

TELE2 Russia:

Q3 2008 RESULTS AND DEVELOPMENT

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Moscow,

October, 23rd, 2008

The logo consists of the word "TELE2" in a bold, black, sans-serif font. The letters are thick and blocky, with a distinctive design where the 'E's and '2' have a slightly irregular, hand-drawn appearance. The '2' is particularly large and stylized, with a thick vertical stem and a curved top.

TELE2 IS A PART OF THE WORLDWIDE IT & MEDIA GROUP OF COMPANIES



Investment AB Kinnervik

Investment company



MIC

Millicom
International
Cellular S.A.

TELE2



TRANSCOM

Telecom & CRM



Entertainment TV

MTG
MODERN TIMES GROUP



metro 
INTERNATIONAL

Large-circulation newspaper



TELE2

TELE2 IN BRIEF

- 23 million customers in 11 countries
- Mobile operations in 9 countries
- Fixed broadband operations in 6 countries
- Fixed telephony operations in 8 countries

Our mission is to provide price-leading and easy-to-use communications solutions

Our core services are mobile services on own infrastructure complemented by fixed broadband



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TELE2 RUSSIA OUTLOOK

- **9 934 000 customers in 16 Russian regions** (as of September, 30th)
- The only service is **mobile telephony based on the own infrastructure**. The market strategy is price-leading and easy-to-use communication services
- More than **1 billion of investments** from 2001 till 2007.
- **New 18 GSM-networks** will be launched in 2008-2010. About USD200-300 millions will be invested in the development of new licenses network in 2008-2009.
- TELE2 has **the biggest market share in 5 regions** (according to AC&M research in September 2008): Omsk, Chelyabinsk, Rostov-on-Don, Izhevsk and Voronezh.
- **60 million population** in 34 regions covering TELE2 licenses

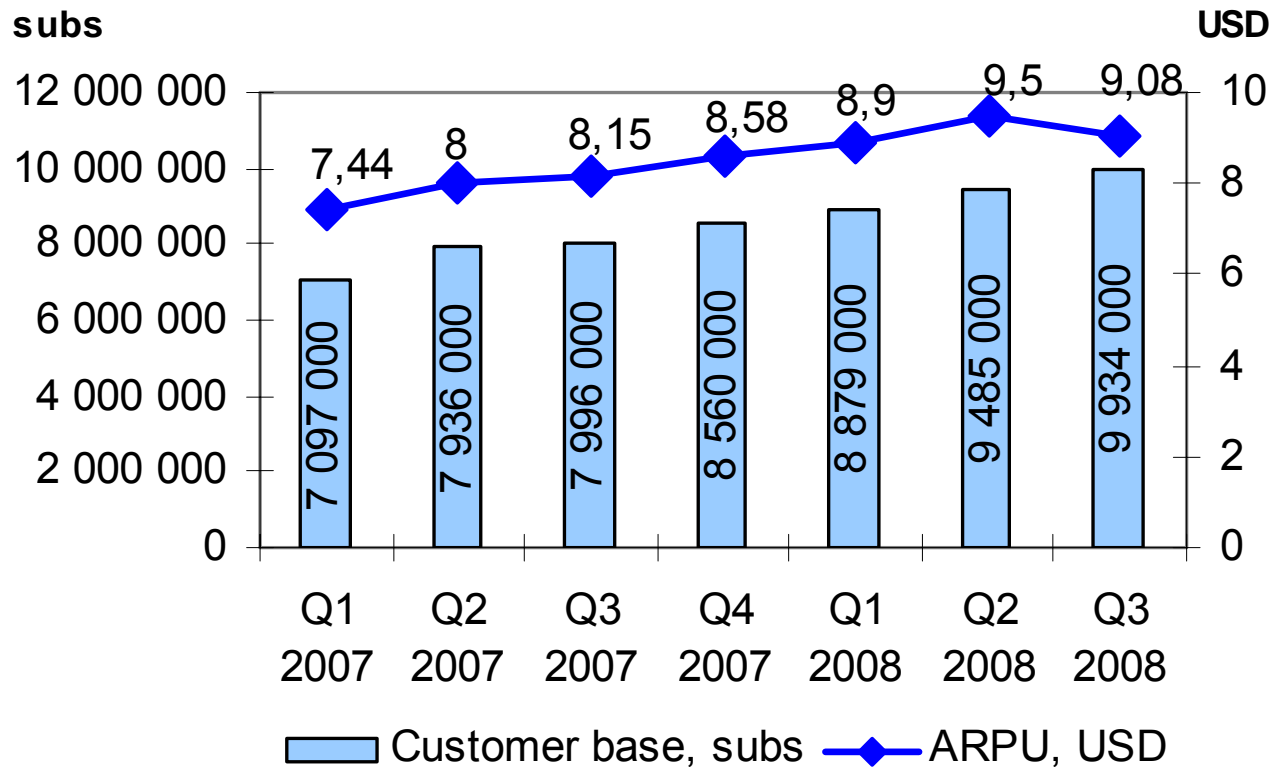
The logo for TELE2, featuring the word "TELE2" in a bold, black, sans-serif font. The "2" is significantly larger and more stylized than the other characters.

