ANNUAL REPORT 2013

TELE2

Calendar 2014

May 12

Annual General Meeting
2014
Stockholm

Financial Reports

Feb 7

Interim Report
January – December
2013

Mar 31

Annual Report
2013

Apr 25

Interim Report
January – March
2014

Jul 16

Interim Report
January – June
2014

Oct 23

Interim Report
January – September
2014

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CEO Comment

An eventful year

> “Tele2’s employees work harder to create value for our customers. They are able to deliver even when the boat is rocking. Our people think fast and move fast, at the pace of an industry whose customers’ demands change constantly.”

2013 was a year of contrasts. The sale of our Russian operations was one highlight that proved to be a very good deal, satisfying all parties and generating great return on our invested capital in Russia. On the other hand, the outcome of the Norwegian spectrum auction was a great disappointment.

During the year, we saw the stabilisation of the market in Sweden as customers moved from a pay as you go to bucket price plans. Tele2 is leading this transition, not only towards new pricing plans but also to a more data centric future. Furthermore, Comviq launched the EU fixed price, challenging the frequently debated roaming tariffs. Operationally Tele2 Sweden is doing well, delivering an end-user service revenue growth of 3 percent.

In the Netherlands we have worked to maintain solid consumer fixed broadband operations, to keep growing market share within the business segment, and increase momentum within mobile operations. Our mobile network roll-out is proceeding according to plan with several hundred sites ready to start carrying 4G traffic.

Our Norwegian operations performed well during 2013 delivering on network roll-out and on-net traffic targets as well as customer experience. Despite a changed game plan, our commercial efforts remain intact, and we believe that the current set-up allows us to develop a profitable business.

Tele2 Kazakhstan has been concentrating on network roll-out and customer management. The network team rolled out almost 600 new sites last year. Soon we will have the same population coverage as our competitors. Concerning customer management, we changed commission structure in Q3 2013 to improve the quality of the customer base, which resulted in higher ARPU levels in the last quarter. Additionally, the business achieved an important milestone by breaking even on EBITDA in December.

The picture in our Baltic operations was mixed. Tele2 Estonia experienced a very tough year, affected by interconnect cuts and increased competition. On the other hand, our Latvian and Lithuanian operations kept up the pace despite maintained competition pressure. Lithuania continued to outperform the market and upheld its number one position.

A new strategy and leadership team contributed to a promising turn-around in Croatia with positive EBITDA and intake. Hopefully, this marks the beginning of a steady value-creation trend in the country.

Our German and Austrian operations have been performing according to our expectations in the fixed services. In 2013, Tele2 Germany also invested in mobile services. Tele2 Germany is now the lightest of MVNOs targeting a more mature segment with a predominant interest in voice services. If this proves successful, we may scale up our ambitions in other market areas.

Despite a more difficult operational environment, Tele2 demonstrated again in 2013 that it is one of the fastest growing operators in its industry.

Going into 2014, we will continue to challenge

In 2014, Tele2 will have a busy agenda, as we will carry out more investments in network roll-outs in several countries simultaneously, and further position ourselves as a leader within the field of mobile data.

We will see continued price competition and price innovation by our competitors in a bid to acquire share in an increasingly mature market. On the regulatory front, the digital single market will be debated and also result in more activity from all operators in Europe. More specifically, roaming, net neutrality and in-market consolidation are hot topics. In that respect, our stance is clear: we are seeking future regulation that enables a level playing field within the whole ICT sector. It should be stable (flip-flopping in the current EU roaming regulation creates uncertainty), and future proof (for instance, we cannot have a net neutrality regulation that prevents innovation in the ICT sector).

Driving results through operational excellence

In 2014, Tele2 will maintain its strategic direction with a stronger focus on mobile services complemented with fixed line services in key markets.

Understanding our customers and identifying their needs will remain key to "delivering value". In 2013, our customer satisfaction results were very close to world-class. And yet, we want the customer experience to be further improved in all our touch points, honesty and transparency being our watchwords.

In that process, innovation will be of paramount importance. We invested in a new IT platform in 2013. Now that it has been delivered, it is time to capitalize on these tools. Brand tracking, data mining and analytics will help us to better read the market and understand customer trends. More accurate and better information about our customers' expectations will in time lead us to offer more innovative pricing and packaging, more quickly than our competitors. We will also concentrate on doing the right things, meaning delivering services that give money in return.

Doing things the right way is equally important. The cost side of the equation underpins our capability to achieve scale and efficiency. We will pursue joint ventures, try to share as much cost as possible, and be smart in the way we run our operations. Scale and efficiency will enable us to sustain our profitability.

Lastly, we will grow from the core. We will seize the opportunities presented by in-market consolidation. A light version consists in sharing network as much as possible to reduce costs and remain competitive. In my view, it is really important to be big where we are. The convergence of certain fixed services with our mobile offering will also allow us to gain economies of scale in countries where we are present.

Corporate Responsibility: keeping up our challenger spirit

Sustainability and Corporate Responsibility mean two things for us. First, it means being the best telecom operator we could possibly be by providing our customers with attractive products and offerings that grant them access to society's full range of services and the possibility of communication. Secondly, we will do good and do no harm, honouring transparency and fulfilling the company's responsibility to protect human rights as defined by the United Nations in the best possible way. This is of utmost importance to maintain our customers' trust and generate maximum shareholder value today, tomorrow and in the future. On this journey, we follow political and macroeconomic trends which could influence performance and delivery but we keep our line when it comes to risk appetite, culture, values and challenger spirit. We, and our owners, have tough expectations on ourselves for the next coming years but, as we see it, it is the highway or no way.

2014 will be a year when we remove uncertainty around Tele2. The Netherlands and Kazakhstan need to maintain their momentum within mobile. Tele2 Sweden will cement its position as the leader in mobile data services. The situation in Norway will be addressed in a way that maximizes value for shareholders. An overarching goal for all our operations, big or small, is to continue the hard work of striving to always be the trusted partner of consumers and businesses.

Our people make the difference

Tele2's employees work harder to create value for our customers. They are able to deliver even when the boat is rocking. Our people think fast and move fast, at the pace of an industry whose customers' demands change constantly. They challenge outdated mindsets and rewrite the rules. They take bold initiatives to get results. They want things to be great – because to Tele2, good enough isn't good enough. Indeed, it is our people who make Tele2 so unique. They represent the strongest pillar of our company for our long-term success, and I want to thank them for yet another year of their unwavering dedication. Our people and culture can never be copied and that secures Tele2's future of growth and innovation.

Mats Granryd
President and CEO

Board of Directors

Mike Parton

Chairman of the Board, elected in 2007.
Born: 1954
Nationality: British citizen.

Independence Independent in relation to the company and its management as well as in relation to the company's major shareholders.

Holdings in Tele2 17,295 B shares.

Committee work Member of the Remuneration Committee.

Mike Parton is presently CEO and Chairman of Damovo Group Ltd, an international IT company, and member of the Chartered Institute of Management Accountants. Furthermore, he is a member of the Advisory Board of a UK charity called Youth at Risk.

He was CEO and Executive member of Marconi plc between 2001 and 2006.

Trained as Chartered Management Accountant.

Lars Berg

Non-Executive Director, elected in 2010.
Born: 1947
Nationality: Swedish citizen.

Independence Independent in relation to the company, the company's management and in relation to the company's major shareholders.

Holdings in Tele2 2,000 B shares.

Committee work Member of the Audit Committee.

Lars Berg was a member of the executive Board of Mannesmann AG as Head of its telecommunications business from 1999 until the Vodafone takeover of Mannesmann in 2000. From 1994 until 1999, he was Chief Executive Officer of the Telia Group and President of Telia AB. Between 1970 and 1994 he held various executive positions in the Ericsson Group and was a member of the Ericsson Corporate Executive Committee for ten years, as well as President of the subsidiaries Ericsson Cables AB and Ericsson Business Networks AB.

Lars Berg has been the European venture partner of Constellation Growth Capital since 2006. He has been non-executive Chairman of Net Insight AB since 2001 and a Board member since 2000, a non-executive Board member of Ratos AB since 2000 and of OnePhone Holding since 2009 as well as a non-executive supervisory Board member of NORMA Group AG, Frankfurt since 2011.

Graduated from Gothenburg School of Economics.

Mia Brunell Livfors

Non-Executive Director, elected in 2006.
Born: 1965
Nationality: Swedish citizen.

Independence Independent in relation to the company and its management, not independent in relation to the company's major shareholders.

Holdings in Tele2 1,000 B shares.

Committee work Member of the Remuneration Committee.

Mia Brunell Livfors has been President and CEO of Investment AB Kinnevik since August 2006. She held several managerial positions within the Modern Times Group MTG AB from 1992 to 2001, and served as Chief Financial Officer between 2001 and 2006.

She is the Chairman of the Board in Metro International S.A and member of the Board of BillerudKorsnäs AB, Millicom International Cellular S.A., Modern Times Group MTG AB and CDON Group AB.

Studies in economics and business administration, Stockholm University.

John Hepburn

Non-Executive Director, elected in 2005.
Born: 1949
Nationality: Canadian citizen.

Independence Independent in relation to the Company and its management as well as in relation to the Company's major shareholders.

Holdings in Tele2 568,395 B shares.

Committee work Chairman of the Remuneration Committee.

John Hepburn has held a number of senior positions at Morgan Stanley since 1976, including Managing Director, Morgan Stanley & Co. and Vice Chairman of Morgan Stanley Europe Limited.

He is senior advisor to Morgan Stanley, Chairman of the Board of Sportfact Ltd., Vice Chairman of the Board of UKRD Ltd., Trustee of the Learning School Trust in England and member of the Board of Grand Hotel Holdings AB and Mölnlycke Health Care.

MBA Harvard Business School and BSc Civil and Systems Engineering, Princeton University.

Erik Mitteregger

Non-Executive Director,
elected in 2010.
Born:1960
Nationality: Swedish citizen.

Independence Independent in relation to the company and its management, not independent in relation to the company's major shareholders.

Holdings in Tele2 10,000 B shares.

Committee work Member of the Audit Committee.

Erik Mitteregger was founding partner and Fund Manager of Brummer & Partners Kapitalförvaltning AB 1995–2002. In 1989–1995, he was Head of Equity Research and member of the Management Board at Alfred Berg Fondkommission.

He has been member of the Board of Investment AB Kinnevik since 2004. He also serves as chairman of the Boards of Firefly AB and Wise Group AB.

Previously, he was member of the Board of Invik & Co. AB 2004–2007 and Metro International SA 2009-2013.

BSc in Economics and Business Administration at Stockholm School of Economics.

John Shakeshaft

Non-Executive Director,
elected in 2003.
Born: 1954
Nationality: British citizen.

Independence Independent in relation to the company and its management as well as in relation to the company's major shareholders.

Holdings in Tele2 3,820 B shares.

Committee work Chairman of the Audit Committee.

John Shakeshaft has more than 25 years of experience as a banker. He was Managing Director of Financial Institutions, ABN AMRO, 2004– 2006, Managing Director and Partner, Cardona Lloyd, 2002–2004, Lazard, 2000–2002 and Barings Bank, 1995–2000.

He is Chairman of Ludgate Environmental Fund Ltd, Director of Valiance Funds and Investment Director of Corestone AG. He is member of the Board of TT Electronics plc and Deputy Chairman of the Economy Bank NV. He is also Member of Council and Chairman of the Audit Committee, Cambridge University and Trustee, Institute of Historical Research, London University.

MA Cambridge University, Harkness Fellow, Princeton University and School of Oriental and African Studies, London University.

Carla Smits-Nusteling

Non-Executive Director,
elected in 2013.
Born: 1966
Nationality: Dutch citizen.

Independence Independent in relation to the company, the company's management and in relation to the company's major shareholders.

Holdings in Tele2
0 shares.

Committee work Member of the Remuneration Committee and the Audit Committee.

Carla Smits-Nusteling has over 10 years' experience from Koninklijke KPN N.V., and was KPN's Chief Financial Officer between 2009 and 2012. She joined KPN in 2000 and held various financial positions, whereof three years as Director of Corporate Control. During 1990-2000, and prior to joining KPN, Carla worked at TNT Post Group N.V., an international express and mail delivery service, and held various managerial positions before her appointment as Regional Director in 1999.

She is a Non-Executive Director at ASML.

MSc Business Economics, Erasmus University, Rotterdam.

Mario Zanotti

Non-Executive Director,
elected in 2013.
Born: 1962
Nationality: Italian citizen.

Independence Independent in relation to the company and its management, not independent in relation to the company's major shareholders.

Holdings in Tele2
0 shares.

Committee work Member of the Audit Committee.

Mario Zanotti is Senior Executive VP Operations at Millicom International Cellular S.A.

Mario has over 20 years of experience in the Telecom Service Industry. In 1992 Mario founded Telecel in Paraguay and was also the Managing Director of the company during 1992-1998. In 1998-2000 he became Managing Director of Tele2 Italy and he was Managing Director of YXK Systems during 2001-2002. After 2002 Mario has held several other managerial positions within Millicom, starting as Head of Central America for Millicom before becoming Chief Officer of Latin America and later COO of Categories & Global Sourcing.

Graduate in Electrical Engineering from the Pontificia Universidade Catolica in Porto Alegre (Brazil), MBA from INCAE and the Universidad Catolica de Asuncion (Paraguay).

Leadership Team

Mats Granryd

President and CEO Tele2 Group
Born 1962
M.Sc. in Mechanical Engineering.
Joined the company in 2010.

Holdings in Tele2[1)]
40,000 B shares,
56,000 rights (LTI 2011)
56,000 rights (LTI 2012)
56,000 rights (LTI 2013)

Lars Nilsson

Senior Executive Vice President
Group CFO
Born 1956
M.Sc. in Ba and Econ.
Joined the company in 2007.

Holdings in Tele2[1)]
54,448 B shares,
24,000 rights (LTI 2011)
24,000 rights (LTI 2012)
24,000 rights (LTI 2013)

Anders Olsson

Executive Vice President
Group CCO
Born 1969
M.Sc. in Ba and Econ.
Joined the company in 1997.

Holdings in Tele2[1)]
20,500 B shares,
24,000 rights (LTI 2011)
24,000 rights (LTI 2012)
24,000 rights (LTI 2013)

Joachim Horn

Executive Vice President
Group CTIO
Born 1960
M.Sc. Computer Science
Joined the company in 2011.

Holdings in Tele2[1)]
12,000 B shares,
24,000 rights (LTI 2011)
24,000 rights (LTI 2012)
24,000 rights (LTI 2013)

Lars Torstensson

Executive Vice President
Group Corporate Communication
Born 1973
M.Sc in Ba
Joined the company in 2007.

Holdings in Tele2[1)]
16,000 B shares,
24,000 rights (LTI 2011)
24,000 rights (LTI 2012)
24,000 rights (LTI 2013)

Elinor Skogsfors

Executive Vice President
Group Human Resources
Born 1963
B.Sc. Political Administration with HR as speciality
Joined the company in 2013.

Holdings in Tele2[1)]
0 B shares,
0 rights

Thomas Ekman

Executive Vice President
CEO Tele2 Sweden
Born 1969
M.Sc. in Ba and Econ.
Joined the company in 2006.

Holdings in Tele2[1)]
10,501 B shares,
8,000 rights (LTI 2011)
24,000 rights (LTI 2012)
24,000 rights (LTI 2013)

Ernst Jan van Rooijen

Acting Executive Vice President
CEO Tele2 Netherlands
Born 1970
M.Sc. in BA and Econ.
Joined the company in 2000.

Holdings in Tele2[1)]
8,111 B shares,
8,000 rights (LTI 2013)

Arild Hustad

Executive Vice President
CEO Tele2 Norway
Born 1964
BA Business and Management,
MBA, LLM
Joined the company in 2011.

Holdings in Tele2[1)]
6,500 B shares,
8,000 rights (LTI 2012)
24,000 rights (LTI 2013)

Niklas Sonkin

Executive Vice President
Central Europe and Eurasia
Born 1967
M.Sc in Eng.
Joined the company in 2009.

Holdings in Tele2[1)]
14,500 B shares,
24,000 rights (LTI 2011)
24,000 rights (LTI 2012)
24,000 rights (LTI 2013)

[1)] Allocated share rights at grant date, and not including compensation for dividend.

Administration report

The Board of Directors and CEO herewith present the annual report and consolidated financial statements for Tele2 AB (publ), corporate reg. no. 556410–8917 for the financial year 2013.

The figures shown in parentheses correspond to the comparable period last year and continuing operations unless otherwise stated.

Tele2 AB's shares are listed on the NASDAQ OMX Stockholm Large Cap list under the ticker symbols TEL2 A and TEL2 B. The fifteen largest shareholders on December 31, 2013 hold shares corresponding to 52 percent of the capital and 64 percent of the voting rights, of which Investment AB Kinnevik owns 30 percent of the capital and 48 percent of the voting rights. No other shareholder owns, directly or indirectly, more than 10 percent of the shares in Tele2.

The Board of Directors received authorization from the Annual General Meeting in May 2013 to purchase up to 10 percent of the shares in the company, which the Board has not made use of.

For further information on the number of shares and their conditions and important agreements which cease to apply if control over the company is changed, see Note 32 Number of shares and earnings per share.

Financial overview

With 15 million customers in 10 countries, Tele2 is one of Europe's leading telecom operators. We offer mobile communication services, fixed broadband and telephony, data network services and content services. Ever since Jan Stenbeck founded the company in Sweden in 1993, Tele2 has been a fast-moving challenger to incumbents and other established providers, with extensive experience in entering new markets and modernising pricing models.

Our mission is to always offer our customers what they need for less, and ultimately our vision is to be the champions of customer value in everything we do.

Mobile communication is Tele2's primary focus and most important growth segment. In 2013, revenue from mobile operation accounted for 72 (68) percent of Tele2's net sales.

In 2013, the Group generated net sales of SEK 30 billion and reported an operating profit (EBITDA) of SEK 6 billion.

Net customer intake

In 2013, the total customer base decreased to 14,764,000 (15,446,000) customers, mainly due to one-time adjustments from changed method of calculation of number of customers. Net customer intake, excluding one-time adjustments, was 255,000 (1,882,000) customers. The customer intake in mobile services amounted to 614,000 (2,492,000) customers. The good intake in mobile services resulted from a solid performance mainly driven by Tele2 Netherlands, Tele2 Kazakhstan and Tele2 Lithuania. The fixed broadband base lost –86,000 (–69,000) customers in 2013, primarily attributable to Tele2's operation in the Netherlands. As expected, the number of fixed telephony customers fell during the year.

Net sales

Tele2's net sales amounted to SEK 29,871 (30,742) million corresponding to a negative growth of –2 percent excluding exchange rate effects. The net sales development was mainly a result of lower interconnect levels within mobile services and negative net sales development within consumer fixed broadband and fixed telephony. However, the underlying end-user service revenue continued to grow for mobile services.

EBITDA

EBITDA amounted to SEK 5,990 (6,240) million, equivalent to an EBITDA margin of 20.1 (20.3) percent. The EBITDA development was affected by expansion costs in the mobile segment, tougher competition in the fixed broadband segment and a decreasing fixed telephony customer base.

EBIT

Operating profit, EBIT amounted to SEK 2,626 (2,533) million excluding one-off items. Including one-off items, EBIT amounted to SEK 2,192 (1,975) million. The EBIT margin was 7.3 (6.4) percent. EBIT was negatively impacted by one-off items amounting to SEK –434 (–558) million, mainly related to an impairment of goodwill and other assets in Croatia and for previous year also a settlement of a dispute.

Profit before tax

Net interest expense and other financial items amounted to SEK –614 (–553) million. Exchange differences of SEK –68 (96) million were reported under other financial items. The average interest rate on outstanding liabilities was 5.2 (6.7) percent. Profit after financial items, EBT, amounted to SEK 1,578 (1,422) million.

Net profit

Profit after tax amounted to SEK 655 (976) million. Earnings per share amounted to SEK 1.45 (2.18) after dilution. Income tax expenses for the year amounted to SEK –923 (–446) million. Tax payments for continuing operations affecting cash flow amounted to SEK –302 (–110) million.

Cash flow

For continuing operations, cash flow from operating activities amounted to SEK 5,090 (4,967) million and cash flow after paid CAPEX amounted to SEK 165 (1,684) million.

CAPEX

During 2013, Tele2 made investments of SEK 5,169 (3,704) million in tangible assets and intangible assets, driven mainly by further network expansion in Sweden, Netherlands, Norway and Kazakhstan.

Net debt

Net debt, after divestment of Tele2 Russia, amounted to SEK 8,007 (15,745) million on December 31, 2013, or 1.34 times EBITDA in 2013. Tele2's available liquidity amounted to SEK 9,306 (12,933) million.

Five-year summary

SEK million	2013	2012	2011	2010	2009
CONTINUING OPERATIONS					
Net sales	29,871	30,742	29,538	30,443	32,296
Number of customers (by thousands)	14,764	15,446	13,550	12,445	12,128
EBITDA	5,990	6,240	6,760	7,083	7,154
EBIT	2,192	1,975	3,497	4,257	3,961
EBT	1,578	1,422	2,960	3,855	3,707
Net profit	655	976	2,056	4,121	3,446
Key ratios					
EBITDA margin, %	20.1	20.3	22.9	23.7	22.2
EBIT margin, %	7.3	6.4	11.8	14.0	12.3
Value per share (SEK)					
Net profit	1.47	2.20	4.63	9.34	7.21
Net profit, after dilution	1.45	2.18	4.60	9.30	7.20
TOTAL					
Equity	21,591	20,429	21,452	28,875	28,823
Equity, after dilution	21,591	20,429	21,455	28,894	28,823
Total assets	39,855	49,189	46,864	42,085	43,005
Cash flow from operating activities	5,813	8,679	9,690	9,966	9,427
Cash flow after CAPEX	572	4,070	4,118	6,008	4,635
Available liquidity	9,306	12,933	9,986	13,254	12,520
Net debt	8,007	15,745	13,518	3,417	4,013
Investments in intangible and tangible assets, CAPEX	5,534	5,294	6,095	4,094	4,846
Investments in shares, current investments etc	–17,235	215	1,563	1,424	–3,709
Average number of employees	6,143	8,379	7,539	7,402	6,667
Key ratios					
Equity/assets ratio, %	54	42	46	69	67
Debt/equity ratio, multiple	0.37	0.77	0.63	0.12	0.14
Return on equity, %	69.5	15.6	18.9	24.0	16.3
Return on equity after dilution, %	69.5	15.6	18.9	24.0	16.3
ROCE, return on capital employed, %	48.0	15.4	20.5	22.2	16.7
Average interest rate, %	5.2	6.7	6.2	7.3	5.9
Value per share (SEK)					
Net profit	32.77	7.34	10.69	15.67	10.57
Net profit, after dilution	32.55	7.30	10.63	15.61	10.55
Equity	48.49	45.95	48.33	65.44	65.31
Equity, after dilution	48.17	45.68	48.09	65.23	65.18
Cash flow from operating activities	13.06	19.53	21.83	22.59	21.41
Dividend, ordinary	4.40[1)]	7.10	6.50	6.00	3.85
Extraordinary dividend	–	–	6.50	21.00	2.00
Redemption	28.00	–	–	–	–
Market price at closing day	72.85	117.10	133.90	139.60	110.20

[1)] Proposed dividend.

Overview by country

Tele2's footprint includes both emerging and mature markets, where cultural, economic and competitive differences are significant. However, the trend towards mobility is universal, and is clearly evident in all our countries of operation.

While mobile communication services are fairly standardized across different countries, the level of maturity differs widely. Tele2 is present in 10 countries, of which four are considered larger markets for Tele2: Sweden, the Netherlands, Norway and Kazakhstan. These four markets comprise more than 78 percent of the total net sales. Sweden is the home turf and test bed for new products and services. The Netherlands has its origin in fixed services but is now pursuing a mobile ambition. Norway shares that same ambition, but has come further by reaching 75 percent population coverage. Kazakhstan is still virgin territory, where Tele2 is the main competitor for other operators delivering affordable communication services.

Tele2's position and priorities vary across its footprint. Local market characteristics differ in many ways, even within the same country. Our green field operations, e.g. Kazakhstan, are focused on increasing market share, brand awareness and price leadership. As a challenger in Latvia and Estonia, Tele2 pays particular attention to price, market share, expected quality, and network capabilities. As a defender in Sweden and in Lithuania, Tele2 focuses on retention, price stability, upselling, and quality.

While there are important local differences, Tele2 has established a number of general priorities to address opportunities and challenges for 2014. These objectives go beyond the local context and are common to all the regions and countries where Tele2 operates.

- **Customers** – Tele2 shall be the operator of choice. By providing the best value for money we shall be the operator of choice and grow our market share.
- **Employees** – We shall be considered a great place to work. By being a great place to work we shall attract and retain the best people who can deliver on our vision.
- **Shareholders** – We shall have the best Total Shareholder Return (TSR). By being the operator of choice and a great place to work, we shall deliver the best TSR within our peer group.

These fundamental objectives will continue to guide the company's regional activities moving forward.

WHERE WE OPERATE

Sweden

SEK million	2013	2012	Growth
Number of customers (in thousands)	4,476	4,582	–2%
Net sales	12,453	12,698	–2%
EBITDA	3,448	3,365	2%
EBIT	2,063	1,881	

2013 in brief

Despite increased competition, Tele2 Sweden managed to demonstrate strong results through quality-enhancing activities combined with cost-containment efforts.

Total mobile net intake amounted to 38,000 (33,000) in 2013 and mobile net sales grew by SEK 71 million. EBITDA contribution for mobile services was SEK 2,971 (2,869) million in 2013.

2013 started off with slow customer movements in the market and stable and low price levels, but ended with an increased competitive activity. Tele2 Sweden showed strong mobile end-user service revenue growth of 3 percent compared with 2012. Marketing campaigns targeting the residential and the SME segments mainly focused on bundle offers rather than on unit pricing.

During the year, Tele2 Sweden decided to divest its residential cable and fiber operations in order to build and focus on its competitive advantage in the mobile segment. The sale was finalized in January 2014.

In 2013, Tele2 Sweden prioritised four areas:

- The shift from pay as you go to bucket price plans
- The prepaid to postpaid migration
- The continued roll-out of combined 2G and 4G networks with LTE1800 and LTE800
- Market share expansion in the business segment

Shift from pay as you go to bucket price plans

Bucket pricing kept gaining ground in the market, and at the end of the year 57 percent of the postpaid residential customer stock was on bucket price plans. This shift – from paying for your actual consumption (pay as you go) to bucket price plans – has led to movements within the customer stock affecting the ASPU levels (average spend per user). Tele2 Sweden maintained its lead in this transition and is well positioned to monetise on customers' growing data demand.

The introduction of Real Time Rating has allowed Tele2 Sweden to further develop the purchase experience and capture new revenue streams based on the increase of data consumption.

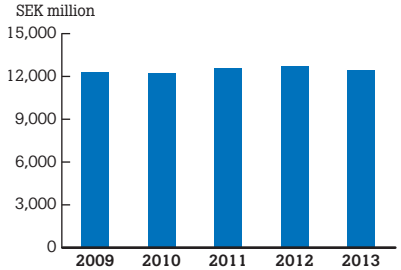
Continuous shift from prepaid to postpaid

During the first half of 2013, Tele2 Sweden saw a strong demand for handsets, which continued to support the shift from prepaid to postpaid in the market. The company launched several innovative prepaid offerings in order to slow down this trend. During the second half of the year this trend stabilised as bucket pricing contributed overall to reducing the difference between pre- and postpaid.

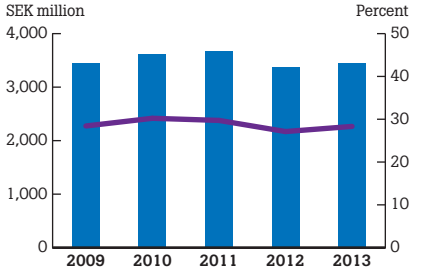
Further roll-out of combined 2G and 4G networks

During the year, Tele2 Sweden continued to leverage on the combined 2G and 4G networks in the joint venture Net4Mobility, which covers 99 percent of the population and is the most extensive 4G network in the country. Furthermore, Tele2 Sweden continued the roll-out of both LTE800 and LTE1800, which will further strengthen the network in terms of 4G capacity and coverage in order to future-proof customers' increasing demand for data. The launch of the iPhone 5S, which supports the LTE800 band, makes Tele2 the optimal choice for buyers looking for 4G speeds. The share of 4G enabled handsets sold was 84 percent in the postpaid residential segment at the end of the year, demonstrating the continuous demand for high speed data.

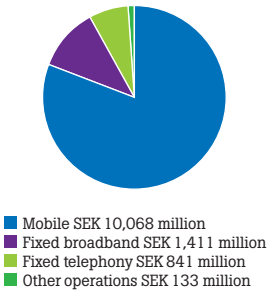
Net sales



EBITDA & EBITDA margin



Net sales per service



Continued Sweden

Market share expansion in the business segment
In the business segment, Tele2 Sweden continued to work on enhancing its product portfolio and launched the successful switch 'Tele2 Växel' as well as the M2M product. Furthermore, building its organization for the future the company paid particular attention to the recruitment of the right competency and increased efficiency in the Large Enterprise segment. Overall, the hard work paid off as Tele2 business kept its number 2 position, according to PTS mid-year report. The company's goal is now to cement that position.

Challenges to address in 2014

Tele2 Sweden expects mobile data demand to keep growing as customers go mobile. Consequently, Tele2 Sweden will increase its focus on the upsell of data, optimizing the network, and drive sales towards high speed data offerings, thereby increasing customer value and lowering production cost. Being able to charge customers properly for increased data usage and volumes will be key to the company's and the whole industry's success.

In the business segment, increased market presence and efforts to deliver integrated telecom solutions within both fixed and mobile will contribute to further expanding market share during 2014.

In addition, Tele2 Sweden aims to continue to deliver good profitability during 2014 through:

- cost efficiency from operating joint-venture networks
- the effective use of distribution channels
- upselling of data
- stronger focus on online activities
- increased levels of self-service

Tele2 Sweden will keep improving coverage and capacity throughout the network and continue the roll-out of the 800 MHz frequency complemented by 1800 MHz in order to enhance its 4G network.

In an environment characterised by declining price levels and an ever-increasing demand for data, Tele2 Sweden sees the need to cater for different customer needs through different means. The dual brand strategy, positioning Comviq as the mobile price fighter and Tele2 as the full suite value option, will accommodate dissimilar customer needs by delivering attractive prices with expected customer service.

