

Full Year and Fourth Quarter 2011 Report

Q4 2011 Highlights

■ Net sales growth for the group amounted of 8 percent excluding exchange rate differences

Net sales amounted to SEK 10,839 (10,109) million corresponding to a growth excluding exchange rate difference of 8 percent in the quarter. EBITDA in Q4 2011 amounted to SEK 2,791 (2,488) million, equivalent to an EBITDA margin of 26 (25) percent. EBITDA growth excluding exchange rate differences was 13 percent.

■ Strong EBITDA contribution in market area Russia

In Q4 2011, Tele2 Russia added 250,000 (755,000) customers leading to a total customer base of 20.6 (18.4) million. EBITDA amounted to SEK 1,209 (899) million, equivalent to an EBITDA margin of 40 (34) percent.

■ Robust mobile revenue growth in market area Nordic

Mobile revenue in Sweden grew by 7 percent, as customer demand for smartphones and data services remained strong during the quarter. Tele2 Norway and Network Norway were fully integrated in the quarter, creating the third largest mobile operator in the country.

■ Significant operational progress in market area Central Europe & Eurasia

During the quarter, Tele2 Kazakhstan continued its successful launch of new regions, resulting in a customer intake of 249,000 (114,000). The total customer base amounted to 1,371,000 (332,000). The Baltic countries drove further cost cutting in the quarter, maintaining the firm EBITDA margin development.

■ Improved margin development in fixed broadband in market area Western Europe

Tele2 Netherlands expanded its fixed broadband margin further to 36 (29) percent thanks to further scale benefits from the BBned acquisition. In the quarter, Tele2 Austria announced the acquisition of Silver Server, strengthening its position in the business segment.

■ The Board of Directors proposed a dividend for 2011 amounting to SEK 13.00

The Board of Tele2 AB decided to recommend an increase in the ordinary dividend of 8 percent to SEK 6.50 (6.00) per share in respect of the financial year 2011. The Board also decided to recommend an extraordinary dividend of SEK 6.50 (21.00).

SEK million	Q4			FY		
	2011	2010	%	2011	2010	%
Net Sales	10,839	10,109	7	40,750	40,164	1
Net Sales excluding one-off items	10,839	10,115	7	40,750	39,591	3
Net Sales excluding exchange rate differences	10,839	10,005	8	40,750	38,043	7
EBITDA	2,791	2,488	12	10,852	10,284	6
EBITDA excluding exchange rate differences	2,791	2,464	13	10,852	9,872	10
EBIT	1,640	1,356	21	6,968	7,088	-2
EBIT excluding one-off items	1,666	1,513	10	6,972	6,704	4
Net Profit	1,311	1,099	19	4,904	6,481	-24
Earnings per share, after dilution (SEK)	2.94	2.47	19	11.00	14.63	-25

The figures presented in this report refer to Q4 2011 and continued operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2010.

Net sales Q4 2011
excl. one-off items

10,839
SEK million

EBITDA Q4 2011

2,791
SEK million

TELE2

Offering the Best Deal is our business

Today's results show the strength of Tele2. In Q4 net sales, less exchange rate adjustments, grew by 8 percent to SEK 10,839 (10,109) million and EBITDA reached SEK 2,791 (2,488) million, at a margin of 26 (25) percent.

This quarter also confirmed the momentum of Tele2's growth during 2011 with the completion of acquisitions in Norway (Network Norway), and in Austria (Silver Server), the launch of mobile services in 12 out of 16 regions in Kazakhstan and the acquisition of spectrum in Sweden, Estonia, Lithuania, Latvia and Kazakhstan to contribute to our data strategies. We won 6 new regions in Russia, bringing our total to 43 (37).

Tele2 Russia added more than 2 million customers in 2011 out of 2.8 million for the group. As the Russian market matures, we intend to shift our focus from volume to value. On the regulatory side, we have gained a better understanding of the Russian market and set clear operational priorities in a complex environment. The conclusions of the authorities' technology neutrality study of the Russian 900/1800 spectrum are expected during 2012. We believe that the regulatory authorities will maintain their established support to the regional operators and enable them to provide essential future-proof data services.

Our Nordic operations continue to show growth with the expansion of the smartphone market in particular. In Sweden, our roll out of the best 2G and 4G network in the country accelerated to meet increasing data demand from our customers. In Norway, the integration of Network Norway proceeded ahead of plan. The market area again delivered strong cash flow during the quarter and reinforced its standing as the major test bed for new technology and services.

Our operations in the Netherlands reached higher EBITDA levels on increased scale. After a successful pilot project we are evaluating the potential of 4G networks as the regulatory and market environments seem favourable for a value driven telecom competitor.

The performance in the market area Central Europe & Eurasia indicated healthy dynamics. We exceeded our EBITDA and cash flow targets despite enduring difficult market conditions and sustained levels of competition. Tele2 Kazakhstan demonstrated solid revenue growth substantially increasing its customer base to 1.4 million. More aggressive interconnect regulation would improve competition and would encourage the provision of communication services for more customers. Our Baltic operations have managed competition and growth significantly with very limited resources in markets not yet fully recovered. Croatia's financial performance was good during the quarter and showed improvements in marketing KPIs surmounting certain operational difficulties. This gives a robust foundation for future success, only shadowed by the revenue tax recently reintroduced by the government.

We are still operating in a context of macroeconomic uncertainty while our industry faces a different set of challenges. And yet, we look ahead with a sense of anticipation. Mobile connectivity is a global trend. In tomorrow's connected world, seamless access at high speed will be essential: the successful operators will manage the shift from voice to data while offering world-class connectivity, a high-quality network, transparent and simple tariffs – the price awareness and value expectations of our customers are constantly increasing – and flawless service with efficient communication.

In other words, Tele2's top priority is to offer its customers what they need for less; we think we do it best through our two unique assets: Network and Customer relations.

Mats Granryd
President and CEO, Tele2 AB

“ Mobile connectivity is a global trend. In tomorrow's connected world, seamless access at high speed will be essential

Financial Overview

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

Net customer intake amounted to 103,000 (728,000) in Q4 2011. The customer intake in mobile services amounted to 346,000 (859,000). This trend was mainly driven by a slower customer intake in Tele2 Russia, offset to some extent by solid customer intake in Tele2 Kazakhstan, whose customer bases grew by 250,000 (755,000) and 249,000 (114,000) customers respectively. The fixed broadband customer base lost -17,000 (10,000) customers in Q4 2011, primarily attributable to Tele2's operations in the Netherlands and in Germany. As expected, the number of fixed telephony customers fell in Q4 2011. On December 31, 2011 the total customer base amounted to 34,186,000 (30,883,000) thanks to a continued growth in mobile services.

Net sales in Q4 2011 amounted to SEK 10,839 (10,109) million corresponding to a growth excluding exchange rate differences and one-off items of 8 percent. The revenue development was mainly a result of sustained success in mobile services and the integration of Network Norway, offset to some extent by negative sales development in fixed telephony services.

EBITDA in Q4 2011 amounted to SEK 2,791 (2,488) million, equivalent to an EBITDA margin of 26 (25) percent. EBITDA growth excluding exchange rate differences amounted to 13 percent. The EBITDA development was negatively affected by restructuring costs of SEK 53 million in Tele2 Norway related to a restructuring program.

EBIT in Q4 2011 amounted to SEK 1,666 (1,513) million excluding one-off items¹⁾. Including one-off items, EBIT amounted to SEK 1,640 (1,356) million.

Profit before tax in Q4 2011 amounted to SEK 1,580 (1,201) million.

Net profit in Q4 2011 amounted to SEK 1,311 (1,099) million.

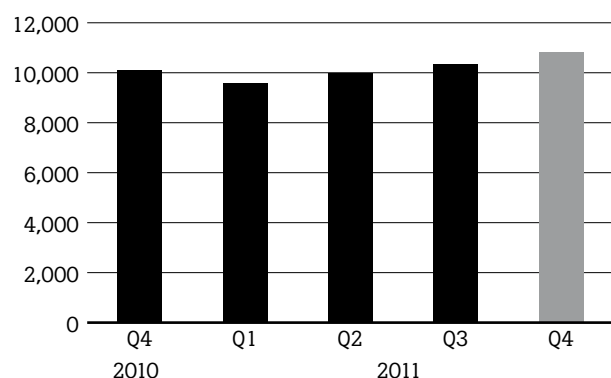
Reported tax for Q4 2011 amounted to SEK -269 (-102) million. Tax payment affecting cash flow amounted to SEK -163 (-160) million.

Cash flow after CAPEX in Q4 2011 amounted to SEK 915 (614) million.

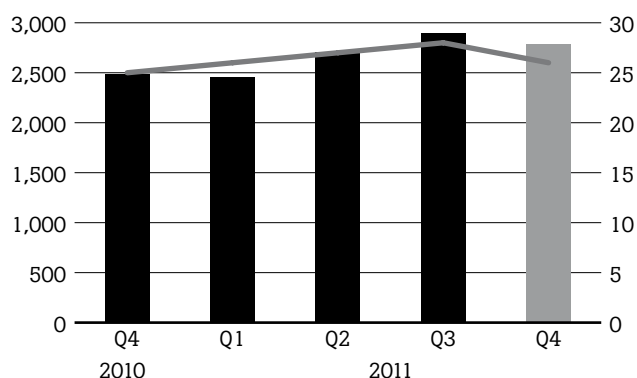
CAPEX in Q4 2011 amounted to SEK 1,493 (1,320) million, driven mainly by further network expansion in Russia and Kazakhstan.

Net debt amounted to SEK 11,369 (1,691) million on December 31, 2011, or 1.05 times 12-month rolling EBITDA. Excluding receivables from joint ventures, the net debt to 12-month rolling EBITDA amounted to 1.25 times. Tele2's available liquidity amounted to SEK 9,936 (12,814) million.

Net sales excl. one-off items
MSEK



EBITDA/EBITDA margin
MSEK/Percent



¹⁾ See section EBIT on page 20

FINANCIAL GUIDANCE

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

- An established Best Deal position.
- The capability to reach a top 2 position in terms of customer market share, in an individual country or region.
- A mobile operation based on own infrastructure should return at least 35 percent EBITDA margin.
- All operations in the group should return at least 24 percent return on capital employed (ROCE).

Tele2 group forward looking statement

The following assumptions should be taken into account when estimating 2012 results for the group:

- Tele2 forecasts a corporate tax rate of approximately 24 percent excluding one-off items. The tax payment will affect cash flow by approximately SEK 1,200 million.
- Tele2 forecasts a capex level of approximately SEK 6,000 million, including proportionate consolidation of joint ventures (SUNAB and Net4Mobility).

