

TeliaSonera January-September 2012

Stable earnings per share and outlook reiterated

Third quarter

- Net sales in local currencies and excluding acquisitions were unchanged. In reported currency, net sales decreased 3.2 percent to SEK 25,842 million (26,707).
- The addressable cost base in local currencies and excluding acquisitions increased 4.2 percent. In reported currency, the addressable cost base increased 0.4 percent to SEK 7,153 million (7,124).
- EBITDA, excluding non-recurring items, decreased 4.0 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, fell 6.3 percent to SEK 9,255 million (9,877). The EBITDA margin, excluding non-recurring items, decreased to 35.8 percent (37.0).
- Operating income, excluding non-recurring items, decreased 4.2 percent to SEK 7,676 million (8,013).
- Net income attributable to the owners of the parent company decreased 1.2 percent to SEK 4,803 million (4,863) and earnings per share to SEK 1.11 (1.12).
- Free cash flow decreased to SEK 3,825 million (4,776), mainly due to lower EBITDA and changes in working capital.
- During the quarter the number of subscriptions grew by 4.0 million in the consolidated operations and by 1.4 million in the associated companies. The total number of subscriptions was 180.0 million.
- Group outlook for 2012 remains unchanged.

Nine-month period

- Net sales in local currencies and excluding acquisitions increased 1.0 percent. In reported currency, net sales increased 0.4 percent to SEK 77,829 million (77,545).
- Net income attributable to owners of the parent company decreased 3.1 percent to SEK 12,958 million (13,369) and earnings per share to SEK 2.99 (3.05).
- Free cash flow increased to SEK 20,806 million (8,863).

Financial highlights

SEK in millions, except key ratios, per share data and changes	Jul-Sep 2012	Jul-Sep 2011	Chg (%)	Jan-Sep 2012	Jan-Sep 2011	Chg (%)
Net sales	25,842	26,707	-3.2	77,829	77,545	0.4
Addressable cost base ^{1, 2)}	7,153	7,124	0.4	22,272	22,467	-0.9
EBITDA ²⁾ excl. non-recurring items ³⁾	9,255	9,877	-6.3	27,085	27,953	-3.1
Margin (%)	35.8	37.0		34.8	36.0	
Operating income	7,560	8,058	-6.2	20,407	21,779	-6.3
Operating income excl. non-recurring items	7,676	8,013	-4.2	20,878	22,256	-6.2
Net income	5,125	5,618	-8.8	13,953	15,398	-9.4
of which attributable to owners of the parent	4,803	4,863	-1.2	12,958	13,369	-3.1
Earnings per share (SEK)	1.11	1.12	-0.9	2.99	3.05	-2.0
Return on equity (%; rolling 12 months)	18.1	16.9		18.1	16.9	
CAPEX-to-sales (%)	12.5	13.6		14.0	14.5	
Free cash flow	3,825	4,776	-19.9	20,806	8,863	134.8

1) Additional information available at www.teliasonera.com. 2) Please refer to page 18 for definitions. 3) Non-recurring items; page 22.

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the third quarter of 2011, unless otherwise stated.

Comments by Lars Nyberg, President and CEO

“The third quarter was similar to the second quarter in terms of operating trends. Our revenues in local currencies were at the same level as last year. Although Eurasia continues to deliver double-digit growth and Broadband Services reports a moderate decrease, we are experiencing weakness in service revenues in many of our markets within Mobility Services. In addition, our cost base is today growing at a higher rate than our revenues and we have to reverse this trend. Therefore we have spent the last months analyzing our operation in depth. The ambition is to fundamentally change our business by simplifying our way of working. We estimate this will lead to a cost reduction of some SEK 2 billion net over the coming two years. It will also include personnel reductions and our initial estimate is that it will affect approximately 2,000 employees or 7 percent of the total workforce in the Group.

We must also speed up the implementation of a new, sustainable business model to defend our revenues and deal with the increasing challenges that this industry is facing. Therefore, we need a new leadership and Tero Kivisaari has taken up the responsibility for Business area Mobility Services in addition to his role as Head of Eurasia.

Our customers' behavior is changing rapidly and we must change our business models from being voice to data centric. As an example, we launched new subscriptions in Sweden in September where our customers can continue using Skype and other mobile IP-telephony services just like before. At the same time, we have adjusted our data prices to better meet the growing demand for data communication.

In September, TeliaSonera became subject to media allegations of bribery and money laundering related to our 2007 investment in a 3G license and frequencies in Uzbekistan. The allegations directed towards TeliaSonera are severe, although we are convinced that they are unfounded. To clarify the factual circumstances and ascertain whether there are any grounds for the allegations, TeliaSonera has initiated an external legal review, to be presented before the end of the year. The anticorruption unit of the Swedish Prosecuting Authorities has also initiated an investigation, which we welcome and will cooperate with.

In recent months, TeliaSonera has accelerated its sustainability work, with focus on privacy and freedom of expression. We have engaged the Danish Institute for Human Rights, to assist us in conducting a human rights impact assessment, country by country, followed by a mitigation plan. However, in order to bring about a real step the industry has to join forces. Legislation for mobile operators is the same for all players. Therefore, eleven of the world's leading telecom companies, are working closely together to define common principles for privacy and freedom of expression, as they relate to the telecommunications sector. The intention is to find a home for the initiative and publish the final principles before the end of 2012.

Finally, we welcome and support MegaFon's intentions to proceed with its initial public offering and having its shares listed in Moscow and London. If the IPO is successful, we have reached our goal of having a transparent, liquid and direct ownership in Russia's second largest mobile operator. However, our ambition is to keep a long term strategic ownership of at least 25 percent plus one share. At the same time, the preparation for a public listing of 25 percent of Kcell in Kazakhstan continues and will, if market conditions allow, be finalized before the year-end.”

Group outlook for 2012 (unchanged)

The growth in net sales in local currencies and excluding acquisitions is expected to be within the range of 0-1 percent (January-September 2012: 1.0 percent). Currency fluctuations may have a material impact on reported figures in Swedish krona.

The EBITDA margin, excluding non-recurring items, is expected to be around 35 percent (January-September 2012: 34.8 percent).

The CAPEX-to-sales ratio is expected to be approximately 13-14 percent, excluding license and spectrum fees (January-September 2012: 13.7 percent).

Review of the Group, third quarter 2012

Net sales in local currencies and excluding acquisitions were unchanged. In reported currency, net sales decreased 3.2 percent to SEK 25,842 million (26,707). The negative effect of exchange rate fluctuations was 3.2 percent.

In Mobility Services, net sales in local currencies and excluding acquisitions decreased 1.2 percent. In reported currency, net sales decreased 5.9 percent to SEK 12,476 million (13,252).

In Broadband Services, net sales in local currencies and excluding acquisitions decreased 2.8 percent. In reported currency, net sales decreased 5.3 percent to SEK 8,671 million (9,155).

In Eurasia, net sales in local currencies and excluding acquisitions increased 12.4 percent. Net sales in reported currency increased 11.2 percent to SEK 5,133 million (4,614).

The number of subscriptions rose by 15.7 million from the end of the third quarter of 2011 to 180.0 million. In the consolidated operations the number of subscriptions increased by 9.1 million to 69.5 million. In the associated companies, the number of subscriptions increased by 6.6 million to 110.5 million. During the third quarter, the total number of subscriptions increased by 4.0 million in the consolidated operations and increased by 1.4 million in the associated companies.

The addressable cost base in local currencies and excluding acquisitions increased 4.2 percent. In reported currency, the addressable cost base increased 0.4 percent to SEK 7,153 million (7,124).

