

## TeliaSonera January-December 2012

### MegaFon contributed to record-high free cash flow in 2012

#### Fourth quarter

- Net sales in local currencies and excluding acquisitions increased 1.8 percent. In reported currency, net sales decreased 0.7 percent to SEK 27,069 million (27,259).
- The addressable cost base in local currencies and excluding acquisitions decreased 0.8 percent. In reported currency, the addressable cost base decreased 3.2 percent to SEK 7,399 million (7,646).
- EBITDA, excluding non-recurring items, decreased 0.6 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.2 percent to SEK 8,974 million (9,269). The EBITDA margin, excluding non-recurring items, decreased to 33.2 percent (34.0).
- Operating income, excluding non-recurring items, decreased 0.8 percent to SEK 7,608 million (7,671).
- Net income attributable to the owners of the parent company increased 34.9 percent to SEK 6,880 million (5,100) and earnings per share to SEK 1.59 (1.18).
- Free cash flow increased to SEK 2,934 million (552), mainly due to lower cash CAPEX and changes in working capital.
- During the quarter the number of subscriptions grew by 1.7 million in the consolidated operations and by 2.3 million in the associated companies. The total number of subscriptions was 183.0 million.

#### Full year

- Net sales in local currencies and excluding acquisitions increased 1.2 percent. In reported currency, net sales were unchanged at SEK 104,898 million (104,804).
- Net income attributable to owners of the parent company increased 8.1 percent to SEK 19,886 million (18,388) and earnings per share to SEK 4.59 (4.21).
- Free cash flow increased to SEK 23,740 million (9,415), including a dividend from MegaFon of SEK 11,726 million net of taxes.
- The Board of Directors proposes an ordinary dividend of SEK 2.85 per share (2.85), totaling SEK 12.3 billion (12.3), or 62 percent (68) of net income attributable to owners of the parent company.

### Financial highlights

SEK in millions, except key ratios, per share data and changes	Oct-Dec 2012	Oct-Dec 2011	Chg (%)	Jan-Dec 2012	Jan-Dec 2011	Chg (%)
Net sales	27,069	27,259	-0.7	104,898	104,804	0.1
Addressable cost base <sup>1, 2)</sup>	7,399	7,646	-3.2	29,671	30,113	-1.5
EBITDA <sup>2)</sup> excl. non-recurring items <sup>3)</sup>	8,974	9,269	-3.2	36,059	37,222	-3.1
Margin (%)	33.2	34.0		34.4	35.5	
Operating income	7,798	7,979	-2.3	28,288	29,720	-4.8
Operating income excl. non-recurring items	7,608	7,671	-0.8	28,570	29,889	-4.4
Net income	7,168	5,802	23.5	21,168	21,119	0.2
of which attributable to owners of the parent	6,880	5,100	34.9	19,886	18,388	8.1
Earnings per share (SEK)	1.59	1.18	34.7	4.59	4.21	9.0
Return on equity (% , rolling 12 months)	19.8	17.1		19.8	17.1	
CAPEX-to-sales (%)	17.8	22.4		15.0	16.6	
Free cash flow	2,934	552		23,740	9,415	

1) Additional information available at [www.teliasonera.com](http://www.teliasonera.com). 2) Please refer to page 21 for definitions. 3) Non-recurring items; see page 26.

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

## Comments by Lars Nyberg, President and CEO

“Trends improved in the fourth quarter which resulted in a revenue growth of 1.2 percent in local currencies for the full year, slightly ahead of our guidance. All countries in Eurasia are again delivering positive revenue growth in the fourth quarter, resulting in a total growth of more than 16 percent. Mobility Services saw higher equipment sales but also better trends in service revenues in several markets. Within Broadband Services, the growth of our fiber customer base accelerated towards the end of the year and we saw an encouraging improvement in our customer operations with a significant reduction of unwanted calls.

During 2012, we delivered the second highest net earnings since the merger between Telia and Sonera in 2002. Albeit some was attributable to positive one-off items, we kept a healthy balance between growth in net sales and costs. In order to maintain our profitability we are determined to fundamentally change our business and simplify our way of working. We have already started implementing measures that will lead to a cost reduction of SEK 2 billion net over the coming two years, including personnel reductions net of 2,000 employees as announced in October. In the fourth quarter, 300 jobs in Sweden and Finland were effected by these measures. During 2013, 1,800 employees in the Nordics and Baltics will be effected and the total cost for these reductions is estimated to SEK 1.7 billion. At the same time, we see a need to recruit new competence.

In the fourth quarter, and in a relatively tough stock market, we were able to successfully complete the initial public offerings of both MegaFon and Kcell as well as divesting NextGenTel in Norway. After several years of ownership disputes in MegaFon, we settled the differences between the shareholders and reached our goal of having a transparent, liquid and direct ownership in Russia's second largest mobile operator. It is amazing that our investment of a mere SEK 1.2 billion since the company's inception in 1994 has grown to around SEK 55 billion including dividends, sale of shares and the value of our remaining 25 percent ownership.

The result of the IPO's of MegaFon and Kcell led to that we are now comfortably within our debt target. While several of our peers in the sector have cut or even removed their dividends due to macroeconomic and industrial challenges, the Board of Directors has proposed to keep the ordinary dividend unchanged at SEK 2.85 per share based on our solid financial position.

In the autumn of 2012, we faced severe media allegations of corruption and money laundering, related to our investments in Uzbekistan, dating back to 2007. Although we are confident that the allegations are legally unfounded, we took these allegations seriously and the Board initiated an external review by one of Sweden's most well-renowned law firms. The Swedish Prosecuting Authorities initiated a separate investigation of the matter, which may take one to two years to complete.

Sustainability is becoming more and more important to all industries and companies. In 2012, TeliaSonera partnered with the Danish Institute for Human Rights (DIHR) to define and support an internal assessment of risks that could potentially lead to involvement in human rights violations. DIHR will provide an independent expert review of the analysis and also assess the first stages of implementation of TeliaSonera's consequent mitigation plan. In particular, freedom of expression and privacy are growing in importance for companies across the ICT sector. TeliaSonera, as a founding member of the “Industry Dialogue”, counting ten leading telecom companies, has actively participated in the definition of common principles for the telecommunication sector. These principles will shortly be signed off by the participants and pave the way for other companies to join the initiative.

Looking ahead, we believe our revenues in local currencies in 2013 will be at the same level as last year and the EBITDA margin, excluding non-recurring items, to increase somewhat.”

## Group outlook for 2013

The growth in net sales in local currencies and excluding acquisitions is expected to be flat. Currency fluctuations may have a material impact on reported figures in Swedish krona.

The EBITDA margin, excluding non-recurring items, is expected to increase slightly compared to last year (2012: 34.4 percent).

The CAPEX-to-sales ratio is expected to be approximately 14 percent, excluding license and spectrum fees (2012: 14.6 percent).

Please refer to page 32 for the previous Group outlook for 2012 (published on October 17, 2012)

## Efficiency measures

As announced in the third quarter of 2012, efficiency measures including personnel reductions net of 2,000 employees, will lower the cost base by SEK 2 billion net over the coming two years, of which approximately SEK 0.2 billion was recorded in the fourth quarter of 2012.

In 2013, the addressable cost base, excluding Mobility Services Spain, is expected to be reduced to SEK 26.3 billion in local currencies and excluding acquisitions (addressable cost base excluding Mobility Services Spain 2012: SEK 27.1 billion). In 2014, it will be lowered to SEK 25.3 billion.

During 2013, 1,800 employees in the Nordics and Baltics will be effected (total number of employees 2012: 27,838 of which 22,537 in the Nordics and Baltics). These efficiency measures will be completed by early 2014 at the latest. Total cost for these reductions in 2013 is estimated to SEK 1.7 billion. At the same time, we see a need to recruit new competence.

## Review of the Group, fourth quarter 2012

**Net sales** in local currencies and excluding acquisitions increased 1.8 percent. In reported currency, net sales decreased 0.7 percent to SEK 27,069 million (27,259). The negative effect of exchange rate fluctuations was 2.6 percent and the positive effect of acquisitions and disposals was 0.1 percent.

In Mobility Services, net sales in local currencies and excluding acquisitions increased 1.3 percent. In reported currency, net sales decreased 1.5 percent to SEK 13,080 million (13,276).

In Broadband Services, net sales in local currencies and excluding acquisitions decreased 2.7 percent. In reported currency, net sales decreased 4.1 percent to SEK 9,039 million (9,427).

In Eurasia, net sales in local currencies and excluding acquisitions increased 16.3 percent. Net sales in reported currency increased 10.9 percent to SEK 5,223 million (4,708).

**The number of subscriptions** rose by 14.8 million from the end of the fourth quarter of 2011 to 183.0 million. In the consolidated operations the number of subscriptions increased by 8.4 million to 71.2 million. In the associated companies, the number of subscriptions increased by 6.4 million to 111.8 million. During the fourth quarter, the total number of sub-

scriptions increased by 1.7 million in the consolidated operations and increased by 2.3 million in the associated companies.

**The addressable cost base** in local currencies and excluding acquisitions decreased 0.8 percent. In reported currency, the addressable cost base decreased 3.2 percent to SEK 7,399 million (7,646).

**EBITDA**, excluding non-recurring items, decreased 0.6 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.2 percent to SEK 8,974 million (9,269). The EBITDA margin, excluding non-recurring items, decreased to 33.2 percent (34.0).

