Interim Report January – June 2010

Q2 2010 Highlights

- **First two new Russian regions EBITDA break-even on a monthly basis, driving best ever operational performance in the market area**

  In Q2 2010, Tele2 Russia added 1,113,000 (478,000) customers. During the quarter, EBITDA amounted to SEK 944 (644) million and the first two new regions reached EBITDA break-even on a monthly basis, nine months after commercial launch

- **Accelerated mobile revenue growth in market area Nordic**

  Mobile revenue in market area Nordic grew by 4 percent, led by Tele2 Sweden's push into the smart phone segment, and as a result of higher take-up rate of data subscriptions

- **Stable cash flow contribution and signs of market stabilization in market area Central Europe & Eurasia**

  During the quarter, Tele2 Croatia reached a very important milestone by reaching EBITDA break-even for the first time. In the Baltic region, general market conditions started to show signs of stabilization, supporting Tele2's mobile operations in the countries

- **Further success in the corporate segment for market area Western Europe**

  In the corporate segment, Tele2 Netherlands was successful in prolonging existing accounts, thereby extending the binding period of several large customers

Net sales Q2 2010
excl. one-off items

9,967
SEK million

EBITDA Q2 2010

2,687
SEK million

	Q2			H1		
SEK million	2010	2009	%	2010	2009	%
Net Sales	10,555	9,853	7	20,090	19,681	2
Net Sales excluding one-off items	9,967	9,912	1	19,502	19,740	–1
EBITDA	2,687	2,446	10	5,045	4,690	8
EBIT	2,294	1,445	59	3,840	2,792	38
EBIT excluding one-off items	1,767	1,504	17	3,316	2,855	16
Net Profit/Loss	1,649	1,128	46	2,898	1,602	81
Earnings per share, after dilution (SEK)	3.73	2.54	47	6.55	3.59	82

The figures presented in this report refer to Q2 2010 and continued operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2009.

TELE2

Taking it to the next level. Together.

We achieved several important milestones during the second quarter of 2010. The availability of more affordable smart phone handsets contributed to the creation of a mass market, benefiting Tele2's more value-oriented customers; we improved the mix of our handset portfolio in Sweden; Tele2 Russia exceeded 16 million customers and the new regions started to reach profitability; and Tele2 Croatia attained EBITDA break-even. This positive momentum will take Tele2 to the next level.

Russia

We are satisfied with the general trend in our Russian operation, particularly in the new regions. During the last 12 months, we have added over 4 million customers and, on a federal level, Tele2 Russia is now the clear number 4 player by revenue and customer market share. Customer turnover was lower and usage levels higher than planned for the quarter. The new regions of Tula and Orel reached EBITDA break-even on a monthly basis only nine months after commercial launch, proving again the strength of our roll-out model. The overall operational development was also steady during the quarter, with a solid net intake and a record high EBITDA margin.

Nordic

As mentioned earlier, smart phones are becoming mass market devices in Sweden. Declining prices and an ever-growing selection of handsets are fuelling faster-than-expected growth in this segment. The increasing demand for mobile data constitutes an attractive source of revenue for Tele2, reflected in our Q2 2010 result. In July, Tele2 announced an agreement with Apple thanks to which we will offer the iPhone to our customers. This will help us broaden our handset portfolio and further strengthen our position in the postpaid segment.

The roll-out of the 4G network in Sweden is proceeding at full speed, giving us valuable experience of the new technology and of cost efficient network building. We intend to leverage and develop this knowledge in our other markets to the benefit of all our customers.

Central Europe & Eurasia

During the quarter, we have seen signs of economic stabilization in the Baltic region and believe that our operations will start benefiting from this trend during the second half of 2010.

At the Capital Markets Day in September 2009, we committed ourselves to achieving EBITDA breakeven in Croatia during the second half of 2010. We are proud of the fact that we managed to reach the goal as early as during the second quarter. Tele2 Croatia is definitely on the right track to meeting the targets set for a Tele2 core market.

In Kazakhstan our immediate focus is to prepare the organization to relaunch our mobile operations under the Tele2 brand in the 1H 2011.

Western Europe

As the challenger and second player in the Dutch business segment with a market share of almost 10 percent, we see good potential to enhance our current position. With the announced acquisition of BBNed we will further strengthen our position in the corporate and consumer market, enhancing the scale of our Dutch operations.

In Austria, we have made some tough decisions and streamlined our product portfolio to become a successful niche player. We will continue to lay emphasis on the business segment, a strategy that has already proven fruitful.

Going forward our strategy is simple – Tele2 always offers the best deal.

Lars Nilsson
CFO & Interim President and CEO, Tele2 AB

Financial Overview

Tele2's financial performance results from our continued focus on developing mobile services on our own infrastructure, complemented in some countries by fixed broadband services and business-to-business offerings. Mobile sales, which grew compared with the same period last year, and a greater focus on mobile services on our own infrastructure have further improved our EBITDA margin. The decline in the fixed telephony customer base is expected to persist. The company will concentrate on maximizing the return from fixed-line operations.

Net customer intake amounted to 1,096,000 (347,000) in Q2 2010. The customer intake in mobile services more than doubled to 1,208,000 (524,000), of which 39,000 (42,000) were mobile internet users. This result was mainly driven by a solid performance in Tele2 Russia, Tele2 Sweden and Tele2 Croatia, but also positively influenced by a recovery in Tele2's Baltic operations. During the period, Tele2 Russia's customer base grew by 1,113,000 (478,000) customers, of which 686,000 (128,000) were derived from new regions. Fixed broadband customer intake amounted to –2,000 (–7,000) customers in Q2 2010, due to a customer outflow in Sweden and Germany. However, Tele2 Austria broke a negative trend by adding 4,000 (–4,000) broadband users in the quarter. As expected, the number of fixed telephony customers fell in Q2 2010. However the churn rate in the fixed telephony customer base continued to decrease in the quarter, partly driven by Tele2 Germany. By June 30 2010 the total customer base increased to 28,751,000 (24,937,000) thanks to a prolonged success in mobile services.

Net sales in Q2 2010 amounted to SEK 9,967 (9,912) million, excluding one-off items of SEK 588 (–59) million[1]. Including one-off items, net sales amounted to SEK 10,555 (9,853) million. The revenue development was mainly a result of sustained success in mobile services, offset to some extent by negative sales development in fixed telephony and the divestment of Tele2 Norway's fixed broadband operations in Q2 2009.

EBITDA in Q2 2010 amounted to SEK 2,687 (2,446) million, equivalent to an EBITDA margin of 27 (25) percent. The EBITDA development was positively affected by better-than-expected operational progress in Tele2's Russian and Croatian mobile operations, coupled with improved fixed broadband services.

EBIT in Q2 2010 amounted to SEK 1,767 (1,504) million excluding one-off items of SEK 527 (–59) million[2]. Including one-off items, EBIT amounted to SEK 2,294 (1,445) million.

Profit/loss before tax amounted to SEK 2,070 (1,462) million.

Net profit/loss amounted to SEK 1,649 (1,128) million in the quarter. Reported tax for Q2 2010 amounted to SEK –421 (–334) million affected by one-off items amounting to SEK 73 (0) million[3]. Tax payment affecting cash flow amounted to SEK –195 (–124) million.

Cash flow after Capex amounted to SEK 2,013 (921) million.

CAPEX amounted to SEK 793 (1,085) million.

Net debt amounted to SEK 4,229 (5,441) million on June 30 2010, or 0.45 times full-year 2009 EBITDA. Including guarantees to joint ventures, the net debt to full-year 2009 EBITDA amounted to 0.62 times. Tele2's available liquidity amounted to SEK 12,472 (9,114) million.

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 company will secure licenses through strong local connections within the business and political arenas in all its markets. Tele2's core markets will be 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 reach at least 35 percent EBITDA margin.
- All operations in the group should reach at least 20 percent return on capital employed (ROCE).

Tele2 Group forward looking statement

The following points should be considered when estimating 2010 results for the Group:
- Tele2 forecasts a corporate tax rate of approximately 22 percent excluding one-off items. The tax payment will affect cash flow by approximately SEK 800 million.
- Tele2 forecasts a CAPEX level in the range of SEK 4,200–4,400 million including Tele2 Kazakhstan/NEO (earlier SEK 4,600–4,800 million excluding Tele2 Kazakhstan/NEO).

Tele2 Sweden forward looking statement

The following assumptions should be taken into account when estimating results for the Swedish mobile operations in 2010:
- Tele2 will continue to target the postpaid segment resulting in a full year EBITDA margin in the range of 33–35 percent, depending on customer intake.

Tele2 Russia forward looking statement

Tele2 has GSM licenses in 37 regions in Russia covering approximately 61 million inhabitants. The Russian operations have been divided into 17 old regions and 20 new regions. The following assumptions should be taken into account when estimating the operational performance of the total operations in Russia 2010–2011:
- Subscriber base should reach 19–20 million by YE 2011.
- Accumulated ARPU growth should amount to 5 percent in local currency.
- EBITDA margin in the old regions should stabilize at 45 percent. Most new regions' EBITDA margin will be break even by 18 months (earlier 2 years) from commercial launch. Tele2 Russia's total EBITDA margin should evolve in the range of 34–37 (earlier 27–32) percent.
- Accumulated Capex in Russia should be in the range of SEK 4,500–5,000 million by YE 2011.

1) See Note 1
2) See section EBIT on page 20
3) See Note 1

Tele2 Kazakhstan/NEO forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the total operations in Kazakhstan 2010–2011:

- Subscriber base should reach 400,000–450,000 by YE 2010.
- Blended ARPU should be in the range of SEK 40–45.
- EBITDA contribution in 2010 should be approximately SEK –250 million. EBITDA contribution in 2011 should be in the range of SEK –400 to –450 million.
- Accumulated Capex in Kazakhstan should be in the range of SEK 1,400–1,600 million by YE 2011.
- Tele2's operations in Kazakhstan should be able to reach break-even within 2 years from the commercial re-launch which is planned in 1H 2011.

Shareholder remuneration

Tele2's intention is to pay a progressive ordinary dividend to its shareholders over the medium term.

Balance sheet

Tele2's longer term financial leverage, defined as net debt/EBITDA ratio, 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.

