



TELE2 Russia:

Q3 2008 RESULTS AND DEVELOPMENT

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October, 23rd, 2008



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

 *Investment AB Kinnorvik* Investment company



MIC
Millcom
International
Cellular S.A.

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 **TRANSCOM**

Telecom & CRM



Entertainment TV



metro
INTERNATIONAL

Large-circulation newspaper



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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



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TELE2 в России

■ регионы присутствия TELE2

■ регионы, в которых готовится запуск TELE2 в 2008 – 2010 гг

■ роуминговая зона TELE2*



TELE2 Russia is:

→ 16 regions where TELE2 operates

→ 18 new regions

TELE2.
просто дешевле

* Роуминг не предоставляется в следующих регионах России: Чукотский АО, Еврейская АО, Иркутская и Магаданская области, Камчатский и Забайкальский края, Республики Бурятия и Саха (Якутия).



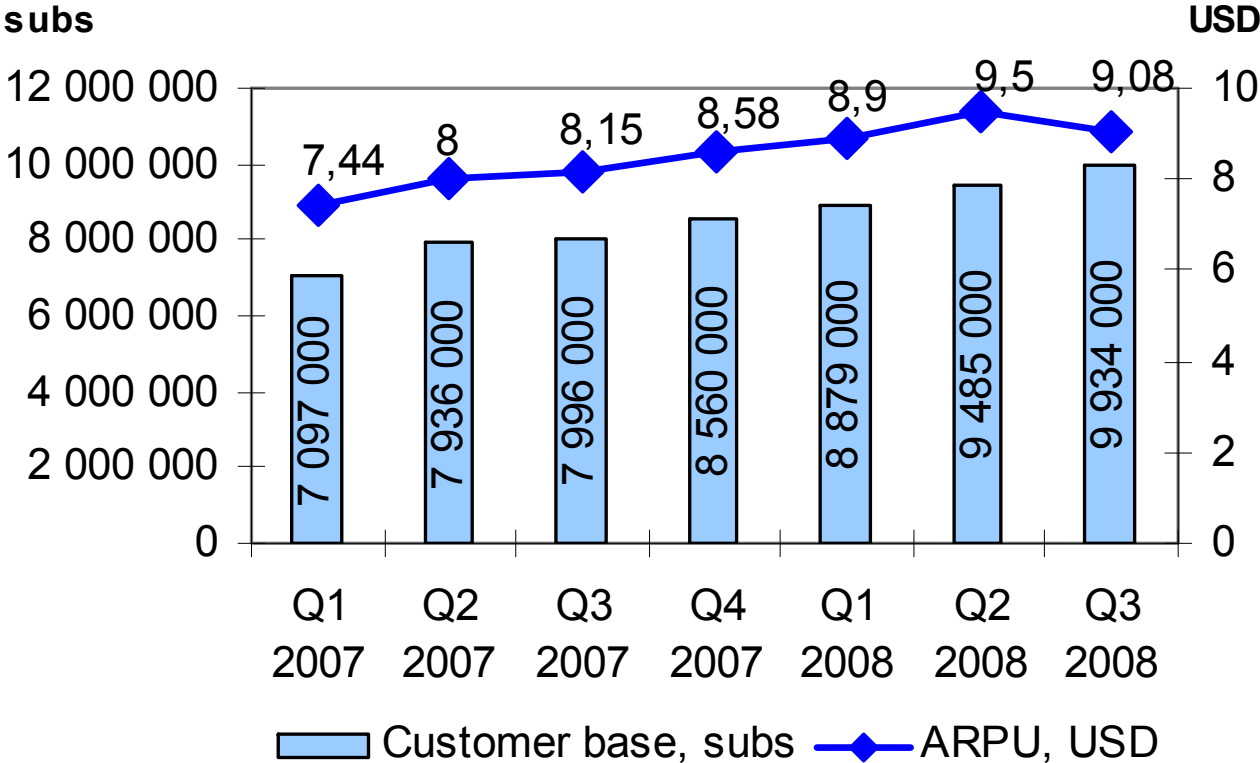
TELE2 RUSSIA: 3Q 2008 RESULTS

- Customer net intake – 449 000 (631 000 – in Q3 2007) subscribers
- Operating revenue – USD 266 million (USD 192 million – in Q3 2007) **+39%**
- EBITDA – USD 95 million (USD – 64 million in Q3 2007) **+48%**
- EBITDA margin – 36% (33% in Q3 2007)
- ARPU – USD 9.08 (USD 8.15 in Q3 2007) **+11%**



