

Interim Report January – June 2011

Q2 2011 Highlights

■ Net sales growth for the group amounted to 6 percent excluding exchange rate differences

Net sales amounted to SEK 9,998 (10,539) million corresponding to a growth excluding exchange rate difference and one-off items of 6 percent in the quarter. EBITDA in Q2 2011 amounted to SEK 2,711 (2,687) million, equivalent to an EBITDA margin of 27 (27) percent. EBITDA growth excluding exchange rate differences was 7 percent.

■ Record EBITDA contribution in market area Russia

In Q2 2011, Tele2 Russia added 720,000 (1,113,000) customers leading to a total customer base of 19.7 million. EBITDA amounted to a record SEK 1,115 (944) million, equivalent to an EBITDA margin of 39 (36) percent.

■ Robust mobile revenue growth in market area Nordic

Mobile revenue in Sweden grew by 10 percent, as customer demand for smart-phones and data services remained strong during the quarter. Mobile customer intake in Norway was good, amounting to 8,000 (7,000).

■ Successful launch of Tele2's operations in Kazakhstan led to record customer intake

During the quarter, Tele2 in Kazakhstan launched commercial services in 5 out of 16 regions in the country. As a result, the customer intake jumped to 355,000 (-48,000) in the quarter.

■ Tele2 Netherlands finalized the integration of BBned

The integration of BBned will result in a more flexible organization, which will provide easy-to-use communication services to all segments.

■ Tele2 AB paid a total dividend of SEK 27 (5.85) per share

In May, Tele2 AB paid a total dividend of SEK 27 (5.85) per share comprised of an ordinary dividend of SEK 6.00 (3.85) per share and an extraordinary dividend of SEK 21.00 (2.00) per share.

SEK million	Q2			H1 2011		
	2011	2010	%	2011	2010	%
Net Sales	9,998	10,539	-5	19,571	20,066	-2
Net Sales excluding one-off items	9,998	9,951	-	19,571	19,478	-
Above excluding exchange rate differences	9,998	9,403	6	19,571	18,310	7
EBITDA	2,711	2,687	1	5,168	5,045	2
EBIT	1,719	2,294	-25	3,378	3,840	-12
EBIT excluding one-off items	1,776	1,767	1	3,336	3,316	1
Net Profit	1,108	1,649	-33	2,334	2,898	-19
Earnings per share, after dilution (SEK)	2.49	3.73	-33	5.24	6.55	-20

The figures presented in this report refer to Q2 2011 and continued operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2010.

Net sales Q2 2011
excl. one-off items

9,998
SEK million

EBITDA Q2 2011

2,711
SEK million

TELE2

Offering the Best Deal is our business

I am pleased to present the results of another record quarter for Tele2. We continue to deliver the Best Deal and meet its challenges in all our markets. Our financial performance is in line with our guidance and targets. In short, all our markets are doing well.

The group's net sales amounted to SEK 9,998 (10,539) million, corresponding to a growth less exchange rate movements and one-off items of 6 percent. EBITDA was SEK 2,711 (2,687) million with an EBITDA margin of 27 (27) percent.

During the quarter we continued to take initiatives for growth based on our core theme that we all are becoming more mobile: we require greater functionality, improved network coverage and excellent customer care.

We have continued to invest in improved network capabilities throughout our markets. High on our agenda is the enhancement of our service capability with renewed emphasis on customer care.

In Russia, I am particularly happy to note that the demand for our services continues to be very steady throughout our regions. We added 720,000 new customers. We also received 6 new GSM licenses in the Far East, making our Best Deal proposition available to an even larger number of consumers and businesses in the country. This shows that there is a good and solid market for well-functioning and robust telecommunications services and opportunity for an operator with a clear and proven value proposition. Our Russian operations have broken records in all areas, from sales to EBITDA contribution and margin, tracking near the upper end of our financial guidance. We delivered positive EBITDA for the first time in our new regions, as promised to the market.

We have worked intensively in Kazakhstan for the commercial launch in the country for one year and in the quarter we introduced the Tele2 brand in 5 major regions. Even though these are early days, excellent results have already been achieved and customer intake has increased dramatically. We are committed to launching all 16 regions by the end of the year.

In the Baltic countries, we have stretched ourselves in a proactive effort to streamline our organizations during the economic downturn, and have stronger management teams in place. Now that the Baltic economy has shown signs of stabilization, if not recovery, we are confident that we will continue to enjoy improved bottom-line results in these countries.

Market share remains important in Sweden; it is also crucial that we evolve with our customers and foster long-term relationships with them. We have been increasingly successful in building confidence with our customers to switch from prepaid to postpaid by means of more accessible handsets combined with good prices and packaging. We must continue to fulfill the ever increasing demand for smartphones and data services.

In Norway, we achieved better results than forecast despite lowered interconnect levels in the first half of the year.

Our Western European market area has performed steadily and reliably. We are taking the restructuring costs of our Dutch operations in this quarter to reap the benefits of a fully integrated BBnet and to improve scale benefits in the near future. Opportunities will be emerging in the Dutch market through upcoming spectrum auctions. Tele2 will evaluate the possibility of acquiring new frequencies.

To meet all challenges at hand, and continue to offer the Best Deal, we will have to maintain a strong business momentum and behave as a fast-moving challenger. We have given priority to improving cost efficiency to ensure that we maintain one of our critical differentiators as the leanest operator in our footprint. It is with confidence that I look forward to the second half of 2011. I am proud of this result and of our achievements in the quarter, but more work needs to be done before I am satisfied.

Mats Granryd
President and CEO, Tele2 AB

“Our financial performance is in line with our guidance and targets. In short, all our markets are doing well.”

Financial Overview

Tele2's financial performance is driven by its relentless focus on developing mobile services on its own infrastructure, complemented in certain countries by fixed broadband services and business-to-business offerings. Mobile sales, which grew compared to the same period last year, and greater efforts to develop mobile services on own infrastructure have further improved Tele2's EBITDA contribution. The group will concentrate on maximizing the return from fixed-line operations, as their customer base continues to decline.

Net customer intake amounted to 1,052,000 (1,096,000) in Q2 2011. The customer intake in mobile services amounted to 1,220,000 (1,208,000), of which 18,000 (38,000) were mobile broadband users. This trend was mainly driven by a robust performance in Tele2 Russia and Tele2 Kazakhstan, whose customer bases grew by 720,000 (1,113,000) and 355,000 (-48,000) customers, respectively. Fixed broadband customer base lost -15,000 (-2,000) customers in Q2 2011, primarily attributable to Tele2's operations in Netherlands and in Sweden. As expected, the number of fixed telephony customers fell in Q2 2011. On June 30, 2011 the total customer base amounted to 32,290,000 (28,751,000) thanks to a continued success in mobile services.

Net sales in Q2 2011 amounted to SEK 9,998 (10,539) million corresponding to a growth excluding exchange rate differences and one-off items of 6 percent. The revenue development was mainly a result of sustained success in mobile services, offset to some extent by negative sales development in fixed telephony services.

EBITDA in Q2 2011 amounted to SEK 2,711 (2,687) million, equivalent to an EBITDA margin of 27 (27) percent. EBITDA growth excluding exchange rate differences amounted to 7 percent. The EBITDA development was negatively affected by restructuring costs of SEK 48 million in Tele2 Netherlands related to the integration of BBned.

EBIT in Q2 2011 amounted to SEK 1,776 (1,767) million excluding one-off items¹⁾. Including one-off items, EBIT amounted to SEK 1,719 (2,294) million.

Profit before tax in Q2 2011 amounted to SEK 1,505 (2,070) million.

Net profit in Q2 2011 amounted to SEK 1,108 (1,649) million.

Reported tax for Q2 2011 amounted to SEK -397 (-421) million. Tax payment affecting cash flow amounted to SEK -325 (-195) million.

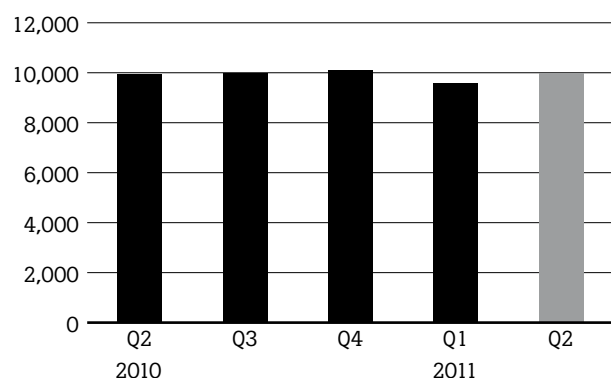
Cash flow after CAPEX in Q2 2011 amounted to SEK 943 (2,013) million.

CAPEX in Q2 2011 amounted to SEK 1,462 (793) million.

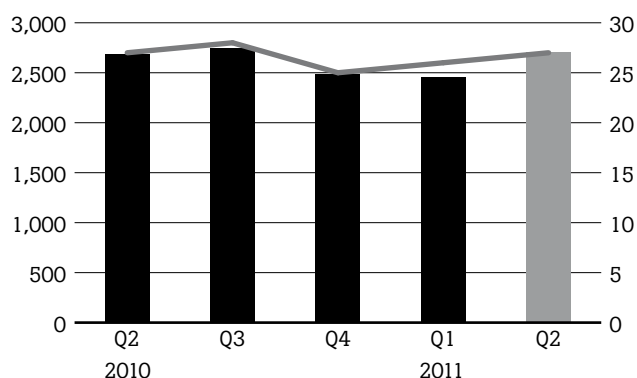
Net debt amounted to SEK 11,648 (4,229) million on June 30, 2011, or 1.12 times 12-month rolling EBITDA. Including guarantees to joint ventures, the net debt to 12-month rolling EBITDA amounted to 1.31 times. Tele2's available liquidity amounted to SEK 10,205 (12,472) million.

In the quarter, Tele2 Russia issued a 13 billion ruble bond issue (with 3 tranches). The bonds will have a final maturity of 10 years and a put option providing for an effective tenor of 5 years. The coupon rate for the 5-year period was set at 8.40 percent per annum with semi-annual coupon payments. The reported value of the bond amounted to SEK 2.9 billion at June 30 2011. The other borrowings in Q2 consist of existing credit facilities.