TELE2 RUSSIA: 3Q 2008 RESULTS

- ➔ Customer net intake – 449 000 (631 000 – in Q3 2007) subscribers
- ➔ Operating revenue – USD 266 million (USD 192 million – in Q3 2007)
- ➔ EBITDA – USD 95 million (USD – 64 million in Q3 2007)
- ➔ EBITDA margin – 36% (33% in Q3 2007)
- ➔ ARPU – USD 9.08 (USD 8.15 in Q3 2007)

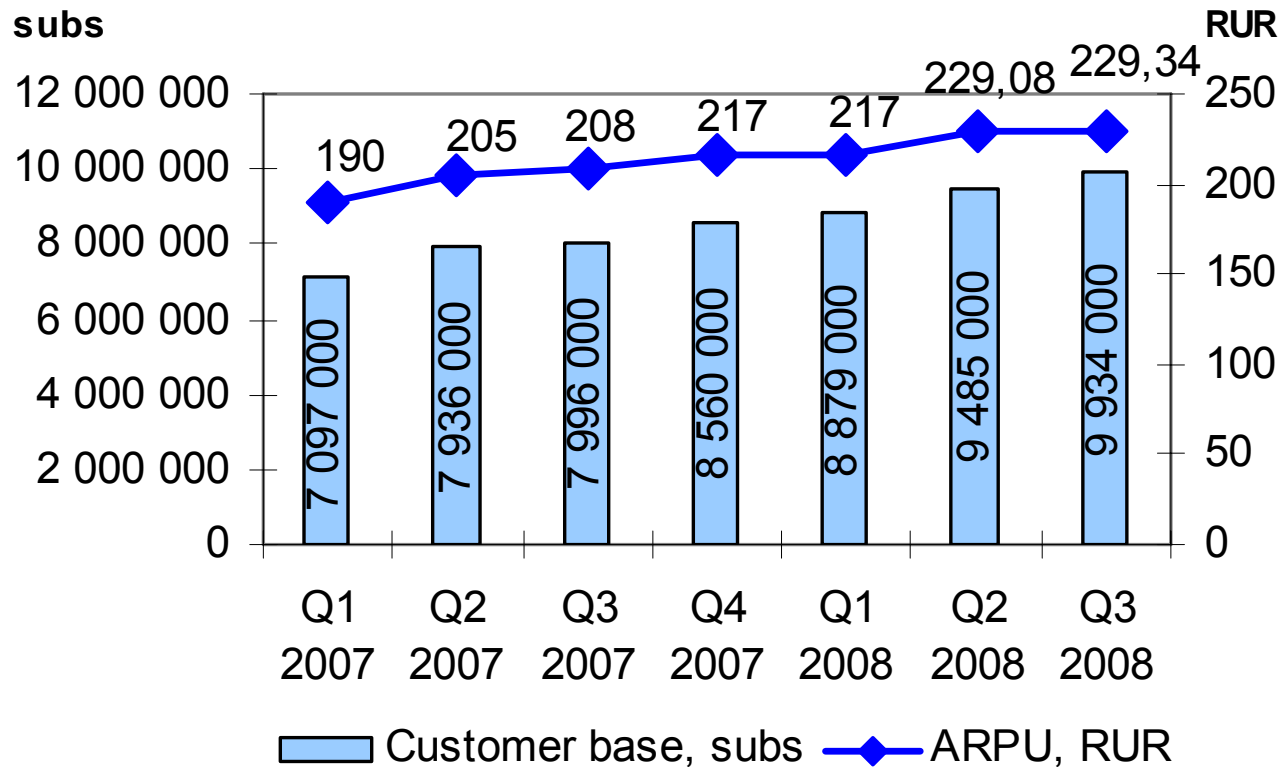
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STRONG ARPU IN COMBINATION WITH CUSTOMER GROWTH



