

# Interim Report

## January - September 2011

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

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# **INTERIM REPORT JANUARY – SEPTEMBER 2011**

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 – September 30, 2011.

The figures presented in this report refer to Q3 2011. The figures shown in parentheses refer to the comparable periods in 2010.

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 shares of Tele2 Russia Telecom BV were previously owned by Tele2 Sverige AB. 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 has been above Tele2’s expectations, and Tele2 Russia continued to deliver a solid financial performance. The EBITDA margin development was robust, driven by improving operational trends in the more mature regions and scale benefits in the new regions. EBITDA amounted to SEK 1,206 (1,009) million, equivalent to a margin of 40 (38) percent. The investment level is expected to be in line with Tele2 Russia’s forward looking statement.

The total customer base grew by 681,000 (1,170,000). Over the last 12 months, Tele2 Russia’s customer base has grown by 2.7 million 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 20,386,000 (17,683,000) at the end of Q3 2011. The churn level of the total customer base was stable during the quarter despite continued 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 4 percent compared to the year-earlier period, amounting to 239 (229). ARPU was SEK 50 (52) or RUB 225 (219).

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 2011:

- Tele2 Russia expects the subscriber base to reach 21 million by year-end 2011.
- Tele2 Russia expects ARPU to remain stable in local currency.
- Tele2 Russia expects the total EBITDA margin to evolve in the range of 38-40 percent.
- Tele2 Russia expects CAPEX to be approximately SEK 2,000 million by year-end 2011.

## **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, changes in regulatory legislation, legal proceedings 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 2010 (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                                   | Note | 2011<br>Jan 1-Sep 30 | 2010<br>Jan 1-Sep 30 | 2010<br>Full year | 2011<br>Q3 | 2010<br>Q3 |
|-----------------------------------------------|------|----------------------|----------------------|-------------------|------------|------------|
| Net sales                                     |      | 8 475                | 7 496                | 10 142            | 3 015      | 2 678      |
| Operating expenses                            |      | -5 873               | -5 429               | -7 383            | -2 034     | -1 852     |
| Other operating income                        |      | 28                   | 27                   | 24                | 23         | 2          |
| Other operating expenses                      |      | -25                  | -16                  | -18               | -18        | -5         |
| <b>Operating profit, EBIT</b>                 |      | <b>2 605</b>         | <b>2 078</b>         | <b>2 765</b>      | <b>986</b> | <b>823</b> |
| Interest income/costs                         |      | -430                 | -418                 | -597              | -118       | -174       |
| Exchange rate differences, external           |      | -1                   | -2                   | 17                | -8         | -          |
| Exchange rate differences, Tele2 group        | 2    | 183                  | 1                    | 20                | 285        | 13         |
| Exchange rate differences, Tele2 Russia group | 2    | -173                 | -                    | -                 | -287       | -          |
| Other financial items                         |      | 3                    | 116                  | 115               | -1         | -          |
| <b>Profit after financial items, EBT</b>      |      | <b>2 187</b>         | <b>1 775</b>         | <b>2 320</b>      | <b>857</b> | <b>662</b> |
| Tax on profit                                 |      | -434                 | -320                 | -424              | -173       | -140       |
| <b>NET PROFIT</b>                             |      | <b>1 753</b>         | <b>1 455</b>         | <b>1 896</b>      | <b>684</b> | <b>522</b> |
| ATTRIBUTABLE TO                               |      |                      |                      |                   |            |            |
| Equity holders of the parent company          |      | 1 753                | 1 452                | 1 893             | 684        | 522        |
| Minority interest                             |      | -                    | 3                    | 3                 | -          | -          |
| <b>NET PROFIT</b>                             |      | <b>1 753</b>         | <b>1 455</b>         | <b>1 896</b>      | <b>684</b> | <b>522</b> |