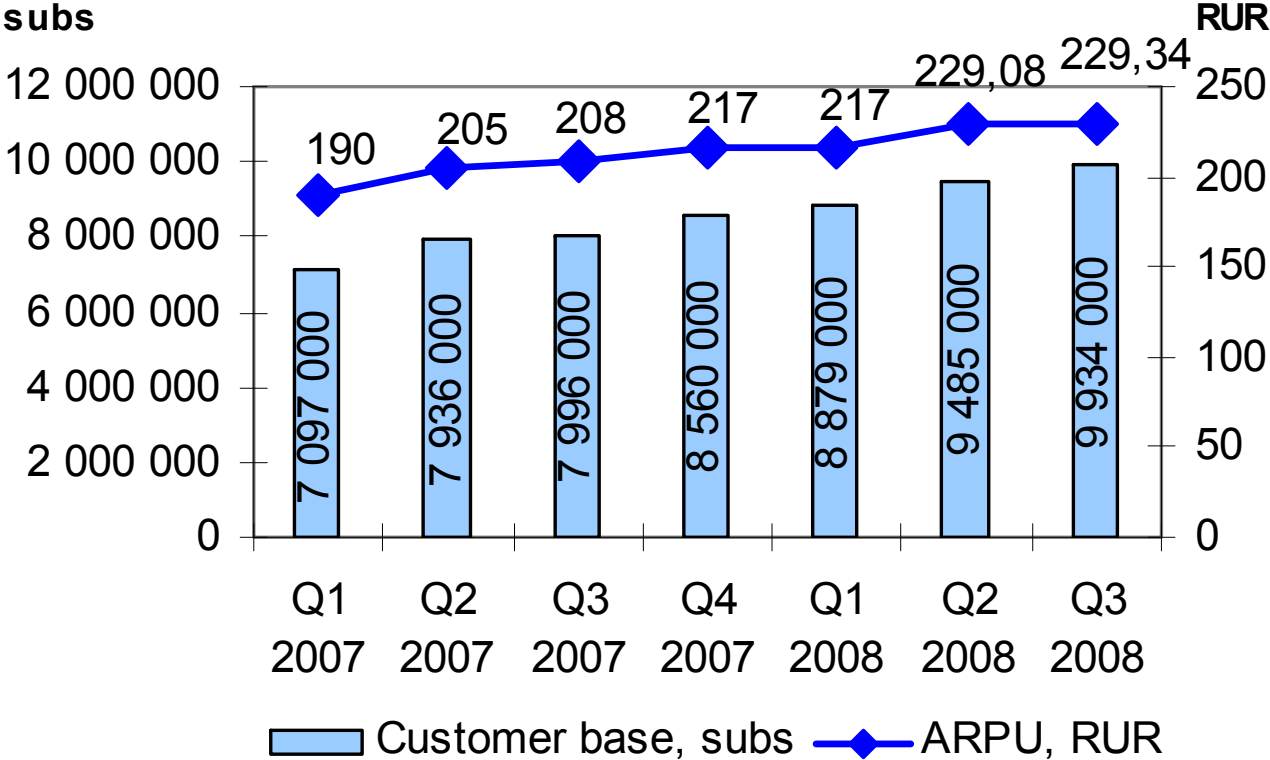
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STRONG ARPU IN COMBINATION WITH CUSTOMER GROWTH



