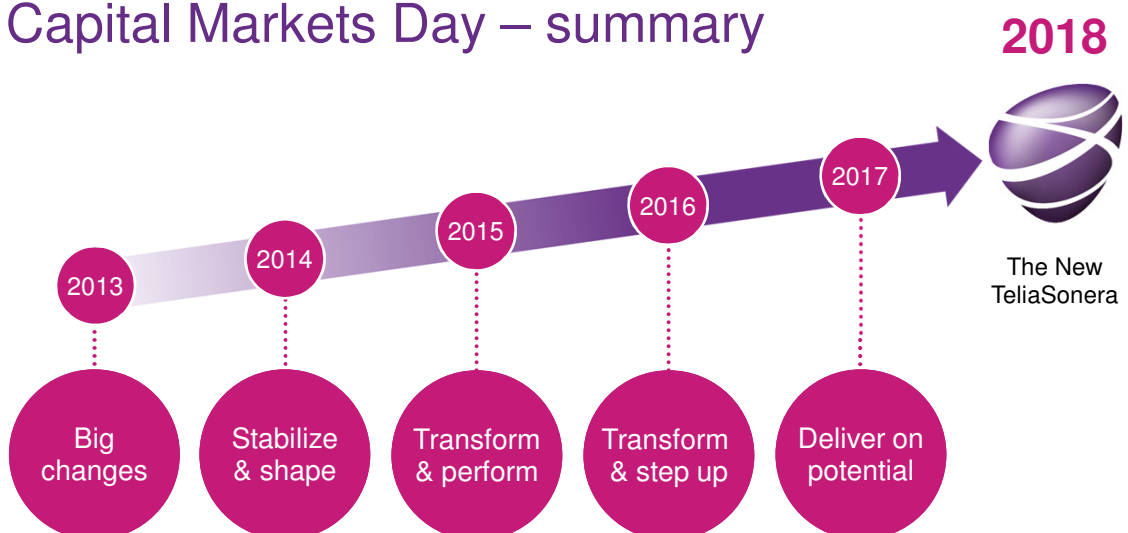


# Interim Report January – September 2014

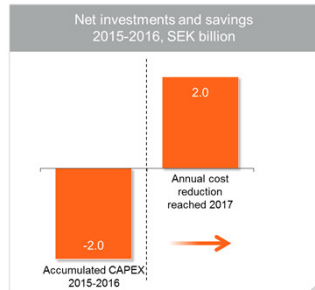
Johan Dannelind  
President & CEO



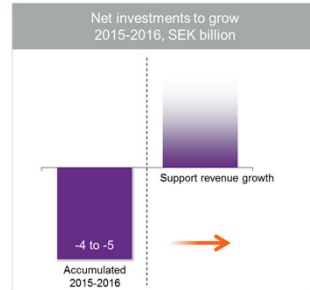
## Capital Markets Day – summary



## Shaping a new generation telco



- SEK 2 billion investment in business transformation in the next two years
- Net savings with a yearly run rate of SEK 2 billion during 2017



- SEK 4–5 billion investment in additional growth initiatives in 2015–2016
- Primarily acceleration of Swedish fiber roll-out, new B2B offerings and data networks in Eurasia

At least  
**SEK 3**

- Target to distribute an annual dividend of at least SEK 3 per share for the fiscal years 2014 and 2015

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## Steady development in the third quarter

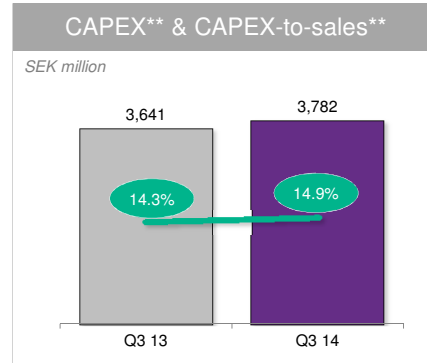
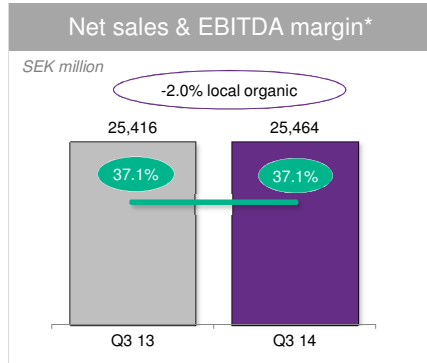
- Organic service revenues nearly unchanged - flat EBITDA\* margin
- Continued growth in Swedish B2C business - challenges in B2B
- Improved earnings trend in Europe - encouraging development in Finland
- Solid profitability in Eurasia
- Further effects of our upgrade of governance and control

