# ANNUAL REPORT 2015
# TELE2 NETHERLANDS HOLDING N.V.

# TABLE OF CONTENTS

Certain statements in this Annual Report 2015 are “forward-looking statements”. Such statements are based on the current expectations of the management of Tele2 Netherlands Holding N.V. only, and are subject to a number of (risk) factors and uncertainties, including but not limited to changes in technology and market requirements, continuity regarding the regulatory environment in the Company’s operating market, decline in demand for the Company’s products or services, inability to timely develop and introduce new technologies, products and services, loss of market share, pressure on pricing resulting from competition, and inability to maintain certain marketing and distribution arrangements, which could cause the actual results or performance of the Company to differ materially from those described herein.

# Introduction

Tele2 Netherlands Holding N.V. (in this document also referred to as “Tele2 Netherlands Holding”, “Tele2 Netherlands”, “Company” or “we”) is a public company with limited liability. News and information are available at http://www.tele2.nl

All external reporting of Tele2 Netherlands Holding is in the English language.

Tele2 Netherlands Holding N.V.

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# MANAGEMENT REPORT

# Foreword of the CEO

**It is with a great sense of pride that we look back on what has been a milestone year for Tele2 Netherlands. On the 12th of November, we disrupted the Dutch mobile market by launching our revolutionary 4G mobile propositions, offering our customers great speed, great coverage and low prices.**

## Network

At the end of 2015, only 24 months after the activation of the first antenna, the team at Tele2 Netherlands has built an LTE-Advanced mobile network, covering 95% of the outdoor population, which can, through carrier aggregation, provide speeds of up to 225 Mb/s. Several independent network-testing organizations have already praised our network performance and user experience, and this will only continue to improve as our network continues to build.

In addition to our impressive mobile deployment, we also secured a long-term agreement with KPN to offer higher fixed broadband speeds through Virtual Unbundled Local Access (VULA). This agreement enables Tele2 to offer existing and new customers speeds of up to 100Mb/s.

With our state-of-the-art mobile and future-proof fixed networks, we believe we have everything in place to provide our customers what they need in the future.

## Residential Customers

We strive to give our customers what they need for less, and that is why we launched the largest and most affordable 4G data bundles in the Netherlands. This enables our customers to use their mobiles wherever and whenever they want, with less worries about exceeding their data buckets and incurring additional costs.

In December, we opened our first retail shop in Amstelveen and have continued to open more shops in the first quarter of 2016. The shops are important as they allow us to build our brand more quickly, whilst giving our customers a more personalized service.

## Business Customers

In the Business segment we launched a completely new mobile portfolio named “Mobile Connect”. Mobile Connect offers business customers a flexible way to integrate fixed and mobile telephony without the need for unnecessary technical complexity and large additional investments. In the last quarter of 2015, Tele2 secured its first large enterprise contract for mobile services with the Van Gansewinkel Group.

During 2015 we were also pleased to build our enterprise business by successfully securing several government contracts for fixed data services. And perhaps most pleasing of all was that in addition to acquiring new customers, a number of our highly valued existing business customers showed their support to Tele2 by renewing their contracts with us.

## Customers, Partners & Employees

As always, I would like to thank our employees for their continued dedication and hard work. It has been a privilege to work in such a dynamic environment alongside such an exceptional group of people. I would also like to thank our customers, partners, suppliers and stakeholders for their continuing support.

## Financial resources

The 2015 operating results clearly show the significant investments we have made as we transition from MVNO to MNO. These investments are sizeable, but essential in order for us to realize our market share ambitions here in the Netherlands.

To fund our investments, we utilized the loan facility offered by a related party in the Tele2 group. In 2016 we will continue to invest in our network and in driving operational improvements. Due to our financial policies, the liquidity and the solvability ratios slightly decreased. Outside the regular course of business, we see no additional material financial risks.

## 2016

We have stated previously that it is our ambition to reach 20% mobile market share in the mobile market by the end of 2020. In the year ahead we aim to reach nationwide 4G outdoor population coverage and introduce Voice over LTE services. We will continue to open more shops to get closer to our customers and will continue in our quest to give our customers what they need, for less.

Amsterdam, 31 March 2016
Tele2 Netherlands Holding N.V.

Jeff Dodds
Chief Executive Officer

# Operational and Financial Review

## Key Financial Information

In the table below a selection of key financial data of Tele2 Netherlands Holding N.V. has been included as of and for the years ended December 31, 2015, 2014 and 2013. The selected key financial data should be read in conjunction with the section titled "Results from Operations", our (historical) financial statements and the related notes thereto included elsewhere herein.

(Currency – thousands of euros)

| **Statement of income:** | **2015** | **2014** | **2013** |
|---|---|---|---|
| Revenues | 615,055 | 599,362 | 629,850 |
| Direct cost of revenues | 325,984 | 276,084 | 273,682 |
| Selling, general and administrative | 242,563 | 225,360 | 214,224 |
| Depreciation and amortization | 87,962 | 70,123 | 67,817 |
| Total Operating expenses | 656,509 | 571,567 | 555,723 |
| Operating result | (41,454) | 27,795 | 74,127 |
| Result for the period | (36,685) | 15,969 | 56,528 |
| **Selected statement of financial data:** | | | |
| Cash | 3,754 | 3,796 | 5,062 |
| Working capital (excluding cash) | (34,346) | (22,298) | 8,706 |
| Equity | 515,456 | 551,141 | 536,171 |
| **Cash flow data:** | | | |
| Net cash provided by operating activities | 42,257 | 141,713 | 310,986 |
| Net cash used in investing activities | (186,527) | (183,318) | (208,402) |
| Net cash used in financing activities | 144,228 | 40,339 | (73,490) |
| **Additional Information:** | | | |
| Gross Margin | 289,071 | 323,278 | 356,168 |
| EBITDA (1) | 46,508 | 97,918 | 141,944 |
| Capital expenditures | 195,071 | 173,589 | 240,622 |

1) EBITDA consists of earnings (loss) before interest and other expense, interest and other income, income taxes, depreciation and amortization. EBITDA is a non-IFRS measure.

## Results from Operations

### The year ended December 31, 2015 compared to the year ended December 31, 2014

*Revenues* increased by € 15.7 million to € 615.1 million for the year ended December 31, 2015 from € 599.4 million for the year ended December 31, 2014, representing an increase of 2.6 percent.

Mobile revenues increased by € 55.7 million to € 270.9 million for the year ended December 31, 2015 from € 215.2 million for the year ended December 31, 2014, representing an increase of 25.9 percent. The focus on the intake of mobile residential customers resulted in a growth of the mobile customer base. The revenue increased relatively more, particularly as a result of the sale of handset equipment to new or prolonged customers. Further, a tax settlement with the Dutch tax authorities of € 15.5 million is included in the mobile revenues. In addition, the business segment launched mobile propositions in order to increase mobile revenues in that segment as well.

Fixed broadband and fixed telephony revenues decreased by € 40.1 million in the last year to € 344.1 million for the year ended December 31, 2015 from € 384.2 million for the year ended December 31, 2014, representing a decrease of 10.4 percent, due to a lower installed base, further price erosion on data services and lower minutes of use in fixed telephony.

*Direct cost of sales* increased with € 49.9 million to € 326.0 million for the year ended December 31, 2015 from € 276.1 million for the year ended December 31, 2014, representing an increase of 18.1 percent, resulting from increased handset equipment costs, national roaming costs and higher access costs related to off-net fixed broadband customers.

Likewise, the gross margin as a percentage of revenues decreased, compared to 2014, from 53.9 percent to 47.0 percent in 2015 as a result of the aforementioned reasons.

*Selling, general and administrative expenses* increased by € 17.2 million to € 242.6 million for the year ended December 31, 2015 from € 225.4 million for the year ended December 31, 2014, representing an increase of 7.6%. The increase is the result of higher acquisition and retention costs related to the growth of the installed mobile base, higher compensation costs and site rental expenses related to the roll out of the 4G network and a release of the lease incentive linked to the former lease contract of the office building. The former lease agreement has been prematurely terminated and replaced by a newly negotiated lease agreement.

*Depreciation and amortization expenses* increased by € 17.8 million to € 88.0 million for the year ended December 31, 2015 from € 70.1 million for the year ended December 31, 2014, due to incremental tangible fixed assets as part of the rolled-out 4G network.

*Operating result* for the year ended December 31, 2015 amounts to a loss of € 41.5 million, compared to a profit of € 27.8 million for the year ended December 31, 2014. As described above, the decrease is driven by lower gross margins (including the effect of mobile roaming costs which will be phased out in the coming years), higher selling expenses as a result of the growing mobile (4G) post-paid customer base and higher depreciation of the 4G network.

Net result for the period ended December 31, 2015 amounts to a loss of € 36.7 million, compared to a profit of € 16.0 million for the year ended December 31, 2014.

## Other Significant Items

During 2015, the Company launched its mobile network and opened its LTE-Advanced 4G network for its residential and business customers. Hence, the Company is able to capitalize on the rapidly growing need for mobile data for both consumers and business customers.

Regarding the fixed broadband (residential) segment, the Company has signed a seven-year contract with KPN for improved access to the fixed KPN network. This Virtual Unbundled Local Access (VULA) agreement enables Tele2 to offer new and existing customers higher speeds of up to 100 Mb/s.

Furthermore, the Company opened its first shop in Amstelveen in 2015, allowing it to position itself with more customer proximity in the consumer segment and thus attract new customers and serve existing customers in a more personalized manner. During 2016, additional shops will be opened across the country.

At the end of 2014, Tele2 AB launched a program to create a step change in productivity within the Tele2 Group, including Tele2 Nederland B.V. This three-year program referred to as “Challenger” will allow the Group and the Company to benefit from a lower cost base through simplification, harmonization and transformation.

## Liquidity and Capital Resources

At December 31, 2015, the Company’s cash and cash-equivalents balance amounted to € 3.8 million, similar to the position of cash and cash equivalents of € 3.8 million at December 31, 2014. The cash of the Company, which forms part of the zero balance cash pool with the Tele2 Group, is presented as a related party cash pool on the statement of the financial position of the Company.

At December 31, 2015, the Company recorded a working capital (excluding cash and cash equivalents) position of € 34.3 million compared to a position of € 22.3 million at December 31, 2014, as a result of higher liabilities related to the roll-out 4G-network.

The working capital position includes the cash that forms part of the zero balance cash pool for an amount of € 7.8 million payable at December 31, 2015 compared to a € 9.6 million receivable at December 31, 2014. Eliminating the effect of the zero balance cash pool, the working capital position is € 26.5 million negative at December 31, 2015, compared € 31.9 million negative at December 31, 2014.

Net cash generated by operating activities was € 42.3 million for the year ended December 31, 2015, compared to net cash generated by operating activities of € 141.7 million for the year ended December 31, 2014. This decrease is related to the loss for the period.

Net cash used in investing activities amounts to a total of € 186.5 million for the year ended December 31, 2015 compared to € 183.3 million for the year ended December 31, 2014.

Net cash provided by financing activities is € 144.2 million for the year ended December 31, 2015 compared to € 40.3 million for the year ended December 31, 2014. During 2015, the Company has drawn an additional amount of € 170.0 million under the loan facility agreement between the Company and Tele2 Finance Luxembourg SARL.

## Employees

As per December 31, 2015, the Company had 1,061 employees (2014: 1,017). The number of employees is expected to develop in accordance with the general development and changes in the Company’s activities. None of the employees of the Company are represented by a labor union or covered by a collective bargaining agreement, and the Company has never experienced a general strike. The Company considers its employee relations to be good.

The following table sets forth the average number of full-time equivalents, over the years 2013-2015:

| | **2015** | **2014** | **2013** |
|---|---|---|---|
| Tele2 Nederland B.V. | 989 | 963 | 904 |

## Property

The Company, through its subsidiary Tele2 Nederland B.V., has leased several (office) spaces in the Netherlands. The Company and its subsidiaries use these locations primarily as office space and for technical support to its network.

The head office of the Company is located at the following address:

| Address | Expiration date of lease |
|---|---|
| Wisselwerking 58, 1112 XS, Diemen, Netherlands | December 31, 2025 |

The Company has negotiated a new lease agreement for the Company's corporate headquarters effective January 1, 2016. As a result, the old lease agreement, which expired on December 31, 2019, has been prematurely terminated. The new lease agreement for the Company's corporate headquarters has been entered into for a period of 10 years lasting until December 31, 2025 and can be extended (unilaterally by the Company) for 2 consecutive periods of 5 years, subject to the Company not giving notice of termination before December 31, 2024. The lease agreement does not require the Company to physically occupy the building in Diemen.

## Regulation and Legal Proceedings

The Company has filed complaints in the past with the European Commission, with the Autoriteit Consument en Markt ("ACM") and the Minister of Economic Affairs in the Netherlands as part of its regulatory strategy. We also make routine filings with the regulatory agencies and governmental authorities.

In a specific case regarding the rental fees of copper lines, which Tele2 Netherlands uses as part of its fixed operations, the regulator (ACM) has determined that the rental fees are to be adjusted with retroactive effect as of 2009. This has resulted in a claim from KPN amounting to € 23.2 million. This additional levy is still subject to pending appeals and court cases. Given the uncertainty of the outcome of the aforementioned disputes and the potential favorable outcome of other pending disputes, we have not accrued for this specific liability on the balance sheet.

On 13 June 2014 the Dutch Supreme court has ruled that a mobile telecommunications subscription including a handset as offered to consumers qualifies as consumer credit as meant under the Dutch Consumer Credit Act. On 12 February 2016 the Dutch Supreme Court made a further precision as to certain consequences of the 13 June 2014 ruling. The Company is assessing the consequences of the most recent ruling of the Supreme Court, which might have an adverse effect on the conduct of the Company's business. Additionally, the Company and other mobile telecommunication providers have entered into discussion with the authorities, to discuss the consequences of this ruling.

Further to the above, the Company is from time to time involved in routine litigation in the ordinary course of business.

# Company Shares

The description set forth below is a summary of material information relating to the Company and its share capital, including summaries of certain provisions of the articles of association of the Company in effect on the date hereof. This summary does not purport to be complete and is qualified in its entirety by reference to the full text of the articles of association of the Company.

## General

The Company was incorporated on October 10, 1995. Since October 15, 1998 the Company is a public company with limited liability (“*naamloze vennootschap”*). The Company has its corporate seat in Amsterdam, Netherlands and is registered under number 33272606 with the Trade Register of the Chamber of Commerce and Industries of Amsterdam, Netherlands. The Company's principal executive offices are located at Wisselwerking 58, 1112 XS Diemen, Netherlands and its general telephone number is +31 20 750 1000.

The articles of association of the Company were last amended by a notarial deed executed on May 21, 2010 before Mr. R.J.J. Lijdsman, a civil law notary, practising in Amsterdam. With this last amendment, the Company restructured and simplified the articles of association. The General Meeting of Shareholders may resolve to amend the articles of association. Rights attached to the Company’s shares may be changed by means of an amendment of our articles of association.

## Corporate Purpose

Pursuant to Article 3 of the Company’s articles of association, our corporate purposes are, amongst others:

- to participate in, and to finance (including to provide security for the debts of third parties) to manage and supervise other enterprises and companies;
- to render services to other enterprises and companies; and
- to do all that is connected with the above all to be interpreted in the broadest sense.

## Share capital

The Company’s authorized share capital pursuant to the articles of association amounts to € 30 million consisting of 1,500,000,000 Ordinary Shares with a nominal value of € 0.02 each. Holders of fully paid-up shares are not subject to or liable for any further capital calls by the Company.

A total of 944,333,560 Ordinary Shares were issued, fully paid and outstanding at December 31, 2015.

The Company currently does not have any share option programs for its employees. For further information, reference is made to note 25.

## Ordinary Shares and pre-emptive rights

Holders of Ordinary Shares are entitled to one vote per Ordinary Share. Ordinary Shares may be issued pursuant to a resolution of the General Meeting of Shareholders or the shareholders at a General Meeting of Shareholders may grant the authority to issue shares in the share capital of the Company to another corporate body of the Company for a period of up to five years.