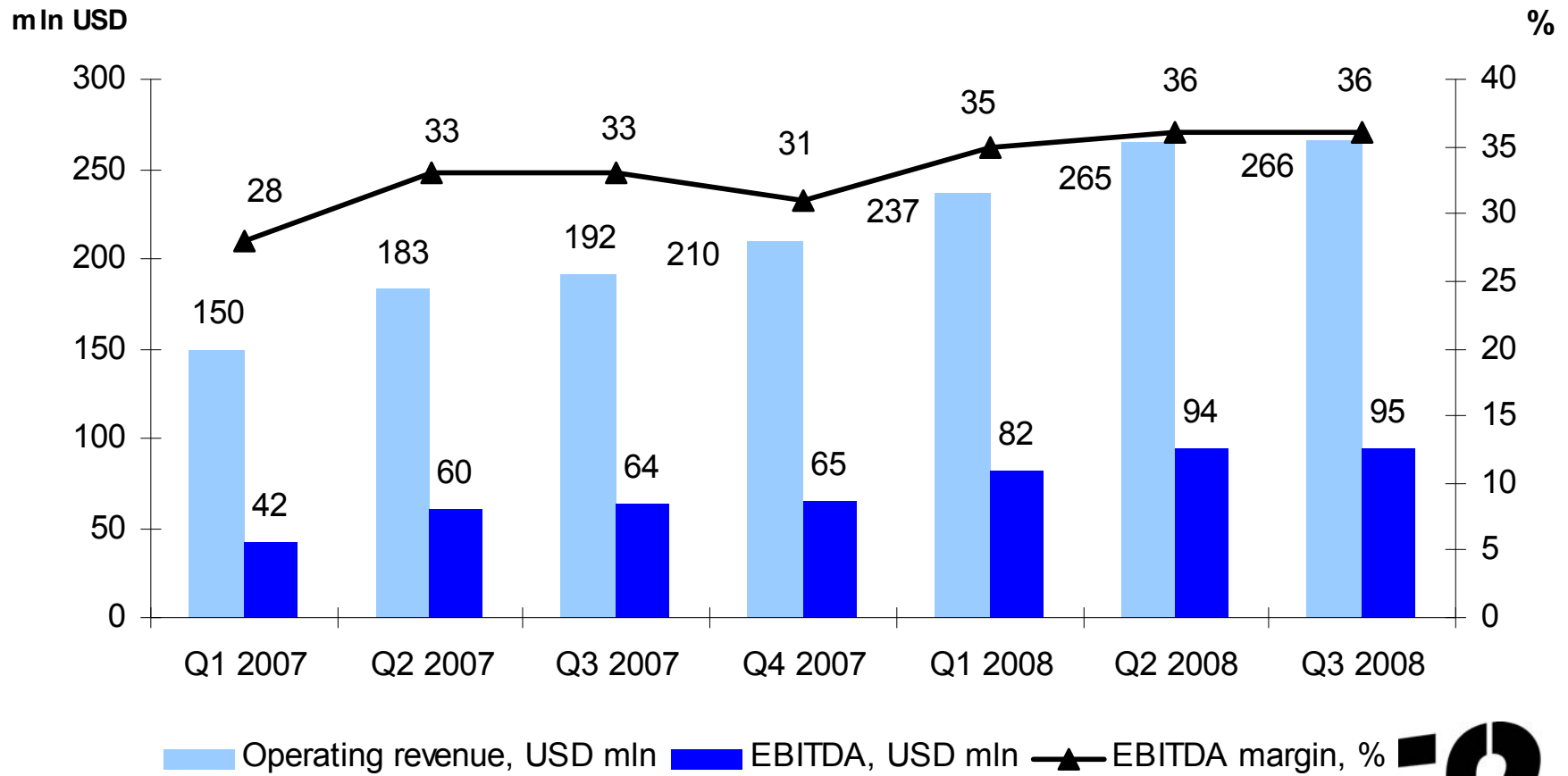
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STRONG ARPU IN COMBINATION WITH CUSTOMER GROWTH




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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) **+41%**
- EBITDA – USD 265 million (USD 167 million - in Jan-Sept 2007) **+59%**
- EBITDA margin – 36% (32% in Jan-Oct 2007)