\* Excluding non-recurring items

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## Stable group margin



- Organic sales growth impacted by reduced equipment sales in Spain
- EBITDA\* declined by 0.9 percent in local currencies – margin unchanged

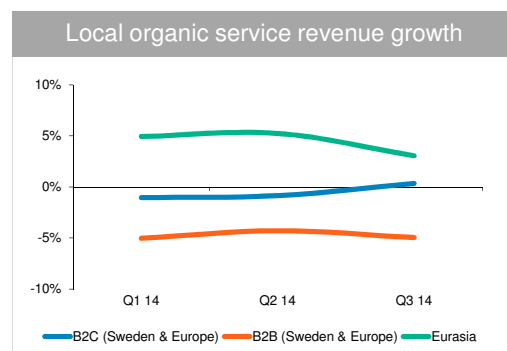
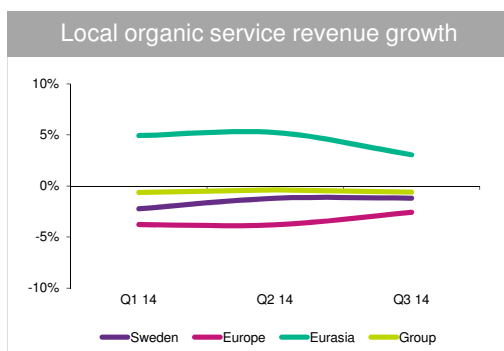
- Continued focus on investments to support data growth in mobile and fixed

\* Excluding non-recurring items \*\* Excluding license and spectrum fees



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## Group service revenues almost unchanged



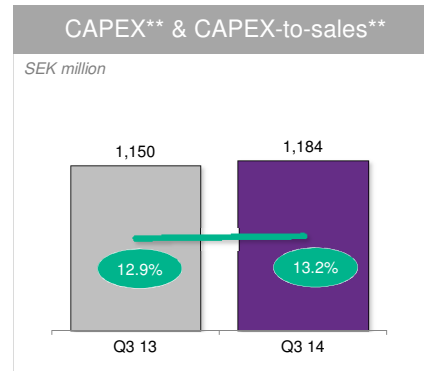
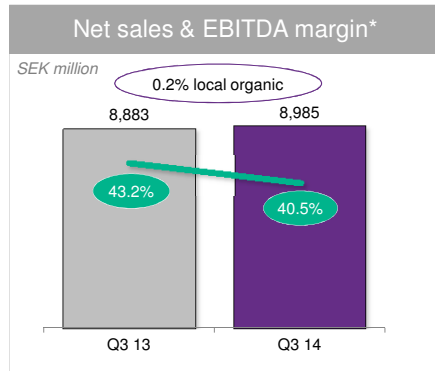
- Group organic service revenues declined by 0.6 percent in Q3
- Slight slowdown in Eurasia and easing pressure in Europe

- Positive growth in Eurasia and B2C offset by pressure in B2B



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## Stable sales in Sweden



- Local organic service revenue declined by 1.2 percent, as positive growth in B2C was offset by decline in B2B
- Margin drop due to weather related costs, higher equipment sales and change in product mix

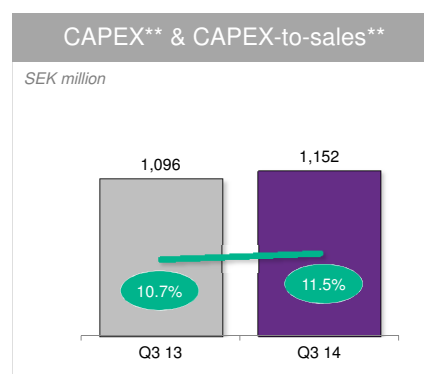
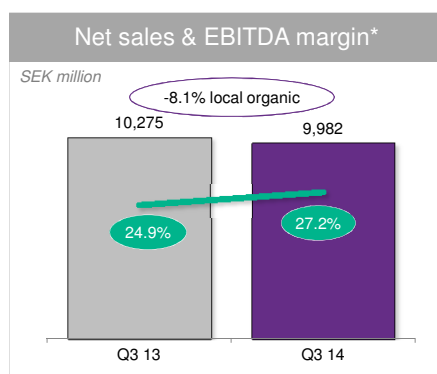
- Continued expansion of fiber network
- 4G coverage now exceeds 96 percent of population

