



## PRESS-RELEASE

### TELE2 RUSSIA: THIRD QUARTER AND NINE MONTHS OF YEAR 2008 RESULTS

October 23<sup>rd</sup>, 2008, Moscow – Today TELE2 Russia, one of Europe's leading alternative telecom operator, announced its consolidated results for the third quarter and the nine months of 2008 and plans for further development of its operation. The results and plans has been presented by Donna Cordner, TELE2 Russia CEO and Market Area Director, and Yuri Dombrovsky, TELE2 Russia Chairman, in the framework of special press-conference.

TELE2 Russia continued to show good operational performance, despite highly competitive environment.

**IN THE THIRD QUARTER 2008** customer net intake amounted to 449 000 (631 000 – in Q3 2007). Operating revenue in Q3 2008 reached USD 266 million (USD 192 million - in Q3 2007). The EBITDA reached USD 95 million (USD 64 million in Q3 2007). The EBITDA margin improved to 36 percent during the Q3 2008 (33 percent during Q3 2007), mainly driven by further scale benefits in the 16 operational regions. This should be seen in the light of increasing operational and capital expenditures related to the roll-out of operations in the Krasnodar region as well as in the 17 new regions recently awarded. ARPU amounted to USD 9.08 in Q3 2008 (USD 8.15 in Q3 2007) driven by improved quality of service together with strong economic development (229.34 RUR and 208 RUR respectively).

During the quarter, TELE2 continued to invest in the Krasnodar region together with preparatory work to start roll-out in the 17 new regions, which were awarded in Q4 2007. As a result, the EBITDA margin was to some extent hampered by the 18 new regions to be launched. Competition is very tough in Russia, but TELE2 was able to improve its market position due to continued price leadership, improved network quality, bright and provocative marketing communication and high-class customer service.

**IN NINE MONTHS OF 2008** customer net intake amounted to 1374 000 (1 543 000 – in January - September 2007). Operating revenue in 9M 2008 reached USD 743 million (USD 529 million - in 9M 2007). The EBITDA reached USD 265 million (USD 167 million in 9M 2007). Operating revenue in Russia are about 26 percents of TELE2 Group mobile operations (in 9M 2008).

**TELE2 subscribers in Russia includes 9 934 000 people** as of September 30th, 2008. Customer base in Russia exceeds 52 percent of TELE2 Group mobile subscribers.

According to AC&M information (September 2008), TELE2 has the **biggest market share in 5 regions**, including Chelyabinsk, Rostov-on-Don, Omsk, Udmurtia and Voronezh, and has the #2 position in 5 other regions.

**AS FOR FURTHER DEVELOPMENT PLANS**, TELE2 Russia is expecting that we can reach 11 million customers by the first half of 2009 and ARPU of USD 10 in the medium term. The EBITDA margin is expected in the range of 35-40%. TELE2 will continue to add between 300 000 and 500 000 net adds per quarter.

TELE2 Russia was awarded mobile telephony licenses for GSM in 17 new regions in Russia in the end of 2007 and we expect that from 9 to 12 of 17 regions will have been launched in 2009. The base plan of the infrastructure based operation should be able to reach an EBITDA break-even three years after commercial launch date. However, there might be regional differences, moving the break-even 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.

**TELE2 Russia also announced that Krasnodar operations will be launched by the end of 2008.** The market strategy in this region will not differ from the strategy in other regions: low prices, good quality of connection and services, aggressive marketing communication. It's expected that key cities and the Black sea coast will be launched firstly with intensive network expansion after the launch.



**Donna Cordner, TELE2 Russia CEO and Market Area Director of Russia and Central Europe, comments:** «TELE2 Russia will continue to look for possibilities to expand its operations in Russia through new licenses as well as by complementary acquisitions. We will further investigate the possibility of moving into mobile operations in the CIS as well. Our proven track-record of running efficient and successful mobile operations underlines that this is the right way forward for TELE2.

TELE2 Group is now about to exit the phase of realignment, and to enter a new phase of transformation. This implies that our product portfolio will transform to fit the future demands of our customers. People will go for mobility everywhere – and they want it to be fast and immediate. Customers only pay for value. By investing more in coverage, capacity and quality, we will offer our customers great products, yet still at the best price. Mobile services first, and if it makes commercial sense, complement them by fixed broadband and telephony. TELE2 has a strong financial position, and we are looking to invest in our existing core businesses. Going forward, we will focus even more on growth in mobile, mobile internet and corporate services. We should not forget our roots, where TELE2 has been successful as a challenger in mobile and green field operations».

**Yuri Dombrovsky, TELE2 Russia Chairman:** «I would like to note positive changes in telecom industry regulation during the last time. These are establishing one-window principle at receiving frequencies in SRFC, technical neutrality at SCRF frequencies lines allocation, notifying type of registration. These changes will speed up networks launch and will help operators in these difficult times»

**Further information can be obtained from:**

**Sergey Andriyashkin**

TELE2 Russia PR-manager

Tel.: +7 (495) 229-84-00, ext. 8611

Mob.: +7 (909) 942-29-86

E-mail: [Sergey.Andriyashkin@tele2.com](mailto:Sergey.Andriyashkin@tele2.com)

---

**TELE2 in brief**

**TELE2**

TELE2 is one of Europe's leading alternative telecom operators. TELE2's mission is to provide price leading and easy to use communication services. Tele2 always strives to offer the market's best prices. We have 24 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 2007, we had net sales of SEK 40.1 billion and reported an operating profit (EBITDA) of SEK 6.3 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 16 regions: Saint-Petersburg and Leningrad region, as well as in Arkhangelsk, Murmansk, Novgorod, Kemerovo, Rostov, Omsk, Nizhny Novgorod, Smolensk, Kursk, Voronezh, Belgorod, Lipetsk, Chelyabinsk regions, in Republic of Udmurtia and Republic of Komi, and also a cellular telecom networks in Krasnodar Krai and Adygei Republic belong to the company. Besides the company has licenses for GSM mobile telecom services in 17 regions of the RF. The total number of citizens on the territories where TELE2 has licenses exceeds 60 million people. At present TELE2 subscribers in Russia include 9 934 000 people (as of September 30<sup>th</sup>, 2008). Please visit us at [www.tele2.ru](http://www.tele2.ru)