

INTERIM REPORT SECOND QUARTER 2014

TELE2

Maintained strong growth in mobile services

Q2 2014 HIGHLIGHTS

Strong mobile end-user service revenue growth for the Group

■ In the quarter, total net sales amounted to SEK 6,343 (6,424) million, affected by fixed line telephony and termination rates. However, more importantly mobile end-user service revenue grew by 7 percent amounting to SEK 3,094 (2,900) million. This trend was driven by positive usage of mobile data, compensating less revenue from mobile voice and SMS.

Robust operational performance in Tele2 Sweden

■ Mobile end-user service revenue in Sweden grew by 4 percent in Q2 2014, driven by increased usage in the postpaid segment. The mobile EBITDA contribution in the quarter was SEK 777 (757) million.

Maintained positive customer intake within mobile for Tele2 Netherlands

■ Tele2 Netherlands continued to gain market share by adding 27,000 (49,000) customers and taking the total mobile customer base to 768,000 (584,000). Mobile end-user service revenue amounted to SEK 308 (227) million, growing by 36 percent in Q2 2014.

Strong customer intake for Tele2 Kazakhstan

■ Customer intake amounted to 213,000 (309,000) in Q2 2014, as the new commission structure yielded results. End-user service revenue grew by 1 percent in Q2 2014, amounting to SEK 225 (223) million impacted by devaluation of the local currency and lower interconnect levels. However, thanks to improved operational scale and lower interconnect levels, EBITDA amounted to SEK 3 (-52) million.

Sale of Tele2 Norway

■ In July 2014, Tele2 agreed to sell its Norwegian business to TeliaSonera for an Enterprise Value of SEK 5.1 billion, equivalent to a cash value of SEK 5.3 billion. The transaction follows Tele2's strategic review of its Norwegian business prompted by changes to the structure of the Norwegian market as a result of the license auction in December 2013. The sale will be completed after approval by regulatory authorities. Tele2 Norway has been presented in this report as discontinued operations.

Changed financial guidance

■ As a result of the sale of Tele2 Norway, the financial guidance for 2014 has changed (see page 4).

Net sales
Q2 2014

6,343

SEK million

Excl. Tele2 Norway

EBITDA
Q2 2014

1,466

SEK million

Excl. Tele2 Norway

Key Financial Data Q2

SEK million	Q2			H1		
	2014	2013	%	2014	2013	%
Net sales	6,343	6,424	-1	12,495	12,672	-1
Net sales excluding exchange rate differences	6,343	6,533	-3	12,495	12,867	-3
EBITDA	1,466	1,474	-1	2,825	2,923	-3
EBITDA excluding exchange rate differences	1,466	1,520	-4	2,825	3,003	-6
EBIT	787	772	2	1,744	1,508	16
Net profit	818	369	122	1,401	809	73
Earnings per share, after dilution (SEK)	1.83	0.82	120	3.13	1.81	73

The figures presented in this report refer to Q2 2014 and continuing operations unless otherwise stated. The figures shown in parentheses refer to the comparable periods in 2013.

CEO Word, Q2 2014

This quarter's results demonstrate that we are delivering on our growth strategy in all major regions with mobile end-user service revenue growth rising by 7 percent. Our investment in this growth is having the anticipated impact on our margins, as we are developing our mobile operations in the Netherlands, Kazakhstan, and other markets.

Our Swedish operations continued to enjoy good end-user service revenue growth during the quarter. The demand for mobile data maintained its strong momentum as our customers' usage of streaming services grew. However, the quarter was also characterized by tougher competition, in both the price and value segments. As a result, our marketing efforts increased in the quarter to ensure maintained price leadership for Comviq and value leadership for Tele2.

Our Dutch consumer fixed broadband operations started to turn the corner in the quarter showing positive customer intake in the consumer segment. This was accomplished through improved pricing of our broadband product in combination with better TV offerings. Going forward, we will maintain our effort to develop this area which will play a complementary role in the composition of our total product offering. The mobile business kept its pace through an innovative pricing and packaging strategy which increased market share. It is a very competitive environment; and, we will innovate to stay ahead of the game. As an example, new pricing models were introduced through SmartMix, Nonstop and the Click and Collect concept, which draws from the positive experience we already have in the Swedish market. In the Netherlands, our network rollout accelerated in the quarter. Also, our technical organization continued to improve processes to further increase network roll-out speed.

On the 7th of July, we announced the sale of our Norwegian business. Since the creation of Tele2 Norway in 1995, we have

“Our Swedish operations continued to enjoy good end-user service revenue growth during the quarter. The demand for mobile data maintained its strong momentum as our customers' usage of streaming services grew.”

built a successful mobile business of 1.2 million subscribers. We are proud of the strong brand name, effective organization, and talented employees. Subject to approval from the Norwegian competition authorities, the proposed sale is good for our customers, shareholders, and Tele2 as a whole.

Tele2 Kazakhstan saw further progress in customer intake, as the result of the remodeled commission structure. Our commercial offers were also better aligned to meet a strongly growing mobile data demand. Our improving position within 3G services reinforces this

strong drive in mobile data. The network rollout maintained its momentum; and, our technical team closed the margin on our competitors' capabilities.

Within one of our new growth areas, M2M/IoT (Internet of Things) won a major contract by providing connectivity across Europe to the Vattenfall group. Even though it is early days, we believe that our partnership program lays the foundation for further success in this field.

Our focus for 2014 is clear. The Netherlands and Kazakhstan are building a mobile business for the future, contributing strongly to the Group's overall growth. Sweden stands as the standard when it comes to creating a profitable and data centric business model.

Mats Granryd
President and CEO

SIGNIFICANT EVENTS | Q2

- Tele2 and NetComm Wireless Limited announced M2M/IoT partnership
- Tele2 to provide Vattenfall Group with M2M/IoT connectivity solutions across Europe
- Tele2 launched IPX Solution across its footprint

SUBSEQUENT EVENTS

- Tele2 agreed to sell its Norwegian business to TeliaSonera for an Enterprise Value of SEK 5.1 billion, equivalent to a cash value of SEK 5.3 billion (Note 10)

Financial Overview

Tele2's financial performance is driven by a consistent focus on developing mobile services on own infrastructure, complemented in certain countries by fixed broadband services and business-to-business offerings. Mobile net sales, which grew compared to the same period last year, combined with greater efforts to develop mobile services on own infrastructure have had a positive impact on Tele2's EBITDA. The Group will concentrate on maximizing the return from fixed-line services.

Following the announced sale of Tele2 Norway, the business unit is reported separately under discontinued operations in the income statement, with a retrospective effect in previous periods, and as assets held for sale in the balance sheet as of June 30, 2014 (see Note 10).

Net customer intake amounted to 250,000 (312,000) in Q2 2014. The customer intake in mobile services amounted to 286,000 (433,000). This development was mainly driven by positive customer intake in Kazakhstan, Croatia, the Netherlands and Germany. The fixed broadband customer base decreased by -9,000 (-12,000) customers in Q2 2014, primarily attributable to Tele2's operations in Sweden. However, the quarter also showed a turnaround in the fixed broadband customer base in the Netherlands following an improved product portfolio. As expected, the number of fixed telephony customers fell in Q2 2014 by -27,000 (-109,000). On June 30, 2014 the total customer base amounted to 13,439,000 (13,949,000).

Net sales in Q2 2014 amounted to SEK 6,343 (6,424) million. The net sales development was mainly a result of lower interconnect levels within mobile services (see page 17 for mobile external net sales split) and negative net sales development within consumer fixed telephony and fixed broadband. However, mobile end-user service revenue continued to grow by 7 percent as the use of mobile data surged in the quarter.

EBITDA in Q2 2014 amounted to SEK 1,466 (1,474) million, equivalent to an EBITDA margin of 23 (23) percent. The EBITDA development was positively affected by SEK 48 million in the Netherlands (see note 2). The operational development was also affected by expansion costs in the mobile segment, tougher competition in the

fixed broadband segment and a decreasing fixed telephony customer base. However, relatively better monetization of mobile data usage supported the operational development.

EBIT in Q2 2014 amounted to SEK 786 (769) million excluding one-off items. Including one-off items, EBIT amounted to SEK 787 (772) million.

Profit before tax in Q2 2014 amounted to SEK 1,026 (624) million. The EBT development was positively affected by SEK 363 million due to a revaluation of the put option of the business in Kazakhstan. The change relates to the devaluation of the Kazakhstan currency as well as increased financing provided by Tele2.

Net profit in Q2 2014 amounted to SEK 818 (369) million. Reported tax for Q2 2014 amounted to SEK -208 (-255) million. Tax payment affecting cash flow amounted to SEK -46 (-7) million. Deferred tax assets amounted to SEK 2.2 billion at the end of the quarter.

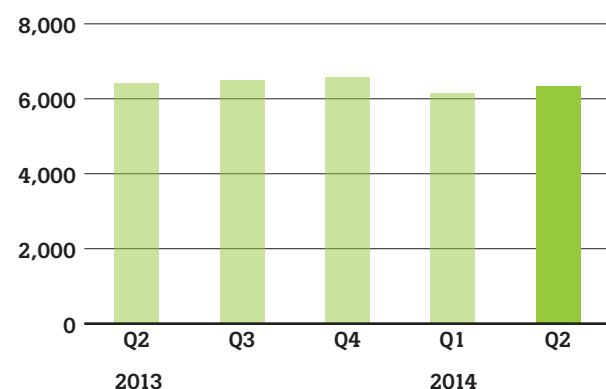
Cash flow after CAPEX in Q2 2014 amounted to SEK 309 (572, excluding Norway) million mainly due to mobile network roll-outs in Sweden, the Netherlands, and Kazakhstan.

CAPEX in Q2 2014 amounted to SEK 850 (714) million, driven principally by further network expansion in Sweden, the Netherlands and Kazakhstan.

Net debt amounted to SEK 9,268 (8,879) million on June 30, 2014, or 1.59 times 12-month rolling EBITDA. Tele2's available liquidity amounted to SEK 8,661 (12,033) million (see Note 3 for further information on financial debt).