Holders of Ordinary Shares have pre-emptive rights to subscribe for new issues of Ordinary Shares in proportion to their holdings, without prejudice to the provisions in the law and except in relation to (a) issues of Ordinary Shares to employees of the Company or employees of Group companies of the Company, and (b) issues of Ordinary Shares for non-cash consideration. Pre-emptive rights with respect to the Ordinary Shares may be restricted or excluded by a resolution of the General Meeting of Shareholders or by the corporate body designated by the General Meeting of Shareholders. A resolution of the General Meeting of Shareholders as referred to in the preceding sentence must be approved by a majority of at least two-thirds of the votes cast at the General Meeting of Shareholders, in the event shareholders holding less than 50% of the issued capital of the Company are represented at the General Meeting of Shareholders.

## Reduction of Share Capital

Under the Company's articles of association, the General Meeting of Shareholders may resolve to reduce our issued and outstanding share capital by cancelling the Company's ordinary shares, or by amending the articles of association to reduce the nominal value of our shares.

## Acquisition of Shares in Our Capital

The Company may acquire its own fully paid shares, subject to certain provisions of Dutch law and the Company's articles of association.

Any shares the Company holds in its own capital may not be voted or counted for voting quorum purposes.

## Shareholder

At December 31, 2015 Tele2 Sverige AB owns 100% of the Company's issued and outstanding share capital.

# Corporate Responsibility

Corporate Responsibility (CR) is about efficiency, making the right choices and finding new ways to collaborate with the most important stakeholders. The CR Strategy 2014-2016 is focused on:

- **Raising awareness on Corporate Responsibility** is essential to create committed and involved stakeholders, both internally and externally. To engage employees, the Company launched an internal awareness campaign. This campaign contributed to the Company's performance on energy efficiency. Externally, the Tele2 group published its CR policy and program on its website. In addition, the Tele2 group participated in the Transparency Benchmark, a government-led benchmark on transparency on sustainability and CSR among the top 500 companies in the Netherlands. The Tele2 group is ranked 141$^{st}$ within the 2014 benchmark.
- **Privacy and integrity**
- **Getting in place an effective environmental management system**. This management system helped the Company to anchor energy efficiency in its data centers and sustainability into its core business processes, which are the main spearheads of its CR strategy.

An essential part of the CR governance is the Tele2 group's commitment to the annual Global Reporting Initiative (GRI). Within the international framework for sustainability reporting, the Company's main focus lies on the environment, labor, anti-corruption and human rights aspects. The results of this effort can be found in the Tele2 Group Annual Report of 2015.

The execution of the CR strategy is based on five programs and a continuous multi-stakeholder dialogue. The five programs are related to the most important non-financial stakeholders (Employees, Customers and Suppliers) and the world we live in (Environment & Energy and the Community). The results within the Netherlands are described in this chapter.

## Employees

The Company aims to be a "Great Place to Work" and beliefs that Company's performance and development depend on the motivation, commitment and quality of its employees. Stimulating employee engagement, personal development and career opportunities, equal treatment for employees and during the recruitment process, and ensuring the health and safety of our employees are an important part of the personnel policy.

### Employee engagement, personal development and career opportunities

The Company offers its employees training and personal development opportunities and contributes to their development and out-of-the-box thinking by launching the Tele2 Talks program in 2013. More than 200 employees participated in this Tele2 Talks program during 2015. Topics were 4G, vitality and technical skills. Additional employee engagement and commitment was stimulated by organizing various activities: the so called "Tele2 Health Club" (outdoor sports), monthly workshops and lectures on various relevant topics, CR club, Employee Poll (voting healthy working environment) and Volunteer Day (one day leave to be spent on volunteering work).

### Equal treatment for employees

Equal treatment constitutes an important part of the HR policy. The Company has a comprehensive complaint procedure for all employees that feel treated incorrectly, and applies a recruitment policy that is not influenced by prejudices.

### Health and safety of our employees and business partners

A Risk Inventory and Evaluation (RIE) is in place in the offices and the data centers. In addition, the Company intensified its health and safety program in 2015 further. The company finalized its Last Minute Risk Analysis (LMRA) and Incident Notification Procedure for field engineering staff, operative on rooftops placing and maintaining masts. All relevant staff followed the "Working on Roofs" training and are VCA or VOL certified. Business partners must, before they start work on a mobile site, submit a health and safety report. The Company remained a permanent member of Monet, an association working on behalf of the major Dutch mobile network operators, focusing on health and safety during activities on mobile network sites. This association also provides information and guidelines for safety and health during placement of antennas.

## Customers

The Company regards customer satisfaction as the foundation of its existence. The Company measures customer satisfaction twice a year, with the measurement performed by an independent third party.
Customers increasingly expect services that are environmentally and socially responsible. An active approach towards customer satisfaction and safety was taken by developing different measurements to minimizing privacy risks, maximizing data security and internet usage awareness amongst customers.

### Data security, privacy and integrity

As a key player in the communication market, the Company takes data security and the privacy and integrity of customers seriously. In order to comply with relevant laws and regulations on the collection, storage and communication of data, various additional measures have been taken. Highlights are the introduction of a privacy impact assessment checklist for new data processes or amendments in the way we process personal data. Our public Privacy Statement is yearly updated to reflect new or changed data processes

As a result of our requirement to notify data breaches, the Company has made 11 reports to the Consumer & Market Authority over the past year. In some cases these reports have led to internal improvements.

To emphasize the importance of data protection and privacy, IT application managers and marketing staff have been trained on the subject. Also, a company-wide communication campaign was organized to raise awareness on the handling of confidential information and our customer service and back office employees have been trained through an e-learning module.

### Fair competition

One of the foundations for the Company's success has been the break-up of monopoly power of the incumbents. The Company remains a firm believer in free and fair competition. Fair competition is part of its code of conduct, which is undersigned by all employees. The code of conduct is explained to employees by online video messages and by competition law trainings. In 2015, several employees received competition law training.

### *Safe Internet*

With the introduction of smartphones, several measurements have been taken to contribute to the online protection of children. The Company provided information on its website on how to use the Internet in a safe way. To guarantee optimal safety, the Company offered its customers an Internet security package at minimal costs. In addition, Tele2 supported the fight against child abuse by blocking access to websites in accordance with Interpol publications.

## Suppliers

Conducting business at the highest ethical levels is part of the Company's supply chain. When purchasing products and services, the Company makes a selection between suppliers based on quality and price as well as production methods and circumstances. Respecting human rights, fair labor conditions and energy efficiency are an integral part of the procurement policy. To contribute to this, the Company maintains long-term dialogue with its suppliers and business partners. Key elements in this are the Procurement Policy and the membership of the Global e-Sustainability Initiative.

### Procurement Policy

One of the most important measurements in the supply chain is the Company's sustainable Procurement Policy. The Tele2 Business Partners Code of Conduct is based on the United Nations Global Compact; United Nations Universal Declaration of Human Rights; OECD Guidelines for

Multinational Enterprises and International Labour Organization's Labour Standards. Furthermore, the Company's hardware remained to be compliant with the highest or most relevant standards of the EU.

### Code of Conduct

As per the end of 2015 more than 90% of the Company's strategic business partners and suppliers with a minimum annual spend of €100.000signed the Company's Code of Conduct, to make sure that these suppliers work in accordance with the relevant environmental legislation and business ethics.
Furthermore, during 2015 the Company started to conduct external Code of Conduct audits on suppliers to get a better understanding of the rollout of our Code of Conduct amongst suppliers. This exercise will be continued on a larger scale in 2016.

### Global e-Sustainability Initiative

During 2015, the Tele2 group continued its membership of the Global e-Sustainability Initiative (GeSI), an international forum for the improvement of ICT products and services aiming social and sustainable development. By participating in this initiative, the Tele2 group is able to benefit from the knowledge of the network and GeSI platform and entered into dialogue with (potential) suppliers and other ICT-organisations on sustainable supply chain management, anti-corruption, privacy & integrity, environment, human rights and health and safety.

## Environment & Energy

The Company has the ambition to minimize its impact on the environment. To do so, the Company introduced an integrated Environmental Management System meeting the requirements of the internationally recognised Environmental Management System ISO14001. Focus areas of the environmental management system are energy efficiency (network management) and operational excellence (facility management).

### Energy Efficiency

The energy efficiency project has resulted in the reduction of the total energy consumption in data centers by 7.5% compared to 2014. The reduction presents an equivalent of the energy consumption of more than 500 Dutch households. The Company was able to realize this reduction mainly by closing data centers, shutting down legacy equipment and improving infrastructure. Other measures that contributed to this reduction included:

- Cold corridors reducing the energy use on the power of cooling elements by ~10-20%;
- Optimizing Airflows reducing the energy use of ~ 5% on the power of cooling elements;
- Slightly increasing PoP temperature resulting in less cooling and thus energy reduction;
- Using Free Cooling in the largest datacenter by cooling water with outside air if the outside temperature of this data center is less than 20 degrees, resulting in energy reduction of ~20%;
- Further replacement of dry coolers and old UPS systems by more efficient state-of-the art systems;
- Energy efficiency monitoring through installing smart meters to track energy consumption in all PoPs;

Also in the offices, energy efficiency and sustainability improvements were achieved by sustainable facility management. In 2015, the Company continued to use a Heat Recovery System and Cold Storage. The Company also stimulates sustainable mobility and public transportation amongst its employees in numerous ways.

## Community

The Company believes that with the right skills, access to information and a positive challenge, less privileged groups in the Netherlands also can be empowered and can get the best out of themselves. The Company believes it can specifically contribute to development in terms of (tele) communication skills and of safe access to the Internet and social media. Via its Support Program, Tele2 is open to requests from societal organizations to support them reduce the (digital) divide. With the *Diemen Community program*, the Company proactively contributes to the development of underprivileged young people in our neighborhood.

# Description of Business

Tele2 Netherlands Holding was incorporated under the laws of the Netherlands on October 10, 1995, as a private Company with limited liability, referred to as a "*besloten vennootschap met beperkte aansprakelijkheid*" or a B.V. The Company converted its legal structure from a B.V. to a public company with limited liability, referred to as a "*naamloze vennootschap*" or a N.V., on October 15, 1998. The Company started as a switchless reseller of voice telecommunications services in the Netherlands. In 1998, the Company started the build-out of its broadband fiber network designed to provide high quality, broadband services over its own local access infrastructure to customers throughout its target market.

Tele2 Netherlands Holding N.V. is a holding company that conducts its business operations through its subsidiaries. Its principal subsidiary is Tele2 Nederland B.V.

The Company is an alternative fixed & mobile telecommunications and media service provider in its target market of the Netherlands. The Company provides services to business and residential customers as well as other communications, data and Internet service providers in its target market. The Company serves these customers through two different types of access methods:

- **Direct Access Services.** High bandwidth services that are provided through direct connections to its network by way of the Company's own fiber, DSL technology, other copper access technologies and its own 4G mobile network; and

- **Indirect Access Services.** Services that are provided through indirect connections to Tele2 Netherlands Holding's network such as mobile services (by means of a MVNO set-up which only is applicable for 3G) and fixed line services (by means of WLR and carrier pre-selection).

## Strategy

Tele2 Netherlands Holding's objective is to become the leading alternative provider of communication services, including voice (fixed telephony and mobile communication services), data, Internet, video/television and VAS, to business and residential customers as well as other telecommunications, data and Internet service providers in its target market of the Netherlands. The principle elements of its strategy are:

### Continue to Connect Customers to its Fixed and Mobile Network

The Company intends to continue to seek to directly connect as many customers as possible to its fixed and mobile network using its own wireless (4G) technology, point-to-point radio connections, fiber, DSL technology, leased lines and other technologies to the extent such technologies are offering business and residential customer higher speeds an lower pricing, are cost effective and available. The Company believes directly connected customers represent a long-term asset. In addition, the Company believes that it can better control the quality and profitability of its services and the amount and types of services that are provided to directly connected customers as opposed to indirectly connected customers;

### Provide Bundled Services

The Company intends to continue to provide bundled services which includes fixed and mobile voice and data, internet, video/ TV and value added services. Tele2 Netherlands believes that providing multiple services to a customer provides a competitive advantage and allows it to provide additional or enhanced services with limited incremental expenditures, which improves profitability and value for the consumer;

### Maintain Focus on Targeted Customer Segments

The Company aims to be a full service provider to business, residential and carrier customers. The Company believes to be well positioned to successfully compete in the bidding processes generally conducted for these larger customers as a result of its service capabilities and cost advantages associated with its dense local network. In addition, the Company intends to continue to pursue the small- and medium-sized business market with a bundled service offering. In order to appeal to the mass consumer market and generate a large volume of sales, the Company has primarily focused on the provisioning of broadband services over DSL technology, but has recently launched a Fiber-to-the-Home ("FttH") offering in order to fulfil the growing demand for higher access speeds. The Company also intends to continue to leverage its network to provide services to other creditworthy carriers;

#### Leverage its Existing Network

In addition to the deployment of a dense backbone network and local access (which includes the direct connection of offices to its fiber network) infrastructure network in the Netherlands, the Company has also made significant investments in Central Offices ("Cos") for the deployment of DSL infrastructure. Starting in 2010, the Company began to upgrade parts of its operational CO's in order to be able to offer VDSL based services. In addition, the Company is investing in Fiber-to-the-Site (FttS) to connect its 4G base stations directly on fiber,

#### Focus on Superior Customer Service

The Company strives to maintain a competitive advantage by providing superior customer service in terms of responsiveness, accuracy and quality. Tele2 Netherlands believes that providing a high level of customer service is a key element to attracting and retaining customers. Therefore, the Company continues to invest in its customer care and operational support systems in order to provide a high level of service to its customers.

## Customers

Historically, the Company generates its revenues from private and small business customers. During the last 10 years, Tele2 Nederland is increasingly generating revenues from large business customers, such as the Ministry of Justice, Nederlandse Spoorwegen, Van Gansewinkel Group, Telegraaf Media Group, ABN AMRO and Belastingdienst. The Company will continue to participate in bidding processes for large customers as the Company believes to be well positioned to be awarded contracts as a result of its network and service offerings.

The Company will further continue to focus on securing and provisioning customers that can be directly connected to its network utilizing the Company's own fiber, DSL technology, other copper-based access technologies, 4G and other wireless technologies or leased lines. The Company believes these customers represent a long-term asset and provide the best economic return on its dense local access network.

As the Company's network has expanded, Tele2 Netherlands has increased its ability to provide other carriers with telecommunications services, which will maximize the use of the Company's network. The Company currently provides services such as leased lines, transmission, IP uplink, co-location services and voice origination to other service providers.

The Company markets its services on a retail basis to business and residential customers and on a wholesale basis to other carriers and service providers.

#### Residential Customers

The Company offers residential customers mobile services, such as mobile voice and mobile internet based on 4G and 3G technology. Additionally, the Company offers broadband internet access, security packages, e-mail, certain web-hosting services, voice services (CPS and WLR), video/television services as well as general information content.

#### Business Customers

The Company focuses both on the SME segment and the corporate segment that require bundled fixed and mobile voice, data and internet services such as public- and financial services and information technology sectors.

#### Wholesale Customers

The Company's wholesale customers are global and regional network operators, ISP's and switchless resellers serving specific market segments. Tele2 Netherlands focuses primarily on high capacity and high volume customers. The Company believes that both alternative carriers and foreign incumbents that provide voice, data or internet services in the Netherlands will require quality carrier services and high bandwidth services to develop their market position. As the Company's network has expanded and converted into an all-IP network, Tele2 Netherlands has increased its marketing efforts in the wholesale segment to increase the use of its network and to capture additional revenues.

## Products and Services Offerings

- **Residential Products and Services**

**Fixed Telephony.** The Company offers carrier select, carrier pre-select (CPS) and Wholesale Line Rental (WLR) services to residential customers on a large scale.

**Mobile.** The Company operates its own 4G mobile network since 1 January 2015 and uses a MVNO arrangement (via T-Mobile) as fallback, allowing the Company to operate its own switches and interconnection points. The Company offers multiple mobile services, such as pre-paid, post-paid subscriptions, SMS and mobile internet and data.

