



PRESS-RELEASE

TELE2 IS FORECASTING THE LARGEST GROWTH IN THE OPERATIONS IN RUSSIA

Moscow, July 25th, 2008 – Today TELE2 Russia, the leading European telecom operator, announced its consolidated results for the second quarter and the first half 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.

The mobile operations of TELE2 continue to show good and robust operational performance, despite a very competitive environment. TELE2 Russia once again managed to improve profitability and is forecasting the largest growth in the operations in Russia.

IN THE SECOND QUARTER 2008 customer net intake amounted to 606 000 (778 000 – in Q2 2007). Net sales in Q2 2008 reached USD 265 million (USD 183 million - in Q2 2007). The EBITDA reached USD 94 million (USD 60 million in Q2 2007). The EBITDA margin improved to 36 percent during the Q2 2008 (33 percent during Q2 2007), mainly driven by further scale benefits in the 17 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. EBIT in Q2 2008 reached USD 74 millions (USD 42 million in Q2 2007). ARPU amounted to USD 9.5 in Q2 2008 (USD 8 in Q2 2007) driven by improved quality of service together with strong economic development.

During the quarter, TELE2 continued to invest in both the Krasnodar region as well as in the 17 new regions, which were awarded in Q4 2007. Competition continued to be tough in Russia, but TELE2 was able to improve its market position due to improved network quality and continued price leadership.

IN THE FIRST HALF OF 2008 customer net intake amounted to 925 000 (1 356 000 – in 1H 2007). Net sales in 1H 2008 reached USD 507 million (USD 347 million - in 1H 2007). The EBITDA reached USD 178,4 million (USD 107,2 million in 1H 2007). EBIT in 1H 2008 reached USD 137 millions (USD 68 millions in 1H 2007). Net sales in Russia are about 26 percents of TELE2 Group mobile operations (in 1H 2008).

At present **TELE2 subscribers in Russia include 9 485 000 people** as of June 30, 2008 (7 365 000 – as of June 30, 2007). Customer base in Russia exceeds 50 percent of TELE2 Group mobile subscribers.

According to AC&M information (June 2008), TELE2 has the **biggest market share in 4 regions**, including Chelyabinsk, Rostov-on-Don, Omsk and Voronezh.

AS FOR FURTHER DEVELOPMENT PLANS AND FORECASTS, TELE2 Russia is expecting that we can reach 11 million customers in the first half of 2009 and ARPU of USD 10 in the longer term. The EBITDA margin is expected on the level of 35-40%.

TELE2 Russia was awarded mobile telephony licenses for GSM in 17 new regions in Russia in the end of 2007 and we expect that four regions will have been launched as of H1 2009 and five regions as of H2 2009.

The following points are still valid when estimating the financial impact of the 17 new licenses:

- ➔ In 2008 operational expenditures are estimated at USD 8-12 million and capital expenditures are estimated at USD 82-98 million.
- ➔ In 2009 operational expenditures are estimated at USD 29-33 million and capital expenditures are estimated at USD 130-163 million.

Donna Cordner, TELE2 Russia CEO and Market Area Director of Russia and Central Europe, comments: «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 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».

Going over situation on telecom market in Russia, **Yuri Dombrovsky, TELE2 Russia Chairman**, noted: Russia's telecommunications market has, indeed, been demonstrating excellent dynamics in the majority of the segments, including mobile telecommunications. The 2007 growth rate was 13.8%. We believe that this trend will prevail in the future, albeit at a lower rate. There are still those who cannot afford a mobile phone for the price reasons, for instance, employees of the budget-financed institutions, students and pensioners. Thus, one of the growth dimensions is attracting these people by offering them reasonably priced tariffs. Most of them are our subscribers. TELE2 is the mobile discounter which provides inhabitants with price-leading and quality communication services. This attracts people with small income. Market development potential also lies in expansion of the VAS range and active mass promotion of these services that would ensure retention of the existing subscriber base and better financials. Finally, duration of the collections (MoU) also tends to increase: it's no secret that that the overall duration of connections in minutes over user in Russia is lower than in the European countries, although it has been growing gradually. By the way, Russian consumers spend only around 4% on telecom services, which is much less than in Europe. We believe in the Russian consumer market».

Further information can be obtained from:

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TELE2 in brief

TELE2

TELE2 is Europe's leading alternative telecom operator TELE2's mission is to provide cheap and simple telecoms for everyone in Europe. TELE2 always strives to offer the market's best prices. We have 24 million customers in 12 countries. TELE2 offers fixed and mobile telephony, broadband, data network services and cable TV. 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 OMX Nordic Exchange Stockholm since 1996. In 2007 we had operating revenue of SEK 43.4 billion and we reported an operating profit (EBITDA) of SEK 6.6 billion.

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 9 458 000 people (as of June 30, 2008).