# Interim Report
# January – September 2011

Lars Nyberg
President and CEO

TeliaSonera

## Margin improvement and strong cash flow

- Net sales SEK 26,612 million *(26,873)*
  - *Increased 2.4 percent in local currencies*
- EBITDA* SEK 9,802 million *(9,756)*
  - *Increase of 4.0 percent in local currencies*
- Earnings per share SEK 1.12 *(1.33)*
  - *Lower income from associated companies*
- Free cash flow SEK 5,106 million *(3,857)*
  - *Increase of 32.4 percent*

** Excluding non-recurring items*

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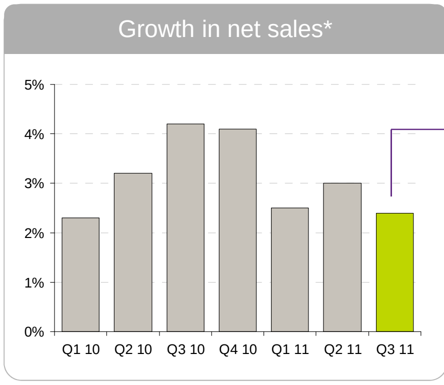
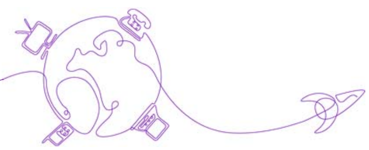
# Net sales growth despite macro uncertainty




**Main growth drivers**

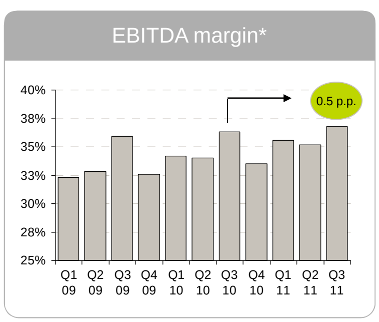
- Mobility Sweden
- Kcell in Kazakhstan
- Ncell in Nepal
- Yoigo in Spain
- Ucell in Uzbekistan

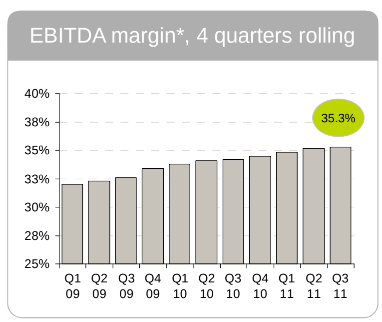


** In local currencies and excluding acquisitions*



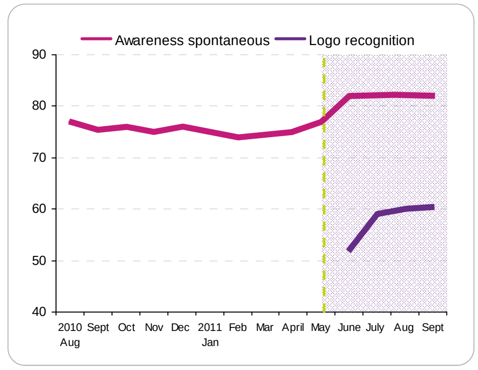
# Improving margin for 12 consecutive quarters




** Excluding non-recurring items*

# Strong recognition of our new brand




*TeliaSonera Group level*

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# Paving the way for increased mobile behavior


- Significantly lower data roaming tariffs within Nordic and Baltic countries launched in May
- Offer extended to other European countries in October. More countries to be added over time
- Better cost control when surfing abroad

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# Investing in network quality