Netherlands

SEK million	2013	2012	Growth[1)]
Number of customers (in thousands)	1,175	1,040	13%
Net sales	5,435	5,267	4%
EBITDA	1,251	1,549	–19%
EBIT	650	937	

[1)] less exchange rate fluctuations

2013 in brief

In 2013, Tele2 Netherlands continued to fulfil its ambition to become the new mobile network operator, while simultaneously keeping its focus on offering business and residential services on its fixed infrastructure.

The strong mobile growth led to a lower EBITDA result in 2013. The investment in the mobile network roll-out resulted in a higher CAPEX compared to 2012.

Transformation into a full mobile network operator

The company strengthened its position as the largest independent MVNO in the Dutch market, being the fastest growing mobile operator for eight consecutive quarters, and doubling its mobile customer base within a period of twenty months. In September, Tele2 Netherlands started to distribute 4G ready SIMs to new customers, preparing the future migration to the company's own mobile network.

2013 marked the beginning of Tele2 Netherlands' transformation into a full mobile network operator. Besides a passive network sharing agreement and the continuation of the successful MVNO agreement with T-Mobile, Tele2 Netherlands also announced its choice for NSN (RAN equipment), Huawei (Core equipment) and Mavenir Systems (IMS equipment/Voice over LTE platform) as its main three network vendors, ensuring the high quality and cost effective roll-out of a nationwide 4G-only network.

Fixed broadband

Tele2 Netherlands' fixed broadband base showed a decline in line with the total residential DSL market. Strong competition persisted throughout 2013, especially from fibre and cable networks, resulting in further customer losses and lower ARPU. Going forward, Tele2 Netherlands will focus on retention measures, such as cross- and upsell activities and special retention offers with premium discounts for existing users, to maintain a stable customer base.

Expansion of business portfolio

The business segment continued its solid performance throughout the year. In the corporate segment, Tele2 Netherlands added several large new contracts, and successfully managed to protect its market share in a declining market. Tele2 Netherlands strengthened its position in the finance, trade, governmental and healthcare industry as the connectivity provider of choice offering customized integrated connectivity solutions.

Tele2 Netherlands also secured contracts with distributors, opening the way to almost 700 local and regional resellers, and thereby enlarging its SME portfolio.

Fixed telephony

Customer base development as well as voice usage in the fixed telephony segment showed a gradual decline in line with market trends during the year. Tele2 Netherlands continued to focus on retention to maximize value by up- and cross-selling bundled offerings to its fixed telephony customer base.

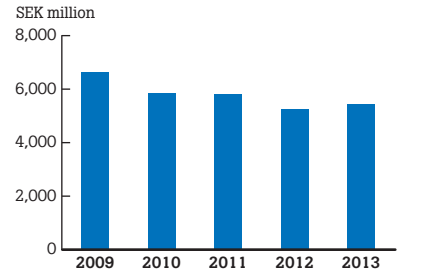
Challenges to address in 2014

In 2014, Tele2 Netherlands will continue to roll out its 4G network and pursue its strong mobile growth in the Dutch market.

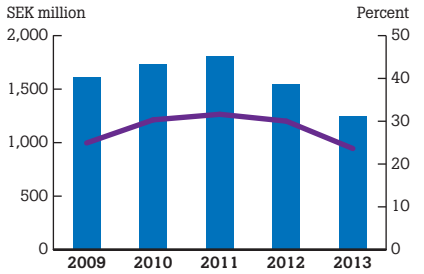
Furthermore, the company will maximize the synergy between fixed and mobile activities, benefiting from its nationwide Fibre optic network.

Tele2 Netherlands foresees further growth in the business segment, as it will capitalise on its full data portfolio and the fixed/mobile convergence with its own hosted voice services.

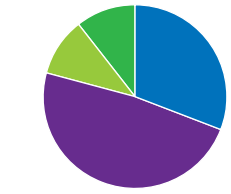
Net sales



EBITDA & EBITDA margin



Net sales per service



Mobile SEK 1,682 million
Fixed broadband SEK 2,632 million
Fixed telephony SEK 551 million
Other operations SEK 570 million

Norway

SEK million	2013	2012	Growth[1)]
Number of customers (in thousands)	1,182	1,217	–3%
Net sales	4,114	4,749	–9%
EBITDA	121	214	–41%
EBIT	–346	–213	

[1)] less exchange rate fluctuations

2013 in brief

The roll-out of Tele2 Norway's own mobile network has been a key priority during the year. By the end of 2013, Tele2 Norway had 75 percent population coverage, while the traffic volume to Tele2's own network continued to increase throughout the year, reaching 45 percent in December 2013.

Tele2 Norway's net sales were SEK 4,114 million in 2013, down from SEK 4,749 million in 2012. The decrease was mainly due to the reduction of termination rates.

Licence award disappointment

Tele2 Norway did not obtain any frequency in the multiband auction held in December 2013. The company will continue its operations with existing frequency resources and maintain commercial efforts to further develop the business.

An otherwise successful year

Otherwise, 2013 was a successful year for Tele2 Norway with increased market shares and satisfactory operational profitability. Tele2 Norway achieved the goal of 75 population coverage, and growth was achieved through improved customer retention, price leadership and focus on smartphones bundled with fixed-price subscriptions. Tele2 Norway exceeded the high customer satisfaction scores achieved in 2012, reaching world class customer service levels in the end of 2013. In addition, One Call, Tele2 and Network Norway were awarded prizes during the year for excellent customer service.

Opening of Tele2 stores

In May 2013, the company opened its first Tele2 store in Norway, and two more stores opened in June. All stores have so far proved to be a success and surpassed expectations regarding net sales figures, customer intake and customer satisfaction.

Challenges to address in 2014

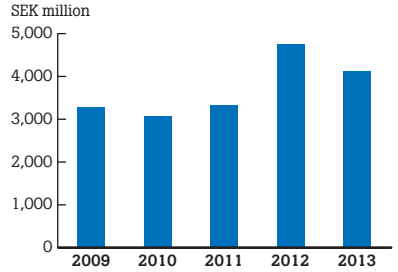
In 2014, Tele2 Norway will continue to build on its strong position in the country, focusing on its 2100 MHz licence, whilst looking to secure remaining spectrum in the 1800 MHz band. In addition, the company will strive to seize other opportunities lying ahead, such as potential 900 MHz auction in 2017, and openings in the 2600 MHz band. Partnerships with other players could also be an interesting alternative for Tele2 Norway.

Tele2 Norway will continue to provide its customers with what they need for less by maintaining the company's price leadership while delivering expected quality, and capitalizing on Tele2's own retail stores.

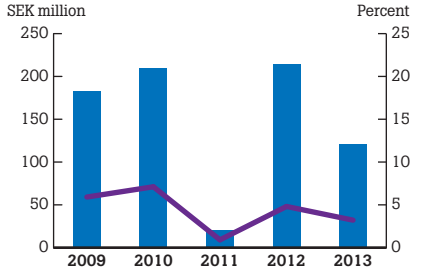
Profitability will be secured through focus on smartphones bundled with fixed-price subscriptions and through increasing traffic in Tele2's own network.

Improved customer retention, multi-channel distribution and the use of the company's four segmented brands in marketing will help Tele2 Norway to pursue growth throughout 2014.

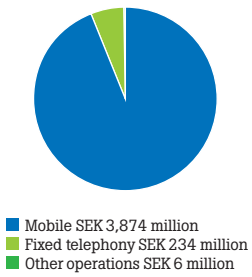
Net sales



EBITDA & EBITDA margin



Net sales per service



Kazakhstan

SEK million	2013	2012	Growth[1)]
Number of customers (in thousands)	2,751	3,412	–19%
Net sales	1,344	957	49%
EBITDA	–138	–387	62%
EBIT	–450	–691	

[1)] less exchange rate fluctuations

2013 in brief

The Kazakh mobile market kept growing in 2013 both in number of sim cards and revenue. Mobile penetration is now estimated to be 160 percent. During the year, an increased interest in mobile data continued to drive traffic volume.

Increased focus on the shift from volume to value

Tele2 Kazakhstan's focus has been to grow its absolute amount of customers, and improve the quality of its customer base.

The negative net intake was due to high churn from promotional sales previous year. During the second half of 2013, Tele2 Kazakhstan concentrated its efforts on enhancing the quality of sales and its customer base by moving all dealer sales from a traditional remuneration scheme (fixed commission amount paid per activated sim card) to a revenue share model, where each dealer earns a percentage of the customer ARPU.

Tele2 Kazakhstan pursued the roll-out of its network in the country. Now the objective is to cover smaller cities, villages, roads and recreational areas.

The company continued to improve its market presence and distribution. Tele2's products are currently sold in approximately 7,000 points of sale in Kazakhstan.

Tele2 Kazakhstan strengthened its price leadership perception. At the same time, the company's quality perception has been gradually improving.

In 2013, Tele2 Kazakhstan's revenue grew by 49 percent and in December Tele2 Kazakhstan reached an important milestone – EBITDA break-even on a monthly basis.

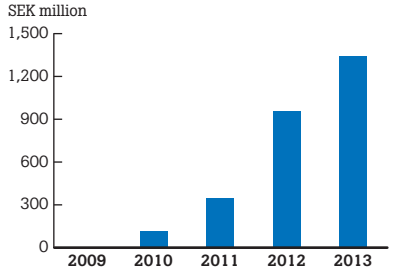
Challenges to address in 2014

The company will continue to work toward increasing customer market share through improved customer intake quality and work with revenue growth and positive EBITDA level.

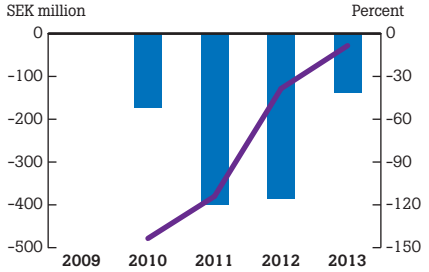
The competitive environment is expected to intensify with more mobile operators entering the market. The main challenge for Tele2 Kazakhstan will be to defend its customer base.

Starting from January 2014, there will be a 15 percent reduction in mobile termination rates, which should drive Tele2 Kazakhstan's profitability as the company is a net payer for interconnect.

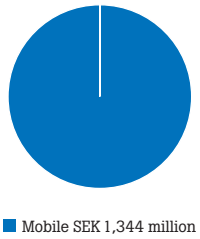
Net sales



EBITDA & EBITDA margin



Net sales per service



Croatia

SEK million	2013	2012	Growth[1]
Number of customers (in thousands)	793	754	5%
Net sales	1,397	1,321	7%
EBITDA	95	60	58%
EBIT[2]	–6	–65	

[1] less exchange rate fluctuations
[2] excluding one-off items (Note 6)

2013 in brief

Economic recession, price competition and lower mobile termination rates contributed to the decline of the Croatian mobile market in 2013. Since Croatia joined the European Union in 2013, the visitor roaming revenue from EU customers has declined significantly due to lower roaming rates mandated by EU regulation. Further to the unsatisfactory development of Tele2 Croatia's operation, an impairment of SEK 457 (249) million (Note 6) was reported during the year.

A rapid prepaid to postpaid migration could also been observed in the market.

An otherwise successful year

Despite general market decline, Tele2 Croatia was the only growing operator in the country with a 7 percent revenue increase in 2013 compared to the previous year.

Tele2 Croatia also significantly improved EBITDA by 58 percent compared to the previous year through growth in its customer base and operational cost savings.

During the year, Tele2 Croatia was especially successful in the postpaid residential segment, where the company offered customers the best value proposition in the market.

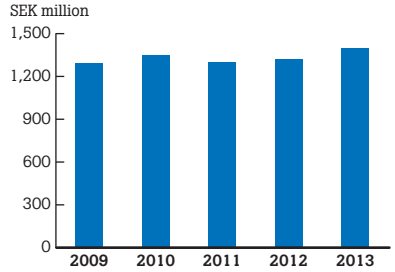
Challenges to address in 2014

Tele2 Croatia will continue to grow its overall customer base while addressing the short-term decline in the prepaid segment the company saw in the end of 2013.

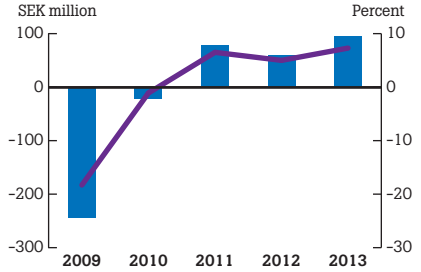
Tele2 Croatia is expecting a continuation of the good momentum in postpaid residential sales, and will look to further expand the business market.

The company will continue to ensure good service and network quality, and maintain its efforts to decrease its dependency on national roaming.

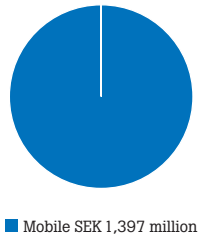
Net sales



EBITDA & EBITDA margin



Net sales per service



Lithuania

SEK million	2013	2012	Growth[1)]
Number of customers (in thousands)	1,851	1,783	4%
Net sales	1,280	1,205	7%
EBITDA	461	432	7%
EBIT	342	259	

[1)] less exchange rate fluctuations

2013 in brief

The Lithuanian mobile market was very competitive during the year. In the end of 2013, all 3 mobile operators introduced flat fees (unlimited voice and sms offers). Despite sustained levels of competition, Tele2 Lithuania managed to provide the best offers to its customers in order to secure its undisputed price leadership position.

Market leader position

2013 was another strong year for Tele2 Lithuania. In the beginning of the year, the company reported the highest mobile revenue among all 3 operators for the first time, reinforcing its leadership position.

Tele2 Lithuania increased its mobile customer base by 81,000 (62,000) users in 2013, mainly driven by the postpaid residential and business segments. Furthermore, Tele2 Lithuania's full year EBITDA was 7 percent higher than the previous year.

Tele2 Lithuania also secured an important 800 MHz spectrum licence in the end of 2013 and will consequently be able to provide LTE services in the future.

During the year, Tele2 Lithuania pursued its network swap to ensure that it has a modern and cost-efficient mobile network.

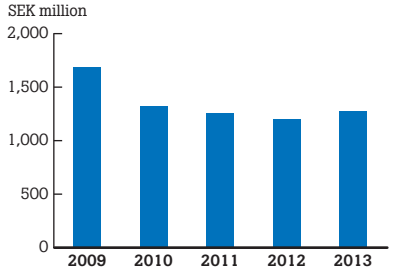
Challenges to address in 2014

Competitors will continue to attack Tele2 Lithuania's price position, which the company will defend by all means since it is the corner stone for its success in the Lithuanian mobile market.

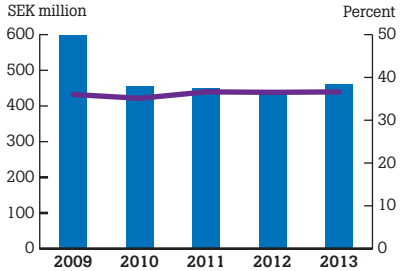
Tele2 Lithuania will also work on ensuring a smooth transition from prepaid to postpaid and strive to retain customers in this process.

Tele2 Lithuania plans to start the roll-out of its LTE 800 MHz network in 2014.

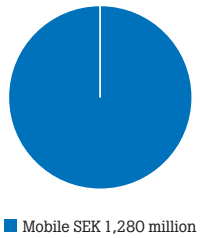
Net sales



EBITDA & EBITDA margin



Net sales per service



Latvia

SEK million	2013	2012	Growth[1)]
Number of customers (in thousands)	1,031	1,043	–1%
Net sales	915	1,036	–11%
EBITDA	292	358	–18%
EBIT	188	142	

[1)] less exchange rate fluctuations

2013 in brief

The Latvian mobile market achieved relative stability throughout the year after a series of price wars with unlimited offers started in 2012. However, prices have stabilized at a level which is one of the lowest price points in Europe for a flat fee tariff. The fact that many high ARPU customers transferred to these tariff plans led to an ARPU decrease. This, combined with lower regulated mobile termination rates, contributed to the decline of the mobile market in Latvia.

Defending market share

In 2013, Tele2 Latvia managed to successfully defend its customer base – the largest one in the country – as well as its price position.

Tele2 Latvia's EBITDA margin of 32 percent was the highest in the mobile market and was achieved through continued efficiency improvements.

Tele2 Latvia also secured an important LTE 800 MHz spectrum licence during an auction in the end of 2013 and is looking forward to expanding LTE services in the near future.

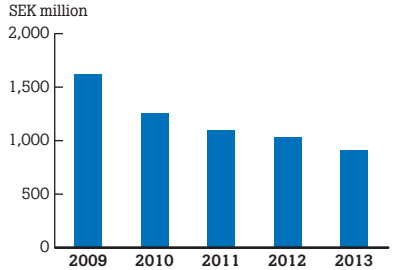
During 2013, Tele2 Latvia completed a large scale network modernization program to ensure that it has an updated and cost-efficient mobile network.

Furthermore, Tele2 Latvia changed billing and CRM systems to industry-leading standards, which will allow for flexibility and higher customer satisfaction.

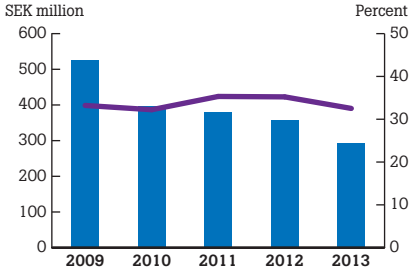
Challenges to address in 2014

In 2014, Tele2 Latvia will concentrate its efforts on growing revenue market share and securing the best value proposition in the market by adding several new products into its portfolio.

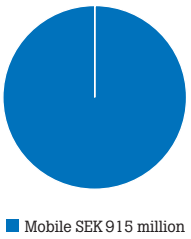
Net sales



EBITDA & EBITDA margin



Net sales per service



Estonia

SEK million	2013	2012	Growth[1)]
Number of customers (in thousands)	507	511	–1%
Net sales	674	886	–23%
EBITDA	161	236	–32%
EBIT	55	86	

[1)] less exchange rate fluctuations

2013 in brief

The Estonian mobile revenue market dropped significantly in 2013 compared to the previous year due to drastic mobile termination rate cuts of approximately 80 percent. The price war continued in the market throughout 2013 driven mainly by telemarketing offers in the postpaid residential segment. There was a particular focus on mobile Internet and LTE services during the year.

Stabilized profitability

Tele2 Estonia successfully integrated Tele2 and Televõrgu operations during 2013.

The company also managed to strike the right balance between growth in a difficult price environment and profitability, reaching an EBITDA margin of 24 (27) percent in 2013.

During 2013, Tele2 Estonia pursued its network swap to ensure that it has a modern and cost-efficient mobile network.

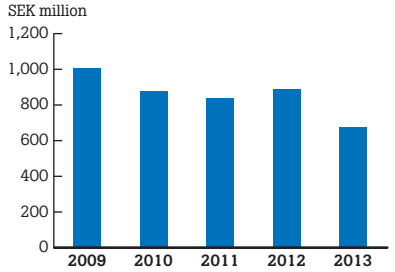
Challenges to address in 2014

Tele2 Estonia expects the mobile market to remain very competitive in 2014.

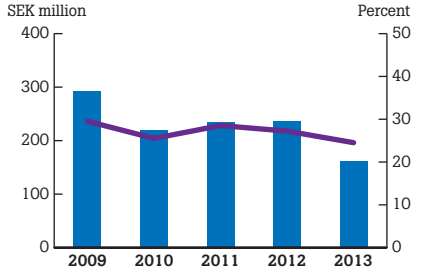
The company will centre its efforts on growth and aim to improve net sales while reducing costs in order to improve its EBITDA margin.

Having secured an important LTE 800 MHz spectrum licence during an auction in the beginning of 2014, Tele2 Estonia also looks forward to expanding LTE services in the near future.

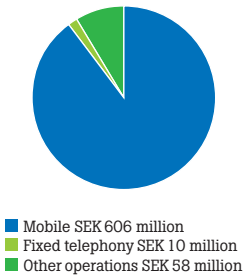
Net sales



EBITDA & EBITDA margin



Net sales per service



Austria

SEK million	2013	2012	Growth[1)]
Number of customers (in thousands)	285	318	–10%
Net sales	1,244	1,353	–8%
EBITDA	308	333	–7%
EBIT	183	187	

[1)] less exchange rate fluctuations

2013 in brief

In 2013, Tele2 Austria showed an EBITDA level in line with the previous year and a solid cash flow performance. This result was driven by lower churn and successful up- and cross selling within the residential segment, a steady performance within the business segment and a good contribution from the wholesale data business.

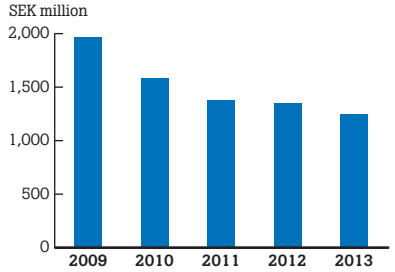
During the year, Tele2 Austria shifted its strategic focus to growth and innovation, building on the high level of operational excellence achieved so far. The company will base its future operations on a made-to-measure service portfolio for the midsize business market, and high speed services especially for the residential and SME markets. Tele2 Austria will further concentrate its efforts on retaining high value customers across all segments.

Challenges to address in 2014

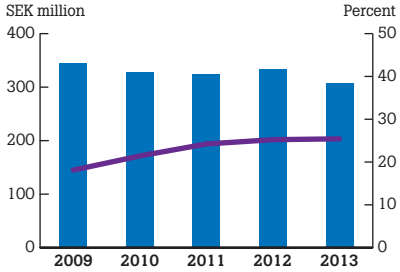
In 2014, Tele2 Austria will continue to focus on growth and innovation in the business segment. In the residential segment, the company will keep intensifying its efforts on retention by offering the most value to its customers and by extending its product range to a high-speed Internet portfolio – based on VDSL and FTTx.

Addressing the SME market with highly standardized bundled and easy-to-use services will contribute to driving growth.

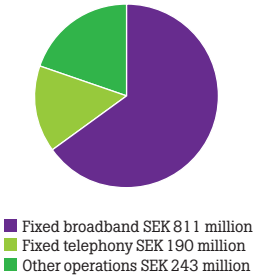
Net sales



EBITDA & EBITDA margin



Net sales per service



Germany

SEK million	2013	2012	Growth[1)]
Number of customers (in thousands)	713	786	–9%
Net sales	867	946	–8%
EBITDA	138	278	–50%
EBIT	99	237	

[1)] less exchange rate fluctuations

2013 in brief

Tele2 Germany completed its transformation from a fixed centric into a fixed and mobile service provider during the year. The new mobile services are targeting the still large mobile voice only segment in Germany, while following the increasing demand from smartphone users. This transition towards mobile services was supported by further capitalization on the existing fixed business. The strong focus on customer experience resulted in a significant improvement of local customer satisfaction values in all segments.

The mobile segment showed an accelerated growth during the year, with a large intake derived from the new mobile offers launched at the end of Q2 2013. As a result, the mobile segment already provided the strongest net sales contribution amongst all segments in the end of 2013. The financial results during the year reflect the marketing launch expenses as well as the increased sales acquisition costs from newly acquired customers. Within fixed services via mobile products, a positive intake shift from pure voice to voice and data products could be observed throughout 2013, with an accelerated shift of intake from the migration of existing customers to the acquisition of new customers.

The fixed telephony segment (Carrier Pre-Selection and Open Call-by-Call) continued to generate strong cash flows and good EBITDA margin despite the general declining market trend.

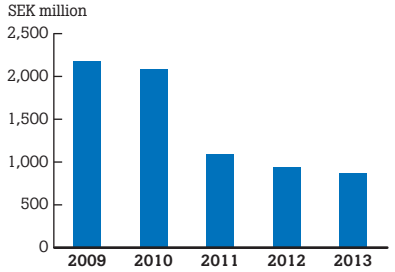
The fixed broadband segment showed better-than-planned results based on successful customer base management. Therefore, the financial performance remained above expectations.

Challenges to address in 2014

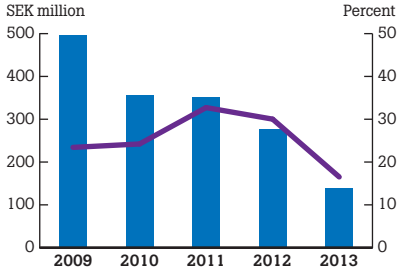
Tele2 Germany will concentrate its efforts on the extension and reinforcement of its sales structures, already initiated during 2013, as well as the enlargement of the mobile product portfolio, to provide a solid basis for the accelerated and profitable growth of the mobile customer base.

In the fixed business, Tele2 Germany will aim to defend its position in CPS and OCBC and continue to maximize profits from those declining segments.

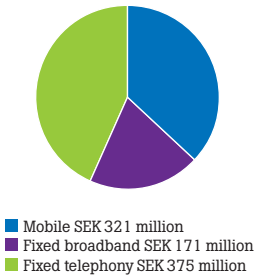
Net sales



EBITDA & EBITDA margin



Net sales per service



Acquisitions and divestments

On March 27, 2013 Tele2 announced the sale of its Russian operations, Tele2 Russia Group, to VTB Group. The sale was completed on April 4, 2013 after approval by regulatory authorities. The transaction including costs for central support system for the Russian operation and other transaction costs resulted in a capital gain during 2013 of SEK 14.9 billion. In addition, the capital gain has been affected negatively with SEK –1.7 billion related to a reversal of exchange rate differences previously reported in other comprehensive income which was reversed over the income statement but with no effect on total equity. The divested operation has been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods. Further information can be found in Note 37.

No material operations were acquired during 2013.

Events after the end of the financial year

On October 23, 2013 Tele2 announced the sale of its Swedish residential cable and fiber operations to Telenor. The sale was completed on January 2, 2014 after approval by regulatory authorities and the capital gain in 2014 is estimated to SEK 250 million. Further information can be found in Note 16.

In February 2014, 406 Class A shares were reclassified into Class B shares.

Employees

During 2013, the average number of employees in Tele2 was 5,277 (4,942). See also Note 33 Number of employees and Note 34 Personnel costs.

Tele2 is a growth-oriented organization. The aim of Tele2's human resources management is to prepare and grow our employees in order to meet the requirements and future needs of the business. Tele2's employees should be highly engaged and motivated and experience a great sense of pride and identification with the corporate values of the company and its overall strategy. To attract and retain the best people is vital to our growth strategy; being considered a great place to work is a prioritised goal for Tele2 in the area of people management.

Our main focus areas are stated below:

Leadership and Tele2 Way
Exemplary leadership behaviours are primarily based on the corporate values, the Tele2Way. Managers are meant to be the culture role models that lead by example and truly "walk the talk". The Tele2 Way, along with the Code of Conduct, provides a framework and guides employees in their professional behaviour and decision making every day. All new managers are trained in the Tele2Way; which includes refreshment courses every second year.

Performance and Talent management
Tele2 has a common performance management process for the whole Group, which provides a consistent way of setting goals and assessing performance. It also serves as a foundation to deal with talent management. All employees are assessed in two dimensions: what and how, i.e. goal completion as well as professional behaviour based on Tele2's corporate values, the Tele2 Way.

When it comes to managing talent, Tele2 strongly supports and encourages internal promotions, both horizontal and vertical. A greater emphasis has been put on diversity, the aim being that the percentage of female managers and leaders reflects the percentage of female employees within the company.

The mapping of top performers, top talents and key roles are conducted every year via the Talking Talent sessions. The purpose of the talent management process is to ensure long-term succession to managerial and key roles, develop the company's existing workforce and minimise business risk if key position holders leave the company.

In 2013, we implemented Tele2People, an online tool for managing performance and talent. The tool provides our managers and the organisation with more accurate and reliable data and serves as base for sound decision making.

Learning and Development
Tele2 has a common framework for learning and development based on 70:20:10 principles (learning philosophy by Morgan McCall, Robert W. Eichinger and Michael M. Lombardo). According to these principles 70 percent of learning comes from experience, such as learning by doing, job rotation, participation in cross-functional projects and challenging work tasks; 20 percent comes from learning from relationships, such as mentoring, coaching and networking; and 10 percent comes from official training programs such as academic courses, e-learning, books/periodicals and media.

Reward and Recognition
Tele2 offers competitive compensation and benefit packages in order to attract, retain and motivate employees. Tele2's packages are determined by the local market and Tele2 participates in local salary surveys annually to ensure that its offerings remain competitive in terms of base salary, short-term incentives, long-term incentives and benefits. The company believes in pay for performance; high-performing individuals should be rewarded well.

Engagement
Every year, Tele2 conducts an employee survey called 'My Voice'. The survey measures:

- General employee satisfaction by means of the Employee Satisfaction Index (ESI);
- Managers' leadership capabilities by means of the Leadership Index (LSI);
- Employee engagement;
- Tele2's internal attractiveness as an employer by means of the Net Promoter Score (NPS);
- Tele2 Way index (TWI), assessing how well we live our corporate values.

A total of 94 (98) percent of all employees participated in the 2013 survey. My Voice showed that a total of 43 percent of Tele2's employees are engaged, compared to 37 percent of the benchmarked companies. One reason for such good result is that all managers and organizational units each year identify engagement-related goals to work with. Going forward the focus will still be on engagement as engaged employees perform well, walk the extra mile and are personally motivated to make Tele2 an even better place to work.

Employer branding
In 2013, Tele2 developed a common employer branding framework with unique EVP (employee value proposition), movie and guidelines for implementation. The implementation process of the new EVP will follow in 2014.

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors.

Operational risks
The risk factors considered to be most significant to Tele2's future development are described below.

Availability of frequencies and telecom licences
The company is dependent on licences and frequencies to be able to operate its business. Tele2 needs to comply with licence requirements, secure the extension of existing licences, renewal of licenses, winning of adjacent licenses and obtain new licences that will be distributed. Tele2's ability to retain customers by providing improved services or maintain its low cost structure may be hampered by not obtaining required licences or frequencies at all or at a reasonable price. Tele2 works in close contact with regulators and industry associations to become aware of upcoming licence distributions or redistributions but the outcome of such distributions are coupled with uncertainty.

Price competition
Tele2 operates in highly competitive markets with high penetration. Tele2's strategy is to be a price leader in all market segments. Competitors' aggressive actions can lead to overall price decreases and lower profitability. To counteract the effects of such actions, Tele2 monitors the price perception index on a regular basis and works to obtain a clear price leadership position through its product offering and marketing communication as well as continuously lower its cost base in order to be able to offer competitive prices.

