954	1,311	345	305	288	357	348	325
Equipment revenue		14	25	33	4	4	6	8	9	8
		952	979	1,344	349	309	294	365	357	333
Croatia, mobile										
End user service revenue		598	558	749	220	196	182	191	199	184
Operator revenue		208	227	298	88	66	54	71	91	75
<i>Service revenue</i>		806	785	1,047	308	262	236	262	290	259
Equipment revenue		212	216	350	82	67	63	134	82	74
		1,018	1,001	1,397	390	329	299	396	372	333
Lithuania, mobile										
End user service revenue	1	640	638	843	231	213	196	205	221	213
Operator revenue		133	108	145	49	44	40	37	35	32
<i>Service revenue</i>		773	746	988	280	257	236	242	256	245
Equipment revenue		236	207	292	95	73	68	85	78	81
		1,009	953	1,280	375	330	304	327	334	326
Latvia, mobile										
End user service revenue		407	403	533	145	134	128	130	139	136
Operator revenue		157	170	225	46	55	56	55	49	46
<i>Service revenue</i>		564	573	758	191	189	184	185	188	182
Equipment revenue		107	112	157	44	34	29	45	42	37
		671	685	915	235	223	213	230	230	219
Estonia, mobile										
End user service revenue		286	295	391	98	97	91	96	102	98
Operator revenue		51	49	65	19	17	15	16	18	16
<i>Service revenue</i>		337	344	456	117	114	106	112	120	114
Equipment revenue		103	106	150	35	34	34	44	43	34
		440	450	606	152	148	140	156	163	148
Germany, mobile										
End user service revenue		323	219	316	115	106	102	97	81	73
<i>Service revenue</i>		323	219	316	115	106	102	97	81	73
Equipment revenue		1	3	5	-3	2	2	2	1	1
		324	222	321	112	108	104	99	82	74
TOTAL, MOBILE										
End user service revenue		9,250	8,629	11,635	3,252	3,094	2,904	3,006	3,008	2,900
Operator revenue		1,630	1,720	2,248	550	525	555	528	564	579
<i>Service revenue</i>		10,880	10,349	13,883	3,802	3,619	3,459	3,534	3,572	3,479
Equipment revenue		2,549	2,210	3,129	900	852	797	919	783	764
Other revenue		478	445	601	162	158	158	156	152	146
TOTAL		13,907	13,004	17,613	4,864	4,629	4,414	4,609	4,507	4,389

EBITDA

SEK million	Note	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Sweden										
Mobile	1-2	2,432	2,249	2,971	910	777	745	722	760	757
Fixed broadband	1, 2, 10	69	88	143	34	25	10	55	49	19
Fixed telephony	1-2	151	188	243	51	57	43	55	61	62
Other operations		80	65	91	30	23	27	26	30	18
		2,732	2,590	3,448	1,025	882	825	858	900	856
Netherlands										
Mobile		-104	-46	-20	-45	-23	-36	26	-22	-2
Fixed broadband		524	637	854	163	169	192	217	192	216
Fixed telephony	2	122	107	137	29	63	30	30	35	38
Other operations		188	211	280	59	58	71	69	66	69
		730	909	1,251	206	267	257	342	271	321
Kazakhstan										
Mobile		26	-131	-138	22	3	1	-7	-34	-52
		26	-131	-138	22	3	1	-7	-34	-52
Croatia										
Mobile		130	73	95	72	33	25	22	48	22
		130	73	95	72	33	25	22	48	22
Lithuania										
Mobile	1	378	359	461	143	127	108	102	109	133
		378	359	461	143	127	108	102	109	133
Latvia										
Mobile		212	220	292	83	67	62	72	72	69
		212	220	292	83	67	62	72	72	69
Estonia										
Mobile		100	96	124	35	32	33	28	33	28
Fixed telephony		3	3	4	2	-	1	1	1	2
Other operations		15	25	33	4	6	5	8	9	6
		118	124	161	41	38	39	37	43	36
Austria										
Fixed broadband		86	147	184	34	28	24	37	48	45
Fixed telephony		69	81	106	24	24	21	25	26	26
Other operations		14	15	18	4	6	4	3	3	6
		169	243	308	62	58	49	65	77	77
Germany										
Mobile		-17	-28	-30	-3	-7	-7	-2	-25	-5
Fixed broadband		16	9	13	6	3	7	4	2	3
Fixed telephony		101	125	155	32	35	34	30	41	39
		100	106	138	35	31	34	32	18	37
Other										
Other operations		-81	-92	-125	-7	-36	-38	-33	-33	-22
		-81	-92	-125	-7	-36	-38	-33	-33	-22
TOTAL										
Mobile		3,157	2,792	3,755	1,217	1,009	931	963	941	950
Fixed broadband	10	695	881	1,194	237	225	233	313	291	283
Fixed telephony		446	504	645	138	179	129	141	164	167
Other operations		216	224	297	90	57	69	73	75	77
TOTAL		4,514	4,401	5,891	1,682	1,470	1,362	1,490	1,471	1,477