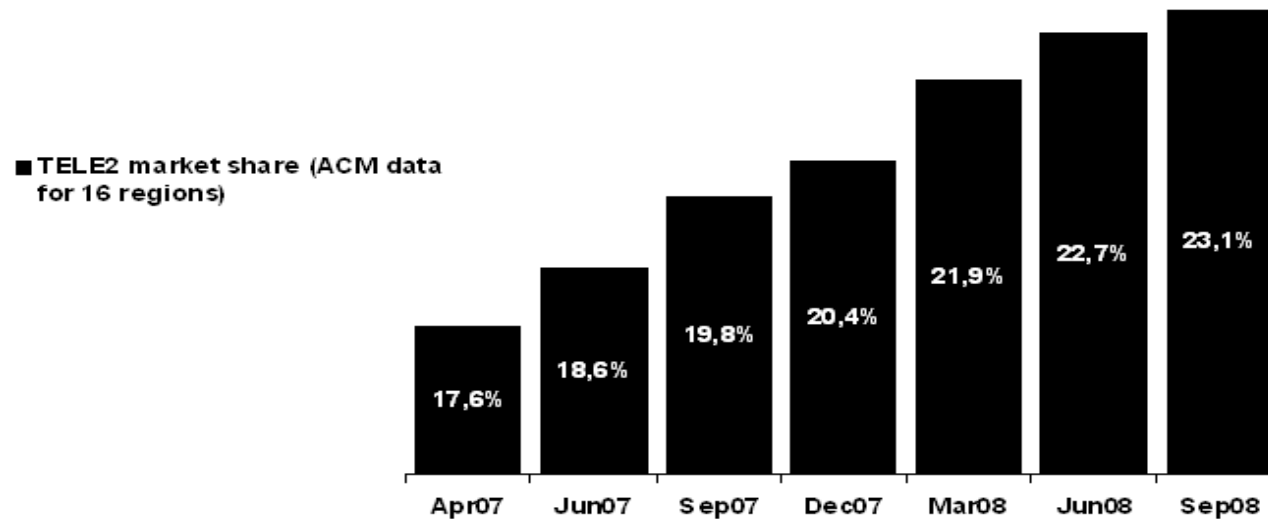
TELE2 subscribers in Russia – 9 934 000 people

(as of September, 30, 2008) **+24% to Q32007 (7 996 000)**



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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



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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.