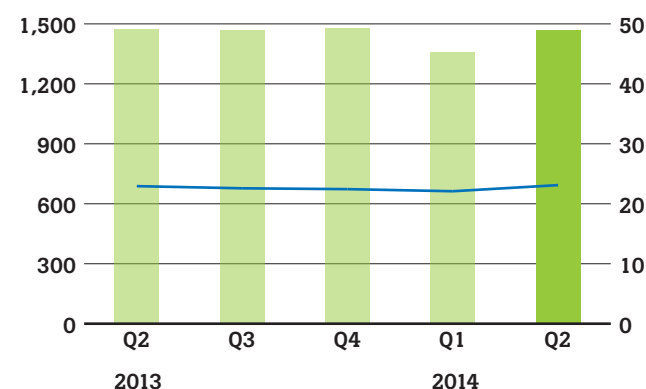
Net sales

SEK million



EBITDA/EBITDA margin

SEK million/Percent



Financial Guidance

Following the divestment of Tele2 Norway, Tele2 AB makes the following update to the guidance for 2014 for continuing operations:

- Tele2 expects total revenue of between SEK 24.8 and 25.2 (earlier 30.0 including Tele2 Norway) billion.
- Tele2 expects EBITDA of between SEK 5.7 and 5.8 (earlier 6.0 including Tele2 Norway) billion.
- Tele2 forecasts a CAPEX level of between SEK 3.5 and 3.8 (earlier 4.5 including Tele2 Norway) billion.

In addition to the sale of Tele2 Norway, the revenue part of the financial guidance has been impacted by:

- The devaluation of the Kazakhstan currency.
- Generally lower handset sales within our mobile businesses.

Both of these factors have a limited impact on EBITDA.

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 operations or the acquisition of assets within Tele2's economic requirements.

Balance sheet

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

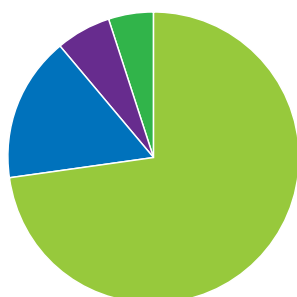
Financial summary

SEK million	Note	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Mobile¹⁾						
Net customer intake (thousands)		286	433	340	750	594
Net sales		4,629	4,389	9,043	8,497	17,613
EBITDA		1,009	950	1,940	1,851	3,755
EBIT		580	524	1,093	994	1,939
CAPEX		586	439	1,001	2,145	3,217
Fixed broadband¹⁾						
Net customer intake (thousands)		-9	-12	-27	-46	-86
Net sales		1,038	1,244	2,080	2,559	5,025
EBITDA		225	283	458	590	1,194
EBIT		42	66	104	155	350
CAPEX		108	123	239	248	585
Fixed telephony¹⁾						
Net customer intake (thousands)		-27	-109	-71	-173	-255
Net sales		391	506	815	1,037	1,967
EBITDA	2	179	167	308	340	645
EBIT	2	154	144	265	296	564
CAPEX		9	11	19	21	46
Total						
Net customer intake (thousands)		250	312	242	531	253
Net sales		6,343	6,424	12,495	12,672	25,757
EBITDA		1,466	1,474	2,825	2,923	5,869
EBIT ²⁾	2	786	769	1,501	1,503	2,960
CAPEX	7	850	714	1,559	2,694	4,399
EBT	4	1,026	624	1,840	1,295	1,975
Net profit		818	369	1,401	809	951
Cash flow from operating activities, continuing operations		1,155	1,315	1,862	2,175	4,973
Cash flow from operating activities, total operations		1,306	1,361	1,813	2,936	5,813
Cash flow after CAPEX, continuing operations	7	309	572	268	-571	789
Cash flow after CAPEX, total operations		274	456	-281	-430	572

1) Excluding one-off items (see section EBIT on page 20).

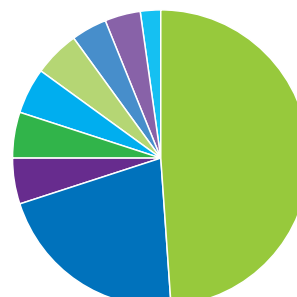
2) Total EBIT includes result from sale of operations and other one-off items stated under the segment reporting section of EBIT (page 20).

Net sales per service area, Q2 2014



Mobile	73%	Fixed telephony	6%
Fixed broadband	16%	Other	5%

Net sales per country, Q2 2014



Sweden	49%	Austria	5%
Netherlands	21%	Latvia	4%
Kazakhstan	5%	Germany	4%
Croatia	5%	Estonia	2%
Lithuania	5%		

Overview by country

NET SALES LESS EXCHANGE RATE FLUCTUATIONS

	2014 Q2	2013 Q2*	Growth	2014 YTD	2013 YTD*	Growth
SEK million						
Sweden	3,111	3,139	-1%	6,132	6,219	-1%
Netherlands	1,318	1,425	-8%	2,638	2,812	-6%
Kazakhstan	309	279	11%	603	537	12%
Croatia	329	350	-6%	628	656	-4%
Lithuania	330	345	-4%	634	650	-2%
Latvia	223	231	-3%	436	477	-9%
Estonia	161	173	-7%	315	336	-6%
Austria	299	329	-9%	590	656	-10%
Germany	226	226	-	455	449	1%
Other	37	36	3%	64	75	-15%
Continued operations	6,343	6,533	-3%	12,495	12,867	-3%
FX effects		-109	2%		-195	2%
Total	6,343	6,424	-1%	12,495	12,672	-1%

* Adjusted for fluctuations in exchange rates.

Sweden

Mobile In Q2 2014, underlying end-user service revenue amounted to SEK 1,815 (1,746) million, with a growth of 4 percent compared to the same period last year. Total customer base was 3,717,000 (3,743,000) and the EBITDA contribution reached SEK 777 (757) million in the quarter.

The residential postpaid market was characterized by enhanced activities and promotions from competitors offering increased sizes of data buckets, as well as continued price pressure. A majority of the residential postpaid segment's customer base (63 percent) is now on bucket price plans and the share of 4G-enabled handsets sold reached 90 percent, demonstrating the continuously increasing demand for high-speed mobile data.

The intensified network rollout, leading to an area coverage increase from 70 to 90 percent, started with a positive response. 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.

In the business segment, Q2 2014 proved to be a strong quarter for the large enterprise segment as the company acquired significant new customers such as Bonnier, Kriminalvården and Tullverket. Also, the segment continued to see an increased market demand for Communication as a Service, driven by the new Kammarkollegiet agreement for the Public sector. Furthermore, the growth in mobile service revenue continued and an all-time high of 55 percent (Survey conducted by Millward Brown) of the Swedish business market is now considering choosing Tele2 as an operator.

Fixed broadband The fixed broadband had a positive development in Q2 2014 with an EBITDA contribution of SEK 25 (19) million, driven by the above mentioned development in the business segment.

Fixed telephony The EBITDA contribution in the quarter amounted to SEK 57 (62) million. Tele2 Sweden saw, as expected, a continued decrease in demand for fixed telephony as a consequence of the increased demand for mobile bucket price plans.

The Netherlands

The second quarter of 2014 marked the continuation of mobile growth and saw for the first time in 36 months an increase in the residential fixed broadband customer base. The marketing

EBITDA LESS EXCHANGE RATE FLUCTUATIONS

	2014 Q2	2013 Q2*	Growth	2014 YTD	2013 YTD*	Growth
SEK million						
Sweden	882	856	3%	1,707	1,690	1%
Netherlands	267	339	-21%	524	669	-22%
Kazakhstan	3	-44	-	4	-84	-
Croatia	33	23	43%	58	26	123%
Lithuania	127	140	-9%	235	262	-10%
Latvia	67	73	-8%	129	155	-17%
Estonia	38	38	-	77	85	-9%
Austria	58	81	-28%	107	174	-39%
Germany	31	39	-21%	65	92	-29%
Other	-40	-25	-60%	-81	-66	-23%
Continued operations	1,466	1,520	-4%	2,825	3,003	-6%
FX effects		-46	3%		-80	3%
Total	1,466	1,474	-1%	2,825	2,923	-3%

* Adjusted for fluctuations in exchange rates.

campaign re-launching the Tele2 brand in the previous quarter also led to an increase in consideration among consumers and businesses, which should convert into future sales growth in all segments. In the business segment, Tele2 Netherlands was able to add yet more important contracts to its portfolio. The rollout of the 4G mobile network accelerated in the quarter.

Mobile Tele2 Netherlands, still operating as a mobile virtual network operator (MVNO), maintained its position as one of the fastest growing mobile providers in the Dutch market. A net intake of 27,000 (49,000) customers brought the total mobile customer base to 768,000. This resulted in an increased end-user service revenue of 36 percent, amounting to SEK 308 (227) million. In the quarter, the consumer preferences continued to be more in favor of SIM-only rather than mobile offers in combination with handsets.

MNO launch Tele2 Netherlands' rollout continued to gather pace. The preparatory work on site acquisitions, combined with backhaul and power arrangements, has resulted in a growing funnel of sites leading to an increase in the rollout speed.

Fixed broadband Tele2 Netherlands has focused on improving its fixed service portfolio for the past three quarters. Q2 2014 marked the expansion of the VDSL footprint from 1.5 million to 3.8 million Dutch households, thereby enabling Tele2 Netherlands to offer higher bandwidth connections.

The customer base development reflected these improvements and following 36 months of decline, Tele2 Netherlands returned to growth with a positive intake in the consumer segment. The total customer base amounted to 367,000 (397,000).

In Q2 2014, the Dutch business sales team was once again able to add several new big contracts to its client list. The company managed to attract the Royal Dutch Airlines KLM, offering fixed line telephony to more than 18,000 connections. Tele2 Netherlands will also execute an important part of Tele2 Group's contract with the Vattenfall Group, offering nationwide M2M services to the Dutch branch Nuon.