## Comprehensive income

| SEK million                                                  | 2011         |              | 2010         |             | 2010        |    |
|--------------------------------------------------------------|--------------|--------------|--------------|-------------|-------------|----|
|                                                              | Jan 1-Sep 30 | Jan 1-Sep 30 | Full year    | Q3          | Q3          | Q3 |
| <b>Net profit</b>                                            | <b>1 753</b> | <b>1 455</b> | <b>1 896</b> | <b>684</b>  | <b>522</b>  |    |
| <b>OTHER COMPREHENSIVE INCOME</b>                            |              |              |              |             |             |    |
| Exchange rate differences                                    | -93          | -409         | -356         | -91         | -558        |    |
| Exchange rate differences, tax effect                        | -3           | -            | -            | -37         | -           |    |
| Withholding tax                                              | -152         | -8           | -12          | 9           | -           |    |
| <b>Other comprehensive income for the period, net of tax</b> | <b>-248</b>  | <b>-417</b>  | <b>-368</b>  | <b>-119</b> | <b>-558</b> |    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>             | <b>1 505</b> | <b>1 038</b> | <b>1 528</b> | <b>565</b>  | <b>-36</b>  |    |
| <b>ATTRIBUTABLE TO</b>                                       |              |              |              |             |             |    |
| Equity holders of the parent company                         | 1 505        | 1 031        | 1 521        | 565         | -36         |    |
| Minority interest                                            | -            | 7            | 7            | -           | -           |    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>             | <b>1 505</b> | <b>1 038</b> | <b>1 528</b> | <b>565</b>  | <b>-36</b>  |    |

## Change in shareholders' equity

| SEK million                                | Sep 30, 2011                         |                    |                            | Sep 30, 2010                         |                    |                            | Dec 31, 2010                         |                    |                            |
|--------------------------------------------|--------------------------------------|--------------------|----------------------------|--------------------------------------|--------------------|----------------------------|--------------------------------------|--------------------|----------------------------|
|                                            | Attributable to                      |                    | Total shareholders' equity | Attributable to                      |                    | Total shareholders' equity | Attributable to                      |                    | Total shareholders' equity |
|                                            | equity holders of the parent company | minority interests |                            | equity holders of the parent company | minority interests |                            | equity holders of the parent company | minority interests |                            |
| Shareholders' equity, January 1            | -5 739                               | -                  | -5 739                     | -6 960                               | 59                 | -6 901                     | -6 960                               | 59                 | -6 901                     |
| Costs for stock options                    | 6                                    | -                  | 6                          | 4                                    | -                  | 4                          | 6                                    | -                  | 6                          |
| Shareholders' contribution                 | 6 000                                | -                  | 6 000                      | -                                    | -                  | -                          | -                                    | -                  | -                          |
| Purchase of minority                       | -                                    | -                  | -                          | -306                                 | -66                | -372                       | -306                                 | -66                | -372                       |
| Comprehensive income for the period        | 1 505                                | -                  | 1 505                      | 1 031                                | 7                  | 1 038                      | 1 521                                | 7                  | 1 528                      |
| <b>SHAREHOLDERS' EQUITY, END OF PERIOD</b> | <b>1 772</b>                         | <b>-</b>           | <b>1 772</b>               | <b>-6 231</b>                        | <b>-</b>           | <b>-6 231</b>              | <b>-5 739</b>                        | <b>-</b>           | <b>-5 739</b>              |