SEK million	Q2 2010	Q2 2009	H1 2010	H1 2009	FY 2009
Mobile 1)					
Net customer intake (thousands)	1,208	524	2,180	788	3,139
Net sales	6,829	6,180	13,012	12,033	24,619
EBITDA	1,993	1,750	3,682	3,265	6,605
EBIT	1,442	1,322	2,702	2,476	4,887
CAPEX	453	759	700	1,600	3,119
Fixed broadband 1)					
Net customer intake (thousands)	–2	–7	7	–11	–11
Net sales	1,471	1,688	3,019	3,492	6,691
EBITDA	293	229	575	470	1,055
EBIT	36	–159	53	–313	–370
CAPEX	167	144	319	329	661
Fixed telephony 1)					
Net customer intake (thousands)	–110	–170	–280	–425	–801
Net sales	1,208	1,536	2,522	3,147	5,986
EBITDA	353	403	725	825	1,590
EBIT	300	339	619	696	1,332
CAPEX	22	21	47	39	82
Total					
Net customer intake (thousands)	1,096	347	1,907	352	2,327
Net sales 2)	10,555	9,853	20,090	19,681	39,474
EBITDA	2,687	2,446	5,045	4,690	9,394
EBIT 3)	2,294	1,445	3,840	2,792	5,736
CAPEX	793	1,085	1,375	2,253	4,439
EBT	2,070	1,462	3,658	2,217	5,236
Net profit/loss	1,649	1,128	2,898	1,602	4,755
Cash flow from operating activities	2,922	1,999	5,213	3,830	9,118
Cash flow after CAPEX	2,013	921	3,696	1,603	4,778

1) Less one-off items (see sections Net sales and EBIT on pages 16 and 19)
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)

SIGNIFICANT EVENTS IN THE QUARTER

- The Board of Directors appointed Mats Granryd as President and CEO of Tele2 AB effective from 1 September 2010
- Mike Parton elected as Chairman of the Board of Directors succeeding Vigo Carlund
- The first two new regions in Tele2 Russia's operation, Tula and Orel, reached EBITDA break-even on a monthly basis 9 months after commercial launch
- Tele2 Croatia EBITDA break-even
- Tele2 Sweden announced that it will acquire the remaining 50 percent of Spring Mobil for approximately SEK 100 million on a cash and debt free basis
- Tele2 won a LTE mobile licence in the 2.6 GHz band in the Netherlands

Significant subsequent events

- Tele2 Netherlands announced that it will acquire the Dutch operator BBNed for approximately SEK 475 million on a cash and debt free basis
- Tele2 Sweden launched iPhone 4

Overview by region

NORDIC

The Nordic market area is a strong cash-flow generator to the Tele2 organization and the test bed for new services.

Sweden

Mobile During the second quarter, Tele2 Sweden increased net sales by 5 percent to SEK 2,095 (1,999) million. The revenue growth was mainly driven by continued success within the postpaid segment. The trend in total mobile net intake was also positive, with a net intake of 74,000 (56,000) customers, whereof the majority were new postpaid voice and mobile internet customers. Also, despite the improved net intake, Tele2 Sweden maintained profitability with an EBITDA margin of 34.5 (34.0) percent. Costs associated with the SUNAB and Net4Mobility joint ventures amounted to SEK 123 (99) million in Q2 2010. The mobile operations in Sweden reported a blended ARPU of SEK 194 (195)[1].

Demand for Tele2 Sweden's mobile internet continued to be high and Tele2 Sweden added 23,000 (33,000) new customers during the quarter. Consequently, Tele2 achieved a mobile internet customer stock of 322,000 (218,000) customers. ARPU increased to 129 (116)[1] due to new price plans and increased usage.

Demand for mobile data in the postpaid segment (excluding mobile internet) increased in the quarter, driven by a broadened use of smart phones. MoU also increased to 262 (251) and, in combination with growth in data, contributed to a strengthened ARPU of SEK 247 compared to SEK 229 in Q1 2010. The success within the postpaid segment could also be seen in net intake, where Tele2 Sweden more than doubled the net intake to 31,000 (14,000) new customers during the second quarter. In order to pursue the strategy of growing within the postpaid segment, and to benefit from the trend of increased demand for smart phones, Tele2 Sweden announced a cooperation agreement with Apple in July 2010, enabling the company to sell iPhones.

As to the prepaid voice market (excluding mobile internet), Tele2 Sweden continued to deliver strong profitability with EBITDA margins of 52 (51) percent.

In the business segment, Tele2 Sweden won several important corporate deals, mainly within the public sector. Profitability within the business segment also grew, mainly due to a more efficient segmentation and new price plans. During the same period, the business segment strengthened its product portfolio by announcing that it will acquire the outstanding 50 percent of the mobile operator Spring with its one phone solution. Tele2 Sweden will now fully benefit from the synergies that exist between the companies.

Fixed Broadband During the second quarter of 2010, Tele2 Sweden experienced strong ADSL and LAN sales, consequently increasing sales by 2 percent to SEK 357 (349) million. In particular, Tele2 Sweden had a continued focus on LAN as future-proof broadband infrastructure. Profitability in the fixed broadband segment was stable during the second quarter, reaching an EBITDA margin of 2 (2) percent.

Fixed Telephony Despite a decreasing market for fixed telephony services, Tele2 Sweden increased ARPU to SEK 216 (200) and also EBITDA margin to 23 (17) percent during the second quarter. The positive trend was partly due to increased sales of fixed telephony bundled with other Tele2 services.

Norway

Mobile During the second quarter, Tele2 Norway delivered revenue of SEK 672 (654) million, hence a growth of 3 percent. In the quarter, Tele2 Norway had a good net intake of 7,000 (2,000) customers, partly driven by the re-launch of prepaid and a push in the small corporate segment. As to profitability, Tele2 Norway delivered a stable EBITDA margin of 8 (8) percent, mainly due to churn-reducing activities. During the quarter, Mobile Norway invoiced Tele2 Norway for unused capacity in Mobile Norway. The cost was included as direct cost in Tele2 Norway, negatively affecting EBITDA with SEK –12 (0) million.

EBIT amounted to SEK 42 (31) million and was negatively impacted by Tele2 Norway's share of the result from the Mobile Norway joint venture of SEK –3 (–16) million in Q2 2010.

Tele2 Norway continued to deliver the best deal and focused on strengthening its price position and on increasing quality perception. The business segment kept progressing positively during the quarter and prepaid mobile internet was launched in June.

On July 1, termination rates will be reduced from NOK 1.00 to NOK 0.90 per minute as per the decision of the regulatory authority. This will impact revenue and EBITDA negatively in Q3.

Fixed Telephony Tele2 Norway delivered stable revenue and profitability, resulting in an EBITDA contribution of SEK 17 (13) million during the second quarter. This was achieved through intensified efforts to bring costs down and by improving the quality of the overall customer stock.

RUSSIA

The Russian operation is Tele2's most significant growth engine. The company has GSM licenses in 37 regions with approximately 61 million inhabitants.

Mobile In the quarter the first two new regions (Tula and Orel) of Tele2 Russia reached EBITDA break-even on a monthly basis only 9 months after commercial launch. This strong performance indicates that the roll-out of new regions is progressing ahead of plan.

Tele2 Russia's strategy is to have a balanced approach to rolling out new regions while improving profitability in the more mature regions. The overall market's response has been in line with or even better than expected compared to the business plan. The total customer base grew by 1,113,000 (478,000), of which the new regions represented 686,000 (128,000) customers. Over the last 12 months, Tele2 Russia's customer base has grown by more than 4 million new users, proving that there is a solid demand for the company's services.

The total customer base amounted to 16,513,000 (12,381,000) at the end of Q2 2010. The turnover of the total customer base improved both sequentially and annually, partly driven by the introduction of a new commission structure to the retail channels, improving the quality of the customer intake. During the quarter, Tele2 Russia broadened the cooperation with several preferred distribution partners to include numerous new cities.

Despite an impact from customer base growth in new regions with lower initial service usage, MoU for the total operations increased by 7 percent compared to Q2 2009, amounting to 232 (217). ARPU amounted to SEK 54 (51) or RUB 217 (207), despite a strong customer intake in new regions. The general pricing environment remained highly competitive throughout the Tele2 Russia footprint.

[1] Recurring ARPU: Less sale of equipment and terminals

Supported by customer growth, Tele2 Russia carried on demonstrating good financial performance in the quarter. Revenue grew by 42 percent in Q2 2010 compared to the same period last year. The EBITDA margin development was robust, driven by stable operational trends in the more mature regions and early scale benefits in the new regions. EBITDA in the mature regions amounted to SEK 1,003 (720) million, equivalent to a margin of 45 (40) percent. EBITDA in the new regions amounted to SEK –59 (–76) million. Capex in the quarter amounted to SEK 332 (529) million due to a temporary delay in investments. The investment level is expected to increase in the 2H 2010.

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

CENTRAL EUROPE AND EURASIA

Tele2's Baltic operations will remain focused on creating a strong operational platform it can leverage on once economic stability is re-established in the region. Tele2's Croatian operation is a strong challenger as it offers the Best Deal in both voice services and mobile internet. Tele2's Kazakhstan operation is the latest growth opportunity for the Group.

Estonia

Mobile In the second quarter, the market showed clear signs of stabilization. Revenue decline was halted in Q2 2010 positively affected by the turn in the economy. Both usage (MoU) and hardware sales increased compared to the same period last year.

By offering the Best Deal, Tele2 Estonia added 7,000 (–1,000) new customers during the quarter. The most significant growth originated from the Mobile internet segment, and there is apparent evidence that this product is now taking off.

Tele2 continued to roll out its 3.5G network in rural areas, covering 75 percent of the population by the end of Q2 2010. In parallel, Tele2 successfully launched tests of the 4G network in Estonia; however the commercial launch is dependent on frequency licenses that have not yet been granted.

Lithuania

Mobile The Lithuanian economy stabilized in the first half of 2010 and GDP is projected to grow in 2010, after dropping significantly in 2009, which should positively affect the operational performance in the near future.

During the second quarter, Tele2 Lithuania continued to capitalize on a strong price leadership perception, supported by effective sales and marketing campaigns. As a result, Tele2 Lithuania kept gaining market share in both the postpaid consumer and corporate segments and added 34,000 (–19,000) new customers in the quarter.

Tough price competition continued into Q2 2010, affecting the ARPU level negatively. Reduced capital expenditures improved the cash flow contribution during the quarter.

Tele2 Lithuania will continue to focus on growing its market share in the corporate segment, benefiting from general price sensitivity among private companies and state-owned organizations.

Tele2 has started selling mobile internet products in 3 major cities in Lithuania. The countrywide commercial launch of 3G is planned for Q3 2010.

Latvia

Mobile Throughout Q2 2010, strong signs of customer activity in Latvia indicated that the economic climate improved. In the quarter, there has been higher customer activity in Tele2's retail shops, offering opportunities for upselling and sales of new mobile internet services.

Nevertheless, the quarter was marked by strong price pressure and harsh competition in voice and data services across all customer segments.

During Q2 2010, Tele2 continued to focus on customer satisfaction and service quality, while working steadily on strengthening its infrastructure in terms of coverage, capacity, performance and development of 3G capabilities. This resulted in a strong uptake of mobile internet services, which exceeded volume forecasts.

Moving into Q3 2010, Tele2 will carry on developing activities to increase market share particularly in the postpaid segment and in the business sector. By doing this, and also by strengthening service quality and introducing innovative customer services, Tele2 aims to maintain its best deal position in the market.

Croatia

Mobile Tele2 Croatia exceeded business plan expectations by reaching positive EBITDA in Q2 2010, driven by strong customer growth and improved cost management programs in areas such as national roaming and customer acquisition cost during the first half of 2010.

Tele2 Croatia continued to increase its market share during Q2 2010, achieving 20 percent customer growth compared to the same period last year. The customer base has now reached 656,000 users with growth across all segments including prepaid and postpaid voice and mobile internet.

During the second quarter, Tele2 Croatia launched various marketing campaigns that contributed to strengthening its best deal position, and a very successful campaign focusing on mobile number portability.

Kazakhstan

Mobile Tele2 Kazakhstan/NEO has been focusing on integration processes during Q2 2010. A new organization structure has been implemented, in order to better reflect the Tele2 Way of doing business. Likewise, business processes have been revised, and a short term tactical business plan and budget for 2010 have been created. In addition, new appointments were made for key positions, with the aim of strengthening Tele2 Kazakhstan/NEO.

The company started working on expanding the coverage and improving the quality of its network. As a new tariff plan was introduced on the market, the interest for Tele2 Kazakhstan/NEO services increased by the end of the quarter. Customer base is expected to grow in the second half of the year to reach 400,000–450,000 by YE 2010.

