

## Steady margin and cash flow


**Q1**  
**2014**

### First quarter summary

- Net sales in local currencies, excluding acquisitions and disposals, decreased 1.8 percent. In reported currency, net sales decreased 2.5 percent to SEK 23,972 million (24,582).
- The addressable cost base in local currencies, excluding acquisitions and disposals, increased 0.1 percent. In reported currency, the addressable cost base decreased 0.3 percent to SEK 7,010 million (7,029).
- EBITDA, excluding non-recurring items, was unchanged in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 1.9 percent to SEK 8,345 million (8,509). The EBITDA margin, excluding non-recurring items, improved to 34.8 percent (34.6).
- Operating income, excluding non-recurring items, decreased 5.2 percent to SEK 6,286 million (6,628).
- Net income attributable to owners of the parent company decreased 4.0 percent to SEK 3,945 million (4,108).
- Earnings per share amounted to SEK 0.91 (0.95).
- Free cash flow increased to SEK 2,556 million (2,414).
- Group outlook for 2014 is unchanged.

### Financial highlights

SEK in millions, except key ratios, per share data and changes	Jan-Mar 2014	Jan-Mar 2013	Chg (%)	Jan-Dec 2013
Net sales	23,972	24,582	-2.5	101,870
<i>Change % local FX ex acquisitions and disposals</i>	-1.8			
Addressable cost base <sup>1, 2)</sup>	7,010	7,029	-0.3	28,550
<i>Change % local FX ex acquisitions and disposals</i>	0.1			
EBITDA <sup>2)</sup> excl. non-recurring items <sup>3)</sup>	8,345	8,509	-1.9	35,584
Margin (%)	34.8	34.6		34.9
Operating income	6,196	6,489	-4.5	24,462
Operating income excl. non-recurring items	6,286	6,628	-5.2	28,534
Net income	4,354	4,499	-3.2	16,767
of which attributable to owners of the parent	3,945	4,108	-4.0	14,970
Earnings per share (SEK)	0.91	0.95	-4.0	3.46
Return on equity (% , rolling 12 months)	15.9	21.5		15.9
CAPEX-to-sales (%)	10.8	11.1		16.0
Free cash flow	2,556	2,414	5.9	16,310

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

2) Please refer to the last page for definitions.

3) Non-recurring items; see table on page 21.

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the first quarter of 2013, unless otherwise stated.

## Comments by Johan Dannelind, President and CEO

“Our markets continue to be characterized by a changing customer behavior and an evolving convergence trend. We stay focused on upgrading our customers’ internet experience through further investments in 4G and fiber. In Sweden, our 4G coverage has approached 90 percent of population and we remain committed to reach 99 percent by the end of this year.

In the first quarter, underlying EBITDA margin improved compared to last year and reached 34.8 percent, while organic revenues declined by 1.8 percent due to reduced low margin equipment sales and continued effects from lower regulated mobile termination rates. Free cash flow increased by 5.9 percent to SEK 2.6 billion, supported by positive working capital development.

We continue to perform well in the consumer segment, where average billed revenue growth in Nordic Mobility Services increased to more than 3 percent, supported by all countries, as solid demand for data services compensated for slower growth in voice and messaging. We see further positive effects from our data-centric price models, which are now introduced in all Nordic markets. In Swedish Broadband Services, sales remained flat in the consumer area, as higher revenues for TV and broadband together with price adjustments compensated for lower volumes in traditional fixed services. The enterprise area remains challenging and we work hard to strengthen our position further by new products and services.

We reached a new milestone in Spain by passing four million subscriptions in the quarter. Billed revenues remained flat compared to last year, while total sales growth was impacted by lower handset sales and reduced interconnect revenues. Higher costs for subscriber acquisitions pressured profitability, but we foresee a more balanced development going forward.

On April 1, we implemented a new country based operating model with strengthened commercial and technology functions on group level. This will be instrumental for our future strategic agenda and will also enable further efficiency benefits. Our journey ahead will be based on three pillars; strengthen and develop our core business in the Nordic and Baltic region, take Eurasia to the next level by monetizing on the data opportunity and examine possible income opportunities in closely related adjacent industries. Geographically, focus remains on the markets where we are already present, with strict criteria for return on capital. We have a prudent but pragmatic approach to M&A and will mainly aim for potential consolidation opportunities in existing markets.

