An important message from Tele2.

We have achieved record results. Unfortunately we can't say the same about Europe's politicians. **Deregulation is taking far too long.** Everyone should reap the benefits of a fairer competition situation. Except, perhaps the old monopolies.

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Tele2 has an important mission

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Tele2 in brief

Tele2 is Europe's leading alternative telecom operator. Tele2 always strives to offer the market's best prices. With its unique values, Tele2 provides cheap and simple telecoms for all Europeans. We have close to 28 million customers in 24 countries. Tele2 offers products and services in fixed & mobile telephony, Internet, data network services, cable TV and content services. Our main competitors are the former government monopolies. Tele2 was founded in 1993 by Jan Stenbeck and has been listed on Stockholmsbörsen since 1996. In 2004, we had an operating revenue of SEK 43 billion and a profit of SEK 6.6 billion (EBITDA).

FINANCIAL INFORMATION

Interim Report, 1st Quarter	April 25, 2005
Annual General Meeting	May 11, 2005
Interim Report, 2nd Quarter	July 26, 2005
Interim Report, 3rd Quarter	October 25, 2005

ANNUAL GENERAL MEETING

For information about the Annual General Meeting, please refer to page 68.

2004: Proud but not satisfied.

- Operating revenue rose by 17% to SEK 43 (37) billion.
- 5.0 million new customers in 2004, not including UTA; a total of 28 million customers at year-end.
- Profit before tax rose by 112% to SEK 2.7 (1.3) billion.
- Profit after tax amounted to SEK 1.9 (2.4) billion.
- Earnings per share after tax and dilution amounted to SEK 12.86 (16.20).
- Cash flow after CAPEX increased to SEK 4.3 (4.1) billion.

In terms of results, it was actually a really good year, but it could have been better. Let me tell you why.

PRESIDENT'S MESSAGE This has been a good year for Tele2. Profit before tax was twice as high as in the previous year. There is a stable and positive relationship between our strategies and our long-term development. We have absolute confidence in our future development, which will involve a combination of organic and acquired growth.

I was asked during the year whether Tele2 has changed its strategies. The answer is no. However, the company has developed in line with its strategies, so it makes sense that in some respects its actions should also have developed.

Our values and strategies run through the veins of everyone at Tele2. And this is where we differ from many other companies. Our values – The Tele2 Way – are unique in the way that they actually govern our operations.

Our work is marked by flexibility, openness and cost consciousness. Our marketing activities are a clear example of this flexibility. We define our plans for the coming quarter one month ahead. We are much quicker on our feet than our competitors, and this is reflected when we follow up our marketing and sales.

We also like to copy with pride, challenge and act. We challenge by always choosing our own paths. We act by relishing speed and not being afraid to make quick decisions. Tele2 has surprised the world at large many times in this respect. And we shall continue to do so.

Our strategies

The strategies ingrained in us all are not always as clear to the rest of the world. That's why we have directed extra energy into explaining more about our method of working. To make things simpler, we have made a five-piece jigsaw puzzle. One piece for each core strategy. These are nothing new to us, but may be to the rest of the world. You can read a more detailed explanation on page 6.

The main difference from previous years is that our operations have taken several important strides forward. Having started with fixed telephony to private customers, we generally either move to broadband via ADSL or act as a virtual mobile operator in what is called an MVNO model. We do not take a new development step without satisfying ourselves that the customer base and profitability level is adequate. We have achieved the first two development steps in an increasing number of markets. Once this is completed, we carefully select the next steps ahead. This has sometimes resulted in backward integration through infrastructure, sometimes not.

With our own touch of humor, we have dubbed this the salami principle. In the analogy we start by buying sausages from others, and selling them under our own brand. The important factors are sales and the customers, not production. If we sell sufficient numbers, it may be worth considering buying cows and pigs to manufacture our own salami. If, of course, it is financially lucrative and enables us to offer the best prices on the market.

It is worth noting that infrastructure prices in certain areas are halving every eighteen months. We are seeing plenty of free network capacity throughout Europe. And only a fifth of available fiber capacity in Europe is being used. This in our view indicates a good market for leasing capacity from other parties.

We regularly examine and review our decisions, which is what flexibility means to Tele2. Take the example of mobile phone subsidies, where we were pioneers in subsidizing the price to the customer. We were quick to respond to an urgent customer need which emerged from our dialog with customers. We have now reconsidered this and have again set the pace by phasing out the subsidies. Once again, we have responded to new preferences from our customers.

We launched new Tele2 operations in Ireland and Hungary during the year. We are delighted with this addition of another two exciting markets.

The first thing I do when we have assembled a strong team in a new country is to go there in person and speak about our values and strategies. This can often be needed, as some employees may have come from the former monopolies. But there is strong cohesion, and employees in our 24 countries are truly focused on creating results. By constantly explaining things and reminding them of our working methods, we can be sure that The Tele2 Way is helping us to create superior results.

Tough opponents

Tele2 has sometimes been perceived as a bunch of happy-go-lucky cowboys in the telecom industry. Our successes have been seen by many as easily-won victories. But the reality is that we have put our heart and soul into reaching our present position, ever since Jan Stenbeck first sowed the seed of what was to become the Tele2 we know today. The relentless match still continues, with Tele2 emerging victorious more often than not. Anyone who thinks the fight has been easy is wrong. Nor will it get any easier.

We have not chosen the easiest opponents, and they are not averse to resorting to dirty tactics. The former monopolies try every trick in the book to resist a free, competitive market, in which customers get more for their money. Some politicians choose to back up their friends in the old monopoly. And some national regulators tend to support the reactionary agenda of the monopolists and politicians, although in this area we have the support of EU's deregulation authorities.

More competition but faster

It may have been a good year for Tele2, but unfortunately we can't say the same for politicians and regulators. Time and time again, we see how excruciatingly slowly they work in many areas. This is perhaps not surprising, when you consider that the overall trend is towards more competition and less power to the former monopolists. They are fighting tooth and nail to defend their positions.

Tele2 has intensified its efforts to push development towards more fair competition. In the report entitled "The Monopoly Challenger", we describe trends in each individual market.

In spite of everything, there are still some rays of hope. We are seeing better opportunities for fixed line preselection and competition in fixed subscription, and mobile networks are also gradually opening to MVNOs.

However, generally speaking, much remains to be done by the politicians of Europe, which is why we are stepping up our dialog with politicians and regulators at both national and European level.

No-one disputes the fact that deregulation of the telecom market will accelerate. Our position as leading Pan-European telecom operator stands us in very good stead for large-scale future growth.

Future agenda

We have an important mission: to offer cheaper and simpler telecom services to all Europeans. This aspiration will be a fitting challenge for the coming years. We have three major items on this year's agenda.

1. CUSTOMER INTAKE AND CHURN: Widespread intake of new customers, changes in the use of some services and resistance from the former government monopolies are three factors that have caused us to experience exceptionally high customer turnover (or churn, in technical jargon) in some markets.

Our measures to counter this type of problem are powerful and well proven. Looking at the whole picture, I have great faith in our ability to remedy the situation. And we have not had long to wait for the results of our actions.

It is important for sales and customer service to balance, in order to ensure long-term profitability. We know that we can increase our customer intake significantly, but without a sensible balance, this has a negative impact on churn.

By testing campaigns and working practices, we can quickly spread these to other markets. Our extensive presence in different markets is invaluable in helping us to refine our methods.

Although customer intake in 2004 was lower, the change does not alarm us. If we compare net customer intake in recent years, the changes are not particularly dramatic.

2. GROWTH: Tele2 is a growth company. Our operations around Europe are generally developing well and according to plan. We established operations in two new countries during the year. As I write this, Tele2 is active in 24 countries. Today, some 28 million Europeans have become our customers. And the good news is that there are still hundreds of millions of Europeans out there, which means there is much work left to do.

Our business model is based on making war in light armor. The most important factors are the relationship with the customer and the ability to create an offering for which the customer is prepared to pay. Technology and systems are essential to our operations, but they are not the be-all and end-all. With this in mind, we often prefer to act as a virtual operator, without our own infrastructure for mobile and fixed telephony or the Internet. There are many advantages in avoiding large investments. Well, usually, but not always. We shall always opt for the solution that allows us to offer the best price to the customer.

The Song Networks transaction was clear evidence of our standpoint. Initially, Song, which owned infrastructure for various forms of telecommunications, was attractively priced. As the price rose, the conclusion was simple: Tele2 would earn more money from a reseller agreement and by acting as a virtual operator instead.

3. PROFITABILITY: Tele2 must achieve profitability in a new market within three years. We help our local organizations to achieve this target by copying the best working practices from other countries. And thanks to our sharp local managers and organizations, we succeed.

Tele2 begins by building the brand, customer base and profitability in one product area, then moves on to the next. During the next year, we shall see a number of new and interesting breakthroughs in several of our countries. Of particular interest is our ADSL concept for broadband straight from the telephone jack. We have already very successfully established this in France and other countries, with the Netherlands next in line.

Hate fat cats

There can be no doubt that Tele2 has vast growth potential. It is the Board's aim to combine continuing growth with profitability. We must keep this in mind as we consider the Board's proposal to the Annual General Meeting of Shareholders of a dividend of SEK 5 per share, and a redemption program corresponding to SEK 10 per share.

One thing to bear in mind. Just because our strategies are consistent, it does not make us dull and predictable. The worst that can happen to Tele2 is that we start acting like a traditional telecom company. We hate fat cats!

STOCKHOLM, MARCH 2005

Lars-Johan Jarnheimer
President and CEO, Tele2 AB

Tele2 has an important mission: Cheap and Simple telecoms for all Europeans.

MISSION AND VALUES. Tele2 has an important mission: cheap and simple telecoms for all Europeans. Our values are not some desktop product. They are an important support in the day-to-day work in our Group.

OUR WORK IS MARKED BY...

Flexibility We are positioned close to the customers' needs and are fast-acting.

Openness Tele2 stands for unity, straight answers and a simple organization.

Cost-consciousness We are careful with money, invest at as late a stage as possible and question all costs. Always.

...AND WE DO SO BY

Copying with pride We choose simple solutions, copy what works well and, above all, never change what is successful.

Challenging We can do the impossible by going our own way. The most important lessons come from our history.

Acting We focus on the solutions, not the problems. We revel in speed and celebrate our successes.

> One thing which characterizes Tele2 is that we are short of time and money. We must act quickly and be careful with money.
>
> **JAN STENBECK**

STRATEGIES Here at Tele2, we work relentlessly to achieve our goals. Rather than producing long, five-year plans that are set in stone, we prefer to build a strong culture for growth and profitability. As the market and the wider world change quickly, we also have to. These are the jigsaw pieces that make up the Tele2 concept:

OFFERING

Cheap and simple telecoms

- Customers want simpler services and smaller bills.
- Many Europeans have no money to spare at the end of the month.
- We are more preoccupied with customers' needs than with cutting-edge technology.
- Tele2 strives to offer the market's best prices.

MARKET

Tele2 will grow more in Europe

- Tele2 is Europe's leading alternative telecom operator.
- Hundreds of millions of Europeans have yet to become our customers.
- Telecom deregulation is going our way, but it is taking far too long.

BUSINESS MODEL

Traveling Light

- The most important thing is to earn money from the customer relationship, not the network.
- Tele2 usually acts as a virtual operator, avoiding large investments in its own networks. However, insufficient deregulation and the absence of any political impetus is obstructing the best solutions.
- Tele2 chooses the solution that gives the customer the best price.

GROWTH

Proven model for profitability

- Tele2 shall achieve profitability in a new market within three years.
- We start by building the brand and customer base in one product area.
- When we have built a satisfactory customer base, we move on to cross-selling of other services.

THE TELE2 WAY

Hate fat cats!

- Flexibility and cost-consciousness run through our veins.
- The biggest danger would be for Tele2 to start acting like a traditional telecom company.
- Our unique culture makes us sharper than our competitors.

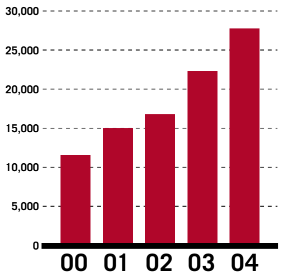
Tele2 increased operating revenue by 17% to SEK 43 billion, while profit before tax more than doubled.

FINANCIAL SUMMARY. It has been a good year for Tele2, with customer growth stable and profit before tax doubling. We have successfully taken advantage of a large number of growth opportunities, while maintaining our strong cash flow.

FINANCIAL DEVELOPMENT

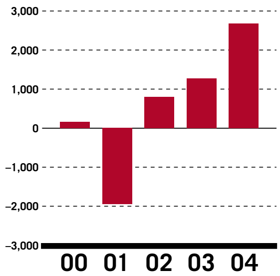
MSEK	2004	2003	Change
Operating revenue	43,033	36,911	+17%
No. of customers, 000s	27,794	22,306	+25%
EBITDA	6,618	5,710	+16%
EBITA	4,691	3,772	+24%
EBIT	2,789	1,866	+49%
EBT	2,681	1,267	+112%
Profit/loss for the year	1,902	2,396	–21%
Earnings per share, after dilution, SEK	12.86	16.20	–21%
Cash flow from operating activities	5,876	5,974	–2%
Cash flow after CAPEX	4,314	4,084	+6%
Average number of employees	2,928	3,274	–11%

NUMBER OF CUSTOMERS
000s



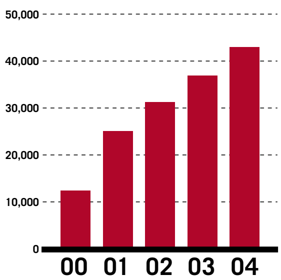
- Our intake of new customers in 2004 was 5.0 (5.5) million, not including UTA customers. The total number of customers increased by 25%.
- Fastest growth was seen in Central Europe, boosted by Germany's contribution, and in Baltic & Russia, where Russia accounted for more than half of the customer intake.

PROFIT/LOSS BEFORE TAX
MSEK



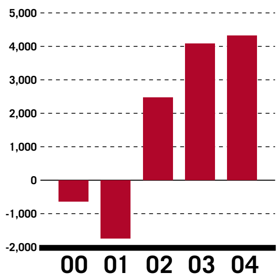
- Profit before tax more than doubled in 2004, rising by 112% to SEK 2.7 (1.3) billion.

OPERATING REVENUE
MSEK



- Operating revenue rose by 17% to SEK 43 (37) billion.
- Despite fierce competition, we showed growth in all our market areas. Nordic grew by 6%, while all the other markets showed two-digit percentage growth.
- Central Europe showed the strongest percentage growth, with a massive 47% rise to SEK 5 billion, while Southern Europe reported the largest growth in absolute numbers, increasing by SEK 2.5 billion to SEK 16.4 billion.

CASH FLOW AFTER CAPEX MSEK



- In a year in which we gained over 5 million new customers, cash flow after CAPEX increased by 6% to SEK 4.3 (4.1) billion while operating revenue rose by 17%.

Tele2 is in touch with customers.

Calling more cheaply and simply makes everyone happier.

PRODUCTS AND SERVICES. Tele2 offers products and services in fixed and mobile telephony, dial-up Internet, broadband, telephone cards, cable TV and content services. Everything we offer is geared to the customers' preference for cheaper and simpler services. And Tele2 always strives to be the market price leader.

Fixed telephony

Tele2 usually starts operations in a new country by gaining a foothold in the fixed telephony market, which is why this service is available in all our countries with the exception of Russia. Our fixed telephony product portfolio includes fixed preselection, fixed subscription, broadband telephony (VOIP) and telephone cards.

FIXED PRE-SELECTION

With pre-selection, customers make their calls with Tele2 from their landlines without having to dial a prefix before the telephone number. Following deregulation in the EU, fixed pre-selection is now available to most of our customers. If the service has not been introduced in the local market, our customers can use Tele2's prefix to make calls at our lower rates.

SUBSCRIPTION

In many markets, the traditional supplier has kept a tight grip on customers by having a monopoly on fixed subscriptions. This means that the customer has two bills to settle, one to Tele2 for the traffic and one to the traditional supplier for the fixed subscription. Tele2 can now offer fixed subscription to customers in Denmark, Norway and Sweden, which means that these customers not only obtain cheaper subscription, but also avoid receiving two bills. It is important to Tele2 and to our customers that the deregulation which began in the Nordic countries should continue across the rest of Europe. Tele2 will then be able to put even more pressure on the national incumbent operators, and ultimately offer cheaper and simpler telephony to even more Europeans.

BROADBAND TELEPHONY (VOICE OVER INTERNET PROTOCOL, VOIP)

Broadband telephony involves the customer using the Internet to make phone calls. Customers can save money from the low call rates and by canceling their landline and using their broadband connection for telephony.

TELEPHONE CARDS

Tele2's telephone card operations are run by Alpha Telecom and Calling Card Company (C^3). C^3 sells fixed telephone cards in several European markets. The cards are marketed under different brands and are sold mainly in stores and at newsstands. Alpha Telecom markets and sells prepaid fixed telephony. Instead of buying a telephone card, customers top up their account in advance and can then make calls via the fixed network without receiving a bill.

Mobile telephony

Tele2 offers mobile telephony to private users and companies in 13 countries, under different types of subscription. Tele2 has its own network in seven countries. In other countries we use an arrangement called MVNO, which involves leasing network capacity from another operator.

Our customers still use mobile phones mainly to make calls and send SMS messages. Voice mailbox continues to be the most popular additional service. Use of WAP and MMS has increased significantly, due to upgrading of GSM networks to GPRS, and sophisticated new camera mobile phones.

MOBILE VIRTUAL NETWORK OPERATOR (MVNO)

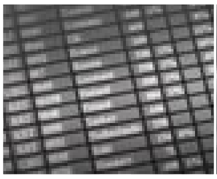
MVNO means that Tele2 functions as a total mobile operator with a limited infrastructure, and leases radio network capacity from a network owner. In countries where Tele2 does not have its own mobile license or mobile network, the MVNO concept allows us to complement fixed telephony with mobile telephony, without having to make any appreciable investment in infrastructure.

CONTENT SERVICES

Tele2's content services include news, weather, market prices, ring-tones, ring-up tones, images and games. We have placed the most popular services on a WAP portal. Tele2 works with content providers to offer attractive content services. This also means that Tele2 does not need to invest in development and operation.

3G

UMTS technology increases mobile network capacity considerably compared with GSM. Increased data transmission speed allows







Product area	FIXED TELEPHONY	MOBILE TELEPHONY	DIAL-UP INTERNET	BROADBAND	CALLING CARDS	CABLE TV
Nordic						
Sweden	■	■*	■	■		■
Norway	■	■	■	■		
Denmark	■	■	■	■		
Finland	■	■	■	■		
Baltic & Russia						
Estonia	■	■*	■			
Latvia	■	■*				
Lithuania	■	■*				■
Russia		■*		■		
Central Europe						
Germany	■		■		■	
Austria	■	■	■	■	■	
Poland	■		■	■	■	
Czech Republic	■		■	■		
Hungary	■					
Southern Europe						
France	■		■	■	■	
Italy	■		■	■	■	
Spain	■		■	■	■	
Switzerland	■	■	■	■	■	
Portugal	■		■		■	
UK	■		■		■	
Ireland	■				■	
Benelux						
Netherlands	■	■	■		■	
Luxembourg	■	■*	■			
Liechtenstein	■	■*	■	■		
Belgium	■		■			

* Own network. In other markets, Tele2 acts as MVNO.

customers simpler and faster use of advanced mobile services. 3G also enables video telephony, i.e. the facility to see the person to whom you are speaking. Surfing, WAP, mobile e-mail, video clips, games and other content services will be used increasingly, as more of our customers gain access to 3G.

Internet services

Tele2 sells Internet connection in 20 countries. We have a wide range of different offerings to meet the different requirements of customers with regard to price, speed and security. We also offer different types of security solutions, such as antivirus software and firewalls. Interest in these services is constantly increasing.

DIAL-UP INTERNET

Dial-up Internet is still the most common way of connecting to the Internet. Customers usually pay for the time they are online, which is often the cheapest option. In 2004, Tele2 launched Tele2 Safe Surf, the simplest and most secure product on the market, which protects against modem hijacking.

ADSL

ADSL (Asymmetric Digital Subscriber Line) provides broadband via an ordinary telephone jack. This is the fastest-growing broadband technology, and the new standard, ADSL2+, means that customers can achieve download speeds of up to 26 Mbit/s. There is major potential in offering packages with ADSL, VOIP, and Internet TV (IPTV). Tele2 offers ADSL in nine countries at present.

Triple play is a telephony package bundled with broadband and TV. Tele2 offers TV, broadband and VOIP in one package, a solution which also functions in our broadband and metropolitan area networks. It should also be possible to offer triple play via ADSL2+ in the near future.

WIRELESS BROADBAND

Wireless broadband via local radio networks complements existing wireline broadband and offers exciting potential. Also, in areas where it is not possible to offer broadband services via xDSL technology or fiber Tele2 can provide broadband via WLL.

MANS

Tele2 offers broadband at speeds of up to 10 Mbit/s in a number of fixed metropolitan area networks. A metropolitan area network is a local network such as a housing complex, where a network owner has connected a number of households over fiber, for example. If this network is then connected to an Internet operator's network, these households can then be offered broadband Internet access.

BROADBAND VIA CABLE TV

Tele2 was offering broadband as early as 1998 in Sweden, with cable TV as the carrier. Over the years, a large number of networks have been converted to allow broadband access, and we can now offer VOIP telephony to our cable TV customers.

TELEPHONE BOOTHS, INTERNET TERMINALS AND WLAN HOT SPOTS

Through 3C Communications, Tele2 provides credit card telephone booths and Internet terminals in hotels, restaurants and other well-frequented locations throughout Europe. This also paves the way for adding WLAN hot spots, which provide wireless connection of laptops to the Internet.

Cable TV

Tele2 offers cable TV via our subsidiaries in Sweden and Lithuania.

Tele2 continues to grow in Europe.

We are giving the monopolists a tough run for their money.

MARKET AND CUSTOMERS. “Tele2 must do everything differently from the former monopolies, at a lower price, but with the same quality.” With these words close to its heart, Tele2 has revolutionized the European telecom market.

Tele2 offers the same services and the same high quality as our competitors, but at a much more affordable price. We are able to do this because we have developed an efficient organization and are experts in keeping costs down. It’s really quite simple: first build a large customer base in one service area such as fixed telephony, and then cross-sell other services to the same customers. A successful method of working which we apply every time we enter a new market.

In mature markets, where customers are experienced users and competition exists, Tele2 aims to cross-sell services and create long-term, stable relationships with the customers. This means that a customer who uses Tele2 for fixed telephony will receive an attractive offer for other services, such as ADSL.

When Tele2 enters a new market where competition has just been introduced and consumers are unfamiliar with alternative telecom service providers, Tele2 concentrates on running large-scale advertising campaigns based on price comparisons with the old monopoly. The man in the street then associates the Tele2 brand with low prices and high quality.

Competition on equal terms

We must have a European telecom market that is open to competition, but, despite improvements, some politicians out there are still defending the monopolies and trying to stall deregulation. The offshoot is that private users and companies pay needlessly high prices for their telephony.

Tele2 basically wants one thing: to compete for customers on the same terms as the former monopolies. Although the EU Commission is actively working on these issues, there are still countries where the old monopolies are exploiting their dominant position. In fact, some callers are still having to dial a prefix in front of the number if they want to use an operator other than the incumbent, making it needlessly complicated for them to make cheap calls.

Customer surveys reveal that what customers find most inconvenient in switching to an alternative telecom operator is the fact that they receive two bills for their fixed telephony – one from Tele2 and another from the operator which owns the network (and therefore their subscription), usually the former government monopoly. However, progress is being made. Tele2 offers customers in Sweden, Norway and Denmark the facility to have their subscription fee and call charges on the same bill. A fine example of how competition on equal terms benefits consumers.

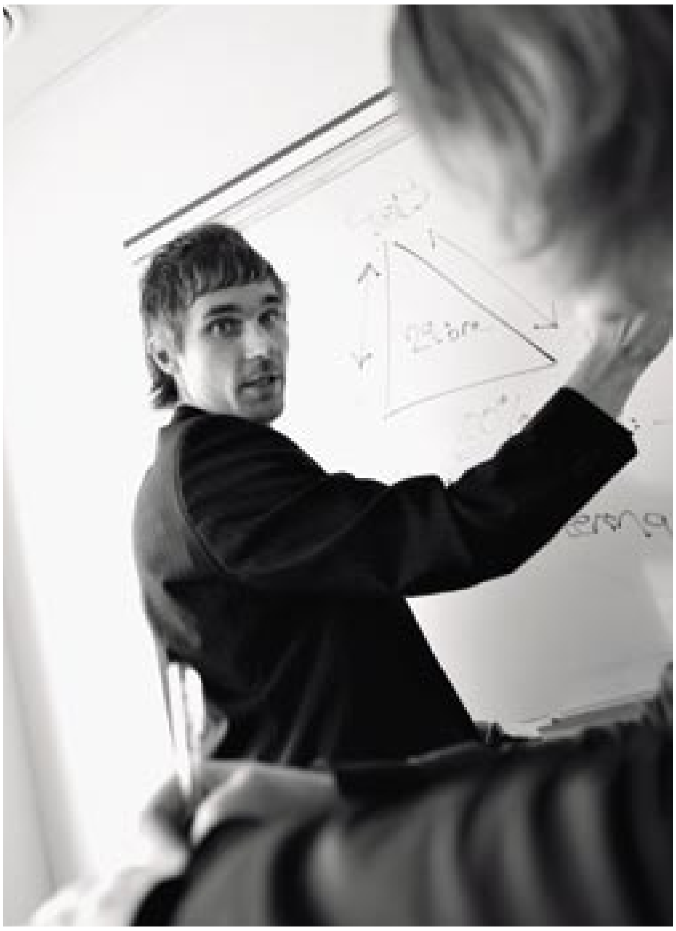
The customer is king

Yes, it sounds like a cliché, but at Tele2 the customer really does rule. The theme of humility before the customer runs through the whole Group and represents an important competitive advantage. From our customer contact we identify preferences and interests, which we then use as the basis for new services, offerings and other improvements. With close to 28 million customers having entrusted us to be their supplier, we need to work even harder to retain them and also win the confidence of more customers.

Offering good customer service is an important mission, and Tele2 puts every effort into ensuring that the quality of our relationship with customers remains at a high level. It is essential that we provide efficient and personal service in customer calls, correspondence and e-mails. At Tele2, we view a call to customer service as an opportunity to help the customer and as an invaluable source of knowledge about our customers. Reports from customer service are a natural part of management work at all levels in the Group. Everyone in Tele2 is required to complete a practical placement in customer service every year, in order to gain first-hand information about what customers really want.

> ” They are like Vikings who burned everything on their way and no one could stop them.

A high-ranking manager from the Polish incumbent operator describing Tele2 in the Polish News Bulletin, February 4, 2005.



Fast- acting organization for growth in Europe

MARKET ORGANIZATION. Tele2 is active in 24 countries in Europe, and has some 28 million customers in six market areas. We continue to expand into new markets and top up our offering with new services in telecommunications.

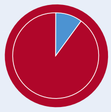
Benelux

The Netherlands, Luxembourg (incl. Tango), Liechtenstein, Belgium

- Continued strong growth and high brand awareness since the Belgian launch in 2003.
- Strong growth in mobile telephony in the Netherlands.
- Tele2 is awarded a UMTS license in Liechtenstein.

BENELUX	2004	2003	Change
Operating revenue, MSEK	4,245	3,704	15%
EBITDA, MSEK	342	223	53%
No. of customers, 000s	2,609	2,303	13%

10% of the Group's operating revenue



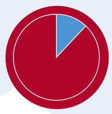
Central Europe

Germany, Austria, Poland, Czech Republic, Hungary

- Strong growth combined with increased profitability, boosted by the excellent performance of Germany.
- Launch of fixed telephony in Hungary and acquisition of UTA AG in Austria.
- Large customer intake in Poland.