Tele2 Sweden forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the Swedish mobile operations in 2012:

- Tele2 expects mobile service revenue to grow by approximately 2–4 percent.
- Tele2 expects an EBITDA margin of between 33–35 percent including proportionate consolidation of joint ventures.

Tele2 Norway forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the total operations in Norway in 2012:

- Tele2 expects a total revenue of between SEK 5,000–5,200 million.
- Tele2 expects an EBITDA margin of between 2–3 percent.
- Tele2 expects capex of between SEK 850–950 million.

Tele2 Russia forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the total operations in Russia in 2012:

- Tele2 expects the subscriber base to reach 21.5–22 million.
- Tele2 expects ARPU to remain stable in local currency.
- Tele2 expects an EBITDA margin of between 39–40 percent.
- Tele2 expects capex of between SEK 1,300–1,500 million.

Tele2 Kazakhstan forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the total operations in Kazakhstan in 2012:

- Tele2 expects the subscriber base to reach 2.3–2.5 million.
- Tele2 expects an EBITDA contribution of between SEK –325 to –375 million.
- Tele2 expects capex of between SEK 550–600 million.
- Tele2 expects to reach EBITDA break-even by 2H 2013.
- Tele2 expects to reach a long-term mobile customer market share of 30 percent.

Tele2 Croatia forward looking statement

The following assumptions should be taken into account when estimating the operational performance of the Croatian mobile operations in 2012:

- Tele2 expects Croatia to reach an EBITDA margin of 20 percent by Q3 2013.

Shareholder remuneration

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

In respect of the financial year 2011, the Board of Tele2 AB has decided to recommend to the Annual General Meeting (AGM) in May 2012 a total dividend payment of SEK 13.00 (27.00) per ordinary A or B share, to be comprised of an ordinary dividend of SEK 6.50 (6.00) and an extraordinary dividend of SEK 6.50 (21.00).

Balance sheet

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

SIGNIFICANT EVENTS IN THE QUARTER

- Tele2 Sverige AB acquired Network Norway for SEK 1.6 billion (see Note 9).
- Tele2 Sweden was awarded a mobile license of 2x10 MHz in the 1800 MHz frequency band through the network company Net4Mobility for approximately SEK 430 million.
- Tele2 Austria acquired internet service provider Silver Server for SEK 100 million.

Significant subsequent events

- Tele2 AB completed a first issue under a Swedish Commercial Paper Program.
- Tele2 Estonia announced the acquisition of telecommunication service provider Televõrgu AS for approximately SEK 225 million. The acquisition is subjected to approval from the Estonian Competition Authority.
- Tele2 Latvia was awarded a mobile license in Latvia of 2 x 20 MHz in the 2.6 GHz frequency band for approximately SEK 9 million.

SEK million	Q4 2011	Q4 2010	FY 2011	FY 2010
Mobile¹⁾				
Net customer intake (thousands)	346	859	3,413	4,443
Net sales	8,068	6,953	29,388	26,985
EBITDA	2,077	1,816	8,080	7,532
EBIT	1,299	1,246	5,543	5,451
CAPEX	1,131	971	3,715	2,223
Fixed broadband¹⁾				
Net customer intake (thousands)	-17	10	-70	32
Net sales	1,492	1,596	6,022	6,120
EBITDA	387	303	1,475	1,131
EBIT	138	37	535	99
CAPEX	177	185	643	722
Fixed telephony¹⁾				
Net customer intake (thousands)	-226	-141	-573	-543
Net sales	854	1,090	3,655	4,741
EBITDA	276	303	1,090	1,400
EBIT	235	252	911	1,196
CAPEX	23	24	70	94
Total				
Net customer intake (thousands)	103	728	2,770	3,932
Net sales ²⁾	10,839	10,109	40,750	40,164
EBITDA	2,791	2,488	10,852	10,284
EBIT ³⁾	1,666	1,513	6,972	6,704
CAPEX	1,493	1,320	5,093	3,651
EBT	1,580	1,201	6,369	6,735
Net profit	1,311	1,099	4,904	6,481
Cash flow from operating activities	2,315	1,777	9,248	9,610
Cash flow after CAPEX	915	614	4,581	6,007

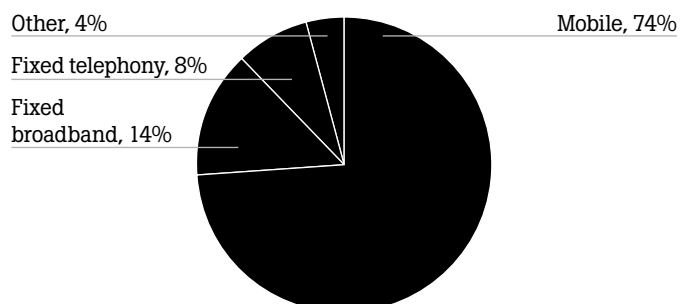
¹⁾ Less one-off items (see sections Net sales and EBIT on pages 16 and 20)

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

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

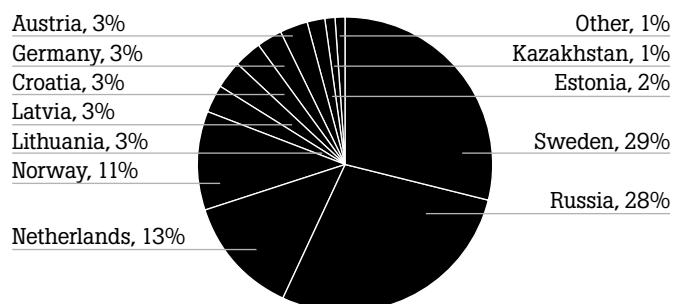
Net sales per product area, Q4 2011

Percent



Net sales per country, Q4 2011

Percent



Overview by region

EXTERNAL SALES LESS EXCHANGE RATE FLUCTUATIONS

	2011 Q4	2010 Q4*	Growth	2011 Full year	2010 Full year*	Growth
Sweden	3,143	3,089	2%	12,398	11,881	4%
Norway	1,216	753	61%	3,245	2,931	11%
Russia	2,988	2,574	16%	11,463	9,447	21%
Estonia	220	219	0%	839	833	1%
Lithuania	336	321	5%	1,254	1,249	0%
Latvia	273	300	-9%	1,094	1,196	-9%
Croatia	319	322	-1%	1,301	1,244	5%
Kazakhstan	161	34	374%	346	106	N/A
Netherlands	1,455	1,543	-6%	5,823	5,530	5%
Germany	272	344	-21%	1,096	1,436	-24%
Austria	343	364	-6%	1,377	1,496	-8%
Other	113	142	-20%	514	694	-26%
	10,839	10,005	8%	40,750	38,043	7%
FX effects		104	-1%		1,578	-6%
One off items	-	-	-	-	543	-
Total	10,839	10,109	7%	40,750	40,164	1%

* Adjusted for fluctuations in exchange rates including acquisitions

NORDIC

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

Sweden

Mobile Tele2 Sweden's net sales in the quarter increased by 7 percent to SEK 2,408 (2,241) million. Mobile EBITDA increased by 7 percent, equalling SEK 716 (669) million. In Q4 2011, Tele2 Sweden had a sustained and robust net intake in the mobile postpaid segment with 50,000 (65,000) new customers, mainly driven by customers' continued demand for smartphones. The total mobile net intake was -25,000 (20,000), affected by a seasonally higher churn in the pre-paid segment. The smartphone installed base continued to grow, due to the increased sales of low-end smartphones.

The mobile EBITDA margin reached 30 (30) percent in the quarter. The margin was affected by costs from SUNAB and Net4Mobility, amounting to SEK -194 (-134) million.

MoU for the mobile operations in Sweden decreased to 243 (245) and a blended ARPU of SEK 174 (180) was reported in the quarter. MoU in the postpaid segment were 293 (295) and ARPU amounted to SEK 242 (251).

Tele2 Sweden continued the roll-out of the combined 2G and 4G networks in the joint venture Net4Mobility, covering at the end of 2011 71 municipalities and 4,055,000 people, with what will become the network with the best network coverage in Sweden. In the Business segment, the continued focus on integrated services led to the acquisition of a number of customers for whom the product Communication as a Service is particularly important. The customer base continued to grow as the domestic economy strengthened.

Fixed Broadband Tele2 Sweden experienced further growth in profitability during the quarter, mainly driven by reduced operational costs and increased prices in the ADSL and Coaxial cable segments. The EBITDA margin for the fixed broadband segment was 4 (-1) percent.

EBITDA LESS EXCHANGE RATE FLUCTUATIONS

	2011 Q4	2010 Q4*	Growth	2011 Full year	2010 Full year*	Growth
Sweden	829	781	6%	3,347	3,272	2%
Norway	-54	44	-223%	-22	191	-112%
Russia	1,209	877	38%	4,480	3,329	35%
Estonia	58	50	16%	234	208	13%
Lithuania	123	98	26%	451	431	5%
Latvia	94	90	4%	380	380	-
Croatia	24	2	1100%	78	-20	490%
Kazakhstan	-110	-69	-59%	-401	-155	N/A
Netherlands	501	427	17%	1,806	1,643	10%
Germany	104	102	2%	352	337	4%
Austria	92	82	12%	325	311	5%
Other	-79	-20	-295%	-178	-55	-224%
	2,791	2,464	13%	10,852	9,872	10%
FX effects		24	-1%		412	-4%
Total	2,791	2,488	12%	10,852	10,284	6%

Fixed Telephony Tele2 Sweden reported an EBITDA margin of 28 (23) percent during the fourth quarter, and as expected saw a continued decrease in demand for fixed telephony.

Norway

Mobile In the quarter, Tele2 Norway reported revenues of SEK 1,128 (647) million, impacted by the acquisition of Network Norway effective October 1, 2011. The revenue from the acquired companies amounted to SEK 558 million in Q4 2011. The revenue development for the combined companies was negatively affected by lower termination rates in the quarter.

Price competition in the marketplace intensified through aggressive campaigns; however, Tele2 Norway chose not to participate, which resulted in higher churn during the quarter and a net intake of -12,000 (10,000). However, due to low churn value, Tele2 Norway managed to gain 1 percentage point in revenue market shares during the quarter. In the residential market, sales campaigns focused on smartphones bundled with fixed-price subscriptions. The sales of iPhones had a positive effect on revenue but also caused an increase in sales costs.

Tele2 Norway reached an EBITDA contribution of SEK -67 (28) million in Q4 2011, impacted by a restructuring cost of SEK 53 million related to the acquisition of Network Norway. EBITDA was also affected by higher sales costs due to increased sales of smartphones and lower termination rates.

