

# **Interim Report**

## **January - June 2012**

**Tele2 Russia Holding AB**  
corporate reg. no. 556469-7836



# **INTERIM REPORT JANUARY - JUNE 2012**

The Board of Directors herewith presents the interim report for Tele2 Russia Holding AB, corporate reg. no. 556469-7836, and its subsidiaries for January 1 – June 30, 2012.

The figures presented in this report refer to Q2 2012. The figures shown in parentheses refer to the comparable periods in 2011.

Tele2 Russia Holding AB is the parent company of a number of wholly owned companies incorporated in the Russian federation. Tele2 Russia Holding AB and its subsidiaries are referred to as “Tele2 Russia” in this interim report.

Tele2 Russia Holding AB is owned by Tele2 Russia Telecom BV, Netherlands (99.9 percent) and Tele2 Russia Two AB, Sweden (0.1 percent). The ultimate parent company is Tele2 AB (“Tele2”), which indirectly owns 100 percent of the company.

## **TELE2 RUSSIA**

The operations of Tele2 Russia include all operations of Tele2 in Russia. Tele2 Russia offers mobile telephony services, mainly prepaid services to the residential market and also services to the corporate market.

The company has GSM licences in 43 regions covering approximately 62 million inhabitants. Tele2 Russia’s strategy is to have a balanced approach to rolling out new regions, while maintaining a stable profitability in the more mature regions.

The overall operational development in the quarter was characterized by a more balanced marketing spend compared to Q1 2012 in combination with a solid customer intake. Tele2 Russia continued to pursue market share during the quarter, especially in regions that have not yet reached critical mass. By maintaining its focus on expanding market share in the second quarter, Tele2 Russia will benefit from additional operational leverage throughout the rest of the year. EBITDA amounted to SEK 1,196 (1,116) million, equivalent to a margin of 36 (39) percent.

The total customer base grew by 693,000 (720,000) in Q2 2012 divided into 201,000, 222,000 and 270,000 customers for the month of April, May and June respectively. During the last 12 months, Tele2 Russia’s customer base has grown by 1,928,000 new users, proving that there is a continued solid demand for Tele2 Russia’s services despite competitors’ introduction of 3G services. The total customer base amounted to 21.6 (19.7) million at the end of Q2 2012. The churn level of the total customer base was stable during the quarter in spite of sustained high competitive pressure. Tele2 Russia will maintain its effort to be best in class in customer retention and continue to work with a commission structure to the retail channels in order to further enhance the quality of the customer intake.

Despite an impact from customer base growth in new regions with lower initial service usage, and generally high competitive pressure throughout Tele2 Russia’s footprint, MoU for the total operations increased by 8 percent compared to the year-earlier period, amounting to 262 (243). ARPU was SEK 51 (49) or RUB 229 (220).

On the regulatory side, Tele2 continued to hold a close dialogue with the authorities. The results of the trials held by the Radio Research and Development Institute (NIIR) in Omsk and Pskov clearly demonstrated the possibility to use effectively both LTE and GSM on the frequencies without loss of quality. NIIR's official report was handed over to the State Commission for Radio Frequency (GKRCh) in May, showing strong support in favour of technology neutrality. Tele2 believes that the regulatory authorities will maintain their established support to the regional operators and enable them to provide essential future-proof data services.

Tele2 Russia will keep looking for possibilities to carefully expand its operations through new licences as well as by complementary acquisitions.

## **FINANCIAL GUIDANCE**

The following assumptions should be taken into account when estimating the operational performance of the total operations in Russia in 2012:

- Tele2 Russia expects the subscriber base to reach approximately 22 (earlier 21.5-22) million.
- Tele2 Russia expects ARPU to grow by 3-5 (earlier in low single digits) percent in local currency.
- Tele2 Russia expects an EBITDA margin of between 37-39 percent.
- Tele2 Russia expects CAPEX of between SEK 1,300-1,500 million.

