ANNUAL REPORT 2014

TELE2

Calendar 2015

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Annual General Meeting
2015
Stockholm

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2014 – yet another dynamic and successful year! Perfect for us at Tele2 who see change as the only constant

> "Everything starts with a good trend, someone said. I really think that is true and in our business that trend is data growth. The difference between winners and losers will be the ability to monetize data and take good care of the customer, I know that we at Tele2 can do both."

In just a few years, the mobile device has become our most beloved asset, even more dear to us than our wallets. Did you know that around 80 percent of the smartphone users check their mobile phones within the first 15 minutes of when they wake up? Moreover, did you know that we look at our phones on average 125–150 times per day? And we, Tele2, make the expensive device you hold in your hand worth something. Because without the connectivity that we provide, it is just pieces of glass, metal and plastic. Hence, I feel confident that our mobile focus is spot on.

The year has been vibrant in many ways. I have had the pleasure of welcoming several new members to the Leadership Team - new faces bringing new ideas and perspectives to the table. Also the Tele2 Group saw some change to the set-up as we sold our Norwegian business. The sale has been completed during 2015 after approval by regulatory authorities, and is beneficial for both Tele2, our Norwegian customers and the buyer – although it was a big step away from the original plan that we had for our Norwegian operations. Moreover, on the operational side we have seen good development in for example Sweden, where we are really hitting it off when it comes to monetizing data. The prepaid to postpaid migration has slowed down and instead the voice to data transition is really picking up speed. And we are only seeing the beginning of that journey.

Everything starts with a good trend, someone said. I really think that is true and in our business that trend is data growth. The difference between winners and losers will be the ability to monetize data and take good care of the customer, I know that we at Tele2 can do both.

Hitting change before change hits us

Last year, I said that 2014 would be the year when we were going to remove uncertainty around Tele2. To a large extent we have managed to do that. We have a clear path forward and now it is just continued hard work that is needed to get our Rockets in the Netherlands, Kazakhstan and Croatia to bear fruit. Adding to the clarity, we communicated our renewed strategy to the Board, our employees and the market during the year. Our strategic process landed in four strategic choices, or Way2Win, as we call it; Value Champion, Focused Technology Choices, Step Change Productivity and Winning People & Culture. If we manage to excel in each of these areas, we will be unbeatable. Within Step Change Productivity, we announced the Challenger Program as an initiative. It is a program to increase efficiency across the whole Group by doing what we do even smarter and better. It will lead to productivity improvements amounting to around SEK 1 billion annually as of 2018.

In Sweden, we fully transitioned to becoming Value Champions during 2014 when we introduced a new commercial concept which we refer to as Tele2.0. Putting the customers first and abolishing old truths like binding periods and expiry dates for top-ups. Instead, we introduced things like a one-subscription-solution for everyone and trial periods for both B2C and B2B customers. The purpose of the concept is to improve customer satisfaction and build the Tele2 brand. It is a bold move but the industry needs to change and in Sweden we are in a position of strength, giving us the courage to take these steps. During the year, Sweden maintained its status as the leader in mobile data for the Group.

In the Netherlands, we are continuing one of the Group's most exciting projects at full speed. In the beginning of 2015, some of our base stations started to radiate and by pushing on with the network build-out we expect to have a full coverage by Q1 2016. As far as I know, it will be the first 4G-only full covering operation in the world.

In the year, we have seen geopolitical developments that affected our value in Kazakhstan, as it brought monetary instability with it. Businesswise, on the contrary, we saw more stability in our countries neighboring Russia. In Kazakhstan, we are back at a strong positive customer intake. We have increased the number of points of sales, applied a more regional approach to our business and saw the revenue sharing retail model continue to yield results. We maintained our successful network roll-out and at the end of the year, we had 30 percent of our revenues coming from data. The voice to data transition is present everywhere.

I am glad to see that Tele2 Croatia continues its positive trajectory after last year's turn-around. Once again I would like to emphasize the strong management team and employees that are really giving it all to make that happen. In 2014 we secured 15 MHz in the 1800 MHz spectrum which puts us in a strong position for future data growth.

Estonia went from a very tough position, to a tough one. A dawning improvement which I hope will continue. Lithuania continues to stand out as one of the stars of the Group with a number one position (no matter how you count) and with impressive EBITDA-margins. Latvia focused on customer service and managed to reach beyond world class levels, hitting 86 percent customer satisfaction during the year.

Germany continued on its present path and in Austria we took the decision to invest in B2B whilst also launching mobility (through an MVNO agreement) as a complement to our fixed operations.

2014 was also the year when our M2M business got some traction in its partnership strategy. That strategy gives us the right tools to take our M2M business further at a great tempo. The Tele2 M2M Global Solution organization feels solid and I am hopeful that 2015 will be even more of a springboard year for our M2M activities.

If you are not paranoid, you do not have enough information

Sustainability and Corporate Responsibility remains a clear focus for us at Tele2. By providing our customers with great products and offerings that give access to society's full range of services and communication, we feel that we are contributing to a better tomorrow at our very core. However, we are well aware that there are plenty of challenges along the way in order to get that done in a cautious and responsible way across our footprint. Our strategy for Corporate Sustainability described in two words would be: transparent action. We take action when we see wrongdoings within our operational control. We discuss human rights and ethical dilemmas in our Board. I, myself, have worked hard to increase transparency around our business in Kazakhstan towards investors and relevant stakeholders. We try to be as open as we can possibly be about our challenges (e.g. reporting incidents in our Annual Reports and on our corporate website, organizing Corporate Responsibility round-tables, drafting public White Papers etc.) and when things go bad (because they do) we act upon it. Fulfilling the company's responsibility to respect human rights as defined by the United Nations in the best possible way. This needs to be done to maintain our customers' trust and generate maximum shareholder value – and to allow me to sleep well at night. We follow political and macro-economic trends which could influence performance and delivery and we are disciplined when it comes to risk appetite, culture, values and challenger spirit. We, and our owners, will continue to have tough expectations on ourselves for the coming years.

The Tele2 Way or the highway

Internally, we have had a continued focus on our unique and priceless set of values. It is important not to feel satisfied and relaxed even though employee engagement levels (a combination of clarity and energy) at Tele2 are world class. In the year, we therefore rolled out a new Tele2 Way training. Everyone in the Leadership Team are teachers and all managers have attended the updated training sessions. We have a strong culture and DNA that needs to be taken care of. Winning People & Culture is one of the Way2Win areas in the renewed strategy because it is the people at Tele2 that makes us who we are and defines who we will be.

Just do it

In 2015, we will roll-up our sleeves even further (at Tele2 they are well above the elbows at any given time) because we have a lot of work to do. I sometimes say that we are more or less "fully booked" for 2015. It will be a year of investments and setting up the company for future continued success. The Netherlands remains a clear focus and we need to get that right. We are also rolling out networks in Kazakhstan and Sweden to cater for future needs. Moreover, we have kick-started the Challenger Program and need to get good traction from that in 2015.

Mats Granryd
President and CEO

Board of Directors

Mike Parton

Chairman of the Board, elected in 2007

Born: 1954

Nationality: British citizen

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

Holdings in Tele2: 17,825 B shares

Committee work: Member of the Remuneration Committee

Mike Parton is a member of the Chartered Institute of Management Accountants. Furthermore, he is a member of the Advisory Board of a UK charity called Youth at Risk.

He was CEO and Chairman of Damovo Group Ltd, an international IT company between 2007 and 2014 and CEO and Executive member of Marconi plc between 2001 and 2006.

Trained as Chartered Management Accountant.

Lars Berg

Non-Executive Director, elected in 2010

Born: 1947

Nationality: Swedish citizen

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

Holdings in Tele2: 2,000 B shares

Committee work: Chairman of the Remuneration Committee

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

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

M.Sc. in Business Administration and Economics, Gothenburg School of Economics.

Mia Brunell Livfors

Non-Executive Director, elected in 2006

Born: 1965

Nationality: Swedish citizen

Independence: Not independent in relation to the company and management (due to engagement as a Board member of Transcom Worldwide AB) and not independent in relation to the company's major shareholders

Holdings in Tele2: 1,000 B shares

Committee work: –

Mia Brunell Livfors is a member of the Board of Millicom International Cellular S.A., Modern Times Group MTG AB, Qliro Group AB, Transcom Worldwide AB, Stena AB and Efva Attling Stockholm AB. She also works as an advisor for Axel Johnson AB and has been appointed as a Board member of Axel Johnson AB from March 25, 2015.

She was President and CEO of Investment AB Kinnevik between 2006 and 2014 and she held several managerial positions within the Modern Times Group MTG AB from 1992 to 2001 and was Chief Financial Officer between 2001 and 2006.

Studies in Economics and Business Administration, Stockholm University.

Lorenzo Grabau

Non-Executive Director, elected in 2014

Born: 1965

Nationality: Italian citizen

Independence: Independent in relation to the company and management but not independent in relation to the company's major shareholders

Holdings in Tele2: –

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

Lorenzo Grabau is President and CEO of Investment AB Kinnevik since 2014. He is also Chairman of Rocket Internet AG and Avito AB since 2014 and in Global Fashion Holding SA since 2015. In addition he is deputy Chairman of Zalando SE since 2013, as well as Non-Executive Director of Millicom International Cellular S.A., since 2013, Modern Times Group MTG AB since 2011, Qliro Group AB and Secure Value EEIG since 2014.

During 2013 and 2014 he was Non-Executive Director of Investment AB Kinnevik, CTC Media, Inc. and Softkinetic BV. He was a Partner and Managing Director at Goldman Sachs International in London until 2011. He joined the Investment Banking division of Goldman Sachs in 1994 and during his 17 years at the firm held various leadership positions within the Consumer/Retail and Media/Online industry practices, and the Financial Sponsors Group. He began his career in Investment Banking in 1990 when he joined Merrill Lynch, where he remained for five years working in the Mergers & Acquisitions department in London and New York.

Dottore in Economia e Commercio, from Università degli Studi di Roma, La Sapienza, Italy.

Irina Hemmers

Non-Executive Director, elected in 2014

Born: 1972

Nationality: Austrian citizen

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

Holdings in Tele2: –

Committee work: Member of the Audit Committee

Irina Hemmers is Investment Managing Director at Moonray Investors, the Principal Investing Arm of Fidelity International.

She was Non-Executive Director of Trader Corporation, Trader Media Group and Top Right Group until 2013, of Hit Entertainment until 2012, Incisive Media/American Lawyer Media until 2009 and SULO Group until 2007. Previously, she was a Partner with private equity firm Apax Partners from 2001 to 2013. During her 12 years with Apax Partners, she worked in Munich, Hong Kong and London. She began her career at McKinsey & Company in Vienna 1996.

M.Sc. in International Business and Economic Studies from University of Innsbruck, Austria, and an MPA from John F. Kennedy School of Government, Harvard University, USA.

Erik Mitteregger

Non-Executive Director, elected in 2010

Born: 1960

Nationality: Swedish citizen

Independence: Independent in relation to the company and management but not independent in relation to the company's major shareholders

Holdings in Tele2: 10,000 B shares

Committee work: Member of the Audit Committee

Erik Mitteregger is member of the Board of Investment AB Kinnevik since 2004 and of Rocket Internet AG and Avito AB since 2014. He is also chairman of the Boards of Firefly AB and Wise Group AB.

Previously, he was member of the Board of Invik & Co. AB 2004–2007 and Metro International SA 2009–2013. He was founding partner and Fund Manager of Brummer & Partners Kapitalförvaltning AB 1995–2002. In 1989–1995, he was Head of Equity Research and member of the Management Board at Alfred Berg Fondkommission.

B.Sc. in Economics and Business Administration at Stockholm School of Economics.

Carla Smits-Nusteling

Non-Executive Director, elected in 2013

Born: 1966

Nationality: Dutch citizen

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

Holdings in Tele2: –

Committee work: Chairman of the Audit Committee and member of the Remuneration Committee

Carla Smits-Nusteling is a Non-Executive Director at ASML. She is also a member of the management board of the Foundation Unilever NV Trust Office since February 2015.

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

M.Sc. Business Economics, Erasmus University, Rotterdam.

Mario Zanotti

Non-Executive Director, elected in 2013

Born: 1962

Nationality: Italian citizen

Independence: Independent in relation to the company and management but not independent in relation to the company's major shareholders

Holdings in Tele2: –

Committee work: –

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

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

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

Leadership Team

Mats Granryd

President and CEO Tele2 Group

Joined the company in 2010

Born 1962

M.Sc. in Mechanical Engineering, KTH Royal Institute of Technology

Holdings in Tele2[1)]
57,725 B shares

56,000 share rights (LTI 2012)

56,000 share rights (LTI 2013)

56,000 share rights (LTI 2014)

Allison Kirkby

Executive Vice President / Group CFO

Joined the company in 2014

Born 1967

FCMA, Fellow of the Chartered Institute of Management Accountants, SHND in Accounting, University of Caledonia

Holdings in Tele2[1)]
4,000 B shares

24,000 share rights (LTI 2014)

Anders Olsson

Executive Vice President / Group CCO

Joined the company in 1997

Born 1969

M.Sc. in Business Administration and Economics, Uppsala University

Holdings in Tele2[1)]
30,000 B shares

24,000 share rights (LTI 2012)

24,000 share rights (LTI 2013)

24,000 share rights (LTI 2014)

Joachim Horn

Executive Vice President / Group CTIO

Joined the company in 2011

Born 1960

M.Sc. in Informatics, Fachhochschule Wedel

Holdings in Tele2[1)]
12,000 B shares

24,000 share rights (LTI 2012)

24,000 share rights (LTI 2013)

24,000 share rights (LTI 2014)

Lars Torstensson

Executive Vice President / Group Communication & Strategy

Joined the company in 2007

Born 1973

M.Sc. in Business Administration, Jönköping University

Holdings in Tele2[1)]
16,000 B shares

24,000 share rights (LTI 2012)

24,000 share rights (LTI 2013)

24,000 share rights (LTI 2014)

Caroline Fellenius-Omnell

Executive Vice President / Group General Counsel

Joined the company in 2014

Born 1968

LL.M. College of Europe and LL.M., Stockholm University

Holdings in Tele2[1)]
4,000 B shares

24,000 share rights (LTI 2014)

Elinor Skogsfors

Executive Vice President /
Group Human Resources

Joined the company in 2013

Born 1963

B.Sc. in Political Administration major in HR, Stockholm University

Holdings in Tele2[1)]
3,000 B shares

18,000 share rights (LTI 2014)

Thomas Ekman

Executive Vice President /
CEO Tele2 Sweden

Joined the company in 2006

Born 1969

M.Sc. in Business administration and Economics, Stockholm University

Holdings in Tele2[1)]
12,012 B shares

24,000 share rights (LTI 2012)

24,000 share rights (LTI 2013)

24,000 share rights (LTI 2014)

Jeff Dodds

Executive Vice President /
CEO Tele2 Netherlands

Joined the company in 2014

Born 1973

MBA, University of Westminster and M.Sc. in Marketing Management, Aberdeen Business School

Holdings in Tele2[1)]
4,000 B shares

24,000 share rights (LTI 2014)

Niklas Sonkin

Executive Vice President / Central Europe and Eurasia

Joined the company in 2009

Born 1967

M.Sc. in Engineering, Helsinki University of Technology

Holdings in Tele2[1)]
14,500 B shares

24,000 share rights (LTI 2012)

24,000 share rights (LTI 2013)

24,000 share rights (LTI 2014)

In addition, not received 8,307 B shares for LTI 2011

[1)] Share rights = allocated share rights at grant date, before compensation for dividend

Administration report

The Board of Directors and the CEO herewith present the annual report and consolidated financial statements for Tele2 AB (publ), corporate reg. no. 556410-8917 for the financial year 2014.

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

Financial overview

With 14 million customers in nine countries, Tele2 is one of Europe's leading telecom operators. We offer mobile services, fixed broadband and telephony, data network services and content services. Ever since Jan Stenbeck founded the company in Sweden in 1993, Tele2 has been a tough challenger to the former government monopolies and other established providers.

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

Mobile services is Tele2's primary focus and most important growth segment. In 2014, revenue from mobile operation accounted for 74 (68) percent of Tele2's net sales.

In 2014, the Group generated net sales of SEK 26 billion and reported an operating profit (EBITDA) of SEK 5.9 billion.

Net customer intake

In 2014, the total customer base increased to 13,594,000 (13,582,000) customers. Net customer intake, excluding one-time adjustments, was 397,000 (253,000) customers. The customer intake in mobile services amounted to 598,000 (594,000) customers. The increase was mainly driven by positive customer intake through Tele2 Kazakhstan, Tele2 Netherlands, Tele2 Germany and Tele2 Croatia. The fixed broadband base lost –45,000 (–86,000) customers in 2014, attributable to Tele2's operation in Sweden, Austria, Germany and the Netherlands. As expected, the number of fixed telephony customers fell during the year.

Net sales

Tele2's net sales amounted to SEK 25,955 (25,757) million corresponding to a positive growth of 1 percent including, or –1 percent decline excluding, exchange rate effects. The net sales development was mainly a result of strong usage of mobile services increasing 8 percent, however hampered by the negative net sales development within consumer fixed broadband and fixed telephony.

EBITDA

EBITDA amounted to SEK 5,926 (5,891) million, equivalent to an EBITDA margin of 22.8 (22.9) percent. This corresponding to an increase in EBITDA of 1 percent including, or –2 percent excluding, exchange rate effects. The EBITDA growth was mainly a result of a strong development in mobile services, and monetising of data. However, it was also affected by expansion costs in mobile services.

EBIT

Operating profit, EBIT amounted to SEK 3,216 (2,982) million excluding one-off items. Including one-off items and including the capital gain from the sale of the Swedish residential cable and fiber operation, EBIT amounted to SEK 3,490 (2,548) million. The EBIT margin was 13.4 (9.9) percent.

Profit before tax

Net interest expense and other financial items amounted to SEK 10 (–551) million. Exchange differences of SEK –27 (–28) million were reported under other financial items. The average interest rate on outstanding liabilities was 5.0 (5.2) percent. Profit after financial items, EBT, amounted to SEK 3,500 (1,997) million.

Net profit

Profit after tax amounted to SEK 2,626 (968) million. Earnings per share amounted to SEK 5.86 (2.15) after dilution. Income tax expenses for the year amounted to SEK –874 (–1,029) million. Tax payments for continuing operations affecting cash flow amounted to SEK –327 (–302) million.

Cash flow

For continuing operations, cash flow from operating activities amounted to SEK 4,661 (4,983) million and cash flow after paid CAPEX to SEK 1,162 (799) million.

CAPEX

During 2014, Tele2 made investments of SEK 3,450 (4,399) million in tangible and intangible assets, driven mainly by further network expansion in Netherlands, Sweden, Kazakhstan and the Baltics.

Net debt

Net debt amounted to SEK 9,061 (8,007) million on December 31, 2014, or 1.51 times EBITDA in 2014. Tele2's available liquidity amounted to SEK 8,224 (9,306) million.

Challenger program

A group-wide program focused on increasing productivity was launched in the end of 2014. The program will be implemented over the next 3 years and reap full benefits of SEK 1 billion per annum starting in 2018. The investment required will be SEK 1 billion, phased over the next 3 years. In 2014 EBIT was impacted by SEK –10 million by the program, which was reported as one-off items (Note 6).

Five-year summary

SEK million	2014	2013	2012	2011	2010
CONTINUING OPERATIONS					
Net sales	25,955	25,757	25,993	26,219	27,361
Number of customers (by thousands)	13,594	13,582	14,229	12,392	11,845
EBITDA	5,926	5,891	6,040	6,755	6,880
EBIT	3,490	2,548	2,190	3,613	4,088
EBT	3,500	1,997	1,668	3,074	3,664
Net profit	2,626	968	1,158	2,169	3,986
Key ratios					
EBITDA margin, %	22.8	22.9	23.2	25.8	25.7
EBIT margin, %	13.4	9.9	8.4	13.8	14.9
Value per share (SEK)					
Net profit	5.89	2.17	2.61	4.88	9.03
Net profit, after dilution	5.86	2.15	2.59	4.85	9.00
TOTAL					
Equity	22,682	21,591	20,429	21,452	28,875
Total assets	39,848	39,855	49,189	46,864	42,085
Cash flow from operating activities	4,578	5,813	8,679	9,690	9,966
Cash flow after CAPEX	432	572	4,070	4,118	6,008
Available liquidity	8,224	9,306	12,933	9,986	13,254
Net debt	9,061	8,007	15,745	13,518	3,417
Investments in intangible and tangible assets, CAPEX	3,976	5,534	5,294	6,095	4,094
Investments in shares and other financial assets	–439	–17,235	215	1,563	1,424
Average number of employees	5,484	6,143	8,379	7,539	7,402
Key ratios					
Equity/assets ratio, %	57	54	42	46	69
Debt/equity ratio, multiple	0.40	0.37	0.77	0.63	0.12
Return on equity, %	10.0	69.5	15.6	18.9	24.0
ROCE, return on capital employed, %	10.1	48.0	15.4	20.5	22.2
Average interest rate, %	5.0	5.2	6.7	6.2	7.3
Value per share (SEK)					
Net profit	4.96	32.77	7.34	10.69	15.67
Net profit, after dilution	4.93	32.55	7.30	10.63	15.61
Equity	50.90	48.49	45.95	48.33	65.44
Cash flow from operating activities	10.27	13.06	19.53	21.83	22.59
Dividend, ordinary	4.85[1)]	4.40	7.10	6.50	6.00
Extraordinary dividend	10.00[1)]	–	–	6.50	21.00
Redemption	–	28.00	–	–	–
Market price at closing day	94.95	72.85	117.10	133.90	139.60

1) Proposed dividend.

Overview by country

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

While mobile communication services are fairly standardized across different countries, the level of maturity differs widely. Tele2 is present in nine countries, of which three are considered larger markets for Tele2: Sweden, the Netherlands and Kazakhstan. These three markets comprise 75 percent of the total net sales. Sweden is the home turf and test bed for new products and services. The Netherlands has its origin in fixed communication services but is now pursuing a unique mobile opportunity as a 4G only operator. Kazakhstan is in many ways still virgin territory. However, during 2014 Tele2 Kazakhstan started to deliver positive EBITDA and the customer intake is accelerating, Tele2 Kazakhstan is the main competitor for other operators in the country, delivering affordable communication services.

Tele2's position and priorities vary across its footprint. Local market characteristics differ in many ways, even within the same country.

Looking forward, Tele2 remains confident in its strategy and ability to monetize a great customer experience throughout its footprint. Sweden will maintain its leadership in 4G/LTE, and the company will take its learning from Sweden to the Baltics and of course the Netherlands. 2015 will be another exciting year of investments in the company's future 'Rockets' of Kazakhstan, Croatia and the Netherlands, supported by continued strength in Sweden and the Baltics.

While there are important local differences, Tele2 has established it's 'How we win choices' going into 2015, supporting the overall objective for the Group. These areas go beyond the local context and are common to all the regions and countries where Tele2 operates.

How we win choices

- **Value Champion** – Tele2 aim to be the leader within the transition from voice to data and go from a discounter to a champion of value for our customers.
- **Focused technology choices** – Tele2 shall increase quality where it matters for the customers, drive down technology costs continuously in all areas and selectively push for new technologies and innovations.
- **Step change our productivity** – Tele2 is in a position of strength and has therefore invested in a multi-year program to find ways to become the number one in effectiveness. This will be done by simplification, discipline, consolidation and transformation.
- **Winning people and culture** – Tele2 is and will continue to be an organisation that is driven by our values. We are today also an organisation with highly engaged employees, something that we aim to leverage upon.

Objectives

- **Happiest customers** – Tele2 shall be the operator of choice. By providing the best value for money we shall be the operator of choice and grow our market share.
- **Engaged employees** – We shall be considered a great place to work. By being a great place to work we shall attract and retain the best people who can deliver on our vision and mission.
- **Profitable growth** – We shall have the best Total Shareholder Return (TSR). By having the happiest customers, engaged employees and work to become as effective as possible, we shall deliver profitable growth and the best TSR within our peer group.

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

Where we operate

Sweden

SEK million	2014	2013	Growth
Number of customers (in thousands)	3,976	4,476	–11%
Net sales	12,629	12,453	1%
of which mobile end-user service revenue	7,252	6,950	4%
EBITDA	3,612	3,448	5%
EBIT[1)]	2,371	2,063	

[1)] excluding one-off items (Note 6)

2014 in brief

Despite high level of competition, Tele2 Sweden managed to demonstrate solid results in 2014, driven by strong demand for mobile data. Mobile end-user service revenue grew by SEK 302 million and the EBITDA contribution for mobile services was SEK 3,224 (2,971) million in 2014, representing a growth of 9 percent compared to last year. Total mobile net intake amounted to –51,000 (38,000) in 2014.

In the end of 2013, Tele2 announced the sale of its Swedish residential cable and fiber operations to Telenor for SEK 793 million. The sale was completed on January 2, 2014, after approval by regulatory authorities and the capital gain in 2014 amounted to SEK 258 million.

In 2014, Tele2 Sweden prioritised four areas:

- brand repositioning Tele2.0
- upselling of data
- cost efficiency from operating joint-operation networks and further roll-out of 4G network
- market share gain in the business segment

Brand repositioning Tele2.0

In November 2014, Tele2 Sweden launched its new game changing commercial concept, Tele2.0, including changes such as no binding periods, a one-subscription solution, trial periods for both B2C and B2B customers as well as removed expiry date for all top-ups. This is expected to improve customer satisfaction, and through this the long term positioning of Tele2 Sweden's brands. The reaction from customers and media was very positive.