Integration of new business models
Tele2's business environment is experiencing continuous internal and external changes, which may affect our future operational result and financial position. External changes may be in the form of new business models, such as mobile VOIP, machine-to-machine communication services, new customer behaviour such as revenue migration from voice to data or new revenue models introduced by handset companies or other parties. Internal changes may be in the form of IT infrastructure makeovers which aim to provide our customers with better services. Tele2's executive management closely reviews the internal and external changes to adapt its strategies to be able to benefit from their possibilities.

Changes in regulatory legislation
Changes in legislation, regulations and decisions from authorities for telecommunications services can have a considerable effect on Tele2's business operations and the competitive situation in its operating markets. As a challenger operator, Tele2 welcomes regulation which ensures predictability and provides simplicity, while at the same time encourages fair competition. Disproportionate, detailed sector specific regulation and unpredictable regulation restrict the company's opportunities for development. Price regulation, in the area of access and interconnect, have great impact on Tele2, and this could also result in a risk for disputes with other operators. Access regulation, which ensures access to incumbents copper and fibre networks, must ensure and protect a well-balanced competition in each market. Tele2 works actively with telecom regulators and industry associations, in order to promote sufficient regulation which supports fair competition in its operating markets.

Operation in Kazakhstan
The political, economic, regulatory and legal environment as well as the tax system in Kazakhstan is still developing and is less predictable than in countries with more mature institutional structures. This also applies to prevailing corporate governance codes, business practices and the reporting and disclosure standards. The market and the operations in Kazakhstan therefore represent a different risk from those associated with investments in other countries and can affect Tele2's abilities to operate and develop its operation in this market. Tele2 continuously monitors the development in this market and has contact with relevant authorities.

Network sharing with other parties
In Sweden and the Netherlands, Tele2 has reached agreements with other telecom operators to build together and operate common network infrastructure. In some other countries, Tele2 depends on agreements with other network operators to provide mobile services. Such agreements enable Tele2 to provide its customers with what they need for less by sharing costs and the risks of investing in new technologies and adjusting quicker to technological developments. At the same time, these agreements impose risks in the form of delays in roll-out, limitations for customised development and limitations on operating profitability. Finally, such agreements inherently present the risk that Tele2's partners are unable or unwilling to fulfil their commitments under these agreements. Tele2 continuously evaluates these forms of co-operations and has a dialogue with its partners in these co-operations.

Other risks and uncertainty factors
Tele2 is exposed to additional risks and uncertainty factors from those described above. Some are internal, like for example the ability to secure the right people for key positions and some are external, such as for example fulfilling commitments towards authorities and other counterparts like our partners and suppliers. Regardless of their nature Tele2 management continuously works to identify these risks and find ways to mitigate them.

Financial Risk Management
Through its operations, the Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to the Group treasury function. The aim is to control and minimize the Group's financial risks as well as financial costs, and optimize the relation between risk and cost. Further information on financial risk management can be found in Note 2.

Corporate Responsibility

2013 comprised an internal and external focus on Privacy and Integrity (Human Rights), the most material Corporate Responsibility area for a telecom operator. For Tele2, considerations related to privacy/integrity is particularly relevant in regard to exploiting opportunities as we move from voice to data, maintaining our customers' trust, being compliant with laws, regulations, our codes and policies, following international norms and standards, being transparent with our way of working and reporting if/when infringements occur.

Tele2 has published official position papers for Data protection and Privacy and Freedom of Expression on our corporate website during fall 2012 with minor updates during early 2013. In addition, Tele2 has developed a process with clear mandates, roles and responsibilities for assessing and evaluating requests for network

shutdown, which has been in place for more than a year. In terms of data protection, Tele2 is exploring measures of "privacy by design", where privacy and integrity are built into new systems, products and services at an early stage. In conclusion, Tele2 has a robust approach to continue meeting stakeholders' demands and the proposed new Data Protection Regulation by the European Union.

A management matter

The CR Advisory Group (CRAG) composed of Board members Mia Brunell Livfors, Lars Berg and John Shakeshaft as well as CEO Mats Granryd, Acting General Counsel and Head of CR, met three times during the year, held one conference call and conducted an extended CRAG meeting – with the full Board – during the year. The topics of discussion were principally privacy and integrity, compliance, stakeholder dialogues, measuring the value of CR and maintaining a strong customer focus.

In Q4 2013, a Privacy and Integrity Steering Group was formed in the Leadership Team, with four LT members. The Steering Group met once in 2013. Focus is on the continued development of internal measurements and routines within the framework of privacy/integrity. Tele2 pursued its efforts to keep integrating CR into processes and internal controls.

Pushing our peers

In context of international interest in human rights in the telecom industry, and in line with a commitment to transparency, Tele2 challenged competitors, the industry and stakeholders by conducting Sweden's first Capital Markets Day with a focus on CR. On April 9 stakeholders met, discussed and listened to presentations from Tele2's Board members, CEO, CFO, Leadership team (LT) members and key responsible officers. The event was publicly announced, and open for registrants, and presentations including questions and answer sessions have been published on YouTube. In October, Tele2 organized a follow up CR Roundtable with participation from Tele2's Board members, CEO and LT members for thirty-some investors and analysts.

While corruption risks in general are rated higher in some of the ten countries of operations, corruption may occur anywhere. Corruption is a material aspect and Tele2 has a zero tolerance policy for corruption, reporting on identified cases of corruption. During 2013, Tele2 participated in Sida's Swedish Leadership for Sustainable Development collaboration, proposing with fellow subgroup colleagues to jointly push for an anti-corruption goal to be included as a new UN Sustainable Development Goal, replacing the former Millennium Goals.

Material areas

In addition to important achievements regarding privacy/integrity, Tele2 has strengthened the risk screening for the supply chain. This follows upon last year's efforts to get Business Partners (BP) to sign the Tele2 BP Code of Conduct. Work in 2013 included a collaborative approach for follow-up through the Global e-Sustainability Initiative (GeSI), e.g. jointly screening CR risks in the supply chain and sharing results with peer companies. The audit questionnaire for the Code of Conduct audits of Business Partners was also updated during 2013.

Telecom operators can help combat climate change through smart products and services, reducing clients' impact. One example in this regard is Tele2's M2M offer. It is believed that this is only the beginning of the climate change abatement potential for telecom operators but for 2013 focus has principally been on privacy.

With regard to Child Protection, Tele2's approach is to take active responsibility within its operational control and sphere of influence. Tele2 has met its three targets for Child Protection, including blocking Child Sexual Abuse Images (CSAI) for customers and employees and systematically detecting CSAI among employees.

A topic of interest during the year has been CR and remuneration to employees. For Tele2 CR is a prerequisite for maximum short-, mid- and long term value creation, and as such already influences remunerations. Over time, it cannot be excluded that Tele2 may consider specific CR parameters.

Tax compliance is a material CR area included in the CR Strategy. Tele2 complies with local tax regulations and follows the OECD Guidelines for Multinational Enterprises as well as its Code of Conduct.

Results

Continuing to integrate CR into business processes and internal controls naturally includes reporting as well. In 2013, Tele2 took a step forward in moving mature and material KPIs into the Administration report and Notes. The results of these areas reflect Tele2's performance in privacy and integrity, fair business practices, legal compliance including fines or sanctions for anti-trust, monopoly practices, environmental issues, electromagnetic field as well as a number of cases of anti-corruption and actions taken. Tele2's intention is to continue including results and KPIs at the same pace as information, criteria and data reliability matures on par with the standards of financial data and information. For additional CR reporting and information, see our corporate website with the GRI Index for 2013 in accordance with Global Reporting Initiative's G4 as well as Note 39.

Work of the Board of Directors

The Board of Directors is appointed by the Annual General Meeting for terms extending until the next Annual General Meeting. At the Annual General Meeting in May 2013, Carla Smits-Nusteling and Mario Zanotti were appointed as new Board members, Cristina Stenbeck left the Board, while the other Board members were re-elected. In addition, Mike Parton was re-elected as Chairman of the Board of Directors.

The Board is responsible for the company's organization and management, and is composed in such a way as to enable it to effectively support and manage the work of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, divestments, corporate transactions, major investments, and establishes the framework of Tele2's operations by defining the company's financial goals and guidelines. In 2013, the Board convened six times at different locations in Europe. In addition, five per capsulam meetings and eleven telephone conference meetings were held.

In order to carry out its work more effectively, the Board has at the constituent Board meeting appointed members for a Remuneration Committee and an Audit Committee with special tasks. These committees are the Board's preparatory bodies and do not reduce the Board's overall and joint responsibility to the handling of the company and the decisions made. All Board members have access to the same information. Further, certain members of the Board have been selected to form preparatory working groups on topics of special interest, such as Corporate Responsibility, dividends and capital structure.

The work of the Remuneration Committee includes salary matters, pension conditions, bonus systems and other terms of employment for the CEO and other senior executives. The Audit Committee's role

is to maintain and improve the efficiency of contact with the Group's auditors, supervise the procedures for accounting, financial reporting, internal control, and follow the audit of the Group.

Remuneration to the Board is stated in Note 34.

Corporate Governance Report

The Corporate Governance Report is available on Tele2's website www.tele2.com.

Remuneration guidelines for senior executives

The Board proposes the following guidelines for determining remuneration for senior executives for 2014, to be approved by the Annual General Meeting in May 2014.

The objectives of Tele2's remuneration guidelines are to offer competitive remuneration packages to attract, motivate, and retain key employees within the context of an international peer group. The aim is to create incentives for the management to execute strategic plans and deliver excellent operating results, and to align management's incentives with the interests of the shareholders. Senior executives covered by the proposed guidelines include the CEO and members of the Leadership Team ("senior executives"). At present, Tele2 has 10 senior executives.

Remuneration to the senior executives should comprise annual base salary, and variable short-term incentive (STI) and long-term incentive (LTI) programs. The STI shall be based on the performance in relation to established objectives. The objectives shall be related to the company's overall result and the senior executives' individual performance. The STI can amount to a maximum of 100 percent of the annual base salary.

Over time, it is the intention of the Board to increase the proportion of variable performance-based compensation as a component of the senior executives' total compensation.

The Board is continually considering the need of imposing restrictions in the STI program regarding making payments, or a proportion thereof, of such variable compensation conditional on whether the performance on which it was based has proved to be sustainable over time, and/or allowing the company to reclaim components of such variable compensation that have been paid on the basis of information which later proves to be manifestly misstated.

Other benefits may include e.g. company cars and for expatriated senior executives e.g. housing benefits for a limited period of time. The senior executives may also be offered health care insurances.

The senior executives are offered premium based pension plans. Pension premiums for the CEO can amount to a maximum of 25 percent of the annual salary (base salary and STI). For the other senior executives pension premiums can amount to a maximum of 20 percent of the annual salary (base salary and STI).

The maximum period of notice of termination of employment shall be 12 months in the event of termination by the CEO and six months in the event of termination by any of the other senior executives. In the event of termination by the company, the maximum notice period during which compensation is payable is 18 months for the CEO and 12 months for any of the other senior executives.

Under special circumstances, the Board may deviate from the above guidelines. In such a case, the Board is obligated to give account of the reason for the deviation during the following Annual General Meeting.

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board of Directors.

Deviations during 2013 compared with the remuneration guidelines for senior executives approved by the Annual General Meeting in May 2012 and May 2013 are stated below.

- When the CEO of Tele2 Netherlands, Günther Vogelpoel left the company, the Board decided, in addition to the notice period of six month, to pay an additional compensation to him. Under Dutch law a best practice has developed that requires companies to pay a certain amount of compensation in the event of a termination of the employment agreement of a CEO. This compensation is calculated according to the recommendations of the association of lower court judges. By applying these recommendations Günther Vogelpoel is entitled to a severance payment equal to 12 months fixed salary and the average of the last three years STI. This is a deviation from the remuneration guidelines for senior executives. Tele2's assessment is that it was necessary to offer such termination terms under Dutch rules and that the terms therefore are reasonable and in the best interest of the company.
- During 2013, a transaction incentive has been paid to the former CEO of Tele2 Russia, Jere Calmes, related to the divestment of Tele2 Russia. As a result, the total variable remuneration during the year exceeds his annual base salary. This is a deviation from the remuneration guidelines for senior executives with a total of SEK 9.9 million. Tele2's assessment is that the incentive arrangement has facilitated the transaction and been in the best interest of the company.

The guidelines for 2013 as proposed by the Board and approved by the Annual General Meeting in May 2013 are stated in Note 34 Personnel costs.

Parent company

The parent company performs Group functions and conducts certain Group wide development projects. In 2013, the parent company paid to its shareholders an ordinary dividend of SEK 7.10 per share for 2012 corresponded to a total of SEK 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 2013, equivalent to SEK 12,474 million. In total SEK 15,637 million has been paid to the shareholders in 2013 as dividend and redemption.

Proposed appropriation of profit

The Board and CEO propose that, from the SEK 13,125,620,009 at the disposal of the Annual General Meeting, an ordinary dividend of SEK 4.40 per share should be paid to shareholders, corresponding on December 31, 2013 to SEK 1,960,189,440, and that the remaining amount, SEK 11,165,430,569, should be carried forward.

Based on this annual report, the consolidated financial statements and other information which has become known, the Board has considered all aspects of the parent company's and Group's financial position. This evaluation has led the Board to the conclusion that the dividend is justifiable in view of the requirements that the nature and scope of and risks involved in Tele2's operations have on the size of the company's and Group's equity as well as on its consolidation needs, liquidity and financial position in general.

Consolidated income statement

SEK million	Note	2013	2012
CONTINUING OPERATIONS			
Net sales	4, 5	29,871	30,742
Cost of services sold	6	–18,539	–19,159
Gross profit		**11,332**	**11,583**
Selling expenses	6	–6,598	–6,554
Administrative expenses	6	–2,636	–3,144
Result from shares in associated companies	7	–17	–7
Other operating income	8	208	190
Other operating expenses	9	–97	–93
Operating profit	4, 6	**2,192**	**1,975**
Interest income	10	54	23
Interest costs	11	–445	–517
Other financial items	12	–223	–59
Profit after financial items		**1,578**	**1,422**
Income tax	13	–923	–446
NET PROFIT FROM CONTINUING OPERATIONS		**655**	**976**
DISCONTINUED OPERATIONS			
Net profit from discontinued operations	37	13,935	2,288
NET PROFIT	4	**14,590**	**3,264**
ATTRIBUTABLE TO			
Equity holders of the parent company		14,590	3,264
Earnings per share, SEK	32	32.77	7.34
Earnings per share, after dilution, SEK	32	32.55	7.30
FROM CONTINUING OPERATIONS			
ATTRIBUTABLE TO			
Equity holders of the parent company		655	976
Earnings per share, SEK		1.47	2.20
Earnings per share after dilution, SEK		1.45	2.18

Consolidated comprehensive income

SEK million	Note	2013	2012
Net profit		**14,590**	**3,264**
OTHER COMPREHENSIVE INCOME			
Components not to be reclassified to net profit			
Pensions, actuarial gains/losses	34	203	–49
Pensions, actuarial gains/losses, tax effect	13	–45	8
Total components not to be reclassified to net profit		**158**	**–41**
Components that may be reclassified to net profit			
Exchange rate differences		266	–358
Exchange rate differences, tax effect	13	–18	1,857
Reversed cumulative exchange rate differences from divested companies	16	1,716	16
Cash flow hedges	2	82	–37
Cash flow hedges, tax effect	13	–18	1
Total components that may be reclassified to net profit		**2,028**	**1,479**
Total other comprehensive income for the year, net of tax		**2,186**	**1,438**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,776**	**4,702**
ATTRIBUTABLE TO			
Equity holders of the parent company		16,776	4,702

Consolidated balance sheet

SEK million	Note	Dec 31, 2013	Dec 31, 2012
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	14	9,537	10,174
Other intangible assets	14	5,183	5,540
Total intangible assets		**14,720**	**15,714**
Tangible assets			
Machinery and technical plant	15	9,079	15,261
Other tangible assets	15	2,668	2,818
Total tangible assets		**11,747**	**18,079**
Financial assets			
Shares in associated companies	17	28	22
Other financial assets	18	337	83
Total financial assets		**365**	**105**
Deferred tax assets	13	2,753	4,263
TOTAL NON-CURRENT ASSETS		**29,585**	**38,161**
CURRENT ASSETS			
Inventories	19	471	473
Current receivables			
Accounts receivable	20	3,317	3,985
Current tax receivables		127	44
Other current receivables	21	321	667
Prepaid expenses and accrued income	22	4,183	4,127
Total current receivables		**7,948**	**8,823**
Current investments	23	55	59
Cash and cash equivalents	24, 31	1,348	1,673
TOTAL CURRENT ASSETS		**9,822**	**11,028**
ASSETS CLASSIFIED AS HELD FOR SALE	16	448	–
TOTAL ASSETS	4	**39,855**	**49,189**

Continued Consolidated balance sheet

SEK million	Note	Dec 31, 2013	Dec 31, 2012
EQUITY AND LIABILITIES			
EQUITY			
Attributable to equity holders of the parent company			
Share capital	32	561	561
Other paid-in capital		4,985	4,980
Reserves		541	–1,487
Retained earnings		15,502	16,372
Total attributable to equity holders of the parent company		**21,589**	**20,426**
Non-controlling interest		2	3
TOTAL EQUITY		**21,591**	**20,429**
NON-CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	25	5,302	12,302
Provisions	26	584	426
Other interest-bearing liabilities	25	396	512
Total interest-bearing liabilities		**6,282**	**13,240**
Non-interest-bearing			
Deferred tax liability	13	441	933
Total non-interest-bearing liabilities		**441**	**933**
TOTAL NON-CURRENT LIABILITIES		**6,723**	**14,173**
CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	25	1,535	2,596
Provisions	26	95	133
Other interest-bearing liabilities	25	1,518	1,543
Total interest-bearing liabilities		**3,148**	**4,272**
Non-interest-bearing			
Accounts payable	25	3,140	3,488
Current tax liabilities		80	18
Other current liabilities	25	516	1,008
Accrued expenses and deferred income	27	4,604	5,801
Total non-interest-bearing liabilities		**8,340**	**10,315**
TOTAL CURRENT LIABILITIES		**11,488**	**14,587**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	16	53	–
TOTAL EQUITY AND LIABILITIES	4	**39,855**	**49,189**

Consolidated cash flow statement

(Total operations)

SEK million	Note	2013	2012
OPERATING ACTIVITIES			
Cash flow from operations before changes in working capital			
Operating profit from continuing operations		2,192	1,975
Operating profit from discontinued operations		14,147	3,678
Operating profit		**16,339**	**5,653**
Adjustments for non-cash items in operating profit			
Depreciation and amortization	6	3,545	4,713
Impairment	6	536	278
Result from shares in associated companies	7	17	7
Gain/loss on sale of fixed assets and operations	8–9	–13,253	23
Incentive program		14	50
Interest received		55	24
Interest paid		–429	–692
Finance costs paid		–82	69
Dividend received		1	1
Taxes paid	13	–479	–989
Cash flow from operations before changes in working capital	31	**6,264**	**9,137**
Changes in working capital			
Materials and supplies	19	–17	6
Operating assets		152	–608
Operating liabilities		–586	144
Changes in working capital	31	**–451**	**–458**
CASH FLOW FROM OPERATING ACTIVITIES		**5,813**	**8,679**
INVESTING ACTIVITIES			
Acquisition of intangible assets	31	–2,195	–1,098
Sale of intangible assets	31	7	–
Acquisition of tangible assets	31	–3,142	–3,721
Sale of tangible assets	31	89	210
Acquisition of shares in group companies (excluding cash)	16	–	–221
Sale of shares in group companies	16	17,252	–3
Capital contribution to associated companies	16	–25	–22
Dividend from associated companies	16	1	–
Other financial assets, lending		–	–2
Other financial assets, received payments		7	33
Cash flow from investing activities		**11,994**	**–4,824**
CASH FLOW AFTER INVESTING ACTIVITIES		**17,807**	**3,855**
FINANCING ACTIVITIES			
Proceeds from credit institutions and similar liabilities	25	750	15,112
Repayment of loans from credit institutions and similar liabilities	25	–3,165	–12,590
Proceeds from other interest-bearing liabilities	25	5	17
Repayment of other interest-bearing lending	25	–23	–41
Dividends	32	–3,163	–5,781
Redemption of shares	32	–12,474	–
Sale of own shares	32	–	6
Purchase of non-controlling interests	31	–94	–
Cash flow from financing activities		**–18,164**	**–3,277**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–357**	**578**
Cash and cash equivalents at beginning of the year	24	1,673	1,026
Exchange rate differences in cash and cash equivalents	24	32	69
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24, 31	**1,348**	**1,673**

For cash flow from discontinued operations, please refer to Note 37.
For additional cash flow information, please refer to Note 31.

Change in consolidated equity

SEK million	Note	Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the parent company							
Equity at January 1, 2012		**561**	**16,980**	**–438**	**–2,528**	**6,874**	**21,449**	**3**	**21,452**
Net profit		–	–	–	–	3,264	3,264	–	3,264
Other comprehensive income for the year, net of tax		–	–	24	1,455	–41	1,438	–	1,438
Total comprehensive income for the year		**–**	**–**	**24**	**1,455**	**3,223**	**4,702**	**–**	**4,702**
OTHER CHANGES IN EQUITY									
Share-based payments	34	–	–	–	–	50	50	–	50
Sale of own shares	32	–	–	–	–	6	6	–	6
Reduction of restricted reserve	32	–	–12,000	–	–	12,000	–	–	–
Dividends	32	–	–	–	–	–5,781	–5,781	–	–5,781
EQUITY AT DECEMBER 31, 2012		**561**	**4,980**	**–414**	**–1,073**	**16,372**	**20,426**	**3**	**20,429**
Equity at January 1, 2013	36	**561**	**4,980**	**–414**	**–1,073**	**16,372**	**20,426**	**3**	**20,429**
Net profit		–	–	–	–	14,590	14,590	–	14,590
Other comprehensive income for the year, net of tax		–	–	57	1,971	158	2,186	–	2,186
Total comprehensive income for the year		**–**	**–**	**57**	**1,971**	**14,748**	**16,776**	**–**	**16,776**
OTHER CHANGES IN EQUITY									
Share-based payments	34	–	–	–	–	14	14	–	14
Share-based payments, tax effect	34	–	–	–	–	10	10	–	10
Sale of own shares	32	–	5	–	–	–5	–	–	–
Dividends	32	–	–	–	–	–3,163	–3,163	–	–3,163
Redemption of shares	32	–280	–	–	–	–12,194	–12,474	–	–12,474
Bonus issue	32	280	–	–	–	–280	–	–	–
Purchase of non-controlling interests	16	–	–	–	–	–	–	–1	–1
EQUITY AT DECEMBER 31, 2013		**561**	**4,985**	**–357**	**898**	**15,502**	**21,589**	**2**	**21,591**

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) at the date of publication of this annual report, as endorsed by the EU. The Group also applies the Swedish Financial Reporting Board recommendation RFR 1 *Supplementary Accounting Rules for groups* which specifies additional disclosures required under the Swedish Annual Accounts Act.

The financial reports are prepared on the basis of historical cost, apart from financial instruments which are normally carried at amortized cost, with the exception of other non-current securities and derivatives which are carried at fair value.

CHANGE IN ACCOUNTING PRINCIPLES

From 2013 the new standards, amendments and interpretations presented below are applied.

New and amended IFRS standards and IFRIC interpretations

The new and amended IFRS standards and IFRIC interpretations (IFRS 13 *Fair Value Measurement,* IAS 19 *Employee Benefits*, IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* and Improvements to IFRSs 2009–2011), which became effective January 1, 2013, have had no material effect on the consolidated financial statements.

Tele2 has applied the Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* in advance of the effective date (effective for annual periods beginning on or after January 1, 2014). This has not had any effect on the consolidated financial statements except for revised disclosure requirements.

NEW REGULATIONS

The following new and revised standards have been issued by the International Accounting Standards Board (IASB) and endorsed by the EU:

- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1, 2014),
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance* and IFRS 10, IFRS 12 and IAS 27 – *Investment Entities* (effective for annual periods beginning on or after January 1, 2014),
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014) and
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (effective for annual periods beginning on or after January 1, 2014).

IASB has also issued, which have not yet been endorsed by the EU:

- Interpretation IFRIC 21 *Levies* (effective for annual periods beginning on or after January 1, 2014),
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* and Improvements to IFRSs 2010–2012 and 2011–2013 (effective for annual periods beginning on or after July 1, 2014) and
- IFRS 9 *Financial Instruments (2009 and 2011)* (effective for annual periods beginning on earliest January 1, 2017).

IFRS 11 covers the accounting of joint arrangements. The joint arrangements that Tele2 presently reports as joint ventures according to the proportionate method under the current standard are viewed as joint operations according to the new standard. The introduction of IFRS 11 is therefore not expected to have material effects on the consolidated financial statements.

The introduction of IFRS 12 will result in new disclosure requirements for investments in subsidiaries, joint arrangements and associated companies.

The amended IAS 19, IAS 27, IAS 28, IAS 32, IAS 39, IFRIC 21 and Improvements to IFRSs as well as the new standards IFRS 9 and IFRS 10 are estimated to have no material effect for Tele2.

CONSOLIDATION

Subsidiaries

The consolidated accounts include the parent company and companies in which the parent company directly or indirectly holds more than 50 percent of the voting rights or in any other way has control.

The consolidated accounts are prepared in accordance with the acquisition method. This means that consolidated equity only includes the subsidiary's equity that has arisen after the acquisition and the consolidated income statements only include earnings from the date of acquisition until the date of divestment, if the subsidiary is sold. The Group's acquisition value of the shares in subsidiaries consists of the total of the fair value at the time of the acquisition of what was paid in cash, incurred liabilities to former owners or emitted shares. Contingent consideration is included in the acquisition value and is reported at its fair value at the time of the acquisition. Subsequent effects from the revaluation of contingent consideration are reported in the income statement. Acquired identifiable assets and assumed liabilities are reported initially at their fair value at the time of the acquisition. Exemptions from this principle are made for acquired tax assets/liabilities, employee benefits, share-based payment awards and assets held for sale which are measured according to the principles described below for each item. Exemptions are also made for indemnity assets and reacquired rights. Indemnity rights are valued according to the same principle as the indemnified item. Reacquired rights are valued based on the remaining contractual period even if other market participants would consider the possibilities for contract renewal when doing the valuation. Reported goodwill is measured as the difference between on the one hand the total purchase price for the shares in the subsidiary, the value of the non-controlling interests in the acquired subsidiary and the fair value of the previously owned share and on the other hand the Group's reported value of acquired assets and assumed liabilities. Acquisition related costs (transaction costs) are recognized as expenses in the period in which they arise.

Non-controlling interest is reported at the time of the acquisition either at its fair value or at its proportional share of the Group's reported value of the acquired subsidiary's identified assets and liabilities. The choice of valuation method is made for each business combination. Subsequent profit or loss and other comprehensive income that are related to the non-controlling interests are allocated to the non-controlling interest even if it leads to a negative value for the non-controlling interest.

The acquisition of a non-controlling interest is accounted for as a transaction between the equity holders of the parent company and the non-controlling interest. The difference between paid purchase price and the proportional share of the acquired net assets is reported in equity. Thus no goodwill arises in connection with such transactions.

Continued Note 1

Joint ventures
Joint ventures are companies over which the owners have a joint control.

Joint ventures are accounted for in accordance with the proportionate method, implying that the consolidated financial statements includes Tele2's share of the assets, liabilities, revenues and costs in the jointly controlled company.

At the acquisition of a share in a joint venture, that is a jointly controlled company, a purchase price allocation is prepared at the acquisition date. The acquisition date is the date when the Group becomes a venturer to and jointly shares the control of the jointly controlled company. The starting-point for the purchase price allocation consists of the acquisition value of the share in the joint venture. The acquisition value is allocated on the Group's share of the acquisition date fair values of acquired assets and assumed liabilities including related deferred taxes and any goodwill.

Associated companies
Associated companies are companies in which Tele2 has a voting power of between 20 percent and 50 percent or has significant influence in some other way.

Associated companies are accounted for in accordance with the equity method. This means that the Group's carrying amount of the shares in the company corresponds to the Group's share of equity as well as any residual value of consolidated surplus values after application of the Group's accounting principles. The share of the company's profit or loss after tax is reported under "Operating profit", along with depreciation of the acquired surplus value.

Foreign currency
The accounts of all foreign group companies, joint ventures and associated companies are prepared in the currency used in the primary economic environment of each company, i.e. the functional currency which is normally the local currency.

The assets and liabilities of foreign group companies, joint ventures and associated companies are translated into Tele2's reporting currency (SEK) at the closing exchange rates, while revenues and expenses are translated at the year's average exchange rates. Exchange rate differences arising from translation are reported in other comprehensive income. When foreign group companies, joint ventures and associated companies are divested, the accumulated exchange rate difference attributable to the sold company is recognized in the income statement.

Goodwill and adjustments at fair value that are made in connection with the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity and are translated at the closing rates.

REVENUE RECOGNITION
Net sales include customer related revenue from services within mobile and fixed telephony, broadband and cable TV, such as connection charges, subscription charges, call charges, data and information services and other services. Net sales also include interconnect revenue from other operators and income from the sale of products such as mobile phones and modems. Revenues are reported at fair value which usually is the selling value, less discounts and VAT.

Connection charges are recognized at the time of the sale to the extent that they cover the connection costs. Any excess is deferred and amortized over the estimated contract period. Subscription charges for mobile and fixed telephony services, cable TV, ADSL, dial-up internet, leased capacity and internet connection for direct access customers are recognized in the period covered by the charge. Call charges and interconnect revenue are recognized in the period during which the service is provided. Revenue from the sale of products is recognized at the time the product is supplied to the customer. Revenue from the sale of cash cards is recognized based on the actual use of the card or at the expiry date.

Revenue from data and information services such as text messages and ring tones is recognized when the service is provided. When Tele2 acts as an agent for another supplier, the revenue is reported net, i.e. only the part of the revenue that is allocated to Tele2 is reported as revenue.

Revenue recognition for agreements containing multiple deliverables
For customer agreements containing multiple deliverables or parts, revenue is allocated to each part, based on its relative fair value to the total contracted revenue. Services invoiced based on usage are not included in the allocation. Revenues for each part are recognized in the period the component is delivered to the customer. If functionally important parts have not been delivered and the fair value of any of these is not available, revenue recognition is postponed until all important parts have been delivered and the fair value of non-delivered parts has been determined.