The Board’s review of last years’ transactions in Eurasia was finalized in the quarter. As previously communicated, several of these transactions have been inconsistent with sound business practice and our ethical requirements. We continue to fully cooperate with both Swedish and foreign authorities’ requests in this matter. We have taken, and will continue to take, a number of measures to transform our internal control systems to make sure we have adequate processes to identify and manage risk going forward.

In the regulatory area, we are concerned about the recent vote in the European parliament, particularly related to the area of net neutrality, as this may limit the possibilities for us to meet demand from our customers. We stress the importance of operators being able to run efficient networks and offer differentiated services to encourage innovation and investments.

We reiterate our full-year outlook regarding organic revenues and EBITDA margin at approximately last year’s level with a CAPEX-to-sales of 15 percent, although we see slightly increased risk to reduced revenues related to low margin equipment sales.”

## Group outlook for 2014 (Unchanged)

Net sales in local currencies, excluding acquisitions and disposals, are expected to be around the same level as in 2013. 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 the same level as in 2013 (35 percent).

The CAPEX-to-sales ratio is expected to be approximately 15 percent, excluding license and spectrum fees.

## Review of the Group, first quarter 2014

### Sales and earnings

**Net sales** in local currencies, excluding acquisitions and disposals, decreased 1.8 percent. Lower equipment sales impacted negatively by 1.2 percent and reduced interconnect revenues affected negatively by 0.9 percent. In reported currency, net sales decreased 2.5 percent to SEK 23,972 million (24,582). The negative effect of exchange rate fluctuations was 0.4 percent and the negative effect of acquisitions and disposals was 0.3 percent.

In Mobility Services, net sales in local currencies, excluding acquisitions and disposals, decreased 4.5 percent. In reported currency, net sales decreased 3.5 percent to SEK 11,494 million (11,908).

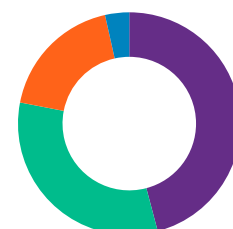
In Broadband Services, net sales in local currencies, excluding acquisitions and disposals, decreased 2.8 percent. In reported currency, net sales decreased 2.3 percent to SEK 8,056 million (8,243).

In Eurasia, net sales in local currencies, excluding acquisitions and disposals, increased 6.0 percent. Net sales in reported currency decreased 1.3 percent to SEK 4,622 million (4,684).

**The number of subscriptions** increased by 8.5 million from the end of the first quarter of 2013 to 190.6 million. In the consolidated operations the number of subscriptions increased by 1.5 million to 71.8 million. In the associated companies, the number of subscriptions increased by 7.0 million to 118.8 million. During the first quarter, the total number of subscriptions decreased by 0.7 million in the consolidated operations, mainly due to clean-up of around 0.8 million inactive subscriptions in Kazakhstan, but increased by 2.4 million in the associated companies.

**The addressable cost base** in local currencies, excluding acquisitions and disposals, increased 0.1 percent. In reported currency, the addressable cost base decreased 0.3 percent to SEK 7,010 million (7,029).

Net sales per Business area



- Mobility services
- Broadband services
- Eurasia
- Other operations

**EBITDA**, excluding non-recurring items, was unchanged in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 1.9 percent to SEK 8,345 million (8,509). The EBITDA margin, excluding non-recurring items, improved to 34.8 percent (34.6).

**Operating income** decreased 5.2 percent to SEK 6,286 million (6,628). Income from associated companies, excluding non-recurring items, decreased to SEK 1,091 million (1,323).

**Non-recurring items** affecting operating income totaled SEK -90 million (-139), mainly related to efficiency measures.

**Financial items** totaled SEK -780 million (-839) of which SEK -726 million (-806) related to net interest expenses.

**Income taxes** decreased to SEK 1,062 million (1,151). The effective tax rate was 19.6 percent (20.4).

**Non-controlling interests** in subsidiaries increased to SEK 409 million (391) of which SEK 371 million (354) was related to the Eurasian operations and SEK 28 million (28) to LMT and TEO.

**Net income attributable to owners of the parent company** decreased 4.0 percent to SEK 3,945 million (4,108) and earnings per share to SEK 0.91 (0.95).

**CAPEX** decreased to SEK 2,581 million (2,719) and the CAPEX-to-sales ratio decreased to 10.8 percent (11.1). The CAPEX-to-sales ratio, excluding license and spectrum fees, increased to 10.8 percent (10.4).