EBITDA, excluding non-recurring items, decreased 4.0 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 6.3 percent to SEK 9,255 million (9,877). The EBITDA margin, excluding non-recurring items, decreased to 35.8 percent (37.0).

Operating income, excluding non-recurring items, decreased 4.2 percent to SEK 7,676 million (8,013). Income from associated companies increased to SEK 1,659 million (1,406).

Non-recurring items affecting operating income totaled SEK -116 million (44), mainly related to efficiency measures within Mobility Services and Broadband Services.

Financial items totaled SEK -948 million (-807) of which SEK -722 million (-697) related to net interest expenses.

Income taxes decreased to SEK 1,487 million (1,633). The effective tax rate was unchanged at 22.5 percent (22.5).

Non-controlling interests in subsidiaries decreased to SEK 321 million (755) of which SEK 271 million (670) was related to the operations in Eurasia and SEK 39 million (70) to LMT and TEO.

Net income attributable to owners of the parent company decreased 1.2 percent to SEK 4,803 million (4,863) and earnings per share to SEK 1.11 (1.12).

CAPEX decreased to SEK 3,240 million (3,639) and the CAPEX-to-sales ratio decreased to 12.5 percent (13.6). The CAPEX-to-sales ratio, excluding license and spectrum fees, amounted to 12.5 percent (13.5).

Free cash flow decreased to SEK 3,825 million (4,776), mainly related to lower EBITDA and negative change in working capital. During the third quarter, 2012, working capital in Norway was impacted by a one-time effect from pre-payments to vendors when shifting accounting system while working capital in Spain was negatively affected by sales of hand-sets.

Net debt decreased to SEK 71,048 million at the end of the third quarter (73,758 at the end of the second quarter of 2012). The net debt/EBITDA ratio was 1.96 (2.00 at the end of the second quarter of 2012).

The equity/assets ratio was 40.6 percent (41.2 percent at the end of the second quarter of 2012).

Review of the Group, nine-month period 2012

Net sales in local currencies and excluding acquisitions increased 1.0 percent. In reported currency, net sales increased 0.4 percent to SEK 77,829 million (77,545). The negative effect from exchange rate fluctuations was 0.6 percent.

The addressable cost base in local currencies and excluding acquisitions was unchanged. In reported currency, the addressable cost base decreased 0.9 percent to SEK 22,272 million (22,467).

EBITDA, excluding non-recurring items, decreased 3.0 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.1 percent to SEK 27,085 million (27,953). The EBITDA margin, excluding non-recurring items, decreased to 34.8 percent (36.0).

Operating income, excluding non-recurring items, decreased 6.2 percent to SEK 20,878 million (22,256). Income from associated companies increased to SEK 6,541 million (4,054) including non-recurring capital gains of SEK 3,002 million. Excluding the capital gains, income from associated companies decreased to SEK 3,539 million.

Non-recurring items affecting operating income totaled SEK -471 million (-478), mainly related to efficiency measures, and to the sale of shares in MegaFon which resulted in a net capital gain of SEK 3,013 million as well as impairment charges in Mobility Services Norway and Lithuania amounting to SEK 3,070 million in the second quarter of 2012.

Financial items totaled SEK -3,030 million (-1,993) of which SEK -2,328 million (-1,751) related to net interest expenses.

Income taxes decreased to SEK 3,424 million (4,388). The effective tax rate decreased to 19.7 percent (22.2).

Non-controlling interests in subsidiaries decreased to SEK 994 million (2,029) of which SEK 817 million (1,799) was related to the Eurasian operations and SEK 147 million (195) to LMT and TEO.

Net income attributable to owners of the parent company decreased 3.1 percent to SEK 12,958 million (13,369) and earnings per share decreased to SEK 2.99 (3.05).

CAPEX decreased to SEK 10,872 million (11,267) and the CAPEX-to-sales ratio decreased to 14.0 percent (14.5). The CAPEX-to-sales ratio, excluding license and spectrum fees, amounted to 13.7 percent (12.8) in the first nine-month period of 2012.

Free cash flow increased to SEK 20,806 million (8,863), including a dividend from MegaFon of SEK 11,726 million net of taxes in the second quarter of 2012. Excluding the effect from MegaFon, free cash flow increased to SEK 9,080 million.

Significant events in the third quarter

- On July 17, 2012, TeliaSonera announced that it had engaged the Danish Institute for Human Rights to support and review its human rights impact assessment. DIHR will develop a tool tailored to TeliaSonera and its human rights risk profile. It will include freedom of expression and privacy issues and be benchmarked on the United Nations' Guiding Principles on Business and Human Rights. DIHR will also assess TeliaSonera's consequential mitigation plan.
- On August 13, 2012, TeliaSonera entered into a conditional agreement to acquire WiMax operations in Kazakhstan. The acquisition includes a WiMax network in six major cities, and valuable frequencies in the 2.5/2.6 GHz band, which are compatible for use with WiMax and other mobile data transmission technologies. In addition, TeliaSonera will make an indirect minority investment in KazTransCom, a company which is listed on the Kazakhstan Stock Exchange and which owns, among other businesses, a fiber optics network in Kazakhstan. On October 14, 2012, the agreement was signed. The transactions are subject to regulatory approval.
- On August 31, 2012, TeliaSonera AB issued a Eurobond of EUR 500 million in a 15 year deal maturing in September 2027, under its existing EUR 11 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 3.07 percent per annum equivalent to Euro Mid-swaps + 95 basis points.
- On September 13, 2012, the Swedish Government proposed a reduction of the corporate income tax in Sweden from 26.3 percent to 22.0 percent which, if approved, will have a positive effect on TeliaSonera's overall tax position. A one-time effect related to the net deferred tax liability is forecasted to approximately SEK 1 billion and the group's effective tax rate going forward would be reduced by approximately 1.5 p.p. based on current earnings distribution.
- On September 21, 2012, TeliaSonera announced that Tero Kivisaari, President of Business area Eurasia, had been appointed President of Business area Mobility Services. He succeeds Håkan Dahlström, who has left his position and the TeliaSonera Group. Tero Kivisaari will in addition to his new appointment continue his position as President of Business area Eurasia.
- On September 26, 2012, TeliaSonera confirmed that the Swedish Prosecuting Authorities have initiated an investigation regarding Uzbekistan. TeliaSonera will cooperate fully with the investigation.

Significant events after the end of the third quarter

- On October 3, 2012, following the allegation mentioned above, TeliaSonera announced that it had assigned Mannheimer Swartling to review its investment in Uzbekistan in 2007. At the same time, the board appointed Sweden's former ambassador to Russia, Tomas Bertelman, as a strategic advisor on matters related to the company's operations in Central Asia.
- On October 9, 2012, MegaFon, Russia's second largest mobile operator, announced its intention to proceed with its initial public offering (IPO). As a result, TeliaSonera may reduce its current 35.6 percent ownership but still keep a long term strategic ownership of at least 25 percent plus one share in MegaFon after the IPO.

20 million subscriptions passed within Mobility Services

Business area Mobility Services provides mobility services to the consumer and enterprise mass markets. Services include mobile voice and data, mobile content, WLAN Hotspots, mobile broadband and Wireless Office. The business area comprises mobile operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.

- More than a year ago, prices for data roaming were reduced significantly which has allowed our customers to keep the same mobile behavior when traveling as when they are in their home country. During the summer months, data traffic increased more than 1,500 percent to certain destinations.
- In Sweden, new offerings were launched in September and mobile VoIP is now included in all but one subscription. In Sweden and Norway, more than 40 percent of all post-paid subscriptions now also include a mobile data package. In September, Apple's iPhone 5 was launched in the Nordic markets as well as Samsung's new Galaxy model.