OPERATING EXPENSES
Operating expenses are classified according to function, as described below. Depreciation and amortization and personnel costs are stated by function. Total costs for depreciation and amortization are presented in Note 6 and total personnel costs are presented in Note 34.

Cost of services sold
Cost of services sold consists of costs for renting networks and capacity, interconnect charges as well as costs for equipment sold (e.g. hand-sets) to the extent the costs are covered by recognized revenues. The cost of services sold also includes the part of the cost for personnel, premises, purchased services and depreciation and amortization of non-current assets attributable to the production of sold services.

Selling expenses
Selling expenses include costs for the internal sales organization, purchased services, personnel costs, rental costs, bad debt losses as well as depreciation and amortization of non-current assets attributable to sales activities. Advertising and other marketing activities as well as costs for discounts and subsidies for equipment sold are also included and are expensed as incurred.

Administrative expenses
Administrative expenses consist of the part of the personnel costs, rental costs, purchased services as well as depreciation and amortization of non-current assets attributable to the other joint functions. Costs associated with the Board of Directors, executive management and corporate functions are included in administrative expenses.

Other operating income and other operating expenses
Other operating income and other operating expenses include secondary activities, exchange rate differences in operating activities and gain/loss on the sale of tangible and intangible assets.

EMPLOYEE BENEFITS
The average number of employees (Note 33) as well as salaries and remuneration (Note 34) in companies acquired during each year are reported in relation to how long the company has been part of the Tele2 Group.

Share-based payments
Tele2 grants share-based instruments to certain employees.

Share-based payments are settled with the company's own shares. The costs for share-based payments are based on the fair value of the share calculated by an independent party at the date of grant. These payments are reported as employee costs during the vesting period with a corresponding increase in equity. To the extent the vesting conditions in the program are linked to market conditions (TSR) and non-vesting conditions (investment in Tele2 shares), these factors are taken into consideration when determining the fair value of the program. Performance conditions (return on capital employed) and service conditions (being employed) are affecting the employee cost during the vesting period by the change in the number of shares that are expected to finally vest.

Tele2 records a liability for social security expenses, at each reporting period, for all outstanding share-based payments. The liability for social

Continued Note 1

security expenses is calculated according to UFR 7, IFRS 2 and social security contributions for listed enterprises. The liability is revaluated at the end of each reporting period and is based on the share-based payment's fair value at the end of the reporting date distributed over the vesting period.

Post-employment benefits
The Group has a number of pension schemes. The main part of Tele2's pension plans consist of defined-contribution plans (Note 34) for which the Group makes payments to public and private pension institutions. Fees with regard to defined-contribution pension plans are reported as an expense during the period in which the employees perform the services to which the contribution relates. The defined-contribution plans ensure a certain predefined payment of premiums and negative changes in the value of investments are not compensated by Tele2. Therefore Tele2 does not bear the risk at the time of pension payment. Only a small part of the Group's pension commitments relates to defined benefit plans. The net present value of the obligation for these are calculated separately for each defined benefit plan on the basis of assumptions of the future benefits earned during previous and currents periods. The obligation is reported in the balance sheet as the net present value of the obligation less the fair value of any plan assets.

The cost for the defined-benefit plans are calculated by application of the so called Projected Unit Credit Method, which means that the cost is distributed over to the employee's period of service. The calculation is performed annually by an independent actuary. The obligation is valued at the net present value of the expected future payments, taking into account assumptions such as expected future increase in salaries, inflation, increases in health expenses and life span. Expected future payments are discounted with an interest rate that is effective on the closing day for first class commercial bonds or government bonds considering the estimated remaining tenor for each obligation. Actuarial gains and losses are reported in other comprehensive income.

Termination benefits
A cost for termination benefits is recognized only if the Group is committed by a formal plan to prematurely terminate an employee's employment without any possibility of withdrawing the commitment.

INCOME TAX
Income taxes consist of current and deferred tax. Income tax is reported in the income statement except when the underlying transaction is reported in other comprehensive income. In those cases the related tax effect is also reported in other comprehensive income.

Current tax is tax that is to be paid or received in respect of the taxable profit (tax loss) for the year including any adjustment of current tax related to previous periods and tax on dividends from subsidiaries.

When accounting for deferred taxes, the balance sheet method is applied. The method implies that deferred tax liabilities and assets are recognized for all temporary differences between the carrying amount of an asset or liability and its tax base, as well as other tax-related deductions or deficits. The following temporary differences are not considered: temporary difference that arises at the initial recognition of goodwill and the initial recognition of assets and liabilities that are not part of a business combination and at the time of the transaction affect neither accounting nor taxable profit/loss. An item which alters the time when an item is taxable or deductible is considered a temporary difference. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

The recognition of deferred tax assets takes into account tax loss carry-forwards and temporary differences where it is probable that losses and temporary differences will be utilized against future taxable profits. In cases where a company reports losses, an assessment is made of whether there is any convincing evidence that there will be sufficient future profits.

Valuation and accounting of deferred taxes in connection with business combinations is made as part of the measurement of assets and liabilities at the time of acquisition. In these circumstances, the deferred tax assets are assessed at a value corresponding to what the Group expects to utilize. Deferred income tax liabilities are recognized on temporary differences related to subsidiaries, joint ventures and associates, except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

If a deferred tax liability exists and unvalued tax loss carry-forwards exist, a deferred tax asset is reported to the extent it can be netted against the deferred tax liability.

Current and deferred tax assets and liabilities are netted only among group companies within the same tax jurisdiction. This form of reporting is only applied when Tele2 intends to offset tax assets and liabilities.

DISCONTINUED OPERATIONS
A discontinued operation is a component of the Group which either has been disposed of or is classified as held for sale, and represents a separate line of business or geographical area of operation. A discontinued operation is reported separately from continuing operations, and comparable information for prior periods is re-presented.

Assets classified as held for sale and associated liabilities are presented separately on the face of the balance sheet. Prior periods are not affected. Assets classified as held for sale are valued at the lower of carrying value and fair value less costs to sell.

EARNINGS PER SHARE
Earnings per share before dilution are calculated by dividing the profit or loss of the year attributable to the parent company's owners by the weighted average number of outstanding shares during the period. To calculate earnings per share after dilution the weighted average numbers of outstanding shares are adjusted for the dilutive effect of the total potential number of shares consisting of share based instruments settled with shares. The shared based instruments have a dilutive effect if the exercise price plus the fair value of future services is below the quoted price and the dilutive effect increases when the size of this difference increases (Note 32).

NON-CURRENT ASSETS
Intangible assets (Note 14) and tangible assets (Note 15) with a finite useful life are reported at acquisition value with deductions for accumulated depreciation and amortization. Depreciation and amortization are based on the acquisition value of the assets less estimated residual value at the end of the useful life and are recognized on a straight-line basis throughout the asset's estimated useful life. Useful lives and residual values are subject to annual assessments. Useful lives for fixed assets are presented below.

Intangible assets	
Licences, utilization rights and software	2–25 years
Customer agreements	3–5 years
Trademarks	4–5 years
Tangible assets	
Buildings	7–15 years
Modems	1.5–3 years
Machinery and technical plant	1–30 years
Equipment and installations	2–10 years

At the end of each reporting period an assessment is made of whether there is any indication of impairment of any of the Group's assets over and above the scheduled depreciation plans. If there is any indication that a non-current asset has declined in value, a calculation of its recoverable amount is made.

The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell, which is the value that is obtainable from

Continued Note 1

the sale of the asset to an independent party less costs of disposal. The value in use consists of the present value of all cash flows from the asset during the utilization period as well as the addition of the present value of the fair value less costs to sell at the end of the utilization period. If the estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

Impairments are reported in the income statement. Impairments that have been recorded are reversed if changes are made in the assumptions that led to the original impairment. The impairment reversal is limited to the carrying amount, net of depreciation according to plan, had the original impairment not occurred. A reversal of impairment is reported in the income statement. Impairment of goodwill is not reversed.

Intangible assets

Tele2 holds a number of licences entitling it to conduct telephony operations. The expenses related to the acquisition of these licences are recognized as an asset and amortized on a straight-line basis through the duration of the licence agreements.

Goodwill is measured as the difference between on the one hand the total purchase price for the shares in the subsidiary alternatively the acquired assets and liabilities, the value of the non-controlling interest in the acquired subsidiary and the fair value of the previously owned share, and on the other hand the Group's reported value of acquired assets and assumed liabilities less any write-downs.

Goodwill is allocated to the cash generating units that are expected to obtain benefits as a result of the acquisition and is, along with the intangible assets with indefinite lives and intangible assets that are not yet ready to use, subject to annual impairment testing even if there is no indication of a decline in value. Impairment testing of goodwill is at the lowest level at which goodwill is monitored for internal management purposes and for which there are separately identifiable cash flows (cash generating units). The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value less costs to sell. The most important factors that have influenced this year's impairment testing are presented in Note 14.

In the case of reorganization or divestment involving a change in the composition of cash generating units to which goodwill has been allocated, the goodwill is allocated to the relevant units. The allocation is based on the relative value of the part of the cash generating unit to which the reorganization or divestment relates, and the part that remains after the reorganization or the divestment.

Customer agreements are valued at fair value in conjunction with business combinations. Tele2 applies a model where the average historical customer acquisition cost or, alternatively, the present value of expected future cash flows, is applied to value customer agreements.

Tele2 capitalizes direct development expenses for software which are specific to its operations if the recognition criteria are fulfilled. These expenses are amortized over the utilization period, which begins when the asset is ready for use. Expenses relating to the planning phase of the projects as well as expenses of maintenance and training are expensed as incurred. Other expenses relating to development work are expensed as they arise, since they do not meet the criteria for being reported as an asset.

Tangible assets

Buildings relate to assets intended for use in operations. The acquisition value includes the direct costs attributable to the building.

Machinery and technical plant include equipment and machinery intended for use in operations, such as network installations. The acquisition value includes the direct costs attributable to the construction and installation of networks.

Additional costs for extension and value-increasing improvements are reported as an asset, while additional costs for repairs and maintenance are expensed during the period in which they arise.

Equipment and installations comprise assets used in administration, sales and operations.

Costs for modems that are rented to or used for free by customers are capitalized.

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of an asset which requires considerable time to complete for its intended use are included in the acquisition value of the asset. Other borrowing costs are expensed in the period in which they arise.

Leases

Leases are classified as finance or operating leases.

Tele2 as finance lessee

A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the consolidated accounts, the leased object is recognized as a tangible asset at the lower of its fair value and the present value of the minimum lease payments, and a corresponding amount is recognized as a lease obligation under financial liabilities (Note 15, Note 25 and Note 30). The asset is depreciated on a straight-line basis over the shorter of the lease term and its useful life, with the estimated residual value deducted at the end of the utilization period. Lease payments are apportioned between interest and repayment of the outstanding liability.

Tele2 as operating lessee

A lease is classified as an operating lease if substantially all the economic risks and rewards of ownership of an asset remain with the leasing company. Payments are expensed in the income statement on a straight-line basis over the leasing period.

Tele2 as operating lessor

Rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. The leased asset is kept on the balance sheet and depreciated over its estimated useful life.

Dismantling costs

When there is a legal or constructive obligation to a third party, the estimated cost of dismantling and removing the asset and restoring the site/area is included in the acquisition value. Any change to the estimated cost of dismantling and removing an asset and restoring the site is added to or subtracted from the carrying amount of the particular asset.

FINANCIAL ASSETS AND LIABILITIES

Financial assets recognized in the balance sheet include other financial assets, accounts receivable, other current receivables, current investments and cash and cash equivalents. Financial liabilities recognized in the balance sheet include liabilities to credit institutions and similar liabilities, other interest-bearing liabilities, accounts payable and other current liabilities.

Acquisitions and sales of financial assets are reported on the trading date, which is the date that the Group has an undertaking to acquire or sell the asset. Financial liabilities are recognized in the balance sheet when the counterparty has performed and a contractual liability to pay exists.

A financial asset is derecognized when the rights to receive benefits have been realized, expired or the company loses control over them. The same applies to components of a financial asset. A financial liability is derecognized when the contractual obligation is discharged or extinguished in some other way. The same applies to components of a financial liability.

Financial instruments are initially recognized at fair value, which normally corresponds to the acquisition value and subsequently to either fair value or amortized cost based on the initial categorization. The categorization reflects the purpose of the holding and is determined on initial recognition.

Measurement of the fair value of financial instruments

Various measurement methods are used to measure the fair value of financial instruments not traded on an active market. When determining

Continued Note 1

the fair value of interest swaps, official market listings are used as input in calculations of discounted cash flows. When determining the fair value of currency derivatives, the listed rates at the balance sheet date are used. The fair value of loan liabilities is measured using generally accepted methods, such as discounting expected future cash flows at prevailing interest rates.

Calculation of amortized cost of financial instruments
Amortized cost is calculated by using the effective interest method, which means that any premiums or discounts and directly attributable costs or income are recognized on an accrual basis over the life of the contract using the calculated effective interest rate. The effective interest rate is the rate which gives the instrument's cost of acquisition as a result when discounting the future cash flows.

Offsetting financial assets and liabilities
Financial assets and liabilities are offset and the net amount is presented in the balance sheet when a legal right of set-off exists and the Group intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets
Tele2's other non-current securities mainly consist of holdings of unlisted shares, and these are classified as "Assets at fair value through profit or loss". Assets in this category are initially reported at acquisition value, i.e. fair value at the time of acquisition, and valued thereafter on a continuous basis at fair value. The fair value change is reported in the income statement among other financial items. If Tele2 has not been able to determine a reliable fair value, the securities are valued at their acquisition cost.

Tele2's accounts receivables and other receivables are categorized as "Loans and receivables" initially reported at fair value and subsequently at amortized cost, which corresponds to their nominal amounts as the duration is short. On each closing day, a revaluation of these assets is made based on the time each individual accounts receivable has been overdue. Any impairment loss is reported as an operating expense.

Cash and cash equivalents are categorized as "Loans and receivables" initially reported at fair value and subsequently at amortized cost. Cash and cash equivalents consist of cash and bank balances as well as current investments with a maturity of less than three months from the time of acquisition.

Restricted cash and cash equivalents are reported as current investments if they may be released within 12 months and as non-current financial assets if they are to be restricted for more than 12 months.

Financial liabilities
Financial liabilities are categorized as "Financial liabilities valued at amortized cost". These are initially measured at fair value and then at amortized cost using the effective interest method. Direct costs related to the origination of loans are included in the acquisition value. For accounts payables and other financial debts, with a short maturity, the subsequent valuation is done at the nominal amount.

Derivatives and hedge accounting
Exchange rate fluctuations on loans in foreign currency and changes in value of other financial instruments (currency derivatives) that fulfil the hedge accounting requirements of net investment in foreign operations are reported on a continuous basis in other comprehensive income. The ineffective portion of the exchange rate fluctuation and the change in value are reported in the income statement under other financial items. When divesting foreign subsidiaries, the accumulated exchange rate difference attributable to the divested subsidiary is recorded in the income statement.

Cash flow hedges are reported in the same way as hedges of net investments in foreign operations. This means that the effective portion of the gain or loss on an interest swap which meets the criteria for cash-flow hedge accounting is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss within financial items. When cash flows relating to the hedged item are reported in profit or loss, amounts are transferred from equity to offset them. For more information regarding cash flow hedges, please refer to Note 2 and Note 25.

When a hedging instrument related to future cash flows is due, sold, divested or settled or the Group discontinues the hedge relation before the hedged transaction has occurred and the forecasted transaction is still expected to occur, the accumulated reported gain or loss remains in the hedge reserve in equity and is reported in the income statement when the transaction occurs. If the hedged transaction is no longer expected to occur, the hedging instrument's accumulated gain or loss is immediately reported in the income statement.

Other derivatives are reported at their fair value through profit or loss.

Receivables and liabilities in foreign currency
Receivables and liabilities of the Group denominated in foreign currencies are translated into Swedish kronor by applying the year-end rates.

Gains or losses on foreign exchanges relating to regular operations are included in the income statement under Other operating income/expenses. Gains or losses on foreign exchanges in financial assets and liabilities are reported within profit/loss from financial items.

When long-term lending to/borrowing from Tele2's foreign operations is regarded as a permanent part of the parent company's financing of/borrowing from foreign operations, and thus as an expansion/reduction of the parent company's investment in the foreign operations, the exchange rate changes of these intra-group transactions are reported in Other comprehensive income.

A summary of the exchange rate differences reported in other comprehensive income is presented in the statement of comprehensive income and the differences which affected profit or loss for the year are presented in Note 3.

INVENTORIES
Inventories of materials and supplies are valued in accordance with the first-in, first-out principle at the lower of acquisition value and net realizable value. Tele2's inventories essentially consist of telephones, SIM cards and modems held for sale.

EQUITY
Equity consists of registered share capital, other paid-in capital, hedge reserve, translation reserve, retained earnings, profit/loss for the year and non-controlling interests.

Other paid-in capital relates to share premiums from the issues of new shares. Additional direct costs attributable to the issue of new shares are reported directly against equity as a reduction, net after taxes, of proceeds from the share issue.

The hedge reserve includes translation differences on external loans in foreign currencies and changes in values of financial instruments (currency derivatives) which are used to hedge net investments in foreign subsidiaries and the effective portion of gains or losses on interest swaps used to hedge future interest payments.

Translation reserve includes translation differences attributable to the translation of foreign subsidiaries into Tele2's reporting currency as well as translation differences on intra-group transactions which are considered an expansion/reduction of the parent company's net investment in foreign operations.

Non-controlling interests represent the value of minority shares in subsidiaries included in the consolidated accounts. The reporting and valuation of non-controlling interests are presented in the section regarding consolidation above.

PROVISIONS
Provisions are reported when a company within the Group has a legal or constructive obligation as a result of past events, and it is probable that payments, which can be reliably estimated, will be required in order to settle the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the

Continued Note 1

risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

CONTINGENT LIABILITIES

A contingent liability exists if there is a possible obligation related to a past event and whose existence is confirmed only by one or several uncertain future events, and when there is an obligation that is not reported as a liability or a provision because it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be calculated with sufficient reliability. Disclosure is made unless the probability of an outflow of resources is remote.

SEGMENT REPORTING

Segment

Since the risks in Tele2's operations are mainly linked to the various markets in which the company operates, Tele2 follows up and analyses its business on country level. Hence each country represents Tele2's segment apart from the segment Other. The segment reporting is in line with the internal reporting to the chief operating decision maker, which is Tele2's "Leadership Team" (LT).

The segment Other mainly includes the parent company Tele2 AB, central functions and Procure IT Right, and other minor operations.

Tele2 Sweden is split into core operations and central group functions. Core operations is reported in the segment Sweden and central functions are included in the segment Other. The core operations of Tele2 Sweden comprise the commercial activities within Sweden, including the communications services of mobile, fixed telephony, fixed broadband, and domestic carrier business. The central functions of Tele2 Sweden comprise the activities which provide services for the benefit of Tele2 AB's shareholders, other group companies (including the core operations of Sweden), and the sold entities. These services are provided for example from group-wide departments such as group finance, legal, product development, sales & marketing, billing, information technology, international network, and international carrier.

Assets in each segment include all operating assets that are utilized by the segment and consist mainly of intangible and tangible assets, shares in associated companies, inventories, accounts receivable, other receivables, prepaid expenses and accrued revenues. Goodwill is distributed among the Group's cash generating units, identified in accordance with Note 14.

Liabilities in each segment include all operating liabilities that are utilized by the segment and consist mainly of accounts payable, other non-interest-bearing liabilities, accrued expenses and deferred income.

Assets and liabilities not allocated to segments include current and deferred taxes and items of a financial nature.

Segment information is presented in Note 4.

The same accounting principles are applied to the segments and the Group.

Internal pricing

The sales of services in the Tele2 Group are made on market terms. Group-wide costs are invoiced to operations that have used the services.

Services

Services that are offered within the segments are mobile telephony, fixed broadband and fixed telephony.

The mobile service comprises various types of subscriptions for residential and business customers as well as prepaid cards. Mobile also includes mobile broadband, fixed telephony via mobile network (FVM), machine-to-machine communication (M2M) and mobile carrier. Tele2 either owns the networks or rents them from other operators a set-up called MVNO.

Fixed broadband includes direct access & LLUB, i.e. our own services based on access via copper cable, and other forms of access, such as fibre networks, wireless broadband and metropolitan area networks. Fixed broadband also includes resold broadband. The product portfolio within direct access & LLUB includes telephony services (including IP telephony), internet access services (including Tele2's own ADSL and fibre) and TV services.

Fixed telephony includes resold products within fixed telephony. The product portfolio within resold fixed telephony consists of prefix telephony, pre-selection (dial the number without a prefix) and subscriptions.

Other operations mainly include carrier operations and wholesale.

CHOICE OF ACCOUNTING PRINCIPLES

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

Choice of accounting principle for put options

Put options in connection with business combinations, where the put options give the minority owner a right to sell its shares or part of its shares to Tele2, are initially, at the acquisition date, recognized as a non-controlling interest. The non-controlling interest is then immediately reclassified as a financial liability. The financial liability is subsequently recognized at its fair value at each reporting date, with the fair value changes reported within financial items in profit or loss.

An alternative method, not chosen by Tele2, would be to initially report both a non-controlling interest and a financial liability with opposite booking of the liability directly to equity and the following changes in the liability's fair value reported in profit or loss. Another alternative is to report on a current basis a non-controlling interest which is reclassified as a financial liability at each reporting period. The difference between the reclassified non-controlling interest and the fair value of the financial liability is reported as a change of the non-controlling interest within equity.

Reporting of joint ventures

Tele2 reports joint ventures according to the proportionate method of accounting. Another accepted method is the equity method, which means that the consolidated balance sheet includes initially the shares in joint ventures at acquisition value subsequently adjusted for the Group's share of the joint ventures' net income. The consolidated income statement includes the Group's share of joint ventures' net income.

Application of the equity method would decrease Tele2's total assets and liabilities, while net income would be unchanged.

Customer acquisition costs

Customer acquisition costs are normally expensed in profit or loss.

When companies and operations are acquired, customer agreements and customer contacts acquired as part of the acquisition are fair valued and capitalized as intangible assets.

Goodwill – choice of level for goodwill impairment testing

Goodwill arising from business combinations is allocated to the cash-generating units which are expected to receive future economic benefits, in the form of synergies, for example, from the acquired operation. If separate cash-generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets are monitored for internal management purposes, which is the operating segment.

ESTIMATES AND JUDGMENTS

As part of preparing the consolidated financial statements management is required to make certain estimates and judgments. The estimates and judgments are based on historical experience and a number of other assumptions aimed at providing a decision regarding the value of the assets or liabilities which cannot be determined in any other way. The actual outcome may vary from these estimates and judgments.

The most crucial assessments and estimates used in preparing the Group's financial reports are as follows:

Revenue recognition

Revenue recognition in Tele2 requires management to make judgments and estimates in a number of cases, mainly to determine fair values and the period in which the revenue should be recognized. Many agreements bundle products and services into one customer offering which requires

Continued Note 1

allocating revenue to each part based on its relative fair value using accounting estimates. Determining whether revenues should be recognized immediately or be deferred require management to make judgments as to when the services have been provided as well as estimates regarding the remaining contract period. Please refer to Note 22 concerning accrued revenues.

Valuation of acquired intangible assets
When acquiring businesses, intangible assets are measured at fair value. If there is an active market for the acquired assets, the fair value is measured based on the prices on this market. Since there are often no active markets for these assets, valuation models have been developed to estimate the fair value. Examples of valuation models are discounted cash flows models and estimates of Tele2's historical costs of acquiring equivalent assets. Please refer to Note 16 for acquisitions during the year.

Valuation of goodwill
When estimating the recoverable amount of cash generating units for goodwill impairment purposes the Group makes assumptions regarding future events and key parameters. The assumptions made and sensitivity analyses are disclosed in Note 14. These kinds of assessments naturally always include some uncertainty. Should the actual outcome during the following year differ from the expected outcome for the same period, the expected future cash flows may need to be reconsidered, which could lead to a write-down.

Valuation of non-current assets with a finite useful life
If the recoverable amount falls below the book value, an impairment loss is recognized. At each balance sheet date, a number of factors are analysed in order to assess whether there is any indication of impairment. If such indication exists, an impairment test is prepared based on management's estimate of future cash flows including the applied discount rate. Please refer to Note 14 and Note 15.

Useful lives of non-current assets
When determining the useful life of groups of assets, historical experience and assumptions about future technical development are taken into account. Depreciation rates are based on the acquisition value of the non-current assets and the estimated utilization period less the estimated residual value at the end of the utilization period. If technology develops faster than expected or competition, regulatory or market conditions develop differently than expected, the company's evaluation of utilization periods and residual values will be influenced.

Valuation of deferred income tax receivables
Recognition of deferred income tax takes into consideration temporary differences and unutilized loss carry-forwards. Deferred tax assets are reported for deductible temporary differences and loss carry-forwards only to the extent that it is considered probable that they can be utilized to offset future taxable profits. Management updates its assessments at regular intervals. The valuation of deferred tax assets is based on expectations of future results and market conditions, which are naturally subjective. The actual outcome may differ from the assessments, partly as a result of future changes in business circumstances, which were not known at the time of the assessments, changes in tax laws or the result of the taxation authorities' or courts' final examination of submitted tax returns. See further Note 13.

Provisions for disputes and damages
Tele2 is party to a number of disputes. For each separate dispute an assessment of the most likely outcome is made, and reported in the financial statements accordingly, see Note 26 and Note 29.

Valuation of accounts receivable
Accounts receivables are valued on a current basis and reported at amortized cost. Reserves for doubtful accounts are based on various assumptions as well as historical experience, see Note 20.

OTHER INFORMATION
Tele2 AB (publ) is a limited company, with its registered office in Stockholm, Sweden. The company's registered office (phone +46 8 562 000 60) is at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden. The annual report was approved by the Board of Directors on March 13, 2014. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 12, 2014.

NOTE 2 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers and 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.

	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[1]	233	–	–	247	247
Accounts receivables	–	3,317	–	–	3,317	3,317
Other current receivables	–	313	8[3]	–	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[3]
Other interest-bearing liabilities	1,350[2]	–	146[3]	418	1,914	1,889[3]
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**

	Dec 31, 2012					
	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	19[1]	37	–	–	56	56
Accounts receivables	–	3,985	–	–	3,985	3,985
Other current receivables	–	649	18[3]	–	667	667
Current investments	–	59	–	–	59	59
Cash and cash equivalents	–	1,673	–	–	1,673	1,673
Total financial assets	**19**	**6,403**	**18**	**–**	**6,440**	**6,440**
Liabilities to financial institutions and similar liabilities	–	–	–	14,898	14,898	14,655[3]
Other interest-bearing liabilities	1,214[2]	–	209[3]	632	2,055	2,070[3]
Accounts payable	–	–	–	3,488	3,488	3,488
Other current liabilities	–	–	–	1,008	1,008	1,008
Total financial liabilities	**1,214**	**–**	**209**	**20,026**	**21,449**	**21,221**

For the determination of fair values on financial assets and liabilities the following levels and inputs have been used:

1) Level 3: measured at fair value through profit/loss, which on initial recognition were designated for this type of measurement. Discounted future cash flow models are used to estimate the fair value.
2) Level 3: put option Tele2 Kazakhstan. Fair value determined on the basis of future discounted cash flows to determine the exercise price on the put option owned by the minority owner in Tele2 Kazakhstan, please refer to Note 25.
3) Level 2: official market listings have been used to determine the fair value of interest- and foreign exchange rate derivatives, loans with fixed interest rate and other non-current non-interest bearing liabilities valued at fair value at initial recognition with subsequent measurement at amortized cost.

Since accounts receivables, accounts payables and other current liabilities are short-term, discounting of cash flows does not cause any material differences in their carrying amount.

During the period no reclassification of financial instruments between the different categories has been done.

Net gains/losses on financial instruments amounted to SEK –211 (–186) million, of which loan and trade receivables amounted to SEK –64 (–41) million, derivatives to SEK 19 (19) million and financial assets and liabilities at fair value through profit/loss to SEK –166 (–164) million.

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 December 31, 2013 amounted on the asset side to SEK 8 (18) million and on the liabilities side to SEK 146 (209) million.

Through its operations, the Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to the Group treasury function. The aim is to control and minimize the Group's financial risks as well as financial costs, and optimize the relation between risk and cost.

CAPITAL STRUCTURE MANAGEMENT

The Tele2 Group's view on capital structure management incorporates several inputs, of which the main items are listed below.

- 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.
- On a continuous basis, Tele2 will diversify its financing both in terms of duration and funding sources. A stable financial position is important to receive terms from the banks as well as other financial players that are in line with the business needs.
- 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.

The Board of Directors reviews the capital structure annually and as needed.

Net debt amounted to SEK 8,007 (15,745) million on December 31, 2013, or 1.34 times EBITDA in 2013. Tele2's available liquidity amounted to SEK 9,305 (12,933) million. For additional information please refer to Note 25.

CURRENCY RISK

Currency risk is the risk of changes in exchange rates having a negative impact on the Group's result and equity. Currency exposure is associated with payment flows in foreign currency (transaction exposure) and the translation of foreign subsidiaries' balance sheets and income statements to SEK (translation exposure).

The Group does not generally hedge transaction exposure. When considered appropriate, the translation exposure related to some investments in foreign operations is hedged by issuing debt or entering into derivatives transactions in the currencies involved. In the hedge reserve in equity the total amount related to net investment hedges amounts to SEK –258 (–251) million. During the year SEK 3 (–) million related to divested companies were reclassified to profit/loss. Outstanding currency swaps designated for net investment hedging amounted to EUR 270 (150) million and reported fair value to SEK –2 (18) million. Outstanding, during the year signed currency swaps designated to swap loans in NOK to EUR, amounted to NOK 939 (–) million and reported fair value to SEK –9 (–) million.

The borrowings in SEK million are carried in the following currencies (equivalent SEK amounts):

	Dec 31, 2013	Dec 31, 2012
SEK	4,576	5,881
RUB	–	5,555
EUR	795	895
NOK[1]	1,371	2,437
USD	84	130
LVL	11	–
Total loans	**6,837**	**14,898**

1) Of which NOK 939 million was swapped to EUR in 2013 via currency swap agreements

Continued Note 2

In 2013, 42 (42) percent of net sales is related to SEK, 28 (27) percent to EUR and 14 (15) percent to NOK. For other currencies please refer to Note 3. During the year, Tele2's results were foremost affected by fluctuations in EUR.