## **OTHER ITEMS**

### **Risks and uncertainty factors**

Tele2 Russia's operations are affected by a number of external factors. The risk factors considered to be most significant to Tele2 Russia's future development are operating risks such as the availability of frequencies and telecom licences, the political and economic environment in Russia, integration of new business models, destructive price competition, changes in regulatory legislation and financial risks such as currency risk, interest risk, liquidity risk and credit risk. In addition to the risks described in Tele2 Russia's annual report for 2011 (see Directors' report and Note 2 of the report for a detailed description of Tele2 Russia's risk exposure and risk management), no additional significant risks are estimated to have developed.

# Income statement

SEK million	2012	2011	2011	2012	2011
	Jan 1-Jun 30	Jan 1-Jun 30	Full year	Q2	Q2
Net sales	6 325	5 460	11 463	3 277	2 862
Operating expenses	-4 566	-3 839	-7 916	-2 352	-1 968
Other operating income	4	5	26	-1	2
Other operating expenses	-9	-7	-20	-7	-3
<b>Operating profit, EBIT</b>	<b>1 754</b>	<b>1 619</b>	<b>3 553</b>	<b>917</b>	<b>893</b>
Interest income/costs	-333	-312	-562	-171	-120
Exchange rate differences, external	-	7	-3	-4	-
Exchange rate differences, Tele2 group	-54	-102	106	38	-106
Exchange rate differences, Tele2 Russia group	52	114	-93	-45	119
Group Contribution, Tele2 group	-	-	-104	-	-
Other financial items	-5	4	3	-4	1
<b>Profit after financial items, EBT</b>	<b>1 414</b>	<b>1 330</b>	<b>2 900</b>	<b>731</b>	<b>787</b>
Tax on profit	-275	-261	-568	-137	-158
<b>NET PROFIT</b>	<b>1 139</b>	<b>1 069</b>	<b>2 332</b>	<b>594</b>	<b>629</b>

## Comprehensive income

SEK million	2012	2011	2011	2012	2011
	Jan 1-Jun 30	Jan 1-Jun 30	Full year	Q2	Q2
<b>Net profit</b>	<b>1 139</b>	<b>1 069</b>	<b>2 332</b>	<b>594</b>	<b>629</b>
OTHER COMPREHENSIVE INCOME					
<b>Components not to be reclassified to net profit:</b>					
Withholding taxes on dividends	-	-161	-153	-	-161
<b>Total components not to be reclassified to net profit</b>	<b>-</b>	<b>-161</b>	<b>-153</b>	<b>-</b>	<b>-161</b>
<b>Components to be reclassified to net profit:</b>					
Exchange rate differences	59	-2	-80	-41	25
Exchange rate differences, tax effect	-52	34	1	-86	34
<b>Total components to be reclassified to net profit</b>	<b>7</b>	<b>32</b>	<b>-79</b>	<b>-127</b>	<b>59</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>7</b>	<b>-129</b>	<b>-232</b>	<b>-127</b>	<b>-102</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1 146</b>	<b>940</b>	<b>2 100</b>	<b>467</b>	<b>527</b>

## Change in shareholders' equity

SEK million	Jun 30, 2012			Jun 30, 2011			Dec 31, 2011			
	Attributable to			Attributable to			Attributable to			
	Note	equity holders of the parent company	Non-controlling interests	Total shareholders' equity	holders of the parent company	Non-controlling interests	Total shareholders' equity	holders of the parent company	Non-controlling interests	Total shareholders' equity
Shareholders' equity, January 1		2 369	-	2 369	-5 739	-	-5 739	-5 739	-	-5 739
Costs for stock options	3	3	-	3	4	-	4	8	-	8
Shareholders' contribution	2	-	-	-	6 000	-	6 000	6 000	-	6 000
Dividends	2	-2 300	-	-2 300	-	-	-	-	-	-
Comprehensive income for the period		1 146	-	1 146	940	-	940	2 100	-	2 100
<b>SHAREHOLDERS' EQUITY, END OF PERIOD</b>		<b>1 218</b>	<b>-</b>	<b>1 218</b>	<b>1 205</b>	<b>-</b>	<b>1 205</b>	<b>2 369</b>	<b>-</b>	<b>2 369</b>