**Operating income** excluding non-recurring items, decreased 0.8 percent to SEK 7,608 million (7,671). Income from associated companies, excluding non-recurring items, remained unchanged at SEK 1,866 million (1,847).

**Non-recurring items** affecting operating income totaled SEK 189 million (308), mainly related to the sale of shares in MegaFon which resulted in a net capital gain of SEK 5,378 million, impairment charges in Mobility Services Norway of SEK 2,914 million and a write-down of goodwill in Broadband Services Norway of SEK 1,550 million.

**Financial items** totaled SEK -775 million (-855) of which SEK -741 million (-668) related to net interest expenses.

**Income taxes** decreased to SEK -145 million (1,322). The effective tax rate in the quarter was -2.0 percent (18.6), mainly related to the non-taxable capital gains on MegaFon disposals and the one-time effect of SEK 1,225 million related to net deferred tax liability as a result of a reduction of the corporate income tax in Sweden from 26.3 percent to 22.0 percent. On the other hand, the effective tax rate was counterbalanced by the non-tax deductible write-downs made in the operations in Norway.

**Non-controlling interests** in subsidiaries decreased to SEK 288 million (702) of which SEK 225 million (621) was related to the Eurasian operations, mainly as a result of the acquisition of 49 percent in Kcell in the first quarter of 2012, and SEK 50 million (67) to LMT and TEO.

**Net income attributable to owners of the parent company** increased 34.9 percent to SEK 6,880 million (5,100) and earnings per share to SEK 1.59 (1.18).

**CAPEX** decreased to SEK 4,813 million (6,117) and the CAPEX-to-sales ratio decreased to 17.8 percent (22.4). The CAPEX-to-sales ratio, excluding license and spectrum fees, amounted to 17.3 percent (17.6).

**Free cash flow** increased to SEK 2,934 million (552), mainly related to lower cash CAPEX and changes in working capital.

The proceeds from the IPO's of MegaFon and Kcell are not included in the free cash flow definition. For MegaFon, the proceeds of SEK 8,581 million net of transaction costs from the ownership reduction to 25.2 percent (35.6) in the IPO is included in "Cash flow from investing activities" in the cash flow statement.

For Kcell, the proceeds of SEK 3,406 million net of transaction costs from the direct and indirect ownership reduction to 61.9 percent (86.9) in the IPO is included in "Cash flow from financing activities" in the cash flow statement.

**Net debt** decreased to SEK 59,443 million at the end of the fourth quarter (71,048 at the end of the third quarter of 2012). The net debt/EBITDA ratio was 1.65 (1.96 at the end of the third quarter of 2012).

**The equity/assets ratio** was 39.7 percent (40.6 percent at the end of the third quarter of 2012).

## Review of the Group, full year 2012

**Net sales** in local currencies and excluding acquisitions increased 1.2 percent. In reported currency, net sales were unchanged at SEK 104,898 million (104,804). The negative effect of exchange rate fluctuations was 1.1 percent.

In Mobility Services, net sales in local currencies and excluding acquisitions were unchanged. In reported currency, net sales decreased 1.8 percent to SEK 50,637 million (51,556).

In Broadband Services, net sales in local currencies and excluding acquisitions decreased 1.7 percent. In reported currency, net sales decreased 2.6 percent to SEK 35,723 million (36,677).

In Eurasia, net sales in local currencies and excluding acquisitions increased 13.5 percent. Net sales in reported currency increased 13.9 percent to SEK 19,731 million (17,330).

**The addressable cost base** in local currencies and excluding acquisitions decreased 0.3 percent. In reported currency, the addressable cost base decreased 1.5 percent to SEK 29,671 million (30,113).

**EBITDA** excluding non-recurring items, decreased 2.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.1 percent to SEK 36,059 million (37,222). The EBITDA margin, excluding non-recurring items, decreased to 34.4 percent (35.5).

**Operating income** excluding non-recurring items, decreased 4.4 percent to SEK 28,570 million (29,889). Income from associated companies, excluding non-recurring items, decreased to SEK 5,488 million (5,864).

**Non-recurring items** affecting operating income totaled SEK -282 million (-170), mainly related to the sale of shares in MegaFon which resulted in a net capital gain of SEK 8,391 million, impairment charges in Mobility Services Norway and Lithuania of SEK 5,984 million and a write-down of goodwill in Broadband Services Norway of SEK 1,550 million.

**Financial items** totaled SEK -3,806 million (-2,848) of which SEK -3,069 million (-2,419) related to net interest expenses.

**Income taxes** decreased to SEK 3,314 million (5,753). The effective tax rate was 13.6 percent (21.4). A one-time effect of SEK 1,225 million related to the net deferred tax liability was recorded in the fourth quarter of 2012, as a result of a reduction of the corporate income tax in Sweden from 26.3 percent to 22.0 percent. The effective tax rate going forward is expected to be around 20 percent.

**Non-controlling interests** in subsidiaries decreased to SEK 1,282 million (2,731) of which SEK 1,042 million (2,420) was related to the operations in Eurasia and SEK 197 million (262) to LMT and TEO.

**Net income attributable to owners of the parent company** increased 8.1 percent to SEK 19,886 million (18,388) and earnings per share to SEK 4.59 (4.21).

**CAPEX** decreased to SEK 15,685 million (17,384) and the CAPEX-to-sales ratio decreased to 15.0 percent (16.6). The CAPEX-to-sales ratio, excluding license and spectrum fees, amounted to 14.6 percent (14.0).

**Free cash flow** increased to SEK 23,740 million (9,415), mainly related to dividends from associated companies and lower cash CAPEX. The second quarter of 2012 included a dividend from MegaFon of SEK 11,726 million net of taxes. Excluding this effect, free cash flow increased to SEK 12,014 million.

The cash flows from changes in ownership in MegaFon and Kcell during 2012 are not included in the free cash flow definition. For MegaFon, the proceeds of SEK 9,170 million from the divestment of the shares in Telecominvest in April, 2012, and from the reduction in ownership to 25.2 percent (35.6) in the IPO in November, 2012, are included in "Cash flow from investing activities" in the cash flow statement.

For Kcell, the net effect from the acquisition of 49 percent in January, 2012, and the divestment of 25 percent in the IPO in December 2012, negatively impacted cash flow by SEK 7,021 million net of transaction costs and are included in "Cash flow from financing activities" in the cash flow statement.

#### **Acquisitions and divestitures**

- On February 2, 2012, TeliaSonera announced that it had completed the first phase of its previously announced transaction to increase ownership in GSM Kazakhstan LLP, operating under the brand Kcell, by acquiring a 49 percent stake in the company from Kazakhtelecom at a purchase price of USD 1.519 billion (approximately SEK 10.5 billion). TeliaSonera further agreed to sell 25 percent of the shares minus one share in Kcell in an Initial Public Offering (IPO). On December 12, 2012, TeliaSonera confirmed the IPO of Kcell in Kazakhstan and received USD 525 million (approximately SEK 3.5 billion) in proceeds from the offering. TeliaSonera now holds directly and indirectly an interest of 61.9 percent (86.9) in Kcell.
- On March 1, 2012, TeliaSonera announced that it had acquired all shares in Svenska Stadsnät AB, a company providing fiber capacity to municipalities, companies and households.
- On April 5, 2012, TeliaSonera announced that it had sold its 18.6 percent stake in Smart Mobile, Cambodia, and had entered into an agreement in order to further increase its ownership in Ncell, Nepal.
- On April 24, 2012, TeliaSonera announced that MegaFon's shareholders, TeliaSonera, AF Telecom and Altimio had resolved the governance disputes in Russia's second largest mobile operator and agreed that the company would pay a dividend of USD 5.15 billion and pursue an Initial Public Offering (IPO). On November 28, 2012, TeliaSonera confirmed the IPO of MegaFon and received approximately SEK 8.5 billion in proceeds from the offering. TeliaSonera now owns 25.2 percent in MegaFon (35.6).
- On April 26, 2012, TeliaSonera, through its 75.45 percent owned subsidiary TeliaSonera Asia Holding B.V., acquired the remaining 49 percent of the shares and votes in Airbell Services Ltd., which owns 75 percent in Nepal Satellite Pvt. Ltd., a regional operator in Nepal.
- On June 5, 2012, TeliaSonera launched a voluntary takeover bid to acquire the outstanding shares in TEO LT at the price of EUR 0.637 per share in cash. Including open market transactions, TeliaSonera now holds 88.15 percent of TEO LT.

- On December 20, 2012, TeliaSonera announced that it had signed an agreement to divest its Norwegian subsidiary NextGenTel to Telio, a company listed on the Oslo Stock Exchange. The sales price was NOK 601 million (approximately SEK 700 million) on a cash and debt free basis (enterprise value). The transaction is expected to be closed in the first quarter of 2013.
- On December 28, 2012, TeliaSonera announced that the formal conditions to complete the acquisition of the WiMax operations of the Kazakh Company Alem Communications, from its owner Midas Telecom, and an indirect minority investment in KazTransCom, through the purchase of shares from Alatau LLP, had been met. The transactions were completed in early January 2013.