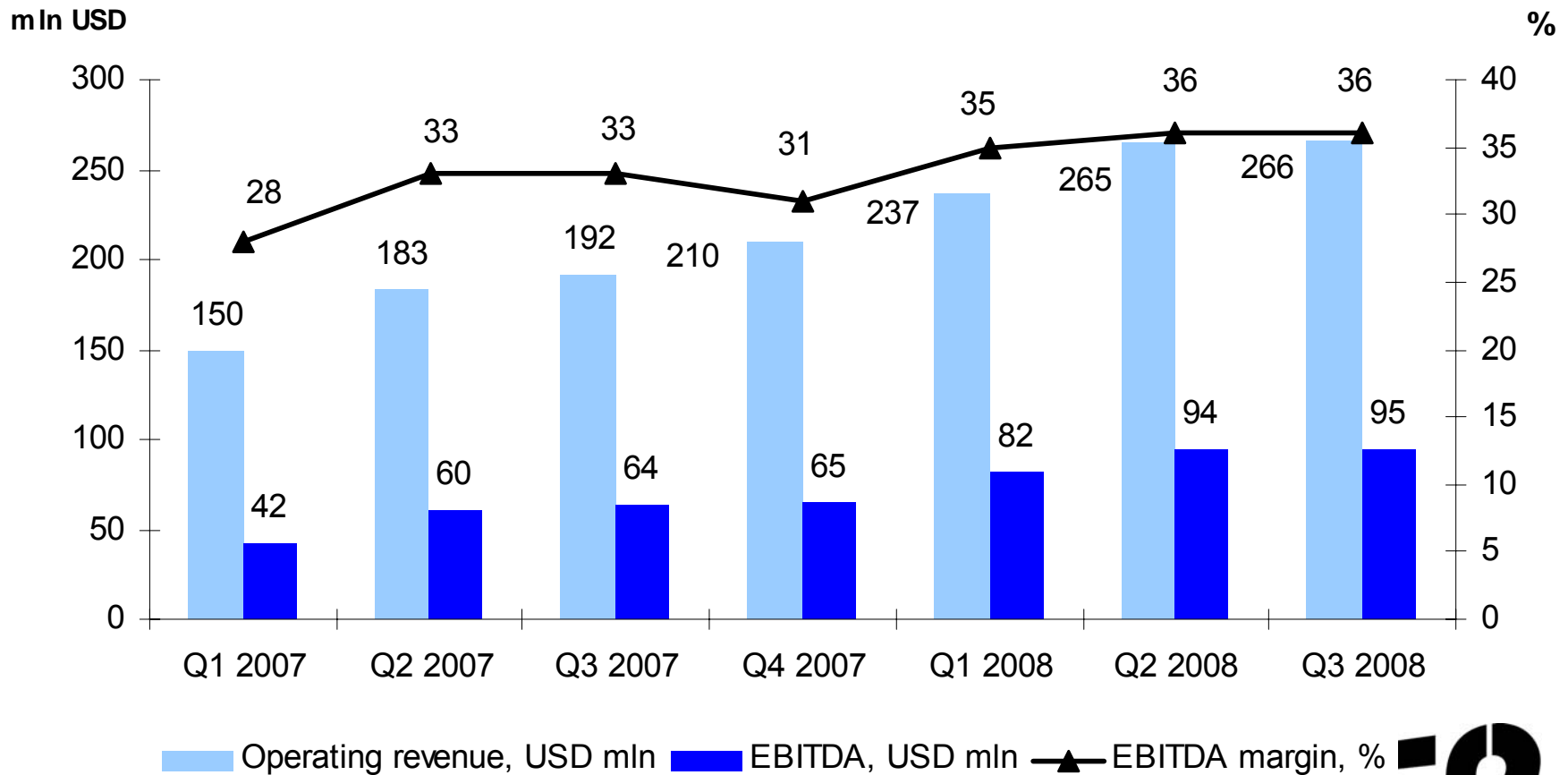
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STRONG ARPU IN COMBINATION WITH CUSTOMER GROWTH