# Balance sheet

SEK million	Note	Jun 30, 2012	Jun 30, 2011	Dec 31, 2011
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Goodwill		800	854	813
Other intangible assets		1 039	874	1 013
<b>Intangible assets</b>		<b>1 839</b>	<b>1 728</b>	<b>1 826</b>
Tangible assets		6 560	6 172	6 371
Other financial assets		5	5	5
Deferred tax assets		699	721	727
<b>NON-CURRENT ASSETS</b>		<b>9 103</b>	<b>8 626</b>	<b>8 929</b>
<b>CURRENT ASSETS</b>				
Materials and supplies		43	44	49
Current receivables		666	1 199	662
Cash and cash equivalents		121	196	271
<b>CURRENT ASSETS</b>		<b>830</b>	<b>1 439</b>	<b>982</b>
<b>ASSETS</b>		<b>9 933</b>	<b>10 065</b>	<b>9 911</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Attributable to equity holders of the parent company	2	1 218	1 205	2 369
<b>SHAREHOLDERS' EQUITY</b>		<b>1 218</b>	<b>1 205</b>	<b>2 369</b>
<b>LONG-TERM LIABILITIES</b>				
Interest-bearing liabilities, Tele2 group		923	2 887	2 478
Other interest-bearing liabilities	1, 4	5 586	3 012	2 944
Deferred tax liability		325	283	268
<b>LONG-TERM LIABILITIES</b>		<b>6 834</b>	<b>6 182</b>	<b>5 690</b>
<b>SHORT-TERM LIABILITIES</b>				
Interest-bearing liabilities, Tele2 group		-	638	95
Other interest-bearing liabilities		100	8	12
Non-interest-bearing liabilities		1 781	2 032	1 745
<b>SHORT-TERM LIABILITIES</b>		<b>1 881</b>	<b>2 678</b>	<b>1 852</b>
<b>EQUITY AND LIABILITIES</b>		<b>9 933</b>	<b>10 065</b>	<b>9 911</b>

# Cash flow statement

SEK million	Note	2012 Jan 1-Jun 30	2011 Jan 1-Jun 30	2011 Full year	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1
<b>OPERATING ACTIVITIES</b>										
Cash flow from operations, excluding paid taxes		2 012	1 753	3 904	1 028	984	1 001	1 150	999	754
Taxes paid		-262	-429	-807	-94	-168	-148	-230	-293	-136
Changes in working capital		30	17	132	60	-30	97	18	-49	66
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>1 780</b>	<b>1 341</b>	<b>3 229</b>	<b>994</b>	<b>786</b>	<b>950</b>	<b>938</b>	<b>657</b>	<b>684</b>
<b>INVESTING ACTIVITIES</b>										
Capital expenditure in intangible and tangible assets, CAPEX		-744	-688	-1 672	-501	-243	-519	-465	-370	-318
<b>Cash flow after CAPEX</b>		<b>1 036</b>	<b>653</b>	<b>1 557</b>	<b>493</b>	<b>543</b>	<b>431</b>	<b>473</b>	<b>287</b>	<b>366</b>
Sale of shares and participations		-	1	1	-	-	-	-	1	-
Cash flow from investing activities		-744	-687	-1 671	-501	-243	-519	-465	-369	-318
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>		<b>1 036</b>	<b>654</b>	<b>1 558</b>	<b>493</b>	<b>543</b>	<b>431</b>	<b>473</b>	<b>288</b>	<b>366</b>
<b>FINANCING ACTIVITIES</b>										
Change in net borrowings from Tele2 group		-1 827	-5 001	-5 768	-1 855	28	-300	-467	-4 876	-125
Change in net lending to Tele2 group		-	1 511	1 490	-	-	-22	1	1 809	-298
Other change of loans	4	2 894	2 885	2 841	1 331	1 563	-40	-4	2 896	-11
Dividends	2	-2 300	-	-	-	-2 300	-	-	-	-
<b>Cash flow from financing activities</b>		<b>-1 233</b>	<b>-605</b>	<b>-1 437</b>	<b>-524</b>	<b>-709</b>	<b>-362</b>	<b>-470</b>	<b>-171</b>	<b>-434</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>-197</b>	<b>49</b>	<b>121</b>	<b>-31</b>	<b>-166</b>	<b>69</b>	<b>3</b>	<b>117</b>	<b>-68</b>
Cash and cash equivalents at beginning of period		271	153	153	129	271	192	196	82	153
Exchange rate differences in cash and cash equivalents		47	-6	-3	23	24	10	-7	-3	-3
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>121</b>	<b>196</b>	<b>271</b>	<b>121</b>	<b>129</b>	<b>271</b>	<b>192</b>	<b>196</b>	<b>82</b>