WESTERN EUROPE

Tele2's operations in Western Europe set the standard for the Group in Business to Business services and consumer fixed broadband.

The Netherlands

Mobile During Q2 2010, Tele2 Netherlands continued to push its previously launched postpaid propositions. The "BIG DEAL" campaign, whereby Tele2 Netherlands offers a high end handset with a competitive postpaid subscription, proved successful once again. As Tele2 Netherlands prolonged its focus on high value postpaid subscriptions, especially the prepaid base and associated revenues showed a decline during the quarter. The focus on postpaid subscriptions however showed a continued trend of improved margins.

In April 2010, Tele2 also announced that it had acquired 2x20 MHz in the Dutch 2.6 GHz mobile auction. The frequencies are specifically suited for next generation mobile internet (4G/LTE).

Fixed Broadband The pressure in the Dutch fixed broadband market continued, due to competition from cable operators offering bundled products with high speed internet access based on newly upgraded platforms. During Q2 2010, Tele2 Netherlands still managed to capitalize on the increased demand for multi-play offerings leading to a positive net intake. Especially the demand for Tele2's triple-play offerings, including TV, increased over dual play offerings, thereby improving the ARPU of the broadband base.

In the corporate segment, Tele2 Netherlands was successful in prolonging existing accounts, thereby extending the binding period of several large customers. Nevertheless, the renewals also led to price reductions, resulting in a decline in revenue in the business segment.

During Q2 2010, Tele2 Netherlands launched a new campaign and corporate identity for the corporate market, in order to improve brand awareness and sales activities in the SME/SOHO segment.

Fixed Telephony The fixed telephony market kept declining in favour of bundled (dual play) offers. Tele2 Netherlands continued its efforts to up- and cross sell its fixed telephony base towards its own bundled offerings. The company also retained its carrier pre-select customer base with its wholesale line rental product.

Other During the second quarter, the company further benefited from improvements in the regulatory environment, such as the decision on the Wholesale Price Cap II (WPC II) imposed by the regulator. The WPC II decision had a favourable impact on both the direct access and fixed telephony products and resulted in positive effects on revenue by SEK 22 million and on EBITDA by SEK 101 million (see notes 1 and 2) in the quarter.

Germany

Fixed Broadband The net growth remained at a low level as the broadband market turned more into a churner market in the quarter. While the incumbent used promotional pricing as an important marketing tool, the cable operators focused their marketing communication towards their upgraded platform. Tele2 Germany maintained its strategy of focusing on profitability rather than market share.

Fixed Telephony Tele2 Germany remained the largest CPS (Carrier Pre-Select) provider in the market with a market share of over 40 percent. As a result of the Company's emphasis on retention activities and customer base management, the customer base developed better than planned. The EBITDA margin for fixed line was 36 (37) percent in Q2 2010. Price competition in the fixed telephony segment was relatively low, as most operators concentrated on fixed broadband services. Only in the call by call market some movement has been visible as new players and prefixes are still entering the market.

Austria

In relation to the strong financial performance in 2009, mainly driven by increased cost focus, Tele2 Austria shifted from turnaround to growth mode with a particular focus on the corporate segment in Q2 2010. The healthy financials in 2009 have paved the way for strategic investments necessary to achieve sustainable and profitable future growth through a superior customer experience at low cost. In light of the conditions on the Austrian mobile market, Tele2 as a nationwide infrastructure-based fixed network provider is evaluating different cooperation models with mobile operators as regards the next generation mobile technologies.

Fixed Broadband While the focus on the corporate segment is to grow data revenue and keep the voice revenue stable, the residential side is more retention-oriented in its market approach. The growth of the corporate segment is to be achieved by increased sales efficiency and an improved value proposition through integrating an attractive third party solution portfolio.

Fixed Telephony In the residential segment several activities were undertaken during the quarter to achieve more than just customer retention under difficult market conditions. One example of this was the migration of fixed indirect customers to own access. The project was launched in Q1 2010 and will secure the profitability of the fixed telephony segment and increase ARPU.

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 other telecom licenses, operations in Russia, network sharing with other parties, integration of new business models, changes in regulatory legislation, legal proceedings, economic climate 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 2009 (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, 2010 on October 20, 2010.

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 21, 2010

Tele2 AB

Mike Parton *Chairman*	Lars Berg
Mia Brunell Livfors	Jere Calmes
John Hepburn	Erik Mitteregger
John Shakeshaft	Cristina Stenbeck

Lars Nilsson
Interim President and CEO

Review Report

Introduction

We have reviewed the interim report for Tele2 AB (publ.) for the period January 1 – June 30, 2010. 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 Standards on Auditing in Sweden RS and other generally accepted auditing practices in Sweden. 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 21, 2010

Deloitte AB

Jan Berntsson
Authorized Public Accountant

Result Meeting
Tele2 will host a conference call, with an interactive presentation, for the global financial community at 10.00 am CET (09.00 am UK time/04.00 am NY time) on Wednesday, July 21, 2010. The conference call will be held in English and will also be made available as an audiocast on Tele2's dedicated Q2 2010 website, reports.tele2.com/2010/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.

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APPENDICES
Income statement
Comprehensive income
Change in shareholders' equity
Balance sheet
Cash flow statement
Number of customers
Net sales
Internal sales
EBITDA
EBIT
CAPEX
Key ratios
Parent company
Notes

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TELE2 IS ONE OF EUROPE 'S LEADING TELECOM OPERATORS, ALWAYS PROVIDING THE BEST DEAL. We have 29 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 2009, we had net sales of SEK 39.5 billion and reported an operating profit (EBITDA) of SEK 9.4 billion.

Income statement

SEK million	Note	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2009 Q2
CONTINUING OPERATIONS						
Net sales	1	20,090	19,681	39,474	10,555	9,853
Operating expenses	2	–16,317	–16,927	–33,720	–8,310	–8,415
Result from shares in associated companies and joint ventures		35	–34	–98	21	–16
Other operating income		101	224	422	59	76
Other operating expenses		–69	–152	–342	–31	–53
Operating profit/loss, EBIT		**3,840**	**2,792**	**5,736**	**2,294**	**1,445**
Net interest expenses	1	–218	–238	–358	–141	–99
Exchange rate differences, external		–23	–74	3	–12	92
Exchange rate differences, intragroup		109	–232	–80	–23	35
Other financial items		–50	–31	–65	–48	–11
Profit/loss after financial items, EBT		**3,658**	**2,217**	**5,236**	**2,070**	**1,462**
Tax on profit/loss	1, 3	–760	–615	–481	–421	–334
NET PROFIT/LOSS FROM CONTINUING OPERATIONS		**2,898**	**1,602**	**4,755**	**1,649**	**1,128**
DISCONTINUED OPERATIONS						
Net profit/loss from discontinued operations		14	248	–46	–5	51
NET PROFIT/LOSS		**2,912**	**1,850**	**4,709**	**1,644**	**1,179**
ATTRIBUTABLE TO						
Equity holders of the parent company		2,909	1,831	4,673	1,644	1,168
Minority interest		3	19	36	–	11
NET PROFIT/LOSS		**2,912**	**1,850**	**4,709**	**1,644**	**1,179**
Earnings per share (SEK)		6.60	4.16	10.61	3.73	2.65
Earnings per share, after dilution (SEK)		6.58	4.15	10.59	3.72	2.65
FROM CONTINUING OPERATIONS						
Earnings per share (SEK)		6.57	3.60	10.72	3.74	2.54
Earnings per share, after dilution (SEK)		6.55	3.59	10.70	3.73	2.54
Number of outstanding shares, basic	4	440,958,339	440,351,339	440,381,339		
Number of shares in own custody	4	5,798,000	4,948,000	5,798,000		
Number of shares, weighted average	4	440,538,256	440,351,339	440,355,339		
Number of shares after dilution	4	442,891,656	441,550,992	441,506,048		
Number of shares after dilution, weighted average	4	441,849,025	441,039,438	441,272,717		

Comprehensive income

SEK million	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2009 Q2
Net profit/loss	**2,912**	**1,850**	**4,709**	**1,644**	**1,179**
OTHER COMPREHENSIVE INCOME					
Exchange rate differences	–1,100	29	–1,370	–279	151
Exchange rate differences, tax effect	–894	–40	–565	–307	–63
Reversed cumulative exchange rate differences from divested companies	–	–1	–138	–	–
Withholding tax	–	–	–19	–	–
Cash flow hedges	–6	–8	–6	1	1
Cash flow hedges, tax effect	1	1	–	–1	–
Other comprehensive income for the period, net of tax	**–1,999**	**–19**	**–2,098**	**–586**	**89**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**913**	**1,831**	**2,611**	**1,058**	**1,268**
ATTRIBUTABLE TO					
Equity holders of the parent company	910	1,814	2,579	1,058	1,256
Minority interest	3	17	32	–	12
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**913**	**1,831**	**2,611**	**1,058**	**1,268**

Change in shareholders' equity

		Jun 30, 2010			Jun 30, 2009			Dec 31, 2009		
		Attributable to			Attributable to			Attributable to		
SEK million	Note	equity holders of the parent company	minority interests	Total share-holders' equity	equity holders of the parent company	minority interests	Total share-holders' equity	equity holders of the parent company	minority interests	Total share-holders' equity
Shareholders' equity, January 1		28,402	63	28,465	28,151	50	28,201	28,151	50	28,201
Effect of restatement	10	358	–	358	204	–	204	204	–	204
Adjusted shareholders' equity, January 1		28,760	63	28,823	28,355	50	28,405	28,355	50	28,405
Costs for stock options	4	16	–	16	12	–	12	25	–	25
New share issues	4	55	–	55	–	–	–	4	–	4
Repurchase of own shares	4	–	–	–	–	–	–	–1	–	–1
Dividends	4	–2,580	–	–2,580	–2,202	–1	–2,203	–2,202	–4	–2,206
Purchase of minority	7	–306	–62	–368	–	–7	–7	–	–15	–15
Comprehensive income for the period		910	3	913	1,814	17	1,831	2,579	32	2,611
SHAREHOLDERS' EQUITY, END OF PERIOD		**26,855**	**4**	**26,859**	**27,979**	**59**	**28,038**	**28,760**	**63**	**28,823**

Balance sheet

SEK million	Note	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
ASSETS				
FIXED ASSETS				
Goodwill	7	10,711	11,589	10,179
Other intangible assets		3,243	2,015	2,234
Intangible assets		**13,954**	**13,604**	**12,413**
Tangible assets		15,274	15,839	15,344
Financial assets		906	593	596
Deferred tax assets	3	3,079	4,565	4,502
FIXED ASSETS		**33,213**	**34,601**	**32,855**
CURRENT ASSETS				
Materials and supplies		160	301	201
Current receivables		6,223	7,798	6,255
Short-term investments		104	85	114
Cash and cash equivalents		1,072	1,021	1,312
CURRENT ASSETS		**7,559**	**9,205**	**7,882**
ASSETS CLASSIFIED AS HELD FOR SALE	7	–	58	–
ASSETS		**40,772**	**43,864**	**40,737**
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Attributable to equity holders of the parent company		26,855	27,979	28,760
Minority interests		4	59	63
SHAREHOLDERS' EQUITY		**26,859**	**28,038**	**28,823**
LONG-TERM LIABILITIES				
Interest-bearing liabilities		4,853	4,988	3,188
Non-interest-bearing liabilities		893	702	731
LONG-TERM LIABILITIES		**5,746**	**5,690**	**3,919**
SHORT-TERM LIABILITIES				
Interest-bearing liabilities		574	1,695	443
Non-interest-bearing liabilities		7,593	8,441	7,552
SHORT-TERM LIABILITIES		**8,167**	**10,136**	**7,995**
EQUITY AND LIABILITIES		**40,772**	**43,864**	**40,737**