Upselling of data

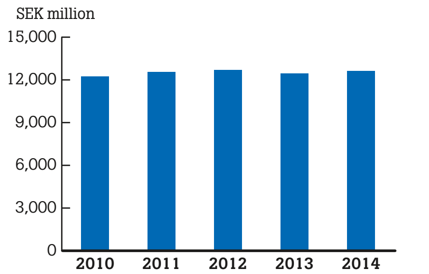
2014 was characterized by a strong demand for mobile data. Within the consumer segment the request for mobile data shifted sales towards higher data buckets. Also, the revenue from data-top ups increased with about 327 percent compared to 2013, proving that the consumer behavior has shifted from voice to data services. The demand for 4G enabled smartphones maintained during the year, and now stands for 98 percent of total sales.

Further roll-out of 4G network

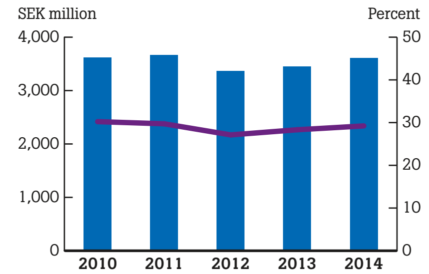
During the year, Tele2 Sweden continued the rollout of the combined 2G and 4G networks in the joint operation Net4Mobililty, with aggressive geographic coverage targets. With this rollout, Tele2 Sweden will improve the coverage in all areas of Sweden with the aim of reaching 90 percent geographic coverage in 2016. Through this rollout, Tele2 Sweden will cement its position as the operator offering the best mobile 4G coverage in Sweden while further future-proofing its network.

Moreover, Tele2 Sweden continued the roll-out of both LTE 800 and LTE 1800, which will further strengthen the network in terms of 4G capacity and coverage in order to cater for customers' increasing demand for data.

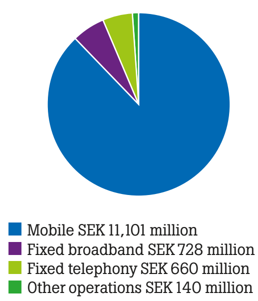
Net sales



EBITDA & EBITDA margin



Net sales per service



Continued Sweden

Market share gain in the business segment
The business segment saw continued strong mobile revenue growth, driven by an increased customer stock as well as continued strong intake within cloud PBX. Only 18 months after its launch, the PBX service was number two in the market. The latest PTS report (Post- och Telestyrelsen – National Regulatory Authority in Sweden) showed that Tele2 Business gained most mobile market share during the first half of 2014 with an increase of 1 percentage unit, leading to an estimated total mobile market share of 18 percent. Similarly the Swedish Quality Index for the business market showed that the customer satisfaction has improved substantially over the year with Tele2 taking the number one position for broadband and the number two position for mobile.

The company acquired significant new and extended contracts such as NCC, Bonnier, Åklagarmyndigheten and Kriminalvården. Also, the segment continued to see an increased market demand for communication as a service, driven by the new Kammarkollegiet frame agreement for the Public sector.

Challenges to address in 2015

Tele2 Sweden will continue its dual brand strategy, positioning Comviq as the modern mobile price fighter and Tele2 as the full suite value proposition to meet the different customer needs and follow the Tele2.0 strategy by continuously aim to see things from the customers' perspective.

The company expects mobile data demand to keep growing as customers become more and more mobile. Consequently, Tele2 Sweden will increase its focus on the upsell of data, optimizing the network, and drive sales towards high speed data offerings, thereby increasing customer value and lowering production cost.

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

In summary, Tele2 Sweden aims to continue to deliver good profitability during 2015 through:

- Leverage increased data consumption among our customers, mainly driven by upsell of data and transition towards larger data buckets
- Effective use of distribution channels
- Continue to lever on efficiency in joint operation set-up
- Steering towards online activities and self-service
- Continued cost efficiency in all areas within Tele2 Sweden operations

Netherlands

SEK million	2014	2013	Growth[1]
Number of customers (in thousands)	1,257	1,175	7%
Net sales	5,439	5,435	–5%
of which mobile end-user service revenue	1,203	944	21%
EBITDA	903	1,251	–32%
EBIT[2]	237	650	

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

2014 in brief

In 2014 Tele2 Netherlands continued to further strengthen its abilities to be able to deliver on the Group's mission, to offer what our customers need, for less. This by expanding and improving its nationwide fiber network, rolling out its LTE-advanced 4G network and developing products and services for both consumer and B2B customers.

EBITDA amounted to SEK 903 (1,251) million, reflecting the investment in the MNO rollout as well as maintained price pressure in the fixed broadband market.

Mobile

During the year Tele2 noted a positive customer base development. Since the fourth quarter 2014 Tele2 only offers 4G enabled devices, to ensure that these customers are able to benefit from the new 4G-network. 2014 ended with the thirteenth consecutive quarter of customer growth bringing the total mobile customer base to 813,000 (694,000).

Announcing commercial launch of its 4G network

In 2014 Tele2 Netherlands executed successfully on its 4G rollout and in the end of 2014 the company announced that it would open its 4G network for commercial services in the beginning of 2015. This announcement marked an important milestone for the rollout, which began when Tele2 obtained a frequency license in the beginning of 2013.

From launch, the network will be LTE-advanced and will cover an area stretching from Rotterdam to Amsterdam and Utrecht, covering 2,100 square kilometres. Tele2 expects to reach nationwide coverage in the beginning of 2016, only three years after the frequency license was awarded.

Fixed broadband

Tele2 Netherlands has focused on improving its fixed service portfolio during 2014. This by further improving the quality of its TV product, adding popular channels like HBO and expanding the amount of channels that can be watched in high definition. The upgrade of the TV product in the beginning of 2014 was combined with a new pricing strategy titled; 'what you need for less', shifting the company's position from a price fighter to a communications provider that offers a balance of great price and good quality.

As a result of this focus, Tele2 Netherlands managed to once again grow its residential customer base after a 36 month period of decline. On December 31, 2014, the total residential broadband base was 369,000 (374,000).

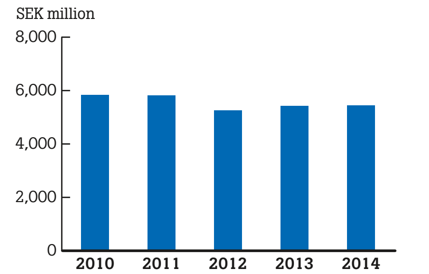
Expansion of the business portfolio

The Dutch business sales team managed during the year to add several new big clients to its already impressive customer list. Among these were companies like; Royal Dutch Airlines KLM, the Dutch Salvation Army and the Vattenfall Group.

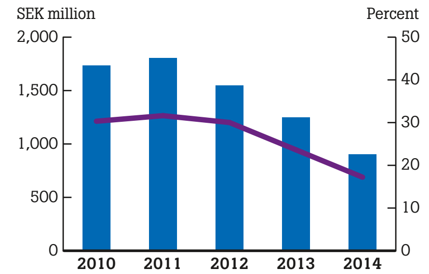
Challenges to address in 2015

Tele2 Netherlands will continue during 2015 to expand its 4G network. Throughout the year the rollout will continue to spread across the entire country at a pace that ensures the best possible user experience for the customers. Tele2 Netherlands is the first provider in the world in the process of building and launching a nationwide 4G only network.

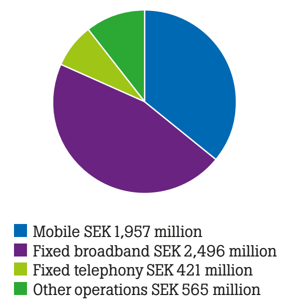
Net sales



EBITDA & EBITDA margin



Net sales per service



Kazakhstan

SEK million	2014	2013	Growth[1]
Number of customers (in thousands)	3,297	2,751	20%
Net sales	1,334	1,344	11%
of which mobile end-user service revenue	978	909	20%
EBITDA	43	–138	
EBIT[2]	–178	–450	

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

2014 in brief

2014 was a successful year for Tele2 Kazakhstan and the company delivered its first positive EBITDA results since commercial launch. Starting from January 1, 2014 the interconnect level in the country was lowered by 15 percent leading to an improved gross margin for Tele2 Kazakhstan. This, together with better economies of scale, were the main reasons for improved operational results in 2014.

Most affordable telecom operator

Increased competition on the telecom market resulted in a move from pay as you go price plans to bucket price plans. As a result, Tele2 further increased its price leadership in the market. The new bucket price plan offers unlimited on-net voice, limited amount of off-net calls and large amount of data. The plan has attracted a lot of attention and customers to Tele2.

Earlier in the year Tele2 launched an unlimited on-net tariff plan, which also attracted new subscribers. Furthermore, the first online re-registration of a mobile number was launched by Tele2 Kazakhstan in June 2014.

The "ComNews Research" agency conducted a comparative research on all mobile operators' tariff plans in Kazakhstan (February 2013 – February 2014). The results of this research confirmed that Tele2 Kazakhstan offers the best value proposition for customers in the market and Tele2 Kazakhstan was acknowledged to be the most affordable mobile operator in the country.

Network expansion to improve quality

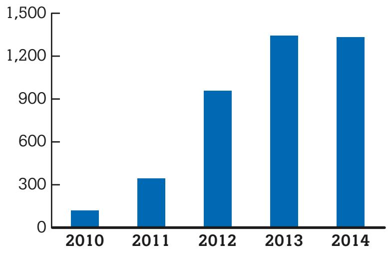
During the year, Tele2 Kazakhstan continued to invest in the mobile network to improve the quality perception in the market. Most efforts were concentrated on expanding the geographical coverage, increasing capacity and improving quality.

Challenges to address in 2015

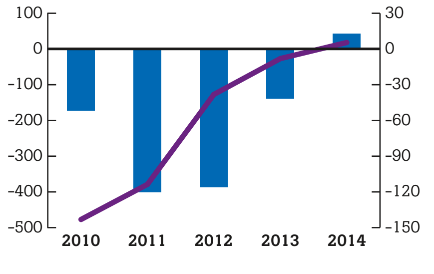
The company will continue to work toward increasing customer market share through improved customer intake quality, leading to revenue growth and expanding EBITDA level.

The competitive environment is expected to intensify as the market has gone from three to four mobile operators. The main challenge for Tele2 Kazakhstan will be to defend its customer base through maintained price leadership.

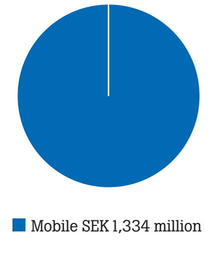
Net sales



EBITDA & EBITDA margin



Net sales per service



Croatia

SEK million	2014	2013	Growth[1]
Number of customers (in thousands)	823	793	4%
Net sales	1,390	1,397	–5%
of which mobile end-user service revenue	803	749	3%
EBITDA	169	95	71%
EBIT[2]	87	–6	

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

2014 in brief

2014 was an important milestone for Tele2 Croatia and the company made significant operational progress during the year. The increased profitability was delivered through a combination of solid subscriber growth and operational cost efficiency. This was managed despite a tough environment with declining market revenues.

Tele2's subscriber growth came through strong campaigns and value for money based offers. This was acknowledged by ICERTIAS (International Certification Association), who awarded Tele2 Croatia the "Best Buy award 2014" for offering the best value among telecommunications operators overall. Tele2 also launched a new data offer within the prepaid segment, which generated great traction in the market. Another success was the summer tourist season where Tele2 had highly competitive offers, both for tourist SIMs and visitor roaming.

In the end of 2014, Tele2 secured 15 MHz of additional spectrum in the 1800 MHz band in order to continue to improve the network quality.

Increased prices due to frequency fees

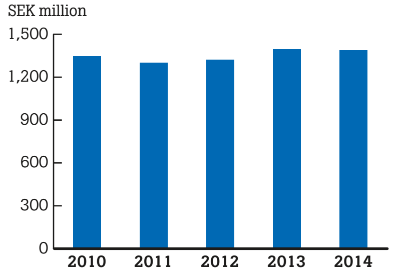
During 2014 the regulatory environment became more uncertain as the local government unexpectedly announced the increase of radio frequency fees in the country by three times by December 2014. As a proactive measure Tele2 Croatia increased its prices from July 1 for all its customers to cover the increased cost for frequencies.

Challenges to address in 2015

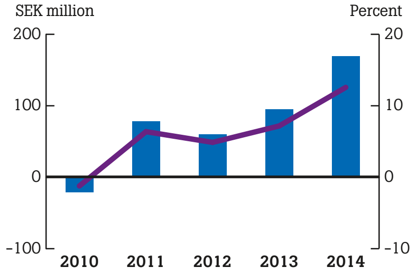
Tele2 Croatia will continue to have a good balance between customer intake and improving profitability. The good momentum in postpaid residential sales is expected to continue and the company will further develop the business customer segment.

Continuous improvement of Tele2 voice and data network quality is an imperative, as well as the overall customer experience. However, to do so the company emphasizes the need for regulatory and legislative stability in Croatia.

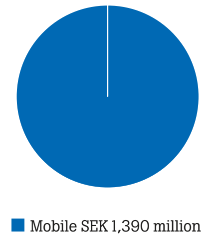
Net sales



EBITDA & EBITDA margin



Net sales per service



Lithuania

SEK million	2014	2013	Growth[1]
Number of customers (in thousands)	1,810	1,851	–2%
Net sales	1,364	1,280	1%
of which mobile end-user service revenue	847	843	–5%
EBITDA	506	461	5%
EBIT	430	342	

[1] less exchange rate fluctuations

2014 in brief

In 2014 the mobile market was increasingly competitive in the Lithuanian market. However Tele2 Lithuania managed to maintain a stable operational performance. In the beginning of the year the company successfully upgraded its mobile network and the upgrade enabled Tele2 Lithuania to provide all network services including 2G, 3G and 4G. Throughout the year the company has focused on the 4G rollout and successfully achieved the plan to cover 47 percent of the population by year end 2014.

Market leading

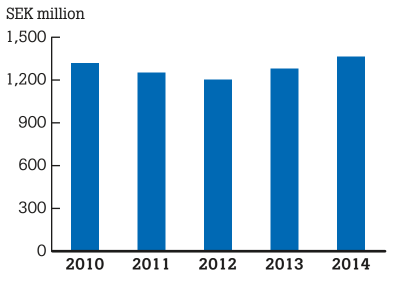
In 2014, Tele2 Lithuania reported the highest mobile revenue among all three operators in the country and in Q3 2014 the company's mobile revenue market share was at an all-time high at 40 percent.

Challenges to address in 2015

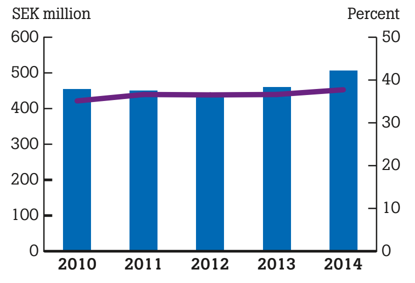
The key priority for Tele2 Lithuania in 2015 is to continue with the LTE rollout to achieve the target to cover 90 percent of the population by the end of the year.

The company will also continue to aggressively grow its market share in the business segment.

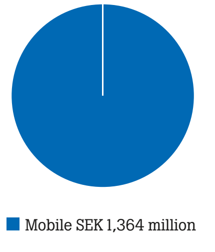
Net sales



EBITDA & EBITDA margin



Net sales per service



Latvia

SEK million	2014	2013	Growth[1]
Number of customers (in thousands)	975	1,031	–5%
Net sales	907	915	–6%
of which mobile end-user service revenue	551	533	–2%
EBITDA	294	292	–4%
EBIT	187	188	

[1] less exchange rate fluctuations

2014 in brief

The mobile market was characterized by price competition, however Tele2 Latvia was able to keep a robust revenue profile and stable operational development. This was achieved through successful customer base management, upselling and data revenue growth.

Successful efforts

In the beginning of 2014, Tele2 Latvia launched several new initiatives in the customer service area and deployed market leading billing and customer care solutions. Furthermore, Tele2 Latvia finalized its network swap and commercially introduced LTE technology to its mobile broadband services, combined with a new price plan portfolio. The company also achieved a significant gain in reputation and trust as a result of ongoing attention to service excellence and performance.

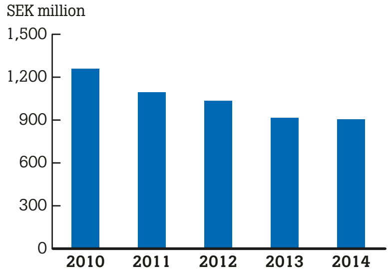
During the second half of 2014, Tele2 Latvia also launched roaming data buckets for EU countries, making it more convenient for customers to use mobile data abroad. Also new data tariff plans for domestic use was introduced during the year.

Challenges to address in 2015

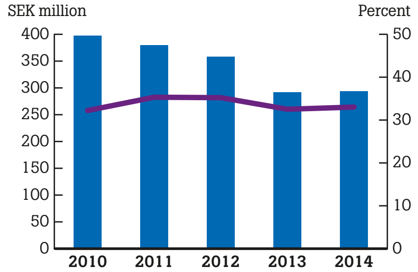
The key focus in 2015 is the aggressive LTE rollout as the LTE 800 MHz license allows the company to deploy LTE 800 network rollout from mid–2015. The target is to cover 90 percent of the population by year end 2015.

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

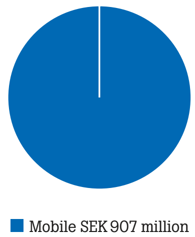
Net sales



EBITDA & EBITDA margin



Net sales per service



Estonia

SEK million	2014	2013	Growth[1]
Number of customers (in thousands)	491	507	–3%
Net sales	634	674	–11%
of which mobile end-user service revenue	382	391	–7%
EBITDA	173	161	2%
EBIT	55	55	

[1] less exchange rate fluctuations

2014 in brief

2014 was characterized by high competitive pressure on the Estonia mobile market and especially through telemarketing initiatives. However, Tele2 Estonia has, under these circumstances, managed to obtain a satisfactory financial performance throughout 2014 and achieved a record high Customer Satisfaction score.

Modernisation

In the beginning of 2014 Tele2 Estonia secured two mobile licenses in the 800 MHz and 2100 MHz frequency bands. The company also completed a network modernization through a network swap of old equipment in order to provide the best voice and data service quality. The upgrade enabled Tele2 Estonia to provide all network services including 2G, 3G and 4G to its customers.

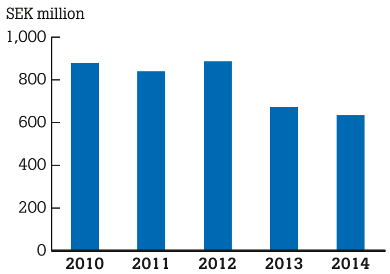
In the second half of 2014, Tele2 Estonia introduced data centric bundled subscriptions with unlimited voice and SMS, to stimulate further growth of data usage.

In 2014, the EBITDA for mobile in Estonia was positively impacted by SEK 20 million as a result of the sales of a mobile license in the 2600 MHz frequency band.

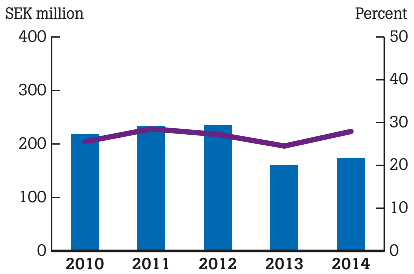
Challenges to address in 2015

The key priorities for Tele2 Estonia in 2015 is to continue with the LTE rollout, monetize increasing data usage and focus on selling more carrier services with the infrastructure the company has after the acquisition of Televõrgu.

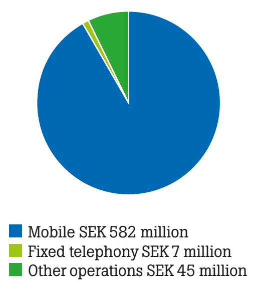
Net sales



EBITDA & EBITDA margin



Net sales per service



Austria

SEK million	2014	2013	Growth[1]
Number of customers (in thousands)	256	285	–10%
Net sales	1,209	1,244	–8%
EBITDA	231	308	–28%
EBIT	94	183	

[1] less exchange rate fluctuations

2014 in brief

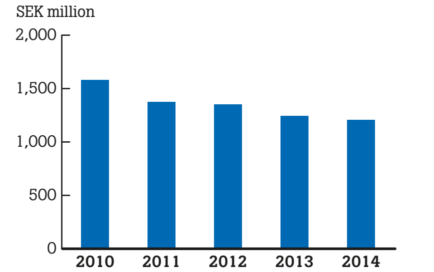
Tele2 Austria's result were impacted by effective marketing activities, a steady performance within the business segment and a good contribution from the wholesale data business.

During the year, Tele2 Austria had its strategic focus on growth and innovation in the business and residential segments, building on existing areas of operational excellence. Tele2 Austria also concentrated its efforts on retaining high value customers across all segments. The level of customer satisfaction was as a result very high.

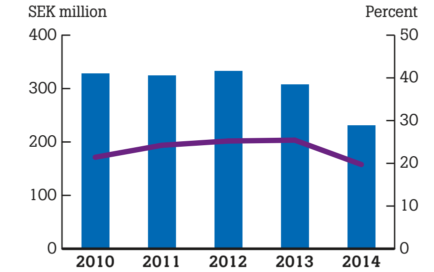
Challenges to address in 2015

In 2015, Tele2 Austria's growth focus will concentrate on the launch of mobile B2B services based on an MVNO setup. With the high-speed broadband and TV products launched in 2014, the residential segment will continue the focus on retention and selective growth.

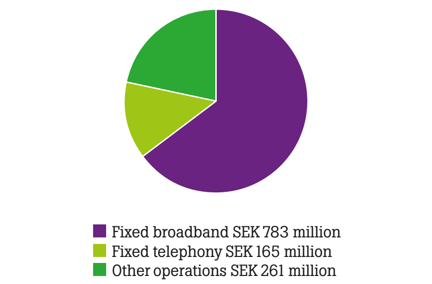
Net sales



EBITDA & EBITDA margin



Net sales per service



Germany

SEK million	2014	2013	Growth[1]
Number of customers (in thousands)	709	713	–1%
Net sales	916	867	0%
of which mobile end-user service revenue	439	316	32%
EBITDA	131	138	–9%
EBIT	78	99	

[1] less exchange rate fluctuations

2014 in brief

During 2014 Tele2 Germany saw positive effects of its transformation from a fixed operator to a fixed and mobile service provider. Despite the tough competition on the market, Tele2 Germany kept its good balance between profitability and growth within the mobile segment, supported by a solid performance in the fixed and broadband segments.

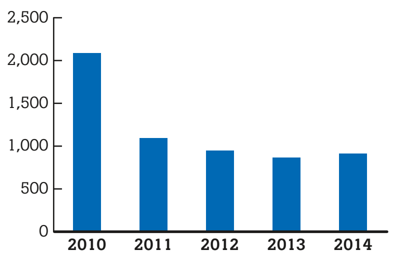
Going mobile

The mobile segment had a steady accelerated growth during the year. The results reflect partly the improved sales channels setup during Q2 2014 and partly the transformation to a fixed and mobile provider. Within fixed services both the fixed telephony (CPS: Carrier Pre-Selection and OCBC: Open Call-by-Call) and the fixed broadband followed the general declining market trend. However the segments generated cash contributions above plan and provided a source for cross-sale to mobile services – both regular mobile services and higher ARPU fixed-via mobile services.

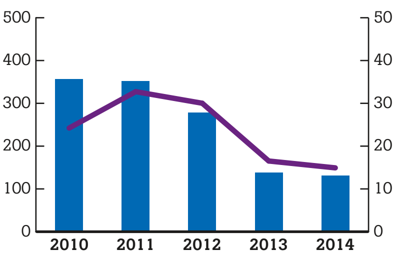
Challenges to address in 2015

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

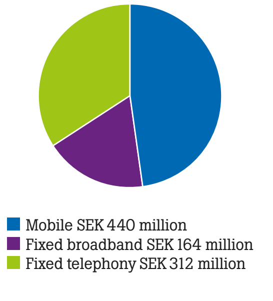
Net sales



EBITDA & EBITDA margin



Net sales per service



Acquisitions and divestments

On February 5, 2015 the Norwegian competition authorities announced that they have approved Tele2's divestment of its Norwegian operations to TeliaSonera announced in July 2014. The Norwegian operation was sold for SEK 4.8 billion and resulted in a capital gain in 2015 of SEK 1.7 billion, including costs for central support system for the Norwegian operation and other transaction costs. The capital gain include a positive effect of SEK 143 million related to exchange rate differences previously reported in other comprehensive income which will be recycled over the income statement but with no effect on total equity. The divested operations have been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods, and as assets held for sale in the balance sheet on December 31, 2014. Further information can be found in Note 36.

On October 23, 2013 Tele2 announced the sale of its Swedish residential cable and fiber operations to Telenor for SEK 793 million. The sale was completed on January 2, 2014 after approval by regulatory authorities and the capital gain in 2014 amounted to SEK 258 million. Further information can be found in Note 16.

No material operations were acquired during 2014.

Events after the end of the financial year

The sale of the Norwegian operation was completed in February 2015 after approval by regulatory authorities. Further information can be found in Note 36. As a result of the transaction, the Board of Tele2 has decided to recommend an extraordinary dividend payment of SEK 10.00 per ordinary A and B shares to the Annual General Meeting in May 2015, in addition to the proposed dividend payment of SEK 4.85 per ordinary A and B shares.

In February 2015, Tele2 delivered 26,032 B shares in own custody as a result of share rights in the incentive program LTI 2011 being exercised.