CENTRAL EUROPE	2004	2003	Change
Operating revenue, MSEK	5,058	3,441	47%
EBITDA, MSEK	246	–303	
No. of customers, 000s	5,893	3,469	70%

12% of the Group's operating revenue



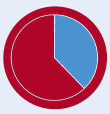
Southern Europe

France, Italy, Spain, Switzerland, Portugal, UK, Ireland, Calling Card Company (C³)

- Launch of fixed telephony in Ireland.
- ADSL initiatives continue with autumn launch in Spain.
- Tele2 has more customers in France than the other alternative operators put together.

SOUTHERN EUROPE	2004	2003	Change
Operating revenue, MSEK	16,440	13,943	18%
EBITDA, MSEK	1,150	1,104	4%
No. of customers, 000s	8,797	7,487	17%

38% of the Group's operating revenue



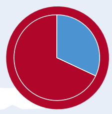
Nordic

Sweden (incl. Optimal telecom), Norway, Denmark, Finland, Datametrix

- Strong ADSL growth in Sweden, Norway and Denmark.
- Successful introduction of several new services, particularly in mobile telephony in Sweden.
- We are finally able to offer our customers fixed subscription in Sweden.

NORDIC	2004	2003	Change
Operating revenue, MSEK	13,775	12,942	6%
EBITDA, MSEK	3,854	3,861	0%
No. of customers, 000s	6,787	6,720	1%

32% of the Group's operating revenue



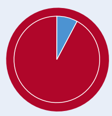
Baltic & Russia

Estonia, Latvia, Lithuania, Russia

- Strong growth throughout the market area.
- Russia accounts for over half of the market area's customer intake.
- Tele2 is the fastest-growing operator in Lithuania.

BALTIC & RUSSIA	2004	2003	Change
Operating revenue, MSEK	3,297	2,724	21%
EBITDA, MSEK	944	800	18%
No. of customers, 000s	3,708	2 327	59%

8% of the Group's operating revenue



Services

3C, ProcureITright, Proceedo Solutions, Radio Components, UNI2

- Establishment of 3C in North America, with the company now active in 23 countries worldwide.
- Proceedo takes market share in the fast-growing public sector.
- UNI2 sees its operating revenue rise by a 80 percent during the year.

SERVICES	2004	2003	Change
Operating revenue, MSEK	218	157	39%
EBITDA, MSEK	82	25	228%

Growth and profitability at higher levels

MARKET AREAS. 2004 was a successful year for Tele2 in that we can now offer cheap and simple calls to even more Europeans. However, we are not content to leave things there, and work actively with the national regulators for the introduction of new regulations to increase competition in telecoms.

MARKET AREA NORDIC

MARKET POSITIONS

Country	Service	Launch	Position among alternative operators 2004	2003
Sweden	Fixed Mobile Internet Cable	1993 1981 1991 1986	1	1
Norway	Fixed Mobile Internet	1998 2000 1997	1	1
Denmark	Fixed Mobile Internet	1996 2000 1997	1	1
Finland	Fixed Mobile Internet	2000 2004 2001	–	–

Sweden

The monopoly crumbled even more in 2004, and we are now able to offer Tele2 subscription to our fixed telephony customers, making low-cost calling in Sweden much easier.

Tele2 has continued to take market share in what is a relatively mature market, with our operating revenue soaring above that of our main competitors. We consolidated our position as the leading challenger during the year, and although the former monopoly is in front, we clearly head the chasing group in both fixed and mobile telephony.

2004 has been a very active year for Tele2, which saw the launch of a number of new offerings in fixed & mobile telephony, dial-up Internet, cable TV, IP telephony, DNS and ADSL. This was in response to customers' increasing demands for low prices and simplicity.

The year was also marked by the launch of Tele2's 3G services, which were positively received by our customers. We shall continue to develop effective new sales channels, launch new services and strengthen our offering during 2005.

OPTIMAL TELECOM

Optimal Telecom offers a lowest-price guarantee, which means the lowest price compared with the seven largest operators in fixed telephony, dial-up Internet and mobile prepaid calling cards. The company continued to grow in 2004 and we have seen a good intake of new customers. During the year, we offered new packages and new forms of telephony such as IP telephony. 2005 will see us concentrating even more on our fixed subscription, introducing new mobile products and launching our ADSL offering.

Norway

In 2004, we experienced strong growth in mobile telephony and also consolidated our position as price leader, as a result of reduced costs. Our cost effectiveness means that we can also compete at a low price in fixed telephony and ADSL. We are also set to launch prepaid calling cards for mobile telephony in 2005.

We shall also become an even stronger competitor to Telenor as new regulations implemented in the Norwegian market favor competition.

Denmark

In 2004, we strengthened our position as price leader, and we occupy third position in the Danish ADSL market at present. We also sharpened our customer service, which was quick to make its effects felt as Tele2's customer service was named the best mobile customer service. In 2005, we shall consolidate our position even more in fixed telephony, ADSL and mobile telephony. We shall do so by continuing to focus on price, customer friendliness and a strong offering.

Finland
Tele2 Finland offers the market's lowest prices. The company is run extremely cost effectively, with only four employees. In 2004, we launched mobile telephony and strengthened our offering in fixed telephony and dial-up Internet. This was done in a market which, despite deregulation, still accommodates little competition of note for local calls in fixed telephony. We shall strengthen our position in mobile and fixed telephony further during 2005.

Datametrix
Datametrix is a system integrator in the Nordic market. We have good geographical coverage, and the organization is characterized by flexibility and cost-consciousness. We offer IP telephony, integrated mobile solutions and call center integration. These are areas in which we possess broad expertise and hold a strong position. With Tele2, we are able to offer total solutions and a large portfolio of products and services. In 2004, we built a more united Nordic organization, to enable us to confront the market with an effective and secure organization behind us.

MARKET AREA SOUTHERN EUROPE

MARKET POSITIONS

Country	Service	Launch	Position among alternative operators 2004	2003
France	Fixed Internet	1999 2002	1	1
Italy	Fixed Internet	1999 2002	2	2
Spain	Fixed Internet	2001 2003	4	4
Switzerland	Fixed Mobile Internet	1998 2002 2002	2	2
Portugal	Fixed Internet	2003 2004	–	–
UK	Fixed Internet	2003 2004	–	–
Ireland	Fixed	2004	–	–

France
With more customers than all the other alternative operators put together, Tele2 France is in clear second place, close on the heels of the French incumbent. To strengthen our position in fixed telephony, we conducted a number of well-received launches in 2004, with customers particularly enthusiastic about our free calls on Sundays offer. These initiatives, together with increased focus on ADSL services, ensure that we will consolidate our position in the French market.

Italy
Tele2 is currently the largest alternative operator in the Italian fixed telephony market. Our ultra-low price and strong brand give us a sharp competitive edge. The stage appears to be set for growth in ADSL, where we expect the same success we achieved in fixed telephony.

Spain
Tele2 has a very high level of growth in Spain, due to its strong image and a marked increase in preselection subscriptions in fixed telephony. Tele2 Spain achieved profitability during the year in line with Tele2's 3-year pledge. We also launched our ADSL service during the year, with our low prices enabling us to make a powerful breakthrough.

Switzerland
Tele2 holds a large market share in fixed telephony in Switzerland and achieved significant growth during the year, which was largely a result of our innovative marketing and hard selling.

We are also successful in the ADSL market, but would like to see improvements in this area. The main problem is that the Swiss regulator does little to encourage competition with the former monopoly. However, we are confident that the situation will change in 2006, when a new act on electronic communication will hopefully come into force.

Portugal
The process of connecting customers via preselection is exceptionally complicated and slow in Portugal. Nevertheless, Tele2 Portugal still managed to set a record by occupying second place among alternative operators in the fixed telephony market in its first year.

The launch of dial-up Internet at the end of 2004 was highly successful, and we shall soon be able to offer our customers competitive prices in ADSL, which will strengthen our position even more.

We believe that there will be more competitive opportunities in 2005, and we shall be going all out to become the front-runner among alternative operators in fixed telephony.

United Kingdom
With its simple and low-priced offering, Tele2 has succeeded in achieving growth in a mature market. We are also ready to offer our customers attractive new services in both fixed telephony and the Internet.

Alpha Telecom specializes in prepaid long-distance calling cards. The company showed good growth during the year and is now operational in Ireland and France.

Ireland

Tele2 has been offering fixed telephony in Ireland since September 2004, and we have been warmly welcomed into the market. As usual, we build up cost effective operations using our copy-with-pride strategy. It is our belief that Ireland will become another success for Tele2 and we are already exploring potential growth areas.

Calling Card Company (C^3)

C^3 sells international calling cards in the European market, with our main target group people living abroad who make long-distance calls to their home country. We activated over 12 million cards during the year and continue to occupy a strong position as one of the leading players in Europe. We shall start 2005 by expanding our presence in Poland, Belgium and Switzerland. We shall also continue to develop our simple, low-priced products during the coming year.

MARKET AREA CENTRAL EUROPE

MARKET POSITIONS

Country	Service	Launch	Position among alternative operators 2004	2003
Germany	Fixed Internet	1998 2004	2	2
Austria	Fixed Mobile Internet	1999 2003 2003	1	1
Poland	Fixed Internet	2003 2000	1	1
Czech Republic	Fixed Internet	2002 2000	1	1
Hungary	Fixed	2004	1	–

Germany

We did not, unfortunately, see any significant improvements on the regulatory front in 2004. Preselection in fixed telephony still works in favor of the German incumbent, and we are far from satisfied with this situation.

Nevertheless, Tele2 was able to improve German profitability significantly in 2004, with successful marketing a major factor in the increased revenue. During the year, Tele2 launched dial-up Internet, which was met with a positive response from our customers.

Our focus for 2005 remains to challenge the monopoly and achieve increased growth and profitability.

Austria

Tele2 increased its presence in 2004 through the introduction of more broadband and mobile telephony services, and the acquisition of the largest alternative competitor, UTA AG. The acquisition has given Tele2 access to the customer base built up by UTA AG, and propels the company to the position of principal Austrian alternative operator in fixed telephony.

2005 will see us focusing on exploiting the opportunities that emerge from the acquisition, such as synergy effects and access to our own network.

Poland

We experienced high customer intake in 2004. The new customers were attracted by the low prices and the simplicity of the offering. Tele2 is very strong in Poland, and is already the undisputed number one alternative operator in fixed telephony.

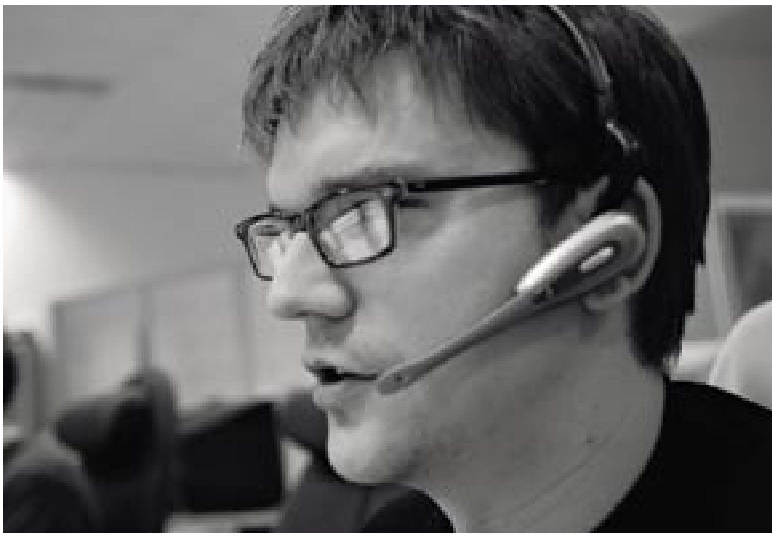
Tele2 launched dial-up Internet in 2004 and, in its capacity as principal alternative operator, also introduced local calls in twelve regions.

Czech Republic

2004 saw Tele2 consolidate its position as the largest alternative operator in the Czech market. Tele2 is currently the only serious alternative to the former monopolist in the private market. However, the regulatory situation is very poor indeed, with the regulator continuing to favor the Czech incumbent operator. We shall continue to fight for fair deregulation of the market in 2005, to allow us to compete with the incumbent on equal terms.

Hungary

Tele2 Hungary is one of our new additions, and we have been active there since April 2004. Our first year has seen very strong customer growth and Tele2 is already the largest alternative operator in fixed telephony. We shall continue our expansion in the Hungarian market in 2005, and it is our firm belief that we shall achieve positive results within three years from launch.



MARKET AREA BALTIC & RUSSIA

MARKET POSITIONS

Country	Service	Launch	Position among alternative operators 2004	2003
Estonia	Fixed Mobile Internet	1998 1998 2000	1	1
Latvia	Fixed Mobile	2004 1999	1	1
Lithuania	Fixed Mobile Cable	2004 1999 1998	1	2
Russia	Mobile Internet	2001 2004	5	7

Estonia

The regulatory picture in Estonia is far from satisfactory, particularly in fixed telephony. We see some signs of improvement here, but there is a long way to go before an acceptable level is reached.

2004 saw the launch of the new mobile subscription service and Tele2 Go Live! At present, we offer mobile & fixed telephony and Internet at attractive prices, and we are the leading alternative operator. We increased our focus on the corporate market in 2004 by strengthening our sales department and stepping up our marketing. Our corporate business will continue to grow in 2005 and we shall take additional market share in mobile telephony.

Latvia

We are bigger than the incumbent operator in mobile telephony, and in 2004 we launched fixed telephony, which has already been met with success. This is in spite of the Latvian regulator's lack of success in getting the incumbent to comply with current legislation, which limits our operations to international offerings.

We increased our customer base in 2004 and continued to provide attractively priced, easily accessible mobile telephony. We also launched GPRS, MMS and 3G during the year.

We see very strong potential for our new offerings and believe that 2005 will bring growth in all segments. We shall continue to campaign for proper implementation of the new electronic communication regulations in the Latvian market.

Lithuania

Tele2 has completed another satisfactory year in Lithuania, which saw the launch of fixed telephony. We currently have over 1 million subscribers and we are the fastest-growing operator in the country. We have come a long way by always being one step ahead of our competitors and by our aggressive marketing style.

Russia

Tele2 has strengthened its position as price-leading operator in the growing Russian market. We now have GSM licenses in 13 regions and during the year we achieved strong sales figures, largely due to increased coverage, aggressive selling and an attractively priced offering. In 2004, we acquired Votec Mobile and the remaining shares in Sankt-Petersburg Telecom. This will produce synergy effects, cost effectiveness and even better coverage in the Russian market during 2005. The regulatory situation in the market is far from satisfactory, but a new telecommunications act is being prepared, which we hope will increase the transparency of Russian bureaucracy.

MARKET AREA BENELUX

MARKET POSITIONS

Country	Service	Launch	Position among alternative operators 2004	2003
Netherlands	Fixed Mobile Internet	1997 2001 2003	1	1
Luxembourg	Fixed Mobile Internet	1999 1998 2000	1	1
Liechtenstein	Fixed Mobile Internet	2000 2000 2000	1	1
Belgium	Fixed Internet	2003 2004	2	2

The Netherlands

As the country's leading alternative operator, Tele2 enjoyed a successful and eventful year. This was the most successful year to date, with Tele2 brand awareness never having been so high. Our customer base in mobile telephony increased strongly, we took market share and we doubled the number of minutes called. In fixed telephony, our initiatives to reduce churn proved successful. We shall be following up our success with dial-up Internet by offering ADSL services in the first quarter of 2005.

Luxembourg

Tele2 is the main competitor to the incumbent operator in Luxembourg in fixed telephony and Internet. Our mobile operator Tango leads the market, with a market share of around 50 percent. During the year, we concentrated on retaining our market position as number one in mobile telephony by introducing simpler pricing and intensive advertising campaigns.

Liechtenstein

Tele2 maintains its position as the largest alternative operator in Liechtenstein, having offered fixed telephony and Internet since 2000. We launched mobile telephony in the same year under the Tango brand, and introduced the broadband service Tele2 ADSL in 2003. Tele2 has also been awarded a UMTS license for Liechtenstein.

Belgium

2004 was a year of even better results and more new customers in Belgium. Tele2 brand awareness is high and we are recognized as offering the market's best prices in fixed telephony. During the year, we introduced dial-up Internet, which was positively received.

MARKET AREA SERVICES

3C

3C offers integrated solutions for processing credit card transactions via terminals, the Internet and public credit card telephones. The company has a presence in 23 countries and continues to grow. The company signed agreements with a large number of major credit card companies in 2004, which simplified calling even more for our customers. We have also established operations in Hungary and North America. 2005 will see further focus on strengthening our position as market leader and increasing the number of market segments.

ProcureITright

ProcureITright (PIR) is a consulting company specializing in procurement in the TIME segment (telecom, information, media and entertainment).

We offer companies the opportunity to streamline procurement by means of outsourcing. The company focuses on procurement of technically complex products and services, and on strategic procurement. 2004 was a successful year, and the market for this type of service is expected to grow in 2005.

The company is based in Stockholm, but we work globally, having completed projects in around 40 countries in Europe, Asia, Latin America and Africa.

UNI2

X-Source (now UNI2) is one of the Nordic region's most innovative providers of IT outsourcing. The company takes responsibility for all or parts of the customer's IT environment and guarantees that a particular IT function is working. Operating income increased by 80 percent in 2004, which was very satisfying. UNI2 has about one hundred employees. Although Sweden and Denmark are our largest markets, we also operate in the UK, Luxembourg, Norway, Estonia, Latvia and Lithuania. 2005 will see further concentration on the Swedish market, even more aggressive marketing in Denmark and continued strong growth.

Proceedo Solutions

Proceedo offers companies a solution which enables them to access all information about different suppliers' products and prices electronically. This results in a more efficient internal purchasing process, from the needs analysis right through to payment.

We focus on large and medium-sized enterprises, and during 2004 we took market share in both the service and public sectors, which are expected to grow considerably over the next few years. We have set our sights on increasing sales even more in 2005, as market share and growth are the keys to profitability.

Radio Components Sweden AB

Radio Components develops and supplies base station solutions for increased geographical radio coverage. Our system reduces mobile operators' roll-out investments in radio networks. We are confident of continued strong growth in 2005, when our product for the GSM1800 network will be offered globally, and we shall also be offering solutions for new system standards based on the same platform. Our success must be based on a strong focus on operational reliability, user-friendliness, low prices and good delivery capacity.

Hate fat cats!
Our culture makes us stronger than our competitors.

Popular workplace throughout Europe with low employee turnover

EMPLOYEES. Tele2 is a very popular place to work, which is obvious when you look at our very low employee turnover, around 4 percent. We also received an extremely high number of spontaneous applications. Tele2 also has a low rate of sickness absence, below 3 percent. We are heartened by all this, which we see as a vote of confidence.

Tele2 had an average number of 2,928 employees in 2004. We have employees in 24 countries and 36 percent of them are women. Most of our employees work in sales and marketing. Recruitment takes place locally, with country managers responsible for their own recruitment.

Customer focus

A common theme runs through all Tele2's operations: customer focus. Having the right attitude and sharing Tele2's values of flexibility, openness and cost-consciousness are essential to successful employment with the company. Whatever your position in the organization.

All employees are required to gain practical experience in customer services by listening to Tele2's customer calls at least once a year, and if they are managers, twice a year. By selling, taking orders, processing invoices, and dealing with claims and complaints, our employees maintain contact with the customer, even though the organization is growing.

Tele2 is a flexible company, quick to adapt to changed market conditions, and not prone to planning far ahead in an unpredictable future. For this reason, we are highly demanding of the management teams in each of our companies. Tele2 is not a hierarchical organization; responsibility is delegated as far as possible to enable managers to remain close to their employees and customers at all times. A good manager sets an example by teaching and sharing with others.

Employee development

Staff development must be based on actually doing the job. Carrying out one's work tasks practically, in cooperation with others, provides the best possible skills development.

Tele2's presence in 24 countries means we are well equipped to give employees the opportunity of international professional development. Our employees must find it easy to develop and find new challenges within Tele2. With this in mind, we are building an internal database for all Europe in which we can advertise positions. We also take various measures to ensure that our employees do not, for example, lose out on pension savings if they opt to work in a another country.

Tele2 creates individual development plans for its employees and has a large number of programs and training schemes. All further training is based on the philosophy that the customer is king. The personal development plans include monthly evaluations and annual performance appraisals which deal with fulfillment of objectives and planning of new objectives, future input and training.

> Our employees must find it easy to develop and find new challenges within Tele2.


BILLY
EMPLOYEE OF THE MONTH

Tele2 in the community

CORPORATE SOCIAL RESPONSIBILITY. Tele2 does not lay claim to broad social responsibility. However, we can contribute with what we do best – providing cheap and simple telecoms. In the information society in which we live, access to communication resources is almost a prerequisite for development.

Sustainable growth in society and good business go hand in hand. This involves everything from doing business ethically and according to the law, to being able to help someone realize a dream or at least making their day-to-day life a little simpler.

At Tele2, we live close to our customers and it is by delivering our business concept, to offer cheap and simple telecoms, that we can contribute towards growth in society. This applies particularly to countries where freedom of choice and competition are new concepts.

Charity

In some cases we act ourselves, but we also support various local and global charity organizations. We often support charity work that focuses on helping children. In Austria, for example, we work with an organization which helps disabled children from poor families to make their dreams come true. We also support organizations which help the homeless and needy.

In many cases, we are able to use our own communication to help others. This can include giving some of the income from campaigns to deserving causes or helping with websites and free telecom donations. Sometimes our contributions are more obvious. During Christmas 2004, Tele2 employees in Denmark helped to pack the Christmas presents which the company was giving to children from needy families.

The Glocal Forum

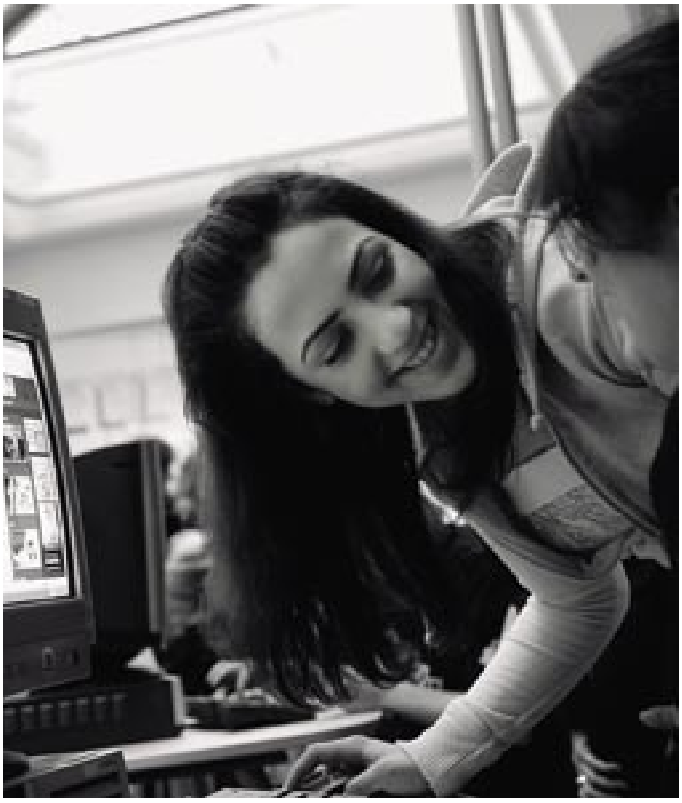
Communication reduces distance in the world - both geographical and cultural distance between countries, and also the distance between local players and global giants. To reduce this distance, Tele2 has joined forces with Metro, MTG and Millicom to establish The Glocal Forum.

The purpose of the Forum is to bring together politicians, international institutions, global companies and local players every year to discuss programs for sustainable development. These discussions result in different projects in areas such as information technology, sport and culture all over the world. An example of a Glocal Forum project is the Cybercenter in Dakar, Senegal, which we built with Millicom. The center offers schoolchildren from poor areas Internet access and help. The center also helps local industry by opening for small companies in the area after school hours.

South East Asia

The natural disaster in South East Asia affected unbelievable numbers of people and also hit us hard in the Nordic region. It moved us deeply as human beings, and it was only natural that we should want to help in any way we could as a company. We waived all call charges for our mobile customers in the affected areas to make it easier for them to contact relatives. We also helped the Swedish Ministry for Foreign Affairs to send SMS messages with information to Swedes in Thailand and Sri Lanka, and helped with mobile phones and subscription to the ministry's employees.

The Red Cross started an SMS collection service and we were able to help by giving our part of the proceeds to the aid work. We also donated SEK 1 million to the Red Cross. Kinnevik, Metro, MTG and Transcom did the same, which made a grand total of SEK 5 million.



Senior Executives

LARS-JOHAN JARNHEIMER (1)
President and CEO
MBA
Born 1960. Employed since 1992
Holding: 2,000 B shares and 15,000 options[1)]
Holdings through companies: 50,000 B shares[2)]

HÅKAN ZADLER (2)
CFO
MBA
Born 1960. Employed since 2000
Holding: 7,000 B shares and 15,000 options[1)]

FREDRIK BERGLUND (3)
Market Area Director, Nordic
President, Tele2 Sweden
B.Sc. in Market Economics
Born 1961. Employed since 1995
Holding: 15,000 options[1)]
Holdings through companies: 30,000 B shares[2)]

JEAN-LOUIS CONSTANZA (4)
Market Area Director, Southern Europe
President, Tele2 France
MBA
Born 1961. Employed since 1998
Holding: 15,000 options[1)]

ANDERS OLSSON (5)
Market Area Director, Central Europe
Marketing Coordinator
President, Tele2 Germany
MBA
Born 1969. Employed since 1997
Holding: 15,000 options[1)]

JOHNNY SVEDBERG (6)
Chief Operating Officer
Market Area Director, Baltic & Russia, Services
B.Sc. in Market Economics
Born 1962. Employed since 1990
Holding: 1 A share, 1,239 B shares and 15,000 options[1)]
Holdings through companies: 8,000 B shares[2)]

PER BORGKLINT (7)
Market Area Director, Benelux
President, Tele2 Netherlands
MBA
Born 1972. Employed since 2000
Holding: 7,500 options[1)]

JEANETTE ALMBERG (8)
Director, Customer Operation
MBA
Born 1965. Employed since 1995
Holding: 15,000 options[1)]
Holdings through companies: 1,500 B shares[2)]

JAN TJERNELL (9)
Director, Legal, Regulatory and Purchasing
LLB
Born 1963. Employed since 1994
Holding: 304 B shares and 7,500 options [1]
Holdings through companies: 1,500 B shares [2]

KARL-JOHAN NYBELL (10)
Director, Product Implementation and New Markets
M.Sc. in Engineering
Born 1968. Employed since 1995
Holding: 15,000 options [1]
Holdings through companies: 2,160 B shares [2]

ROGER MOBRIN (11)
Director, Billing Operations
Tech. College Engineer
Born 1968. Employed since 1995
Holding: 15,000 options [1]

BJÖRN LUNDSTRÖM (12)
Chief Technical Officer
M.Sc. in Engineering
Born 1965. Employed since 1991
Holding: 15,000 options [1]

IB ANDERSEN (13)
Director, Carrier Business and Revenue Assurance
Born 1955. Employed since 2000
Holding: 15,000 options [1]

[1] *relates to incentive program 2002/2007, please see note 34*
[2] *relates to incentive program 1997/2006, please see note 34*

Back row, from left to right: Jan Loeber, John Shakeshaft, Vigo Carlund, Marc J.A. Beuls
Front row, from left to right: Cristina Stenbeck, Hillevi, Sven Hagströmer, Lars-Johan Jarnheimer

Board of Directors

SVEN HAGSTRÖMER
Chairman of the Board
Born 1943
Member of the Board of Tele2 AB since 1997.
President and Chairman of Hagströmer & Qviberg 1981 to 1995.
Chairman of Investment AB Öresund and Avanza AB.
Other directorships: Bilia AB, HQ Fonder and Skanditek Industriförvaltning AB.
Total holding: 205,000 B shares

CRISTINA STENBECK
Born 1977
Member of the Board of Tele2 AB since 2003.
Vice Chairman of the Board of Investment AB Kinnevik.
Other directorships: Metro International S.A., Millicom International Cellular S.A., Modern Times Group AB and Transcom Worldwide S.A..
Total holding: 0

JOHN SHAKESHAFT
Born 1954
Member of the Board of Tele2 AB since 2003.
Managing Director, ABN Amro Bank.
External member of the Audit Committee of Cambridge University.
Chairman of the Board of The Alternative Theatre Company Limited.
Other directorships: Member of the audit committee of The Economy Bank N.V..
Total holding: 0

VIGO CARLUND
Born 1946
Member of the Board of Tele2 AB since 1995.
President and CEO of Investment AB Kinnevik.
Has worked for Kinnevik companies since 1968.
Chairman of the Board of Metro International S.A., Transcom Worldwide S.A. and Korsnäs AB.
Other directorships: Millicom International Cellular S.A..
Total holding: 397 B shares

JAN LOEBER
Born 1943
Member of the Board of Tele2 AB since 2004.
Consultant to Interxion Holding N.V.
Founder and CEO of GTS Hermes/EBONE and Unitel PCS (UK), CEO of Global Telecommunications, Bankers Trust NY Corp and Nokia, USA.
Chairman of SAMI, Newfound Communications Inc. in Boston and Vinovia b.v.
Other directorships: WJ Communications, Inc. and APAX Partners (UK) Technology Advisory Board.
Total holding: 7,500 B shares

MARC J.A. BEULS
Born 1956
Member of the Board of Tele2 AB since 1998.
President and CEO of Millicom International Cellular S.A..
Has been with Millicom since 1992. From 1997 to 2003 was Managing Director of Banque Invik S.A..
Other directorships: Banque Invik S.A.
Total holding: 940 B shares

LARS-JOHAN JARNHEIMER
(not a member of the Board)
Born 1960
President and CEO of Tele2 AB since March 1999.
Previous positions at IKEA, Hennes & Mauritz and SARA Hotels. Was CEO of ZTV for a short time before joining Comviq as Vice President in 1992. President of Comviq 1993–1997, and President of Saab Opel Sverige AB 1997–1998.
Other directorships: Millicom International Cellular S.A., Modern Times Group AB and Arvid Nordquist Handels AB.
Total holding: 2,000 B shares, 50,000 B shares through companies and 15,000 options

HILLEVI
(not a member of the Board)
Born: 1998
Dog, Basset Hound
Tiny Mon's Kennel, Västergötland, Sweden.