# Balance sheet

| SEK million                                          | Note | Sep 30, 2011 | Sep 30, 2010  | Dec 31, 2010  |
|------------------------------------------------------|------|--------------|---------------|---------------|
| <b>ASSETS</b>                                        |      |              |               |               |
| <b>FIXED ASSETS</b>                                  |      |              |               |               |
| Goodwill                                             |      | 805          | 833           | 842           |
| Other intangible assets                              |      | 1 047        | 700           | 782           |
| <b>Intangible assets</b>                             |      | <b>1 852</b> | <b>1 533</b>  | <b>1 624</b>  |
| Tangible assets                                      |      | 5 945        | 5 583         | 5 986         |
| Receivables, Tele2 group                             | 2    | -            | 986           | 1 330         |
| Other financial assets                               |      | 5            | 6             | 6             |
| Deferred tax assets                                  |      | 698          | 608           | 650           |
| <b>FIXED ASSETS</b>                                  |      | <b>8 500</b> | <b>8 716</b>  | <b>9 596</b>  |
| <b>CURRENT ASSETS</b>                                |      |              |               |               |
| Materials and supplies                               |      | 50           | 31            | 44            |
| Current receivables                                  |      | 889          | 633           | 652           |
| Cash and cash equivalents                            |      | 192          | 103           | 153           |
| <b>CURRENT ASSETS</b>                                |      | <b>1 131</b> | <b>767</b>    | <b>849</b>    |
| <b>ASSETS</b>                                        |      | <b>9 631</b> | <b>9 483</b>  | <b>10 445</b> |
| <b>EQUITY AND LIABILITIES</b>                        |      |              |               |               |
| <b>SHAREHOLDERS' EQUITY</b>                          |      |              |               |               |
| Attributable to equity holders of the parent company |      | 1 772        | -6 231        | -5 739        |
| <b>SHAREHOLDERS' EQUITY</b>                          |      | <b>1 772</b> | <b>-6 231</b> | <b>-5 739</b> |
| <b>LONG-TERM LIABILITIES</b>                         |      |              |               |               |
| Interest-bearing liabilities, Tele2 group            | 2    | 2 775        | 13 449        | 13 627        |
| Other interest-bearing liabilities                   | 5    | 2 891        | 97            | 104           |
| Deferred tax liability                               |      | 269          | 226           | 248           |
| <b>LONG-TERM LIABILITIES</b>                         |      | <b>5 935</b> | <b>13 772</b> | <b>13 979</b> |
| <b>SHORT-TERM LIABILITIES</b>                        |      |              |               |               |
| Interest-bearing liabilities, Tele2 group            |      | 109          | 491           | 679           |
| Other interest-bearing liabilities                   |      | 10           | 1             | 8             |
| Non-interest-bearing liabilities                     |      | 1 805        | 1 450         | 1 518         |
| <b>SHORT-TERM LIABILITIES</b>                        |      | <b>1 924</b> | <b>1 942</b>  | <b>2 205</b>  |
| <b>EQUITY AND LIABILITIES</b>                        |      | <b>9 631</b> | <b>9 483</b>  | <b>10 445</b> |