Risks and uncertainty factors

At Tele2, we believe that every risk also presents an opportunity. Tele2 works proactively to identify and monitor the most important risks through an enterprise risk management process for the purpose of minimizing surprises, improved decision making, reduced losses and increased reward.

Strategic risks

Risks and uncertainties which could threaten Tele2's ability to achieve its strategic objectives are assessed by the senior executives as well as the Board of Directors. Summaries of some of these risks are presented below.

Availability of frequencies and telecom licences
Tele2's ability to retain customers may be hampered by not obtaining required licences or frequencies, at all or, at a reasonable price. Hence, Tele2 has put in place processes to ensure compliance with licence requirements, increase changes for renewal and extension of existing licences and for obtaining adjacent and new licences. Tele2 also works in close contact with regulators and industry associations to become aware of upcoming licence distributions or redistributions but the outcome of such distributions is coupled with uncertainty.

Integration of new business models
Tele2's business environment is experiencing continuous changes which may affect our position in the market. These include new forms of connectivity (e.g. VoIP and SoftSIM), new market segments (e.g. machine-to-machine) and changed customer behaviour (such as revenue migration from voice to data). Tele2's senior executives closely monitors technological advances and market changes to adapt its strategies to be able to benefit from their possibilities.

Changes in regulatory legislation
Changes in legislation, regulations and decisions from authorities for telecommunications services can have a considerable effect on Tele2's business operations and the competitive situation in its operating markets. Price regulation, in the area of access and interconnect, have great impact on Tele2, and could also result in a risk for disputes with other operators. Access regulation, which ensures access to incumbents copper and fibre networks, must ensure and protect a well-balanced competition in each market. Tele2 works actively with telecom regulators and industry associations, in order to promote sufficient regulation which supports fair competition in its operating markets.

Data privacy
Another area where European regulation is increasing is data privacy where breaches of customer's personal information could potentially result in major fines and significant reputational damage. Tele2 works actively to be able to comply with any such requirement and continuously works to strengthen its procedures to ensure that our customer's personal data is secured and protected.

Dependency on suppliers and business partners
Tele2 is dependent on handset manufacturers such as for example Apple and Samsung for attracting customers. Tele2 is also dependent on equipment and network suppliers for rolling out networks and be able to offer good quality access services. In Sweden and the Netherlands, Tele2 has reached agreements with other telecom operators to build and operate common network infrastructures. In some other countries, Tele2 depends on agreements with other network operators to provide mobile services. Any of these third party agreements impose risks, be it in the form of delays in roll-out, limitations for customised development or limitations on operating profitability. Tele2 continuously evaluates existing agreements and the form of its co-operations in dialogue with its partners.

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

Geopolitical risks
Depending on how the situation evolves the changed geopolitical situation following the Crimea crisis could potentially affect some of Tele2's operations, particularly in the countries bordering Russia.

Tele2 is therefore closely monitoring the development and world events and is kept informed by local management, government officials and independent sources.

Financial Risk Management

Through its operations, the Tele2 Group is exposed to various financial risks such as currency risk, interest risk, liquidity risk and credit risk. Financial risk management is mainly centralized to the Group treasury function. The aim is to control and minimize the Group's financial risks as well as financial costs, and optimize the relation between risk and cost. Further information on financial risk management can be found in Note 2.

Employees

On December 31, 2014, the number of employees in Tele2 was 5,387 (4,945) excluding Norway. Please refer to Note 33 and Note 34 for additional information regarding Number of employees, split per gender and age groups, and Personnel costs.

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

Focus areas

Our main focus areas are stated below.

Leadership and Tele2 Way

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

Performance and Talent management

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

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

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

Tele2 use Tele2 People, an online tool for managing performance and talent. The tool provides our managers and the organisation with more accurate and reliable data and serves as base for sound decision making.

Learning and Development

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

Reward and Recognition

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

Engagement

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

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

A total of 93 percent of all employees participated in the 2014 survey. My Voice showed that a total of 47 (43) percent of Tele2's employees are fully engaged with high energy and high clarity, a result which is significantly higher compared to 37 percent for the benchmarked companies. One reason for such good result is that all managers and organizational units each year identify engagement-related goals to work with. Tele2 is very proud of its results and will continue focusing on engagement as engaged employees perform well, walk the extra mile and are personally motivated to make Tele2 an even better place to work.

Employer branding

Tele2 has a common global employer branding standard which consists of employer brand offer, guidance for implementation, career web page, employer branding movie, image library as well as LinkedIn account. The implementation of the concept is localized, i.e. each country defines which channels and activities to use based on local needs and requirements.

Corporate responsibility (CR)

Tele2's strategic CR-efforts are focused on potential risks and areas where the Group can contribute positively. Tele2's CR strategy defines the areas where added value can be created, the areas that requires compliance and identifies aspects that do not have material impact for the operations. Being explicit internally and externally about the priorities fit in with being the responsible challenger. Thereby resources are dedicated to the areas where they are best utilized, something that works well from the Board to employees. Tele2's prioritized focus areas are privacy and integrity, child protection and greenhouse gases.

Issues related to privacy and integrity have continued to dominate this years' work. Tele2 deals with questions on data protection and authorities' requests for lawful interception in all countries of operation on a regular basis. This requires continuous monitoring of law amendments and to confirm that there are always legal basis for interception, through for example court decisions. Situations when local laws diverge from the principles in the company's Code of Conduct need careful considerations to ensure Tele2 does not compromise with integrity and judgment. One example is in April 2014, when Tele2 Sweden ceased the storage of data in accordance with the Swedish law on electronic communication (LEK). The company deemed that there was no legal grounds after the law had been invalidated by the EC Court of Justice. The Court's judgment claimed that the law was in conflict with international proclaimed human rights. After the Swedish Post and Telecom Authority (PTS) filed an injunction against Tele2 Sweden in June, to resume storage of data in accordance with LEK, the company complied. As an operator Tele2 Sweden is obliged to comply with the regulatory authority's injunction, which is in accordance with the associated UN guiding principles.

These issues will continue to require evaluation, analysis and active standpoints in all countries where Tele2 operates. Tele2 is committed to being transparent and to challenge. Since more than two years, Tele2 has a clear process to assess requests for shut downs of for instance networks.

Review of the Board

The CR advisory group (CRAG) is composed of Board members Mia Brunell Livfors, Lars Berg and Carla Smits-Nusteling, who succeeded John Shakeshaft after the annual general meeting. Participating from Leadership team is CEO Mats Granryd, and Caroline Fellenius-Omnell, General Counsel. In addition, Tele2's Head of CR is part of the group. In the four ordinary CRAG meetings during the year, the discussions involved anti-corruption, human rights due diligences, regulatory compliance, development of stakeholder dialogues as well as privacy and data protection. An extra CRAG meeting also took place, to which the entire board was invited.

CRAG works close to the board's audit committee, chaired by Carla Smits-Nusteling, in matters related to data and integrity. During the year, Tele2 conducted internal audits of compliance with the data protection regulation in five of Tele2's markets.

The work to integrate CR in all the company's processes, governance and control measures has continued. Tele2's long-term objective is for the CR dimension to be taken into account in all decisions, this is a priority and Tele2 deems the progress as positive.

The responsible challenger

In 2013, Tele2 arranged Sweden's first CR Capital Market Day. During late spring in 2014, a number of stakeholders participated in dialogue on highly relevant subjects with managers, Board members as well as members of Tele2's Leadership team, at the Tele2 premises in Kista, Sweden. Themes included how the machine-to-machine (M2M/IoT) technique contribute to climate benefits, handling of requests for lawful interception, child protection measures, anti-corruption and Tele2's Code of Conduct for Business Partners.

Tele2 has a zero-tolerance stance against corruption and has internal control measures to detect deviations. An intense focus on anti-corruption combined with effective control routines have shown positive results, with rare corruption incidents. During the year, one of Tele2's largest shareholders, Nordea, visited the operations in Almaty, Kazakhstan, among other things to observe the anti-corruption work on site. Tele2 values engaged investors and stakeholders, and site visits are an important measure of transparency in Tele2's CR work. Additional visits to the operations for investors are planned during first half of 2015.

No picnic, just hard work

It is Tele2's responsibility to always be up to date within relevant CR matters. During 2014, Tele2's Code of Conduct has been amended to include the Grandfather principle and the Four eyes principle to further limit the risk of for example conflicts of interest in contract agreements.

In April 2014, Tele2 received top ranking for the work with child protection in a study conducted by Boston Consulting Group on behalf of Global Child Forum. In a population of one thousand companies, Tele2 was among the fourteen to receive full score in the assessment. This is a welcomed testimony on Tele2's work. The Tele2 Group continues to comply with the objectives on blocking Child Sexual Abuse Images (CSAI) for customers and employees, and works systematically to detect such material internally.

Telecom operators have a relatively limited direct environmental impact. Tele2 can however be an enabler of environmental gains for customers through, among other things, machine-to-machine. This is a growth area that has received several new partnerships and customers during the year. One of the environmental benefits with M2M/IoT is that customers can automate, standardize and install their procedures and systems remotely which reduce energy consumption and physical travel.

Compliance with tax law is another area highlighted by NGO's and investors during the year. Tele2 comply with local tax laws and the OECD's Guidelines for Multinational Enterprises, as well as Tele2's Code of Conduct.

Do you want to challenge us?

GRI G4 Indicators, presented in Note 38, are the ones assessed to be most relevant for Tele2's stakeholders and are based on reporting from each reporting entity. The reported G4 Indicators are Diversity & equal opportunities, Environmental regulations, Corruption, Anti-competitive behaviour, anti-trust & monopoly practices, Laws & regulations, Products & services health & safety impacts, Marketing communication, advertising & sponsorship, Customer privacy & losses of customer data and Use of products & services. For additional information please refer to Note 38.

Tele2 will continue to include CR results and key performance indicators in the annual report as the information, criteria and reliability is evolving and maturing to par with financial data and information. For additional reporting and information about Tele2's CR work, see the corporate website for the 2014 GRI-index, in accordance with G4 from Global Reporting Initiative.

Work of the board of directors

The Board of Directors is appointed by the Annual General Meeting for terms extending until the next Annual General Meeting. At the Annual General Meeting in May 2014, Irina Hemmers and Lorenzo Grabau were appointed as new Board members, John Hepburn and John Shakeshaft left the Board, while the other Board members were re-elected. In addition, Mike Parton was re-elected as Chairman of the Board of Directors.

The Board is responsible for the company's organization and management, and is composed in such a way as to enable it to effectively support and manage the work of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, divestments, corporate transactions, major investments, and establishes the framework of Tele2's operations by defining the company's financial goals and guidelines. In 2014, the Board convened 6 times at different locations in Europe. In addition, 8 per capsulam meetings and 13 telephone conference meetings were held.

In order to carry out its work more effectively, the Board has appointed members for a Remuneration Committee and an Audit Committee with special tasks. These committees are the Board's preparatory bodies and do not reduce the Board's overall and joint responsibility for the handling of the company and the decisions made. Furthermore, where needed, the Board appoints members to form preparatory working groups on topics of special interest, such as questions regarding dividends and capital structure and the Corporate Responsibility Advisory Group for questions regarding corporate responsibility related risks and opportunities.

The Remuneration Committee's main work includes presenting recommendations to the Board regarding remuneration and terms of employment for CEO and other senior executives. The recommendations, including recommendations for long-term incentive programmes are submitted by the Board to the AGM for adoption.

The Audit Committee has the primary task of assisting the Board in its supervision and review of the internal and external audit processes, and reviewing and ensuring the quality of the company's external financial reporting. Furthermore, the Audit Committee supervises the internal control functions of the company.

Additional information is stated in Tele2's separate Corporate Governance Report available on Tele2's website www.tele2.com. Remuneration to the Board is stated in Note 34.

Proposal of remuneration guidelines for senior executives

The Board proposes the following guidelines for determining remuneration for senior executives for 2015, to be approved by the Annual General Meeting in May 2015.

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

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

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

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

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

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

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

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

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

There are no deviations during 2014 compared with the remuneration guidelines for senior executives approved by the Annual General Meeting in May 2013 and May 2014.

The guidelines for 2014 as proposed by the Board and approved by the Annual General Meeting in May 2014 are stated in Note 34 Personnel costs.

Parent company

Tele2 AB's shares are listed on the NASDAQ Stockholm Large Cap list under the ticker symbols TEL2 A and TEL2 B. Tele2's fifteen largest shareholders on December 31, 2014 hold shares corresponding to 53 percent of the capital and 64 percent of the voting rights, of which Investment AB Kinnevik owns 30 percent of the capital and 48 percent of the voting rights. No other shareholder owns, directly or indirectly, more than 10 percent of the shares in Tele2.

The Board of Directors received authorization from the Annual General Meeting in May 2014 to purchase up to 10 percent of the shares in the company, which the Board has not made use of.

For further information on the number of shares and their conditions and important agreements which cease to apply if control over the company is changed, see Note 25 Equity, numbers of shares and earnings per share.

The parent company performs Group functions and conducts certain Group wide development projects. In 2014, the parent company paid to its shareholders an ordinary dividend of SEK 4.40 per share for 2013 corresponded to a total of SEK 1,960 million.

Proposed appropriation of profit

The Board propose that, from the SEK 12,076,636,623 at the disposal of the Annual General Meeting, an ordinary dividend of SEK 4.85 per share and an extraordinary dividend of SEK 10.00 per share should be paid to shareholders, corresponding on December 31, 2014 to SEK 2,161,756,419 and SEK 4,457,229,730 respectively, resulting in a total dividend of SEK 6,618,986,149, and that the remaining amount, SEK 5,457,650,474, should be carried forward.

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

Consolidated income statement

SEK million	Note	2014	2013
CONTINUING OPERATIONS			
Net sales	4, 5	25,955	25,757
Cost of services sold	6	–15,054	–15,441
Gross profit		**10,901**	**10,316**
Selling expenses	6	–5,298	–5,541
Administrative expenses	6	–2,518	–2,321
Result from shares in joint ventures and associated companies	7	–14	–17
Other operating income	8	647	206
Other operating expenses	9	–228	–95
Operating profit	4, 6	**3,490**	**2,548**
Interest income	10	18	49
Interest costs	11	–396	–417
Other financial items	12	388	–183
Profit after financial items		**3,500**	**1,997**
Income tax	13	–874	–1,029
NET PROFIT FROM CONTINUING OPERATIONS		**2,626**	**968**
DISCONTINUED OPERATIONS			
Net profit/loss from discontinued operations	36	–415	13,622
NET PROFIT	4	**2,211**	**14,590**
ATTRIBUTABLE TO			
Equity holders of the parent company		2,211	14,590
Earnings per share, SEK	25	4.96	32.77
Earnings per share, after dilution, SEK	25	4.93	32.55
FROM CONTINUING OPERATIONS			
ATTRIBUTABLE TO			
Equity holders of the parent company		2,626	968
Earnings per share, SEK		5.89	2.17
Earnings per share, after dilution, SEK		5.86	2.15

Consolidated comprehensive income

SEK million	Note	2014	2013
NET PROFIT		**2,211**	**14,590**
OTHER COMPREHENSIVE INCOME			
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT			
Pensions, actuarial gains/losses	34	–82	203
Pensions, actuarial gains/losses, tax effect	13	18	–45
Total components not to be reclassified to net profit		**–64**	**158**
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT			
Exchange rate differences			
Translation differences in foreign operations		1,137	272
Tax effect on above	13	–179	–20
Reversed cumulative translation differences from divested companies	16	–3	1,719
Translation differences		*955*	*1,971*
Hedge of net investments in foreign operations		4	–6
Tax effect on above	13	–1	2
Reversed cumulative hedge from divested companies	16	–	–3
Hedge of net investments		*3*	*–7*
Total exchange rate differences		**958**	**1,964**
Cash flow hedges			
Gain/loss arising on changes in fair value of hedging instruments	2, 9	–172	33
Reclassified cumulative loss to income statement	2	61	49
Tax effect on cash flow hedges	13	25	–18
Total cash flow hedges		**–86**	**64**
Total components that may be reclassified to net profit		**872**	**2,028**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**808**	**2,186**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,019**	**16,776**
ATTRIBUTABLE TO			
Equity holders of the parent company		3,019	16,776

Consolidated balance sheet

SEK million	Note	Dec 31, 2014	Dec 31, 2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	14	9,503	9,537
Other intangible assets	14	4,913	5,183
Total intangible assets		**14,416**	**14,720**
Tangible assets			
Machinery and technical plant	15	8,442	9,079
Other tangible assets	15	2,696	2,668
Total tangible assets		**11,138**	**11,747**
Financial assets			
Shares in joint ventures and associated companies	17	13	28
Other financial assets	18	518	337
Total financial assets		**531**	**365**
Deferred tax assets	13	2,062	2,753
TOTAL NON-CURRENT ASSETS		**28,147**	**29,585**
CURRENT ASSETS			
Inventories	19	500	471
Current receivables			
Accounts receivable	20	2,480	3,317
Current tax receivables		25	127
Other current receivables	21	422	321
Prepaid expenses and accrued income	22	4,252	4,183
Total current receivables		**7,179**	**7,948**
Current investments	23	38	55
Cash and cash equivalents	24, 32	151	1,348
TOTAL CURRENT ASSETS		**7,868**	**9,822**
ASSETS CLASSIFIED AS HELD FOR SALE	16, 36	3,833	448
TOTAL ASSETS	4	**39,848**	**39,855**

Financial statements

Continued Consolidated balance sheet

SEK million	Note	Dec 31, 2014	Dec 31, 2013
EQUITY AND LIABILITIES			
EQUITY			
Attributable to equity holders of the parent company			
Share capital	25	561	561
Other paid-in capital		4,985	4,985
Reserves		1,413	541
Retained earnings		15,721	15,502
Total attributable to equity holders of the parent company		**22,680**	**21,589**
Non-controlling interest	25	2	2
TOTAL EQUITY		**22,682**	**21,591**
NON-CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	26	4,263	5,302
Provisions	27	760	584
Other interest-bearing liabilities	26	330	396
Total interest-bearing liabilities		**5,353**	**6,282**
Non-interest-bearing			
Deferred tax liability	13	358	441
Total non-interest-bearing liabilities		**358**	**441**
TOTAL NON-CURRENT LIABILITIES		**5,711**	**6,723**
CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	26	2,495	1,535
Provisions	27	47	95
Other interest-bearing liabilities	26	1,295	1,518
Total interest-bearing liabilities		**3,837**	**3,148**
Non-interest-bearing			
Accounts payable	26	2,848	3,140
Current tax liabilities		291	80
Other current liabilities	26	467	516
Accrued expenses and deferred income	28	3,263	4,604
Total non-interest-bearing liabilities		**6,869**	**8,340**
TOTAL CURRENT LIABILITIES		**10,706**	**11,488**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	16, 36	749	53
TOTAL EQUITY AND LIABILITIES	4	**39,848**	**39,855**

Consolidated cash flow statement

(total operations)

SEK million	Note	2014	2013
OPERATING ACTIVITIES			
Cash flow from operations before changes in working capital			
Operating profit from continuing operations		3,490	2,548
Operating profit from discontinued operations		–388	13,791
Operating profit		**3,102**	**16,339**
Adjustments for non-cash items in operating profit			
Depreciation and amortization	6	3,097	3,545
Impairment	6	25	536
Result from shares in joint ventures and associated companies	7	15	17
Gain/loss on sale of fixed assets and operations	8-9	–257	–13,253
Incentive program		29	14
Interest received		26	55
Interest paid		–306	–429
Finance items paid		34	–82
Dividend received		–	1
Taxes paid	13	–327	–479
Cash flow from operations before changes in working capital	32	**5,438**	**6,264**
Changes in working capital			
Materials and supplies	19	–22	–17
Operating assets		261	152
Operating liabilities		–1,099	–586
Changes in working capital	32	**–860**	**–451**
CASH FLOW FROM OPERATING ACTIVITIES		**4,578**	**5,813**
INVESTING ACTIVITIES			
Acquisition of intangible assets	32	–726	–2,195
Sale of intangible assets	32	24	7
Acquisition of tangible assets	32	–3,476	–3,142
Sale of tangible assets	32	32	89
Acquisition of shares in group companies	16	6	–
Sale of shares in group companies	16	677	17,252
Acquisition of shares in associated companies	16	–4	–
Capital contribution to/repayment from associated companies	16	–5	–25
Dividend from associated companies	16	–	1
Other financial assets, lending		–255	–
Other financial assets, received payments		20	7
Cash flow from investing activities		**–3,707**	**11,994**
CASH FLOW AFTER INVESTING ACTIVITIES		**871**	**17,807**
FINANCING ACTIVITIES			
Proceeds from credit institutions and similar liabilities	26	1,365	755
Repayment of loans from credit institutions and similar liabilities	26	–1,542	–3,165
Repayment of other interest-bearing lending	26	–23	–23
Dividends	25	–1,960	–3,163
Redemption of shares	25	–	–12,474
Purchase of non-controlling interests	25	–	–94
Cash flow from financing activities		**–2,160**	**–18,164**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**–1,289**	**–357**
Cash and cash equivalents at beginning of the year	24	1,348	1,673
Exchange rate differences in cash and cash equivalents	24	92	32
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24, 32	**151**	**1,348**

For cash flow from discontinued operations, please refer to Note 36.
For additional cash flow information, please refer to Note 32.

Change in consolidated equity

SEK million	Note	Attributable to equity holders of the parent company: Share capital	Other paid-in capital	Hedge reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1, 2013		**561**	**4,980**	**–414**	**–1,073**	**16,372**	**20,426**	**3**	**20,429**
Net profit		–	–	–	–	14,590	14,590	–	14,590
Other comprehensive income for the year, net of tax		–	–	57	1,971	158	2,186	–	2,186
Total comprehensive income for the year		**–**	**–**	**57**	**1,971**	**14,748**	**16,776**	**–**	**16,776**
OTHER CHANGES IN EQUITY									
Share-based payments	34	–	–	–	–	14	14	–	14
Share-based payments, tax effect	34	–	–	–	–	10	10	–	10
Sale of own shares	25	–	5	–	–	–5	–	–	–
Dividends	25	–	–	–	–	–3,163	–3,163	–	–3,163
Redemption of shares	25	–280	–	–	–	–12,194	–12,474	–	–12,474
Bonus issue	25	280	–	–	–	–280	–	–	–
Purchase of non-controlling interests	16	–	–	–	–	–	–	–1	–1
EQUITY AT DECEMBER 31, 2013		**561**	**4,985**	**–357**	**898**	**15,502**	**21,589**	**2**	**21,591**
Equity at January 1, 2014		**561**	**4,985**	**–357**	**898**	**15,502**	**21,589**	**2**	**21,591**
Net profit		–	–	–	–	2,211	2,211	–	2,211
Other comprehensive income for the year, net of tax		–	–	–83	955	–64	808	–	808
Total comprehensive income for the year		**–**	**–**	**–83**	**955**	**2,147**	**3,019**	**–**	**3,019**
OTHER CHANGES IN EQUITY									
Share-based payments	34	–	–	–	–	29	29	–	29
Share-based payments, tax effect	34	–	–	–	–	3	3	–	3
Dividends	25	–	–	–	–	–1,960	–1,960	–	–1,960
EQUITY AT DECEMBER 31, 2014		**561**	**4,985**	**–440**	**1,853**	**15,721**	**22,680**	**2**	**22,682**

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

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

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

Change in accounting principles

From 2014 the new standards, amendments and interpretations presented below are applied.

New and amended IFRS standards and IFRIC interpretations

The new and amended IFRS standards and IFRIC interpretations (IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosures of Interests in Other Entities,* IAS 27 *Separate Financial Statements,* IAS 28 *Investments in Associates and Joint Ventures,* IAS 32 *Offsetting Financial Assets and Financial Liabilities,* IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets and* IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting),* which became effective January 1, 2014, have had no material effect on the consolidated financial statements.

Already in 2013 Tele2 chose to in advance apply the amended IAS 36.

The introduction of IFRS 10 resulted in the definition of controlling interest was changed, which had no effect for Tele2.

IFRS 11 covers the accounting for joint arrangements. The joint arrangements that Tele2, under the previously effective standard, reported as joint ventures according to the proportionate method are viewed as joint operations according to the new standard. The introduction of IFRS 11 has therefore not had any material effects on the consolidated financial statements.

New regulations

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

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* and Improvements to IFRSs 2010–2012 and 2011–2013 (effective for annual periods beginning on or after July 1, 2014) and
- IFRIC 21 *Levies* (effective for annual periods beginning on or after June 17, 2014).

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

- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after January 1, 2016),
- Amendments to: IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*, IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*, IAS 1 *Disclosure Intiative,* IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*, IAS 16 and IAS 41 *Bearer Plants*, IAS 27 *Equity Method in Separate Financial Statements* and Improvements to IFRSs 2012–2014 (effective for annual periods beginning on or after January 1, 2016),
- IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after January 1, 2017) and
- IFRS 9 *Financial Instruments* (effective for annual periods beginning on January 1, 2018).

IFRS 15 replaces all previously published standards and interpretations concerning revenue recognition and provides detailed guidance for example for bundled offers and expenses directly associated with signing a customer contract as well as additional disclosures. Tele2's current preliminary opinion is that the existing accounting principles concerning revenue recognition of bundled offers related to the allocation between equipment and services is in line with IFRS 15. The model that Tele2 applies today may need to be somewhat adjusted to completely fulfil the requirements in the new standard. Expenses directly associated with the signing of customer contracts may include retailer sales provisions and subsidies of equipment given to retailers for specific contracts. These initial expenses shall be activated and amortized over the contract length if they are recoverable. If the contract period is less than one year the expenses may be recognized as cost when incurred. Today these initial expenses are recognized as cost in the period in which they occur. The effects to the financial statements will be further analysed and presented before the new standard becomes effective.

