



## PRESS-RELEASE

### Q1 2009 RESULTS FOR TELE2 RUSSIA: IMPROVED EFFICIENCY IN EXISTING REGIONS AND NEW REGIONS LAUNCHES PREPARATION

**April 23<sup>rd</sup>, 2009, Moscow – Today «TELE2 Russia», Russian subdivision of one of Europe's leading alternative telecom operator, announced its consolidated results for the first quarter 2009 and plans for further development of its operation.**

During Q1 2009, TELE2 made continued operational progress focusing on improved efficiencies for existing regions and cost cutting in network deployment. New region activities accelerated during the quarter across network deployment and commercial activities. TELE2 is operating now in 17 regions with customers' base of more than 10.6 million people and will launch at least 18 new operations during 2009-2010.

**IN Q1 2009** customer development fell short of internal expectations and TELE2 added 220 000 new users (320 000 new users in Q1 2008). The positive trend of minutes of use continued in Q1 2009, despite the economic downturn. Due to tough price competition on the market, the growth in ARPU was flattened and amounted to RUR 215 (RUR 217 in Q1 2008).

For the whole TELE2 Russia Company operating revenue reached RUR 6 832 million (RUR 5 686 million - in Q1 2008) and EBITDA reached RUR 2 183 million (RUR 1 928 million in Q1 2008). EBIT in Q1 2009 was RUR 1 594 million (RUR 1 482 million – in Q1 2008). In Q1 2009 CAPEX reached RUR 2 252 million (RUR 950 million – in Q1 2008).

The EBITDA margin was impacted by lower prices per minute, the intensified roll-out of the 17 new GSM licenses, and the rouble devaluation & exchange rate losses. EBITDA in the 16 old regions amounted to RUR 2 439 million (RUR 2 046 millions in Q1 2008), equivalent to a margin of 36 percent. EBITDA margin for the whole TELE2 Russia Company (including Krasnodar and Kaliningrad) is about 32 percent.

VAS (Value Added Services) and data usage showed continued growth during the quarter despite economic turbulence, fuelled by TELE2's launch of GSM EDGE technology in all of its regions. The company also launched bundled offers for GPRS which are expected to demonstrate results in the second quarter.

TELE2 increased prices in regions where market conditions permitted, but the general pricing environment remains highly competitive. In any regions TELE2 always strives to be the leader of best price and best value for money.

As of 31<sup>st</sup> of March 2009 TELE2 Russia customer base exceeded 10 642 000 customers, and it's almost 54 percent of TELE2 Group mobile subscribers. Operating revenue in Russia are about 27 percents of TELE2 Group mobile operations (as it stated in Q1 2009 Interim Report).

One of the key issues in 2009 was the establishment of three areas – North-East, West and Center. The aim of this step is to support dynamic growth of TELE2 Russia operations. The general directors of these areas are Vladislav Shvaybovich, Alexander Sergeev and Dmitriy Lopatukhin respectively who headed regional operations before, reached excellent financial and operational results and were raised to a new level. TELE2 expects that full area management teams will be completed by the end of the year.

**AS FOR FURTHER DEVELOPMENT PLANS**, the most important direction is launches in new regions. TELE2 Russia expects to launch its first new region – Tomsk - during May – July 2009 and to launch 6 additional regions in the third quarter. It's still expected that up to 12 out of 18 new networks will be launched during 2009.

The market strategy in new regions, including Tomsk, will not differ from the strategy in existing regions: low prices, full set of mobile services, including EDGE, good quality of connection and excellent customers care, aggressive marketing communication. The Tomsk coverage plan implies Tomsk and cities around it at the launch stage and intensive network expansion after that.



The base plan is that an infrastructure-based operation should be able to reach EBITDA breakeven three years after commercial launch date. However, there might be regional differences, moving the breakeven date either forward or backwards. The longer-term market share in the 17 new regions should not deviate significantly from the historic market share of TELE2 Russia.

**Donna Cordner, TELE2 Russia CEO, comments:** «In Russia, TELE2 now had more than 10.6 million customers. We see that despite the uncertain economic situation people don't want to give up using mobile phones, but try to reduce their costs. Being mobile discounter TELE2 is ready to offer a best value for money for anyone in all regions of our presence.

Another important issue is that the whole TELE2 Group believes in Russia. We are, as the sole owner of our assets, positive about the future. Our operations in Russia are affected by the macroeconomic environment. However, we will continue to invest in the country. We strongly believe that great assets are built in times of turbulence. By making the necessary investments now we have the chance to get into better shape than the competition.

TELE2 will continue its investments into Russian operations both in new networks and new products development. Despite the crisis, during last 1-1.5 years we have created more than 1000 positions in our regional offices; will launch new call-center in Chelyabinsk soon. Our customers will enjoy RBT and other new services during 2009. TELE2 Russia will continue to look for possibilities to carefully expand its operations in Russia and CIS-countries through new licenses as well as by complementary acquisitions which fit with its corporate culture».

**Further information can be obtained from:**

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**TELE2 in brief**

**TELE2**

TELE2 is one of the Europe's leading alternative telecom operator. TELE2's mission is to provide affordable and easy connectivity for everyone at anytime. Tele2 always strives to offer the market's best prices. We have 24.5 million customers in 11 countries. TELE2 offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. TELE2 has been listed on the OMX Nordic Exchange since 1996. In 2008, we had net sales of SEK 39.5 billion and reported an operating profit (EBITDA) of SEK 8.2 billion.

Please visit us at [www.TELE2.com](http://www.TELE2.com)

The company has been operating in Russia since 2003. Now "TELE2 Russia" provides GSM mobile telecom services in 17 regions: Saint-Petersburg and Leningrad region, as well as in Arkhangelsk, Murmansk, Novgorod, Republic of Komi, Smolensk, Kursk, Voronezh, Belgorod, Lipetsk, Nizhny Novgorod, Rostov regions, Krasnodar Territory and Republic of Adygei, Republic of Udmurtia, Chelyabinsk, Kemerovo, Omsk regions. At present TELE2 customer base in Russia exceeds 10 642 000 subscribers (as of 31<sup>st</sup> of March 2009). TELE2 Russia has a cellular telecom networks in Kaliningrad region and licenses for GSM mobile telecom services in 17 regions of the RF which will be launched in 2009-2010. The total number of citizens on the territories where TELE2 has licenses exceeds 61 million people.

Please visit TELE2 Russia web-site at [www.TELE2.ru](http://www.TELE2.ru)