**Free cash flow** increased to SEK 2,556 million (2,414).

**Net debt** decreased to SEK 52,879 million at the end of the first quarter (55,774 at the end of the fourth quarter of 2013). The net debt/EBITDA ratio was 1.49 (1.57 at the end of the fourth quarter of 2013). Adjusted for dividend of SEK 13 billion paid out in early April, the net debt/EBITDA ratio was 1.86.

**The equity/assets ratio** was 39.6 percent (39.5 percent at the end of the fourth quarter of 2013).

### Significant events in the first quarter

- On February 11, 2014, TeliaSonera announced that it had issued a 5 year Eurobond of EUR 500 million maturing in February 2019, under its existing EUR 11 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 1.483 percent per annum equivalent to Euro Mid-swaps + 45 basis points.
- On February 14, 2014, TeliaSonera announced that it had appointed H el ene Barnekow Senior Vice President and Chief Commercial Officer. H el ene Barnekow will be part of the Group Management.
- On March 10, 2014, TeliaSonera announced that it had signed an agreement to acquire the Finnish AinaCom's consumer operations and fixed networks. The price of the arrangement was EUR 47 million on a cash and debt-free basis. The acquisition closed in April.
- On March 12, 2014, TeliaSonera announced that the Dutch authorities carried out searches at two of TeliaSonera's Dutch holding companies, TeliaSonera UTA Holding B.V. and TeliaSonera Uzbek Telecom Holding B.V., as they are subject to a preliminary investigation concerning bribery and money laundering. TeliaSonera is cooperating fully with the Dutch authorities.
- On March 17, 2014 TeliaSonera announced that it had been informed that the U.S. Department of Justice (DoJ) has an ongoing investigation regarding TeliaSonera's transactions in Uzbekistan. The DoJ sent a request for documents to TeliaSonera. In addition, TeliaSonera has received a request from the U.S. Securities and Exchange Commission (SEC) to submit documents and information related to Uzbekistan.

### Significant events after the end of the first quarter

- On April 1, 2014, TeliaSonera announced that it had acquired the Danish IT and system integrator Siminn Danmark A/S.
- On April 2, 2014, at the Annual General Meeting the Chair of the Board, Marie Ehrling, summarized the review of certain transactions in Eurasia, conducted by Norton Rose Fulbright. The summary is published at [www.teliasonera.com](http://www.teliasonera.com).
- On April 11, 2014, TeliaSonera announced that Christian Luiga had been appointed Senior Vice President and Chief Financial Officer of TeliaSonera. Christian Luiga will be part of the Group Management.
- On April 22, 2014, TeliaSonera announced that it will exercise the mandate to buy back shares to cover commitments under the "Long Term Incentive Program 2011/2014". The Board decided to buy back a maximum of 140,000 shares.

## Solid consumer business in Mobility Services

- The roll-out of 4G networks continued. In Sweden, population coverage increased to 90 percent, with the target to reach 99 percent population coverage by end 2014 and 92 percent geographical coverage by end 2015.
- A new family offer was launched in Finland, with flat fees for unlimited voice and messaging, combined with bucket-pricing for data. Data-centric price models have now been introduced in all Nordic markets.
- Billed revenue growth turned positive and reached 0.7 percent, supported by the Nordic consumer segment. Reported sales growth was affected by lower equipment sales and impact from regulated termination rates. The EBITDA margin remained stable, with solid development in the Nordics, while Spain was impacted by high subscriber acquisition costs.

### Financial highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2014	Jan-Mar 2013	Chg (%)	Jan-Dec 2013
Net sales	11,494	11,908	-3.5	49,043
Chg % local FX ex acquisitions and disposals	-4.5			
EBITDA excl. non-recurring items	3,320	3,448	-3.7	14,689
Margin (%)	28.9	29.0		30.0
Operating income	2,256	2,362	-4.5	9,012
Operating income excl. non-recurring items	2,272	2,420	-6.1	10,433
CAPEX	1,166	938	24.4	5,811
Subscriptions, period-end (thousands)	20,554	20,585	-0.2	20,497
Employees, period-end	6,323	6,573	-3.8	6,347

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

### First quarter

**Net sales** in local currencies, excluding acquisitions and disposals, decreased 4.5 percent. In reported currency, net sales decreased 3.5 percent to SEK 11,494 million (11,908). The positive effect of exchange rate fluctuations was 1.0 percent. Lower equipment sales combined with reductions in regulated interconnect prices on several markets affected overall performance, despite positive billed revenue growth compared to last year. Lower interconnect revenues impacted sales by SEK 220 million compared to the same quarter last year.