The other new and revised standards are estimated to have no material effect for Tele2.

Consolidation

Subsidiaries

The consolidated accounts include the parent company and companies in which the parent company directly or indirectly holds more than 50 percent of the voting rights or in any other way has control. Control is achieved when Tele2 is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

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

Continued Note 1

the value of the non-controlling interests in the acquired subsidiary and the fair value of the previously owned share and on the other hand the Group's reported value of acquired assets and assumed liabilities. Acquisition related costs (transaction costs) are recognized as expenses in the period in which they arise.

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

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

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interests and
- the previous carrying amount of the assets (including goodwill), and liabilities and any non-controlling interests

Any gain or loss is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to that subsidiary are reclassified to profit or loss.

Joint arrangements

Joint arrangements are arrangements of which two or more parties have a joint control. Joint arrangements are classified either as joint operation or joint venture. For joint operations Tele2 reports its part of assets, liabilities, revenues and expenses and its share of joint assets, liabilities, revenues and expenses line by line in the consolidated financial statements. Sales and other transactions with joint operations are eliminated in the consolidated financial statements. For Tele2 joint operations consists of jointly owned companies. Joint ventures are arrangements where Tele2 has right to the net assets and are accounted for under the equity method. This means that the Group's carrying amount of the shares in the joint venture corresponds to the Group's share of equity as well as any residual value of consolidated surplus values after application of the Group's accounting principles. The Group's share of the joint venture's profit or loss after tax is reported under "Operating profit", along with depreciation of the acquired surplus value.

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

Associated companies

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

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

Foreign currency

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

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

Goodwill and adjustments at fair value that are made in connection with the acquisition of a foreign operation are treated as assets and liabilities in the functional currency of the acquired operation.

Discontinued operations

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

Assets classified as held for sale and associated liabilities are presented separately on the face of the balance sheet. Prior periods are not affected. Assets classified as held for sale are valued at the lower of carrying value and fair value less costs to sell (Note 36).

Revenue recognition

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

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

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

Revenue recognition for agreements containing multiple deliverables

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

Continued Note 1

Operating expenses

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

Cost of services sold

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

Selling expenses

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

Administrative expenses

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

Other operating income and other operating expenses

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

Employee benefits

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

Share-based payments

Tele2 grants share-based instruments to certain employees.

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

Tele2 records a liability for social security expenses, at each reporting period, for all outstanding share-based payments. The liability for social security expenses is calculated according to UFR 7 IFRS 2 *and social security contributions for listed enterprises*. The liability is revalued at the end of each reporting period and is based on the share-based payment's fair value at the end of the reporting date distributed over the vesting period.

Post-employment benefits

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

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

Termination benefits

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

Income tax

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

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

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

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

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

Continued Note 1

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

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

Non-Current Assets

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

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

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

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

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

Intangible assets

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

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

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

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

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

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

Tangible assets

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

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

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

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

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

Borrowing costs

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

Leases

Leases are classified as finance or operating leases.

Tele2 as finance lessee

A lease is classified as a finance lease if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee. When reporting a financial lease in the consolidated accounts, the leased object is recognized as a tangible asset at the lower of its fair value and the present value of the minimum lease payments, and a corresponding amount is recognized as a lease obligation under financial liabilities (Note 15, Note 26 and Note 31). The asset is depreciated on a straight-line basis over the shorter of the lease term and its useful life, with the estimated residual value deducted at the end of the utilization period. Lease payments are apportioned between interest and repayment of the outstanding liability.

Tele2 as operating lessee

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

Tele2 as operating lessor

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

Continued Note 1

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

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

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

Acquisitions and sales of financial assets are reported on the trade date, which is the date that the Group has an undertaking to acquire or sell the asset. Financial liabilities are recognized in the balance sheet when Tele2 becomes a party to the contractual provisions of the instrument.

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

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

Measurement of the fair value of financial instruments
Various measurement methods are used to estimate the fair value of financial instruments not traded on an active market. When determining the fair value of interest swaps and currency derivatives official market listings are used as input in calculations of discounted cash flows. The fair value of loan liabilities is measured using generally accepted methods, such as discounting expected future cash flows at prevailing interest rates.

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

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

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

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

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

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

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

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

Cash flow hedges are reported in the same way as hedges of net investments in foreign operations. This means that the effective portion of the gain or loss on an interest swap which meets the criteria for cash-flow hedge accounting is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss within financial items. When cash flows relating to the hedged item are reported in profit or loss, amounts are transferred from equity to offset them. For more information regarding cash flow hedges, please refer to Note 2 and Note 26.

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

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

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

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

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

A summary of the exchange rate differences reported in other comprehensive income is presented in the statement of comprehensive income

Continued Note 1

and the differences which affected profit or loss for the year are presented in Note 3.

Equity

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

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

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

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

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

Number of shares and earnings per share

Earnings per share before dilution are calculated by dividing the profit or loss of the year attributable to the parent company's owners by the weighted average number of outstanding shares during the period. To calculate earnings per share after dilution the weighted average numbers of outstanding shares are adjusted for the dilutive effect of the total potential number of shares consisting of share based instruments settled with shares. The shared based instruments have a dilutive effect if the exercise price plus the fair value of future services is below the quoted price and the dilutive effect increases when the size of this difference increases (Note 25).

Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities

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

Segment reporting

Segment

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

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

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

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

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

Segment information is presented in Note 4.

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

Internal pricing

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

Services

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

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

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

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

Other operations mainly include carrier operations and wholesale.

Choice of accounting principles

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

Choice of accounting principle for put options

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

Continued Note 1

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

Customer acquisition costs
Customer acquisition costs are normally expensed in profit or loss.

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

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

Estimates and judgments

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

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

Joint arrangements
Tele2 is in Sweden part of two joint arrangements concerning mobile networks that are classified as joint operations, Svenska UMTS-nät AB (together with TeliaSonera) and Net4Mobility HB (together with Telenor). Tele2 has chosen to classify these two joint arrangements as joint operations as Tele2 is considered through agreements between the parties to have the rights to the assets and obligations for the liabilities as well as corresponding revenues and expenses related to each arrangement. As basis for the classification additional decisive factors are that the parties in each arrangement have the rights to substantially all of the economic benefits from the assets in each operation and the jointly owned companies are dependent on its owners for settling its liabilities on a continuous basis.

Revenue recognition
Revenue recognition in Tele2 requires management to make judgments and estimates in a number of cases, mainly to determine fair values and the period in which the revenue should be recognized. Many agreements bundle products and services into one customer offering which for accounting purposes require allocating revenue to each part based on its relative fair value using accounting estimates. Determining whether revenues should be recognized immediately or be deferred require management to make judgments as to when the services and equipment have been provided, the fair value of each part as well as estimates regarding the remaining contract period. Please refer to Note 22 concerning accrued revenues.

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

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

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

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

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

Provisions for disputes and damages
Tele2 is party to a number of disputes. For each separate dispute an assessment of the most likely outcome is made, and reported in the financial statements accordingly, see Note 27 and Note 30.

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

Other information

Tele2 AB (publ) is a limited company, with its registered office in Stockholm, Sweden. The company's registered office (phone +46 8 5620 0060) is at Skeppsbron 18, Box 2094, 103 13 Stockholm, Sweden. The annual report was approved by the Board of Directors on March 17, 2015. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 19, 2015.

NOTE 2 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers and cash and cash equivalents. Tele2's financial liabilities consist mainly of loans, bonds and accounts payables. Classification of financial assets and liabilities including their fair value is presented below.

	Dec 31, 2014					
	Assets and liabilities at fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	8[1]	465	–	–	473	473
Accounts receivables	–	2,480	–	–	2,480	2,480
Other current receivables	–	375	47[3]	–	422	422
Current investments	–	38	–	–	38	38
Cash and cash equivalents	–	151	–	–	151	151
Assets classified as held for sale	1	337			338	338
Total financial assets	**9**	**3,846**	**47**	**–**	**3,902**	**3,902**
Liabilities to financial institutions and similar liabilities	–	–	–	6,758	6,758	7,085[3]
Other interest-bearing liabilities	887[2]	–	294[3]	444	1,625	1,553[3]
Accounts payable	–	–	–	2,848	2,848	2,848
Other current liabilities	–	–	–	467	467	467
Liabilities directly associated with assets classified as held for sale	–	–	–	249	249	249
Total financial liabilities	**887**	**–**	**294**	**10,766**	**11,947**	**12,202**

	Dec 31, 2013					
	Assets and liabilities at fair value through profit/loss	Loans and receivables	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total reported value	Fair value
Other financial assets	14[1]	233	–	–	247	247
Accounts receivables	–	3,317	–	–	3,317	3,317
Other current receivables	–	313	8[3]	–	321	321
Current investments	–	55	–	–	55	55
Cash and cash equivalents	–	1,348	–	–	1,348	1,348
Total financial assets	**14**	**5,266**	**8**	**–**	**5,288**	**5,288**
Liabilities to financial institutions and similar liabilities	–	–	–	6,837	6,837	7,021[3]
Other interest-bearing liabilities	1,350[2]	–	146[3]	418	1,914	1,889[3]
Accounts payable	–	–	–	3,140	3,140	3,140
Other current liabilities	–	–	–	516	516	516
Total financial liabilities	**1,350**	**–**	**146**	**10,911**	**12,407**	**12,566**

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

1) Level 3: measured at fair value through profit/loss, which on initial recognition were designated for this type of measurement. Discounted future cash flow models are used to estimate the fair value.
2) Level 3: put option Tele2 Kazakhstan. Fair value determined on the basis of future discounted cash flows to determine the exercise price on the put option owned by the minority owner in Tele2 Kazakhstan. The valuation is based on the same assumptions that been used for the impairment test of goodwill, please refer to Note 14 and Note 26.
3) Level 2: observable market data have been used as input to determine the fair value of interest- and foreign exchange rate derivatives, loans with fixed interest rate and other non-current non-interest bearing liabilities valued at fair value at initial recognition with subsequent measurement at amortized cost.

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

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

Net gains/losses on financial instruments amounted to SEK 426 (–211) million, of which loan and trade receivables amounted to SEK 6 (–64) million, derivatives to SEK –2 (19) million and financial assets and liabilities at fair value through profit/loss to SEK 422 (–166) million.

The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. The value of reported derivatives at December 31, 2014 amounted on the asset side to SEK 47 (8) million and on the liabilities side to SEK 294 (146) million of which SEK 28 (-) million can be netted against the asset side.

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

Capital structure management

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

- Tele2 will adopt a progressive ordinary dividend policy which aims to deliver 10 percent growth per annum in the coming 3 years. Authorization to pay extraordinary dividends will be sought when the company has excess capital. Pursuant to the approval received at the 2014 AGM, Tele2 has the authorization to repurchase up to 10 percent of its share capital.
- Tele2 believes the financial leverage should be in line with both the industry and the markets in which it operates and reflect the status of its operations, future strategic opportunities and obligations. This would imply a target net debt to EBITDA ratio of 1.5-2.0 times (earlier 1.25-1.75 times) over the medium term.
- On a continuous basis, Tele2 will diversify its financing both in terms of duration and funding sources. A stable financial position is important in order to minimize refinancing risk.

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

Net debt amounted to SEK 9,061 (8,007) million on December 31, 2014, or 1.51 (1.34) times EBITDA. Tele2's available liquidity amounted to SEK 8,224 (9,306) million. For additional information please refer to Note 26.

Currency risk

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

The Group does not generally hedge transaction exposure. When considered appropriate, the translation exposure related to some investments in foreign operations is hedged by issuing debt or entering into derivative transactions in the currencies involved. In the hedge reserve in equity the total amount related to net investment hedges amounts to SEK –255 (–258) million. During the year SEK – (3) million related to divested companies were reclassified to profit/loss. Outstanding currency swaps designated for net investment hedging amounted to EUR 270 (270) million and NOK 2,440 (-) million of which NOK 640 (-) million is used to swap external loans to NOK and NOK 1,800 (-) million is used to hedge the net investment in NOK. The reported fair value on the currency swaps amounted to SEK –51 (–2) million and SEK 42 (-) million respectively. Outstanding currency swaps designated to swap loans in NOK to EUR, amounted to NOK – (939) million and reported fair value to SEK – (–9) million.

After taking into account currency swaps, the borrowings in SEK million are carried in the following currencies (equivalent SEK amounts):

	Dec 31, 2014	Dec 31, 2013
SEK[1, 2]	1,129	3,154
EUR[1]	3,493	3,210
NOK[2]	2,103	378
USD	33	84
LVL	–	11
Total loans	**6,758**	**6,837**

1) Including adjustment for currency swaps designated to swap loans in SEK to EUR of SEK 2,569 (2,415)
2) Including adjustment for currency swaps designated to swap loans in SEK to NOK of SEK 673 million (p y NOK to SEK of SEK –993 million)

Continued Note 2

In 2014, 49 (49) percent of net sales is related to SEK and 35 (32) percent to EUR. For other currencies please refer to Note 3. During the year, Tele2's results were foremost affected by fluctuations in EUR and devaluation in Kazakhstan of KZT.

The Group's total net assets on December 31, 2014 of SEK 22,682 (21,591) million were distributed by currency in SEK million as follows (including loan and currency derivatives designated for hedge accounting):

	Dec 31, 2014	Dec 31, 2013
SEK	7,025	6,913
EUR[1]	10,854	7,866
NOK[2]	984	2,394
KZT	1,742	1,102
HRK	557	409
LTL	1,579	1,321
LVL	–	1,703
USD	–59	–117
Total	**22,682**	**21,591**

[1] Loans and derivatives denominated in EUR designated for net investment hedging are included by SEK 3,276 (3,080) million
[2] Loans and derivatives denominated in NOK designated for net investment hedging are included by SEK 2,040 (382) million

A five percent currency fluctuation against the Swedish krona would affect the Group's total net assets by SEK 783 (734) million.

Interest rate risk

Tele2 keeps a close watch on interest market trends and decisions to change the interest duration strategy are assessed regularly. Of interest-bearing financial liabilities as of December 31, 2014, SEK 4,531 (4,834) million, corresponding to 54 (55) percent, were carried at a variable interest rate. Calculated at variable interest-bearing liabilities at December 31, 2014 and assuming that these loans were traded per January 1, 2015 to 1 percent higher interest rate, this would result in an additional interest expense for 2015 of SEK 45 (48) million, and affect profit/loss after tax by SEK 37 (41) million. For additional information please refer to Note 26.

The capital amount of outstanding interest rate derivatives on December 31, 2014 amounts to SEK 2.5 billion converting variable interest rate to fixed interest rate. The cash flows related to outstanding interest rate derivative is expected to affect the income statement during the remaining duration of the interest rate swaps. Official market listings have been used to determine the fair value of interest rate derivatives. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Outstanding interest rate derivatives for cash flow hedging on December 31, 2014 are shown below.

			Dec 31, 2014		Dec 31, 2013	
Currency	Fixed interest rate terms %	Maturity	Capital amount, nominal	Reported fair value	Capital amount, nominal	Reported fair value
SEK	3.865	2018	1,400	–166	1,400	–109
SEK	2.7225	2018	300	–25	300	–8
SEK	2.5050	2016	300	–11	300	–8
SEK	2.6950	2018	200	–17	200	–5
SEK	2.1575	2020	250	–19	250	3
Total outstanding interest rate derivatives			**2,450**	**–238**	**2,450**	**–127**

The total change in fair values on the interest rate derivatives amounted to SEK –172 (33) million and are recognized in other comprehensive income as cash flow hedges. Of the total change in fair value SEK 61 (49) million was reclassified to the income statement and included in interest costs for the year.

Liquidity risk

The Group's excess liquidity is invested on a short-term basis or used for loan repayments. Liquidity reserves consist of available cash, undrawn committed credit facilities and committed overdraft facilities. At the end of 2014, the Group had available liquidity of SEK 8.2 (9.3) billion. For additional information please refer to Note 24.

Tele2 has entered into an EUR 0.8 billion credit facility with a syndicate of 11 banks. The facility has maturity in May 2018. On December 31, 2014 and 2013 the facility was unutilized. Tele2 AB's EUR 3 billion Euro Medium-Term Note (EMTN) Program forms the basis for Tele2's medium and long term debt issuance in both international and domestic bond markets. On December 31, 2014 issued bonds under the Program amounted to SEK 3,797 (4,295) million. For additional information please refer to Note 26.

Undiscounted contractual commitments are presented below.

		Dec 31, 2014				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	26	7,535	4,007	576	461	12,579
Commitments, other	30	1,171	509	41	80	1,801
Operating leases	31	1,442	1,246	657	1,023	4,368
Total contractual commitments		**10,148**	**5,762**	**1,274**	**1,564**	**18,748**

		Dec 31, 2013				
	Note	Within 1 year	1–3 years	3–5 years	After 5 years	Total
Financial liabilities[1]	26	6,912	1,712	4,036	649	13,309
Commitments, other	30	2,325	1,926	71	100	4,422
Operating leases	31	1,489	1,360	770	1,117	4,736
Total contractual commitments		**10,726**	**4,998**	**4,877**	**1,866**	**22,467**

[1] Including future interest payments

Credit risk

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

Maximum credit exposure for accounts receivables amounts to SEK 2,480 (3,317) million.

NOTE 3 EXCHANGE RATE EFFECTS

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

	Net sales				EBITDA			
	2014		2013		2014		2013	
SEK	12,762	49%	12,601	49%	3,471	59%	3,322	56%
EUR	9,105	35%	8,220	32%	1,737	29%	1,857	32%
KZT	1,334	5%	1,344	5%	43	1%	–138	–2%
HRK	1,390	6%	1,397	5%	169	3%	95	1%
LTL	1,364	5%	1,280	5%	506	8%	461	8%
LVL	–	–	915	4%	–	–	294	5%
Total	**25,955**	**100%**	**25,757**	**100%**	**5,926**	**100%**	**5,891**	**100%**

A five percent currency movement against the Swedish krona affects the Group's net sales and EBITDA on an annual basis by SEK 660 (658) million and SEK 123 (128) million, respectively.

Tele2's operating profit for the year was mainly affected by fluctuations in EUR and devaluation in Kazakhstan of KZT. Last year's net sales as well as EBITDA have been affected negatively by SEK –456 million and SEK –154 million, as opposed to if this year's exchange rates had been used also for last year. Profit for last year have been affected positively by SEK 58 million. Assets and liabilities per country is presented in Note 4 and net assets per currency is presented in Note 2.

The annual change of net sales and EBITDA was –1 (–0) and –2 (–2) percent respectively, excluding exchange rate differences.

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

	2014	2013
Other operating income	52	52
Other operating expenses	–59	–53
Other financial items	–27	–28
Total exchange rate differences in income statement	**–34**	**–29**

NOTE 4 SEGMENT REPORTING

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

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

Tele2 Sweden has been split into core operations and central group functions. Core operations are reported in segment Sweden and central functions are included in the segment Other. For additional information please refer to section Segment reporting in Note 1.

2014	Sweden	Netherlands	Kazakhstan	Croatia	Lithuania	Latvia	Estonia	Austria	Germany	Other	Undistributed and internal elimination	Total
INCOME STATEMENT												
Net sales												
External	12,629	5,439	1,334	1,390	1,364	907	634	1,209	916	133	–	25,955
Internal	12	2	–	–	11	9	–	–	–	2	–36	–
Net sales	**12,641**	**5,441**	**1,334**	**1,390**	**1,375**	**916**	**634**	**1,209**	**916**	**135**	**–36**	**25,955**
EBITDA	**3,612**	**903**	**43**	**169**	**506**	**294**	**173**	**231**	**131**	**–136**	**–**	**5,926**
Depreciation/amortization and other impairment	–1,228	–666	–221	–82	–76	–107	–118	–136	–53	–9	–	–2,696
Result from shares in joint ventures and associated companies	–13	–	–	–	–	–	–	–1	–	–	–	–14
One-off items (Note 6)												
Sale of operations	258	–	–	–	–	–	–	–	–	3	–	261
Other one-off items	41	–4	–18	–	–	–	–	–	–	–6	–	13
Operating profit	**2,670**	**233**	**–196**	**87**	**430**	**187**	**55**	**94**	**78**	**–148**	**–**	**3,490**
Interest income	–	–	–	–	–	–	–	–	–	–	18	18
Interest costs	–	–	–	–	–	–	–	–	–	–	–396	–396
Other financial items	–	–	–	–	–	–	–	–	–	–	388	388
Income tax	–	–	–	–	–	–	–	–	–	–	–874	–874
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**2,670**	**233**	**–196**	**87**	**430**	**187**	**55**	**94**	**78**	**–148**	**–864**	**2,626**
OTHER INFORMATION												
CONTINUING OPERATIONS												
CAPEX	622	1,527	319	116	107	82	138	62	15	462	–	3,450
Non-cash-generating profit/loss items												
Depreciation/amortization and impairments	–1,228	–666	–221	–82	–76	–107	–118	–136	–53	–9	–	–2,696
Sales of fixed assets and operations	255	–1	–	–	–	22	–	–1	–	–1	–	274
Incentive program	–	–	–	–	–	–	–	–	–	–29	–	–29

Dec 31, 2014	Sweden	Netherlands	Kazakhstan	Croatia	Lithuania	Latvia	Estonia	Austria	Germany	Other	Undistributed and internal elimination	Total
BALANCE SHEET												
Assets	10,196	10,726	3,535	1,140	1,868	2,016	1,688	463	201	1,779	6,236	39,848
Liabilities	2,747	1,731	734	598	287	216	144	353	185	393	9,778	17,166

Instead of only reporting non-current assets by segment, total assets by segment have beeen reported as this is more relevant for Tele2.

2013	Sweden	Netherlands	Kazakhstan	Croatia	Lithuania	Latvia	Estonia	Austria	Germany	Other	Undistributed and internal elimination	Total
INCOME STATEMENT												
Net sales												
External	12,453	5,435	1,344	1,397	1,280	915	674	1,244	867	148	–	25,757
Internal	7	1	–	–	9	11	–	–	–	4	–32	–
Net sales	**12,460**	**5,436**	**1,344**	**1,397**	**1,289**	**926**	**674**	**1,244**	**867**	**152**	**–32**	**25,757**
EBITDA	**3,448**	**1,251**	**–138**	**95**	**461**	**292**	**161**	**308**	**138**	**–125**	**–**	**5,891**
Depreciation/amortization and other impairment	–1,367	–601	–312	–101	–119	–104	–106	–126	–39	–17	–	–2,892
Result from shares in joint ventures and associated companies	–18	–	–	–	–	–	–	1	–	–	–	–17
One-off items (Note 6)												
Impairment of goodwill and other assets	–	–	–	–457	–	–	–	–	–	–	–	–457
Sale of operations	–	–	–	–	–	–	–	–	–	23	–	23
Operating profit	**2,063**	**650**	**–450**	**–463**	**342**	**188**	**55**	**183**	**99**	**–119**	**–**	**2,548**
Interest income	–	–	–	–	–	–	–	–	–	–	49	49
Interest costs	–	–	–	–	–	–	–	–	–	–	–417	–417
Other financial items	–	–	–	–	–	–	–	–	–	–	–183	–183
Income tax	–	–	–	–	–	–	–	–	–	–	–1,029	–1,029
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**2,063**	**650**	**–450**	**–463**	**342**	**188**	**55**	**183**	**99**	**–119**	**–1,580**	**968**
OTHER INFORMATION												
CONTINUING OPERATIONS												
CAPEX	965	2,067	464	62	93	103	65	80	24	476	–	4,399
Non-cash-generating profit/loss items												
Depreciation/amortization and impairments	–1,367	–601	–312	–558	–119	–104	–106	–126	–39	–17	–	–3,349
Sales of fixed assets and operations	–12	–3	–1	–	–	–	–	–	–	28	–	12
Incentive program	–	–	–	–	–	–	–	–	–	–12	–	–12

Dec 31, 2013	Sweden	Netherlands	Kazakhstan	Croatia	Lithuania	Latvia	Estonia	Austria	Germany	Other	Undistributed and internal elimination	Total
BALANCE SHEET												
Assets	10,777	9,178	3,382	926	1,649	1,912	1,577	504	187	2,932	6,831	39,855
Liabilities	3,305	1,670	818	535	320	198	130	343	165	473	10,307	18,264

NOTE 5 NET SALES AND NUMBER OF CUSTOMERS

Net sales

	Net sales		Internal sales	
	2014	2013	2014	2013
Sweden				
Mobile	11,113	10,075	12	7
Fixed broadband	728	1,411	–	–
Fixed telephony	660	841	–	–
Other operations	140	133	–	–
	12,641	**12,460**	**12**	**7**
Netherlands				
Mobile	1,957	1,682	–	–
Fixed broadband	2,496	2,632	–	–
Fixed telephony	421	551	–	–
Other operations	567	571	2	1
	5,441	**5,436**	**2**	**1**
Kazakhstan				
Mobile	1,334	1,344	–	–
	1,334	**1,344**	**–**	**–**
Croatia				
Mobile	1,390	1,397	–	–
	1,390	**1,397**	**–**	**–**
Lithuania				
Mobile	1,375	1,289	11	9
	1,375	**1,289**	**11**	**9**
Latvia				
Mobile	916	926	9	11
	916	**926**	**9**	**11**
Estonia				
Mobile	582	606	–	–
Fixed telephony	7	10	–	–
Other operations	45	58	–	–
	634	**674**	**–**	**–**
Austria				
Fixed broadband	783	811	–	–
Fixed telephony	165	190	–	–
Other operations	261	243	–	–
	1,209	**1,244**	**–**	**–**
Germany				
Mobile	440	321	–	–
Fixed broadband	164	171	–	–
Fixed telephony	312	375	–	–
	916	**867**	**–**	**–**
Other				
Other operations	135	152	2	4
	135	**152**	**2**	**4**
TOTAL				
Mobile	**19,107**	**17,640**	**32**	**27**
Fixed broadband	**4,171**	**5,025**	**–**	**–**
Fixed telephony	**1,565**	**1,967**	**–**	**–**
Other operations	**1,148**	**1,157**	**4**	**5**
	25,991	**25,789**	**36**	**32**
Internal sales, elimination	–36	–32		
TOTAL NET SALES AND INTERNAL SALES	**25,955**	**25,757**	**36**	**32**

In 2014, the net sales in Sweden was positively impacted by SEK 73 million as a result of decisions by the Swedish Post and Telecom Authority (PTS) regarding termination rates for previous periods, of which mobile amounted to SEK 78 million and fixed broadband to SEK –5 million.