SEK in millions, except margins, operational data and changes	Jul-Sep 2012	Jul-Sep 2011	Chg (%)	Jan-Sep 2012	Jan-Sep 2011	Chg (%)
Net sales	12,476	13,252	-5.9	37,557	38,280	-1.9
EBITDA excl. non-recurring items	3,651	4,259	-14.3	10,996	12,086	-9.0
Margin (%)	29.3	32.1		29.3	31.6	
Operating income	2,535	3,055	-17.0	4,642	8,539	-45.6
Operating income excl. non-recurring items	2,571	3,056	-15.9	7,737	8,583	-9.9
CAPEX	944	962	-1.9	3,128	4,258	-26.5
Subscriptions, period-end (thousands)	20,170	19,155	5.3	20,170	19,155	5.3
Employees, period-end	7,313	7,446	-1.8	7,313	7,446	-1.8

Additional segment information available at www.teliasonera.com.

- **Net sales** in local currencies and excluding acquisitions decreased 1.2 percent. Net sales in reported currency decreased 5.9 percent to SEK 12,476 million (13,252). The negative effect of exchange rate changes was 4.7 percent.

In Sweden, net sales remained unchanged at SEK 4,180 million (4,180). The slowdown in growth was primarily driven by price erosion in the corporate segment as well as lower termination rates as of July 1, 2012. Revenues from voice, messaging and data showed a small increase compared to the same period last year while growth in equipment revenues was less significant than in the previous quarters.

In Finland, net sales in local currency decreased 5.6 percent to the equivalent of SEK 1,938 million (2,242). Mobile data and equipment sales have increased compared to the same period last year but not enough to compensate for lower interconnect revenues and a reduction in voice revenues.

In Norway, net sales in local currency decreased 10.8 percent to the equivalent of SEK 1,866 million (2,165), of which almost half can be explained by lower wholesale revenues. Interconnect price regulation negatively affected net sales by NOK 40 million. Revenues from equipment sales were unchanged compared to the same period last year.

In Denmark, net sales in local currency decreased 12.5 percent to the equivalent of SEK 1,090 million (1,363), of which half can be explained by lower interconnect revenues. The Danish market continues to be characterized by fierce price competition and subscribers migrating to bucket price plans with lower average revenue per user. The launch of subscriptions bundled with music streaming services has been well received by the market.

Net sales in local currencies in Estonia, Latvia and Lithuania decreased 3.9 percent, 5.1 percent and 5.8 percent, respectively, to the equivalent of SEK 387 million (437), SEK 395 million (444) and SEK 313 million (362), respectively. The development in the Baltic countries is positively impacted by continued growth in mobile data and equipment sales. However, not enough to compensate for a reduction in voice revenues as lower average price per minute cannot be fully compensated for by higher usage. Lower interconnect rates also have a significant negative impact on revenues in all countries.

In Spain, net sales in local currency increased 21.2 percent to the equivalent of SEK 2,317 million (2,063). Subscription intake was the highest in two years and revenues excluding equipment sales and regulatory impact grew 15.6 percent. Revenues from mobile data more than doubled compared to the same period a year ago. Interconnect revenues were approximately EUR 10 million lower than last year as a result of the fee being lowered to Eurocent 4.07 (4.98) by April 16, 2012.

- **The number of subscriptions** rose by 1.0 million from the end of the third quarter of 2011 to 20.2 million. Growth was strongest in Spain and Sweden with an increase of 0.7 million and 0.3 million to 3.5 million and 6.5 million subscriptions, respectively. During the quarter the total number of subscriptions rose by 0.4 million.
- **EBITDA**, excluding non-recurring items, decreased 11.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 14.3 percent to SEK 3,651 million (4,259). The EBITDA margin fell to 29.3 percent (32.1).

In Sweden, the EBITDA margin fell to 44.0 percent (47.9), explained by lower gross margin and higher subsidies and reseller commissions, as a result of more aggressive campaigns during the summer. In Finland the EBITDA margin fell to 30.2 percent (33.4), partly explained by higher personnel costs and increased marketing spend related to the launch of new price plans in the market.

In Norway, the EBITDA margin fell to 33.0 percent (36.5) as a result of lower wholesale revenues. The addressable cost base has been reduced by 7.4 percent compared with a year ago, mainly due to lower churn and higher proportion of sales in internal channels. In Denmark the EBITDA margin was 12.6 percent (15.2) despite a 10.5 percent decline in the addressable cost base.

The EBITDA margins in Estonia, Latvia and Lithuania fell to 29.2 percent (35.9), 33.2 percent (39.2) and 27.5 percent (29.3), respectively. The decline in profitability is mainly related to a reduction in gross margin as a result of lower voice revenues and a larger proportion of equipment revenues.

In Spain, the EBITDA margin improved to 6.2 percent (3.6) due to higher revenues, despite the high subscription intake, and lower sales commissions.

- **CAPEX** decreased to SEK 944 million (962) and the CAPEX-to-sales ratio increased to 7.6 percent (7.3). CAPEX, excluding licenses and spectrum fees, amounted to SEK 944 million (939) and the CAPEX-to-sales ratio to 7.6 percent (7.1). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 2,707 million (3,297).

SEK in millions, except margins and changes	Jul-Sep 2012	Jul-Sep 2011	Chg (%)	Jan-Sep 2012	Jan-Sep 2011	Chg (%)
Net sales	12,476	13,252	-5.9	37,557	38,280	-1.9
of which Sweden	4,180	4,180	0.0	12,667	12,301	3.0
of which Finland	1,938	2,242	-13.6	6,153	6,631	-7.2
of which Norway	1,866	2,165	-13.8	5,724	6,228	-8.1
of which Denmark	1,090	1,363	-20.0	3,578	4,147	-13.7
of which Lithuania	313	362	-13.5	945	1,053	-10.3
of which Latvia	395	444	-11.0	1,168	1,241	-5.9
of which Estonia	387	437	-11.4	1,132	1,194	-5.2
of which Spain	2,317	2,063	12.3	6,204	5,506	12.7
EBITDA excl. non-recurring items	3,651	4,259	-14.3	10,996	12,086	-9.0
of which Sweden	1,839	2,001	-8.1	5,536	5,675	-2.4
of which Finland	586	748	-21.7	1,909	2,161	-11.7
of which Norway	615	790	-22.2	1,849	2,209	-16.3
of which Denmark	137	207	-33.8	374	626	-40.3
of which Lithuania	86	106	-18.9	268	299	-10.4
of which Latvia	131	174	-24.7	420	469	-10.4
of which Estonia	113	157	-28.0	336	432	-22.2
of which Spain	143	74	93.2	303	214	41.6
Margin (%), total	29.3	32.1		29.3	31.6	
Margin (%), Sweden	44.0	47.9		43.7	46.1	
Margin (%), Finland	30.2	33.4		31.0	32.6	
Margin (%), Norway	33.0	36.5		32.3	35.5	
Margin (%), Denmark	12.6	15.2		10.5	15.1	
Margin (%), Lithuania	27.5	29.3		28.4	28.4	
Margin (%), Latvia	33.2	39.2		36.0	37.8	
Margin (%), Estonia	29.2	35.9		29.7	36.2	
Margin (%), Spain	6.2	3.6		4.9	3.9	

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	-1.2	-0.3
Change (%), Sweden	0.0	3.1
Change (%), Finland	-5.6	-3.6
Change (%), Norway	-10.8	-8.6
Change (%), Denmark	-12.5	-11.0
Change (%), Lithuania	-5.8	-7.3
Change (%), Latvia	-5.1	-4.1
Change (%), Estonia	-3.9	-2.0
Change (%), Spain	21.2	16.4

Several strategic TV deals signed within Broadband Services

Business area Broadband Services provides mass-market services for connecting homes and offices. Services include broadband over copper, fiber and cable, TV, voice over internet, home communications services, IP-VPN/Business internet, leased lines and traditional telephony. The business area operates the group common core network, including the data network of the international carrier business. The business area comprises operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.