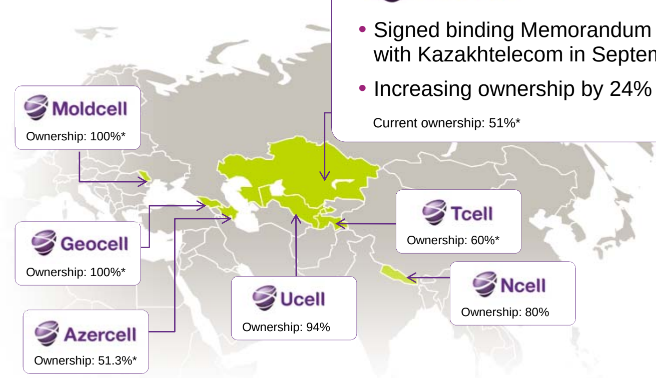
- Nationwide frequencies on the 800 and 1,800 MHz band for the 2G and 4G networks in Sweden
- 4G roll out continues, expansion and new launches in 5 countries
- 3G capacity expansions in Sweden, Norway and Spain
- Network sharing agreement with Telenor to create Denmark's best mobile network

# Increasing ownership in core holdings

**Kcell**

- Signed binding Memorandum of Understanding with Kazakhtelecom in September 2011
- Increasing ownership by 24% plus one share

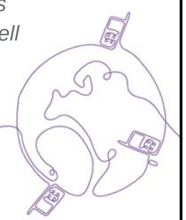
Current ownership: 51%*




** For Kcell, Azercell, Geocell and Moldcell, the ownership percent indicates Fintur Holdings B.V.'s ownership in the four companies. TeliaSonera holds directly and indirectly 74% of Fintur Holdings*

## Progress being made in Turkcell

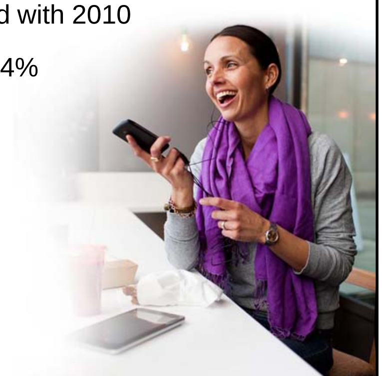
- Several court decisions in our favor
  - *Final award by the International Chamber of Commerce in Geneva where Cukurova was ordered to pay significant damages to TeliaSonera*
  - *The Court of Appeal of the Eastern Caribbean Supreme Court ruled in favor of Altimo*
- Continue to work for improved corporate governance
  - *Positive initial reaction to the new Turkish corporate governance rules which, if properly implemented, will resolve the deadlock in the Turkcell board by increasing the number of independent board members*





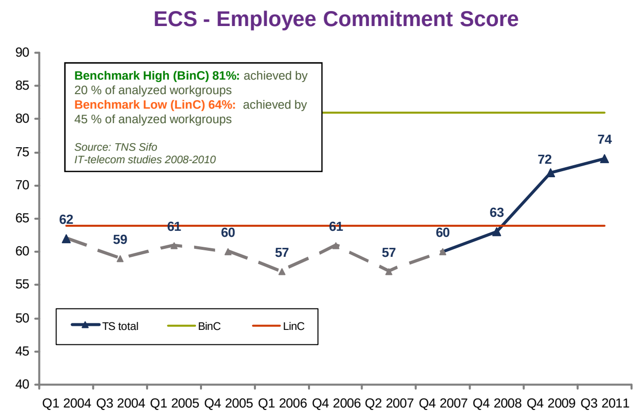
## Looking ahead

- Outlook for 2011 unchanged
  - Growth in net sales* expected to be around 3%
  - EBITDA margin** to improve compared with 2010
  - CAPEX-to-sales*** ratio between 13-14%



** In local currencies and excluding acquisitions*
*** Excluding non-recurring items*
**** Excluding license and spectrum fees*

## 2011 ECS – Development




Response rate 85%

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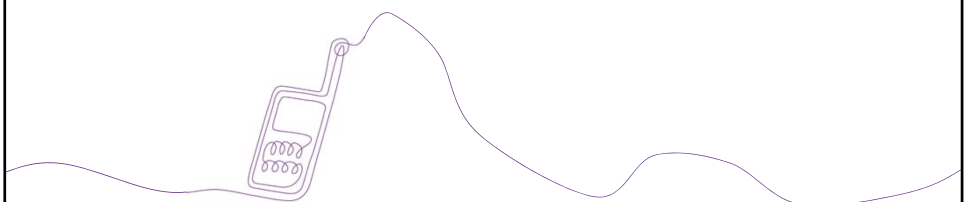
# Interim Report
# January – September 2011