# Cash flow statement

| SEK million                                                  | Note | 2011<br>Jan 1-Sep 30 | 2010<br>Jan 1-Sep 30 | 2010<br>Full year | 2011<br>Q3  | 2011<br>Q2  | 2011<br>Q1  | 2010<br>Q4 | 2010<br>Q3  | 2010<br>Q2  |
|--------------------------------------------------------------|------|----------------------|----------------------|-------------------|-------------|-------------|-------------|------------|-------------|-------------|
| <b>OPERATING ACTIVITIES</b>                                  |      |                      |                      |                   |             |             |             |            |             |             |
| Cash flow from operations, less paid taxes                   |      | 2 903                | 2 252                | 2 977             | 1 150       | 999         | 754         | 725        | 833         | 832         |
| Taxes paid                                                   |      | -659                 | -308                 | -420              | -230        | -293        | -136        | -112       | -122        | -103        |
| Changes in working capital                                   |      | 35                   | 385                  | 370               | 18          | -49         | 66          | -15        | 107         | 47          |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                   |      | <b>2 279</b>         | <b>2 329</b>         | <b>2 927</b>      | <b>938</b>  | <b>657</b>  | <b>684</b>  | <b>598</b> | <b>818</b>  | <b>776</b>  |
| <b>INVESTING ACTIVITIES</b>                                  |      |                      |                      |                   |             |             |             |            |             |             |
| Capital expenditure in intangible and tangible assets, CAPEX |      | -1 153               | -935                 | -1 556            | -465        | -370        | -318        | -621       | -351        | -453        |
| <b>Cash flow after CAPEX</b>                                 |      | <b>1 126</b>         | <b>1 394</b>         | <b>1 371</b>      | <b>473</b>  | <b>287</b>  | <b>366</b>  | <b>-23</b> | <b>467</b>  | <b>323</b>  |
| Acquisition of shares and participations                     |      | -                    | -312                 | -307              | -           | -           | -           | 5          | -23         | -16         |
| Sale of shares and participations                            | 4    | 1                    | -                    | -                 | -           | 1           | -           | -          | -           | -           |
| Changes of long-term receivables and short-term investments  |      | -                    | -                    | 1                 | -           | -           | -           | 1          | -           | -           |
| Cash flow from investing activities                          |      | -1 152               | -1 247               | -1 862            | -465        | -369        | -318        | -615       | -374        | -469        |
| <b>CASH FLOW AFTER INVESTING ACTIVITIES</b>                  |      | <b>1 127</b>         | <b>1 082</b>         | <b>1 065</b>      | <b>473</b>  | <b>288</b>  | <b>366</b>  | <b>-17</b> | <b>444</b>  | <b>307</b>  |
| <b>FINANCING ACTIVITIES</b>                                  |      |                      |                      |                   |             |             |             |            |             |             |
| Change in net borrowings from Tele2 group                    |      | -5 468               | -496                 | -152              | -467        | -4 876      | -125        | 344        | -226        | 35          |
| Change in net lending to Tele2 group                         |      | 1 512                | -604                 | -944              | 1           | 1 809       | -298        | -340       | -233        | -372        |
| Other change of loans                                        | 5    | 2 881                | -23                  | -17               | -4          | 2 896       | -11         | 6          | -7          | 3           |
| <b>Cash flow from financing activities</b>                   |      | <b>-1 075</b>        | <b>-1 123</b>        | <b>-1 113</b>     | <b>-470</b> | <b>-171</b> | <b>-434</b> | <b>10</b>  | <b>-466</b> | <b>-334</b> |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>               |      | <b>52</b>            | <b>-41</b>           | <b>-48</b>        | <b>3</b>    | <b>117</b>  | <b>-68</b>  | <b>-7</b>  | <b>-22</b>  | <b>-27</b>  |
| Cash and cash equivalents at beginning of period             |      | 153                  | 163                  | 163               | 196         | 82          | 153         | 103        | 115         | 154         |
| Exchange rate differences in cash                            |      | -13                  | -19                  | 38                | -7          | -3          | -3          | 57         | 10          | -12         |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>        |      | <b>192</b>           | <b>103</b>           | <b>153</b>        | <b>192</b>  | <b>196</b>  | <b>82</b>   | <b>153</b> | <b>103</b>  | <b>115</b>  |



## Number of customers

|              | Number of customers |                |                          | Net intake               |                   |            |            |            |            |              |              |
|--------------|---------------------|----------------|--------------------------|--------------------------|-------------------|------------|------------|------------|------------|--------------|--------------|
|              | 2011<br>Sep 30      | 2010<br>Sep 30 | 2011<br>Jan 1-<br>Sep 30 | 2010<br>Jan 1-<br>Sep 30 | 2010<br>Full year | 2011<br>Q3 | 2011<br>Q2 | 2011<br>Q1 | 2010<br>Q4 | 2010<br>Q3   | 2010<br>Q2   |
| by thousands |                     |                |                          |                          |                   |            |            |            |            |              |              |
| Mobile       | 20 386              | 17 683         | 1 948                    | 3 232                    | 3 987             | 681        | 720        | 547        | 755        | 1 170        | 1 113        |
| <b>TOTAL</b> | <b>20 386</b>       | <b>17 683</b>  | <b>1 948</b>             | <b>3 232</b>             | <b>3 987</b>      | <b>681</b> | <b>720</b> | <b>547</b> | <b>755</b> | <b>1 170</b> | <b>1 113</b> |