Norway

On the 7th of July, Tele2 AB agreed to sell Tele2 Norway to Telia-Sonera for or an Enterprise Value of SEK 5.1 billion, equivalent to a cash value of SEK 5.3 billion. The sale will be completed after

approval by regulatory authorities. As a result, Tele2 Norway is reported under discontinued operations in the income statement, with a retrospective effect in previous periods, and as assets held for sale in the balance sheet as of June 30, 2014 (see Note 10).

Kazakhstan

Mobile Throughout Q2 2014, Tele2 Kazakhstan continued to show growing customer intake and good operational progress. Customer intake amounted to 213,000 (309,000) customers during the quarter, taking the total customer base to 2,984,000 (3,162,000). Mobile end-user service revenue grew by 1 percent compared to same quarter previous year due to termination rate cut and devaluation of local currency and amounted to SEK 225 (223) million. The EBITDA contribution was SEK 3 (-52) million.

Tele2 Kazakhstan kept launching new offers for customers, such as the unlimited on-net tariff plan in eight new regions of Kazakhstan, aimed at strengthening its price leadership position in the market. Furthermore, the first online re-registration of a mobile number was launched by Tele2 Kazakhstan in June 2014.

The company continued to invest in its mobile network in order to improve quality perception in the market. Most efforts concentrated on expanding geographical coverage and improving network quality. This, combined with commercial activities and the launches of new offers across all the regions of Kazakhstan, resulted in a more than 75 percent increase in mobile data traffic.

Croatia

Mobile With attractive offers during the whole quarter and a special offer in June, Tele2 Croatia achieved a net intake of 45,000 (13,000) customers. Tele2 Croatia had a solid end-user service revenue increase of 7 percent, while net sales declined by -1 percent due to reduced mobile termination rates and lower roaming prices. During Q2 2014, Tele2 Croatia continued to improve operationally with a strong EBITDA contribution of SEK 33 (22) million.

The regulatory environment became more uncertain in the quarter as the local government unexpectedly announced the increase of radio frequency fees in the country by three times by December 2014. Tele2 Croatia believes that the frequency fee increase is in breach of EU legislation and is disputing the matter. However, as a proactive measure Tele2 Croatia increased prices from July 1 for all its customers to cover the increased cost for frequencies.

Lithuania

Mobile Despite strong competition, Tele2 Lithuania maintained a solid performance in Q2 2014 with stable end-user services revenue at SEK 213 (213) million.

During the quarter, Tele2 Lithuania reached an EBITDA of SEK 127 (133) million. The decline was mainly driven by higher level of acquisition and marketing costs required in Q2 2014 to face increased competition. However, Tele2 Lithuania's EBITDA margin remained high at 38 (41) percent in the quarter due to good cost control.

Faced with intensified price pressure from competition, Tele2 Lithuania will work to further improve its retention activities. The company will also continue to aggressively grow its market share in the business segment, benefiting from general price sensitivity among private companies and state-owned organizations.

Tele2 Lithuania maintained its efforts to build out its 2G/3G/4G network to improve its perception in the market. As a result of finalized network swap Tele2 Lithuania has very modern infrastructure ready for 4G and improved customer experience.

Tele2 Lithuania was selected to be the most efficient company in Lithuania in a 3rd party survey.

Latvia

Mobile Tele2 Latvia continued to operate under difficult market conditions in Q2 2014.

The company's end-user service revenue was SEK 134 (136) million in the quarter, impacted by reduced mobile termination rates. Having achieved a significant gain in reputation through ongoing attention to service excellence and performance, Tele2 Latvia concentrated its efforts on maintaining its efficiency during the quarter despite a heightened level of competition in the market. However, as a result of increasing price pressure, the EBITDA margin decreased to 30 (32) percent.

Tele2 Latvia will pursue its active position in the market while keeping its focus on revenue growth, customer satisfaction and future development.

Network swap has been finalized and Tele2 Latvia now has a very modern infrastructure ready for 4G and improved customer experience.

Tele2 Latvia was awarded as the best customer service provider among all telecom operators in Latvia.

Estonia

Mobile Tele2 Estonia showed a solid financial performance during Q2 2014 under difficult market conditions, with end-user service revenue and EBITDA amounting to SEK 97 (98) million and SEK 32 (28) million respectively.

Tele2 Estonia achieved a record high Customer Satisfaction score in Q2 2014 and launched 4G for mobile broadband services on the 800 MHz band.

Tele2 Estonia will focus on increasing customer intake by utilizing all commercial channels, but especially its own shops as they generate higher ARPU customers. Tele2 Estonia will also work on optimizing its fiber network. The objective is to acquire more business customers by providing them with direct data link not only in Estonia, but also through partners abroad.

The network swap is planned to be finalized during Q3 2014, which will lead to a very modern infrastructure ready for 4G and improved customer experience.

Tele2 Estonia prepaid was the most popular prepaid card in Estonia in a survey concluded in Q1 2014.

Austria

In the quarter Tele2 Austria's net sales amounted to SEK 299 (311) million stabilized by enhanced focus on driving growth in the business and residential segments. As a result of increased marketing activities EBITDA amounted to SEK 58 (77) million. Tele2 Austria maintained a very high customer satisfaction level at 83 percent.

Fixed broadband Tele2 Austria continued to work on improving its brand and market positioning during the quarter, leading to an uptick in customer intake. EBITDA contribution improved compared to Q1 2014, and reached SEK 28 million.

Fixed telephony Successful retention and cross-selling activities through online continued throughout the quarter.

Germany

Solid growth in the mobile segment continued during the quarter, in a highly competitive market. The fixed and broadband segments still

provided sustainable financial performance to support Tele2 Germany's transformation into a fixed and mobile service provider. The targeted stabilization and growth of the German operations is developing as planned resulting in a net sales increase of 6 percent to SEK 226 (214) million in Q2 2014 compared to the same period last year.

Mobile The mobile segment showed a solid net intake, adding 18.000 (13.000) new customers in the quarter thanks to an improved sales channels setup. End-user service revenue growth increased to SEK 106 (73) million in Q2 2014. The services's positive

development more than compensates for the decline of customers and net sales in the fixed line services.

Fixed broadband and telephony Though following the general declining market trend, the fixed telephony (Carrier Pre-Selection and Open Call-by-Call) and fixed broadband 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.

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 licenses, price competition, integration of new business models, changes in regulatory legislation, operation in Kazakhstan, network sharing with other parties, 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 2013 (see Directors' report and Note 2 of the report for a detailed description of Tele2's risk exposure and risk management), no additional significant risks are estimated to have developed.

Company disclosure

Other

Tele2 will release the financial and operating results for the period ending September 30, 2014 on October 23, 2014.

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

Stockholm, July 16, 2014
Tele2 AB

Mike Parton
Chairman

Lars Berg

Mia Brunell Livfors

Lorenzo Grabau

Irina Hemmers

Erik Mitteregger

Carla Smits-Nusteling

Mario Zanotti

Mats Granryd
President and CEO

Auditors' Review Report

Introduction

We have reviewed the interim report for Tele2 AB (publ.) for the period January 1 – June 30, 2014. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance

with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm, July 16, 2014
Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Q2 2014 PRESENTATION

Tele2 will host a presentation, with the possibility to join through a conference call, for the global financial community at 10:00 am CEST (09:00 am BST/04:00 am EDT) on Wednesday, July 16, 2014. The presentation will be held in English and also made available as an audiocast on Tele2's website: www.tele2.com.

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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APPENDICES

Income statement
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Change in equity
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Cash flow statement
Numbers of customers
Net sales
Internal sales
Mobile external net sales split
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EBIT
CAPEX
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Notes

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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 13 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 2013, we had net sales of SEK 26 billion and reported an operating profit (EBITDA) of SEK 6 billion.

Income statement

SEK million	Note	2014 Jan 1–Jun 30	2013 Jan 1–Jun 30	2013 Full year	2014 Q2	2013 Q2
CONTINUING OPERATIONS						
Net sales	1	12,495	12,672	25,757	6,343	6,424
Cost of services sold	2	-7,191	-7,394	-15,445	-3,638	-3,737
Gross profit		5,304	5,278	10,312	2,705	2,687
Selling expenses	2	-2,667	-2,682	-5,541	-1,343	-1,362
Administrative expenses	2	-1,199	-1,138	-2,339	-612	-582
Result from shares in joint ventures and associated companies		-6	-11	-17	-3	-5
Other operating income	10	441	102	206	93	56
Other operating expenses	2	-129	-41	-95	-53	-22
Operating profit, EBIT		1,744	1,508	2,526	787	772
Interest income/costs	3	-185	-154	-368	-95	-49
Other financial items	4	281	-59	-183	334	-99
Profit after financial items, EBT		1,840	1,295	1,975	1,026	624
Income tax	5	-439	-486	-1,024	-208	-255
NET PROFIT FROM CONTINUING OPERATIONS		1,401	809	951	818	369
DISCONTINUED OPERATIONS						
Net profit/loss from discontinued operations	10	-222	13,783	13,639	-114	13,214
NET PROFIT		1,179	14,592	14,590	704	13,583
ATTRIBUTABLE TO						
Equity holders of the parent company		1,179	14,592	14,590	704	13,583
Earnings per share (SEK)	9	2.65	32.79	32.77	1.58	30.52
Earnings per share, after dilution (SEK)	9	2.63	32.59	32.55	1.57	30.34
FROM CONTINUING OPERATIONS						
ATTRIBUTABLE TO						
Equity holders of the parent company		1,401	809	951	818	369
Earnings per share (SEK)	9	3.15	1.81	2.14	1.84	0.82
Earnings per share, after dilution (SEK)	9	3.13	1.81	2.12	1.83	0.82

Comprehensive income

SEK million	Note	2014 Jan 1–Jun 30	2013 Jan 1–Jun 30	2013 Full year	2014 Q2	2013 Q2
Net profit		1,179	14,592	14,590	704	13,583
OTHER COMPREHENSIVE INCOME						
Components not to be reclassified to net profit						
Pensions, actuarial gains/losses		-15	-	203	-14	-
Pensions, actuarial gains/losses, tax effect		3	-	-45	3	-
Total components not to be reclassified to net profit		-12	-	158	-11	-
Components that may be reclassified to net profit						
Exchange rate differences	10	345	175	266	405	711
Exchange rate differences, tax effect		-31	-74	-18	-19	1
Reversed cumulative exchange rate differences from divested companies	10	-3	1,734	1,716	-	1,733
Cash flow hedges		-73	84	82	-38	116
Cash flow hedges, tax effect		16	-18	-18	8	-25
Total components that may be reclassified to net profit		254	1,901	2,028	356	2,536
Other comprehensive income for the period, net of tax		242	1,901	2,186	345	2,536
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,421	16,493	16,776	1,049	16,119
ATTRIBUTABLE TO						
Equity holders of the parent company		1,421	16,493	16,776	1,049	16,119