### **Significant events in 2012**

- On April 2, 2012, TeliaSonera announced that Robert Andersson had been appointed President and Chief Executive Officer of Sonera in Finland and member of TeliaSonera Group Management.
- 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 together with TeliaSonera developed a tool tailored to TeliaSonera and the human rights risk profile of the telecom sector. It includes freedom of expression and privacy issues and is benchmarked on the United Nations' Guiding Principles on Business and Human Rights. DIHR will also assess TeliaSonera's consequential mitigation plan in 2013.
- On September 21, 2012, TeliaSonera announced that Tero Kivisaari, President of Business area Eurasia, had been appointed President of Business area Mobility Services. He succeeded Håkan Dahlström, who 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 had initiated an investigation regarding the investments in Uzbekistan.
- On November 21, 2012, the Swedish Government decided on a reduction of the corporate income tax in Sweden from 26.3 percent to 22.0 percent which will have a positive effect on TeliaSonera's overall tax position. A one-time effect related to the net deferred tax liability of SEK 1,225 million was recorded in the fourth quarter of 2012, and the Group's effective tax rate going forward would be reduced by approximately 1.5 percentage points based on current earnings distribution.

### **TeliaSonera share**

The TeliaSonera share is listed on NASDAQ OMX Stockholm and NASDAQ OMX Helsinki. The share's settlement price in Stockholm decreased 5.8 percent in 2012, from SEK 46.77 to SEK 44.06. The highest share price was SEK 49.33 (55.70) and the lowest SEK 41.43 (40.60). The number of shareholders decreased to 553,631 from 580,076. Ownership by the Swedish state was 37.3 percent and the Finnish state's holding was 11.7 percent. Holdings outside Sweden and Finland increased to 22.4 percent from 18.2 percent.

### **Dividend policy**

TeliaSonera 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 percent of net income attributable to owners of the parent company. In addition, 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.

### **Ordinary dividend to shareholders**

For 2012, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.85 (2.85) per share, totaling SEK 12.3 billion (12.3), or 62 percent (68) of net income attributable to owners of the parent company.

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 3, 2013, and that the first day of trading in shares excluding rights to dividend be set for April 4, 2013. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 8, 2013. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 11, 2013.

### **Annual General Meeting 2013**

The Annual General Meeting (AGM) will be held on April 3, 2013, at 14:00 CET at Cirkus, Stockholm. Notice of the meeting will be posted on [www.teliasonera.com](http://www.teliasonera.com), and advertised in the newspapers at the end of February 2013. The record date entitling shareholders to attend the meeting will be March 26, 2013. Shareholders may file notice of intent to attend the AGM from the end of February 2013. TeliaSonera must receive notice of attendance no later than March 26, 2013.



## Improvement in billed revenues 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.

- Revenue growth in local currencies was again positive in the fourth quarter, driven by higher equipment sales but also better trends in service revenues in several markets. Revenues from mobile data increased more than 30 percent while traffic volumes almost doubled in the fourth quarter.
- The demand for mobile internet via smartphones continues to drive an increase in mobile data. A data package is now included in more than a third of all postpaid subscriptions compared to 25 percent a year ago. Spain has the highest level of penetration where 60 percent of all postpaid subscriptions include a mobile data package, followed by Sweden and Norway at around 45 percent.

SEK in millions, except margins, operational data and changes	Oct-Dec 2012	Oct-Dec 2011	Chg (%)	Jan-Dec 2012	Jan-Dec 2011	Chg (%)
Net sales	13,080	13,276	-1.5	50,637	51,556	-1.8
EBITDA excl. non-recurring items	3,693	3,967	-6.9	14,689	16,053	-8.5
Margin (%)	28.2	29.9		29.0	31.1	
Operating income	-442	2,583	-117.1	4,200	11,122	-62.2
Operating income excl. non-recurring items	2,663	2,739	-2.8	10,400	11,322	-8.1
CAPEX	1,368	2,484	-44.9	4,496	6,742	-33.3
Subscriptions, period-end (thousands)	20,537	19,520	5.2	20,537	19,520	5.2
Employees, period-end	7,245	7,456	-2.8	7,245	7,456	-2.8

Additional segment information available at [www.teliasonera.com](http://www.teliasonera.com).

### Fourth quarter

- **Net sales** in local currencies and excluding acquisitions increased 1.3 percent. In reported currency, net sales decreased 1.5 percent to SEK 13,080 million (13,276). The negative effect of exchange rate fluctuations was 2.8 percent.

In Sweden, net sales increased 5.1 percent to SEK 4,620 million (4,394). Growth in revenues from voice, messaging and data showed an improvement compared to previous quarter. This was mainly driven by the consumer segment as a result of both an increase in average revenue per user and subscriptions. Trends within the corporate segment also stabilized somewhat during the quarter. Sales of equipment were positively impacted by the launch of new handset models and increased 20 percent compared with the same period last year.

In Finland, net sales in local currency decreased 5.4 percent to the equivalent of SEK 2,020 million (2,254), of which lower interconnect revenues explained half of the decline. In addition, a reduction in the average price per minute and fewer subscriptions in the consumer segment negatively impacted voice revenues. Revenues from mobile data and equipment sales continued to grow.

In Norway, net sales in local currency decreased 8.6 percent to the equivalent of SEK 1,858 million (2,033), explained by lower wholesale revenues. Revenues from voice, messaging and data were almost at the same level as last year as more subscribers migrate over to fixed price plans with higher average revenues per user. Sales of equipment declined compared to the same period last year.

In Denmark, net sales in local currency decreased 3.6 percent to the equivalent of SEK 1,257 million (1,378). Growth in equipment sales and mobile data could not fully compensate for lower interconnect and voice revenues.

Net sales in local currencies in Estonia, Latvia and Lithuania decreased 2.4 percent, 4.6 percent and 12.2 percent, respectively, to the equivalent of SEK 383 million (414), SEK 440 million (481) and SEK 332 million (398), respectively. The growth in mobile data and equipment revenues could not compensate for lower interconnect revenues and the continued price pressure on voice and messaging.

In Spain, net sales in local currency increased 18.1 percent to the equivalent of SEK 2,178 million (1,945), mainly driven by equipment sales and revenues from mobile data which more than doubled compared to a year ago. Interconnect revenues lowered revenues with approximately EUR 10 million compared to the same quarter a year ago.

- **The number of subscriptions** rose by 1.0 million from the end of the fourth quarter of 2011 to 20.5 million. Growth was strongest in Spain and Sweden with an increase of 0.7 million and 0.3 million to 3.7 million and 6.6 million subscriptions, respectively. During the quarter the total number of subscriptions rose by 0.4 million.
- **EBITDA**, excluding non-recurring items, decreased 5.1 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 6.9 percent to SEK 3,693 million (3,967). The EBITDA margin decreased to 28.2 percent (29.9).

In Sweden, the EBITDA margin decreased to 39.6 percent (42.6), explained by lower gross margin as a result of increased low margin equipment sales and higher addressable costs related to personnel and IT. In Finland the EBITDA margin decreased to 26.2 percent (30.3) due to lower gross margin and higher personnel costs.

In Norway, the EBITDA margin decreased to 30.1 percent (33.5), mainly as a result of lower wholesale revenues. In Denmark the EBITDA margin increased to 13.9 percent (8.6) due to higher gross margin as well as lower personnel costs and lower subsidies and sales commissions.

The EBITDA margins in Estonia, Latvia and Lithuania decreased to 21.1 percent (29.2), 28.0 percent (38.3) and 21.4 percent (26.6), respectively. The profitability decline is mainly related to lower gross margin, due to lower interconnect and roaming margins and a higher portion of equipment sales.

In Spain, the EBITDA margin increased to 14.9 percent (10.6) due to higher revenues and reduced subsidies.

- **CAPEX** decreased to SEK 1,368 million (2,484) and the CAPEX-to-sales ratio decreased to 10.5 percent (18.7). CAPEX, excluding licenses and spectrum fees, amounted to SEK 1,341 million (1,554) and the CAPEX-to-sales ratio to 10.3 percent (11.7). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 2,325 million (1,483).

### Full year

- **Net sales** in local currencies and excluding acquisitions were unchanged. In reported currency, net sales decreased 1.8 percent to SEK 50,637 million (51,556). The negative effect of exchange rate fluctuations was 1.9 percent.

- **EBITDA**, excluding non-recurring items, decreased 7.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 8.5 percent to SEK 14,689 million (16,053). The EBITDA margin decreased to 29.0 percent (31.1).
- **CAPEX** decreased to SEK 4,496 million (6,742) and the CAPEX-to-sales ratio decreased to 8.9 percent (13.1). CAPEX, excluding licenses and spectrum fees, amounted to SEK 4,397 million (4,468) and the CAPEX-to-sales ratio to 8.7 percent (8.7). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 10,193 million (9,311).