- In August, TeliaSonera and Samsung launched a Smart TV solution, unique in terms of easy to use and customer friendly, as it does not require any external set-top-box. The Smart TV solution will be launched in Estonia in late 2012 and in Sweden and Finland during 2013. TeliaSonera has also signed an agreement with HBO Nordic enabling TeliaSonera's TV customers to see a number of the world's best TV series the day after the US premiere of each episode. The service will be available as of mid-October via both conventional TV and the web.
- Several Swedish municipality deals on fiber were closed during the quarter showing a good momentum in our strategy to work with flexible business concepts that suit our local partners. Alltele was signed during the quarter as new service provider offering services on top of our Communications Operator platform on fiber.

SEK in millions, except margins, operational data and changes	Jul-Sep 2012	Jul-Sep 2011	Chg (%)	Jan-Sep 2012	Jan-Sep 2011	Chg (%)
Net sales	8,671	9,155	-5.3	26,778	27,336	-2.0
EBITDA excl. non-recurring items	2,900	3,119	-7.0	8,534	9,119	-6.4
Margin (%)	33.4	34.1		31.9	33.4	
Operating income	1,617	1,880	-14.0	4,563	5,021	-9.1
Operating income excl. non-recurring items	1,658	1,910	-13.2	4,850	5,471	-11.4
CAPEX	1,229	1,454	-15.5	3,915	3,789	3.3
Subscriptions, period-end (thousands)						
Broadband	2,507	2,453	2.2	2,507	2,453	2.2
Fixed voice and VoIP	4,351	4,889	-11.0	4,351	4,889	-11.0
TV	1,289	1,137	13.4	1,289	1,137	13.4
Employees, period-end	13,432	13,416	0.1	13,432	13,416	0.1

Additional segment information available at www.teliasonera.com.

- **Net sales** in local currencies and excluding acquisitions decreased 2.8 percent. Net sales in reported currency decreased 5.3 percent to SEK 8,671 million (9,155). The negative effect of exchange rate changes was 2.7 percent and the positive effect of acquisitions and disposals was 0.2 percent.

In Sweden, net sales decreased 3.7 percent to SEK 4,894 million (5,084). The demand for our fiber offering remains strong and revenues from broadband fiber increased by 66 percent compared to the same period last year. Revenues from our TV offerings increased 18 percent, benefitting from both an increasing number of subscriptions and higher average revenue per user. The decline in revenues from PSTN subscriptions and traffic revenues remained at the same level as in previous quarters.

In Finland, net sales in local currency decreased 4.1 percent to the equivalent of SEK 1,346 million (1,531) due to lower revenues from fixed voice connections and traffic. Revenues from IPTV doubled from low levels compared to the same period last year while the decline in broadband over copper was off-set by an increase in revenues from broadband over fiber.

In Norway, net sales in local currency increased 0.9 percent to the equivalent of SEK 263 million (270) as the reduction in subscription could be off-set by continued strong trend in average revenue per user, especially within the consumer segment. In Denmark, net sales in local currency decreased 0.3 percent to the equivalent of SEK 265 million (289) due to lower fixed voice subscribers and lower traffic revenues.

In Lithuania, net sales in local currency increased 2.9 percent to the equivalent of SEK 462 million (489) due to higher revenues from TV and fiber. In Estonia, net sales in local currency decreased 8.1 percent to the equivalent of SEK 439 million (518), mainly due to a decline in low-margin transit traffic.

In International Carrier, net sales in local currency increased 0.7 percent to the equivalent of SEK 1,289 million (1,293), a slowdown compared to previous quarters due to lower voice revenues.

- **The number of subscriptions** for broadband access rose to 2.5 million, an increase of 54,000 from the third quarter of 2011 and by 12,000 during the quarter.

The total number of TV subscriptions increased by 152,000 from the third quarter of 2011 and by 41,000 during the quarter to 1.3 million. During the quarter there was a strong momentum in the IPTV service in Sweden growing both in terms of Video on Demand and Play services (SVoD). The customers currently rent approximately 250,000 movies per month in our Video on Demand store.

The number of fixed-voice subscriptions decreased by 425,000 from the end of the third quarter of 2011 to 3.1 million and were down 99,000 during the quarter. The intake of VoIP subscriptions was 37,000 in the quarter, bringing the total number of VoIP subscriptions to 643,000.

- **EBITDA**, excluding non-recurring items, fell 5.0 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 7.0 percent to SEK 2,900 million (3,119). The EBITDA margin was 33.4 percent (34.1).

In Sweden, the EBITDA margin fell to 40.9 percent (43.3), partly due to higher personnel costs in order to improve the customer experience. In Finland, the EBITDA margin increased to 28.7 percent (27.9) mainly due to lower costs for marketing and IT.

In Norway, the EBITDA margin increased to 17.5 percent (17.0) as a result of an improvement in gross margin. In Denmark the EBITDA margin increased to 12.8 percent (10.7) due to lower costs for interconnect and network capacity as well as lower costs for personnel and marketing.

In Lithuania, the EBITDA margin increased to 43.5 percent (41.7) mainly due to higher revenues while gross margin remained at the same level as last year. In Estonia the EBITDA margin improved to 28.2 percent (27.0) mainly due to an improved gross margin and lower addressable cost base.

In International Carrier, the EBITDA margin increased to 8.3 percent (5.4) lifted by a higher gross margin and a larger proportion of non-voice revenues with higher profitability.

- **CAPEX** decreased to SEK 1,229 million (1,454) and the CAPEX-to-sales ratio decreased to 14.2 percent (15.9). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 1,671 million (1,665).

SEK in millions, except margins and changes	Jul-Sep 2012	Jul-Sep 2011	Chg (%)	Jan-Sep 2012	Jan-Sep 2011	Chg (%)
Net sales	8,671	9,155	-5.3	26,778	27,336	-2.0
of which Sweden	4,894	5,084	-3.7	14,986	15,536	-3.5
of which Finland	1,346	1,531	-12.1	4,236	4,538	-6.7
of which Norway	263	270	-2.6	804	788	2.0
of which Denmark	265	289	-8.3	836	872	-4.1
of which Lithuania	462	489	-5.5	1,441	1,447	-0.4
of which Estonia	439	518	-15.3	1,310	1,408	-7.0
of which International Carrier	1,289	1,293	-0.3	4,030	3,703	8.8
EBITDA excl. non-recurring items	2,900	3,119	-7.0	8,534	9,119	-6.4
of which Sweden	2,003	2,200	-9.0	5,964	6,448	-7.5
of which Finland	386	427	-9.6	1,107	1,257	-11.9
of which Norway	46	46	0.0	136	127	7.1
of which Denmark	34	31	9.7	109	65	67.7
of which Lithuania	201	204	-1.5	597	595	0.3
of which Estonia	124	140	-11.4	352	417	-15.6
of which International Carrier	107	70	52.9	269	212	26.9
Margin (%), total	33.4	34.1		31.9	33.4	
Margin (%), Sweden	40.9	43.3		39.8	41.5	
Margin (%), Finland	28.7	27.9		26.1	27.7	
Margin (%), Norway	17.5	17.0		16.9	16.1	
Margin (%), Denmark	12.8	10.7		13.0	7.5	
Margin (%), Lithuania	43.5	41.7		41.4	41.1	
Margin (%), Estonia	28.2	27.0		26.9	29.6	
Margin (%), International Carrier	8.3	5.4		6.7	5.7	

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	-2.8	-1.4
Change (%), Sweden	-4.0	-3.8
Change (%), Finland	-4.1	-3.8
Change (%), Norway	0.9	1.5
Change (%), Denmark	-0.3	-1.2
Change (%), Lithuania	2.9	2.9
Change (%), Estonia	-8.1	-3.9
Change (%), International Carrier	0.7	8.3

More than 40 million subscriptions in Eurasia

Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon (36 percent) and Turkish Turkcell (38 percent). The main strategy is to create shareholder value by increasing mobile penetration and introducing value-added services in each respective country.