Per-Arne Blomquist
Executive Vice President and CFO

TeliaSonera

# Financial highlights – Q3 2011

| *SEK million* | Jul - Sep 2011 | Jul - Sep 2010 | *Change %* | *Local ccy %* |
|---|---|---|---|---|
| Net sales | 26,612 | 26,873 | *-1* | *2* |
| **EBITDA*** | **9,802** | **9,756** | ***0*** | ***4*** |
| Depreciation, amortization | -3,212 | -3,239 | *-1* | |
| Income from associated companies | 1,407 | 2,082 | *-32* | |
| Operating income* | 7,997 | 8,599 | *-7* | |
| **EPS, SEK** | **1.12** | **1.33** | ***-16*** | |
| Free Cash Flow | 5,106 | 3,857 | *32* | |



** Excluding non-recurring items*

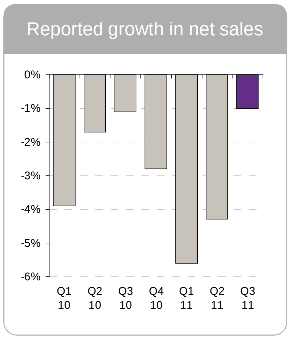


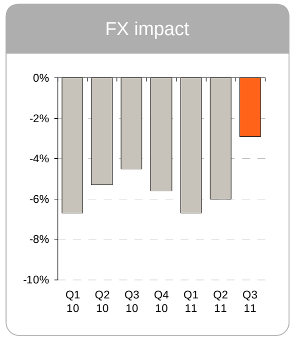
# Financial highlights – YTD 2011

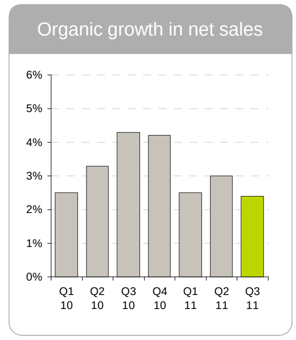
| *SEK million* | Jan - Sep 2011 | Jan - Sep 2010 | *Change %* | *Local ccy %* |
|---|---|---|---|---|
| Net sales | 77,231 | 80,128 | *-4* | *3* |
| **EBITDA*** | **27,723** | **27,895** | ***-1*** | ***5*** |
| Depreciation, amortization | -9,570 | -9,610 | *0* | |
| Income from associated companies | 4,065 | 5,681 | *-28* | |
| Operating income* | 22,218 | 23,966 | *-7* | |
| **EPS, SEK** | **3.05** | **3.55** | ***-14*** | |
| Free Cash Flow | 9,106 | 11,159 | *-18* | |

** Excluding non-recurring items*

# Less negative impact from FX



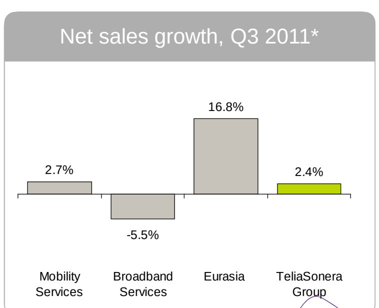



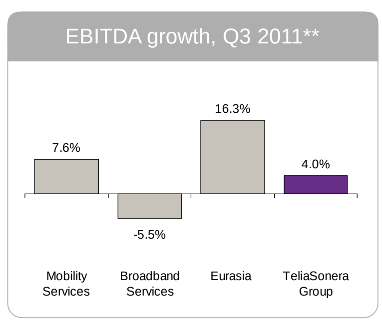

| | *Q3 2010* | *Q4 2010* | *Q1 2011* | *Q2 2011* | *Q3 2011* |
|---|---|---|---|---|---|
| *EUR/SEK* | 9.38 | 9.22 | 8.87 | 9.01 | 9.15 |
| *NOK/SEK* | 1.18 | 1.14 | 1.13 | 1.15 | 1.18 |
| *DKK/SEK* | 1.26 | 1.24 | 1.19 | 1.21 | 1.23 |
| *KZT/SEK* | 0.05 | 0.05 | 0.04 | 0.04 | 0.04 |