\* Excluding non-recurring items \*\*Excluding license and spectrum fees



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## Increased profitability in Europe



- Organic sales growth impacted by low equipment sales in Spain – easing pressure on service revenue growth
- Margin supported by improvements in Finland and Spain

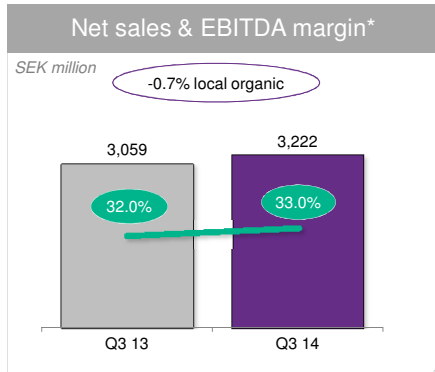
- Further roll-out of 4G services across our markets
- Accelerated CAPEX in Norway

\* Excluding non-recurring items \*\*Excluding license and spectrum fees

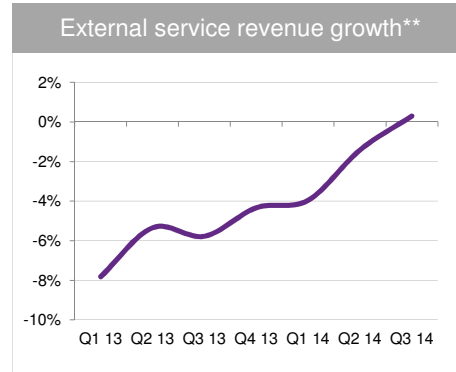


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## Continued positive trend in Finland



- Profitability supported by easing top-line pressure and cost savings



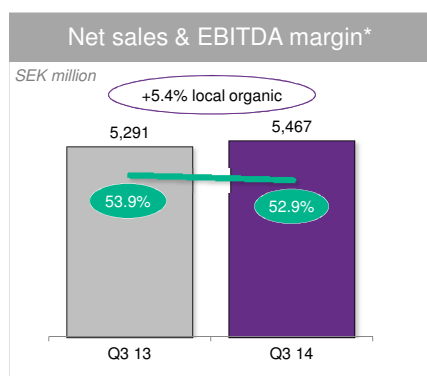
- Positive service revenue growth despite reduced mobile interconnect rates
- Continued growth in B2C and easing pressure in B2B

\* Excluding non-recurring items \*\*In local currency

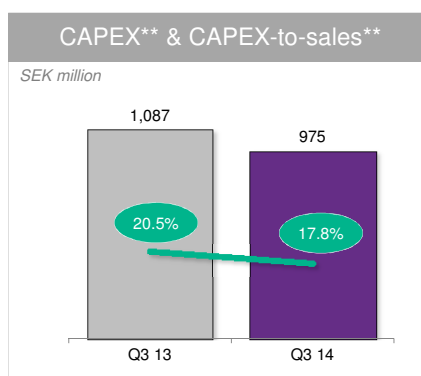


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## Margin remains high in Eurasia



- Slight slowdown in organic revenue growth
- Positive subscriber additions in all countries
- Focus on strengthening governance and control



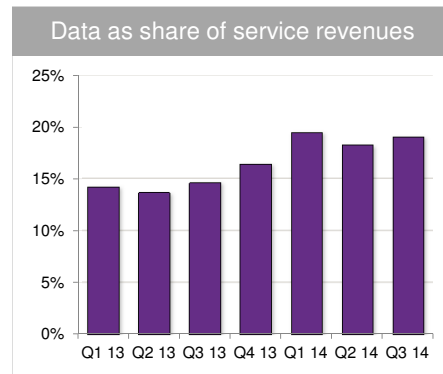
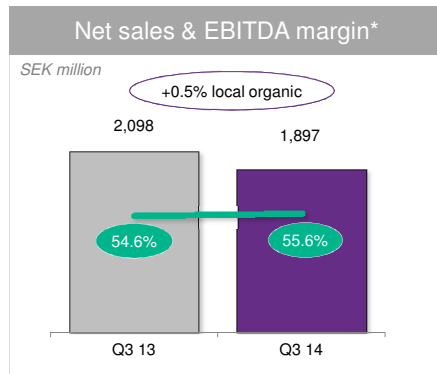
- Continued investments to support mobile data growth

