Interim Report January-June, 2005
Anders Igel
President and CEO
TeliaSonera
Highlights

• 6.5% sales growth
• Overall strong development in mobile operations
• Market positions maintained
• Strong development in Norway, Denmark and the Baltic countries
• Sweden and Finland developed as expected
  - Sweden: Restructuring program in progress. 865 of estimated 3,000 employees in transition.
  - Finland: Annual costs to be reduced by approx. SEK 1 billion, with full effect in 2006.
  - Finnish development calls for additional measures
• Strong performance in International mobile operations
• Legal actions filed on Turkcell deal
• New Presidents appointed in Finland and Norway
Strong customer growth year on year

Nordic and Baltic

- 22.6 million customers
- +5.5% growth

+1.2 million

Eurasia, Russia\(^1\) and Turkey\(^1\)

- 47.2 million customers
- +48.7% growth

+1.6 million in Eurasia
+13.8 million in Russia and Turkey

1) Associated companies
Overall good development but Sweden and Finland affect negatively

**Net sales**

<table>
<thead>
<tr>
<th></th>
<th>Apr-Jun 2004</th>
<th>Sweden fixed and Finland mobile</th>
<th>+2,102</th>
<th>Apr-Jun 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEK million</td>
<td>20,422</td>
<td>-772</td>
<td></td>
<td>21,752</td>
</tr>
</tbody>
</table>

**Operating income**

Excl. non-recurring items

<table>
<thead>
<tr>
<th></th>
<th>Apr-Jun 2004</th>
<th>Sweden</th>
<th>Finland</th>
<th>All Other operations</th>
<th>Apr-Jun 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEK million</td>
<td>5,063</td>
<td>-347</td>
<td>-839</td>
<td>+508</td>
<td>4,385</td>
</tr>
</tbody>
</table>
Several new service initiatives

- Packaged offerings
- TV in the mobile
- Broadband TV
- Integrated Mobile telephony and Internet service at home (UMA)
- High speed mobile data services – Connect services
Acquisitions

- Chess/Sense (NO)
- Lattelekom/LMT (LT)
- MicroLink (Baltic)
- Turkcell

Several other alternatives are considered
Business mix transformed 2003–2005

**Net sales**
Market split – Jan-Jun, 2003

- Sweden
- Finland
- Norway, Denmark, Baltic
- Int. Mobile
- Int. Carrier
- Other

SEK 40,624 million

**Operating income**
Market split\(^1\) – Jan-Jun, 2003

SEK 9,443 million

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**Net sales**
Market split – Jan-Jun, 2005

SEK 42,556 million

**Operating income**
Market split\(^1\) – Jan-Jun, 2005

SEK 9,055 million

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1) Excluding non-recurring items and other operations, corporate and eliminations
Marie Ehrling
President TeliaSonera Sweden
TeliaSonera Sweden Highlights

Market position maintained

• Several new offerings have been introduced
• Strong development within mobile communications
• Strong demand for broadband and increased bandwidth
• Price erosion has decreased the value of the Swedish market as a whole
Competitive Cost Levels in Sweden

Reduce annual costs by SEK 4-5 billion

• Focusing the service portfolio
  - Several services discontinued or sales stopped - Enable further reduction of network platforms and IT and support systems
  - Continued coordination of Group’s product development

• More efficient processes within production, sales and product development

• New organizational structure implemented
  - In line with Focused Service Portfolio
  - New customer service unit and one business customer segment
Readjustment agreement - Sweden

Approximately 3,000 employees affected

- Redeployment unit
  - Competence development
  - Assistance during employees’ search for new employment, either within or outside the company
- Early retirement offered to 1,000 employees

Status - Apr-Jun, 2005

- Established – 240 employees transferred
- Accepted by 625 employees
New service offerings - Making it easy

- Telia Alltid, Telia Fritid, Telia Alltid Total (flat rate)
- SMS on the PC
- Mess pack - 500 SMS for SEK 100
- Simple SMS-sign up with Halebop
- New broadband offerings
- Telia Connect
- “Internet För Alla” (For everyone)
- Installation support for new broadband customers
- Personalized problem resolution for broadband customers
- Spam protection
- Refill directly on the invoice
- Predetermined amount on the fixed telephony invoice
- Interactive voice response
Development April-July, 2005

TeliaSonera
Good volume growth in most operations year on year

- Strong price pressure and intensifying competition in Sweden and Finland affected sales negatively and put pressure on margins

### Net sales and EBITDA margin

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<td>Net sales (SEK million)</td>
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<tr>
<td>EBITDA margin (%)</td>
<td>35.9%</td>
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### EBITDA

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<tbody>
<tr>
<td>EBITDA (SEK million)</td>
<td>7,327</td>
<td>7,200</td>
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### Operating income

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Key trends – Home markets

- Continued price pressure and increased competition
- Prices down on average some 8% YoY, e.g. mobile in Sweden 10–15% and in Finland around 20%

- Mobile traffic volume up on average YoY: approx. 14% in Sweden and Finland
- Fixed volume down on average, mainly due to accelerated migration from fixed to mobile and Internet based services
- Demand for broadband remained strong
Continued strong development in International Mobile