Fixed Telephony Fixed telephony showed a stable development of revenue and profitability during Q4 2011. Fixed telephony had an EBITDA contribution of SEK 15 (14) million in the fourth quarter.

RUSSIA

The Russian operation is Tele2's most significant growth engine. The company has GSM licences in 43 regions covering approximately 62 million inhabitants. Tele2 Russia's strategy is to have a balanced approach to rolling out new regions, while maintaining a stable profitability in the more mature regions.

Mobile The overall operational development in the quarter has been in-line with Tele2's expectations, and Tele2 Russia continued to deliver solid financial performance. The EBITDA margin development was robust, driven by steady operational trends in the more mature regions and improved scale benefits in the new regions. EBITDA amounted to SEK 1,209 (899) million, equivalent to a margin of 40 (34) percent.

The total customer base grew by 250,000 (755,000) in Q4 2011. In the quarter, adjustments were made to the customer management system, leading to 96,000 business customers defined as inactive. Still, during the last 12 months, Tele2 Russia's customer base has grown by 2.2 million new users, proving that there is a continued solid demand for the group's services despite competitors' introduction of 3G services. The total customer base amounted to 20,636,000 (18,438,000) at the end of Q4 2011. The churn level of the total customer base was stable during the quarter in spite of severe and sustained competitive pressure. Tele2 Russia will maintain its effort to be best in class in customer retention and continue to work with a commission structure to the retail channels in order to further enhance the quality of customer intake.

Despite an impact from customer base growth in new regions with lower initial service usage, and generally high competitive pressure throughout Tele2 Russia's footprint, MoU for the total operations increased by 4 percent compared to the year-earlier period, amounting to 247 (238). ARPU was SEK 49 (49) or RUB 224 (219).

On the regulatory side, Tele2 has gained a better understanding of the Russian market and set clear operational priorities in a complex environment. The conclusions of the authorities' technology neutrality study of the Russian 900/1800 spectrum are expected during 2012. Tele2 believe that the regulatory authorities will maintain their established support to the regional operators and enable them to provide essential future-proof data services.

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

CENTRAL EUROPE AND EURASIA

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

Estonia

Mobile In Q4 2011, Tele2 Estonia continued to acquire new customers as consumers and businesses remained quite price sensitive in an economic context of relative stabilization. As a result, Tele2 Estonia pursued its customer growth in the postpaid segment despite intense competition in the market.

Customer growth and increased efficiency, driven by outsourcing decisions, staff reduction and a better management of bad debt, enabled Tele2 Estonia to demonstrate a solid EBITDA growth on year-on-year basis. EBITDA amounted to SEK 58 (51) million.

Lithuania

Mobile Tele2 Lithuania kept demonstrating stable financial performance during the quarter, in spite of a demanding economic climate.

Thanks to successful sales and marketing activities, Tele2 Lithuania maintained a positive postpaid intake during the quarter. Revenue increased compared to the same period last year despite the fact that it was negatively impacted by lower interconnect rates.

In Q4 2011, EBITDA grew compared to last year and amounted to SEK 123 (96) million, helped by better cost control and higher revenue. Capex increased to SEK 39 (32) million due to planned network expansion.

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

Latvia

Mobile The mobile market in Latvia remained highly competitive during Q4 2011. Nevertheless, Tele2 Latvia managed to deliver solid financial performance in Q4 due to increased operational efficiency, leading to an improving EBITDA contribution of SEK 94 (88) million and a growing customer base in the postpaid segment.

Tele2 Latvia also focused on the development of new products and sales performance, while further developing infrastructure in terms of coverage, capacity and data capabilities.

Tele2 Latvia will continue to strengthen its market position by maintaining price leadership and concentrating its efforts on postpaid and corporate customer segments.

Croatia

Mobile EBITDA for Q4 2011 amounted to SEK 24 (3) million. The sustained improvement in EBITDA contribution was driven by continued momentum in domestic revenue market share with a particular focus on the high growth postpaid smartphone segment, the B2B postpaid segment, and postpaid mobile Internet segment.

The gross margin continued to improve from the network rollout reducing Tele2 Croatia's reliance on national roaming.

The total customer base amounted to 710,000 (738,000), shedding 117,000 customers in Q4 2011. The prepaid base was adjusted by 60,000 inactive customers after aligning Tele2 Croatia's reported customer base from a recent prepaid IT transformation program. The customer base was also negatively impacted by seasonal churn in the prepaid segment.

Six months after the launch of the new brand and retail platform, Tele2 Croatia has seen the successful take up of higher value customers particularly in the postpaid, residential smartphone, B2B, and mobile Internet customer segments.

Kazakhstan

Mobile In Q4 2011, Tele2 Kazakhstan continued to launch new regions (Pavlodar, Petropavlovsk, Oskemen and Kostanay, together with the cities of Taldykorgan and Semei) and to develop its operations in existing regions. During the quarter, Tele2 Kazakhstan also concentrated its efforts on network deployment, ending the year with more than 1,800 active sites.

Tele2 also worked on building regional distribution networks and brand awareness as well as developing and launching new tariffs and services.

Net intake was 249,000 (114,000), taking the total active customer base to 1.371.000. Tele2 Kazakhstan's operating revenue for Q4 2011 increased by 40 percent compared to Q3 2011.

The main priorities for 1H 2012 are the launches of the remaining 4 regions (with a total population of 5 million corresponding to 30 percent of the total population), network quality and coverage improvement. Furthermore, Tele2 Kazakhstan will continue to strengthen its price leadership position by further developing marketing and sales activities.

WESTERN EUROPE

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

Netherlands

Tele2 Netherlands showed another quarter of strong EBITDA and cash performance. Compared to the previous quarter, revenue growth was driven by the wholesale and mobile segments.

The merger of the BBned network with the existing Tele2 fiber network caused B2B customers to move from off-net to on-net solutions, which resulted in cost reductions and was a key driver for the company's strong result. Furthermore, the demand for data continued to increase, thereby offsetting a declining market trend in voice revenues.

Mobile The addition of new retail and online distribution channels in the last two quarters contributed to growing the mobile customer base in Q4 2011. Due to a successful marketing campaign, postpaid intake showed a positive trend with a continuing migration of customers from prepaid to postpaid, which resulted in higher ARPUs. Furthermore, Tele2 Netherlands benefited from the growing use of smartphones.

Fixed Broadband Tele2 continued to focus on high value customers, who showed a tendency to migrate from single play products to bundled services, thereby increasing the multi-play customer base. In the B2B segment, Tele2 Netherlands managed to add a number of large new business contracts to its portfolio, strengthening its position as the alternative B2B provider in the market.

Fixed Telephony Both customer base and usage declined in line with market trends. Tele2 continued to focus on retention in order to maximize value.

Germany

Tele2 Germany continued to successfully roll out activities in the mobile segment.

Besides, the company kept focusing on operational excellence and customer base management, which resulted in the stabilization of the customer base and an overall improved profitability.

Mobile The optimization of sales and provisioning processes led to an increased intake on the home telephony (via mobile) product. This product addresses the voice only segment and offers a cost effective solution to substitute the existing fixed line access of the incumbent. The new mobile product is already EBITDA positive less than 6 months after launch.

After the initial success of the voice only product, Tele2 Germany extended its portfolio with an internet and telephony product also operated via a mobile network. This product targets low to mid speed and volume internet users.

Fixed Broadband Tele2 Germany's continuous efforts and activities aimed at retaining the company's existing customer base. This resulted in a stabilization of profitability in the broadband segment.

Fixed Telephony Despite the overall decline of the "Call by Call" and Pre-Selection market which is also reflected in Tele2's top line result, retention and customer base management in the Carrier-Pre-Select segment coupled with the high brand awareness of the prefix "01013" ensured Tele2 Germany's solid profit in the fixed telephony segment.

Austria

Q4 2011 was a strong quarter for Tele2 Austria as the company achieved one of its highest EBITDA result in recent years, amounting to SEK 92 (83) million. B2B sales intake almost doubled compared to the same quarter in 2010. Tele2 Austria's improved profitability was driven by the build-up of a sound operational platform and an overall focus on cost.

To further strengthen its position in the B2B segment, Tele2 Austria successfully acquired Silver Server, a local B2B provider with a strong position in the area of Vienna.

Fixed Broadband Data revenue growth increased slightly due to newly won contracts and higher usage of existing customers. Following the strategy of moving from volume to value in the residential segment, new retention offers based on value segmentation were introduced for broadband customers.

Fixed Telephony Cross- and upselling with additional binding prolongation remained the primary activity on voice packages during the quarter, offsetting the lower minutes of use and stabilization of voice revenues.

OTHER ITEMS

Risks and uncertainty factors

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

COMPANY DISCLOSURE

Tele2 AB (publ) Annual General Meeting 2012

The 2012 Annual General Meeting will be held on May 7, 2012 in Stockholm. Shareholders wishing to have a matter considered at the Annual General Meeting should submit their proposals in writing to agm@tele2.com or to the Company Secretary, Tele2 AB (publ), P.O. Box 62, SE-164 94 Kista, Sweden, at least seven weeks before the Annual General Meeting for the proposal to be included in the notice to the meeting. Further details on how and when to register will be published in advance of the Annual General Meeting.

Nomination committee for the 2012 Annual General Meeting

A Nomination Committee of major shareholders in Tele2 AB (publ) has been formed in accordance with the resolution of the 2011 Annual General Meeting. The Nomination Committee is comprised of Cristina Stenbeck on behalf of Investment AB Kinnevik; Åsa Nisell on behalf of Swedbank Robur funds; and Björn Lind on behalf of AMF and AMF Funds. Information about the work of the Nomination Committee can be found on Tele2's corporate website at www.tele2.com. Shareholders wishing to propose candidates for election to the Board of Directors of Tele2 AB (publ) should submit their proposal in writing to agm@tele2.com or to the Company Secretary, Tele2 AB (publ), P.O. Box 62, SE 164 94, Kista, Sweden.

Other

The annual report 2011 is expected to be released on 30 March, 2012 and available on www.tele2.com.

Tele2 will release the financial and operating results for the period ending March 31, 2012 on April 19, 2012.

Stockholm, February 7, 2012

Tele2 AB

Mike Parton
Chairman

Lars Berg

Mia Brunell Livfors

Jere Calmes

John Hepburn

Erik Mitteregger

John Shakeshaft

Cristina Stenbeck

Mats Granryd
President and CEO

Review Report

Introduction

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

Scope of Review

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

Conclusion

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

Stockholm, February 7, 2012

Deloitte AB

Jan Berntsson
Authorized Public Accountant

TELEPHONE CONFERENCE

Tele2 will host a conference call, with an interactive presentation, for the global financial community at 10.00 am CET (09.00 am UK time/04.00 am NY time) on Tuesday, February 7, 2012. The conference call will be held in English and also made available as an audiocast on Tele2's dedicated Q4 2011 website, reports.tele2.com/2011/Q4.