\* Excluding non-recurring items \*\*Excluding license and spectrum fees



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## Slower growth, improved margin in Kazakhstan



- Service revenue growth impacted by regional price adjustments – continued high profitability
- Focus on strengthening corporate governance

- Data revenue growth 26 percent in Q3
- The share of data has increased to around 19 percent of service revenues

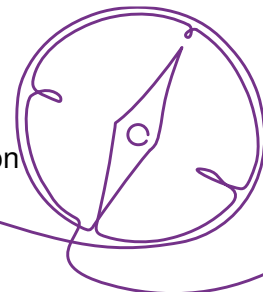
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\* Excluding non-recurring items



## Corporate governance and sustainability actions

- Country, Institutional and Operational risk assessments performed
- Virtually all staff in Eurasia have done anti-corruption face to face training
- Implementation of Speak-Up Line, available 24/7
- First transparency report published in August
- Signed UN Global Compact call to action on anti-corruption



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# Interim Report January-September, 2014

Christian Luiga  
Senior Vice President and CFO



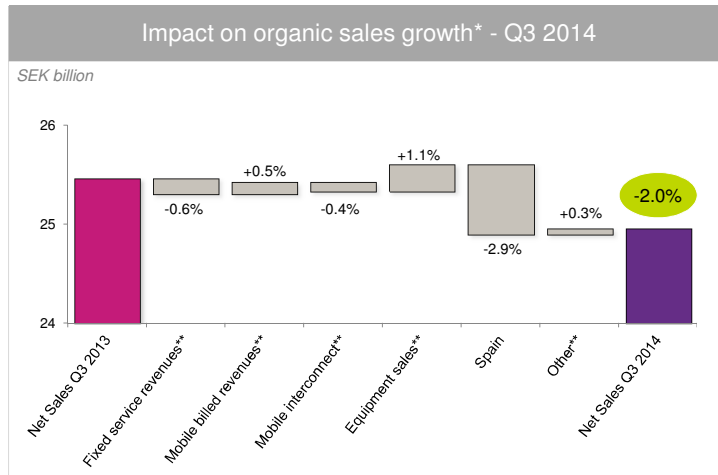
## Stable EBITDA in first nine-months 2014

	Jan-Sep 2014	Jan-Sep 2013	Change (%)
Net sales (SEK million)	74,454	75,311	-1.1
Change local organic (%)	-1.7		
EBITDA* (SEK million)	26,620	26,856	-0.9
Change local organic (%)	-0.2		
EBITDA* Margin (%)	35.8	35.7	
EPS (SEK)	2.67	2.95	-9.5
Free cash flow (SEK million)	11,412	14,184	-19.5

\* Excluding non-recurring items



## Sales growth impacted by Spain

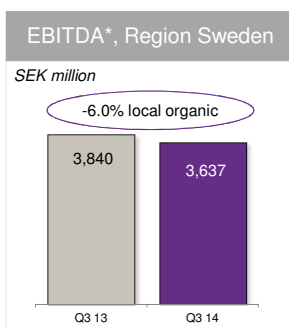


\* In local currencies and excl. acquisitions and disposals \*\* Excluding Spain

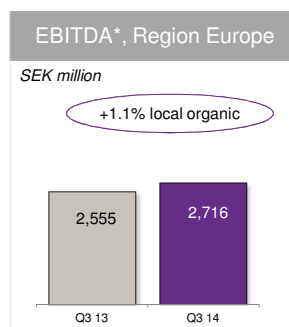
15



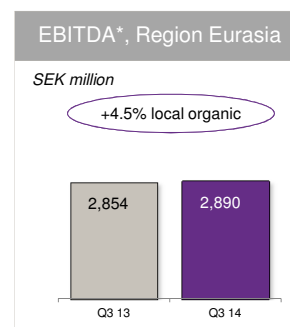
## Mixed EBITDA development in the regions