**Single-play and Multi-play broadband.** The Company offers (V)DSL and fiber internet access in combination with IP telephony and video/television services (which the Company refers to as "multi-play"). The Company currently delivers more than 50 television and radio channels, a large library of movies, live Eredivisie football, HBO, online gaming, theme channels and "Uitzending gemist" delay television.

- **Business Products and Services Offerings**

**Fixed Telephony.** The Company offers a full portfolio of fixed telephony services. This ranges from basic carrier (pre)select and ISDN connections on its own network infrastructure to VOIP/IPT, hosted voice (in the cloud) and fully managed Private Branch Exchanges ("PBXs") solutions. These managed PBX solutions can also be based on the latest IP Telephony technology for voice and data integration. The fixed telephony services are complemented with 0800/0900 (free phone and premium rate) services, disaster fall back routing and performance reporting.

**Mobile.** The Company offers a mobile data and voice service via its own 4G mobile network and its MVNO arrangement with T-Mobile. These services are specifically tailored for the business market and are offered on a stand-alone basis as well as in combination with fixed voice services and data services. The combination with the fixed services allows greater functionality and lower costs for the Company.

**Data.** The Company offers data network solutions to its customers. These can be point-to-point or meshed networks and based on SDH transmission, Ethernet transmission or IP-VPN (Virtual Private Network). The IP-VPN offering is versatile in its applications. For example, in the retail sector this service can be used for security, narrowcasting, EFT (PIN) payments as well as for connecting IT systems. The data network solutions can be complemented with managed LAN (local area network) services and secure gateways to the public internet. Datacenter facilities are available for the Company's customers that require floor space for servers and network equipment.

**Internet & Hosting.** The Company offers a wide range of internet access services based on ADSL, ADSL2+, SDSL, SHDSL, VDSL and fiber network infrastructure up to 10 Gbps. As a solution for connecting websites or servers to the internet, the Company offers shared and dedicated hosting services with e-mail and domain names. Streaming services are available for high bandwidth or narrowcast applications.

- **Wholesale Products and Services**

**Ethernet and Leased Circuits.** The Company's Ethernet and leased circuit service offering is delivered on its own network and provides digital connectivity between specified end points within the Netherlands and selected international locations. The Company's Ethernet and leased circuit service are designed to carry high bandwidth, high quality voice, data, video/television and Internet traffic. The

Company's Ethernet and leased circuit is available using Ethernet and SDH clear channel connections with bandwidth options from 2 Mb/s up to 10 Gbps.

**Co-location.** The co-location service offered by the Company is designed to meet the specific needs of new carriers, established carriers, and ISPs. The Company's co-location service offers a flexible portfolio of options which are customized to meet individual requirements. These options include facility provision, maintenance services, and communication services.

**CPSH ("Carrier (Pre) select Hosting").** The C(P)SH service provides the switching capacity needed to support switch-less resellers with communications services. Basic services are automatic provisioning of reseller customers CLI's to enable basic telephony and daily call data record ("CDR") delivery for credit checking, fraud management and billing. The reseller is able to operate as a "stand-alone" service provider using its own C(P)S code 16xy/10xyz in the residential and/or business markets.

**Wavelengths.** The Company's optical network provides ultra-high metropolitan and long-haul transmission capacity and end-to-end optical switching, supporting key requirements of the next generation internet. The Company adopts and deploys an all-optical mesh network architecture within and between major European cities to accommodate the growth of bandwidth demand and enable new IP applications and differentiated IP services, such as high-bandwidth streaming media and Internet content distribution.

**Internet Uplink.** The Company's internet uplink service is a high-quality internet transit service aimed to serve its customers' network capacity requirements. The Company's internet uplink service offers ISPs and corporate and telecom operators connectivity throughout Europe, the United States, and the rest of the world. The Company has established direct connectivity to the major European internet exchanges based on an owned "IP over fiber" backbone, handling traffic by "peering" agreements and selected partners for the exchange of traffic. The Company's internet uplink aims to transport high traffic volumes at competitive rates with minimal investments for the customer.

**International Call Termination and Origination Services.** In order to meet the general service requirements of emerging carriers and wholesale service providers, the Company offers a comprehensive portfolio of call termination and originating services. The connectivity options of the Company support international call termination and originating as well as national call termination and originating in the Netherlands. These services are delivered over network architecture consisting of the latest transmission and switching technology.

## Customer Service

The Company's goal is to maintain an advantage over its competitors in its target markets by providing superior customer service. It believes that providing a high level of customer service is a key element to establishing customer loyalty and attracting new customers. It has dedicated customer service representatives who initiate contact with its customers on a routine basis to ensure customer satisfaction and market new products. Customer service representatives are available 24 hours a day, 7 days a week for business customers. In addition, the Company provides detailed monthly billing statements and monthly performance and capacity reports. In the residential segment, the Company has won several awards for the quality and price leading position of its products.

## Network

The Company's high bandwidth network has been designed and built to provide flexible, broadband local access services to major business customers and population centers in the Netherlands and to several international destinations. The Company's network carries voice, data and Internet traffic and supports all major protocols, including Ethernet and Internet Protocol ("IP"). In general, IP is the most efficient in transporting voice and data (including Internet and video/television services) and the Company believes that IP will be dominant in the telecommunications industry for the foreseeable future. Therefore, the majority of the new technology investments in Tele2 Netherlands' network are related to the Company's IP network. For example, the investments in the Company's network related to the roll-out of multi-play services are fully IP-based.

The Company's network consists of the following integrated elements:

**Backbone Infrastructure**

The Company's backbone infrastructure carries voice, data and Internet traffic and supports all major protocols, including IP, ATM, Ethernet and Frame Relay. It extends to all major commercial and population centers in the Netherlands, including most interconnection points with incumbents, alternative telecommunications network operators and major Internet exchanges;

**Local Access Infrastructure**

Fiber optic business park rings, city rings and "near overlay sections", Fiber-to-the-Site (FttS) as well as DSL infrastructure, ISDN infrastructure, its mobile 4G infrastructure and points of presence allow the Company to connect customers directly to its network utilizing its own fiber, DSL and other copper-based technologies, wireless (4G) technology and leased lines on a cost effective basis; and

**International Infrastructure**

The Company has established a dark fiber based international network extending its backbone infrastructure to the major interconnection and Internet Exchange points in Western Europe. The Company has points of presence in London, Paris, Frankfurt and Düsseldorf with extensive Synchronous Digital Hierarchy ("SDH"), Ethernet and IP connectivity to Amsterdam, Dortmund, Brussels, and its high bandwidth network in the Netherlands. The Company has also extended its network to New York City with capacity on AC-1 and AC-2 transatlantic cable systems to transport interconnect and Internet traffic to and from the United States.

## Service Platforms/ Research & Development

The Company's network incorporates service platforms to deliver each of the major service categories the Company offers or plans to offer. A digital circuit-switching platform delivers voice and ISDN services. A data communications platform supports all major data protocols with high quality service. An IP platform supports the internet services the Company provides to end-users and its offering of outsourced services to ISPs and content providers. A SDH and Ethernet transmission platform provides highly reliable transmission capacity for the Company's other services and for capacity leased to other operators, service providers and customers. In parallel, the Company has an additional platform of IP equipment connected directly to fiber, which currently supports its internet and data services and the Company intends to eventually support all types of services, including voice. The Company believes that by integrating the functions of SDH, ATM and circuit switching, this IP platform will provide a lower cost and a more flexible design than the traditional SDH transmission platform. Tele2 Netherlands has also upgraded to an Ethernet based next generation platform. Since 2007, the Company also operates a MVNO network, allowing Tele2 Netherlands to operate its own switches, HLR and interconnection points. As of 2013, the Company has commenced rolling out a next generation LTE (mobile) network for the delivery of 4G data services and continued these roll-out efforts during 2014. As of January 2015, the first customers are connected to the 4G network.

## Network Management

The Company monitors its network 24 hours a day, seven days a week, at its network operations center. Its network operations center is able to identify network interruptions as soon as they occur and allows the Company to re-route traffic to ensure high quality service. The network operations center of the Company also has an uninterrupted power supply as well as redundant communications access and computer processors. The Company controls its own points of presence in the Netherlands, which allows the Company immediate access to its equipment and network for rapid service restoration when necessary.

The Company has a back-up network operations center in the event one of its primary network operations centers is forced off-line. Its primary network operations center for the Netherlands is located at its headquarters in Diemen.

## Sales and Marketing

The Company markets its products and services under the "Tele2" brand name through several marketing channels, including database marketing, targeted telemarketing, brand and promotional advertising, direct mail, and through its sales force. With the acquisition of bbned NV in October 2010, the Company also uses the brand name “InterNLnet” in the business segment. As a result of the acquisition of Connect Data Solutions B.V. in May 2012, the Company also makes use of the brand name “Connect Data Solutions” in the SME VAR segment.

The Company’s sales force is comprised of direct sales personnel, telemarketers, independent sales agents and systems integrators. The Company’s sales personnel makes direct calls to prospective and existing business customers, analyses business customers' usage and service needs and demonstrates how its services may improve customers' communications capabilities and costs. In addition, the Company has a telemarketing group that screens prospective customers and monitors existing call volumes to identify prospective customers.

# Corporate Governance

The members of the Board of Supervisory Directors and the Board of Management of the Company and other executive officers of the Company and their respective ages and positions are set forth below.

## Board of Supervisory Directors

At December 31, 2015, the Board of Supervisory Directors was composed of the following members:

| Name | Age | Nationality | Position | Member Since |
|---|---|---|---|---|
| A. Kirkby | 48 | British | Chairman | June 30, 2014 |
| C.A.C. Fellenius-Omnell | 47 | Swedish | Member | August 29, 2014 |
| L.P.A. Torstensson | 42 | Swedish | Member | September 11, 2015 |

Our registered address serves as the business address for all members of the Board of Supervisory Directors.

## Board of Management

At December 31, 2015, the Board of Management was composed of the following members:

| Name | Age | Nationality | Position | Member Since | Term |
|---|---|---|---|---|---|
| J.N. Dodds** | 42 | British | Chief Executive Officer | April 14, 2014 | Indefinite |
| E.J. van Rooijen* | 45 | Dutch | Chief Financial Officer | February 12, 2007 | Indefinite |
| D.J. Wever | 40 | Dutch | Director | December 5, 2013 | Indefinite |

* On February 29, 2016, Mr. E.J. van Rooijen resigned from the Board of Management as he announced to pursue a career outside of the Tele2 Group. On March 1, 2016, Mr. L. Laštovka was appointed as Chief Financial Officer of the Company.

** On March 31, 2016, Mr. J. Dodds will resign from the Board of Management as he announced to pursue a career outside of the Tele2 Group. On April 1, 2016, Mrs. M. Holmberg will be appointed as Managing Director and Chief Executive Officer of the Company, to replace Mr. J. Dodds.

The business address of the Board of Management is Tele2 Netherlands Holding N.V., Wisselwerking 58, 1112 XS Diemen, Netherlands.

## Board Practices

### Board of Supervisory Directors

Under Dutch corporate law and the articles of association of the Company, the management of the Company is entrusted to the Board of Management ("*statutaire directie*") under the supervision of the Board of Supervisory Directors ("*Raad van Commissarissen*"). Under Dutch corporate law, supervisory directors cannot at the same time be managing directors of the same company. The primary responsibility of the Board of Supervisory Directors is to supervise the policies pursued by the Board of Management and the general course of affairs of the Company and its business. In fulfilling their duties, the members of the Board of Supervisory Directors are required to act in the best interests of the Company and its stakeholders.

Pursuant to the articles of association, the Board of Supervisory Directors is appointed by the general meeting of shareholders and must consist of at least three members. For future nominations, the Company will take into account the new rules as set out in the Act on Management and Supervision on a more even distribution of board seats between men and women. Resolutions of the Board of Supervisory Directors require the approval of a majority of the members. The Board of Supervisory Directors meets each time this is deemed necessary by one of its members. Every retiring Supervisory Director may be re-appointed.

A member of the Board of Supervisory Directors may at any time be suspended or dismissed by the general meeting of shareholders. The members of the Board of Supervisory Directors will receive such remuneration as determined by the general meeting of shareholders.

None of the members of the Board of Supervisory Directors of the Company have an employment agreement with the Company, as such is not allowed under Dutch law.

**Board of Management**

The Board of Management consists of Mr. J. Dodds, Mr. EJ. Van Rooijen and Mr. D. Wever.
The management of the Company is entrusted to the Board of Management under the supervision of the Board of Supervisory Directors. The articles of association provide that the Board of Management may lay down further rules and regulations with respect to its procedures and internal organization. If the Board of Supervisory Directors so determines, these rules require the prior approval of the Board of Supervisory Directors. In addition, the Company’s articles of association provide that certain resolutions of the Board of Management require prior approval of the Board of Supervisory Directors. The Board of Supervisory Directors may identify additional resolutions, which require their prior approval.

The general meeting of shareholders appoints the members of the Board of Management.
The general meeting of shareholders has the power to suspend or dismiss members of the Board of Management. The Board of Supervisory Directors also has the power to suspend members of the Board of Management. If a member of the Board of Management is temporarily prevented from acting, the remaining members of the Board of Management shall temporarily be responsible for the management of the Company. If all members of the Board of Management are prevented from acting, a person appointed by the Board of Supervisory Directors (who may be a member of the Board of Supervisory Directors) will be temporarily responsible for the management of the Company. The compensation and other terms and conditions of employment of the members of the Board of Management are determined by the Board of Supervisory Directors. For future nominations, the Supervisory Board will take into account the new rules as set out in the Act on Management and Supervision on a more even distribution of board seats between men and women.

## Transactions with Members of the Board of Supervisory Directors and the Board of Management

The Company has not entered into transactions with one or more members of its Board of Management or Board of Supervisory Directors or their family members (which, for these purposes, include husbands, registered spouses, persons having a durable common household with and family members in the second degree) or companies in which they hold, directly or indirectly, a share interest of 5% or more, except for the transactions described herein.

## Conflict of interest Members of the Board of Supervisory Directors and the Board of Management

The Company is a Group company of Tele2 AB, which, via its subsidiaries, holds 100% of the Company’s outstanding ordinary. The Company is therefore effectively controlled by Tele2 AB.

Mrs. A. Kirkby, Mrs. C.A.C. Fellenius-Omnell and Mr. L.P.A. Torstensson are part of Tele2 AB's senior management, and hold several management board positions within subsidiaries of the Tele2 Group.

Other than the aforementioned, and except as disclosed in "Related Party Transactions” (see note 24), the Company is not aware of any potential conflicts of interest between the private interests or other duties of the members of our current and appointed Board of Management or Board of Supervisory Directors and their duties and responsibilities to the Company.

## Works Council

There is a combined works council at the level of Tele2 Nederland B.V. The Company considers its relations with the works council to be good.

# Internal Risk Management and Control Systems

Effective risk management is critical for realizing strategic objectives. The Company works proactively to identify and monitor the most important risks through a risk management process for the purpose of minimizing the impact of unexpected events, improved decision making, reduced losses and increased returns.

The goal of the risk management process is assessing and assuring the internal controls in order to protect the viability of the Company's strategic and operational objectives and compliance with relevant laws and regulations.

## Company's Control environment

The internal control environment of the Company is a part of the internal control and risk management system of the Tele2 Group. The board of the Company is primarily responsible for Tele2 Netherlands' risk management, supported by their first line management and internal auditors.
In addition, the control environment is enforced by group-wide policies, procedures and manuals regarding Finance, Legal, Security, Purchasing, Corporate Responsibility and Human Resources as well as various controlling functions integrated in the central functions of the Tele2 Group.
Furthermore, Group Internal Control (Tele2's internal audit department) regularly evaluates the operations of the Company as a subsidiary of the Tele2 Group. The aim is to identify any shortcomings through internal audits. Group Internal Control works with an internal audit plan, which is based on a performed risk assessment and includes results of prior audits, known incidents, reporting issues, external benchmarks and external assessment of general risks. The audit plan is reviewed and approved by the board of directors Tele2 AB through the Audit Committee and significant findings are reported to the Board of Directors of Tele2 AB through the Audit Committee, too.

