

Tele2 Russia 1H13 results

July 17, 2013

Aleksandr Provotorov
Tele2 Russia President and CEO

The logo for Tele2, featuring the word "TELE2" in a bold, white, sans-serif font. The letters are stylized with a blocky, geometric appearance. The "2" is particularly large and prominent, with a small vertical line through its center.

Tele2 Russia: rapid development on overall market slowdown

In 2012, mobile market exhibited first signs of possible stagnation. Largest mobile operators showed a drop in quarterly subscriber base and lower revenue growth rates.

Tele2 Russia key efficiency figures:

- Subscriber base exceeded **23 mn** people
- Subscriber base showed an outpacing growth of **7%** y-o-y
- The lowest churn rate in industry at **27%**
- EBITDA margin maintained at **>36%**

Tele2 Russia open to new opportunities

Mobile number portability (MNP)

- Tele2 is ready to launch MNP on 1 December provided relevant regulations are introduced

Technology neutrality

- LTE 1800 tests in Kaluga Region proved to be successful

MVNO-based model

- Tele2 supports the regulator in its intention to develop MVNO in Russia

M&A deals

- Acquisition of Voronezh operator Kodotel in June 2013



Tele2 Russia: supported by a new shareholder

- Tele2 Russia is jointly drafting a new strategy with VTB Group
- The operator's tariff policy remains unchanged: high-quality services at low prices
- Tele2 Russia continues to focus on business efficiency
- The company will preserve unique corporate culture



ВТБ

Мир без преград. Группа ВТБ

Tele2 Russia: 1H13 financial results

Lyudmila Smirnova

Tele2 Russia chief financial and
administrative officer

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1H13 financial results

Billion rubles	1Q13	2Q13	1H12	1H13
Subscriber base (thou)	22 882	23 235	21 633	23 235
Growth y-o-y	9%	7%	10%	7%
Revenue	15.4	16.4	28.2	31.8
Growth y-o-y	13%	12%	15%	13%
EBITDA	5.6	5.9	10.1	11.6
Growth y-o-y	18%	11%	9%	14%
EBITDA margin	36.4%	36.3%	35.8%	36.3%
CapEx	1.5	1.4	3.3	2.9
Free cash flow (after taxes)*	2.3	4.2	5.7	6.5
Growth y-o-y	-18%	45%	34%	14%
ARPU (rubles)	225	237	223	231
Growth y-o-y	3%	3%	4%	4%
MOU (minutes)	259	271	253	264
Growth y-o-y	5%	4%	7%	5%

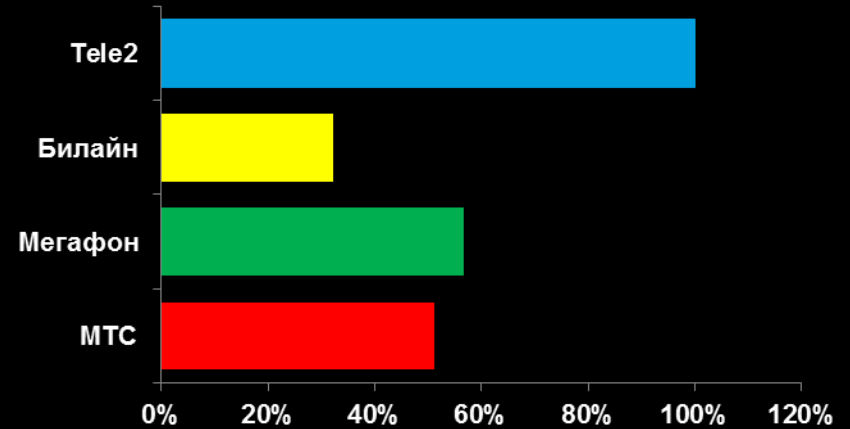
* EBITDA – CAPEX +Change in WC– Tax paid

Tele2 Russia efficiency ratios

Operating expenses to sales



Subscribers per one employee



Commercial expenses to sales



Constant cost control

Tele2 Russia: FY2013 forecasts

- Subscriber base ≈ **23.5 – 23.7** mn people
- Revenue ≈ **64.5 – 65.0** bn rubles
- EBITDA ≈ **22.6 – 22.9** bn rubles
- CapEx ≈ **6.5 – 7.0** bn rubles