*Average rates*



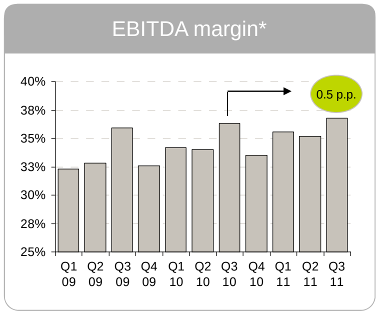
# Eurasia continues to be the growth engine

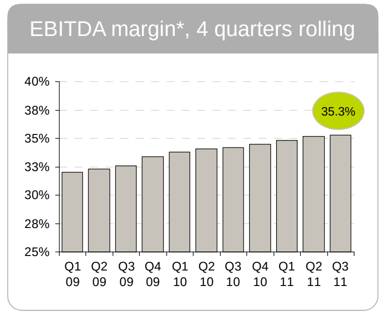



** Growth in net sales and excluding acquisitions*
*** Excluding non-recurring items*

# Continued margin improvement



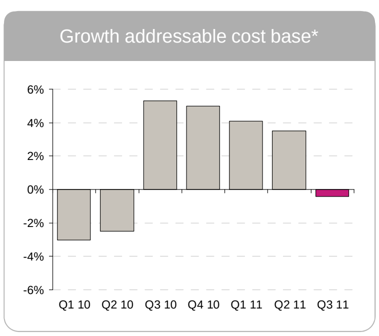



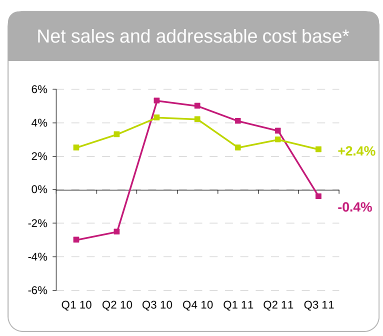

- EBITDA margin* reached 36.8 percent (36.3)
- Improving EBITDA margin for 12 consecutive quarters