EBIT

SEK million	Note	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Sweden										
Mobile	1-2	1,624	1,487	1,937	629	513	482	450	497	508
Fixed broadband	1, 2, 10	-5	-145	-134	10	-1	-14	11	-28	-59
Fixed telephony	1-2	138	169	219	47	51	40	50	57	54
Other operations		49	24	41	20	12	17	17	14	6
		1,806	1,535	2,063	706	575	525	528	540	509
Netherlands										
Mobile		-135	-69	-52	-53	-37	-45	17	-29	-11
Fixed broadband		132	281	371	32	34	66	90	74	97
Fixed telephony	2	110	94	121	24	60	26	27	30	34
Other operations		132	160	210	39	40	53	50	49	52
		239	466	650	42	97	100	184	124	172
Kazakhstan										
Mobile	2	-125	-295	-450	-29	-46	-50	-155	-93	-106
		-125	-295	-450	-29	-46	-50	-155	-93	-106
Croatia										
Mobile		71	-10	-6	51	14	6	4	21	-6
		71	-10	-6	51	14	6	4	21	-6
Lithuania										
Mobile	1	318	269	342	120	108	90	73	80	102
		318	269	342	120	108	90	73	80	102
Latvia										
Mobile		133	133	188	51	45	37	55	49	43
		133	133	188	51	45	37	55	49	43
Estonia										
Mobile		23	26	32	13	4	6	6	8	5
Fixed telephony		2	3	3	1	1	-	-	2	1
Other operations		5	15	20	1	2	2	5	5	4
		30	44	55	15	7	8	11	15	10
Austria										
Fixed broadband		26	90	109	13	8	5	19	28	27
Fixed telephony		45	59	74	16	17	12	15	19	19
Other operations		-2	1	-	-1	-1	-	-1	-1	1
		69	150	183	28	24	17	33	46	47
Germany										
Mobile		-42	-46	-52	-8	-21	-13	-6	-32	-11
Fixed broadband		10	3	4	4	1	5	1	-	1
Fixed telephony		90	118	147	32	25	33	29	39	36
		58	75	99	28	5	25	24	7	26
Other										
Other operations		-87	-110	-142	-8	-39	-40	-32	-42	-25
		-87	-110	-142	-8	-39	-40	-32	-42	-25
TOTAL										
Mobile		1,867	1,495	1,939	774	580	513	444	501	524
Fixed broadband	10	163	229	350	59	42	62	121	74	66
Fixed telephony		385	443	564	120	154	111	121	147	144
Other operations		97	90	129	51	14	32	39	25	38
		2,512	2,257	2,982	1,004	790	718	725	747	772
One-off items	2	243	-445	-434	-	1	242	11	-450	3
TOTAL		2,755	1,812	2,548	1,004	791	960	736	297	775

EBIT, cont.

		SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT								
SEK million	Note	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
EBITDA		4,514	4,401	5,891	1,682	1,470	1,362	1,490	1,471	1,477
Impairment of goodwill and other assets	2	-	-454	-457	-	-	-	-3	-454	-
Sale of operations	10	261	9	23	-	1	260	14	4	3
Other one-off items	2	-18	-	-	-	-	-18	-	-	-
Total one-off items		243	-445	-434	-	1	242	11	-450	3
"Depreciation/amortization and other impairment"	2	-1,993	-2,130	-2,892	-675	-677	-641	-762	-721	-700
Result from shares in joint ventures and associated companies		-9	-14	-17	-3	-3	-3	-3	-3	-5
EBIT		2,755	1,812	2,548	1,004	791	960	736	297	775

CAPEX

SEK million	Note	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Sweden										
Mobile		333	540	766	115	133	85	226	144	211
Fixed broadband	10	38	130	165	12	13	13	35	42	36
Fixed telephony		6	6	7	1	3	2	1	3	2
Other operations		12	17	27	6	3	3	10	5	5
		389	693	965	134	152	103	272	194	254
Netherlands										
Mobile	7	810	1,416	1,648	401	272	137	232	30	15
Fixed broadband		236	225	379	35	90	111	154	82	76
Fixed telephony		7	6	8	3	2	2	2	1	2
Other operations		23	19	32	6	8	9	13	7	6
		1,076	1,666	2,067	445	372	259	401	120	99
Kazakhstan										
Mobile		241	346	464	90	85	66	118	120	139
		241	346	464	90	85	66	118	120	139
Croatia										
Mobile		46	33	62	13	24	9	29	12	17
		46	33	62	13	24	9	29	12	17
Lithuania										
Mobile		80	66	93	34	26	20	27	15	22
		80	66	93	34	26	20	27	15	22
Latvia										
Mobile		48	72	103	10	27	11	31	41	18
		48	72	103	10	27	11	31	41	18
Estonia										
Mobile	7	122	30	62	26	15	81	32	9	11
Other operations		5	2	3	1	4	-	1	1	1
		127	32	65	27	19	81	33	10	12
Austria										
Fixed broadband		18	28	38	6	5	7	10	13	9
Fixed telephony		16	23	29	6	4	6	6	10	7
Other operations		5	10	13	1	2	2	3	5	3
		39	61	80	13	11	15	19	28	19
Germany										
Mobile		12	18	19	2	4	6	1	5	6
Fixed broadband		2	2	3	2	-	-	1	-	2
Fixed telephony		-	2	2	-	-	-	-	2	-
		14	22	24	4	4	6	2	7	8
Other										
Other operations		360	361	476	91	130	139	115	111	126
		360	361	476	91	130	139	115	111	126
TOTAL										
Mobile		1,692	2,521	3,217	691	586	415	696	376	439
Fixed broadband	10	294	385	585	55	108	131	200	137	123
Fixed telephony		29	37	46	10	9	10	9	16	11
Other operations		405	409	551	105	147	153	142	129	141
TOTAL	7	2,420	3,352	4,399	861	850	709	1,047	658	714