The control environment of the Company is strongly influenced by Tele2's common values, which are reflected in all parts of its business, from induction of new employees all the way to the strategy process. There are control activities in place to ensure that the values are not only known by employees and managers, but also that anyone working for the Company also acts in accordance with them, i.e. "walks the talk". All employees are evaluated against these common values and managers are required to conduct training on "The Tele2 Way" in order to develop a greater insight into the company's values and practices.

Another key aspect of the control environment is the enforcement of the Tele2 Code of Conduct and as a part of it the four-eye principle, which means that important decisions and contracts signed on behalf of Tele2 shall always be made by at least two persons. The Code of Conduct is signed by all employees upon joining Tele2 and then reconfirmed annually. When entering into a substantial contractual arrangement with Tele2, suppliers and other business partners also need to give their assurance regarding compliance with Tele2's standards by signing Tele2's Business Partner Code of Conduct. The Code of Conduct is available on the company's intranet and on Tele2's corporate website [www.tele2.com](http://www.tele2.com).

Finally, the ICT policy provides guarantees for reliable delivery of information, such as IT and access security, change management and monitoring of systems performance and interfaces for IT systems supporting the reporting. Security of information is achieved *inter alia* by processes and infrastructure aspects of data centers and servers, backup and recovery procedures and an external data center. In addition, Tele2 has articulated requirements in those areas in a number of different policies and standards and compliance to these policies and standards are followed up continuously.

## Company's risks

The risks that could threaten Tele2's ability to achieve its strategic objectives could relate to the Company's strategic initiatives, financial targets and/or the overall vision and mission, but they could also relate to operational activities and regulation. Our main risks and our response to those risks are summarized hereafter.

**Increased competition from current competitors, new market entrants, market consolidation or new (disruptive) technologies.**
Impact of this risk is high. The risk could lead to lower profitability.
Risk is mitigated by:

- Offering competitive services and price/portfolio combinations;
- Introducing new innovative products and services to meet changing customer needs;
- Continuously monitoring and improving NPS and invest in quality of service;
- Encouraging strategic partnerships to secure reliable distribution channels;
- Continuing focus on an agile organization, technology and processes to enable swift response to new market trends.

**Damage, service interruptions, operational issues in network infrastructure and IT**
Impact of this risk is medium-high. Incidents could negatively impact the Company's reputation, customer satisfaction and profitability.
Risk is mitigated by:

- Continuously monitoring and further improving performance of network infrastructure and IT;
- Strengthening and simplifying the IT infrastructure and continue improving the Security Policy;
- Implementing back-up and recovery plans;
- Simplifying and rationalizing IT.

**Threats to the confidentiality, integrity, or availability of the Company's networks, systems or data**
Impact of this risk is high. Incidents could lead to loss/ theft of customer data, higher costs, penalties and reputational damage.
Risk is mitigated by:

- Continuing reinforcement strategic security programs;
- Continuous improvements of visibility of security measures and risk intelligence;
- Increasing awareness of personnel for security and privacy requirements.

**Non-compliance with regulation in the EU and the Netherlands.**
Impact of this risk is medium. The risk could affect the Company's future operations and profitability.
Risk is mitigated by:

- Investigating internal compliance proactively;
- Improving internal culture programs;
- Maintaining and improving internal controls;
- Continuous communication with regulators.

**Dependence on suppliers and partners to obtain adequate telecommunication equipment, software and IT services.**
Impact of this risk is medium. This risk could lead to an inability to deliver the required services to our customers at the right price and quality level.
Risk is mitigated by:

- Further developing a strong and centralized demand and contract management organization that defines, enforces and monitors suppliers' compliance with contractual terms;
- Regular supplier audits.

**Inadequate access to capital markets to finance our operations**
Impact of this risk is medium. Due to this risk, the Company might not be able to maintain its current credit ratings, which could negatively affect pricing and availability of financing resources.
Risk is mitigated by:

- Entering into a related party standby loan facility with Tele2 Finance Luxembourg SARL with of maximum of € 350 million;
- Maintaining discipline in allocating capital to investment opportunities and shareholder remuneration;
- Managing the Company's cash flows and streamlining its financial logistics on centralized level, through Tele2 Group Treasury;
- Continuous monthly focus on working capital and liquidity position whilst taking into account the investments ratios.

Amsterdam, March 31, 2016

The Board of Management
of Tele2 Netherlands Holding N.V.

Mr. J.N. Dodds, CEO

Mr. D.J. Wever, Director

# Board of Supervisory Directors: Report and Recommendation

## General

The annual accounts are accompanied by the annual report prepared by the Board of Management and by the information to be added in accordance with Article 392 section 1 of Book 2 of the Dutch Civil Code.

The annual accounts 2015 are accompanied by an unqualified auditor's opinion issued by Deloitte Accountants B.V., appointed by the General Meeting of Shareholders held in April 2015, to audit the annual accounts 2015. The Board of Management and the Board of Supervisory Directors have signed the annual accounts 2015.

During the financial year 2015, the Board of Supervisory Directors discussed several subjects with the Board of Management. In particular, the short and long-term strategy (including the roll-out of the Company's 4G network) and the impact on the budget were discussed with the Board of Supervisory Directors. Other important issues that were discussed were the cost control measures in place, as well as the overall operational development of the Company. In addition, matters such as the performance of the Board of Management and the performance of various business units of the Company and the economic climate were discussed.

## Recommendation

This report is issued pursuant to Article 26.5 of the Articles of Association of the Company.

The Board of Supervisory Directors recommends the adoption of the annual accounts for the year 2015 to the General Meeting of Shareholders.

During the year 2015, the Company further increased the sale of mobile revenues in the residential market and continued to focus on the roll-out of its 4G mobile network. The Board of Supervisory Directors is pleased with the dedication and hard work of the Company's employees and would like to thank management and all employees for their support. The Board of Supervisory Directors is looking forward to working with the Company's management and employees to meet the goals and challenges of 2016.

Amsterdam, March 31, 2016

The Board of Supervisory Directors
of Tele2 Netherlands Holding N.V.

Mrs. A. Kirkby

Mrs. C.A.C. Fellenius-Omnell

Mr. L.P.A.Torstensson

# FINANCIAL STATEMENTS

# Tele2 Netherlands Holding N.V.
# Consolidated Financial Statements

# Consolidated statement of profit and other comprehensive income

**For the year ended December 31, 2015**

(Currency – thousands of euros)

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **Revenues** | 3 | 615,055 | 599,362 |
| **Operating expenses** | | | |
| Direct cost of revenues | | 325,984 | 276,084 |
| Wages and salaries | 4, 25 | 68,597 | 64,960 |
| Social securities | | 8,179 | 8,544 |
| Pension cost | | 1,518 | 1,292 |
| Advertising and marketing expenses | 5 | 38,042 | 24,151 |
| Depreciation of property, plant and equipment | 9 | 76,721 | 65,890 |
| Amortization of intangible assets | 8 | 11,241 | 4,233 |
| Rent and operational lease expenses | 22 | 17,453 | 20,852 |
| Other cost of revenues | 5 | 108,774 | 105,561 |
| Total operating expenses | | 656,509 | 571,567 |
| Operating result | | (41,454) | 27,795 |
| **Financial income and expense** | | | |
| Interest and other income | 6 | 31 | 2 |
| Interest and other expense | 6 | (7,208) | (509) |
| Currency exchange gain/(loss) | | (184) | (112) |
| Total financial income and expense | | (7,361) | (619) |
| Result before income taxes | | (48,815) | 27,176 |
| Income tax charge (credit) | 7 | 12,130 | (11,207) |
| Result for the period | | (36,685) | 15,969 |
| Total comprehensive income for the period | | (36,685) | 15,969 |
| Result attributable to: | | | |
| Equity holders of the parent company | | (36,685) | 15,969 |

# Consolidated statement of financial position

**For the year ended December 31, 2015, after appropriation of net result**
(Currency – thousands of euro)

| | Notes | 31-12-2015 | 31-12-2014 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 8 | 283,333 | 294,524 |
| Property, plant and equipment | 9 | 445,389 | 327,218 |
| Financial assets | 10 | 25,358 | 25,092 |
| Other non current assets | 10 | 25,520 | 17,174 |
| Deferred tax asset | 7 | 17,951 | 5,821 |
| Total non current assets | | 797,551 | 669,829 |
| **Current assets** | | | |
| Inventory | 11 | 5,025 | 1,563 |
| Trade Accounts Receivable | 12 | 26,120 | 26,023 |
| Unbilled revenues | 13 | 95,585 | 81,997 |
| Related party receivables cash pool | | - | 9,635 |
| Related party receivables trade | | 4,056 | 2,874 |
| Other receivables and prepaid expenses | 14 | 27,760 | 6,205 |
| | | 158,546 | 128,297 |
| Cash and cash equivalents | 15 | 3,754 | 3,796 |
| Total current assets | | 162,300 | 132,093 |
| Total assets | | 959,851 | 801,922 |

The 2014 figures regarding the other non current assets and the unbilled revenues have been restated accordingly for comparison purposes.

## Consolidated statement of financial position

**For the year ended December 31, 2015, after appropriation of net result *- continued***

(Currency – thousands of euro)

| | Notes | 31-12-2015 | 31-12-2014 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| **attributable to equity holders of the parent** | | | |
| Common stock, euro 0.02 par value | | 18,887 | 18,887 |
| Additional paid-in capital | | 1,979,533 | 1,979,533 |
| Accumulated deficit | | (1,482,964) | (1,446,279) |
| Total equity | 16 | 515,456 | 552,141 |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities related party | 17 | 235,020 | 65,006 |
| Deferred tax liability | 7 | 4,375 | 4,375 |
| Provisions | 18 | 9,643 | 4,216 |
| Other non current liabilities | 19 | 2,306 | 8,277 |
| Total non current liabilities | | 251,344 | 81,874 |
| **Current liabilities** | | | |
| Related party payables | | 4,870 | 2,300 |
| Related party payables cash pool | | 7,843 | - |
| Trade and other payables | 20 | 102,201 | 93,741 |
| Income tax payable | | 159 | 139 |
| Accrued liabilities | 21 | 65,735 | 57,299 |
| Unearned revenue | | 12,243 | 14,428 |
| Total current liabilities | | 193,051 | 167,907 |
| Total equity and liabilities | | 959,851 | 801,922 |

# Consolidated statement of cash flows

**For the year ended December 31, 2015**
(Currency – thousands of euros)

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Result for the period from continuing operations................ | | (36,685) | 15,969 |
| *Adjustments to reconcile result for the period to net cash provided in operating activities* | | | |
| Depreciation and amortization .......................................... | 8, 9 | 87,962 | 70,123 |
| Deferred income tax movement ....................................... | 7 | (12,130) | 7,492 |
| Current income tax movement ......................................... | 7 | 20 | 7,016 |
| Currency exchange gain/(loss) ......................................... | | (184) | (112) |
| Non cash-portion of interest and other income .................. | | 184 | 203 |
| *Changes in working capital* | | | |
| Inventory.............................................................................. | 11 | (3,462) | (633) |
| Trade accounts receivable ................................................ | 12 | (97) | 5,960 |
| Unbilled revenue and other receivables ............................ | | (17,969) | (5,112) |
| Related party receivables.................................................. | | (1,182) | (2,873) |
| Related party payables cash pool ..................................... | | 17,478 | 37,048 |
| Trade accounts payable .................................................... | 20 | 45 | 6,105 |
| Related party payables...................................................... | | 2,570 | (1,761) |
| Unearned revenue.............................................................. | | (2,185) | (5,070) |
| Provisions ........................................................................... | 18 | 5,427 | 2,118 |
| Accrued liabilities, net........................................................ | | 2,465 | 5,239 |
| Net cash provided by operating activities.......................... | | 42,257 | 141,713 |
| **Cash flows from investing activities** | | | |
| Capital expenditures.......................................................... | 9 | (195,071) | (173,589) |
| Net receipt from the disposal of investments ..................... | 6 | 129 | 54 |
| Unpaid Capital expenditures .............................................. | 20 | 8,415 | (9,783) |
| Net cash used in investing activities.................................. | | (186,527) | (183,318) |
| **Cash flows from financing activities** | | | |
| Long term lending............................................................... | | (25,786) | (24,667) |
| Related party long term lending ......................................... | 17 | 170,014 | 65,006 |
| Net cash (used in)/provided by financing activities ............ | | 144,228 | 40,339 |
| Net increase/ (decrease) in cash and cash equivalents...... | | (42) | (1,266) |
| Cash and cash equivalents, beginning of the year ............ | | 3,796 | 5,062 |
| Cash and cash equivalents, end of the year ....................... | | 3,754 | 3,796 |
| **Supplemental disclosure of cash flow information:** | | | |
| Cash interest paid from operating activities ........................ | | 1,859 | 75 |
| Cash interest paid from financing activities......................... | | 4,062 | 6 |
| Cash interest received from operating activities ................. | | 31 | 2 |

# Consolidated statement of changes in equity

**For the year ended December 31, 2015**

(Currency – thousands of euros)

| | Number of Shares | Issued and Paid-in Capital | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|
| January 1, 2014 | 944,333,560 | 18,887 | 1,979,533 | (1,462,248) | 536,172 |
| Result for the period | | | | 15,969 | 15,969 |
| December 31, 2014 | 944,333,560 | 18,887 | 1,979,533 | (1,446,279) | 552,141 |
| Result for the period | | | | (36,685) | (36,685) |
| December 31, 2015 | 944,333,560 | 18,887 | 1,979,533 | (1,482,964) | 515,456 |

# Notes to the consolidated financial statements
**For the year ended December 31, 2015**

## 1 General
Tele2 Netherlands Holding N.V. (“Tele2 Netherlands Holding”, “Tele2 Netherlands”, “Group”, “Company” or “we”) was incorporated in Amsterdam on October 10, 1995.The Company is a fixed and mobile telecommunications- and media service provider in its target market of the Netherlands. The Company provides services to business and residential customers as well as other communications, data and Internet service providers in its target market. At December 31, 2015, Tele2 Sverige AB owns 100% of the Company’s issued and outstanding share capital.

## 2 Significant Accounting Policies

### a) General
The consolidated financial statements of Tele2 Netherlands Holding N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgment in the process of applying the Company’s accounting policies. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 28 Critical Accounting Estimates and Judgments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. Furthermore the accounting policies have been applied consistently by Group entities.

In accordance with article 402, Book 2, Part 9 of the Dutch Civil Code the Company statement of income is presented in an abbreviated form.

### b) Significant changes in accounting policies and comparatives
The Company did not change the accounting policy, except for the adoption of new and revised Standards.

### c) Adoption of new and revised Standards and Interpretations effective in the period
The International Accounting Standards Board (IASB) continues to issue new standards and interpretations, and amendments to existing standards. The company applies these new standards when effective and endorsed by the European Union. The Company has not opted for early adoption for any of these standards. The new or amended IFRS standard and IFRIC interpretations have had no material effect of the consolidated financial statements.

### d) Foreign Currency Transactions

The Company’s functional currency is the Euro. Transactions involving other currencies are converted into Euro using the exchange rates that are in effect at the time of the transactions. At the end of the reporting period, monetary assets and liabilities that are denominated in other currencies are adjusted to reflect the current exchange rates.

Exchange rate differences are recognized in the consolidated statement of income in the period in which they arise except for:

- exchange rate differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange rate differences on monetary items with regards to receivables from or payables to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

**e) Recognition of Operating Revenues**

Operating revenues are stated net of discounts and value added taxes and are recognized when the service is rendered or assets are sold and collectability is probable. Invoices sent and cash received in advance of services rendered is recorded as unearned revenue. Direct costs of revenues are recorded in the same period as the corresponding revenue.

One-off connection fees and other initial fees, and the direct cost relating to one-off connection fees and other initial fees are recorded immediately.

