



11.02.2010

## **Tele2 reports 4Q and FY 2009 results: subscriber base growth at 39%**

### **Moscow – Today Tele2 Russia, a European mobile operator, has announced its consolidated 4Q and FY 2009 result.**

In 4Q Tele2 Russia launched services in 10 new regions as required by the licenses obtained at the end of 2007. With the launch of its cellular network in Kaliningrad Region scheduled for February 13, 2010, Tele2 will be operating in 37 regions with a total population of 61 million people.

The results exceeded all expectations. The next step in the development of our new companies is to become one of the top three mobile operators in the region. The business objectives will be adjusted accordingly: instead of an aggressive build-up of the subscriber base, the company will focus on increasing ARPU and implementing subscriber retention programs.

According to the 2009 results, Tele2 subscriber base in Russia grew by 39 percent to 14,451,000 users. The subscriber base growth was bolstered by launches in new regions, ongoing development of more mature regions, changes in the accounting policy, as well as lower subscriber outflow rates across Russia in general.

Operating revenue rose by 11 percent in 2009 to 31.6 billion rubles, compared with 26 billion rubles in 2008. EBITDA went up by 4 percent to 10.3 billion rubles (vs. 9 billion rubles in 2008). In 2009, CAPEX grew by 31% to 9.3 billion rubles from 6.4 billion rubles in 2008.

In 4Q 2009, Tele2 Russia continued to pursue a strategy whereby the launches in new regions were supported by growth in financial performance in the mature regions. The number of subscribers over this period increased by 1,149,000 users (484,000 according to 4Q 2008 results, and 1,100,000 according to 3Q 2009 results), including 944,000 subscribers in new regions (105,000 according to 4Q 2008 results).

Financial indicators also continued to improve. Operating revenue increased by 8 percent as compared to 4Q last year and reached 9 billion rubles. Positive trends in profitability as measured by EBITDA are primarily a result of a strong growth in financial performance in the mature regions where the company focused on measures to retain subscribers, earn their loyalty and encourage the use of services rather than on increasing its market share. In 17 mature regions, EBITDA totaled 3.7 billion rubles (vs. 2.5 billion rubles in the corresponding period a year earlier), which implies a profitability of 45 percent (vs. 36% in 4Q 2008). In the new regions, EBITDA was minus 811 million rubles (vs. minus 232 million rubles in 4Q 2008). EBITDA profitability for Russia as whole was 32 percent (same as in the corresponding period of 2008).

Despite the active subscriber base growth in the new regions, MoU (average minutes of use) for Russia as a whole rose by 8 per cent over the same period in the previous year to 227 minutes (vs. 211 minutes the year before). ARPU in ruble terms increased by 4 per cent to 216 rubles (vs. 208 rubles in 4Q 2008).

### **Dmitry Strashnov, Tele2 Russia CEO:**

In 2009, the company focused its efforts on expanding the territory of Tele2 presence in Russia: during the second half of the year, we launched our services in 18 Russian regions, thus having almost doubled our coverage. Next to come is the launch of our cellular network in the Kaliningrad region, which will enable Tele2 to completely cover the north-western part of Russia. Our 2009 operating results prove that people in Russia do need a discounter operator who offers premium-quality communication services at affordable prices. Tele2 is the only operator in the Russian market to have a business model like this and successfully use it throughout the territory of its presence. Our



objectives for 2010 are equally ambitious: Tele2 business in Russia is scaling up and the situation in the industry is changing dynamically, so we need to adjust to it. Our goal is to become a strong player at the federal level, a nation-wide discounter operator. We are interested in further geographical expansion, including into the Moscow region. Participation in deploying a new-generation 4G-LTE cellular network in Russia is of no less importance to us. The pan-European Tele2 Group possesses experience in building such network in Sweden and is ready to use its experience in Russia. For this purpose we are planning to participate in future tenders, provided that their terms appear to be reasonable and correspond to our business development strategy in Russia.