Dial-in information

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

Dial-in numbers

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UK: +44 203 043 24 36
US: +1 866 458 40 87

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APPENDICES

Income statement

Comprehensive income

Change in shareholders' equity

Balance sheet

Cash flow statement

Number of customers

Net sales

Internal sales

EBITDA

EBIT

CAPEX

Key ratios

Parent company

Notes

VISIT OUR WEBSITE: www.tele2.com

TELE2 IS ONE OF EUROPE'S LEADING TELECOM OPERATORS, ALWAYS PROVIDING THE BEST DEAL. We have 34 million customers in 11 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2011, we had net sales of SEK 41 billion and reported an operating profit (EBITDA) of SEK 10.9 billion.

Income statement

SEK million	Note	2011 Full year	2010 Full year	2011 Q4	2010 Q4
CONTINUING OPERATIONS					
Net sales		40,750	40,164	10,839	10,109
Operating expenses		-33,964	-33,053	-9,216	-8,599
Result from shares in associated companies and joint ventures	3	17	-74	-2	-149
Other operating income	4	330	207	44	44
Other operating expenses		-165	-156	-25	-49
Operating profit, EBIT		6,968	7,088	1,640	1,356
Interest income/costs	2	-408	-497	-152	-190
Exchange rate differences, external		-24	104	29	71
Exchange rate differences, intragroup		13	178	105	12
Other financial items		-180	-138	-42	-48
Profit after financial items, EBT		6,369	6,735	1,580	1,201
Tax on profit	1, 5	-1,465	-254	-269	-102
NET PROFIT FROM CONTINUING OPERATIONS		4,904	6,481	1,311	1,099
DISCONTINUED OPERATIONS					
Net profit from discontinued operations	9	-7	447	-	404
NET PROFIT		4,897	6,928	1,311	1,503
ATTRIBUTABLE TO					
Equity holders of the parent company		4,897	6,926	1,311	1,504
Minority interest		-	2	-	-1
NET PROFIT		4,897	6,928	1,311	1,503
Earnings per share (SEK)	8	11.03	15.70	2.95	3.40
Earnings per share, after dilution (SEK)	8	10.98	15.64	2.94	3.38
FROM CONTINUING OPERATIONS					
Earnings per share (SEK)	8	11.05	14.69	2.95	2.49
Earnings per share, after dilution (SEK)	8	11.00	14.63	2.94	2.47

Comprehensive income

SEK million	2011 Full year	2010 Full year	2011 Q4	2010 Q4
Net profit	4,897	6,928	1,311	1,503
OTHER COMPREHENSIVE INCOME				
Components not to be reclassified to net profit:				
Withholding tax	-153	-12	-1	-3
Pensions, actuarial gains/losses	-59	-	-59	-
Pensions, actuarial gains/losses, tax effect	15	-	15	-
Total components not to be reclassified to net profit	-197	-12	-45	-3
Components to be reclassified to net profit:				
Exchange rate differences	-163	-2,780	-517	-203
Exchange rate differences, tax effect	17	-1,504	-483	-229
Reversed cumulative exchange rate differences from divested companies	11	-50	7	-7
Cash flow hedges	-133	46	-26	25
Cash flow hedges, tax effect	35	-12	7	-6
Total components to be reclassified to net profit	-233	-4,300	-1,012	-420
Other comprehensive income for the period, net of tax	-430	-4,312	-1,057	-423
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,467	2,616	254	1,080
ATTRIBUTABLE TO				
Equity holders of the parent company	4,467	2,614	254	1,081
Minority interest	-	2	-	-1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,467	2,616	254	1,080

Change in shareholders' equity

SEK million	Note	Dec 31, 2011			Dec 31, 2010		
		Attributable to		Total share- holders' equity	Attributable to		Total share- holders' equity
		equity holders of the parent company	minority interests		equity holders of the parent company	minority interests	
Shareholders' equity, January 1		28,872	3	28,875	28,760	63	28,823
Costs for stock options	8	44	-	44	54	-	54
New share issues	8	13	-	13	74	-	74
Sale of own shares	8	46	-	46	256	-	256
Repurchase of own shares	8	-2	-	-2	-	-	-
Dividends	8	-11,991	-	-11,991	-2,580	-	-2,580
Purchase of minority		-	-	-	-306	-62	-368
Comprehensive income for the period		4,467	-	4,467	2,614	2	2,616
SHAREHOLDERS' EQUITY, END OF PERIOD		21,449	3	21,452	28,872	3	28,875

Balance sheet

SEK million	Note	Dec 31, 2011	Dec 31, 2010
ASSETS			
FIXED ASSETS			
Goodwill	9	10,510	10,010
Other intangible assets	9, 11	4,681	3,191
Intangible assets		15,191	13,201
Tangible assets		16,233	15,130
Financial assets	3, 7	2,692	1,141
Deferred tax assets	5	2,886	3,200
FIXED ASSETS		37,002	32,672
CURRENT ASSETS			
Materials and supplies		486	273
Current receivables		7,980	6,478
Short-term investments		65	112
Cash and cash equivalents		976	834
CURRENT ASSETS		9,507	7,697
ASSETS		46,509	40,369
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Attributable to equity holders of the parent company		21,449	28,872
Minority interests		3	3
SHAREHOLDERS' EQUITY		21,452	28,875
LONG-TERM LIABILITIES			
Interest-bearing liabilities	10	12,968	1,692
Non-interest-bearing liabilities		1,114	851
LONG-TERM LIABILITIES		14,082	2,543
SHORT-TERM LIABILITIES			
Interest-bearing liabilities		1,696	1,256
Non-interest-bearing liabilities		9,279	7,695
SHORT-TERM LIABILITIES		10,975	8,951
EQUITY AND LIABILITIES		46,509	40,369

Cash flow statement

SEK million	Note	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
OPERATING ACTIVITIES									
Cash flow from operations, less paid taxes	1	10,610	10,450	2,584	2,833	2,604	2,589	2,311	2,733
Taxes paid		-948	-740	-163	-235	-325	-225	-160	-152
Changes in working capital		-414	-100	-106	77	-75	-310	-374	39
CASH FLOW FROM OPERATING ACTIVITIES		9,248	9,610	2,315	2,675	2,204	2,054	1,777	2,620
INVESTING ACTIVITIES									
Capital expenditure in intangible and tangible assets, CAPEX	11	-4,667	-3,603	-1,400	-1,073	-1,261	-933	-1,163	-923
Cash flow after CAPEX		4,581	6,007	915	1,602	943	1,121	614	1,697
Acquisition of shares and participations	9	-1,217	-1,510	-1,541	376	-37	-15	-469	-95
Sale of shares and participations	9	8	53	-7	36	-21	-	146	-1
Changes of long-term receivables from joint ventures	7	-1,999	-200	-276	-1,487	-234	-2	-200	15
Other financial assets		18	-	-	14	1	3	-	-
Cash flow from investing activities		-7,857	-5,260	-3,224	-2,134	-1,552	-947	-1,686	-1,004
CASH FLOW AFTER INVESTING ACTIVITIES		1,391	4,350	-909	541	652	1,107	91	1,616
FINANCING ACTIVITIES									
Change of loans, net		10,501	-2,806	-925	330	11,726	-630	-1,095	-1,290
Dividends	8	-11,991	-2,580	-	-	-11,991	-	-	-
New share issues	8	13	74	2	-	-	11	-	19
Sale of own shares	8	46	256	4	-	20	22	141	115
Repurchase of own shares	8	-2	-	-2	-	-	-	-	-
Shareholders contribution from minority	9	105	241	1	-	-2	106	100	51
Cash flow from financing activities		-1,328	-4,815	-920	330	-247	-491	-854	-1,105
NET CHANGE IN CASH AND CASH EQUIVALENTS		63	-465	-1,829	871	405	616	-763	511
Cash and cash equivalents at beginning of period		834	1,312	2,786	1,920	1,443	834	1,513	1,072
Exchange rate differences in cash		79	-13	19	-5	72	-7	84	-70
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		976	834	976	2,786	1,920	1,443	834	1,513

Number of customers

by thousands	Note	Number of customers				Net intake					
		2011 Dec 31	2010 Dec 31	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Sweden											
Mobile		3,724	3,607	117	212	-25	95	39	8	20	103
Fixed broadband		474	486	-12	42	2	-11	-7	4	18	15
Fixed telephony		544	651	-107	-95	-27	-26	-26	-28	-21	-20
		4,742	4,744	-2	159	-50	58	6	-16	17	98
Norway											
Mobile	9	1,066	497	3	31	-12	-1	8	8	10	10
Fixed telephony		92	103	-11	-17	-2	-3	-3	-3	-5	-4
		1,158	600	-8	14	-14	-4	5	5	5	6
Russia											
Mobile	1	20,636	18,438	2,198	3,987	250	681	720	547	755	1,170
		20,636	18,438	2,198	3,987	250	681	720	547	755	1,170
Estonia											
Mobile		490	468	22	21	1	1	21	-1	-4	7
Fixed telephony		8	11	-3	-2	-1	-1	-	-1	-	-1
		498	479	19	19	-	-	21	-2	-4	6
Lithuania											
Mobile		1,721	1,685	36	77	-2	22	34	-18	1	40
Fixed broadband	9	-	44	-	-	-	-	-	-	-	-
Fixed telephony		2	2	-	-1	-	-	-	-	-	-1
		1,723	1,731	36	76	-2	22	34	-18	1	39
Latvia											
Mobile		1,019	1,027	-8	-31	-31	14	20	-11	-25	8
Fixed telephony		-	-	-	-1	-	-	-	-	-	-
		1,019	1,027	-8	-32	-31	14	20	-11	-25	8
Croatia											
Mobile	1	710	738	-28	140	-117	45	27	17	1	81
		710	738	-28	140	-117	45	27	17	1	81
Kazakhstan											
Mobile		1,371	332	1,039	67	249	459	355	-24	114	1
		1,371	332	1,039	67	249	459	355	-24	114	1
Netherlands											
Mobile		327	338	-11	-61	2	-5	-4	-4	-13	-16
Fixed broadband		475	510	-35	17	-12	-16	-4	-3	-3	4
Fixed telephony		182	233	-51	-74	-11	-15	-13	-12	-17	-19
		984	1,081	-97	-118	-21	-36	-21	-19	-33	-31
Germany											
Mobile		45	-	45	-	31	14	-	-	-	-
Fixed broadband		100	116	-16	-23	-5	-5	-2	-4	-5	-4
Fixed telephony		835	1,182	-347	-286	-174	-16	-101	-56	-83	-60
		980	1,298	-318	-309	-148	-7	-103	-60	-88	-64
Austria											
Fixed broadband		134	130	-7	-4	-2	-2	-2	-1	-	-
Fixed telephony		231	285	-54	-67	-11	-14	-10	-19	-15	-17
		365	415	-61	-71	-13	-16	-12	-20	-15	-17
TOTAL											
Mobile		31,109	27,130	3,413	4,443	346	1,325	1,220	522	859	1,404
Fixed broadband		1,183	1,286	-70	32	-17	-34	-15	-4	10	15
Fixed telephony		1,894	2,467	-573	-543	-226	-75	-153	-119	-141	-122
TOTAL NET INTAKE		34,186	30,883	2,770	3,932	103	1,216	1,052	399	728	1,297
Acquired companies	9			577	372	577	-	-	-	75	32
Divested companies	9			-44	-	-	-	-	-44	-	-
TOTAL NUMBER OF CUSTOMERS		34,186	30,883	3,303	4,304	680	1,216	1,052	355	803	1,329