Change in equity

SEK million	Note	Jun 30, 2014			Jun 30, 2013			Dec 31, 2013		
		Attributable to		Total equity	Attributable to		Total equity	Attributable to		Total equity
		equity holders of the parent company	non-controlling interests		equity holders of the parent company	non-controlling interests		equity holders of the parent company	non-controlling interests	
Equity, January 1		21,589	2	21,591	20,426	3	20,429	20,426	3	20,429
Net profit for the period		1,179	-	1,179	14,592	-	14,592	14,590	-	14,590
Other comprehensive income for the period, net of tax		242	-	242	1,901	-	1,901	2,186	-	2,186
Total comprehensive income for the period		1,421	-	1,421	16,493	-	16,493	16,776	-	16,776
Other changes in equity										
Share-based payments	9	13	-	13	1	-	1	14	-	14
Share-based payments, tax effect	9	-1	-	-1	8	-	8	10	-	10
Dividends	9	-1,960	-	-1,960	-3,163	-	-3,163	-3,163	-	-3,163
Redemption of shares	9	-	-	-	-12,474	-	-12,474	-12,474	-	-12,474
Purchase of non-controlling interests	9	-	-	-	-	-1	-1	-	-1	-1
EQUITY, END OF THE PERIOD		21,062	2	21,064	21,291	2	21,293	21,589	2	21,591

Balance sheet

SEK million	Note	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
ASSETS				
NON-CURRENT ASSETS				
Goodwill		9,133	9,462	9,537
Other intangible assets	2	4,811	5,339	5,183
Intangible assets		13,944	14,801	14,720
Tangible assets	2	10,006	11,904	11,747
Financial assets	3	307	103	365
Deferred tax assets	5	2,246	3,239	2,753
NON-CURRENT ASSETS		26,503	30,047	29,585
CURRENT ASSETS				
Inventories		602	410	471
Current receivables		6,800	8,345	7,948
Current investments		41	52	55
Cash and cash equivalents	6	526	740	1,348
CURRENT ASSETS		7,969	9,547	9,822
ASSETS CLASSIFIED AS HELD FOR SALE	10	4,092	–	448
ASSETS		38,564	39,594	39,855
EQUITY AND LIABILITIES				
EQUITY				
Attributable to equity holders of the parent company		21,062	21,291	21,589
Non-controlling interests		2	2	2
EQUITY	9	21,064	21,293	21,591
NON-CURRENT LIABILITIES				
Interest-bearing liabilities	3	5,177	6,222	6,282
Non-interest-bearing liabilities	5	395	591	441
NON-CURRENT LIABILITIES		5,572	6,813	6,723
CURRENT LIABILITIES				
Interest-bearing liabilities	3	4,573	3,463	3,148
Non-interest-bearing liabilities		6,463	8,025	8,340
CURRENT LIABILITIES		11,036	11,488	11,488
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	10	892	–	53
EQUITY AND LIABILITIES		38,564	39,594	39,855

Cash flow statement

(Total operations)

SEK million	Note	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
OPERATING ACTIVITIES										
Operating profit		1,533	15,505	16,339	679	854	586	248	13,926	1,579
Adjustments for non-cash items in operating profit		1,324	-11,318	-9,141	806	518	891	1,286	-12,426	1,108
Financial items paid		-163	-182	-455	-122	-41	-141	-132	-69	-113
Taxes paid		-171	-339	-479	-46	-125	-109	-31	-7	-332
Cash flow from operations before changes in working capital		2,523	3,666	6,264	1,317	1,206	1,227	1,371	1,424	2,242
Changes in working capital		-710	-730	-451	-11	-699	293	-14	-63	-667
CASH FLOW FROM OPERATING ACTIVITIES		1,813	2,936	5,813	1,306	507	1,520	1,357	1,361	1,575
INVESTING ACTIVITIES										
CAPEX paid	7	-2,094	-3,366	-5,241	-1,032	-1,062	-1,013	-862	-905	-2,461
Cash flow after CAPEX		-281	-430	572	274	-555	507	495	456	-886
Acquisition and sale of shares and participations	10	710	17,284	17,228	-39	749	-4	-52	17,392	-108
Other financial assets		17	12	7	3	14	-6	1	8	4
Cash flow from investing activities		-1,367	13,930	11,994	-1,068	-299	-1,023	-913	16,495	-2,565
CASH FLOW AFTER INVESTING ACTIVITIES		446	16,866	17,807	238	208	497	444	17,856	-990
FINANCING ACTIVITIES										
Change of loans, net	3	654	-2,105	-2,433	1,640	-986	-169	-159	-1,876	-229
Dividends	9	-1,960	-3,163	-3,163	-1,960	-	-	-	-3,163	-
Redemption of shares	9	-	-12,474	-12,474	-	-	-	-	-12,474	-
Other financing activities	9	-	-94	-94	-	-	-	-	-	-94
Cash flow from financing activities		-1,306	-17,836	-18,164	-320	-986	-169	-159	-17,513	-323
NET CHANGE IN CASH AND CASH EQUIVALENTS		-860	-970	-357	-82	-778	328	285	343	-1,313
Cash and cash equivalents at beginning of period		1,348	1,673	1,673	593	1,348	1,024	740	386	1,673
Exchange rate differences in cash and cash equivalents		38	37	32	15	23	-4	-1	11	26
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6	526	740	1,348	526	593	1,348	1,024	740	386

Numbers of customers

by thousands	Note	Numbers of customers			Net intake							
		2014 Jun 30	2013 Jun 30	2014 Jan 1–Jun 30	2013 Jan 1–Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Sweden												
Mobile		3,717	3,743	-21	-14	38	-8	-13	-8	60	20	-34
Fixed broadband	1	68	474	-12	-10	-19	-6	-6	-7	-2	3	-13
Fixed telephony		252	304	-21	-37	-68	-12	-9	-16	-15	-16	-21
		4,037	4,521	-54	-61	-49	-26	-28	-31	43	7	-68
Netherlands												
Mobile		768	584	74	106	224	27	47	62	56	49	57
Fixed broadband		367	397	-7	-24	-47	-1	-6	-11	-12	-10	-14
Fixed telephony		90	120	-17	-21	-34	-7	-10	-7	-6	-10	-11
		1,225	1,101	50	61	143	19	31	44	38	29	32
Kazakhstan												
Mobile		2,984	3,162	233	561	154	213	20	-393	-14	309	252
		2,984	3,162	233	561	154	213	20	-393	-14	309	252
Croatia												
Mobile		844	789	51	35	40	45	6	-45	50	13	22
		844	789	51	35	40	45	6	-45	50	13	22
Lithuania												
Mobile		1,865	1,811	14	28	81	-4	18	-1	54	16	12
		1,865	1,811	14	28	81	-4	18	-1	54	16	12
Latvia												
Mobile		993	1,051	-38	8	-9	1	-39	-41	24	11	-3
		993	1,051	-38	8	-9	1	-39	-41	24	11	-3
Estonia												
Mobile		492	507	-11	1	-	-6	-5	-8	7	2	-1
Fixed telephony		4	4	-	-1	-1	-1	1	-	-	-1	-
		496	511	-11	-	-1	-7	-4	-8	7	1	-1
Austria												
Fixed broadband		114	122	-4	-5	-9	-1	-3	-2	-2	-2	-3
Fixed telephony		156	178	-11	-13	-24	-5	-6	-6	-5	-6	-7
		270	300	-15	-18	-33	-6	-9	-8	-7	-8	-10
Germany												
Mobile		214	135	38	25	66	18	20	20	21	13	12
Fixed broadband		67	75	-4	-7	-11	-1	-3	-2	-2	-3	-4
Fixed telephony		444	493	-22	-101	-128	-2	-20	-17	-10	-76	-25
		725	703	12	-83	-73	15	-3	1	9	-66	-17
TOTAL												
Mobile		11,877	11,782	340	750	594	286	54	-414	258	433	317
Fixed broadband	1	616	1,068	-27	-46	-86	-9	-18	-22	-18	-12	-34
Fixed telephony		946	1,099	-71	-173	-255	-27	-44	-46	-36	-109	-64
TOTAL NUMBERS OF CUSTOMERS AND NET INTAKE												
		13,439	13,949	242	531	253	250	-8	-482	204	312	219
Divested operations	1			-385	-	-	-	-385	-	-	-	-
Changed method of calculation	1			-	-811	-900	-	-	-89	-	-811	-
TOTAL NUMBERS OF CUSTOMERS AND NET CHANGE												
		13,439	13,949	-143	-280	-647	250	-393	-571	204	-499	219