* Excluding non-recurring items



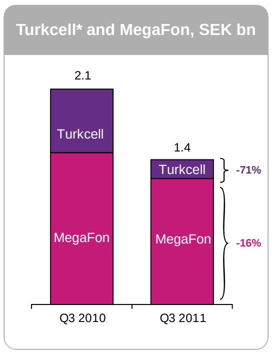
# Reduced addressable cost base

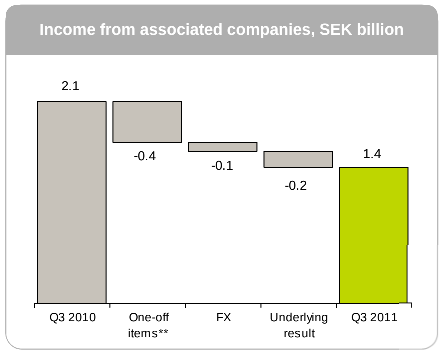



* In local currencies and excluding acquisitions

## Lower income from associated companies

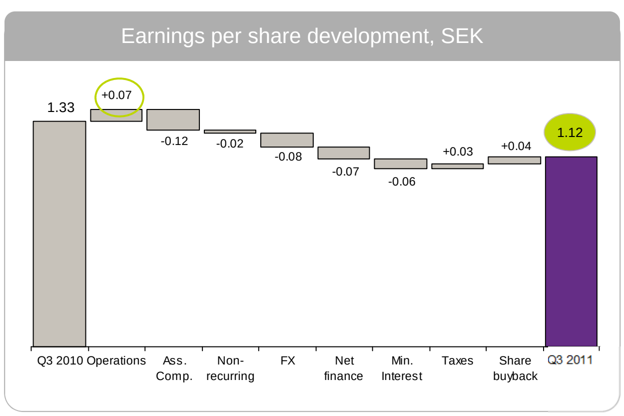


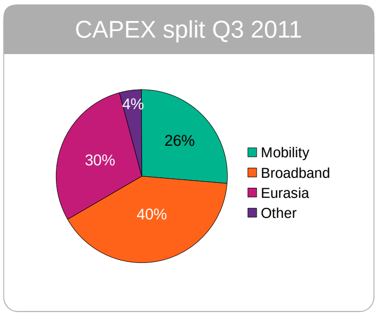

*Turkcell is reported with one-quarter lag*
*** Including a goodwill impairment in Belarus and a provision regarding a fine from the Turkish Competition Board*

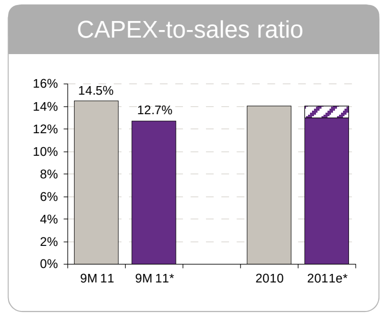


## Higher earnings from operations



# Stable CAPEX-to-sales ratio expected



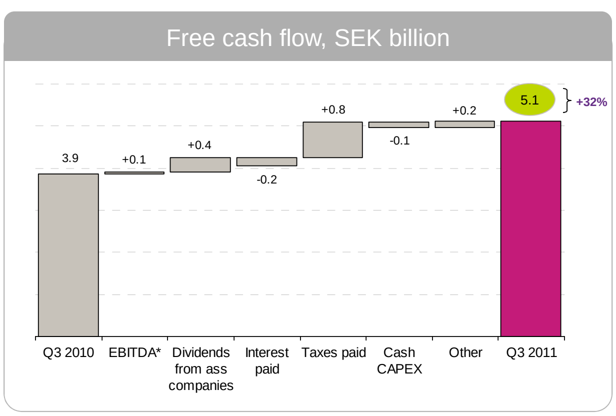




- Total CAPEX amounted to SEK 3.6 billion *(2.9)*. CAPEX-to-sales 13.6 percent excluding license and spectrum fees
- CAPEX-to-sales for 2011 is expected to be approx. 13-14%, excl. license and spectrum fees

** Excl. license and spectrum fees*



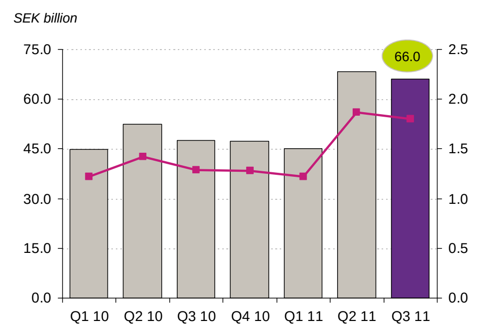
# Strong cash flow generation




** Excluding non-recurring items*

## Strong cash flow lowered net debt

### Net debt and Net debt / EBITDA*




- Net debt / EBITDA ratio 1.80x
- 1.87x at the end of Q2 2011

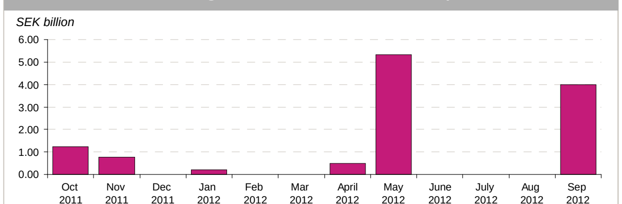
* *Excluding non-recurring items, 4 quarters rolling*