Cash flow statement *

SEK million	Note	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
OPERATING ACTIVITIES										
Cash flow from operations, less paid taxes		5,406	4,020	9,079	3,065	2,341	2,560	2,499	2,097	1,923
Taxes paid	3	–428	–580	–883	–195	–233	–205	–98	–124	–456
Changes in working capital	1	235	390	922	52	183	346	186	26	364
CASH FLOW FROM OPERATING ACTIVITIES		**5,213**	**3,830**	**9,118**	**2,922**	**2,291**	**2,701**	**2,587**	**1,999**	**1,831**
INVESTING ACTIVITIES										
Capital expenditure in intangible and tangible assets, CAPEX		–1,517	–2,227	–4,340	–909	–608	–1,048	–1,065	–1,078	–1,149
Cash flow after CAPEX		***3,696***	***1,603***	***4,778***	***2,013***	***1,683***	***1,653***	***1,522***	***921***	***682***
Acquisition of shares and participations	7	–946	–376	–845	–136	–810	–167	–302	–317	–59
Sale of shares and participations	7	–92	243	848	–83	–9	511	94	281	–38
Changes of long-term receivables and short-term investments		–15	3,296	3,383	–15	–	–16	103	2,934	362
Cash flow from investing activities		**–2,570**	**936**	**–954**	**–1,143**	**–1,427**	**–720**	**–1,170**	**1,820**	**–884**
CASH FLOW AFTER INVESTING ACTIVITIES		**2,643**	**4,766**	**8,164**	**1,779**	**864**	**1,981**	**1,417**	**3,819**	**947**
FINANCING ACTIVITIES										
Change of loans, net		–421	–2,976	–5,872	746	–1,167	–1,332	–1,564	–1,492	–1,484
Dividends	4	–2,580	–2,202	–2,202	–2,580	–	–	–	–2,202	–
New share issues	4	55	–	4	53	2	3	1	–	–
Repurchase of own shares	4	–	–	–1	–	–	–	–1	–	–
Shareholders contribution from minority	7	90	–	–	90	–	–	–	–	–
Dividend to minority		–	–1	–4	–	–	–	–3	–1	–
Cash flow from financing activities		**–2,856**	**–5,179**	**–8,075**	**–1,691**	**–1,165**	**–1,329**	**–1,567**	**–3,695**	**–1,484**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–213**	**–413**	**89**	**88**	**–301**	**652**	**–150**	**124**	**–537**
Cash and cash equivalents at beginning of period		1,312	1,250	1,250	993	1,312	683	1,021	792	1,250
Exchange rate differences in cash		–27	184	–27	–9	–18	–23	–188	105	79
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**1,072**	**1,021**	**1,312**	**1,072**	**993**	**1,312**	**683**	**1,021**	**792**

* including discontinued operations (Note 7)

Number of customers

by thousands	Note	Number of customers		Net intake								
		2010 Jun 30	2009 Jun 30	2010 Jan 1– Jun 30	2009 Jan 1– Jun 30	2009 Full year	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Sweden												
Mobile	8	3,452	3,236	89	78	205	74	15	20	107	56	22
Fixed broadband		453	436	9	3	11	–3	12	1	7	–3	6
Fixed telephony		692	780	–54	–37	–71	–13	–41	–17	–17	–16	–21
		4,597	**4,452**	**44**	**44**	**145**	**58**	**–14**	**4**	**97**	**37**	**7**
Norway												
Mobile	8	477	456	11	–2	8	7	4	3	7	2	–4
Fixed broadband		–	84	–	–7	–7	–	–	–	–	–3	–4
Fixed telephony		112	124	–8	–9	–13	–4	–4	–	–4	–3	–6
		589	**664**	**3**	**–18**	**–12**	**3**	**–**	**3**	**3**	**–4**	**–14**
Russia												
Mobile	8	16,513	12,381	2,062	698	2,947	1,113	949	1,149	1,100	478	220
		16,513	**12,381**	**2,062**	**698**	**2,947**	**1,113**	**949**	**1,149**	**1,100**	**478**	**220**
Estonia												
Mobile	8	465	456	18	–14	–23	7	11	–12	3	–1	–13
Fixed telephony		12	15	–1	–1	–3	–1	–	–1	–1	–1	–
		477	**471**	**17**	**–15**	**–26**	**6**	**11**	**–13**	**2**	**–2**	**–13**
Lithuania												
Mobile	8	1,644	1,716	36	–27	–65	34	2	–60	22	–19	–8
Fixed broadband		44	42	–	1	3	–	–	1	1	–	1
Fixed telephony		3	4	–	–	–1	–	–	–	–1	–	–
		1,691	**1,762**	**36**	**–26**	**–63**	**34**	**2**	**–59**	**22**	**–19**	**–7**
Latvia												
Mobile	8	1,044	1,072	–14	–22	–36	5	–19	–19	5	1	–23
Fixed telephony		–	2	–1	–	–1	–1	–	–	–1	–	–
		1,044	**1,074**	**–15**	**–22**	**–37**	**4**	**–19**	**–19**	**4**	**1**	**–23**
Croatia												
Mobile	8	656	546	58	70	122	32	26	–18	70	8	62
		656	**546**	**58**	**70**	**122**	**32**	**26**	**–18**	**70**	**8**	**62**
Kazakhstan												
Mobile	7	217	–	–48	–	–	–48	–	–	–	–	–
		217	**–**	**–48**	**–**	**–**	**–48**	**–**	**–**	**–**	**–**	**–**
Netherlands												
Mobile	8	367	425	–32	7	–19	–16	–16	–18	–8	–1	8
Fixed broadband		434	395	16	27	50	3	13	8	15	13	14
Fixed telephony		269	344	–38	–45	–82	–20	–18	–17	–20	–18	–27
		1,070	**1,164**	**–54**	**–11**	**–51**	**–33**	**–21**	**–27**	**–13**	**–6**	**–5**
Germany												
Fixed broadband		125	153	–14	–24	–38	–6	–8	–6	–8	–10	–14
Fixed telephony		1,325	1,728	–143	–302	–562	–50	–93	–90	–170	–115	–187
		1,450	**1,881**	**–157**	**–326**	**–600**	**–56**	**–101**	**–96**	**–178**	**–125**	**–201**
Austria												
Fixed broadband		130	153	–4	–11	–30	4	–8	–14	–5	–4	–7
Fixed telephony		317	389	–35	–31	–68	–21	–14	–23	–14	–17	–14
		447	**542**	**–39**	**–42**	**–98**	**–17**	**–22**	**–37**	**–19**	**–21**	**–21**
TOTAL												
Mobile	8	**24,835**	**20,288**	**2,180**	**788**	**3,139**	**1,208**	**972**	**1,045**	**1,306**	**524**	**264**
Fixed broadband		**1,186**	**1,263**	**7**	**–11**	**–11**	**–2**	**9**	**–10**	**10**	**–7**	**–4**
Fixed telephony		**2,730**	**3,386**	**–280**	**–425**	**–801**	**–110**	**–170**	**–148**	**–228**	**–170**	**–255**
TOTAL CONTINUING OPERATIONS		**28,751**	**24,937**	**1,907**	**352**	**2,327**	**1,096**	**811**	**887**	**1,088**	**347**	**5**
Acquired companies	7			265	–	–	–	265	–	–	–	–
Divested companies				–	–	–84	–	–	–	–84	–	–
Changed method of calculation	8			–	567	318	–	–	–	–249	567	–
Discontinued operations												
Net intake		–	–25	–	–25	–40	–	–	–6	–9	–	–25
Divested companies		–	454	–	–	–377	–	–	–377	–	–	–
Changed method of calculation				–	–14	–51	–	–	–	–37	–14	–
TOTAL OPERATIONS		**28,751**	**25,366**	**2,172**	**880**	**2,093**	**1,096**	**1,076**	**504**	**709**	**900**	**–20**

Net sales

SEK million	Note	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Sweden										
Mobile	9	4,093	3,925	8,008	2,137	1,956	2,040	2,043	2,029	1,896
Fixed broadband		716	699	1,400	357	359	355	346	349	350
Fixed telephony		913	962	1,909	453	460	476	471	476	486
Other operations		79	163	264	37	42	52	49	75	88
		5,801	**5,749**	**11,581**	**2,984**	**2,817**	**2,923**	**2,909**	**2,929**	**2,820**
Norway										
Mobile		1,331	1,290	2,616	672	659	667	659	654	636
Fixed broadband		4	189	194	2	2	3	2	92	97
Fixed telephony		221	245	482	105	116	120	117	120	125
		1,556	**1,724**	**3,292**	**779**	**777**	**790**	**778**	**866**	**858**
Russia										
Mobile		4,891	3,527	7,600	2,654	2,237	2,155	1,918	1,843	1,684
		4,891	**3,527**	**7,600**	**2,654**	**2,237**	**2,155**	**1,918**	**1,843**	**1,684**
Estonia										
Mobile		443	515	998	230	213	236	247	261	254
Fixed telephony		4	6	11	2	2	2	3	3	3
Other operations		24	28	56	13	11	13	15	14	14
		471	**549**	**1,065**	**245**	**226**	**251**	**265**	**278**	**271**
Lithuania										
Mobile		648	857	1,674	329	319	404	413	435	422
Fixed broadband		13	14	27	7	6	7	6	7	7
Fixed telephony		–	2	3	–	–	–	1	–	2
		661	**873**	**1,704**	**336**	**325**	**411**	**420**	**442**	**431**
Latvia										
Mobile		654	868	1,636	317	337	369	399	420	448
		654	**868**	**1,636**	**317**	**337**	**369**	**399**	**420**	**448**
Croatia										
Mobile		628	608	1,296	331	297	346	342	316	292
		628	**608**	**1,296**	**331**	**297**	**346**	**342**	**316**	**292**
Kazakhstan										
Mobile		44	–	–	44	–	–	–	–	–
		44	**–**	**–**	**44**	**–**	**–**	**–**	**–**	**–**
Netherlands										
Mobile		443	537	1,014	218	225	232	245	272	265
Fixed broadband	1	1,641	1,781	3,529	795	846	879	869	845	936
Fixed telephony		577	764	1,429	271	306	327	338	375	389
Other operations	1	286	405	746	140	146	167	174	198	207
		2,947	**3,487**	**6,718**	**1,424**	**1,523**	**1,605**	**1,626**	**1,690**	**1,797**
Germany										
Fixed broadband		167	235	436	79	88	98	103	113	122
Fixed telephony		616	914	1,670	285	331	367	389	441	473
Other operations		177	221	436	80	97	111	104	109	112
		960	**1,370**	**2,542**	**444**	**516**	**576**	**596**	**663**	**707**
Austria										
Fixed broadband		485	583	1,123	235	250	269	271	286	297
Fixed telephony		202	279	522	97	105	121	122	131	148
Other operations		271	312	670	126	145	185	173	150	162
		958	**1,174**	**2,315**	**458**	**500**	**575**	**566**	**567**	**607**
Other										
Other operations		500	578	1,102	257	243	258	266	276	302
		500	**578**	**1,102**	**257**	**243**	**258**	**266**	**276**	**302**
TOTAL										
Mobile		**13,175**	**12,127**	**24,842**	**6,932**	**6,243**	**6,449**	**6,266**	**6,230**	**5,897**
Fixed broadband		**3,026**	**3,501**	**6,709**	**1,475**	**1,551**	**1,611**	**1,597**	**1,692**	**1,809**
Fixed telephony		**2,533**	**3,172**	**6,026**	**1,213**	**1,320**	**1,413**	**1,441**	**1,546**	**1,626**
Other operations		**1,337**	**1,707**	**3,274**	**653**	**684**	**786**	**781**	**822**	**885**
		20,071	20,507	40,851	10,273	9,798	10,259	10,085	10,290	10,217
Internal sales, elimination	9	–569	–767	–1,393	–306	–263	–294	–332	–378	–389
		19,502	19,740	39,458	9,967	9,535	9,965	9,753	9,912	9,828
One-off items	1	588	–59	16	588	–	–1	76	–59	–
TOTAL CONTINUING OPERATIONS		**20,090**	**19,681**	**39,474**	**10,555**	**9,535**	**9,964**	**9,829**	**9,853**	**9,828**
Discontinued operations	7	–	637	1,092	–	–	177	278	314	323
TOTAL OPERATIONS		**20,090**	**20,318**	**40,566**	**10,555**	**9,535**	**10,141**	**10,107**	**10,167**	**10,151**