## Number of customers

by thousands	Note	Number of customers		Net intake								
		2012	2011	2012	2011	2011	2012	2011	2011	2011	2011	
		Jun 30	Jun 30	Jan 1- Jun 30	Jan 1- Jun 30	Full year	Q2	Q1	Q4	Q3	Q2	Q1
Mobile	5	21 633	19 705	997	1 267	2 198	693	304	250	681	720	547
<b>TOTAL</b>		<b>21 633</b>	<b>19 705</b>	<b>997</b>	<b>1 267</b>	<b>2 198</b>	<b>693</b>	<b>304</b>	<b>250</b>	<b>681</b>	<b>720</b>	<b>547</b>

## Net sales

SEK million	Note	2012	2011	2011	2012	2012	2011	2011	2011	2011
		Jan 1- Jun 30	Jan 1- Jun 30	Full year	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	6	6 325	5 460	11 463	3 277	3 048	2 988	3 015	2 862	2 598
External net sales		<b>6 325</b>	<b>5 460</b>	<b>11 463</b>	<b>3 277</b>	<b>3 048</b>	<b>2 988</b>	<b>3 015</b>	<b>2 862</b>	<b>2 598</b>

## EBITDA and EBIT

SEK million	2012	2011	2011	2012	2012	2011	2011	2011	2011
	Jan 1- Jun 30	Jan 1- Jun 30	Full year	Q2	Q1	Q4	Q3	Q2	Q1
EBITDA	<b>2 261</b>	<b>2 057</b>	<b>4 452</b>	<b>1 196</b>	<b>1 065</b>	<b>1 189</b>	<b>1 206</b>	<b>1 116</b>	<b>941</b>
Depreciation/amortization and other impairment	-507	-438	-899	-279	-228	-241	-220	-223	-215
EBIT	<b>1 754</b>	<b>1 619</b>	<b>3 553</b>	<b>917</b>	<b>837</b>	<b>948</b>	<b>986</b>	<b>893</b>	<b>726</b>

## Key ratios

SEK million	2012	2011	2011	2010	2009	2008
	Jan 1- Jun 30	Jan 1- Jun 30	Full year	Full year	Full year	Full year
Net sales	6 325	5 460	11 463	10 142	7 540	6 809
Number of customers (by thousands)	21 633	19 705	20 636	18 438	14 451	10 422
EBITDA	2 261	2 057	4 452	3 560	2 463	2 364
EBIT	1 754	1 619	3 553	2 765	1 827	1 834
EBT	1 414	1 330	2 900	2 320	751	526
Net profit	1 139	1 069	2 332	1 896	531	328
EBITDA margin, %	35,7	37,7	38,8	35,1	32,7	34,7
EBIT margin, %	27,7	29,7	31,0	27,3	24,2	26,9
Cash flow from operating activities	1 780	1 341	3 229	2 927	1 499	1 378
Paid CAPEX	744	688	1 672	1 556	2 109	1 619
Cash flow after CAPEX	1 036	653	1 557	1 371	-610	-241
Shareholders' equity	1 218	1 205	2 369	-5 739	-6 901	-7 195
Total assets	9 933	10 065	9 911	10 445	9 369	7 906
Net debt	6 488	6 349	5 258	12 934	13 809	13 127

# Parent company

## INCOME STATEMENT

SEK million	2012		2011	
	Jan 1-Jun 30		Jan 1-Jun 30	
Administrative expenses	-	-	-	-1
<b>Operating loss, EBIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1</b>
Dividend from group companies	-	-	-	3 082
Result from shares in group companies, other	-	-	-	-269
Net interest expenses and other financial items	-24	-24	-24	-345
<b>Profit/loss after financial items, EBT</b>	<b>-24</b>	<b>-24</b>	<b>-24</b>	<b>2 467</b>
Tax on profit/loss	6	6	6	91
<b>NET PROFIT/LOSS</b>	<b>-18</b>	<b>-18</b>	<b>-18</b>	<b>2 558</b>