Revenue arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. The arrangement consideration is then allocated among the separate units of accounting based on their relative fair values. Specifically, the Company's policies are as follows:

**Voice Revenues**

Operating revenues derived from providing various telecommunication services to customers include the following:

- General (Fixed) Voice services: the Company primarily generates revenues from voice services through carrier select, least cost routing, ISDN, VOIP and call termination services. Revenues are measured in terms of subscription costs and traffic minutes processed and are recognized in the period in which the connection is provided.

- Toll-free (0800) and premium dial-in services: the Company offers Toll-free (0800) and premium dial-in services. For Toll-free services revenues are measured in terms of traffic minutes passed through to the customer and are recognized in the period in which these minutes are passed through. For premium dial-in services the Company collects per minute fees and passes a portion of these fees on to a local content provider.

- Mobile services: the Company also generates a significant amount of revenues from mobile services, such as SIM only, post-paid subscriptions, pre-paid and mobile internet. Revenues are measured in terms of subscription costs and traffic minutes or data (Mb/s) processed and are recognized in the period in which the services are provided. With regards to (subsidized) mobile handsets, the total revenues of the contract are allocated to each component related to its fair value of the total fair values of the bundled offer and are recognized upon delivery. The associated customer acquisition costs are recognized immediately.

**Data Revenues**

Operating revenues derived from providing various data services to customers include the following:

- Direct Access services: the Company provides high bandwidth services to business and residential customers and other local telecom and Internet service providers that are directly connected to its network. Invoices sent and cash received prior to services being rendered is recorded as unearned revenue and recognized pro-rata over the period of the specific arrangement.

- Data Centers and Central Office Facilities services: the Company provides co-location, telehousing and interconnect facilities services. Revenues related to these services are recognized pro-rata during the period in which these services are provided.

**Internet Revenues**

Operating revenues derived from providing various Internet services to business and residential customers include revenues from Dedicated Internet Connectivity, IP-Based Electronic Transaction services, Web and ISP hosting services and Television and Video services. Revenues from these services are recognized in the period in which these services are provided.

**Other Wholesale Services Revenues**

Operating revenues derived from other wholesale revenues relate to transactions where the Company has sold infrastructure to other operators.

### f) Pension Cost

Pension cost relate to the cost of a defined contribution scheme. Contributions for pensions are directly charged to the statement of income and are presented under pension cost.

### g) Borrowing cost

Borrowing costs are capitalized when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs not relating to qualifying assets are recognized as an expense when incurred.

### h) Intangible Assets

**Goodwill**

Goodwill originating from the acquisition of a subsidiary represents the difference of the fair value, the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of the acquisition. When the fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition (so-called "negative goodwill") the excess is recognized directly in the statement of income.

Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The company has defined one cash generating unit for impairment testing as at December 31, 2015, being Tele2 Netherlands Holding N.V.

**Intangible assets acquired separately**

Intangible assets acquired are reported separately at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method is reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, as intangible assets acquired separately.

**Amortization and estimated useful lives**

Intangible assets, excluding goodwill and intangibles with an indefinite useful live, are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives are:

| | |
|---|---|
| Customer base | 4 years |
| Key money shops | 5 years |
| Trade name | 2.25 years |

**Intangible assets with an indefinite useful live**

Intangible assets with an indefinite useful live, excluding goodwill, are recognized at cost less accumulated impairment losses. Intangible assets with an indefinite useful live are tested annually for impairment.

The intangible assets with an indefinite useful live is the trade name "Tele2".

### i) Property, Plant and Equipment

Property, plant and equipment are stated at the acquisition cost, less straight-line depreciation and identified impairment. The depreciation is calculated on the basis of acquisition cost less residual value and the estimated useful life of the related asset. The useful lives and residual values are re-assessed every year.

The estimated useful lives are:

| | |
|---|---|
| Leasehold improvements | 5 - 10 years |
| Telecommunications equipment | 3 - 30 years |
| Other property, plant and equipment | 3 - 5 years |

Self-manufactured assets include all direct expenses incurred (e.g. work contracted out, direct labor, and material cost). Indirect expenses, which can be attributed to this activity, are also capitalized. Depreciation is calculated using the straight-line method over the estimated useful life, taking into account residual values.

### j) Impairment of Property, Plant and Equipment and Intangible Assets excluding Goodwill

The Company reviews its property, plant and equipment and intangible assets for impairment at the end of each reporting period and when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the recoverable amount is estimated to be less than the carrying amount of an asset, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**k) Leases**

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis.

Property, plant and equipment operated by the Company where the Company has substantially all the risks and rewards of ownership are classified as a financial lease. Financial leases are capitalized at the lower of the fair value of the property, plant and equipment and the present value of the minimum lease payments at the start of the contract. The related debt is presented under long term debt. The short term portion is presented under accrued liabilities as short-term portion of long term debt. Property, plant and equipment acquired under a financial lease are depreciated over the shorter of the asset's useful life and the lease term.

**l) Financial Assets**

Financial assets include investments and long-term receivables. Financial assets are stated at fair value.

**m) Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange of control of the acquired business, plus any costs directly attributable to the business combination. The identifiable assets, liabilities and contingent liabilities of the acquired business that meet the conditions for recognition under IFRS 3 Revised (Business Combinations) are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations).

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after measurement, the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquired business, as far as applicable, is initially measured as the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

**n) Inventory**

Inventories of materials and supplies are valued in accordance with the first-in, first-out principle at the lower of acquisition value and net realizable value. The Company's inventory essentially relates to sales stock, which mainly consist of SIM cards and mobile handsets.

**o) Accounts Receivable**

Accounts receivable are stated at face value, less an allowance for impairment for expected credit losses as a result of future events. This allowance for impairment for expected credit losses is established when the Company receives relevant information from external parties on the (change in) creditworthiness of the Company's customers. Significant financial difficulties of the debtor, bankruptcy or financial reorganization, as well as default or delinquency in payments are considered indicators that the trade receivable is impaired. The impairment is recognized in the statement of income within "other cost of revenues".

### p) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less.

### q) Income Tax and Deferred Income Tax

The Company accounts for income tax under the assets and liability method that requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and income tax bases of assets, liabilities and carry forwards using enacted tax rates in effect for the year in which differences are expected to reverse or the carry forwards are expected to be utilized. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available.

### r) Provisions

Provisions for items such as asset retirement obligations, restructuring costs and legal claims are recognized for the actual obligations, existing at the end of the reporting period and arising from past events, for which it is probable that an outflow of resources embodying economic benefits will be required, which can be reasonably estimated. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specified to the liability. Where discounting is used, the carrying amount of the provision increases in each period to reflect the passage of time and is recognized as borrowing cost.

Present obligations under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Company has a contract where unavoidable costs of meeting the obligations exceed the economic benefits to be received under it.

Provisions for restructuring are recognized when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties.

### s) Other Assets and Liabilities

All other assets and liabilities are stated at the amounts at which they were acquired or incurred, unless disclosed otherwise.

### t) Statement of Cash flows

The statement of cash flows is derived from the statement of income and other changes between the opening and closing statement of financial position, eliminating the effect of currency translation differences and taking acquisitions into account. Movements in provisions for assets have been included under the item provided for.

The cash balances of sold Group companies are offset with the cash proceeds from sale of these subsidiaries. The cash balances of purchased Group companies are offset with the cash used for acquisitions of these subsidiaries.

### u) Principles of Consolidation

The accompanying consolidated financial statements include the operations of the following subsidiaries for the year ended December 31, 2015:

| Name | Legal Seat | Percentage Ownership |
|---|---|---|
| Tele2 Nederland B.V. | Amsterdam, Netherlands | 100% |
| Tele2 Retail B.V. | Amsterdam, Netherlands | 100% |
| Tele2 Mobiel B.V. | The Hague, Netherlands | 100% |
| Versapoint N.V. | Amsterdam, Netherlands | 100% |

The consolidated financial statements include the accounts of Tele2 Netherlands Holding N.V. and all entities in which the Company has a controlling voting interest ("Subsidiaries"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of these Subsidiaries are included from the respective dates of acquiring control by the Company and excluded when this control ended during 2015. All intercompany transactions have been eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## 3 Operating Information

IFRS 8, "Operating segments", is effective since January 1, 2009. This standard requires a "management approach", under which segment information is presented on the same basis as used for internal reporting purposes. The Company is not required to apply this standard since all ordinary shares are no longer traded in a public market as of May 2008. The disclosed information as per below does not need to comply with IFRS8 and is voluntarily.

The Company's revenue includes:

| | **Continued Operations** | |
|---|---|---|
| *(euro thousands)* | **2015** | **2014** |
| Mobile | 270,927 | 215,179 |
| Fixed Broadband | 248,558 | 274,442 |
| Fixed Telephony | 35,623 | 46,265 |
| Other Operations | 59,947 | 63,476 |
| **Total Revenue** | 615,055 | 599,362 |
| **Operating result** | (41,454) | 27,795 |

Due to the integrated nature of our activities, a meaningful allocation of assets, other costs, amortization and depreciation, finance costs and income tax expenses between services per customer type cannot be made and is not presented here.

### a) Revenues

Generally, the Company's services can be characterized as voice (fixed telephony and mobile communication services), data, Internet services video/television and VAS services. As such, the Company derives its revenues from both minutes or Mb/s of communications traffic carried by its fixed and mobile network, which are variable by customer from period to period (generally voice and data), non-subscription revenues and fixed monthly fees for services provided to its customers (generally mobile handsets, Internet, data, video/television and VAS services). The Company allocates its revenues to the period in which the (fixed or mobile) traffic was generated. The composition of the Company's customer base, service offerings has continued to evolve as a result of the further development of the Company’s network and acquisitions and the expansion of the Company’s product offering. As a result of these key factors, the Company has significantly increased the portion of its revenues generated from fixed monthly fees and expanded its customer base to include larger customers.

Historically, the Company has priced its variable communications services, in particular voice, at a discount to its competitors and expects to continue this pricing strategy as it expands its operations. In general, prices for communication services have decreased over the last several years. These price reductions, when implemented, could have an adverse impact on revenues and margins.

A substantial portion of the Company’s revenues are subscription revenues, attributable to fixed monthly fees, primarily through the provision of data and Internet services such as internet connectivity, local area network to local area network ("LAN-to-LAN") interconnect services, IP-VPN and internet web-hosting and media services, including access to television channels. The Company’s variable revenues are generated by minutes of communications billed for voice telephony services originated by its customers, terminating voice telephony traffic to customers directly connected with our network. The Company’s consumer division generates revenues from the termination of minutes of traffic onto its network as described above. Additionally, the Company generates revenues by providing broadband Internet access and voice services over DSL technology for a fixed monthly fee. The Company generates additional revenues by providing triple-play services, consisting of voice, internet access and video/television services. The Company also generates substantial revenues from mobile product offerings.

The Company makes a distinction between revenues generated through customers that are directly connected to its network (commonly referred to as "on-net" revenues), and revenues generated through customers that are not directly connected to its network (commonly referred to as “off-net”-customers). On-net customers can be connected to Tele2 Netherlands’ network through its own fiber, DSL technology, other copper access technologies, wireless technologies or leased lines.

### b) Direct cost of revenues

The Company’s costs of revenues are comprised of fixed network costs from third party suppliers and variable costs associated with the origination and termination of minutes of communications traffic and supply of broadband services. The Company’s fixed network costs have primarily consisted of leased lines for sections of our backbone network, leased lines for directly connecting customers to its network, leased copper lines for DSL services, fees to other Internet service providers for the termination of Internet traffic, interconnection charges, subsidized customer equipment, value added services from suppliers, subscription charges and content costs. Origination and termination costs represent the cost of carrying minutes of communications traffic from the Company’s customers to its network and from its network to the final destination, respectively.

### c) Selling, General and Administrative Expenses

SG&A expenses are comprised primarily of wages and salaries, social security expense, pension cost, advertising and marketing expenses, occupancy and other costs of revenues. Occupancy is expense related to office space and points-of-presence rents the Company occupies. Other costs of revenue include expenses, such as staff expenses, dealer commissions, helpdesk and call center costs, and general expenses.

### d) Property, plant and equipment

Due to the integrated nature of our activities a meaningful breakdown of property, plant and equipment between services per customer type is not presented here.

## 4 Personnel

The average number of personnel in full time equivalents for continuing operations:

| | 2015 | 2014 |
|---|---|---|
| Tele2 Nederland B.V. | 989 | 963 |

## 5 Operating Expenses

The increased advertising and marketing expenses amount to € 38.0 million (2014: € 24.2 million) and are mainly related to subsidized handsets sold to new and existing customers.

The other cost of revenues includes:

| *(euro thousands)* | 2015 | 2014 |
|---|---|---|
| Professional charges | 10,335 | 8,686 |
| Dealer commissions | 27,866 | 28,893 |
| Staff and communication expenses | 7,906 | 7,611 |
| Helpdesk and call center costs | 18,196 | 19,722 |
| Maintenance expenses | 20,022 | 18,976 |
| Bad Debt costs | 9,235 | 13,164 |
| Challenger costs | 5,402 | 465 |
| General expenses | 9,812 | 8,044 |
| Total other cost of revenues | 108,774 | 105,561 |

The costs incurred for the Challenger program mainly consist of severance payments, legal consultancy and outplacement expenses.

## 6 Financial Income and Expense

| *(euro thousands)* | 2015 | 2014 |
|---|---|---|
| Total Interest and other income | 31 | 2 |
| Interest expense – third parties | 1,859 | 75 |
| Interest expense – related party cash pool | 1,158 | 374 |
| Interest expense – related party long term liability | 4,062 | 6 |
| Loss on disinvestment of property, plant and equipment | 129 | 54 |
| Total Interest and other expense | 7,208 | 509 |

The interest expense with third parties is related to interest to be paid over a dispute with KPN, which has been a result of a settlement during 2015.

The Company is part of the zero balance cash pool of the Tele2 Group. During 2015, the cash pool balance resulted in an “interest expense - related party cash pool” as stated in the above mentioned table. The interest is based on a 3-months Euribor (interest income 3-months Euribor minus 15 bps and interest expenses 3-months Euribor plus 325 bps).

The related party long term liability bears an interest rate of the 3-months Euribor plus 325 bps.

## 7 Deferred Tax and Income Tax

The Company and its subsidiaries Tele2 Nederland B.V. and Tele2 Mobiel B.V. constitute a fiscal unity in the Netherlands. It should be noted that as per December 31, 2015, Tele2 Retail B.V. is not included in the fiscal unity yet but fiscal merge into the fiscal unity will be arranged in 2016. The deferred tax and the income tax position of the Company and its subsidiaries are presented on a consolidated basis.

The nominal 2015 corporate tax rate in the Netherlands is 25% (2014: 25%).

### Note on DTA for Tax Loss Carry Forward

As of December 31, 2015 the Company's total tax losses carried forward amount to € 70 million (2014: € 16 million). The losses carried forward will expire between 2016 and 2024.

### Note on DTA for provisions and timing differences

The deferred tax asset from provisions and timing differences as per December 31, 2015 mainly relates to the difference in valuation of telecom equipment (€ 1.6 million) and the difference in valuation of the economic ownership of a part of the mobile customer base of former Tele2 (Netherlands) B.V. (€ 3.0 million; reference is also made to the remark on the legal merger below).

Prior to the legal merger with Tele2 Nederland B.V., former Tele2 (Netherlands) B.V. transferred the economic ownership of a part of the mobile customer base to the group company Versatel Nederland B.V. (renamed into Tele2 Nederland B.V.) for an amount of € 60 million. The transfer of economic ownership resulted in a taxable profit of € 60 million for Tele2 (Netherlands) B.V. in 2007 and a depreciable asset for the Company. The Company reached a covenant with the tax authority that allows the depreciation of acquired economic ownership in a period of 10 years on a straight line basis.

As of December 31, 2014, the Company's deferred tax liability amounts to € 4.4 million (2014: € 4.4 million), which amount relates to the deferred tax liabilities on the valuation of certain assets (i.e. trade name) as a result of the purchase price allocation following the acquisition of Tele2 (Netherlands) B.V.

### Note on recognition of DTA

In assessing the valuation of deferred tax assets, the Company evaluates to what extent and when such assets may be realized. The realization of deferred tax assets is dependent upon the Company's capability to generate future taxable income available to offset against loss carry forwards. The recognized deferred tax assets are calculated based on future business plans adjusted for uncertainty of future income and expiry dates of losses carry forward. The uncertainty is influenced by passing of time; market conditions; new technology; future new business.