Net sales

SEK million	Note	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Sweden										
Mobile	1	5,352	4,977	10,075	2,726	2,626	2,590	2,508	2,540	2,437
Fixed broadband	1, 10	365	732	1,411	185	180	345	334	349	383
Fixed telephony		349	450	841	168	181	188	203	218	232
Other operations		69	64	133	34	35	34	35	33	31
		6,135	6,223	12,460	3,113	3,022	3,157	3,080	3,140	3,083
Netherlands										
Mobile		893	772	1,682	458	435	447	463	417	355
Fixed broadband		1,243	1,335	2,632	617	626	651	646	650	685
Fixed telephony		220	285	551	103	117	131	135	142	143
Other operations		283	289	571	141	142	143	139	141	148
		2,639	2,681	5,436	1,319	1,320	1,372	1,383	1,350	1,331
Kazakhstan										
Mobile		603	622	1,344	309	294	365	357	333	289
		603	622	1,344	309	294	365	357	333	289
Croatia										
Mobile		628	629	1,397	329	299	396	372	333	296
		628	629	1,397	329	299	396	372	333	296
Lithuania										
Mobile		638	624	1,289	332	306	329	336	329	295
		638	624	1,289	332	306	329	336	329	295
Latvia										
Mobile		441	459	926	226	215	233	234	221	238
		441	459	926	226	215	233	234	221	238
Estonia										
Mobile		288	287	606	148	140	156	163	148	139
Fixed telephony		4	5	10	2	2	2	3	2	3
Other operations		23	28	58	11	12	14	16	14	14
		315	320	674	161	154	172	182	164	156
Austria										
Fixed broadband		388	404	811	195	193	203	204	202	202
Fixed telephony		83	97	190	41	42	47	46	47	50
Other operations		119	124	243	63	56	56	63	62	62
		590	625	1,244	299	291	306	313	311	314
Germany										
Mobile		212	140	321	108	104	99	82	74	66
Fixed broadband		84	88	171	41	43	40	43	43	45
Fixed telephony		159	200	375	77	82	87	88	97	103
		455	428	867	226	229	226	213	214	214
Other										
Other operations		66	75	152	38	28	37	40	36	39
		66	75	152	38	28	37	40	36	39
TOTAL										
Mobile		9,055	8,510	17,640	4,636	4,419	4,615	4,515	4,395	4,115
Fixed broadband	10	2,080	2,559	5,025	1,038	1,042	1,239	1,227	1,244	1,315
Fixed telephony		815	1,037	1,967	391	424	455	475	506	531
Other operations		560	580	1,157	287	273	284	293	286	294
		12,510	12,686	25,789	6,352	6,158	6,593	6,510	6,431	6,255
Internal sales, elimination		-15	-14	-32	-9	-6	-8	-10	-7	-7
TOTAL		12,495	12,672	25,757	6,343	6,152	6,585	6,500	6,424	6,248

Internal sales

SEK million	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Sweden									
Mobile	3	4	7	2	1	1	2	1	3
	3	4	7	2	1	1	2	1	3
Netherlands									
Other operations	1	1	1	1	-	-	-	1	-
	1	1	1	1	-	-	-	1	-
Lithuania									
Mobile	4	5	9	2	2	2	2	3	2
	4	5	9	2	2	2	2	3	2
Latvia									
Mobile	5	4	11	3	2	3	4	2	2
	5	4	11	3	2	3	4	2	2
Other									
Other operations	2	-	4	1	1	2	2	-	-
	2	-	4	1	1	2	2	-	-
TOTAL									
Mobile	12	13	27	7	5	6	8	6	7
Other operations	3	1	5	2	1	2	2	1	-
TOTAL	15	14	32	9	6	8	10	7	7

Mobile external net sales split

SEK million	Note	2014 Jan 1–Jun 30	2013 Jan 1–Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Sweden, mobile										
End user service revenue		3,531	3,408	6,950	1,815	1,716	1,775	1,767	1,746	1,662
Operator revenue	1	508	544	982	224	284	209	229	274	270
<i>Service revenue</i>		4,039	3,952	7,932	2,039	2,000	1,984	1,996	2,020	1,932
Equipment revenue		994	728	1,535	527	467	449	358	373	355
Other revenue		316	293	601	158	158	156	152	146	147
		5,349	4,973	10,068	2,724	2,625	2,589	2,506	2,539	2,434
Netherlands, mobile										
End user service revenue		581	424	944	308	273	261	259	227	197
Operator revenue		73	63	131	39	34	34	34	34	29
<i>Service revenue</i>		654	487	1,075	347	307	295	293	261	226
Equipment revenue		239	285	607	111	128	152	170	156	129
		893	772	1,682	458	435	447	463	417	355
Kazakhstan, mobile										
End user service revenue		441	418	909	225	216	251	240	223	195
Operator revenue		152	188	402	80	72	106	108	102	86
<i>Service revenue</i>		593	606	1,311	305	288	357	348	325	281
Equipment revenue		10	16	33	4	6	8	9	8	8
		603	622	1,344	309	294	365	357	333	289
Croatia, mobile										
End user service revenue		378	359	749	196	182	191	199	184	175
Operator revenue		120	136	298	66	54	71	91	75	61
<i>Service revenue</i>		498	495	1,047	262	236	262	290	259	236
Equipment revenue		130	134	350	67	63	134	82	74	60
		628	629	1,397	329	299	396	372	333	296
Lithuania, mobile										
End user service revenue		409	417	843	213	196	205	221	213	204
Operator revenue		84	73	145	44	40	37	35	32	41
<i>Service revenue</i>		493	490	988	257	236	242	256	245	245
Equipment revenue		141	129	292	73	68	85	78	81	48
		634	619	1,280	330	304	327	334	326	293
Latvia, mobile										
End user service revenue		262	264	533	134	128	130	139	136	128
Operator revenue		111	121	225	55	56	55	49	46	75
<i>Service revenue</i>		373	385	758	189	184	185	188	182	203
Equipment revenue		63	70	157	34	29	45	42	37	33
		436	455	915	223	213	230	230	219	236
Estonia, mobile										
End user service revenue		188	193	391	97	91	96	102	98	95
Operator revenue		32	31	65	17	15	16	18	16	15
<i>Service revenue</i>		220	224	456	114	106	112	120	114	110
Equipment revenue		68	63	150	34	34	44	43	34	29
		288	287	606	148	140	156	163	148	139
Germany, mobile										
End user service revenue		208	138	316	106	102	97	81	73	65
<i>Service revenue</i>		208	138	316	106	102	97	81	73	65
Equipment revenue		4	2	5	2	2	2	1	1	1
		212	140	321	108	104	99	82	74	66
TOTAL, MOBILE										
End user service revenue		5,998	5,621	11,635	3,094	2,904	3,006	3,008	2,900	2,721
Operator revenue		1,080	1,156	2,248	525	555	528	564	579	577
<i>Service revenue</i>		7,078	6,777	13,883	3,619	3,459	3,534	3,572	3,479	3,298
Equipment revenue		1,649	1,427	3,129	852	797	919	783	764	663
Other revenue		316	293	601	158	158	156	152	146	147
TOTAL		9,043	8,497	17,613	4,629	4,414	4,609	4,507	4,389	4,108

EBITDA

SEK million	Note	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Sweden										
Mobile	1-2	1,522	1,489	2,971	777	745	722	760	757	732
Fixed broadband	1, 2, 10	35	39	143	25	10	55	49	19	20
Fixed telephony	1-2	100	127	243	57	43	55	61	62	65
Other operations		50	35	91	23	27	26	30	18	17
		1,707	1,690	3,448	882	825	858	900	856	834
Netherlands										
Mobile		-59	-24	-20	-23	-36	26	-22	-2	-22
Fixed broadband		361	445	854	169	192	217	192	216	229
Fixed telephony	2	93	72	137	63	30	30	35	38	34
Other operations		129	145	280	58	71	69	66	69	76
		524	638	1,251	267	257	342	271	321	317
Kazakhstan										
Mobile		4	-97	-138	3	1	-7	-34	-52	-45
		4	-97	-138	3	1	-7	-34	-52	-45
Croatia										
Mobile		58	25	95	33	25	22	48	22	3
		58	25	95	33	25	22	48	22	3
Lithuania										
Mobile		235	250	461	127	108	102	109	133	117
		235	250	461	127	108	102	109	133	117
Latvia										
Mobile		129	148	292	67	62	72	72	69	79
		129	148	292	67	62	72	72	69	79
Estonia										
Mobile		65	63	124	32	33	28	33	28	35
Fixed telephony		1	2	4	-	1	1	1	2	-
Other operations		11	16	33	6	5	8	9	6	10
		77	81	161	38	39	37	43	36	45
Austria										
Fixed broadband		52	99	184	28	24	37	48	45	54
Fixed telephony		45	55	106	24	21	25	26	26	29
Other operations		10	12	18	6	4	3	3	6	6
		107	166	308	58	49	65	77	77	89
Germany										
Mobile		-14	-3	-30	-7	-7	-2	-25	-5	2
Fixed broadband		10	7	13	3	7	4	2	3	4
Fixed telephony		69	84	155	35	34	30	41	39	45
		65	88	138	31	34	32	18	37	51
Other										
Other operations		-81	-66	-147	-40	-41	-45	-36	-25	-41
		-81	-66	-147	-40	-41	-45	-36	-25	-41
TOTAL										
Mobile		1,940	1,851	3,755	1,009	931	963	941	950	901
Fixed broadband	10	458	590	1,194	225	233	313	291	283	307
Fixed telephony		308	340	645	179	129	141	164	167	173
Other operations		119	142	275	53	66	61	72	74	68
TOTAL		2,825	2,923	5,869	1,466	1,359	1,478	1,468	1,474	1,449

EBIT

SEK million	Note	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Sweden										
Mobile	1-2	995	990	1,937	513	482	450	497	508	482
Fixed broadband	1, 2, 10	-15	-117	-134	-1	-14	11	-28	-59	-58
Fixed telephony	1-2	91	112	219	51	40	50	57	54	58
Other operations		29	10	41	12	17	17	14	6	4
		1,100	995	2,063	575	525	528	540	509	486
Netherlands										
Mobile		-82	-40	-52	-37	-45	17	-29	-11	-29
Fixed broadband		100	207	371	34	66	90	74	97	110
Fixed telephony	2	86	64	121	60	26	27	30	34	30
Other operations		93	111	210	40	53	50	49	52	59
		197	342	650	97	100	184	124	172	170
Kazakhstan										
Mobile	2	-96	-202	-450	-46	-50	-155	-93	-106	-96
		-96	-202	-450	-46	-50	-155	-93	-106	-96
Croatia										
Mobile		20	-31	-6	14	6	4	21	-6	-25
		20	-31	-6	14	6	4	21	-6	-25
Lithuania										
Mobile		198	189	342	108	90	73	80	102	87
		198	189	342	108	90	73	80	102	87
Latvia										
Mobile		82	84	188	45	37	55	49	43	41
		82	84	188	45	37	55	49	43	41
Estonia										
Mobile		10	18	32	4	6	6	8	5	13
Fixed telephony		1	1	3	1	-	-	2	1	-
Other operations		4	10	20	2	2	5	5	4	6
		15	29	55	7	8	11	15	10	19
Austria										
Fixed broadband		13	62	109	8	5	19	28	27	35
Fixed telephony		29	40	74	17	12	15	19	19	21
Other operations		-1	2	-	-1	-	-1	-1	1	1
		41	104	183	24	17	33	46	47	57
Germany										
Mobile		-34	-14	-52	-21	-13	-6	-32	-11	-3
Fixed broadband		6	3	4	1	5	1	-	1	2
Fixed telephony		58	79	147	25	33	29	39	36	43
		30	68	99	5	25	24	7	26	42
Other										
Other operations		-86	-75	-164	-43	-43	-44	-45	-28	-47
		-86	-75	-164	-43	-43	-44	-45	-28	-47
TOTAL										
Mobile		1,093	994	1,939	580	513	444	501	524	470
Fixed broadband	10	104	155	350	42	62	121	74	66	89
Fixed telephony		265	296	564	154	111	121	147	144	152
Other operations		39	58	107	10	29	27	22	35	23
		1,501	1,503	2,960	786	715	713	744	769	734
One-off items	2	243	5	-434	1	242	11	-450	3	2
TOTAL		1,744	1,508	2,526	787	957	724	294	772	736

EBIT, cont.