Auditor

Deloitte
Tommy Mårtensson
Chief Auditor
Born 1948. Authorized Public Accountant

Our corporate governance is marked by openness and flexibility

CORPORATE GOVERNANCE. Openness and flexibility are two of Tele2's most important values. Because these values permeate our entire company, they also play a key part in our corporate governance. By corporate governance we mean the way in which the company is managed and developed. We describe the most important points in our corporate governance in this section.

MESSAGE FROM THE CHAIRMAN

Once upon a time, the most important job of boards was to appoint and discharge chief executives. Another very important task was to mark out a compass course for the company's business operations. Compliance with rules and regulations was a foregone conclusion.

That goes without saying!

This is why today's system is somewhat different. "Comply or explain" has not only found its way onto the boardroom agenda. We have seen an increasing tendency for this type of issue to deflect from other more strategic board work. The new Swedish Corporate Governance Code, which is an expression of the market's somewhat involuntary self-regulation, is tending to become a quantitative rather than qualitative measure of value in areas such as board work.

This means that an eminently entrepreneurial company like Tele2 must, unfortunately, formalize its board work more and more, codes or no codes.

What was perceived as unnecessary bureaucracy a few years ago is now seen as essential in either securing risk management or relieving the board's workload. I am thinking here about Tele2's audit and compensation committees, which have made a great contribution to the efficiency of board work.

The Board's work was intensive in 2004. The Board met on 17 occasions. The Song Networks business took up 7 of these meetings. Much of the Board's work was also devoted to strategic matters.

A telecom operator can of course structurally act as a pure reseller or be completely integrated with a full set of infrastructure services. The latter is the traditional role, and the former the Tele2 model in Europe.

In today's world of labor division and specialization, the resellers' sales model tends to represent the most efficient model, both for the customer and the owner, as it results in the best capacity utilization. Who would imagine that Volvo would be opening mines?

Unfortunately, not all regulators share the same fondness for the effective sub-contractor model. Where possible, the operator with infrastructure is placed on the front row. In other words, if a company's own infrastructure is inefficient, this can be compensated for by a good return from the regulatory authorities.

STOCKHOLM, MARCH 2005

Sven Hagströmer
Chairman of the Board, Tele2 AB

Shareholders

Tele2 replies to enquiries from shareholders throughout the year. The Chairman of the Board and the President submit reports on the company's development to the Annual General Meeting of shareholders. At the AGM, shareholders are given the opportunity to speak, put forward proposals and pose questions to the Board and the President.

Information

Tele2 meets the requirements of acts and regulations relating to capital market information. This is mainly achieved by means of interim reports, year-end reports and press releases. The company also has contacts on investor issues in both Stockholm and London. In the early part of 2005, Tele2 updated its group website as a response to outside interest in the company. Tele2 regularly updates its annual and interim reporting in order to increase understanding of the company's strategies and results.

The Board's work

Tele2's Board is responsible for organization and administration of the company, and is composed in such a way as to enable it to effectively support and manage the work of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, corporate transactions and large investments, and defines financial targets and guidelines for Tele2's business operations. During the year, the Board held 17 meetings.

Within the Board, a compensation committee and an audit committee have been appointed. These committees should be seen as preparing bodies for the Board, and as such do not reduce the Board's joint and several responsibilities for care of the company and for the decisions made. All Board members have access to the same information.

The Chairman of the Board closely monitors the company's development and is responsible for ensuring that other members receive the information they need to perform their Board duties efficiently and appropriately.

More information about the Board can be found on pages 30 and 31.

Nominations and the nomination group

At the annual general meeting of 2004, a proposal for the establishment of a nomination group was put forward. The work of the nomination group is aimed at ensuring that Tele2 has the best possible Board for the company's long-term development. The resolution was adopted and Cristina Stenbeck was appointed to head the group. During the financial year 2004, the group also consisted of Mats Guldbrand (AMF Pension), Björn Lind (SEB Funds and SEB Trygg Liv) and Peter Rudman (Nordea Funds).

Compensation committee

The Board appoints the chairman and members of the compensation committee. The work of the compensation committee includes salaries, pension conditions, bonus systems and other terms of employment for the CEO and other senior executives in the Group.

In the case of other senior executives, the compensation committee makes decisions in the above areas, and these are then presented to the Board at the next board meeting. In the case of the CEO, the compensation committee prepares these areas for decision and provides the Board with decision data.

The compensation committee shall hold a minimum of one meeting a year, and others as required, at which minutes shall be taken. Sven Hagströmer, Cristina Stenbeck, John Shakeshaft and Vigo Carlund were appointed committee members at Tele2's board meeting held on December 7, 2004. The committee chairman is Sven Hagströmer. The compensation committee held one meeting in 2004, at which all members were present.

Audit committee

The Board appoints the chairman and members of the audit committee. The audit committee's role is to establish and improve the efficiency of contact with the Group's auditors and to supervise the procedures for accounting/financial reporting and auditing within the Group.

The work of the audit committee is concentrated on quality and propriety in the Group's financial reporting and any associated reporting, internal financial control in the Group and the auditors' work, auditors' qualifications and impartiality, the Group's compliance with requirements relating to current statutes and other regulations and, where applicable, transactions between the Group and related parties.

The audit committee monitors developments in accounting principles and requirements, discusses other important issues associated with the company's financial accounting and reports its observations to the Board.

The audit committee shall aim to meet four times during the year and its meetings shall, as far as possible, adhere to the schedule for Tele2's presentation of financial reports. The committee shall also meet as and when required. Minutes are taken at the audit committee's meetings and a report is submitted to the Board at the next board meeting. At Tele2's board meeting held on May 12, 2004, John Shakeshaft and Jan Loeber were appointed members of the audit committee. The Chairman of the committee is John Shakeshaft. The audit committee held four meetings in 2004 to coincide with each of the quarterly reports.

Auditing

The company's auditors are selected by the Annual General Meeting for a period of four years. The present period covers 2004-2007. Tele2's auditors are registered auditing firm Deloitte & Touche AB, with Tommy Mårtensson (authorized public accountant) as the chief auditor.

The audit has been conducted in accordance with generally accepted auditing standards and includes examination of the annual accounts, the consolidated financial statements, the accounting records and the administration of the President and CEO.

Group management

The President and group management manage Tele2's business operations in accordance with the Board's instructions and guidelines. The President keeps the Board regularly updated with information on the company's governance and financial position.

Dividend for the second time

THE TELE2 SHARE Last year, we were able to pay a dividend to shareholders for the first time, and this year we are increasing the dividend to SEK 5 per share, plus a redemption program corresponding to SEK 10 per share. Average daily trading on Stockholmsbörsen increased to SEK 258 million (B share), but the price fell by 32 percent to SEK 261 (384). At year-end, Tele2 had a market value of SEK 34.5 billion and the number of shareholders was 60,603.

THE TELE2 SHARE

Listing: O List of Stockholmsbörsen since May 14, 1996; Nasdaq; New York, since January 22, 1997

Share lot: 50 shares

Tele2's A share: Nominal value SEK 5, 10 votes per share, Stockholmsbörsen TEL2 A, Nasdaq TLTOA, ISIN code SE0000314304, 15,516,663 shares

Tele2's B share: Nominal value SEK 5, 1 vote per share, Stockholmsbörsen TEL2 B, Nasdaq TLTOB, ISIN code SE0000314312, 132,043,512 shares

Share capital: SEK 738 million, divided into a total of 147,560,175 shares

Price movements and trading

During 2004, Tele2's share price fell by 32 percent to SEK 261 (384) per B share. At year-end, Tele2 had a market value of SEK 34.5 billion. During 2004, B shares were traded at an average of SEK 258 million per business day. On February 25, 2005, the market price was SEK 247.50 (B share) and the total market value SEK 37 billion.

Debentures and share issues in connection with stock exchange listings

Tele2's A and B shares were listed on the O List of Stockholmsbörsen when the company was distributed to the shareholders of Industriförvaltnings AB Kinnevik in May 1996. Following the distribution, Kinnevik did not own any shares in Tele2, but held a convertible debenture corresponding to 25,555,555 shares. During 1996, Kinnevik sold portions of the debenture, after conversion to shares, to institutions and Invik & Co AB.

To promote interest in the Company's shares in the US and to increase liquidity outside Sweden, Tele2 A and B shares were listed on the Nasdaq Stock Exchange in New York in January 1997. A month or so later, a new issue of 2,000,000 B shares was implemented. Tele2 sought to broaden the Company's international ownership interest and to support the Nasdaq listing with this issue. Most of the proceeds from the share issue, which amounted to SEK 220 million, were used for ongoing investments, in particular the development of Tele2's Danish and Norwegian operations.

In conjunction with the new share issue, Industriförvaltnings AB Kinnevik sold the majority of its remaining debenture in Tele2, converted to 6,000,000 B shares.

During 1997, Invik & Co AB had converted its debenture, corresponding to 6,700,000 B shares, thus increasing Tele2's shareholders' equity by SEK 335 million. During the second quarter of 1998, all outstanding debentures were converted into 755,555 B shares.

Debentures and share issues

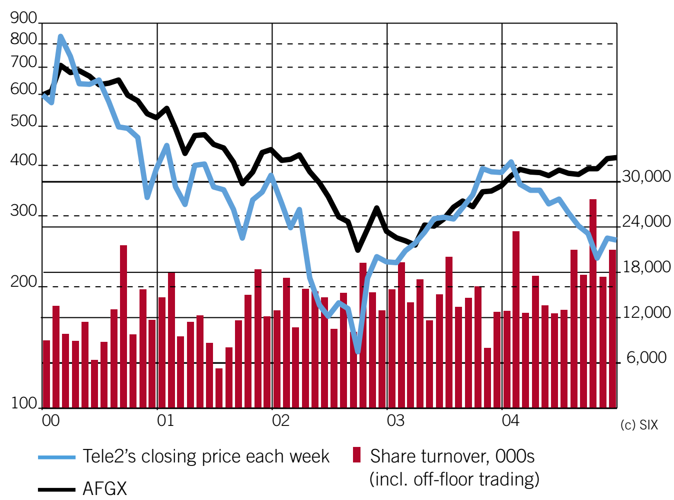
At the Annual General Meeting in May 2000, the Board of Directors was authorized to settle an option commitment by means of a new share issue. In October 2000, 200,000 new B series shares were issued, along with three convertible debentures with detachable warrants with rights to a new subscription totaling 300,000 B shares. 100,000 B shares were subscribed for each year in the period 2001-2003.

At an Extraordinary General Meeting of Tele2 AB in August 2000, a proposal was approved to issue a maximum of 40,901,585 Class A and Class B shares in Tele2 to shareholders and holders of depository receipts in Société Européenne de Communication S.A. (SEC), in exchange for shares and depository receipts in SEC. By the end of the issue period, a total of 40,784,480 shares had been issued.

At the end of 2001, all shares in FORA Telecom B.V. (the Russian operation) were acquired, in exchange for 2,461,449 newly issued B shares in Tele2 AB.

In 2002, 8,317,143 and in 2004, 6,173,141 A shares were converted to B shares.

STOCKHOLMSBÖRSEN



OWNERSHIP STRUCTURE, DECEMBER 31, 2004

	A shares	B shares	Total number of shares	Number of votes	Share of capital, %	Share of votes, %
Investment AB Kinnevik	11,276,743	30,550,432	41,827,175	143,317,862	28.3	49.9
SEB Group	0	7,002,194	7,002,194	7,002,194	4.7	2.4
AMF Pension	0	6,598,550	6,598,550	6,598,550	4.5	2.3
JP Morgan	0	4,788,839	4,788,839	4,788,839	3.2	1.7
Fidelity	0	4,538,870	4,538,870	4,538,870	3.1	1.6
Robur	0	4,513,258	4,513,258	4,513,258	3.1	1.6
Nordea	400	4,085,001	4,085,401	4,089,001	2.8	1.4
4th AP Fund	0	4,044,850	4,044,850	4,044,850	2.7	1.4
Emesco	2,455,000	750,379	3,205,379	25,300,379	2.2	8.8
Handelsbanken	5,000	2,925,516	2,930,516	2,975,516	2.0	1.0
Bank of New York	760	2,922,861	2,923,621	2,930,461	2.0	1.0
State Street Bank and Trust	0	2,239,970	2,239,970	2,239,970	1.5	0.8
Skandia and Skandia Insurance	0	2,027,082	2,027,082	2,027,082	1.4	0.7
SIF	0	1,617,100	1,617,100	1,617,100	1.1	0.6
Stenbeck, Jan (Estate)	914,157	0	914,157	9,141,570	0.6	3.2
Total, fifteen largest shareholders	**14,652,060**	**78,604,902**	**93,256,962**	**225,125,502**	**63.2**	**78.4**
Other shareholders	864,603	53,438,610	54,303,213	62,084,640	36.8	21.6
Total	**15,516,663**	**132,043,512**	**147,560,175**	**287,210,142**	**100.0**	**100.0**

Shareholders

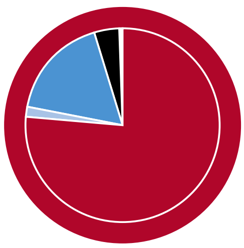
As of December 31, 2004, Tele2 had a total of 61,000 (61,000) shareholders. Tele2's largest shareholder is Investment AB Kinnevik with 28.3 percent of share capital. The proportion of institutional owners was 89 (88) percent, which corresponds to 92 (92) percent of the voting rights on December 31, 2004.

Dividend

It is the Board's aim to pay a dividend to shareholders after taking into consideration consolidation needs, liquidity and financial position. For the financial year 2004, the Board proposes a dividend of SEK 5 per share and a redemption program corresponding to SEK 10 per share.

SHAREHOLDER STRUCTURE BY COUNTRY

Sweden	77%
Nordic, other	1.5%
Rest of Europe (not incl. Sweden + Nordic)	17.5%
USA	3.5%
Rest of the world	0.5%



SHARE DISTRIBUTION

Number of shares	Number of shareholders	Holding (%)
1–500	51,389	4.59
501–1,000	4,752	2.64
1,001–5,000	3,468	5.1
5,001–10,000	385	1.9
10,001–15,000	151	1.27
15,001–20,000	85	1.02
20,001–	373	83.5
Total number of shareholders	**60,603**	**100.0**

SELL-SIDE ANALYSTS

ABG Sundal Collier	Henrik Vikström / Jesper Wilgodt
ABN AMRO	Rikard Rosenbacke
Arete	Steve Malcolm
Carnegie	Johan Klevby
Cheuvreux	Peter-Kurt Nielsen
Citigroup Smith Barney	James Rivett
CSFB	Ben Spincer
Danske Equities	Poul Ernst Jessen
Deutsche Bank	Vivek Khanna
Dresdner Kleinwort Wasserstein	Jonathan Smith
Enskilda Securities	Lena Österberg
Goldman Sachs	Jonathan Rodgers
Hagströmer & Qviberg	Sven Sköld
Handelsbanken	Andreas Ekström
HSBC	Jakob Bluestone
Kaupthing	Håkan Persson
Lehman Brothers	James Britton
New Street Research	Somit Datta
Merill Lynch	Graham Ruck
Morgan Stanley	Conrad Werner
Natexis Bleichroeder	Philip Townsend
Swedbank	Henrik Sandell
Öhman	Stefan Billing

Published March 2005

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors herewith presents the annual report for Tele2 AB (publ), corporate registration number 556410-8917, for the financial year 2004.

Tele2 AB's share is listed on Stockholmsbörsen under the ticker symbols TEL2A and TEL2B.

The fifteen largest shareholders at December 31, 2004 hold shares corresponding to 63% of the capital and 78% of the voting rights, of which Investment AB Kinnevik own 28.3% of the capital, and 49.9% of the voting rights.

Operations

Tele2 is Europe's leading alternative telecom operator. Tele2 always strives to offer the market's best prices. With its unique values, Tele2 provides cheap and simple telecoms for all Europeans. We have close to 28 million customers in 24 countries. Tele2 offers products and services in fixed & mobile telephony, Internet, data network services, cable TV and content services. Our main competitors are the former government monopolies. Tele2 was founded in 1993 by Jan Stenbeck and has been listed on Stockholmsbörsen since 1996. In 2004, we had an operating revenue of SEK 43 billion and a profit of SEK 6.6 billion (EBITDA).

Tele2 had a total of 27.8 (2003: 22.3) million customers at December 31, 2004 (Note 4). Total number of customers for the full year 2004 increased by 25%, corresponding to 5.0 (2003: 5.5) million customers, not including customers in the acquired UTA. Tele2's operating revenue for 2004 amounted to SEK 43,033 (2003: 36,911) million, which represents an increase of 16.6% including, and 17.2% excluding, exchange rate effects. The Group's ARPU (monthly average revenue per unit), not including customers in UTA, was SEK 145 (2003: 157). The decline on the previous year's figure is largely a dilution effect due to the fact that growth was highest in countries with a low ARPU.

Operating profit/loss before depreciation/amortization, and result from shares in associated companies, EBITDA amounted to SEK 6,618 (2003: 5,710) million, with an EBITDA margin of 15.4% (2003: 15.5%). Operating profit/loss after depreciation and amortization, EBIT totaled SEK 2,789 (2003: 1,866) million, with an EBIT margin of 6.5% (2003: 5.1%).

Net interest income/expense and other financial items amounted to SEK –108 (2003: –599) million, with capital gain from the shares in Song Networks boosting financial items by SEK 171 million. The average interest rate on outstanding liabilities was 3.5% in 2004 (2003: 5.0%). Net profit after financial items, EBT, amounted to SEK 2,681 (2003: SEK 1,267) million.

Tax on profit/loss for the year amounted to SEK –779 (2003: 1,092) million, which had a positive net effect of SEK 729 (2003: 2,011) million on the tax part of accumulated losses in companies that began to report positive results during the year. Profit after tax was SEK 1,902 (2003: 2,396) million. Earnings per share amounted to SEK 12.86 (2003: 16.20) after full dilution.

During 2004, Tele2 Group made net investments of SEK 1,562 (2003: 1,890)

Five year summary

SEK million	2004	2003	2002	2001	2000
Operating revenue	43,033	36,911	31,282	25,085	12,440
Number of customers, thousands	27,794	22,306	16,764	14,958	11,554
EBITDA	6,618	5,710	5,127	1,698	1,820
EBITA	4,691	3,772	3,006	183	802
EBIT	2,789	1,866	1,494	–1,323	376
EBT	2,681	1,267	796	–1,944	165
Profit/loss for the year	1,902	2,396	223	392	–396
Shareholders' equity	31,396	30,360	28,728	29,517	26,539
Shareholders' equity, after dilution	31,453	30,419	28,757	29,547	26,584
Total assets	47,826	47,970	46,872	49,258	42,397
Cash flow from operating activities	5,876	5,974	4,365	413	883
Cash flow after CAPEX	4,314	4,084	2,475	–1,732	–627
Liquidity	5,113	3,444	2,332	1,625	1,304
Net borrowing	2,738	4,427	7,729	9,286	7,095
Investments in intangible and tangible assets, CAPEX	1,562	1,895	1,956	2,162	1,514
Investments in shares and other long-term receivables	1,756	767	626	304	20,512
Average number of employees, numbers	2,928	3,274	3,115	2,172	1,747
Key ratios:					
Equity/assets ratio, %	66	63	61	60	63
Debt/equity ratio, multiple	0.09	0.15	0.27	0.31	0.27
EBITDA margin, %	15.4	15.5	16.4	6.8	14.6
EBIT margin, %	6.5	5.1	4.8	–5.3	3.0
Return on shareholders' equity, %	6.2	8.1	0.8	1.4	–2.4
Return on shareholders' equity after dilution, %	6.2	8.1	0.8	1.4	–2.4
Return on capital employed, %	8.2	5.0	3.9	–3.3	1.9
Average interest rate, %	3.5	5.0	6.4	6.3	4.8
Value per share, SEK:					
Profit, excl. goodwill amortization	25.78	29.17	11.77	13.09	0.26
Profit, excl. goodwill amortization, after dilution	25.72	29.09	11.75	13.07	0.26
Profit/loss after tax	12.89	16.25	1.51	2.70	–3.47
Profit/loss after tax, after dilution	12.86	16.20	1.51	2.70	–3.47
Shareholders' equity	212.77	205.88	194.95	203.56	232.62
Shareholders' equity, after dilution	212.72	205.71	194.79	203.46	232.74
Cash flow from operating activities	39.82	40.51	29.62	2.85	7.74
Dividend	15.00	3.00	–	–	–
Market price on closing day	261.00	384.00	230.50	378.00	392.00

million in tangible and intangible assets (Note 32). Investments in shares in companies, excluding cash and cash equivalents at the time of acquisition, in 2004 amounted to SEK 1,979 (2003: 800) million and sales of shares amounted to SEK 38 (2003: 21) million, in addition to the purchase and sale of shares in Song Networks during the year.

Cash flow from operating activities in 2004 amounted to SEK 5,876 (2003: 5,974) million and cash flow after investments in intangible and tangible assets totaled SEK 4,314 (2003: 4,084) million. Cash flow expressed as EBITDA minus CAPEX amounted to SEK 5,056 (2003: 3,820) million. Investments (CAPEX) amounted to SEK 1,562 (2003: 1,890) million or 3.6% (2003: 5.1%) of operating revenues.

Nordic

The Nordic market area comprises operations in Sweden (including Optimal Telecom), Norway, Denmark and Finland, and also Datametrix operations.

Mobile telephony operations in Sweden reported 3.4 million customers at December 31, 2004, which is a rise of 3% on the figure reported in December 2003. ARPU in mobile telephony, including prepaid calling card customers, amounted to SEK 157 (2003: 174) for 2004, and the monthly mobile minutes of use (MOU) amounted to 93 (2003: 87) minutes. Prepaid mobile customers account for 75% of the total mobile customer base in mobile telephony.

The decline in profit for mobile operations in Sweden is largely due to a reduced margin in interconnect charges to TeliaSonera and reduced prices.

In November we were finally able to launch the sale of fixed telephony subscription in Sweden, which had previously been exclusive to TeliaSonera. We have identified a high level of interest among our customers in adding fixed subscription to their Tele2 account, and it is our belief that this service will experience at least the same success as in Denmark and Norway. Profit/loss for 2004 has not been affected by fixed telephony in Sweden.

Norway and Denmark continued to show good growth, with Norway benefiting from growth in the resale of the fixed telephony subscription fee and good customer intake in mobile telephony. We are also consolidating our position in ADSL in both Denmark and Norway.

In 2004, Tele2 launched mobile telephony in Finland and repackaged its fixed telephony offering.

Baltic & Russia

The Baltic & Russia market area comprises operations in Estonia, Latvia, Lithuania and Russia.

The market area's ARPU in mobile telephony was SEK 91 (2003: 121).

The market area has been able to report strong customer intake, with Russia accounting for a significant proportion of the figure. As Russia has a lower ARPU than other countries in the market area, this strong growth has had a diluting effect on the market area's ARPU.

The first half of 2004 saw the launch of Tele2's GSM networks in Kursk, Chelyabinsk and Belgorod , enabling the company to offer GSM services in all eleven Russian regions in which it has mobile operations. In December 2004, Tele2 acquired Russian mobile operator Votec Mobile, which has a GSM license in Voronezh, in southern Russia.

In Latvia, Tele2 launched GPRS and MMS services for prepaid customers and in the first half of the year Tele2 Latvia introduced international calls in fixed telephony. In May, 2004, Tele2 sold its cable TV operations in Estonia to concentrate on core operations in fixed and mobile telephony and Internet. In July 2004, Tele2 acquired the remaining 10% of the shares in Tele2 Estonia and Tele2 Lithuania. Tele2 Lithuania launched fixed telephony at the beginning of the year. During the year, a license for fixed telephony was awarded in Turkey.

Central Europe

The Central Europe market area comprises operations in Germany, Austria, Poland, the Czech Republic and Hungary.

The market area's ARPU in fixed telephony and Internet (not including UTA customers) was SEK 104 (2003: 123).

The market area experienced strong growth, both in terms of sales and customer intake.

Tele2 saw an improvement in its profitability in Germany in 2004, and launched dial-up Internet there in May. In early July, Tele2 introduced dial-up Internet in Poland. In December, the market for local calls in Poland was finally deregulated. Operations in Hungary were launched in April 2004 and have developed strongly during the year.

In December 2004, Tele2 Austria acquired UTA, Austria's leading alternative operator. The acquisition elevates Tele2 to the position of leading alternative operator in the fixed network and broadband markets in Austria. The acquisition will allow Tele2 to reduce costs considerably in the Austrian market, where cost synergies are expected to amount to EUR 30 million on an annual basis from 2005. Total integration costs are expected to amount to EUR 30 million.

Southern Europe

The Southern Europe market area comprises operations in France, Italy, Spain, Switzerland, Portugal, the United Kingdom, Ireland and C^3 operations.

The market area's ARPU was SEK 181 (2003: 188) in fixed telephony and Internet.

Tele2 Italy is the largest alternative operator in the country and ADSL operations there have been expanded. Spain continues to show profitable growth and in November we strengthened our product offering by launching ADSL services.

Dial-up Internet was launched by Tele2 in Portugal towards the end of 2004.

September 2004 saw the launch of operations in Ireland. Marketing and other functions have been coordinated with operations in the UK at a low cost.

Benelux

The Benelux market area comprises operations in the Netherlands, Luxembourg (including Tango), Liechtenstein and Belgium.

The market area's ARPU in fixed telephony and Internet was SEK 144 (2003: 158).

During the year, Tele2 Belgium introduced dial-up Internet.