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

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

	2014	2013
Equipment revenue, mobile	3,818	3,129
Equipment revenue, fixed broadband	22	46
Equipment revenue	**3,840**	**3,175**
Sales of service	22,115	22,582
Total net sales	**25,955**	**25,757**

Mobile external net sales can be split into additional categories of revenues, which is presented below.

	2014	2013
Sweden, mobile		
End-user service revenue	7,252	6,950
Operator revenue	955	982
Service revenue	*8,207*	*7,932*
Equipment revenue	2,258	1,535
Other revenue	636	601
	11,101	**10,068**
Netherlands, mobile		
End-user service revenue	1,203	944
Operator revenue	149	131
Service revenue	*1,352*	*1,075*
Equipment revenue	605	607
	1,957	**1,682**
Kazakhstan, mobile		
End-user service revenue	978	909
Operator revenue	338	402
Service revenue	*1,316*	*1,311*
Equipment revenue	18	33
	1,334	**1,344**
Croatia, mobile		
End-user service revenue	803	749
Operator revenue	274	298
Service revenue	*1,077*	*1,047*
Equipment revenue	313	350
	1,390	**1,397**
Lithuania, mobile		
End-user service revenue	847	843
Operator revenue	183	145
Service revenue	*1,030*	*988*
Equipment revenue	334	292
	1,364	**1,280**
Latvia, mobile		
End-user service revenue	551	533
Operator revenue	203	225
Service revenue	*754*	*758*
Equipment revenue	153	157
	907	**915**
Estonia, mobile		
End-user service revenue	382	391
Operator revenue	64	65
Service revenue	*446*	*456*
Equipment revenue	136	150
	582	**606**
Germany, mobile		
End-user service revenue	439	316
Service revenue	*439*	*316*
Equipment revenue	1	5
	440	**321**
TOTAL, MOBILE		
End-user service revenue	**12,455**	**11,635**
Operator revenue	**2,166**	**2,248**
Service revenue	***14,621***	***13,883***
Equipment revenue	**3,818**	**3,129**
Other revenue	**636**	**601**
TOTAL MOBILE EXTERNAL NET SALES	**19,075**	**17,613**

In 2014, equipment revenue in Sweden was positively impacted by SEK 445 (-) million as a result of sale to other than end-users.

Continued Note 5

Number of customers

by thousands	Note	Number of customers Dec 31, 2014	Dec 31, 2013	Net customer intake 2014	2013
Sweden					
Mobile		3,687	3,738	–51	38
Fixed broadband		57	465	–23	–19
Fixed telephony		232	273	–41	–68
		3,976	**4,476**	**–115**	**–49**
Netherlands					
Mobile		813	694	119	224
Fixed broadband		369	374	–5	–47
Fixed telephony		75	107	–32	–34
		1,257	**1,175**	**82**	**143**
Kazakhstan					
Mobile		3,297	2,751	546	154
		3,297	**2,751**	**546**	**154**
Croatia					
Mobile		823	793	30	40
		823	**793**	**30**	**40**
Lithuania					
Mobile		1,810	1,851	–41	81
		1,810	**1,851**	**–41**	**81**
Latvia					
Mobile		975	1,031	–56	–9
		975	**1,031**	**–56**	**–9**
Estonia					
Mobile		488	503	–15	–
Fixed telephony		3	4	–1	–1
		491	**507**	**–16**	**–1**
Austria					
Fixed broadband		108	118	–10	–9
Fixed telephony		148	167	–19	–24
		256	**285**	**–29**	**–33**
Germany					
Mobile		242	176	66	66
Fixed broadband		64	71	–7	–11
Fixed telephony		403	466	–63	–128
		709	**713**	**–4**	**–73**
TOTAL					
Mobile		**12,135**	**11,537**	**598**	**594**
Fixed broadband		**598**	**1,028**	**–45**	**–86**
Fixed telephony		**861**	**1,017**	**–156**	**–255**
TOTAL NUMBER OF CUSTOMERS AND NET CUSTOMER INTAKE		**13,594**	**13,582**	**397**	**253**
Divested companies	16			–385	–
Changed method of calculation				–	–900
TOTAL NUMBER OF CUSTOMERS AND NET CHANGE		**13,594**	**13,582**	**12**	**–647**

In 2014, the fixed broadband customer stock in Sweden decreased with –385,000 customers as a result of the sale of the Swedish residential cable and fiber operations.

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

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

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

No customer represent 10 percent or more of net sales.

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

	Note	EBITDA 2014	2013	EBIT 2014	2013
Sweden					
Mobile		3,224	2,971	2,139	1,937
Fixed broadband		85	143	–13	–134
Fixed telephony		195	243	178	219
Other operations		108	91	67	41
		3,612	**3,448**	**2,371**	**2,063**
Netherlands					
Mobile		–182	–20	–244	–52
Fixed broadband		693	854	178	371
Fixed telephony		142	137	126	121
Other operations		250	280	177	210
		903	**1,251**	**237**	**650**
Kazakhstan					
Mobile		43	–138	–178	–450
		43	**–138**	**–178**	**–450**
Croatia					
Mobile		169	95	87	–6
		169	**95**	**87**	**–6**
Lithuania					
Mobile		506	461	430	342
		506	**461**	**430**	**342**
Latvia					
Mobile		294	292	187	188
		294	**292**	**187**	**188**
Estonia					
Mobile		149	124	47	32
Fixed telephony		4	4	3	3
Other operations		20	33	5	20
		173	**161**	**55**	**55**
Austria					
Mobile		–2	–	–2	–
Fixed broadband		119	184	37	109
Fixed telephony		95	106	61	74
Other operations		19	18	–2	–
		231	**308**	**94**	**183**
Germany					
Mobile		–27	–30	–61	–52
Fixed broadband		22	13	16	4
Fixed telephony		136	155	123	147
		131	**138**	**78**	**99**
Other					
Other operations		–136	–125	–145	–142
		–136	**–125**	**–145**	**–142**
TOTAL					
Mobile		**4,174**	**3,755**	**2,405**	**1,939**
Fixed broadband		**919**	**1,194**	**218**	**350**
Fixed telephony		**572**	**645**	**491**	**564**
Other operations		**261**	**297**	**102**	**129**
		5,926	**5,891**	**3,216**	**2,982**
One-off items	4, 6			274	–434
TOTAL EBITDA AND EBIT		**5,926**	**5,891**	**3,490**	**2,548**

In 2014, the EBITDA in Sweden was positively impacted by SEK 8 million as a result of decisions by PTS, as stated in Note 5, regarding termination rates for previous periods, of which mobile amounted to SEK 35 million, fixed broadband to SEK –15 million and fixed telephony to SEK –12 million.

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

In 2014, the EBITDA for mobile in Estonia was positively impacted by SEK 20 million as a result of the sales of a mobile license in the 2600 MHz frequency band.

Continued Note 6

Depreciation/amortization and impairment

By function

	2014	2013
Depreciation/amortization		
Cost of service sold	–2,002	–2,189
Selling expenses	–190	–248
Administrative expenses	–479	–376
Total depreciation/amortization	**–2,671**	**–2,813**
Impairment		
Cost of service sold	–13	–463
Administrative expenses	–12	–73
Total impairment	**–25**	**–536**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–2,696**	**–3,349**

By type of asset

	2014	2013
Depreciation/amortization		
Utilization rights and software	–298	–271
Licenses (frequency)	–239	–223
Customer agreements	–78	–82
Buildings	–9	–8
Machinery and technical plant	–1,863	–2,073
Equipment and installations	–184	–156
Total depreciation/amortization	**–2,671**	**–2,813**
Impairment		
Utilization rights and software	–12	–3
Licenses (frequency)	–	–111
Machinery and technical plant	–13	–417
Equipment and installations	–	–5
Total impairment	**–25**	**–536**
TOTAL DEPRECIATION/AMORTIZATION AND IMPAIRMENT FOR THE YEAR	**–2,696**	**–3,349**

Impairment losses

In 2013, Kazakhstan was negatively affected by SEK 89 million, related to an impairment loss of SEK 73 million due to change to a new billing system, and an extra depreciation of SEK 16 million. In addition, an impairment loss on non-current assets was recognized in 2013 of the cash generating unit Croatia amounting to SEK 457 million. The impairment loss was based on an estimated value in use of SEK 400 million by using pre-tax discount rate of 10 percent. Due to unsatisfactory development, Tele2 assessed that the estimated future profit levels did not support the previous book value. The negative effect was reported as a one-off item for segment reporting purposes. Additional information is presented in Note 14.

Specification of items between EBITDA and EBIT

	Note	2014	2013
EBITDA		**5,926**	**5,891**
Impairment of non-current assets	6	–	–457
Sale of operations	8, 16	261	23
Challenger program: restructuring costs	6	–10	–
Other one-off items	6, 9	23	–
Total one-off items		**274**	**–434**
Depreciation/amortization and other impairment		–2,696	–2,892
Result from shares in joint ventures and associated companies	7	–14	–17
EBIT		**3,490**	**2,548**

Other one-off items for segment reporting

In 2014, Tele2 announced its Challenger Program, which is a program to step change productivity in the Tele2 Group. The program will strengthen the organization further and enable it to continue to challenge the industry. The costs associated with the program are reported as one-off items, and amount to SEK –10 million for 2014. Additional information is presented in the Administration report.

In 2014, Sweden has been positively affected by SEK 41 million, due to the counterparty withdrew its claim concerning the ruling from the Administrative Court of Appeal in June 2010 regarding price on whole and split copper cable. The positive effect was reported as a one-off item.

In 2014, other operating expenses was negatively affected by SEK 18 million, related to the devaluation in Kazakhstan. The negative effect has been reported as a one-off item. Additional information is presented in Note 9.

NOTE 7 RESULT FROM SHARES IN JOINT VENTURES AND ASSOCIATED COMPANIES

	Holding			
	Dec 31, 2014	Dec 31, 2013	2014	2013
4T Sverige AB, Sweden	25.0%	25.0%	–13	–18
Adworx Internetservice GmbH, Austria	47.4%	47.4%	–1	1
Total result of shares in joint ventures and associated companies			**–14**	**–17**

Extracts from the income statements of joint ventures and associated companies

	2014	2013
Net sales	86	96
Operating loss	–51	–70
Loss before tax	–51	–69
Net loss	–52	–70

Additional information is presented in Note 17.

NOTE 8 OTHER OPERATING INCOME

	2014	2013
Sale of residential cable and fiber operations, Sweden (Note 16)	258	–
Service level agreements, for sold operations	198	21
Sale to joint operations	102	95
Exchange rate gains from operations	52	52
Sale of non-current assets	23	9
Settlements of previous years' divestments	–	23
Liquidation of Versapoint, Germany	3	–
Other income	11	6
Total other operating income	**647**	**206**

In 2014, the EBITDA for mobile in Estonia was positively impacted by SEK 20 million as a result of the sales of a mobile license in the 2600 MHz frequency band.

NOTE 9 OTHER OPERATING EXPENSES

	2014	2013
Service level agreements, for sold operations	–156	–20
Exchange rate loss from operations	–41	–53
Devaluation in Kazakhstan	–18	–
Sale/scrapping of non-current assets	–9	–20
Other expenses	–4	–2
Total other operating expenses	**–228**	**–95**

In 2014, other operating expenses was negatively affected by SEK 18 million, related to the devaluation in Kazakhstan. The negative effect has been reported as a one-off item. The total foreign exchange rate effect on assets and liabilities in Kazakhstan was reported in other comprehensive income and amounted at the time for the devaluation to SEK –117 million. Please refer to Note 26 regarding effects on change in fair value of put option Kazakhstan.

NOTE 10 INTEREST INCOME

	2014	2013
Interest, bank balances	11	43
Interest, penalty interest	7	6
Total interest income	**18**	**49**

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

NOTE 11 INTEREST COSTS

	2014	2013
Interest, financial institutions and similar liabilities	–288	–327
Interest, other interest-bearing liabilities	–73	–63
Interest, penalty interest	–18	–8
Other finance expenses	–17	–19
Total interest costs	**–396**	**–417**

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

NOTE 12 OTHER FINANCIAL ITEMS

	2014	2013
Change in fair value, put option Kazakhstan	427	–166
Exchange rate differences	–27	–28
EUR net investment hedge, interest component	9	17
NOK net investment hedge, interest component	–11	2
Impairment of shares in Modern Holding Inc	–5	–
Other finance expenses	–5	–8
Total other financial items	**388**	**–183**

For information regarding the put option in Kazakhstan as well as EUR and NOK net investment hedges please refer to Note 2 and Note 26.

NOTE 13 TAXES

Tax expense/income

	2014	2013
Current tax expense, on profit current year	–469	–329
Current tax income, on profit prior periods	1	4
Current tax expense	–468	–325
Deferred tax expense	–406	–704
Total tax on profit for the year	**–874**	**–1,029**

Theoretical tax expense

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

	2014		2013	
Profit before tax	3,500		1,997	
Tax expense/income				
Theoretic tax according to prevailing tax rate in each country	–798	–22.8%	–572	–28.6%
Tax effect of				
Sales of shares in subsidiaries, non-taxable	96	2.7%	–	–
Result from associated companies	–3	–0.1%	–4	–0.2%
Other non-deductible expenses/non-taxable revenue	–23	–0.7%	–264	–13.2%
Valuation of tax assets relating to tax loss carry-forwards from previous years	–	–	11	0.6%
Adjustment due to changed tax rate	5	0.1%	–	–
Expired tax loss carry-forwards	–36	–1.0%	–	–
Adjustment of tax assets from previous years	33	0.9%	–4	–0.2%
Change of not valued loss-carry forwards	–148	–4.2%	–196	–9.8%
Tax expense/income and effective tax rate for the year	**–874**	**–25.0%**	**–1,029**	**–51.5%**

In 2014, net taxes were negatively affected by SEK 36 million due to a write down of expected expired tax loss carry-forwards in the Netherlands and in 2013, net taxes were positively affected by a valuation of deferred tax assets in Austria of SEK 10 million.

The weighted average tax rate was 22.8 (28.6) percent. The decrease on the previous year's figure was mainly due to the fact that countries with a higher tax rate, such as Netherlands, having a relatively lower impact on the result than countries with lower tax rate, such as the Baltics and Kazakhstan.

Deferred tax assets and liabilities

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

	Dec 31, 2014	Dec 31, 2013
Deferred tax assets		
Unutilized loss carry-forwards	2,055	2,725
Tangible assets	68	95
Receivables	2	13
Liabilities	67	71
Pensions	12	8
Total deferred tax assets	**2,204**	**2,912**
Netted against deferred liabilities	–142	–159
Total deferred tax assets according to the balance sheet	**2,062**	**2,753**
Deferred tax liabilities		
Intangible assets	–30	–91
Tangible assets	–293	–385
Other	–177	–124
Total deferred tax liabilities	**–500**	**–600**
Netted against deferred assets	142	159
Total deferred tax liabilities according to the balance sheet	**–358**	**–441**
TOTAL DEFERRED TAX ASSETS AND TAX LIABILITIES	**1,704**	**2,312**

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

	Dec 31, 2014	Dec 31, 2013
Deferred tax assets/-liabilities as of January 1	2,312	3,330
Reported in income statement	–406	–704
Reported in income statement, discontinued operations	–31	67
Reported in other comprehensive income	29	–81
Reported in equity	3	10
Divested companies	–	–356
Assets classified as held for sale	–313	–
Exchange rate differences	110	46
Deferred tax assets/-liabilities as of December 31	**1,704**	**2,312**

Tax loss carry-forwards

The Group's total tax loss carry-forwards (LCF) as of December 31, 2014 were 12,392 (13,564) million of which SEK 7,711 (10,315) million were recognized as a deferred tax asset and the remaining part, SEK 4,681 (3,249) million, were not recognized. Total tax loss carry-forwards expire according to below.

	Recognized		Not recognized		Total	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Expires in five years	–	212	939	1,403	939	1,615
Expires after five years	327	404	1,472	692	1,799	1,096
With expiration date	**327**	**616**	**2,411**	**2,095**	**2,738**	**2,711**
No expiration date	7,384	9,699	2,270	1,154	9,654	10,853
Total tax loss carry-forwards	**7,711**	**10,315**	**4,681**	**3,249**	**12,392**	**13,564**

	Dec 31, 2014	Dec 31, 2013
Deferred tax assets		
Companies reported a profit this year and previous year	2,062	2,383
Companies reported a loss this year	–	370
Total deferred tax assets	**2,062**	**2,753**

Deferred tax assets were reported for deductible temporary differences and tax loss carry-forwards to the extent convincing evidence showed that these can be utilized against future taxable profits.

NOTE 14 INTANGIBLE ASSETS

	Note	Utilization rights and software	Licenses (frequency)	Customer agreements	Construction in progress	Total other intangible assets	Goodwill	Total
		Dec 31, 2014						
Acquisition value								
Acquisition value at January 1		3,262	4,409	3,027	668	11,366	13,522	24,888
Acquisition value for assets classified as held for sale	16, 36	–320	–60	–	–50	–430	–495	–925
Acquisition value in divested companies	16	–	–	–	–2	–2	–	–2
Investments		50	110	–	610	770	–	770
Sales and scrapping		–35	–90	–	–5	–130	–	–130
Reclassification		520	57	–	–628	–51	–	–51
Exchange rate differences		39	133	121	2	295	692	987
Total acquisition value		**3,516**	**4,559**	**3,148**	**595**	**11,818**	**13,719**	**25,537**
Accumulated amortization								
Accumulated amortization at January 1		–1,914	–1,150	–2,688		–5,752		–5,752
Accumulated amortization for assets classified as held for sale	16, 36	172	22	–		194		194
Amortization		–346	–245	–258		–849		–849
Sales and scrapping		23	88	–		111		111
Exchange rate differences		–30	–29	–108		–167		–167
Total accumulated amortization		**–2,095**	**–1,314**	**–3,054**		**–6,463**		**–6,463**
Accumulated impairment								
Accumulated impairment at January 1		–273	–114	–44		–431	–3,985	–4,416
Impairment		–12	–	–		–12	–	–12
Sales and scrapping		12	–	–		12	–	12
Exchange rate differences		–	–8	–3		–11	–231	–242
Total accumulated impairment		**–273**	**–122**	**–47**		**–442**	**–4,216**	**–4,658**
TOTAL INTANGIBLE ASSETS		**1,148**	**3,123**	**47**	**595**	**4,913**	**9,503**	**14,416**

In 2014, Tele2 Estonia acquired two mobile licenses in the 800 MHz and 2100 MHz frequency bands for SEK 54 million and sold a mobile license in the 2600 MHz frequency band for SEK 24 million.

Tele2 does not have any capitalized research and development or any intangible assets from internal work.

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

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

In 2013, Tele2 Netherlands acquired two mobile licenses (2x10 MHz spectrum) in the 800 MHz band for SEK 1,391 million. With the acquired spectrum in the 800 MHz band and earlier obtained spectrum in the 2600 MHz band, the roll out is ongoing for the next generation 4G network. In 2014 Tele2 Netherlands executed successfully on its 4G rollout and in the end of 2014 the company announced that it will open its 4G network for commercial services in the beginning of 2015.

Continued Note 14

Goodwill

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

	Dec 31, 2014	Dec 31, 2013
Sweden	1,091	1,091
Netherlands	4,744	4,458
Norway	–	498
Kazakhstan	818	809
Lithuania	803	755
Latvia	1,152	1,083
Estonia	867	816
Austria	9	8
Other	19	19
Total goodwill	**9,503**	**9,537**

Allocation of goodwill and test for goodwill impairment

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

The most important criteria in the calculations of values in use are growth rates, profit margins, investment levels and discount rates. The expected revenue growth rate, profit margin and investment level are based on sector data as well as management's assessment of market-specific risks and opportunities, including expected changes in competition, the business model used by Tele2 and the regulatory environment. Management's assessment of the range of revenues, profits and investments are limited to Tele2's current telecom licences and assets. The discount rate takes into account the prevailing interest rates and specific risk factors in a particular cash-generating unit. The discount rate before tax varies between 10 and 16 (9 and 24) percent.

Tele2 calculates future cash flows based on the most recently to the Board presented three-year plan. In two (two) cases we extend the business case for an additional seven (seven) years until the forecasted cash flow growth is considered more stable. For the period after this, annual growth of up to 2 (up to 1) percent is assumed. They do not exceed the average long-term growth for the sector as a whole nor do they exceed the expected long term GDP growth rates in the markets. In 2014, Tele2 recognized no goodwill impairment (2013: recognized impairment loss in Croatia, however with no goodwill impairment). For additional information see Note 6.

Changes to important assumptions

For cash-generating units to which goodwill have been allocated Tele2 assesses that reasonable possible changes in the major assumptions should not have such significant effects that they individually would reduce the value in use to a value that is lower than the carrying value on the cash generating units, except for Estonia for which a negative deviation from the assumptions used could trigger an impairment.

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

	WACC pre tax		Forecast period, in year		Growth rate after the forecast period	
	2014	2013	2014	2013	2014	2013
Sweden	11%	11%	3	3	0%	0%
Netherlands	15%	16%	10	10	0%	0%
Kazakhstan	16%	24%	10	10	2%	0%
Lithuania	10%	10%	3	3	2%	1%
Latvia	10%	12%	3	3	2%	1%
Estonia	10%	10%	3	3	2%	1%
Austria	10%	9%	3	3	0%	–4%

This year's reduction of the WACC in Kazakhstan is related to lower execution risk in the 2014 financial plan. Following the devaluation and increased competition in the market we have reassessed the Kazakh business during the year. As a result the fair value of the put option has been reduced correspondently, please refer to Note 26.

Other non-current assets

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

NOTE 15 TANGIBLE ASSETS

	Note	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
		Dec 31, 2014						
Acquisition value								
Acquisition value at January 1		192	1,584	2,273	4,049	31,805	*569*	35,854
Acquisition value for assets classified as held for sale	16, 36	–	–35	–497	–532	–2,012	–	–2,544
Acquisition value in divested companies	16	–	–	–4	–4	–7	–	–11
Investments		8	57	2,906	2,971	235	–	3,206
Dismantling costs		–	–	–	–	226	–	226
Sales and scrapping		–5	–148	–	–153	–2,709	*–8*	–2,862
Reclassification		30	297	–2,647	–2,320	2,371	*5*	51
Exchange rate differences		16	72	71	159	700	*13*	859
Total acquisition value		**241**	**1,827**	**2,102**	**4,170**	**30,609**	***579***	**34,779**
Accumulated depreciation								
Accumulated depreciation at January 1		–129	–1,242		–1,371	–21,725	*–414*	–23,096
Accumulated depreciation at January 1, assets classified as held for sale	16, 36	–	20		20	415	–	435
Depreciation		–9	–191		–200	–2,048	*–30*	–2,248
Sales and scrapping		6	145		151	2,682	*8*	2,833
Exchange rate differences		–8	–55		–63	–443	*–12*	–506
Total accumulated depreciation		**–140**	**–1,323**		**–1,463**	**–21,119**	***–448***	**–22,582**
Accumulated impairment								
Accumulated impairment at January 1		–3	–7		–10	–1,001	–	–1,011
Impairment		–	–		–	–13	–	–13
Sales and scrapping		–	–		–	7	–	7
Exchange rate differences		–1	–		–1	–41	–	–42
Total accumulated impairment		**–4**	**–7**		**–11**	**–1,048**	**–**	**–1,059**
TOTAL TANGIBLE ASSETS		**97**	**497**	**2,102**	**2,696**	**8,442**	***131***	**11,138**

Machinery and technical plant in Kazakhstan of SEK 30 (142) million is pledged for loan in Kazakhstan according to Note 26. Finance leases relate to the expansion of transmission capacity in Sweden and Austria, please refer to Note 31.