Internal sales

SEK million	Note	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Sweden										
Mobile	9	79	59	131	42	37	38	34	30	29
Fixed telephony		–	6	7	–	–	–	1	3	3
Other operations		22	87	120	7	15	12	21	43	44
		101	**152**	**258**	**49**	**52**	**50**	**56**	**76**	**76**
Norway										
Fixed telephony		11	18	32	5	6	7	7	7	11
		11	**18**	**32**	**5**	**6**	**7**	**7**	**7**	**11**
Russia										
Mobile		73	19	60	55	18	16	25	12	7
		73	**19**	**60**	**55**	**18**	**16**	**25**	**12**	**7**
Estonia										
Other operations		24	28	56	13	11	13	15	14	14
		24	**28**	**56**	**13**	**11**	**13**	**15**	**14**	**14**
Lithuania										
Mobile		6	8	15	3	3	4	3	5	3
Fixed telephony		–	1	1	–	–	–	–	–	1
		6	**9**	**16**	**3**	**3**	**4**	**3**	**5**	**4**
Latvia										
Mobile		5	8	17	3	2	1	8	3	5
		5	**8**	**17**	**3**	**2**	**1**	**8**	**3**	**5**
Netherlands										
Fixed broadband		7	9	18	4	3	4	5	4	5
Other operations		13	17	32	7	6	9	6	9	8
		20	**26**	**50**	**11**	**9**	**13**	**11**	**13**	**13**
Germany										
Other operations		32	77	135	18	14	26	32	40	37
		32	**77**	**135**	**18**	**14**	**26**	**32**	**40**	**37**
Austria										
Other operations		11	22	42	5	6	9	11	13	9
		11	**22**	**42**	**5**	**6**	**9**	**11**	**13**	**9**
Other										
Other operations		286	408	727	144	142	155	164	195	213
		286	**408**	**727**	**144**	**142**	**155**	**164**	**195**	**213**
TOTAL										
Mobile	9	**163**	**94**	**223**	**103**	**60**	**59**	**70**	**50**	**44**
Fixed broadband		**7**	**9**	**18**	**4**	**3**	**4**	**5**	**4**	**5**
Fixed telephony		**11**	**25**	**40**	**5**	**6**	**7**	**8**	**10**	**15**
Other operations		**388**	**639**	**1,112**	**194**	**194**	**224**	**249**	**314**	**325**
TOTAL OPERATIONS		**569**	**767**	**1,393**	**306**	**263**	**294**	**332**	**378**	**389**

EBITDA

SEK million	Note	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Sweden										
Mobile	9	1,386	1,328	2,661	722	664	652	681	680	648
Fixed broadband	9	21	36	86	6	15	12	38	7	29
Fixed telephony	9	212	187	387	105	107	93	107	82	105
Other operations		11	46	59	3	8	7	6	32	14
		1,630	**1,597**	**3,193**	**836**	**794**	**764**	**832**	**801**	**796**
Norway										
Mobile		90	76	180	51	39	46	58	51	25
Fixed broadband		7	–1	2	6	1	2	1	2	–3
Fixed telephony		35	27	64	17	18	20	17	13	14
		132	**102**	**246**	**74**	**58**	**68**	**76**	**66**	**36**
Russia										
Mobile		1,663	1,182	2,473	944	719	695	596	644	538
		1,663	**1,182**	**2,473**	**944**	**719**	**695**	**596**	**644**	**538**
Estonia										
Mobile		116	153	290	60	56	63	74	77	76
Other operations		–	2	2	1	–1	1	–1	–	2
		116	**155**	**292**	**61**	**55**	**64**	**73**	**77**	**78**
Lithuania										
Mobile		230	323	591	118	112	125	143	167	156
Fixed broadband		3	3	6	2	1	2	1	2	1
Fixed telephony		–	1	1	–	–	1	–1	–	1
		233	**327**	**598**	**120**	**113**	**128**	**143**	**169**	**158**
Latvia										
Mobile		211	287	527	102	109	108	132	138	149
		211	**287**	**527**	**102**	**109**	**108**	**132**	**138**	**149**
Croatia										
Mobile		–38	–148	–244	3	–41	–53	–43	–57	–91
		–38	**–148**	**–244**	**3**	**–41**	**–53**	**–43**	**–57**	**–91**
Kazakhstan										
Mobile		–45	–	–	–45	–	–	–	–	–
		–45	**–**	**–**	**–45**	**–**	**–**	**–**	**–**	**–**
Netherlands										
Mobile		69	64	127	38	31	27	36	50	14
Fixed broadband	1, 2	544	450	926	283	261	227	249	201	249
Fixed telephony	2	178	178	344	89	89	84	82	95	83
Other operations	1	108	107	212	56	52	52	53	56	51
		899	**799**	**1,609**	**466**	**433**	**390**	**420**	**402**	**397**
Germany										
Fixed broadband		–61	–91	–134	–29	–32	–23	–20	–38	–53
Fixed telephony		221	343	627	103	118	126	158	164	179
Other operations		1	11	23	–3	4	6	6	5	6
		161	**263**	**516**	**71**	**90**	**109**	**144**	**131**	**132**
Austria										
Fixed broadband		61	73	169	25	36	44	52	55	18
Fixed telephony		79	89	167	39	40	36	42	49	40
Other operations		16	22	35	4	12	5	8	15	7
		156	**184**	**371**	**68**	**88**	**85**	**102**	**119**	**65**
Other										
Other operations	2	–73	–58	–187	–13	–60	–95	–34	–44	–14
		–73	**–58**	**–187**	**–13**	**–60**	**–95**	**–34**	**–44**	**–14**
TOTAL										
Mobile		**3,682**	**3,265**	**6,605**	**1,993**	**1,689**	**1,663**	**1,677**	**1,750**	**1,515**
Fixed broadband		**575**	**470**	**1,055**	**293**	**282**	**264**	**321**	**229**	**241**
Fixed telephony		**725**	**825**	**1,590**	**353**	**372**	**360**	**405**	**403**	**422**
Other operations		**63**	**130**	**144**	**48**	**15**	**–24**	**38**	**64**	**66**
TOTAL CONTINUING OPERATIONS		**5,045**	**4,690**	**9,394**	**2,687**	**2,358**	**2,263**	**2,441**	**2,446**	**2,244**
Discontinued operations	7	–	55	148	–	–	38	55	41	14
TOTAL OPERATIONS		**5,045**	**4,745**	**9,542**	**2,687**	**2,358**	**2,301**	**2,496**	**2,487**	**2,258**

EBIT

SEK million	Note	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Sweden										
Mobile	9	1,095	1,079	2,075	581	514	476	520	531	548
Fixed broadband	2, 9	–141	–150	–265	–75	–66	–70	–45	–85	–65
Fixed telephony	9	193	161	332	95	98	79	92	69	92
Other operations		–15	13	2	–10	–5	–5	–6	16	–3
		1,132	**1,103**	**2,144**	**591**	**541**	**480**	**561**	**531**	**572**
Norway										
Mobile		75	36	90	42	33	18	36	31	5
Fixed broadband		7	–20	–16	6	1	2	2	–8	–12
Fixed telephony		34	21	53	17	17	17	15	10	11
		116	**37**	**127**	**65**	**51**	**37**	**53**	**33**	**4**
Russia										
Mobile		1,260	874	1,822	720	540	529	419	481	393
		1,260	**874**	**1,822**	**720**	**540**	**529**	**419**	**481**	**393**
Estonia										
Mobile		82	118	217	43	39	44	55	60	58
Other operations		–	2	2	1	–1	–	–	–	2
		82	**120**	**219**	**44**	**38**	**44**	**55**	**60**	**60**
Lithuania										
Mobile		184	273	491	96	88	100	118	142	131
Fixed broadband		1	1	1	1	–	–	–	–	1
Fixed telephony		–	1	1	–	–	1	–1	–	1
		185	**275**	**493**	**97**	**88**	**101**	**117**	**142**	**133**
Latvia										
Mobile		167	238	427	79	88	82	107	114	124
		167	**238**	**427**	**79**	**88**	**82**	**107**	**114**	**124**
Croatia										
Mobile		–96	–201	–353	–26	–70	–81	–71	–84	–117
		–96	**–201**	**–353**	**–26**	**–70**	**–81**	**–71**	**–84**	**–117**
Kazakhstan										
Mobile		–128	–	–	–128	–	–	–	–	–
		–128	**–**	**–**	**–128**	**–**	**–**	**–**	**–**	**–**
Netherlands										
Mobile		63	59	118	35	28	25	34	47	12
Fixed broadband	1, 2	240	–43	36	135	105	66	13	–43	–
Fixed telephony	2	143	135	264	70	73	66	63	73	62
Other operations	1	87	80	160	47	40	39	41	43	37
		533	**231**	**578**	**287**	**246**	**196**	**151**	**120**	**111**
Germany										
Fixed broadband		–66	–109	–173	–32	–34	–35	–29	–45	–64
Fixed telephony		195	320	574	91	104	108	146	153	167
Other operations		1	11	23	–3	4	6	6	5	6
		130	**222**	**424**	**56**	**74**	**79**	**123**	**113**	**109**
Austria										
Fixed broadband		12	8	47	1	11	16	23	22	–14
Fixed telephony		54	58	108	27	27	22	28	34	24
Other operations		1	4	–1	–3	4	–3	–2	6	–2
		67	**70**	**154**	**25**	**42**	**35**	**49**	**62**	**8**
Other										
Other operations	2	–132	–114	–288	–43	–89	–127	–47	–68	–46
		–132	**–114**	**–288**	**–43**	**–89**	**–127**	**–47**	**–68**	**–46**
TOTAL										
Mobile		**2,702**	**2,476**	**4,887**	**1,442**	**1,260**	**1,193**	**1,218**	**1,322**	**1,154**
Fixed broadband		**53**	**–313**	**–370**	**36**	**17**	**–21**	**–36**	**–159**	**–154**
Fixed telephony		**619**	**696**	**1,332**	**300**	**319**	**293**	**343**	**339**	**357**
Other operations		**–58**	**–4**	**–102**	**–11**	**–47**	**–90**	**–8**	**2**	**–6**
		3,316	**2,855**	**5,747**	**1,767**	**1,549**	**1,375**	**1,517**	**1,504**	**1,351**
One-off items		524	–63	–11	527	–3	–64	116	–59	–4
TOTAL CONTINUING OPERATIONS		**3,840**	**2,792**	**5,736**	**2,294**	**1,546**	**1,311**	**1,633**	**1,445**	**1,347**
Discontinued operations	7	14	248	–17	–5	19	196	–461	51	197
TOTAL OPERATIONS		**3,854**	**3,040**	**5,719**	**2,289**	**1,565**	**1,507**	**1,172**	**1,496**	**1,544**

EBIT, cont.

