Interim report
July-September 2006

Anders Igel
President and CEO
All-time high Sales, Earnings and EPS

- Growth 4%
- EBITDA\(^1\) margin 38% (37)
- EPS 1.13 (0.84)

\(^1\) excl. non-recurring items
Improvements in all operations

Operating income excl. non-recurring items

*SEK million*

- Group Q3 2005: 6,162
- Sweden: +51
- Finland: +363
- Norway: +33
- Denmark: +145
- Baltic countries: +103
- Eurasia: +305
- Russia & Turkey: +120
- Other: +520
- Group Q3 2006: 7,802
Dividend proposals for 2006

• Proposed dividend increased to reflect strong 2006
• Extraordinary dividends SEK 10+10 billion
• Ordinary dividend at upper range
Sweden - Restructuring measures maintained profitability in fixed but mobile volume growth did not offset price erosion

+ Customer intake
+ Mobile volume growth
- Not yet sales increase
Finland - Solid development

- Turnaround progress
- Increase in underlying mobile sales
- Margin improvement takes time

Graph showing:
- Operating income excluding non-recurring items from Q1 2002 to Q3 2006, with a peak of 642 in Q4 2003.
Norway - Increased sales activities increased the number of postpaid customers but lowered the margin

- Increased postpaid customers
- Expensive postpaid gain
Denmark - Improved profitability

+ Additional actions initiated
- Margin improvement takes time

- SEK million

Net Sales:
- 1,889

Operating income (excl. non-recurring items):
- 159

Q1 06
The Baltics - Continued good development within mobile and broadband

- Sales increase
- Compensation for fixed voice decline

Net Sales 2,551
Operating income excl. non-recurring items 795

Graph showing sales increase and compensation for fixed voice decline over the years 2002 to 2006.
Spanish mobile opportunity

Commercial launch of mobile services at the end of the year

- Ericsson selected as equipment supplier for the deployment of 3G network
- Renewed national 2G-roaming agreement with Vodafone
- Successful test call in own 3G network
- Distribution agreement with The Phone House
- Dextra Móviles selected for rendering of logistics and distribution services
- Brand name launched

+ Robust business case
+ Benchmark low cost
+ Sharp business focus
+ 3G license/2G roaming
International Mobile - Continued strong growth and profitability

- Value creation
- Eurasia business
- MegaFon development
  - Uncertainty in Turkey
  - Liquidity in shareholding
In short

Q3 2006 All time high
- Net Sales SEK 23,157 million
- EBITDA\(^1\) SEK 8,756 million
- Operating income SEK 7,802 million
- Earnings per share SEK 1.13

Dividend proposals for 2006
- Proposed dividend increased to reflect strong 2006
- Extraordinary dividends SEK 10+10 billion
- Ordinary dividend at upper range

\(^1\) excl. non-recurring items
## Key financials – Income statement and Cash flow

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Jul - Sep 2006</th>
<th>Jul − Sep 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>23,157</td>
<td>22,229</td>
</tr>
<tr>
<td><strong>EBITDA excl. non-recurring items</strong></td>
<td>8,756</td>
<td>8,224</td>
</tr>
<tr>
<td><strong>Margin (%)</strong></td>
<td>37.8</td>
<td>37.0</td>
</tr>
<tr>
<td><strong>Operating income excl. non-recurring items</strong></td>
<td>7,802</td>
<td>6,162</td>
</tr>
<tr>
<td><strong>Margin (%)</strong></td>
<td>33.7</td>
<td>27.7</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>5,053</td>
<td>3,763</td>
</tr>
<tr>
<td><strong>Earnings per share</strong> (SEK)</td>
<td>1.13</td>
<td>0.84</td>
</tr>
<tr>
<td><strong>CAPEX</strong></td>
<td>2,743</td>
<td>2,530</td>
</tr>
<tr>
<td>In relation to net sales (%)</td>
<td>11.8</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>4,870</td>
<td>4,088</td>
</tr>
<tr>
<td><strong>Free cash flow per share (SEK)</strong></td>
<td>1.08</td>
<td>0.91</td>
</tr>
<tr>
<td><strong>Free cash flow /market capitalization (%)</strong></td>
<td>9.2</td>
<td>9.9</td>
</tr>
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1) Attributable to shareholders of the parent company
2) EPS calculated on net income attributable to shareholders of the parent company, divided by the number of shares
3) Annualized
Net sales +4.2% Q3 2006 year-on-year