Given the uncertainty of taxable income in 2016, the Company has recorded a valuation allowance of € 1.9 million, as of December 31, 2015, which, year-end 2015, is fully related to the valuation of tax losses carry forward of Tele2 Nederland BV.

**Note on income tax**

The difference between the income tax expense provided in the consolidated financial statements and the expected income tax charge at corporate income tax rates related to the Company's corporate and foreign subsidiary operations for the years ended December 31, 2015 and 2014 is reconciled as follows:

**Income tax**

| *(euro thousands)* | **2015** | **2014** |
|---|---|---|
| **Tax charge at commercial result** | | |
| Expected income tax charge at the weighted average statutory rate of 25% | (12,204) | 6,794 |
| Non-deductible costs | 74 | 73 |
| Timing Differences: | | |
| - Depreciation customer base | (1,377) | (442) |
| - Depreciation period fixed assets | 111 | (1,131) |
| Tax charge at taxable result | (13,396) | 5,294 |
| Usage Tax Loss Carry Forward | (13,396) | 1,579 |
| Current Income Tax | - | 3,715 |
| Tax charge at taxable result | (13,396) | 5,294 |

**Income Tax Charge**

| *(euro thousands)* | **2015** | **2014** |
|---|---|---|
| Tax charge at taxable result | (13,396) | 5,294 |
| Less: timing differences | 1,266 | 1,573 |
| Valuation adjustment to prior years | - | 318 |
| Valuation allowance Tele2 Netherlands B.V. | - | 4,022 |
| Tot income tax charge | (12,130) | 11,207 |
| Deferred income tax charge | (12,130) | 7,492 |
| Current income tax charge | - | 3,715 |
| Tot income tax charge | (12,130) | 11,207 |

**Note on deferred tax**

The deferred tax assets and the deferred tax liabilities include:

| **Deferred tax assets and liabilities** *(euro thousands)* | **2015** | **2014** |
|---|---|---|
| ***Deferred tax assets*** | | |
| Deferred tax assets for tax loss carry forward | 15,343 | 4,022 |
| Deferred tax assets for provisions and timing differences | 4,555 | 5,821 |
| Less: valuation allowance | (1,947) | (4,022) |
| Total Deferred tax assets | 17,951 | 5,821 |
| ***Deferred tax liabilities*** | | |
| Deferred tax liability trade name | 4,375 | 4,375 |
| Total deferred tax liability | 4,375 | 4,375 |

The movement in the deferred tax asset is as follows:

| *(euro thousands)* | **2015** | **2014** |
|---|---|---|
| ***Deferred tax assets for tax loss carry forward*** | | |
| As per beginning of the year | 4,022 | 5,919 |
| Usage deferred tax asset for profit for the year | 13,396 | (1,897) |
| Adjustment to prior year's tax loss carry forward | (2,075) | - |
| Total deferred tax assets from Tax Loss Carry Forward | 15,343 | 4,022 |
| ***Deferred tax assets for provisions, timing differences and tax covenant*** | | |
| As per beginning of the year | 5,821 | 7,394 |
| Tax depreciable customer base | (1,377) | (442) |
| Difference in depreciation period | 111 | (1,131) |
| Total deferred tax assets from provisions, timing differences and tax covenant | 4,555 | 5,821 |

## 8 Intangible Assets

The movement in intangible fixed assets is as follows:

| *(euro thousands)* | 2015 | | | | |
|---|---|---|---|---|---|
| | **Goodwill** | **Customer base** | **Trade name** | **Others** | **Total** |
| Book value January 1 | 115,319 | 492 | 17,500 | 161,213 | 294,524 |
| Additions | - | - | - | 50 | 50 |
| Amortization | - | (492) | - | (10,749) | (11,241) |
| Book value December 31 | 115,319 | - | 17,500 | 150,514 | 283,333 |
| Original cost | 115,526 | 102,610 | 18,083 | 161,263 | 397,482 |
| Accumulated amortization | (207) | (102,610) | (583) | (10,749) | (114,149) |
| Book value December 31 | 115,319 | - | 17,500 | 150,514 | 283,333 |

| *(euro thousands)* | 2014 | | | | |
|---|---|---|---|---|---|
| | **Goodwill** | **Customer base** | **Trade name** | **Others** | **Total** |
| Book value January 1 | 115,319 | 4,725 | 17,500 | 161,213 | 298,757 |
| Additions | - | - | - | - | - |
| Amortization | - | (4,233) | - | - | (4,233) |
| Book value December 31 | 115,319 | 492 | 17,500 | 161,213 | 294,524 |
| Original cost | 115,526 | 102,610 | 18,083 | 161,213 | 397,432 |
| Accumulated amortization | (207) | (102,118) | (583) | - | (102,908) |
| Book value December 31 | 115,319 | 492 | 17,500 | 161,213 | 294,524 |

At year-end 2015, the goodwill primarily relates to the acquisition of Tele2 (Netherlands) B.V., which was completed in March 2007, for an amount of € 104.8 million. The goodwill also includes goodwill relating to the buy-out of minority shareholders in Zon Nederland N.V. an amount of € 3.8 million, to the acquisition of XtraNed Nederland B.V. for an amount of € 0.6 million, to the acquisition of bbned N.V. for an amount of € 5.4 million and to the acquisition of Connect Data Solutions B.V. in 2011 for an amount of € 0.7 million. During the previous years, all mentioned companies are legally merged with Tele2 Nederland B.V.

The Company acquired the customer base and customer relationships of Connect Data Solutions B.V. as part of its acquisition in June 2011, which is fully amortizased year-end 2015.

The recognition of the trade name relates to the right to use the trade name of Tele2. This right is capitalized for an amount of € 17.5 million. The useful life of the capitalized trade name is estimated to be indefinite since the Company will use this trade name going forward.

In 2010, the Company acquired a 2.6 GHz licenses for an amount of € 0.4 million. In combination with the two licenses in the 800 MHz band, acquired in January 2013 for an amount of € 160.8 million, the Company is able to offer 4G services and enter the market as a new mobile network operator. During 2015, the Company has launched its 4G mobile network.

**Impairment test**
The Company annually tests whether intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. Goodwill, the customer base and trade name are subject to an impairment test. The Company also assesses that reasonable possible changes in the major assumptions should not have such significant effects that they individually would reduce the value in use to a value that is lower than the carrying value on the cash generating unit. The value in use is determined by using the discounted cash flow method and based on the following key assumptions:

| | |
|---|---|
| WACC pre-tax | 12,5% |
| Forecast period (ebitda and capex intensity) | 5 years |
| Perpetuity growth rate after forecast period | 0% |

The cash flow projections are management's best estimate based on the most recent business plans, historical growth rates and EBITDA margins. For the (one) cash generating unit being Tele2 Netherlands Holding NV, the impairment test in 2015 resulted in a positive headroom as per December 31, 2015 of € 131.4 million.

**Sensitivity to changes in key assumptions**
The expected future cash flows used in the impairment analysis are based on management's estimates. Amongst others technology and telecommunication markets as well as the financial markets and the overall economy may have an impact on the estimated future cash flows of the Company.

Since the headroom of the one cash-generating unit being Tele2 Netherlands Holding N.V. is more than sufficient, no sensitivity analysis is disclosed for this significant cash-generating unit.

## 9 Property, Plant and Equipment

The movement in property, plant and equipment is as follows:

| | 2015 | | | | |
|---|---|---|---|---|---|
| *(euro thousands)* | **Leasehold improve-ments** | **Telecom-munication equipment** | **Other equipment** | **Construc -tion in progress** | **Total** |
| Book value January 1 | 215 | 200,115 | 31,790 | 95,098 | 327,218 |
| Additions/ Transfers | 445 | 149,844 | 29,438 | 15,294 | 195,021 |
| Disposals | (55) | (64) | (10) | - | (129) |
| Depreciation | (90) | (59,003) | (17,628) | - | (76,721) |
| Book value December 31 | 515 | 290,892 | 43,590 | 110,392 | 445,389 |
| Original cost | 1,229 | 772,540 | 103,792 | 110,392 | 987,953 |
| Eliminated original cost on disposals | (122) | (11,105) | (11,577) | - | (22,804) |
| Accumulated depreciation | (659) | (481,584) | (60,192) | - | (542,435) |
| Eliminated accumulated depreciation on disposals | 67 | 11,041 | 11,567 | - | 22,675 |
| Book value December 31 | 515 | 290,892 | 43,590 | 110,392 | 445,389 |

| | 2014 | | | | |
|---|---|---|---|---|---|
| *(euro thousands)* | **Leasehold improve-ments** | **Telecom-munication equipment** | **Other equipment** | **Construc -tion in progress** | **Total** |
| Book value January 1 | 310 | 160,215 | 14,326 | 44,722 | 219,573 |
| Additions/ Transfers | - | 94,926 | 28,287 | 50,376 | 173,589 |
| Disposals | (2) | (52) | - | - | (54) |
| Depreciation | (93) | (54,974) | (10,823) | - | (65,890) |
| Book value December 31 | 215 | 200,115 | 31,790 | 95,098 | 327,218 |
| Original cost | 888 | 697,237 | 86,467 | 95,098 | 879,690 |
| Eliminated original cost on disposals | (104) | (74,541) | (12,113) | - | (86,758) |
| Accumulated depreciation | (671) | (497,070) | (54,677) | - | (552,418) |
| Eliminated accumulated depreciation on disposals | 102 | 74,489 | 12,113 | - | 86,704 |
| Book value December 31 | 215 | 200,115 | 31,790 | 95,098 | 327,218 |

The Company performed an assessment at the assets-in-use. As a result, the original costs of property, plant and equipment have been decreased by € 22.8 million. The Company tests annually, in accordance with the accounting policy stated in note 2, whether property, plant and equipment have suffered any impairment. The Company determined at December 31, 2015 and December 31, 2014 that property, plant and equipment were not impaired. No indications or triggering events occurred to require more frequent testing.

## 10 Financial Assets

At year-end 2014, the financial fixed assets relate to long term receivables. The movement of the long term receivables is as follows:

| *(euro thousands)* | 2015 | 2014 |
|---|---|---|
| Long term receivables at January 1 | 25,092 | 516 |
| Additions | 3,455 | 28,000 |
| Transfer to other receivables and prepaid expenses | (3,189) | (3,424) |
| Long term receivables at December 31 | 25,358 | 25,092 |

The long term receivables mainly relates to prepayments regarding the passive network sharing agreement with T-Mobile Netherlands B.V. which agreement allows Tele2 Nederland B.V. to share certain passive network elements with T-Mobile Netherlands B.V. thereby sharing costs and accelerating a network roll-out.

The other non-current assets of € 25.0 million are related to the long term part of the unbilled installments regarding the in 2015 sold handsets (2014: € 17.2 million).

## 11 Inventory

The Company’s inventory includes sales stock, which mainly consists of SIM cards and mobile handsets.

## 12 Trade Accounts Receivable

Trade accounts receivable as presented under current assets mature within one year. The amount includes a provision for doubtful debts that has been determined by reference to past default experience. The carrying amount of trade accounts receivable approximates its fair value.

| *(euro thousands)* | 2015 | 2014 |
|---|---|---|
| Gross trade accounts receivable at December 31 | 38,729 | 33,245 |
| Doubtful debt provision at December 31 | (12,609) | (7,222) |
| Net trade accounts receivable at December 31 | 26,120 | 26,023 |
| | | |
| Doubtful debt provision at January 1 | (7,222) | (10,130) |
| Additions to provision | (9,235) | (13,164) |
| Utilization of provision | 3,848 | 16,072 |
| Doubtful debt provision at December 31 | (12,609) | (7,222) |

The average payment term is 12 days for residential customers and 30 days for business and wholesale customers. No interest is charged on the trade receivables.

The Company provides fully for receivables related to residential customers and small business customers due more than 60 days. Receivables on wholesale and large enterprises are individually provided for based on estimated irrecoverable amounts for the sale of services, determined by reference to past default experience as well as external credit information. All customers, whether residential, business or wholesale, that are transferred to the debt collection agency or are declared bankrupt, are fully provided for.

The carrying amounts of the Company's Trade and other receivables are denominated in Euro.

As per December 31, 2015, the aging analysis of net trade account receivables is as follows:

| | Total | < 30 days | 31-60 days | >61 days |
|---|---|---|---|---|
| 2015 | 26,120 | 20,504 | 889 | 4,727 |
| 2014 | 26,023 | 21,397 | 1,165 | 3,461 |

The majority of all trade receivables due more than 60 days are related to regulatory disputes.

## 13 Unbilled Revenues

Unbilled revenues include:

| *(euro thousands)* | **2015** | **2014** |
|---|---|---|
| Unbilled revenue telecommunication services........................ | 27,217 | 31,770 |
| Unbilled revenue sold handsets to be paid in installments...... | 68,369 | 50,227 |
| Unbilled revenue ..................................................................... | 95,585 | 81,997 |

## 14 Other receivables and prepaid expenses

Other receivables and prepaid expenses include:

| *(euro thousands)* | **2015** | **2014** |
|---|---|---|
| Prepaid expenses ..................................................................... | 12,260 | 6,184 |
| Other receivables..................................................................... | 15,500 | 21 |
| Other receivables and prepaid expenses ............................... | 27,760 | 6,205 |

Other receivables include a settlement with the Dutch tax authorities, for excess taxes paid in the period 2013–2015, led to a reimbursement of € 15.5 million in 2015, which is for €10.4 million related to 2013 and 2014 and for € 5.1 million related to 2015.

## 15 Cash and Cash Equivalents

Cash and cash equivalents are primarily denominated in Euro, although an amount equivalent to € 0.29 million (2014: € 0.001 million) is denominated in foreign currencies. The carrying amount approximates the fair value.

## 16 Equity Attributable to Equity Holders of the Parent

For a breakdown of the equity attributable to equity holders of Tele2 Netherlands Holding N.V. reference is made to the consolidated statement of changes in equity. The authorized capital of the Company is € 30 million, consisting of 1,500,000,000 ordinary shares of which 944,333,560 shares are issued and outstanding at December 31, 2015. Holders of fully paid-up shares are not subject to or liable for any further capital calls by the Company.

## 17 Long-term loan from a related party

In December 2014, the Company entered into a related party loan agreement with Tele2 Finance Luxembourg SARL for € 65 million, which is part of a total standby loan facility with of maximum of € 350 million, to fund the further roll-out of the 4G network and the business in general. The related party loan bears an interest rate of the 3-months Euribor plus 325 bps. The movement in the related party long term loan is as follows:

| *(euro thousands)* | 2015 | 2014 |
|---|---|---|
| Related party long term loan at January 1 | 65,006 | - |
| Additional loans | 170,000 | 65,000 |
| Not yet paid charged interest | 14 | 6 |
| Related party long term loan at December 31 | 235,020 | 65,006 |

## 18 Provisions

The asset retirement obligations at December 31, 2015 amounts to € 9.6 million (2014: € 4.2 million). The main assumptions of calculation for the asset retirement obligations relate to the estimated costs of removal of mobile base station locations and customer access locations, discount rate, inflation rate and estimated period of removal which vary per type of asset. The discount rate for 2015 is 1.16% and the used inflation rate is 1.70%.

| *(euro thousands)* | 2015 | 2014 |
|---|---|---|
| Provisions at January 1 | 4,216 | 2,098 |
| Additions during the year | 4,086 | 2,062 |
| Discount effect | 1,341 | 56 |
| Provision at December 31 | 9,643 | 4,216 |

## 19 Other Non-Current Liabilities

As a result of signing a lease agreement in 2006 to move the Company's headquarters to Diemen, the Company received a cash payment from the former lessor. This cash payment has been recognized as a reduction of operating lease expense, reflected as rent and operating lease expense in the consolidated statement of income, on a straight-line basis. Since the contract has been prematurely terminated and has been replaced by a newly negotiated lease agreement, the former lease incentive has been released as December 31, 2015.

| *(euro thousands)* | 2015 | 2014 |
|---|---|---|
| Accrued lease incentive at January 1 | 10,346 | 12,416 |
| Amounts utilized during the year | (10,346) | (2,070) |
| Accrued lease incentive at December 31 | - | 10,346 |
| Current portion – part of current liabilities | - | 2,069 |
| Non-current portion – part of non-current liabilities | - | 8,277 |

The release of the short-term portion of the lease incentive, which amounts to € 2.1 million, is presented as short-term portion of long term liabilities as disclosed in note 21.