	Buildings	Equipment and installations	Construction in progress	Total other tangible assets	Machinery and technical plant	*of which finance leases*	Total
	Dec 31, 2013						
Acquisition value							
Acquisition value at January 1	250	1,854	2,216	4,320	39,501	*714*	43,821
Acquisition value for assets classified as held for sale	–	–31	–	–31	–1,760	–	–1,791
Acquisition value in divested companies	–111	–427	–384	–922	–8,196	*–152*	–9,118
Investments	3	100	2,271	2,374	954	*26*	3,328
Dismantling costs	–	18	–	18	306	–	324
Sales and scrapping	–4	–45	–14	–63	–597	*–23*	–660
Reclassification	50	93	–1,762	–1,619	1,563	–	–56
Exchange rate differences	4	22	–54	–28	34	*4*	6
Total acquisition value	**192**	**1,584**	**2,273**	**4,049**	**31,805**	***569***	**35,854**
Accumulated depreciation							
Accumulated depreciation at January 1	–144	–1,354		–1,498	–23,649	*–410*	–25,147
Accumulated depreciation at January 1, assets classified as held for sale	–	31		31	1,331	–	1,362
Accumulated depreciation in divested companies	26	237		263	2,656	*11*	2,919
Depreciation	–12	–180		–192	–2,405	*–31*	–2,597
Sales and scrapping	4	47		51	512	*22*	563
Reclassification	–	–1		–1	2	–	1
Exchange rate differences	–3	–22		–25	–172	*–6*	–197
Total accumulated depreciation	**–129**	**–1,242**		**–1,371**	**–21,725**	***–414***	**–23,096**
Accumulated impairment							
Accumulated impairment at January 1	–3	–1		–4	–591	–	–595
Accumulated impairment in divested companies	–	–		–	16	–	16
Impairment	–	–5		–5	–417	–	–422
Sales and scrapping	–	–		–	6	–	6
Exchange rate differences	–	–1		–1	–15	–	–16
Total accumulated impairment	**–3**	**–7**		**–10**	**–1,001**	**–**	**–1,011**
TOTAL TANGIBLE ASSETS	**60**	**335**	**2,273**	**2,668**	**9,079**	***155***	**11,747**

Continued Note 15

CAPEX

	Dec 31, 2014	Dec 31, 2013
Intangible assets	770	2,206
Tangible assets	3,206	3,328
Total CAPEX	**3,976**	**5,534**
Less intangible assets in discontinued operations	–70	–191
Less tangible assets in discontinued operations	–456	–944
TOTAL CAPEX IN CONTINUING OPERATIONS	**3,450**	**4,399**

The difference between CAPEX and paid CAPEX is presented in Note 32.

	CAPEX	
	Dec 31, 2014	Dec 31, 2013
Sweden		
Mobile	553	766
Fixed broadband	46	165
Fixed telephony	8	7
Other operations	15	27
	622	**965**
Netherlands		
Mobile	1,042	1,648
Fixed broadband	426	379
Fixed telephony	15	8
Other operations	44	32
	1,527	**2,067**
Kazakhstan		
Mobile	319	464
	319	**464**
Croatia		
Mobile	116	62
	116	**62**
Lithuania		
Mobile	107	93
	107	**93**
Latvia		
Mobile	82	103
	82	**103**
Estonia		
Mobile	133	62
Other operations	5	3
	138	**65**
Austria		
Fixed broadband	30	38
Fixed telephony	23	29
Other operations	9	13
	62	**80**
Germany		
Mobile	13	19
Fixed broadband	2	3
Fixed telephony	–	2
	15	**24**
Other		
Other operations	462	476
	462	**476**
TOTAL		
Mobile	**2,365**	**3,217**
Fixed broadband	**504**	**585**
Fixed telephony	**46**	**46**
Other operations	**535**	**551**
TOTAL CAPEX ACCORDING TO BALANCE SHEET	**3,450**	**4,399**

NOTE 16 ACQUISITIONS AND DIVESTMENTS

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

	2014	2013
ACQUISITIONS		
Acquisitions of group companies	6	–
Total group companies	**6**	**–**
Capital contributions to joint ventures	–9	–25
Repayment capital contribution joint ventures	4	–
Dividend from associated companies	–	1
Acquisitions of associated companies	–4	–
Total joint ventures and associated companies	**–9**	**–24**
TOTAL ACQUISITION OF SHARES AND PARTICIPATIONS	**–3**	**–24**
DIVESTMENTS		
Residential cable and fiber operations, Sweden	709	–
Tele2 Russia	–	17,252
Settlements of previous years' divestment of Tele2 Russia	–32	–
TOTAL SALE OF SHARES AND PARTICIPATIONS	**677**	**17,252**
TOTAL CASH FLOW EFFECT	**674**	**17,228**

Acquisitions

In November, 2014 Tele2 Lithuania acquired 100 percent in a company with independent dealers in order to strengthen the quality perception and the customer satisfaction, and as a result the company added 50 shops to the Tele2 distribution network. The acquired company held liquid funds of SEK 6 million.

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

Divestments

Tele2 Norway

On July 7, 2014 Tele2 announced the divestment of its Norwegian operations to TeliaSonera Group. The sale was completed in February 2015 after approval by regulatory authorities. The divested operation has been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods. Additional information are presented in Note 36.

Residential cable and fiber operations, Sweden

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

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

Goodwill	9
Other intangible assets	2
Tangible assets	440
Prepaid expenses and accrued income	10
Deferred tax liabilities	–18
Accrued expenses and deferred income	–35
Divested net assets	**408**
Capital gain	258
Tax income	18
Sales price, net sales costs	**684**
Unpaid sales costs etc	25
TOTAL CASH FLOW EFFECT	**709**

NOTE 17 SHARES IN JOINT VENTURES AND ASSOCIATED COMPANIES

Company	Holding (capital/votes)	Dec 31, 2014	Dec 31, 2013
4T Sverige AB, Sweden	25%	3	6
MPayment AS, Norway	33.3%	–	11
SNPAC Swedish Nr Portability Adm.Centre AB, Sweden	20%	3	3
Adworx Internetservice GmbH, Austria	47.4%	4	5
GH Giga Hertz HB as well as 15 other trading companies with licenses, Sweden	33.3%	3	3
Total shares in joint ventures and associated companies		**13**	**28**

	Dec 31, 2014	Dec 31, 2013
Acquisition value		
Acquisition value at January 1	28	22
Opening balance in assets held for sale	–11	–
Investments	9	23
Share of loss for the year	–13	–17
Total shares in joint ventures and associated companies	**13**	**28**

None of the associated companies are listed on stock exchanges.

Extracts from the balance sheets of associated companies

	Dec 31, 2014	Dec 31, 2013
Intangible assets	2	8
Tangible assets	1	1
Financial assets	1	1
Current assets	114	146
Total assets	**118**	**156**
Equity	39	84
Current liabilities	79	72
Total equity and liabilities	**118**	**156**

Additional information is presented in Note 7.

NOTE 18 OTHER FINANCIAL ASSETS

	Dec 31, 2014	Dec 31, 2013
Prepayment T-Mobile Netherlands, Mobile site access	243	–
VAT receivable, Kazakhstan	200	215
Pension funds	45	90
Non-current holdings of securities	8	14
Restricted bankdeposits	–	10
Other receivables	22	8
Total other financial assets	**518**	**337**

As part of the Network Sharing Agreement, Tele2 Netherlands has agreed with T-Mobile to prepay part of the mobile site access rent cost to finance the investments of T-Mobile to modernize their network.

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

Company	Holding (capital/votes)	Dec 31, 2014	Dec 31, 2013
Modern Holdings Inc, US	11.88%	6	11
Radio National Skellefteå AB, Sweden	5.5%	1	1
Telering AS, Norway	10%	–	1
Estonian Broadband Development Foundation, Estonia	13%	1	1
Total non-current securities		**8**	**14**

NOTE 19 INVENTORIES

	Dec 31, 2014	Dec 31, 2013
Finished products & goods for resale	497	462
Other	3	9
Total inventories	**500**	**471**

Tele2's inventories consist of mainly telephones, but also SIM cards and modems held for sale. In 2014 inventories was expensed by SEK 4,255 (3,532) million, of which SEK 10 (12) million was related to write-down.

NOTE 20 ACCOUNTS RECEIVABLE

	Dec 31, 2014	Dec 31, 2013
Accounts receivable	3,059	3,914
Reserve for doubtful accounts	–579	–597
Total accounts receivable, net	**2,480**	**3,317**

	Dec 31, 2014	Dec 31, 2013
Reserve for doubtful accounts		
Reserve for doubtful accounts at January 1	597	582
Reserve for doubtful accounts for assets classified as held for sale	–42	–
Reserves in companies divested during the year	–	–57
Provisions	116	134
Recovery of previous provisions	–122	–70
Exchange rate differences	30	8
Total reserve for doubtful accounts	**579**	**597**

	Dec 31, 2014	Dec 31, 2013
Accounts receivable, overdue with no reserve		
Overdue between 1–30 days	429	456
Overdue between 31–60 days	90	75
Overdue more than 60 days	169	108
Total accounts receivable, overdue with no reserve	**688**	**639**

NOTE 21 OTHER CURRENT RECEIVABLES

	Dec 31, 2014	Dec 31, 2013
VAT receivable	124	126
Receivable from Net4Mobility, joint operation in Sweden	128	113
Derivatives	47	8
Receivable from Svenska UMTS-nät, joint operation in Sweden	38	29
Prepayment T-Mobile Netherlands, Mobile site access (Note 18)	20	–
Receivable from suppliers	14	13
Receivable from insurance companies	11	–
Receivable from credit card companies, prepaid	9	8
Receivable from 4T, associated company in Sweden	6	8
Receivable related to divestment of operations	4	–
Other	21	16
Total other current receivables	**422**	**321**

Derivatives consists of interest swaps and currency swaps, valued at fair value. The effective part of the swaps were reported in the hedge reserve in other comprehensive income and the ineffective part were reported as interest costs and other financial items, respectively, in the income statement. The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. For additional information please refer to Note 2.

NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2014	Dec 31, 2013
Revenues from sold equipment	2,807	2,595
Traffic revenues, from other telecom operators	362	536
Traffic revenues, from end-users	332	388
Subscription fees etc, from end-users	146	132
Accrued income, other	110	96
Rental cost	217	268
Frequency usage	127	49
Fixed subscription charges	34	42
Retailers' commissions, prepaid cards	15	15
Prepaid expenses, other	102	62
Total prepaid expenses and accrued revenues	**4,252**	**4,183**

SEK 818 (1,076) million of the balance sheet item is estimated to be paid more than 12 months after the closing date, of which SEK 802 (1,062) million is attributable to revenues from equipment.

NOTE 23 CURRENT INVESTMENTS

	Dec 31, 2014	Dec 31, 2013
Restricted funds	38	55
Total current investments	**38**	**55**

NOTE 24 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

Available liquidity

	Dec 31, 2014	Dec 31, 2013
Cash and cash equivalents	151	1,348
Unutilized overdraft facilities and credit lines	8,073	7,958
Total available liquidity	**8,224**	**9,306**

	Dec 31, 2014	Dec 31, 2013
Unutilized overdraft facilities and credit lines		
Overdraft facilities granted	1,143	826
Overdraft facilities utilized	–682	–22
Total unutilized overdraft facilities	**461**	**804**
Unutilized credit lines	7,612	7,154
TOTAL UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES	**8,073**	**7,958**

Tele2's share of liquid funds in joint operations, for which Tele2 has limited disposal rights, amounted at December 31, 2014 to SEK 4 (11) million and was included in the Group's cash and cash equivalents.

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

Exchange rate difference in cash and cash equivalents

	Dec 31, 2014	Dec 31, 2013
Exchange rate differences in cash and cash equivalents at January 1	3	71
Exchange rate differences in cash flow for the year	89	–39
Total exchange rate differences in cash and cash equivalents for the year	**92**	**32**

NOTE 25 EQUITY, NUMBER OF SHARES AND EARNINGS PER SHARE

Number of shares

	A shares		B shares		C shares		Total
	Change	Total	Change	Total	Change	Total	
As of January 1, 2013		**20,987,981**		**423,746,358**		**4,049,000**	**448,783,339**
Reclassification of A shares to B shares	–15	20,987,966	15	423,746,373	–	4,049,000	448,783,339
Reclassification of C shares to B shares	–	20,987,966	900,000	424,646,373	–900,000	3,149,000	448,783,339
Share split 2:1	20,987,966	41,975,932	424,646,373	849,292,746	3,149,000	6,298,000	897,566,678
Redemption of shares	–20,987,966	20,987,966	–424,646,373	424,646,373	–3,149,000	3,149,000	448,783,339
Reclassification of A shares to B shares	–726,650	20,261,316	726,650	425,373,023	–	3,149,000	448,783,339
As of December 31, 2013		**20,261,316**		**425,373,023**		**3,149,000**	**448,783,339**
Reclassification of A shares to B shares	–406	20,260,910	406	425,373,429	–	3,149,000	448,783,339
Reclassification of C shares to B shares	–	20,260,910	150,000	425,523,429	–150,000	2,999,000	448,783,339
Total number of shares as of December 31, 2014		**20,260,910**		**425,523,429**		**2,999,000**	**448,783,339**

	2014	2013
Number of outstanding shares	445,722,973	445,497,600
Number of shares in own custody	3,060,366	3,285,739
Number of shares, weighted average	445,594,010	445,228,097
Number of shares after dilution	448,799,576	448,465,420
Number of shares after dilution, weighted average	448,606,438	448,181,516

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

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

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

In 2014, 406 A shares and 150,000 C shares were reclassified to B shares.

Shares in own custody

	B shares		C shares		Total
	Change	Total	Change	Total	
As of January 1, 2013		**73,128**		**4,049,000**	**4,122,128**
Reclassification of C shares to B shares	900,000	973,128	–900,000	3,149,000	4,122,128
Delivery of own shares under LTI program	–836,389	136,739	–	3,149,000	3,285,739
As of December 31, 2013		**136,739**		**3,149,000**	**3,285,739**
Reclassification of C shares to B shares	150,000	286,739	–150,000	2,999,000	3,285,739
Delivery of own shares under LTI program	–225,373	61,366	–	2,999,000	3,060,366
Total number of shares in own custody as of December 31, 2014		**61,366**		**2,999,000**	**3,060,366**

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

As a result of share rights in the LTI 2011 (2010) being exercised during 2014, Tele2 delivered 225,373 (836,389) B-shares in own custody to share right holders.

Outstanding share rights

	Dec 31, 2014	Dec 31, 2013
Incentive program 2014–2017	1,117,168	
Incentive program 2013–2016	1,029,026	1,132,228
Incentive program 2012–2015	896,070	968,263
Incentive program 2011–2014	34,339	867,329
Total number of outstanding share rights	**3,076,603**	**2,967,820**

Further information is provided in Note 34.

Number of shares after dilution

	Dec 31, 2014	Dec 31, 2013
Number of shares	448,783,339	448,783,339
Number of shares in own custody	–3,060,366	–3,285,739
Number of outstanding shares, basic	445,722,973	445,497,600
Number of outstanding share rights	3,076,603	2,967,820
Total number of shares after dilution	**448,799,576**	**448,465,420**

Continued Note 25

Earnings per share

	Earnings per share		Earnings per share, after dilution	
	2014	2013	2014	2013
Net profit attributable to equity holders of the parent company	2,211	14,590	2,211	14,590
Weighted average number of shares	445,594,010	445,228,097	445,594,010	445,228,097
Incentive program 2014–2017			665,045	–
Incentive program 2013–2016			1,071,624	670,041
Incentive program 2012–2015			930,283	1,026,452
Incentive program 2011–2014			345,476	942,657
Incentive program 2010–2013				314,269
Weighted average number of share rights			3,012,428	2,953,419
Weighted average number of outstanding shares after dilution			**448,606,438**	**448,181,516**
EARNINGS PER SHARE, SEK	**4.96**	**32.77**	**4.93**	**32.55**

Dividend and redemption

In respect of the financial year 2014, the Board of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) in May 2015, a total dividend payment of SEK 14.85 (4.40) per ordinary A and B share, to be comprised of an ordinary dividend of SEK 4.85 (4.40) and an extraordinary dividend of SEK 10.00 (0). At December 31, 2014 this correspond to a total of SEK 6,619 (1,960) million, of which ordinary dividend SEK 2,162 (1,960) million and extraordinary dividend SEK 4,457 (0) million.

As a result of the sale of Tele2 Russia in April 2013 a mandatory share redemption program of SEK 28 per share was issued in 2013, equivalent to SEK 12,474 million. The redemption program implied a share split where each share was split into two shares, of which one was a redemption share. Retirement of redemption shares in own custody of SEK 92 million was transferred to unrestricted equity. A bonus issue was performed in order to increase the share capital to its prior level, SEK 561 million, through a transfer of SEK 280 million from unrestricted equity. Thereafter, the quota value of each share amounts to SEK 1.25, the same as prior to the share redemption program. In total SEK 15,637 million was paid to the shareholders in 2014 as dividend and redemption.

For information regarding dividend policy please refer to Note 2.

Purchase of non-controlling interest

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

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

Subsidiaries with material non-controlling interests

Tele2 owns 51 percent of the shares in Tele2 Kazakstan with a call option to buy the remaining 49 percent. The non-controlling shareholder has a put option to sell its shares to Tele2. Tele2 Kazakhstan is accounting-wise treated as a wholly-owned subsidiary to Tele2 and Tele2 account for the put option held by the other owner as a liability at fair value (please refer to Note 1 and Note 26). Through agreements the other owner has protective rights in matters such as changes in the ownership structure, approval of dividends and other shareholder-related matters.

The tables below shows summarized financial information for Tele2 Kazakhstan before intra-group eliminations. No other material non-controlling interests exist.

	Tele2 Kazakhstan	
	2014	2013
Income statement		
Net sales	1,334	1,344
Operating loss	–196	–450
Loss before tax	–590	–879
Net loss	–590	–879

	Tele2 Kazakhstan	
	Dec 31, 2014	Dec 31, 2013
Balance sheet		
Intangible assets	1,336	1,385
Tangible assets	1,959	1,775
Financial assets	200	215
Current assets	240	222
Total assets	**3,735**	**3,597**
Non-current liabilities	5,178	3,757
Current liabilities	1,678	2,274
Total liabilities	**6,856**	**6,031**
Net assets	**–3,121**	**–2,434**

	Tele2 Kazakhstan	
	2014	2013
Cash flow statement		
Cash flow from operations before changes in working capital	–170	–288
Changes in working capital	–5	–43
CASH FLOW FROM OPERATING ACTIVITIES	**–175**	**–331**
Cash flow from investing activities	–370	–511
CASH FLOW AFTER INVESTING ACTIVITIES	**–545**	**–842**
Cash flow from financing activities	564	805
NET CHANGE IN CASH AND CASH EQUIVALENTS	**19**	**–37**
Cash and cash equivalents at beginning of the year	9	47
Exchange rate differences in cash and cash equivalents	3	–1
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**31**	**9**

NOTE 26 FINANCIAL LIABILITIES

	Dec 31, 2014	Dec 31, 2013
Liabilities to financial institutions and similar liabilities	6,758	6,837
Other interest-bearing liabilities	1,625	1,914
Total interest-bearing financial liabilities	**8,383**	**8,751**
Accounts payable	2,848	3,140
Other current liabilities	467	516
Total non-interest-bearing financial liabilities	**3,315**	**3,656**
TOTAL FINANCIAL LIABILITIES	**11,698**	**12,407**

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

Financial liabilities fall due for payment according to below.

	Dec 31, 2014		Dec 31, 2013	
	Nominal value	Recorded value	Nominal value	Recorded value
Within 3 months	5,655	5,655	5,001	5,001
Within 3–12 months	1,450	1,450	1,719	1,708
Within 1–2 years	140	106	1,221	1,186
Within 2–3 years	3,586	3,554	161	103
Within 3–4 years	325	281	3,599	3,541
Within 4–5 years	202	202	312	241
Within 5–10 years	450	450	627	627
Total financial liabilities	**11,808**	**11,698**	**12,640**	**12,407**

Interest-bearing financial liabilities

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

	Within 1 year	Within 1-2 years	Within 2-3 years	Within 3-4 years	Within 4-5 years	Within 5-15 years	Total
Variable interest rates	2,777	15	1,164	173	202	200	4,531
Fixed interest rates	1,013	91	2,390	108	–	250	3,852
Total interest-bearing liabilities	**3,790**	**106**	**3,554**	**281**	**202**	**450**	**8,383**

Collateral provided

	Dec 31, 2014	Dec 31, 2013
Fixed assets	30	142
Total collateral provided for own liabilities	**30**	**142**

Continued Note 26

Liabilities to financial institutions and similar liabilities

Creditors *(collateral provided)*	Interest rate terms	Maturity date	Dec 31, 2014 Current liabilities	Dec 31, 2014 Non-current liabilities	Dec 31, 2013 Current liabilities	Dec 31, 2013 Non-current liabilities
Bonds NOK	NIBOR +1.7%	2015	315	–	–	316
Bonds NOK	NIBOR +2.35%	2017	–	1,049	–	1,055
Bonds SEK	STIBOR +2.85%	2017	–	1,498	–	1,497
Bonds SEK	fixed: 4.875%	2017	–	799	–	798
Bonds SEK	STIBOR +1.1%	2015	750	–	–	750
Bonds SEK			–	–	500	–
Bonds SEK	STIBOR +2.45%	2020	–	250	–	250
Bonds SEK	variable interest rates	2020	500	–	500	–
Total Bonds			**1,565**	**3,596**	**1,000**	**4,666**
Commercial paper	fixed: 0.504%–0.9310%	2015	215	–	325	–
Nordic Investment Bank (NIB)	variable interest rates	2017–2020	–	705	–	663
Syndicated loan facilities	variable interest rates	2018	–	–38	–	–55
Kazkommertsbank *(collateral: fixed assets in Tele2* Kazakhstan)	variable interest rates	2014–2015	33	–	188	28
Utilized bank overdraft facility	variable interest rates		682	–	22	–
			2,495	**4,263**	**1,535**	**5,302**
Total liabilities to financial institutions and similar liabilities				**6,758**		**6,837**

Tele2 has entered into a EUR 0.8 billion credit facility with a syndicate of 11 banks. The facility has maturity in May 2018. The loans can be drawn in several currencies and the interest base is the relevant IBOR for that currency. On December 31, 2014, the syndicated loan facility was unutilized and prepaid upfront fees to be recognized in profit/loss over the remaining contract period amounted to SEK –38 (–55) million. The facility is conditioned by covenant requirements which Tele2 expects to fulfil.

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

Tele2 AB's Euro Medium-Term Note (EMTN) Program forms the basis for Tele2's medium and long term debt issuance in both international and domestic bond markets. The program enables Tele2 to issue bonds and notes up to a total aggregate amount of EUR 3 billion. On December 31, 2014 issued bonds under the program amounted to SEK 3,797 (4,295) million.

Tele2 AB's established Swedish commercial paper program enables to issue commercial papers up to a total amount of SEK 5 billion. Commercial papers can be issued with a tenor up to 12 months under the program. The commercial paper program is a complement to Tele2's core funding. On December 31, 2014 outstanding commercial papers amounted to SEK 215 (325) million.

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

Since the acquisition in 2010, Tele2 holds 51 percent of the shares in Tele2 Kazakhstan. The company had, at the time of acquisition, existing liabilities to several financial institutions. The interest base is LIBOR. On December 31, 2014 these liabilities amounted to EUR 0 (15) million and USD 4 (13) million.

The average interest rate on loans during the year was 5.0 (5.2) percent.

Other interest-bearing liabilities

	Dec 31, 2014 Current liabilities	Dec 31, 2014 Non-current liabilities	Dec 31, 2013 Current liabilities	Dec 31, 2013 Non-current liabilities
Put option, Kazakhstan	887	–	1,350	–
Kazakhtelecom	98	292	–	347
Derivatives	294	–	146	–
Finance leases	16	38	21	49
Supplier financed, Silver Server in Austria	–	–	1	–
	1,295	**330**	**1,518**	**396**
Total other interest-bearing liabilities		**1,625**		**1,914**

Tele2 owns 51 percent of the shares in Tele2 Kazakhstan with a call option to buy the remaining 49 percent from December 14, 2014 to April 14, 2015. The non-controlling shareholder, Asianet Holding BV, has a put option to sell its shares to Tele2. The exercise price of both options is the fair market value of the shares at the date of exercise. The put option is reported at its estimated fair value at the balance sheet date, determined on the basis of expected future discounted cash flows. The change in value consists of changes in fair value reported as other financial items in the income statement of SEK 427 (166) million and exchange rate differences of SEK –36 (–30) million recognized in other comprehensive income. Following the devaluation and increased competition in the market Tele2 has reassessed the Kazakh business during the year. As a result the fair value of the put option has been reduced correspondently. Additional information is presented in Note 25.

At the time of the acquisition of Tele2 Kazakhstan the company had an existing interest free liability to the former owner. On December 31, 2014 that reported debt amounted to SEK 390 (347) million and the nominal value to SEK 500 (495) million.

Derivatives consists of interest swaps and currency swaps, valued at fair value. The effective part of the swaps were reported in the hedge reserve in other comprehensive income and the ineffective part were reported as interest costs and other financial items, respectively, in the income statement. The Group has derivative contracts which are covered by master netting agreements. That means a right exists to set off assets and liabilities with the same party, which is not reflected in the accounting where gross accounting is applied. For additional information please refer to Note 2.

For information on finance leases please refer to Note 31.

Other current liabilities

	Dec 31, 2014	Dec 31, 2013
VAT liability	173	182
Liability to Net4Mobility, joint operation in Sweden	103	107
Liability to Svenska UMTS-nät, joint operation in Sweden	73	73
Employee withholding tax	64	70
Debt to customers	17	46
Debt to other operators	16	16
Customer deposit	12	8
Debt to content suppliers	3	6
Other	6	8
Total current liabilities	**467**	**516**

NOTE 27 PROVISIONS

	2014					
	Dismant-ling costs	Rented buildings and cables	Legal disputes	Claims and guarantees for divested operations	Pension and similar commit-ments	Total
Provisions as of January 1	488	56	51	39	45	679
Provisions directly associated with assets classified as held for sale	–105	–	–	–	–	–105
Additional provisions	226	10	–	–	22	258
Utilized/paid provisions	–10	–9	–	–3	–	–22
Reversed unused provisions	–26	–	–41	–	–	–67
Present value adjustment	45	–	–	–	–	45
Exchange rate differences	16	–	1	2	–	19
Total provisions as of December 31	**634**	**57**	**11**	**38**	**67**	**807**

	Dec 31, 2014	Dec 31, 2013
Provisions, current	47	95
Provisions, non-current	760	584
Total provisions	**807**	**679**

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

	Dec 31, 2014	Dec 31, 2013
Within 1 year	47	95
Within 1–3 years	81	78
Within 3–5 years	23	20
More than 5 years	656	486
Total provisions	**807**	**679**

Dismantling costs refer to dismantling and restoration of mobile and fixed network sites. Remaining provision as of December 31, 2014 is expected to be fully utilized during the coming 30 years.