## BALANCE SHEET

SEK million	Note	Jun 30, 2012	Dec 31, 2011
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Shares in group companies		13 465	13 445
Deferred tax assets		444	438
Other financial assets		5	5
<b>FIXED ASSETS</b>		<b>13 914</b>	<b>13 888</b>
<b>CURRENT ASSETS</b>			
Current receivables		18	10
Current receivables Tele2 Russia group		5	22
<b>CURRENT ASSETS</b>		<b>23</b>	<b>32</b>
<b>ASSETS</b>		<b>13 937</b>	<b>13 920</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Unrestricted equity	2	8 777	11 095
<b>SHAREHOLDERS' EQUITY</b>		<b>8 777</b>	<b>11 095</b>
<b>LONG-TERM LIABILITIES</b>			
Interest-bearing liabilities, Tele2 Russia group		4 956	2 606
Other interest-bearing liabilities		4	97
<b>LONG-TERM LIABILITIES</b>		<b>4 960</b>	<b>2 703</b>
<b>SHORT-TERM LIABILITIES</b>			
Interest-bearing liabilities, Tele2 group		105	117
Interest-bearing liabilities, Tele2 Russia group		-	5
Other interest-bearing liabilities		95	-
<b>SHORT-TERM LIABILITIES</b>		<b>200</b>	<b>122</b>
<b>EQUITY AND LIABILITIES</b>		<b>13 937</b>	<b>13 920</b>

# NOTES

## ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim report for the group was prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and the interim report for the parent company was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Reporting for legal entities and its statements.

### **New and amended IFRS standards and IFRIC interpretations**

The amended IFRS standards and IFRIC interpretations, which became effective on January 1, 2012, have had no material effect on the consolidated financial statements.

From January 1, 2012 internal sales within Russia are not reported in net sales and internal sales. The comparable periods are restated. The effects on the financial statements are stated in Note 6.

In all other respects, Tele2 Russia has presented its interim report in accordance with the accounting principles and calculation methods used in the 2011 Annual Report. The description of these principles and definitions is to be found in the 2011 Annual Report.

## NOTE 1 CONTINGENT LIABILITIES

The parent company Tele2 Russia Holding AB and the group company Tele2 Financial Services AB have provided irrevocable undertakings for the group company OJSC Saint-Petersburg Telecom's obligations related to the bonds issued during 2011 and 2012 (for additional information please refer to Note 4).

## NOTE 2 TRANSACTIONS WITH RELATED PARTIES

In Q1 2012, the Tele2 group received a dividend of SEK 2 300 million from the parent company Tele2 Russia Holding AB.

Tele2 Sweden provides management and technical services to the Tele2 Russia group. Tele2 AB has issued long-term incentive programmes to a number of employees in the Tele2 Russia group, for additional information please refer to Note 3. For additional information regarding transactions with related parties please refer to Note 31 of the 2011 Annual Report.

Apart from above stated transactions with other companies within the Tele2 group, no other significant related party transactions have been carried out during 2012.

### NOTE 3 INCENTIVE PROGRAMS (LTI)

The parent company of the Tele2 group, Tele2 AB (publ), has issued long-term incentive programmes (LTI) to a number of employees in the Tele2 Russia group. Additional information related to LTI programs are presented in Note 29 of the 2011 Annual Report.

#### LTI 2012

	2012
	Jun 15– Jun 30
Number of share rights	
Allocated June 15, 2012	206,800
<b>Total outstanding share rights</b>	<b>206,800</b>

During the Annual General Meeting held on May 7, 2012, the shareholders of Tele2 AB (publ) (“the company”) approved a performance-based incentive programme for senior executives and other key employees in the Tele2 group. The Plan has the same structure as last year’s incentive program.

