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Tele2 reports interim January-September results: 1 100 000 new customers added

Moscow –Today Tele2 AB, one of the Europe’s leading alternative telecom operator, announced its consolidated results for the third quarter and 9 months of 2009 in Russia and plans for further development of these operations.

During Q3 2009 Tele2 Russia continued with its strategy of improving the operational contribution of its 17 mature regions to support the roll-out of commercial networks in its 20 new regions. In the quarter, 7 of the new regions were commercially launched: Bryansk, Novosibirsk, Tula, Tambov, Tver, Orel Regions and the Adygey Republic. The market’s response has been better than expected compared to the business plan.

Financial and operational results

In Q3 2009 Tele2 Russia had an overall record customer intake and added 1 100 000 (449 000 – in Q3 2008) new users in the quarter. The customer base of the new regions grew by 742 000 customers exceeding overall expectations. The customer intake was also supported by lower churn in the total base.

Tele2 Russia carried on demonstrating good financial performance in the quarter. Operating revenue grew by 8 percent in Q3 2009 compared to the same period last year and reached RUR 8110 million. As expected, EBITDA margin declined sequentially affected by launches of new regions. However, the actual decline was lower than expected driven by effective cost management. EBITDA in the 17 old regions amounted to RUR 3160 million (RUR 2671 million in Q3 2008), equivalent to a margin of 40.5 percent (37.3 – in Q3 2008). EBITDA in the new regions amounted to RUR -601 million (RUR -91 million in Q3 2008). EBITDA margin for the whole Tele2 Russia Company is 31 percent (36 percent in Q3 2008). In Q3 2009 CAPEX reached RUR 3011 million (RUR 2010 million – in Q3 2008).

Despite an impact from customer base growth in new regions MOU for the total operations increased by 6 percent compared to Q3 2008, amounting to 215 (203 – in Q3 2008). ARPU amounted to RUR 212 (RUR 222 in Q3 2008), negatively affected by unfavorable currency movement.

In January-September 2009 customer net intake amounted to 1 798 000 (1 374 000 – in 9M 2008). Operating revenue in 9M 2009 reached RUR 22349 million (RUR 18747 million - in 9M 2008). The EBITDA reached RUR 7357 million (RUR 6693 million in 9M 2008). CAPEX amounted to RUR 7411 million (RUR 4219 million in 9M 2008)

As of 30th of September 2009, Tele2 Russia customer base exceeded 13 300 000 customers.

Tele2 Russia increased prices in regions where market conditions permitted, but the general pricing environment remains highly competitive. In any regions Tele2 always strives to be the leader of best price and best value for money.

Further development plans

The most important direction now is launches in rest regions. In October 2009 Tele2 Russia has already launched Kostroma and Kaluga Regions. On 23rd of October Vladimir will be launched while on 31st of October Tele2 will begin its commercial operations in Kirov Region. Tele2 will enter the Ryazan and Vologda markets by the end of 2009.

The business strategy in new regions will not differ from the strategy in existing regions: low prices, full set of mobile services, including EDGE, good quality of connection and excellent customers care, aggressive marketing communication. All regions will be launched with big enough coverage area.



The base plan is that an infrastructure-based operation should be able to reach EBITDA breakeven two years after commercial launch date. The longer-term market share in the new regions should not deviate significantly from the historic market share of Tele2 Russia.

Dmitry Strashnov, Tele2 Russia CEO, comments:

“The main challenge for us during Q3 and the whole year was to successfully launch our networks in new regions and I am proud to note that the roll-out of new regions in Russia has shown a development in line with or better than our own expectations. Despite turbulent economic times and tough competition Tele2 has managed to commercially launch 10 networks during 4.5 months and is expecting to launch all other regions within nearest months. So we carry out our commitments. In some regions like Evenkia AD or Nenetskiy AD we will return our investment in some years only. This is the unique project for the Russian market and proof of the fact that Tele2 considers the Russian market as strategic, plays important social role and have enough experience and knowledge for further development.”

Tele2 Russia will continue to look for possibilities to carefully expand its operations in Russia through new licenses as well as by complementary acquisitions if it will make sense.