Key ratios

SEK million	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013	2012	2011	2010
CONTINUING OPERATIONS						
Net sales	19,079	19,172	25,757	25,993	26,219	27,361
Numbers of customers (by thousands)	13,605	14,153	13,582	14,229	12,392	11,845
EBITDA	4,514	4,401	5,891	6,040	6,755	6,880
EBIT	2,755	1,812	2,548	2,190	3,613	4,088
EBT	2,805	1,440	1,997	1,668	3,074	3,664
Net profit	2,132	691	968	1,158	2,169	3,986
Key ratios						
EBITDA margin, %	23.7	23.0	22.9	23.2	25.8	25.7
EBIT margin, %	14.4	9.5	9.9	8.4	13.8	14.9
Value per share (SEK)						
Net profit	4.78	1.55	2.17	2.61	4.88	9.03
Net profit after dilution	4.76	1.55	2.15	2.59	4.85	9.00
TOTAL						
Equity	21,640	20,884	21,591	20,429	21,452	28,875
Total assets	38,949	38,420	39,855	49,189	46,864	42,085
Cash flow from operating activities	3,256	4,293	5,813	8,679	9,690	9,966
Cash flow after CAPEX	194	65	572	4,070	4,118	6,008
Available liquidity	8,788	12,213	9,306	12,933	9,986	13,254
Net debt	8,993	8,346	8,007	15,745	13,518	3,417
Investments in intangible and tangible assets, CAPEX	2,925	4,279	5,534	5,294	6,095	4,094
Investments in shares and other financial assets	-709	-17,245	-17,235	215	1,563	1,424
Key ratios						
Equity/assets ratio, %	56	54	54	42	46	69
Debt/equity ratio, multiple	0.42	0.40	0.37	0.77	0.63	0.12
Return on equity, %	11.1	70.6	69.5	15.6	18.9	24.0
ROCE, return on capital employed, %	10.7	48.2	48.0	15.4	20.5	22.2
Average interest rate, %	5.1	5.4	5.2	6.7	6.2	7.3
Value per share (SEK)						
Net profit	4.04	32.39	32.77	7.34	10.69	15.67
Net profit after dilution	4.02	32.19	32.55	7.30	10.63	15.61
Equity	48.56	46.91	48.49	45.95	48.33	65.44
Cash flow from operating activities	7.31	9.64	13.06	19.53	21.83	22.59
Dividend, ordinary	-	-	4.40	7.10	6.50	6.00
Extraordinary dividend	-	-	-	-	6.50	21.00
Redemption	-	28.00	28.00	-	-	-
Market price at closing day	87.15	82.20	72.85	117.10	133.90	139.60

Parent company

INCOME STATEMENT

SEK million	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year
Net sales	42	34	47
Administrative expenses	-92	-70	-95
Operating loss, EBIT	-50	-36	-48
Dividend from group company	967	-	9,900
Exchange rate difference on financial items	-105	125	134
Net interest expenses and other financial items	-195	-197	-216
Profit/loss after financial items, EBT	617	-108	9,770
Appropriations, group contribution	-	-	265
Tax on profit/loss	77	28	-23
NET PROFIT/LOSS	694	-80	10,012

BALANCE SHEET

SEK million	Note	Sep 30, 2014	Dec 31, 2013
ASSETS			
NON-CURRENT ASSETS			
Financial assets		13,606	13,586
NON-CURRENT ASSETS		13,606	13,586
CURRENT ASSETS			
Current receivables		11,067	11,933
Cash and cash equivalents		2	-
CURRENT ASSETS		11,069	11,933
ASSETS		24,675	25,519
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity	9	5,546	5,546
Unrestricted equity	9	11,811	13,126
EQUITY		17,357	18,672
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	3	4,340	5,308
NON-CURRENT LIABILITIES		4,340	5,308
CURRENT LIABILITIES			
Interest-bearing liabilities	3	2,903	1,452
Non-interest-bearing liabilities		75	87
CURRENT LIABILITIES		2,978	1,539
EQUITY AND LIABILITIES		24,675	25,519

Notes

ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim report for the Group has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and the interim report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Reporting for legal entities.

The new and amended IFRS standards and IFRIC interpretations (IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28, IAS 32, IAS 36, IAS 39 and IFRIC 21), which became effective January 1, 2014, have had no material effect on the consolidated financial statements.

In all other respects, Tele2 has presented this interim report in accordance with the accounting principles and calculation methods used in the 2013 Annual Report. The description of these principles and definitions is found in the 2013 Annual Report.

NOTE 1 NET SALES AND CUSTOMERS

NET SALES

In Q3 2014, the net sales in Lithuania was positively impacted by SEK 15 million as a result of expired prepaid balances.

In Q1 2014, the net sales in Sweden was positively impacted by SEK 73 million as a result of decisions by the Swedish Post and Telecom Authority (PTS) regarding termination rates for previous periods, of which mobile amounted to SEK 78 million and fixed broadband to SEK -5 million. The effect on EBITDA is stated in Note 2.

CUSTOMERS

In Q1 2014, the fixed broadband customer stock in Sweden decreased with -385,000 customers as a result of the sale of the Swedish residential cable and fiber operations. For additional information please refer to Note 10.

In Q4 2013, the definition of an active customer in the customer stock was changed to exclude Machine-to-Machine subscriptions (M2M). The one time effect on the customer stock in each segment is presented below:

Sweden	-57,000
Netherlands	-8,000
Kazakhstan	-4,000
Croatia	-1,000
Lithuania	-13,000
Latvia	-3,000
Estonia	-3,000
Total mobile	-89,000

In Q2 2013, the mobile customer stock was negatively impacted by a one-time adjustment of -811,000 customers in Kazakhstan as a result of a changed method for calculating number of customers so a customer with only incoming calls to its voicemail is no longer counted as an active customer.

NOTE 2 OPERATING EXPENSES

EBITDA

In Q2 2014, the EBITDA for fixed telephony in Netherlands was positively impacted by SEK 48 million as a result of settled disputes regarding wholesale line rental.

In Q1 2014, the EBITDA in Sweden was positively impacted by SEK 8 million as a result of decisions by PTS, as stated in Note 1, regarding termination rates for previous periods, of which mobile amounted to SEK 35 million, fixed broadband to SEK -15 million and fixed telephony to SEK -12 million.