<b>SEK in millions, except margins and changes</b>	<b>Oct-Dec 2012</b>	<b>Oct-Dec 2011</b>	<b>Chg (%)</b>	<b>Jan-Dec 2012</b>	<b>Jan-Dec 2011</b>	<b>Chg (%)</b>
Net sales	13,080	13,276	-1.5	50,637	51,556	-1.8
of which Sweden	4,620	4,394	5.1	17,297	16,695	3.6
of which Finland	2,020	2,254	-10.4	8,173	8,885	-8.0
of which Norway	1,858	2,033	-8.6	7,582	8,261	-8.2
of which Denmark	1,257	1,378	-8.8	4,835	5,525	-12.5
of which Lithuania	332	398	-16.6	1,277	1,451	-12.0
of which Latvia	440	481	-8.5	1,608	1,722	-6.6
of which Estonia	383	414	-7.5	1,515	1,608	-5.8
of which Spain	2,178	1,945	12.0	8,382	7,451	12.5
EBITDA excl. non-recurring items	3,693	3,967	-6.9	14,689	16,053	-8.5
of which Sweden	1,831	1,870	-2.1	7,367	7,545	-2.4
of which Finland	529	682	-22.4	2,438	2,843	-14.2
of which Norway	560	682	-17.9	2,409	2,891	-16.7
of which Denmark	175	118	48.3	549	744	-26.2
of which Lithuania	71	106	-33.0	339	405	-16.3
of which Latvia	123	184	-33.2	543	653	-16.8
of which Estonia	81	121	-33.1	417	553	-24.6
of which Spain	324	206	57.3	627	420	49.3
Margin (%), total	28.2	29.9		29.0	31.1	
Margin (%), Sweden	39.6	42.6		42.6	45.2	
Margin (%), Finland	26.2	30.3		29.8	32.0	
Margin (%), Norway	30.1	33.5		31.8	35.0	
Margin (%), Denmark	13.9	8.6		11.4	13.5	
Margin (%), Lithuania	21.4	26.6		26.5	27.9	
Margin (%), Latvia	28.0	38.3		33.8	37.9	
Margin (%), Estonia	21.1	29.2		27.5	34.4	
Margin (%), Spain	14.9	10.6		7.5	5.6	

<b>Net sales in local currencies and excluding acquisitions</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>
Change (%), total	1.3	0.1
Change (%), Sweden	5.1	3.6
Change (%), Finland	-5.4	-4.1
Change (%), Norway	-8.6	-8.6
Change (%), Denmark	-3.6	-9.2
Change (%), Lithuania	-12.2	-8.6
Change (%), Latvia	-4.6	-4.3
Change (%), Estonia	-2.4	-2.1
Change (%), Spain	18.1	16.9

## Accelerated growth of fiber customers in 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.

- The fiber customer base growth accelerated in the fourth quarter and has now reached 643,000, an increase of 23 percent compared to a year ago. In Sweden, Telia's close to 600,000 TV subscribers are now able to watch HBO's popular episodes one day after world premiere. The service is available on multiple devices, on TV as well as computers, smartphones and tablets.
- In December, TeliaSonera decided that its subsidiary in Norway, NextGenTel, did not constitute the appropriate platform to compete successfully in the Norwegian broadband market and that other parts of the business would be prioritized. As a result of the divestment, TeliaSonera recognized a loss of SEK 1.6 billion in the fourth quarter of 2012 from the write-down of goodwill.

SEK in millions, except margins, operational data and changes	Oct-Dec 2012	Oct-Dec 2011	Chg (%)	Jan-Dec 2012	Jan-Dec 2011	Chg (%)
Net sales	9,039	9,427	-4.1	35,723	36,677	-2.6
EBITDA excl. non-recurring items	2,527	2,951	-14.4	10,953	11,961	-8.4
Margin (%)	28.0	31.3		30.7	32.6	
Operating income	-560	1,561	-135.9	4,003	6,582	-39.2
Operating income excl. non-recurring items	1,341	1,697	-21.0	6,191	7,168	-13.6
CAPEX	1,640	1,599	2.6	5,445	5,263	3.5
Subscriptions, period-end (thousands)						
Broadband	2,532	2,481	2.1	2,532	2,481	2.1
Fixed voice and VoIP	4,269	4,805	-11.2	4,269	4,805	-11.2
TV	1,332	1,177	13.2	1,332	1,177	13.2
Employees, period-end	13,277	13,071	1.6	13,277	13,071	1.6

Additional segment information available at [www.teliasonera.com](http://www.teliasonera.com).

### Fourth quarter

- **Net sales** in local currencies and excluding acquisitions decreased 2.7 percent. Net sales in reported currency decreased 4.1 percent to SEK 9,039 million (9,427). The negative effect of exchange rate changes was 1.6 percent and the positive effect of acquisitions and disposals was 0.2 percent.

In Sweden, net sales decreased 3.5 percent to SEK 5,102 million (5,269). During the quarter, 21,000 new fiber customers were added and have now reached almost a quarter of a million in total. Revenues from broadband fiber increased almost 60 percent compared to the same period last year. Subscription intake of TV subscriptions reached its highest level in two years and total number of subscriptions now amounts to 580,000. 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 6.1 percent to the equivalent of SEK 1,385 million (1,555). The total number of TV customers passed 400,000 and revenues increased almost 50 percent compared to the same period last year. Revenues from broadband, both copper and fiber, remained at the same level while the decline in revenues from fixed voice connections and traffic continued.

In Norway, net sales in local currency increased 1.4 percent to the equivalent of SEK 279 million (275), mainly due to a positive development in the corporate segment and higher average revenue per user. In Denmark, net sales in local currency decreased 2.1 percent to the equivalent of SEK 267 million (289) due to lower revenues from traffic and fixed voice connections.

In Lithuania, net sales in local currency decreased 3.0 percent to the equivalent of SEK 474 million (515) since the growth from TV and fiber could not fully compensate for the decline in fixed voice revenues.

In Estonia, net sales in local currency decreased 3.9 percent to the equivalent of SEK 451 million (495) as a result of a decline in low-margin transit traffic and lower equipment sales. Revenues from IP-TV continue to be strong and revenues more than doubled compared to the same period a year ago. During the fourth quarter, a Smart-TV solution was launched together with Samsung. The service is unique in terms of easy to use and customer friendly, as it does not require any external set-top-box.

In International Carrier, net sales in local currency rose 2.5 percent to the equivalent of SEK 1,358 million (1,333) as both low margin voice revenues and IP revenues showed small increases compared to the same quarter a year ago.

- **The number of subscriptions** for broadband access rose to 2.5 million, an increase of 51,000 from the fourth quarter of 2011 and by 25,000 during the quarter.

The total number of TV subscriptions increased by 155,000 from the fourth quarter of 2011 and by 43,000 during the quarter to 1.3 million.

The number of fixed-voice subscriptions decreased by 416,000 from the end of the fourth quarter of 2011 to 3.0 million and were down 106,000 during the quarter. The intake of VoIP subscriptions was 32,000 in the quarter, bringing the total number of VoIP subscriptions to 675,000.

- **EBITDA**, excluding non-recurring items, decreased 13.3 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 14.4 percent to SEK 2,527 million (2,951). The EBITDA margin was 28.0 percent (31.3).

In Sweden, the EBITDA margin fell to 35.7 percent (39.8), explained by higher personnel costs in order to improve the customer experience, change in product mix and increased IT costs. The corresponding quarter last year was positively impacted by approximately SEK 70 million as a result of a release of earlier made provisions related to legal disputes.

In Finland, the EBITDA margin decreased to 18.3 percent (24.2), as a result of lower gross margin. The profitability in the fourth quarter was also negatively impacted by reservations for bad debt as well as one-time adjustments of pension costs.

In Norway and Denmark, the EBITDA margins were more or less stable at 16.8 percent (17.1) and 11.2 percent (10.7), respectively. In Lithuania, the EBITDA margin decreased to 37.3 percent (38.1), mainly related to personnel expenses. In Estonia the EBITDA margin was stable at 24.6 percent (24.6) as the lower gross margin was off-set by a reduction in the addressable cost base.

In International Carrier, the EBITDA margin increased slightly to 6.5 percent (6.1) as a result of an improved gross margin.

- **CAPEX** increased to SEK 1,640 million (1,599) and the CAPEX-to-sales ratio increased to 18.1 percent (17.0). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 887 million (1,352).

### Full year

- **Net sales** in local currencies and excluding acquisitions decreased 1.7 percent. In reported currency, net sales decreased 2.6 percent to SEK 35,723 million (36,677). The negative effect of exchange rate fluctuations was 1.1 percent and the positive effect of acquisitions and disposals was 0.2 percent.

**EBITDA**, excluding non-recurring items, decreased 7.8 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 8.4 percent to SEK 10,953 million (11,961). The EBITDA margin decreased to 30.7 percent (32.6).

- **CAPEX** increased to SEK 5,445 million (5,263) and the CAPEX-to-sales ratio increased to 15.2 percent (14.3). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 5,508 million (6,698).

SEK in millions, except margins and changes	Oct-Dec 2012	Oct-Dec 2011	Chg (%)	Jan-Dec 2012	Jan-Dec 2011	Chg (%)
Net sales	9,039	9,427	-4.1	35,723	36,677	-2.6
of which Sweden	5,102	5,269	-3.2	20,043	20,767	-3.5
of which Finland	1,385	1,555	-10.9	5,584	6,055	-7.8
of which Norway	279	275	1.5	1,083	1,063	1.9
of which Denmark	267	289	-7.6	1,092	1,150	-5.0
of which Lithuania	474	515	-8.0	1,915	1,962	-2.4
of which Estonia	451	495	-8.9	1,761	1,903	-7.5
of which International Carrier	1,358	1,333	1.9	5,388	5,036	7.0
EBITDA excl. non-recurring items	2,527	2,951	-14.4	10,953	11,961	-8.4
of which Sweden	1,821	2,098	-13.2	7,715	8,473	-8.9
of which Finland	253	376	-32.7	1,336	1,608	-16.9
of which Norway	47	47	-	183	174	5.2
of which Denmark	30	31	-3.2	125	83	50.6
of which Lithuania	177	196	-9.7	774	791	-2.1
of which Estonia	111	122	-9.0	463	539	-14.1
of which International Carrier	88	81	8.6	357	293	21.8
Margin (%), total	28.0	31.3		30.7	32.6	
Margin (%), Sweden	35.7	39.8		38.5	40.8	
Margin (%), Finland	18.3	24.2		23.9	26.6	
Margin (%), Norway	16.8	17.1		16.9	16.4	
Margin (%), Denmark	11.2	10.7		11.4	7.2	
Margin (%), Lithuania	37.3	38.1		40.4	40.3	
Margin (%), Estonia	24.6	24.6		26.3	28.3	
Margin (%), International Carrier	6.5	6.1		6.6	5.8	

Net sales in local currencies and excluding acquisitions	Oct-Dec	Jan-Dec
Change (%), total	-2.7	-1.7
Change (%), Sweden	-3.5	-3.7
Change (%), Finland	-6.1	-4.4
Change (%), Norway	1.4	1.5
Change (%), Denmark	-2.1	-1.4
Change (%), Lithuania	-3.0	1.4
Change (%), Estonia	-3.9	-3.9
Change (%), International Carrier	2.5	6.8

## All countries delivering positive growth 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 (25 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.