		SPECIFICATION OF ITEMS BETWEEN EBITDA AND EBIT								
SEK million	Note	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
EBITDA		2,825	2,923	5,869	1,466	1,359	1,478	1,468	1,474	1,449
Impairment of goodwill and other assets	2	-	-	-457	-	-	-3	-454	-	-
Sale of operations	10	261	5	23	1	260	14	4	3	2
Other one-off items	2	-18	-	-	-	-18	-	-	-	-
Total one-off items		243	5	-434	1	242	11	-450	3	2
Depreciation/amortization and other impairment	2	-1,318	-1,409	-2,892	-677	-641	-762	-721	-700	-709
Result from shares in joint ventures and associated companies		-6	-11	-17	-3	-3	-3	-3	-5	-6
EBIT		1,744	1,508	2,526	787	957	724	294	772	736

CAPEX

SEK million	Note	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Sweden										
Mobile		218	396	766	133	85	226	144	211	185
Fixed broadband	10	26	88	165	13	13	35	42	36	52
Fixed telephony		5	3	7	3	2	1	3	2	1
Other operations		6	12	27	3	3	10	5	5	7
		255	499	965	152	103	272	194	254	245
Netherlands										
Mobile	7	409	1,386	1,648	272	137	232	30	15	1,371
Fixed broadband		201	143	379	90	111	154	82	76	67
Fixed telephony		4	5	8	2	2	2	1	2	3
Other operations		17	12	32	8	9	13	7	6	6
		631	1,546	2,067	372	259	401	120	99	1,447
Kazakhstan										
Mobile		151	226	464	85	66	118	120	139	87
		151	226	464	85	66	118	120	139	87
Croatia										
Mobile		33	21	62	24	9	29	12	17	4
		33	21	62	24	9	29	12	17	4
Lithuania										
Mobile		46	51	93	26	20	27	15	22	29
		46	51	93	26	20	27	15	22	29
Latvia										
Mobile		38	31	103	27	11	31	41	18	13
		38	31	103	27	11	31	41	18	13
Estonia										
Mobile	7	96	21	62	15	81	32	9	11	10
Other operations		4	1	3	4	–	1	1	1	–
		100	22	65	19	81	33	10	12	10
Austria										
Fixed broadband		12	15	38	5	7	10	13	9	6
Fixed telephony		10	13	29	4	6	6	10	7	6
Other operations		4	5	13	2	2	3	5	3	2
		26	33	80	11	15	19	28	19	14
Germany										
Mobile		10	13	19	4	6	1	5	6	7
Fixed broadband		–	2	3	–	–	1	–	2	–
Fixed telephony		–	–	2	–	–	–	2	–	–
		10	15	24	4	6	2	7	8	7
Other										
Other operations		269	250	476	130	139	115	111	126	124
		269	250	476	130	139	115	111	126	124
TOTAL										
Mobile		1,001	2,145	3,217	586	415	696	376	439	1,706
Fixed broadband	10	239	248	585	108	131	200	137	123	125
Fixed telephony		19	21	46	9	10	9	16	11	10
Other operations		300	280	551	147	153	142	129	141	139
TOTAL	7	1,559	2,694	4,399	850	709	1,047	658	714	1,980

Key ratios

SEK million	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013	2012	2011	2010
CONTINUING OPERATIONS						
Net sales	12,495	12,672	25,757	25,993	26,219	27,361
Numbers of customers (by thousands)	13,439	13,949	13,582	14,229	12,392	11,845
EBITDA	2,825	2,923	5,869	6,026	6,740	6,873
EBIT	1,744	1,508	2,526	2,176	3,598	4,081
EBT	1,840	1,295	1,975	1,654	3,059	3,657
Net profit	1,401	809	951	1,147	2,158	3,981
Key ratios						
EBITDA margin, %	22.6	23.1	22.8	23.2	25.7	25.7
EBIT margin, %	14.0	11.9	9.8	8.4	13.7	14.9
Value per share (SEK)						
Net profit	3.15	1.81	2.14	2.58	4.86	9.02
Net profit after dilution	3.13	1.81	2.12	2.57	4.83	8.98
TOTAL						
Equity	21,064	21,293	21,591	20,429	21,452	28,875
Total assets	38,564	39,594	39,855	49,189	46,864	42,085
Cash flow from operating activities	1,813	2,936	5,813	8,679	9,690	9,966
Cash flow after CAPEX	-281	-430	572	4,070	4,118	6,008
Available liquidity	8,661	12,033	9,306	12,933	9,986	13,254
Net debt	9,268	8,879	8,007	15,745	13,518	3,417
Investments in intangible and tangible assets, CAPEX	1,974	3,356	5,534	5,294	6,095	4,094
Investments in shares and other financial assets	-727	-17,296	-17,235	215	1,563	1,424
Key ratios						
Equity/assets ratio, %	55	54	54	42	46	69
Debt/equity ratio, multiple	0.44	0.42	0.37	0.77	0.63	0.12
Return on equity, %	11.1	73.2	69.5	15.6	18.9	24.0
ROCE, return on capital employed, %	10.2	49.7	48.0	15.4	20.5	22.2
Average interest rate, %	5.3	4.8	5.2	6.7	6.2	7.3
Value per share (SEK)						
Net profit	2.65	32.79	32.77	7.34	10.69	15.67
Net profit after dilution	2.63	32.59	32.55	7.30	10.63	15.61
Equity	47.28	47.85	48.49	45.95	48.33	65.44
Cash flow from operating activities	4.07	6.60	13.06	19.53	21.83	22.59
Dividend, ordinary	-	-	4.40	7.10	6.50	6.00
Extraordinary dividend	-	-	-	-	6.50	21.00
Redemption	-	28.00	28.00	-	-	-
Market price at closing day	78.70	78.75	72.85	117.10	133.90	139.60

Parent company

INCOME STATEMENT

SEK million	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year
Net sales	35	23	47
Administrative expenses	-70	-56	-95
Operating loss, EBIT	-35	-33	-48
Dividend from group company	967	-	9,900
Exchange rate difference on financial items	-70	68	134
Net interest expenses and other financial items	-120	-113	-216
Profit/loss after financial items, EBT	742	-78	9,770
Appropriations, group contribution	-	-	265
Tax on profit/loss	50	21	-23
NET PROFIT/LOSS	792	-57	10,012

BALANCE SHEET

SEK million	Note	Jun 30, 2014	Dec 31, 2013
ASSETS			
NON-CURRENT ASSETS			
Financial assets		13,602	13,586
NON-CURRENT ASSETS		13,602	13,586
CURRENT ASSETS			
Current receivables		11,407	11,933
Cash and cash equivalents		1	-
CURRENT ASSETS		11,408	11,933
ASSETS		25,010	25,519
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity	9	5,546	5,546
Unrestricted equity	9	11,913	13,126
EQUITY		17,459	18,672
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	3	4,308	5,308
NON-CURRENT LIABILITIES		4,308	5,308
CURRENT LIABILITIES			
Interest-bearing liabilities	3	3,174	1,452
Non-interest-bearing liabilities		69	87
CURRENT LIABILITIES		3,243	1,539
EQUITY AND LIABILITIES		25,010	25,519

Notes

ACCOUNTING PRINCIPLES AND DEFINITIONS

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

The new and amended IFRS standards and IFRIC interpretations (IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28, IAS 32, IAS 36, IAS 39 and IFRIC 21), which became effective January 1, 2014, have had no material effect on the consolidated financial statements.

In all other respects, Tele2 has presented this interim report in accordance with the accounting principles and calculation methods used in the 2013 Annual Report. The description of these principles and definitions is found in the 2013 Annual Report.

NOTE 1 NET SALES AND CUSTOMERS

NET SALES

In Q1 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. The effect on EBITDA is stated in Note 2.

CUSTOMERS

In Q1 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. For additional information please refer to Note 10.

In Q4 2013, the definition of 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

In Q2 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 number of customers so a customer with only incoming calls to its voicemail is no longer counted as an active customer.

NOTE 2 OPERATING EXPENSES

EBITDA

In Q2 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 Q1 2014, the EBITDA in Sweden was positively impacted by SEK 8 million as a result of decisions by PTS, as stated in Note 1, 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.

DEPRECIATION/AMORTIZATION AND IMPAIRMENT

In Q4 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 Q3 2013, an impairment loss on non-current assets was recognized in Croatia amounting to SEK 454 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.

ONE-OFF ITEMS

In Q1 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 for segment reporting purposes. The total foreign exchange rate effect of assets and liabilities in Kazakhstan was reported in other comprehensive income and amounted in Q1 2014 to SEK -117 million. Please refer to Note 4 regarding effects on change in fair value of put option Kazakhstan.