Net sales excl. one-off items
MSEK



EBITDA/EBITDA margin
MSEK/Percent



¹⁾ See section EBIT on page 20

FINANCIAL GUIDANCE

Tele2's objective is to maintain a healthy balance between growth regions and more mature markets and to be established in Europe and Eurasia. The group will secure licences through strong local connections within the business and political communities in all its markets. Tele2's core markets are characterized by:

- An established Best Deal position.
- The capability to reach a top 2 position, in terms of customer market share, in an individual country or region.
- A mobile operation based on own infrastructure should return at least 35 percent EBITDA margin.
- All operations in the group should return at least 20 percent return on capital employed (ROCE).

Tele2 Group forward looking statement

The following assumptions should be taken into account when estimating 2011 results for the group:

- Tele2 forecasts a corporate tax rate in the range of 26–27 percent excluding one-off items. The tax payment will affect cash flow by approximately SEK 1,000 million.
- Tele2 forecasts a capex level that will not exceed SEK 5,500 million, excluding licence payments.

Tele2 Sweden forward looking statement

The following assumptions should be taken into account when estimating results for the Swedish mobile operations in 2011:

- Tele2 expects mobile service revenue to grow with mid single digits (earlier high single digits for mobile revenue).
- Tele2 expects a similar EBITDA contribution in 2011 as in 2010 due to instalments and start up costs related to joint venture Net4Mobility.

Tele2 Norway forward looking statement

The following assumptions should be taken into account when estimating results for the Norwegian mobile operations in 2011:

- Tele2 expects an EBITDA contribution of SEK –100 million due to lower interconnect tariffs and start up costs related to joint venture Mobile Norway.

Tele2 Russia forward looking statement

Tele2 has GSM licences in 43 regions in Russia covering approximately 62 million inhabitants. The following assumptions should be taken into account when estimating the operational performance of the total operations in Russia in 2011:

- Tele2 expects the subscriber base to reach 21 million (earlier 20–21 million) by year-end 2011.
- Tele2 expects ARPU to remain stable in local currency.
- Tele2 expects Russia's total EBITDA margin to evolve in the range of 38–40 (earlier 36–39) percent.
- Tele2 expects capex in Russia to be approximately SEK 2,000 million by year-end 2011.

Tele2 Kazakhstan forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the total operations in Kazakhstan in 2011:

- Tele2 expects an EBITDA contribution in 2011 of approximately SEK –500 million.
- Tele2 expects capex in Kazakhstan to be in the range of SEK 1,200–1,400 million by year-end 2011.
- Tele2 forecasts its operations in Kazakhstan to be able to reach break-even within two years from the commercial launch, which took place in Q2 2011.

Tele2 Croatia forward looking statement

The following assumptions should be taken into account when estimating the Croatian mobile operations in 2011:

- Tele2 expects Croatia to reach free cash flow break-even by 2H 2011.

Shareholder remuneration

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

Balance sheet

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

SIGNIFICANT EVENTS IN THE QUARTER

- Joachim Horn was appointed Chief Technology and Information Officer at Tele2 AB.
- Tele2 Russia was awarded 6 new GSM licenses.
- Tele2 AB paid a total dividend of SEK 27 (5.85) per share, comprised of an ordinary dividend of SEK 6.00 (3.85) per share and an extraordinary dividend of SEK 21.00 (2.00) per share.
- OJSC Saint-Petersburg Telecom (Issuer), a subsidiary of Tele2 Russia Holding AB, announced the pricing of a 13 billion rouble bond issue.
- Tele2 Kazakhstan acquired additional frequencies in the 2100 MHz band for SEK 218 million.

Significant subsequent events

- Thomas Ekman was appointed new Market Area Director Nordic and CEO of Tele2 Sweden.
- Tele2 Norway extended its national roaming agreement with Netcom ASA until 1 January, 2014.

SEK million	Q2 2011	Q2 2010	H1 2011	H1 2010	FY 2010
Mobile¹⁾					
Net customer intake (thousands)	1,220	1,208	1,742	2,180	4,443
Net sales	7,123	6,829	13,781	13,012	26,985
EBITDA	2,027	1,993	3,847	3,682	7,532
EBIT	1,441	1,442	2,698	2,702	5,451
CAPEX	1,131	453	1,687	700	2,223
Fixed broadband¹⁾					
Net customer intake (thousands)	-15	-2	-19	7	32
Net sales	1,517	1,490	3,027	3,053	6,120
EBITDA	361	286	693	564	1,131
EBIT	120	29	227	41	99
CAPEX	162	168	325	322	722
Fixed telephony¹⁾					
Net customer intake (thousands)	-153	-110	-272	-280	-543
Net sales	937	1,208	1,911	2,522	4,741
EBITDA	279	353	544	725	1,400
EBIT	233	300	453	619	1,196
CAPEX	13	22	30	47	94
Total					
Net customer intake (thousands)	1,052	1,096	1,451	1,907	3,932
Net sales ²⁾	9,998	10,539	19,571	20,066	40,164
EBITDA	2,711	2,687	5,168	5,045	10,284
EBIT ³⁾	1,719	2,294	3,378	3,840	7,088
CAPEX	1,462	793	2,401	1,375	3,651
EBT	1,505	2,070	3,102	3,658	6,735
Net profit	1,108	1,649	2,334	2,898	6,481
Cash flow from operating activities	2,204	2,922	4,258	5,213	9,610
Cash flow after CAPEX	943	2,013	2,064	3,696	6,007

¹⁾ Less one-off items (see sections Net sales and EBIT on pages 16 and 20)

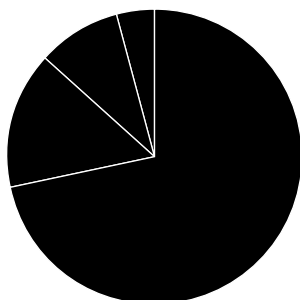
²⁾ Including one-off items (see Note 1)

³⁾ Total EBIT includes result from sale of operations, impairment and other one-off items stated under the segment reporting section of EBIT (page 20)

Net sales per product area

Percent

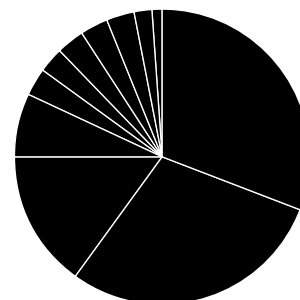
Mobile	71%
Fixed broadband	15%
Fixed telephony	9%
Other	4%



Net sales per country

Percent

Sweden	31%
Russia	29%
Netherlands	15%
Norway	7%
Lithuania	3%
Latvia	3%
Croatia	3%
Germany	3%
Austria	3%
Estonia	2%
Kazakhstan	0%
Other	1%



Overview by region

REPORT FOR EXTERNAL SALES LESS EXCHANGE RATE FLUCTUATIONS

External sales Total

	2011 Q2	2010 Q2*	Growth	2011 H1	2010 H1*	Growth
Sweden	3,108	2,954	5%	6,131	5,734	7%
Norway	676	731	-8%	1,335	1,443	-7%
Russia	2,862	2,330	23%	5,460	4,371	25%
Estonia	209	216	-3%	398	411	-3%
Lithuania	303	311	-3%	585	598	-2%
Latvia	273	293	-7%	533	594	-10%
Croatia	323	302	7%	600	561	7%
Kazakhstan	41	37	11%	70	37	N/A
Netherlands	1,462	1,312	11%	2,938	2,653	11%
Germany	268	355	-25%	559	740	-24%
Austria	344	379	-9%	688	759	-9%
Other	129	183	-30%	274	409	-33%
	9,998	9,403	6%	19,571	18,310	7%
FX effects		594	-11%		1,214	-9%
One off items	-	542		-	542	
Total	9,998	10,539	-5%	19,571	20,066	-2%

* Adjusted for fluctuations in exchange rates including acquisitions

NORDIC

The Nordic market area delivers strong cash flow to the Tele2 group and is the test bed for new services.

Sweden

Mobile Tele2 Sweden's net sales in the quarter increased by 10 percent to SEK 2,308 (2,095) million. The underlying service revenue growth was 5 percent. The total mobile net intake was 39,000 (74,000) and the growth of customers in the mobile postpaid segment was 32,000 (42,000), driven primarily by smartphones sales.

Tele2 Sweden added 11,000 (23,000) mobile broadband customers during the quarter and reached a total mobile broadband customer base of 380,000 (322,000). Mobile broadband ARPU amounted to 129 (129) SEK.

The mobile EBITDA margin reached 32 (34) percent in the quarter. The margin was affected by higher costs from SUNAB and Net4Mobility, amounting to SEK -160 (-123) million. Tele2 Sweden maintained its market-leading position in the prepaid mobile voice segment, despite a strong price pressure in the market; the EBITDA margin was 45 (47) percent.

MoU for the mobile operations in Sweden increased to 253 (248) and a blended ARPU of SEK 184 (191) was reported in the quarter. MoU in the postpaid segment were 302 (290) and ARPU decreased to SEK 235 (248).

Tele2 Sweden continued the roll-out of the combined 2G and 4G networks in the joint venture Net4Mobility. 6 more cities were added to the list of what will become the network with the best network coverage in Sweden.

During Q2 2011, the National Regulatory Authority (NRA) presented a proposal of final regulation regarding mobile termination rates that Swedish Mobile Network Operators (MNOs) will have to charge during the period 1 July, 2011 – 1 July, 2013. As anticipated,

REPORT FOR EBITDA LESS EXCHANGE RATE FLUCTUATIONS

EBITDA Total

	2011 Q2	2010 Q2*	Growth	2011 H1	2010 H1*	Growth
Sweden	892	829	8%	1,657	1,619	2%
Norway	24	70	-66%	51	123	-59%
Russia	1,115	847	32%	2,057	1,508	36%
Estonia	57	57	0%	108	107	1%
Lithuania	92	112	-18%	205	213	-4%
Latvia	103	95	8%	188	193	-3%
Croatia	10	2	400%	11	-34	N/A
Kazakhstan	-119	-38	N/A	-190	-38	N/A
Netherlands	424	437	-3%	840	824	2%
Germany	78	69	13%	162	146	11%
Austria	72	62	16%	153	138	11%
Other	-37	-9	N/A	-74	-59	25%
	2,711	2,533	7%	5,168	4,740	9%
FX effects		154	-6%		305	-7%
One off items	-	-		-	-	
Total	2,711	2,687	1%	5,168	5,045	2%

the regulation implies a cut of today's level of SEK 0.26/minute down to SEK 0.21/min as from 1 July, 2011.

In the Business segment, the continued focus on integrated services led to the acquisition of a number of customers for whom the product Communication as a service is particularly important. The customer base continued to grow as the domestic economy strengthened.