SEK million

- Decreased mobile wholesale -104 MSEK
- Increased sales of broadband and equipment +170 MSEK
- Traditional data and interconnect decreased -65 MSEK

- Increased mobile terminal sales
- Lower interconnect fees -30 MSEK
- Decreased fixed voice -30 MSEK

- Decrease in fixed -225 MSEK (fixed voice)
- Decrease in mobile -79 MSEK due to price pressure in SME

Acquisition of Chess +348 MSEK and NextGenTel +212 MSEK

Strong growth in mobile +117 MSEK and broadband +36 MSEK

Strong customer growth, +1.4 million y-o-y

Acquisitions +2.4% and FX -0.7%
Operating income Q3 2006 year-on-year

**SEK million**

- Lower net sales -304 MSEK
- OPEX development
  - Restructuring effects +300 MSEK
  - Increased volume related expenses, incl. 3G
- Lower depreciation +210 MSEK
- Increased cost for pensions -60 MSEK

- Net sales increased but price decline and equipment sales impact margins
- Lower depreciation

- Volume growth 25%
- Improved margins

Mainly restructuring costs in Finland and Sweden

Divestment of MTN Uganda 560 MSEK

- Russia - strong sales and earnings growth
- Turkey – TS income impacted by depreciation of Turkish lira

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<td>7,802</td>
<td>-123</td>
<td>7,679</td>
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- Increased volume related expenses -250 MSEK
- Streamlining effects +420 MSEK
- Lower depreciation +200 MSEK

- Customer acquisition costs -150 MSEK
- Chess synergies +200 MSEK

- Synergies and efficiency measures
- Lower depreciation

- Net sales increased but price decline and equipment sales impact margins
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- Net sales increased but price decline and equipment sales impact margins
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- Lower depreciation
Net sales Q3 2006 versus Q2 2006

**SEK million**

- **Group Q2 2006**: 22,737
- **Group Q3 2006**: 23,157

**Q3 2006 versus Q2 2006**

- **Mobile sales**: +85 MSEK (handsets and new pricing models)
- **Fixed voice and FX difference**: -40 MSEK
- **Full quarterly impact from consolidation of NextGenTel**
- **Lower interconnect fees**
- **Lower interconnect fees**
- **Decrease in fixed wholesale**

**Mobile volume growth**

- **SEK million**

**Group Q2 2006**

- **Sweden**: +41
- **Finland**: -3
- **Norway**: +159
- **Denmark**: -49
- **Baltic countries**: +44

**Group Q3 2006**

- **Eurasia**: +255
- **Other**: -27

**Increased broadband sales**

**Decrease in Fixed voice sales**
### Operating income Q3 2006 versus Q2 2006

**SEK million**

#### Key factors:

- **Customer acquisition costs and some seasonality effects**
- **Increased sales and postponed sales and marketing activities**
- **Mainly restructuring costs in Sweden and Finland**
- **Efficiency measures**
- **Lower depreciation**
- **Divestment of MTN Uganda**
- **Sales growth +41 MSEK**
- **Increased restructuring effects**
- **Seasonality effects**
- **Seasonality incl. personnel and advertising**
- **Decreased costs for sub-contracted work and network capacity +200 MSEK**
- **Higher depreciation in Q2 due to certain one-offs, net +75 MSEK**

#### Operating income excl. non-recurring Q2 2006:

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#### Non-recurring Q3 2006:

- Decreased by 123 MSEK in Finland.

#### Operating income excl. non-recurring Q3 2006:

- Increased by 46 MSEK in Russia & Turkey.
- Decreased by 30 MSEK in Denmark.
- Decreased by 4 MSEK in Sweden.
- Increased by 44 MSEK in Norway.
- Decreased by 254 MSEK in Finland.
- Increased by 224 MSEK in Denmark.
- Increased by 641 MSEK in Sweden.