- All countries in Eurasia delivered positive growth although it was the improving trends in Kazakhstan and Uzbekistan in the fourth quarter which led to an acceleration in revenue growth in local currencies. Network availability is still a problem in some parts of the region but efforts are being made to improve the situation, for example through investments in solar panels and new generation batteries.
- The IPO's of MegaFon and Kcell were successfully completed during the quarter, whereby TeliaSonera's ownership was reduced to 25.2 percent (35.6) and 61.9 percent (86.9), respectively. The acquisition of the WiMax operations of the Kazakh Company Alem Communications and an indirect minority investment in KazTransCom were also successfully completed and thus secure valuable frequencies and transmission capacity. Kcell, TeliaSonera's subsidiary in Kazakhstan, will have full access to these businesses on commercial terms which will be important in order to cater to an anticipated increased demand for mobile data.

SEK in millions, except margins, operational data and changes	Oct-Dec 2012	Oct-Dec 2011	Chg (%)	Jan-Dec 2012	Jan-Dec 2011	Chg (%)
Net sales	5,223	4,708	10.9	19,731	17,330	13.9
EBITDA excl. non-recurring items	2,652	2,357	12.5	9,976	8,850	12.7
Margin (%)	50.8	50.1		50.6	51.1	
Income from associated companies	7,252	1,819		13,815	5,828	137.0
of which Russia	6,579	1,181		11,542	4,504	156.3
of which Turkey	673	640	5.2	2,280	1,331	71.3
Operating income	8,952	4,128	116.9	20,629	12,593	63.8
Operating income excl. non-recurring items	3,718	3,415	8.9	12,340	11,842	4.2
CAPEX	1,484	1,754	-15.4	4,739	4,538	4.4
Subscriptions, period-end (thousands)						
Subsidiaries	42,535	34,840	22.1	42,535	34,840	22.1
Associated companies	110,700	104,325	6.1	110,700	104,325	6.1
Employees, period-end	4,980	4,994	-0.3	4,980	4,994	-0.3

Additional segment information available at [www.teliasonera.com](http://www.teliasonera.com).

### Consolidated operations

#### Fourth quarter

- **Net sales** in local currencies and excluding acquisitions increased 16.3 percent. Net sales in reported currency increased 10.9 percent to SEK 5,223 million (4,708). The negative effect from exchange rate fluctuations was 5.4 percent.

In Kazakhstan, net sales in local currency increased 3.7 percent to the equivalent of SEK 2,159 million (2,147). The reduction in average revenue per user as a result of price pressure on voice and data services has been compensated for by a 24 percent increase in subscriptions and 14 percent growth in minutes of use. On November 26, the main three mobile operators in Kazakhstan agreed on a 15 percent annual reduction in interconnect prices for the coming three years. Interconnect rates are symmetrical between Kcell and the other operators.

In Azerbaijan, net sales in local currency increased 7.6 percent to the equivalent of SEK 984 million (928). Azercell has successfully launched several new offers to promote and increase mobile data penetration and data revenues now represent 9 percent of total revenues. Azercell now has 1,000 3G base stations in use. During the fourth quarter, the company also launched a campaign where it selectively introduced handset subsidies for its postpaid subscribers for the first time.

In Uzbekistan, net sales in local currency increased 76.7 percent to the equivalent of SEK 749 million (470). The market has been impacted by the authorities' decision to revoke the market leader MTS' license. Ucell has increased its number of subscriptions by 23 percent compared to a year ago while at the same time increasing the average revenue per user by 46 percent, partly as a result of price increases. In order to handle an increasing number of active subscriptions and a significant increase in traffic volumes, Ucell churned out 0.6 million inactive subscriptions during the fourth quarter.

In Tajikistan, net sales in local currency increased 3.3 percent to the equivalent of SEK 244 million (232), mainly due to higher revenues from value added services. The price pressure on international traffic has eased as the regulator introduced a minimum price of USD 0.1 per minute for calls to Russia as of November 1, 2012.

In Georgia, net sales in local currency increased 3.8 percent to the equivalent of SEK 247 million (242), driven by increased prices for incoming international calls as well as higher mobile data revenues.

In Moldova, net sales in local currency increased 4.0 percent to the equivalent of SEK 140 million (143). During the fourth quarter, Moldcell became the first operator in Moldova to acquire a 4G license and the services were launched for corporate customers in November 2012. The regulator has proposed that mobile number portability will be introduced during May 2013, although details are still to be finalized.

In Nepal, net sales in local currency increased 41.4 percent to the equivalent of SEK 716 million (547) as a result of the higher subscription base and an increase in average revenue per user.

- **The number of subscriptions** in the consolidated operations was 42.5 million, an increase by 7.7 million from the end of the fourth quarter of 2011. Growth was strongest in Kazakhstan and Nepal with a rise of 2.6 million and 2.2 million to 13.5 million and 9.0 million subscriptions, respectively. During the fourth quarter, the total number of subscriptions in the consolidated operations increased by 1.4 million. Kazakhstan and Nepal showed the largest rises with an increase of 0.8 million and 0.4 million subscriptions, respectively.
- **EBITDA**, excluding non-recurring items, increased 18.5 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 12.5 percent to SEK 2,652 million (2,357). The EBITDA margin was 50.8 percent (50.1).

In Kazakhstan, the EBITDA margin decreased to 53.6 percent (57.0) as a result of higher interconnect costs due to increasing volumes of off-net calls. In addition, costs related to sales and marketing are higher compared to the same period a year ago as Kcell successfully defended its market share.



In Azerbaijan, the EBITDA margin increased to 49.2 percent (45.2), mainly due to lower interconnect fees which positively impacted gross margin. In Uzbekistan, the EBITDA margin increased to 43.0 percent (40.2) as the introduction of a subscription tax in January 2012, was compensated for by cost reductions and a new dealer structure.

In Tajikistan the EBITDA margin decreased to 50.8 percent (51.7) due to higher interconnect costs. In Georgia, the EBITDA margin increased to 39.7 percent (37.2), partly as a result of savings from a new commission structure with dealers. In Moldova, the EBITDA margin was stable at 37.9 percent (37.8).

In Nepal, the EBITDA margin increased to 62.8 percent (55.0) due to increasing revenues and good cost control. As part of the new frequency policy, the regulator introduced payments for 3G frequencies. Payments were also to be made retroactively from the launch of 3G operations in 2007 and the total amount of SEK 104 million is reported as a non-recurring item in the fourth quarter of 2012.

- **CAPEX** decreased to SEK 1,484 million (1,754) and the CAPEX-to-sales ratio decreased to 28.4 percent (37.3). CAPEX, excluding licenses and spectrum fees, amounted to SEK 1,387 million (1,362) and the CAPEX-to-sales ratio to 26.6 percent (28.9). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 1,168 million (603).

#### Full year

- **Net sales** in local currencies and excluding acquisitions increased 13.5 percent. In reported currency, net sales increased 13.9 percent to SEK 19,731 million (17,330). The positive effect of exchange rate fluctuations was 0.4 percent.
- **EBITDA**, excluding non-recurring items, increased 12.7 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 12.7 percent to SEK 9,976 million (8,850). The EBITDA margin was 50.6 percent (51.1).
- **CAPEX** increased to SEK 4,739 million (4,538) and the CAPEX-to-sales ratio decreased to 24.0 percent (26.2). CAPEX, excluding licenses and spectrum fees, amounted to SEK 4,486 million (4,129) and the CAPEX-to-sales ratio to 22.7 percent (23.8). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 5,237 million (4,312).