- EBITDA\* decline mainly explained by weather related costs and higher equipment sales



- Profitability supported by improvements in Finland and Spain



- Solid growth in Nepal and Uzbekistan
- Stabilized development in Azerbaijan

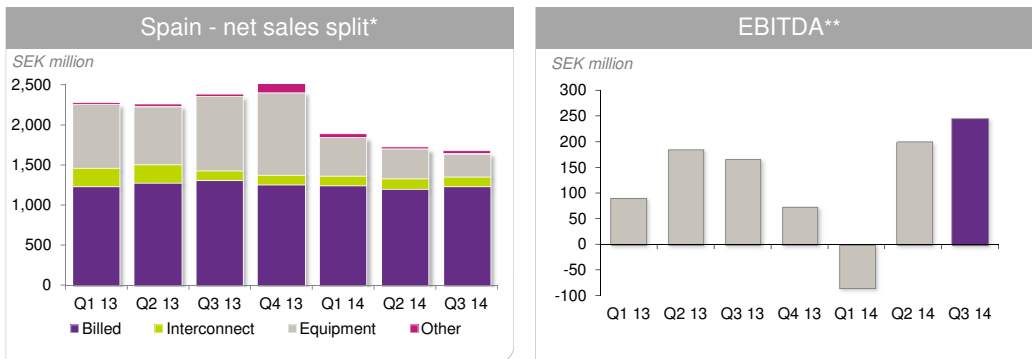
\* Excluding non-recurring items

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## Higher profitability in Spain despite sales decline



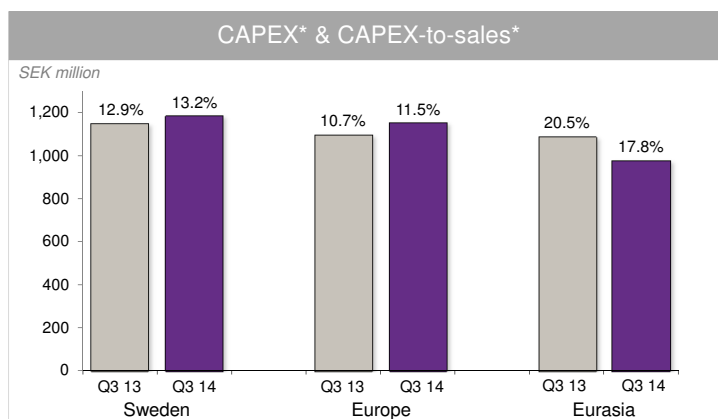
- Equipment revenues down by two-thirds
- Service revenues declined by 4.9 percent
- Continued EBITDA\*\* improvement
- Slight increase in subscription base

\* Stable FX \*\* Excluding non-recurring items and gains from tower sales

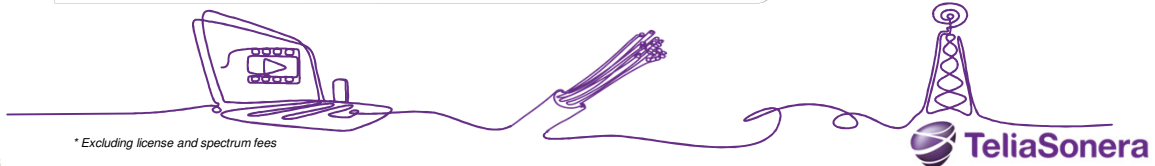
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## Investing in improved internet experience

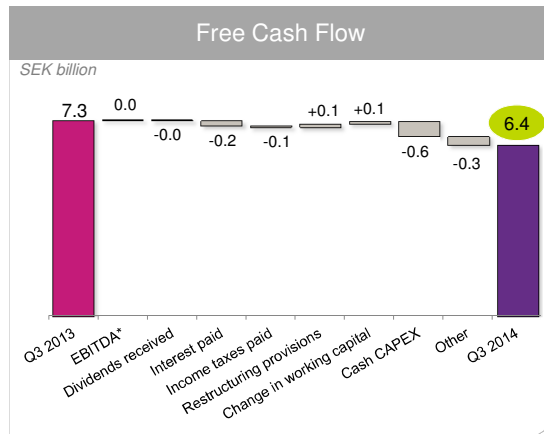


- Approximately 70 percent of CAPEX in Sweden related to fiber and 4G
- Approximately 50 percent of CAPEX in Europe invested in fiber and 4G
- Continued build out of coverage and capacity in Eurasia