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EBITDA MARGIN EXPANSION CONTINUES



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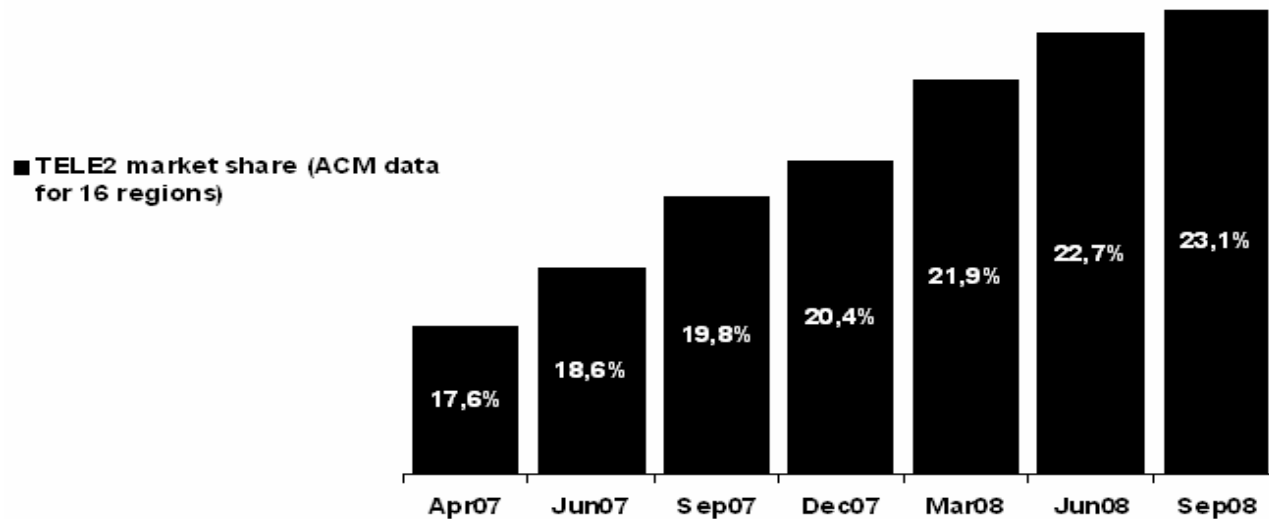
TELE2 RUSSIA: JAN - SEPT 2008 RESULTS

- Customer net intake – 1 374 000 (1 543 000 – in Jan-Sept 2007) subscribers
- Operating revenue – USD 743 million (USD 529 million – in Jan-Sept 2007)
- EBITDA – USD 265 million (USD 167 million - in Jan-Sept 2007)
- EBITDA margin – 36% (32% in Jan-Oct 2007)

TELE2 subscribers in Russia – 9 934 000 people
(as of September, 30, 2008)

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TELE2 RUSSIA MARKET SHARE DYNAMICS



→ TELE2 Russia is #1 in 5 regions and #2 in 5 regions of its presence (according to AC&M, September 2008)

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TELE2 RUSSIA IN TELE2 GROUP (9M 2008)

CUSTOMER BASE

Customer base of TELE2 Russia exceeds **52%** of
TELE2 AB mobile subscribers

OPERATING REVENUE

Net sales of TELE2 Russia exceeds **26%** of net sales
in mobile segments of TELE2 AB

The TELE2 logo is displayed in a bold, black, sans-serif font. The letters are thick and blocky, with a slight shadow effect. The '2' is particularly large and stylized, with a white cutout in the middle.