Net sales

SEK million	Note	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Sweden									
Mobile		9,721	8,701	2,550	2,461	2,395	2,315	2,311	2,297
Fixed broadband		1,544	1,531	381	381	399	383	392	379
Fixed telephony		1,408	1,773	323	342	364	379	423	437
Other operations		145	140	36	38	44	27	36	25
		12,818	12,145	3,290	3,222	3,202	3,104	3,162	3,138
Norway									
Mobile	9	2,939	2,618	1,160	612	593	574	647	640
Fixed broadband		6	8	1	2	1	2	2	2
Fixed telephony		365	413	90	91	92	92	94	98
Other operations	9	9	-	9	-	-	-	-	-
		3,319	3,039	1,260	705	686	668	743	740
Russia									
Mobile		11,669	10,296	3,037	3,081	2,922	2,629	2,685	2,720
		11,669	10,296	3,037	3,081	2,922	2,629	2,685	2,720
Estonia									
Mobile	1	834	872	219	220	207	188	217	212
Fixed telephony		5	8	1	1	2	1	2	2
Other operations		28	51	-	7	10	11	12	15
		867	931	220	228	219	200	231	229
Lithuania									
Mobile		1,261	1,306	337	336	305	283	322	336
Fixed broadband	9	2	24	-	-	-	2	6	5
Fixed telephony		-	1	-	-	-	-	-	1
		1,263	1,331	337	336	305	285	328	342
Latvia									
Mobile		1,103	1,270	274	291	276	262	303	313
		1,103	1,270	274	291	276	262	303	313
Croatia									
Mobile		1,301	1,346	319	382	323	277	335	383
		1,301	1,346	319	382	323	277	335	383
Kazakhstan									
Mobile		346	119	161	115	41	29	37	38
		346	119	161	115	41	29	37	38
Netherlands									
Mobile		844	859	215	201	213	215	210	206
Fixed broadband		3,396	3,340	843	852	851	850	911	788
Fixed telephony		823	1,064	192	197	214	220	239	248
Other operations		822	595	224	196	199	203	216	123
		5,885	5,858	1,474	1,446	1,477	1,488	1,576	1,365
Germany									
Mobile		26	-	21	5	-	-	-	-
Fixed broadband		254	313	61	63	64	66	71	75
Fixed telephony		802	1,132	190	198	201	213	255	261
Other operations		14	70	-	-1	3	12	20	22
		1,096	1,515	272	265	268	291	346	358
Austria									
Fixed broadband		842	930	213	210	209	210	219	226
Fixed telephony		294	373	70	72	74	78	83	88
Other operations		241	277	60	64	61	56	66	67
		1,377	1,580	343	346	344	344	368	381
Other									
Other operations		666	931	154	158	166	188	192	202
		666	931	154	158	166	188	192	202
TOTAL									
Mobile		30,044	27,387	8,293	7,704	7,275	6,772	7,067	7,145
Fixed broadband		6,044	6,146	1,499	1,508	1,524	1,513	1,601	1,475
Fixed telephony		3,697	4,764	866	901	947	983	1,096	1,135
Other operations		1,925	2,064	483	462	483	497	542	454
		41,710	40,361	11,141	10,575	10,229	9,765	10,306	10,209
Internal sales, elimination		-960	-770	-302	-235	-231	-192	-191	-211
		40,750	39,591	10,839	10,340	9,998	9,573	10,115	9,998
One-off items	1	-	573	-	-	-	-	-6	-9
TOTAL		40,750	40,164	10,839	10,340	9,998	9,573	10,109	9,989

Internal sales

SEK million	Note	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Sweden									
Mobile		400	227	142	93	87	78	70	78
Fixed broadband		14	14	5	4	4	1	2	2
Other operations		6	23	–	1	3	2	1	–
		420	264	147	98	94	81	73	80
Norway									
Mobile	9	32	–	32	–	–	–	–	–
Fixed telephony		42	23	12	11	10	9	6	6
		74	23	44	11	10	9	6	6
Russia									
Mobile		206	154	49	66	60	31	39	42
		206	154	49	66	60	31	39	42
Estonia									
Other operations		28	51	–	7	10	11	12	15
		28	51	–	7	10	11	12	15
Lithuania									
Mobile		9	12	1	3	2	3	3	3
		9	12	1	3	2	3	3	3
Latvia									
Mobile		9	9	1	3	3	2	2	2
		9	9	1	3	3	2	2	2
Netherlands									
Fixed broadband		8	12	2	1	3	2	3	2
Other operations		54	8	17	15	12	10	3	2
		62	20	19	16	15	12	6	4
Other									
Other operations		152	237	41	31	37	43	50	59
		152	237	41	31	37	43	50	59
TOTAL									
Mobile		656	402	225	165	152	114	114	125
Fixed broadband		22	26	7	5	7	3	5	4
Fixed telephony		42	23	12	11	10	9	6	6
Other operations		240	319	58	54	62	66	66	76
TOTAL		960	770	302	235	231	192	191	211

EBITDA

SEK million	Note	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Sweden									
Mobile	2	2,842	2,803	716	723	734	669	669	748
Fixed broadband	2	111	24	14	43	43	11	-2	16
Fixed telephony	2	348	416	89	80	96	83	98	106
Other operations		46	29	10	15	19	2	16	2
		3,347	3,272	829	861	892	765	781	872
Norway									
Mobile	2, 9	-89	122	-67	-37	6	9	28	4
Fixed broadband		3	10	1	2	-	-	-	3
Fixed telephony		67	64	15	16	18	18	14	15
Other operations	9	-3	-	-3	-	-	-	-	-
		-22	196	-54	-19	24	27	42	22
Russia									
Mobile		4,480	3,573	1,209	1,214	1,115	942	899	1,011
		4,480	3,573	1,209	1,214	1,115	942	899	1,011
Estonia									
Mobile	1	234	218	58	68	57	51	50	52
Other operations		-	1	-	-	-	-	1	-
		234	219	58	68	57	51	51	52
Lithuania									
Mobile		451	450	123	123	92	113	96	124
Fixed broadband	9	-	5	-	-	-	-	1	1
		451	455	123	123	92	113	97	125
Latvia									
Mobile		380	398	94	98	103	85	88	99
		380	398	94	98	103	85	88	99
Croatia									
Mobile		78	-21	24	43	10	1	3	14
		78	-21	24	43	10	1	3	14
Kazakhstan									
Mobile		-401	-173	-110	-101	-119	-71	-74	-54
		-401	-173	-110	-101	-119	-71	-74	-54
Netherlands									
Mobile	2	115	162	21	37	36	21	57	36
Fixed broadband	2	1,131	1,037	305	295	270	261	260	233
Fixed telephony	2	229	307	57	55	56	61	48	81
Other operations	2	331	229	118	78	62	73	68	50
		1,806	1,735	501	465	424	416	433	400
Germany									
Mobile		-10	-	9	-12	-7	-	-	-
Fixed broadband		45	-89	13	12	7	13	-	-28
Fixed telephony		317	449	82	86	78	71	107	121
Other operations		-	-3	-	-	-	-	-2	-1
		352	357	104	86	78	84	105	92
Austria									
Fixed broadband		185	144	54	43	41	47	44	39
Fixed telephony		129	164	33	33	31	32	36	49
Other operations		11	20	5	4	-	2	3	6
		325	328	92	80	72	81	83	94
Other									
Other operations		-178	-55	-79	-25	-37	-37	-20	24
		-178	-55	-79	-25	-37	-37	-20	24
TOTAL									
Mobile		8,080	7,532	2,077	2,156	2,027	1,820	1,816	2,034
Fixed broadband		1,475	1,131	387	395	361	332	303	264
Fixed telephony		1,090	1,400	276	270	279	265	303	372
Other operations		207	221	51	72	44	40	66	81
TOTAL		10,852	10,284	2,791	2,893	2,711	2,457	2,488	2,751

EBIT

SEK million	Note	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Sweden									
Mobile	2	1,984	2,137	484	502	527	471	461	581
Fixed broadband	2	-239	-293	-90	-36	-51	-62	-79	-61
Fixed telephony	2	301	376	78	67	84	72	86	97
Other operations		8	-19	1	4	10	-7	7	-11
		2,054	2,201	473	537	570	474	475	606
Norway									
Mobile	2, 9	-163	87	-127	-42	2	4	12	-
Fixed broadband		3	10	1	2	-	-	-	3
Fixed telephony		62	60	13	16	15	18	13	13
Other operations	9	-3	-	-3	-	-	-	-	-
		-101	157	-116	-24	17	22	25	16
Russia									
Mobile		3,584	2,770	966	994	894	730	688	822
		3,584	2,770	966	994	894	730	688	822
Estonia									
Mobile	1	166	151	40	49	41	36	32	37
Other operations		-	1	-	-	-	-	1	-
		166	152	40	49	41	36	33	37
Lithuania									
Mobile		366	357	101	102	71	92	74	99
Fixed broadband	9	-	1	-	-	-	-	-	-
		366	358	101	102	71	92	74	99
Latvia									
Mobile		286	313	62	77	82	65	67	79
		286	313	62	77	82	65	67	79
Croatia									
Mobile		-42	-134	-7	12	-20	-27	-25	-13
		-42	-134	-7	12	-20	-27	-25	-13
Kazakhstan									
Mobile	2	-720	-376	-239	-168	-181	-132	-114	-134
		-720	-376	-239	-168	-181	-132	-114	-134
Netherlands									
Mobile	2	97	146	15	32	32	18	51	32
Fixed broadband	2	630	436	180	170	147	133	101	95
Fixed telephony	2	173	237	41	41	43	48	29	65
Other operations	2	228	159	90	55	37	46	30	39
		1,128	978	326	298	259	245	211	231
Germany									
Mobile		-15	-	4	-12	-7	-	-	-
Fixed broadband		35	-101	12	9	4	10	-4	-31
Fixed telephony		282	404	78	76	68	60	97	112
Other operations		-	-3	-	-	-	-	-2	-1
		302	300	94	73	65	70	91	80
Austria									
Fixed broadband		106	46	35	25	20	26	19	15
Fixed telephony		93	119	25	23	23	22	27	38
Other operations		-14	-10	-1	-2	-6	-5	-4	-2
		185	155	59	46	37	43	42	51
Other									
Other operations		-236	-170	-93	-26	-59	-58	-54	1
		-236	-170	-93	-26	-59	-58	-54	1
TOTAL									
Mobile		5,543	5,451	1,299	1,546	1,441	1,257	1,246	1,503
Fixed broadband		535	99	138	170	120	107	37	21
Fixed telephony		911	1,196	235	223	233	220	252	325
Other operations		-17	-42	-6	31	-18	-24	-22	26
		6,972	6,704	1,666	1,970	1,776	1,560	1,513	1,875
One-off items		-4	384	-26	-20	-57	99	-157	17
TOTAL		6,968	7,088	1,640	1,950	1,719	1,659	1,356	1,892

EBIT, cont.

		SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT							
SEK million	Note	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
EBITDA		10,852	10,284	2,791	2,893	2,711	2,457	2,488	2,751
Sale of operations		-43	-2	-1	-2	-2	-38	-	-2
Acquisition costs	9	-46	-16	-25	-18	-1	-2	-	-3
Sale of shares in joint ventures	3	-	-247	-	-	-	-	-247	-
Other one-off items in result from shares in joint ventures	3	-	127	-	-	-	-	96	31
Other one-off items	1, 2, 4	85	522	-	-	-54	139	-6	-9
Total one-off items		-4	384	-26	-20	-57	99	-157	17
Depreciation/amortization and other impairment		-3,897	-3,626	-1,123	-923	-944	-907	-977	-885
Result from shares in associated companies and joint ventures		17	46	-2	-	9	10	2	9
EBIT		6,968	7,088	1,640	1,950	1,719	1,659	1,356	1,892

CAPEX

SEK million	Note	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Sweden									
Mobile		214	158	48	60	51	55	20	38
Fixed broadband		245	210	67	43	67	68	76	54
Fixed telephony		2	14	–	2	–	–	1	2
Other operations		24	15	7	6	–1	12	6	–
		485	397	122	111	117	135	103	94
Norway									
Mobile	9	152	14	138	5	5	4	2	4
Fixed telephony		6	2	2	1	1	2	1	–
		158	16	140	6	6	6	3	4
Russia									
Mobile		2,010	1,495	575	662	511	262	632	429
		2,010	1,495	575	662	511	262	632	429
Estonia									
Mobile		83	59	17	21	18	27	15	12
		83	59	17	21	18	27	15	12
Lithuania									
Mobile		114	110	39	31	24	20	32	22
Fixed broadband	9	–	2	–	–	–	–	1	–
		114	112	39	31	24	20	33	22
Latvia									
Mobile		91	94	20	20	21	30	35	24
		91	94	20	20	21	30	35	24
Croatia									
Mobile		102	115	19	24	28	31	64	21
		102	115	19	24	28	31	64	21
Kazakhstan									
Mobile	11	902	169	262	52	463	125	168	–
		902	169	262	52	463	125	168	–
Netherlands									
Mobile		9	9	4	2	1	2	3	2
Fixed broadband		360	472	92	90	89	89	94	155
Fixed telephony		41	55	13	9	9	10	14	17
Other operations		44	42	11	9	11	13	10	12
		454	578	120	110	110	114	121	186
Germany									
Mobile		38	–	9	20	9	–	–	–
Fixed broadband		1	4	–	–	1	–	2	1
Fixed telephony		–	3	–	–	–	–	1	1
		39	7	9	20	10	–	3	2
Austria									
Fixed broadband		37	34	18	8	5	6	12	5
Fixed telephony		21	20	8	5	3	5	7	3
Other operations		13	11	6	3	2	2	4	1
		71	65	32	16	10	13	23	9
Other									
Other operations		584	544	138	126	144	176	120	153
		584	544	138	126	144	176	120	153
TOTAL									
Mobile		3,715	2,223	1,131	897	1,131	556	971	552
Fixed broadband		643	722	177	141	162	163	185	215
Fixed telephony		70	94	23	17	13	17	24	23
Other operations		665	612	162	144	156	203	140	166
TOTAL		5,093	3,651	1,493	1,199	1,462	939	1,320	956

CAPEX, cont.

SEK million	ADDITIONAL CASH FLOW INFORMATION							
	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
CAPEX according to cash flow statement	4,667	3,603	1,400	1,073	1,261	933	1,163	923
This year unpaid CAPEX and paid CAPEX from previous year	187	12	94	51	41	1	168	11
Sales price in cash flow statement	239	36	-1	75	160	5	-11	22
CAPEX according to balance sheet	5,093	3,651	1,493	1,199	1,462	939	1,320	956

Key ratios

SEK million	2011	2010	2009	2008	2007
CONTINUING OPERATIONS					
Net sales	40,750	40,164	39,436	38,330	39,082
Number of customers (by thousands)	34,186	30,883	26,579	24,018	22,768
EBITDA	10,852	10,284	9,394	8,227	6,721
EBIT	6,968	7,088	5,736	2,906	1,740
EBT	6,369	6,735	5,236	1,893	1,009
Net profit/loss	4,904	6,481	4,755	1,758	-78
Key ratios					
EBITDA margin, %	26.6	26.0	23.8	21.4	17.1
EBIT margin, %	17.1	17.6	14.5	7.6	4.5
Value per share (SEK)					
Earnings	11.05	14.69	10.72	3.91	0.05
Earnings after dilution	11.00	14.63	10.70	3.91	0.05
TOTAL					
Shareholders' equity	21,452	28,875	28,823	28,405	27,010
Shareholders' equity after dilution	21,455	28,894	28,823	28,415	27,054
Total assets	46,509	40,369	40,737	47,337	48,809
Cash flow from operating activities	9,248	9,610	9,118	7,896	4,350
Cash flow after CAPEX	4,581	6,007	4,778	3,288	-819
Available liquidity	9,936	12,814	12,410	17,248	25,901
Net debt	11,369	1,691	2,171	4,952	5,198
Investments in intangible and tangible assets, CAPEX	5,093	3,651	4,439	4,623	5,198
Investments in shares, short-term investments etc	3,190	1,742	-3,357	-2,255	-11,444
Key ratios					
Equity/assets ratio, %	46	72	71	60	55
Debt/equity ratio, multiple	0.53	0.06	0.08	0.17	0.19
Return on shareholders' equity, %	19.5	24.0	16.4	8.9	-5.6
Return on shareholders' equity after dilution, %	19.5	24.0	16.4	8.9	-5.6
Return on capital employed, %	20.8	23.6	17.6	12.9	2.0
Average interest rate, %	6.7	10.0	6.9	6.2	5.2
Value per share (SEK)					
Earnings	11.03	15.70	10.61	5.53	-3.50
Earnings after dilution	10.98	15.64	10.59	5.53	-3.50
Shareholders' equity	48.33	65.44	65.31	63.93	60.67
Shareholders' equity after dilution	48.09	65.23	65.18	63.90	60.70
Cash flow from operating activities	20.84	21.78	20.71	17.80	9.78
Dividend, ordinary	6.50 ¹⁾	6.00	3.85	3.50	3.15
Extraordinary dividend	6.50 ¹⁾	21.00	2.00	1.50	4.70
Market price at closing day	133.90	139.60	110.20	69.00	129.50

¹⁾ Proposed dividend

Parent company

INCOME STATEMENT

SEK million	2011 Full year	2010 Full year
Net sales	65	48
Administrative expenses	-117	-120
Operating loss, EBIT	-52	-72
Dividend from group company	4,500	13,000
Group Contribution	-11	1,580
Exchange rate difference on financial items	-	48
Net interest expenses and other financial items	52	-392
Profit after financial items, EBT	4,489	14,164
Tax on profit	6	-316
NET PROFIT	4,495	13,848

BALANCE SHEET

SEK million	Note	Dec 31, 2011	Dec 31, 2010
ASSETS			
FIXED ASSETS			
Financial assets		33,908	23,414
FIXED ASSETS		33,908	23,414
CURRENT ASSETS			
Current receivables		4,512	14,601
Cash and cash equivalents		3	3
CURRENT ASSETS		4,515	14,604
ASSETS		38,423	38,018
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted equity	8	17,546	17,533
Unrestricted equity	8	12,428	19,978
SHAREHOLDERS' EQUITY		29,974	37,511
LONG-TERM LIABILITIES			
Interest-bearing liabilities		8,221	426
LONG-TERM LIABILITIES		8,221	426
SHORT-TERM LIABILITIES			
Interest-bearing liabilities		172	39
Non-interest-bearing liabilities		56	42
SHORT-TERM LIABILITIES		228	81
EQUITY AND LIABILITIES		38,423	38,018

Notes

ACCOUNTING PRINCIPLES AND DEFINITIONS

The full year report for the group was prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and the full year report for the parent company was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Reporting for legal entities and its statements.

New and amended IFRS standards and IFRIC interpretations

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

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

New accounting principle for the parent company

In Q4 2011, the parent company changed accounting principle, with retroactive effect for group contribution, from being reported in equity to being reported as financial items in the income statement. Comparable figures for 2010 were adjusted accordingly, where financial items were positively affected by SEK 1,580 million and tax costs increased by SEK 415 million.

New accounting principle from 2012

Tele2 plans to change accounting principles for joint ventures from the equity method to the proportional consolidation method, effective from January 1, 2012, with retrospective application. The effects on the financial statements are stated in Note 12.

NOTE 1 NET SALES AND CUSTOMERS

In Q4 2011, number of customers in Russia and Croatia decreased by 96 000 and 60 000 customers, respectively, as a one-time adjustment, due to changes in IT systems.

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

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

NOTE 2 OPERATING AND FINANCIAL EXPENSES

In Q4 2011, Kazakhstan was negatively affected by SEK 59 million due to impairment loss of obsolete equipment.