For additional information on finance leases please refer to Note 31.

NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2014	Dec 31, 2013
Traffic expenses to other telecom operators	500	1,171
Investments in non-current assets	558	728
External service expenses	509	527
Personnel-related expenses	486	562
Leasing and rental expenses	95	174
Expenses for dealers	86	146
Interest costs	43	63
Other accrued expenses	55	113
Deferred income, prepaid cards	337	383
Deferred income, other	594	737
Total accrued expenses and deferred income	**3,263**	**4,604**

NOTE 29 PLEDGED ASSETS

	Dec 31, 2014	Dec 31, 2013
Fixed assets	30	142
Current investments, bank deposits	38	55
Other non-current receivables, bank deposits	–	10
Total pledged assets	**68**	**207**

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

NOTE 30 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Contingent liabilities

	Dec 31, 2014	Dec 31, 2013
Asset dismantling obligation	137	126
Disputes	83	220
Total contingent liabilities	**220**	**346**

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

Tele2 Netherlands is, in the ordinary course of its business, involved in several regulatory complaints and disputes pending with the appropriate governmental authorities. In a specific case regarding the rental fees of copper lines, which Tele2 Netherlands uses as part of its fixed operations, the regulator (ACM) has determined that the rental fees are to be adjusted with retroactive effect from 2009. This has resulted in a claim from KPN amounting to EUR 8.7 million (SEK 83 million) and is subject to pending appeals and court cases. Our assessment is that it is unlikely that Tele2 will have to pay these fees and consequently no provision has been made. We estimate that the Administrative Court will give its ruling in 2015.

The tax authorities in Russia are currently performing tax audits on several of Tele2's former subsidiaries in Russia. Per the sales agreement with the VTB-Group Tele2 is liable for any additional taxes payable as result of the tax audits. During 2014, Tele2 has won tax disputes of SEK 124 million, of which the Russian tax authorities has appealed disputes of SEK 86 million, and lost tax disputes of SEK –25 million, of which Tele2 has appealed one dispute of SEK –22 million. Even though it cannot be ruled out that Tele2 may be liable to certain costs, Tele2 assesses that it is not likely that any additional taxes will be paid and consequently no provision has been made.

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

Other contractual commitments

	Dec 31, 2014	Dec 31, 2013
Commitments, investments	610	704
Commitments, other	1,191	3,718
Total future fees for other contractual commitments	**1,801**	**4,422**

Other commitments mainly relate to commitments for ordered and contracted goods and services that can not be cancelled without economic effects. During the year a large portion of contractual commitments have been fulfilled through purchase of goods.

NOTE 31 LEASES

Finance leases

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

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

	Dec 31, 2014		Dec 31, 2013	
	Present value	Nominal value	Present value	Nominal value
Within 1 year	18	18	24	25
Within 1–2 years	15	17	16	17
Within 2–3 years	13	15	13	15
Within 3–4 years	7	8	11	13
Within 4–5 years	1	1	6	7
Total loan liability and interest		**59**		**77**
Less interest portion		–5		–7
TOTAL FINANCE LEASES	**54**	**54**	**70**	**70**

Operating leases

	2014	2013
Leased capacity	1,304	1,326
Other operating leases	786	738
Annual leasing expenses for operating leases	**2,090**	**2,064**

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

Contractual future lease expenses are stated below:

	Dec 31, 2014	Dec 31, 2013
Within 1 year	1,442	1,489
Within 1–2 years	736	819
Within 2–3 years	510	541
Within 3–4 years	355	430
Within 4–5 years	302	340
Within 5–10 years	606	682
Within 10–15 years	199	205
More than 15 years	218	230
Total future lease expenses for operating leases	**4,368**	**4,736**

Operating leases with Tele2 as the lessor

Leasing income during the year amount to SEK 75 (60) million and relates mainly to rent from other operators placing equipment on Tele2 sites as well as leased equipment (mainly modems) to customers. Contract periods range from 3 to 25 years.

Contractual future lease income are stated below:

	Dec 31, 2014	Dec 31, 2013
Within 1 year	70	50
Within 1–2 years	17	21
Within 2–3 years	16	17
Within 3–4 years	16	16
Within 4–5 years	14	15
Within 5–10 years	59	57
Within 10–15 years	49	47
More than 15 years	59	57
Total future lease income for operating leases	**300**	**280**

NOTE 32 SUPPLEMENTARY CASH FLOW INFORMATION

Cash flow from operating activities based on the net result (total operations)

	2014	2013
OPERATING ACTIVITIES		
Net profit	2,211	14,590
Adjustments for non-cash items in operating profit		
Depreciation/amortization and impairment	3,122	4,081
Result from shares in joint ventures and associated companies	15	17
Gain/loss on sale of fixed assets	–13	8
Gain/loss on sale of operations	–244	–13,261
Incentive program	29	14
Unpaid financial items	–261	260
Income tax	142	–82
Deferred tax expense	437	637
Cash flow from operations before changes in working capital	**5,438**	**6,264**
Changes in working capital	–860	–451
CASH FLOW FROM OPERATING ACTIVITIES	**4,578**	**5,813**

CAPEX

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

	2014	2013
CAPEX	–3,976	–5,534
This year's unpaid CAPEX and paid CAPEX from previous year	–226	186
Received payment of sold non-current assets	56	107
CAPEX paid	**–4,146**	**–5,241**

Of the year's investment in intangible and tangible assets, SEK 101 (469) million is unpaid on December 31, 2014 and has therefore not been reported as investments in the cash flow statement. Payment of the previous year's investment of SEK –327 (–283) million has been reported as investment in the cash flow for 2014. These items amount to a net of SEK –226 (186) million.

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

NOTE 33 NUMBER OF EMPLOYEES

Average number of employees

		2014			2013		
	Note	Total	*of whom women*	*of whom men*	Total	*of whom women*	*of whom men*
Sweden		1,474	*32%*	*68%*	1,505	*32%*	*68%*
Netherlands		963	*26%*	*74%*	904	*26%*	*74%*
Kazakhstan		735	*53%*	*47%*	664	*54%*	*46%*
Croatia		123	*43%*	*57%*	120	*43%*	*58%*
Lithuania		140	*54%*	*46%*	105	*44%*	*56%*
Latvia		231	*60%*	*40%*	250	*61%*	*39%*
Estonia		249	*58%*	*42%*	255	*60%*	*40%*
Austria		274	*22%*	*78%*	283	*22%*	*78%*
Germany		121	*31%*	*69%*	80	*30%*	*70%*
Other		788	*34%*	*66%*	730	*33%*	*67%*
		5,098	*37%*	*63%*	**4,896**	*37%*	*63%*
Discontinued operations	36	386	*36%*	*64%*	1,247	*47%*	*53%*
Total average number of employees		**5,484**	***37%***	***63%***	**6,143**	***39%***	***61%***

Continued Note 33

Numbers of employees

On December 31, 2014, the number of employees in Tele2 was 5,387 (4,945) excluding Norway of which 42 (37) percent women and 58 (63) percent men. A breakdown per gender and age group etc is presented below.

	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014		Dec 31, 2013	
	Total	Total	Women	Men	Women	Men
Managers						
< 30 years	1%	1%	7%	5%	4%	7%
30–50 years	9%	11%	25%	55%	24%	58%
> 50 years	1%	1%	2%	6%	2%	5%
Total managers	**11%**	**13%**	**34%**	**66%**	**30%**	**70%**
Other employees						
< 30 years	29%	32%	17%	16%	18%	19%
30–50 years	49%	50%	19%	36%	19%	38%
> 50 years	11%	5%	8%	4%	2%	4%
Total other employees	**89%**	**87%**	**44%**	**56%**	**39%**	**61%**
TOTAL	**100%**	**100%**				

	2014-12-31		2013-12-31	
	Women	Men	Women	Men
For all group companies				
Board members	32%	68%	19%	81%
Senior executives	34%	66%	33%	67%
Total	**33%**	**67%**	**25%**	**75%**

NOTE 34 PERSONNEL COSTS

		2014			2013		
	Note	Board of Directors and CEO	*of which bonus*	Other employees	Board of Directors and CEO	*of which bonus*	Other employees
Sweden		5	*2*	756	6	*1*	716
Netherlands		3	*2*	568	11	*2*	495
Kazakhstan		3	*2*	89	3	*1*	87
Croatia		5	*3*	43	4	*3*	41
Lithuania		3	*1*	39	3	*1*	30
Latvia		2	*1*	43	3	*1*	39
Estonia		2	–	44	1	–	45
Austria		4	*1*	158	3	*1*	150
Germany		4	*1*	65	3	*1*	44
Other		30	*7*	461	27	*7*	414
		61	***20***	**2,266**	**64**	***18***	**2,061**
Discontinued operations	36	6	*2*	282	10	*2*	481
Total salaries and remuneration		**67**	***22***	**2,548**	**74**	***20***	**2,542**

		2014			2013		
	Note	Salaries and remune-rations	Social security expenses	*of which pension expenses*	Salaries and remune-rations	Social security expenses	*of which pension expenses*
Board and President		61	22	*9*	64	19	*6*
Other employees		2,266	768	*177*	2,061	727	*189*
		2,327	**790**	***186***	**2,125**	**746**	***195***
Discontinued operations	36	288	57	*13*	491	110	*15*
Total		**2,615**	**847**	***199***	**2,616**	**856**	***210***

Pensions

	2014	2013
Defined-benefit plans, retirement pension	24	42
Defined-benefit plans, survivors' and disability pension	2	4
Defined-contribution plans	160	149
Total pension expenses	**186**	**195**

The defined benefit plans essentially relates to Sweden. Additional information regarding defined-benefit retirement plans is shown in the table below.

	2014	2013
Income statement		
Current service costs	–19	–45
Net interest cost	–6	–2
Curtailments/settlements	1	5
	–24	**–42**
Special employer's contribution	–2	–2
Net cost recognized in the income statement	**–26**	**–44**

	Dec 31, 2014	Dec 31, 2013
Balance sheet		
Present value of funded obligations	–228	–140
Fair value of plan assets	217	194
Net	**–11**	**54**
Special employer's contribution	–11	–9
Net asset (+) / obligation (–) in balance sheet	**–22**	**45**
of which assets	*45*	*90*
of which liabilities	*–67*	*–45*

	2014	2013
Net asset (+) / obligation (–) at beginning of year	45	–152
Assets/liabilities classified as held for sale	2	–3
Net cost	–26	–44
Payments	39	41
Actuarial gains/losses in other comprehensive income	–82	203
Net asset (+) / obligation (–) in balance sheet at end of year	**–22**	**45**

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

	Dec 31, 2014	Dec 31, 2013
Important actuarial assumptions		
Discount rate	2.5%	4.0%
Annual salary increases	3.0%	3.0%
Annual pension increases	3.0%	3.0%
Average expected remaining years of employment	9 years	9 years

Remuneration for senior executives

	2014						
	Basic salary	Variable remune-ration	Share-based payment costs	Other benefits	Other remune-ration	Pension expenses	Total remune-ration
CEO and President, Mats Granryd	9.2	5.0	1.8	1.0	–	4.0	**21.0**
Other senior executives	28.7	13.6	5.0	6.4	7.4[1]	7.1	**68.2**
Total salaries and remuneration to senior executives	**37.9**	**18.6**	**6.8**	**7.4**	**7.4**	**11.1**	**89.2**

[1] Remunerations during notice period

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

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

[1] Variable remuneration include a transaction incentive of SEK 9.9 million paid to the former CEO of Tele2 Russia, related to the divestement of Tele2 Russia
[2] Remuneration during notice period

During 2014 the senior executives received 290,000 (272,000) share rights in the 2014 incentive program and 16,101 (127,886) share rights in the 2012 and 2013 (2011 and 2012) incentive programs as compensation for dividend. The market value of the share rights at the time of issue was SEK 3.7 (5.6) million for the CEO and SEK 14.8 (19.3) million for other senior executives. No premium was paid for the share rights.

Continued Note 34

Number of share rights	LTI 2014 CEO	LTI 2014 Other senior executives	LTI 2013 CEO	LTI 2013 Other senior executives
Outstanding as of January 1, 2013			56,000	192,000
Allocated	56,000	234,000		
Allocated, compensation for dividend	–	–	2,117	5,448
Forfeited	–	–	–	–48,000
Total outstanding rights as of December 31, 2014	**56,000**	**234,000**	**58,117**	**149,448**

Number of share rights	LTI 2012 CEO	LTI 2012 Other senior executives	LTI 2011 CEO	LTI 2011 Other senior executives
Outstanding as of January 1, 2013	71,832	184,710	77,544	166,155
Allocated, compensation for dividend	2,716	5,820	–	–
Forfeited	–	–30,785	–	–
Adjustments for outcome of the performance conditions	–	–	–59,819	–124,620
Exercised	–	–	–	–24,921
Total outstanding rights as of December 31, 2014	**74,548**	**159,745**	**17,725**	**16,614**

Remuneration guidelines for senior executives 2014

The following guidelines for determining remuneration for senior executives for 2014 were approved by the Annual General Meeting in May 2014.

The objectives of Tele2's remuneration guidelines are to offer competitive remuneration packages to attract, motivate, and retain key employees within the context of an international peer group. The aim is to create incentives for the management to execute strategic plans and deliver excellent operating results, and to align management's incentives with the interests of the shareholders. Senior executives covered by the guidelines include the CEO and members of the Leadership Team ("senior executives"). In May 2014 Tele2 had eleven senior executives.

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

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

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

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

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

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

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

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

Board of directors

Total fees to the Board of Directors amount to SEK 5,729 (5,829) thousand following a decision by the Annual General Meeting in May 2014.

	Fees to the board		Fees to the board committees		Total fees	
SEK	2014	2013	2014	2013	2014	2013
Mike Parton	1,365,000	1,365,000	38,000	38,000	1,403,000	1,403,000
Lars Berg	525,000	525,000	75,000	100,000	600,000	625,000
Mia Brunell Livfors	525,000	525,000	–	38,000	525,000	563,000
Lorenzo Grabau	525,000	–	138,000	–	663,000	–
Irina Hemmers	525,000	–	100,000	–	625,000	–
John Hepburn	–	525,000	–	75,000	–	600,000
Erik Mitteregger	525,000	525,000	100,000	100,000	625,000	625,000
John Shakeshaft	–	525,000	–	200,000	–	725,000
Carla Smits-Nusteling	525,000	525,000	238,000	138,000	763,000	663,000
Mario Zanotti	525,000	525,000	–	100,000	525,000	625,000
Total fee to board members	**5,040,000**	**5,040,000**	**689,000**	**789,000**	**5,729,000**	**5,829,000**

Share-based payments

The objective of the long-term incentive programs (LTI) is to create conditions for retaining competent employees in the Tele2 Group. The plan has been designed based on the view that it is desirable that senior executives and other key employees within the group are shareholders in Tele2 AB. By offering an allotment of retention rights and performance rights which are based on profits and other retention and performance-based conditions, the participants are rewarded for increasing shareholder value. Furthermore, the Plan rewards employees' loyalty and long-term growth in the Group. In that context, the Board of Directors is of the opinion that the Plan will have a positive effect on the future development of the Tele2 Group and thus be beneficial to both the company and its shareholders.

	Number of participants at grant date	Measure period	Dec 31, 2014	Dec 31, 2013
LTI 2014	198	Apr 1, 2014–Mar 31, 2017	1,117,168	–
LTI 2013	204	Apr 1, 2013–Mar 31, 2016	1,029,026	1,132,228
LTI 2012	304	Apr 1, 2012–Mar 31, 2015	896,070	968,263
LTI 2011	283	Apr 1, 2011–Mar 31, 2014	34,339	867,329
Total number of outstanding share rights			**3,076,603**	**2,967,820**

34,339 share rights were exercisable at the end of the year.

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

	Actual costs before tax		Estimated cumulative cost		Liability	
	2014	2013	2014	2013	Dec 31, 2014	Dec 31, 2013
LTI 2014	12	–	56	–	4	–
LTI 2013	18	10	52	54	6	2
LTI 2012	11	5	32	21	12	5
LTI 2011	–2	2	39	62	1	10
LTI 2010	–	6	–	75	–	–
Total	**39**	**23**	**179**	**212**	**23**	**17**
of which cash based programs	*1*	–			*1*	–

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

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

Subject to the fulfilment of certain retention and performance-based conditions during the period April 1, 2014 – March 31, 2017 (the measure period), the participant maintaining employment within the Tele2 Group at the release of the interim report January – March 2017 and subject to

Continued Note 34

the participant maintaining the invested shares (where applicable) during the vesting period,each right entitles the employee to receive one Class B share in the company. Dividends paid on the underlying share will increase the number of shares that each retention and performance right entitles to in order to treat the shareholders and the participants equally.

In the event delivery of shares under the plan cannot be achieved at reasonable costs, with reasonable administrative efforts or due to market conditions, participants may instead be offered a cash-based settlement. Outstanding share rights that will be settled in cash are remeasured to fair value in each period and the obligation is reported as a liability.

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

Series A Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period exceeding 0 percent as entry level.

Series B Tele2's average normalized return of capital employed (ROCE) during the measurement period being at least 9 percent as entry level and at least 12 percent as the stretch target.

Series C Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period being equal to the average TSR for a peer group including Elisa, Iliad, Millicom International Cellular, TalkTalk Telecom Group, Telenor, TeliaSonera and TDC as entry level, and exceeding the average TSR for the peer group with 10 percentage points as the stretch target.

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

The Plan comprised a total number of 273,192 shares, of which 259,692 related to employees who invested in Tele2 shares and 13,500 related to employees in Kazakhstan who chose not to invest in Tele2 shares. In total this resulted in an allotment of 1,180,268 share rights, of which 267,556 Series A, 546,356 Series B and 546,356 Series C. The participants were divided into different categories and were granted the following number of share rights for the different categories:

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

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

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

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

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

To ensure the delivery of Class B shares under the Plan, the Annual General Meeting decided to authorise the Board of Directors to resolve on a directed issue of a maximum of 1,700,000 Class C shares and subsequently to repurchase the Class C shares. The Class C-shares will then be held by the company during the vesting period, after which the appropriate number of Class C shares will be reclassified into Class B shares and delivered to the participants under the Plan. In 2014, the Board of Directors did not make use of the authorization from the Extraordinary General Meeting.

	LTI 2014		LTI 2013	
Number of rights	2014	Cumulative	2014	Cumulative
Allocated at grant date	1,180,268	1,180,268		1,204,128
Outstanding as of January 1, 2014			1,132,228	
Allocated, compensation for dividend	–	–	39,922	39,922
Forfeited	–63,100	–63,100	–143,124	–215,024
Total outstanding rights as of December 31, 2014	**1,117,168**	**1,117,168**	**1,029,026**	**1,029,026**
of which will be settled in cash	*12,000*		*11,690*	

	LTI 2012		LTI 2011	
Number of rights	2014	Cumulative	2014	Cumulative
Allocated at grant date		1,132,186		1,056,436
Outstanding as of January 1, 2014	968,263		867,329	
Allocated, compensation for dividend	34,986	274,177	–	294,579
Cancelled, Russia	–	–163,660	–	–92,041
Exercised, Russia	–	–	–	–44,156
Forfeited	–107,179	–346,633	–3,807	–351,296
Adjustments for outcome of the performance conditions	–	–	–602,796	–602,796
Exercised, cash settled	–	–	–1,014	–1,014
Exercised, share settled	–	–	–225,373	–225,373
Total outstanding rights as of December 31, 2014	**896,070**	**896,070**	**34,339**	**34,339**
of which will be settled in cash	*4,995*		–	

Corresponding principles and conditions have been used for 2012 and 2013 year incentive program except for the measure period and levels for retention and performance based conditions.

	Maximum profit/right	Retention and performance based conditions: Series A TSR	Series B ROCE	Series C TSR peer group
LTI 2012[1]	SEK 590	> 0%	19%–23%/8%–12.5%	> 10%
LTI 2013	SEK 347	> 0%	8–12.5%	> 10%

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

The exercise of the share rights in LTI 2011 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2011 until March 31, 2014. The outcome of these decided performance conditions was in accordance with below and the outstanding share rights were exchanged for shares or cash in Tele2 during 2014, except for a limited number that is expected to be settled with shares in 2015.

Continued Note 34

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

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

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

NOTE 35 FEES TO THE APPOINTED AUDITOR

Total fees to the appointed auditor (Deloitte) during the year related to continued operations amounted to SEK 14 (15) million of which audit fees amounted to SEK 9 (9) million, audit-related fees amounted to SEK 1 (1) million and other consultation fees amounted to SEK 4 (5) million. There was no tax-related consultation fees. In addition, audit fees for discontinued operations amounted to SEK 2 (4) million.

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

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

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

NOTE 36 DISCONTINUED OPERATIONS

On February 5, 2015 the Norwegian competition authorities announced that they have approved Tele2's divestment of its Norwegian operations to TeliaSonera announced in July 2014. The Norwegian operation was sold for SEK 5.1 billion and resulted in a capital gain in 2015 of SEK 1.7 billion, including costs for central support system for the Norwegian operation and other transaction costs. The capital gain include a positive effect of SEK 89 million related to exchange rate differences previously reported in other comprehensive income which will be recycled over the income statement but with no effect on total equity.

On April 4, 2013 Tele2 completed the divestment of its Russian operations.

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

Income statement

	2014	2013
Net sales	4,009	7,375
Cost of services sold	–3,115	–4,822
Gross profit	**894**	**2,553**
Selling expenses	–932	–1,459
Administrative expenses	–332	–546
Result from shares in joint ventures and associated companies	–1	–
Other operating income	–14	13,246
Other operating expenses	–3	–3
EBIT	**–388**	**13,791**
Interest income	8	6
Interest costs	–4	–151
Other financial items	–	–19
EBT	**–384**	**13,627**
Income tax	–31	–5
of which from the normal operation	*–31*	*–46*
of which from the capital gain	*–*	*41*
NET PROFIT/LOSS	**–415**	**13,622**
Earnings per share, SEK	–0.93	30.60
Earnings per share, after dilution, SEK	–0.93	30.40

Balance sheet

Assets held for sale refer to the Norweigan operation.

	Dec 31, 2014
ASSETS	
NON-CURRENT ASSETS	
Goodwill	495
Other intangible assets	236
Intangible assets	**731**
Tangible assets	2,109
Financial assets	22
Deferred tax assets	313
NON-CURRENT ASSETS	**3,175**
CURRENT ASSETS	
Inventories	4
Current receivables	654
CURRENT ASSETS	**658**
ASSETS CLASSIFIED AS HELD FOR SALE	**3,833**
LIABILITIES	
NON-CURRENT LIABILITIES	
Interest-bearing	109
NON-CURRENT LIABILITIES	**109**
CURRENT LIABILITIES	
Interest-bearing	10
Non-interest-bearing	630
CURRENT LIABILITIES	**640**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**749**

Cash flow statement

	2014	2013
OPERATING ACTIVITIES		
EBIT	–388	13,791
Adjustments for non-cash items in operating profit	444	–12,507
Finance items paid	7	–75
Taxes paid	–	–177
Cash flow from operations before changes in working capital	**63**	**1,032**
Changes in working capital	–146	–202
CASH FLOW FROM OPERATING ACTIVITIES	**–83**	**830**
INVESTING ACTIVITIES		
CAPEX paid	–647	–1,057
Cash flow after CAPEX	***–730***	***–227***
Acquisition of shares	–	–8
Sale of shares	–32	17,252
Change of non-current receivables	13	2
Cash flow from investing activities	**–666**	**16,189**
CASH FLOW AFTER INVESTING ACTIVITIES	**–749**	**17,019**
FINANCING ACTIVITIES		
Change of loans, net	–	–899
Other financing activities	–	–94
Cash flow from financing activities	**–**	**–993**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–749**	**16,026**

Additional information

	Net sales		EBITDA		EBIT	
	2014	2013	2014	2013	2014	2013
Mobile	3,832	7,135	36	1,280	–402	537
Fixed telephony	198	252	40	24	32	21
Other operations	–	6	–20	–19	–1	–5
	4,030	**7,393**	**56**	**1,285**	**–371**	**553**
Internal sales, elimination	–21	–18				
Sale of operations					–17	13,238
TOTAL	**4,009**	**7,375**	**56**	**1,285**	**–388**	**13,791**

Continued Note 36

	2014	2013
EBITDA	**56**	**1,285**
Sale of operations	–17	13,238
Total one-off items	**–17**	**13,238**
Sale of shares in joint ventures and associated companies	–1	–
Depreciation/amortization and other impairment	–426	–732
EBIT	**–388**	**13,791**

	Number of customers		Net intake	
In thousands	Dec 31, 2014	Dec 31, 2013	2014	2013
Mobile	1,125	1,119	6	186
Fixed telephony	51	63	–12	–18
Number of customers and net customer intake	**1,176**	**1,182**	**–6**	**168**
Changed method of calculation			–	–37
Number of customers and net change	**1,176**	**1,182**	**–6**	**131**

	CAPEX	
	2014	2013
Mobile	513	1,105
Fixed telephony	13	30
Total	**526**	**1,135**

Additional cash flow information:

	2014	2013
CAPEX	–526	–1,135
This year's unpaid CAPEX and paid CAPEX from previous year	–121	29
Received payment of sold non-current assets	–	49
CAPEX paid	**–647**	**–1,057**

NOTE 37 JOINT OPERATIONS AND OTHER RELATED PARTIES

Business relations and pricing between Tele2 and all related parties are based on commercial terms and conditions. During 2014, Tele2 engaged in transactions with the following related companies/persons.