DEPRECIATION/AMORTIZATION AND IMPAIRMENT

In Q4 2013, Kazakhstan was negatively affected by SEK 89 million, related to an impairment loss of SEK 73 million due to change to a new billing system and an extra depreciation of SEK 16 million.

In Q3 2013, an impairment loss on non-current assets was recognized in Croatia amounting to SEK 454 million. The impairment loss

was based on an estimated value in use of SEK 400 million by using pre-tax discount rate of 10 percent. Due to unsatisfactory development, Tele2 assessed that the estimated future profit levels did not support the previous book value. The negative effect was reported as a one-off item for segment reporting purposes.

ONE-OFF ITEMS

In Q1 2014, other operating expenses was negatively affected by SEK 18 million, related to the devaluation in Kazakhstan. The negative effect has been reported as a one-off item for segment reporting purposes. The total foreign exchange rate effect of assets and liabilities in Kazakhstan was reported in other comprehensive income and amounted in Q1 2014 to SEK -117 million. Please refer to Note 4 regarding effects on change in fair value of put option Kazakhstan.

NOTE 3 FINANCIAL ASSETS AND LIABILITIES

FINANCING

SEK million	Interest-bearing liabilities			
	Sep 30, 2014		Dec 31, 2013	
	Current	Non-current	Current	Non-current
Bonds NOK, Sweden	337	1,121	-	1,371
Bonds SEK, Sweden	1,250	2,546	1,000	3,295
Commercial papers, Sweden	1,099	-	325	-
Financial institutions	120	638	210	636
Put option, Kazakhstan (Note 4)	887	-	1,350	-
Other liabilities	384	982	263	980
Total interest-bearing liabilities	4,077	5,287	3,148	6,282
		9,364		9,430

CLASSIFICATION AND FAIR VALUES

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds and accounts payables. Classification of financial assets and liabilities including their fair value is presented below. During the first nine months 2014, compared to year-end 2013, no transfers were made between the different levels in the fair value hierarchy and no significant changes were made to valuation techniques, inputs used or assumptions except for the put option in Tele2 Kazakhstan (Note 4).

The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. The value of reported derivatives at September 30, 2014 amounted on the asset side to SEK 3 (8) million and on the liabilities side to SEK 249 (146) million.

SEK million	Sep 30, 2014					
	Assets and liabilities at fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	13	215	-	-	228	228
Accounts receivables	-	2,426	-	-	2,426	2,426
Other current receivables	-	319	3	-	322	322
Current investments	-	40	-	-	40	40
Cash and cash equivalents	-	418	-	-	418	418
Assets classified as held for sale	1	328	-	-	329	329
Total financial assets	14	3,746	3	-	3,763	3,763
Liabilities to financial institutions and similar liabilities	-	-	-	7,111	7,111	7,413
Other interest-bearing liabilities	887	-	249	411	1,547	1,540
Accounts payable	-	-	-	2,783	2,783	2,783
Other current liabilities	-	-	-	415	415	415
Liabilities directly associated with assets classified as held for sale	-	-	-	292	292	292
Total financial liabilities	887	-	249	11,012	12,148	12,443

SEK million	Dec 31, 2013					
	Assets and liabilities at fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	14	233	–	–	247	247
Accounts receivables	–	3,317	–	–	3,317	3,317
Other current receivables	–	313	8	–	321	321
Current investments	–	55	–	–	55	55
Cash and cash equivalents	–	1,348	–	–	1,348	1,348
Total financial assets	14	5,266	8	–	5,288	5,288
Liabilities to financial institutions and similar liabilities	–	–	–	6,837	6,837	7,021
Other interest-bearing liabilities	1,350	–	146	418	1,914	1,889
Accounts payable	–	–	–	3,140	3,140	3,140
Other current liabilities	–	–	–	516	516	516
Total financial liabilities	1,350	–	146	10,911	12,407	12,566

NOTE 4 OTHER FINANCIAL ITEMS

SEK million	2014 Jan 1–Sep 30	2013 Jan 1–Sep 30	2013 Full year	2014 Q3	2013 Q3
Exchange rate differences	–29	30	–28	–6	11
Change in fair value, put option Kazakhstan	359	–128	–166	64	–47
EUR net investment hedge, interest component	8	12	19	2	5
Other financial expenses	–5	–7	–8	–8	–3
Total other financial items	333	–93	–183	52	–34

In Q2 2014, financial items was positively affected by SEK 363 million, due to a revaluation of the put option of the business in Kazakhstan. The change was related to the devaluation of the Kazakhstan currency as well as increased financing provided by Tele2.

NOTE 5 TAXES

During the first nine months 2014, the effective tax rate was mainly affected by below stated items, indicating an underlying effective tax rate of 23 (23) percent.

SEK million	2014 Jan 1–Sep 30		2013 Jan 1–Sep 30		2013 Full year	
Profit before tax	2,805		1,440		1,997	
Income tax	–673	24.0%	–749	52.0%	–1,029	51.5%
Tax effect of:						
Sale of operations	–95	3.4%	–	–	–	–
Expired tax loss carry-forwards	36	–1.3%	–	–	–	–
Result from JV and associated companies	1	–	3	–0.2%	4	–0.2%
Non-deductible expenses	114	–4.1%	220	–15.3%	266	–13.3%
Not valued tax loss-carry forwards	–11	0.4%	226	–15.7%	196	–9.8%
Adjustment of taxes from previous years	–3	0.1%	–25	1.8%	4	–0.2%
Adjusted tax expense and effective tax rate	–631	22.5%	–325	22.6%	–559	28.0%

In Q3 2014, net taxes were negatively affected by SEK 36 million due to a write down of expected expired tax loss carry-forwards in the Netherlands.

In Q4 2013, net taxes were positively affected by a valuation of deferred tax assets in Austria of SEK 10 million.