- Business area Eurasia passed the 40 million subscription mark and both Kcell in Kazakhstan and Ucell in Uzbekistan reported record-high subscription intake in the third quarter. Revenue growth in local currencies remained at double-digit and the EBITDA margin was kept above 50 percent. Preparations for a public listing of MegaFon and Kcell continue with the objective, if market conditions allow, to be completed during 2012.
- In order to meet the increasing demand for mobile data services in Kazakhstan, TeliaSonera acquired valuable frequencies in the 2.5/2.6 GHz band, which are compatible for use with WiMax and other mobile data transmission technologies. In addition, TeliaSonera reached an in principle agreement to make an indirect minority investment in KazTransCom, a listed company that owns, among other businesses, a fiber optics network in Kazakhstan.

SEK in millions, except margins, operational data and changes	Jul-Sep 2012	Jul-Sep 2011	Chg (%)	Jan-Sep 2012	Jan-Sep 2011	Chg (%)
Net sales	5,133	4,614	11.2	14,508	12,622	14.9
EBITDA excl. non-recurring items	2,584	2,376	8.8	7,324	6,493	12.8
Margin (%)	50.3	51.5		50.5	51.4	
Income from associated companies	1,629	1,376	18.4	6,479	4,048	60.1
of which Russia	999	1,204	-17.0	4,880	3,361	45.2
of which Turkey	631	174		1,607	691	
Operating income	3,441	3,056	12.6	11,593	8,503	36.3
Operating income excl. non-recurring items	3,478	3,073	13.2	8,538	8,466	0.9
CAPEX	855	1,067	-19.9	3,255	2,784	16.9
Subscriptions, period-end (thousands)						
Subsidiaries	41,152	32,783	25.5	41,152	32,783	25.5
Associated companies	109,500	103,000	6.3	109,500	103,000	6.3
Employees, period-end	5,043	4,989	1.1	5,043	4,989	1.1

Additional segment information available at www.teliasonera.com.

Consolidated operations

- **Net sales** in local currencies and excluding acquisitions increased 12.4 percent. Net sales in reported currency increased 11.2 percent to SEK 5,133 million (4,614). The negative effect from exchange rate fluctuations was 1.2 percent.

In Kazakhstan, net sales in local currency fell 1.1 percent to the equivalent of SEK 2,131 million (2,109). Average revenue per user is negatively impacted by price pressure on voice and data services but Kcell defended its market share and the number of subscriptions increased by 25 percent compared with the same period last year. Interconnect rates were reduced by 8.5 percent in average on March 30, 2012. Interconnect rates are symmetrical between Kcell and other operators.

In Azerbaijan, net sales in local currency increased 8.8 percent to the equivalent of SEK 982 million (882) as a result of a continued focus to increase the activities among existing subscribers. Azercell also launched several new offers to promote and increase data penetration during the quarter.

In Uzbekistan, net sales in local currency increased 57.5 percent to the equivalent of SEK 684 million (456). Subscription intake was significantly above recent quarters, mainly as a result of the market leader MTS' license being revoked by the authorities. It is uncertain when or if a third operator will re-enter into the market.

In Tajikistan, net sales in local currency decreased 1.8 percent to the equivalent of SEK 242 million (234), as the increase in revenues from value added services did not fully compensate for the price pressure on international traffic.

In Georgia, net sales in local currency increased 8.8 percent to the equivalent of SEK 283 million (249), driven by an increase in prices for incoming international calls as well as higher mobile data and visitor roaming revenues.

In Moldova, net sales in local currency increased 3.0 percent to the equivalent of SEK 140 million (141) despite the weak macro development. In Nepal, net sales in local currency increased 42.6 percent to the equivalent of SEK 669 million (543) as a result of an increase in subscriptions and stable average revenue per user. Commercial activities have returned to normal levels after some delays in network roll-out during the third quarter.

- **The number of subscriptions** in the consolidated operations was 41.2 million, an increase by 8.4 million from the end of the third quarter of 2011. Growth was strongest in Nepal and Kazakhstan with a rise of 2.6 million and 2.5 million to 8.6 million and 12.7 million, respectively. During the third quarter, the total number of subscriptions in the consolidated operations increased by 3.6 million. Uzbekistan, Kazakhstan and Nepal showed the largest rises with an increase of 1.8 million, 1.0 million and 0.5 million subscriptions, respectively.
- **EBITDA**, excluding non-recurring items, increased 9.9 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 8.8 percent to SEK 2,584 million (2,376). The EBITDA margin was 50.3 percent (51.5).

The EBITDA margin for Kcell in Kazakhstan remains well above 50 percent, although it has been negatively impacted by higher interconnect costs, which share of revenue is growing due to increasing volumes of off-net calls. Kcell has signed a five year lease agreement for backbone capacity with KazTransCom in order to further lower transmission costs. The EBITDA margin in Azericell in Azerbaijan was again above 50 percent due to higher revenues and improvement in gross margin.

The EBITDA margin in Ucell in Uzbekistan improved somewhat due to higher revenues although the introduction of a subscription tax in January 2012 had an adverse impact on profitability. The EBITDA margin for Ucell remains well below the average margin in Eurasia. Profitability for Geocell in Georgia remained above 40 percent. EBITDA margins in Tcell in Tajikistan and Moldcell in Moldova remained largely unchanged compared to the same period a year ago. The EBITDA margin for Ncell in Nepal remained well above the average margin in Eurasia due to increasing revenues and good cost control.

- **CAPEX** decreased to SEK 855 million (1,067) and the CAPEX-to-sales ratio decreased to 16.7 percent (23.1). CAPEX, excluding licenses and spectrum fees, amounted to SEK 853 million (1,067) and the CAPEX-to-sales ratio to 16.6 percent (23.1). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 1,729 million (1,309).

	Jul-Sep 2012	Jul-Sep 2011	Chg (%)	Jan-Sep 2012	Jan-Sep 2011	Chg (%)
SEK in millions, except changes						
Net sales	5,133	4,614	11.2	14,508	12,622	14.9
of which Kazakhstan	2,131	2,109	1.0	6,097	5,766	5.7
of which Azerbaijan	982	882	11.3	2,950	2,521	17.0
of which Uzbekistan	684	456	50.0	1,620	1,268	27.8
of which Tajikistan	242	234	3.4	683	602	13.5
of which Georgia	283	249	13.7	764	684	11.7
of which Moldova	140	141	-0.7	396	375	5.6
of which Nepal	669	543	23.2	2,000	1,413	41.5

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	12.4	12.6
Change (%), Kazakhstan	-1.1	1.1
Change (%), Azerbaijan	8.8	10.0
Change (%), Uzbekistan	57.5	32.1
Change (%), Tajikistan	-1.8	10.9
Change (%), Georgia	8.8	2.8
Change (%), Moldova	3.0	2.5
Change (%), Nepal	42.6	55.3

Associated companies – Russia

- MegaFon (associated company, in which TeliaSonera holds 35.6 percent and consolidates 41.6 percent) in Russia reported a subscription base of 64.7 million, an increase of 4.5 million compared to the corresponding quarter last year and 1.0 million higher than previous quarter.
- TeliaSonera's income from Russia decreased to SEK 999 million (1,204) as a result of lower economic ownership and higher interest expenses, as an effect of the new capital structure in MegaFon.
- TeliaSonera's income from Russia in the third quarter of 2012 is an estimate by TeliaSonera based on incomplete, unaudited, unreviewed financial information of MegaFon provided by MegaFon to TeliaSonera. Such information did not include any estimated financial information with respect to September 2012 and did not include any estimated net income information for MegaFon for July or August 2012. There can be no assurance that this number will ultimately be representative of MegaFon's net income.