## Net sales

|                             | 2011<br>Jan 1-<br>Sep 30 | 2010<br>Jan 1-<br>Sep 30 | 2010<br>Full year | 2011<br>Q3   | 2011<br>Q2   | 2011<br>Q1   | 2010<br>Q4   | 2010<br>Q3   | 2010<br>Q2   |
|-----------------------------|--------------------------|--------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SEK million                 |                          |                          |                   |              |              |              |              |              |              |
| Net sales                   | 8 632                    | 7 611                    | 10 296            | 3 081        | 2 922        | 2 629        | 2 685        | 2 720        | 2 654        |
| Internal sales, elimination | -157                     | -115                     | -154              | -66          | -60          | -31          | -39          | -42          | -55          |
|                             | <b>8 475</b>             | <b>7 496</b>             | <b>10 142</b>     | <b>3 015</b> | <b>2 862</b> | <b>2 598</b> | <b>2 646</b> | <b>2 678</b> | <b>2 599</b> |

## EBITDA

|                                                | 2011<br>Jan 1-<br>Sep 30 | 2010<br>Jan 1-<br>Sep 30 | 2010<br>Full year | 2011<br>Q3 | 2011<br>Q2 | 2011<br>Q1 | 2010<br>Q4 | 2010<br>Q3 | 2010<br>Q2 |
|------------------------------------------------|--------------------------|--------------------------|-------------------|------------|------------|------------|------------|------------|------------|
| SEK million                                    |                          |                          |                   |            |            |            |            |            |            |
| EBITDA                                         | 3 263                    | 2 664                    | 3 560             | 1 206      | 1 116      | 941        | 896        | 1 009      | 942        |
| Depreciation/amortization and other impairment | -658                     | -586                     | -795              | -220       | -223       | -215       | -209       | -186       | -223       |
| <b>EBIT</b>                                    | <b>2 605</b>             | <b>2 078</b>             | <b>2 765</b>      | <b>986</b> | <b>893</b> | <b>726</b> | <b>687</b> | <b>823</b> | <b>719</b> |

# Key ratios

| SEK million                         | 2011         | 2010         | 2010   | 2009   | 2008   |
|-------------------------------------|--------------|--------------|--------|--------|--------|
|                                     | Jan 1-Sep 30 | Jan 1-Sep 30 |        |        |        |
| Number of customers (by thousands)  | 20 386       | 17 683       | 18 438 | 14 451 | 10 422 |
| Net sales                           | 8 475        | 7 496        | 10 142 | 7 540  | 6 809  |
| Net sales growth                    | 13%          |              | 35%    | 11%    |        |
| EBITDA                              | 3 263        | 2 664        | 3 560  | 2 463  | 2 364  |
| EBIT                                | 2 605        | 2 078        | 2 765  | 1 827  | 1 834  |
| EBT                                 | 2 187        | 1 775        | 2 320  | 751    | 526    |
| Net profit                          | 1 753        | 1 455        | 1 896  | 531    | 328    |
| <b>Key ratios</b>                   |              |              |        |        |        |
| EBITDA margin, %                    | 38,5         | 35,5         | 35,1   | 32,7   | 34,7   |
| EBIT margin, %                      | 30,7         | 27,7         | 27,3   | 24,2   | 26,9   |
| Shareholders' equity                | 1 772        | -6 231       | -5 739 | -6 960 | -7 234 |
| Total assets                        | 9 631        | 9 483        | 10 445 | 9 369  | 7 906  |
| Cash flow from operating activities | 2 279        | 2 329        | 2 927  | 1 499  | 1 378  |
| Paid CAPEX                          | 1 153        | 935          | 1 556  | 2 109  | 1 619  |
| Cash flow after CAPEX               | 1 126        | 1 394        | 1 371  | -610   | -241   |
| Net debt                            | 5 593        | 13 715       | 12 934 | 13 809 | 13 127 |

# Parent company

## INCOME STATEMENT

| SEK million                                     | 2011         | 2010         |
|-------------------------------------------------|--------------|--------------|
|                                                 | Jan 1-Sep 30 | Jan 1-Sep 30 |
| Administrative expenses                         | -2           | -            |
| <b>Operating profit/loss, EBIT</b>              | <b>-2</b>    | <b>-</b>     |
| Dividend from group companies                   | 3 082        | 258          |
| Result from shares in group companies, other    | -269         | 9 012        |
| Net interest expenses and other financial items | -291         | -193         |
| <b>Profit/loss after financial items, EBT</b>   | <b>2 520</b> | <b>9 077</b> |
| Tax on profit/loss                              | 77           | 51           |
| <b>NET PROFIT/LOSS</b>                          | <b>2 597</b> | <b>9 128</b> |