The Group's total net assets on December 31, 2013 of SEK 21,591 (20,429) million were distributed by currency in SEK million as follows (including loan and currency derivatives designated for hedge accounting):

	Dec 31, 2013	Dec 31, 2012
SEK	6,913	5,393
EUR	7,866	7,825
of which hedged through derivatives	*1,422*	*1,292*
of which hedged through borrowings[1)]	*1,658*	*640*
NOK	2,394	274
of which hedged through borrowings[1)]	*382*	*1,517*
KZT	1,102	1,132
HRK	409	706
LTL	1,321	1,393
LVL	1,703	1,805
USD	–117	–133
RUB	–	2,034
Total	**21,591**	**20,429**

[1)] To swap loans in NOK 939 million to EUR, currency swap agreements were signed in 2013

INTEREST RATE RISK

Tele2 keeps a close watch on interest market trends and decisions to change the interest duration strategy are assessed regularly. Of interest-bearing financial liabilities as of December 31, 2013, SEK 4,834 (5,700) million, corresponding to 55 (34) percent are carried at a variable interest rate. An increase of the interest level of 1 percent would result in additional interest expenses of SEK 48 (57) million, and affect profit/loss after tax by SEK 41 (44) million, calculated on the basis of variable interest-bearing liabilities as of December 31, 2013. For additional information please refer to Note 25.

The capital amount of outstanding interest rate derivatives on December 31, 2013 amounts to SEK 2.5 billion converting variable interest rate to fixed interest rate. The cash flows related to outstanding interest rate derivative is expected to affect the income statement during the remaining duration of the interest rate swaps. During the year official market listings have been used to determine the fair value of interest rate derivatives.

Outstanding interest rate derivatives for cash flow hedging on December 31, 2013 are shown below.

			Dec 31, 2013		Dec 31, 2012	
Currency	Fixed interest rate terms %	Maturity	Capital amount, nominal	Reported fair value	Capital amount, nominal	Reported fair value
SEK	3.8650	2018	1,400	–109	1,400	–167
SEK	2.7225	2018	300	–8	300	–18
SEK	2.5050	2016	300	–8	300	–12
SEK	2.6950	2018	200	–5	200	–12
SEK	2.1575	2020	250	3	–	–
Total outstanding interest rate derivatives			**2,450**	**–127**	**2,200**	**–209**

Of the total change in the hedge reserve for interest rate derivatives designated for cash flow hedging SEK 38 (20) million was reclassified to profit/loss and is included in interest costs by SEK –49 (–27) million and tax on profit for the year by SEK 11 (7) million. The change in fair value amounts to SEK 26 (–56) million of which tax SEK –7 (8) million.

LIQUIDITY RISK

The Group's excess liquidity is invested on a short-term basis or used for loan repayments. Liquidity reserves consist of available cash, undrawn committed credit facilities and committed overdraft facilities. At the end of 2013, the Group had available liquidity of SEK 9.3 (12.9) billion. For additional information please refer to Note 24.

In 2013, Tele2 together with its 12 core banks reduced the syndicated revolving credit facility from EUR 1.2 billion to EUR 0.8 billion. One of the 12 banks in the syndicate chose not to participate in the new facility, making the number of banks 11. The new facility's size is more suitable for Tele2, following the sale of Tele2 Russia. On December 31, 2013 and 2012 the facility was unutilized. Tele2 AB's EUR 3 billion Euro Medium-Term Note (EMTN) Program (bonds) forms the basis for Tele2's medium and long term debt issuance in both international and domestic markets. On December 31, 2013 issued bonds under the Program amounted to SEK 4,295 (3,544) million. For additional information please refer to Note 25.

Undiscounted contractual commitments and commercial promises are presented below.

		Dec 31, 2013				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1)]	25	6,912	1,712	4,036	649	13,309
Commitments, other	29	2,311	1,936	31	–	4,278
Operating leases	30	1,496	1,263	735	1,131	4,625
Total contractual commitments/ commercial pledges		**10,719**	**4,911**	**4,802**	**1,780**	**22,212**

		Dec 31, 2012				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1)]	25	9,388	5,998	7,713	915	24,014
Commitments, other	29	3,146	455	27	–	3,628
Operating leases	30	2,166	1,478	831	1,645	6,120
Total contractual commitments/ commercial pledges		**14,700**	**7,931**	**8,571**	**2,560**	**33,762**

[1)] Including future interest payments

CREDIT RISK

Tele2's credit risk is mainly associated with accounts receivables, receivables related to handsets and cash and cash equivalents. The Group regularly assesses its credit risk arising from accounts receivables. As the customer base is highly diversified and includes individuals and companies, the exposure and associated overall credit risk is limited. Whenever favourable, companies within the Group are entitled to sell overdue receivables to debt collection agencies either as a one-time occasion or currently. The Group makes provisions for expected credit losses.

Maximum credit exposure for accounts receivables amounts to SEK 3,317 (3,985) million.

NOTE 3 EXCHANGE RATE EFFECTS

The consolidated balance sheet and income statement are affected by fluctuations in subsidiaries' currencies against the Swedish krona. Net sales and EBITDA are distributed among the following currencies.

	Net sales				EBITDA			
	2013		2012		2013		2012	
SEK	12,601	42%	13,022	42%	3,300	55%	3,169	51%
EUR	8,220	28%	8,452	28%	1,857	31%	2,391	38%
NOK	4,114	14%	4,749	16%	121	2%	214	3%
KZT	1,344	4%	957	3%	–138	–2%	–387	–6%
HRK	1,397	5%	1,321	4%	95	1%	60	1%
LTL	1,280	4%	1,205	4%	461	8%	432	7%
LVL	915	3%	1,036	3%	294	5%	362	6%
GBP	–	–	–	–	–	–	–1	–
Total	**29,871**	**100%**	**30,742**	**100%**	**5,990**	**100%**	**6,240**	**100%**

A five percent currency movement against the Swedish krona affects the Group's net sales and EBITDA on an annual basis by SEK 864 (886) million and SEK 135 (154) million, respectively.

Tele2's operating profit for the year was mainly affected by fluctuations in EUR. Tele2's net sales and EBITDA for last year should have been affected by SEK 371 million and SEK 1 million, as opposed to if the exchange rates for 2013 had been used also for last year.

The annual change of net sales and EBITDA was –2 (6) and –4 (–6) percent respectively, excluding exchange rate differences.

Exchange rate differences which arise in operations are reported in the income statements and totals to the following amounts.

	2013	2012
Other operating income	54	67
Other operating expenses	–55	–58
Other financial items	–68	96
Total exchange rate differences in income statement	**–69**	**105**

NOTE 4 SEGMENT REPORTING

	2013												
	Sweden	Netherlands	Norway	Kazakhstan	Croatia	Lithuania	Latvia	Estonia	Austria	Germany	Other	Undistributed and internal elimination	Total
INCOME STATEMENT													
Net sales													
external	12,453	5,435	4,114	1,344	1,397	1,280	915	674	1,244	867	148	–	29,871
internal	7	1	18	–	–	9	11	–	–	–	4	–50	–
Net sales	**12,460**	**5,436**	**4,132**	**1,344**	**1,397**	**1,289**	**926**	**674**	**1,244**	**867**	**152**	**–50**	**29,871**
EBITDA	**3,448**	**1,251**	**121**	**–138**	**95**	**461**	**292**	**161**	**308**	**138**	**–147**	**–**	**5,990**
Depreciation/amortization and other impairment	–1,367	–601	–467	–312	–101	–119	–104	–106	–126	–39	–5	–	–3,347
Result from shares in associated companies	–18	–	–	–	–	–	–	–	1	–	–	–	–17
One-off items (Note 6)													
impairment of goodwill and other assets	–	–	–	–	–457	–	–	–	–	–	–	–	–457
sale of operations	–	–	–	–	–	–	–	–	–	–	23	–	23
Operating profit	**2,063**	**650**	**–346**	**–450**	**–463**	**342**	**188**	**55**	**183**	**99**	**–129**	**–**	**2,192**
Interest income	–	–	–	–	–	–	–	–	–	–	–	54	54
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–445	–445
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–223	–223
Income tax	–	–	–	–	–	–	–	–	–	–	–	–923	–923
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**2,063**	**650**	**–346**	**–450**	**–463**	**342**	**188**	**55**	**183**	**99**	**–129**	**–1,537**	**655**
OTHER INFORMATION													
CONTINUING OPERATIONS													
CAPEX	965	2,067	770	464	62	93	103	65	80	24	476	–	5,169
Non-cash-generating profit/loss items													
depreciation/amortization and impairments	–1,367	–601	–467	–312	–558	–119	–104	–106	–126	–39	–5	–	–3,804
sales of fixed assets and operations	–12	–3	–	–1	–	–	–	–	–	–	28	–	12
incentive program	–	–	–	–	–	–	–	–	–	–	–12	–	–12

	Dec 31, 2013												
BALANCE SHEET													
Assets	10,777	9,178	3,422	3,382	926	1,649	1,912	1,577	504	187	2,932	3,409	39,855
Liabilities	3,193	1,651	951	737	499	260	163	96	322	165	473	9,754	18,264

Total assets has been reported above, instead of non-current assets, since we believe total assets are more relevant for Tele2.

	2012												
	Sweden	Netherlands	Norway	Kazakhstan	Croatia	Lithuania	Latvia	Estonia	Austria	Germany	Other	Undistributed and internal elimination	Total
INCOME STATEMENT													
Net sales													
external	12,698	5,267	4,749	957	1,321	1,205	1,036	886	1,353	946	324	–	30,742
internal	5	2	38	–	–	8	8	–	–	–	–	–61	–
Net sales	**12,703**	**5,269**	**4,787**	**957**	**1,321**	**1,213**	**1,044**	**886**	**1,353**	**946**	**324**	**–61**	**30,742**
EBITDA	**3,365**	**1,549**	**214**	**–387**	**60**	**432**	**358**	**236**	**333**	**278**	**–198**	**–**	**6,240**
Depreciation/amortization and other impairment	–1,472	–612	–427	–304	–125	–173	–216	–150	–151	–41	–29	–	–3,700
Result from shares in associated companies	–12	–	–	–	–	–	–	–	5	–	–	–	–7
One-off items (Note 6)													
impairment of goodwill and other assets	–	–	–	–	–249	–	–	–	–	–	–	–	–249
sale of operations	–	–	–	–	–	–	–	–	–	–	–13	–	–13
acquisition costs	–	–	–1	1	–	–	–	–2	–	–	–	–	–2
other one-off items	–	–	–	–	–	–	–	–	–	–	–294	–	–294
Operating profit	**1,881**	**937**	**–214**	**–690**	**–314**	**259**	**142**	**84**	**187**	**237**	**–534**	**–**	**1,975**
Interest income	–	–	–	–	–	–	–	–	–	–	–	23	23
Interest costs	–	–	–	–	–	–	–	–	–	–	–	–517	–517
Other financial items	–	–	–	–	–	–	–	–	–	–	–	–59	–59
Income tax	–	–	–	–	–	–	–	–	–	–	–	–446	–446
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**1,881**	**937**	**–214**	**–690**	**–314**	**259**	**142**	**84**	**187**	**237**	**–534**	**–999**	**976**
OTHER INFORMATION													
CONTINUING OPERATIONS													
CAPEX	1,151	403	543	742	54	82	77	79	79	29	465	–	3,704
Non-cash-generating profit/loss items													
depreciation/amortization and impairments	–1,472	–612	–427	–304	–374	–173	–216	–150	–151	–41	–29	–	–3,949
sales of fixed assets and operations	5	–3	–1	–	–	–	–	–	–2	–	–18	–	–19
incentive program	–	–	–	–	–	–	–	–	–	–	–45	–	–45

	Dec 31, 2012													
	Sweden	Russia	Netherlands	Norway	Kazakhstan	Croatia	Lithuania	Latvia	Estonia	Austria	Germany	Other	Undistributed and internal elimination	Total
BALANCE SHEET														
Assets	12,039	9,720	7,129	3,574	3,483	1,196	1,499	1,799	1,538	534	187	2,353	4,138	49,189
Liabilities	3,565	1,981	1,325	1,101	822	510	216	168	113	357	174	456	17,972	28,760

Continued Note 4

The segment reporting is based on country level. Services offered within the segments are mobile telephony, fixed broadband and fixed telephony. Additional information regarding split on services per sergment is presented in Note 5, Note 6 and Note 15.

The segment Other mainly includes the parent company Tele2 AB, central functions and Procure IT Right, as well as other minor operations. Tele2 Sweden has been split into core operations and central group functions. Core operations are reported in segment Sweden and central functions are included in the segment Other. For additional information please refer to Note 1.

NOTE 5 NET SALES AND NUMBER OF CUSTOMERS

NET SALES

	Net sales		Internal sales	
	2013	2012	2013	2012
Sweden				
Mobile	10,075	10,002	7	5
Fixed broadband	1,411	1,440	–	–
Fixed telephony	841	1,141	–	–
Other operations	133	120	–	–
	12,460	**12,703**	**7**	**5**
Netherlands				
Mobile	1,682	920	–	–
Fixed broadband	2,632	3,043	–	–
Fixed telephony	551	662	–	–
Other operations	571	644	1	2
	5,436	**5,269**	**1**	**2**
Norway				
Mobile	3,874	4,467	–	–
Fixed broadband	–	4	–	–
Fixed telephony	252	316	18	38
Other operations	6	–	–	–
	4,132	**4,787**	**18**	**38**
Kazakhstan				
Mobile	1,344	957	–	–
	1,344	**957**	**–**	**–**
Croatia				
Mobile	1,397	1,321	–	–
	1,397	**1,321**	**–**	**–**
Lithuania				
Mobile	1,289	1,213	9	8
	1,289	**1,213**	**9**	**8**
Latvia				
Mobile	926	1,044	11	8
	926	**1,044**	**11**	**8**
Estonia				
Mobile	606	825	–	–
Fixed telephony	10	7	–	–
Other operations	58	54	–	–
	674	**886**	**–**	**–**
Austria				
Fixed broadband	811	874	–	–
Fixed telephony	190	228	–	–
Other operations	243	251	–	–
	1,244	**1,353**	**–**	**–**
Germany				
Mobile	321	192	–	–
Fixed broadband	171	205	–	–
Fixed telephony	375	549	–	–
	867	**946**	**–**	**–**
Other				
Other operations	152	324	4	–
	152	**324**	**4**	**–**
TOTAL				
Mobile	**21,514**	**20,941**	**27**	**21**
Fixed broadband	**5,025**	**5,566**	**–**	**–**
Fixed telephony	**2,219**	**2,903**	**18**	**38**
Other operations	**1,163**	**1,393**	**5**	**2**
	29,921	**30,803**	**50**	**61**
Internal sales, elimination	–50	–61		
TOTAL NET SALES AND INTERNAL SALES	**29,871**	**30,742**	**50**	**61**

Net sales from external customers are comprised of the following categories.

	2013	2012
Sales of service	26,400	27,868
Sales of products	3,471	2,874
Total net sales	**29,871**	**30,742**

Mobile external net sales can be split into the following categories of revenues.

	2013	2012
Sweden, mobile		
End-user service revenue	6,950	6,748
Operator revenue	982	1,239
Service revenue	*7,932*	*7,987*
Equipment revenue	1,535	1,544
Other revenue	601	466
	10,068	**9,997**
Netherlands, mobile		
End-user service revenue	944	553
Operator revenue	131	102
Service revenue	*1,075*	*655*
Equipment revenue	607	265
	1,682	**920**
Norway, mobile		
End-user service revenue	3,028	2,998
Operator revenue	550	1,147
Service revenue	*3,578*	*4,145*
Equipment revenue	296	322
	3,874	**4,467**
Kazakhstan, mobile		
End-user service revenue	909	614
Operator revenue	402	324
Service revenue	*1,311*	*938*
Equipment revenue	33	19
	1,344	**957**
Croatia, mobile		
End-user service revenue	749	764
Operator revenue	298	337
Service revenue	*1,047*	*1,101*
Equipment revenue	350	220
	1,397	**1,321**
Lithuania, mobile		
End-user service revenue	843	859
Operator revenue	145	163
Service revenue	*988*	*1,022*
Equipment revenue	292	183
	1,280	**1,205**
Latvia, mobile		
End-user service revenue	533	657
Operator revenue	225	235
Service revenue	*758*	*892*
Equipment revenue	157	144
	915	**1,036**
Estonia, mobile		
End-user service revenue	391	453
Operator revenue	65	230
Service revenue	*456*	*683*
Equipment revenue	150	142
	606	**825**
Germany, mobile		
End-user service revenue	316	186
Service revenue	*316*	*186*
Equipment revenue	5	6
	321	**192**
TOTAL, MOBILE		
End-user service revenue	**14,663**	**13,832**
Operator revenue	**2,798**	**3,777**
Service revenue	***17,461***	***17,609***
Equipment revenue	**3,425**	**2,845**
Other revenue	**601**	**466**
TOTAL MOBILE EXTERNAL NET SALES	**21,487**	**20,920**

Continued Note 5

NUMBER OF CUSTOMERS

	Number of customers		Net customer intake	
by thousands	Dec 31, 2013	Dec 31, 2012	2013	2012
Sweden				
Mobile	3,738	3,757	38	33
Fixed broadband	465	484	–19	10
Fixed telephony	273	341	–68	–203
	4,476	**4,582**	**–49**	**–160**
Netherlands				
Mobile	694	478	224	151
Fixed broadband	374	421	–47	–54
Fixed telephony	107	141	–34	–41
	1,175	**1,040**	**143**	**56**
Norway				
Mobile	1,119	1,136	20	70
Fixed telephony	63	81	–18	–11
	1,182	**1,217**	**2**	**59**
Kazakhstan				
Mobile	2,751	3,412	154	2,041
	2,751	**3,412**	**154**	**2,041**
Croatia				
Mobile	793	754	40	44
	793	**754**	**40**	**44**
Lithuania				
Mobile	1,851	1,783	81	62
Fixed telephony	–	–	–	–2
	1,851	**1,783**	**81**	**60**
Latvia				
Mobile	1,031	1,043	–9	24
	1,031	**1,043**	**–9**	**24**
Estonia				
Mobile	503	506	–	2
Fixed telephony	4	5	–1	–3
	507	**511**	**–1**	**–1**
Austria				
Fixed broadband	118	127	–9	–7
Fixed telephony	167	191	–24	–40
	285	**318**	**–33**	**–47**
Germany				
Mobile	176	110	66	65
Fixed broadband	71	82	–11	–18
Fixed telephony	466	594	–128	–241
	713	**786**	**–73**	**–194**
TOTAL				
Mobile	**12,656**	**12,979**	**614**	**2,492**
Fixed broadband	**1,028**	**1,114**	**–86**	**–69**
Fixed telephony	**1,080**	**1,353**	**–273**	**–541**
TOTAL NUMBER OF CUSTOMERS AND NET CUSTOMER INTAKE	**14,764**	**15,446**	**255**	**1,882**
Acquired companies			–	14
Changed method of calculation			–937	–
TOTAL NUMBER OF CUSTOMERS AND NET CHANGE	**14,764**	**15,446**	**–682**	**1,896**

In 2013, the mobile customer stock was negatively impacted by a one-time adjustment of -844,000 customers as a result of a changed method for calculating the number of customers so that a customer with only incoming calls to its voicemail is no longer counted as an active customer. -811,000 of the one-time adjustment related to Kazakhstan and -33,000 to Norway.

In 2013, the definition for an active customer was also 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
Norway	–4,000
Kazakhstan	–4,000
Croatia	–1,000
Lithuania	–13,000
Latvia	–3,000
Estonia	–3,000
Total mobile	**–93,000**

No customer represent 10 percent or more of net sales.

In 2012, the number of customers increased by 14,000 through the acquisitions of Televõrgu, with mobile operation in Estonia, and the fixed line customer stock in Sweden was negatively impacted with -87,000 customers as a result of the closing down of the dial-up internet service.

NOTE 6 EBITDA AND EBIT AS WELL AS DEPRECIATION/ AMORTIZATION AND IMPAIRMENT

		EBITDA		EBIT	
	Note	2013	2012	2013	2012
Sweden					
Mobile		2,971	2,869	1,937	1,780
Fixed broadband		143	93	–134	–219
Fixed telephony		243	327	219	288
Other operations		91	76	41	32
		3,448	**3,365**	**2,063**	**1,881**
Netherlands					
Mobile		–20	–34	–52	–64
Fixed broadband		854	1,040	371	545
Fixed telephony		137	235	121	219
Other operations		280	308	210	237
		1,251	**1,549**	**650**	**937**
Norway					
Mobile		91	169	–372	–253
Fixed broadband		–	1	–	1
Fixed telephony		24	44	21	39
Other operations		6	–	5	–
		121	**214**	**–346**	**–213**
Kazakhstan					
Mobile		–138	–387	–450	–691
		–138	**–387**	**–450**	**–691**
Croatia					
Mobile		95	60	–6	–65
		95	**60**	**–6**	**–65**
Lithuania					
Mobile		461	432	342	259
		461	**432**	**342**	**259**
Latvia					
Mobile		292	358	188	142
		292	**358**	**188**	**142**
Estonia					
Mobile		124	205	32	67
Fixed telephony		4	–	3	–
Other operations		33	31	20	19
		161	**236**	**55**	**86**
Austria					
Fixed broadband		184	197	109	109
Fixed telephony		106	123	74	86
Other operations		18	13	–	–8
		308	**333**	**183**	**187**
Germany					
Mobile		–30	15	–52	–2
Fixed broadband		13	26	4	14
Fixed telephony		155	237	147	225
		138	**278**	**99**	**237**
Other					
Other operations		–147	–198	–152	–227
		–147	**–198**	**–152**	**–227**
TOTAL					
Mobile		**3,846**	**3,687**	**1,567**	**1,173**
Fixed broadband		**1,194**	**1,357**	**350**	**450**
Fixed telephony		**669**	**966**	**585**	**857**
Other operations		**281**	**230**	**124**	**53**
		5,990	**6,240**	**2,626**	**2,533**
One-off items	4, 6			–434	–558
TOTAL EBITDA AND EBIT		**5,990**	**6,240**	**2,192**	**1,975**

In 2013, Norway was negatively affected by SEK 35 million due to employees restructuring costs.

In 2012, Sweden was negatively affected by SEK 25 million due to a new method for calculating bad debt reserves, of which the main part was related to mobile.

Continued Note 6

DEPRECIATION/AMORTIZATION AND IMPAIRMENT
By function

	2013	2012
Depreciation/amortization		
Cost of service sold	–2,619	–3,081
Selling expenses	–253	–118
Administrative expenses	–396	–472
Total depreciation/amortization	**–3,268**	**–3,671**
Impairment		
Cost of service sold	–463	–254
Administrative expenses	–73	–24
Total impairment	**–536**	**–278**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–3,804**	**–3,949**

By type of asset

	2013	2012
Depreciation/amortization		
Utilization rights and software	–321	–348
Licenses (frequency)	–230	–238
Customer agreements	–327	–447
Buildings	–8	–8
Machinery and technical plant	–2,220	–2,464
Equipment and installations	–162	–166
Total depreciation/amortization	**–3,268**	**–3,671**
Impairment		
Utilization rights and software	–3	–24
Licenses (frequency)	–111	–
Goodwill	–	–88
Machinery and technical plant	–417	–165
Equipment and installations	–5	–1
Total impairment	**–536**	**–278**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–3,804**	**–3,949**

Impairment losses

In 2013, an impairment loss was recognized in Croatia amounting to SEK 457 (249) million, of which goodwill SEK 0 (88) million and other fixed assets SEK 457 (161) million. The impairment loss was based on an estimated value in use of SEK 400 (800) million by using pre-tax discount rate of 10 (13) percent. Due to unsatisfactory development, Tele2 assesses that the estimated future profit levels do not support the previous book value. The negative effect has been reported as a one-off item for segment reporting purposes. Additional information is presented in Note 14.

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

SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT

	Note	2013	2012
EBITDA		**5,990**	**6,240**
Impairment of goodwill	6	–	–88
Impairment of other non-current assets	6	–457	–161
Sale of operations	8, 9	23	–13
Acquisition costs	16	–	–2
Other one-off items	6	–	–294
Total one-off items		**–434**	**–558**
Depreciation/amortization and other impairment		–3,347	–3,700
Result from shares in associated companies	7	–17	–7
EBIT		**2,192**	**1,975**

Other one-off items

Tele2 has been a party to arbitration proceedings in Stockholm regarding a share option agreement, which in 2011 was reported as a contingent liability at an amount of SEK 263 million. The arbitral tribunal issued its award during 2012 and the tribunal did not rule in favour of Tele2. Tele2 has paid the counterparty in accordance with the award and the operating profit for 2012 was negatively affected by SEK 294 million. The negative effect has been reported as a one-off item for segment reporting purposes.

NOTE 7 RESULT FROM SHARES IN ASSOCIATED COMPANIES

	Holding			
	Dec 31, 2013	Dec 31, 2012	2013	2012
4T Sverige AB, Sweden	25.0%	25.0%	–18	–12
Adworx Internetservice GmbH, Austria	47.4%	47.4%	1	5
Total result of shares in associated companies			**–17**	**–7**

	2013	2012
Loss after taxes in associated companies	–70	–46
Holdings	20 – 47.4%	20 – 47.4%
Participation in loss of associated companies	–17	–11
Reversal of impairment of shares	–	4
Total result of shares in associated companies	**–17**	**–7**

EXTRACTS FROM THE BALANCE SHEETS AND INCOME STATEMENTS OF ASSOCIATED COMPANIES

Income statement

	2013	2012
Net sales	96	66
Operating loss	–70	–45
Loss before tax	–69	–45
Net loss	–70	–46

Balance sheet

	Dec 31, 2013	Dec 31, 2012
Intangible assets	8	5
Tangible assets	1	1
Financial assets	1	1
Current assets	146	105
Total assets	**156**	**112**
Equity	84	69
Current liabilities	72	43
Total equity and liabilities	**156**	**112**

NOTE 8 OTHER OPERATING INCOME

	2013	2012
Sale to joint ventures and associated companies	95	104
Exchange rate gains from operations	54	67
Service level agreements, for sold operations	21	–
Sale of non-current assets	9	10
Settlements of previous years' divestments	23	5
Other income	6	4
Total other operating income	**208**	**190**

NOTE 9 OTHER OPERATING EXPENSES

	2013	2012
Exchange rate loss from operations	–55	–58
Service level agreements, for sold operations	–20	–
Sale/scrapping of non-current assets	–20	–17
Liquidation of companies in UK	–	–17
Sale of operation, Datametrix Outsourcing, Sweden	–	–1
Other expenses	–2	–
Total other operating expenses	**–97**	**–93**

NOTE 10 INTEREST INCOME

	2013	2012
Interest, bank balances	43	13
Interest, penalty interest	11	10
Total interest income	**54**	**23**

All interest income is for financial assets reported at amortized cost. Interest income related to impaired financial assets, such as accounts receivable, are not significant.

NOTE 11 INTEREST COSTS

	2013	2012
Interest, financial institutions and similar liabilities	–342	–373
Interest, other interest-bearing liabilities	–65	–66
Interest, penalty interest	–9	–9
Upfront fee for early repayment of loan	–9	–33
Other finance expenses	–20	–36
Total interest costs	**–445**	**–517**

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

NOTE 12 OTHER FINANCIAL ITEMS

	2013	2012
Exchange rate differences	–68	96
Change in fair value, put option in Kazakhstan	–166	–166
EUR net investment hedge, interest component	19	19
Gain on sale of shares and participations	–	2
Other finance expenses	–8	–10
Total other financial items	**–223**	**–59**

For information regarding the put option in Kazakhstan and EUR net investment hedge please refer to Note 2 and Note 25.

NOTE 13 TAXES

TAX EXPENSE/INCOME

	2013	2012
Current tax expense, on profit current year	–329	–140
Current tax income, on profit prior periods	4	27
Current tax expense	–325	–113
Deferred tax expense	–598	–333
Total tax on profit for the year	**–923**	**–446**

THEORETICAL TAX EXPENSE

The difference between recorded tax expense for the Group and the tax expense based on prevailing tax rates in each country consists of the below listed components.

	2013		2012	
Profit before tax	1,578		1,422	
Tax expense/income				
Theoretic tax according to prevailing tax rate in each country	–453	–28.7%	–459	–32.3%
Tax effect of				
Impairment of goodwill, non-deductible	–	–	–18	–1.3%
Result from associated companies	–4	–0.3%	–3	–0.2%
Other non-deductible expenses/ non-taxable revenue	–265	–16.8%	–40	–2.8%
Valuation of tax assets relating to loss carry-forwards from previous years	13	0.8%	261	18.4%
Adjustment due to changed tax rate	–13	–0.8%	–10	–0.7%
Adjustment of tax assets from previous years	–5	–0.3%	26	1.8%
Change of not valued loss-carry forwards	–196	–12.4%	–203	–14.3%
Tax expense/income and effective tax rate for the year	**–923**	**–58.5%**	**–446**	**–31.4%**

In 2013, net taxes were positively affected by a valuation of deferred tax assets in Austria of SEK 10 (262) million.

In 2013, the tax expenses were negatively affected by SEK 13 million due to decreased tax rate in Norway from January 1, 2014. The comparable period previous year was negatively affected by SEK 38 million and positively affected by SEK 28 million, due to decreased tax rate in Sweden and increased tax rate in Luxembourg, respectively, from January 1, 2013.

The weighted average tax rate was 28.7 (32.3) percent. The decrease on the previous year's figure was mainly due to the decrease in tax rate in Sweden from 26.3% to 22% and the fact that countries with a higher tax rate, such as Netherlands, having a relatively lower impact on the result than countries with lower tax rate, such as the Baltics and Kazakhstan.

DEFERRED TAX ASSETS AND LIABILITIES

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

	Dec 31, 2013	Dec 31, 2012
Deferred tax assets		
Unutilized loss carry-forwards	2,725	4,148
Tangible assets	95	161
Receivables	13	11
Liabilities	71	203
Pensions	8	38
Total deferred tax assets	**2,912**	**4,561**
Netted against deferred liabilities	–159	–298
Total deferred tax assets according to the balance sheet	**2,753**	**4,263**
Deferred tax liabilities		
Intangible assets	–91	–217
Tangible assets	–385	–921
Other	–124	–93
Total deferred tax liabilities	**–600**	**–1,231**
Netted against deferred assets	159	298
Total deferred tax liabilities according to the balance sheet	**–441**	**–933**
TOTAL DEFERRED TAX ASSETS AND TAX LIABILITIES	**2,312**	**3,330**

The movement in deferred income tax assets and liabilities during the year is as follows.