NOTE 6 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations, for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at each closing date to the sums stated below.

SEK million	2014 Sep 30	2014 Jun 30	2014 Mar 31	2013 Dec 31	2013 Sep 30	2013 Jun 30
Cash and cash equivalents in joint operations	133	58	42	11	70	40

In Q4 2012, as well as during 2013 and 2014, frequencies and sites were transferred from Tele2 and Telenor to their joint operation Net-4Mobility. The transfers did not have any material effect on Tele2's financial statements. Apart from transactions with joint operations, no other significant related party transactions were carried out during 2014. Related parties are presented in Note 38 of the Annual Report 2013.

NOTE 7 CAPEX

In Q1 2014, Tele2 Estonia acquired two mobile licenses in the 800 MHz and 2100 MHz frequency bands for SEK 54 million.

In Q1 2013, Tele2 Netherlands acquired two mobile licenses (2x10 MHz spectrum) in the 800 MHz band for SEK 1,391 million. With the acquired spectrum in the 800 MHz band and earlier obtained spectrum in the 2600 MHz band, the roll out is ongoing for the next generation 4G network, offering businesses and consumers higher speed and lower pricing for mobile broadband.

SEK million	2014 Jan 1–Sep 30	2013 Jan 1–Sep 30	2013 Full year	2014 Q3	2013 Q3
CAPEX, continued operations	–2,420	–3,352	–4,399	–861	–658
CAPEX, discontinued operations	–505	–927	–1,135	–90	–265
This year's unpaid CAPEX and paid CAPEX from previous year	–164	–37	186	–21	47
Received payment of sold non-current assets	27	88	107	4	14
Paid CAPEX	–3,062	–4,228	–5,241	–968	–862

NOTE 8 CONTINGENT LIABILITIES

SEK million	Sep 30, 2014	Dec 31, 2013
Asset dismantling obligation	132	126
Dispute KPN, Netherlands	80	–
Dispute Verizon, Sweden	–	220
Total contingent liabilities	212	346

Tele2 has obligations to dismantle assets and restore premises within fixed telephony and fixed broadband in the Netherlands as well as in Austria. Tele2 assesses such dismantling as unlikely and consequently only reported this obligation as contingent liabilities.

Tele2 Netherlands is, in the ordinary course of its business, involved in several regulatory complaints and disputes pending with the appropriate governmental authorities. In a specific case regarding the rental fees of copper lines, which Tele2 Netherlands uses as part of its fixed operations, the regulator (ACM) has determined that the rental fees are to be adjusted with retroactive effect from 2009. This has resulted in a claim from KPN amounting to EUR 8.7 million (SEK 80 million) and is subject to pending appeals and court cases. Our assessment is that it is unlikely that Tele2 will have to pay these fees and consequently no provision has been made. We estimate that the Administrative Court will give its ruling in Q1 2015.

The tax authorities in Russia are currently performing tax audits on several of Tele2's former subsidiaries in Russia. Per the sales agreement with the VTB-group Tele2 is liable for any additional taxes payable as result of the tax audits. Even though it cannot be ruled out that Tele2 may be liable to certain costs, Tele2 assesses that it is not likely that any additional taxes need to be paid and consequently no provision has been made.

On December 31, 2013 Tele2 Sweden was defendant in a dispute with Verizon Sweden AB of SEK 220 million. On February 7, 2014 the District court issued its award and ruled in favor of Tele2. In Q2 2014, the case was settled where the parties agreed to pay for their own litigation costs.

Additional contractual commitments are stated in Note 29 in the Annual Report 2013.

NOTE 9 EQUITY AND NUMBER OF SHARES

	Sep 30, 2014	Dec 31, 2013
Number of shares		
Outstanding	445,722,973	445,497,600
In own custody	3,060,366	3,285,739
Weighted average	445,551,022	445,228,097
After dilution	448,849,040	448,465,420
Weighted average, after dilution	448,533,816	448,181,516

DIVIDEND/REDEMPTION

In Q2 2014, Tele2 paid to its shareholders a dividend of SEK 4.40 (7.10) per share for 2013. This corresponded to a total of SEK 1,960 (3,163) million.

As a result of the sale of Tele2 Russia in April 2013 a mandatory share redemption program of SEK 28 per share was issued during Q2 2013, equivalent to SEK 12,474 million. The redemption program implied a share split where each share was split into two shares, of which one was a redemption share. Retirement of redemption shares in own custody of SEK 92 million was transferred to unrestricted equity. A bonus issue was performed in order to increase the share capital to its prior level, SEK 561 million, through a transfer of SEK 280 million from unrestricted equity. Thereafter, the quota value of each share amounts to SEK 1.25, the same as prior to the share redemption program. In total SEK 15,637 million was paid to the shareholders in Q2 2013 as dividend and redemption.

RECLASSIFICATION

In Q2 2014, 150,000 class C shares in own custody were reclassified into class B shares in own custody.

In Q1 2014 and Q3 2013, 406 (15) and 726,650 class A shares respectively were reclassified into class B shares in Tele2.

SALE OF SHARES

As a result of share rights in the LTI 2011 being exercised during Q3 2014, Tele2 delivered 225,373 (836,389) B-shares in own custody.

PURCHASE OF NON-CONTROLLING INTEREST

In February 2013, Tele2 acquired the remaining 7.76 percent of the shares in the subsidiary Officer AS in Norway for SEK 1 million.

In July 2009 and January 2010, Tele2 acquired the remaining 25.5 and 12.5 percent respectively of the shares in Tele2 Izhevsk and Tele2 Rostov in Russia. The final purchase price of SEK 3 and 90 million respectively was paid in Q1 2013.