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## Free cash flow impacted by higher cash CAPEX

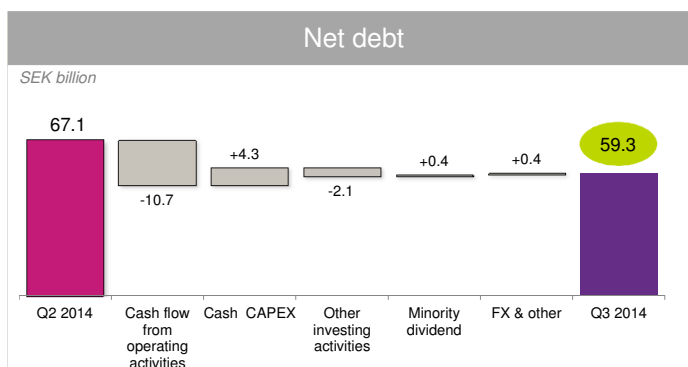


\* Excluding non-recurring items

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## Reduced net debt

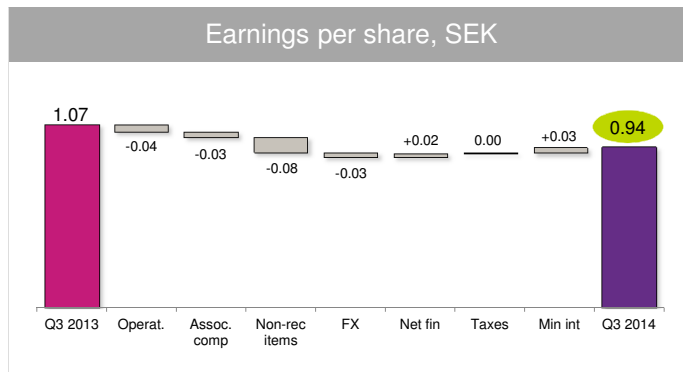


- Net debt declined by nearly SEK 8 billion in the third quarter
- Positive impact from MegaFon dividend of SEK 1.9 billion net of taxes and AF Telecom payment of SEK 2.1 billion
- Net debt/EBITDA reduced to 1.68x (1.90x in the second quarter)

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## EPS impacted by non-recurring items



- Non recurring items include SEK -247 million related to settlement of property leases in Sweden and SEK -615 million write down in Eurasia

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## 2014 full-year outlook reiterated

	Outlook 2014	9M 2014
Net sales*	→ Slightly below 2013 level	-1.7%
EBITDA margin**	→ Around 2013 level (35%)	35.8%
CAPEX-to-sales ratio***	→ Around 15%	13.2%

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

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# Q&A



## Dividend policy

- The company shall target a solid investment grade long-term credit rating (A- to BBB+)
- Teliasonera shall target to distribute an annual dividend of at least SEK 3 per share for the fiscal years 2014 and 2015



## Organic revenue growth Q3 2014

Revenue growth (%) Q3 2014	Reported growth	of which currency	of which acquisitions and disposals	of which organic
Region Sweden	+1.1	-	+0.9	+0.2
Region Europe	-2.8	+5.0	+0.3	-8.1
Region Eurasia	+3.3	-2.1	-	+5.4
<b>The Group</b>	<b>+0.2</b>	<b>+1.8</b>	<b>+0.4</b>	<b>-2.0</b>



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## Statement of cash flows Q3 2014

SEK million	Q3 2014	Q3 2013	Diff
EBITDA excluding non-recurring items	9,439	9,419	+20
Dividends received from associates	2,003	2,043	-40
Interest paid (net)	-283	-109	-174
Income taxes paid	-896	-836	-60
Payment of restructuring provisions	-105	-220	+115
Diff between paid/recorded pensions	-70	24	-94
Changes in working cap and other items	620	741	-121
<b>Cash flow from operating activities</b>	<b>10,709</b>	<b>11,062</b>	<b>-353</b>
Cash CAPEX	-4,321	-3,754	-567
<b>Free cash flow</b>	<b>6,387</b>	<b>7,308</b>	<b>-921</b>