The objective of the Plan is to create conditions for retaining competent employees in the Tele2 group. The Plan has been designed based on the view that it is desirable that senior executives and other key employees within the group are shareholders in the company. By offering an allotment of retention rights and performance rights which are based on profits and other retention and performance-based conditions, the participants are rewarded for increasing shareholder value. Furthermore, the Plan rewards employees’ loyalty and long-term growth in the company. In that context, the Board of Directors is of the opinion that the Plan will have a positive effect on the future development of the Tele2 group and thus be beneficial to both the company and its shareholders.

The incentive program (the Plan) included a total of 105 senior executives and other key employees within the Tele2 Russia-group. In general, the participants in the Plan are required to own shares in Tele2. These shares could either be shares already held or shares purchased on the market in connection with the notification to participate in the Plan. Thereafter, the participants were granted retention rights and performance rights free of charge. As a consequence of market conditions, employees in Russia were offered to participate in the Plan without being required to hold shares in Tele2. In such cases, the number of allotted rights has been reduced, and corresponds to 37.5 percent of the number of rights allotted for participation with a personal investment.

Subject to the fulfilment of certain retention and performance-based conditions during the period April 1, 2012 - March 31, 2015 (the measure period), the participant maintaining employment within the Tele2 group at the release of the Tele2’s interim report January - March 2015 and subject to the participant maintaining the invested shares (where applicable) during the vesting period ending at the release of the Tele2’s interim report for the period January - March 2015, each right entitles the employee to receive one Class B share in the company. Dividends paid on the underlying share will increase the number of shares that each retention and performance right entitles to in order to treat the shareholders and the participants equally.

The rights are divided into Series A retention rights, and Series B and C performance rights. The number of shares the participant will receive depends on which category the participant belongs to and on the fulfilment of the following defined retention and performance-based

conditions:

Series A	Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period exceeding 0 percent as entry level.
Series B	Tele2's average normalized return of capital employed (ROCE) during the measurement period being at least 19 percent as entry level and at least 23 percent as the stretch target.
Series C	Tele2's total shareholder return on the Tele2 shares (TSR) during the measure period being equal to the average TSR for a peer group including Elisa, KPN, Millicom, Mobistar, MTS – Mobile Telesystems, Telenor, TeliaSonera, Turkcell and Vodafone as entry level, and exceeding the average TSR for the peer group with 10 percentage points as the stretch target.

The determined levels of the conditions include an entry level and a stretch target with a linear interpolation applied between those levels as regards the number of rights that vests. The entry level constitutes the minimum level which must be reached in order to enable the vesting of the rights in that series. If the entry level is reached, the number of rights that vests is proposed to be 100 percent for Series A and 20 percent for Series B and C. If the entry level is not reached, all rights to retention and performance shares (as applicable) in that series lapse. If a stretch target is met, all retention rights or performance rights (as applicable) vest in that series.

The Plan comprised a total number of 87,200 shares, of which 27,200 related to employees in Russia who invested in Tele2 shares and 60,000 related to employees in Russia who choose not to invest in Tele2 shares. In total this resulted in an allotment of 206,800 share rights, of which 49,700 retention rights and 157,100 performance rights. The participants were divided into different categories and were granted the following number of share rights for the different categories:

	No of participants	Maximum no of shares	Share right				Total allotment
			per Series				
At grant date			A	B	C	Tot	
Other senior executives and other key employees	1	4,000	1	2.5	2.5	6	24,000
Category 1	4	2,000	1	1.5	1.5	4	32,000
Category 1, no investment	2	2,000	0.375	0.5625	0.5625	1.5	6,000
Category 2	3	1,500	1	1.5	1.5	4	18,000
Category 2, no investment	10	1,500	0.375	0.5625	0.5625	1.5	22,500
Category 3	5	1,000	1	1.5	1.5	4	20,000
Category 3, no investment	15	1,000	0.375	0.5625	0.5625	1.5	22,500
Category 4	13	500	1	1.5	1.5	4	22,800
Category 4, no investment	52	500	0.375	0.5625	0.5625	1.5	39,000
<b>Total</b>	<b>105</b>						<b>206,800</b>

Total costs before tax for outstanding rights in the incentive program are expensed as they arise over a three-year period, and these costs are expected to amount to SEK 11 million, of which social security costs amount to SEK 3 million.

The participant's maximum profit per share right in the Plan is limited to SEK 590, five times the average closing share price of the Tele2 Class B shares during February 2012 with deduction for the dividend paid in May 2012.