The other non-current liabilities further include long term unearned revenue, which amounts to € 2.3 million.

## 20 Trade and other payables

Trade and other payables include:

| *(euro thousands)* | 2015 | 2014 |
|---|---|---|
| Trade payables regarding operating expenses ...................... | 72,126 | 83,183 |
| Trade payables regarding capital expenditures ..................... | 30,075 | 10,558 |
| Trade and other payables ...................................................... | 102,201 | 93,741 |

## 21 Accrued Liabilities

Accrued liabilities include:

| *(euro thousands)* | 2015 | 2014 |
|---|---|---|
| Payroll tax and social securities............................................. | 2,043 | 2,040 |
| Value added tax ...................................................................... | - | 99 |
| Short term portion of lease incentive ..................................... | - | 2,069 |
| Capital expenditure accruals .................................................. | 14,619 | 10,558 |
| Compensation accruals .......................................................... | 12,081 | 10,558 |
| Network and traffic cost accruals............................................ | 12,156 | 15,944 |
| Other accrued liabilities.......................................................... | 24,836 | 16,031 |
| Accrued liabilities .................................................................... | 65,735 | 57,299 |

The rollout of the Company's 4G mobile network is reflected in the relatively high value of the capital expenditure accrual and in the other accrued liabilities.

## 22 Rent and Operating Lease Commitments

Future minimum commitments in connection with rent and other operating lease agreements are as follows at December 31:

| *(euro thousands)* | 2015 Rent & Operating Lease Commitments | 2014 Rent & Operating Lease Commitments |
|---|---|---|
| Within 1 year ........................................................... | 21,036 | 22,465 |
| Within 1-2 years ...................................................... | 15,227 | 21,102 |
| Within 2-3 years ...................................................... | 14,126 | 19,366 |
| Within 3-4 years ...................................................... | 9,289 | 17,017 |
| Within 4-5 years ...................................................... | 8,760 | 16,945 |
| Within >5 years ....................................................... | 28,303 | 51,295 |
| Total ........................................................................ | 96,741 | 148,190 |

Rent and operating lease expenses amounted to approximately € 25.7 million (2014: € 20.9 million). The main part of future commitments relates to the renting of office space, mobile network sites and points-of-presence for a period of a maximum 10 years.

## 23 Other Commitments

Commitments in connection with the Company's capital expenditures relating to customer connections and network built, not yet recorded on the statement of financial position amount to approximately € 156.3 million as of December 31, 2015 (2014: € 47.8 million). The Company and its subsidiaries provided, for the benefit of third parties, bank guarantees amounting to approximately € 3.6 million (2014: € 3.8 million).

## 24 Legal Proceedings / Regulation

The Company has filed complaints in the past with the European Commission, with the ACM and the Minister of Economic Affairs in the Netherlands as part of our regulatory strategy. We also make routine filings with the regulatory agencies and governmental authorities in the countries in which we operate.

In a specific case regarding the rental fees of copper lines, which Tele2 Netherlands uses as part of its fixed operations, the regulator (ACM) has determined that the rental fees are to be adjusted with retroactive effect as of 2009. This has resulted in a claim from KPN amounting to € 23.2 million. This additional levy is still subject to pending appeals and court cases. Given the uncertainty of the outcome of the aforementioned disputes and the potential favorable outcome of other pending disputes, we have not accrued for this specific liability on the balance sheet.

On 13 June 2014 the Dutch Supreme court has ruled that a mobile telecommunications subscription including a handset as offered to consumers qualifies as consumer credit as meant under the Dutch Consumer Credit Act. On 12 February 2016 the Dutch Supreme Court made a further precision as to certain consequences of the 13 June 2014 ruling. The Company is assessing the consequences of the most recent ruling of the Supreme Court, which might have an adverse effect on the conduct of the Company's business. Additionally, the Company and other mobile telecommunication providers have entered into discussion with the authorities, to discuss the consequences of this ruling.

Further to the above, the Company is from time to time involved in routine litigation in the ordinary course of business.

## 25 Board of Supervisory Directors and Board of Management Compensation

### Board of Supervisory Directors

The aggregate compensation for the Board of Supervisory Directors of the Company as a Group for the financial year 2015 was nil (2014: € 0).

### Board of Management

At the annual general meeting of shareholders held on May 18, 2005 a remuneration policy was adopted by the general meeting and introduced. The remuneration package of the Board of Management comprises, as of that date, of a base salary, a short term incentive (bonus), a long term incentive and a pension allowance. The total aggregate compensation of the members of the Board of Management during 2015 was € 1,415,230 (2014: € 1,051,043). The following table sets out the compensation paid by the Company to the members of the Board of Management for the years ended December 31, 2015 and December 31, 2014.

| *(amounts in euro)* | Salary | Pension | Bonus | Other | Total |
|---|---|---|---|---|---|
| J. Dodds (CEO) (1) | | | | | |
| 2015……………..……………….. | 445,043 | 10,991 | 153,932 | 94,882 | 704,848 |
| 2014……………..……………….. | 296,903 | - | - | 60,065 | 356,969 |
| EJ. van Rooijen (CFO) (2) | | | | | |
| 2015……………..……………….. | 285,282 | 39,713 | 70,493 | 69,739 | 465,226 |
| 2014……………..……………….. | 273,236 | 35,117 | 89,731 | 56,243 | 454,327 |
| D.J. Wever (Director) | | | | | |
| 2015……………..……………….. | 160,831 | 8,418 | 41,078 | 34,828 | 245,156 |
| 2014……………..……………….. | 158,060 | 6,637 | 48,571 | 26,478 | 239,747 |

(1) On March 31, 2016, Mr. J. Dodds will resign from the Board of Management as he announced to pursue a career outside of the Tele2 Group. On April 1, 2016, Mrs. M. Holmberg will be appointed as Managing Director and Chief Executive Officer of the Company, to replace Mr. J. Dodds.

(2) On February 29, 2016, Mr. E.J. van Rooijen resigned from the Board of Management as he announced to pursue a career outside of the Tele2 Group. On March 1, 2016, Mr. L. Laštovka was appointed as Chief Financial Officer of the Company

The bonus component of the total compensation is based on targets achieved, compared to a set of specific measurable targets agreed between the Managing Director and the Board of Supervisory Directors at the start of the year. These targets were based on, amongst others, revenue, EBITDA and cash flow for the year 2015.

**Shareholdings**

The Supervisory Directors did not hold any shares or options in the Company as per December 31, 2015.

No shares or options in the Company were held as per December 31, 2015 by the members of the Board of Management.

**Share Options**

No options on shares in the Company have been granted to any of our Supervisory Directors or members of our Board of Management during the financial year 2015.

As we are a Group company of Tele2 AB, the members of the Board of Management and a limited number of employees have been offered and participate in share option programs in respect of shares in the capital of Tele2 AB.

## 26 Related Parties

The ultimate parent of the Company is Tele2 AB, incorporated in Sweden.

| Name of beneficial holder | % of shares outstanding |
|---|---|
| Tele2 Sverige AB (through subsidiaries) | 100.0% |

The information with respect to transactions between the Company and Tele2 Group companies is presented using two categories:

**Related Party Revenues**: transactions that consist of charges from the Company to Tele2 Group companies for services rendered by us in the ordinary course of our business;

**Related Party Costs**: transactions that consist of amounts charged from Tele2 Group companies to the Company with respect to operating expenses for which Tele2 Group companies bear the initial expense. Furthermore, the Company incurs interest on the related party loan and the related party senior notes and receives interest on the zero balance cash pool (also see note 6).

**Related party transactions with Tele2 Group companies**

| *(euro thousands)* | **2015** | **2014** |
|---|---|---|
| Related party revenues................................................ | 1,142 | 1,274 |
| Related party costs ...................................................... | (17,482) | (16,118) |
| Related party interest expenses……………………………. | (5,219) | (380) |
| Total related party transactions .................................. | (21,559) | (15,224) |

All transactions between the Company and Tele2 Group companies have been entered into on an arm’s length basis and were concluded against normal market conditions.

During 2008, the Company joined the zero balance cash pool of the Tele2 Group. Reference is made to note 6 for a further description. The cash balance of the Company which has been included in the cash pool amounts to € 7.8 million negative as per December 31, 2015 (2014: € 9.6 million positive).

The negative cash pool balance has been recorded as a related party current payable on the statement of financial position.

## 27 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### a) Going concern

The Company prepared these financial statements on a going concern basis based on its assessment of the Company's ability to continue as a going concern. The Company's history of net losses and accumulated deficit may make it difficult for us to raise additional debt or equity financing to the extent needed for our continued operations or for any expansion Tele2 Netherlands may plan in the future, particularly if Tele2 Netherlands is unable to attain and maintain profitable operations in the future.

### b) Estimated impairment of property, plant and equipment and intangible assets

The Company tests annually whether property, plant and equipment and intangible assets have suffered any impairment in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The estimates are based on calculations using cash flow projections based on an eighteen-month rolling-forecast, five-year plan and extrapolations using a terminal growth rate factor in line with long term market growth rates. A pre-tax weighted average cost of capital of 15% was used to discount the projected cash flows.

### c) Provision for asset restoration costs

The main assumptions of calculation for the asset retirement obligations relate to the estimated costs of removal of mobile base station locations and customer access locations, discount rate, inflation rate and estimated period of removal which vary per type of asset. The discount rate for 2015 is 1.16% and the used inflation rate is 1.70%.

### d) Determining discounting rates

The Company determines discounting rates based on the time value of money, taking into account the risks specific to the cash generating units. In determining discounting rates we make use of market data for comparable companies.

### e) Accounting Handset sales

The revenue of the handset as part of the total subscription charge, is recorded at the point of sale. The negative margin on the handset sales is calculated based on the difference between the handset proposition and a comparable sim-only proposition. Next to the margin on the handset, also a provision for expected costs related to bad debt is recorded. This provision is determined based on experiences in the past. Both, the margin and the bad debt on handset sales are validated on a monthly basis.

### f) Income tax

The Company is subject to income tax in the Netherlands. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Both the recognized and unrecognized deferred tax assets are reassessed each reporting date. Deferred tax positions are stated at nominal value and are measured at the corporate income tax rates which are expected to be applicable in the year when the asset is realized or liability is settled based on enacted or substantially enacted tax laws.

### g) Provision for litigation and contingencies

The Company exercises considerable judgment in recording its accrued liabilities and its exposure to contingent liabilities related to pending litigation or other outstanding claims as well as other contingent liabilities. Judgment is used in assessing the likelihood that a pending claim will succeed or a liability will arise and to quantify the possible range of the final settlement.

### h) Useful life of assets

Assets, consisting primarily of property, plant and equipment and intangible assets comprise a significant portion of our total assets. Changes in the Company's intended use of these assets, technological developments and market conditions may cause the estimated period of use or the value of these assets to change. The estimates and assumptions the Company uses are inherently uncertain and subject to change, including as a result of factors outside the Company's control.

### i) Provision for doubtful debts

The Company determines its provision for doubtful debts based on past experience. Provisions deemed necessary for possible bad debt losses are determined by individual assessment of the receivables.

## 28 Financial Risk Management

The activities of the Company are exposed to a variety of financial risks. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department. This department identifies and evaluates financial risks in close co-operation with the Company's operating units.

### a) Capital risk management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and reserves.

The Company is continuously reviewing its capital and debt balances. As part of this review, the Company considers the cost of capital and the risks associated with each class of capital. As a result of this review the Company repaid long term loans and participated in the zero balancing cash pool.

### b) Credit Risks

The Company has no significant credit risks, other than those, which have already been provided for, nor any receivables with a single customer or in an industry or geographical region that carries an unusually high credit risk.

The average credit period on sales of services is 12 days for residential customers and 30 days for business customers. No interest is charged on the trade receivables. The Company provides fully for receivables related to residential customers due > 60 days according to the Tele2 Group policy. Business and wholesale accounts that are transferred to collection agencies are provided for 100%. Other trade receivables wholesale and business customers due are provided for based on estimated irrecoverable amounts for the sale of services, determined by reference to past default experience.

Receivables of customers, residential, business and wholesale, that have been declared bankrupt, are fully provided for.

Before accepting new residential customers, the Company employs an external credit scoring system to assess the potential customer's credit quality and defines credit limits per customer. In addition, over 96% of the consumer customers pay by means of direct debit. Therefore the credit risk is limited.

Trade receivables relating to business customers are spread across various industries in the Netherlands. Ongoing credit evaluation is performed on the financial condition of business accounts receivable.

**c) Interest Rate Risks**

The Company is only exposed to interest rate risk related to the zero balance cash pool maintained by the Tele2 Group. Since 2008, Tele2 Netherlands has joined the zero balance cash pool. The interest rate is based on a 1-months Euribor and follows the market conditions; therefore the risk is limited to said market conditions. During 2015, the cash pool balance resulted in the "interest expense - related party cash pool" as stated in note 6. The interest is based on a 1-months Euribor (interest income 1M-Euribor minus 15 bp and interest expenses 1M-Euribor plus 325 bp).

In December 2014, the Company entered into a related party loan agreement with Tele2 Finance Luxembourg SARL as part of a total standby loan facility with a maximum of € 350 million. As per December 31, 2015, the outstanding (used) loan amounts to € 235 million. The related party loan bared an interest rate of a 3-months Euribor plus 325 bps.

**d) Foreign exchange risk**

The Company partly operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company's treasury department is responsible for managing the net position in each foreign currency.

The foreign exchange risk of the Company is limited, at the end of the reporting period the Company holds an equivalent of € 0.26 million in US dollars. The Company's main business area is located in the Netherlands or other Euro-countries. Therefore revenues and related cost are mainly denominated in Euro's. The limited transactions in foreign currencies consist primarily of capital expenditures denominated in US dollars and charges from the parent Company is Swedish Crowns.

**e) Cash flow risk**

The Company has no significant interest-bearing assets, other than mentioned above. The Company's income and operating cash flows are substantially independent of changes in market interest rates.

**f) Fair Values**

In view of their short-term nature, the fair values of financial instruments included in receivables and current liabilities approximate their carrying amounts.

**g) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company's aim is to maintain continuity of funding and flexibility through the use of all available financing alternatives.

In December 2014, the Company entered into a related party loan agreement with Tele2 Finance Luxembourg SARL as part of a total standby loan facility with a maximum of € 350 million. As per December 31, 2015, the outstanding (used) loan amounts to € 235 million. The related party loan bared an interest rate of a 3-months Euribor plus 325 bps.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The liabilities represent the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.

| *(euro thousands)* | **< 1 year** | **1-5 years** | **Total** |
|---|---|---|---|
| Interest bearing | | | |
| 2015 | - | 235,020 | 235,020 |
| 2014 | - | 65,006 | 65,006 |
| Non-interest bearing | | | |
| 2015 | 193,051 | 22,532 | 217,652 |
| 2014 | 167,908 | 16,868 | 184,776 |

## 29 Subsequent Events

On January 28, 2016, Mr. J. Dodds, CEO, announced that he would leave the Company as per March 31, 2016 to pursue a career outside of the Tele2 Group. On April 1, 2016, Mrs. M. Holmberg will be appointed as a Managing Director and Chief Executive Officer, to replace Mr. J. Dodds.

On February 29, 2016, Mr. E.J. van Rooijen resigned from the Board of Management as he announced to pursue a career outside of the Tele2 Group. On March 1, 2016, Mr. L. Laštovka was appointed as Chief Financial Officer of the Company.

Amsterdam, March 31, 2016

The Board of Management
of Tele2 Netherlands Holding N.V.