Tele2 Russia: 1H13 operating results

Jere Calmes

Tele2 Russia First Deputy CEO

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Subscriber base steady growth

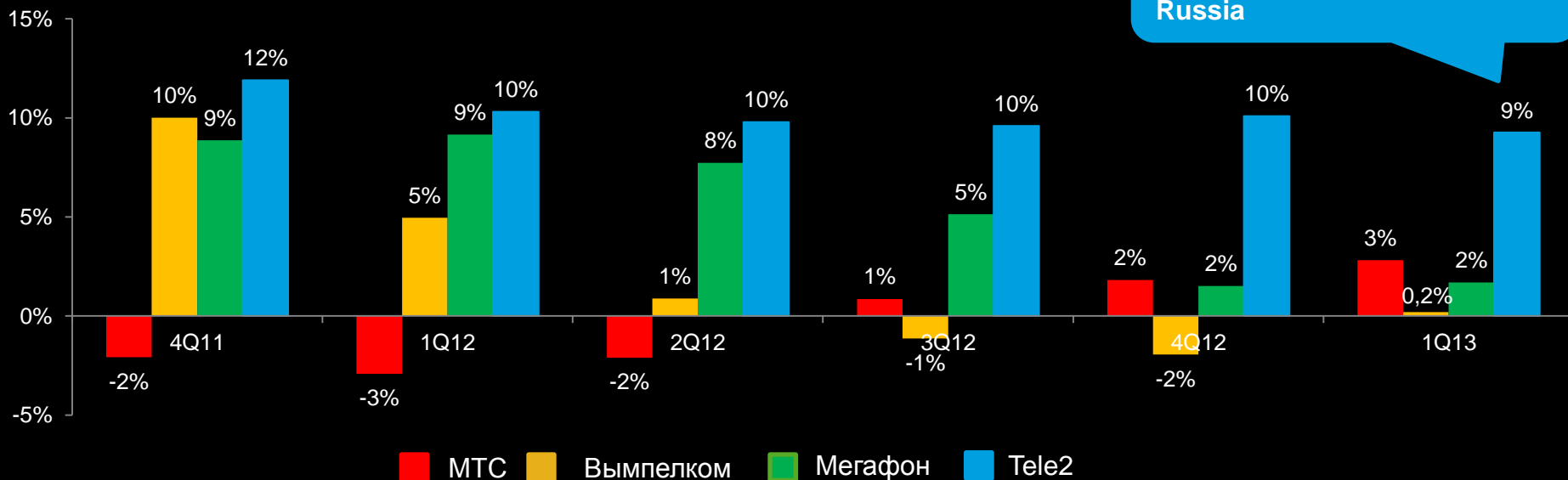
23 235

thou subscribers based on 1H13 results

7%

increase compared to the same period last year

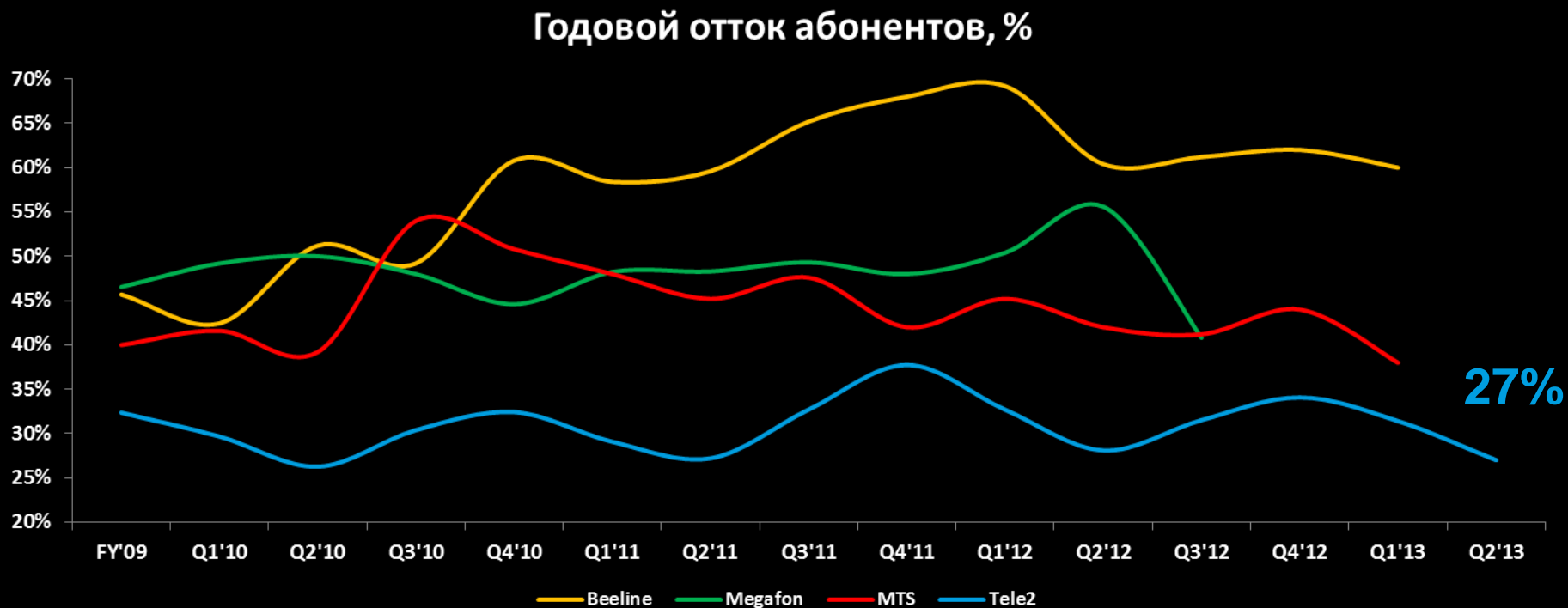
Increase in subscriber base, y-o-y