## BALANCE SHEET

| SEK million                                      | Note | Sep 30, 2011  | Dec 31, 2010  |
|--------------------------------------------------|------|---------------|---------------|
| <b>ASSETS</b>                                    |      |               |               |
| <b>FIXED ASSETS</b>                              |      |               |               |
| Shares in group companies                        |      | 13 334        | 13 451        |
| Receivables, Tele2 group                         |      | 1 676         | -             |
| Receivables, Tele2 Russia group                  |      | -             | 69            |
| Deferred tax assets                              |      | 408           | 331           |
| Other financial assets                           |      | 5             | 5             |
| <b>FIXED ASSETS</b>                              |      | <b>15 423</b> | <b>13 856</b> |
| <b>CURRENT ASSETS</b>                            |      |               |               |
| Current receivables                              |      | 4             | -             |
| Current receivables Tele2 Russia group           |      | 16            | -             |
| <b>CURRENT ASSETS</b>                            |      | <b>20</b>     | <b>-</b>      |
| <b>ASSETS</b>                                    |      | <b>15 443</b> | <b>13 856</b> |
| <b>EQUITY AND LIABILITIES</b>                    |      |               |               |
| <b>SHAREHOLDERS' EQUITY</b>                      |      |               |               |
| Unrestricted equity                              |      | 11 178        | 2 581         |
| <b>SHAREHOLDERS' EQUITY</b>                      |      | <b>11 178</b> | <b>2 581</b>  |
| <b>LONG-TERM LIABILITIES</b>                     |      |               |               |
| Interest-bearing liabilities, Tele2 group        |      | -             | 10 504        |
| Interest-bearing liabilities, Tele2 Russia group | 2    | 4 163         | -             |
| Other interest-bearing liabilities               | 2    | 95            | 92            |
| <b>LONG-TERM LIABILITIES</b>                     |      | <b>4 258</b>  | <b>10 596</b> |
| <b>SHORT-TERM LIABILITIES</b>                    |      |               |               |
| Interest-bearing liabilities, Tele2 group        |      | 7             | 679           |
| <b>SHORT-TERM LIABILITIES</b>                    |      | <b>7</b>      | <b>679</b>    |
| <b>EQUITY AND LIABILITIES</b>                    |      | <b>15 443</b> | <b>13 856</b> |



# NOTES

## ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim report for the group has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and the interim report for the parent company has been 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 (September 2011).

### New and amended IFRS standards and IFRIC interpretations

The new or amended IFRS standards and IFRIC interpretations, which became effective on January 1, 2011, have had no material effect on the consolidated financial statements.

In all other respects, Tele2 Russia has presented its interim report in accordance with the accounting principles and calculation methods used in the 2010 Annual Report. Definitions are found in the 2010 Annual Report.

## NOTE 1 CONTINGENT LIABILITIES

| SEK million                         | Sep 30, 2011 | Dec 31, 2010 |
|-------------------------------------|--------------|--------------|
| Disputes                            | -            | 258          |
| <b>Total contingent liabilities</b> | <b>-</b>     | <b>258</b>   |

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 bond issued in Q2 2011 (for additional information please refer to Note 5).

## NOTE 2 TRANSACTIONS WITH RELATED PARTIES

In preparation for and following the bond issue in Russia the legal company structure was changed in Q2 2011, and a new treasury company within the Russia group was formed, affecting the internal financing structure. In addition, the issued bond in Russia was used for repaying loans to the Tele2 group.

In Q2 2011, the Tele2 group made a shareholder contribution of SEK 6 billion to Tele2 Russia Holding by waiving redemption of receivables.