<b>SEK in millions, except margins and changes</b>	<b>Oct-Dec 2012</b>	<b>Oct-Dec 2011</b>	<b>Chg (%)</b>	<b>Jan-Dec 2012</b>	<b>Jan-Dec 2011</b>	<b>Chg (%)</b>
Net sales	5,223	4,708	10.9	19,731	17,330	13.9
of which Kazakhstan	2,159	2,147	0.6	8,256	7,913	4.3
of which Azerbaijan	984	928	6.0	3,934	3,449	14.1
of which Uzbekistan	749	470	59.4	2,369	1,738	36.3
of which Tajikistan	244	232	5.2	927	834	11.2
of which Georgia	247	242	2.1	1,011	926	9.2
of which Moldova	140	143	-2.1	536	518	3.5
of which Nepal	716	547	30.9	2,716	1,960	38.6
EBITDA excl. non-recurring items	2,652	2,357	12.5	9,976	8,850	12.7
of which Kazakhstan	1,158	1,223	-5.3	4,602	4,687	-1.8
of which Azerbaijan	484	419	15.5	1,964	1,682	16.8
of which Uzbekistan	322	189	70.4	904	688	31.4
of which Tajikistan	124	120	3.3	470	384	22.4
of which Georgia	98	90	8.9	397	362	9.7
of which Moldova	53	54	-1.9	193	179	7.8
of which Nepal	450	301	49.5	1,614	1,084	48.9
Margin (%), total	50.8	50.1		50.6	51.1	
Margin (%), Kazakhstan	53.6	57.0		55.7	59.2	
Margin (%), Azerbaijan	49.2	45.2		49.9	48.8	
Margin (%), Uzbekistan	43.0	40.2		38.2	39.6	
Margin (%), Tajikistan	50.8	51.7		50.7	46.0	
Margin (%), Georgia	39.7	37.2		39.3	39.1	
Margin (%), Moldova	37.9	37.8		36.0	34.6	
Margin (%), Nepal	62.8	55.0		59.4	55.3	

<b>Net sales in local currencies and excluding acquisitions</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>
Change (%), total	16.3	13.5
Change (%), Kazakhstan	3.7	1.8
Change (%), Azerbaijan	7.6	9.4
Change (%), Uzbekistan	76.7	44.1
Change (%), Tajikistan	3.3	8.8
Change (%), Georgia	3.8	3.0
Change (%), Moldova	4.0	2.9
Change (%), Nepal	41.4	51.3

## Associated companies – Russia

### Fourth quarter

- MegaFon (associated company, in which TeliaSonera holds 25.2 percent and consolidates 27.6 percent, reported with a one-quarter lag since the fourth quarter of 2012; historical numbers have been restated) in Russia reported a subscription base of 64.8 million, an increase of 4.2 million compared to the corresponding quarter last year and 1.2 million higher than previous quarter.
- TeliaSonera's income from Russia increased to SEK 6,579 million (1,181), including a net capital gain of SEK 5,378 million from the IPO of 10.4 percent of MegaFon.
- Excluding the capital gain, TeliaSonera's income from Russia increased to SEK 1,201 million (1,181) despite a lower effective ownership. The Russian ruble depreciated 6.5 percent against the Swedish krona, which had a negative impact of SEK 74 million.

**Full year**

- TeliaSonera's income from Russia increased to SEK 11,542 million (4,504), including net capital gains of SEK 8,391 million. Excluding the capital gains, TeliaSonera's income from Russia decreased to SEK 3,151 million (4,504). The Russian ruble depreciated 2.7 percent against the Swedish krona, which had a negative impact of SEK 85 million.

**Associated companies – Turkey****Fourth quarter**

- Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey reported a subscription base of 35.2 million, an increase of 0.8 million compared to the corresponding quarter last year, and an increase of 0.5 million compared with the previous quarter. In Ukraine the number of subscriptions increased by 1.4 million to 10.7 million compared to the corresponding quarter last year and increased by 0.6 million during the quarter.
- TeliaSonera's income from Turkey increased to SEK 673 million (640). The Turkish lira appreciated 9.2 percent against the Swedish krona, which had a positive impact of SEK 62 million.

**Full year**

- TeliaSonera's income from Turkey increased to SEK 2,280 million (1,331). The Turkish lira depreciated 9.1 percent against the Swedish krona, which had a negative impact of SEK 209 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.*

	Oct-Dec	Oct-Dec	Chg	Jan-Dec	Jan-Dec	Chg
SEK in millions, except changes	2012	2011	(%)	2012	2011	(%)
Net sales	1,053	1,102	-4.4	3,799	3,992	-4.8
EBITDA excl. non-recurring items	134	34		451	397	13.6
Income from associated companies	-15	-50	-70.0	-50	-114	-56.1
Operating income	-121	-254	-52.4	-534	-541	-1.3
Operating income excl. non-recurring items	-82	-142	-42.3	-351	-408	-14.0
CAPEX	321	281	14.2	1,014	842	20.4

Additional segment information available at [www.teliasonera.com](http://www.teliasonera.com).

- **Net sales** in local currencies and excluding acquisitions decreased 4.6 percent. In reported currency, net sales decreased 4.4 percent to SEK 1,053 million (1,102).
- **EBITDA**, excluding non-recurring items, increased to SEK 134 million (34) in reported currency.

Stockholm, January 31, 2013

Lars Nyberg  
President and CEO

This report has not been subject to review by TeliaSonera's auditors.

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 January 31, 2013.

*Financial Information*

Annual General Meeting 2013 in Stockholm	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:*

TeliaSonera AB  
Investor Relations  
SE-106 63 Stockholm, Sweden  
Tel. +46 8 504 550 00  
Fax +46 8 611 46 42  
[www.teliasonera.com](http://www.teliasonera.com)

*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

<b>SEK in millions, except per share data, number of shares and changes</b>	<b>Oct-Dec 2012</b>	<b>Oct-Dec 2011<sup>1)</sup></b>	<b>Chg (%)</b>	<b>Jan-Dec 2012</b>	<b>Jan-Dec 2011<sup>1)</sup></b>	<b>Chg (%)</b>
Net sales	27,069	27,259	-0.7	104,898	104,804	0.1
Cost of sales	-15,463	-15,287	1.2	-58,388	-57,362	1.8
<b>Gross profit</b>	<b>11,606</b>	<b>11,972</b>	<b>-3.1</b>	<b>46,510</b>	<b>47,442</b>	<b>-2.0</b>
Selling, admin. and R&D expenses	-6,047	-6,354	-4.8	-24,111	-24,287	-0.7
Other operating income and expenses, net	-5,004	575	-7.9	-7,979	763	-10.5
Income from associated companies	7,243	1,786	13.9	13,868	5,802	139.0
<b>Operating income</b>	<b>7,798</b>	<b>7,979</b>	<b>-2.3</b>	<b>28,288</b>	<b>29,720</b>	<b>-4.8</b>
Finance costs and other financial items, net	-775	-855	-9.4	-3,806	-2,848	33.6
<b>Income after financial items</b>	<b>7,023</b>	<b>7,124</b>	<b>-1.4</b>	<b>24,482</b>	<b>26,872</b>	<b>-8.9</b>
Income taxes	145	-1,322	-1.0	-3,314	-5,753	-42.4
<b>Net income</b>	<b>7,168</b>	<b>5,802</b>	<b>23.5</b>	<b>21,168</b>	<b>21,119</b>	<b>0.2</b>
Foreign currency translation differences	1,122	-2,986	-1.0	-2,432	-5,319	-1.0
Income from associated companies	63	62	-0.1	-260	92	-1.0
Cash flow hedges	-38	-11	-0.1	28	-118	-0.1
Available-for-sale financial instruments	-1	-1	-0.1	24	-1	-0.1
Income taxes relating to other comprehensive income	361	-389	-0.1	-439	5	-0.1
<b>Other comprehensive income</b>	<b>1,507</b>	<b>-3,325</b>	<b>-3.0</b>	<b>-3,079</b>	<b>-5,341</b>	<b>-42.4</b>
<b>Total comprehensive income</b>	<b>8,675</b>	<b>2,477</b>	<b>18.6</b>	<b>18,089</b>	<b>15,778</b>	<b>14.6</b>
Net income attributable to:						
Owners of the parent	6,880	5,100	19.8	19,886	18,388	10.3
Non-controlling interests	288	702	-1.0	1,282	2,731	-1.0
Total comprehensive income attributable to:						
Owners of the parent	8,486	1,935	17.0	17,071	13,167	29.7
Non-controlling interests	189	542	-1.0	1,018	2,611	-1.0
Earnings per share (SEK), basic and diluted	1.59	1.18	34.7	4.59	4.21	9.0
Number of shares (thousands)						
Outstanding at period-end	4,330,085	4,330,085	0.0	4,330,085	4,330,085	0.0
Weighted average, basic and diluted	4,330,085	4,330,085	0.0	4,330,085	4,366,992	-0.8
Number of treasury shares (thousands)						
Outstanding at period-end	-	-	0.0	-	-	0.0
Weighted average	-	-	0.0	-	50,528	-0.1
EBITDA	8,251	9,663	-14.6	34,962	37,180	-6.0
EBITDA excl. non-recurring items	8,974	9,269	-3.2	36,059	37,222	-3.1
Depreciation, amortization and impairment losses	-7,697	-3,470	121.8	-20,542	-13,263	54.9
<b>Operating income excl. non-recurring items</b>	<b>7,608</b>	<b>7,671</b>	<b>-0.8</b>	<b>28,570</b>	<b>29,889</b>	<b>-4.4</b>

1) Certain restatements have been made, see page 24.

## Condensed Consolidated Statements of Financial Position

SEK in millions	Dec 31, 2012	Dec 31, 2011 <sup>1)</sup>
<b>Assets</b>		
Goodwill and other intangible assets	83,278	92,016
Property, plant and equipment	62,657	61,292
Investments in associates, deferred tax assets and other non-current assets	40,153	57,458
Long-term interest-bearing receivables	10,880	5,407
<i>Total non-current assets</i>	<i>196,968</i>	<i>216,173</i>
Inventories	1,623	1,475
Trade receivables, current tax assets and other receivables	22,298	21,151
Short-term interest-bearing receivables	3,647	1,453
Cash and cash equivalents	29,805	12,631
<i>Total current assets</i>	<i>57,373</i>	<i>36,710</i>
<b>Total assets</b>	<b>254,341</b>	<b>252,883</b>
<b>Equity and liabilities</b>		
Equity attributable to owners of the parent	109,440	115,589
Equity attributable to non-controlling interests	3,956	7,353
<i>Total equity</i>	<i>113,396</i>	<i>122,942</i>
Long-term borrowings	82,184	68,108
Deferred tax liabilities, other long-term provisions	22,012	24,140
Other long-term liabilities	1,190	1,409
<i>Total non-current liabilities</i>	<i>105,386</i>	<i>93,657</i>
Short-term borrowings	9,403	11,734
Trade payables, current tax liabilities, short-term provisions and other current liabilities	26,156	24,550
<i>Total current liabilities</i>	<i>35,559</i>	<i>36,284</i>
<b>Total equity and liabilities</b>	<b>254,341</b>	<b>252,883</b>

1) Certain restatements have been made, see page 24.