LONG-TERM INCENTIVE PROGRAM (LTI)

Additional information related to LTI programs are presented in Note 34 of the Annual Report 2013.

LTI 2014

	2014 Jan–Sep 30
Number of share rights	
Allocated June 2, 2014	1,180,268
Forfeited	-36,000
Total outstanding share rights	1,144,268

During the Annual General Meeting held on May 12, 2014, the shareholders approved a performance-based incentive program (the Plan) for senior executives and other key employees in the Tele2 Group. The Plan has the same structure as last year's incentive program.

The objective of the Plan is to create conditions for retaining competent employees in the Tele2 Group. The Plan has been designed based on the view that it is desirable that senior executives and other key employees within the Group are shareholders in Tele2 AB. By offering an allotment of retention rights and performance rights which are based on profits and other retention and performance-based conditions, the participants are rewarded for increasing shareholder value. Furthermore, the Plan rewards employees' loyalty and long-term growth in the Group. In that context, the Board of Directors is of the

opinion that the Plan will have a positive effect on the future development of the Tele2 Group and thus be beneficial to both the company and its shareholders.

The incentive program included a total of 198 senior executives and other key employees within the Tele2 Group. In general, the participants in the Plan are required to own shares in Tele2. Thereafter, the participants were granted retention rights and performance rights free of charge. As a consequence of market conditions, employees in Kazakhstan were offered to participate in the Plan without being required to hold shares in Tele2. In such cases, the number of allotted rights has been reduced, and corresponds to 37.5 percent of the number of rights allotted for participation with a personal investment.

Subject to the fulfilment of certain retention and performance-based conditions during the period April 1, 2014 - March 31, 2017 (the measurement period), the participant maintaining employment within the Tele2 Group at the release of the interim report January - March 2017 and subject to the participant maintaining the invested shares (where applicable) during the vesting period, each right entitles the employee to receive one Class B share in the company. Dividends paid on the underlying share will increase the number of shares that each retention and performance right entitles to in order to treat the shareholders and the participants equally.

In the event delivery of shares under the plan cannot be achieved at reasonable costs, with reasonable administrative efforts or due to market conditions, participants may instead be offered a cash-based settlement.

The rights are divided into Series A, Series B and Series C. The number of shares the participant will receive depends on which category the participant belongs to and on the fulfilment of the following defined conditions:

Series A	Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period exceeding 0 percent as entry level.
Series B	Tele2's average normalized return of capital employed (ROCE) during the measurement period being at least 9 percent as entry level and at least 12 percent as the stretch target.
Series C	Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period being equal to the average TSR for a peer Group including Elisa, Iliad, Millicom International Cellular, TalkTalk Telecom Group, Telenor, TeliaSonera and TDC as entry level, and exceeding the average TSR for the peer Group with 10 percentage points as the stretch target.

The determined levels of the conditions include an entry level and a stretch target with a linear interpolation applied between those levels as regards the number of rights that vests. The entry level constitutes the minimum level which must be reached in order to enable the vesting of the rights in that series. If the entry level is reached, the number of rights that vests is proposed to be 100 percent for Series A and 20 percent for Series B and C. If the entry level is not reached, all rights to retention and performance shares (as applicable) in that series lapse. If a stretch target is met, all retention rights or performance rights (as applicable) vest in that series.

The Plan comprised a total number of 273,192 shares, of which 264,192 related to employees who invested in Tele2 shares and 9,000 related to employees in Kazakhstan who chose not to invest in Tele2 shares. In total this resulted in an allotment of 1,180,268 share rights, of which 267,556 Series A, 456,356 Series B and 456,356 Series C. The participants were divided into different categories and were granted the following number of share rights for the different categories:

At grant date	No of participants	Maximum no of shares	Share right				Total allotment
			per Series			Tot	
			A	B	C		
CEO	1	8,000	1	3	3	7	56,000
Other senior executives and other key employees	11	4,000	1	2.5	2.5	6	258,000
Category 1	42	2,000	1	1.5	1.5	4	315,400
Category 2	39	1,500	1	1.5	1.5	4	196,212
Category 2, no investment	2	1,500	0.375	0.5625	0.5625	1.5	4,500
Category 3	97	1,000	1	1.5	1.5	4	341,156
Category 3, no investment	6	1,000	0.375	0.5625	0.5625	1.5	9,000
Total	198						1,180,268

Total costs before tax for outstanding rights in the incentive program are expensed over the three-year vesting period, and these costs are expected to amount to SEK 64 million, of which social security costs amount to SEK 24 million.

The participant's maximum profit per share right in the Plan is limited to SEK 355, five times the average closing share price of the Tele2 Class B shares during February 2014 with deduction for the dividend paid in May 2014.

The estimated average fair value of the granted rights was SEK 54 on the grant date, June 2, 2014. The calculation of the fair value was carried out by an external expert. The following variables were used:

	Series A	Series B	Series C
Expected annual turnover of personnel	7.0%	7.0%	7.0%
Weighted average share price	79.39	79.39	79.39
Expected life	2.90 years	2.90 years	2.90 years
Expected value reduction parameter market condition	70%	-	35%
Estimated fair value	55.60	79.40	27.80

To ensure the delivery of Class B shares under the Plan, the Extraordinary General Meeting decided to authorise the Board of Directors to resolve on a directed issue of a maximum of 1,700,000 Class C shares and subsequently to repurchase the Class C shares. The Class C shares will then be held by the company during the vesting period, after which the appropriate number of Class C shares will be reclassified into Class B shares and delivered to the participants under the Plan.