* According to AC&M Consulting

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Lowest churn in industry



- Tele2 Russia has the lowest churn rates against its peers
- Tele2 Russia managed to keep low churn rate despite seasonality

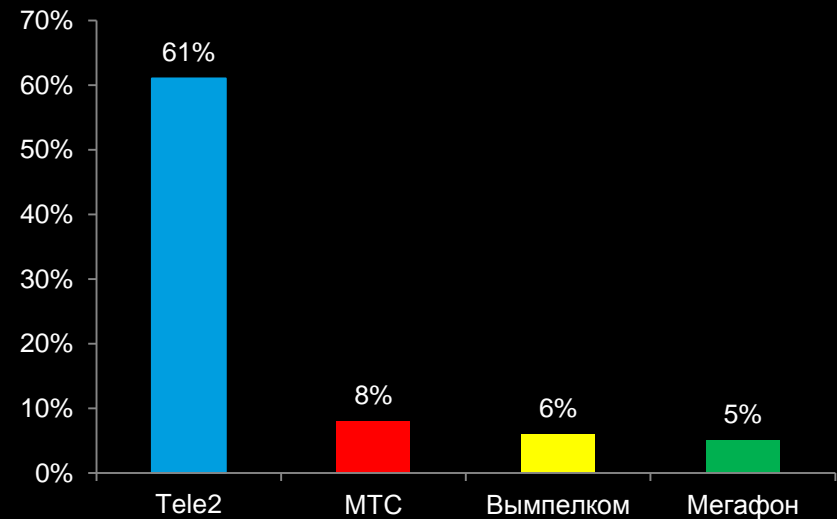
Official data of the companies; Megafon did not disclose churn rates over 4Q12 and 1Q13