In Q3 and Q4 2011, the mobile operation in Norway was negatively affected by SEK 7 and 53 million, respectively, due to restructuring costs in connection with the acquisition of Network Norway.

In Q3 2011, Sweden was negatively affected by SEK 45 million due to restructuring costs, of which SEK 34 million related to mobile, SEK 6 million to fixed broadband and SEK 5 million to fixed telephony.

In Q2 2011, Sweden was negatively affected by SEK 54 million in relation to future rental costs for mobile sites to be dismantled. The negative effect has been reported as a one-off item.

In Q2 2011, Netherlands was negatively affected by SEK 48 million due to restructuring costs related to the acquisition of BBned in 2010.

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

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

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

NOTE 3 RESULT FROM SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

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

NOTE 4 OTHER OPERATING INCOME

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

NOTE 5 TAXES

In Q4 2011, net taxes were positively affected by SEK 108 million as a result of a valuation of deferred tax assets related to BBned in Netherlands.

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

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

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

NOTE 6 CONTINGENT LIABILITIES

SEK million	Note	Dec 31, 2011	Dec 31, 2010
Disputes		263	258
Guarantee related to joint ventures			
- Svenska UMTS-nät, Sweden	7	-	1,260
- Mobile Norway		-	199
- Net4Mobility, Sweden		5	-
Total contingent liabilities		268	1,717

Tele2 is the defendant in an arbitration regarding a dispute relating to a Share Option Agreement and related issues where the claimant has put forward claims of SEK 263 million. We estimate that the arbitration award will be announced during the first half of 2012. Based on current information, our assessment is that it is more likely than not that we will win.

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

NOTE 7 TRANSACTIONS WITH RELATED PARTIES

In Q3 2011, the guarantees in favor of the joint venture Svenska UMTS-nät AB were replaced with loans from the owners, of which Tele2's part was SEK 1,484 million.

Apart from transactions with joint ventures, no other significant related party transactions have been carried out during 2011. Related parties are presented in Note 38 of the 2010 Annual Report. The revised IAS 24 *Related Party Disclosures* clarifies the definition of a related party. In accordance with the revised IAS 24 the associated companies to Kinnevik are no longer classified as related parties to Tele2.

NOTE 8 SHARES AND INCENTIVE PROGRAMS (LTI)

	Dec 31, 2011	Dec 31, 2010
Number of shares		
– outstanding, basic	444,149,959	443,262,339
– in own custody	4,633,380	3,701,000
– weighted average	443,851,976	441,229,755
– after dilution	446,492,847	445,120,571
– after dilution, weighted average	446,136,419	442,929,325

DIVIDEND

Tele2's Board of Directors intends to propose an increase of the ordinary dividend with 8 percent to SEK 6.50 per share in respect of the financial year 2011 at the Annual General Meeting in 2012 and an extraordinary dividend of SEK 6.50 per share.

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

NEW SHARE ISSUE AND SALE OF SHARES

In Q4 2011, Tele2 issued, and immediately repurchased, 1,700,000 new C-shares to be used for future exercises of LTIs, resulting in an increase in share capital of SEK 2 million.

As a result of stock options in the LTI 2007 being exercised during Q1, Q2 and Q4 2011, Tele2 sold B-shares in own custody of 179,500, 161,500 and 32,000 respectively, resulting in an increase of shareholders' equity of SEK 22, 20 and 4 million respectively.

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

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

RECLASSIFICATION

In Q2 and Q4 2011, 410,000 and 510,000 class C shares, respectively, in own custody were reclassified into class B shares in Tele2. In Q1 2011, 100 class A shares were reclassified into class B shares in Tele2.

INCENTIVE PROGRAM (LTI)

	2011 Jun 17 – Dec 31
Number of share rights	
Allocated June 17, 2011	1,053,936
Forfeited	-61,000
Total outstanding share rights	992,936

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

LTI 2010

	2011 Jan 1 – Dec 31	Cumulative from start
Number of share rights		
Allocated June 9, 2010		873,120
Outstanding as of January 1, 2011	869,120	
Allocated, compensation for dividend	123,089	123,089
Forfeited	-134,152	-138,152
Total outstanding share rights	858,057	858,057

LTI 2009

	2011 Jan 1 – Dec 31	Cumulative from start
Number of share rights		
Allocated June 1, 2009		656,160
Outstanding as of January 1, 2011	545,372	
Allocated, compensation for dividend	71,912	92,096
Forfeited	-133,088	-264,060
Total outstanding share rights	484,196	484,196

LTI 2008

	2011 Jan 1 – Dec 31	Cumulative from start
Number of share rights		
Allocated May 30, 2008		384,400
Allocated October 24, 2008		56,000
Allocated December 19, 2008		194,872
Allocated Q2 2009, compensation for dividend		25,533
Allocated Q2 2010, compensation for dividend		14,672
		675,477
Outstanding as of January 1, 2011	401,120	
Forfeited	-6,500	-280,857
Exercised	-394,620	-394,620
Total outstanding share rights	-	-

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

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

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

LTI 2007

	2011 Jan 1 – Dec 31	Cumulative from start
Number of options		
Allocated August 28, 2007		3,552,000
Outstanding as of January 1, 2011	432,000	
Forfeited	-	-1,023,000
Exercised	-373,000	-2,470,000
Total outstanding stock options	59,000	59,000

Weighted average share price for stock options at date of exercise amounted to SEK 149.19 (139.21) during 2011.

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

CONT. NOTE 8

LTI 2006

Number of options	Stock options		Warrants	
	2011 Jan 1 – Dec 31	Cumulative from start	2011 Jan 1 – Dec 31	Cumulative from start
Allocated March 7, 2006		1,504,000		752,000
Outstanding as of January 1, 2011	120,000		–	
Forfeited	–	–570,000	–	–752,000
Exercised	–120,000	–934,000	–	–
Total outstanding	–	–	–	–

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

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

NOTE 9 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2011 Full year
Acquisitions	
Silver Server, Austria	–97
Network Norway	–1,441
Connect Data Solutions, Netherlands	–37
Group companies	–1,575
Capital contribution to joint venture companies	–17
Dividend from joint venture companies	375
Associated companies/joint ventures and other securities	358
Total net of acquisitions and dividend	–1,217
Divestments	
Datamatrix Outsourcing, Sweden	–7
KRT, Lithuania	34
Settlements of previous years' divestments	–22
Settlements of previous years' discontinued operations	3
Total divestments	8
TOTAL CASH FLOW EFFECT	–1,209

ACQUISITIONS

Silver Server, Austria

On December 22, 2011 Tele2 acquired 100 percent of the Austrian internet service provider Silver Server for SEK 100 million.

Silver Server is a provider of internet services, which specializes in serving B2B customers. The company operates a fiber-based network with focus on Vienna and upper Austria. The acquisition of Silver Server will give Tele2 Austria a stronger presence in the B2B market, and reinforce its position as Austria's leading alternative telecom provider.

Goodwill in connection with the acquisition is related to Tele2's expectation that Silver Server will strengthen Tele2's position in the Austrian market by increasing Tele2's overall market share and profitability in the B2B segment. Tele2 will benefit from the synergies that exist between Tele2 and Silver Server given the similarity between Silver Server's and Tele2's operations. Tele2's expectation is that the transaction will contribute positively to the company's growth opportunities.

Total acquisition costs of SEK 4 million have been reported in the income statement.

Network Norway

On October 3, 2011 Tele2 acquired 99.85 percent of the Norwegian mobile operator Network Norway and later during the month the remaining 0.15 percent was acquired. The 100 percent Tele2 now owns was acquired for SEK 1,637 million.

Network Norway is Tele2's 50/50 joint venture partner in Mobile Norway, the company established to roll out the third mobile network in Norway and which operates 900 MHz and 2100 MHz licenses in the country. The acquisition of Network Norway makes Tele2 the number three mobile operator in the Norwegian telecom market with more than 1 million customers and gives the operational leverage that is needed to complete Norway's third mobile network.

For Tele2 it was necessary to consolidate the Norwegian operations to reach sustainable profitability. Goodwill is related to economies of scale in the fields of sales, marketing, customer service and administration.

Total acquisition costs of SEK 28 million have been reported in the income statement.

Connect Data Solutions, Netherlands

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

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

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

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

Acquisitions after closing date

Tele2 announced on January 16, 2012 that Tele2 Estonia acquired the telecommunication service provider Televõrgu AS. Tele2 will pay in cash approximately SEK 225 million on a cash and debt free basis. Completion is expected following approval from the Competition Authorities. The acquisition will give Tele2 Estonia a stronger presence towards business customers in the Estonian market, and full control over its transmission network until 2025.

Previous year acquisitions

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

In 2010, Tele2 acquired 51 percent of the mobile operator NEO in Kazakhstan, where Tele2 committed to a capital injection of SEK 360 million. In 2011, SEK 108 (251) million were paid by Tele2 and SEK 105 (241) million by the minority owner. Total acquisition costs for Tele2 Kazakhstan of SEK 48 million were reported in the income statement, whereof SEK 29 million were reported in 2009, SEK 6 million in 2010 and SEK 13 million in 2011.

CONT. NOTE 9

Net assets at the time of acquisition

Fair value of assets, liabilities and contingent liabilities included in the operations acquired before December 31, 2011, are stated below:

SEK million	Silver S, Austria	Network Norway	CDS, Neth	Total
Customer agreements	96	745	42	883
Software	1	98	-	99
Licences	-	60	-	60
Trademarks	-	68	-	68
Tangible assets	38	918	5	961
Financial assets	-	142	-	142
Deferred tax assets	2	306	-	308
Material and supplies	-	2	-	2
Current receivables	4	407	4	415
Restricted cash	-	5	-	5
Cash and cash equivalents	1	196	5	202
Long-term liabilities	-5	-989	-	-994
Deferred tax liabilities	-24	-202	-11	-237
Short-term liabilities	-22	-808	-9	-839
Acquired net assets	91	948	36	1,075
Goodwill	9	553	6	568
Fair value of equity interest at acquisition	-	-174	-	-174
Purchase price shares	100	1,327	42	1,469
Payment for debt in acquired companies	-	310	-	310
Purchase price not yet paid	-3	-	-	-3
	97	1,637	42	1,776
Exchange rate differences	1	-	-	1
Less: cash in acquired companies	-1	-196	-5	-202
NET EFFECT ON GROUP CASH ASSETS	97	1,441	37	1,575

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

DIVESTMENTS

Datamatrix Outsourcing, Sweden

On March 27, 2011 Tele2 signed an agreement for the sale of its IT outsourcing operation in Sweden. The sale was completed in April, 2011 and resulted in a capital loss of SEK 40 million. The operation affected Tele2's net sales 2011 by SEK 34 (147) million, and EBITDA 2011 by SEK 4 (33) million.