	Dec 31, 2013	Dec 31, 2012
Deferred tax assets/-liabilities as of January 1	3,330	1,863
Reported in income statement	–598	–333
Reported in income statement, discontinued operations	–39	–5
Reported in other comprehensive income	–81	1,866
Reported in equity	10	–
Acquired companies	–	–17
Divested companies	–356	–
Exchange rate differences	46	–44
Deferred tax assets/-liabilities as of December 31	**2,312**	**3,330**

In 2012, certain intra-group loans in Luxembourg were restructured, which resulted in cumulative foreign exchange differences on the loans, reported in other comprehensive income are no longer taxable. Consequently, a deferred tax liability of SEK 2,425 million was reversed over other comprehensive income. The transaction had no cash flow or income statement effect.

LOSS CARRY-FORWARDS

The Group's total loss carry-forwards (LCF) as of December 31, 2013 were 13,564 (20,044) million of which SEK 10,315 (16,539) million were recognized as a deferred tax asset and the remaining part, SEK 3,249 (3,505) million, were not recognized. Of the total loss carry-forwards, SEK 1,615 (2,234) million expires in five years and the remaining part, SEK 11,949 (17,810) million, expires after five years or has no expiration date.

	Recognized		Not recognized		Total	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Expires in five years	212	464	1,403	1,770	1,615	2,234
Expires after five years or has no expiration date	10,103	16,075	1,846	1,735	11,949	17,810
Total loss carry-forwards	**10,315**	**16,539**	**3,249**	**3,505**	**13,564**	**20,044**

	Dec 31, 2013	Dec 31, 2012
Deferred tax assets		
Companies reported a profit this year and previous year	2,383	3,694
Companies reported a profit this year but a loss the previous year	–	383
Companies reported a loss this year	370	186
Total deferred tax assets	**2,753**	**4,263**

Deferred tax assets were reported for deductible temporary differences and loss carry-forwards to the extent convincing evidence showed that these can be utilized against future taxable profits. Deferred tax assets concerning operations which reported losses in 2013 were related to Norway. The operations in Norway are expected to show profits within the next years as a result of the synergies expected from the acquisition of Network Norway in 2011.

NOTE 14 INTANGIBLE ASSETS

	Note	Utilization rights and software	Licenses (frequency)	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
		Dec 31, 2013						
Acquisition value								
Acquisition value at January 1		4,360	3,646	3,076	515	11,597	14,028	25,625
Acquisition value at January 1, assets classified as held for sale	16	–	–	–	–	–	–9	–9
Acquisition value in divested companies	16	–1,436	–766	–40	–69	–2,311	–792	–3,103
Investments		104	1,449	–	653	2,206	–	2,206
Sales and scrapping		–60	–34	–	–57	–151	–	–151
Reclassification		331	95	–	–370	56	–	56
Exchange rate differences		–37	19	–9	–4	–31	295	264
Total acquisition value		**3,262**	**4,409**	**3,027**	**668**	**11,366**	**13,522**	**24,888**
Accumulated amortization								
Accumulated amortization at January 1		–2,105	–1,255	–2,385		–5,745		–5,745
Accumulated amortization in divested companies	16	510	322	40		872		872
Amortization		–375	–246	–327		–948		–948
Sales and scrapping		52	23	–		75		75
Reclassification		–1	–	–		–1		–1
Exchange rate differences		5	6	–16		–5		–5
Total accumulated amortization		**–1,914**	**–1,150**	**–2,688**		**–5,752**		**–5,752**
Accumulated impairment								
Accumulated impairment at January 1		–270	–	–42		–312	–3,854	–4,166
Impairment		–3	–111	–		–114	–	–114
Exchange rate differences		–	–3	–2		–5	–131	–136
Total accumulated impairment		**–273**	**–114**	**–44**		**–431**	**–3,985**	**–4,416**
TOTAL INTANGIBLE ASSETS		**1,075**	**3,145**	**295**	**668**	**5,183**	**9,537**	**14,720**

In 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.

CAPEX per service within each country is presented in Note 15.

	Utilization rights and software	Licenses (frequency)	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
	Dec 31, 2012						
Acquisition value							
Acquisition value at January 1	3,574	3,434	3,140	537	10,685	14,406	25,091
Acquisition value in acquired companies	78	–	20	–	98	69	167
Investments	92	104	–	942	1,138	–	1,138
Sales and scrapping	–144	–15	–	–8	–167	–	–167
Reclassification	787	199	–	–955	31	–	31
Exchange rate differences	–27	–76	–84	–1	–188	–447	–635
Total acquisition value	**4,360**	**3,646**	**3,076**	**515**	**11,597**	**14,028**	**25,625**
Accumulated amortization							
Accumulated amortization at January 1	–1,696	–988	–2,019		–4,703		–4,703
Amortization	–531	–302	–447		–1,280		–1,280
Sales and scrapping	103	15	–		118		118
Exchange rate differences	19	20	81		120		120
Total accumulated amortization	**–2,105**	**–1,255**	**–2,385**		**–5,745**		**–5,745**
Accumulated impairment							
Accumulated impairment at January 1	–270	–	–44		–314	–3,896	–4,210
Impairment	–24	–	–		–24	–88	–112
Sales and scrapping	24	–	–		24	–	24
Exchange rate differences	–	–	2		2	130	132
Total accumulated impairment	**–270**	**–**	**–42**		**–312**	**–3,854**	**–4,166**
TOTAL INTANGIBLE ASSETS	**1,985**	**2,391**	**649**	**515**	**5,540**	**10,174**	**15,714**

Continued Note 14

GOODWILL

In connection with the acquisition of operations, goodwill is allocated to the cash generating units that are expected to receive future financial benefits such as for example synergies as a result of the acquired operations. In the event that separate cash generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets are controlled and monitored internally, which is on country level.

	Dec 31, 2013	Dec 31, 2012
Sweden	1,091	1,100
Russia	–	810
Netherlands	4,458	4,296
Norway	498	548
Kazakhstan	809	828
Lithuania	755	728
Latvia	1,083	1,051
Estonia	816	786
Austria	8	8
Other	19	19
Total goodwill	**9,537**	**10,174**

Allocation of goodwill and test for goodwill impairment

Tele2 tests goodwill for impairment annually by calculating the recoverable value for the cash-generating units to which goodwill are allocated. The recoverable value of the respective cash generating unit is based on the higher of estimated value in use and fair value less costs to sell.

The most important criteria in the calculations of values in use are growth rates, profit margins, investment levels and discount rates. The expected revenue growth rate, profit margin and investment level are based on sector data as well as management's assessment of market-specific risks and opportunities, including expected changes in competition, the business model used by Tele2 and the regulatory environment. Management's assessment of the range of revenues, profits and investments are limited to Tele2's current telecom licences and assets. The discount rate takes into account the prevailing interest rates and specific risk factors in a particular cash-generating unit. The discount rate before tax varies between 9 and 24 (9 and 23) percent.

Tele2 calculates future cash flows based on the most recently presented three-year (three-year) plan. In three (three) cases we extend the business case for additional two-seven (two-seven) years until the forecasted cash flow growth is considered more stable. For the period after this, annual growth of up to 1 (-1 to 1) percent is assumed for mobile operations and -4 to -3 (-4 to -3) percent annual decline for fixed line operations. These rates do not exceed the average long-term growth for the sector as a whole nor do they exceed the expected long term GDP growth rates in the markets. In 2013, Tele2 recognized imparment loss in Croatia, however with no goodwill impairment. For additional information see Note 6.

Changes to important assumptions

The carrying amounts of cash-generating units for which impairment losses were recognized in 2013, i.e. Croatia, have been written down to its value in use at December 31, 2013. A subsequent negative change to any important assumption would give rise to further impairment losses.

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

The value in use calculations are based on the following assumptions per country.

	WACC pre tax		Forecast period, in year		Growth rate after the forecast period	
	2013	2012	2013	2012	2013	2012
Sweden	11%	10%	3	3	0%	–1%
Netherlands	16%	11%	10	3	0%	–3%
Norway	14%	13%	5	5	0%	0%
Kazakhstan	24%	23%	10	10	0%	0%
Lithuania	10%	12%	3	3	1%	1%
Latvia	12%	11%	3	3	1%	1%
Estonia	10%	11%	3	3	1%	1%
Austria	9%	9%	3	3	–4%	–4%

OTHER NON-CURRENT ASSETS

For impairment of other non-current assets, please refer to Note 6.

NOTE 15 TANGIBLE ASSETS

	Note	Dec 31, 2013 Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Acquisition value								
Acquisition value at January 1		250	1,854	2,216	4,320	39,501	*714*	43,821
Acquisition value at January 1, assets classified as held for sale	16	–	–	–	–	–429	–	–429
Acquisition value in divested companies	16	–111	–427	–384	–922	–8,196	*–152*	–9,118
Investments		3	100	2,271	2,374	954	*26*	3,328
Dismantling costs		–	18	–	18	306	–	324
Sales and scrapping		–4	–45	–14	–63	–597	*–23*	–660
Reclassification		50	93	–1,762	–1,619	1,563	–	–56
Exchange rate differences		4	22	–54	–28	34	*4*	6
Total acquisition value		**192**	**1,615**	**2,273**	**4,080**	**33,136**	***569***	**37,216**
Accumulated depreciation								
Accumulated depreciation at January 1		–144	–1,354		–1,498	–23,649	*–410*	–25,147
Accumulated depreciation in divested companies	16	26	237		263	2,656	*11*	2,919
Depreciation		–12	–180		–192	–2,405	*–31*	–2,597
Sales and scrapping		4	47		51	512	*22*	563
Reclassification		–	–1		–1	2	–	1
Exchange rate differences		–3	–22		–25	–172	*–6*	–197
Total accumulated depreciation		**–129**	**–1,273**		**–1,402**	**–23,056**	***–414***	**–24,458**
Accumulated impairment								
Accumulated impairment at January 1		–3	–1		–4	–591	–	–595
Accumulated impairment in divested companies	16	–	–		–	16	–	16
Impairment		–	–5		–5	–417	–	–422
Sales and scrapping		–	–		–	6	–	6
Exchange rate differences		–	–1		–1	–15	–	–16
Total accumulated impairment		**–3**	**–7**		**–10**	**–1,001**	**–**	**–1,011**
TOTAL TANGIBLE ASSETS		**60**	**335**	**2,273**	**2,668**	**9,079**	***155***	**11,747**

Machinery and technical plant in Kazakhstan of SEK 142 (148) million is pledged for loan in Kazakhstan according to Note 25.
Finance leases relate to the expansion of transmission capacity in Sweden and Austria, please refer to Note 30.

	Dec 31, 2012 Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
Acquisition value							
Acquisition value at January 1	233	1,844	2,250	4,327	37,049	*699*	41,376
Acquisition value in acquired companies	–	2	4	6	55	–	61
Investments	4	101	2,783	2,888	1,268	*84*	4,156
Dismantling costs	–	–	–	–	42	–	42
Sales and scrapping	–7	–256	–1	–264	–964	*–45*	–1,228
Reclassification	27	204	–2,774	–2,543	2,512	*–14*	–31
Exchange rate differences	–7	–41	–46	–94	–461	*–10*	–555
Total acquisition value	**250**	**1,854**	**2,216**	**4,320**	**39,501**	***714***	**43,821**
Accumulated depreciation							
Accumulated depreciation at January 1	–135	–1,432		–1,567	–21,482	*–417*	–23,049
Depreciation	–19	–207		–226	–3,207	*–42*	–3,433
Sales and scrapping	6	253		259	797	*43*	1,056
Exchange rate differences	4	32		36	243	*6*	279
Total accumulated depreciation	**–144**	**–1,354**		**–1,498**	**–23,649**	***–410***	**–25,147**
Accumulated impairment							
Accumulated impairment at January 1	–4	–		–4	–438	–	–442
Impairment	–	–1		–1	–165	–	–166
Sales and scrapping	–	–		–	2	–	2
Exchange rate differences	1	–		1	10	–	11
Total accumulated impairment	**–3**	**–1**		**–4**	**–591**	**–**	**–595**
TOTAL TANGIBLE ASSETS	**103**	**499**	**2,216**	**2,818**	**15,261**	***304***	**18,079**

Continued Note 15

CAPEX

	Dec 31, 2013	Dec 31, 2012
Intangible assets	2,206	1,138
Tangible assets	3,328	4,156
Total CAPEX	**5,534**	**5,294**
Less intangible assets in discontinued operations	–132	–544
Less tangible assets in discontinued operations	–233	–1,046
Total CAPEX in continuing operations	**5,169**	**3,704**

The difference between CAPEX and paid CAPEX is presented in Note 31.

	CAPEX	
	Dec 31, 2013	Dec 31, 2012
Sweden		
Mobile	766	907
Fixed broadband	165	206
Fixed telephony	7	5
Other operations	27	33
	965	**1,151**
Netherlands		
Mobile	1,648	32
Fixed broadband	379	333
Fixed telephony	8	11
Other operations	32	27
	2,067	**403**
Norway		
Mobile	740	537
Fixed telephony	30	6
	770	**543**
Kazakhstan		
Mobile	464	742
	464	**742**
Croatia		
Mobile	62	54
	62	**54**
Lithuania		
Mobile	93	82
	93	**82**
Latvia		
Mobile	103	77
	103	**77**
Estonia		
Mobile	62	71
Other operations	3	8
	65	**79**
Austria		
Fixed broadband	38	43
Fixed telephony	29	22
Other operations	13	14
	80	**79**
Germany		
Mobile	19	26
Fixed broadband	3	2
Fixed telephony	2	1
	24	**29**
Other		
Other operations	476	465
	476	**465**
TOTAL		
Mobile	**3,957**	**2,528**
Fixed broadband	**585**	**584**
Fixed telephony	**76**	**45**
Other operations	**551**	**547**
TOTAL CAPEX ACCORDING TO BALANCE SHEET	**5,169**	**3,704**

NOTE 16 ACQUISITIONS AND DIVESTMENTS

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

	2013	2012
ACQUISITIONS		
Televõrgu, Estonia	–	–218
Settlements of previous years' acquisitions	–	–3
Total group companies	**–**	**–221**
Capital contribution to associated companies	–25	–22
Dividend from associated companies	1	–
Total associated companies	**–24**	**–22**
TOTAL ACQUISITION OF SHARES AND PARTICIPATIONS	**–24**	**–243**
DIVESTMENTS		
Tele2 Russia	17,252	–
Officer, Norway	–	2
Settlements of previous years' divestments	–	–5
TOTAL DIVESTMENTS OF SHARES AND PARTICIPATIONS	**17,252**	**–3**
CASH FLOW EFFECT	**17,228**	**–246**

DIVESTMENTS

Tele2 Russia

On March 27, 2013 Tele2 announced the sale of its Russian operations, Tele2 Russia Group, to VTB Group. The divested operation has been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods. Additional information are presented in Note 37.

Divestment after year-end

On October 23, 2013 Tele2 announced the sale of its Swedish residential cable and fiber operations to Telenor for SEK 792 million. The sale was completed on January 2, 2014 after approval by regulatory authorities and the capital gain in 2014 is estimated to SEK 250 million. The operation affected Tele2's net sales in 2013 by SEK 565 (525) million.

Net assets classified as held for sale is stated below.

Goodwill	9
Tangible assets	429
Current receivables	10
Assets classified as held for sale	**448**
Deferred tax liabilities	–18
Current non-interst-bearing liabilities	–35
Liabilities directly associated with assets classified as held for sale	**–53**
NET ASSETS	**395**

PRO FORMA

The table below shows how the divested companies and operations in 2014 would have affected Tele2's net sales and result if they had been divested on January 1, 2013.

	2013		
	Tele2 Group	Cable and fiber operations, Sweden	Tele2 Group, pro forma
Net sales	29,871	–565	29,306
EBITDA	5,990	–100	5,890
Net profit	655	30	685

NOTE 17 SHARES IN ASSOCIATED COMPANIES

Company	Holding (capital/votes)	Dec 31, 2013	Dec 31, 2012
4T Sverige AB, Sweden	25%	6	8
MPayment AS, Norway	33.3%	11	4
SNPAC Swedish Nr Portability Adm.Centre AB, Sweden	20%	3	3
Adworx Internetservice GmbH, Austria	47.4%	5	4
GH Giga Hertz HB as well as 15 other trading companies with licenses, Sweden	33.3%	3	3
Total shares in associated companies		**28**	**22**

	Dec 31, 2013	Dec 31, 2012
Acquisition value		
Acquisition value at January 1	22	6
Investments	23	24
Share of loss for the year	–17	–11
Reversal of impairment	–	4
Exchange rate differences	–	–1
Total shares in associated companies	**28**	**22**

Group surplus values and share of equity in associated company

	Dec 31, 2013	Dec 31, 2012
Share of equity		
Share of equity at January 1	22	6
Share of capital contribution and new issues	23	24
Share of profit/loss for the year	–17	–11
Reversal of impairment	–	4
Exchange rate differences	–	–1
Total shares in associated companies	**28**	**22**

NOTE 18 OTHER FINANCIAL ASSETS

	Dec 31, 2013	Dec 31, 2012
VAT receivable, Kazakhstan	215	21
Restricted bankdeposits	10	13
Pension funds	90	27
Other non-current holdings of securities	14	19
Other receivables	8	3
Total other financial assets	**337**	**83**

Other non-current securities consist of shares in the companies listed below.

Company	Holding (capital/votes)	Dec 31, 2013	Dec 31, 2012
Modern Holdings Inc, US	11.88%	11	11
OJSC Aero-Space Telecommunications, Russia	–	–	5
Radio National Skellefteå AB, Sweden	5.5%	1	1
Telering AS, Norway	10%	1	1
Estonian Broadband Development Foundation, Estonia	13%	1	1
Total other non-current securities		**14**	**19**

NOTE 19 INVENTORIES

	Dec 31, 2013	Dec 31, 2012
Finished products & goods for resale	462	460
Other	9	13
Total inventories	**471**	**473**

Tele2's inventories are mainly telephones, but also SIM cards and modems held for sale. In 2013 inventories was expensed by SEK 3,247 (3,047) million, of which SEK 12 (11) million was related to write-down.

NOTE 20 ACCOUNTS RECEIVABLE

	Dec 31, 2013	Dec 31, 2012
Accounts receivable	3,914	4,567
Reserve for doubtful accounts	–597	–582
Total accounts receivable, net	**3,317**	**3,985**

	Dec 31, 2013	Dec 31, 2012
Reserve for doubtful accounts		
Reserve for doubtful accounts at January 1	582	556
Reserves in companies divested during the year	–57	–
Provisions	134	155
Recovery of previous provisions	–70	–114
Exchange rate differences	8	–15
Total reserve for doubtful accounts	**597**	**582**

	Dec 31, 2013	Dec 31, 2012
Accounts receivable, overdue with no reserve		
Overdue between 1–30 days	456	551
Overdue between 31–60 days	75	92
Overdue more than 60 days	108	89
Total accounts receivable, overdue with no reserve	**639**	**732**

NOTE 21 OTHER CURRENT RECEIVABLES

	Dec 31, 2013	Dec 31, 2012
VAT receivable	126	328
Receivable from Net4Mobility, joint venture in Sweden	113	148
Receivable from Svenska UMTS-nät, joint venture in Sweden	29	41
Receivable from 4T, associated company in Sweden	8	–
Receivable from sold account receivables	–	94
Receivable from suppliers	13	12
Derivatives	8	18
Receivable from credit card companies, prepaid	8	4
Other	16	22
Total other current receivables	**321**	**667**

NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2013	Dec 31, 2012
Revenues from sold equipment	2,595	2,093
Traffic revenues, from other telecom operators	536	580
Traffic revenues, from end-users	388	493
Subscription fees etc, from end-users	132	72
Accrued income, other	96	149
Rental cost	268	413
Frequency usage	49	54
Fixed subscription charges	42	60
Retailers' commissions, prepaid cards	15	32
Prepaid expenses, other	62	181
Total prepaid expenses and accrued revenues	**4,183**	**4,127**

SEK 1,076 (562) million of the balance sheet item is estimated to be paid more than 12 months after the closing date, of which SEK 1,062 (549) million is attributable to revenues from equipment.

NOTE 23 CURRENT INVESTMENTS

	Dec 31, 2013	Dec 31, 2012
Restricted funds	55	59
Total current investments	**55**	**59**

NOTE 24 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

AVAILABLE LIQUIDITY

	Dec 31, 2013	Dec 31, 2012
Cash and cash equivalents	1,348	1,673
Unutilized overdraft facilities and credit lines	7,958	11,260
Total available liquidity	**9,306**	**12,933**

	Dec 31, 2013	Dec 31, 2012
Unutilized overdraft facilities and credit lines		
Overdraft facilities granted	826	639
Overdraft facilities utilized	–22	–17
Total unutilized overdraft facilities	**804**	**622**
Unutilized credit lines	7,154	10,638
TOTAL UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES	**7,958**	**11,260**

Tele2's share of liquid funds in joint ventures, for which Tele2 has limited disposal rights, amounted at December 31, 2013 to SEK 11 (65) million and was included in the Group's cash and cash equivalents.

No specific collateral is provided for overdraft facilities or unutilized credit lines.

EXCHANGE RATE DIFFERENCE IN CASH AND CASH EQUIVALENTS

	Dec 31, 2013	Dec 31, 2012
Exchange rate differences in cash and cash equivalents at January 1	71	–45
Exchange rate differences in cash flow for the year	–39	114
Total exchange rate differences in cash and cash equivalents for the year	**32**	**69**

NOTE 25 FINANCIAL LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Liabilities to financial institutions and similar liabilities	6,837	14,898
Other interest-bearing liabilities	1,914	2,055
Total interest-bearing financial liabilities	**8,751**	**16,953**
Accounts payable	3,140	3,488
Other current liabilities	516	1,008
Total non-interest-bearing financial liabilities	**3,656**	**4,496**
TOTAL FINANCIAL LIABILITIES	**12,407**	**21,449**

Financial risk management and financial instruments are presented in Note 2.

Financial liabilities fall due for payment according to below.

	Dec 31, 2013		Dec 31, 2012	
	Nominal value	Recorded value	Nominal value	Recorded value
Within 3 months	5,001	5,001	6,150	6,145
Within 3–12 months	1,719	1,708	2,498	2,490
Within 1–2 years	1,221	1,186	2,272	2,264
Within 2–3 years	161	103	2,586	2,555
Within 3–4 years	3,599	3,541	3,036	2,981
Within 4–5 years	312	241	4,257	4,200
Within 5–10 years	627	627	834	759
Within 10–15 years	–	–	55	55
Total financial liabilities	**12,640**	**12,407**	**21,688**	**21,449**

INTEREST-BEARING FINANCIAL LIABILITIES

Interest-bearing financial liabilities fall due for payments as follows:

	Within 1 year	Within 1–2 years	Within 2–3 years	Within 3–4 years	Within 4–5 years	Within 5–15 years	Total
Variable interest rates	2,428	610	14	1,261	143	378	4,834
Fixed interest rates	625	576	89	2,280	98	249	3,917
Total interest-bearing liabilities	**3,053**	**1,186**	**103**	**3,541**	**241**	**627**	**8,751**

Collateral provided

	Dec 31, 2013	Dec 31, 2012
Net assets in group companies	–	344
Fixed assets	142	148
Total collateral provided for own liabilities	**142**	**492**

Liabilities to financial institutions and similar liabilities

			Dec 31, 2013		Dec 31, 2012	
Creditors *(collateral provided)*	Interest rate terms	Maturity date	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Syndicated loan facilities	variable interest rates	2018	–	–55	–	–57
Nordic Investment Bank (NIB)	variable interest rates	2017–2020	–	663	–	638
Bonds RUB			–	–	–	5,555
Bonds NOK	NIBOR +1.7%	2015	–	316	–	349
Bonds NOK	NIBOR +2.35%	2017	–	1,055	–	1,162
Bonds SEK	STIBOR +0.95%	2014	500	–	–	500
Bonds SEK	STIBOR +1.1%	2015	–	750	–	750
Bonds SEK	STIBOR +2.85%	2017	–	1,497	–	1,496
Bonds SEK	fixed: 4.875%	2017	–	798	–	798
Bonds SEK	STIBOR +2.45%	2020	–	250	–	–
Bonds SEK	variable interest rates	2020	500	–	–	–
Total Bonds			**1,000**	**4,666**	**–**	**10,610**
Commercial paper	fixed: 1.908%–1.914%	2014	325	–	2,377	–
RBS, Kazkommertsbank *(collateral: fixed assets in Tele2 Kazakhstan)*	variable interest rates	2014–2015	188	28	176	211
Handelsbanken			–	–	26	900
Utilized bank overdraft facility	variable interest rates		22	–	17	–
			1,535	**5,302**	**2,596**	**12,302**
Total liabilities to financial institutions and similar liabilities				**6,837**		**14,898**

In 2013, Tele2 together with its 12 core banks reduced the syndicated revolving credit facility from EUR 1.2 billion to EUR 0.8 billion. Further, the final maturity of the facility was extended one year, to May 2018. One of the 12 banks in the syndicate chose not to participate in the new facility, making the number of banks 11. The new facility's size is more suitable for Tele2, following the sale of Tele2 Russia. The loans can be drawn in several currencies and the interest base is the relevant IBOR for that currency. On December 31, 2013, the syndicated loan facility was unutilized and prepaid upfront fees to be recognized in profit/loss over the remaining contract period amounted to SEK 55 (57) million. The facility is conditioned by covenant requirements which Tele2 expects to fulfil.

As a further step towards the diversification of Tele2's funding sources, Tele2 AB has an 8-year-maturity loan agreement with Nordic Investment Bank (NIB) totalling EUR 74 million.

Tele2 AB's Euro Medium-Term Note (EMTN) Program (bonds) forms the basis for Tele2's medium and long term debt issuance in both international and domestic markets. The program enables Tele2 to issue bonds and notes up to a total aggregate amount of EUR 3 billion. In 2013 Tele2 issued the following bonds under this program:

- a SEK 250 million 7-year bond on the Swedish bond market with a coupon of three months STIBOR +2.45 percent. It is listed on the Luxembourg Stock Exchange.
- a SEK 500 million bond with one single investor. The issue has an investor put/issuer call every third month and is therefore reported as short term funding. The bond has a floating rate coupon, and is not listed.

Tele2 AB has a NOK 1.3 billion bond issued in the Norwegian bond market. The amount is split between a 3 year bond of NOK 300 million and a 5 year bond of NOK 1 billion. The bond is listed on Oslo børs.

The bonds in RUB have been sold as part of the sale of Tele2 Russia. Tele2 AB's established Swedish commercial paper program enables to

Continued Note 25

issue commercial papers up to a total amount of SEK 5 billion. Commercial papers can be issued with a tenor up to 12 months under the program. The commercial paper program is a complement to Tele2's core funding.

Since the acquisition in 2010, Tele2 holds 51 percent of Tele2 Kazakhstan. The company had, at the time of acquisition, existing liabilities to several financial institutions. The interest base is LIBOR. On December 31, 2013 these liabilities amounted to EUR 15 (30) million and USD 13 (20) million.

Since 2011 Tele2 holds the full ownership of the previous joint venture Mobile Norway. Mobile Norway had, at the time of acquisition, existing liabilities to financial institutions. In 2013, the loans have been repaid.

The average interest rate on loans during the year was 5.2 (6.7) percent.

Other interest-bearing liabilities

	Dec 31, 2013		Dec 31, 2012	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Put option, Kazakhstan	1,350	–	1,214	–
Kazakhtelecom	–	347	–	319
Derivatives	146	–	209	–
Finance leases	21	49	24	192
Supplier financed, Silver Server in Austria	1	–	1	1
Purchase price for purchase of Rostov	–	–	91	–
Purchase price for purchase of Izhevsk	–	–	4	–
	1,518	**396**	**1,543**	**512**
Total other interest-bearing liabilities		**1,914**		**2,055**

Tele2 owns 51 percent of the shares in Tele2 Kazakhstan with a call option to buy the remaining 49 percent from December 14, 2014 to April 14, 2015. The non-controlling shareholder, Asianet Holding BV, has a put option to sell its shares to Tele2 from December 14, 2011. The exercise price of both options is the fair market value of the shares at the date of exercise. The put option is reported to its estimated fair value at the closing date, determined on the basis of future discounted cash flows. The increase in value consists of changes in fair value reported as other financial items in the income statement of SEK 166 (166) million and exchange rate differences of SEK -30 (-88) million.

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner. On December 31, 2013 the reported debt amounted to SEK 347 (319) million and the nominal value to SEK 495 (506) million.

Derivatives consisted of interest swaps and currency swaps, valued at fair value. The effective part of the swaps were reported in the hedge reserve in other comprehensive income and the ineffective part was reported as interest costs and other financial items, respectively, in the income statement. 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. For additional information please refer to Note 2.

For information on finance leases please refer to Note 30.

OTHER CURRENT LIABILITIES

	Dec 31, 2013	Dec 31, 2012
VAT liability	182	595
Employee withholding tax	70	77
Liability to Net4Mobility, joint venture in Sweden	107	95
Liability to Svenska UMTS-nät, joint venture in Sweden	73	68
Debt to customers	46	51
Debt to content suppliers	6	34
Debt to other operators	16	18
Customer deposit	8	8
Other	8	62
Total current liabilities	**516**	**1,008**

NOTE 26 PROVISIONS

	2013						
	Dismantling costs	Rented buildings and cables	Legal disputes	Claims and guarantees for divested operations	Other provisions	Pension and similar commitments	Total
Provisions as of January 1	211	62	48	58	1	179	559
Provisions in divested companies	–29	–	–	–	–1	–	–30
Additional provisions	324	–	28	8	–	10	370
Utilized/paid provisions	–16	–6	–1	–4	–	–	–27
Reversed unused provisions	–2	–	–24	–24	–	–144	–194
Present value adjustment	4	–	–	–	–	–	4
Exchange rate differences	–4	–	–	1	–	–	–3
Total provisions as of December 31	**488**	**56**	**51**	**39**	**–**	**45**	**679**

	Dec 31, 2013	Dec 31, 2012
Provisions, current	95	133
Provisions, non-current	584	426
Total provisions	**679**	**559**

Provisions are expected to fall due for payment according to below:

	Dec 31, 2013	Dec 31, 2012
Within 1 year	95	133
Within 1–3 years	78	75
Within 3–5 years	20	2
More than 5 years	486	349
Total provisions	**679**	**559**

Dismantling costs refer to dismantling and restoration of mobile and fixed network sites. Remaining provision as of December 31, 2013 is expected to be fully utilized in the period 2014–2043.