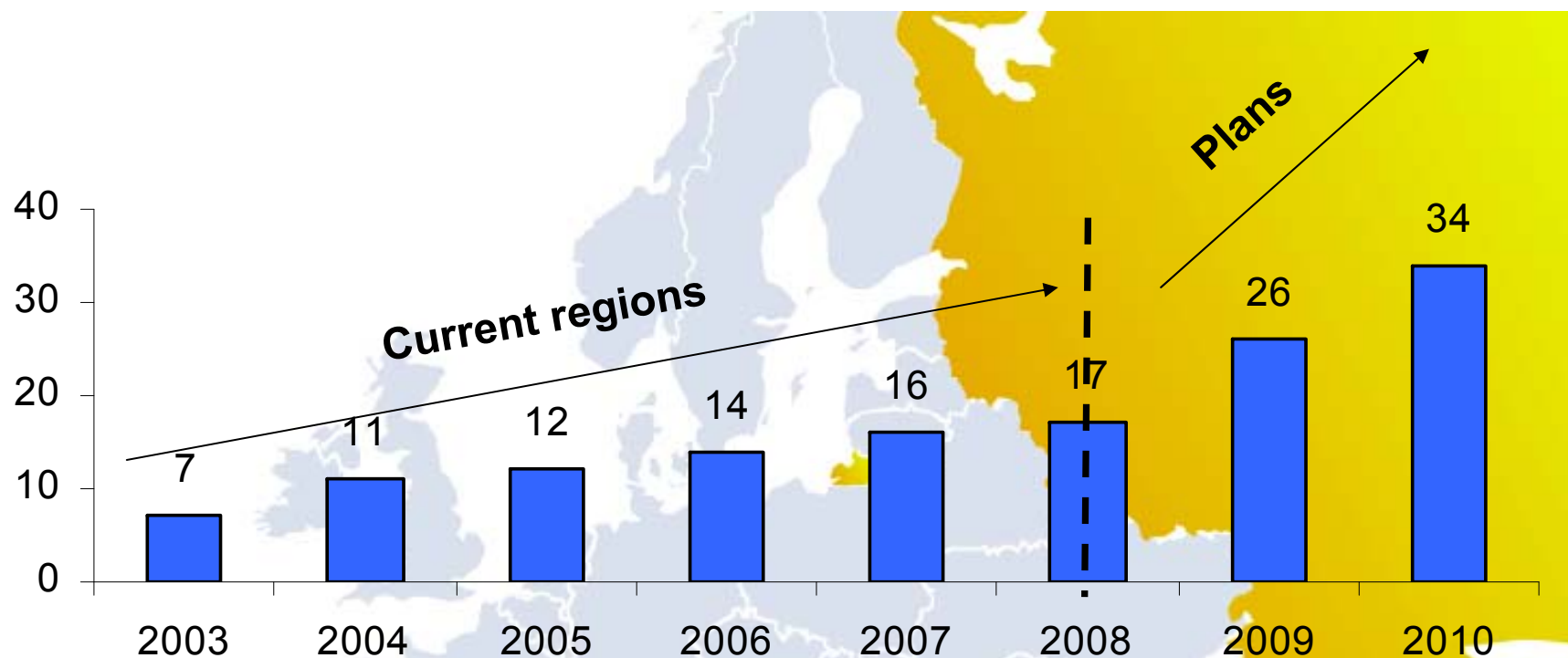
FINANCIAL INDICATORS

- **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

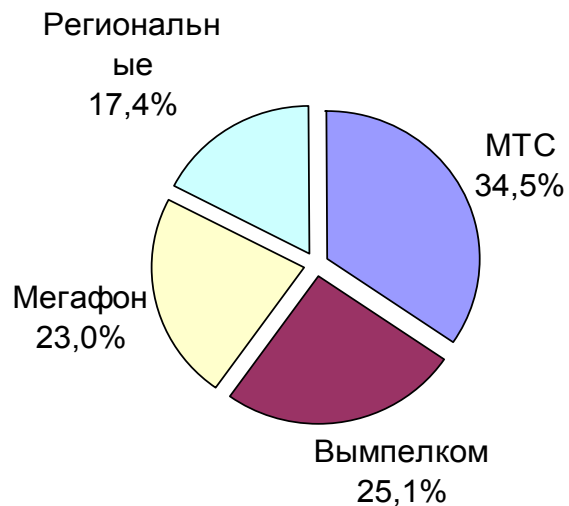
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ДОЛЯ ОБЩЕРОССИЙСКОГО РЫНКА (Q3 2008)



➔ По данным ComNews Research (июнь 2008 года), присутствие региональных операторов, в том числе TELE2, стимулирует конкуренцию на рынке и вынуждает операторов большой тройки существенно снижать цены на свои услуги

Группы региональных операторов	Абонентов, млн.
TELE2	9,9
Уралсвязьинформ	5,5
Сибирьтелеком	4,7
СМАРТС (Поволжье)	3,5
НСС (Поволжье)	2,5
Екатеринбург-2000	1,5
НТК (Владивосток)	





ПОЛОЖИТЕЛЬНЫЕ ТЕНДЕНЦИИ РЫНКА

- В отрасли зреет понимание целесообразности и необходимости изменений в таких важных сферах регулирования как распределение и использование РЧ спектра, регистрация сетей связи, лицензирование и пропуск трафика.
- Последние изменения в регулировании РЧ спектра:
 - конкурсы на частоты UMTS и GSM, ожидаемые конкурсы на WiMAX;
 - близкий к уведомительному порядок регистрации РЭС;
 - не нужны отдельные решения ГКРЧ при использовании РЧ полос новыми РЭС с аналогичными режимами работы и техническими характеристиками;
 - при присвоении радиочастот заявитель избавлен от самостоятельного обращения за экспертизой совместимости с правительственными РЭС.
- Участники рынка занимают единую позицию по многим актуальным вопросам, доверяя представительство своих интересов отраслевым общественным организациям – так закладываются основы саморегулирования.



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Thank you for your attention!

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