Fixed Broadband Tele2 Sweden experienced a growth in profitability during the quarter, mainly driven by higher revenue per customer and reduced cost in the TV segment. The EBITDA margin was 11 (0) percent.

Fixed Telephony Tele2 Sweden increased the EBITDA margin to 26 (23) percent during the second quarter, despite a continued decrease in demand for fixed telephony.

Norway

Mobile In Q2 2011, Tele2 Norway reported net sales of SEK 593 (672) million. The development was negatively impacted by a lower termination price.

Tele2 Norway reached an EBITDA contribution of SEK 6 (51) million in Q2 2011. Change in termination price, increased price competition and rising costs towards Mobile Norway led to lower margins. During the quarter, Mobile Norway, Tele2 Norway's joint venture with Network Norway, invoiced Tele2 Norway SEK -24 (-12) million for unused capacity.

EBIT amounted to SEK 2 (42) million and was positively impacted by Tele2 Norway's share of the result from the joint venture in Mobile Norway with SEK 3 (-3) million in Q2 2011.

According to a resolution by The Ministry of Transport in May 2011, mobile termination price per minute for Tele2 Norway was deregulated from 0.90 NOK to 0.65 NOK as from January 1, 2011. In Q1 2011, a termination price of 0.70 NOK had been used as a basis

for revenue recognition and budgeting. Hence, an adjustment of SEK –10 million was made to Q2 2011 revenue and EBITDA.

Tough price competition in the residential market persisted during the quarter and sales campaigns focused on low-price subscriptions, negatively impacting profitability. Tele2 Norway added 8,000 (7,000) mobile customers in Q2 2011. In the quarter, Tele2 Norway signed an agreement with Apple to start selling iPhones as from late June, which is expected to give sales momentum. The business segment continued to develop positively during the quarter.

Fixed Telephony Tele2 Norway demonstrated satisfying revenue and profitability development during the quarter and had an EBITDA contribution of SEK 18 (17) million.

RUSSIA

The Russian operation is Tele2's most significant growth engine. The company has GSM licences in 43 regions after having been awarded licences in additional 6 regions in the Far East during the quarter. Today, Tele2 Russia covers approximately 62 million inhabitants with own licenses. Tele2 Russia's strategy is to have a balanced approach to rolling out new regions, while maintaining a stable profitability in the more mature regions.

Mobile The overall operational development in the quarter has been above Tele2's expectations, and Tele2 Russia continued to deliver solid financial performance. The EBITDA margin development was robust, driven by improving operational trends in the more mature regions and scale benefits in the new regions. EBITDA amounted to SEK 1,115 (944) million, equivalent to a margin of 39 (36) percent. The investment level is expected to increase in 2011.

The regions formerly known as "new regions" broke even on EBITDA for the first time during Q2 2011, as expected. The total customer base grew by 720,000 (1,113,000). Over the last 12 months, Tele2 Russia's customer base has grown by 3.2 million new users, proving that there is a continued solid demand for the group's services despite lower customer activity in the market and competitors' introduction of 3G services.

The total customer base amounted to 19,705,000 (16,513,000) at the end of Q2 2011. The turnover of the total customer base was stable during the quarter. The competitive pressure remained high. Tele2 Russia will maintain its effort to be best in class in customer retention and continue to work with a commission structure to the retail channels in order to further enhance the quality of the customer intake.

Despite an impact from customer base growth in new regions with lower initial service usage, and generally high competitive pressure throughout Tele2 Russia's footprint, MoU for the total operations increased by 5 percent compared to the year-earlier period, amounting to 243 (232). ARPU was SEK 49 (54) or RUB 220 (217).

Tele2 Russia will keep looking for possibilities to carefully expand its operations through new licences as well as by complementary acquisitions.

CENTRAL EUROPE AND EURASIA

Tele2's Baltic operations will remain focused on generating a strong cash flow contribution as the economies in the region stabilize. Tele2 Croatia's operation is a strong challenger, as it offers the Best Deal in both mobile telephony and mobile broadband. Tele2 Kazakhstan's operation is the latest growth opportunity for the group.

Estonia

Mobile In the wake of economic recovery, customer demand for mobile services continued to grow, generating a strong customer intake in all market segments. Revenue figures followed a similarly positive trend throughout the quarter, as the continuing roll out plan of the 3G network contributed to increasing sales and enabled Tele2 to make voice to data transactions.

In spite of a demanding and challenging context, Tele2 Estonia managed to maintain a solid price position and stable market share, while improving quality perception in the market. The mobile number portability deficit was covered as a result of these activities.

However, the mobile broadband ARPU stayed at a very low level due to a very competitive environment. But during the quarter there were signs of a general abandoning of "all you can eat" offers and putting data limits on customers.

Lithuania

Mobile The Lithuanian economy stabilized further and continued to grow slowly during Q2 2011. Tele2 Lithuania kept demonstrating solid customer intake during the quarter, while profitability was impacted by the increased number of contract prolongations. Thanks to successful sales and marketing activities, prepaid and postpaid intake improved compared to Q1 2011.

Mobile broadband sales showed better results than expected, totaling 3,000 (0) new customers during Q2 2011. However, compared to the same period last year, revenue was impacted negatively by lower interconnect rates and a weak currency development.

In Q2 2011, EBITDA amounted to SEK 92 (118) million. The decrease was mainly due to the increased number of contract prolongations.

Capex was slightly lower because of a slower delivery of equipment related to planned network expansion.

Tele2 Lithuania will keep focusing on growing its market share in the business segment, benefiting from general price sensitivity among private companies and state-owned organizations. Furthermore, Tele2 will continue to capitalize on the mobile broadband sales growth momentum.

Latvia

Mobile Similarly to earlier quarters, the mobile market in Q2 2011 was marked by a high level of competition across all customer segments. During the quarter, Tele2 Latvia delivered strong financial and operational performance, leading to a healthy EBITDA margin and an increase in the customer base.

Tele2 Latvia continued to work on price leadership, customer satisfaction and service quality. More specifically, focus was on strengthening sales and customer care performance, while further developing infrastructure in terms of coverage, capacity, and data capabilities. As result, Tele2 was nominated as customer service leader among the telecoms operators in Latvia.

Tele2 Latvia aims to uphold its Best Deal position in the market by maintaining its price leadership position and concentrating its efforts on gaining market share in the postpaid and business customer segments.

Croatia

Mobile Tele2 Croatia's EBITDA for Q2 2011 amounted to SEK 10 (3) million. The improved EBITDA contribution was driven by continued momentum in domestic revenue market share combined with improved margins, resulting from higher value customers and less dependence on National Roaming.

Tele2 achieved positive net customer growth due to continued strong market acquisition and retention activities. Q2 2011 also marked the launch of a new brand and Communications platform, a new retail store concept and a revitalized product portfolio with a focus on smartphones and data.

Kazakhstan

Mobile During Q2 2011, Tele2 started operating under its own brand in 5 regions of the Republic of Kazakhstan, including two cities of republic importance, Astana and Almaty. The total population of these territories exceeds 6 million, representing about 37 percent of the total population of Kazakhstan.

Although Kazakhstan is a country with the highest communication prices in the CIS and a low consumption of mobile services, Tele2 has contributed to stimulating the local market by means of low and transparent prices, complemented by good network quality and 3G services. In Q2 2011, the net intake amounted to more than 355,000 (-48,000) customers.

The prime goal is to launch the Tele2 brand in all regions in Kazakhstan by year-end, by building a network with good quality and wide coverage.

During Q2 2011, Tele2 in Kazakhstan acquired additional frequencies in the 2100 MHz band. The improved spectrum portfolio will allow Tele2 to increase its capacity and support the customer base growth, when needed. In the quarter, Tele2 also continued to work actively on negotiating even lower mobile termination rates for 2011 and 2012.

WESTERN EUROPE

Tele2's operations in Western Europe lead the group in business to business services and consumer fixed broadband.

Netherlands

During the quarter, Tele2 Netherlands showed a solid operational result. Despite pressure on revenues and a provision related to the integration of BBned and Tele2 Netherlands, the EBITDA remained at a stable level compared to Q1 2011, mainly due to further cost reductions. Revenues were to a great extent influenced by lower usage of voice, which is a trend visible in all segments and in the whole Dutch market.

In Q2 2011, Tele2 Netherlands acquired Connect Data Solutions (CDS). CDS will further strengthen Tele2's position on the Dutch fixed line market and help to improve Tele2's distribution capabilities in the SME market.

Tele2 Netherlands finalized the integration of BBned during the quarter, generating a one-time redundancy expense (including a provision for the termination of the lease agreement of the offices in Hoofddorp) of SEK 48 million affecting EBITDA. This integration results in a more flexible organization, which can provide easy to use communication services to all segments.

Mobile During Q2 2011, Tele2 Netherlands continued to focus on postpaid offerings with smartphones, taking advantage of the existing market demand. Although the overall postpaid base remained stable, the gross margin improved slightly.

Fixed Broadband The demand for Tele2's triple play offering, including TV, continued to outweigh the demand for dual-play offerings. Although the total fixed broadband base declined, the ARPU of the broadband base increased, which enhanced the financial contribution in terms of EBITDA compared to the year-earlier period.

Tele2 Netherlands was able to sustain its customer base by strengthening its Best Deal position through improved services and quality. However, the competitive environment in the business segment is fierce. Due to this related price pressure for new and prolonged contracts, the business revenue went down.

Fixed Telephony The fixed telephony market continued declining in favour of bundled broadband offerings. Tele2 Netherlands pursued its efforts to up- and cross-sell its own bundled offerings to its fixed (CPS) telephony customer base.

Germany

Fixed Broadband Tele2 Germany kept focusing on stabilizing the customer base by further improving its retention activities in the second quarter. Based on the wholesale agreement with QSC, further network cost optimization could also be realized. As a result, the broadband segment continued to improve its profitability and ended the second quarter with an EBITDA margin of 11 (-37) percent.

Fixed Telephony Due to continuous strong retention results in Q2 2011, Tele2 Germany maintains its leading position in the CPS segment. The CPS market share has stayed above 40 percent and delivered strong positive cash flows during the quarter. Although the Call-by-Call market remained in a declining state, the competition is still strong. Tele2 Germany continued to benefit from the high brand awareness of its "01013" prefix, which has led to a solid profit contribution in the fixed segment. The EBITDA margin in the second quarter was 39 (36) percent.