		Specification of items between EBITDA and EBIT								
SEK million	Note	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
EBITDA		**5,045**	**4,690**	**9,394**	**2,687**	**2,358**	**2,263**	**2,441**	**2,446**	**2,244**
Impairment of goodwill		–	–	–5	–	–	–5	–	–	–
Sale of operations		–	–4	7	–	–	–29	40	–	–4
Acquisition costs	7	–13	–	–29	–10	–3	–29	–	–	–
Other one-off items	1, 2	537	–59	16	537	–	–1	76	–59	–
Total one-off items		**524**	**–63**	**–11**	**527**	**–3**	**–64**	**116**	**–59**	**–4**
Depreciation/amortization and other impairment		–1,764	–1,801	–3,549	–941	–823	–850	–898	–926	–875
Result from shares in associated companies and joint ventures		35	–34	–98	21	14	–38	–26	–16	–18
EBIT		**3,840**	**2,792**	**5,736**	**2,294**	**1,546**	**1,311**	**1,633**	**1,445**	**1,347**

CAPEX

SEK million	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Sweden									
Mobile	100	126	252	28	72	66	60	50	76
Fixed broadband	77	87	159	48	29	40	32	49	38
Fixed telephony	11	3	9	3	8	4	2	3	–
Other operations	9	14	20	3	6	4	2	8	6
	197	**230**	**440**	**82**	**115**	**114**	**96**	**110**	**120**
Norway									
Mobile	8	1	6	6	2	4	1	–	1
Fixed broadband	–	2	2	–	–	–1	1	1	1
Fixed telephony	1	1	2	1	–	1	–	1	–
	9	**4**	**10**	**7**	**2**	**4**	**2**	**2**	**2**
Russia									
Mobile	434	1,084	2,232	332	102	441	707	529	555
	434	**1,084**	**2,232**	**332**	**102**	**441**	**707**	**529**	**555**
Estonia									
Mobile	32	69	110	19	13	22	19	24	45
	32	**69**	**110**	**19**	**13**	**22**	**19**	**24**	**45**
Lithuania									
Mobile	56	98	165	35	21	20	47	57	41
Fixed broadband	1	1	4	–	1	2	1	–	1
	57	**99**	**169**	**35**	**22**	**22**	**48**	**57**	**42**
Latvia									
Mobile	35	107	154	16	19	26	21	38	69
	35	**107**	**154**	**16**	**19**	**26**	**21**	**38**	**69**
Croatia									
Mobile	30	112	194	14	16	47	35	60	52
	30	**112**	**194**	**14**	**16**	**47**	**35**	**60**	**52**
Kazakhstan									
Mobile	1	–	–	1	–	–	–	–	–
	1	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**
Netherlands									
Mobile	4	3	6	2	2	2	1	1	2
Fixed broadband	223	223	448	109	114	129	96	84	139
Fixed telephony	24	23	46	12	12	14	9	9	14
Other operations	20	17	33	12	8	9	7	7	10
	271	**266**	**533**	**135**	**136**	**154**	**113**	**101**	**165**
Germany									
Fixed broadband	1	–	2	1	–	1	1	–	–
Fixed telephony	1	1	1	1	–	–	–	1	–
	2	**1**	**3**	**2**	**–**	**1**	**1**	**1**	**–**
Austria									
Fixed broadband	17	16	46	9	8	20	10	10	6
Fixed telephony	10	11	24	5	5	8	5	7	4
Other operations	6	5	13	3	3	5	3	3	2
	33	**32**	**83**	**17**	**16**	**33**	**18**	**20**	**12**
Other									
Other operations	274	249	511	133	141	153	109	143	106
	274	**249**	**511**	**133**	**141**	**153**	**109**	**143**	**106**
TOTAL									
Mobile	**700**	**1,600**	**3,119**	**453**	**247**	**628**	**891**	**759**	**841**
Fixed broadband	**319**	**329**	**661**	**167**	**152**	**191**	**141**	**144**	**185**
Fixed telephony	**47**	**39**	**82**	**22**	**25**	**27**	**16**	**21**	**18**
Other operations	**309**	**285**	**577**	**151**	**158**	**171**	**121**	**161**	**124**
TOTAL OPERATIONS	**1,375**	**2,253**	**4,439**	**793**	**582**	**1,017**	**1,169**	**1,085**	**1,168**

CAPEX, cont.

SEK million	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009 Full year	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
	Additional cash flow information								
CAPEX according to cash flow statement	**1,517**	**2,227**	**4,340**	**909**	**608**	**1,048**	**1,065**	**1,078**	**1,149**
This year unpaid CAPEX and paid CAPEX from previous year	–167	–46	–8	–142	–25	–38	76	5	–51
Sales price in cash flow statement	25	72	107	26	–1	7	28	2	70
CAPEX according to balance sheet	**1,375**	**2,253**	**4,439**	**793**	**582**	**1,017**	**1,169**	**1,085**	**1,168**

Key ratios

SEK million	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30	2009	2008	2007	2006
CONTINUING OPERATIONS						
Net sales	20,090	19,681	39,474	38,330	39,082	38,596
Number of customers (by thousands)	28,751	24,937	26,579	24,018	22,768	23,618
EBITDA	5,045	4,690	9,394	8,227	6,721	6,179
EBIT	3,840	2,792	5,736	2,906	1,740	970
EBT	3,658	2,217	5,236	1,893	1,009	405
Net profit/loss	2,898	1,602	4,755	1,758	–78	–186
KEY RATIOS						
EBITDA margin, %	25.9	23.8	23.8	21.4	17.1	16.0
EBIT margin, %	19.1	14.2	14.5	7.6	4.5	2.5
VALUE PER SHARE (SEK)						
Earnings	6.57	3.60	10.72	3.91	0.05	–0.14
Earnings after dilution	6.55	3.59	10.70	3.91	0.05	–0.14
TOTAL (INCLUDING DISCONTINUED OPERATIONS)						
Shareholders' equity	26,859	28,038	28,823	28,405	27,010	29,172
Shareholders' equity after dilution	26,872	28,038	28,823	28,415	27,054	29,186
Total assets	40,772	43,864	40,737	47,337	48,809	66,213
Cash flow from operating activities	5,213	3,830	9,118	7,896	4,350	3,847
Cash flow after CAPEX	3,696	1,603	4,778	3,288	–819	–1,673
Available liquidity	12,472	9,114	12,410	17,248	25,901	5,963
Net debt	4,229	5,441	2,171	4,952	5,198	15,311
Investments in intangible and tangible assets, CAPEX	1,375	2,253	4,439	4,623	5,198	5,365
Investments in shares, short-term investments etc	1,145	–3,163	–3,357	–2,255	–11,444	1,616
KEY RATIOS						
Equity/assets ratio, %	66	64	71	60	55	44
Debt/equity ratio, multiple	0.16	0.19	0.08	0.17	0.19	0.52
Return on shareholders' equity, %	20.9	13.0	16.4	8.9	–5.6	–11.2
Return on shareholders' equity after dilution, %	20.9	13.0	16.4	8.9	–5.6	–11.2
Return on capital employed, %	23.9	18.1	17.6	12.9	2.0	–5.4
Average interest rate, %	10.2	6.9	6.9	6.2	5.2	4.2
VALUE PER SHARE (SEK)						
Earnings	6.60	4.16	10.61	5.53	–3.50	–8.03
Earnings after dilution	6.58	4.15	10.59	5.53	–3.50	–8.03
Shareholders' equity	60.96	63.54	65.31	63.93	60.67	64.96
Shareholders' equity after dilution	60.81	63.44	65.18	63.90	60.70	64.95
Cash flow from operating activities	11.83	8.70	20.71	17.80	9.78	8.66
Dividend, ordinary			3.85	3.50	3.15	1.83
Extraordinary dividend			2.00	1.50	4.70	–
Market price at closing day	117.20	77.90	110.20	69.00	129.50	100.00

Parent company

INCOME STATEMENT

SEK million	2010 Jan 1–Jun 30	2009 Jan 1–Jun 30
Net sales	23	19
Administrative expenses	–73	–35
Operating profit/loss, EBIT	**–50**	**–16**
Exchange rate difference on financial items	–127	–22
Net interest expenses and other financial items	–170	–66
Profit/loss after financial items, EBT	**–347**	**–104**
Tax on profit/loss	82	–180
NET PROFIT/LOSS	**–265**	**–284**

BALANCE SHEET

SEK million	Note	Jun 30, 2010	Dec 31, 2009
ASSETS			
FIXED ASSETS			
Financial assets		28,074	30,985
FIXED ASSETS		**28,074**	**30,985**
CURRENT ASSETS			
Current receivables		14	15
Cash and cash equivalents		2	4
CURRENT ASSETS		**16**	**19**
ASSETS		**28,090**	**31,004**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted equity	4	17,513	17,459
Unrestricted equity	4	5,573	8,420
SHAREHOLDERS' EQUITY		**23,086**	**25,879**
LONG-TERM LIABILITIES			
Interest-bearing liabilities		4,844	4,984
LONG-TERM LIABILITIES		**4,844**	**4,984**
SHORT-TERM LIABILITIES			
Interest-bearing liabilities		91	85
Non-interest-bearing liabilities		69	56
SHORT-TERM LIABILITIES		**160**	**141**
EQUITY AND LIABILITIES		**28,090**	**31,004**

Notes

ACCOUNTING PRINCIPLES AND DEFINITIONS

For the Group, the interim report has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2.3 Reporting for legal entities and its statements.

From Q1 2010, with retroactive effect, the internal sale between mobile and fixed broadband/telephony is reported for Tele2 Sweden. For additional information please refer to Note 9.

In Sweden from January 1, 2010 sales with enhanced subscriptions fees are regarded as instalment payments and the accounting of revenues has been adjusted accordingly. Previous periods have been recalculated. For additional information please refer to Note 10.

Revenues from customer agreements including the delivery of mobile phones or other equipment without the debit of any specific enhanced subscription fees (for example discounts) are not allocated to the individual components. Instead, they are recognized when the total service is provided (for additional information please refer to the 2009 Annual Report). Tele2 now prepares to change this principle so that revenues that can be allocated to the equipment are recognized at the delivery of the equipment to the customer and revenues from other subscription charges are recognized in the period covered by the charge. The change in allocation is expected to be implemented in the later part of the year. Historical figures will most likely not be restated since it is not possible to determine the effect on prior periods.

Revised IFRS 3 and IAS 27 concerning business acquisition

In the revised IFRS 3, all acquisition related costs (transaction costs) are to be recognized as expenses in the period in which they arise and shall no longer be included as a part of the acquisition value for the acquired business. Also the definition of a business combination has been clarified. The revised IFRS 3 also allows the use of the so called full goodwill method. This means that the minority interest and goodwill are reported at fair value at the time of acquisition. According to the revised IFRS 3 a conditional purchase price shall be reported, both initially as well as in the following periods, at fair value with any subsequent revaluation to be reported in the income statement. Previously a provision for conditional purchase price was initially reported at a value that corresponded to the company's best estimate of the likely outcome. Subsequent changes in the provision, except for the discount effect, were reported against goodwill. The revised standard is applied prospectively.