For additional information on finance leases please refer to Note 30.

NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2013	Dec 31, 2012
Traffic expenses to other telecom operators	1,171	1,737
Investments in non-current assets	728	231
Personnel-related expenses	562	732
External service expenses	527	606
Leasing and rental expenses	174	205
Expenses for dealers	146	189
Interest costs	63	158
Other accrued expenses	113	254
Deferred income, prepaid cards	383	976
Deferred income, other	737	713
Total accrued expenses and deferred income	**4,604**	**5,801**

NOTE 28 PLEDGED ASSETS

	Dec 31, 2013	Dec 31, 2012
Fixed assets	142	148
Net assets in group companies	–	344
Current investments, bank deposits	55	59
Other non-current receivables, bank deposits	10	13
Other pledged assets	–	1
Total pledged assets	**207**	**565**

The opposite parties can only take over the pledged items in case Tele2 neglects its duty to pay its debts according to the agreements.

NOTE 29 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

CONTINGENT LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Disputes	220	–
Asset dismantling obligation	126	–
Total contingent liabilities	**346**	**–**

On December 31, 2013 Tele2 Sweden was defendant in a dispute before the District court of Stockholm, in which Verizon Sweden AB claims that Tele2 Sweden has discriminated Verizon Sweden AB as regards the interconnection fees Tele2 has charged Verizon Sweden AB during the period August 2001 – July 2004. Tele2 has disputed Verizon Sweden AB's claim in its entirety and Tele2 Sweden's assessment is that it is more likely than not that Tele2 Sweden will win the case. Verizon Sweden AB's claim amounts to SEK 139 million plus interest of SEK 81 million. The District court issued its award on February 7, 2014 and the court ruled in favor of Tele2.

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 improbable and consequently only reported this obligation as contingent liabilities.

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. Tele2 assesses that it is not likely that any additional taxes need to be paid.

OTHER CONTRACTUAL COMMITMENTS

	Dec 31, 2013	Dec 31, 2012
Commitments, acquired LTE license	–	1,386
Commitments, other	4,278	2,242
Total future fees for other contractual commitments	**4,278**	**3,628**

Other commitments mainly relate to commitments for networks, customer services and IT, as well as for purchase of handsets.

NOTE 30 LEASES

FINANCE LEASES

Finance leases relate to the expansion of transmission capacity in Sweden and Austria. The carrying value of the lease assets are stated in Note 15. The contracts span over periods ranging from 5 to 25 years. Contracts with shorter lease periods contain purchase or extension options. Some of the agreements contain index clauses.

Total future minimum lease payments and their present value amount to:

	Dec 31, 2013		Dec 31, 2012	
	Present value	Nominal value	Present value	Nominal value
Within 1 year	24	25	37	38
Within 1–2 years	16	17	33	37
Within 2–3 years	13	15	25	30
Within 3–4 years	11	13	23	28
Within 4–5 years	6	7	20	26
Within 5–10 years	–	–	51	82
Within 10–15 years	–	–	27	65
Total loan liability and interest		**77**		**306**
Less interest portion		–7		–90
TOTAL FINANCE LEASES	**70**	**70**	**216**	**216**

OPERATING LEASES

	2013	2012
Leased capacity	1,386	1,452
Other operating leases	845	805
Annual leasing expenses for operating leases	**2,231**	**2,257**

The cost of operating leases relates mainly to leased capacity. Other assets that are held under operating leases relate to rented premises, machines and office equipment. Tele2 has a multitude of agreements relating to leased lines. The majority of these involve some type of initiation fee and thereafter monthly or quarterly fees. Most of the agreements have terms ranging from six months to three years with the option of extending the terms. Generally these agreements have no index clauses or possibilities to acquire the asset.

Contractual future lease expenses are stated below:

	Dec 31, 2013	Dec 31, 2012
Within 1 year	1,496	2,166
Within 1–2 years	763	899
Within 2–3 years	500	579
Within 3–4 years	409	440
Within 4–5 years	326	391
Within 5–10 years	682	863
Within 10–15 years	214	314
More than 15 years	235	468
Total future lease expenses for operating leases	**4,625**	**6,120**

Operating leases with Tele2 as the lessor

Leasing income during the year amount to SEK 60 (49) million and relates mainly to rent from other operators placing equipment on Tele2 sites as well as providing equipment (mainly modems) to customers. Contract periods range from 3 to 25 years.

Contractual future lease income are stated below:

	Dec 31, 2013	Dec 31, 2012
Within 1 year	45	53
Within 1–2 years	17	16
Within 2–3 years	13	12
Within 3–4 years	13	11
Within 4–5 years	13	11
Within 5–10 years	50	45
Within 10–15 years	45	36
More than 15 years	57	38
Total future lease income for operating leases	**253**	**222**

NOTE 31 SUPPLEMENTARY CASH FLOW INFORMATION

CASH FLOW FROM OPERATING ACTIVITIES BASED ON THE NET RESULT

	2013	2012
OPERATING ACTIVITIES		
Net profit	14,590	3,264
Adjustments for non-cash items in operating profit		
Depreciation/amortization and impairment	4,081	4,991
Result from shares in associated companies	17	7
Gain/loss on sale of fixed assets	8	10
Gain/loss on sale of operations	–13,261	13
Incentive program	14	50
Unpaid financial items	260	481
Income tax	–82	–17
Deferred tax expense	637	338
Cash flow from operations before changes in working capital	**6,264**	**9,137**
Changes in working capital	–451	–458
CASH FLOW FROM OPERATING ACTIVITIES	**5,813**	**8,679**

Continued Note 31

PURCHASE OF NON-CONTROLLING INTEREST

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

In 2009 and 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 were paid in 2013.

CAPEX

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

	2013	2012
CAPEX	–5,534	–5,294
This year's unpaid CAPEX and paid CAPEX from previous year	186	476
Received payment of sold non-current assets	107	209
Paid CAPEX	**–5,241**	**–4,609**

Of the year's investment in intangible and tangible assets, SEK 469 (542) million is unpaid on December 31, 2013 and has therefore not been reported as investments in the cash flow statement. Payment of the previous year's investment of SEK 283 (66) million has been reported as investment in the cash flow for 2013. These items amount to a net of SEK 186 (476) million.

CAPEX per service within each segment are presented in Note 15.

NOTE 32 NUMBER OF SHARES AND EARNINGS PER SHARE

NUMBER OF SHARES

	A shares		B shares		C shares		Total
	Change	Total	Change	Total	Change	Total	
As of January 1, 2012		**20,990,050**		**423,744,289**		**4,049,000**	**448,783,339**
Reclassification of A shares to B shares	–2,069	20,987,981	2,069	423,746,358	–	4,049,000	448,783,339
As of December 31, 2012		**20,987,981**		**423,746,358**		**4,049,000**	**448,783,339**
Reclassification of A shares to B shares	–15	20,987,966	15	423,746,373	–	4,049,000	448,783,339
Reclassification of C shares to B shares	–	20,987,966	900,000	424,646,373	–900,000	3,149,000	448,783,339
Share split 2:1	20,987,966	41,975,932	424,646,373	849,292,746	3,149,000	6,298,000	897,566,678
Redemption of shares	–20,987,966	20,987,966	–424,646,373	424,646,373	–3,149,000	3,149,000	448,783,339
Reclassification of A shares to B shares	–726,650	20,261,316	726,650	425,373,023	–	3,149,000	448,783,339
Total number of shares as of December 31, 2013		**20,261,316**		**425,373,023**		**3,149,000**	**448,783,339**

	2013	2012
Number of outstanding shares	445,497,600	444,661,211
Number of shares in own custody	3,285,739	4,122,128
Number of shares, weighted average	445,228,097	444,504,182
Number of shares after dilution	448,465,420	447,579,409
Number of shares after dilution, weighted average	448,181,516	447,146,240

The share capital in Tele2 AB is divided into three classes of shares: Class A, B and C shares. All types of shares have a quota value of SEK 1.25 per share and Class A and B shares have the same rights in the company's net assets and profits while Class C shares are not entitled to dividend. Shares of Class A, however, entitle the holder to 10 voting rights per share and Class B and C shares to one voting right per share.

There are no limitations regarding how many votes each shareholder may vote for at general meetings of shareholders. The Articles of Association make no stipulation that limits the right to transfer the shares.

In the case of a bid for all shares or a controlling part of the shares in Tele2, the loan facility may be accelerated and due for immediate repayment. In addition, some interconnect agreements and some other agreements may be terminated.

In 2013, A shares and C shares were reclassified to B shares.

Shares in own custody

	B shares		C shares		Total
	Change	Total	Change	Total	
As of January 1, 2012		**584,380**		**4,049,000**	**4,633,380**
Sale of own shares	–511,252	73,128	–	4,049,000	4,122,128
As of December 31, 2012		**73,128**		**4,049,000**	**4,122,128**
Reclassification of C shares to B shares	900,000	973,128	–900,000	3,149,000	4,122,128
Sale of own shares	–836,389	136,739	–	3,149,000	3,285,739
Total number of shares in own custody as of December 31, 2013		**136,739**		**3,149,000**	**3,285,739**

Shares in own custody amount to 0.7 (0.9) percent of the share capital.

As a result of share rights in the LTI 2010 (2009) being exercised during 2013, Tele2 delivered 836,389 (466,252) B-shares in own custody. As a result of stock options in the LTI 2007 being exercised in 2012, Tele2 sold additional B shares in own custody of 45,000, resulting in an increase of equity of SEK 6 million.

Outstanding share rights

	Dec 31, 2013	Dec 31, 2012
Incentive program 2013–2016	1,132,228	
Incentive program 2012–2015	968,263	1,078,436
Incentive program 2011–2014	867,329	998,389
Incentive program 2010–2013	–	841,373
Total number of outstanding share rights	**2,967,820**	**2,918,198**

Further information is provided in Note 34.

Number of shares after dilution

	Dec 31, 2013	Dec 31, 2012
Number of shares	448,783,339	448,783,339
Number of shares in own custody	–3,285,739	–4,122,128
Number of outstanding shares, basic	445,497,600	444,661,211
Incentive program 2013-2016	1,132,228	
Incentive program 2012-2015	968,263	1,078,436
Incentive program 2011-2014	867,329	998,389
Incentive program 2010-2013	–	841,373
Total number of shares after dilution	**448,465,420**	**447,579,409**

Continued Note 32

EARNINGS PER SHARE

	Earnings per share		Earnings per share, after dilution	
	2013	2012	2013	2012
Net profit attributable to equity holders of the parent company	14,590	3,264	14,590	3,264
Weighted average number of shares	445,228,097	444,504,182	445,228,097	444,504,182
Incentive program 2013–2016			670,041	
Incentive program 2012–2015			1,026,452	602,798
Incentive program 2011–2014			942,657	1,018,423
Incentive program 2010–2013			314,269	867,593
Incentive program 2009–2012			–	152,480
Incentive program 2007–2010/12			–	764
Weighted average number of outstanding shares after dilution			**448,181,516**	**447,146,240**
EARNINGS PER SHARE, SEK	**32.77**	**7.34**	**32.55**	**7.30**

DIVIDEND AND REDEMPTION

In respect of the financial year 2013, the Board of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) in May 2014, an ordinary dividend payment of SEK 4.40 (7.10) per ordinary A or B share. At December 31, 2013 this correspond to a total of SEK 1,960 (3,157) 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 in 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 has been paid to the shareholders in 2013 as dividend and redemption.

For information regarding dividend policy please refer to Note 2.

NOTE 33 NUMBER OF EMPLOYEES

		Average number of employees			
		2013		2012	
	Note	Total	*of whom men*	Total	*of whom men*
Sweden		1,505	*68%*	1,379	*68%*
Netherlands		904	*74%*	858	*76%*
Norway		381	*65%*	280	*68%*
Kazakhstan		664	*46%*	517	*51%*
Croatia		120	*58%*	120	*55%*
Lithuania		105	*56%*	98	*56%*
Latvia		250	*39%*	270	*36%*
Estonia		255	*40%*	274	*44%*
Austria		283	*78%*	312	*74%*
Germany		80	*70%*	73	*68%*
Other		730	*67%*	761	*69%*
		5,277	*63%*	**4,942**	*65%*
Discontinued operations	37	866	*47%*	3,437	*48%*
Total average number of employees		**6,143**	***61%***	**8,379**	***58%***

	2013		2012	
	Women	Men	Women	Men
For all group companies				
Board members	18%	82%	20%	80%
Other senior executives	33%	67%	30%	70%
Total proportion of board members and other senior executives	**25%**	**75%**	**24%**	**76%**

NOTE 34 PERSONNEL COSTS

		2013			2012		
	Note	Board of Directors and CEO	*of which bonus*	Other employees	Board of Directors and CEO	*of which bonus*	Other employees
Sweden		6	*1*	716	6	*1*	643
Netherlands		11	*2*	495	3	*2*	461
Norway		5	*1*	302	7	*2*	236
Kazakhstan		3	*1*	87	3	*1*	95
Croatia		4	*3*	41	3	*1*	38
Lithuania		3	*1*	30	2	*1*	25
Latvia		3	*1*	39	3	*1*	39
Estonia		1	–	45	2	–	44
Austria		3	*1*	150	3	*1*	170
Germany		3	*1*	44	3	*1*	38
Other		27	*7*	414	28	*7*	488
		69	***19***	**2,363**	**63**	***18***	**2,277**
Discontinued operations	37	5	*1*	179	15	*6*	593
Total salaries and remuneration		**74**	***20***	**2,542**	**78**	***24***	**2,870**

		2013			2012		
	Note	Salaries and remune-rations	Social security expenses	*of which pension expenses*	Salaries and remune-rations	Social security expenses	*of which pension expenses*
Board and President		69	20	*7*	63	20	*5*
Other employees		2,363	786	*203*	2,277	782	*192*
		2,432	**806**	***210***	**2,340**	**802**	***197***
Discontinued operations	37	184	50	–	608	153	–
Total		**2,616**	**856**	***210***	**2,948**	**955**	***197***

PENSIONS

	2013	2012
Defined-benefit plans, retirement pension	45	35
Defined-benefit plans, survivors' and disability pension	4	5
Defined-contribution plans	161	157
Total pension expenses	**210**	**197**

The defined benefit plans essentially relates to Sweden.

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

	2013	2012
Income statement		
Current service costs	–48	–33
Net interest cost	–2	–2
Curtailments/settlements	5	–
	–45	**–35**
Special employer's contribution	–2	–
Net cost recognized in the income statement	**–47**	**–35**

	Dec 31, 2013	Dec 31, 2012
Balance sheet		
Present value of funded obligations	–140	–260
Fair value of plan assets	194	142
Net	**54**	**–118**
Special employer's contribution	–9	–34
Net asset (+) / obligation (–) in balance sheet	**45**	**–152**
of which assets	*90*	*27*
of which liabilities	*–45*	*–179*

	2013	2012
Net asset (+) / obligation (–) at beginning of year	–152	–104
Net cost	–47	–35
Payments	41	36
Actuarial gains/losses in other comprehensive income	203	–49
Net asset (+) / obligation (–) in balance sheet at end of year	**45**	**–152**

Continued Note 34

From 2013, the defined benefit pension obligation in Sweden is calculated using a discount rate based on interest on mortgage bonds, which is higher than the interest on government bonds that was used before 2013. The Swedish covered mortgage bonds are considered high-quality bonds, the market is considered deep and the bonds are issued by large banks, thereby meeting IAS19 requirements. There are no outstanding commitments for retired and resigned employees no longer employed by Tele2, since their future pensions are limited by the return on paid fees. Consequently, these persons are not included in the reported pension liability.

	Dec 31, 2013	Dec 31, 2012
Important actuarial assumptions		
Discount rate	4.0%	1.8%
Annual salary increases	3.0%	3.0%
Annual pension increases	3.0%	2.0%
Average expected remaining years of employment	9 years	9 years

REMUNERATION FOR SENIOR EXECUTIVES

	2013						
	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
CEO and President, Mats Granryd	9.1	8.3	1.3	1.6	–	3.9	24.2
Other senior executives	27.6	29.0[1]	2.2	3.7	6.9[2]	8.9	78.3
Total salaries and remuneration to senior executives	**36.7**	**37.3**	**3.5**	**5.3**	**6.9**	**12.8**	**102.5**

[1] Variable remuneration include a transaction incentive of SEK 9.9 million paid to the former CEO of Tele2 Russia, related to the divestement of Tele2 Russia. For additional information please refer to the Administration Report (page 25).
[2] Remuneration during notice period.

The group Other senior executives comprises 10 (10) persons.

	2012						
	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
CEO and President, Mats Granryd,	8.7	5.0	3.3	0.2	–	2.2	19.4
Other senior executives	28.7	15.0	7.9	3.9	7.9[1]	4.3	67.7
Total salaries and remuneration to senior executives	**37.4**	**20.0**	**11.2**	**4.1**	**7.9**	**6.5**	**87.1**

[1] Remuneration during notice period.

During 2013 the senior executives received 272,000 (254,000) share rights in the 2013 incentive program and 127,886 (37,080) share rights in the 2011 and 2012 (2010 and 2011) incentive programs as compensation for dividend. The market value of the share rights at the time of issue was SEK 5.6 (4.3) million for the CEO and SEK 19.3 (14.7) million for other senior executives. No premium was paid for the share rights.

	LTI 2013		LTI 2012	
Number of share rights	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2013			56,000	174,000
Allocated	56,000	216,000		
Allocated, compensation for dividend	–	–	15,832	49,192
Forfeited	–	–24,000	–	–38,482
Total outstanding rights as of December 31, 2013	**56,000**	**192,000**	**71,832**	**184,710**

	LTI 2011		LTI 2010	
Number of share rights	CEO	Other senior executives	CEO	Other senior executives
Outstanding as of January 1, 2013	60,452	161,928	69,755	119,592
Allocated, compensation for dividend	17,092	45,770	–	–
Forfeited	–	–41,543	–	–
Exercised	–	–	–69,755	–119,592
Total outstanding rights as of December 31, 2013	**77,544**	**166,155**	**–**	**–**

Remuneration guidelines for senior executives 2013

The following guidelines for determining remuneration for senior executives in 2013 were approved by the Annual General Meeting in May 2013.

The objectives of Tele2's remuneration guidelines are to offer competitive remuneration packages to attract, motivate and retain key employees within the context of an international peer group. The aim is to create incentives for the management to execute strategic plans and deliver excellent operating results, and to align management's incentives with the interests of the shareholders. Senior executives covered by the guidelines include the CEO and members of the Leadership Team ("senior executives"). In May 2013 Tele2 had eleven senior executives.

Remuneration to the senior executives should comprise annual base salary, and variable short-term incentive (STI) and long-term incentive (LTI) programs. The STI shall be based on the performance in relation to established objectives. The objectives shall be related to the company's overall result and the senior executive's individual performance. The STI can amount to a maximum of 100 percent of the annual base salary.

Over time, it is the intention of the Board to increase the proportion of variable performance-based compensation as a component of the senior executives' total compensation.

The Board is continually considering the need of imposing restrictions in the STI program regarding making payments, or a proportion thereof, of such variable compensation conditional on whether the performance on which it was based has proved to be sustainable over time, and/or allowing the company to reclaim components of such variable compensation that have been paid on the basis of information which later proves to be manifestly misstated.

Other benefits may include e.g. company cars and for expatriated senior executives e.g. housing benefits for a limited period of time. The senior executives may also be offered health care insurances.

The senior executives are offered premium based pension plans. Pension premiums for the CEO can amount to a maximum of 25 percent of the annual salary (base salary and STI). For the other senior executives pension premiums can amount to a maximum of 20 percent of the annual salary(base salary and STI).

The maximum period of notice of termination of employment shall be 12 months in the event of termination by the CEO and six months in the event of termination by any of the other senior executives. In the event of termination by the company, the maximum notice period during which compensation is payable is 18 months for the CEO and 12 months for any of the other senior executives.

Under special circumstances, the Board may deviate from the above guidelines. In such case, the Board is obligated to give account of the reason for the deviation during the following Annual General Meeting. For additional information, please refer to the Administration report.

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board of Directors.

BOARD OF DIRECTORS

Total fees to the Board of Directors amount to SEK 5,829 (5,665) thousand following a decision by the Annual General Meeting in May 2013.

	Fees to the board		Fees to the board committees		Total fees	
SEK	2013	2012	2013	2012	2013	2012
Mike Parton	1,365,000	1,365,000	38,000	25,000	1,403,000	1,390,000
Lars Berg	525,000	525,000	100,000	100,000	625,000	625,000
Mia Brunell Livfors	525,000	525,000	38,000	25,000	563,000	550,000
Jere Calmes[1]	–	525,000	–	125,000	–	650,000
John Hepburn	525,000	525,000	75,000	50,000	600,000	575,000
Erik Mitteregger	525,000	525,000	100,000	100,000	625,000	625,000
John Shakeshaft	525,000	525,000	200,000	200,000	725,000	725,000
Carla Smits-Nusteling	525,000	–	138,000	–	663,000	–
Cristina Stenbeck	–	525,000	–	–	–	525,000
Mario Zanotti	525,000	–	100,000	–	625,000	–
Total fee to board members	**5,040,000**	**5,040,000**	**789,000**	**625,000**	**5,829,000**	**5,665,000**

[1] In addition, Jere Calmes received SEK 0 (169) thousand in remuneration for work in the Advisory Board for Tele2 Russia.

Continued Note 34

SHARE-BASED PAYMENTS

The objective of the long-term incentive programs (LTI) 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.

	Number of participants at grant date	Measure period	Dec 31, 2013	Dec 31, 2012
LTI 2013	204	Apr 1, 2013 – Mar 31, 2016	1,132,228	–
LTI 2012	304	Apr 1, 2012 – Mar 31, 2015	968,263	1,078,436
LTI 2011	283	Apr 1, 2011 – Mar 31, 2014	867,329	998,389
LTI 2010	142	Apr 1, 2010 – Mar 31, 2013	–	841,373
Total number of outstanding share rights			**2,967,820**	**2,918,198**

No share rights were exercisable at the end of the year.

Cost before tax for outstanding incentive programs and liability for social security costs is stated below.

	Actual costs before tax		Estimated cumulative cost		Liability for social security costs	
	2013	2012	2013	2012	Dec 31, 2013	Dec 31, 2012
LTI 2013	10	–	54	–	2	–
LTI 2012	5	13	42	61	5	4
LTI 2011	2	24	62	69	10	10
LTI 2010	6	29	75	76	–	20
LTI 2009	–	3	–	37	–	–
LTI 2007	–	–	–	59	–	–
Total	**23**	**69**	**233**	**302**	**17**	**34**

During the Extraordinary General Meeting held on May 13, 2013, 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.

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, 2013 – March 31, 2016 (the measure period), the participant maintaining employment within the Tele2 Group at the release of the interim report January – March 2016 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.

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 8 percent as entry level and at least 12.5 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 281,282 shares, of which 271,282 related to employees who invested in Tele2 shares and 10,000 related to employees in Kazakhstan who chose not to invest in Tele2 shares. In total this resulted in an allotment of 1,204,128 share rights, of which 275,024 Series A, 464,552 Series B and 464,552 Series C. The participants were divided into different categories and were granted the following number of share rights for the different categories:

			Share right per Series				
At grant date	No of participants	Maximum no of shares	A	B	C	Total	Total allotment
CEO	1	8,000	1	3	3	7	56,000
Other senior executives and other key employees	10	4,000	1	2.5	2.5	6	240,000
Category 1	42	2,000	1	1.5	1.5	4	330,000
Category 2	49	1,500	1	1.5	1.5	4	243,288
Category 2, no investment	2	1,500	0.375	0.5625	0.5625	1.5	4,500
Category 3	93	1,000	1	1.5	1.5	4	319,840
Category 3, no investment	7	1,000	0.375	0.5625	0.5625	1.5	10,500
Total	**204**						**1,204,128**

Total costs before tax for outstanding rights in the incentive program are expensed over the three-year vesting period.

The participant's maximum profit per share right in the Plan is limited to SEK 347, five times the average closing share price of the Tele2 Class B shares during February 2013 with deduction for the dividend paid in May 2013 and redemption paid in June 2013.

The estimated average fair value of the granted rights was SEK 56.30 on the grant date, June 4, 2013. 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	SEK 82.73	SEK 82.73	SEK 82.73
Expected life	2.88 years	2.88 years	2.88 years
Expected value reduction parameter market condition	70%	–	35%

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. In 2013, the Board of Directors did not make use of the authorization from the Extraordinary General Meeting.

Continued Note 34

	LTI 2013		LTI 2012	
Number of rights	2013	Cumulative	2013	Cumulative
Allocated at grant date	1,204,128	1,204,128		1,132,186
Outstanding as of January 1, 2013			1,078,436	
Allocated, compensation for dividend	–	–	239,191	239,191
Cancelled, Russia	–	–	–163,660	–163,660
Forfeited	–71,900	–71,900	–185,704	–239,454
Total outstanding rights as of December 31, 2013	**1,132,228**	**1,132,228**	**968,263**	**968,263**

	LTI 2011		LTI 2010	
Number of rights	2013	Cumulative	2013	Cumulative
Allocated at grant date		1,056,436		873,120
Outstanding as of January 1, 2013	998,389		841,373	
Allocated, compensation for dividend	216,760	294,579	–	190,679
Cancelled, Russia	–92,041	–92,041	–	–
Exercised, Russia	–44,156	–44,156	–	–
Forfeited	–211,623	–347,489	–4,984	–227,410
Exercised	–	–	–836,389	–836,389
Total outstanding rights as of December 31, 2013	**867,329**	**867,329**	**–**	**–**

Corresponding principles and conditions have been used for 2011 and 2012 year incentive program except for the measure period and levels for retention and performance based conditions.

		Retention and performance based conditions		
	Maximum profit/right	Series A TSR	Series B ROCE	Series C TSR peer group
LTI 2011	SEK 591	> 0%	20–24%	> 10%
LTI 2012	SEK 590	> 0%	19–23%	> 10%

The exercise of the share rights in LTI 2010 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2010 until March 31, 2013. The outcome of these decided performance conditions was in accordance with below and the outstanding share rights were exchanged for shares in Tele2 during 2013.

Series	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
A	Total Shareholder Return Tele2 (TSR)		≥ 0%	29.4%	100%
B	Average normalised Return on Capital Employed (ROCE)	15%	18%	21.3%	100%
C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	19.4%	100%

Weighted average share price for share rights at date of exercise amounted to SEK 109.23 during 2013.

NOTE 35 FEES TO THE APPOINTED AUDITOR

Total fees to the appointed auditor (Deloitte) during the year amounted to SEK 19 (24) million of which audit fees amounted to SEK 13 (19) million, audit-related fees amounted to SEK 1 (1) million and other consultation fees amounted to SEK 5 (4) million. There was no tax-related consultation fees. SEK 2 (7) million of the audit fees were related to discontinued operations.

Audit fees consisted of fees expensed for the annual audit of the statutory financial statements and statutory audits of subsidiaries.

Audit-related fees consisted of fees expensed for assurance and other services which were closely related to the audit of the company's financial statements or which are normally performed by the appointed auditor, and consultations concerning financial accounting and reporting standards. Examples are limited reviews of quarterly reports, comfort letters and opinions.

All other fees included fees expensed for all other consultations, such as costs of investigations and analyses in conjunction with corporate acquisitions (due diligence).

NOTE 36 CHANGED DEFINITIONS

In 2013, the definition of CAPEX was changed to exclude capitalized dismantling costs and the definition of ROCE (return on capital employed) was changed to include provisions for asset dismantling. Furthermore, the definition for ARPU (Average revenue per user) was changed to exclude joint venture revenues. The comparable periods are re-calculated.

NOTE 37 DISCONTINUED OPERATIONS

On March 27, 2013 Tele2 announced the sale of its Russian operations, Tele2 Russia Group, to VTB Group. The sale was completed on April 4, 2013 after approval by regulatory authorities. The transaction including costs for central support system for the Russian operation and other transaction costs resulted in a capital gain during 2013 of SEK 14.9 billion. In addition, the capital gain has been affected negatively with SEK –1.7 billion related to a reversal of exchange rate differences previously reported in other comprehensive income which was 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.

The Russian operation reported as discontinued operations is stated below.

Income statement

	2013	2012
Net sales	3,261	12,984
Cost of services sold	–1,724	–6,832
Gross profit	**1,537**	**6,152**
Selling expenses	–402	–1,643
Administrative expenses	–231	–833
Other operating income	13,244	14
Other operating expenses	–1	–12
EBIT	**14,147**	**3,678**
Interest income	1	1
Interest costs	–123	–464
Other financial items	21	–62
EBT	**14,046**	**3,153**
Income tax	–111	–865
NET PROFIT	**13,935**	**2,288**
Earnings per share, SEK	31.30	5.14
Earnings per share, after dilution, SEK	31.10	5.12

Cash flow statement

	2013	2012
OPERATING ACTIVITIES		
EBIT	14,147	3,678
Adjustments for non-cash items in operating profit	–12,962	1,051
Finance costs paid	–69	–376
Taxes paid	–177	–879
Cash flow from operations before changes in working capital	**939**	**3,474**
Changes in working capital	–216	238
CASH FLOW FROM OPERATING ACTIVITIES	**723**	**3,712**
INVESTING ACTIVITIES		
CAPEX	–316	–1,326
Cash flow after CAPEX	***407***	***2,386***
Sale of shares and participations	17,252	–
Cash flow from investing activities	**16,936**	**–1,326**
CASH FLOW AFTER INVESTING ACTIVITIES	**17,659**	**2,386**
FINANCING ACTIVITIES		
Change of loans, net	–1	2,810
Other financing activities	–93	–
Cash flow from financing activities	**–94**	**2,810**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**17,565**	**5,196**

Continued Note 37

Net assets at the time of divestment

	Russia
Goodwill	792
Intangible assets	1,510
Tangible assets	6,190
Financial assets	5
Deferred tax assets	720
Inventories	23
Current receivables	688
Cash and cash equivalents	212
Deferred tax liabilities	–346
Non–current interest–bearing liabilities	–6,302
Current interest–bearing liabilities	–1,474
Current non–interest–bearing liabilities	–1,683
Divested net assets	**335**
Capital gain/loss	14,954
Sales price, net sales costs	**15,289**
Sales costs etc, unpaid	9
Received payment for intercompany loans	2,166
Less: cash in divested operations	–212
TOTAL CASH FLOW EFFECT	**17,252**

Additional information

	Net sales		EBITDA		EBIT	
	2013	2012	2013	2012	2013	2012
Mobile	3,261	12,984	1,189	4,744	909	3,683
Other operations	–	–	–3	–24	–	–5
	3,261	**12,984**	**1,186**	**4,720**	**909**	**3,678**
Sale of operations					13,238	–
TOTAL	**3,261**	**12,984**	**1,186**	**4,720**	**14,147**	**3,678**

	2013	2012
EBITDA	**1,186**	**4,720**
Sale of operations	13,238	–
Depreciation/amortization and other impairment	–277	–1,042
EBIT	**14,147**	**3,678**

	Number of customers		Net intake	
In thousands	Dec 31, 2013	Dec 31, 2012	2013	2012
Mobile	–	22,716	166	2,080
Number of customers and net customer intake	**–**	**22,716**	**166**	**2,080**
Divested companies			–22,882	–
Number of customers and net change	**–**	**22,716**	**–22,716**	**2,080**

	2013	2012
CAPEX, mobile	–365	–1,590
This year's unpaid CAPEX and paid CAPEX from previous year	–	117
Received payment of sold non–current assets	49	147
Paid CAPEX	**–316**	**–1,326**

	2013	2012	2011	2010	2009
Net sales	3,261	12,984	11,463	10,142	7,540
Number of customers	22,882	22,716	20,636	18,438	14,451
EBITDA	1,186	4,720	4,452	3,560	2,467
EBIT	14,147	3,678	3,553	2,765	1,820
EBT	14,046	3,153	3,416	2,784	1,529
Net profit	13,935	2,288	2,695	2,348	1,290
CAPEX	365	1,590	2,010	1,495	2,236

NOTE 38 JOINT VENTURES AND OTHER RELATED PARTIES

Business relations and pricing between Tele2 and all related parties are based on commercial terms and conditions. During 2013, Tele2 engaged in transactions with the following related companies/persons.