Austria

During Q2 2011, Tele2 Austria continued to focus on growing the business segment and as a consequence several major customer contracts were successfully closed. In parallel to the strong sales activity, profitability continued to improve compared to the same period last year. Likewise, the EBITDA margin grew to 21 (16) percent in the quarter. The continued healthy financial development of Tele2's Austrian operation is the result of the build-up of a sound operational platform aimed at B2B growth, in combination with stringent cost control.

Fixed Broadband In the Large Enterprise business segment, a successful transformation from voice to data was made during the quarter. Data revenue growth has slightly increased due to newly won contracts and higher usage from existing customers.

In the residential segment, Tele2 showed positive net intake due to competitive win-back offers. Additional activities for binding prolongations have been further evaluated and have led to a secured revenue contribution.

Fixed Telephony Due to a growing fixed-mobile substitution, the voice revenue in the business segment was lower than expected in Q2 2011. At the same time, the demand for flat rate voice solutions increased among the Large Enterprise customers.

In the residential segment, a positive intake effect was clearly visible thanks to successful up- and cross-selling activities with strong focus on voice packages and binding prolongation.

Hence, voice revenues remained at a stable level during the quarter.

OTHER ITEMS

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors. The risk factors considered to be most significant to Tele2's future development are operating risks such as the availability of frequencies and telecom licences, operations in Russia and Kazakhstan, network sharing with other parties, integration of new business models, changes in regulatory legislation, legal proceedings and financial risks such as currency risk, interest risk, liquidity risk and credit risk. In addition to the risks described in Tele2's annual report for 2010 (see Directors' report and Note 2 of the report for a detailed description of Tele2's risk exposure and risk management), no additional significant risks are estimated to have developed.

COMPANY DISCLOSURE

Other

Tele2 will release the financial and operating results for the period ending September 30, 2011 on October 19, 2011.

The Board of Directors and CEO declare that the undersigned six-month interim report provides a fair overview of the parent company's and group's operations, their financial position and performance, and describes material risks and uncertainties facing the parent company and other companies in the group.

Stockholm, July 20, 2011

Tele2 AB

Mike Parton <i>Chairman</i>	Lars Berg
Mia Brunell Livfors	Jere Calmes
John Hepburn	Erik Mitteregger
John Shakeshaft	Cristina Stenbeck
Mats Granryd <i>President and CEO</i>	

Review Report

Introduction

We have reviewed the interim report for Tele2 AB (publ.) for the period January 1 – June 30, 2011. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, July 20, 2011

Deloitte AB

Jan Berntsson
Authorized Public Accountant

TELEPHONE CONFERENCE

Tele2 will host a conference call, with an interactive presentation, for the global financial community at 10.45 am CET (09.45 am UK time/04.45 am NY time) on Wednesday, July 20, 2011. The conference call will be held in English and will also be made available as an audiocast on Tele2's dedicated Q2 2011 website, reports.tele2.com/2011/Q2.

Dial-in information

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

Dial-in numbers

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TELE2 IS ONE OF EUROPE'S LEADING TELECOM OPERATORS, ALWAYS PROVIDING THE BEST DEAL. We have 32 million customers in 11 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2010, we had net sales of SEK 40.2 billion and reported an operating profit (EBITDA) of SEK 10.3 billion.

Income statement

SEK million	Note	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2010 Q2
CONTINUING OPERATIONS						
Net sales		19,571	20,066	40,164	9,998	10,539
Operating expenses		-16,349	-16,317	-33,053	-8,307	-8,310
Result from shares in associated companies and joint ventures	3	19	35	-74	9	21
Other operating income	4	230	125	207	42	75
Other operating expenses		-93	-69	-156	-23	-31
Operating profit, EBIT		3,378	3,840	7,088	1,719	2,294
Interest income/costs	2	-100	-218	-497	-71	-141
Exchange rate differences, external		-42	-23	104	-33	-12
Exchange rate differences, intragroup		-39	109	178	-56	-23
Other financial items		-95	-50	-138	-54	-48
Profit after financial items, EBT		3,102	3,658	6,735	1,505	2,070
Tax on profit	1, 5	-768	-760	-254	-397	-421
NET PROFIT FROM CONTINUING OPERATIONS		2,334	2,898	6,481	1,108	1,649
DISCONTINUED OPERATIONS						
Net profit from discontinued operations	9	-8	14	447	5	-5
NET PROFIT		2,326	2,912	6,928	1,113	1,644
ATTRIBUTABLE TO						
Equity holders of the parent company		2,326	2,909	6,926	1,113	1,644
Minority interest		-	3	2	-	-
NET PROFIT		2,326	2,912	6,928	1,113	1,644
Earnings per share (SEK)	8	5.24	6.60	15.70	2.51	3.73
Earnings per share, after dilution (SEK)	8	5.22	6.58	15.64	2.50	3.72
FROM CONTINUING OPERATIONS						
Earnings per share (SEK)	8	5.26	6.57	14.69	2.50	3.74
Earnings per share, after dilution (SEK)	8	5.24	6.55	14.63	2.49	3.73

Comprehensive income

SEK million	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2010 Q2
Net profit/loss	2,326	2,912	6,928	1,113	1,644
OTHER COMPREHENSIVE INCOME					
Exchange rate differences	403	-1,100	-2,780	592	-279
Exchange rate differences, tax effect	302	-894	-1,504	261	-307
Reversed cumulative exchange rate differences from divested companies	4	-	-50	3	-
Withholding tax	-161	-	-12	-161	-
Cash flow hedges	-	-6	46	-9	1
Cash flow hedges, tax effect	-	1	-12	2	-1
Other comprehensive income for the period, net of tax	548	-1,999	-4,312	688	-586
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,874	913	2,616	1,801	1,058
ATTRIBUTABLE TO					
Equity holders of the parent company	2,874	910	2,614	1,801	1,058
Minority interest	-	3	2	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,874	913	2,616	1,801	1,058

Change in shareholders' equity

SEK million	Note	Jun 30, 2011			Jun 30, 2010			Dec 31, 2010		
		Attributable to		Total share- holders' equity	Attributable to		Total share- holders' equity	Attributable to		Total share- holders' equity
		equity holders of the parent company	minority interests		equity holders of the parent company	minority interests		equity holders of the parent company	minority interests	
Shareholders' equity, January 1		28,872	3	28,875	28,760	63	28,823	28,760	63	28,823
Costs for stock options	8	19	-	19	16	-	16	54	-	54
New share issues	8	11	-	11	55	-	55	74	-	74
Sale of own shares	8	42	-	42	-	-	-	256	-	256
Dividends	8	-11,991	-	-11,991	-2,580	-	-2,580	-2,580	-	-2,580
Purchase of minority		-	-	-	-306	-62	-368	-306	-62	-368
Comprehensive income for the period		2,874	-	2,874	910	3	913	2,614	2	2,616
SHAREHOLDERS' EQUITY, END OF PERIOD		19,827	3	19,830	26,855	4	26,859	28,872	3	28,875

Balance sheet

SEK million	Note	Jun 30, 2011	Jun 30, 2010	Dec 31, 2010
ASSETS				
FIXED ASSETS				
Goodwill	9	10,089	10,711	10,010
Other intangible assets	11	3,388	3,243	3,191
Intangible assets		13,477	13,954	13,201
Tangible assets		15,370	15,274	15,130
Financial assets	3, 9	1,502	906	1,141
Deferred tax assets	5	3,196	3,079	3,200
FIXED ASSETS		33,545	33,213	32,672
CURRENT ASSETS				
Materials and supplies		344	160	273
Current receivables		7,290	6,223	6,478
Short-term investments		111	104	112
Cash and cash equivalents		1,920	1,072	834
CURRENT ASSETS		9,665	7,559	7,697
ASSETS		43,210	40,772	40,369
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Attributable to equity holders of the parent company		19,827	26,855	28,872
Minority interests		3	4	3
SHAREHOLDERS' EQUITY		19,830	26,859	28,875
LONG-TERM LIABILITIES				
Interest-bearing liabilities	10	12,759	4,853	1,692
Non-interest-bearing liabilities		968	893	851
LONG-TERM LIABILITIES		13,727	5,746	2,543
SHORT-TERM LIABILITIES				
Interest-bearing liabilities		1,459	574	1,256
Non-interest-bearing liabilities		8,194	7,593	7,695
SHORT-TERM LIABILITIES		9,653	8,167	8,951
EQUITY AND LIABILITIES		43,210	40,772	40,369

Cash flow statement

SEK million	Note	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
OPERATING ACTIVITIES										
Cash flow from operations, less paid taxes	1	5,193	5,406	10,450	2,604	2,589	2,311	2,733	3,065	2,341
Taxes paid		-550	-428	-740	-325	-225	-160	-152	-195	-233
Changes in working capital		-385	235	-100	-75	-310	-374	39	52	183
CASH FLOW FROM OPERATING ACTIVITIES		4,258	5,213	9,610	2,204	2,054	1,777	2,620	2,922	2,291
INVESTING ACTIVITIES										
Capital expenditure in intangible and tangible assets, CAPEX	11	-2,194	-1,517	-3,603	-1,261	-933	-1,163	-923	-909	-608
Cash flow after CAPEX		2,064	3,696	6,007	943	1,121	614	1,697	2,013	1,683
Acquisition of shares and participations	9	-52	-946	-1,510	-37	-15	-469	-95	-136	-810
Sale of shares and participations	9	-21	-92	53	-21	-	146	-1	-83	-9
Changes of long-term receivables and short-term investments		-232	-15	-200	-233	1	-200	15	-15	-
Cash flow from investing activities		-2,499	-2,570	-5,260	-1,552	-947	-1,686	-1,004	-1,143	-1,427
CASH FLOW AFTER INVESTING ACTIVITIES		1,759	2,643	4,350	652	1,107	91	1,616	1,779	864
FINANCING ACTIVITIES										
Change of loans, net		11,096	-421	-2,806	11,726	-630	-1,095	-1,290	746	-1,167
Dividends	8	-11,991	-2,580	-2,580	-11,991	-	-	-	-2,580	-
New share issues	8	11	55	74	-	11	-	19	53	2
Sale of own shares	8	42	-	256	20	22	141	115	-	-
Shareholders contribution from minority	9	104	90	241	-2	106	100	51	90	-
Cash flow from financing activities		-738	-2,856	-4,815	-247	-491	-854	-1,105	-1,691	-1,165
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,021	-213	-465	405	616	-763	511	88	-301
Cash and cash equivalents at beginning of period		834	1,312	1,312	1,443	834	1,513	1,072	993	1,312
Exchange rate differences in cash		65	-27	-13	72	-7	84	-70	-9	-18
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		1,920	1,072	834	1,920	1,443	834	1,513	1,072	993