## Debt maturity schedule

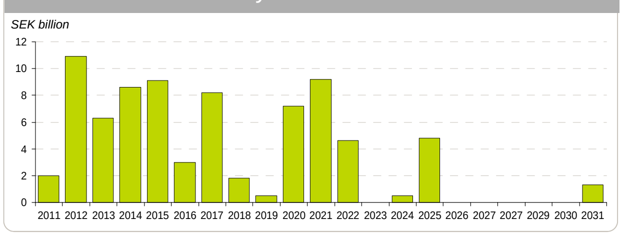
### Debt Maturing next 12 months – Sep 30, 2011




**Debt per Q3 2011**

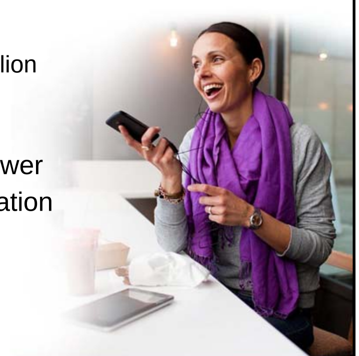
- Gross debt SEK 82.9 bn
- Net debt SEK 66.0 bn
- Net debt/EBITDA 1.80x

### Debt Portfolio Maturity Schedule – 2011 and onwards



## TeliaSonera pension obligations

- Telia Pension Fund established 1996
  - Cash dedicated to cover the pension obligations
    - Market value of the assets approx. SEK 16.6 billion*
  - Pension obligations;
    - According to Swedish law: SEK 17.1 billion
    - According to IFRS: SEK 17.8 billion
  - Almost fully covered even assuming a lower discount rate, i.e. a higher pension obligation



** As of September, 2011*



## Conclusions from the third quarter

- Continued growth in net sales in local currencies
  - Eurasia, Spain and Mobility Sweden growth engines
- EBITDA margin continues to improve
  - Increasing margin during 12 quarters*
  - Decline in addressable cost base
- Strong free cash flow generation
  - Net debt to EBITDA within our target (1.5-2.0)

** 12 months rolling*

## Outlook for 2011 – unchanged

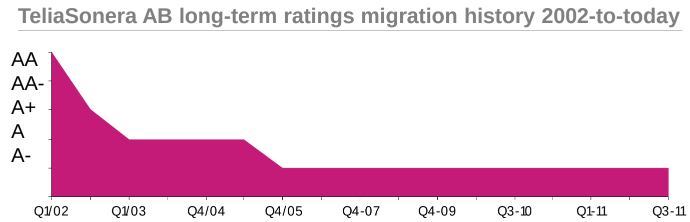
| | | *Target* | *9M 2011* |
|---|---|---|---|
| Growth in Net sales* | → | Around 3% | *2.7%* |
| Addressable cost base* | → | Growth in cost base below the growth in net sales | *2.5%* |
| EBITDA margin** | → | Improved compared with 2010 (34.5%) | *35.9%* |
| CAPEX-to-sales ratio*** | → | 13-14% | *12.7%* |

** In local currencies and excluding acquisitions*
*** Excluding non-recurring items*
**** Excluding license and spectrum fees*



# Q&A

# TeliaSonera AB credit ratings (A3/A-)




**Moody's (A3/P-2)**

- January 8, 2003, lowered long-term debt rating to A2
- November 1, 2006, outlook changed to Negative
- October 30, 2007, lowered long- and short-term debt rating to **A3** and **P-2** respectively
- Feb 2011, debt ratings confirmed
- **Outlook: Stable**

**Standard & Poor's (A-/A-2)**

- February 5, 2003, lowered long-term debt rating to A
- October 28, 2005, lowered long-term debt rating to A- and short-term debt rating to A-2
- August 2011, debt ratings confirmed
- **Outlook: Stable**

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# Liquidity position TeliaSonera Group