Services

The Services market area covers 3C operations, ProcureITright, Proceedo Solutions, Radio Components and UNI2 operations.

Refinancing

In November 2004, Tele2 Sverige AB signed an agreement with a number of banks regarding a loan facility of SEK 7 billion. The loan facility will be used for financing operations and for the final repayment of Tele2's remaining debt in the loan facility signed in 2001.

Tele2's dramatically improved cash flow and balance sheet since the previous loan has reduced the interest margin from 75 basis points to 20-25 points, which also includes more flexibility regarding repayments and purpose of the loan. For additional information, please refer to Note 26.

Acquisitions and divestments

In December 2004, Tele2 acquired UTA, Austria's leading alternative telecom operator, which operates in fixed telephony and Internet, for SEK 1,723 million, and Russian mobile operator Votec Mobile ZAO. In July 2004, Tele2 acquired the remaining 10% in Tele2 Holding AS in the Baltic region, with the result that Tele2 now owns all the shares in Tele2 Estonia and Tele2 Lithuania.

On 12 May, 2004, Tele2 sold its cable TV operations in Estonia.

Disputes and damages

Tele2 is involved in a number of tax disputes, with the dispute from 2003 (SEK 3,910 million) by far the largest of these. The tax authority has questioned the calculated fair value of SEC SA in conjunction with a restructuring program in 2001. In 2004, the local tax authorities reconsidered their decision and in doing so clarified the grounds for their decision. Nothing has emerged during the year to change our conviction that we have fulfilled all possible requirements for entitlement to the deduction claimed and an appeal against the result of the reconsideration has therefore been lodged with the county administrative court. For additional information, please refer to Note 12.

In Sweden, disputes have been in progress for several years between Tele2 and TeliaSonera with regard to the pricing of interconnect fees in mobile telephony. The disputes are to be settled by the county administrative court. A judgment is made for each individual dispute on the most likely outcome and the income statement is prepared in accordance with this. Disputes also occur in other countries, and Tele2 negotiates prices routinely in all markets.

Risks and uncertainty factors

Tele2's operations are affected by a number of external factors.

Operating risks

The risk factors considered to be most significant to Tele2's future development are described below.

Changes in regulatory legislation on telecommunication services

Changes in legislation, regulations and decisions of authorities can have a considerable effect on the conditions of our business operations and the competition situation in the markets in which we are active. Large-scale deregulation has historically been advantageous to Tele2's development, while a limited or slow deregulation process has checked the company's growth. These decisions also affect the prices which apply in particular to interconnection agreements with the incumbent operators in each market.

Increased competition

Despite signs of consolidation in the sector in recent years, we have a large number of competitors in the markets in which we operate. Our growth, and therefore our profitability, is largely based on our ability to offer customers a competitive price for our services. In a situation of aggressive pricing among market players, this may have a negative effect on our financial position.

Introduction of new services

An important part of our business involves the ability to offer our customers added value in the form of new services. If we are unable to introduce new services commercially or suffer major delays to a product launch, this may have a negative effect on our capacity to increase revenue per user.

Ability to attract and retain customers

As surveys of the markets for telecommunications services reveal a high proportion of market penetration, so we shall be able to attract new customers in direct competition with other operators. This may result in increased customer turnover due to the behavior of our competitors, which in turn will mean additional costs for customer procurement.

Legal proceedings

Our normal business operations involve Tele2 being party to legal proceedings. As these proceedings can be complex, it is often difficult to predict their outcome. An unfavorable result can have an extremely negative effect on our business operations, operating profit or financial position.

Financial risks

Our business operations also involve exposure to financial risks such as currency risks, interest risks and credit risks.

Currency risks

The consolidated balance sheet and income statement are affected by fluctuations in subsidiaries' currencies against the Swedish krona. At December 31, 2004, 22% (2003: 26%) of operating revenue was in SEK and 52% (2003: 49%) in EUR. A 1% currency movement against the Swedish krona affects the group's operating revenue and EBITDA on an annual basis by SEK 333 (2003: 272) million and SEK 30 (2003: 20) million respectively. In 2004, Tele2's results were mainly affected by fluctuations in NOK, USD, LVL and GBP. For additional information, please refer to Note 23.

Interest risks

Of the total interest-bearing liabilities at December 31, 2004, SEK 4,651 (2003: 6,555) million, corresponding to 94% (2003: 91%), carried a variable interest rate. A 100-point increase in interest rates would involve additional interest expense of SEK 47 million, calculated on the basis of variable interest-bearing liabilities at December 31, 2004. For further information, please refer to Note 26.

Credit risks

The Group regularly conducting credit assessments of the customer base. Since the Group has a highly varied customer base which covers individuals as well as companies, the exposure in relation to each customer and thereby the credit risk is restricted. The Group makes provisions for possible credit losses, and these have remained within management's expectations.

Assessments and estimates

The consolidated financial reports are, in part, based on assumptions and estimates in conjunction with the preparation of the consolidated financial statements. The calculations and estimates are based on historical experience and a number of other assumptions to result in a decision regarding the value of the assets or liabilities which cannot be determined in any other way. The actual outcome may vary from these estimates and calculations.

The accounting principles that involve the most critical assessments and estimates used to prepare the Group's financial statements are the formulation of depreciation schedules for fixed assets, impairment testing of tangible and intangible assets, determination of the date for valuation of loss-carry-forwards, assessment of revenue recognition and the reserve for disputes, and calculations regarding the reserve for doubtful receivables. For more detailed information, see Other informations in the Notes.

Changes in accounting principles 2005

From January 1, 2005, Tele2 will present its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The most significant difference between Tele2's present accounting principles and IFRS is that goodwill will no longer be amortized. Earnings per share after dilution for 2004 will increase from SEK 12.86 to SEK 23.18 as a result of the change to IFRS. For more detailed information about the changes, please refer to Note 36.

Events after the end of the financial year

In January 2005, Tele2 acquired Tiscali's Danish operations, Tiscali A/S, for EUR 20.7 million on a debt-free basis. Tiscali Denmark has around 26,000 ADSL customers and over 50,000 dial-up Internet customers. The acquisition also includes a large ADSL network serving more than 65% of Danish households. Tiscali Denmark reported operating revenues of EUR 22 million in 2004.

Work of the Board of Directors

At the Annual General Meeting of Shareholders in May 2004, Jan Loeber was appointed as a new Board member, while other Board members were re-elected.

The Board is responsible for organization and management of the company, and is composed in such a way as to enable it to effectively support and manage the responsibility of the company's senior executives. The Board makes decisions on overall strategies, organizational matters, acquisitions, corporate transactions and large investments, and defines financial targets and guidelines for Tele2's business operations. During the year, the Board held 17 meetings.

Within the Board, a compensation committee and an audit committee have been appointed. These committees should be seen as preparing bodies for the Board and as such do not reduce the Board's joint and several responsibilities for care of the company and for the decisions made. All Board members have access to the same information.

The Chairman of the Board closely monitors the company's development and is responsible for ensuring that other members receive the information they need to perform their Board duties efficiently and appropriately.

The nomination group's work is aimed at ensuring that Tele2 has the best possible Board for the company's long-term development. The work of the compensation committee includes salaries, pension conditions, bonus systems and other terms of employment for the CEO and other senior executives. The audit committee's role is to establish and improve the efficiency of contact with the Group's auditors and to supervise the procedures for accounting/financial reporting and auditing within the Group.

Parent Company

The Parent Company performs functions and conducts certain Group-wide development projects. In 2004, the Parent Company paid a dividend of SEK 443 million to shareholders and received group contributions totaling SEK 2,385 (2003: 1,730) million.

Proposed appropriation of profit

The Group's unrestricted reserves amount to SEK 8,075 million. No allocation to restricted reserves is proposed for companies within the Group.

The Board of Directors and President propose that of the total amount SEK 5,189,007,469 at the disposal of the Annual General Meeting, SEK 737,800,875 be paid in dividends to shareholders. The Board also proposes a share split and redemption procedure totaling SEK 1,475,601,750, whereby each share is split into three ordinary shares and one redemption share. The Board proposes that the remainder, SEK 2,975,604,844, be carried forward.

INCOME STATEMENT

		GROUP		PARENT COMPANY	
SEK million	**Note**	**2004**	**2003**	**2004**	**2003**
Operating revenue	*4*	43,033	36,911	18	17
Cost of services sold		–26,418	–23,109	–	–
Gross profit		**16,615**	**13,802**	**18**	**17**
Selling expenses		–10,738	–8,820	–	–
Administrative expenses	*35*	–3,157	–3,110	–82	–106
Other operating revenues	*6*	92	78	26	63
Other operating expenses	*7*	–40	–66	–	–
Profit/loss from associated companies	*8*	17	–18	–	
Operating profit/loss	*5, 34*	**2,789**	**1,866**	**–38**	**–26**
PROFIT/LOSS FROM FINANCIAL INVESTMENTS					
Result from other securities and receivables classified as fixed assets	*9*	1	–70	303	295
Other interest revenue and similar income	*10*	260	106	140	–
Interest expenses and similar costs	*11*	–369	–635	–10	–7
Profit/loss after financial items		**2,681**	**1,267**	**395**	**262**
Tax on profit/loss for the year	*12*	–779	1,092	–143	–98
Minority interest		–	37		
PROFIT/LOSS FOR THE YEAR	*1, 2*	**1,902**	**2,396**	**252**	**164**
Earnings per share	*24*	12.89	16.25		
Earnings per share after full dilution	*24*	12.86	16.20		
Number of shares	*24*	147,560,175	147,560,175		
Average number of shares	*24*	147,560,175	147,460,175		
Number of shares after dilution	*24*	148,176,675	148,203,675		
Average number of shares after dilution	*24*	147,857,185	147,869,175		

BALANCE SHEET

SEK million	Note	GROUP Dec. 31, 2004	GROUP Dec. 31, 2003	PARENT COMPANY Dec. 31, 2004	PARENT COMPANY Dec. 31, 2003
ASSETS					
Fixed assets					
INTANGIBLE ASSETS					
Goodwill	*13*	20,960	23,076	–	–
Other intangible assets	*13*	1,566	480	–	–
Total intangible assets		**22,526**	**23,556**	**–**	**–**
TANGIBLE ASSETS					
Machinery and technical plant	*14*	8,098	8,334	–	–
Other tangible assets	*14*	917	702	–	–
Total tangible assets		**9,015**	**9,036**	**–**	**–**
FINANCIAL ASSETS					
Shares in group companies	*15*			2,686	2,686
Receivables from group companies	*16*			19,761	17,381
Shares in associated companies	*17*	531	514	–	–
Deferred tax assets	*12*	2,747	2,459	399	1,188
Other financial assets	*18*	93	84	1	–
Total financial assets		**3,371**	**3,057**	**22,847**	**21,255**
Total fixed assets		**34,912**	**35,649**	**22,847**	**21,255**
Current assets					
Materials and supplies		308	350	–	–
CURRENT RECEIVABLES					
Accounts receivable	*19*	5,945	5,569	11	–
Receivables from group companies				–	56
Other receivables	*20*	568	310	–	–
Prepaid expenses and accrued income	*21*	3,945	3,319	3	3
Total current receivables		**10,458**	**9,198**	**14**	**59**
Cash and cash equivalents	*22*	2,148	2,773	7	1
Total current assets		**12,914**	**12,321**	**21**	**60**
TOTAL ASSETS	*1, 2*	**47,826**	**47,970**	**22,868**	**21,315**

SEK million	Note	GROUP Dec. 31, 2004	GROUP Dec. 31, 2003	PARENT COMPANY Dec. 31, 2004	PARENT COMPANY Dec. 31, 2003
EQUITY AND LIABILITIES					
Shareholders' equity	*23*				
RESTRICTED EQUITY					
Share capital	*24*	738	738	738	738
Restricted reserves		22,583	23,706	16,577	16,577
Total restricted equity		**23,321**	**24,444**	**17,315**	**17,315**
UNRESTRICTED RESERVES					
Unrestricted reserves		6,173	3,520	4,937	3,499
Profit/loss for the year		1,902	2,396	252	164
Total unrestricted reserves		**8,075**	**5,916**	**5,189**	**3,663**
Total shareholders' equity		**31,396**	**30,360**	**22,504**	**20,978**
Minority interests		**2**	**7**		
Provisions	*25*	**63**	**26**	**–**	**–**
Long-term liabilities					
INTEREST-BEARING					
Liabilities to financial institutions	*26*	1,641	4,752	–	–
Liabilities to group companies				316	309
Other liabilities	*27*	10	23	–	–
Total long-term liabilities		**1,651**	**4,775**	**316**	**309**
Short-term liabilities					
INTEREST-BEARING					
Liabilities to financial institutions	*26*	3,292	2,449	–	–
Other liabilities	*27*	8	12	–	–
Total interest-bearing		**3,300**	**2,461**	**–**	**–**
NON-INTEREST-BEARING					
Accounts payable		5,060	4,486	6	6
Current tax liabilities		226	83	23	–
Other liabilities	*28*	494	598	4	13
Accrued expenses and deferred income	*29*	5,634	5,174	15	9
Total non-interest-bearing		**11,414**	**10,341**	**48**	**28**
Total short-term liabilities		**14,714**	**12,802**	**48**	**28**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	*1, 2*	**47,826**	**47,970**	**22,868**	**21,315**
Pledged assets and contingent liabilities					
Pledged assets	*30*	430	12,921	None	None
Contingent liabilities	*31*	1,013	363	6,147	14,308

CASH FLOW STATEMENT

SEK million	Note	GROUP 2004	GROUP 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
Operating activities					
Operating profit/loss		2,789	1,866	–38	–26
Adjustments for non-cash operating activities:					
Depreciation/amortization		3,846	3,826	–	–
Result from shares in associated companies		–17	18		
Capital gain/loss on sale of fixed assets		–24	27	–	–
Financial leases		–31	–32	–	–
Exchange rate differences		–9	–15	–	–
Interest received		133	124	1	–
Interest paid		–284	–532	–3	–
Financial expenses paid		–23	–118	–	–1
Tax paid		–152	–102	–	–
Cash flow from operations		**6,228**	**5,062**	**–40**	**–27**
Changes in working capital:					
Materials and supplies		28	–7	–	–
Operating receivables		–597	–1,487	45	–51
Operating liabilities		217	2,406	–3	10
Change in working capital		**–352**	**912**	**42**	**–41**
CASH FLOW FROM OPERATING ACTIVITIES		**5,876**	**5,974**	**2**	**–68**
Investing activities					
Acquisition of intanglible fixed assets		–56	–102	–	–
Net investment in tangible fixed assets		–1,506	–1,788	–	–
Acquisition of shares in group companies (excluding cash)	15	–2,065	–699	–	–
Sale of shares in group companies		33	–	–	–
Acquisition of other securities		–737	–	–478	–74
Sale of other securities		899	21	617	–
Lending to group companies				–617	–16
Repayments from group companies				925	137
Other long-term lending		–17	–64	–	–3
Other repayments from long-term lending		32	76	–	–
Cash flow from investing activities		**–3,417**	**–2,556**	**447**	**44**
CASH FLOW AFTER INVESTING ACTIVITIES		**2,459**	**3,418**	**449**	**–24**
Financing activities					
Loans from credit institutions		7,431	1,399	–	–
Repayment of loans from credit institutions		–9,989	–4,327	–	–
Other interest-bearing liabilities		–	–	150	–
Repayment of other interest-bearing liabilities		–73	–27	–150	–
Dividend		–443	–	–443	–
New share issues		–	15	–	15
Cash flow from financing activities		**–3,074**	**–2,940**	**–443**	**15**
NET CHANGE IN CASH		**–615**	**478**	**6**	**–9**
Cash at beginning of the year	22	2,773	2,473	1	10
Exchange rate differences in cash	22	–10	–178		
CASH AT END OF YEAR*	22	**2,148**	**2,773**	**7**	**1**
**of which, restricted funds*	22	*365*	*830*	–	–
For additional cash flow information, please refer to:	32				

CHANGE IN SHAREHOLDERS' EQUITY

SEK million	Note	GROUP Share capital	Restricted reserves	Unrestricted reserves	Total equity
Opening shareholders' equity, January 1, 2003		737	24,401	3,590	28,728
Items reported directly against shareholders' equity					
Exchange rate differences	*23*	–	–865	85	–780
Total items reported directly against shareholders' equity		**–**	**–865**	**85**	**–780**
Other changes in shareholders' equity					
New share issue		1	15	–	16
Transfers within shareholders' equity		–	155	–155	–
Net profit/loss for the year		–	–	2,396	2,396
CLOSING SHAREHOLDERS' EQUITY, DECEMBER 31, 2003		**738**	**23,706**	**5,916**	**30,360**
Opening shareholders' equity, January 1, 2004		738	23,706	5,916	30,360
Items reported directly against shareholders' equity					
Exchange rate differences	*23*	–	–620	197	–423
Total items reported directly against shareholders' equity		**–**	**–620**	**197**	**–423**
Other changes in shareholders' equity					
Dividend		–	–	–443	–443
Transfers within shareholders' equity		–	–503	503	–
Net profit/loss for the year		–	–	1,902	1,902
CLOSING SHAREHOLDERS' EQUITY, DECEMBER 31, 2004		**738**	**22,583**	**8,075**	**31,396**

	PARENT COMPANY			
	Restricted equity		Unrestricted equity	
SEK million	Share capital	Share premium reserve	Retained earnings	Total equity
Opening shareholders' equity, January 1, 2003	737	16,562	2,254	19,553
Items reported directly against shareholders' equity				
Group contribution, received	–	–	1,730	1,730
Group contribution, tax effect	–	–	–485	–485
Total items reported directly against shareholders' equity	**–**	**–**	**1,245**	**1,245**
Other changes in shareholders' equity				
New share issues	1	15	–	16
Net profit/loss for the year	–	–	164	164
CLOSING SHAREHOLDERS' EQUITY, DECEMBER 31, 2003	**738**	**16,577**	**3,663**	**20,978**
Opening shareholders' equity, January 1, 2004	738	16,577	3,663	20,978
Items reported directly against shareholders' equity				
Group contribution, received	–	–	2,385	2,385
Group contribution, tax effect	–	–	–668	–668
Total items reported directly against shareholders' equity	**–**	**–**	**1,717**	**1,717**
Other changes in shareholders' equity				
Dividend	–	–	–443	–443
Net profit/loss for the year	–	–	252	252
CLOSING SHAREHOLDERS' EQUITY, DECEMBER 31, 2004	**738**	**16,577**	**5,189**	**22,504**

NOTES

SEK million

General accounting principles

The annual report has been prepared in accordance with the Annual Accounts Act, and the recommendations of the Swedish Financial Accounting Standards Council and its Emerging Issues Task Force.

In 2004, Tele2 changed its method of reporting result from shares in associated companies, which was previously an item between operating profit/loss and financial items. This is now reported in operating profit/loss (EBIT), but not in EBITDA. The new principle better reflects Tele2's operations, in that the share in profit/loss from Svenska UMTS-nät AB is deemed to be of an operating rather than a financial nature. This change has been applied retrospectively for earlier periods.

In 2004, Tele2 changed its method of reporting the market structure. The new structure is a result of the new method of internal reporting to the board and senior management. Earlier periods have been recalculated in accordance with the new structure.

Consolidated financial statements

The consolidated financial statements include the accounts of the Parent Company and companies in which the Parent Company, directly or indirectly, owns more than 50% of the voting rights, or in some other respect has a controlling interest.

The consolidated accounts have been prepared using the purchase method. This means that the Group's shareholders' equity includes only subsidiaries' equity earned after their acquisition, and the consolidated income statement includes only the profit/loss from the date of their acquisition, up to the date of sale, if relevant. The difference between the acquisition value of shares in subsidiaries and the market value of subsidiaries' identifiable net assets on the date of acquisition are reported as goodwill.

The current method is used to translate the accounts of foreign subsidiaries. Consequently, items in the balance sheet are translated at the closing exchange rate, equity is translated at the historic rate and items in the income statement are translated using the average exchange rate for the year.

As all non-Swedish companies in the Tele2 Group are regarded as independent operations, in that they conduct independent business activities and transactions mainly in local currencies, exchange rate differences arising from translations are charged directly to shareholders' equity.

The Group hedges some net investments in foreign subsidiaries by means of foreign-currency loans. Exchange rate profit and loss after tax relating to the translation of a loan which hedges the investment in such a subsidiary is reported directly against shareholders' equity.

When shares and participations in a subsidiary are divested, the capital gain/loss and accumulated exchange rate differences attributable to the divested foreign operation are reported under other operating revenues/expenses in the income statement.

Minority interest

The minority share in net profit/loss and shareholders' equity is reported as a minority interest.

Associated companies and joint ventures

Companies in which the shareholding is regarded as long term and in which the company has a controlling interest, by means of voting rights amounting to a minimum of 20% and a maximum of 50%, are treated as associated companies. Companies in which the owners have a joint controlling interest are treated as joint ventures.

Associated companies and joint ventures are reported in accordance with the equity method. The book value of the shares in the company which is reported in the consolidated financial statements corresponds to the Group's share in the equity and any residual value of consolidated surplus values after adjustment to the consolidated accounting principles. The share of the company's profit/loss after net financial items is reported under Operating profit/loss as Result from shares in associated companies along with amortization of acquired surplus values. The share of the company's tax expense/income is reported in the income statement as Tax on profit/loss for the year. The company's tax receivables/liabilities are reported in the balance sheet as Shares in associated companies. Earnings accrued in the company after the acquisition date, which have not yet materialized through dividends, are allocated to the equity method reserve which comes under restricted shareholders' equity in the Group. The equity share reduces unrestricted shareholders' equity in the event of losses. The dividend received reduces the equity share reported in the balance sheet and equity method reserve.

In the event of an increase or decrease in the Group's equity share in associated companies through share issues, the gain or loss is reported in the consolidated income statement as Result from shares in associated companies. In the event of negative shareholders' equity in an associated company, where the company has pledged to contribute additional capital, the negative portion is reported as a provision.

Group surplus values relating to foreign associated companies are reported as assets in foreign currencies. These values are translated in accordance with the same principles as the income statements and balance sheets for associated companies.

Revenue recognition

Operating revenues include customer-related revenues from mobile and fixed telephony services such as connection, subscription and call charges, data and information services and other services. Operating revenues also includes inter-connection revenues from other operators and income from the sale of products such as mobile telephones and modems. Revenues are reported at the selling value, less discounts and VAT.

Connection charges are recognized at the time of the sale. Subscription charges are recognized in the period covered by the charge. Call charges and inter-connection revenues are recognized in the period during which the service is provided. Revenue from the sale of products is recognized at the time the product is supplied to the customer. Revenue from the sale of prepaid calling cards is recognized as the customer uses the card or when the period of validity expires.

Revenue from data and information services such as text messages and ringtones is reported when the service is provided. In cases where Tele2 acts as the agent of another supplier, revenue is reported net, i.e. only Tele2's share in revenue is recognized.

Operating revenues also include subscription charges for cable TV, ADSL, dial-up Internet, leased capacity and Internet connection for direct-access customers, which are recognized in the period covered by the charge.

Marketing expenses

Advertising and other marketing costs are expensed as they arise.

Number of employees, salary and remuneration

The average number of employees (Note 33), and salaries and remuneration (Note 34) for companies acquired each year is reported in relation to the length of time the company has been part of the Tele2 Group.

The number of employees, and salaries and remuneration are not reported by country but grouped and presented by market area for the sake of clarity and to give a truer picture which is in keeping with other parts of the annual report, thereby allowing comparison of operating revenue and other income-statement items.

Share-based payments

Tele2 allocates options and other share-based instruments to certain employees. The premium paid by the employee is reported directly against shareholders' equity. If the instrument's fair value exceeds the premium, no cost is reported in the income statement.

Pensions

There are a number of pension plans in the Group, where the majority of Tele2's pension commitments are defined-contribution plans (Note 34) for which the Group makes payments to public and private pension institutions. The regular payments represent the pension expenses for the year and are included in personnel costs. The Group's outgoing payments for defined-contribution pension plans are reported as an expense during the period in which the employees performed the services to which the contribution relates. A small proportion of the group's pension commitments are defined-benefit plans.

Defined-contribution plans ensure a certain predetermination of premium payments, but changes in the value development of paid premiums are not compensated for by Tele2, which is why Tele2 does not bear the risk at the time of the pension payment.

Corporate income tax

Profit or loss for the year is charged with the tax on taxable income for the year ("current tax") and with estimated tax charges or credits for temporary differences ("deferred tax"). A temporary difference is an item which changes the time when an item is considered taxable or deductible.

The calculation of deferred tax assets takes into account the company's loss carry-forwards to the extent that they can be used against future profits. In cases where a company reports losses, an assessment is made of whether there are any convincing factors to indicate that there will be sufficient future profits. One example of such a factor is if a company's forecasts show a positive earnings trend and forecasts have proven to be historically reliable (Note 12). Tax assets and deferred tax payable are netted only among units with the same domicile for tax purposes.

When an acquired company has loss carry-forwards and Tele2, at the time of acquisition, has made an assessment that tax receivables are not to be reported at any value, but a subsequent assessment results in tax assets being valued and reported in the income statement as tax revenue, an amount corresponding to the reported value of the original loss carry-forward (adjusted to the remaining amortization period of the acquisition's goodwill item) will reduce the book value of goodwill by means of amortization in the income statement.

The tax effects of Group contributions paid and received are reported in the individual companies as tax expense or tax revenue in the income statement ("Current tax") and charged to retained earnings.

Earnings per share
Earnings per share after dilution (Note 24) is calculated according to a method in which the present value of the exercise price of the option is assumed to be used to acquire shares at the average market value during the accounting period.

Fixed assets
Intangible (Note 13) and tangible (Note 14) fixed assets are reported net after deductions for accumulated depreciation and amortization according to plan and deductions for accumulated write-down. Depreciation according to plan is straight-line and based on the acquisition value and estimated utilization period of the fixed assets, less the estimated residual value at the end of the utilization period. Note 5 presents depreciation and amortization schedules for fixed assets and reasons for amortizing certain intangible assets over a utilization period longer than five years.

If there is an indication that a tangible or intangible asset has declined in value, a calculation of its recoverable amount is made. The recoverable amount is the higher of the asset's value in use and its net realizable value, which is the price that would be received if the particular asset were to be sold to an independent party. The value in use is the present value of all future cash flows obtainable as a result of the asset's continued use, plus the present net realizable value at the end of the utilization period. If the calculated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

Intangible assets
Tele2 holds a number of licenses entitling it to conduct telephony operations in Sweden and other countries. Expenses relating to the acquisition of these licenses are reported and amortized on a straight-line basis over the duration of the license agreements.

Goodwill is defined as differences between the original acquisition value (including any additional earn-out payments) of shares or assets acquired and the market value of identified net assets.

Customer agreements are valued in conjunction with corporate acquisitions. Tele2 applies a model which uses the average of the cost of obtaining new customers and gross profit per customer to value customer agreements. Customer agreements are amortized over four years.

Tele2 capitalizes external direct development expenses for software which is specific to its operations. These are amortized over the utilization period, which begins when the asset is ready for use. Project-planning costs and maintenance and training costs are expensed as they arise. Other costs for development work are expensed in the period in which they are incurred where the work does not meet the criteria for recognition as an asset.

Tangible assets
Land and buildings relates to fixed assets intended for use in operations. Depreciation of buildings is on a straight-line basis over the utilization period, with the estimated residual value deducted at the end of the utilization period. The acquisition value includes direct costs attributable to the building.

Machinery and technical plant includes equipment and machinery intended for use in operations, such as network installations. Depreciation of the asset is on a straight-line basis over the utilization period. The acquisition value includes direct costs attributable to the construction and installation of networks. Interest directly relating to the acquisition, construction or production of an asset which of necessity requires considerable time to complete for the intended area of application is included in the acquisition value of the asset.

Additional expenses for extension and value-increasing improvements to the asset's original condition are capitalized, while additional expenses for repairs and maintenance are charged to income during the period in which they arise.