Number of customers

by thousands	Note	Number of customers			Net intake							
		2011 Jun 30	2010 Jun 30	2011 Jan 1– Jun 30	2010 Jan 1– Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Sweden												
Mobile		3,654	3,452	47	89	212	39	8	20	103	74	15
Fixed broadband		483	453	-3	9	42	-7	4	18	15	-3	12
Fixed telephony		597	692	-54	-54	-95	-26	-28	-21	-20	-13	-41
		4,734	4,597	-10	44	159	6	-16	17	98	58	-14
Norway												
Mobile		513	477	16	11	31	8	8	10	10	7	4
Fixed telephony		97	112	-6	-8	-17	-3	-3	-5	-4	-4	-4
		610	589	10	3	14	5	5	5	6	3	-
Russia												
Mobile		19,705	16,513	1,267	2,062	3,987	720	547	755	1,170	1,113	949
		19,705	16,513	1,267	2,062	3,987	720	547	755	1,170	1,113	949
Estonia												
Mobile		488	465	20	18	21	21	-1	-4	7	7	11
Fixed telephony		10	12	-1	-1	-2	-	-1	-	-1	-1	-
		498	477	19	17	19	21	-2	-4	6	6	11
Lithuania												
Mobile		1,701	1,644	16	36	77	34	-18	1	40	34	2
Fixed broadband	9	-	44	-	-	-	-	-	-	-	-	-
Fixed telephony		2	3	-	-	-1	-	-	-	-1	-	-
		1,703	1,691	16	36	76	34	-18	1	39	34	2
Latvia												
Mobile		1,036	1,044	9	-14	-31	20	-11	-25	8	5	-19
Fixed telephony		-	-	-	-1	-1	-	-	-	-	-1	-
		1,036	1,044	9	-15	-32	20	-11	-25	8	4	-19
Croatia												
Mobile		782	656	44	58	140	27	17	1	81	32	26
		782	656	44	58	140	27	17	1	81	32	26
Kazakhstan												
Mobile		663	217	331	-48	67	355	-24	114	1	-48	-
		663	217	331	-48	67	355	-24	114	1	-48	-
Netherlands												
Mobile		330	367	-8	-32	-61	-4	-4	-13	-16	-16	-16
Fixed broadband		503	434	-7	16	17	-4	-3	-3	4	3	13
Fixed telephony		208	269	-25	-38	-74	-13	-12	-17	-19	-20	-18
		1,041	1,070	-40	-54	-118	-21	-19	-33	-31	-33	-21
Germany												
Fixed broadband		110	125	-6	-14	-23	-2	-4	-5	-4	-6	-8
Fixed telephony		1,025	1,325	-157	-143	-286	-101	-56	-83	-60	-50	-93
		1,135	1,450	-163	-157	-309	-103	-60	-88	-64	-56	-101
Austria												
Fixed broadband		127	130	-3	-4	-4	-2	-1	-	-	4	-8
Fixed telephony		256	317	-29	-35	-67	-10	-19	-15	-17	-21	-14
		383	447	-32	-39	-71	-12	-20	-15	-17	-17	-22
TOTAL												
Mobile		28,872	24,835	1,742	2,180	4,443	1,220	522	859	1,404	1,208	972
Fixed broadband		1,223	1,186	-19	7	32	-15	-4	10	15	-2	9
Fixed telephony		2,195	2,730	-272	-280	-543	-153	-119	-141	-122	-110	-170
		32,290	28,751	1,451	1,907	3,932	1,052	399	728	1,297	1,096	811
Acquired companies				-	265	372	-	-	75	32	-	265
Divested companies	9			-44	-	-	-	-44	-	-	-	-
TOTAL		32,290	28,751	1,407	2,172	4,304	1,052	355	803	1,329	1,096	1,076

Net sales

SEK million	Note	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Sweden										
Mobile		4,710	4,093	8,701	2,395	2,315	2,311	2,297	2,137	1,956
Fixed broadband		782	760	1,531	399	383	392	379	379	381
Fixed telephony		743	913	1,773	364	379	423	437	453	460
Other operations		71	79	140	44	27	36	25	37	42
		6,306	5,845	12,145	3,202	3,104	3,162	3,138	3,006	2,839
Norway										
Mobile		1,167	1,331	2,618	593	574	647	640	672	659
Fixed broadband		3	4	8	1	2	2	2	2	2
Fixed telephony		184	221	413	92	92	94	98	105	116
		1,354	1,556	3,039	686	668	743	740	779	777
Russia										
Mobile		5,551	4,891	10,296	2,922	2,629	2,685	2,720	2,654	2,237
		5,551	4,891	10,296	2,922	2,629	2,685	2,720	2,654	2,237
Estonia										
Mobile	1	395	443	872	207	188	217	212	230	213
Fixed telephony		3	4	8	2	1	2	2	2	2
Other operations		21	24	51	10	11	12	15	13	11
		419	471	931	219	200	231	229	245	226
Lithuania										
Mobile		588	648	1,306	305	283	322	336	329	319
Fixed broadband	9	2	13	24	–	2	6	5	7	6
Fixed telephony		–	–	1	–	–	–	1	–	–
		590	661	1,331	305	285	328	342	336	325
Latvia										
Mobile		538	654	1,270	276	262	303	313	317	337
		538	654	1,270	276	262	303	313	317	337
Croatia										
Mobile		600	628	1,346	323	277	335	383	331	297
		600	628	1,346	323	277	335	383	331	297
Kazakhstan										
Mobile		70	44	119	41	29	37	38	44	–
		70	44	119	41	29	37	38	44	–
Netherlands										
Mobile		428	443	859	213	215	210	206	218	225
Fixed broadband		1,701	1,641	3,340	851	850	911	788	795	846
Fixed telephony		434	577	1,064	214	220	239	248	271	306
Other operations		402	256	595	199	203	216	123	125	131
		2,965	2,917	5,858	1,477	1,488	1,576	1,365	1,409	1,508
Germany										
Fixed broadband		130	167	313	64	66	71	75	79	88
Fixed telephony		414	616	1,132	201	213	255	261	285	331
Other operations		15	28	70	3	12	20	22	15	13
		559	811	1,515	268	291	346	358	379	432
Austria										
Fixed broadband		419	485	930	209	210	219	226	235	250
Fixed telephony		152	202	373	74	78	83	88	97	105
Other operations		117	144	277	61	56	66	67	73	71
		688	831	1,580	344	344	368	381	405	426
Other										
Other operations		354	537	931	166	188	192	202	245	292
		354	537	931	166	188	192	202	245	292
TOTAL										
Mobile		14,047	13,175	27,387	7,275	6,772	7,067	7,145	6,932	6,243
Fixed broadband		3,037	3,070	6,146	1,524	1,513	1,601	1,475	1,497	1,573
Fixed telephony		1,930	2,533	4,764	947	983	1,096	1,135	1,213	1,320
Other operations		980	1,068	2,064	483	497	542	454	508	560
Internal sales, elimination		19,994	19,846	40,361	10,229	9,765	10,306	10,209	10,150	9,696
		19,571	19,478	39,591	9,998	9,573	10,115	9,998	9,951	9,527
One-off items	1	–	588	573	–	–	–6	–9	588	–
TOTAL		19,571	20,066	40,164	9,998	9,573	10,109	9,989	10,539	9,527

Internal sales

SEK million	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Sweden									
Mobile	165	79	227	87	78	70	78	42	37
Fixed broadband	5	10	14	4	1	2	2	3	7
Other operations	5	22	23	3	2	1	–	7	15
	175	111	264	94	81	73	80	52	59
Norway									
Fixed telephony	19	11	23	10	9	6	6	5	6
	19	11	23	10	9	6	6	5	6
Russia									
Mobile	91	73	154	60	31	39	42	55	18
	91	73	154	60	31	39	42	55	18
Estonia									
Other operations	21	24	51	10	11	12	15	13	11
	21	24	51	10	11	12	15	13	11
Lithuania									
Mobile	5	6	12	2	3	3	3	3	3
	5	6	12	2	3	3	3	3	3
Latvia									
Mobile	5	5	9	3	2	2	2	3	2
	5	5	9	3	2	2	2	3	2
Netherlands									
Fixed broadband	5	7	12	3	2	3	2	4	3
Other operations	22	3	8	12	10	3	2	2	1
	27	10	20	15	12	6	4	6	4
Other									
Other operations	80	128	237	37	43	50	59	62	66
	80	128	237	37	43	50	59	62	66
TOTAL									
Mobile	266	163	402	152	114	114	125	103	60
Fixed broadband	10	17	26	7	3	5	4	7	10
Fixed telephony	19	11	23	10	9	6	6	5	6
Other operations	128	177	319	62	66	66	76	84	93
TOTAL	423	368	770	231	192	191	211	199	169

EBITDA

SEK million	Note	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Sweden										
Mobile		1,403	1,386	2,803	734	669	669	748	722	664
Fixed broadband		54	10	24	43	11	-2	16	-1	11
Fixed telephony		179	212	416	96	83	98	106	105	107
Other operations		21	11	29	19	2	16	2	3	8
		1,657	1,619	3,272	892	765	781	872	829	790
Norway										
Mobile		15	90	122	6	9	28	4	51	39
Fixed broadband		-	7	10	-	-	-	3	6	1
Fixed telephony		36	35	64	18	18	14	15	17	18
		51	132	196	24	27	42	22	74	58
Russia										
Mobile		2,057	1,663	3,573	1,115	942	899	1,011	944	719
		2,057	1,663	3,573	1,115	942	899	1,011	944	719
Estonia										
Mobile	1	108	116	218	57	51	50	52	60	56
Other operations		-	-	1	-	-	1	-	1	-1
		108	116	219	57	51	51	52	61	55
Lithuania										
Mobile		205	230	450	92	113	96	124	118	112
Fixed broadband	9	-	3	5	-	-	1	1	2	1
		205	233	455	92	113	97	125	120	113
Latvia										
Mobile		188	211	398	103	85	88	99	102	109
		188	211	398	103	85	88	99	102	109
Croatia										
Mobile		11	-38	-21	10	1	3	14	3	-41
		11	-38	-21	10	1	3	14	3	-41
Kazakhstan										
Mobile		-190	-45	-173	-119	-71	-74	-54	-45	-
		-190	-45	-173	-119	-71	-74	-54	-45	-
Netherlands										
Mobile	2	57	69	162	36	21	57	36	38	31
Fixed broadband	2	531	544	1,037	270	261	260	233	283	261
Fixed telephony	2	117	178	307	56	61	48	81	89	89
Other operations	2	135	111	229	62	73	68	50	58	53
		840	902	1,735	424	416	433	400	468	434
Germany										
Mobile		-7	-	-	-7	-	-	-	-	-
Fixed broadband		20	-61	-89	7	13	-	-28	-29	-32
Fixed telephony		149	221	449	78	71	107	121	103	118
Other operations		-	-	-3	-	-	-2	-1	-	-
		162	160	357	78	84	105	92	74	86
Austria										
Fixed broadband		88	61	144	41	47	44	39	25	36
Fixed telephony		63	79	164	31	32	36	49	39	40
Other operations		2	11	20	-	2	3	6	2	9
		153	151	328	72	81	83	94	66	85
Other										
Other operations	2	-74	-59	-55	-37	-37	-20	24	-9	-50
		-74	-59	-55	-37	-37	-20	24	-9	-50
TOTAL										
Mobile		3,847	3,682	7,532	2,027	1,820	1,816	2,034	1,993	1,689
Fixed broadband		693	564	1,131	361	332	303	264	286	278
Fixed telephony		544	725	1,400	279	265	303	372	353	372
Other operations		84	74	221	44	40	66	81	55	19
TOTAL		5,168	5,045	10,284	2,711	2,457	2,488	2,751	2,687	2,358