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Price leadership

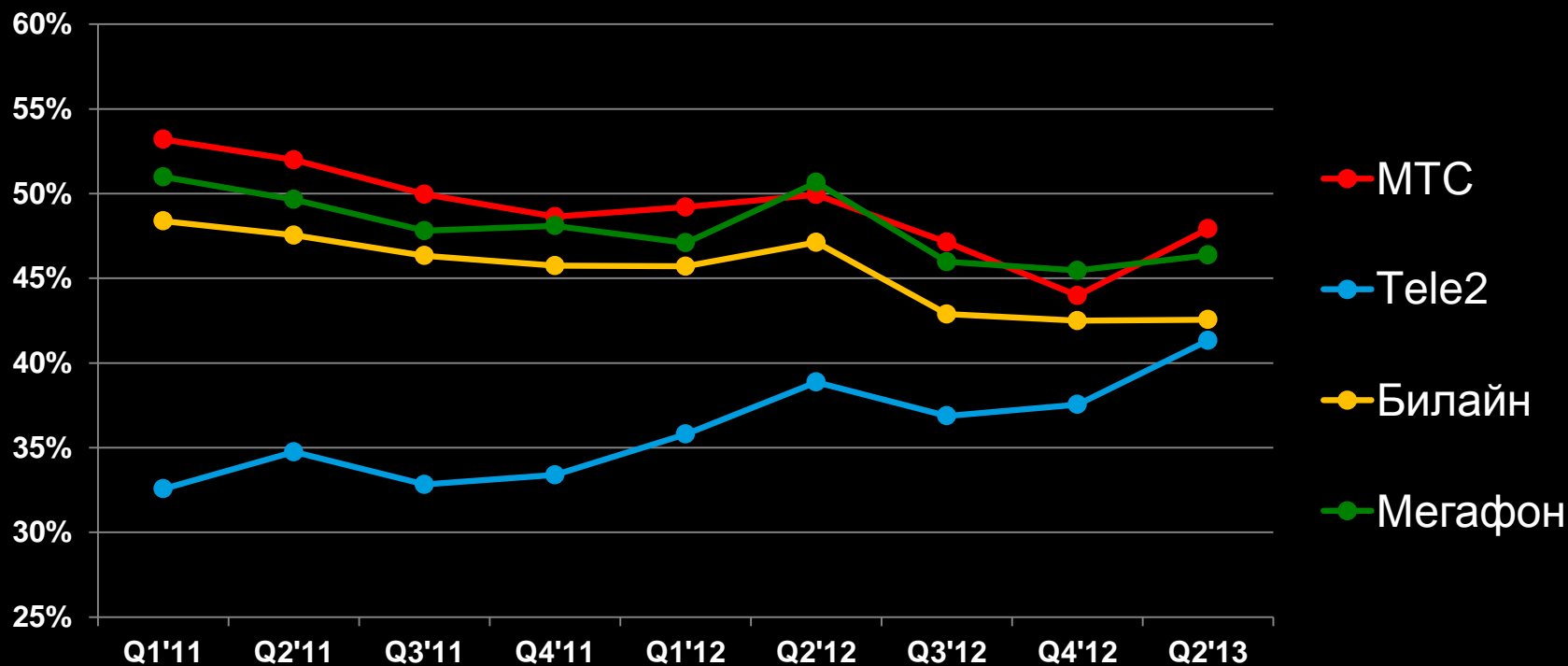
- Tele2 maintains lowest APPM on the market – **0.89** rubles
- **61%** subscribers consider Tele2 as operator that provides lowest prices on mobile services
- Absolute leader in number of regions with most profitable tariffs (according to Comnews Research)

Price Leadership Perception (PLP)*



* PLP (Price Leadership Perception) calculated as a part of Tele2 in-house quarterly research

Change in Quality Perception



Since 2011, Tele2 has showed a steady improvement in subscribers' quality perception

* QP (Quality Perception) calculated as a part of Tele2 in-house quarterly research

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2013 growth sources and main focus

- Maximum use of 2G opportunities
- Maintaining margin level in “mature” regions (Defenders) and increasing growth in “old” regions (Challengers, Newcomers)
- Building up subscriber base by connecting “good” subscribers
- Increase in B2B sales by **50%**
- Mobile commerce development. Planning a **4**-fold increase in transactions
- Increase in Internet sales by **50%**

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