LTI 2013

Number of share rights	2014	
	Jan 1–Sep 30	Cumulative from start
Allocated June 4, 2013		1,204,128
Outstanding as of January 1, 2014	1,132,228	
Allocated, compensation for dividend	39,922	39,922
Forfeited	-124,439	-196,339
Total outstanding share rights	1,047,711	1,047,711

LTI 2012

Number of share rights	2014	
	Jan 1–Sep 30	Cumulative from start
Allocated June 15, 2012		1,132,186
Outstanding as of January 1, 2014	968,263	
Allocated, compensation for dividend	34,986	274,177
Performance conditions not reached, Russia	-	-163,660
Forfeited	-104,514	-343,968
Total outstanding share rights	898,735	898,735

LTI 2011

Number of share rights	2014	
	Jan 1–Sep 30	Cumulative from start
Allocated June 17, 2011		1,056,436
Outstanding as of January 1, 2014	867,329	
Allocated, compensation for dividend	-	294,579
Performance conditions not reached, Russia	-	-92,041
Exercised, Russia	-	-44,156
Forfeited	-3,807	-351,296
Performance conditions not reached	-602,796	-602,796
Exercised	-225,373	-225,373
Total outstanding share rights	35,353	35,353

The exercise of the share rights in LTI 2011 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2011 until March 31, 2014. The outcome of these performance conditions was in accordance with below and the outstanding share rights were or will be exchanged for shares in Tele2 during Q3 and Q4 2014, respectively.

	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		≥ 0%	9.7%	100%
Series B	Average normalised Return on Capital Employed (ROCE) ¹⁾	20%/8%	24%/12.5%	20.5%/7.2%	20%
Series C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	-5.6%	0%

¹⁾ The targets are split into two parts; before and after the divestment of Tele2 Russia

Weighted average share price for share rights at date of exercise amounted to SEK 88.50 during 2014.

NOTE 10 BUSINESS ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments of shares and participations affecting cash flow were as follows:

SEK million	2014 Jan 1–Sep 30
Acquisitions	
Smartcash, Norway	-4
Capital contribution to joint ventures	-7
Repayment capital contribution joint ventures	4
Total acquisition of shares and participations	-7
Divestments	
Residential cable and fiber operations, Sweden	730
Transaction costs, Russia	-31
Total sale of shares and participations	699
TOTAL CASH FLOW EFFECT	692

ACQUISITIONS

Smartcash, Norway

In June, 2014 Tele2 Norway acquired 33.3 percent in the joint venture, Smartcash AS for SEK 4 million. The company holds a license to perform financial services.

DIVESTMENTS

Residential cable and fiber operations, Sweden

On October 23, 2013 Tele2 announced the sale of its Swedish residential cable and fiber operations to Telenor for SEK 793 million. The sale was completed on January 2, 2014 after approval by regulatory authorities and the capital gain amounted to SEK 258 million. In 2013, the operation affected Tele2's net sales by SEK 564 million and EBITDA by SEK -9 million.

Net assets at the time of divestment

Assets, liabilities and contingent liabilities included in the divested operation at the time of divestment is stated below:

SEK million	
Goodwill	9
Other intangible assets	2
Tangible assets	440
Current receivables	10
Deferred tax liabilities	-18
Current non-interest-bearing liabilities	-35
Divested net assets	408
Capital gain	258
Tax income	18
Sales price, net sales costs	684
Unpaid sales costs etc	46
EFFECT ON GROUP CASH ASSETS	730

DISCONTINUED OPERATIONS

On July 7, 2014 Tele2 announced the divestment of its Norwegian operations to TeliaSonera Group for SEK 5.3 billion. The sale will be completed after approval by regulatory authorities, which is expected at the latest in Q1 2015. The divestment, including costs for central support system for the Norwegian operation and other transaction costs, is expected to result in a capital gain of SEK 2 billion. In addition, the capital gain is expected to be affected positively with approximately SEK 136 million related to reversal of exchange rate differences previously reported in other comprehensive income which will be reversed over the income statement but with no effect on total equity.

The divestment has been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods, and as assets held for sale in the balance sheet from June 30, 2014 and onwards.

The Norwegian and Russian operations reported as discontinued operations are stated below.

Income statement

SEK million	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Net sales	3,039	6,392	7,375	1,059	1,024	956	983	1,029	1,052
Cost of services sold	-2,384	-4,066	-4,822	-833	-797	-754	-756	-788	-763
Gross profit	655	2,326	2,553	226	227	202	227	241	289
Selling expenses	-730	-1,176	-1,459	-244	-254	-232	-283	-243	-270
Administrative expenses	-242	-451	-546	-81	-84	-77	-95	-69	-83
Result from shares in joint ventures	-	-	-	-	-1	1	-	-	1
Sale of operations, profit	-	13,238	13,238	-	-	-	-	23	13,215
Other operating income	2	7	8	1	-	1	1	-	-
Other operating expenses	-1	-3	-3	-	-	-1	-	-1	-1
EBIT	-316	13,941	13,791	-98	-112	-106	-150	-49	13,151
Interest income/costs	3	-144	-145	1	1	1	-1	2	1
Other financial items	-	-37	-19	-	-	-	18	-28	-3
EBT	-313	13,760	13,627	-97	-111	-105	-133	-75	13,149
Income tax	-17	-30	-5	-6	-6	-5	25	27	63
<i>of which from the normal operation</i>	-17	-71	-46	-6	-6	-5	25	27	22
<i>of which from the capital gain</i>	-	41	41	-	-	-	-	-	41
NET PROFIT/LOSS	-330	13,730	13,622	-103	-117	-110	-108	-48	13,212
Earnings per share (SEK)	-0.74	30.84	30.60	-0.23	-0.26	-0.25	-0.24	-0.13	29.69
Earnings per share, after dilution (SEK)	-0.74	30.64	30.40	-0.23	-0.26	-0.25	-0.24	-0.13	29.51

Balance sheet

Assets held for sale refer to the Norwegian operation.