EBIT

SEK million	Note	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Sweden										
Mobile		998	1,095	2,137	527	471	461	581	581	514
Fixed broadband		-113	-153	-293	-51	-62	-79	-61	-82	-71
Fixed telephony		156	193	376	84	72	86	97	95	98
Other operations		3	-15	-19	10	-7	7	-11	-10	-5
		1,044	1,120	2,201	570	474	475	606	584	536
Norway										
Mobile		6	75	87	2	4	12	-	42	33
Fixed broadband		-	7	10	-	-	-	3	6	1
Fixed telephony		33	34	60	15	18	13	13	17	17
		39	116	157	17	22	25	16	65	51
Russia										
Mobile		1,624	1,260	2,770	894	730	688	822	720	540
		1,624	1,260	2,770	894	730	688	822	720	540
Estonia										
Mobile	1	77	82	151	41	36	32	37	43	39
Other operations		-	-	1	-	-	1	-	1	-1
		77	82	152	41	36	33	37	44	38
Lithuania										
Mobile		163	184	357	71	92	74	99	96	88
Fixed broadband	9	-	1	1	-	-	-	-	1	-
		163	185	358	71	92	74	99	97	88
Latvia										
Mobile		147	167	313	82	65	67	79	79	88
		147	167	313	82	65	67	79	79	88
Croatia										
Mobile		-47	-96	-134	-20	-27	-25	-13	-26	-70
		-47	-96	-134	-20	-27	-25	-13	-26	-70
Kazakhstan										
Mobile		-313	-128	-376	-181	-132	-114	-134	-128	-
		-313	-128	-376	-181	-132	-114	-134	-128	-
Netherlands										
Mobile	2	50	63	146	32	18	51	32	35	28
Fixed broadband	2	280	240	436	147	133	101	95	135	105
Fixed telephony	2	91	143	237	43	48	29	65	70	73
Other operations	2	83	90	159	37	46	30	39	49	41
		504	536	978	259	245	211	231	289	247
Germany										
Mobile		-7	-	-	-7	-	-	-	-	-
Fixed broadband		14	-66	-101	4	10	-4	-31	-32	-34
Fixed telephony		128	195	404	68	60	97	112	91	104
Other operations		-	-	-3	-	-	-2	-1	-	-
		135	129	300	65	70	91	80	59	70
Austria										
Fixed broadband		46	12	46	20	26	19	15	1	11
Fixed telephony		45	54	119	23	22	27	38	27	27
Other operations		-11	-4	-10	-6	-5	-4	-2	-5	1
		80	62	155	37	43	42	51	23	39
Other										
Other operations	2	-117	-117	-170	-59	-58	-54	1	-39	-78
		-117	-117	-170	-59	-58	-54	1	-39	-78
TOTAL										
Mobile		2,698	2,702	5,451	1,441	1,257	1,246	1,503	1,442	1,260
Fixed broadband		227	41	99	120	107	37	21	29	12
Fixed telephony		453	619	1,196	233	220	252	325	300	319
Other operations		-42	-46	-42	-18	-24	-22	26	-4	-42
		3,336	3,316	6,704	1,776	1,560	1,513	1,875	1,767	1,549
One-off items		42	524	384	-57	99	-157	17	527	-3
TOTAL		3,378	3,840	7,088	1,719	1,659	1,356	1,892	2,294	1,546

EBIT, cont.

		SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT								
SEK million	Note	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
EBITDA		5,168	5,045	10,284	2,711	2,457	2,488	2,751	2,687	2,358
Sale of operations		-40	-	-2	-2	-38	-	-2	-	-
Acquisition costs	9	-3	-13	-16	-1	-2	-	-3	-10	-3
Sale of shares in joint ventures	3	-	-	-247	-	-	-247	-	-	-
Other one-off items in result from shares in joint ventures	3	-	-	127	-	-	96	31	-	-
Other one-off items	1, 2, 4	85	537	522	-54	139	-6	-9	537	-
Total one-off items		42	524	384	-57	99	-157	17	527	-3
Depreciation/amortization and other impairment		-1,851	-1,764	-3,626	-944	-907	-977	-885	-941	-823
Result from shares in associated companies and joint ventures		19	35	46	9	10	2	9	21	14
EBIT		3,378	3,840	7,088	1,719	1,659	1,356	1,892	2,294	1,546

CAPEX

SEK million	Note	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Sweden										
Mobile		106	100	158	51	55	20	38	28	72
Fixed broadband		135	80	210	67	68	76	54	49	31
Fixed telephony		–	11	14	–	–	1	2	3	8
Other operations		11	9	15	–1	12	6	–	3	6
		252	200	397	117	135	103	94	83	117
Norway										
Mobile		9	8	14	5	4	2	4	6	2
Fixed telephony		3	1	2	1	2	1	–	1	–
		12	9	16	6	6	3	4	7	2
Russia										
Mobile		773	434	1,495	511	262	632	429	332	102
		773	434	1,495	511	262	632	429	332	102
Estonia										
Mobile		45	32	59	18	27	15	12	19	13
		45	32	59	18	27	15	12	19	13
Lithuania										
Mobile		44	56	110	24	20	32	22	35	21
Fixed broadband	9	–	1	2	–	–	1	–	–	1
		44	57	112	24	20	33	22	35	22
Latvia										
Mobile		51	35	94	21	30	35	24	16	19
		51	35	94	21	30	35	24	16	19
Croatia										
Mobile		59	30	115	28	31	64	21	14	16
		59	30	115	28	31	64	21	14	16
Kazakhstan										
Mobile	11	588	1	169	463	125	168	–	1	–
		588	1	169	463	125	168	–	1	–
Netherlands										
Mobile		3	4	9	1	2	3	2	2	2
Fixed broadband		178	223	472	89	89	94	155	109	114
Fixed telephony		19	24	55	9	10	14	17	12	12
Other operations		24	20	42	11	13	10	12	12	8
		224	271	578	110	114	121	186	135	136
Germany										
Mobile		9	–	–	9	–	–	–	–	–
Fixed broadband		1	1	4	1	–	2	1	1	–
Fixed telephony		–	1	3	–	–	1	1	1	–
		10	2	7	10	–	3	2	2	–
Austria										
Fixed broadband		11	17	34	5	6	12	5	9	8
Fixed telephony		8	10	20	3	5	7	3	5	5
Other operations		4	6	11	2	2	4	1	3	3
		23	33	65	10	13	23	9	17	16
Other										
Other operations		320	271	544	144	176	120	153	132	139
		320	271	544	144	176	120	153	132	139
TOTAL										
Mobile		1,687	700	2,223	1,131	556	971	552	453	247
Fixed broadband		325	322	722	162	163	185	215	168	154
Fixed telephony		30	47	94	13	17	24	23	22	25
Other operations		359	306	612	156	203	140	166	150	156
TOTAL		2,401	1,375	3,651	1,462	939	1,320	956	793	582

CAPEX, cont.

SEK million	ADDITIONAL CASH FLOW INFORMATION								
	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
CAPEX according to cash flow statement	2,194	1,517	3,603	1,261	933	1,163	923	909	608
This year unpaid CAPEX and paid CAPEX from previous year	42	-167	12	41	1	168	11	-142	-25
Sales price in cash flow statement	165	25	36	160	5	-11	22	26	-1
CAPEX according to balance sheet	2,401	1,375	3,651	1,462	939	1,320	956	793	582

Key ratios

SEK million	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30	2010	2009	2008	2007
CONTINUING OPERATIONS						
Net sales	19,571	20,066	40,164	39,436	38,330	39,082
Number of customers (by thousands)	32,290	28,751	30,883	26,579	24,018	22,768
EBITDA	5,168	5,045	10,284	9,394	8,227	6,721
EBIT	3,378	3,840	7,088	5,736	2,906	1,740
EBT	3,102	3,658	6,735	5,236	1,893	1,009
Net profit/loss	2,334	2,898	6,481	4,755	1,758	-78
Key ratios						
EBITDA margin, %	26.4	25.9	26.0	23.8	21.4	17.1
EBIT margin, %	17.3	19.1	17.6	14.5	7.6	4.5
Value per share (SEK)						
Earnings	5.26	6.57	14.69	10.72	3.91	0.05
Earnings after dilution	5.24	6.55	14.63	10.70	3.91	0.05
TOTAL						
Shareholders' equity	19,830	26,859	28,875	28,823	28,405	27,010
Shareholders' equity after dilution	19,835	26,872	28,894	28,823	28,415	27,054
Total assets	43,210	40,772	40,369	40,737	47,337	48,809
Cash flow from operating activities	4,258	5,213	9,610	9,118	7,896	4,350
Cash flow after CAPEX	2,064	3,696	6,007	4,778	3,288	-819
Available liquidity	10,205	12,472	12,814	12,410	17,248	25,901
Net debt	11,648	4,229	1,691	2,171	4,952	5,198
Investments in intangible and tangible assets, CAPEX	2,401	1,375	3,651	4,439	4,623	5,198
Investments in shares, short-term investments etc	305	1,145	1,742	-3,357	-2,255	-11,444
Key ratios						
Equity/assets ratio, %	46	66	72	71	60	55
Debt/equity ratio, multiple	0.59	0.16	0.06	0.08	0.17	0.19
Return on shareholders' equity, %	19.1	20.9	24.0	16.4	8.9	-5.6
Return on shareholders' equity after dilution, %	19.1	20.9	24.0	16.4	8.9	-5.6
Return on capital employed, %	20.7	23.9	23.6	17.6	12.9	2.0
Average interest rate, %	8.6	10.2	10.0	6.9	6.2	5.2
Value per share (SEK)						
Earnings	5.24	6.60	15.70	10.61	5.53	-3.50
Earnings after dilution	5.22	6.58	15.64	10.59	5.53	-3.50
Shareholders' equity	44.70	60.96	65.44	65.31	63.93	60.67
Shareholders' equity after dilution	44.53	60.81	65.23	65.18	63.90	60.70
Cash flow from operating activities	9.60	11.83	21.78	20.71	17.80	9.78
Dividend, ordinary			6.00	3.85	3.50	3.15
Extraordinary dividend			21.00	2.00	1.50	4.70
Market price at closing day	125.00	117.20	139.60	110.20	69.00	129.50

