CEO’s speech at the Annual General Meeting April 3, 2013

Ladies and gentlemen,

I can only agree with the Chairman. 2012 was a year of challenges for us. The company had two perspectives to manage. On the one hand the operational and financial side, and on the other the criticism directed at the company concerning human rights and our investments in Uzbekistan.

Amid a global economic downturn, we consolidated and strengthened our position. We delivered a good result, the second best since Telia and Sonera merged ten years ago.

The Board recommends the same level of dividend as last year. This in an era when many operators are cutting, or even abstaining from paying dividends. Since the merger, TeliaSonera has delivered 117 billion crowns in dividends and made share buy-backs of another 20 billion crowns.

The number of subscriptions has increased from 20 million to 71 million during these ten years, and to 183 million counting minority owned Turkcell and MegaFon.

During 2012, we concluded two successful structural deals. We succeeded in breaking the ownership deadlock in MegaFon, which had lasted for many years and listed the company on the London and Moscow stock exchanges. We have now achieved our aim of a transparent and direct ownership in Russia’s second-largest mobile operator.

Since MegaFon was formed in 1994, we have invested 1.2 billion crowns in the company. That investment has grown to 55 billion crowns, an outstandingly good return, by all accounts. At the beginning of 2012 we increased our stake in Kcell, our biggest operator in Eurasia, and just before year-end, we also floated the company on the stock exchanges of London and Almaty in Kazakhstan. These two transactions contributed to our record-breaking cash-flow, which we primarily used to reduce our debt.

We run our operations through three business areas: Mobility Services, Broadband Services and Eurasia. Within Mobility Services, demand for mobile internet continues to grow. Today, more than 35 percent of all smartphone subscriptions include a data package, compared to 25 percent one year ago.

The Swedish mobile services business is worth a special mention. When I meet investors and analysts abroad they always ask me the same question: How come the Swedish mobility business has grown 22 quarters in a row? That is an outstanding achievement.

There are three main reasons: Firstly, our Swedish customers have a unique appetite for the latest services. Secondly, we benefit from a favorable macroeconomic climate. Lastly, we have a very well-managed business.

In our second business area, Broadband Services, the number of fiber connections increased by 23 percent, to more than 640,000 at year-end.
In our third business area, Eurasia, sales increased by 14 percent last year. The operations there are our growth engine. But as our business grows and generates an even higher value, the operations in Eurasia have also been a source of criticism. In September last year, we were accused of bribery and money laundering in connection with our investments in Uzbekistan. The Board therefore assigned the law firm Mannheimer Swartling to conduct an external review.

The review, which was presented on February 1 this year, found no substance to support the allegations of criminal activity. But severe criticism was directed at how the investments were carried out. Today it is obvious. We should have done a much more thorough due diligence of our counterparts.

Ladies and Gentlemen, let me be clear! We have accepted the criticism, and we agree with it. We should not have carried out the investments in Uzbekistan in the way we did.

During the year, the management initiated a review of our transactions in Eurasia. Shareholders and the Board need to be confident that our operations rest on solid ground. It is not enough to meet your expectations when it comes to financial results. We must also run the business in an ethical and sustainable manner, to allow us all to be proud of TeliaSonera.

This task cannot be completed once and for all. It is a continuous effort. Therefore we have, as the Chairman just described, made great efforts in recent years to ensure good business ethics and a sustainable approach.

We have enhanced our processes. We have tightened our risk assessment, in particular ahead of new investments. During 2012, we also initiated a partnership with the Danish Institute for Human Rights and use their tool when assessing risks relating to human rights.

We have moved decisions which risk conflicting with human rights from local management to group management. This can involve, for instance, the closing down of parts of, or entire mobile networks. Together with other big telecom operators, we have developed a framework aimed at reducing the risks of our technology being misused when it comes to freedom of speech and privacy.

And at the beginning of this year we signed the Global Compact, which embraces the United Nations principles on human rights, labor law, the environment and anti-corruption. With these and other measures, sustainability, business ethics, and responsibility, all become naturally integrated into everything we do. Sustainability is not a separate issue. It is part of our business.

Ladies and Gentlemen,

Our industry is under immense pressure to change. Revenue from voice calls fell by 10 percent during 2012 at a virtually constant volume. Revenue from mobile data traffic on TeliaSonera’s network grew by 20 percent at the same time as volume increased by almost 80 percent.

Dealing with price pressure, a constantly rising demand for capacity, while at the same time coping with falling income from voice calls, is the major challenge for TeliaSonera and the entire industry.
We deal with the pressure on prices and meet our customers’ demand for new services in three ways:

Firstly, we introduce new service offerings with prices which better reflect the consumption patterns of our customers. Recently, as one of the first operators in Europe, we introduced a new offer allowing an entire family to share a single mobile subscription with unlimited calls and text messaging and a shared mobile data bucket. All on a single bill! This simplifies the usage and makes the total cost more transparent.

Secondly, we develop our networks. Last year, we invested close to 16 billion crowns in infrastructure and licenses for mobile networks and fiber. We have now launched 4G in all Nordic and Baltic markets, as well as in several Eurasian markets.

Our investments in fiber to households are fundamentally changing the TV media. Let me give you an example. During past year we have initiated cooperation with the American TV network HBO. This allows our broadband customers to watch the latest TV series long before they appear on the usual TV channels.

Thirdly, we meet price pressure by cutting our costs. In 2012 we embarked on a plan, which will cut our costs from 27 to 25 billion in two years. We will achieve this by introducing new, more efficient, ways of working and by reaping the benefits of new technology.

Ladies and gentlemen,

TeliaSonera is very well placed in the battle for market share. We have size. We are one of the largest telecom operators in Europe. We have financial strength with a sound balance sheet. We have fantastic staff all around the world, and we are at the forefront of applying new technology. In other words, we are better able than most in our industry to use the pressure for change to create competitiveness.

I would argue that communication technology is the strongest positive force for change in our time. It changes how we work, how we socialize, and how we study. TeliaSonera contributes to building a better society for all.

To be part of the societal progress we are witnessing today is exciting, demanding, and challenging. We will do our utmost to create value within the company in a sustainable manner.

Thank you!