SEK million	Sep 30, 2014
ASSETS	
NON-CURRENT ASSETS	
Goodwill	529
Other intangible assets	258
Intangible assets	787
Tangible assets	2,277
Financial assets	24
Deferred tax assets	344
NON-CURRENT ASSETS	3,432
CURRENT ASSETS	
Inventories	5
Current receivables	767
Cash and cash equivalents	-
CURRENT ASSETS	772
ASSETS CLASSIFIED AS HELD FOR SALE	4,204

SEK million	Sep 30, 2014
LIABILITIES	
NON-CURRENT LIABILITIES	
Interest-bearing liabilities	103
NON-CURRENT LIABILITIES	103
CURRENT LIABILITIES	
Non-interest-bearing liabilities	774
CURRENT LIABILITIES	774
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	877

Cash flow statement

SEK million	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
OPERATING ACTIVITIES									
Operating profit/loss	-316	13,941	13,791	-98	-112	-106	-150	-49	13,151
Adjustments for non-cash items in operating profit	367	-12,628	-12,507	123	119	125	121	101	-13,110
Financial items paid	6	-77	-75	3	2	1	2	-3	9
Taxes paid	-	-177	-177	-	-	-	-	-	-
Cash flow from operations before changes in working capital	57	1,059	1,032	28	9	20	-27	49	50
Changes in working capital	-145	-275	-202	-67	142	-220	73	-25	-4
CASH FLOW FROM OPERATING ACTIVITIES	-88	784	830	-39	151	-200	46	24	46
INVESTING ACTIVITIES									
CAPEX paid	-607	-876	-1,057	-107	-186	-314	-181	-256	-162
Cash flow after CAPEX	-695	-92	-227	-146	-35	-514	-135	-232	-116
Acquisition of shares	-	-8	-8	-	-	-	-	-	-8
Sale of shares	-31	17,253	17,252	-6	-21	-4	-1	-48	17,404
Changes of non-current receivables	13	9	2	-	2	11	-7	-	8
Cash flow from investing activities	-625	16,378	16,189	-113	-205	-307	-189	-304	17,242
CASH FLOW AFTER INVESTING ACTIVITIES	-713	17,162	17,019	-152	-54	-507	-143	-280	17,288
FINANCING ACTIVITIES									
Changes of loans, net	-	-908	-899	-	-	-	9	12	7
Other financing activities	-	-94	-94	-	-	-	-	-	-
Cash flow from financing activities	-	-1,002	-993	-	-	-	9	12	7
NET CHANGE IN CASH AND CASH EQUIVALENTS	-713	16,160	16,026	-152	-54	-507	-134	-268	17,295

Additional information

Thousands	Numbers of customers			Net intake					
	2014 Sep 30	2013 Sep 30	2013 Dec 31	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Mobile	1,158	1,126	1,119	-3	28	14	-3	5	22
Fixed telephony	54	70	63	-3	-3	-3	-7	-3	-4
Numbers of customers and net intake	1,212	1,196	1,182	-6	25	11	-10	2	18
Divested companies	-	-	-	-	-	-	-	-	-22,882
Changed method	-	-	-	-	-	-	-4	-	-33
Numbers of customers and net change	1,212	1,196	1,182	-6	25	11	-14	2	-22,897

SEK million	Net sales			2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year						
Mobile	2,903	6,206	7,135	1,015	980	908	929	974	989
Fixed telephony	152	196	252	50	51	51	56	59	67
Other operations	-	4	6	-	-1	1	2	2	-
	3,055	6,406	7,393	1,065	1,030	960	987	1,035	1,056
Internal sales, elimination	-16	-14	-18	-6	-6	-4	-4	-6	-4
Net sales	3,039	6,392	7,375	1,059	1,024	956	983	1,029	1,052

SEK million	EBITDA			2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year						
Mobile	33	1,300	1,280	20	3	10	-20	49	35
Fixed telephony	30	23	24	10	10	10	1	4	9
Other operations	-12	-9	-19	-5	-6	-1	-10	-1	-3
EBITDA	51	1,314	1,285	25	7	19	-29	52	41

SEK million	EBIT			2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year						
Mobile	-341	681	537	-106	-119	-116	-144	-76	-72
Fixed telephony	25	20	21	8	8	9	1	3	8
Other operations	-	2	-5	-	-1	1	-7	1	-
	-316	703	553	-98	-112	-106	-150	-72	-64
Sale of operations (Russia)	-	13,238	13,238	-	-	-	-	23	13,215
EBIT	-316	13,941	13,791	-98	-112	-106	-150	-49	13,151

Specification of items between EBITDA and EBIT									
SEK million	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
EBITDA	51	1,314	1,285	25	7	19	-29	52	41
Sale of operations (Russia)	-	13,238	13,238	-	-	-	-	23	13,215
Depreciation/amortization and other impairment	-367	-611	-732	-123	-118	-126	-121	-124	-106
Result from shares in joint ventures	-	-	-	-	-1	1	-	-	1
EBIT	-316	13,941	13,791	-98	-112	-106	-150	-49	13,151

CAPEX									
SEK million	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Mobile	492	912	1,105	87	156	249	193	257	149
Fixed telephony	13	15	30	3	5	5	15	8	5
CAPEX	505	927	1,135	90	161	254	208	265	154

Additional cash flow information									
SEK million	2014 Jan 1-Sep 30	2013 Jan 1-Sep 30	2013 Full year	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
CAPEX	-505	-927	-1,135	-90	-161	-254	-208	-265	-154
This year unpaid CAPEX and paid CAPEX from previous year	-102	2	29	-17	-25	-60	27	9	-8
Received payment of sold non-current assets	-	49	49	-	-	-	-	-	-
Paid CAPEX	-607	-876	-1,057	-107	-186	-314	-181	-256	-162

TELE2