Cash and cash equivalents, less blocked funds approx. SEK 10.4 billion

| Committed bank lines | Maturity | Size | Amount undrawn |
|---|---|---|---|
| Syndicated revolving credit facility | Dec 2017 | EUR 1 billion | EUR 1 billion |
| Bilateral credit facility | Apr 2013 | SEK 1.4 billion | SEK 1.4 billion |
| Syndicated revolving credit facility | Sep 2013 | EUR 665 million | EUR 665 million |

*September 30, 2011*

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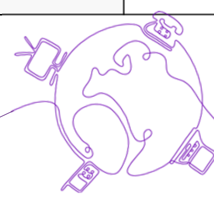
# Strong financial key ratios

| | Sep 30, 2011 | Dec 31, 2010 |
|---|---|---|
| Return on equity* | **16.9** | 17.8% |
| Return on capital employed* | **16.2** | 16.9% |
| Equity/assets ratio | **44.5** | 48.0% |
| Net debt/equity ratio | **58.1** | 39.3% |
| Net Debt/EBITDA rate* multiple | **1.80x** | 1.28x |

** Rolling 12 months, EBITDA excl. non-recurring items*





# Organic revenue growth

| Revenue growth (%) Q3 2011 | Reported growth | *of which currency* | *of which disposals* | *of which organic* |
|---|---|---|---|---|
| Mobility Services | **1.3** | *-1.4* | *0.0* | *2.7* |
| Broadband Services | **-6.3** | *-1.0* | *0.2* | *-5.5* |
| Eurasia | **4.7** | *-12.1* | *0.0* | *16.8* |
| **The Group** | **-1.0** | *-2.9* | *-0.5* | *2.4* |

# Statement of cash flows

| *SEK million* | Q3 2011 | Q3 2010 | *Diff* |
|---|---|---|---|
| EBITDA excluding non-recurring items | 9,802 | 9,756 | *46* |
| Dividends received from ass companies | 375 | 0 | *375* |
| Interest paid (net) | -443 | -218 | *-225* |
| Income taxes paid | -952 | -1,780 | *828* |
| Payment of restructuring provisions | -182 | -159 | *-23* |
| Diff between paid/recorded pensions | -21 | 12 | *-33* |
| Changes in working cap and other items | 29 | -382 | *411* |
| **Cash flow from operating activities** | **8,608** | **7,229** | ***1,379*** |
| Cash CAPEX | -3,502 | -3,372 | *-130* |
| **Free cash flow** | **5,106** | **3,857** | ***1,249*** |

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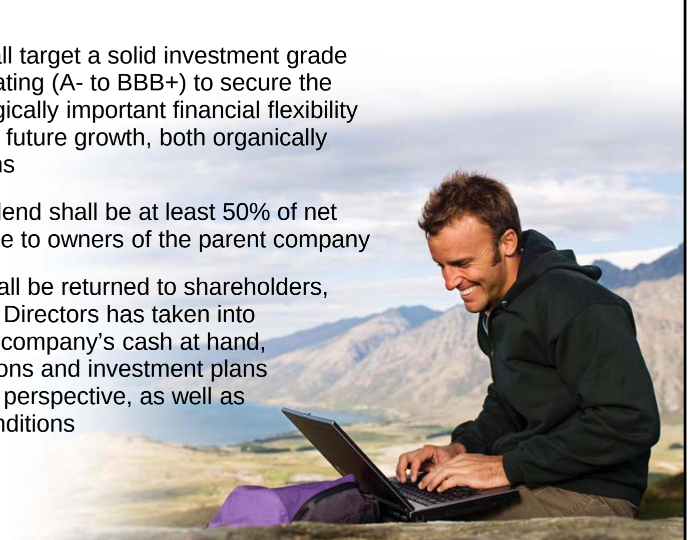
# Dividend policy

- The company shall target a solid investment grade long-term credit rating (A- to BBB+) to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions
- The ordinary dividend shall be at least 50% of net income attributable to owners of the parent company
- Excess capital shall be returned to shareholders, after the Board of Directors has taken into consideration the company's cash at hand, cash flow projections and investment plans in a medium term perspective, as well as capital market conditions



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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.

TeliaSonera