KEY SUCCESS FACTORS

- ➔ **LOW PRICES STRATEGY.** We're mobile discounter and this is relevant to Russian market
- ➔ **NETWORK EXPANSION.** Both on national (new licenses and acquisitions) and local (rapid coverage growth)
- ➔ **BRIGHT AND PROVOCATIVE MARKETING COMMUNICATION.** It leads to high brand awareness and cost efficient promotion
- ➔ **HIGH-CLASS CUSTOMER SERVICE.** We are #1 in customer service
- ➔ **TEAM.** We have very professional team in Russia both on national and local levels

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OUTLOOK FOR EXISTING REGIONS

NET INTAKE:

TELE2 will continue to add between 300 000 – 500 000 net adds per quarter

- 11 million customers by 1H 2009
- EBITDA margin in range of 35-40 percent
- ARPU of above USD 10 in medium term

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OUTLOOK FOR NEW REGIONS

TIMING:

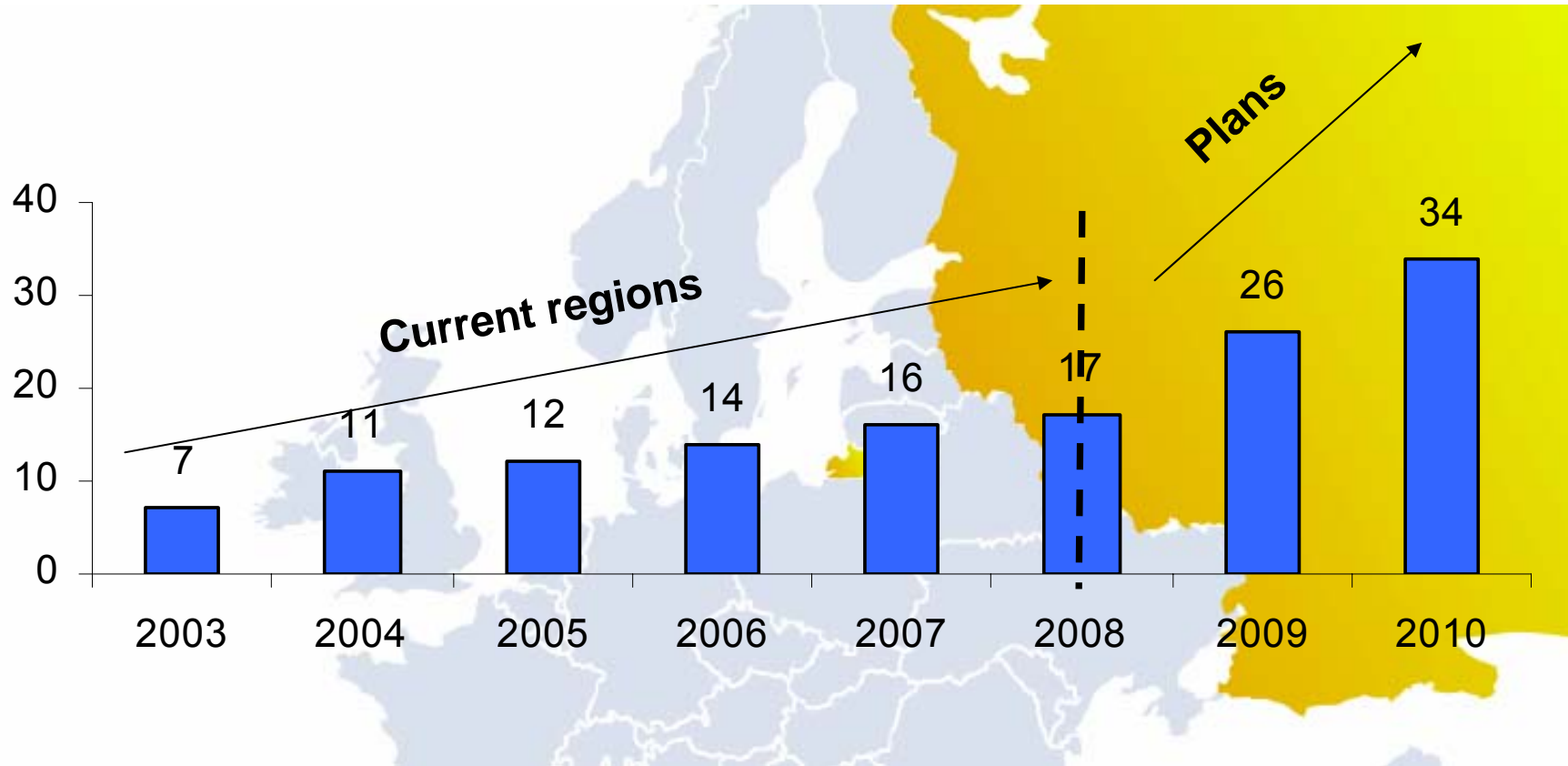
From 9 to 12 of 17 regions will be launched in 2009.