Mr. J. Dodds, CEO

Mr. D. Wever, Director

The Board of Supervisory Directors
of Tele2 Netherlands Holding N.V.

Mrs. A. Kirkby, Chairman

Mrs. C.A.C. Fellenius-Omnell

Mr. L.P.A. Torstensson

# Tele2 Netherlands Holding N.V.
# Company Financial Statements

# Company statement of income

**For the year ended December 31, 2015**

(Currency – thousands of euros)

| | 2015 | 2014 |
|---|---|---|
| Results of participating interests after income tax............ | (43,595) | 23,841 |
| Other results after income tax .......................................... | 6,910 | (7,872) |
| Result for the period profit/(loss) ...................................... | (36,685) | 15,969 |

# Company statement of financial position

**For the year ended December 31, 2015 after appropriation of net result**

(Currency – thousands of euros)

| | Note | 2015 | 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 3 | 110,916 | 110,916 |
| Investments | 4 | 25,737 | 25,737 |
| Group company loan receivables | 4 | 167,045 | 187,635 |
| Deferred tax assets | 6 | 17,951 | 5,821 |
| Total non-current assets | | 321,649 | 330,109 |
| **Current assets** | | | |
| Group companies | | 213,539 | 213,339 |
| Related party – cash pool | | - | 9,635 |
| Total current assets | | 213,539 | 222,974 |
| Total assets | | 535,188 | 553,083 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Issued and paid-in capital | | 18,887 | 18,887 |
| Additional paid-in capital | | 1,979,533 | 1,979,533 |
| Accumulated deficit | | (1,482,964) | (1,446,279) |
| Total shareholders'equity | 5 | 515,456 | 552,141 |
| **Provisions** | | | |
| Provision for investments | 7 | 11,889 | 942 |
| Total provisions | | 11,889 | 942 |
| Related party – cash pool | | 7,843 | - |
| Total related party | | 7,843 | - |
| Total shareholders' equity and liabilities | | 535,188 | 553,083 |

# Company statement of changes in Equity

**For the year ended December 31, 2015**

(Currency – thousands of euros)

| | Number of Shares | Issued and Paid-in Capital | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|
| January 1, 2015.......... | 944,333,560 | 18,887 | 1,979,533 | (1,446,279) | 552,141 |
| Result for the period ... | | | | (36,685) | (36,685) |
| December 31, 2015.... | 944,333,560 | 18,887 | 1,979,533 | (1,482,964) | 515,456 |

# Notes to the company financial statements
**For the year ended December 31, 2015**

### 1 General

The company financial statements are part of the 2015 financial statements of Tele2 Netherlands Holding N.V.

The description of the Company's activities and the Group structure, as included in the notes to the consolidated financial statements, also applies to the company financial statements.

In accordance with article 402, Book 2, Part 9 of the Dutch Civil Code the statement of income is presented in an abbreviated form.

### 2 Significant Accounting Policies

The company financial statements are in accordance with Part 9 of Book 2 of the Dutch Civil Code.

For the principles for the recognition and measurement of assets and liabilities and determination of the results for its company financial statements, the Company applies the possibility of article 2:362, paragraph 8 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of result ("accounting policies") of the company financial statements of the Company are the same as those applied for the consolidated financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union, except for the accounting for investments in subsidiaries. Investments in subsidiaries are stated at net equity value as we effectively exercise control over the operational and financial activities of these investments. The net equity value is determined on the basis of the IFRS accounting principles applied by Tele2 in its Consolidated Financial Statements. For details reference is made to the notes to the consolidated financial statements.

Transactions between the Company and its subsidiaries are included in the company financial statement. These transactions include the charge out of management fees and interest on intercompany financing. Reference is made to note 25 of the consolidated financial statements for key management personnel compensation.

### 3 Goodwill

The goodwill relates to the acquisition of Tele2 (Netherlands) B.V. in 2007 for a total amount of € 104.8 million, to the acquisition of Bbned NV in 2010 for a total amount of € 5.4 million and to the acquisition of Connect Data Solutions B.V. in 2011 for a total amount of € 0.7 million.

### 4 Investments in subsidiaries and Group Company loan receivables

Investments in subsidiaries are accounted for using the net equity value in accordance with accounting policies as described in note 2 to the consolidated financial statements. The net equity value of subsidiaries comprises the cost, excluding goodwill, of the Company's share in the net assets of the subsidiary, plus the Company's share in income or losses since acquisition, less dividends received.

The movement in investments in subsidiaries and Group company loan receivables is as follows:

| *(euro thousands)* | **Investments** | |
|---|---|---|
| | **2015** | **2014** |
| Balance January 1 | 25,737 | 25,752 |
| Result from investments | (43,595) | 23,841 |
| Provision movement and write off loan receivable | 43,595 | (23,856) |
| Balance December 31 | 25,737 | 25,737 |

Some investments in Group companies have a negative net asset value, due to negative results up and until 2015. These investments in Group companies and loans receivable are provided and a provision for the remaining deficit has been recognized:

| | **2015** | | | | |
|---|---|---|---|---|---|
| *(euro thousands)* | Net Equity Value Group Companies | Loan Receivables from Group Companies | Remaining surplus (deficit) | Provision | Total |
| Tele2 Nederland B.V. | (27,636) | 194,681 | 167,045 | - | 167,045 |
| Tele2 Mobiel B.V. | (11,889) | - | (11,889) | 11,889 | - |
| Versapoint N.V. | 25,737 | - | 25,737 | - | 25.737 |
| Balance December 31 | (13,788) | 194,681 | 180,893 | 11,889 | 192,782 |

| | **2014** | | | | |
|---|---|---|---|---|---|
| *(euro thousands)* | Net Equity Value Group Companies | Loan Receivables from Group Companies | Remaining surplus (deficit) | Provision | Total |
| Tele2 Nederland B.V. | 5,013 | 182,622 | 187,635 | - | 187,635 |
| Tele2 Mobiel B.V. | (942) | - | (942) | 942 | - |
| Versapoint N.V. | 25,737 | - | 25,737 | - | 25.737 |
| Balance December 31 | 29,808 | 182,622 | 212,430 | 942 | 213,372 |

For movement in provision for investments reference is made to note 7.

### 5 Shareholders' Equity

The authorized capital of the Company is € 30 million, consisting of 1,500,000,000 ordinary shares of which 944,333,560 shares are issued and outstanding at December 31, 2015 and at December 31, 2014. Holders of fully paid-up shares are not subject to or liable for any further capital calls by the Company.

### 6 Deferred income tax

Reference is made to note 7 of the consolidated financial statements.

## 7 Provision for investments

The movement in the provision for investments is as follows:

| *(euro thousands)* | **2015** | **2014** |
|---|---|---|
| Balance January 1 | 942 | 746 |
| Addition to provision | 10,947 | 196 |
| Balance December 31 | 11,889 | 942 |

Following the joint and several liabilities for all legal transactions carried out by several group companies, as disclosed in note 11, the Company has recorded a provision for investments for the net negative equity value of the Group companies. The addition relates to Tele2 Mobiel B.V., reference is made to note 4.

## 8 Board of Supervisory Directors and Board of Management Remuneration

Reference is made to note 25 of the consolidated financial statements.

## 9 Employees

The Company did not have employees in the current and previous year.

## 10 Notes to the audit fees

In the financial year, the following fees of the audit firm Deloitte Accountants B.V. were invoiced to the Company and its subsidiaries, all this as referred to in Book 2, Section 382a of the Dutch Civil Code:

| *(euro thousands)* | **2015** | **2014** |
|---|---|---|
| Statutory audit of the annual accounts, including the audit of the financial statements and other statutory audits of subsidiaries and other consolidated entities: | | |
| For the year | 265 | 204 |
| Audit related fees | 8 | 16 |
| Other non-audit services | 5 | 195 |
| Invoiced per December 31 | 278 | 415 |

## 11 Joint and Several Liability

In accordance with article 403 of Book 2 of the Netherlands Civil Code the Company has assumed joint and several liability for all legal transactions carried out by the following Group companies:

| Name | Legal Seat |
|---|---|
| Tele2 Nederland B.V. | Amsterdam |
| Tele2 Mobiel B.V. | The Hague |

The liabilities of these companies to third parties amount to € 168.9 million (2014: € 151.5 million).

Amsterdam, March 31, 2016

| The Board of Management of Tele2 Netherlands Holding N.V. | The Board of Supervisory Directors of Tele2 Netherlands Holding N.V. |
|---|---|
| Mr. J. Dodds, CEO | Mrs. A. Kirkby, Chairman |
| Mr. D. Wever, Director | Mrs. C.A.C. Fellenius-Omnell |
| | Mr. L.P.A. Torstensson |

# OTHER INFORMATION

## Independent auditor’s report

Reference is made to the independent auditor’s report as included hereinafter.

# Appropriation of Result for the financial year 2015

The Articles of Association provide that the management board shall, subject to the approval of the supervisory board and the general meeting of shareholders, determine the amount of the profits accrued in the financial year that shall be added to the reserves of the Company. The allocation of the profits remaining after reservation, if any, shall be determined by the General Meeting of Shareholders scheduled to be held in April, 2016.

# Appropriation of Result for the financial year 2014

The resolution to adopt the annual report 2014 has been approved in the general meeting of shareholders in April 2015. The result of the financial year 2014 has been added to the reserves.

# Subsequent events

Reference is made to Note 29 Subsequent events in the Consolidated Financial Statements.

# Legal Structure

| Name | Legal Seat | Percentage Ownership |
|---|---|---|
| Tele2 Nederland B.V. | Amsterdam, Netherlands | 100% |
| Tele2 Retail B.V. | Amsterdam, Netherlands | 100% |
| Tele2 Mobiel B.V. | The Hague, Netherlands | 100% |
| Versapoint N.V. | Amsterdam, Netherlands | 100% |

# Independent Auditor's Report

To The General Meeting of Tele2 Netherlands Holding N.V.

## Report on the financial statements

We have audited the accompanying financial statements for the year ended December 31, 2015 of Tele2 Netherlands Holding N.V., Amsterdam. The financial statements include the consolidated statement of financial position as per December 31, 2015, the consolidated statements of profit and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statements of financial position as per December 31, 2015, the company statement of income and changes in equity for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

## Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Tele2 Netherlands Holding N.V. as at December 31, 2015, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

## Opinion with respect to the corporate financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Tele2 Netherlands Holding N.V. as at December 31, 2015, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, March 31, 2016

Deloitte Accountants B.V.

Signed on the original: P. Kuijpers

## Glossary

***ADSL (Asymmetrical Digital Subscriber Line) —*** A member of the digital subscriber line family of copper loop enhancing technologies (see "DSL"), ADSL is asymmetric, meaning than it provides faster transmission rates downstream than upstream.

***ADSL2+ (Asymmetric Digital Subscriber Line****)* — A further improved version of the ITU (International Telecommunications Union) standard for ADSL.

***ATM (Asynchronous Transfer Mode) —*** An international standard for high-speed broadband packet-switched networks, operating at digital transmission speeds above 1.544 Mbps.

***Bits —*** The smallest unit of digital information utilized by electronic information processing, storage or transmission systems.

***Carrier —*** A company authorized by a regulatory agency to provide communications services.

***Carrier pre-selection —*** The ability of end users to select the long distance or international operator of their choice prior to the time their calls are first made.

***Carrier selection —*** The ability of end users to select on a call-by-call basis the long distance or international operator of their choice.

***Circuit switching —*** A switching technique that establishes a dedicated transmission path between originating and terminating points and holds that path open for the duration of a call.

***Co-location —*** When an end-user or competing local telecommunications service provider locates telephone network equipment at the building that houses switches belonging to another telephone carrier, the user or competing provider is said to be "co-located" with the other telephone carrier. The advantage for the co-locating party is that it can make a direct connection to local and long distance facilities and substantially reduce access costs.

***Connectivity —*** The property of a network that allows dissimilar devices to communicate with each other.

***DSL (Digital Subscriber Line) —*** A family of technologies that provides high-bandwidth transmission over standard twisted copper wires (regular telephone lines).

***Facilities —*** Transmission lines, switches and other physical components used to provide telephone service.

***Fiber —*** A filament, usually of glass, through which light beams carrying voice, data or video transmissions are guided.

***Fiber optic —*** Technology based on thin filaments of glass or other transparent materials used as the medium for transmitting coded light pulses that represent data, image and sound. Fiber optic technology offers extremely high transmission speeds. It is the medium of choice for the telecommunications industry. Fiber is immune to electrical interferences and environmental factors that affect copper wiring and satellite transmission. Fiber optic technology involves sending laser light pulses across glass strands in order to transmit digital information. A strand of fiber optic cable is as thick as a human hair yet has more bandwidth capacity than a copper wire the width of a telephone pole.

***Gbps (Gigabit per Second) —*** A measurement of speed for digital signal transmission expressed in billions of bits per second.

***IP (Internet Protocol) —*** Internet Protocol, packet transmission standard for the transmission of data, voice, video and other information over the Internet. IP works on various kinds of networks (ATM, ISDN, LAN, et cetera) and various applications such as e-mail and WWW require the usage of IP.

***IP VPN —*** An IP-based network that appears to its users as a private network although it may be made up of both private and public segments. An IP VPN may provide bandwidth on demand or fixed bandwidth facilities.

***IP-Telephony —*** IP-Telephony is a term used to describe the usage of the Internet protocol for voice traffic.

***ISDN (Integrated Services Digital Network) —*** Switched network providing end-to-end digital connectivity for simultaneous transmission of voice and/or data over multiple multiplexed communications channels and employing transmission and out-of-band signalling protocols that conform to internationally defined standards.

***LAN (Local Area Network) —*** A private data communications network linking a variety of data devices, such as computer terminals, personal computer terminals, personal computers and microcomputers, all housed in a defined building, plant or geographic area.

***LTE (Long-Term Evolution)*** — LTE is a standard for wireless communication of high-speed data for mobile phones and data terminals.

***Mbps (Millions of Bits per Second) —*** A measurement of speed for digital signal transmission expressed in millions of bits per second.

***PBX (Private Branch eXchange) —*** A switching system within an office building that allows calls from outside to be routed directly to the individual instead of through a central number. A PBX also allows for calling within an office by way of four-digit extensions.

***Platform —*** A group of unbundled network elements assembled and sold together as a package.

***Protocol —*** A formal set of rules and conventions governing the formatting and relative timing of message exchange between 2 communicating points in a computer system or data communications network.

***SDH (Synchronous Digital Hierarchy) —*** SDH is a set of standards for optical communications transmission systems that define optical rates and formats, signal characteristics, performance, management and maintenance information to be embedded within the signals and the multiplexing techniques to be employed in optical communications transmission systems. SDH facilitates the interoperability of dissimilar vendors' equipment and benefits customers by minimizing the equipment necessary for telecommunications applications. SDH also improves the reliability of the local loop connecting customers' premises to the local exchange provider, historically one of the weakest links in the service delivery.

***SIM (Subscriber Identity Module) —*** An electronic card inserted into a GSM phone that identifies the user account to the network, handles authentication and provides data storage for user data such as phone numbers and network information. It may also contain applications that run on the phone.

***SMS (Short Messaging Service) —*** Possibility to send short text messages through a GSM.

***Switch —*** A sophisticated computer that accepts instructions from a caller in the form of a telephone number. Like an address on an envelope, the numbers tell the switch where to route the call. The switch opens or closes circuits or selects the paths or circuits to be used for transmission of information. Switching is a process of interconnecting circuits to form a transmission path between users. Switches allow telecommunications service providers to connect calls directly to their destination, while providing advanced features and recording connection information for future billing.

***Telephony —*** A generic term describing voice telecommunications.

***Triple-play —*** Offering of a package of Internet, telephony and media services.

***VAS (*Value Added Services) —** Is a term for non-core services or, in short, all services beyond standard services such as voice or broadband Internet

***VDSL (Very high speed Digital Subscriber Line) —***Technology that provides high-bandwidth transmission over standard twisted copper wires (regular telephone lines).

***VPN (Virtual Private Network) —*** A network that appears to its users as a private network although it may be made up of both private and public segments. A VPN may provide bandwidth on demand or fixed bandwidth facilities.

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