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

Leasing
Leases are classified as finance or operating leases. A lease is classified as a finance leases if it transfers substantially all the economic risks and rewards of ownership of an asset to the lessee; otherwise, the lease is an operating lease. When reporting finance leases in the consolidated financial statements, each asset is entered as a tangible asset, and a corresponding amount is entered as a loan under liabilities. Depreciation of the asset is on a straight-line basis over the utilization period, with the estimated residual value deducted at the end of the utilization period (Notes 14 and 26).

Agreements covering finance leases before January 1, 1997 have been reported as operating leases in line with a transitional rule.

Dismantling costs
Insofar as there is a commitment to a third party, the estimated cost of dismantling and removing an asset and restoring the site is included in the acquisition value. Any change to the estimated cost of dismantling and removing an asset and restoring the site is added to or subtracted from the carrying amount of the particular asset. Tele2 does not consider there to be any such material commitments in respect of the company's assets at the present time.

Financial items
Acquisition and sale of financial assets is reported on the trading day, which is the date on which the Group has an undertaking to purchase or sell the asset. Investments are initially reported at the acquisition value, including transaction costs. Financial assets, both current and fixed, are reported at the lower of cost or market value.

Financial loan receivables and loan liabilities are normally reported at the nominal amount.

In the event of any deviation between the market rate and the interest rates agreed at the time of the loan, the nominal loan amount is discounted to the fair value. Financing costs relating to the raising of loans are reported under prepaid expenses and expensed for the duration of the agreement in relation to the size of the loan (Note 3).

Receivables and liabilities of Swedish and Non-Swedish Group Companies denominated in foreign currencies.
Receivables and liabilities of Group companies denominated in foreign currencies have been converted into Swedish kronor applying the year-end rate.

Echange rate gains or losses on foreign exchange in international transactions related to regular operations are included in the income statement under Other operating revenues/expenses, while differences in financial receivables and liabilities are reported within financial items. Note 23 summarizes the exchange rate differences charged directly to shareholders' equity and the differences which affected profit/loss for the year.

Long-term lending to/borrowing from Tele2's foreign operations is regarded as a permanent part of the Parent Company's financing of/borrowing from foreign operations, and thus as an expansion/reduction of the Parent Company's investment in the independent foreign operation. This lending/ borrowing is translated at the historical rate of exchange if the borrowing is denominated in the foreign company's currency. This means that exchange-rate fluctuations in intra-Group transactions in the consolidated accounts are reported directly against shareholders' equity.

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

Receivables
Receivables are reported in the invoiced amounts less the reserve for doubtful receivables. Entries are made in the reserve for doubtful receivables as soon as it is feared that the Group will not receive a balance outstanding in accordance with the original terms (Note 19).

Cash and cash equivalents
Cash and cash equivalents consist of cash and bank balances as well as current investments with a maturity of maximum three months.

Cash and cash equivalents according to the cash flow statement and balance sheet include restricted funds (Note 22).

Shareholders' equity
Shareholders' equity consists of registered share capital, reserves which are not available for distribution (statutory reserve, share premium reserve and other restricted reserves) and disposable earnings, net profit/loss and shares in losses of associated companies.

The share premium reserve is for amounts which exceed the nominal value during an equity issue. The equity reserve is for positive earnings of associated companies and joint ventures received after the acquisition date.

Additional direct costs relating to the issuance of new shares, except when in connection with corporate acquisitions, are reported directly to shareholders' equity as a reduction, net after tax, of proceeds from the share issue. Share issue expenses relating to company acquisitions are reported directly against shareholders' equity.

Provisions
Provisions are reported when a Group company has a legal or constructive obligation in which it is probable that payments will be required to fulfill the commitment, and where it is possible to make a reliable estimate of the amount to be paid.

Segments
Tele2's operations are divided into market areas and business areas. As the risks in the business are governed mainly by the different markets in which Tele2 operates, the market areas represent the primary segment and the business areas the secondary segment.

Market area grouping follows the method of internal reporting to the board and management group. Market control and prioritization covers continental Europe as a whole. Continental Europe comprises countries in the Central Europe, Southern Europe, Benelux and Services market areas.

The assets of a segment include all operating assets used by the segment, and consist mainly of tangible and intangible assets, shares in associated companies, materials & supplies, accounts receivable, other receivables, and prepaid expenses & accrued income.

The liabilities of a segment include all operating liabilities used by the segment, and consist mainly of accounts payable, other non-interest-bearing liabilities, and accrued expenses & deferred income.

Assets and liabilities not divided into segments include current and deferred tax and items of a financial or interest-bearing nature. As market control and prioritization covers continental Europe as a whole, goodwill and depreciation/amortization arising from the acquisition of the SEC Group in 2000 has not been divided by market area. As it is not practically possible to distribute accounts receivable and other current assets by business area in the secondary segment, these are reported as undistributed assets.

Segment information by market area is shown in Note 1 and by business area in Note 2. Segment information on operating revenue, EBITDA, EBIT and investments is shown in Notes 4, 5 and 32, where intra-Group sales eliminated under each market area relate to sales to companies in Tele2 Group.

Other information

Assessments and estimates
The consolidated financial reports are, in part, based on assumptions and estimates in conjunction with the preparation of the consolidated financial statements. The calculations and estimates are based on historical experience and a number of other assumptions to result in a decision regarding the value of the assets or liabilities which cannot be determined in any other way. The actual outcome may vary from these estimates and calculations.

The presentation below shows the accounting principles that are based on the most critical assessments and estimates used in preparing the Group's financial statements.

Depreciation/amortization of fixed assets
Depreciation/amortization is based on the acquisition value of the fixed assets and the estimated utilization period, with the estimated residual value deducted at the end of the utilization period.

Amortization periods for goodwill are determined on the basis of each acquisition's estimated strategic significance. An amortization period of 20 years applies to corporate acquisitions in new markets. This means that goodwill arising from all strategic acquisitions in recent years (i.e. acquisitions in the Baltic States, continental Europe and Russia) is amortized over a period of 20 years. Tele2's management conducts regular evaluations to confirm that these assumptions remain reasonable.

If technology develops more quickly than expected or if competition, regulatory requirements or market conditions develop differently than expected, this may affect the Company's future assessment of utilization periods. Changes to the assessment may in turn affect operating profit/loss.

Impairment of tangible and intangible assets, including goodwill
Tele2's management regularly makes assessments of the sustained value of intangible and tangible fixed assets. If factors are identified which involve a risk of reduced value of the particular asset, a revaluation of the asset is conducted by comparing the sum of future discounted cash flows with the asset's carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss must be recognized. In order to assess an asset's vulnerability to a fall in value, estimate future cash flows (including discounting factors) and determine the fair value of the asset, management has to make certain assumptions and estimates which may have a significant effect on the carrying amount of an asset. If the actual outcome varies from these estimates or if Tele2 changes these estimates in the future, this may have considerable impact on the results (Notes 13-14).

Deferred tax
The calculation of deferred taxes takes into consideration temporary differences, including a valuation of unutilized loss carry-forwards. Deferred tax receivables are reported only for loss carry-forwards to the extent that the loss-carry forwards will be utilized in the near future. Tele2's management updates its assessments at regular intervals. The valuation of deferred tax receivables is based on expectations about future results and market conditions, which is by nature subjective. Utilization of deferred tax assets may therefore differ from the present estimates, which may affect future results (Note 12).

Disputes and damages
Tele2 is involved in a number of disputes. For each individual dispute, an assessment is carried out of the most likely outcome, and the results are presented in accordance with this. If the actual outcome is different from these assessments or if Tele2 changes them in the future, this may have considerable impact on the results.

Reserve for doubtful receivables
Receivables are valued regularly and reported in the amounts expected to be paid. Reserves for doubtful receivables are based on various assumptions and historical experience. Future payments for receivables in the reserve for doubtful receivables in the closing annual accounts may differ from the amounts reported in the financial reports (Note 19).

Other information
Tele2 AB is a limited company, with its registered office in Stockholm, Sweden. The Head Office (phone +46 8 5620 0060) is located at Skeppsbron 18, P.O. Box 2094, SE-103 13 Stockholm, Sweden.

The balance sheets and income statements will be adopted at the Annual General Meeting of Shareholders on May 11, 2005.

NOTE 1. Market areas

The Nordic market area encompasses Tele2 operations in Sweden (including Optimal Telecom), Norway, Denmark and Finland, and also Datametrix operations. The Baltic & Russia market area encompasses Tele2 operations in Estonia, Latvia, Lithuania and Russia. The Central Europe market area encompasses Tele2 operations in Germany, Austria, Poland, the Czech Republic and Hungary. The Southern Europe market area encompasses Tele2 operations in France, Italy, Spain, Switzerland, Portugal, the United Kingdom and Ireland, and C3 operations. The Benelux market area encompasses Tele2 operations in the Netherlands, Luxembourg (including Tango), Liechtenstein and Belgium. The Services market area covers 3C operations, ProcureITright, Proceedo Solutions, Radio Components and UNI2 operations.

GROUP 2004	Nordic	Baltic & Russia	Central Europe	Southern Europe	Benelux	Services	Undistr. and internal elimination	Total
INCOME STATEMENT								
Operating revenue								
external	13,775	3,297	5,058	16,440	4,245	218	–	43,033
internal	212	1	420	185	76	164	–1,058	–
Operating revenue	**13,987**	**3,298**	**5,478**	**16,625**	**4,321**	**382**	**–1,058**	**43,033**
Result from shares in associated companies	17	–	–	–	–	–	–	17
Operating profit/loss	2,240	273	–22	–86	135	–11	260	2,789
Result from fixed assets							1	1
Other interest revenue and similar income							260	260
Interest expenses and similar costs							–369	–369
Tax on profit/loss for the year							–779	–779
Minority interest							–	–
PROFIT/LOSS FOR THE YEAR	**2,240**	**273**	**–22**	**–86**	**135**	**–11**	**–627**	**1,902**
MISCELLANEOUS								
Investments, intangible assets	13	16	17	–	1	9	–	56
Investments, tangible assets	420	683	145	137	115	48	–19	1,529
Non-cash operating items:								
Depreciation/amortization	–958	–667	–197	–272	–132	–53	–1,567	–3,846
Sale of fixed assets	–4	25	–1	–	4	–	–	24
Financial leases	24	3	–	–	4	–	–	31
Dec. 31, 2004								
Shares in associated companies	509	–	–	–	22	–	–	531
Assets	12,236	5,818	3,546	4,570	1,813	347	19,496	47,826
Liabilities	4,303	746	2,809	5,174	919	182	2,295	16,428

GROUP 2003	Nordic	Baltic & Russia	Central Europe	Southern Europe	Benelux	Services	Undistr. and internal elimination	Total
INCOME STATEMENT								
Operating revenue								
external	12,942	2,724	3,441	13,943	3,704	157	–	36,911
internal	167	–	438	141	54	108	–908	–
Operating revenue	**13,109**	**2,724**	**3,879**	**14,084**	**3,758**	**265**	**–908**	**36,911**
Result from shares in associated companies	–18	–	–	–	–	–	–	–18
Operating profit/loss	2,127	245	–517	285	–38	–85	–151	1,866
Result from fixed assets						–75	5	–70
Other interest revenue and similar income							106	106
Interest expenses and similar costs							–635	–635
Tax on profit/loss for the year							1,092	1,092
Minority interest							37	37
PROFIT/LOSS FOR THE YEAR	**2,127**	**245**	**–517**	**285**	**–38**	**–160**	**454**	**2,396**
MISCELLANEOUS								
Investments, intangible assets.	14	54	–	–	3	7	–	78
Investments, tangible assets	464	853	175	166	156	35	–34	1,815
Non-cash operating items:								
Depreciation/amortization	–1,071	–547	–172	–224	–210	–74	–1,528	–3,826
Sale of fixed assets	–15	–8	–5	1	–	–	–	–27
Financial leases	26	2	–	–	4	–	–	32
Dec. 31, 2003								
Shares in associated companies	492	–	–	–	22	–	–	514
Assets	13,160	5,583	1,775	4,112	2,862	272	20,206	47,970
Liabilities	4,682	722	2,034	4,102	921	133	5,009	17,603

NOTE 2. Business areas

The Fixed telephony & Internet business area includes fixed telephony, dial-up data network services and other broadband services such as ADSL. The Cable TV business area encompasses Cable TV and Tango TV. Other Operations includes IT outsourcing (UNI2), system integration (Datametrix), Internet payment, credit card transactions and payphone services via 3C and cash cards for fixed telephony through C[3].

GROUP 2004

	Mobile telephony	Fixed Tel. & Internet	Cable TV	Other operations	Undistr. and internal elimination	Total
Operating revenue from external customers	11,870	30,450	211	502	–	43,033
Investments in intangible assets	17	30	–	9	–	56
Investments in tangible assets	1,048	421	7	53	–	1,529
Total assets, December 31	8,589	5,163	593	289	33,192	47,826

GROUP 2003

	Mobile telephony	Fixed Tel. & Internet	Cable TV	Other operations	Undistr. and internal elimination	Total
Operating revenue from external customers	10,421	25,887	224	379	–	36,911
Investments in intangible assets	66	2	–	10	–	78
Investments in tangible assets	1,184	575	34	22	–	1,815
Total assets, December 31	7,994	5,047	711	217	34,001	47,970

NOTE 3. Financial items

As Tele2's receivables and liabilities are normally of a short-term nature, the book value and fair value usually tally. The fair value of financial receivables and financial loan liabilities is calculated by means of discounting at the current market rate. Our assessment is that the calculation of theoretical market value deviates from the book value only slightly.

The Group regularly conducting credit assessments of the customer base. Since the Group has a highly varied customer base which covers individuals as well as companies, the exposure in relation to each customer and thereby the credit risk is restricted. The Group makes provisions for possible credit losses, and these have remained within management's expectations.

NOTE 4. Operating revenue and number of customers

MARKET AREA SPLIT BY BUSINESS AREAS:

GROUP

	Operating Revenue		Number of Customers (thousands)		Customer Intake (thousands)	
	2004	2003	Dec. 31,04	Dec. 31,03	2004	2003
Nordic:						
Mobile telephony	7,480	7,330	3,810	3,600	210	379
Fixed telephony and Internet	6,627	6,310	2,787	2,942	–155	120
Cable TV	201	207	190	178	12	–31
Other operations	352	281				
Adjustment, mobile Sweden	–	–374				
Intra-Group sales	–885	–812				
	13,775	**12,942**	**6,787**	**6,720**	**67**	**468**
Baltic & Russia:						
Mobile telephony	3,178	2,600	3,618	2,204	1,414	838
Fixed telephony and Internet	108	106	68	57	12	–4
Cable TV	16	26	22	66	1	2
Intra-Group sales	–5	–8				
	3,297	**2,724**	**3,708**	**2,327**	**1,427**	**836**
Central Europe						
Mobile telephony	88	58	98	50	48	50
Fixed telephony and Internet	5,461	3,863	5,795	3,419	1,892	1,602
Intra-Group sales	–491	–480				
	5,058	**3,441**	**5,893**	**3,469**	**1,940**	**1,652**
Southern Europe						
Mobile telephony	31	32	40	40	–	–9
Fixed telephony and Internet	17,558	14,647	8,757	7,447	1,310	1,902
Intra-Group sales	–1,149	–736				
	16,440	**13,943**	**8,797**	**7,487**	**1,310**	**1,893**
Benelux:						
Mobile telephony	1,197	943	693	528	165	125
Fixed telephony and Internet	3,186	2,834	1,916	1,775	141	568
Cable TV	7	11				
Other operations	6	21				
Intra-Group sales	–151	–105				
	4,245	**3,704**	**2,609**	**2,303**	**306**	**693**
Services:						
Fixed telephony and Internet	38	43				
Other operations	384	258				
Intra-Group sales	–204	–144				
	218	**157**				
					5,050	**5,542**
Corporate acquisitions					484	–
Corporate divestments					–46	–
TOTAL BY MARKET AREA	**43,033**	**36,911**	**27,794**	**22,306**	**5,488**	**5,542**

GROUP

	Operating Revenue		Number of Customers (thousands)		Customer Intake (thousands)	
	2004	2003	Dec. 31,04	Dec. 31,03	2004	2003
Mobile telephony	11,974	10,963	8,259	6,422	1,837	1,383
of which prepaid cards			*6,072*	*4,598*	*1,474*	*1,235*
Fixed telephony and Internet	32,978	27,803	19,323	15,640	3,200	4,188
Cable TV	224	244	212	244	13	–29
Other operations	742	560				
Adjustment, mobile Sweden	–	–374				
Intra-Group sales	–2,885	–2,285				
Corporate acquisitions					484	–
Corporate divestments					–46	–
TOTAL BY BUSINESS AREA	**43,033**	**36,911**	**27,794**	**22,306**	**5,488**	**5,542**

TELE2 IN SWEDEN*

	Operating Revenue	
	2004	2003
Mobile telephony	6,306	6,626
Fixed telephony and Internet	3,867	3,793
Cable TV	201	191
Adjustment, mobile Sweden	–	–374
TELE2 IN SWEDEN	**10,374**	**10,236**

*) Tele2 Sverige AB, Optimal Telecom AB, Cable TV operations in Sweden and results from associated company Svenska UMTS-nät AB.

NOTE 4, CONTINUED

Telephony revenue is reported at the time the customer makes the call. As such, prepaid calling cards which have been sold but not yet utilized are included in revenue. To account for this, revenue has been recognized according to a model which has been applied in Sweden since prepaid calling cards were introduced in 1997, in the absence of a system which could measure the value of cards sold but not yet utilized. Such a system was introduced by Comviq towards the end of 2003 and it was established that the value of sold but unutilized cards had been underestimated by a total of SEK –374 million for the period 1997 to September 30, 2003. Of this amount, SEK –95 million relates to 2003.

In May 2004, the number of customers in Baltic & Russia fell by 46 000 following the sale of the cable TV operations in Estonia. At December 31, 2004 Central Europe had an additional 484,000 fixed telephony and Internet customers from the acquisition of UTA in Austria.

Sales of telephones, which amounted to SEK 272 (2003: 387) million, are included in operating revenue for the year. The entire operating revenue of the Parent Company relates to sales to other companies in the Group.

	TELE2 IN SWEDEN*			
	EBITDA		EBIT	
	2004	2003	2004	2003
Mobile telephony	2,849	3,325	2,444	2,903
Fixed telephony and Internet	781	714	486	308
Cable TV	32	35	–65	–23
Adjustment, mobile Sweden	–	–374	–	–374
TELE2 IN SWEDEN	**3,662**	**3,700**	**2,865**	**2,814**

	TELE2 IN SWEDEN*			
	EBITDA margin		EBIT margin	
	2004	2003	2004	2003
Mobile telephony	45%	50%	39%	44%
Fixed telephony and Internet	20%	19%	13%	8%
Cable TV	16%	18%	–32%	–12%
TELE2 IN SWEDEN	**35%**	**36%**	**28%**	**27%**

*) Tele2 Sverige AB, Optimal Telecom AB, Cable TV operations in Sweden and results from associated company Svenska UMTS-nät AB.

The item Adjustment, mobile Sweden of SEK –374 million for 2003 relates to operating revenue and is described in Note 4.

Some of the tax effect of the year's valued loss carry-forwards relates to acquired loss carry-forwards which at the time of acquisition were valued at zero. This value, adjusted to the remaining depreciation period of the acquisition's goodwill, has reduced the book value of goodwill through consolidated depreciation of SEK –378 (2003: SEK –322) million in the income statement (Note 12). All loss carry-forwards present in SEC at the time of acquisition are now included at their full estimated fiscal value in the balance sheet.

Write-downs of fixed assets in 2003 amounted to SEK –172 million and relate to Atlantic undersea cables, in which Tele2 invested in the late 1990s. They were expensed as a result of Tele2's assessment of continued excess supply of capacity.

Sales of telephones, which amounted to SEK –478 (2003: SEK –432) million, are included in operating costs for the year.

NOTE 5. EBITDA, EBIT and depreciation/amortization

MARKET AREA SPLIT BY BUSINESS AREAS:

	GROUP			
	EBITDA		EBIT	
	2004	2003	2004	2003
Nordic:				
Mobile telephony	2,832	3,299	2,397	2,866
Fixed telephony and Internet	996	896	627	383
Cable TV	32	40	–65	–21
Other operations	–6	0	–15	–9
Adjustment, mobile Sweden	–	–374	–	–374
	3,854	**3,861**	**2,944**	**2,845**
Baltic & Russia:				
Mobile telephony	929	809	451	454
Fixed telephony and Internet	–12	–8	–13	–9
Cable TV	27	–1	23	–10
	944	**800**	**461**	**435**
Central Europe:				
Mobile telephony	–57	–53	–66	–61
Fixed telephony and Internet	303	–250	115	–414
	246	**–303**	**49**	**–475**
Southern Europe:				
Mobile telephony	–15	–4	–15	–4
Fixed telephony and Internet	1,165	1,108	963	940
	1,150	**1,104**	**948**	**936**
Benelux:				
Mobile telephony	167	153	69	61
Fixed telephony and Internet	201	89	175	–17
Cable TV	–19	–9	–25	–15
Other operations	–7	–10	–9	–16
	342	**223**	**210**	**13**
Services:				
Fixed telephony and Internet	1	4	–3	–1
Other operations	81	21	44	1
	82	**25**	**41**	**–**
Group depreciation/amortization			–1,864	–1,888
TOTAL BY MARKET AREA	**6,618**	**5,710**	**2,789**	**1,866**
Of which goodwill amortization			1,902	1,906
EBITA			**4,691**	**3,772**

	GROUP			
	EBITDA		EBIT	
	2004	2003	2004	2003
Mobile telephony	3,856	4,204	2,836	3,316
Fixed telephony and Internet	2,654	1,839	1,864	882
Cable TV	40	30	–67	–46
Other operations	68	11	20	–24
Adjustment, mobile Sweden	–	–374	–	–374
Group depreciation/amortization			–1,864	–1,888
TOTAL BY BUSINESS AREA	**6,618**	**5,710**	**2,789**	**1,866**

	GROUP			
	EBITDA margin		EBIT margin	
	2004	2003	2004	2003
Nordic	28%	30%	21%	22%
Baltic & Russia	29%	29%	14%	16%
Central Europe	5%	–9%	1%	–14%
Southern Europe	7%	8%	6%	7%
Benelux	8%	6%	5%	0%
Services	38%	16%	19%	–
TOTAL BY BUSINESS AREA	**15%**	**15%**	**6%**	**5%**

DEPRECIATION/AMORTIZATION BY FUNCTION:

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Cost of services sold	–3,505	–3,413	–	–
Selling expenses	–57	–55	–	–
Administrative expenses	–284	–358	–	–
TOTAL DEPRECIATION/AMORTIZATION FOR THE YEAR BY FUNCTION	**–3,846**	**–3,826**	**–**	**–**

DEPRECIATION/AMORTIZATION BY CLASS OF ASSET:

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Licenses, rights of use and software	–122	–85	–	–
Goodwill	–1,902	–1,906	–	–
Buildings	–24	–24	–	–
Machinery and technical plant	–1,661	–1,652	–	–
Equipment, tools and installations	–137	–159	–	–
TOTAL DEPRECIATION/AMORTIZATION BY CLASS OF ASSET	**–3,846**	**–3,826**	**–**	**–**

ESTIMATED UTILIZATION PERIOD:

	GROUP	PARENT COMPANY
Intangible assets:		
Licenses, rights of use and software	1–23 yrs	–
Interconnection agreements	5 yrs	–
Customer agreements	4 yrs	–
Goodwill	3–20 yrs	–
Tangible assets:		
Buildings	5–40 yrs	–
Machinery and technical plant	2–25 yrs	–
Equipment, tools and installations	2–10 yrs	–

Goodwill arising from the original acquisition of Comviq GSM AB and Tele2 Sverige AB and other acquisitions before 1996, in addition to the acquisition of Alpha Telecom in 2003, is amortized over ten years. The goodwill arising in 1996 in conjunction with the acquisition of the outstanding minority shareholding in Tele2 Sverige AB and outstanding options in Comviq GSM AB is amortized over 20 years. Goodwill arising from the acquisition of Datametrix, Tele2 Eesti, SIA Tele2, SEC, Tele2 Russia and Tele2 OU (formerly Levicom Broadband) is amortized over a period of 20 years. Amortization periods are set on the basis of each acquisition date and the acquisition's estimated strategic significance. An amortization period of 20 years applies to corporate acquisitions in new markets. Other goodwill is amortized over five years.

NOTE 6. Other operating revenue

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Exchange gains from operations	35	38	–	1
Disposal of fixed assets	5	2	–	–
Sale of cable TV operations in Estonia	26	–	–	–
Other revenue, external	26	38	–	–
Other revenue, Group			26	62
TOTAL OTHER OPERATING REVENUE	**92**	**78**	**26**	**63**

In 2004, Tele2 divested its cable TV operations in Estonia, resulting in a capital gain of SEK 26 million.

NOTE 7. Other operating expenses

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Exchange loss from operations	–29	–30	–	–
Sale/scrapping of fixed assets	–7	–29	–	–
Other expenses	–4	–7	–	–
TOTAL OTHER OPERATING EXPENSES	**–40**	**–66**	**–**	**–**

NOTE 8. Result from shares in other companies

	2004		2003	
	Sv UMTS-nät	Other	Sv UMTS-nät	Other
Profit/loss before tax in each associated company	26	20	–17	–2
Holding	50%	9.1%–50%	50%	9.1%–50%
Share of profit/loss before tax	13	4	–8	–5
Change in share of profit/loss from preceding year	–	–	–1	–4
	13	**4**	**–9**	**–9**
TOTAL PROFIT/LOSS FROM ASSOCIATED COMPANIES		**17**		**–18**

EXTRACTS FROM THE BALANCE SHEETS AND INCOME STATEMENTS OF EACH ASSOCIATED COMPANY:

	2004		2003	
	Sv UMTS-nät	Other	Sv UMTS-nät	Other
Income statement:				
Revenue	97	43	–	45
EBIT	35	20	–19	–2
Profit/loss before tax	26	20	–17	–2
Profit/loss for the year	24	20	–17	–2

	Dec. 31, 2004		Dec. 31, 2003	
	Sv UMTS-nät	Other	Sv UMTS-nät	Other
Balance sheet:				
Tangible assets	3,009	–	1,574	–
Intangible and financial assets	–	19	1	22
Current assets	398	35	307	42
TOTAL ASSETS	**3,407**	**54**	**1,882**	**64**
Shareholders' equity	1,001	49	977	24
Provisions	2	–	–	–
Long-term liabilities	2,014	1	725	–
Current liabilities	390	4	180	40
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,407**	**54**	**1,882**	**64**

NOTE 9. Result from other securities and receivables classified as fixed assets

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Interest, Group			303	299
Interest, external	2	5	–	–
Write-down of shares in Travellink AB	–	–75	–	–
Exchange-rate difference on long-term receivables	–1	–	–	–
Exchange-rate difference on receivables from Group companies	–	–	–	–4
TOTAL RESULT FROM SECURITIES AND RECEIVABLES CLASSIFIED AS FIXED ASSETS	**1**	**–70**	**303**	**295**

NOTE 10. Other interest revenue

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Interest, bank balances	81	90	1	–
Interest, penalty interest etc.	16	28	–	–
Capital gain on sale of shares in Song Networks	171	–	139	–
Exchange-rate difference on financial current assets	–8	–12	–	–
TOTAL OTHER INTEREST REVENUE	**260**	**106**	**140**	**–**

NOTE 11. Interest expenses and similar costs

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Interest, loans	–229	–479	–	–
Interest, finance leasing	–10	–11	–	–
Interest, penalty interest	–12	–24	–3	–
Interest, Group			–7	–6
Exchange-rate difference on financial liabilities	–	–3	–	–
Other financial expense	–118	–118	–	–1
TOTAL INTEREST EXPENSES AND SIMILAR COSTS	**–369**	**–635**	**–10**	**–7**

Other financial expense relates primarily to financing costs involved in the raising of the five-year loan facility. These are expensed during the period of agreement in proportion to the size of the loan amount. The item also includes a non-recurring cost relating to the expensing of the previous loan facility's remaining prepaid financing cost of SEK –41 million.