Associated companies – Turkey

- Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with one-quarter lag) in Turkey reported a subscription base of 34.7 million, an increase of 0.6 million compared to the corresponding quarter last year, and an increase of 0.2 million compared with the previous quarter. In Ukraine the number of subscriptions increased by 1.4 million to 10.1 million compared to the corresponding quarter last year and increased by 0.2 million during the quarter.
- TeliaSonera's income from Turkey increased to SEK 631 million (174). The corresponding quarter a year ago included one-time losses of approximately SEK 400 million from Turkcell's operation in Belarus as well as provision related to a fine from the Turkish Competition Board. The Turkish lira depreciated 18.3 percent against the Swedish krona, which a negative impact of SEK 115 million.

Other operations

Other operations comprise *Other Business Services, TeliaSonera Holding and Corporate functions. Other Business Services is responsible for sales of managed-services solutions to business customers in the Nordic countries.*

	Jul-Sep	Jul-Sep	Chg	Jan-Sep	Jan-Sep	Chg
SEK in millions, except changes	2012	2011	(%)	2012	2011	(%)
Net sales	793	968	-18.1	2,746	2,890	-5.0
EBITDA excl. non-recurring items	121	125	-3.2	232	255	-9.0
Income from associated companies	-1	-2		-35	-66	
Operating income	-32	65		-391	-287	
Operating income excl. non-recurring items	-31	-25		-246	-265	
CAPEX	221	156	41.7	583	435	34.0

Additional segment information available at www.teliaSonera.com.

- **Net sales** in local currencies and excluding acquisitions fell 14.7 percent. In reported currency, net sales decreased 18.1 percent to SEK 793 million (968). Veikon Kone, a Finnish electronics and appliance chain, was partly sold and partly closed down at the end of the second quarter of 2012. Veikon Kone reported revenues of approximately SEK 200 million in the third quarter of 2011. For the first half of 2012, revenues were approximately SEK 300 million with a small underlying EBITDA loss.
- **EBITDA**, excluding non-recurring items, decreased 3.2 percent in reported currency to SEK 121 million (125).

Stockholm, October 17, 2012

Lars Nyberg
President and CEO

Auditors' Review Report

We have reviewed the condensed interim financial information for the period January 1 – September 30, 2012, for TeliaSonera AB. The Board of Directors and the President and CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group, and with the Annual Accounts Act for the Parent Company.

As disclosed in the interim report we draw attention to that TeliaSonera's income from MegaFon in the third quarter of 2012 is an estimate by TeliaSonera and that there can be no assurance that this number will ultimately be representative of MegaFon's net income.

Stockholm, October 17, 2012

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor in charge

Jeanette Skoglund
Authorized Public Accountant

TeliaSonera AB discloses the information provided herein pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication at 07:00 CET on October 17, 2012.

Financial Information

Year-end Report January–December 2012	January 31, 2013
Annual General Meeting 2013	April 3, 2013
Interim Report January–March 2013	April 19, 2013
Interim Report January–June 2013	July 17, 2013
Interim Report January–September 2013	October 17, 2013
Year-end Report January–December 2013	January 30, 2014

Questions regarding the reports:

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Definitions

Addressable cost base is defined as personnel costs, marketing costs and all other operating expenses excluding cost of sales. Cost of sales is defined as goods purchased, and interconnect, roaming and other network-related costs. Addressable cost base does not include non-recurring items.

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization. Equals operating income before depreciation, amortization and impairment losses and before income from associated companies.

Condensed Consolidated Statements of Comprehensive Income

SEK in millions, except per share data, number of shares and changes	Jul-Sep 2012	Jul-Sep 2011¹⁾	Chg (%)	Jan-Sep 2012	Jan-Sep 2011¹⁾	Chg (%)
Net sales	25,842	26,707	-3.2	77,829	77,545	0.4
Cost of sales	-14,108	-14,583	-3.3	-42,924	-42,075	2.0
Gross profit	11,734	12,124	-3.2	34,905	35,470	-1.6
Selling, admin. and R&D expenses	-5,826	-5,684	2.5	-18,064	-17,933	0.7
Other operating income and expenses, net	-7	212		-2,975	188	
Income from associated companies and joint ventures	1,659	1,406	18.0	6,541	4,054	61.3
Operating income	7,560	8,058	-6.2	20,407	21,779	-6.3
Finance costs and other financial items, net	-948	-807	17.5	-3,030	-1,993	52.0
Income after financial items	6,612	7,251	-8.8	17,377	19,786	-12.2
Income taxes	-1,487	-1,633	-8.9	-3,424	-4,388	-22.0
Net income	5,125	5,618	-8.8	13,953	15,398	-9.4
Foreign currency translation differences	-4,543	-195		-3,819	-2,582	
Income from associated companies	-31	49		-245	29	
Cash flow hedges	65	-128		66	-107	
Available-for-sale financial instruments	24	-1		25	0	
Income taxes relating to other comprehensive income	-554	180		-800	394	
Other comprehensive income	-5,039	-95		-4,773	-2,266	
Total comprehensive income	86	5,523		9,180	13,132	
Net income attributable to:						
Owners of the parent	4,803	4,863	-1.2	12,958	13,369	-3.1
Non-controlling interests	321	755	-57.5	994	2,029	-51.0
Total comprehensive income attributable to:						
Owners of the parent	438	4,512		8,351	11,063	
Non-controlling interests	-352	1,011		829	2,069	
Earnings per share (SEK), basic and diluted	1.11	1.12	-0.9	2.99	3.05	-2.0
Number of shares (thousands)						
Outstanding at period-end	4,330,085	4,330,085		4,330,085	4,330,085	
Weighted average, basic and diluted	4,330,085	4,330,085		4,330,085	4,379,430	
Number of treasury shares (thousands)						
Outstanding at period-end	-	-		-	-	
Weighted average	-	31,377		-	67,556	
EBITDA	9,140	9,944	-8.1	26,711	27,517	-2.9
EBITDA excl. non-recurring items	9,255	9,877	-6.3	27,085	27,953	-3.1
Depreciation, amortization and impairment losses	-3,239	-3,293	-1.6	-12,845	-9,793	31.2
Operating income excl. non-recurring items	7,676	8,013	-4.2	20,878	22,256	-6.2

1) Certain restatements have been made, see page 21.