The revised IAS 27 clarifies that changes in the parent company's share in the subsidiary, where the parent company retains the control shall be reported as a transaction within equity. This means that these types of changes shall not result in recognition of profit or loss in the income statement. Nor shall the transaction cause any changes of the subsidiary's net assets (including goodwill). The previous standard gave no guidance on how changes in the parent company's participating interest should be accounted for. The revised standard is applied prospectively and will result in changes compared to the previous principles.

Choice of accounting principle for put options

When choosing and applying its accounting principles, Tele2 has chosen the following principle for reporting of put options in connection with business combinations where put options give the minority owner a right to sell its shares or part of its shares to Tele2 in a company in which Tele2 is the majority stockholder.

Initially, at the business combination, a minority interest is recognized. This minority interest is then immediately reclassified as a financial liability. The financial liability is recognized at its fair value at each reporting date with the changes reported within financial items in profit or loss.

An alternative method would be to report both a minority interest and a financial liability. Another alternative is to on a current basis report a minority interest which is reclassified as a financial liability at each reporting period. The difference between the reclassified minority interest and the fair value of the financial liability is reported as a change of the minority interest within equity.

Other new and amended IFRS standards and IFRIC interpretations

The other new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2010, have had no material effect on the consolidated financial statements.

Tele2 has, in all other respects, presented its interim report in accordance with the accounting principles and calculation methods used in the 2009 Annual Report. Definitions are found in the 2009 Annual Report.

NOTE 1 NET SALES

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

Due to telecom regulatory changes, Netherlands has in Q2 2010 been positively affected by SEK 22 million mainly in the carrier business.

In Q3 2009, net sales in segment Other were increased by SEK 76 million related to a settlement with another operator. The positive effect was reported as a one-off item.

In Q2 2009, net sales in Sweden were decreased by SEK 59 million related to the revaluation of reserves. The negative effect was reported as a one-off item.

In Q1 2009, net sales for fixed broadband in Netherlands were increased by SEK 50 million related to the settlement of disputes with another operator.

In Q4 2009 Tele2 made a settlement with TeliaSonera related to interconnect disputes, and the solved dispute affected the cash flow positively by SEK 340 million and the interest income by SEK 60 million, but did not affect EBIT. In addition an interest cost has affected Q2 2010 negatively by SEK 43 million.

NOTE 2 OPERATING EXPENSES

In Q2 2010 Sweden has been 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 has in Q2 2010 been positively affected by SEK 79 million mainly in the fixed broadband and fixed telephony business in addition to the affect of SEK 22 million in net sales (Note 1).

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

In Q1 2009 Netherlands was negatively affected by SEK 38 million concerning retroactive price adjustments related to network costs mainly related to fixed broadband.

NOTE 3 TAXES

In Q4 2009, a revaluation of deferred tax assets was reported, negatively affecting the income statement by SEK 97 million, due to reduced income tax rate in Luxembourg.

In Q3 2009 net taxes were positively affected by SEK 1,071 million as a result of a valuation of deferred tax assets related to holding companies in Luxembourg. In Q4 2009 Luxembourg reported a tax revenue of SEK 117 million due to changed assessment related to 2008.

In Q3 2009 Tele2 Sweden received a negative tax ruling, mainly regarding a deduction for contribution to its subsidiary Tele2 Norway for the write off of a MVNO-agreement. The declined deductions affected the tax cost negatively by SEK 209 million in Q3 2009, but had no cash flow effects.

In Q1 2009 SEK 186 million as well as SEK 10 million were expensed regarding the S.E.C. dispute and other tax disputes respectively. Total tax and interest paid in Q1 2009, related to tax disputes, amounted to SEK 395 million out of which SEK 163 million was already provisioned for in 2005. The tax dispute is presented in Note 15 of the 2009 Annual Report.

NOTE 4 SHARES AND CONVERTIBLES

DIVIDEND

Tele2 has, in Q2 2010, paid to the shareholders a dividend for 2009 of SEK 5.85 (5.00) per share, of which the ordinary dividend amounts to SEK 3.85 (3.50) per share and the extraordinary dividend amounts to SEK 2.00 (1.50) per share. This corresponds to a total of SEK 2,580 (2,202) million, of which ordinary dividend SEK 1,698 (1,541) million and extraordinary dividend SEK 882 (661) million.

NEW SHARE ISSUE, CANCELLATION AND REPURCHASE OF SHARES

As a result of 557,000 stock options being exercised during Q2 2010, Tele2 has issued new shares resulting in an increase of shareholders' equity of SEK 53 million.

As a result of 20,000 stock options were exercised during Q1 2010, Tele2 has issued new shares resulting in an increase of shareholders' equity of SEK 2 million.

As a result of 30,000 stock options were exercised during Q4 2009, Tele2 issued new shares resulted in an increase of shareholders' equity of SEK 3 million.

In order to ensure delivery of shares under the incentive program 2009–2012 Tele2 has, in Q3 2009, issued 850,000 Class C shares through a directed placement at a subscription price corresponding to a quota value of SEK 1.25 per share, a total of SEK 1 million. The Class C shares are not entitled to dividends and represent one vote each. Tele2 has immediately after the issue repurchased all Class C shares at a price corresponding to the subscription price.

The in Q3 2008 repurchased Series B shares in Tele2 AB (4,500,000) were cancelled in Q2 2009, which resulted in a reduction of the share capital of SEK 5 million.

RECLASSIFICATION

In order to ensure delivery of shares under the incentive program 2007–2010 Tele2 has, in Q2 2010, reclassified 2,529,000 Class C shares to Class B shares.

In Q1 2010, 4,140,326 class A shares were reclassified into class B shares in Tele2. The reclassification was made in accordance with the resolution approved at the Annual General Meeting on May 11, 2009.

In Q2 and Q3 2009, 44,710 and 12,997,000 class A shares in Tele2 respectively were reclassified into class B shares.

INCENTIVE PROGRAM 2010–2013

The Annual General Meeting on May 17, 2010, approved an incentive programme for allocation to senior executives and other key employees in the Tele2 Group.

The incentive program (the Plan) include a total of 138 senior executives and other key employees within the Tele2 Group. The participants in the Plan are required to own shares in Tele2. These shares could either be shares already held or shares purchased on the market in connection with notification to participate in the Plan. Thereafter the participants were granted, free of charge, retention rights and performance rights on the terms stipulated below.

For each share under the Plan, the participants will be granted retention rights and performance rights by the company. Subject to fulfilment of certain retention and performance based conditions during the period April 1, 2010 – March 31, 2013 (the measure period), the participant maintaining the employment within the Tele2 Group at the date of the release of the interim report January – March 2013 and subject to the participant maintaining the invested shares, 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 retention and performance shares being allotted in order to treat the shareholders and the participants equally. The participant's maximum profit per right in the Plan is limited to SEK 529, five times the average closing share price of the Tele2 Class B shares during February 2010 (SEK 105.90).

The rights are divided into Series A rights retention shares, Series B rights performance shares and Series C rights performance shares. The shares to be received by the employee depend on the fulfilment of certain defined retention and performance based conditions during the Measure Period as follows:

Series A rights	Tele2's total shareholder return (TSR) on the Tele2 shares, with a minimum hurdle exceeding 0 percent during the Measure Period.
Series B rights	Average normalized return of capital employed (ROCE), with a minimum hurdle of 15 percent during the Measure Period and a stretch target of 18 percent.
Series C rights	TSR compared with a peer group including Elisa, KPN, Millicom, Mobistar, MTS – Mobile Telesystems, Telenor, TeliaSonera, Turkcell and Vodafone during the Measure Period with TSR being better than the average TSR for the peer group as a minimum hurdle and TSR being 10 percentage points better than the average TSR for the peer group as a stretch target.

The determined levels of the retention and performance based conditions are minimum hurdle and stretch target with a linear interpolation applied between those levels. The minimum hurdle constitutes the minimum level which must be exceeded in order to enable exercise of the rights. If the minimum hurdle is not reached all respective rights to retention and performance shares in that series lapse. If a stretch target is met all retention rights and performance rights remain exercisable in that series. If the minimum hurdle is reached the number of rights exercisable will be 20 percent for the Series B and C rights and 100 percent for the A rights.

To ensure the delivery of Class B shares under the Plan, the Annual General Meeting decided that maximum 1,180,000 Class C shares held by the company after reclassification into Class B shares may be transferred to the participants under the Plan.

CONT. NOTE 4

The Plan comprises a total number of 197,180 shares and the following number of rights for the different Groups: a) 8,000 shares and 7 rights (1 Series A, 3 Series B and 3 Series C) per invested share for the CEO, b) 32,000 shares and 6 rights (1 Series A, 2.5 Series B and 2.5 Series C) per invested share for other senior executives and other key employees (8 persons) and c) 157,180 shares and 4 rights (1 Series A, 1.5 Series B and 1.5 Series C) per invested share for other participants (129 persons).

Number of share rights	2010 Jun 9–Jun 30
Allocated June 9, 2010	876,720
Total outstanding share rights	**876,720**

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 59 million.

The estimated average fair value of the granted rights was SEK 78.60 on the grant date, June 9, 2010. 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	115.49	115.49	115.49
Expected life	2.87 years	2.87 years	2.87 years
Expected value reduction parameter market condition	70%	–	35%

INCENTIVE PROGRAM 2009–2012

Number of share rights	2010 Jan 1–Jun 30	Cumulative from start
Allocated June 1, 2009		656,160
Outstanding as of January 1, 2010	648,160	
Allocated Q2 2010, compensation for dividend	20,184	20,184
Forfeited	–87,256	–95,256
Total outstanding share rights	**581,088**	**581,088**

The Plan comprised a total number of 140,040 shares and the following number of rights for the different Groups: a) 8,000 shares and 7 rights per invested share for the CEO, b) 36,000 shares and 6 rights per invested share for other senior executives and other key employees (9 persons) and c) 96,040 shares and 4 rights per invested share for other participants (62 persons).

INCENTIVE PROGRAM 2008–2011

Number of share rights	2010 Jan 1–Jun 30	Cumulative from start
Allocated May 30, 2008		384,400
Allocated October 24, 2008		56,000
Allocated December 19, 2008		186,872
Allocated Q2 2009, compensation for dividend		25,165
		652,437
Outstanding as of January 1, 2010	492,549	
Allocated Q2 2010, compensation for dividend	14,372	14,372
Forfeited	–91,105	–250,993
Total outstanding share rights	**415,816**	**415,816**

INCENTIVE PROGRAM 2007–2010/2012

Number of options	2010 Jan 1–Jun 30	Cumulative from start
Allocated August 28, 2007		3,552,000
Outstanding as of January 1, 2010	2,550,000	
Forfeited	–21,000	–1,023,000
	2,529,000	**2,529,000**
Adjustments for outcome of the performance conditions	–	–
Total outstanding stock options	**2,529,000**	**2,529,000**

The Exercise of the stock options is conditional upon the fulfilment of certain performance conditions, measured from July 1, 2007 until June 30, 2010. The Board has established that the outcome of these decided performance conditions are in accordance with below.