Parent company

INCOME STATEMENT

SEK million	2011 Jan 1–Jun 30	2010 Jan 1–Jun 30
Net sales	27	23
Administrative expenses	-56	-73
Operating loss, EBIT	-29	-50
Exchange rate difference on financial items	2	-127
Net interest expenses and other financial items	31	-170
Profit/loss after financial items, EBT	4	-347
Tax on profit/loss	-2	82
NET PROFIT/LOSS	2	-265

BALANCE SHEET

SEK million	Note	Jun 30, 2011	Dec 31, 2010
ASSETS			
FIXED ASSETS			
Financial assets		34,349	23,414
FIXED ASSETS		34,349	23,414
CURRENT ASSETS			
Current receivables		21	14,601
Cash and cash equivalents		10	3
CURRENT ASSETS		31	14,604
ASSETS		34,380	38,018
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted equity	8	17,544	17,533
Unrestricted equity	8	8,032	19,978
SHAREHOLDERS' EQUITY		25,576	37,511
LONG-TERM LIABILITIES			
Interest-bearing liabilities		8,739	426
LONG-TERM LIABILITIES		8,739	426
SHORT-TERM LIABILITIES			
Interest-bearing liabilities		39	39
Non-interest-bearing liabilities		26	42
SHORT-TERM LIABILITIES		65	81
EQUITY AND LIABILITIES		34,380	38,018

Notes

ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim report for the group has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and the interim report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Reporting for legal entities and its statements (June 2011).

New and amended IFRS standards and IFRIC interpretations

The new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2011, have had no material effect on the consolidated financial statements.

In all other respects, Tele2 has presented its interim report in accordance with the accounting principles and calculation methods used in the 2010 Annual Report. Definitions are found in the 2010 Annual Report.

NOTE 1 NET SALES

In Q3 2010, net sales in Estonia decreased by SEK 18 million due to the settlement of a court dispute regarding excessive mobile termination fees during the years 2006–2007.

In Q2 2010, net sales and cash flow in Germany increased by SEK 588 million due to a reached settlement with Deutsche Telekom regarding several legal disputes dating back to 2003 (e.g. regarding verbal ordering procedures). The positive effect was reported as a one-off item. Income tax regarding this settlement affected the income statement negatively in Q2 2010 by SEK 73 million.

NOTE 2 OPERATING AND FINANCIAL EXPENSES

In Q2 2011, Sweden was negatively affected by SEK 54 million concerning future rental costs for mobile sites to be dismantled. The negative effect has been reported as a one-off item. In the quarter, Netherlands was negatively affected by SEK 48 million due to restructuring costs related to the acquisition of BBned in 2010.

In Q4 2010, the USD 220 million bond issued on the US market was repaid, which resulted in a termination fee of SEK 116 million reported as an interest expense.

In Q2 2010, Sweden was negatively affected by SEK 51 million, due to the ruling from the Administrative Court of Appeal in June 2010 regarding price on whole and split copper cable. The negative effect has been reported as a one-off item.

Due to telecom regulatory changes, Netherlands was positively affected by SEK 79 million in Q2 2010, mainly in the fixed broadband and fixed telephony business.

In Q1 2010, the segment Other was negatively affected by SEK 22 million associated with termination payment, including pension costs and social security cost, to former President and CEO Harri Koponen.

NOTE 3 RESULT FROM SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

SEK million	2011 Q2	2011 Q1	2010 Full year	2010 Q4	2010 Q3
Valuation of loss carry forward in Svenska UMTS-nät	–	–	96	96	–
Valuation of previously held shares in Spring Mobil in connection to acquisition of remaining shares	–	–	31	–	31
Sale of shares in Plusnet	–	–	–247	–247	–
Other	19	10	46	2	9
Total	19	10	–74	–149	40

NOTE 4 OTHER OPERATING INCOME

In Q1 2011, other operating income in Sweden increased by SEK 139 million relating to compensation in connection with the transferring and disposal of assets related to the 4G net co-operation. The positive effect has been reported as a one-off item.

NOTE 5 TAXES

In Q1 2011, net taxes were positively affected by a revaluation of the deferred tax assets in Netherlands of SEK 62 million, and negatively affected by SEK 35 million as a result of a reassessment of the deferred tax liability in Estonia.

In Q4 2010, net taxes were positively affected by SEK 175 million as a result of a valuation of deferred tax assets in Germany.

In Q3 2010, net taxes were positively affected by SEK 1,049 million as a result of a valuation of deferred tax assets related to holding companies in Luxembourg of SEK 895 million and in Netherlands of SEK 154 million.

NOTE 6 CONTINGENT LIABILITIES

SEK million	Jun 30, 2011	Dec 31, 2010
Other disputes	240	258
Guarantee related to joint ventures		
– Svenska UMTS-nät, Sweden	1,173	1,260
– Mobile Norway, Norway	261	199
Total contingent liabilities	1,674	1,717

Tele2 is the defendant in an arbitration regarding a dispute relating to a Share Option Agreement and related issues where the claimant has put forward claims of USD 38 (SEK 240) million. We estimate that the arbitration award will be announced at the end of 2011 or beginning of 2012. Based on current information, our assessment is that it is more likely than not that we will win.

Additional contractual commitments and liabilities related to joint ventures are stated in Note 30 in the Annual Report for 2010.

NOTE 7 TRANSACTIONS WITH RELATED PARTIES

Apart from transactions with Transcom and joint ventures no other significant related party transactions have been carried out during 2011. Related parties are presented in Note 38 of the 2010 Annual Report.

NOTE 8 SHARES AND INCENTIVE PROGRAMS (LTI)

	Jun 30, 2011	Jun 30, 2010	Dec 31, 2010
Number of shares			
– outstanding, basic	444,117,959	440,958,339	443,262,339
– in own custody	2,965,380	5,798,000	3,701,000
– weighted average	443,580,659	440,538,256	441,229,755
– after dilution	446,639,165	442,900,324	445,120,571
– after dilution, weighted average	445,337,428	441,857,443	442,929,325

DIVIDEND

In Q2 2011, Tele2 paid to its shareholders a dividend for 2010 of SEK 27 (5.85) per share, of which the ordinary dividend amounted to SEK 6.00 (3.85) per share and the extraordinary dividend amounted to SEK 21.00 (2.00) per share. This corresponded to a total of SEK 11,991 (2,580) million, of which an ordinary dividend of SEK 2,665 (1,698) million and extraordinary dividend SEK 9,326 (882) million.

NEW SHARE ISSUE AND SALE OF SHARES

As a result of share rights in the LTI 2008 being exercised during Q2 2011, Tele2 sold shares in own custody of 394,620.

As a result of stock options in the LTI 2007 being exercised during Q1 and Q2 2011, Tele2 sold shares in own custody of 179,500 and 161,500, respectively, resulting in an increase of shareholders' equity of SEK 22 and 20 million, respectively.

As a result of 120,000 stock options in the LTI 2006 being exercised during Q1 2011, Tele2 issued new shares resulting in an increase of shareholders' equity of SEK 11 million.

RECLASSIFICATION

In Q2 2011, 410,000 class C shares in own custody were reclassified into class B shares in Tele2. In Q1 2011, 100 class A shares were reclassified into class B shares in Tele2.

INCENTIVE PROGRAM (LTI)

LTI 2011

	2011 Jun 17 – Jun 30
Number of share rights	
Allocated June 17, 2011	1,057,616
Total outstanding share rights	1,057,616

During the Annual General Meeting held on May 16, 2011, the shareholders approved a performance-based incentive programme for senior executives and other key employees in the Tele2 group. The Plan has the same structure as last year's incentive program.

The objective of the Plan is to create conditions for retaining competent employees in the 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 the company. 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 company. In that context, the Board of Directors is of the opinion that the Plan will have a positive effect on the future development of the Tele2 group and thus be beneficial to both the company and its shareholders.

The incentive program (the Plan) included a total of 283 senior executives and other key employees within the Tele2 group. In general, the participants in the Plan are required to own shares in Tele2. These shares could either be shares already held or shares purchased on the market in connection with the notification to participate in the Plan.

Thereafter, the participants were granted retention rights and performance rights free of charge.

As a consequence of market conditions, employees in Russia and 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, 2011 – March 31, 2014 (the measure period), the participant maintaining employment within the Tele2 group at the release of the interim report January – March 2014 and subject to the participant maintaining the invested shares (where applicable) during the vesting period ending at the release of the interim report for the period January – March 2014, 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 retention rights, and Series B and C performance rights. The number of shares the participant will receive depends on which category the participant belongs to and on the fulfilment of the following defined retention and performance-based 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 20 percent as entry level and at least 24 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, KPN, Millicom, Mobistar, MTS – Mobile Telesystems, Telenor, TeliaSonera, Turkcell and Vodafone 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 275,529 shares, of which 218,529 related to employees who invested in Tele2 shares and 57,000 related to employees in Russia and Kazakhstan who choose not to invest in Tele2 shares. In total this resulted in an allotment of 1,057,616 share rights, of which 239,904 retention rights and 817,712 performance rights. The participants were divided into different categories and were granted the following number of share rights for the different categories:

CONT. NOTE 8

At grant date	No of participants	Maximum no of shares	Share right				Total allotment
			per Series				
			A	B	C	Tot	
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	222,000
Category 1	25	2,000	1	1.5	1.5	4	198,000
Category 1, no investment	2	2,000	0.375	0.5625	0.5625	1.5	6,000
Category 2	31	1,500	1	1.5	1.5	4	165,400
Category 2, no investment	5	1,500	0.375	0.5625	0.5625	1.5	11,250
Category 3	50	1,000	1	1.5	1.5	4	174,864
Category 3, no investment	17	1,000	0.375	0.5625	0.5625	1.5	25,500
Category 4	85	500	1	1.5	1.5	4	155,852
Category 4, no investment	57	500	0.375	0.5625	0.5625	1.5	42,750
Total	283						1,057,616

Total costs before tax for outstanding rights in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 72 million, of which social security costs amount to SEK 19 million.