## Condensed Consolidated Statements of Cash Flows

SEK in millions	Oct-Dec 2012	Oct-Dec 2011 <sup>1)</sup>	Jan-Dec 2012 <sup>2)</sup>	Jan-Dec 2011 <sup>1)</sup>
Cash flow before change in working capital	6,877	7,058	40,088	28,732
Change in working capital	806	154	-1,209	-1,782
<b>Cash flow from operating activities</b>	<b>7,683</b>	<b>7,212</b>	<b>38,879</b>	<b>26,950</b>
Cash CAPEX	-4,749	-6,660	-15,139	-17,535
<b>Free cash flow</b>	<b>2,934</b>	<b>552</b>	<b>23,740</b>	<b>9,415</b>
Cash flow from other investing activities	8,061	859	8,780	1,568
<b>Total cash flow from investing activities</b>	<b>3,312</b>	<b>-5,801</b>	<b>-6,359</b>	<b>-15,967</b>
<b>Cash flow before financing activities</b>	<b>10,995</b>	<b>1,411</b>	<b>32,520</b>	<b>10,983</b>
<b>Cash flow from financing activities</b>	<b>7,463</b>	<b>-3,537</b>	<b>-15,231</b>	<b>-13,295</b>
<b>Cash flow for the period</b>	<b>18,458</b>	<b>-2,126</b>	<b>17,289</b>	<b>-2,312</b>
<b>Cash and cash equivalents, opening balance</b>	<b>11,289</b>	<b>14,919</b>	<b>12,631</b>	<b>15,344</b>
Change in accounting principle	-	-	-	25
Cash flow for the period	18,458	-2,126	17,289	-2,312
Exchange rate differences	58	-162	-115	-426
<b>Cash and cash equivalents, closing balance</b>	<b>29,805</b>	<b>12,631</b>	<b>29,805</b>	<b>12,631</b>

1) Certain restatements have been made, see page 24.

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

## Condensed Consolidated Statements of Changes in Equity

	Jan-Dec 2012			Jan-Dec 2011		
	Owners of the parent	Non-controlling interests	Total equity	Owners of the parent	Non-controlling interests	Total equity
<b>SEK in millions</b>						
Opening balance	115,589	7,353	<b>122,942</b>	125,907	6,758	<b>132,665</b>
Change in accounting principle	–	–	–	-1,162	–	<b>-1,162</b>
Adjustment of opening balance related to Turkcell (inflation accounting in Belarus)	110	–	<b>110</b>	–	–	–
Dividends	-12,341	-3,127	<b>-15 468</b>	-12,349	-2,018	<b>-14,367</b>
Business combinations	–	-9	<b>-9</b>	–	–	–
Repurchased and canceled treasury shares	–	–	–	-9,983	–	<b>-9,983</b>
Acquisition of non-controlling interest	-10,724	-1,970	<b>-12,694</b>	-2	2	<b>0</b>
Disposal of non-controlling interest	2,639	748	<b>3,387</b>	–	–	–
Other transactions with owners	–	-57	<b>-57</b>	–	–	–
Total comprehensive income	17,071	1,018	<b>18,089</b>	13,167	2,611	<b>15,778</b>
Share-based payments	16	–	<b>16</b>	11	–	<b>11</b>
Effect of equity transactions in associates	-2,920	–	<b>-2,920</b>	–	–	–
<b>Closing balance</b>	<b>109,440</b>	<b>3,956</b>	<b>113,396</b>	<b>115,589</b>	<b>7,353</b>	<b>122,942</b>

## Basis of Preparation

*General.* As in the annual accounts for 2011, TeliaSonera's consolidated financial statements as of and for the year ended December 31, 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 Reports 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.

*New accounting standards (not yet adopted by the EU).* On October 31, IASB issued "Investment Entities" (amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements (2011)" effective for annual periods beginning on or after January 1, 2014. The amendments are not applicable to TeliaSonera.

For additional information, see corresponding section in TeliaSonera's Annual Report 2011.

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



In the fourth quarter of 2012, TeliaSonera changed the equity accounting treatment for its holding in the Russian associated company OAO MegaFon in such a manner that TeliaSonera's consolidated financial statements for a certain quarter are based on the last available quarterly financial statements of MegaFon, i.e. TeliaSonera's share of MegaFon's net income is reported with a one-quarter lag. Previously, TeliaSonera's consolidated financial statements for the quarter included its share of the preliminary estimated net income in MegaFon for the same period. The change in principle was made following the November 2012 MegaFon stock exchange listing in Moscow and London, after which TeliaSonera no longer has any other information available for the preparation of its consolidated financial statements than the information published by MegaFon simultaneously to all of its shareholders. Comparative information for prior periods have been restated and refers to business area Eurasia. During the second quarter of 2012, TeliaSonera sold its investment in OAO Telecominvest which held shares in OAO MegaFon. However, no restatements of net income for prior periods related to this indirect MegaFon shareholding were performed, since it was disposed prior to the stock exchange listing of MegaFon.

In the fourth quarter "Server Operations" were transferred from business area Broadband Services to Other operations. "Server Operations" provides day-to-day services on all IT infrastructure in TeliaSonera, including delivery services, incident handling and change management. The restatement affects business area Broadband Services, Other operations and eliminations on net sales, EBITDA, EBITDA excluding non-recurring items, depreciation, amortization and impairment losses, CAPEX and number of employees.

The effects of the MegaFon restatement were as follows.

<b>Condensed Consolidated Statements of Comprehensive Income</b>				
	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Jan-Dec</b>
<b>SEK in millions</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
Income from associated companies	213	697	-826	84
<b>Operating income</b>	<b>213</b>	<b>697</b>	<b>-826</b>	<b>84</b>
Finance costs and other financial items, net	-	-	-	-
<b>Income after financial items</b>	<b>213</b>	<b>697</b>	<b>-826</b>	<b>84</b>
Income taxes	2	-92	55	-35
<b>Net income</b>	<b>215</b>	<b>605</b>	<b>-771</b>	<b>49</b>
Foreign currency translation differences	174	22	68	264
Income from associated companies	10	-82	-5	-77
<b>Other comprehensive income</b>	<b>184</b>	<b>-60</b>	<b>63</b>	<b>187</b>
<b>Total comprehensive income</b>	<b>399</b>	<b>545</b>	<b>-708</b>	<b>236</b>

<b>Condensed Consolidated Statements of Comprehensive Income</b>					
	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>
<b>SEK in millions</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>
Income from associated companies	104	-63	-79	132	94
<b>Operating income</b>	<b>104</b>	<b>-63</b>	<b>-79</b>	<b>132</b>	<b>94</b>
Finance costs and other financial items, net	-	-	-	-	-
<b>Income after financial items</b>	<b>104</b>	<b>-63</b>	<b>-79</b>	<b>132</b>	<b>94</b>
Income taxes	-47	2	2	-4	-47
<b>Net income</b>	<b>57</b>	<b>-62</b>	<b>-76</b>	<b>128</b>	<b>47</b>
Foreign currency translation differences	342	-586	494	-230	20
Income from associated companies	4	-3	-1	4	4
<b>Other comprehensive income</b>	<b>346</b>	<b>-589</b>	<b>493</b>	<b>-226</b>	<b>24</b>
<b>Total comprehensive income</b>	<b>403</b>	<b>-651</b>	<b>417</b>	<b>-98</b>	<b>71</b>

<b>Condensed Consolidated Statements of Financial Position</b>			
<b>SEK in millions</b>	<b>Mar 31, 2012</b>	<b>Jun 30, 2012</b>	<b>Sep 30, 2012</b>
<b>Assets</b>			
Investments in associates	-716	-90	-850
<i>Total non-current assets</i>	<i>-716</i>	<i>-90</i>	<i>-850</i>
<b>Total assets</b>	<b>-716</b>	<b>-90</b>	<b>-850</b>
<b>Equity and liabilities</b>			
Equity attributable to owners of the parent	-692	-147	-855
<i>Total equity</i>	<i>-692</i>	<i>-147</i>	<i>-855</i>
Deferred tax liabilities	-24	57	5
<b>Total equity and liabilities</b>	<b>-716</b>	<b>-90</b>	<b>-850</b>

<b>Condensed Consolidated Statements of Financial Position</b>				
<b>SEK in millions</b>	<b>Mar 31, 2011</b>	<b>Jun 30, 2011</b>	<b>Sep 30, 2011</b>	<b>Dec 31, 2011</b>
<b>Assets</b>				
Investments in associates and joint ventures	-781	-1,434	-1,020	-1,114
<i>Total non-current assets</i>	<i>-781</i>	<i>-1,434</i>	<i>-1,020</i>	<i>-1,114</i>
<b>Total assets</b>	<b>-781</b>	<b>-1,434</b>	<b>-1,020</b>	<b>-1,114</b>
<b>Equity and liabilities</b>				
Equity attributable to owners of the parent	-760	-1,410	-993	-1,091
<i>Total equity</i>	<i>-760</i>	<i>-1,410</i>	<i>-993</i>	<i>-1,091</i>
Deferred tax liabilities	-21	-23	-26	-23
<b>Total equity and liabilities</b>	<b>-781</b>	<b>-1,434</b>	<b>-1,020</b>	<b>-1,114</b>