KRT, Lithuania

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

Other divestments

Other cash flow changes include settlements of price adjustments and disputes in the amount of SEK 22 million for divestments which have not been classified as discontinued operations.

Net assets at the time of divestment

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

SEK million	Datam Out, Sweden	KRT, Lithuania	Total
Intangible assets	8	-	8
Tangible assets	23	34	57
Material and supplies	-	1	1
Current receivables	-	1	1
Cash and cash equivalents	-	5	5
Exchange rate differences	-	-2	-2
Short-term liabilities	-1	-4	-5
Divested net assets	30	35	65
Capital gain/loss	-40	4	-36
Sales price, net sales costs	-10	39	29
Sales costs etc, unpaid	3	-	3
Less: cash in divested operations	-	-5	-5
EFFECT ON GROUP CASH ASSETS	-7	34	27

PRO FORMA

The table below shows how the acquired and divested companies and operations on December 31, 2011 should have affected Tele2's net sales and result if they had been acquired or divested before January 1, 2011.

SEK million	Full year 2011						Tele2- group, pro forma
	Tele2- group ¹⁾	Acquired and divested operations				KRT, Lithuania	
		Silver S, Austria	Network Norway	CDS, Neth	Datam Out, Sweden		
Net sales	40,750	12	1,731	21	-34	-2	42,478
EBITDA	10,852	-	158	-	-4	-	11,006
Net profit	4,904	-2	-9	-1	42	-	4,934

¹⁾ Continued operation

DISCONTINUED OPERATIONS

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

SEK million	Discontinued operation							
	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Income statement								
Net sales	-	-	-	-	-	-	-	-
Profit/loss before tax	-7	453	-	1	5	-13	410	29
Taxes	-	-6	-	-	-	-	-6	-
Net profit/loss	-7	447	-	1	5	-13	404	29
Cash flow statement								
Operating activities	-	-	-	-	-	-	-	-
Investing activities	3	323	-	39	-16	-20	418	-9
Change in cash and cash equivalents	3	323	-	39	-16	-20	418	-9

NOTE 10 FINANCING

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

NOTE 11 CAPEX

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

NOTE 12 CHANGED ACCOUNTING PRINCIPLE FROM 2012

Tele2 plans to change accounting principles for joint ventures from the equity method to the proportional consolidation method, effective from January 1, 2012, with retrospective application.

The International Accounting Standards Board (IASB) has issued a new standard for joint arrangements, IFRS 11 (not yet adopted by the EU). IFRS 11 is focusing on the rights and obligations that exist between the parties. This is determinative when deciding which type of joint arrangement exists. A joint arrangement is a construction where two or more parties contractually agree on joint control. It is not only the legal form that should be considered. There are two types of joint arrangements: joint operation and joint venture. A joint operation arises when the joint control owners have rights to the assets and obligations for the liabilities that are connected to the investment. A joint venture applies to the case where the joint determinative owners have rights to the net assets of the investment. Depending on whether one is dealing with a joint operation or a joint venture, different accounting principles shall be applied. According to the new standard, only the equity method is allowed when consolidating joint ventures, i.e. the proportional consolidation is no longer allowed. The parties in a joint operation shall report their assets, liabilities, revenues and expenses and their share of joint assets, liabilities, revenues and expenses.

Tele2 has reviewed its joint ventures. The assessment shows that the major part of these will be classified as joint operations according to IFRS 11. As a consequence, Tele2 plans to change accounting principle already from January 1, 2012, within the current IAS 31 *Interests in Joint Ventures*, from the present equity method to the proportional consolidation method for joint ventures. The decision is additionally based on the fact that Tele2 Sweden is building its 3G and 4G networks in joint ventures and that the proportional consolidation method is expected to give a more true and fair view. The change of accounting principle will increase the net sales, EBITDA, assets and liabilities of the group and has a minor effect on operating profit and net cash flows. The change will have no effect on net profit or shareholders' equity.

The effects from the change of accounting principle are stated below.

Income statement

SEK million	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
CONTINUING OPERATIONS							
Net sales	251	421	13	89	80	69	70
Operating expenses	-215	-373	-22	-67	-65	-61	-59
Result from shares in associated companies and joint ventures	-16	-145	2	-	-8	-10	-99
Other operating income	62	31	30	5	11	16	7
Operating profit, EBIT	82	-66	23	27	18	14	-81
Interest income/costs	-75	-30	-23	-24	-16	-12	-15
Profit after financial items, EBT	7	-96	-	3	2	2	-96
Tax on profit	-7	96	-	-3	-2	-2	96
NET PROFIT	-	-	-	-	-	-	-

Balance sheet

SEK million	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010
ASSETS					
FIXED ASSETS					
Goodwill	-	147	147	142	144
Other intangible assets	450	264	265	265	32
Intangible assets	450	411	412	407	176
Tangible assets	2,189	2,550	2,518	2,384	2,312
Financial assets	-2,529	-2,516	-1,403	-1,126	-1,068
Deferred tax assets	91	91	91	92	96
FIXED ASSETS	201	536	1,618	1,757	1,516
CURRENT ASSETS					
Current receivables	104	134	134	155	164
Cash and cash equivalents	50	26	58	61	36
CURRENT ASSETS	154	160	192	216	200
ASSETS	355	696	1,810	1,973	1,716
EQUITY AND LIABILITIES					
LONG-TERM LIABILITIES					
Interest-bearing liabilities	-	332	287	247	216
LONG-TERM LIABILITIES	-	332	287	247	216
SHORT-TERM LIABILITIES					
Interest-bearing liabilities	-	-	1,171	1,187	1,260
Non-interest-bearing liabilities	355	364	352	539	240
SHORT-TERM LIABILITIES	355	364	1,523	1,726	1,500
EQUITY AND LIABILITIES	355	696	1,810	1,973	1,716

Cash flow statement

SEK million	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
OPERATING ACTIVITIES							
Cash flow from operations, less paid taxes	285	330	59	69	82	75	64
Changes in working capital	157	42	54	-18	68	53	26
CASH FLOW FROM OPERATING ACTIVITIES	442	372	113	51	150	128	90
INVESTING ACTIVITIES							
Capital expenditure in intangible and tangible assets, CAPEX	-905	-355	-353	-69	-400	-83	-171
Cash flow after CAPEX	-463	17	-240	-18	-250	45	-81
Acquisition of shares and participations	-372	125	-12	-375	-	15	-
Changes of long-term receivables from joint ventures	1,999	200	276	1,487	234	2	200
Cash flow from investing activities	722	-30	-89	1,043	-166	-66	29
CASH FLOW AFTER INVESTING ACTIVITIES	1,164	342	24	1,094	-16	62	119
FINANCING ACTIVITIES							
Change of loans, net	-1,150	-393	-	-1,126	13	-37	-134
Cash flow from financing activities	-1,150	-393	-	-1,126	13	-37	-134
NET CHANGE IN CASH AND CASH EQUIVALENTS	14	-51	24	-32	-3	25	-15
Cash and cash equivalents at beginning of period	36	87	26	58	61	36	51
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	50	36	50	26	58	61	36

CONT. NOTE 12

Net sales

SEK million	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
Sweden							
Mobile	222	382	40	70	61	51	62
Other operations	-4	-11	2	-2	-3	-1	-4
TOTAL	218	371	42	68	58	50	58
Norway							
Mobile	74	66	-	27	24	23	19
TOTAL	74	66	-	27	24	23	19
TOTAL							
Mobile	296	448	40	97	85	74	81
Other operations	-4	-11	2	-2	-3	-1	-4
Internal sales, elimination	292	437	42	95	82	73	77
Internal sales, elimination	-41	-16	-29	-6	-2	-4	-7
TOTAL	251	421	13	89	80	69	70

Internal sales

SEK million	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
Sweden							
Mobile	16	12	8	4	2	2	5
Other operations	25	4	21	2	-	2	2
TOTAL	41	16	29	6	2	4	7

EBITDA

SEK million	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
Sweden							
Mobile	318	345	82	76	85	75	72
TOTAL	318	345	82	76	85	75	72
Norway							
Mobile	42	14	-	17	13	12	6
TOTAL	42	14	-	17	13	12	6
TOTAL							
Mobile	360	359	82	93	98	87	78
TOTAL	360	359	82	93	98	87	78

EBIT

SEK million	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
Sweden							
Mobile	66	18	23	19	14	10	6
TOTAL	66	18	23	19	14	10	6
Norway							
Mobile	16	12	-	8	4	4	9
TOTAL	16	12	-	8	4	4	9
TOTAL							
Mobile	82	30	23	27	18	14	15
TOTAL	82	30	23	27	18	14	15
One-off items	-	-96	-	-	-	-	-96
TOTAL	82	-66	23	27	18	14	-81

SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT

SEK million	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
EBITDA	360	359	82	93	98	87	78
One-off items in result from shares in joint ventures	-	-96	-	-	-	-	-96
Depreciation/amortization and other impairment	-262	-280	-61	-66	-72	-63	-60
Result from shares in associated companies and joint ventures	-16	-49	2	-	-8	-10	-3
EBIT	82	-66	23	27	18	14	-81

CAPEX

SEK million	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
Sweden							
Mobile	882	254	356	56	127	343	155
TOTAL	882	254	356	56	127	343	155
Norway							
Mobile	130	190	1	36	62	31	105
TOTAL	130	190	1	36	62	31	105
TOTAL							
Mobile	1,012	444	357	92	189	374	260
TOTAL	1,012	444	357	92	189	374	260

ADDITIONAL CASH FLOW INFORMATION

SEK million	2011 Full year	2010 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
CAPEX according to cash flow statement	905	355	353	69	400	83	171
This year unpaid CAPEX and paid CAPEX from previous year	107	89	4	23	-211	291	89
CAPEX according to balance sheet	1,012	444	357	92	189	374	260

Key ratios

SEK million	2011	2010	2009	2008
Net sales	251	421	400	300
EBITDA	360	359	227	225
EBIT	82	-66	45	120
EBT	7	-96	-	-
Total assets	355	1,716	2,268	2,360
Cash flow from operating activities	442	372	309	192
Cash flow after CAPEX	-463	17	-143	-251
Available liquidity	50	440	110	35
Net debt	2,149	1,726	1,842	2,060
Investments in intangible and tangible assets, CAPEX	1,012	444	452	443
Investments in shares, short-term investments etc	-1,627	-325	-352	-87
Key ratios				
EBITDA margin, %	0.7	0.6	-0.4	0.4
EBIT margin, %	0.1	-0.3	-	0.2