Condensed Consolidated Statements of Financial Position

SEK in millions	Sep 30, 2012	Dec 31, 2011 ¹⁾
Assets		
Goodwill and other intangible assets	86,240	92,016
Property, plant and equipment	60,805	61,292
Investments in associates and joint ventures, deferred tax assets and other non-current assets	43,720	58,572
Long-term interest-bearing receivables	10,578	5,407
<i>Total non-current assets</i>	<i>201,343</i>	<i>217,287</i>
Inventories	1,391	1,475
Trade receivables, current tax assets and other receivables	21,038	21,151
Short-term interest-bearing receivables	3,087	1,453
Cash and cash equivalents	11,289	12,631
<i>Total current assets</i>	<i>36,805</i>	<i>36,710</i>
Total assets	238,148	253,997
Equity and liabilities		
Equity attributable to owners of the parent	102,010	116,680
Equity attributable to non-controlling interests	3,807	7,353
<i>Total equity</i>	<i>105,817</i>	<i>124,033</i>
Long-term borrowings	75,877	68,108
Deferred tax liabilities, other long-term provisions	22,922	24,163
Other long-term liabilities	1,157	1,409
<i>Total non-current liabilities</i>	<i>99,956</i>	<i>93,680</i>
Short-term borrowings	8,476	11,734
Trade payables, current tax liabilities, short-term provisions and other current liabilities	23,899	24,550
<i>Total current liabilities</i>	<i>32,375</i>	<i>36,284</i>
Total equity and liabilities	238,148	253,997

1) Certain restatements have been made, see page 21.

Condensed Consolidated Statements of Cash Flows

SEK in millions	Jul-Sep 2012	Jul-Sep 2011 ¹⁾	Jan-Sep 2012 ²⁾	Jan-Sep 2011 ¹⁾
Cash flow before change in working capital	7,876	8,421	33,211	21,674
Change in working capital	-811	-137	-2,015	-1,936
Cash flow from operating activities	7,065	8,284	31,196	19,738
Cash CAPEX	-3,240	-3,508	-10,390	-10,875
Free cash flow	3,825	4,776	20,806	8,863
Cash flow from other investing activities	-153	190	719	709
Total cash flow from investing activities	-3,393	-3,318	-9,671	-10,166
Cash flow before financing activities	3,672	4,966	21,525	9,572
Cash flow from financing activities	-2,312	4,352	-22,694	-9,758
Cash flow for the period	1,360	9,318	-1,169	-186
Cash and cash equivalents, opening balance	10,110	5,693	12,631	15,344
Change in accounting principle	-	-	-	25
Cash flow for the period	1,360	9,318	-1,169	-186
Exchange rate differences	-181	-92	-173	-264
Cash and cash equivalents, closing balance	11,289	14,919	11,289	14,919

1) Certain restatements have been made, see page 21.

2) Including dividends from MegaFon net of taxes of SEK 11,726 million.

Condensed Consolidated Statements of Changes in Equity

	Jan-Sep 2012			Jan-Sep 2011		
	Owners of the parent	Non-controlling interests	Total equity	Owners of the parent	Non-controlling interests	Total equity
SEK in millions						
Opening balance	116,680	7,353	124,033	125,907	6,758	132,665
Adjustment of opening balance related to Turkcell (inflation accounting in Belarus)	110	–	110	–	–	–
Dividends	-12,341	-2,371	-14,712	-12,349	-976	-13,325
Business combinations	–	17	17	–	–	–
Repurchased and canceled treasury shares	–	–	–	-9,981	–	-9,981
Acquisition of non-controlling interest	-10,803	-1,986	-12,789	–	–	–
Other transactions with owners	–	-35	-35	-2	2	0
Total comprehensive income	8,351	829	9,180	11,063	2,069	13,132
Share-based payments	13	–	13	7	–	7
Closing balance	102,010	3,807	105,817	114,645	7,853	122,498

Basis of Preparation

General. As in the annual accounts for 2011, TeliaSonera's consolidated financial statements as of and for the nine-month period ended September 30, 2012, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and, given the nature of TeliaSonera's transactions, with IFRSs as adopted by the European Union. The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act as well as standard RFR 2 *Accounting for Legal Entities* and other statements issued by the Swedish Financial Reporting Board. This report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The accounting policies adopted are consistent with those of the previous financial year, except as described below.

Change of accounting principle and correction of prior period classification errors. For information, see corresponding section in TeliaSonera's Interim Report January-March 2012.

New accounting standards (not yet adopted by the EU). For additional information, see corresponding section in TeliaSonera's Annual Report 2011.

Non-recurring Items

	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011
SEK in millions				
Within EBITDA	-115	66	-374	-437
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-15	-1	-37	-65
Broadband Services	-40	-8	-283	-476
Eurasia	-37	-16	-144	-26
Other operations	-2	-14	-108	-126
<i>of which TeliaSonera Holding</i>	2	0	-59	8
Capital gains/losses	-21	105	198	256
Within Depreciation, amortization and impairment losses	-1	-22	-3,099	-41
Impairment losses, accelerated depreciation:				
Broadband Services	-2	-22	-4	-41
Mobility Services	-	-	-3,070	-
Other operations	1	-	-25	-
Within Income from associated companies and joint ventures	-	-	3,002	-
Capital gains	-	-	3,002	-
Total	-116	44	-471	-478

Deferred Taxes

	Sep 30, 2012	Dec 31, 2011
SEK in millions		
Deferred tax assets	6,944	8,164
Deferred tax liabilities	-11,902	-13,437
Net deferred tax liabilities (-)/assets (+)	-4,958	-5,273

Segment and Group Operating Income

	Jul-Sep 2012	Jul-Sep 2011 ¹⁾	Jan-Sep 2012	Jan-Sep 2011 ¹⁾
SEK in millions				
Mobility Services	2,535	3,055	4,642	8,539
Broadband Services	1,617	1,880	4,563	5,021
Eurasia	3,441	3,056	11,593	8,503
Other operations	-32	65	-391	-287
Total segments	7,561	8,056	20,407	21,776
Elimination of inter-segment profits	-1	2	0	3
Group	7,560	8,058	20,407	21,779

1) Certain restatements have been made, see page 21.

Investments

SEK in millions	Jul-Sep 2012	Jul-Sep 2011 ¹⁾	Jan-Sep 2012	Jan-Sep 2011 ¹⁾
CAPEX	3,240	3,639	10,872	11,267
Intangible assets	483	340	1,560	2,656
Property, plant and equipment	2,757	3,299	9,312	8,611
Acquisitions and other investments	126	9	1,521	594
Asset retirement obligations	92	–	290	251
Goodwill and fair value adjustments	34	1	1,206	112
Equity holdings	0	8	25	231
Total	3,366	3,648	12,393	11,861

1) Certain restatements have been made, see page 21.

Related Party Transactions

In the nine-month period ended September 30, 2012, TeliaSonera purchased services for SEK 50 million, and sold services for a value of SEK 96 million. Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

Net Debt

SEK in millions	Sep 30, 2012	Dec 31, 2011
Long-term and short-term borrowings	84,353	79,842
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings	-1,872	-2,085
Less short-term investments, cash and bank	-11,433	-12,709
Net debt	71,048	65,048

Loan Financing and Credit Rating

The underlying operating cash flow continued to be positive also in the third quarter of 2012.

In July 2012, Standard & Poor's confirmed its credit rating on TeliaSonera AB of A- for long-term borrowings and A-2 for short-term borrowings with a stable outlook.

Following the continuing European crisis with further economic weakness, central banks stimulus has created ample liquidity conditions with low yields forcing investors chasing for yield down in credit spectrum and out to longer maturities. Based on the strong investor demand the third quarter has seen record issuance volumes in credit markets, were issuers have taken advantage of low yields and low credit spreads.

On the back of these favorable credit market conditions TeliaSonera issued a new EUR 500 million fifteen-year benchmark bond in August. The coupon at 3 percent was the lowest coupon ever for a fifteen year EUR corporate benchmark transaction. The funding strategy remains to focus on longer maturities and to take advantage of attractive funding opportunities when they appear.

During the third quarter a one-year term loan facility for the subsidiary Kcell JSC of KZT 30 billion was signed with RBS and Citibank.