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## Financial key ratios

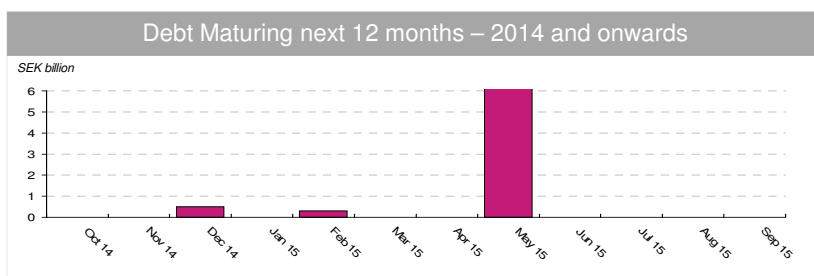
	Sep 30, 2014	Dec 31, 2013
Return on equity*	14.6	15.9
Return on capital employed*	14.4	13.9
Equity/assets ratio	40.1	39.5
Net debt/equity ratio	57.6	55.8
Net debt/EBITDA* ratio	1.68	1.57
Net debt/assets ratio	23.1	22.1

\* Rolling 12 months



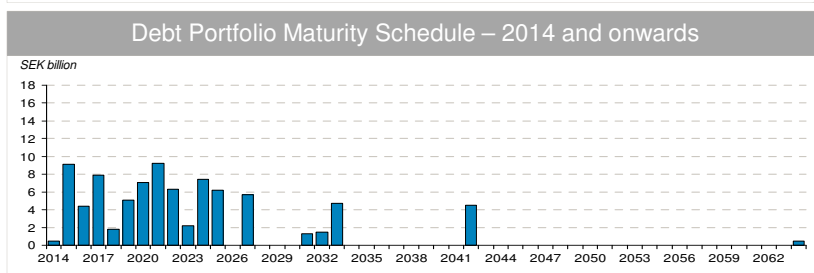
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## Debt maturity schedule



### Debt per Q3 2014

- Gross debt SEK 94.0 bn
- Net debt SEK 59.3 bn
- Net debt/EBITDA 1.68



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# Liquidity position TeliaSonera Group

Cash and cash equivalents, less blocked funds approx. SEK 24.0 billion

Committed bank lines	Maturity	Size	Amount undrawn
Syndicated revolving credit facility	Dec 2017	EUR 1 billion	EUR 1 billion
Revolving credit facility	June 2017	EUR 1 billion	EUR 1 billion



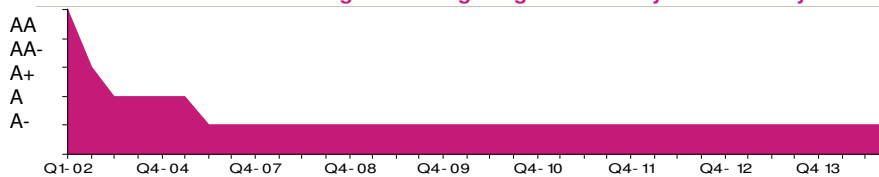
September 30, 2014

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# TeliaSonera AB credit ratings (A3/A-)

TeliaSonera AB long-term ratings migration history 2002-to-today



Moody's (A3/P-2)
<ul style="list-style-type: none"> <li>January 8, 2003, lowered long-term debt rating to A2</li> <li>November 1, 2006, outlook changed to Negative</li> <li>October 30, 2007, lowered long- and short-term debt rating to <b>A3</b> and <b>P-2</b> respectively</li> <li>May 4, 2012, Outlook changed from Negative to Stable</li> <li>May 7, 2013, rating confirmed, <b>Outlook Stable</b></li> </ul>

Standard & Poor's (A-/A-2)
<ul style="list-style-type: none"> <li>February 5, 2003, lowered long-term debt rating to A</li> <li>October 28, 2005, lowered long-term debt rating to <b>A-</b> and short-term debt rating to <b>A-2</b></li> <li>January 28, 2013, ratings confirmed Outlook: Stable</li> <li>January 27, 2014, ratings confirmed <b>Outlook Stable</b></li> </ul>

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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.