NOTE 3 FINANCIAL ASSETS AND LIABILITIES FINANCING

SEK million	Interest-bearing liabilities			
	Jun 30, 2014		Dec 31, 2013	
	Current	Non-current	Current	Non-current
Bonds NOK, Sweden	329	1,093	-	1,371
Bonds SEK, Sweden	1,250	2,546	1,000	3,295
Commercial papers, Sweden	1,395	-	325	-
Financial institutions	349	635	210	636
Put option, Kazakhstan (Note 4)	879	-	1,350	-
Other liabilities	371	903	263	980
Total interest-bearing liabilities	4,573	5,177	3,148	6,282
		9,750		9,430

CLASSIFICATION AND FAIR VALUES

Tele2's financial assets consist mainly of receivables from end customers, other operators and resellers as well as 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. During the first six months 2014, compared to year-end 2013, no transfers were made between the different levels in the fair value hierarchy and no significant changes were made to valuation techniques, inputs used or assumptions except for the put option in Tele2 Kazakhstan (Note 4).

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 June 30, 2014 amounted on the asset side to SEK 2 (8) million and on the liabilities side to SEK 232 (146) million.

SEK million	Jun 30, 2014					
	Assets and liabilities at fair value through profit/loss	Loans receivables and	Derivative instruments designated for hedge accounting	Financial liabilities at amortized cost	Total	
					reported value	Fair value
Other financial assets	13	193	-	-	206	206
Accounts receivables	-	2,471	-	-	2,471	2,471
Other current receivables	-	277	2	-	279	279
Current investments	-	41	-	-	41	41
Cash and cash equivalents	-	526	-	-	526	526
Assets classified as held for sale	1	339	-	-	340	340
Total financial assets	14	3,847	2	-	3,863	3,863
Liabilities to financial institutions and similar liabilities	-	-	-	7,597	7,597	7,871
Other interest-bearing liabilities	879	-	232	381	1,492	1,487
Accounts payable	-	-	-	2,187	2,187	2,187
Other current liabilities	-	-	-	512	512	512
Liabilities directly associated with assets classified as held for sale	-	-	-	256	256	256
Total financial liabilities	879	-	232	10,933	12,044	12,313

Dec 31, 2013						
SEK million	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	233	–	–	247	247
Accounts receivables	–	3,317	–	–	3,317	3,317
Other current receivables	–	313	8	–	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
Other interest-bearing liabilities	1,350	–	146	418	1,914	1,889
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

NOTE 4 OTHER FINANCIAL ITEMS

SEK million	2014 Jan 1–Jun 30	2013 Jan 1–Jun 30	2013 Full year	2014 Q2	2013 Q2
Exchange rate differences	–23	19	–28	–1	–60
Change in fair value, put option Kazakhstan	295	–81	–166	330	–41
EUR net investment hedge, interest component	6	7	19	3	3
Other financial expenses	3	–4	–8	2	–1
Total other financial items	281	–59	–183	334	–99

In Q2 2014, financial items was positively affected by SEK 363 million, due to a revaluation of the put option of the business in Kazakhstan. The change relates to the devaluation in Kazakhstan as well as increased financing provided by Tele2.

NOTE 5 TAXES

During the first six months 2014, the effective tax rate was mainly affected by below stated items, indicating an underlying effective tax rate of 23 (21) percent.

SEK million	2014 Jan 1–Jun 30		2013 Jan 1–Jun 30		2013 Full year	
Profit before tax	1,840		1,295		1,975	
Income tax	–439	23.9%	–486	37.5%	–1,024	51.8%
Tax effect of:						
Sale of operations	–95	5.2%	–	–	–	–
Result from JV and associated companies	1	–0.1%	3	–0.2%	4	–0.2%
Non-deductible expenses	90	–4.9%	147	–11.3%	266	–13.4%
Not valued tax loss-carry forwards	–8	0.4%	89	–6.9%	196	–9.9%
Adjustment of taxes from previous years	29	–1.6%	–22	1.7%	4	–0.2%
Adjusted tax expense and effective tax rate	–422	22.9%	–269	20.8%	–554	28.1%

In Q4 2013, net taxes were positively affected by a valuation of deferred tax assets in Austria of SEK 10 million.

NOTE 6 RELATED PARTIES

Tele2's share of cash and cash equivalents in joint operations, for which Tele2 has limited disposal rights was included in the Group's cash and cash equivalents and amounted at each closing date to the sums stated below.

SEK million	2014 Jun 30	2014 Mar 31	2013 Dec 31	2013 Sep 30	2013 Jun 30	2013 Mar 31
Cash and cash equivalents in joint operations	58	42	11	70	40	34

In Q4 2012, 2013 and 2014, frequencies and sites were transferred from Tele2 and Telenor to their joint operation Net4Mobility. The transfers did not have any material effect on Tele2's financial statements. Apart from transactions with joint operations, no other significant related party transactions were carried out during 2014. Related parties are presented in Note 38 of the Annual Report 2013.

NOTE 7 CAPEX

In Q1 2014, Tele2 Estonia acquired two mobile licenses in the 800 MHz and 2100 MHz frequency bands for SEK 54 million.

In Q1 2013, Tele2 Netherlands acquired two mobile licenses (2x10 MHz spectrum) in the 800 MHz band for SEK 1,391 million. With the acquired spectrum in the 800 MHz band and earlier obtained spectrum in the 2600 MHz band, the roll out is ongoing for the next generation 4G network, offering businesses and consumers higher speed and lower pricing for mobile broadband.

SEK million	2014 Jan 1–Jun 30	2013 Jan 1–Jun 30	2013 Full year	2014 Q2	2013 Q2
CAPEX, continued operations	–1,559	–2,694	–4,399	–850	–714
CAPEX, discontinued operations	–415	–662	–1,135	–161	–154
This year's unpaid CAPEX and paid CAPEX from previous year	–143	–84	186	–32	–54
Received payment of sold non-current assets	23	74	107	11	17
Paid CAPEX	–2,094	–3,366	–5,241	–1,032	–905

NOTE 8 CONTINGENT LIABILITIES

SEK million	Jun 30, 2014	Dec 31, 2013
Disputes	–	220
Asset dismantling obligation	132	126
Total contingent liabilities	132	346

On December 31, 2013 Tele2 Sweden was defendant in a dispute with Verizon Sweden AB of SEK 220 million. On February 7, 2014 the District court issued its award and ruled in favor of Tele2. In Q2 2014, the case was settled where the parties paid for their own litigation costs.

Tele2 has obligations to dismantle assets and restore premises within fixed telephony and fixed broadband in the Netherlands as well as in Austria. Tele2 assesses such dismantling as improbable and consequently only reported this obligation as contingent liabilities.

The tax authorities in Russia are currently performing tax audits on several of Tele2's former subsidiaries in Russia. Per the sales agreement with the VTB-group Tele2 is liable for any additional taxes payable as result of the tax audits. 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 need to be paid and consequently no provision has been made.

Additional contractual commitments are stated in Note 29 in the Annual Report 2013.

NOTE 9 EQUITY AND NUMBER OF SHARES

	Jun 30, 2014	Dec 31, 2013
Number of shares		
Outstanding	445,497,600	445,497,600
In own custody	3,285,739	3,285,739
Weighted average	445,497,600	445,228,097
After dilution	448,982,485	448,465,420
Weighted average, after dilution	448,282,123	448,181,516

DIVIDEND/REDEMPTION

In Q2 2014, Tele2 paid to its shareholders a dividend of SEK 4.40 (7.10) per share for 2013. This corresponded to a total of SEK 1,960 (3,163) million.

As a result of the sale of Tele2 Russia in April 2013 a mandatory share redemption program of SEK 28 per share was issued during Q2 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 Q2 2013 as dividend and redemption.

RECLASSIFICATION

In Q2 2014, 150,000 class C shares in own custody were reclassified into class B shares in own custody.

In Q1 2014 and Q3 2013, 406 (15) and 726,650 class A shares respectively were reclassified into class B shares in Tele2.

SALE OF SHARES

As a result of share rights in the LTI 2010 being exercised during Q2 2013, Tele2 delivered 836,389 B-shares in own custody.

PURCHASE OF NON-CONTROLLING INTEREST

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

In July 2009 and January 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 Q1 2013.

LONG-TERM INCENTIVE PROGRAM (LTI)

Additional information related to LTI programs are presented in Note 34 of the Annual Report 2013.

LTI 2014

	2014 Jan–Jun 30
Number of share rights	
Allocated June 2, 2014	1,180,268
Total outstanding share rights	1,180,268

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.

The objective of the Plan 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 develop-

ment of the Tele2 Group and thus be beneficial to both the company and its shareholders.

The incentive program included a total of 198 senior executives and other key employees within the Tele2 Group. 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 measurement period), the participant maintaining employment within the Tele2 Group at the release of the interim report January - March 2017 and subject to the participant maintaining the invested shares (where applicable) during the vesting period, each right entitles the employee to receive one Class B share in the company. Dividends paid on the underlying share will increase the number of shares that each retention and performance right entitles to in order to treat the shareholders and the participants equally.

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

Series A	Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period exceeding 0 percent as entry level.
Series B	Tele2's average normalized return of capital employed (ROCE) during the measurement period being at least 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 264,192 related to employees who invested in Tele2 shares and 9,000 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, 456,356 Series B and 456,356 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				Total allotment
			per Series			Tot	
			A	B	C		
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, and these costs are expected to amount to SEK 64 million, of which social security costs amount to SEK 24 million.