In late September a credit facility of EUR 665 million with maturity in September 2013 was early terminated.

Financial Key Ratios

	Sep 30, 2012	Dec 31, 2011
Return on equity (% , rolling 12 months)	18.1	16.8
Return on capital employed (% , rolling 12 months)	15.5	16.4
Equity/assets ratio (%)	40.6	44.0
Net debt/equity ratio (%)	73.6	58.2
Net debt/EBITDA rate (multiple, rolling 12 months)	1.96	1.75
Owners' equity per share (SEK)	23.56	26.95

Collateral Held

TeliaSonera has sold all its shares in Telecominvest (TCI) to AF Telecom Holding (AFT). The purchase price has not been fully paid by AFT and in order to secure the value of TeliaSonera's receivable, presently SEK 7,574 million, MegaFon shares held by TCI, representing 6.53 percent of the shares in MegaFon, are presently pledged to TeliaSonera. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to TeliaSonera.

Guarantees and Collateral Pledged

As of September 30, 2012, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 300 million, of which SEK 273 million referred to guarantees for pension obligations. Collateral pledged totaled SEK 264 million.

Contractual Obligations and Commitments

As of September 30, 2012, contractual obligations totaled SEK 2,489 million, of which SEK 1,112 million referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

Business Combinations in the third Quarter

For a minor business combination in the third quarter of 2012, the cost of combination totaled SEK 32 million and the net cash outflow SEK 27 million. Goodwill was SEK 30 million, allocated to reportable segment Other operations. Goodwill is explained by strengthened market positions. The total cost of combination and fair values were determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

Parent Company

Condensed Income Statements	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
SEK in millions	2012	2011	2012	2011
Net sales	16	8	47	24
Operating income	-136	192	-98	-1,091
Income after financial items	3,239	1,616	13,934	8,360
Income before taxes	2,926	1,325	13,834	8,965
Net income	2,169	1,092	12,238	8,215

Last year, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary effecting operating income for 2011. This year's financial items include a capital gain of SEK 7,481 million for the sale of shares in Telecominvest (TCI) to AF Telecom Holding (AFT). The purchase price has not been fully paid by AFT and in order to secure the value of TeliaSonera's receivable, presently SEK 7,574 million, MegaFon shares held by TCI, representing 6.53 percent of the shares in MegaFon, are presently pledged to TeliaSonera. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to TeliaSonera.

Condensed Balance Sheets	Sep 30,	Dec 31,
SEK in millions	2012	2011
Non-current assets	204,187	177,648
Current assets	39,532	43,661
Total assets	243,719	221,309
Shareholders' equity	81,817	81,848
Untaxed reserves	13,371	13,271
Provisions	1,206	570
Liabilities	147,325	125,620
Total equity and liabilities	243,719	221,309

Total investments in the nine-month period were SEK 21,479 million (4,033), of which SEK 21,448 million referred to shareholder contributions to subsidiaries.

Risks and Uncertainties

TeliaSonera operates in a broad range of geographic product and service markets in the highly competitive and regulated telecommunications industry. As a result, TeliaSonera is subject to a variety of risks and uncertainties. Management has defined risk as anything that could have a material adverse effect on the achievement of TeliaSonera's goals. Risks can be threats, uncertainties or lost opportunities relating to TeliaSonera's current or future operations or activities. Additionally, these risks may affect TeliaSonera's share price from time to time.

TeliaSonera has an established risk management framework in place to regularly identify, analyze and assess, and report business and financial risks and uncertainties, and to mitigate such risks when appropriate. Risk management is an integrated part of TeliaSonera's business planning process and monitoring of business performance.

See Notes C27 and C35 to the consolidated financial statements in TeliaSonera's Annual Report 2011 for a detailed description of some of the factors that may affect TeliaSonera's business, financial position and results of operations. TeliaSonera believes that the risk environment has not materially changed from the one described in the Annual Report 2011.

Risks and uncertainties that could specifically impact the quarterly results of operations during the remainder of 2012 include, but may not be limited to:

- *World economy changes.* Changes in the global financial markets and the world economy are difficult to predict. TeliaSonera has a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe or long-term recession in the countries in which TeliaSonera operates would have an impact on its customers and may have a negative impact on its growth and results of operations through reduced telecom spending. The maturity schedule of TeliaSonera's loan portfolio is aimed to be evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed lines of credit with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, TeliaSonera's cost of funding might be higher, should there be changes in the global financial markets or the world economy.
- *Competition and price pressure.* TeliaSonera is subject to substantial and historically increasing competition and price pressure. Competition from a variety of sources, including current market participants, new entrants and new products and services, may adversely affect TeliaSonera's results of operations.
- *Investments in future growth.* TeliaSonera is currently investing in future growth through, for example, sales and marketing expenditures to retain and acquire customers in most markets, build-up of its customer base in start-up operations and investments in infrastructure in all markets to improve capacity and access. While TeliaSonera believes that these investments will improve market position and financial results in the long term, they may not have the targeted positive effects yet in the short term and related expenditures may impact the results of operations both in the long and short term.
- *Non-recurring items.* In accordance with their nature, non-recurring items such as capital gains and losses, restructuring costs, impairment charges, etc., may impact the quarterly results in the short term with amounts or timing that deviate from those currently expected. Depending on external factors or internal developments, TeliaSonera might also experience non-recurring items that are not currently anticipated.
- *Impairment losses and restructuring charges.* TeliaSonera could be required to recognize impairment losses with respect to assets if management's expectation of future cash flows attributable to these assets change, including but not limited to goodwill and fair value adjustments that TeliaSonera has recorded in connection with acquisitions that it has made or may make in the future. TeliaSonera has undertaken a number of restructuring and streamlining initiatives which have resulted in substantial restructuring and streamlining charges. Similar initiatives may be undertaken in the future. In addition to affecting TeliaSonera's results of operations, impairment losses and restructuring charges may adversely affect TeliaSonera's ability to pay dividends.
- *Associated companies.* A significant portion of TeliaSonera's results derives from MegaFon and Turkcell, which TeliaSonera does not control and which operate in growth markets but also in more volatile political, economic and legal environments. Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.
- *Acquisitions.* TeliaSonera has made a number of targeted acquisitions in accordance with its strategy. The efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, are significant for the results of operations both in the long and short term.

TeliaSonera has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, Russia and Turkey. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in countries with more mature institutional structures. The future political situation in each of the emerging market countries may remain unpredictable, and markets in which TeliaSonera operates may become unstable.

- *Regulation.* TeliaSonera operates in a highly regulated industry. The regulations to which TeliaSonera is subject impose significant limits on its flexibility to manage its business. Changes in legislation, regulation or government policy affecting TeliaSonera's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of licenses to TeliaSonera or other parties, could adversely affect TeliaSonera's business and results.
- *Sustainability.* TeliaSonera is subject to a number of sustainability related risks, including but not limited to, environment, network integrity, data security and human rights. Especially the risk is high in emerging markets where historically, the political, economic, legal and regulatory systems have been less predictable than in countries with more mature institutional structures. There has been a growing concern reported by media on this subject. Failure or perception of failure to adhere to TeliaSonera's sustainability requirements may damage customer or other stakeholders' perception of TeliaSonera and negatively impact TeliaSonera's business operations and its brand.

Forward-Looking Statements

This report contains statements concerning, among other things, TeliaSonera's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent TeliaSonera's future expectations. TeliaSonera believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include, but may not be limited to: TeliaSonera's market position; growth in the telecommunications industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of TeliaSonera, its associated companies and joint ventures, and the telecommunications industry in general. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, TeliaSonera undertakes no obligation to update any of them in light of new information or future events.