Eurasia – High growth and margins
- +438,000 customers in Q2, total 4.6 million
- EBITDA margin excl. non-recurring items 52.9%

Turkey – Strong development in Turkcell
- +900,000 customers in Q1, total 24.3 million
- +1.3 million customers in Q2, total 25.6 million*

Russia – MegaFon increased market share
- +2.6 million customers in Q2, total 18.3 million

* Source: Turkcell press release July 8, 2005

1) Reported with a one quarter lag  2) Source: MegaFon
## Key financials – P&L and Cash flow

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<td>Margin (%)</td>
<td>33.1</td>
<td>35.9</td>
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<tr>
<td>Operating income excl. non-recurring items</td>
<td>4,385</td>
<td>5,063</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>20.2</td>
<td>24.8</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>2,422</td>
<td>3,467</td>
</tr>
<tr>
<td><strong>Earnings per share(^1) (SEK)</strong></td>
<td>0.44</td>
<td>0.67</td>
</tr>
<tr>
<td><strong>CAPEX (cash flow)</strong></td>
<td>3,767</td>
<td>2,655</td>
</tr>
<tr>
<td>In relation to net sales (%)</td>
<td>17.3</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>4,628</td>
<td>3,591</td>
</tr>
<tr>
<td>Free cash flow per share (SEK)</td>
<td>1.00</td>
<td>0.77</td>
</tr>
<tr>
<td>Free cash flow(^2)/market capitalization (%)</td>
<td>11.1</td>
<td>9.6</td>
</tr>
</tbody>
</table>

\(^1\) EPS is calculated on reported net income less minority interest divided with number of shares.

\(^2\) Annualized
Operating income

SEK million

- Net sales SEK -240 million
- Storm costs and higher personnel expenses
- Non-recurring:
  - Restructuring costs SEK -1,012 million
  - SEK 579 million mainly adj. pension acc. in Q2/04

Customer growth
- SEK -110 million revaluation of loan in Q2/04

Net sales growth
- Customer growth
- SEK +100 million

Consolidation of Eesti Telekom
- Reduced depreciations (Int. Carrier)
- Telefos value adj. SEK -110 million in Q2/05 and capital gains in Q2/04 (Holding)

IFRS adj. effect SEK -200 million
- Net sales SEK -240 million
- Customer growth
- Compensation for historical interconnect fees and customer acquisition costs SEK -300 million in OPEX
- Compensation from Saunalahti SEK +100 million
- Non-recurring: restructuring costs SEK -105 million

Reduced depreciations (Int. Carrier)
- Telefos value adj. SEK -110 million in Q2/05 and capital gains in Q2/04 (Holding)
Strong financial position and healthy cash flow generation

- Cash payment of SEK 10,163 million was made on July 4, 2005, for repurchase of shares
- Scheduled debt repayments SEK 2.8 billion in 2005 and SEK 5.8 billion in 2006

<table>
<thead>
<tr>
<th>Net debt Dec 31, 2004</th>
<th>Free cash flow</th>
<th>Acquisitions</th>
<th>Sales of assets</th>
<th>Dividend</th>
<th>Minority dividends</th>
<th>Other</th>
<th>Net debt Jun 30, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>8.3</td>
<td>1.7</td>
<td>5.6</td>
<td>1.0</td>
<td>0.6</td>
<td>4.4</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Jun 30, 2005</th>
<th>Dec 31, 2004</th>
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<tr>
<td>Return on equity*</td>
<td>10.0%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Return on capital employed*</td>
<td>11.4%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Equity/asset ratio</td>
<td>60.0%</td>
<td>63.8%</td>
</tr>
<tr>
<td>Net debt/equity ratio</td>
<td>3.5%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

* Rolling 12 months
## Outlook

<table>
<thead>
<tr>
<th>Area</th>
<th>Expectations</th>
</tr>
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</table>
| Sales                 | • Strong volume growth in mobile will continue but price pressure will limit growth in home markets  
                        | • In Sweden, decline in sales of traditional fixed services will partly be compensated by sales of other services during the three year transition period  
                        | • After this period market growth is expected to return to higher levels                                                                                                                                   |
| Margins               | • Group EBITDA margin excluding non-recurring items is expected to be maintained for the rest of the year                                                                                                 |
| Restructuring programs| • Restructuring programs in Sweden and Finland to maintain and restore profitability and to develop a platform for future growth, oriented towards mobile and Internet based services  
                        | • Annual cost reduction of SEK 5-6 bn in Sweden and Finland at latter part of the three year transition period                                                                                           |
|                        | • Non-recurring costs of approx. SEK 5 bn. The costs for the rest of 2005 is expected to be in line with the first half of the year                                                                              |
| CAPEX                 | • CAPEX to sales for 2005 in line with last year                                                                                                                                                    |
Conclusions

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- Overall strong development in mobile operations
- Market positions maintained
- Strong development in Norway, Denmark and the Baltic countries
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  - Sweden: Restructuring program in progress. 865 of estimated 3,000 employees in transition.
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Forward-looking statements

Statements made in this document relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of TeliaSonera.
The Nordic and Baltic telecommunications leader

TeliaSonera