SENIOR EXECUTIVES AND BOARD MEMBERS

Information of senior executives and Board members is presented in Note 34.

KINNEVIK GROUP

Kinnevik buys telecommunication services from Tele2. Tele2 rents premises from Kinnevik, buys internal audit services from Audit Value and strategic advisory service from G3 Good Governence Group. Tele2 also buys advertising from Metro.

ASSOCIATED COMPANIES

Information of associated companies i presented in Note 7 and Note 17.

JOINT VENTURES

Svenska UMTS–nät AB, Sweden

Tele2 is one of two turnkey contractors which plan, expand and operate the joint venture Svenska UMTS–nät AB's 3G network. Tele2 and Telia–Sonera each own 50 percent and both companies have contributed capital to the 3G company. In addition to this, the build–out has owner financing. Tele2 and TeliaSonera are technically MVNO's with the 3G company and hence act as capacity purchasers. The size of the fee is based on used capacity.

Net4Mobility HB, Sweden

Net4Mobility is an infrastructure joint venture between Tele2 Sweden and Telenor Sweden, where each party owns 50 percent. The company's mission is to build and operate the combined 2G and 4G network, which is the most extensive 4G network in Sweden. The new mobile network enable Tele2 and Telenor to offer their customers mobile services for data communications and voice. The build–out has owner financing. During the year frequencies and sites have been transferred from the owners to Net4Mobility. The transfer has not had any material effect to Tele2's financial statments.

Extracts from the income statements and balance sheets of joint ventures

	2013		2012	
	Sv UMTS–nät Sweden	Net4Mobility Sweden	Sv UMTS–nät Sweden	Net4Mobility Sweden
Income statement				
Net sales	1,422	838	1,345	467
Operating profit/loss	157	89	187	37
Profit/loss before tax	39	37	35	–8
Net profit/loss	30	37	–3	–8

	Dec 31, 2013		Dec 31, 2012	
	Sv UMTS–nät Sweden	Net4Mobility Sweden	Sv UMTS–nät Sweden	Net4Mobility Sweden
Balance sheet				
Intangible assets	–	2,679	–	2,365
Tangible assets	3,410	1,825	3,710	1,288
Deferred tax assets	136	–	144	–
Current assets	506	303	465	370
Total assets	**4,052**	**4,807**	**4,319**	**4,023**
Equity	516	2,115	485	1,568
Non–current liabilities	3,103	2,008	3,408	1,758
Current liabilities	433	684	426	697
Total equity and liabilities	**4,052**	**4,807**	**4,319**	**4,023**

Continued Note 38

TRANSACTIONS AND BALANCES

Transactions between Tele2 and joint ventures are below included to 100 percent. In the consolidated financial statements the joint ventures are however based on the proportional method (50 percent).

	Net sales		Operating expenses		Interest revenue	
	2013	2012	2013	2012	2013	2012
Kinnevik	1	4	–17	–22	–	–
Associated companies	7	5	–75	–11	–	–
Joint ventures	269	273	–1,057	–881	85	99
Total	**277**	**282**	**–1,149**	**–914**	**85**	**99**

	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Kinnevik	–	1	–	–	2	6
Associated companies	–	–	8	–	4	3
Joint ventures	284	378	2,571	2,582	300	266
Total	**284**	**379**	**2,579**	**2,582**	**306**	**275**

NOTE 39 CORPORATE RESPONSIBILITY RESULTS

The 2013 GRI G4 Indicators, presented below, are the ones assessed to be most relevant for Tele2's stakeholders. A complete GRI index is presented on Tele2's website. Reported facts and figures are based on the reporting from each reporting entity and each reported case have been verified in accordance with Tele2's procedures for internal controls.

Environmental regulations (G4-EN29)

Tele2 has not had any significant fines[1], non-monetary sanctions or cases brought through dispute resolution mechanisms during the year.

Corruption (G4-SO5)

Tele2 has had one reported case of corruption during the year, which was in Kazakhstan. This resulted in employees being dismissed and contracts with business partners were terminated or not renewed. There has not been any reported concluded public legal cases brought against Tele2 during the year. The Tele2 definition of corruption exclude pure telecom fraud cases. For additional information regarding the definition please refer to Tele2's website, CR section.

Anti-competitive behaviour, anti-trust, and monopoly practices (G4-SO7)

Number of reported legal actions for anti-competitive behaviour, anti-trust, and monopoly practices, pending or completed, in which Tele2 has been identified as a participant during the year is stated below.

Country	Number	Status of legal actions
Sweden	2	Closed, no remarks
Kazakhstan	3	Pending cases[2]
Croatia	1	Closed, in Tele2's favour
Estonia	1	Pending case concerning revenue sharing with service providers

Laws and regulations (G4-SO8)

Tele2 has not had any reported significant fines[1], sanctions for non-compliance with applicable laws and regulations during the year or cases brought through dispute resolutions.

Products and services health and safety impacts (G4-PR2)

Tele2 has not had any reported non-compliance incidents concerning the products' and services' health and safety impacts during their life cycle, resulting in fines, penalties, warnings or non-compliance with voluntary codes during the year.

Marketing communication, advertising and sponsorship (G4-PR7)

Number of reported incidents of non-compliance regarding marketing communication, advertising and sponsorship, resulting in fines, penalties, warnings or non-compliance with voluntary codes during the year are stated below.

Country	Fine or penalty	Warning	Non-compliance with voluntary codes	Comments
Norway	–	2	2	
Kazakhstan	1	–	–	Tele2 was penalized with SEK 107 thousand.
Estonia	–	–	3	
Germany	–	7	–	No fines. In five cases Tele2 had to pay the court costs and in two cases Tele2 had to share the cost with the counterparty. Total cost amounted to SEK 702 thousand.

Customer privacy and losses of customer data (G4-PR8)

Number of reported substantiated complaints during the year, regarding breaches of customer privacy and losses of customer data, from outside parties and substantiated by Tele2 or from regulatory bodies as well as identified leaks, thefts or losses of customer data is stated below.

Country	From outside parties and substantiated by Tele2	From regulatory bodies	Leaks, thefts, or losses of customer data	Comments
Sweden	4	–	2	
Netherlands	1	1	1	
Norway	1	1	1	
Croatia	–	–	4	Please see below
Lithuania	15	3	1	Please see below
Austria	10	1	–	Please see below

Tele2 Croatia had minor loss incidents due to human errors. For example, the Postal Service by mistake delivered the bill of a business customer to the wrong address.

Tele2 Lithuania, had one reported case from outside parties affecting several customers, of which 15 complained.

Tele2 Austria has received complaints since customers have been contacted without consent and because customer data has not been deleted fast enough in the system after the customer has left Tele2.

The use of products and services (G4-PR9)

Tele2 has not had any significant fines[1] during the year for non-compliance with laws and regulations concerning the use of products and services.

[1] Significant fines is defined as exceeding EUR 250 000 (equivalent to SEK 2.2 million).
[2] If we receive negative outcomes, Tele2 expects the fines to be insignificant.

Parent company's financial statement

The parent company's income statement

SEK million	Note	2013	2012
Net sales	2	47	49
Gross profit		**47**	**49**
Administrative expenses		–95	–135
Operating loss		**–48**	**–86**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Result from shares in group companies	3	9,900	–
Result from other securities and receivables classified as non-current assets	4	–	296
Other interest revenue and similar income	5	147	–
Interest expense and similar costs	6	–229	–390
Profit/loss after financial items		**9,770**	**–180**
Appropriations, group contribution		265	163
Tax on profit/loss for the year	7	–23	–5
NET PROFIT/LOSS		**10,012**	**–22**

The parent company's comprehensive income

SEK million	Note	2013	2012
Net profit/loss		**10,012**	**–22**
OTHER COMPREHENSIVE INCOME			
Components that may be reclassified to net profit			
Cash flow hedges	12	82	–37
Cash flow hedges, tax effect		–18	1
Total other comprehensive income for the year, net of tax		**64**	**–36**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,076**	**–58**

The parent company's balance sheet

SEK million	Note	Dec 31, 2013	Dec 31, 2012
ASSETS			
NON-CURRENT ASSETS			
Financial assets			
Shares in group companies	8	13,520	13,518
Receivables from group companies	9	–	18,698
Deferred tax assets	7	38	77
Other financial assets	10	28	22
TOTAL NON-CURRENT ASSETS		**13,586**	**32,315**
CURRENT ASSETS			
Current receivables			
Accounts receivables from group companies		19	11
Other receivables from group companies	9	11,909	224
Other current receivables		4	1
Prepaid expenses and accrued income		1	1
Total current receivables		**11,933**	**237**
Cash and cash equivalents	11	**–**	**2**
TOTAL CURRENT ASSETS		**11,933**	**239**
TOTAL ASSETS		**25,519**	**32,554**

SEK million	Note	Dec 31, 2013	Dec 31, 2012
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital		561	561
Restricted reserve		4,985	4,985
Total restricted equity		**5,546**	**5,546**
Unrestricted equity			
Reserves		–99	–163
Retained earnings		3,213	18,855
Net profit/loss		10,012	–22
Total unrestricted equity		**13,126**	**18,670**
TOTAL EQUITY		**18,672**	**24,216**
NON-CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	12	5,274	5,636
Pension and similar commitments		34	27
TOTAL NON-CURRENT LIABILITIES		**5,308**	**5,663**
CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	12	1,325	2,377
Other interest-bearing liabilities	12	127	209
Total interest-bearing liabilities		**1,452**	**2,586**
Non-interest-bearing			
Accounts payable	12	4	3
Other current liabilities	12	4	2
Other liabilities to group companies		–	–
Accrued expenses and deferred income	13	79	84
Total non-interest-bearing liabilities		**87**	**89**
TOTAL CURRENT LIABILITIES		**1,539**	**2,675**
TOTAL EQUITY AND LIABILITIES		**25,519**	**32,554**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets		None	None
Contingent liabilities	14	4,627	1,435

The parent company's cash flow statement

SEK million	2013	2012
OPERATING ACTIVITIES		
Operating loss	–48	–86
Adjustments for non-cash items in operating profit		
Incentive program	3	7
Interest received	1	1
Interest paid	–304	–230
Finance costs paid	–5	–6
Cash flow from operations before changes in working capital	**–353**	**–314**
Changes in working capital		
Operating assets	–2	–1
Operating liabilities	2	5
Changes in working capital	**–**	**4**
CASH FLOW FROM OPERATING ACTIVITIES	**–353**	**–310**
INVESTING ACTIVITIES		
Received dividend from group companies	9,900	–
Repayments from group companies	7,426	6,383
Cash flow from investing activities	**17,326**	**6,383**
CASH FLOW AFTER INVESTING ACTIVITIES	**16,973**	**6,073**
FINANCING ACTIVITIES		
Proceeds from credit institutions and similar liabilities	750	12,061
Repayment of loans from credit institutions and similar liabilities	–2,088	–12,360
Dividends	–3,163	–5,781
Redemption of shares	–12,474	–
Sale of own shares	–	6
Cash flow from financing activities	**–16,975**	**–6,074**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–2**	**–1**
Cash and cash equivalents at beginning of the year	2	3
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**–**	**2**

For additional cash flow information, please refer to Note 15.

Change in the parent company's equity

		Restricted equity		Unrestricted equity		
SEK million	Note	Share capital	Restricted reserve	Hedge reserve	Retained earnings	Total equity
Equity at January 1, 2012		561	16,985	–127	12,555	29,974
Changed accounting principle	1	–	–	–	39	39
Adjusted equity at January 1, 2012		**561**	**16,985**	**–127**	**12,594**	**30,013**
Net loss	1	–	–	–	–22	–22
Other comprehensive income for the year, net of tax		–	–	–36	–	–36
Total comprehensive income for the year		**–**	**–**	**–36**	**–22**	**–58**
OTHER CHANGES IN EQUITY						
Share-based payments	1	–	–	–	36	36
Sale of own shares		–	–	–	6	6
Reduction of restricted reserve		–	–12,000	–	12,000	–
Dividends		–	–	–	–5,781	–5,781
EQUITY AT DECEMBER 31, 2012		**561**	**4,985**	**–163**	**18,833**	**24,216**
Equity at January 1, 2013		561	4,985	–163	18,833	24,216
Net profit		–	–	–	10,012	10,012
Other comprehensive income for the year, net of tax		–	–	64	–	64
Total comprehensive income for the year		**–**	**–**	**64**	**10,012**	**10,076**
OTHER CHANGES IN EQUITY						
Share-based payments		–	–	–	15	15
Share-based payments, tax effect		–	–	–	2	2
Dividends		–	–	–	–3,163	–3,163
Redemption of shares		–280	–	–	–12,194	–12,474
Bonus issue		280	–	–	–280	–
EQUITY AT DECEMBER 31, 2013		**561**	**4,985**	**–99**	**13,225**	**18,672**

Notes to the parent company's financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act, the Swedish Financial Reporting Board recommendation RFR 2 Reporting for legal entities and statements from the Swedish Financial Reporting Board.

From January 1, 2013 the long-term incentive programs are also reported in the parent company's financial statements. The comparable periods are restated and the effects per December 31, 2012 amount to SEK –11 (–11) million on net profit for the year, SEK 64 (39) million on equity, SEK 8 (4) million on accrued expenses, SEK 11 (7) million on shares in group companies and SEK 61 (36) million on receivables from group companies.

The parent company follows the same accounting policies as the Group (see Group Note 1) with the following exceptions.

Business combination
At a business combination all expenses directly related to the acquisition are included in the acquisition value.

Financial assets and liabilities and other financial instruments
IFRS 7 Financial Instruments: Disclosures has not been applied to the parent company's financial statements, as its disclosures do not deviate materially from the Group's disclosures already presented.

Group contributions
Group contributions are reported as appropriations in the income statement.

OTHER INFORMATION
The annual report has been approved by the Board of Directors on March 13, 2014. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 12, 2014.

NOTE 2 NET SALES

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

NOTE 3 RESULT OF SHARES IN GROUP COMPANIES

	2013	2012
Dividend from subsidiary	9,900	–
Total result of shares in group companies	**9,900**	**–**

NOTE 4 RESULT FROM OTHER SECURITIES AND RECEIVABLES CLASSIFIED AS NON-CURRENT ASSETS

	2013	2012
Interest, Group	–	280
Exchange rate difference on receivables from group companies	–	16
Total result from other securities and receivables classified as non-current assets	**–**	**296**

For additional information regarding reclassification please refer to Note 9.

NOTE 5 OTHER INTEREST REVENUE AND SIMILAR INCOME

	2013	2012
Interest, Group	130	–
Interest, bank balances	1	–
Exchange rate difference on financial current assets	16	–
Total other interest revenue and similar income	**147**	**–**

For additional information regarding reclassification please refer to Note 9.

NOTE 6 INTEREST EXPENSE AND SIMILAR COSTS

	2013	2012
Interest, credit institutions and similar liabilities	–339	–388
Exchange rate difference on financial liabilities	118	6
Other finance expenses	–8	–8
Total interest expenses and similar costs	**–229**	**–390**

NOTE 7 TAXES

	2013	2012
Deferred tax income/expense	–23	–5
Total tax on profit/loss for the year	**–23**	**–5**

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

	2013		2012	
Profit before tax	10,035		–17	
Tax effect according to tax rate in Sweden	–2,208	–22.0%	4	–26.3%
Tax effect of				
Non-taxable dividend from group company	2,178	21.7%	–	–
Other non-taxable revenue	–	–	1	–5.9%
Non-deductible expenses	–	–	–4	23.5%
Deductible not recorded expenses	7	0.1%	–	–
Changed tax rate	–	–	–6	35.3%
Tax expense/income and effective tax rate	**–23**	**–0.2%**	**–5**	**29.4%**

Deferred tax asset of SEK 38 (77) million is attributable to liabilities of SEK 31 (46) million, pensions of SEK 7 (6) million and unutilized loss carry-forwards of SEK 0 (25) million.

NOTE 8 SHARES IN GROUP COMPANIES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2013	Dec 31, 2012
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	13,520	13,518
Total shares in group companies				**13,520**	**13,518**

A list of all subsidiaries, excluding dormant companies, is presented in Note 19.

	Dec 31, 2013	Dec 31, 2012
Acquisition value		
Acquisition value at January 1	13,518	13,514
Shareholders contribution	2	4
Total shares in group companies	**13,520**	**13,518**

NOTE 9 RECEIVABLES FROM GROUP COMPANIES

	Non-current receivables		Current receivables	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Acquisition value at January 1	18,698	20,300	224	4,536
Lending	–	11,943	10,866	188
Repayments	–	–18,017	–17,676	–
Reclassification	–18,698	4,500	18,698	–4,500
Other changes in cash pool	–	–28	–203	–
Total receivables from group companies	**–**	**18,698**	**11,909**	**224**

Current receivables from group companies relate to balances in the cash pool. During the year, all non-current intercompany receivables has been reclassified to current receivables, to better reflect its nature as cash pool accounts.

NOTE 10 OTHER FINANCIAL ASSETS

	Dec 31, 2013	Dec 31, 2012
Pension funds	28	22
Total other financial assets	**28**	**22**

NOTE 11 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

	Dec 31, 2013	Dec 31, 2012
Cash and cash equivalents	–	2
Unutilized overdraft facilities and credit lines	7,154	10,340
Total available liquidity	**7,154**	**10,342**

NOTE 12 FINANCIAL LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Liabilities to financial institutions and similar liabilities	6,599	8,013
Other interest-bearing liabilities	127	209
Total interest-bearing financial liabilities	**6,726**	**8,222**
Accounts payable	4	3
Other current liabilities	4	2
TOTAL FINANCIAL LIABILITIES	**6,734**	**8,227**

Continued Note 12

Financial liabilities fall due for payment according to below.

	Dec 31, 2013	Dec 31, 2012
Within 3 months	1,460	1,820
Within 3–12 months	–	771
Within 1–2 years	1,067	500
Within 2–3 years	–	1,098
Within 3–4 years	3,445	–57
Within 4–5 years	135	3,548
Within 5–10 years	627	547
Total financial liabilities	**6,734**	**8,227**

INTEREST-BEARING FINANCIAL LIABILITIES

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

Liabilities to financial institutions and similar liabilities

			Dec 31, 2013		Dec 31, 2012	
Liabilities *(collateral provided)*	Interest rate terms	Maturity date	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Syndicated loan facilities	variable interest rates	2018	–	–55	–	–57
Nordic Investment Bank (NIB)	variable interest rates	2017–2020	–	663	–	638
Bonds NOK	NIBOR +1.7%	2015	–	316	–	349
Bonds NOK	NIBOR +2.35%	2017	–	1,055	–	1,162
Bonds SEK	STIBOR +0.95%	2014	500	–	–	500
Bonds SEK	STIBOR +1.1%	2015	–	750	–	750
Bonds SEK	STIBOR +2.85%	2017	–	1,497	–	1,496
Bonds SEK	fixed: 4.875%	2017	–	798	–	798
Bonds SEK	STIBOR +2.45%	2020	–	250	–	–
Bonds SEK	variable interest rates	2020	500	–	–	–
Total Bonds			**1,000**	**4,666**	**–**	**5,055**
Commercial paper	fixed: 1.908%–1.914%	2014	325	–	2,377	–
			1,325	**5,274**	**2,377**	**5,636**
Total liabilities to financial institutions and similar liabilities				**6,599**		**8,013**

For additional information please refer to Group Note 25.

Other interest-bearing liabilities

	Current liabilities	
	Dec 31, 2013	Dec 31, 2012
Derivatives	127	209
Total other interest-bearing liabilities	**127**	**209**

Derivatives consisted of interest swaps, valued at fair value. For additional information please refer to Group Note 2.

OTHER CURRENT LIABILITIES

	Dec 31, 2013	Dec 31, 2012
VAT liability	3	1
Other taxes	1	1
Total current liabilities	**4**	**2**

NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2013	Dec 31, 2012
Interest costs	49	57
Personnel-related expenses	27	25
External services expenses	3	2
Total accrued expenses and deferred income	**79**	**84**

NOTE 14 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

CONTINGENT LIABILITIES

	Dec 31, 2013	Dec 31, 2012
Guarantee related to group companies	4,627	1,435
Total contingent liabilities	**4,627**	**1,435**

OPERATING LEASES

The parent company's operating lease expenses amounted to SEK 1 (4) million during the year. Future lease expenses amount to SEK 1 (3) million and these are due for payment during the next year.

NOTE 15 SUPPLEMENTARY CASH FLOW INFORMATION

In 2013, the parent company had interest revenues from other group companies of SEK 132 (283) million and interest expenses to other group companies of SEK 2 (3) million which were capitalized on the loan amount.

NOTE 16 NUMBER OF EMPLOYEES

The average number of employees in the parent company is 6 (6), of whom 2 (2) are women.

NOTE 17 PERSONNEL COSTS

	2013			2012		
	Salaries and remune-rations	Social security expenses	*of which pension expenses*	Salaries and remune-rations	Social security expenses	*of which pension expenses*
Board and CEO	24	10	*4*	23	9	*2*
Other employees	22	11	*4*	23	14	*2*
Total salaries and remuneration	**46**	**21**	***8***	**46**	**23**	**4**

The parent company's pension expenses relate to defined-contribution plans. Salary and remuneration for the CEO are presented in Group Note 34.

NOTE 18 FEES TO THE APPOINTED AUDITOR

Audit fees to the appointed auditor are SEK 1 (1) million and audit-related fees are SEK 1 (1) million.

NOTE 19 LEGAL STRUCTURE

The table below lists all the subsidiaries, associated companies, joint ventures and other holdings that are not dormant companies or branches.

Company, reg. No., reg'd office	Note	Holding (capital/ votes)
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden		100%
Tele2 Treasury AB, 556606-7764, Stockholm, Sweden		100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden		100%
Triangelbolaget D4 AB, 556007-9799, Stockholm, Sweden	17	25%
Modern Holdings Inc, 133799783, Delaware, US	18	11.88%
e-Village Nordic AB, 556050-1644, Stockholm, Sweden		100%
Radio National Luleå AB, 556475-0411, Stockholm, Sweden	18	5.5%
GH Giga Hertz HB as well as 15 other partnerships with licenses	17	33.3%
Tele2 Broadband AB, 556943-4680, Stockholm, Sweden		100%
Tele2Butikerna AB, 556284-7565, Stockholm, Sweden		100%
Spring Mobil AB, 556609-0238, Stockholm, Sweden		100%
4T Sverige AB, 556857-8495, Stockholm, Sweden	17	25%
Svenska UMTS-nät Holding AB, 556606-7988, Stockholm, Sweden		100%
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	17	50%
Interloop AB, 556450-2606, Stockholm, Sweden		100%
Net4Mobility HB, 969739-0293, Stockholm, Sweden	17	50%
Procure IT Right AB, 556600-9436, Stockholm, Sweden		100%
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	17	20%
Datametrix AB, 556580-2682, Stockholm, Sweden		100%
Tele2 Netherlands Holding NV, 33272606, Amsterdam, Netherlands		100%
Tele2 Nederlands BV, 33303418, Amsterdam, Netherlands		100%
Tele2 Norge AS, 974534703, Oslo, Norway		100%
Mobile Norway AS, 888 137 122, Oslo, Norway		50%
Tele2 Butikkene AS, 998 894 468, Oslo, Norway		100%
MPayment AS, 999 504 655, Oslo, Norway	17	33.3%
Network Norway AS, 983714463, Oslo, Norway		100%
Mobile Norway AS, 888 137 122, Oslo, Norway		50%
Officer AS, 992 898 089, Oslo, Norway		100%
Mobile Telecom Service LLP, 66497-1910-TOO, Almaty, Kazakhstan		51%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia		100%
Tele2 Holding Lithuania AS, 11920703, Tallinn, Estonia		100%
Tele2 Holding Lithuania AS Filialas, 302514793, Vilnius, Lithuania		100%
UAB Tele2, 111471645, Vilnius, Lithuania		100%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania		100%
Tele2 Holding SIA, 40003512063, Riga, Latvia		100%
SIA Tele2, 40003272854, Riga, Latvia		100%
SIA Tele2 Shared Service Center, 40003690571, Riga, Latvia		100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia		100%
Televõrgu AS, 10718810, Tallinn, Estonia		100%
Estonian Broadband Development Foundation, Estonia	17	12.5%
Tele2 Europe SA, R.C.B56944, Luxembourg		100%
Tele2 Austria Holding GmbH, FN178222t, Vienna, Austria		100%
Tele2 Telecommunication GmbH, FN138197g, Vienna, Austria		100%
Tele2 communication GmbH s.r.o., 35820616, Bratislava, Slovakia		100%
Adworx Internetservice GmbH, FN207118k, Vienna, Austria	17	47.4%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany		100%
Collecta Forderungsmanagement GmbH, HRB 67126, Düsseldorf, Germany		100%
Tele2 International Call GmbH, HRB64239, Düsseldorf, Germany		100%
Tele2 Beteiligungs GmbH, HRB64230, Düsseldorf, Germany		100%
T&Q Netz GmbH Co KB, HRA21263, Düsseldorf, Germany	17	50%
FonExperten GmbH, HRB71231, Düsseldorf, Germany		100%
IntelliNet Holding BV, 34126307, Amsterdam, Netherlands		100%
010033 Telecom GmbH, HRB 48344, Frankfurt, Germany		100%
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg		100%
SEC Finance SA, B104730, Luxembourg		100%
Tele2 Luxembourg AB, 556304-7025, Stockholm, Sweden		100%
Tele2 Finance Luxembourg SARL, RCB112873, Luxembourg		100%
Tele2 Financial Services (Belgium), 0882.856.089, Wemmel, Belgium		100%
Tele2 Finance Belgium CVBA, 0878159608, Brussels, Belgium		100%

The consolidated financial statements and Annual Report have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of International Financial Reporting Standards and generally accepted accounting principles, and give a fair overview of the parent company's and Group's financial position and results of operations.

The administration report for the group and parent company gives a fair overview of the Group's and parent company's operations, financial position and results of operations, and describes significant risks and uncertainties that the parent company and companies included in the Group face.

Stockholm March 13, 2014

Mike Parton
Chairman

Lars Berg

Mia Brunell Livfors

John Hepburn

Erik Mitteregger

John Shakeshaft

Carla Smitz-Nusteling

Mario Zanotti

Mats Granryd
President and CEO

Our auditors' report was submitted on March 13, 2014

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of Tele2 AB (publ), Corporate identity number 556410-8917

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Tele2 AB (publ) for the financial year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 8–66.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Tele2 AB (publ) for the financial year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm March 13, 2014

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Definitions

The figures shown in parentheses correspond to the comparable period last year

EBITDA
Operating profit/loss before depreciation/amortization and impairments, acquisition costs, one-off items and result from shares in associated companies

EBIT
Operating profit/loss including depreciation/amortization and impairments, acquisition costs, one-off items and result from shares in associated companies

EBT
Profit/loss after financial items

Cash flow from operating activities
Operating transactions affecting cash (cash flow) and change in working capital

Cash flow after CAPEX
Cash flow after paid net investments in CAPEX and paid dismantling costs, but before net investment in shares and other financial assets

Available liquidity
Cash and cash equivalents including undrawn borrowing facilities

Net debt
Interest-bearing liabilities less interest-bearing assets

CAPEX
Investments in intangible assets and property, plant and equipment excluding capitalized dismantling costs

Average number of employees
The average number of employees during the year, in which an acquired/sold company is reported in relation to the length of time the company has been a part of the Tele2 Group

Equity/assets ratio
Shareholders' equity in relation to total assets

Debt/equity ratio
Net debt in relation to shareholders' equity at the end of the period

Return on equity
Profit/loss after tax attributable to holders of the parent company in relation to average shareholders' equity attributable to holders of the parent company

ROCE (return on capital employed)
The total of EBIT and financial revenues in relation to capital employed (average total assets reduced with non-interest bearing liabilities and provision for asset dismantling)

Average interest rate
Interest expense in relation to average interest-bearing liabilities

Earnings per share
Profit/loss for the period attributable to the parent company shareholders in relation to the weighted average number of shares outstanding during the fiscal year

Equity per share
Equity attributable to parent company shareholders in relation to the weighted average number of shares outstanding during the fiscal year

ARPU (average revenue per user)
Average monthly service revenue (end user service revenue and operator revenue) for each customer excluding machine-to-machine revenue

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Tele2 is one of Europe's fastest growing telecom operators, always providing customers with what they need for less. We have 15 million customers in 10 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 30 billion and reported an operating profit (EBITDA) of SEK 6 billion.

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