#### Efficiency measures and lower depreciation:

- Higher depreciation in Q2 due to certain one-offs, net +75 MSEK.
- Decreased costs for sub-contracted work and network capacity +200 MSEK.
- Decreased by 254 MSEK in Finland.
- Increased by 224 MSEK in Denmark.
- Increased by 641 MSEK in Sweden.
Competitive Cost Level programs

**Sweden**
- Est. to reduce annual gross costs by SEK 4-5 billion as of 2008
  - Realized cost savings est. 600 MSEK in Q3 2006
  - Est. annual savings effect 2.55 BSEK as of Q4 2006 from measures taken by end of Q3 2006
  - 1,642 employees of approx. 3,000 in transition, of which 1,413 have left
  - 3.1 BSEK of the est. around 5 BSEK implementation costs recorded by end Q3 2006

**Finland**
- Est. to reduce annual gross costs by SEK 3 billion as of 2008
  - Streamlining efforts initiated 2005 est. to lower annual costs 1 BSEK as of 2006, fully effective
  - Turnaround program initiated at the end of 2005 with a target to reduce annual costs by an additional 2 BSEK as of 2008
    - Program proceeds as planned
    - Realized cost savings est. slightly above 200 MSEK in Q3 2006
    - Est. annual savings effect 900 MSEK as of Q4 2006 from measures taken by end of Q3 2006
    - Competence pool established (360 employees transferred, of which 70 remain)
  - 289 MSEK of the est. 1-1.5 BSEK implementation costs recorded by end Q3 2006 and none of the est. about 0.5 BSEK CAPEX

**Denmark**
- Further efficiency measures initiated in order to continue to adapt the organization to the market
  - Additional annual cost savings est. to total 80 MSEK as of 2007
  - Restructuring costs est. at around 45 MSEK and will be reported in Q4 2006 as non-recurring
  - Est. to decrease approx. 90-100 full-time positions
### Statement of cash flows

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<th><strong>SEK million</strong></th>
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<tr>
<td>EBITDA excluding non-recurring items</td>
<td>8,756</td>
<td>8,224</td>
</tr>
<tr>
<td>Dividends received from associated companies</td>
<td>679</td>
<td>3</td>
</tr>
<tr>
<td>Income taxes refunded/paid</td>
<td>638</td>
<td>-670</td>
</tr>
<tr>
<td>Payment of restructuring provisions</td>
<td>-107</td>
<td>-270</td>
</tr>
<tr>
<td>Difference between paid/recorded pensions</td>
<td>258</td>
<td>357</td>
</tr>
<tr>
<td>Changes in working capital and other items, net</td>
<td>-2,406</td>
<td>-1,294</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td><strong>7,818</strong></td>
<td><strong>6,350</strong></td>
</tr>
<tr>
<td>Cash CAPEX</td>
<td>-2,948</td>
<td>-2,262</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>4,870</strong></td>
<td><strong>4,088</strong></td>
</tr>
<tr>
<td>Cash flow from other investing activities</td>
<td>-470</td>
<td>481</td>
</tr>
<tr>
<td><strong>Cash flow before financing activities</strong></td>
<td><strong>4,400</strong></td>
<td><strong>4,569</strong></td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-2,063</td>
<td>-13,244</td>
</tr>
<tr>
<td><strong>Net cash flow for the period</strong></td>
<td><strong>2,337</strong></td>
<td><strong>-8,675</strong></td>
</tr>
</tbody>
</table>
Strong financial position and cash flow generation

One of the best rated Telecom Operators in Europe

* Using the Moody’s approach and 2005YE figures
## Strong financial key ratios

<table>
<thead>
<tr>
<th></th>
<th>Sep 30, 2006</th>
<th>Dec 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity*</td>
<td>13.6%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Return on capital employed*</td>
<td>16.0%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Equity/asset ratio</td>
<td>62.5%</td>
<td>58.9%</td>
</tr>
<tr>
<td>Net debt/equity ratio</td>
<td>15.2%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

*Rolling 12 months

High yielding share
Group outlook 2006

- Group net sales expected to grow
- Results before tax expected to grow
- **CAPEX to sales ratio (incl. Xfera and NextGenTel) - lower than previously indicated and lower than the 2005 level**
- Free cash flow expected to remain strong

**Home markets**
- Continued migration from fixed voice to mobile and IP
- Continued strong competition in all product areas
- Mobile and broadband volume growth is expected to continue

**International Mobile**
- Income from International Mobile expected to grow
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.