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 2013 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	79.39	79.39	79.39
Expected life	2.90 years	2.90 years	2.90 years
Expected value reduction parameter market condition	70%	-	35%

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

LTI 2013

	2014 Jan 1–Jun 30	Cumulative from start
Number of share rights		
Allocated June 4, 2013		1,204,128
Outstanding as of January 1, 2014	1,132,228	
Allocated, compensation for dividend	39,922	39,922
Forfeited	-82,917	-154,817
Total outstanding share rights	1 089,233	1 089,233

LTI 2012

	2014 Jan 1–Jun 30	Cumulative from start
Number of share rights		
Allocated June 15, 2012		1,132,186
Outstanding as of January 1, 2014	968,263	
Allocated, compensation for dividend	34,986	274,177
Performance conditions not reached, Russia	-	-163,660
Forfeited	-48,591	-288,045
Total outstanding share rights	954,658	954,658

LTI 2011

	2014 Jan 1–Jun 30	Cumulative from start
Number of share rights		
Allocated June 17, 2011		1,056,436
Outstanding as of January 1, 2014	867,329	
Allocated, compensation for dividend	-	294,579
Performance conditions not reached, Russia	-	-92,041
Exercised, Russia	-	-44,156
Forfeited	-3,807	-351,296
Performance conditions not reached	-602,796	-602,796
Total outstanding share rights	260,726	260,726

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 performance conditions was in accordance with below and the outstanding share rights will be exchanged for shares in Tele2 during Q3 2014.

	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		≥ 0%	9.7%	100%
Series B	Average normalised Return on Capital Employed (ROCE) ¹⁾	20%/8%	24%/12.5%	20.5%/7.2%	20%
Series 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

NOTE 10 BUSINESS ACQUISITIONS AND DIVESTMENTS

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

SEK million	2014 Jan 1–Jun 30
Acquisitions	
Smartcash, Norway	-4
Capital contribution to joint ventures	-6
Repayment capital contribution joint ventures	4
Total acquisition of shares and participations	-6
Divestments	
Residential cable and fiber operations, Sweden	741
Transaction costs, Russia	-25
Total sale of shares and participations	716
TOTAL CASH FLOW EFFECT	710

ACQUISITIONS

Smartcash, Norway

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

DIVESTMENTS

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 in Q1 2014 amounted to SEK 257 million. In 2013, the operation affected Tele2's net sales by SEK 564 million and EBITDA by SEK -9 million.

Net assets at the time of divestment

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

SEK million	
Goodwill	9
Other intangible assets	2
Tangible assets	440
Current receivables	10
Deferred tax liabilities	-18
Current non-interest-bearing liabilities	-35
Divested net assets	408
Capital gain	258
Tax income	18
Sales price, net sales costs	684
Unpaid sales costs etc	57
EFFECT ON GROUP CASH ASSETS	741

DISCONTINUED OPERATIONS

On July 7, 2014 Tele2 announced the divestment of its Norwegian operations to TeliaSonera Group for an enterprise value of SEK 5.1 billion, equivalent to a cash value of SEK 5.3 billion. The sale will be completed after approval by regulatory authorities, which is expected at the latest in Q1 2015. The divestment is expected to result in a capital gain of SEK 2 billion. In addition, the capital gain is expected to be affected positively with approximately SEK 170 million related to reversal of exchange rate differences previously reported in other comprehensive income which will be reversed over the income statement but with no effect on total equity.

The divestment has been reported separately under discontinued operations in the income statement, with a retrospective effect on previous periods, and as assets held for sale in the balance sheet from June 30, 2014 and onwards.

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

Income statement

SEK million	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Net sales	1,980	5,363	7,375	1,024	956	983	1,029	1,052	4,311
Cost of services sold	-1,547	-3,276	-4,818	-795	-752	-755	-787	-762	-2,514
Gross profit	433	2,087	2,557	229	204	228	242	290	1,797
Selling expenses	-486	-933	-1,459	-254	-232	-283	-243	-270	-663
Administrative expenses	-158	-377	-528	-82	-76	-84	-67	-81	-296
Results from shares in joint ventures	-	-	-	-1	1	-	-	1	-1
Sale of operations, profit	-	13,215	13,238	-	-	-	23	13,215	-
Other operating income	1	7	8	-	1	1	-	-	7
Other operating expenses	-1	-2	-3	-	-1	-	-1	-1	-1
EBIT	-211	13,997	13,813	-108	-103	-138	-46	13,154	843
Interest income/costs	2	-146	-145	1	1	-1	2	1	-147
Other financial items	-	-9	-19	-	-	18	-28	-3	-6
EBT	-209	13,842	13,649	-107	-102	-121	-72	13,152	690
Income tax	-13	-59	-10	-7	-6	22	27	62	-121
NET PROFIT/LOSS	-222	13,783	13,639	-114	-108	-99	-45	13,214	569
Earnings per share (SEK)	-0.50	30.98	30.63	-0.26	-0.24	-0.23	-0.12	29.70	1.28
Earnings per share, after dilution (SEK)	-0.50	30.78	30.43	-0.26	-0.24	-0.23	-0.12	29.52	1.26

Balance sheet

Assets held for sale refer to the Norwegian operation.

SEK million	Jun 30, 2014
Assets	
NON-CURRENT ASSETS	
Goodwill	516
Other intangible assets	314
Intangible assets	830
Tangible assets	2,193
Financial assets	24
Deferred tax assets	351
NON-CURRENT ASSETS	3,398
CURRENT ASSETS	
Inventories	6
Current receivables	688
CURRENT ASSETS	694
ASSETS CLASSIFIED AS HELD FOR SALE	4,092

SEK million	Jun 30, 2014
Liabilities	
NON-CURRENT LIABILITIES	
Interest-bearing liabilities	99
Non-interest-bearing liabilities	15
NON-CURRENT LIABILITIES	114
CURRENT LIABILITIES	
Non-interest-bearing liabilities	778
CURRENT LIABILITIES	778
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	892

Cash flow statement

SEK million	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
OPERATING ACTIVITIES									
Operating profit/loss	-211	13,997	13,813	-108	-103	-138	-46	13,154	843
Adjustments for non-cash items in operating profit	244	-12,729	-12,507	119	125	121	101	-13,110	381
Financial items paid	3	-74	-75	2	1	2	-3	9	-83
Taxes paid	-	-177	-177	-	-	-	-	-	-177
Cash flow from operations before changes in working capital	36	1,017	1,054	13	23	-15	52	53	964
Changes in working capital	-85	-256	-214	138	-223	70	-28	-7	-249
CASH FLOW FROM OPERATING ACTIVITIES	-49	761	840	151	-200	55	24	46	715
INVESTING ACTIVITIES									
CAPEX paid	-500	-620	-1,057	-186	-314	-181	-256	-162	-458
Cash flow after CAPEX	-549	141	-217	-35	-514	-126	-232	-116	257
Acquisition of shares	-	-8	-8	-	-	-	-	-8	-
Sale of shares	-25	17,301	17,252	-21	-4	-1	-48	17,404	-103
Changes of non-current receivables	13	9	2	2	11	-7	-	8	1
Cash flow from investing activities	-512	16,682	16,189	-205	-307	-189	-304	17,242	-560
CASH FLOW AFTER INVESTING ACTIVITIES	-561	17,443	17,029	-54	-507	-134	-280	17,288	155
FINANCING ACTIVITIES									
Change of loans, net	-	-920	-899	-	-	9	12	7	-927
Other financing activities	-	-94	-94	-	-	-	-	-	-94
Cash flow from financing activities	-	-1,014	-993	-	-	9	12	7	-1,021
NET CHANGE IN CASH AND CASH EQUIVALENTS	-561	16,429	16,036	-54	-507	-125	-268	17,295	-866

Additional information

Thousands	Numbers of customers			Net intake					
	2014 Jun 30	2013 Jun 30	2013 Dec 31	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Mobile	1,161	1,121	1,119	28	14	-3	5	22	162
Fixed telephony	57	73	63	-3	-3	-7	-3	-4	-4
Numbers of customers and net intake	1,218	1,194	1,182	25	11	-10	2	18	158
Divested companies	-	-	-	-	-	-	-	-22,882	-
Changed method	-	-	-	-	-	-4	-	-33	-
Numbers of customers and net change	1,218	1,194	1,182	25	11	-14	2	-22,897	158

SEK million	Net sales								
	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Mobile	1,888	5,232	7,135	980	908	929	974	989	4,243
Fixed telephony	102	137	252	51	51	56	59	67	70
Other operations	-	2	6	-1	1	2	2	-	2
Internal sales, elimination	1,990	5,371	7,393	1,030	960	987	1,035	1,056	4,315
Net sales	1,980	5,363	7,375	1,024	956	983	1,029	1,052	4,311

SEK million	EBITDA								
	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Mobile	13	1,251	1,280	3	10	-20	49	35	1,216
Fixed telephony	20	19	24	10	10	1	4	9	10
Other operations	-	-1	3	-2	2	2	2	-	-1
EBITDA	33	1,269	1,307	11	22	-17	55	44	1,225

SEK million	EBIT								
	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Mobile	-235	757	537	-119	-116	-144	-76	-72	829
Fixed telephony	17	17	21	8	9	1	3	8	9
Other operations	7	8	17	3	4	5	4	3	5
Sale of operations (Russia)	-211	782	575	-108	-103	-138	-69	-61	843
EBIT	-211	13,997	13,813	-108	-103	-138	-46	13,154	843

Specification of items between EBITDA and EBIT									
SEK million	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
EBITDA	33	1,269	1,307	11	22	-17	55	44	1,225
Sale of operations (Russia)	-	13,215	13,238	-	-	-	23	13,215	-
Depreciation/amortization and other impairment	-244	-487	-732	-118	-126	-121	-124	-106	-381
Result from shares in joint ventures	-	-	-	-1	1	-	-	1	-1
EBIT	-211	13,997	13,813	-108	-103	-138	-46	13,154	843

CAPEX									
SEK million	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Mobile	405	655	1,105	156	249	193	257	149	506
Fixed telephony	10	7	30	5	5	15	8	5	2
CAPEX	415	662	1,135	161	254	208	265	154	508

Additional cash flow information									
SEK million	2014 Jan 1-Jun 30	2013 Jan 1-Jun 30	2013 Full year	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
CAPEX	-415	-662	-1,135	-161	-254	-208	-265	-154	-508
This year unpaid CAPEX and paid CAPEX from previous year	-85	-7	29	-25	-60	27	9	-8	1
Received payment of sold non-current assets	-	49	49	-	-	-	-	-	49
Paid CAPEX	-500	-620	-1,057	-186	-314	-181	-256	-162	-458

TELE2