FINANCIAL INDICATORS

- **EBITDA break-even** – in three years after commercial launch date.
- The longer term **market share** should not deviate significantly from the historic market share of TELE2 Russia

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REGIONS LAUNCH DYNAMICS



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KRASNODAR LAUNCH 2008

REGION: Krasnodarski krai (Oct 2007) and Adygei Republic (Feb 2008)

LAUNCH TIME: by the end of 2008 (first areas)

MARKET STRATEGY: Low prices on good quality services

Cost of the mobile services fixed basket:

Krasnodar – 374 RUR / Rostov-on-Don – 365 RUR / Izhevsk – 327 RUR

Source: Comnews Research (Standard magazine, July 2008)

REGIONAL DEVELOPMENT: key cities and sea cost at the launch and intensive network expansion after that

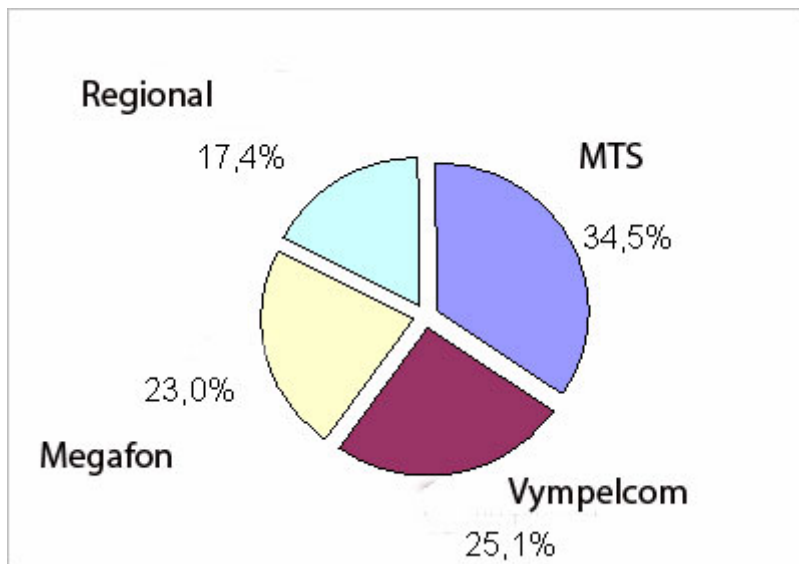
COMMUNICATION: Mafia advertising concept

FINANCIAL INDICATORS

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SHARE OF RUSSIAN MARKET (Q3 2008)



Groups of regional operators	Subscribers, mln
TELE2	9,9
Uralsvyazinform	5,5
Sibirtelecom	4,7
SMARTS (Volga region)	3,5
NSS (Volga region)	2,5
Ekaterinburg-2000	1,5
NTC (Vladivostok)	1,2

➔ According to ComNews Research (June 2008), the presence of regional operators, including TELE2, stimulates the market competition and forces the big-three operators to considerably reduce the prices of their services



POSITIVE TENDENCIES OF THE MARKET

- The understanding is maturing in the branch that it's reasonable and necessary to effect changes in such important spheres of regulation as distribution and use of the radio-frequency range, registration of communication networks, licensing and transmission of traffic.
- The latest changes in the regulation of radio-frequency range:
 - Competitions for frequencies UMTS and GSM, expected competitions for WiMAX;
 - The procedure of registration of radio-electronic facilities, near to notification;
 - Separate decisions of the State Committee of Radio Frequencies for the use of radio-frequency bands by new radio-electronic facilities with similar operation modes and specifications are not required;
 - On awarding of radio frequencies, the applicant is exempted from the independent application for the examination of compatibility with governmental radio-electronic facilities.
- Market participants hold a single position concerning many topical questions, trusting the representation of their interests to branch social organizations – so the foundations of self-regulation are laid.

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Thank you for your attention!

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