## Non-recurring Items

<b>SEK in millions</b>	<b>Oct-Dec 2012</b>	<b>Oct-Dec 2011</b>	<b>Jan-Dec 2012</b>	<b>Jan-Dec 2011</b>
<b>Within EBITDA</b>	<b>-723</b>	<b>396</b>	<b>-1,097</b>	<b>-41</b>
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-191	-156	-228	-221
Broadband Services	-350	-99	-633	-575
Eurasia	-143	7	-287	-19
Other operations	-39	-51	-147	-177
<i>of which TeliaSonera Holding</i>	<i>11</i>	<i>20</i>	<i>-48</i>	<i>28</i>
Capital gains/losses	0	695	198	951
<b>Within Depreciation, amortization and impairment losses</b>	<b>-4,466</b>	<b>-25</b>	<b>-7,565</b>	<b>-66</b>
Impairment losses, accelerated depreciation:				
Broadband Services	-1,551	-25	-1,555	-66
Mobility Services	-2,914	–	-5,984	–
Other operations	-1	–	-26	–
<b>Within Income from associated companies and joint ventures</b>	<b>5,378</b>	<b>-63</b>	<b>8,380</b>	<b>-63</b>
Impairment losses	–	-63	–	-63
Capital gains/losses	5,378	–	8,380 <sup>1)</sup>	–
<b>Within Finance costs and other financial items, net</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>189</b>	<b>308</b>	<b>-282</b>	<b>-170</b>

1) The capital gain includes a negative non-cash exchange rate effect of SEK 1,441 million.

## Deferred Taxes

	Dec 31, 2012	Dec 31, 2011
<b>SEK in millions</b>		
Deferred tax assets	6,722	8,164
Deferred tax liabilities	-10,758	-13,414
<b>Net deferred tax liabilities (-)/assets (+)</b>	<b>-4,036</b>	<b>-5,250</b>

## Segment and Group Operating Income

	Oct-Dec 2012	Oct-Dec 2011 <sup>1)</sup>	Jan-Dec 2012	Jan-Dec 2011 <sup>1)</sup>
<b>SEK in millions</b>				
Mobility Services	-442	2,583	4,200	11,122
Broadband Services	-560	1,561	4,003	6,582
Eurasia	8,952	4,128	20,629	12,593
Other operations	-121	-254	-534	-541
<b>Total segments</b>	<b>7,829</b>	<b>8,018</b>	<b>28,298</b>	<b>29,756</b>
Elimination of inter-segment profits	-31	-39	-10	-36
<b>Group</b>	<b>7,798</b>	<b>7,979</b>	<b>28,288</b>	<b>29,720</b>

1) Certain restatements have been made, see page 24.

## Investments

	Oct-Dec 2012	Oct-Dec 2011 <sup>1)</sup>	Jan-Dec 2012	Jan-Dec 2011 <sup>1)</sup>
<b>SEK in millions</b>				
<b>CAPEX</b>	<b>4,813</b>	<b>6,117</b>	<b>15,685</b>	<b>17,384</b>
Intangible assets	614	2,106	2,174	4,762
Property, plant and equipment	4,199	4,011	13,511	12,622
<b>Acquisitions and other investments</b>	<b>384</b>	<b>78</b>	<b>1,905</b>	<b>672</b>
Asset retirement obligations	361	72	651	323
Goodwill and fair value adjustments	0	-	1,206	112
Equity holdings	23	6	48	237
<b>Total</b>	<b>5,197</b>	<b>6,195</b>	<b>17,590</b>	<b>18,056</b>

1) Certain restatements have been made, see page 24.

## Goodwill Impairment Charges in Mobility Services Norway and Broadband Services Norway

In the annual impairment tests, the recoverable amounts for Mobility Services Norway fell short of the carrying values and hence, related goodwill was impaired. Accordingly, under IAS 36, a goodwill impairment charge of SEK 2,914 million was recognized in the fourth quarter. The total goodwill impairment losses for Mobility Services Norway for 2012 amounted to SEK 5,666 million and have been classified as non-recurring items. The goodwill impairment losses are based on long-term assessments.

TeliaSonera has signed an agreement to divest its Norwegian subsidiary NextGenTel (Broadband Services Norway), TeliaSonera recognized a loss of SEK 1,550 million in the fourth quarter of 2012 from the write-down of goodwill related to NextGenTel.

## Related Party Transactions

In the year ended December 31, 2012, TeliaSonera purchased services for SEK 88 million, and sold services for SEK 114 million. Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

## Net Debt

SEK in millions	Dec 31, 2012	Dec 31, 2011
Long-term and short-term borrowings	91,586	79,842
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit collateral	-2,175	-2,085
Less short-term investments, cash and bank	-29,968	-12,709
<b>Net debt</b>	<b>59,443</b>	<b>65,048</b>

## Loan Financing and Credit Rating

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

The rating from Standard & Poor's and Moody's respectively stayed stable with a credit rating on TeliaSonera AB of A-/A3 for long-term borrowings and A-2/P-2 for short-term borrowings with a stable outlook.

Credit markets continued to offer favorable new issue conditions in the fourth quarter. Record levels of central bank stimulus created abundant liquidity in financial markets keeping yields and credit spreads at historical lows as investors with plenty of cash were chasing for yield.

At the end of November TeliaSonera issued its first GBP benchmark bond ever, a very well received GBP 400 million thirty-year bond with a coupon at 4.375 percent. The full amount has been converted into EUR funding.

The funding strategy the coming period is consistent with previous periods, a focus on attractive long dated funding with a special focus to diversify the investor base looking for Nordic opportunities in particular.

## Financial Key Ratios

	Dec 31, 2012	Dec 31, 2011
Return on equity (% , rolling 12 months)	19.8	17.1
Return on capital employed (% , rolling 12 months)	15.1	16.5
Equity/assets ratio (%)	39.7	43.7
Net debt/equity ratio (%)	58.8	58.8
Net debt/EBITDA rate (multiple, rolling 12 months)	1.65	1.75
Owners' equity per share (SEK)	25.27	26.69

## 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 7,559 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 December 31, 2012, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 344 million, of which SEK 318 million referred to guarantees for pension obligations. Collateral pledged totaled SEK 387 million.

## Contractual Obligations and Commitments

As of December 31, 2012, contractual obligations totaled SEK 2,462 million, of which SEK 800 million referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

## Business Combinations

For information on business combinations during the year, see corresponding sections in TeliaSonera's Interim Report January-September 2012, January-June 2012 and Interim Report January-March 2012.

## Parent Company

<b>Condensed Income Statements (SEK in millions)</b>	<b>Oct-Dec 2012</b>	<b>Oct-Dec 2011</b>	<b>Jan-Dec 2012</b>	<b>Jan-Dec 2011</b>
Net sales	14	6	61	30
Operating income	-338	-525	-436	-1,616
Income after financial items	-520	2,674	13,414	11,034
Income before taxes	120	2,007	13,954	10,972
Net income	89	1,476	12,327	9,691

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 includes 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 7,559 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.

<b>Condensed Balance Sheets (SEK in millions)</b>	<b>Dec 31, 2012</b>	<b>Dec 31, 2011</b>
Non-current assets	202,089	177,648
Current assets	63,876	43,661
<b>Total assets</b>	<b>265,965</b>	<b>221,309</b>
Shareholders' equity	81,871	81,848
Untaxed reserves	12,730	13,271
Provisions	539	570
Liabilities	170,825	125,620
<b>Total equity and liabilities</b>	<b>265,965</b>	<b>221,309</b>

Total investments in the year were SEK 21,723 million (4,042), of which SEK 20,695 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, 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.

Risks and uncertainties that could specifically impact the quarterly results of operations during 2013 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.
- *Emerging markets.* 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. Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent TeliaSonera from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. One example of this is TeliaSonera's business in Uzbekistan in which the group has invested approximately SEK 6 billion. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally. Weakening of the economies or currencies or other negative developments in these markets might have a significantly negative effect on TeliaSonera's results of operations.
- *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.
- *Shareholder matters in partly-owned subsidiaries.* TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through subsidiaries in which TeliaSonera does not have a 100 percent ownership. Under the governing documents for certain of these entities, the holders of non-controlling interests have protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. One example where TeliaSonera is dependent on a minority owner is Fintur Holdings B.V. which owns the operations in Kazakhstan, Azerbaijan, Georgia and Moldova. As a result, actions outside TeliaSonera's control and adverse to its interests may affect TeliaSonera's position to act as planned in these partly owned subsidiaries.

- *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. TeliaSonera has limited influence over the conduct of these businesses. Under the governing documents for certain of these entities, TeliaSonera's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to the timing and amount of cash distributions. The risk of actions outside TeliaSonera's or its associated companies' control and adverse to TeliaSonera's interests, or disagreement or deadlock, is inherent in associated companies and jointly controlled entities. One example of this is the current deadlock in the board work of Turkcell. TeliaSonera might not be able to assure that the associated companies apply the same corporate responsibility principles, increasing the risk for wrongdoings and reputational and financial losses. Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.
- *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, corruption 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.

### **Previous Group outlook for 2012 (published on October 17, 2012)**

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).



## **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.