Joint operations

Svenska UMTS-nät AB, Sweden

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

Net4Mobility HB, Sweden

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

Extracts from the income statements, balance sheets and cash flow statements of joint operations

Amounts below shows summarized financial information for joint operations before inter-company eliminations.

	2014		2013	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Income statement				
Net sales	1,411	983	1,422	838
Operating profit	131	84	110	78
Profit before tax	37	27	–8	26
Net profit	29	27	–7	26

	Dec 31, 2014		Dec 31, 2013	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Balance sheet				
Intangible assets	–	2,479	–	2,679
Tangible assets	3,032	2,059	3,410	1,825
Deferred tax assets	137	–	145	–
Current assets	481	269	506	303
Total assets	**3,650**	**4,807**	**4,061**	**4,807**
Equity	510	2,131	481	2,104
Non-current liabilities	2,650	1,984	3,147	2,019
Current liabilities	490	692	433	684
Total equity and liabilities	**3,650**	**4,807**	**4,061**	**4,807**

	Dec 31, 2014		Dec 31, 2013	
	Sv UMTS-nät Sweden	Net4Mobility Sweden	Sv UMTS-nät Sweden	Net4Mobility Sweden
Cash flow statement				
Cash flow from operations before changes in working capital	616	475	558	394
Changes in working capital	79	16	46	18
CASH FLOW FROM OPERATING ACTIVITIES	**695**	**491**	**604**	**412**
Cash flow from investing activities	–270	–464	–319	–1,280
Cash flow from financing activities	–425	–41	–285	760
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–**	**–14**	**–**	**–108**
Cash and cash equivalents at beginning of the year	–	22	–	130
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**–**	**8**	**–**	**22**

Other related parties

Senior executives and Board members

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

Kinnevik Group

Tele2 rents premises from Kinnevik, buys internal audit services from Audit Value as well as advertising from Metro.

Joint ventures and associated companies

Information for joint ventures and associated companies is presented in Note 7 and Note 17.

Transactions and balances

Transactions between Tele2 and joint operations are below included to 100 percent. In the consolidated financial statements the joint operations are however based on Tele2's share of assets, liabilities, revenues and expenses (50 percent).

	Net sales		Operating expenses		Interest revenue	
	2014	2013	2014	2013	2014	2013
Kinnevik	–	1	–14	–17	–	–
Joint ventures and associated companies	6	7	–80	–77	–	–
Joint operations	296	269	–1,122	–1,057	74	85
Total	**302**	**277**	**–1,216**	**–1,151**	**74**	**85**

	Other receivables		Interest-bearing receivables		Non-interest-bearing liabilities	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Kinnevik	1	–	–	–	2	2
Joint ventures and associated companies	8	9	–	–	–	4
Joint operations	332	284	2,318	2,571	292	300
Total	**341**	**293**	**2,318**	**2,571**	**294**	**306**

NOTE 38 CORPORATE RESPONSIBILITY RESULTS

The 2014 GRI G4 Indicators, presented below, are the ones assessed to be most relevant for Tele2's stakeholders. A complete GRI index is presented on Tele2's website. Reported facts and figures are based on the reporting from each reporting entity and each reported case have been verified in accordance with Tele2's procedures for internal controls.

GRI G4 Indicator

Diversity and equal opportunities (G4-LA12)
Number of employees split on managers and other employees with breakdown per gender and age are presented in Note 33.

Environmental regulations (G4-EN29)
No significant fines[1], non-monetary sanctions or cases associated with environmental regulations brought through dispute resolution mechanisms has been reported during the year.

Corruption (G4-SO5)
Tele2 has not had any reported cases of corruption during the year. Furthermore, there has not been any reported concluded public legal cases related to corruption brought against Tele2 during the year. The Tele2 definition of corruption exclude pure telecom fraud cases. Tele2's definition of corruption is when offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately. For additional information please refer to Tele2's website, CR section.

Anti-competitive behaviour, anti-trust, and monopoly practices (G4-SO7)
Number of reported legal actions for anti-competitive behaviour, anti-trust, and monopoly practices, pending or completed, in which Tele2 has been identified as a participant during the year is stated below.

Country	Number	Status of legal actions
Latvia	1	Pending case concerning advertisement[3]
Estonia	1	Closed, no remarks

Laws and regulations (G4-SO8)
During the year, there were two reported cases of sanctions for non-compliance with applicable laws and regulations, both in Sweden where Tele2 Sweden acted in the interest of receiving an interpretation by the Court of Law. However, there were no reported cases brought through dispute resolutions.

Products and services health and safety impacts (G4-PR2)
Tele2 has had two reported non-compliance incidents concerning the products' and services' health and safety impacts during their life cycle. Both were in Kazakhstan and one resulted in a fine[2] and one in a warning. There were no reported non-compliance with voluntary codes during the year.

Marketing communication, advertising and sponsorship (G4-PR7)
Number of reported incidents of non-compliance regarding marketing communication, advertising and sponsorship, resulting in fines, penalties, warnings or non-compliance with voluntary codes during the year are stated below.

Country	Fine or penalty	Warning	Non-compliance with voluntary codes	Comments
Sweden	–	2	–	
Kazakhstan	3	3	–	[2]
Latvia	–	1	–	
Estonia	1	–	–	[2]
Germany	1	5	–	[2]

Customer privacy and losses of customer data (G4-PR8)
Number of reported substantiated complaints during the year, regarding breaches of customer privacy and losses of customer data, from outside parties and substantiated by Tele2 or from regulatory bodies as well as reported leaks, thefts or losses of customer data is stated below.

Country	From outside parties and substantiated by Tele2	From regulatory bodies	Leaks, thefts, or losses of customer data	Comments
Sweden	–	–	4	In addition, Sweden has had a major incident with a data center fire, but there was no loss of customer data
Netherlands	1	–	4	
Lithuania	–	5	–	Two of the cases originated from customer complaints
Austria	–	–	3	

None of reported issues is considered to be significant.

The use of products and services (G4-PR9)
No significant fines[1] have been reported during the year for non-compliance with laws and regulations concerning the use of products and services.

[1] Significant fines are defined as exceeding EUR 250,000 (equivalent to SEK 2.3 million)
[2] The fines have not been significant[1]
[3] If we receive negative outcomes, Tele2 expects the fines to be insignificant

Parent company's financial statement

The parent company's income statement

SEK million	Note	2014	2013
Net sales	2	55	47
Gross profit		**55**	**47**
Administrative expenses		–122	–95
Operating loss		**–67**	**–48**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS			
Result from shares in group companies	3	967	9,900
Other interest revenue and similar income	4	35	147
Interest expense and similar costs	5	–338	–229
Profit after financial items		**597**	**9,770**
Appropriations, group contribution		372	265
Tax on profit for the year	6	–	–23
NET PROFIT		**969**	**10,012**

The parent company's comprehensive income

SEK million	Note	2014	2013
Net profit		**969**	**10,012**
OTHER COMPREHENSIVE INCOME			
COMPONENTS NOT TO BE RECLASSIFIED TO NET PROFIT			
Pensions, actuarial gains/losses		–1	–
Total components not to be reclassified to net profit		**–1**	**–**
COMPONENTS THAT MAY BE RECLASSIFIED TO NET PROFIT			
Gain/loss arising on changes in fair value of hedging instruments	12	–172	33
Reclassified cumulative loss to income statement	12	61	49
Tax effect on cash flow hedges		25	–18
Total components that may be reclassified to net profit		**–86**	**64**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–87**	**64**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**882**	**10,076**

The parent company's balance sheet

SEK million	Note	Dec 31, 2014	Dec 31, 2013
ASSETS			
NON-CURRENT ASSETS			
Tangible assets			
Equipment and installations	7	2	–
Total tangible assets		**2**	**–**
Financial assets			
Shares in group companies	8	13,520	13,520
Deferred tax assets	6	63	38
Other financial assets	10	34	28
Total finacial assets		**13,617**	**13,586**
TOTAL NON-CURRENT ASSETS		**13,619**	**13,586**
CURRENT ASSETS			
Current receivables			
Accounts receivables from group companies		11	19
Other receivables from group companies	9	10,392	11,909
Other current receivables		3	4
Prepaid expenses and accrued income		1	1
Total current receivables		**10,407**	**11,933**
Cash and cash equivalents	11	**3**	**–**
TOTAL CURRENT ASSETS		**10,410**	**11,933**
TOTAL ASSETS		**24,029**	**25,519**

SEK million	Note	Dec 31, 2014	Dec 31, 2013
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital		561	561
Restricted reserve		4,985	4,985
Total restricted equity		**5,546**	**5,546**
Unrestricted equity			
Reserves		–185	–99
Retained earnings		11,293	3,213
Net profit		969	10,012
Total unrestricted equity		**12,077**	**13,126**
TOTAL EQUITY		**17,623**	**18,672**
NON-CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	12	4,263	5,274
Pension and similar commitments		42	34
TOTAL NON-CURRENT LIABILITIES		**4,305**	**5,308**
CURRENT LIABILITIES			
Interest-bearing			
Liabilities to financial institutions and similar liabilities	12	1,780	1,325
Other interest-bearing liabilities	12	238	127
Total interest-bearing liabilities		**2,018**	**1,452**
Non-interest-bearing			
Accounts payable	12	4	4
Other current liabilities	12	3	4
Accrued expenses and deferred income	13	76	79
Total non-interest-bearing liabilities		**83**	**87**
TOTAL CURRENT LIABILITIES		**2,101**	**1,539**
TOTAL EQUITY AND LIABILITIES		**24,029**	**25,519**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets		None	None
Contingent liabilities	14	1,120	4,627

The parent company's cash flow statement

SEK million	2014	2013
OPERATING ACTIVITIES		
Operating loss	–67	–48
Adjustments for non-cash items in operating profit		
Depreciation/amortization and impairment	1	–
Incentive program	4	3
Interest received	–	1
Interest paid	–260	–304
Finance items paid	–1	–5
Cash flow from operations before changes in working capital	**–323**	**–353**
Changes in working capital		
Operating assets	2	–2
Operating liabilities	–1	2
Changes in working capital	**1**	**–**
CASH FLOW FROM OPERATING ACTIVITIES	**–322**	**–353**
INVESTING ACTIVITIES		
Acquisition of tangible assets	–3	–
Received dividend from group companies	967	9,900
Repayments from group companies	1,958	7,426
Cash flow from investing activities	**2,922**	**17,326**
CASH FLOW AFTER INVESTING ACTIVITIES	**2,600**	**16,973**
FINANCING ACTIVITIES		
Proceeds from credit institutions and similar liabilities	–	750
Repayment of loans from credit institutions and similar liabilities	–637	–2,088
Dividends	–1,960	–3,163
Redemption of shares	–	–12,474
Cash flow from financing activities	**–2,597**	**–16,975**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**3**	**–2**
Cash and cash equivalents at beginning of the year	–	2
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**3**	**–**

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

Change in the parent company's equity

		Restricted equity		Unrestricted equity		
SEK million	Note	Share capital	Restricted reserve	Hedge reserve	Retained earnings	Total equity
Equity at January 1, 2013		**561**	**4,985**	**–163**	**18,833**	**24,216**
Net profit	1	–	–	–	10,012	10,012
Other comprehensive income for the year, net of tax		–	–	64	–	64
Total comprehensive income for the year		**–**	**–**	**64**	**10,012**	**10,076**
OTHER CHANGES IN EQUITY						
Share-based payments	1	–	–	–	15	15
Share-based payments, tax effect		–	–	–	2	2
Dividends		–	–	–	–3,163	–3,163
Redemption of shares		–280	–	–	–12,194	–12,474
Bonus issue		280	–	–	–280	–
EQUITY AT DECEMBER 31, 2013		**561**	**4,985**	**–99**	**13,225**	**18,672**
Equity at January 1, 2014		**561**	**4,985**	**–99**	**13,225**	**18,672**
Net profit		–	–	–	969	969
Other comprehensive income for the year, net of tax		–	–	–86	–1	–87
Total comprehensive income for the year		**–**	**–**	**–86**	**968**	**882**
OTHER CHANGES IN EQUITY						
Share-based payments		–	–	–	29	29
Dividends		–	–	–	–1,960	–1,960
EQUITY AT DECEMBER 31, 2014		**561**	**4,985**	**–185**	**12,262**	**17,623**

Notes to the parent company's financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND OTHER INFORMATION

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

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

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

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

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

Other information

The annual report has been approved by the Board of Directors on March 17, 2015. The balance sheet and income statement are subject to adoption by the Annual General Meeting on May 19, 2015.

NOTE 2 NET SALES

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

NOTE 3 RESULT OF SHARES IN GROUP COMPANIES

	2014	2013
Dividend from subsidiary	967	9,900
Total result of shares in group companies	**967**	**9,900**

NOTE 4 OTHER INTEREST REVENUE AND SIMILAR INCOME

	2014	2013
Interest, Group	36	130
Interest, bank balances	–	1
Exchange rate difference on financial current assets	–1	16
Total other interest revenue and similar income	**35**	**147**

NOTE 5 INTEREST EXPENSE AND SIMILAR COSTS

	2014	2013
Interest, credit institutions and similar liabilities	–300	–339
Exchange rate difference on financial liabilities	–34	118
Other finance expenses	–4	–8
Total interest expenses and similar costs	**–338**	**–229**

NOTE 6 TAXES

	2014	2013
Deferred tax expense	–	–23
Total tax on profit for the year	**–**	**–23**

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

	2014		2013	
Profit before tax	969		10,035	
Tax effect according to tax rate in Sweden	–213	–22.0%	–2,208	–22.0%
Tax effect of				
Non-taxable dividend from group company	213	22.0%	2,178	21.7%
Deductible not recorded expenses	–	–	7	0.1%
Tax expense/income and effective tax rate	**–**	**–**	**–23**	**–0.2%**

Deferred tax asset of SEK 63 (38) million is attributable to liabilities of SEK 54 (31) million and pensions of SEK 9 (7) million.

NOTE 7 TANGIBLE ASSETS

	Equipment and installations	
	Dec 31, 2014	Dec 31, 2013
Acquisition value		
Investments	3	–
Total acquisition value	**3**	**–**
Accumulated depreciation		
Depreciation	–1	–
Total accumulated depreciation	**–1**	**–**
TOTAL TANGIBLE ASSETS	**2**	**–**

NOTE 8 SHARES IN GROUP COMPANIES

Company, reg. No., reg'd office	Number of shares	Total par value	Holding (capital/ votes)	Dec 31, 2014	Dec 31, 2013
Tele2 Holding AB, 556579-7700, Stockholm, Sweden	1,000	tSEK 100	100%	13,520	13,520
Total shares in group companies				**13,520**	**13,520**

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

	Dec 31, 2014	Dec 31, 2013
Acquisition value		
Acquisition value at January 1	13,520	13,518
Shareholders contribution	–	2
Total shares in group companies	**13,520**	**13,520**

NOTE 9 RECEIVABLES FROM GROUP COMPANIES

	Non-current receivables		Current receivables	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Acquisition value at January 1	–	18,698	11,909	224
Lending	–	–	1,364	10,866
Repayments	–	–	–2,597	–17,676
Reclassification	–	–18,698	–	18,698
Other changes in cash pool	–	–	–284	–203
Total receivables from group companies	**–**	**–**	**10,392**	**11,909**

Current receivables from group companies relate to balances in the cash pool.

NOTE 10 OTHER FINANCIAL ASSETS

	Dec 31, 2014	Dec 31, 2013
Pension funds	34	28
Total other financial assets	**34**	**28**

NOTE 11 CASH AND CASH EQUIVALENTS AND UNUTILIZED OVERDRAFT FACILITIES

	Dec 31, 2014	Dec 31, 2013
Cash and cash equivalents	3	–
Unutilized overdraft facilities and credit lines	7,612	7,154
Total available liquidity	**7,615**	**7,154**

NOTE 12 FINANCIAL LIABILITIES

	Dec 31, 2014	Dec 31, 2013
Liabilities to financial institutions and similar liabilities	6,043	6,599
Other interest-bearing liabilities	238	127
Total interest-bearing financial liabilities	**6,281**	**6,726**
Accounts payable	4	4
Other current liabilities	3	4
TOTAL FINANCIAL LIABILITIES	**6,288**	**6,734**

Financial liabilities fall due for payment according to below.

	Dec 31, 2014	Dec 31, 2013
Within 3 months	2,025	1,460
Within 1–2 years	–	1,067
Within 2–3 years	3,447	–
Within 3–4 years	164	3,445
Within 4–5 years	202	135
Within 5–10 years	450	627
Total financial liabilities	**6,288**	**6,734**

Interest-bearing financial liabilities

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

Liabilities to financial institutions and similar liabilities

			Dec 31, 2014		Dec 31, 2013	
Liabilities *(collateral provided)*	Interest rate terms	Maturity date	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Bonds NOK	NIBOR +1.7%	2015	315	–	–	316
Bonds NOK	NIBOR +2.35%	2017	–	1,049	–	1,055
Bonds SEK	STIBOR +2.85%	2017	–	1,498	–	1,497
Bonds SEK	fixed: 4.875%	2017	–	799	–	798
Bonds SEK	STIBOR +1.1%	2015	750	–	–	750
Bonds SEK			–	–	500	–
Bonds SEK	STIBOR +2.45%	2020	–	250	–	250
Bonds SEK	variable interest rates	2020	500	–	500	–
Total Bonds			**1,565**	**3,596**	**1,000**	**4,666**
Commercial paper	fixed: 0.504%–0.9310%	2015	215	–	325	–
Nordic Investment Bank (NIB)	variable interest rates	2017-2020	–	705	–	663
Syndicated loan facilities	variable interest rates	2018	–	–38	–	–55
			1,780	**4,263**	**1,325**	**5,274**
Total liabilities to financial institutions and similar liabilities				**6,043**		**6,599**

For additional information please refer to Group Note 26.

Other interest-bearing liabilities

	Current liabilities	
	Dec 31, 2014	Dec 31, 2013
Derivatives	238	127
Total other interest-bearing liabilities	**238**	**127**

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

Other current liabilities

	Dec 31, 2014	Dec 31, 2013
VAT liability	2	3
Other taxes	1	1
Total current liabilities	**3**	**4**

NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2014	Dec 31, 2013
Interest costs	44	49
Personnel-related expenses	32	27
External services expenses	–	3
Total accrued expenses and deferred income	**76**	**79**

NOTE 14 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Contingent liabilities

	Dec 31, 2014	Dec 31, 2013
Guarantee related to group companies	1 120	4 627
Total contingent liabilities	**1 120**	**4 627**

Operating leases

The parent company's operating lease expenses amounted to SEK 2 (1) million during the year. Future lease expenses amount to SEK 1 (1) million and these are due for payment during the next year.

NOTE 15 SUPPLEMENTARY CASH FLOW INFORMATION

In 2014, the parent company had interest revenues from other group companies of SEK 36 (132) million and interest expenses to other group companies of SEK – (2) million which were capitalized on the loan amount.

NOTE 16 NUMBER OF EMPLOYEES

The average number of employees in the parent company is 7 (6), of whom 2 (2) are women.

NOTE 17 PERSONNEL COSTS

	2014			2013		
	Salaries and remune-rations	Social security expenses	*of which pension expenses*	Salaries and remune-rations	Social security expenses	*of which pension expenses*
Board and CEO	27	12	*5*	24	10	*4*
Other employees	30	14	*4*	22	11	*4*
Total salaries and remuneration	**57**	**26**	***9***	**46**	**21**	**8**

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

NOTE 18 FEES TO THE APPOINTED AUDITOR

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

NOTE 19 LEGAL STRUCTURE

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

Company, reg. No., reg'd office	Note	Holding (capital/ votes)
SECURE VALUE EEIG, Luxembourg	17	25%
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden		100%
Tele2 Treasury AB, 556606-7764, Stockholm, Sweden		100%
Tele2 Sverige AB, 556267-5164, Stockholm, Sweden		100%
Triangelbolaget D4 AB, 556007-9799, Stockholm, Sweden	17	25%
Modern Holdings Inc, 133799783, Delaware, US	18	11,88%
e-Village Nordic AB, 556050-1644, Stockholm, Sweden		100%
Radio National Luleå AB, 556475-0411, Stockholm, Sweden	18	5,5%
GH Giga Hertz HB as well as 15 other partnerships with licenses	17	33,3%
Datametrix AB, 556580-2682, Stockholm, Sweden		100%
Tele2Butikerna AB, 556284-7565, Stockholm, Sweden		100%
4T Sverige AB, 556857-8495, Stockholm, Sweden	17	25%
Svenska UMTS-nät Holding AB, 556606-7988, Stockholm, Sweden		100%
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	17	50%
Interloop AB, 556450-2606, Stockholm, Sweden		100%
Net4Mobility HB, 969739-0293, Stockholm, Sweden	17	50%
Procure IT Right AB, 556600-9436, Stockholm, Sweden		100%
SNPAC Swedish Nr Portability Adm.Centre AB, 556595-2925, Stockholm, Sweden	17	20%
Tele2 Netherlands Holding NV, 33272606, Amsterdam, Netherlands		100%
Tele2 Nederlands BV, 33303418, Amsterdam, Netherlands		100%
Tele2 Norge AS, 974534703, Oslo, Norway		100%
Mobile Norway AS, 888 137 122, Oslo, Norway		50%
Tele2 Butikkene AS, 998 894 468, Oslo, Norway		100%
MPayment AS, 999 504 655, Oslo, Norway	17	33,3%
Strex AS, 985 867 569, Oslo, Norway	17	33,3%
Network Norway AS, 983714463, Oslo, Norway		100%
Mobile Norway AS, 888 137 122, Oslo, Norway		50%
Officer AS, 992 898 089, Oslo, Norway		100%
Mobile Telecom Service LLP, 66497-1910-TOO, Almaty, Kazakhstan		51%
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia		100%
Tele2 Holding Lithuania AS, 11920703, Tallinn, Estonia		100%
Tele2 Holding Lithuania AS Filialas, 302514793, Vilnius, Lithuania		100%
UAB Tele2, 111471645, Vilnius, Lithuania		100%
UAB Personalo valdymas, 302473332, Vilnius, Lithuania		100%
Viesoji istaiga Numerio perkelimas, 303386211, Vilnius, Lithuania	17	25%
UAB Tele2 Fiksuotas Rysys, 111793742, Vilnius, Lithuania		100%
Tele2 Holding SIA, 40003512063, Riga, Latvia		100%
SIA Tele2, 40003272854, Riga, Latvia		100%
SIA Tele2 Shared Service Center, 40003690571, Riga, Latvia		100%
Tele2 Eesti AS, 10069046, Tallinn, Estonia		100%
Televõrgu AS, 10718810, Tallinn, Estonia		100%
Estonian Broadband Development Foundation, Estonia	17	12,5%
Tele2 Europe SA, R.C.B56944, Luxembourg		100%
Tele2 Austria Holding GmbH, FN178222t, Vienna, Austria		100%
Tele2 Telecommunication GmbH, FN138197g, Vienna, Austria		100%
Tele2 communication GmbH s.r.o., 35820616, Bratislava, Slovakia		100%
Adworx Internetservice GmbH, FN207118k, Vienna, Austria	17	47,4%
Communication Services Tele2 GmbH, 36232, Düsseldorf, Germany		100%
Collecta Forderungsmanagement GmbH, HRB 67126, Düsseldorf, Germany		100%
Tele2 International Call GmbH, HRB64239, Düsseldorf, Germany		100%
Tele2 Beteiligungs GmbH, HRB64230, Düsseldorf, Germany		100%
T&Q Netz GmbH Co KB, HRA21263, Düsseldorf, Germany	17	50%
FonExperten GmbH, HRB71231, Düsseldorf, Germany		100%
Tele2 Service GmbH, HRB79647, Düsseldorf, Germany		100%
IntelliNet Holding BV, 34126307, Amsterdam, Netherlands		100%
010033 Telecom GmbH, HRB 48344, Frankfurt, Germany		100%
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg		100%
SEC Finance SA, B104730, Luxembourg		100%
Tele2 Luxembourg AB, 556304-7025, Stockholm, Sweden		100%
Tele2 Finance Luxembourg SARL, RCB112873, Luxembourg		100%

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

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

Stockholm March 17, 2015

Mike Parton
Chairman

Lars Berg

Mia Brunell Livfors

Lorenzo Grabau

Irina Hemmers

Erik Mitteregger

Carla Smits-Nusteling

Mario Zanotti

Mats Granryd
President and CEO

Our auditors' report was submitted on March 17, 2015

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Tele2 AB (publ) for the financial year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 8–66.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Tele2 AB (publ) for the financial year 2014.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm March 17, 2015

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Definitions

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

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

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

EBT
Profit/loss after financial items

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

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

Available liquidity
Cash and cash equivalents including undrawn borrowing facilities

Net debt
Interest-bearing liabilities less interest-bearing assets

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

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

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

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

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

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

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

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

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

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

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TELE2 IS ONE OF EUROPE'S FASTEST GROWING TELECOM OPERATORS, ALWAYS PROVIDING CUSTOMERS WITH WHAT THEY NEED FOR LESS. We have 14 million customers in 9 countries. Tele2 offers mobile services, fixed broadband and fixed telephony, data network services, and content services. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2014, we had net sales of SEK 26 billion and reported an operating profit (EBITDA) of SEK 5.9 billion.