Tele2 Sweden provides management and technical services to the Tele2 Russia group. For additional information please refer to Note 32 of the 2010 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 2011. Related parties are presented in Note 32 of the 2010 Annual Report.

### 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.

#### LTI 2011

|                                       | 2011           |
|---------------------------------------|----------------|
| Number of share rights                | Jun 17– Sep 30 |
| Allocated June 17, 2011               | 202,500        |
| Forfeited                             | -5,250         |
| <b>Total outstanding share rights</b> | <b>197,250</b> |

During the Annual General Meeting held on May 16, 2011, the shareholders of Tele2 AB (publ) 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. Detailed information of the Plan has been disclosed in the interim report January – June 2011.

#### LTI 2010

|                                       | 2011           | Cumulative     |
|---------------------------------------|----------------|----------------|
| Number of share rights                | Jan 1– Sep 30  | from start     |
| Allocated June 9, 2010                |                | 106,400        |
| Outstanding as of January 1, 2011     | 106,400        |                |
| Allocated, compensation for dividend  | 14,876         | 14,876         |
| Forfeited                             | -15,160        | -15,160        |
| <b>Total outstanding share rights</b> | <b>106,116</b> | <b>106,116</b> |

#### LTI 2009

|                                       | 2011           | Cumulative     |
|---------------------------------------|----------------|----------------|
| Number of share rights                | Jan 1– Sep 30  | from start     |
| Allocated June 1, 2009                |                | 184,160        |
| Outstanding as of January 1, 2011     | 157,908        |                |
| Allocated, compensation for dividend  | 20,896         | 26,752         |
| Forfeited                             | -27,788        | -59,896        |
| <b>Total outstanding share rights</b> | <b>151,016</b> | <b>151,016</b> |

#### LTI 2008

|                                              | 2011          | Cumulative     |
|----------------------------------------------|---------------|----------------|
| Number of share rights                       | Jan 1– Sep 30 | from start     |
| Allocated in 2008                            |               | 194,872        |
| Allocated Q2 2009, compensation for dividend |               | 8,964          |
| Allocated Q2 2010, compensation for dividend |               | 5,896          |
|                                              |               | <b>209,732</b> |
| Outstanding as of January 1, 2011            | 153,664       |                |
| Forfeited                                    | -6,500        | -62,568        |
| Exercised                                    | -147,164      | -147,164       |
| <b>Total outstanding share rights</b>        | <b>-</b>      | <b>-</b>       |

The exercise of the share rights in LTI 2008 was conditional upon the fulfilment of certain retention and performance based conditions, measured from April 1, 2008 until March 31, 2011. 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%                  | 53.5%               | 100%      |
| Series B | Average normalised Return on Capital Employed (ROCE)          | 12%                  | 15%                   | 19.5%               | 100%      |
| Series C | Total Shareholder Return Tele2 (TSR) compared to a peer group | > 0%                 | ≥ 10%                 | 51.1%               | 100%      |

Weighted average share price at date of exercise for share rights amounted to SEK 152.53 during 2011.

#### NOTE 4 ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments of shares and participations affecting cash flow were as follows.

| SEK million                            | 2011<br>Jan 1 – Sep 30 |
|----------------------------------------|------------------------|
| <b>Divestments</b>                     |                        |
| Tele2 Holding Russia VOL GmbH, Austria | 1                      |
| <b>TOTAL CASH FLOW EFFECT</b>          | <b>1</b>               |

On June 30, 2011, the Tele2 Russia group sold an Austrian dormant company to the Tele2 group.

#### NOTE 5 FINANCING

In Q2, 2011, Tele2 Russia issued a 13 billion rouble bond (with 3 tranches). The bond has a final maturity of 10 years and a put option providing for an effective tenor of 5 years. The coupon rate for the 5-year period is 8.40 percent per annum with semi-annual coupon payments. The reported value of the bond amounted on June 30, 2011 to SEK 2.9 billion.

Stockholm, October 19, 2011

Mats Granryd  
Chairman

Lars Nilsson

Jonas Bengtsson

#### REVIEW REPORT

This interim report has not been subject to specific review by the company's auditors.