NOTE 12. Tax on profit/loss for the year and deferred tax receivable/liability

PROFIT/LOSS BEFORE TAX AND MINORITY SHARE:

	GROUP	
	2004	2003
Sweden	2,502	2,001
Other countries	2,081	1,172
Amortization of goodwill	–1,902	–1,906
TOTAL PROFIT/LOSS BEFORE TAX AND MINORITY SHARE	**2,681**	**1,267**

TAX EXPENSE/INCOME FOR THE YEAR:

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Current tax expense:				
Nordic	–23	–	–23	–
Baltic & Russia	–62	–73	–	–
Central Europe	–24	–	–	–
Southern Europe	–159	–31	–	–
Services	–3	–	–	–
	–271	**–104**	**–23**	**–**
Deferred tax expense:				
Nordic	–755	–600	–120	–98
Baltic & Russia	20	–3	–	–
Central Europe	1,074	–1	–	–
Southern Europe	12	209	–	–
Benelux	–858	1,431	–	–
Services	–1	160	–	–
	–508	**1,196**	**–120**	**–98**
TOTAL TAX EXPENSE (–) / TAX INCOME (+) ON PROFIT FOR THE YEAR	**–779**	**1,092**	**–143**	**–98**

THEORETICAL TAX EXPENSE:

The difference between the booked tax expense for the Group and the tax expense based on prevailing tax rates in each country consists of the following components:

	GROUP			
	2004		2003	
Profit/loss before tax and minority share	2,681		1,267	
Theoretical tax based on tax rate in each country:	–766	–28.6%	–289	–22.8%
Tax effect of:				
Non-tax-affecting items, goodwill amortization	–513	–19.1%	–522	–41.2%
Write-downs of shares in other securities	–	–	–21	–1.7%
Write-downs of shares in Group companies	–483	–18.0%	483	38.1%
Other non-deductible expenses/taxable revenue	–133	–5.0%	52	4.1%
Loss carry-forwards:				
–Valuation of loss carry-forwards in previous years	1,404	52.4%	1,700	134.2%
–Non-assessed additional loss carry-forwards for the year	–288	–10.7%	–311	–24.5%
TAX EXPENSE/INCOME AND EFFECTIVE TAX RATE FOR THE YEAR	**–779**	**–29.1%**	**1,092**	**86.2%**

Write-downs of shares in Group companies of SEK –483 (483) million relates to companies for which we have changed our previous assessment that we can offset accumulated losses.

	PARENT COMPANY			
	2004		2003	
Profit/loss before tax and minority share	395		262	
Tax effect according to tax rate in Sweden	–111	–28,0%	–73	–28,0%
Tax effect of:				
Other non-deductible expenses/taxable revenue	–32	–8,1%	–25	–9,5%
TAX EXPENSE/INCOME AND EFFECT TAX RATE FOR THE YEAR	**–143**	**–36,2%**	**–98**	**–37,4%**

DEFERRED TAX ASSET:

Deferred tax asset is attributable to the following items:

	GROUP	
	Dec. 31,04	Dec. 31,03
Machinery and technical plant	–923	–1,032
Unutilized loss carry-forwards	3,644	3,491
Other	26	–
TOTAL DEFERRED TAX ASSET (+) / TAX LIABILITY (–)	**2,747**	**2,459**

	GROUP	
	Dec. 31,04	Dec. 31,03
Deferred tax asset:		
Nordic	554	1,365
Baltic & Russia	60	41
Central Europe	1,850	70
Southern Europe	406	388
Benelux	597	1,444
Services	183	183
	3,650	**3,491**
Deferred tax liability:		
Nordic	–864	–1,005
Baltic & Russia	–29	–27
Southern Europe	–10	–
	–903	**–1,032**
TOTAL DEFERRED TAX ASSET (+) / TAX LIABILITY (–)	**2,747**	**2,459**

LOSS CARRY-FORWARDS:

Deferred tax assets are reported for loss carry-forwards only to the extent that the loss carry-forwards can be utilized against future profits. According to this principle, losses in newly started operations are not offset against gains in more established operations for tax purposes. This has resulted in a higher tax expense for the Group than if the tax had been calculated on the Group's total profit.

Due to the improved results in continental Europe, the tax effect of deferred tax asset totaling SEK 729 (2003: 2,011) million has been recognized in the income statement. Under net profit/loss, SEK 1,212 million relates primarily to companies which started to report positive results during the year and for which we consider that accumulated losses can be netted against profits, and SEK –483 million to companies for which we have changed our previous assessment that accumulated losses can be offset.

Total losses carried forward for the Group at December 31, 2004 amounted to SEK 13,275 (2003:18,486) million, of which SEK 10,582 (2003: 11 575) million has been utilized for deferred tax accounting and the remainder, SEK 2,693 (2003: 6,911) million, is valued at zero. Of the total loss carry-forwards, SEK 917 (2003: 881) million expires within five years and the remaining amount, SEK 12,358 (2003:17,605) million, expires after five years or may continue to apply in perpetuity.

Some of the tax effect of the year's valued loss carry-forwards relates to acquired loss carry-forwards which at at the time of acquisition were valued at zero. This value, adjusted to the remaining depreciation period of the acquisition's goodwill, has reduced the book value of goodwill through depreciation by SEK –378 (2003: –322) million in the income statement. All loss carry-forwards which existed in SEC at the time of acquisition are now included at their full fiscal value in the balance sheet.

In December 2003, Tele2 announced that the tax authorities' review of Tele2's financial accounts for 2001 had been completed and that the authorities wished to change Tele2's taxation. In 2000, Tele2 acquired the remaining majority in the listed company SEC SA. Because operations had been restructured, an external valuation was carried out, which indicated a fall in value, and the operations in SEC SA were then transferred for this value. It was for this realized loss that Tele2 claimed a deduction. The tax authorities' announcement about changing Tele2's taxation was expected, as large sums are involved. However, Tele2 considered it remarkable that the judgement was made with the reference that there should not have been an actual fall in the value of SEC, despite the fact that the independent valuation and valuations carried out by analysts and other sector observers at that time showed that there had actually been a decline in the value of SEC. Tele2 decided to request a reinvestigation from the same local tax authority to enable them to explain the grounds for their decision. The tax authority has now completed this and nothing has emerged to change our conviction that we have fulfilled all possible requirements for submission of evidence. Tele2 also remain convinced that the deduction claimed will be finally approved, and we have now lodged an appeal in the county administrative court. The tax authorities have questioned loss carry-forwards in Tele2 AB in this connection, representing a tax effect of SEK 3,910 million, of which SEK 3,675 (2003: 2,888) million had been utilized at December 31, 2004. Other disputes in which Tele2 AB is involved amount to SEK 183 (2003: 184) million. Tele2 is convinced that the disputes will be settled in Tele2's favor, and the loss carry-forwards have accordingly been valued at their full fiscal value.

NOTE 13. Intangible assets

	GROUP Dec. 31, 2004					
	Licenses, rights of use & software	Inter-connection agreements	Customer agree-ments	Total other intangible assets	Goodwill	Total
Acquisition value:						
Acquisition value at Jan. 1	838	–	–	838	28,677	29,515
Acquisition value in acquired companies	931	–	–	931	–	931
Valuation of acquired loss carry-forwards	–	–	–	–	–483	–483
Investments for the year	76	–	674	750	320	1,070
Sales and scrapping	–18	–	–	–18	–	–18
Reclassification	477	175	–	652	–242	410
Exchange rate differences for the year	–43	–10	–8	–61	–380	–441
Total acquisition value	**2,261**	**165**	**666**	**3,092**	**27,892**	**30,984**
Accumulated depreciation/ amortization:						
Acc. depreciation/amortization at Jan. 1	–358	–	–	–358	–5,601	–5,959
Acc. depreciation/amortization in acquired companies	–894	–	–	–894	–	–894
Valuation of acquired loss carry-forwards	–	–	–	–	483	483
Depreciation according to plan	–122	–	–	–122	–1,902	–2,024
Sales and scrapping	17	–	–	17	–	17
Reclassification	–195	–	–	–195	–	–195
Exchange rate differences for the year	26	–	–	26	88	114
Total accumulated depreciation/amortization	**–1,526**	**–**	**–**	**–1,526**	**–6,932**	**–8,458**
TOTAL INTANGIBLE ASSETS	**735**	**165**	**666**	**1,566**	**20,960**	**22,526**

Investments for the year relating to corporate acquisitions mainly concern UTA. They also include Everyday Webguide AB and Votec Mobile ZAO. Investments for the year, which amount to SEK 1,070 million, mainly relate to the purchase of UTA for SEK 633 million and the acquisition of the remaining 10% in Tele2 Estonia and Tele2 Lithuania for SEK 317 million. During the year, goodwill which arose on the acquisition of Alpha Telecom in 2003 was reclassified, partly as agreements, licenses, rights of use and softwares.

The valuation of acquired loss carry-forwards relates to an adjustment of the acquisition value and accumulated amortization of goodwill relating to acquired loss carry-forwards which at the time of acquisition were valued at zero, but during 2004 were valued and recognized as tax income. In addition, this value, adjusted to the remaining amortization period of the original acquisition, has been reported as amortization of SEK -378 (2003: -322) million in the income statement.

NOTE 14. Tangible assets

	GROUP Dec. 31, 2004					
	Land & buildings	Materials & supplies	Fixed assets under constr	Total other	Machinery & tech. plant	Total
Acquisition value:						
Acquisition value at Jan. 1	188	1,105	293	1,586	16,384	17,970
Acquisition value in acquired companies	–	161	1	162	1,721	1,883
Acquisition value in sold companies	–	–1	–	–1	–42	–43
Investments for the year	7	105	656	768	761	1,529
Sales and scrapping	–6	–36	–1	–43	–297	–340
Reclassification	11	–46	–390	–425	15	–410
Exchange rate differences for the year	–6	–21	–33	–60	–177	–237
Total acquisition value	**194**	**1,267**	**526**	**1,987**	**18,365**	**20,352**
Accumulated depreciation:						
Acc. depreciation at Jan. 1	–80	–804	–	–884	–7,878	–8,762
Acc. depreciation in acquired companies	–	–106	–	–106	–1,134	–1,240
Acc. depreciation in sold companies	–	1	–	1	31	32
Depreciation according to plan	–24	–137	–	–161	–1,661	–1,822
Sales and scrapping	6	34	–	40	280	320
Reclassification	–	24	–	24	171	195
Exchange rate differences for the year	3	13	–	16	95	111
Total accumulated depreciation	**–95**	**–975**	**–**	**–1,070**	**–10,096**	**–11,166**
Accumulated write-downs						
Acc. Write-downs at Jan. 1	–	–	–	–	–172	–172
Exchange rate differences for the year	–	–	–	–	1	1
Total accumulated write-downs	**–**	**–**	**–**	**–**	**–171**	**–171**
TOTAL TANGIBLE ASSETS	**99**	**292**	**526**	**917**	**8,098**	**9,015**

Investments for the year which relate to corporate acquisitions concern UTA and Votec Mobile ZAO. Investment in existing operations and plant under construction mainly concerns Russia and Sweden, where the investment in a new billing system amounts to SEK 89 million. The Parent Company's acquisition values in materials and supplies amounted to SEK 1 (2003:1) million and accumulated depreciation/amortization to SEK –1 (2003: –1) million.

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
TOTAL CAPITALIZED INTEREST EXPENSE IN FIXED ASSETS	6	5	–	–

FINANCE LEASES:

All fixed assets utilized through finance leases have been reported in the consolidated accounts as fixed assets and loan liabilities, with the exception, however, of contracts signed before 1997. The effects of their inclusion in the consolidated balance sheet are shown below and in Note 26.

	GROUP			
	Booked assets		Non-booked assets	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Machinery and technical plant:				
Acquisition value	656	299	155	155
Accumulated depreciation	–196	–75	–63	–56
BOOK VALUE	**460**	**224**	**92**	**99**

Finance leases relates mainly to the extension of transmission capacity in Sweden through Svenska Kraftnät, and finance leases in the company UTA, acquired in 2004.

NOTE 15. Shares in Group companies

	PARENT COMPANY	
	Dec. 31,04	Dec. 31,03
Acquisition value:		
Acquisition value at Jan. 1	2,686	2,686
Investments	–	1,150
Sales	–	–1,150
TOTAL SHARES IN GROUP COMPANIES	**2,686**	**2,686**

On December 7, 2004, Tele2 acquired UTA, Austria's leading alternative telecom operator, which operates in fixed telephony and Internet, for SEK 1,723 million, and Russian mobile operator Votec Mobile ZAO. In July 2004, Tele2 acquired the remaining 10% in Tele2 Holding AS in the Baltic region, with the result that Tele2 now owned all the shares in Tele2 Estonia and Tele2 Lithuania. In 2004, Tele2 also increased its holding in Everyday Webguide AB and St. Petersburg. On 12 May, 2004, Tele2 sold its cable TV operations in Estonia.

EFFECT ON CASH OF CORPORATE ACQUISITIONS AND DIVESTMENTS:

The Group's book value of acquired/divested assets and liabilities in acquired/divested companies was:

	GROUP			
	Acquired		Divested	
	2004	2003	2004	2003
Intangible assets	–722	–945	3	–
Tangible assets	–644	–150	11	–
Financial assets	–874	–	–	–
Materials and supplies	–3	–9	–	–
Current receivables	–396	–346	3	–
Cash	–143	–211	1	–
Long-term liabilities	448	209	–	–
Current liabilities	559	441	–6	–
Minority share, cash effect	–338	–	–	–
Capital gain, corporate divestment			26	–
Purchase sum	**–2,113**	**–1,011**	**38**	**–**
Additional earn-out payments, restricted funds	–64	68	–	–
Paid through loans from the seller	–	33	–	–
Receivable from sellers/purchasers	–31	–	–4	–
Paid/received purchase sums	**–2,208**	**–910**	**34**	**–**
Cash in acquired/divested companies	143	211	–1	–
EFFECT ON GROUP CASH	**–2,065**	**–699**	**33**	**–**

NOTE 15, CONTINUED

LEGAL STRUCTURE OF TELE2 GROUP*:

* subsidiaries not incl. dormant companies

				PARENT COMPANY	
				Book value	
Company, reg. no., reg'd office	Number of shares	Total par value	Holding (capital/votes)	Dec. 31, 2004	Dec. 31, 2003
NETCOM LUXEMBOURG SA, RC B73.796 Luxembourg	1,000 st	tEURO 35	100%	2,686	2,686
TELE2 HOLDING AB, 556579-7700, Stockholm, Sweden			100%		
Tele2 Sweden AB, 556267-5164, Stockholm, Sweden			100%		
Tele2 Sweden SA, RC B73.802, Luxembourg			100%		
X-Source Holding AB, 556580-2682, Stockholm, Sweden			100%		
X-Source AB, 556290-2238, Stockholm, Sweden			100%		
Uni2 A/S, 26904056 Copenhagen, Denmark			100%		
X-Source Ltd 4381179 London, UK			100%		
UNI2 Osauhing, 11010450, Tallin, Estonia			100%		
UAB X-source, 1421989, Vilnius, Lithuania			100%		
SIA X-Source, 40003681691, Riga, Latvia			100%		
Uni2 SA, 986768270, Oslo, Norway			100%		
XSource SA, 20022211618, Luxembourg			100%		
Optimal Telecom Holding AB, 556580-7855, Stockholm, Sweden			100%		
Optimal Telecom Sweden AB, 556440-1924, Stockholm, Sweden			100%		
Datametrix Sweden Holding AB, 556580-7871, Stockholm, Sweden			100%		
Datametrix AB, 556539-4870, Stockholm, Sweden			100%		
Tele2 Norge Holding AB, 556580-8143, Stockholm, Sweden			100%		
Tele2 Norge AS, 974534703, Oslo, Norway			100%		
Tele2 Danmark Holding AB, 556580-8028, Stockholm, Sweden			100%		
Tele2 Denmark A/S, 221234, Copenhagen, Denmark			100%		
In2Loop A/S, 25 48 43 47, Copenhagen, Denmark			100%		
Svenska UMTS-nät Holding AB, 556606-7988, Stockholm, Sweden			100%		
Everyday Holding AB, 556579-7718, Stockholm, Sweden			100%		
Stenblocket i Fruängen AB, 556058-8500, Stockholm, Sweden			100%		
4 T Solutions Holding AB, 556580-2690, Stockholm, Sweden			100%		
In2loop Polska Sp. So.o, 54380, Warsaw, Poland			90%		
Web Communication BV, 34112460, Amsterdam, Netherlands			100%		
Tele2 Polska Sp, 57496, Warsaw, Poland			100%		
Tele2 Holding AS, 10262238, Tallin, Estonia			100%		
Tele2 Eesti AS, 10069046, Tallin, Estonia			52%		
UAB Tele2, 1147164, Vilnius, Lithuania			100%		
UAB Tele2 Fiksuotas Rysys, 1179374, Vilnius, Lithuania			100%		
UAB KRT, 2304688, Vilnius, Lithuania			100%		
UAB C-Gates, 2424016, Vilnius, Lithuania			100%		
UAB Trigeris, 2123967, Vilnius, Lithuania			100%		
Belmus BV, 33261289, Amsterdam, Netherlands			100%		
Tele2 Eesti AS, 10069046, Tallin, Estonia			48%		
Tele2 Holding SIA, 000351206, Riga, Latvia			100%		
SIA Tele2, 000327285, Riga, Latvia			100%		
SIA Tele2 Telecom Latvia, 000361693, Riga, Latvia			100%		
SIA "Tele2 billing", 40003690571, Riga, Latvia			100%		
Tele2 OU, 10309744, Tallin, Estonia			100%		
OU Trigger Software, 10687966, Tallin, Estonia			100%		
Tele2 S:t Pet Holding AB, 556636-7362, Stockholm, Sweden			100%		
St Petersburg Telecom, no AO-3177, St Petersburg, Russia			25.4%		
Oblcom, no P-7180.16, St Petersburg, Russia			36.6%		
Corporation Severnaya Korona, no P-6117.16, Irkutsk, Russia			100%		
St Petersburg Telecom, no AO-3177,St Petersburg, Russia			74.6%		
Oblcom, no P-7180.16, St Petersburg, Russia			60.6%		
Votec Mobile ZAO, 1023601558694, Voronezh, Russia			100%		
Tele2 Russia Telecom BV, 33287334, Rotterdam, Netherlands			100%		
Tele2 Russia International Holding BV, Nr 33221654, Amsterdam, Netherlands			100%		
Tele2 Russia International Cellular BV, Nr 33227655, Amsterdam, Netherlands			100%		
Tele2 Russia Telecom Services BV, 33.287.334, Amsterdam, Netherlands			100%		
PSNR Personal System Networks in region, 1025202610157, Niznhy Novgorod, Russia			100%		
Tele2 Russia VOL Holding GmbH, FN 131602 h, Wienna, Austria			100%		
Kursk Cellular Communications, no P-16792.17, Kursk, Russia			100%		
Smolensk Cellular Communications, no P-2581.16, Smolensk, Russia			60%		
Belgorod Cellular Communications, no P-2586.16, Belgorod, Russia			65%		
Kemerovo Mobile Communications, no P-13742.17, Kemerovo, Russia			100%		
Rostov Cellular Communications, no P-1790.16, Rostov, Russia			87.5%		
Udmurtiya Cellular Communications, no P-5818.16, Izhevsk, Russia			77.5%		
Siberian Cellular Communications, no P-4458.16, Omsk, Russia			60%		
Chelyabinsk Cellular Network, no P-3656.15, Chelyabinsk, Russia			100%		
Tele2 Russia EKA Holding GmbH, FN 131600 f, Wienna, Austria			100%		
Fora Telecom M, no P-12721.17, Moscow, Russia			100%		
Tele2 Russia MAC Holding GmbH, FN 132666 y, Wienna, Austria			100%		
Millicom New Tech. in Communications, no P-9894.17, Moscow, Russia			100%		
				2,686	**2,686**

NOTE 15, CONTINUED

Company, reg. no., reg'd office	Number of shares	Total par value	Holding (capital/votes)	PARENT COMPANY Book value Dec. 31, 2004	Dec. 31, 2003
		trsp		2,686	2,686
Oy Finland Tele2 AB, 1482343-8, Helsinki, Finland			100%		
Suomen 3G Oy, 502981, Helsinki, Finland			100%		
Tele2 (UK) Ltd, 4940295, London, UK			100%		
Bethany Group Ltd, 390385, Virgin Islands, UK			100%		
Alpha Telecom Communications Ltd, 4028792, London, UK			100%		
Wiasing Consultores E Servicos Lda, 06521/030616, Madeira, Portugal			100%		
Alpha Int. Overseas Telecomm. Services Ltd, 359452, Virgin Islands, UK			100%		
Alpha Int. Overseas Telecomm. Services Ltd, 06521/030616, Madeira, Portugal			100%		
Tele2 Telekom. Hizmetleri Anonim Sirketi, 517834/455416, Istanbul, Turkey			100%		
Tele2 Telecommunications L.L.C, 70132845, Prishtina, Kosovo			100%		
Tele2 d.o.o. Za telekomunikacijske usulge, 1849018, Zagreb, Croatia			100%		
Datametrix Norge AS, 975993108, Oslo, Norway			100%		
Datametrix Danmark A/S, 39419, Copenhagen, Denmark			100%		
ProcureITright AB, 556600-9436, Stockholm, Sweden			100%		
Proceedo Solution AB, 556599-5049, Stockholm, Sweden			100%		
Radio Components Sweden AB, 556573-3846, Stockholm, Sweden			69.6%		
Everyday Webguide AB, 556182-6016, Stockholm, Sweden			99.99%		
e-Village Nordic AB, 556050-1644, Stockholm, Sweden			100%		
NetCom GSM Sverige AB, 556304-7025, Stockholm, Sweden			100%		
Kabelvision Sverige AB, 556650-2455, Stockholm, Sweden			100%		
Kopparstaden Kabelvision KB, 916583-0564, Västerås, Sweden			80%		
Nelab Kabelvision KB, 916597-8983, Västerås, Sweden			80%		
Skaraborgs Kabelvision AB, 556483-6467, Mariestad, Sweden			60%		
Tele2 Europe SA, R.C.B56944, Luxembourg			100%		
Tele2 Telecommunication Services GmbH, FN178222t, Vienna, Austria			100%		
UTA Telecom AG, FN138197g, Vienna, Austria			100%		
Tele2 Belgium SA, 609392, Zellik, Belgium			100%		
Télé2 France SA, B409914058, Velizy, France			100%		
Tele2 Telecommunication Services GmbH, 36232, Düsseldorf, Germany			100%		
Tele2 Italia Spa, MI-1998-247322, Segrate, Italy			100%		
Tele2 AG, H.1045/80, Liechstenstein			100%		
Tele2 Luxembourg SA, R.C.B65774, Luxembourg			100%		
Tele2 (Netherlands) BV, BV 291906, Amsterdam, Netherlands			100%		
Tele2 Telecommunication Services S.L, B82051913, Madrid, Spain			100%		
Tele2 Telecommunication Services AG, CH-020390 55 969, Zürich, Switzerland			100%		
Tele2 UK Communications Ltd, 3565220, London, UK			100%		
Telemilenio, Telecomunicacoes, Sociedade Unipessoal, 10468, Lisbon, Portugal			100%		
Tele2 /Slovakia/ s.r.o., 35806486, Bratislava, Slovakia			100%		
Tele2 Magyarorszag Kft., 12634402-2-41, Budapest, Hungary			100%		
Tele2 Telecommunications Services Ltd, 292887, Dublin, Ireland			100%		
Tango SA, RC.B59560, Luxembourg			100%		
Everyday Media SA, R.C. B 78.227, Luxembourg			100%		
Everyday Prod. SA, R.C.B69802, Luxembourg			100%		
SEC Finance SA, B104730, Luxembourg			100%		
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg			19%		
S.E.C. Luxembourg S.A., R.C. B-84.649, Luxembourg			81%		
Tele2 s.r.o., 25650009, Prague, Czech Republic			100%		
Tele2 Services Luxembourg SA, RCB70203, Luxembourg			100%		
SEC United Kingdom Ltd, 5295550, Twickenham, UK			100%		
3C Communications International SA, RC B 29697, Luxembourg			100%		
3C Communications GmbH, FN695021, Vienna, Austria			100%		
3C Communications BVBA, 514 274, Brussels, Belgium			100%		
3C Communications SPA Italy, 28894/7359/14, Segrate, Italy			100%		
3C Communications A/S,184462, Ballerup, Denmark			100%		
3C Communications OY, 585632, Finland			100%		
3C Communications SA, 345 343 396 00023 Orleans, France			100%		
3C Communications GmbH, HRB 24104, Germany			100%		
3C Communications Luxembourg SA, B39690, Luxembourg			100%		
3C Communications BV, Amsterdam, 14630454, Netherlands			100%		
3C Communications A/S, Oslo, Norway			100%		
3C Communicacoes Ltda, Domingos de Rana, Portugal			100%		
3C Communications Espana SA, Madrid, Spain			100%		
3C Communications AB, 556332-6346, Stockholm, Sweden			100%		
3C Communications Ltd, 2343138, UK			100%		
3C Transac Ltd, Kingston-upon-Thames, UK			100%		
Comviq Holding BV, 14630454, Amsterdam, Netherlands			100%		
3C Communications Equipment SA, B25465, Luxembourg			100%		
				2,686	**2,686**

NOTE 15, CONTINUED

Company, reg. no., reg'd office	Number of shares	Total par value	Holding (capital/votes)	PARENT COMPANY Book value Dec. 31, 2004	Dec. 31, 2003
		trsp		2,686	2,686
CCC Holding BV, 33 269 398, Amsterdam, Netherlands			100%		
Calling Card Company Limited, 3794813, UK			100%		
Calling Card Company Germany GmbH, HRB 40498, Germany			100%		
C³ Calling Card Company Limited, 309745, Ireland			100%		
Calling Card Company SA, B424906618, Paris, France			100%		
Calling Card Company Italy SpA, 233372, Milano, Italy			100%		
Tele2 International Card Company S.A., RC 64 902, Luxembourg			100%		
Calling Card Company Netherlands BV, BV 82334, Amsterdam, Netherlands			100%		
Calling Card Company Spain, S.A. A-62426457, Spain			100%		
Calling Card Company Telecommunication Services GmbH, FN 215362i, Austria			100%		
Calling Card Company (UK) Ltd, 3812138, London, UK			100%		
C³ Prepaid Telecom Spain S.L., B-38778163, Tenerife, Canary Islands, Spain			100%		
SEC Everyday Europe BV, 341124357, Amsterdam, Netherlands			100%		
IntelliNet Holding BV, 34126307, Amsterdam, Netherlands			100%		
01047 Telecommunication GmbH, HRB 48344, Frankfurt, Germany			100%		
IntelliNet S.p.A, R.C. 1615155, Segrate, Italy			99%		
INT IntelliNet Telecommunications Services AG, CH02030215188, Zurich, Switzerland			100%		
IntelliNet S.p.A, R.C. 1615155, Segrate, Italy			1%		
Fagersta AB, 556238-4171, Stockholm, Sweden			100%		
TOTAL SHARES IN SUBSIDIARIES				**2,686**	**2,686**

NOTE 16. Receivables from Group companies

	PARENT COMPANY Dec. 31,04	Dec. 31,03
Acquisition value at Jan. 1	17,381	15,353
Lending	3,355	2,187
Amortization and additions granted	–975	–159
TOTAL RECEIVABLES FROM GROUP COMPANIES	**19,761**	**17,381**

NOTE 17. Shares in associated companies

Company, reg. no., reg'd office	Number of shares	Total par value	Holding	GROUP Book value Dec. 31,04	Dec. 31,03
Svenska UMTS-nät AB, 556606-7996, Stockholm, Sweden	501,000	tSEK 50,100	50%	500	489
ZAO Setevaya Kompanya, 104 779 674 3312, Moscow, Russia	300	tRUR 3,000	50%	–	–
SCD Invest AB, 556353-6753, Stockholm, Sweden	1,058,425 A	tSEK 5,292	capital 9.1% votes 49.6%	–	–
Managest Media SA, RCB87091, Luxembourg	12,000 B	tEURO 120	40%	22	22
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm, Sweden	400	tSEK 40	20%	6	3
GH Giga Hertz HB and 15 other partnerships with licenses			33.3%	3	–
TOTAL SHARES IN ASSOCIATED COMPANIES				**531**	**514**

Company, reg. no., reg'd office	GROUP Book value Dec. 31,04	Dec. 31,03
Everyday Webguide AB, 556182-6016, Stockholm, Sweden	–	–6
TOTAL PROVISIONS IN ASSOCIATED COMPANIES	**–**	**–6**

In 2004, Tele2 acquired additional shares in Everyday Webguide AB, after which the holding was reclassified as shares in subsidiaries.