The estimated average fair value of the granted rights was SEK 64 on the grant date, June 15, 2012. The calculation of the fair values was carried out by external analysts. The following variables were used:

	Serie A	Serie B	Serie C
Expected annual turnover of personnel	7,0%	7,0%	7,0%
Expected value reduction parameter fulfilment	-	50%	-
Weighted average share price	105.05	105.05	105.05
Expected life	2.84 years	2.84 years	2.84 years
Expected value reduction parameter market condition	55%	-	25%

#### LTI 2011

	2012 Jan 1– Jun 30	Cumulative from start
Number of share rights		
Allocated June 17, 2011		198,820
Outstanding as of January 1, 2012	182,070	
Allocated, compensation for dividend	14,214	14,214
Forfeited	-3,750	-20,500
<b>Total outstanding share rights</b>	<b>192,534</b>	<b>192,534</b>

#### LTI 2010

	2012 Jan 1– Jun 30	Cumulative from start
Number of share rights		
Allocated June 9, 2010		106,400
Outstanding as of January 1, 2012	106,116	
Allocated, compensation for dividend	8,250	23,126
Forfeited	-2,328	-17,488
<b>Total outstanding share rights</b>	<b>112,038</b>	<b>112,038</b>

#### LTI 2009

	2012 Jan 1– Jun 30	Cumulative from start
Number of share rights		
Allocated June 1, 2009		184,160
Outstanding as of January 1, 2012	139,912	
Allocated, compensation for dividend	-	26,752
Forfeited	-8,380	-79,380
Exercised	-131,532	-131,532
<b>Total outstanding share rights</b>	<b>-</b>	<b>-</b>

The exercise of the share rights in LTI 2009 was conditional upon the fulfilment of certain retention and performance based conditions for the Tele2 group, measured from April 1, 2009 until March 31, 2012. The outcome of these decided performance conditions was in accordance with below:

	Retention and performance based conditions	Minimum hurdle (20%)	Stretch target (100%)	Performance outcome	Allotment
Series A	Total Shareholder Return Tele2 (TSR)		≥ 0%	156.2%	100%
Series B	Average normalised Return on Capital Employed (ROCE)	14%	17%	22.0%	100%
Series C	Total Shareholder Return Tele2 (TSR) compared to a peer group	> 0%	≥ 10%	65.2%	100%

Weighted average share price for share rights at date of exercise amounted to SEK 124.00 during 2012.

#### NOTE 4 FINANCING

In Q2, 2012, Tele2 Russia issued a 6 billion Rouble bond. The bond has a final maturity of 10 years and a put option providing for an effective tenor of 3 years. The coupon rate is 9.10 percent per annum with semi-annual coupon payments.

In Q1, 2012 Tele2 Russia issued a 7 billion rouble bond with 2 tranches. The bond has a final maturity of 10 years and a put option providing for an effective tenor of 2 years. The coupon rate for the period is 8.90 percent per annum with semi-annual coupon payments.

#### NOTE 5 NUMBER OF CUSTOMERS

In Q4 2011, number of customers in Russia decreased by 96 000 customers, as a one-time adjustment, due to changes in IT systems.

#### NOTE 6 CHANGED ACCOUNTING PRINCIPLE FOR INTERNAL SALE

From January 1, 2012 internal sales within Russia are not reported in net sales and internal sales. The comparable periods are restated. The effects on the financial statements are stated below.

SEK million	2011 Full year	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Full year	2010 Q4
<b>Internal net sales</b>							
Russia	-206	-49	-66	-60	-31	-154	-39
Internal sales, elimination	206	49	66	60	31	154	39
<b>Net sales</b>	-	-	-	-	-	-	-

Stockholm, July 19, 2012

Mats Granryd  
Chairman

Lars Nilsson

Jonas Bengtsson

## REVIEW REPORT

### *Introduction*

We have reviewed the interim report for Tele2 Russia Holding AB for the period January 1 - June 30, 2012. The Board of Directors is responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### *Scope of Review*

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, July 19, 2012  
Deloitte AB

Thomas Strömberg  
Authorized Public Accountant