The participant's maximum profit per share right in the Plan is limited to SEK 591, five times the average closing share price of the Tele2 Class B shares during February 2011 with deduction for the dividend paid in May 2011.

The estimated average fair value of the granted rights was SEK 80.00 on the grant date, June 17, 2011. The calculation of the fair values was carried out by external analysts. The following variables were used:

	Serie A	Serie B	Serie C
Expected annual turnover of personnel	7.0%	7.0%	7.0%
Expected value reduction parameter fulfilment	-	50%	-
Weighted average share price	117.61	117.61	117.61
Expected life	2.84 years	2.84 years	2.84 years
Expected value reduction parameter market condition	70%	-	35%

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

LTI 2010

	2011 Jan 1 – Jun 30	Cumulative from start
Number of share rights		
Allocated June 9, 2010		873,120
Outstanding as of January 1, 2011	869,120	
Allocated, compensation for dividend	123,089	123,089
Forfeited	-81,276	-85,276
Total outstanding share rights	910,933	910,933

LTI 2009

	2011 Jan 1 – Jun 30	Cumulative from start
Number of share rights		
Allocated June 1, 2009		656,160
Outstanding as of January 1, 2011	545,372	
Allocated, compensation for dividend	71,912	92,096
Forfeited	-78,064	-209,036
Total outstanding share rights	539,220	539,220

LTI 2008

	2011 Jan 1 – Jun 30	Cumulative from start
Number of share rights		
Allocated May 30, 2008		384,400
Allocated October 24, 2008		56,000
Allocated December 19, 2008		194,872
Allocated Q2 2009, compensation for dividend		25,533
Allocated Q2 2010, compensation for dividend		14,672
		675,477
Outstanding as of January 1, 2011	401,120	
Forfeited	-6,500	-280,857
Exercised	-394,620	-394,620
Total outstanding share rights	-	-

The exercise of the share rights in LTI 2008 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2008 until March 31, 2011. The outcome of these decided performance conditions was in accordance with below:

	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		≥ 0%	53.5%	100%
Series B	Average normalised Return on Capital Employed (ROCE)	12%	15%	19.5%	100%
Series C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	51.1%	100%

Weighted average share price at date of exercise for share rights amounted to SEK 152.53 during 2011.

LTI 2007

	2011 Jan 1 – Jun 30	Cumulative from start
Number of share rights		
Allocated August 28, 2007		3,552,000
Outstanding as of January 1, 2011	432,000	
Forfeited	-	-1,023,000
Exercised	-341,000	-2,438,000
Total outstanding stock options	91,000	91,000

Weighted average share price at date of exercise for stock options amounted to SEK 150.34 (139.21) during 2011.

Stock options in LTI 2007 can be exercised until August 2012. The exercise price has been adjusted from SEK 122 to SEK 116.60 due to a compensation for the extraordinary dividend paid during 2011.

LTI 2006

Number of options	Stock options		Warrants	
	2011 Jan 1 – Jun 30	Cumulative from start	2011 Jan 1 – Jun 30	Cumulative from start
Allocated March 7, 2006		1,504,000		752,000
Outstanding as of January 1, 2011	120,000		-	
Forfeited	-	-570,000	-	-752,000
Exercised	-120,000	-934,000	-	-
Total outstanding	-	-	-	-

Weighted average share price at date of exercise for stock options amounted to SEK 144.91 (121.69) during 2011.

A total bonus of SEK 6 million was paid in connection with the exercise during 2009–2011, as a compensation for the extraordinary dividend of SEK 6.20 and 8.20 paid 2008–2010.

NOTE 9 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2011 Jan 1 – Jun 30
Acquisitions	
Connect Data Solutions, Netherlands	-37
	-37
Capital contribution to joint venture companies	-15
	-15
Total acquisitions	-52
Divestments	
KRT, Lithuania	35
Datamatrix Outsourcing, Sweden	-2
Settlements of previous years' discontinued operations	-36
Settlements of previous years' other divestments	-18
Total divestments	-21
TOTAL CASH FLOW EFFECT	-73

ACQUISITIONS

Connect Data Solutions, Netherlands

On June 1, 2011 Tele2 acquired 100 percent of the Dutch operator Connect Data Solutions (CDS) for SEK 42 million.

CDS is an independent network service provider of integrated data communications (VPN), IP-telephony, internet and co-location services. CDS provides advice, implementation and management of these services, with a focus on the SME segment. CDS operates under the brand Connect.

Goodwill in connection with the acquisition is related to Tele2's expectation that CDS will strengthen Tele2's position in the Dutch market and help improve Tele2's distribution capabilities in the SME market. Tele2 will benefit from the synergies that exist between Tele2 and CDS given the similarity between CDS's and Tele2's operations. Tele2's expectation is that the transaction will contribute positively to the company's growth opportunities.

Total acquisition costs of SEK 1 million have been reported in the income statement.

Previous year acquisitions

During 2010, Tele2 acquired the remaining 50 percent of the shares in the Swedish company Spring Mobil. During Q1 2011, Tele2 obtained new information about facts and circumstances that existed as of the acquisition date relating to the losses carried forward in Spring Mobil. The effect of the new information resulted in a decrease of the deferred tax asset and an increase of goodwill in the purchase price allocation of SEK 19 million.

During 2010, Tele2 acquired 51 percent of the mobile operator NEO in Kazakhstan, where Tele2 committed to a capital injection of SEK 360 million. During 2011, SEK 108 (251) million was paid by Tele2 and SEK 104 (241) million by the minority owner. Total acquisition costs for Tele2 Kazakhstan of SEK 37 million were reported in the income statement, whereof SEK 29 million were reported in 2009, SEK 6 million in 2010 and SEK 2 million in 2011.

Net assets at the time of acquisition

Fair value of assets, liabilities and contingent liabilities included in the acquired operations are stated below:

SEK million	CDS	Total
Customer contracts	42	42
Tangible assets	5	5
Current receivables	3	3
Cash and cash equivalents	5	5
Deferred tax liabilities	-11	-11
Short-term liabilities	-8	-8
Acquired net assets	36	36
Goodwill	6	6
Purchase price shares	42	42
Less: cash in acquired companies	-5	-5
NET EFFECT ON GROUP CASH ASSETS	37	37

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

DIVESTMENTS

Datamatrix Outsourcing, Sweden

On March 27, 2011 Tele2 signed an agreement for the sale of its IT outsourcing operation in Sweden. The sale was completed in April, 2011 and resulted in a capital loss of SEK 38 million. The operation affected Tele2's net sales year-to-date 2011 and full year 2010 by SEK 31 (76) million and SEK 147 million respectively, and EBITDA year-to-date 2011 and full year 2010 by SEK 4 (11) million and SEK 33 million, respectively.

KRT, Lithuania

On December 15, 2010 Tele2 sold its cable TV operation in Lithuania for SEK 41 million. The sale was approved by the regulatory authorities on February 3, 2011 with a capital gain of SEK 4 million, of which SEK 2 million were related to reversed exchange rate differences which previously were reported directly in equity. The operation affected Tele2's net sales year-to-date 2011 and full year 2010 by SEK 2 (7) million and SEK 17 million respectively, and EBITDA year-to-date 2011 and full year 2010 by SEK - (1) million and SEK 3 million respectively.

Other divestments

Other cash flow changes include settlements of price adjustments and disputes in the amount of SEK 18 million for divestments which have not been classified as discontinued operations.

Net assets at the time of divestment

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

SEK million	KRT, Lithuania	Datamatrix Outsourcing	Total
Intangible assets	-	8	8
Tangible assets	34	23	57
Material and supplies	1	-	1
Current receivables	1	-	1
Cash and cash equivalents	4	-	4
Exchange rate differences	-2	-	-2
Short-term liabilities	-3	-2	-5
Divested net assets	35	29	64
Capital gain/loss	4	-38	-34
Sales price, net sales costs	39	-9	30
Sales costs etc, unpaid	-	7	7
Less: cash in divested operations	-4	-	-4
EFFECT ON GROUP CASH ASSETS	35	-2	33

CONT. NOTE 9

PRO FORMA

The table below shows how the acquired and divested companies and operations on June 30, 2011 should have affected Tele2's net sales and result if they had been acquired or divested before January 1, 2011.

SEK million	Jan 1 – Jun 30, 2011					Tele2 group, pro forma
	Tele2 group ¹⁾	Acquired and divested operations			KRT	
		CDS	Datamatrix Outsourcing			
Net sales	19,571	21	-31	-2		19,559
EBITDA	5,168	-	-4	-		5,164
Net profit	2,334	-1	29	-		2,362

¹⁾ Continued operation

DISCONTINUED OPERATIONS

Discontinued operations include settlements of sales costs and price adjustments for discontinued operations sold during the past years.

SEK million	Discontinued operation							
	2011 Jan 1– Jun 30	2010 Jan 1– Jun 30	2010 Full year	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2
Income statement								
Net sales	-	-	-	-	-	-	-	-
Profit/loss before tax	-8	14	453	5	-13	410	29	-5
Taxes	-	-	-6	-	-	-6	-	-
Net profit/loss	-8	14	447	5	-13	404	29	-5
Cash flow statement								
Operating activities	-	-	-	-	-	-	-	-
Investing activities	-36	-86	323	-16	-20	418	-9	-79
Change in cash and cash equivalents	-36	-86	323	-16	-20	418	-9	-79

NOTE 10 FINANCING

In Q2, 2011, Tele2 Russia issued a 13 billion rouble bond (with 3 tranches). The bond has a final maturity of 10 years and a put option providing for an effective tenor of 5 years. The coupon rate for the 5-year period is 8.40 percent per annum with semi-annual coupon payments. The reported value of the bond amounted at June 30, 2011 to SEK 2.9 billion. The other borrowings in the quarter consisted of existing credit facility.

NOTE 11 CAPEX

In Q2, 2011, Kazakhstan acquired frequencies in the 2100 MHz band which affected CAPEX and the cash flow statement by SEK 218 million.