	GROUP Dec. 31,04	Dec. 31,03	PARENT COMPANY Dec. 31,04	Dec. 31,03
Acquisition value:				
Acquisition value at Jan. 1	851	857	343	343
Investments	3	34	–	–
Repayment of capital employed	–1	–22	–	–
Share of profit/loss after tax	15	–18	–	–
Reclassification	6	–	–	–
Total acquisition value	**874**	**851**	**343**	**343**
Write-downs:				
Accumulated write-downs at Jan. 1	–343	–343	–343	–343
Total accumulated write-downs	**–343**	**–343**	**–343**	**–343**
BOOK VALUE	**531**	**508**	**–**	**–**

CONTRIBUTION OF EACH ASSOCIATED COMPANY TO GROUP EQUITY:

	2004 Svenska UMTS-nät	2004 Other	2003 Svenska UMTS-nät	2003 Other
Goodwill:				
Total goodwill, book value, Dec. 31	–	–	–	–
Equity share				
Equity share, Jan. 1	489	19	498	16
Opening balance of acquired companies	–	3	–	–
Share of capital contributions and new share issues	–	–	–	34
Repayment of capital employed	–	–1	–	–22
Share of profit/loss after tax	11	4	–9	–9
Reclassification	–	6	–	–
Total equity share, December 31	**500**	**31**	**489**	**19**
	500	**31**	**489**	**19**
TOTAL SHARES IN ASSOCIATED COMPANIES		**531**		**508**

NOTE 18. Other financial assets

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Receivable from SCD Invest AB, associated company	16	–	–	–
Receivable from Finvision	–	16	–	–
Receivable from Modern Holdings Inc	10	14	–	–
Pension funds	14	2	–	–
Other long-term holdings of securities	48	36	–	–
Other	5	16	1	–
OTHER TOTAL OTHER LONG-TERM RECEIVABLES	**93**	**84**	**1**	**–**

Other long-term holdings of securities consist of participating interests in the following companies:

				GROUP	
				Book value	
Company, reg. no., reg'd office	Number of shares	Total par value	Holding	Dec. 31,04	Dec. 31,03
Modern Holdings Inc, USA	1,806,575 st	tUSD 18	11.88%	36	36
Travellink AB, 556596-2650, Stockholm, Sweden	18,607 st	tSEK 1,861	15%	11	–
Radio National Luleå AB, 556475-0411, Stockholm, Sweden	55 st	tSEK 5	5.5%	1	–
TOTAL OTHER LONG-TERM HOLDINGS OF SECURITIES				**48**	**36**

NOTE 19. Accounts receivable

	GROUP	
	Accounts receivable	
	Dec. 31,04	Dec. 31,03
Accounts receivable	7,428	6,975
Reserve for doubtful receivables	–1,483	–1,406
TOTAL ACCOUNTS RECEIVABLE	**5,945**	**5,569**

	GROUP	
	Reserve for doubtful receivables	
	Dec. 31,04	Dec. 31,03
Reserve for doubtful receivables at Jan. 1	1,406	1,283
Reserves in companies acquired during the year	37	10
Net increase in reserves	379	305
Reversal of previous impairment loss	–323	–163
Translation difference in opening balance	–16	–29
TOTAL RESERVE FOR DOUBTFUL RECEIVABLES	**1,483**	**1,406**

NOTE 20. Other current receivables

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
VAT receivable	366	220	–	–
Receivable from Svenska UMTS-nät	59	45	–	–
Receivable from seller of UTA	30	–	–	–
Receivable from suppliers	63	27	–	–
Current tax receivables	6	2	–	–
Other	44	16	–	–
TOTAL OTHER CURRENT RECEIVABLES	**568**	**310**	**–**	**–**

NOTE 21. Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Telephony revenue, customers	2,113	1,793	–	–
Telephony revenue, other telecom operators	1,024	774	–	–
Interest revenue	60	48	–	–
Accrued income, other	62	46	–	–
Rental costs	155	194	3	3
Vendors' commission, fixed telephony calling cards	131	137	–	–
Financing fees	14	95	–	–
Prepaid expenses, other	386	232	–	–
TOTAL PREPAID EXPENSES AND ACCRUED INCOME	**3,945**	**3,319**	**3**	**3**

NOTE 22. Cash & cash equivalents and overdraft facilities

LIQUIDITY:

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Cash and cash equivalents	2,148	2,773	7	1
Restricted funds	–365	–830	–	–
Unutilized overdraft facilities and credit lines	3,330	1,501	–	–
LIQUIDITY	**5,113**	**3,444**	**7**	**1**

OVERDRAFT FACILITIES:

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Overdraft facilities granted	229	231	–	–
Overdraft facilities utilized	–21	–	–	–
Total unutilized overdraft facilities	**208**	**231**	**–**	**–**
Unutilized credit lines	3,122	1,270	–	–
UNUTILIZED OVERDRAFT FACILITIES AND CREDIT LINES	**3,330**	**1,501**	**–**	**–**

No specific collateral is provided for overdraft facilities.

EXCHANGE RATE DIFFERENCE IN CASH AND CASH EQUIVALENTS:

	GROUP	
	Dec. 31,04	Dec. 31,03
Cash and cash equivalents at Jan. 1	–27	–122
Cash flow for the year	17	–56
TOTAL EXCHANGE RATE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**–10**	**–178**

NOTE 23. Exchange rate effects

EXCHANGE RATE DIFFERENCES IN SHAREHOLDERS' EQUITY:

	GROUP					
	2004			2003		
	Other restricted reserves	Unrestricted reserves	Total	Other restricted reserves	Unrestricted reserves	Total
Opening in shareholders' equity, Jan. 1	1,160	–503	657	2,025	–588	1,437
Change during the year	–620	223	–397	–865	32	–833
Tax effect for the year, net	–	–26	–26	–	53	53
Total change during the year	**–620**	**197**	**–423**	**–865**	**85**	**–780**
CLOSING IN SHAREHOLDERS' EQUITY, DEC, 31	**540**	**–306**	**234**	**1,160**	**–503**	**657**

EXCHANGE RATE DIFFERENCES IN INCOME STATEMENT:

Exchange rate differences which arise in operations are reported in the income statements and amount to.

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Other operating revenue	35	38	–	1
Other operating expenses	–29	–30	–	–
Result from other securities and receivables classified as fixed assets	–1	–	–	–4
Other interest revenue and similar income	–8	–12	–	–
Interest expenses and similar costs	–	–3	–	–
EXCHANGE RATE DIFFERENCES IN INCOME STATEMENT	**–3**	**–7**	**–**	**–3**

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

	Operating revenue				EBITDA			
	2004		2003		2004		2003	
SEK	9,718	22%	9,688	26%	3,653	55%	3,681	65%
Euro	22,305	52%	18,188	49%	2,267	34%	1,162	20%
Other	11,010	26%	9,035	25%	698	11%	867	15%
TOTAL	**43,033**	**100%**	**36,911**	**100%**	**6,618**	**100%**	**5,710**	**100%**

A 1% currency movement against the Swedish krona affects the group's operating revenue and EBITDA on an annual basis by SEK 333 (2003: 272) million and SEK 30 (2003: 20) million respectively. In 2004, Tele2's results were mainly affected by fluctuations in NOK, USD, LVL and GBP. Operating revenue and EBITDA were negatively affected by SEK –227 (2003: –627) million and SEK –23 (2003: –17) million in 2004 (compared with results measured at stable exchange rates during the year).

The charge rates used to translate income statements and balance sheets to SEK are shown below.

	Income Statement		Balance Sheet	
	2004	2003	Dec. 31,04	Dec. 31,03
GBP	13.4560	13.1946	12.7100	12.9125
USD	7.3496	8.0894	6.6125	7.2750
EURO	9.1268	9.1250	9.0070	9.0940
CHF	5.9125	6.0043	5.8270	5.8285
DKK	1.2267	1.2280	1.2115	1.2215
NOK	1.0905	1.1418	1.0880	1.0805
EEK	0.5833	0.5832	0.5755	0.5810
LVL	13.7283	14.2559	12.9200	13.6000
LTL	2.6431	2.6431	2.6100	2.6300
PLN	2.0192	2.0787	2.2100	1.9400
CZK	0.2862	0.2866	0.2951	0.2795
HUF	0.0363	0.0360	0.0367	0.0348

CURRENCY RISKS

In telephony operations a currency risk arises in connection with international call traffic, as a liability or a receivable is created between Tele2 companies and foreign operators. In mobile telephony, these transactions are calculated in SDRs (Special Drawing Rights) but are invoiced and paid in Euro.

Currency risks in our international operations are limited by denominating loans to group companies in the subsidiary's local currency.

The five-year loan facility is denominated in USD, SEK, EUR and GBP. The exchange-rate difference which regularly arises in translating the loan liability is offset against the exchange-rate differences which arise in the corresponding net investment in subsidiaries. No hedging is undertaken against other types of currency risk. At December 31, 2004, exchange rate differences after tax of SEK 77 (2003: 7) million relating to loan liabilities were booked directly to shareholders' equity.

NOTE 24. Number of shares

The share capital in Tele2 AB is divided into two share classes, namely, Class A and B shares. Both share classes have a par value of SEK 5 per share and offer equal participation in the company's net assets and earnings. Class A shares, however, entitle the holder to 10 voting rights per share and Class B shares to one voting right per share.

NUMBER OF SHARES:

	PARENT COMPANY				
	A SHARES		B SHARES		TOTAL
	Change	Total	Change	Total	
January 1, 2002		30,006,947		117,353,228	147,360,175
Conversion from A shares to B shares	–8,317,143	21,689,804	8,317,143	125,670,371	147,360,175
New share issue, convertibles		21,689,804	100,000	125,770,371	147,460,175
December 31, 2002		**21,689,804**		**125,770,371**	**147,460,175**
New share issue, convertibles		21,689,804	100,000	125,870,371	147,560,175
December 31, 2003		**21,689,804**		**125,870,371**	**147,560,175**
Conversion of A shares to B shares	–6,173,141	15,516,663	6,173,141	132,043,512	147,560,175
TOTAL NUMBER OF SHARES, DECEMBER 31, 2004		**15,516,663**		**132,043,512**	**147,560,175**

OUTSTANDING CONVERTIBLES AND WARRANTS:

	PARENT COMPANY	
	Dec. 31, 2004	Dec. 31, 2003
Number of outstanding shares	147,560,175	147,560,175
Warrants 2002–2007	616,500	643,500
Total number of outstanding convertibles and warrants	**616,500**	**643,500**
TOTAL NUMBER OF SHARES AFTER FULL DILUTION	**148,176,675**	**148,203,675**

The outstanding warrants at Dec. 31, 2004 correspond to 616,500 B shares (2003: 643,500) in Tele2 AB, at a subscription price of SEK 191 per share and a subscription period from 2005 to 2007. See Note 34 for further information.

EARNINGS PER SHARE:

	GROUP			
	Earnings per share		Earnings per share, after full dilution	
	2004	2003	2004	2003
Net profit/loss for the year	1,902	2,396	1,902	2,396
Weighted average number of shares	147,560,175	147,460,175	147,560,175	147,460,175
Convertibles			–	100,000
Warrants			297,010	309,000
Weighted average number of shares after full dilution			**147,857,185**	**147,869,175**
EARNINGS PER SHARE	**12.89 kr**	**16.25 kr**	**12.86 kr**	**16.20 kr**

NOTE 25. Provisions

		GROUP		PARENT COMPANY	
		Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Shares in associated companies	Note 17	–	6	–	–
Pensions and similar commitments	Note 34	6	–	–	–
Disputes		40	–	–	–
Other provisions		17	20	–	–
TOTAL PROVISIONS		**63**	**26**	**–**	**–**

NOTE 26. Liabilities to financial institutions

SHORT-TERM LIABILITIES:

		GROUP		PARENT COMPANY	
Creditors *(collateral provided)*	**Interest rate terms**	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Five-year syndicated loan facility *(collateral: guarantee from Tele2 AB)*	EURIBOR etc. +0.20%-0.40%	2,859	2,340	–	–
Banque Invik *(collateral: blocked bank accounts in Tele2 Russia Telecom BV and Tele2 Sverige AB)*	marginal: 0.5%-1%	300	–	–	–
Ericsson S.A./N.V. *(collateral: guarantee from Tele2 AB and Tele2 Sverige AB)*	EURIBOR +2.5%	25	72	–	–
SEB *(collateral: guarantee from Tele2 Sverige AB)*	EURIBOR +0.75-3.00%	52	11	–	–
Alfa bank / Omskpromstoy Bank		–	1	–	–
Financial leases		56	25	–	–
TOTAL SHORT-TERM INTEREST-BEARING LOANS		**3,292**	**2,449**	**–**	**–**

LONG-TERM LIABILITIES:

		GROUP		PARENT COMPANY	
Creditors	**Maturity rate**	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Five-year syndicated loan facility	2009	1,095	3,812	–	–
Banque Invik		–	681	–	–
SEB	2006–2011	173	115	–	–
Finance leases		373	144	–	–
TOTAL LONG-TERM INTEREST-BEARING LOANS		**1,641**	**4,752**	**–**	**–**

In November 2004, Tele2 Sverige AB signed an agreement with a number of banks regarding a loan facility of SEK 7 billion. The loan facility will be used for financing operations and for the final repayment of Tele2's remaining debt in the loan facility signed in 2001. The loan can be used in most currencies, at present USD, SEK EUR and GBP. The five-year bank financing is divided into two facilities. Facility A amounts to SEK 3 billion and Facility B amounts to SEK 4 billion. Facility B matures on November 23, 2009 and facility A matures on November 23, 2005, on condition that neither Tele2 Sverige AB nor any of creditors wishes to extend the credit. In 2004, repayment of the previous loan facility amounted to SEK 3,431 million.

Tele2's dramatically improved cash flow and balance sheet since the previous loan has reduced the interest margin from 75 basis points to 20–25 points at the time of signing the financing agreement, which also includes more flexibility regarding repayments and purpose of the loan. The interest margin of the five-year loan facility is based on debt in relation to EBITDA, and varies between 25 and 40 points for facility B. The interest margin of facility A is 20 basis points. The five-year loan facility is based on requirements involving the fulfillment of certain financial key ratios. Tele2 expects to fulfill these requirements.

The loan facility is guaranteed by ABN Amro, Calyon Bank, Citigroup Global Markets Limited, DNB Nor Bank ASA, Nordea Bank AB (publ), SEB Merchant Banking, Svenska Handelsbanken AB (publ), Royal Bank of Scotland PLC, WestLB AG and Société Générale.

The loan in Banque Invik relates to loans to the Russian operations. Tele2 has deposited the corresponding amount with Banque Invik. The interest margin is 0.5%–1%.

The average rate of interest on loan liabilities during the year was 3.5% (2003: 5.0%).

COLLATERAL PROVIDED:

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Chattel mortgages	–	3	–	–
Net assets in subsidiaries	–	12,072		
Bank deposits	300	744	–	–
TOTAL COLLATERAL PROVIDED FOR LIABILITIES	**300**	**12,819**	**–**	**–**

LOAN LIABILITY MATURES:

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Within 1 year	3,292	2,449	–	–
Within 1–2 years	141	3,309	–	–
Within 2–3 years	109	1,280	–	–
Within 3–4 years	1,160	39	–	–
Within 4–5 years	62	26	–	–
Within 5–10 years	169	93	–	–
Within 10–15 years	–	5	–	–
TOTAL LOANS TO CREDIT INSTITUTIONS	**4,933**	**7,201**	**–**	**–**

INTEREST RATE RISK:
Of the total loan liabilities to credit institutions (above) and other interest-bearing liabilities (Note 27) at December 31, 2004, SEK 4,651 (2003: 6,555) million, corresponding to 94% (91%), carried a variable rate of interest. An increase in interest rates of 100 points would entail additional interest expense of SEK 47 million, calculated on the basis of variable interest-bearing liabilities at December 31, 2004. Tele2 is monitoring trends in interest-rate markets and decisions regarding the interest-rate fixing strategy are assessed continually.

Interest-bearing liabilities to financial institutions and Other interest-bearing liabilities with variable interest rates fall due for payment as follows.

	Within 1 year	Within 1–2 years	Within 2–3 years	Within 3–4 years	Within 4–5 years	Within 5–15 years	Total
Interest-bearing liabilities:							
– with variable interest rates	3,000	151	109	1,160	62	169	**4,651**
– with fixed interest rates	300	–		–	–	–	**300**
INTEREST-BEARING LIABILITIES	**3,300**	**151**	**109**	**1,160**	**62**	**169**	**4,951**

FINANCE LEASES:
All fixed assets utilized through finance leases have been reported in the consolidated accounts as fixed assets and loan liabilities, with the exception, however, of contracts signed before 1997. The effects of their inclusion in the consolidated balance sheet are shown below and in Note 14.

	GROUP			
	Booked		Not booked	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Short-term	56	25	8	8
Long-term	373	144	68	76
TOTAL LOANS FOR FINANCE LEASES OBJECTS	**429**	**169**	**76**	**84**

Finance leases relates mainly to the extension of transmission capacity in Sweden through Svenska Kraftnät and Vattenfall, and finance leases in the company UTA, acquired in 2004.

Loan liability matures:

	GROUP	
	Dec. 31, 2004	
	Booked	Not booked
Within 1 year	71	10
Within 1–2 years	91	9
Within 2–3 years	56	10
Within 3–4 years	55	10
Within 4–5 years	54	9
Within 5–10 years	157	32
Within 10–15 years	–	4
Total loan liability and interest	**484**	**84**
Less interest portion:	–55	–8
TOTAL LOANS FOR FINANCE LEASES OBJECTS	**429**	**76**

NOTE 27. Other interest-bearing liabilities

SHORT-TERM LIABILITIES:

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Digitel Com Ltd	8	11	–	–
Other	–	1	–	–
TOTAL OTHER SHORT-TERM INTEREST-BEARING LIABILITIES	**8**	**12**	**–**	**–**

LONG-TERM LIABILITIES:

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Digitel Com Ltd	10	22	–	–
Other	–	1	–	–
TOTAL OTHER LONG-TERM INTEREST-BEARING LIABILITIES	**10**	**23**	**–**	**–**

COLLATERAL PROVIDED:

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Net assets in subsidiaries	52	52	–	–
TOTAL COLLATERAL PROVIDED FOR OTHER INTEREST-BEARING LIABILITIES	**52**	**52**	**–**	**–**

LOAN LIABILITY MATURES:

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Within 1 year	8	12	–	–
Within 1–2 year	10	12	–	–
Within 2–3 year	–	11	–	–
TOTAL OTHER INTEREST-BEARING LIABILITIES	**18**	**35**	**–**	**–**

NOTE 28. Other short-term liabilities

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
VAT liability	306	331	–	9
Tax at source, personnel	37	36	1	1
Other taxes	78	78	–	–
Additional earn-out payment for Alpha	27	68	–	–
Customer deposits	25	26	–	–
Other	21	59	3	3
TOTAL OTHER SHORT-TERM LIABILITIES	**494**	**598**	**4**	**13**

NOTE 29. Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Telephony expenses to other telecom operators	2,064	2,089	–	–
External services expenses	782	777	7	4
Personnel-related costs	270	204	5	5
Leasing and rental expenses	227	176	–	–
Expenses for vendors	140	17	–	–
Interest expenses	84	107	3	–
Deferred income	1,911	1,516	–	–
Other	156	288	–	–
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**5,634**	**5,174**	**15**	**9**

NOTE 30. Pledged assets

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Chattel mortgages	–	3	–	–
Net assets in Group companies	52	12,072		
Materials and supplies	13	16	–	–
Bank bills	365	830	–	–
TOTAL PLEDGED ASSETS FOR OWN LIABILITIES	**430**	**12,921**	**–**	**–**

In 2004, the five-year loan facility was refinanced, after which previously pledged shares were no longer provided as collateral for the loan.

Pledged shares are reported in the Group in an amount corresponding to the book value of the net assets which each subsidiary represents in the consolidated balance sheet.

NOTE 31. Contingent liabilities and other commitments

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Surety bonds benefiting Group companies			5,140	13,945
Surety bonds benefiting associated companies	1,007	363	1,007	363
Future commitments	6	–	–	–
TOTAL CONTINGENT LIABILITIES	**1,013**	**363**	**6,147**	**14,308**

SEK 3,921 (2003: 6,152) million of the contingent liabilities in the Parent Company relates to a guarantee for the five-year loan facility. Svenska UMTS-nät AB, an associated company of Tele2, has an approved loan facility of SEK 7 (2003: 7) billion, whereby Tele2 guarantees utilized amounts up to 50 percent or a maximum of SEK 3.5 (2003: 3.5) billion. Tele2's guarantee as at December 31, 2004 is SEK 1,007 (2003: 363) million.

OPERATING LEASING:

Annual fees:

	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
ANNUAL FEES FOR OPERATING LEASES	**2,057**	**1,865**	**–**	**–**

The cost of operating leases for the year relates mainly to leased capacity.

Contractual future fees due for payment:

	GROUP		PARENT COMPANY	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Within 1 year	847	572	–	–
Within 1–2 years	322	261	–	–
Within 2–3 years	283	204	–	–
Within 3–4 years	210	165	–	–
Within 4–5 years	155	114	–	–
Within 5–10 years	286	333	–	–
Within 10–15 years	187	197	–	–
More than 15 years	120	182	–	–
TOTAL FUTURE FEES FOR OPERATING LEASES	**2,410**	**2,028**	**–**	**–**

CONTRACTUAL COMMITMENTS/COMMERCIAL PLEDGES:

	GROUP				
	Dec. 31, 2004				
	Within 1 yr	1–3 yrs	3–5 yrs	after 5 yrs	Total
Liabilities to financial institutions	3,292	250	1,222	169	4,933
Other Interest-bearing liabilities	8	10	–	–	18
Finance leases, agreements signed before 1997	8	16	16	36	76
Operating leasing	847	605	365	593	2,410
TOTAL CONTRACTUAL COMMITMENTS/ COMMERCIAL PLEDGES	**4,155**	**881**	**1,603**	**798**	**7,437**

NOTE 32. Supplementary cash flow information

NON-CASH TRANSACTIONS:
In addition to the reported investing and financing activities as shown in the cash flow statement, the following transactions occurred which did not affect cash.

Group:
Investments and the raising of loans through finance leases in the Group amounted to SEK 0 (2003: 5) million, and amortization of loans through finance leases to SEK –31 (2003: –32) million.

Tele2 acquired shares in Russian companies in 2003 through loan financing from Digitel Com Ltd amounting to SEK 33 million.

Parent Company:
During 2004, the Parent Company received a Group contribution from Tele2 Sverige AB amounting to SEK 2,385 (2003: 1,730) million and provided a shareholder contribution of SEK 0 (2003: 1,150) million.

In 2004, the Parent Company's interest revenue from other Group companies amounted to SEK 303 (2003: 299) million and interest expense from other Group companies amounted to SEK –7 (2003: –6) million, which was capitalized on the loan amount.

In addition to the reported figures in the cash flow for 2003, the Parent Company divested its shares in Tele2 Russia for SEK 1,150 million to Tele2 Sverige AB. Promissory notes of SEK 22 million in the associated company Everyday Webguide AB were also transferred to Group companies.

CASH FLOW STATEMENT BASED ON NET PROFIT/LOSS:

	GROUP	
	2004	2003
Current operations		
Profit/loss for the year	1,902	2,396
Adjustment for non-cash operating activities:		
Depreciation/amortization	3,846	3,826
Result from shares in associated companies	–17	18
Capital gain on sale of fixed assets	2	27
Capital gain on sale of shares	–197	–
Finance leases	–31	–31
Unpaid interest	–	–18
Unpaid financial items	95	–
Unpaid tax	120	2
Minority interest	–	–37
Deferred tax expense	508	–1,196
Write-down of shares	–	75
	6,228	5,062
Change in working capital	–352	912
CASH FLOW FROM OPERATING ACTIVITIES	**5,876**	**5,974**

INVESTMENTS ACCORDING TO THE CASH FLOW STATEMENT BY MARKET AND BUSINESS AREA:

	GROUP	
	2004	2003
Nordic	430	454
Baltic & Russia	684	908
Central Europe	156	163
Southern Europe	133	134
Benelux	103	155
Services	56	76
Investments in intangible and tangible assets	**1,562**	**1,890**
Additional investments, not affecting cash flow:		
Finance leases	–	5
TOTAL, CAPEX	**1,562**	**1,895**

	GROUP	
	2004	2003
Mobile telephony	1,063	1,250
Fixed telephony and Internet	432	545
Cable TV	7	32
Other operations	60	63
Investments in intangible and tangible assets	**1,562**	**1,890**
Additional investments, not affecting cash flow:		
Finance leases	–	5
TOTAL, CAPEX	**1,562**	**1,895**

Additional information on business areas is presented in Note 1 and Note 2.

NOTE 33. Number of employees

	GROUP			
	Average number of employees			
	2004		2003	
	Total	Men	Total	Men
Nordic	1,120	70%	1,172	70%
Baltic & Russia	998	52%	1,318	47%
Central Europe	188	66%	166	70%
Southern Europe	248	66%	282	67%
Benelux	143	79%	153	76%
Services	231	80%	183	80%
TOTAL BY MARKET AREA	**2,928**	**64%**	**3,274**	**61%**

The average number of employees in the Parent Company is 2 (2003: 2), both of whom are male.

	GROUP			
	2004		2003	
	Women	Men	Women	Men
Proportion of Board Members, all Group companies	2%	98%	7%	93%
Proportion of Other Senior Executives, all Group companies	17%	83%	16%	84%
TOTAL PROPORTION OF BOARD MEMBERS AND OTHER SENIOR EXECUTIVES	**10%**	**90%**	**11%**	**89%**

NOTE 34. Personnel costs

	GROUP					
	Salaries and remuneration					
	2004			2003		
	Board and President	of which bonus	Other employees	Board and President	of which bonus	Other employees
Nordic	30	5	538	28	4	526
Baltic & Russia	15	1	98	16	1	111
Central Europe	8	3	96	4	2	97
Southern Europe	21	4	174	20	3	176
Benelux	9	2	72	6	–	99
Services	9	3	92	10	3	82
TOTAL BY MARKET AREA	**92**	**18**	**1,070**	**84**	**13**	**1,091**

During the year, provision of SEK 13 (2003: 15) million was made for bonuses to key personnel in the Group, plus social security expenses of SEK 4 (2003: 5) million. Distribution of the amount will be decided in 2005.

