



21.07.2010

Tele2 reports Q2 and 1H 2010 consolidated results

Moscow – Tele2, a European mobile operator, has announced the consolidated results of its operations in Russia for Q2 and 1H 2010.

In Q2 2010, just nine months after the commercial launch, two new regions – Tula and Orel – reached the EBITDA break-even point, thus showing that the rates of the companies' operational development in the new regions are exceeding all expectations. Tele2 AB previously anticipated the EBITDA break-even to be achieved within two years after the start of commercial operation of the networks.

Tele2 Russia continues to follow its strategy of ensuring that the strengthening of its footholds in new markets is supported by improvement of its financial performance in mature regions. The number of subscribers grew by 1,113,000 in Q2 2010 (as compared to 478,000 in Q2 2009), including 686,000 in new regions (128,000 in Q2 2009). The total subscriber base of Tele2 Russia as of June 30, 2010 was 16,513,000 users, which is 33 percent more than a year before. The net inflow of subscribers over the last 12 months alone exceeded 4 million people, or approximately 1 million per quarter, clearly showing that company's services are in high demand in Russia.

The increase in the subscriber base has also contributed to the improvement of financial performance indicators. Operating revenue grew 42 percent year-on-year in Q2 2010 to over 10 billion rubles. EBITDA in 17 mature regions exceeded 4 billion rubles (versus 2.9 billion rubles in the same period of the last year), which corresponds to a margin of 45% (versus 40% in Q2 2009). EBITDA in the new regions was -227 million rubles (as compared to -308 million a year before). EBITDA in Russia rose 45% and in the mature regions went up 37%. Capital expenses (CAPEX) in Q2 2010 amounted to 1.3 billion rubles (versus 2.2 billion rubles in Q2 2009). The company expects the volume of utilized investments to increase in 2H 2010, while the total volume of investments planned for 2010 and 2011 will remain the same – up to 20 billion rubles.

Despite active growth of the subscriber base in the new regions where service usage is lower at the initial stage, MoU (average minutes of usage per user per month) in Russia as a whole grew 7% compared with the same period of the previous year and reached 232 minutes (217 minutes a year before). ARPU (average revenue per user) rose 5% in ruble equivalent to 217 rubles (207 rubles in Q2 2009).

The key event of Q2 2010 was the change in Tele2 Russia's organizational structure: creation of five macro-regions instead of the previously existing three, transfer of macro-regional management teams to the regional centres, and establishment of the Consultative Council. In the second quarter, Tele2 Russia complied with the terms of out-of-court settlements reached with the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications. In June 2010 the company signed a Memorandum of Public-Private Partnership with the Leningrad Region Government.

In 1H 2010, operating revenue increased 39% year-on year to approximately 20 billion rubles. EBITDA in Russia rose 41% to over 6.7 billion rubles. Capital expenses for that period totaled 1.8 billion rubles.

Dmitry Strashnov, Tele2 Russia CEO:

"Our efforts made over the last year have started to bear fruit: Tele2 Russia holds the fourth position by market share; during the last 12 months, about 1 million new subscribers have been joining us each quarter; and two regions that were launched just nine months ago have already passed the EBITDA break-even point. This proves not only that discount operator's services are in high demand in Russia, but also that we have an efficient operating model."