Performance conditions	Minimum (50%)	Target (100%)	Outcome	Outcome of incentive program
Average normalised Return on Capital Employed (ROCE)	7%	14.5%	15.5%	100%
Total Shareholder Return compared to a peer group (TSR)	> 0%	≥ 5%	38.9%	100%

The exercise price has been adjusted from SEK 124 at December 31, 2009 to SEK 122 due to a compensation for the extraordinary dividend paid during 2010.

INCENTIVE PROGRAM 2006–2009/2011

	Stock options		Warrants	
Number of options	2010 Jan 1–Jun 30	Cumulative from start	2010 Jan 1–Jun 30	Cumulative from start
Allocated March 7, 2006		1,504,000		752,000
Outstanding as of January 1, 2010	904,000		–	
Forfeited	–	–570,000	–	–752,000
Exercise	–577,000	–607,000	–	–
Total outstanding	**327,000**	**327,000**	**–**	**–**

Weighted average share price at date of exercise for stock options has during 2010 amounted to SEK 119.63 (105.39).

A total bonus of SEK 4 million has been paid in connection with exercise during 2009–2010, as a compensation for the extraordinary dividend of SEK 6.20 paid during 2008 and 2009.

NOTE 5 CONTINGENT LIABILITIES

SEK million	2010 Jun 30	2009 Dec 31
Tax dispute, S.E.C. SA liquidation	4,354	4,354
Guarantee related to joint ventures		
– Svenska UMTS-nät, Sweden	1,518	1,745
– Mobile Norway, Norway	124	80
Total contingent liabilities	**5,996**	**6,179**

On January 27, 2009, the County Administrative Court declined Tele2's claim for a tax deduction of SEK 13.9 billion corresponding to a tax effect, excluding interest, of SEK 3.9 billion related to the S.E.C. tax dispute, of which SEK 186 million was expensed and paid in 2009 (please refer to Note 3). In Q1 2009 the County Administrative Court's ruling was appealed to the Administrative Court of Appeal. The interest is estimated to amount to SEK 630 million at June 30, 2010 and SEK 630 million at December 31, 2009. The tax dispute is presented in detail in Note 15 of the 2009 Annual Report.

Additional contractual commitments and liabilities related to joint ventures are stated in Note 31 and Note 32 in the Annual Report for 2009.

NOTE 6 TRANSACTIONS WITH RELATED PARTIES

Apart from transactions with Transcom and joint ventures no other significant related party transactions have been carried out during 2010. Related parties are presented in Note 39 of the 2009 Annual Report.

NOTE 7 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2010 Jan 1 – Jun 30
Acquisitions	
Kazakhstan	–534
Rostov, Russia	–280
	–814
Capital contribution to joint venture companies	–132
	–132
Total acquisitions	**–946**
Divestments	
Settlements of previous years' discontinued operations	–86
Settlements of previous years' other divestments	–6
Total divestments	**–92**
TOTAL CASH FLOW EFFECT	**–1,038**

ACQUISITIONS

Kazakhstan

On March 17, 2010 Tele2 acquired 51 percent of mobile operator NEO in Kazakhstan for SEK 545 million. Tele2 has in addition committed to a capital injection of SEK 360 million, of which SEK 93 million has been paid by Tele2 and additional SEK 90 million by the minority owner.

NEO operates a 900 MHz GSM license in Kazakhstan with a population of approximately 16.2 millions. Tele2 owns 51 percent of the shares with a call option to buy the remaining 49 percent from December 14, 2014. The other shareholder Asianet Holding B.V. 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.

Goodwill in connection with the acquisition was recognized in accordance with the so called full-goodwill method and is related to Tele2's expectations of strengthening this operation using its solid experience as a leading mobile challenger. The acquisition will provide the potential of synergies given the proximity and similarity of the Kazakhstan asset to other Tele2 operations as well as from the replication of Tele2's successful operational model, including the successful brand and product strategies used in the Russian market.

Total acquisition costs regarding Kazakhstan of SEK 40 million have been reported in the income statement and cash flow statement, whereof SEK 29 million was reported in Q4 2009.

Rostov, Russia

In January 2010, Tele2 acquired the remaining 12.5 percent of the shares in the subsidiary Tele2 Rostov in Russia for SEK 368 million, of which SEK 92 million will be paid in Q1 2013. This was the last minority stake in Tele2 Russia and as a result of this acquisition Tele2 now owns 100 percent of its Russian operations.

Net assets at the time of acquisition

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

	Kazakhstan		
SEK million	Reported value at the time of the acquisition	Adjustment to fair value	Fair value
Customer contracts	–	373	373
Licenses	128	466	594
Software	26	–	26
Tangible assets	714	–339	375
Financial assets	48	–	48
Current receivables	71	–	71
Cash and cash equivalents	11	–	11
Deferred tax liabilities	–	–100	–100
Other long-term liabilities	–1,295	296	–999
Short-term liabilities	–371	–	–371
Minority interest	–	–527	–527
Acquired net assets	**–668**	**169**	**–499**
Goodwill			1,044
Purchase price shares			**545**
Less: cash in acquired operations			–11
NET EFFECT ON GROUP CASH ASSETS			**534**

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

The put option in Kazakhstan is measured to its fair value and the minority interest within equity has been reclassified to an interest bearing financial liability.

In the balance sheet for Kazakhstan there is a non-interest bearing liability to the former owner. This liability was discounted to present value and the value of the long-term liabilities was reduced with SEK 296 million.

Ongoing acquisitions

In May 2010, Tele2 announced that it will acquire the remaining 50 percent of Spring Mobil for approximately SEK 100 million on a cash and debt free basis. Spring Mobil operates on the Swedish Business market with so-called One Phone solutions. Completion is conditional upon approval by the Competition authority.

Spring Mobil complements Tele2's existing product portfolio and will improve Tele 2's position in the corporate market. As a wholly owned subsidiary, Tele2 can fully benefit from the synergies that exist between Tele2 and Spring Mobil and the transaction will contribute positively to the company's growth opportunities. After the acquisition Tele2 will own 100 percent of Spring Mobil.

Acquisition after closing day

In July 2010, Tele2 announced that it will acquire the Dutch operator BBNed. Tele2 will pay in cash approximately SEK 475 million on a cash and debt free basis. Completion is expected following approval from Competition authorities in the Netherlands.

BBNed is a provider of fixed telephony and broadband services in the Netherlands, active in retail, business and wholesale segment. BBNed operates on the business market with its brand BBeyond and on the consumer market with its brands Alice and InterNLnet. The combined entities will benefit from Tele2's successful brand and product strategies in the Netherlands. This is a great opportunity for Tele2 to strengthen the Dutch business and benefit from increased operational scale.

DIVESTMENTS

Other divestments

Other cash flow changes include settlements of sales costs in the amount of SEK 6 million, for divestments that have not been classified as discontinued operations.

PRO FORMA

The table below shows the effect of the acquired companies and operations at June 30, 2010 on Tele2's net sales and result, had they been acquired at January 1, 2010.

	Jan 1 – Jun 30, 2010		
SEK million	Tele2 Group	Acquired operations before the time of acquisition	Tele2 Group, pro forma
Net sales	20,090	47	20,137
EBITDA	5,045	–36	5,009
Net profit/loss	2,898	–120	2,778

DISCONTINUED OPERATIONS

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

NOTE 8 NUMBER OF CUSTOMERS

As a way of standardizing reporting both internally and externally, Tele2 decided in 2009 to change its principles for calculating the number of active customers in its mobile prepaid base. As of June 30, 2009, Tele2 considers a customer inactive if the customer has not used its mobile service in 3 months, instead of as earlier 3 to 13 months. Previous periods were not adjusted retroactively. In Q3 2009, additional adjustments were done to the customer base in Russia and Lithuania to reach conformity with the new principle.

In Q2 and Q3 2009, the one-time effect was a net increase of 567,000 and a net decrease of –249,000 respectively in the reported customer base. The large positive effect that the changed principle had on the Russian customer base was mainly related to the fact that the 3 months period was previously calculated from the time of the payment and not (as the new definition) from the last outgoing call. The table below presents how the customer base was affected by the changed definition in each country.

	Number of customers at June 30, 2009			Q3 2009
Thousands	Before	Changed definition	After	Additional change[1]
Sweden	3,436	–200	3,236	–
Norway	458	–2	456	–
Russia	11,120	1,261	12,381	–179
Estonia	488	–32	456	–
Lithuania	1,897	–181	1,716	–70
Latvia	1,084	–12	1,072	–
Croatia	773	–227	546	–
Netherlands	465	–40	425	–
Number of customers	**19,721**	**567**	**20,288**	**–249**

[1] Additional change due to the new principle decided in Q2 2009

NOTE 9 SALES BETWEEN MOBILE AND FIXED

Previously, in the segment specification for Sweden, effects from mobile traffic terminated in the fixed access network and traffic in the fixed access network terminated in the mobile access network were not reported since they were related to traffic within the same company. From Q1 2010, with retroactive effect, the internal sale between mobile and fixed broadband/telephony has been reported for Tele2 Sweden. Segment Sweden was adjusted with the following amounts.

INTERNAL SALES

SEK million	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Full year	2008 Q4
Mobile	77	17	15	23	22	109	23
Internal sales	**77**	**17**	**15**	**23**	**22**	**109**	**23**

EBITDA AND EBIT

SEK million	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Full year	2008 Q4
Mobile	77	17	15	23	22	109	23
Fixed broadband	–31	–7	–6	–9	–9	–40	–10
Fixed telephony	–46	–10	–9	–14	–13	–69	–13
EBITDA and EBIT	**–**	**–**	**–**	**–**	**–**	**–**	**–**

NOTE 10 NEW REVENUE RECOGNITION PRINCIPLE

In Sweden the sale of phones and computers via so called enhanced subscription fee has increased. Enhanced fees are an offering for the customer to pay explicitly for the equipment during a period of 12 to 24 months. This change in customer offering has led to a revaluation of how much cash flow can be allocated to equipment such as mobile phones etc.

In Sweden from January 1, 2010 sales with enhanced subscription fees are regarded as instalment payments and the accounting of the revenues reflect that. Hence both the cost and the revenue from the equipment are accounted for at the time it is supplied to the customer. Previously the cost was taken up front and the revenue was recognized when the total services were provided. Previous periods have been recalculated and the effects on the financial statements are presented below.

INCOME STATEMENT

SEK million	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Full year	2008 Q4	2007 Full year	2006 Full year
Net sales, mobile	209	75	66	37	31	58	43	152	66
Tax	–55	–20	–17	–10	–8	–15	–11	–40	–17
Net profit/loss	**154**	**55**	**49**	**27**	**23**	**43**	**32**	**112**	**49**

BALANCE SHEET

SEK million	2009 Dec 31	2009 Sep 30	2009 Jun 30	2009 Mar 31	2008 Dec 31	2007 Dec 31	2006 Dec 31
Assets							
Accrued income	485	410	344	307	276	218	66
Deferred tax assets	–127	–107	–90	–80	–72	–57	–17
Assets	**358**	**303**	**254**	**227**	**204**	**161**	**49**
Shareholders' equity	358	303	254	227	204	161	49
Equity and liabilities	**358**	**303**	**254**	**227**	**204**	**161**	**49**

CASH FLOW STATEMENT

SEK million	2009 Full year	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Full year	2008 Q4	2007 Full year	2006 Full year
Cash flow from operations, less paid taxes	209	75	66	37	31	58	43	152	66
Change in working capital	–209	–75	–66	–37	–31	–58	–43	–152	–66
Cash flow from operating activities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**