	GROUP					
	2004			2003		
	Salaries and remuneration	Social security expenses	of which pension expenses	Salaries and remuneration	Social security expenses	of which pension expenses
Board and President	92	26	7	84	23	5
Other employees	1,070	331	67	1,091	342	75
TOTAL PERSONNEL COSTS	**1,162**	**357**	**74**	**1,175**	**365**	**80**

	PARENT COMPANY					
	2004			2003		
	Salaries and remuneration	Social security expenses	of which pension expenses	Salaries and remuneration	Social security expenses	of which pension expenses
Board and President	17	9	3	14	7	2
Other employees	3	1	–	3	1	–
TOTAL PERSONNEL COSTS	**20**	**10**	**3**	**17**	**8**	**2**

	Pension expenses			
	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Defined-benefit plans, retirement pension	3	3	–	–
Defined-benefit plans, survivors' and disability pension	4	–	–	–
Multi-employer plans	–	21	–	–
Defined-contribution plans	67	56	3	2
TOTAL PENSION EXPENSES	**74**	**80**	**3**	**2**

Information was received in 2004 which enabled the Swedish multi-employer pension plans in Skandia to be reported as defined-benefit plans. In 2003, in the absence of information from the insurance company, these were reported as defined-contribution.

NOTE 34, CONTINUED

REMUNERATION OF SENIOR EXECUTIVES:

2004	Basic salary/ Board fees	Variable remu-neration	Warrants	Other benefits	Other remu-neration	Pension costs	Total remu-neration
Chairman of the Board:							
Sven Hagströmer	0.8				–		0.8
Group President and CEO:							
Lars-Johan Jarnheimer	10.5	3.3	–	0.0	–	2.7	16.5
Other Senior Executives	22.1	4.5	–	0.7	–	2.4	29.7
	33.4	**7.8**	**–**	**0.7**	**–**	**5.1**	**47.0**

Other Senior Executives comprises 12 persons (2003: 13). Tele2 also had social security expenses on top.

2003	Basic salary/ Board fees	Variable remu-neration	Warrants	Other benefits	Other remu-neration	Pension costs	Total remu-neration
Chairman of the Board:							
Sven Hagströmer/ Bruce Grant	0.4				–		0.4
Group President and CEO:							
Lars-Johan Jarnheimer	10.4	2.0	–	0.0	–	2.0	14.4
Other Senior Executives	23.4	4.3	–	0.7	–	1.4	29.8
	34.2	**6.3**	**–**	**0.7**	**–**	**3.4**	**44.6**

2004	Previous yrs	Allocation for the year				Total
	Warrants program	Warrants program 2002/2007				
	Number	Num-ber	Market value on issuance	Acquisition price	Benefit	Number
Group President and CEO	15,000 st	–	–	–	–	15,000 st
Other Senior Executives	165,000 st	–	–	–	–	165,000 st
	180,000 st	**–**	**–**	**–**	**–**	**180,000 st**

In 2004, warrants previously allotted changed by –15,000.

Board of Directors:
Total Board fees of SEK 2.9 million were paid in 2004, as decided by the Annual General Meeting of Shareholders in May 2004.

Group President/CEO:
In addition to a fixed salary, Lars-Johan Jarnheimer, Group President and Chief Executive Officer of Tele2 AB, received a bonus of SEK 3.3 (2003: 2.0) million. The bonus is based on individual targets. The pension premium, which is defined-contribution, is paid at 20% of the fixed basic salary. The pensionable age is 65 years. The period of notice when served by the company is a minimum of 12 months and a maximum of 18 months in the case of the President of Tele2 AB. If the President serves notice of termination of employment to the company, salary is paid during a period of notice of 12 months. No other remuneration is made. The President's salary and remuneration are determined annually by the Board of Directors following proposals from the compensation committee.

Other Senior Executives:
Variable salary paid to other senior executives includes a bonus of 0%-50% based on profit benchmarks, with the remainder based on individual targets. Pensions are paid in accordance with the public pension plan, of which SEK 2.1 (2003: 1.1) million relates to defined-contribution plans and SEK 0.3 (2003: 0.3) million to defined-benefit plans. The pensionable age is 65 years. The period of notice when served by the company is a minimum of 6 months and a maximum of 12 months. If the person serves notice of termination of employment to the company, salary is paid during a period of notice of 6 months. No other remuneration is made.

INCENTIVE PROGRAM 1997-2006
At the 1997 Annual General Meeting, it was decided to establish an incentive program for present and future members of senior management in the Group. Through a company established for this purpose, NC Intressenter AB, these individuals were given the opportunity to acquire 100,000 shares a year between 1999 and 2003, up to a maximum total amount of 500,000 B shares. 200,000 shares were issued in October 2000, and three convertible debentures corresponding to 300,000 shares were issued to NC Intressenter AB to fulfill the commitment.

During 2004, the shareholders have decided to allow the sale of their holdings in NC Intressenter by means of a redemption procedure for a settlement corresponding to that part of the company's intrinsic value represented by the shares. Kinnevik, which was previously the single largest shareholder in the company, has thereby sold its holding.

The Tele2 shares that NC Intressenter acquired during the period 2000-2003 were previously financed through bank loans. On December 31, 2004 loans and shares are replaced by swap agreements that entail unchanged financial consequences for each shareholder remaining in NC Intressenter, and these are therefore reported as shares through companies in the presentation of the shareholdings of senior executives (pages 28-29).

INCENTIVE PROGRAM SEC
SEC established a number of option programs for its senior executives. These programs were not covered by Tele2's offer connected with the acquisition of SEC in 2000.

INCENTIVE PROGRAM 2002-2007
At the 2002 Annual General Meeting, it was decided to establish an incentive program corresponding to a maximum of 1,055,000 Class B shares for present and future key employees of the Group. These persons are entitled to subscribe for Class B shares by means of warrants, over a period of three to five years after allotment, at a price corresponding to the market value of the B shares +10% at the time of allotment, on condition that they remain in the Group's employment. No premium is to be paid. At December 31, 2004, Tele2 had outstanding warrants corresponding to 616,500 (2003: 643,500) shares. Warrants corresponding to 684,000 shares were issued in 2002, with returned options in 2002, 2003 and 2004 totaling 21,000, 19,500 and 27,000 respectively. No new warrants were issued in 2003 and 2004. All options have an exercise price of SEK 191 per share. In 2002, an additional allotment corresponding to 153,700 shares was made to a wholly-owned Group company to secure future cash flows for social security expenses.

NOTE 35. Remuneration of auditors

	GROUP				PARENT COMPANY			
	2004		2003		2004		2003	
	Deloitte	Other auditors	PWC	Other auditors	Deloitte	Other auditors	PWC	Other auditors
Audit assignments	15	4	17	2	2	–	2	–
Other assignments:								
Audit-related	3	2	1	1	1	–	–	–
Taxes	–	14	14	3	–	4	7	–
Other	–	1	2	2	–	–	–	–
	18	**21**	**34**	**8**	**3**	**4**	**9**	**–**
TOTAL		**39**		**42**		**7**		**9**

The item Audit assignments refers to invoiced fees for auditing the financial statements of the Parent Company and Group, and statutory auditing of subsidiaries. This also includes a fee for other auditing services. This refers to services which can only normally be performed by the appointed auditor, and the examination of documents relating to the Nasdaq stock market. The item Other assignments, audit-related, includes invoiced fees for analyses and other similar investigations which are closely related to the auditing of the company's annual accounts or which are normally performed by the appointed auditor, and consultations relating to accounting principles. The item Taxes includes invoiced fees for the checking of tax computations, services connected with tax audits and appeals, tax advice relating to mergers, acquisitions and intra-group pricing, and consultation concerning fiscal regulations and tax avoidance.

The item Other covers all other assignments, including the costs of investigations and analyses in conjunction with corporate acquisitions (due diligence).

NOTE 36. Change in accounting principles 2005

From January 1, 2005, Tele2 will present its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). There has been a gradual transition to IFRS over a number of years in Sweden, with most of the recommendations of the Swedish Financial Accounting Standards Council having been revised to comply with IFRS. Tele2 has been applying all the recommendations issued by the Swedish Financial Accounting Standards Council for some time, which means that the majority of its accounting already complies with IFRS. Despite the gradual adaptation, the requirement for full transition to IFRS will have an effect on Tele2's presentation of accounts.

The date for the changeover to IFRS has been defined as January 1, 2004, as IFRS requires that one year be restated and reported in accordance with IFRS for comparison. The transition to IFRS is reported in accordance with IFRS 1 "First-time adoption of International Financial Standards". The main rule of IFRS 1 is that all recommendations are to be implemented retrospectively. However, IFRS 1 allows optional exceptions to the principle of retrospective application, with Tele2 having elected to apply the following exceptions:

- Only business combinations which occurred on and after the transition date, January 1, 2004, will be restated in accordance with IFRS 3.
- Share-based payments will be accounted for according to IFRS 2 for the incentive program allotted after November 7, 2002 and not utilized as at January 1, 2005. Tele2 has elected not to retrospectively apply IFRS 2 prior to this date, and consequently no plans have been restated.
- Tele2 has elected to apply IAS 19 from the transition date, which means that actuarial gains and losses that occurred prior to this date are reported against opening shareholders' equity. As these effects are limited, they are not included in the table below.

There has been no requirement to restate financial information relating to financial years prior to 2004.

This year's tax expense includes an item of SEK 483 million (Note 12) as a result of a change in assessment on whether an expense for 2003 can be utilized for tax purposes or not. According to IFRS, reversals of line items in certain cases must be reported directly against equity. The company's assessment is that this item is not of this type.

The effects of the implementation of IFRS on Tele2's 2004 results and financial position are shown in the table below.

INCOME STATEMENT, CONDENSED

	2004					
	According to present principles	a) Goodwill	b) Finance leasing	c) Minority interest	Total IFRS adjust-ments	According to IFRS
EBITDA	6,618	–	11	–	11	6,629
Result from shares in associated companies	17	–	–	–	–	17
Depreciation/amortization	–3,846	1,525	–7	–	1,518	–2,328
EBIT	**2,789**	**1,525**	**4**	**–**	**1,529**	**4,318**
Financial items	–108	–	–3	–	–3	–111
Profit/loss before tax	**2,681**	**1,525**	**1**	**–**	**1,526**	**4,207**
Tax	–779	–	–	–	–	–779
Minority interest	–	–	–	–	–	
PROFIT/LOSS FOR THE YEAR	**1,902**	**1,525**	**1**	**–**	**1,526**	**3,428**
Earnings per share after tax	12.89	10.33	0.01	–	10.34	23.23
Earnings per share after full dilution	12.86	10.31	0.01	–	10.32	23.18

SHAREHOLDERS' EQUITY

	According to present principles	a) Goodwill	b) Finance leasing	c) Minority interest	Total IFRS adjust-ments	According to IFRS
Shareholders' equity, January 1, 2004	30,360	–	11	7	18	30,378
Exchange rate difference for the year	–423	–35	–	–5	–40	–463
Dividend for the year	–443	–	–	–	–	–443
Profit/loss for the year	1,902	1,525	1	–	1,526	3,428
SHAREHOLDERS' EQUITY, DECEMBER 31, 2004	**31,396**	**1,490**	**12**	**2**	**1,504**	**32,900**

a) Goodwill

According to IFRS, intangible assets are divided into assets with a defined useful life and assets with an undefined useful life. IFRS 3 requires goodwill to be classified as an asset with an undefined useful life which must not be amortized, but undergo annual impairment tests. As IFRS 3 applies from the date of acquisition, goodwill amortization for 2004 will be reversed in accordance with IFRS. In accordance with the transitional rules, Tele2 performed the required impairment tests on January 1 and December 31, 2004, which revealed that no impairment had occurred. IFRS clarifies the criteria for identifying and reporting certain classes of assets in conjunction with corporate acquisitions. IFRS 3 requires disclosure of different acquired intangible assets, such as customer relationships, patents, licenses, brands and agreements, which are to be assessed at market value at the acquisition date and reported separately from goodwill. Tele2 has analyzed the acquisitions made in 2004 and is satisfied that acquisition analyses meet the requirements laid down by IFRS.

b) Finance leases

Tele2 has certain rental agreements which were previously reported as operating leasing agreements, as they were entered into before January 1, 1997, and according to a transitional rule, were not covered by the Swedish Financial Accounting Standards Council's recommendation RR 6:99. Under IAS 17, such agreements are required to be reported as finance leases agreements. For additional information, please refer to notes 14 and 26.

c) Minority interest

According to IAS 1, minority interests are required to be reported as a separate item under shareholders' equity in the balance sheet. This differs from the current regulations whereby minority interests are reported as an item between liabilities and equity. Under these regulations, minority interest is included as an item in profit/loss on the income statement. Instead, profit/loss attributable to equity holders of the parent company and minority equity holders in subsidiaries is now required to be specified under net profit/loss.

Retailers' commissions in Tele2 Sweden

In conjunction with the transition to IFRS, Tele2 Sweden is also changing its accounting principle for retailers' commissions on mobile prepaid cards. With effect from January 1, 2005, these will be reported on a gross basis as marketing expenses rather than netted against revenue. This means that EBITDA for mobile telephony in Tele2 in Sweden will be unchanged, while operating revenue will increase somewhat, which will have a negative effect on the EBITDA margin of a few percentage points.

NOTE 37. Transactions with related parties

As a result of substantial direct and indirect shareholdings by the Jan Hugo Stenbeck estate in Tele2 Group, Kinnevik Group, Transcom Worldwide Group, Millicom Group, Modern Holdings Inc., MTG, Metro Group, Viking Telecom Group and other companies, the said estate has the potential to exert considerable influence in terms of financial and operational decisions regarding activities by these companies. Tele2's associated companies listed in Note 17 and the above companies are regarded as related parties to Tele2. Business relations between Tele2 and all related parties are subject to commercial terms and conditions.

SIGNIFICANT TRANSACTIONS IN RECENT YEARS:

At year-end 1998, Tele2 acquired 48% of Tele2 Eesti (formerly Ritabell AS), with mobile operations in Estonia, from Millicom.

In November 1999, Tele2 sold its shareholding (24.8%) in the associated company Netcom ASA, a mobile telephony company in Norway, to SEC in return for 17.8% in SEC. SEC gradually divested Netcom ASA during 1999 and 2000.

In August 2000, via a limited share issue corresponding to SEK 19,773 million, Tele2 acquired an additional 81.9% of SEC, which conducts fixed telephony operations in continental Europe and mobile telephony operations in Luxembourg, etc., from Millicom.

During 2000, Tele2 divested its holding in 4T Solutions, with billing systems operations, to Modern Holdings Inc. in return for 11.88% of Modern Holdings Inc.

In January 2001, Tele2 Group divested its 37.45% holding in the associated company Transcom Worldwide to Industriförvaltings AB Kinnevik. Transcom Worldwide is one of Europe's largest customer service companies. The purchase price was based on the market share price 60 trading days after Transcom Worldwide was listed on the Stockholm Stock Exchange.

In December 2001, Tele2 Group acquired all the shares in Tele2 Russia Telecom BV (formerly Fora Telecom) from Millicom through a limited share issue corresponding to a value of SEK 849 million. Tele2 Russia Group conducts mobile operations in Russia.

In October 2002, Tele2 Group acquired all the shares in the ProcureITright Group, a supplier of procurement function services and WEB-based procurement systems, from Modern Holdings Inc Group for SEK 42 million.

Transactions in 2004:

There were no significant transactions with related parties in 2004.

OPERATIONAL AGREEMENTS BETWEEN TELE2 AND RELATED PARTIES:

Tele2 supplies telephony and data services on commercial terms to closely related corporate groups.

Kinnevik Group:

Tele2 Group's telephony operations are, with the exception of Russian operations, insured by Moderna Försäkringar AB. Banque Invik performs certain financial services for the Tele2 Group. Bankque Invik is also a credit-card supplier and conducts credit transactions using the equipment of 3C-operations.

Transcom Worldwide Group:
Transcom provides customer services and telemarketing for Tele2. CIS Collection AB provides debt-collection services for Tele2.

Millicom Group:
Millicom Group purchases certain consulting services from the Tele2 company ProcurelTright.

Modern Holdings Inc Group:
The Basset Group provides an operator settlement and anti-fraud system for Tele2. NetCom Consultants AB provides Tele2 with consulting services in telecommunications and data communications.

MTG Group:
Tele2 buys advertising time on radio and TV channels owned by MTG. Tele2 purchases cable TV programs from MTG Group.

Viking Telecom Group:
Viking Telecom provides Tele2 with most of the line routers that Tele2 supplies to its end customers.

Associated companies:
Tele2 is also one of two turnkey contractors for the planning, expansion and operation of the associated company Svenska UMTS-nät AB's 3G network.

	GROUP			
	Interest revenue		Interest expense	
	2004	2003	2004	2003
Kinnevik Group	27	52	38	56
Modern Holdings Inc Group	1	–	–	–
Associated companies	1	–	–	–
TOTAL	**29**	**52**	**38**	**56**

TRANSACTIONS BETWEEN TELE2 AND RELATED PARTIES:

	GROUP					
	Restricted cash		Other receivables		Interest-bearing receivables	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Kinnevik Group	300	744	24	41	–	–
Transcom Worldwide Group	–	–	7	7	–	–
Millicom Group	–	–	1	4	–	–
Modern Holdings Inc Group	–	–	1	1	10	14
MTG, Modern Times Group Group	–	–	11	14	–	–
Metro International Group	–	–	1	–	–	–
Viking Telecom Group	–	–	–	–	–	–
Associated companies	–	–	99	45	17	–
Other related companies	–	–	1	–	–	16
TOTAL	**300**	**744**	**145**	**112**	**27**	**30**

	GROUP			
	Non-interest-bearing liabilities		Interest-bearing liabilities	
	Dec. 31,04	Dec. 31,03	Dec. 31,04	Dec. 31,03
Kinnevik Group	26	97	300	682
Transcom Worldwide Group	300	244	–	–
Millicom Group	–	43	–	–
Modern Holdings Inc Group	34	27	–	–
MTG, Modern Times Group Group	6	12	–	2
Metro International Group	3	2	–	–
Viking Telecom Group	1	2	–	–
Associated companies	9	–	–	–
Other related companies	–	4	–	1
TOTAL	**379**	**431**	**300**	**685**

TRANSACTIONS BETWEEN TELE2 AND RELATED PARTIES:

	GROUP			
	Operating Revenue		Operating Expenses	
	2004	2003	2004	2003
Kinnevik Group	10	16	27	59
Transcom Worldwide Group	49	37	2,314	2,049
Millicom Group	9	11	–	13
Modern Holdings Inc Group	3	2	253	129
MTG, Modern Times Group Group	30	27	50	73
Metro International Group	2	–	16	17
Viking Telecom Group	1	–4	5	111
Associated companies	51	54	46	–
Other related companies	1	10	30	47
TOTAL	**156**	**153**	**2,741**	**2,498**

Stockholm, February 25, 2005

Sven Hagströmer
Chairman of the Board

Lars-Johan Jarnheimer
President and CEO

Marc Beuls

Vigo Carlund

Jan Loeber

John Shakeshaft

Cristina Stenbeck

Our auditors' report was submitted on March 8, 2005

Deloitte & Touche AB

Tommy Mårtensson
Authorized Public Accountant

AUDITORS' REPORT

To the Annual General Meeting of the shareholders of Tele2 AB (publ), corporate registration no. 556410-8917

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Tele2 AB (publ) for the financial year 2004. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are

free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, and evaluating the most critical estimates made by the Board and President in preparing the annual accounts and consolidated accounts, and the overall presentation of information in the annual accounts and consolidated accounts. As a basis for our opinion concerning discharge from liability, we have examined significant decisions, actions taken and circumstances of the Company in order to determine the liability, if any, to the Company of any member of the Board or the President. We have also conducted examinations to establish whether any member of the Board or the President has in any other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act, or the Company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and thus provide a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted auditing principles in Sweden. The report of the board of directors is consistent with the other parts of the annual report and consolidated accounts.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report, and that the members of the Board and the President be discharged from liability for the financial year.

Stockholm, March 8, 2005

Deloitte & Touche AB

Tommy Mårtensson
Authorized Public Accountant

DEFINITIONS

(Text in parentheses refers to financial ratios after full conversion)

EBITDA Operating profit/loss before depreciation, amortization and result from shares in associated companies.

EBITA Operating profit/loss after depreciation but before goodwill amortization.

EBIT Operating profit/loss after depreciation and amortization.

EBT Profit/loss after financial items.

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

Cash flow after CAPEX Cash flow after investments in intangible and tangible assets affecting cash (CAPEX), but before investment in shares and changes in loans.

Liquidity Cash and cash equivalents, including unutilized credit facilities granted.

Investments Acquisition and divestment of fixed assets, including investments through finance leases, and non-cash investments.

Net borrowing Interest-bearing liabilities (less convertible debentures) less interest-bearing assets.

Average number of employees The average number of employees during the year in which the acquired/ divested company is reported in relation to how long the company has been a part of Tele2Group.

Equity/assets ratio Shareholders' equity (including convertible debentures) divided by total assets.

Debt/equity ratio Interest-bearing net debt divided by shareholders' equity at the end of the period.

Return on shareholders' equity Profit/loss after tax less items affecting comparability, minority interests after tax deductions (and interest expense for convertible debentures after tax deductions) divided by average equity (including convertible debentures).

Capital employed Total assets less provisions, minority interests and non-interest bearing liabilities.

Return on capital employed Profit/loss after financial items less items affecting comparability and financial costs (less interest expense for convertible debentures) divided by average capital employed.

Average interest rate Interest expense (less interest expense for convertible debentures) divided by average interest-bearing liabilities (less convertible debentures).

Earnings per share Profit/loss for the period (less interest expense on convertible debentures, and less tax deductions) divided by the weighted average number of shares outstanding during the fiscal year (which would result from full conversion of convertible debentures).

Shareholders' equity per share Shareholders' equity (including convertible debentures) less minority interests, divided by the weighted average number of shares outstanding during the fiscal year (which would result from full conversion of convertible debentures).

ARPU – Average Revenue Per User Average monthly revenue for each customer.

MOU – Minutes Of Usage Monthly call minutes for each customer.

GLOSSARY

CRM – Customer Relationship Management, often supported by computer-based systems.

DSL – Digital Subscriber Line.
Generic name covering several different technologies for data transmission over fixed phone lines.

GPRS – General Packet Radio Service.
A technology that permits high-capacity data transmission using mobile phones

GSM – Global System of Mobile Communications or Groupe Spécial Mobile.
2nd-generation mobile telephony system. Digital, as opposed to analog NMT.

IP – Internet Protocol.
A series of rules for communication between computers over the Internet.

LAN – Local Area Network.
Local network of computers, often in the same room or building.

MMS – Multimedia Messaging Service.
A service which makes it possible to send text, images and audio messages between mobile phones or between online computers and a mobile telephone.

MVNO – Mobile Virtual Network Operator.
Mobile virtual network operator. MVNOs have greater network resources than service providers with which to offer their own telecom services to subscribers. However, they do not have radio access network capacity, which must be purchased from a network operator.

NMT – Nordic Mobile Telephone.
Usually identified as the 1st-generation mobile telephony. An analog technology developed in the Nordic region.

SMS – Short Message Service.
Enables the transmission of short text messages between mobile phones or between a computer which is connected to the Internet and a mobile phone.

SP – Service Provider.
A company which purchases capacity from network operators, to enable it to sell telecom services to its subscribers.

UMTS (3G) – Universal Mobile Telecommunications System. A technology for 3rd-generation mobile telephony designed to handle text, images, and video. UMTS has greater capacity than GSM.

VOIP – Voice Over Internet Protocol.
Telephony which uses Internet Protocol.

VPN – Virtual Private Network.
A service linking a company's local and telephony networks with the computers and phones of employees who work remotely, forming a telecom or data communications network. Users see this as one single business network.

WAN – Wide Area Network.
A network of computers in different geographical locations. Often consists of several LANs linked together.

WAP – Wireless Application Protocol.
An industrial standard for Internet-based data communications over mobile networks. Developed by the WAP Forum, consisting of big corporations such as Ericsson, IBM, Motorola and Nokia.

WLL – Wireless Local Loop.
Wireless broadband access via radio networks.

TELE2'S HISTORY

2004
Tele2 acquires UTA (Austria) and Votec Mobile (Russia).

Tele2 launches fixed telephony in Hungary and Ireland.

2003
Tele2 launches fixed telephony in Portugal, Belgium and the UK.

Tele2's first GSM network is launched in Russia.

Tele2 acquires Alpha Telecom.

2002
MVNO launched in the Netherlands.

Jan Stenbeck, Tele2's founder and chairman, passes away at the age of 59.

2001
Tele2 acquires FORA Telecom (Russia), thereby offering mobile telephony under its own management.

Joint UMTS company formed with Telia in Sweden.

Tele2 launches fixed telephony in Spain.

2000
Tele2 acquires Société Européenne Communication S.A., SEC (Luxembourg).

Latvia's second-largest mobile operator, Baltkom GSM, is acquired.

Tele2 launches Internet in Poland and the Czech Republic.

Internet, fixed telephony and GSM launched in Liechtenstein.

Tele2 becomes the first mobile virtual network operator (MVNO) in Denmark.

Tele2 launches fixed telephony in Finland.

Tele2 is awarded a UMTS license in Sweden.

1999
Fixed telephony is launched in Austria, France and Italy.

Tele2 launches GSM in Lithuania and Latvia.

1998
Operations are expanded to Estonia with the acquisition of a 48% stake in mobile operator Ritabell.

Tele2 launches fixed telephony in Germany and Switzerland, and GSM in Luxembourg.

1997
Tele2 is listed on Nasdaq in New York.

Comviq introduces the prepaid calling card.

Launch of Tele2 dial-up Internet in Norway.

Tele2 fixed telephony is launched in the Netherlands.

1996
Tele2 is listed on the O-List of Stockholmsbörsen.

Tele2 launches fixed telephony in Denmark.

1993
Tele2 launches fixed telephony in Sweden, laying the foundation of today's Tele2.

1992
Comviq GSM starts up its own GSM network.

1991
Tele2 is first to offer Internet access to the Swedish market.

Tele2 is granted a license to conduct fixed telephony operations.

Tele2 establishes the first commercial IP network in Sweden.

1988
Comviq is awarded a GSM license in Sweden.

1986
Kabelvision AB and Tele2 Sverige AB start operations. Tele2 is founded by Industriförvaltnings AB Kinnevik under the name Comvik Skyport AB.

1981
Comvik AB launches its own analog network for mobile telephony.

Late 1970s
Industriförvaltnings AB Kinnevik invests in the telecom market.

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2005 ANNUAL GENERAL MEETING

Time and place

The Annual General Meeting will be held on Wednesday, May 11, 2005, at 1.30 p.m. at the Skandia Cinema, Drottninggatan 82, Stockholm. The doors will open at 12.30 p.m. and registration will take place until 1.30 p.m., when the doors will close.

Who is entitled to participate?

Shareholders wishing to participate in the Annual General Meeting must be entered in the register of shareholders maintained by VPC AB (the Swedish Securities Register Center) no later than Friday, April 29, 2005, and must notify the Company of their intention to participate no later than 1.00 p.m. on Thursday, May 4, 2005.

What is the procedure for entry in the register of shareholders?

Shares may be recorded in the VPC register of shareholders in the name of the shareholder or nominee. Shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own name in order to be entitled to participate in the Meeting. Shareholders must request temporary re-registration a sufficient number of working days before April 29, 2005.

How do I notify the Company?

The Company may be notified as follows:

– on the Company's website, www.tele2.com
– by telephone +46 (0)433-747 56
– in writing to the Company to the following address: Tele2 AB, P.O. Box 2094, SE-103 13 Stockholm, Sweden Please mark the envelope "AGM"

When notifying the Company, the following information should be provided:

– Name
– Personal identification number (or company registration number)
– Address and telephone number
– Shareholding
– Any advisors attending

Shareholders who wish to be represented by a representative are requested to submit a power of attorney with the notice of participation.

The notice of participation must be received by the Company no later than 1.00 p.m., on May 4, 2005.

"We are going to operate a very, very simple, very clear product, very easy to understand, no catches, just cheaper calls. But we are not looking at cheap and cheerful, pile 'em high, sell 'em fast. We have all the backend infrastructure that you would expect from a company that has 24.9 million subscribers. You don't get there and keep those by having second-rate customer service.

Mark O'Toole, Tele2 CEO for Ireland speaking to the Irish Independent on September 3, 2004 at the time of our launch

TELE2

www.tele2.com

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