In Sweden, net sales declined 0.4 percent to SEK 4,065 million (4,083). Billed revenues returned to growth, supported by a strong consumer segment and slightly easing pressure in the business segment. There was negative impact from lower interconnect revenues, while equipment sales increased somewhat.

In Finland, net sales in local currency decreased 2.7 percent, equivalent of SEK 1,871 million (1,844). Billed revenues turned to growth, despite continued pressure on voice and messaging. The overall sales decline is mainly explained by lower equipment sales and partly by reduced interconnect revenues.

#### Business area

##### Mobility Services

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

In Norway, net sales in local currency declined 0.6 percent, equivalent of SEK 1,606 million (1,741). Billed revenues declined marginally, explained by a slowdown in the enterprise segment, while the consumer area showed positive growth. Reported sales in prior periods have been restated to reflect certain classification errors, referring to certain equipment sales and commission fees.

In Denmark, net sales in local currency declined 0.6 percent, equivalent of SEK 1,090 million (1,049). Sales were positively affected by higher equipment sales, but this was offset by lower interconnect revenues and some pressure on billed revenues.

In Lithuania and Latvia, net sales in local currencies decreased 8.5 percent and 9.0 percent, respectively, equivalent of SEK 271 million (284) and SEK 361 million (382) respectively. There was continued pressure on billed revenues in Lithuania from lower voice and messaging revenues due to challenging market conditions, while the decline in Latvia was mainly related to lower interconnect revenues and lower equipment sales.

In Estonia, net sales in local currency decreased 2.9 percent, equivalent of SEK 302 million (299). Billed revenues and handset sales increased, but this was offset by lower wholesale revenues.

In Spain, net sales in local currency decreased 16.9 percent, equivalent of SEK 1,935 million (2,234). Billed revenues remained unchanged compared to last year. Reduced equipment sales explain approximately three quarters of the decline in net sales and lower interconnect revenues account for the remaining part.

**The number of subscriptions** remained unchanged from the end of the first quarter of 2013 at 20.6 million. Growth was strongest in Spain and Finland with an increase of 0.3 million and 0.1 million, respectively, to 4.0 million and 3.4 million subscriptions, respectively. During the quarter the total number of subscriptions increased by 0.1 million.

**EBITDA**, excluding non-recurring items, decreased 3.6 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 3.7 percent to SEK 3,320 million (3,448). The EBITDA margin declined marginally to 28.9 percent (29.0).

In Sweden, the EBITDA margin decreased marginally to 45.9 percent (46.1), where an improved gross margin could not fully compensate for increasing operating expenses mainly related to personnel. In Finland, the EBITDA margin improved to 35.1 percent (31.3) explained by a stronger gross margin related to reduced low margin equipment sales, but also a reduction in sales commissions and costs for personnel.

In Norway, the EBITDA margin increased to 30.0 percent (28.8), mainly as an effect of lower spending on subsidies and commissions. In Denmark, the EBITDA margin improved to 12.8 percent (12.5), helped by lower costs related to personnel and marketing.

The EBITDA margin in Latvia rose to 29.6 percent (26.4), explained by a higher gross margin due to lower equipment sales. In Estonia and Lithuania, the EBITDA margins decreased to 28.9 percent (30.1) and 24.0 percent (26.8), respectively. The decline in Estonia is mainly explained by higher personnel expenses. In Lithuania the margin was negatively affected by lower billed revenues.

In Spain, the EBITDA margin decreased to a negative 4.3 percent (4.0), explained by higher subscriber acquisition costs.

**CAPEX** increased to SEK 1,166 million (938) and the CAPEX-to-sales ratio increased to 10.1 percent (7.9). CAPEX, excluding licenses and spectrum fees, increased to SEK 1,166 million (938) and the CAPEX-to-sales ratio to 10.1 percent (7.9). Investments in 4G increased as share of CAPEX. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 2,154 million (2,510).

### Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Jan-Mar 2014	Jan-Mar 2013	Chg (%)	Jan-Dec 2013
Net sales	11,494	11,908	-3.5	49,043
of which Sweden	4,065	4,083	-0.4	16,853
of which Finland	1,871	1,844	1.5	7,523
of which Norway	1,606	1,741	-7.7	6,967
of which Denmark	1,090	1,049	3.9	4,350
of which Lithuania	271	284	-4.6	1,158
of which Latvia	361	382	-5.5	1,492
of which Estonia	302	299	1.3	1,284
of which Spain	1,935	2,234	-13.4	9,467
EBITDA excl. non-recurring items	3,320	3,448	-3.7	14,689
of which Sweden	1,865	1,881	-0.8	7,458
of which Finland	657	577	13.9	2,637
of which Norway	483	502	-3.9	2,148
of which Denmark	140	131	7.2	639
of which Lithuania	65	76	-14.3	280
of which Latvia	107	101	5.9	449
of which Estonia	87	90	-2.8	388
of which Spain	-84	90		690
Margin (%), total	28.9	29.0		30.0
Margin (%), Sweden	45.9	46.1		44.3
Margin (%), Finland	35.1	31.3		35.1
Margin (%), Norway	30.0	28.8		30.8
Margin (%), Denmark	12.8	12.5		14.7
Margin (%), Lithuania	24.0	26.8		24.2
Margin (%), Latvia	29.6	26.4		30.1
Margin (%), Estonia	28.9	30.1		30.2
Margin (%), Spain	-4.3	4.0		7.3

Net sales in local currencies, excluding acquisitions and disposals	Jan-Mar
Change (%), total	-4.5
Change (%), Sweden	-0.4
Change (%), Finland	-2.7
Change (%), Norway	-0.6
Change (%), Denmark	-0.6
Change (%), Lithuania	-8.5
Change (%), Latvia	-9.0
Change (%), Estonia	-2.9
Change (%), Spain	-16.9



## Efficiency gains in Broadband Services

- Demand for fiber remained firm with stable deployment compared to the same period a year ago, with an increasing share of connected households activating services.
- TeliaSonera strengthened its position on the Finnish market through the acquisition of AinaCom's consumer operations and fixed networks. The deal was closed in April.
- Net sales in the consumer segment remained unchanged compared to last year, as higher broadband and TV revenues combined with price adjustments compensated for lower volumes in traditional fixed services. Overall revenue growth continued to be affected by intense competition in the enterprise area. The EBITDA margin improved slightly to 30.2 percent, helped by cost savings.

### Financial highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2014	Jan-Mar 2013	Chg (%)	Jan-Dec 2013
Net sales	8,056	8,243	-2.3	33,510
<i>Chg % local FX ex acquisitions and disposals</i>	-2.8			
EBITDA excl. non-recurring items	2,431	2,464	-1.3	9,778
Margin (%)	30.2	29.9		29.2
Operating income	1,288	1,242	3.8	4,023
Operating income excl. non-recurring items	1,308	1,304	0.3	4,970
CAPEX	776	796	-2.5	4,755
Subscriptions, period-end (thousands)				
Broadband	2,504	2,375	5.4	2,474
Fixed voice and VoIP	3,836	4,142	-7.4	3,918
TV	1,446	1,349	7.2	1,429
Employees, period-end	11,949	12,988	-8.0	12,263

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

### First quarter

**Net sales** in local currencies, excluding acquisitions and disposals, decreased 2.8 percent. Net sales in reported currency decreased 2.3 percent to SEK 8,056 million (8,243). The positive effect of exchange rates was 1.4 percent and the negative impact from acquisitions and disposals was 0.9 percent.

In Sweden, net sales decreased 4.4 percent to SEK 4,519 million (4,727). Revenue was unchanged in the consumer segment while the pressure increased within the enterprise segment. Fiber deployment was on a stable level compared to the same period a year ago, while the active subscriptions in relation to connected households improved during the quarter.

In Finland, net sales in local currency decreased 6.2 percent, equivalent of SEK 1,290 million (1,319), due to continued decline in traditional fixed telephony and challenging environment in the enterprise segment.

In Denmark, net sales in local currency improved 0.5 percent, equivalent of SEK 254 million (242), supported by growth in IP-based 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, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.

In Estonia, net sales in local currency decreased 4.1 percent, equivalent of SEK 400 million (400). In Lithuania, net sales in local currency decreased 7.2 percent, equivalent of SEK 435 million (449).

In International Carrier, net sales in local currencies increased 10.9 percent, equivalent of SEK 1,410 million (1,244).

**The number of subscriptions** for broadband access rose to 2.5 million, an increase of 129,000 from the first quarter of 2013 and by 30,000 during the quarter.

The total number of TV subscriptions rose by 97,000 from the end of the first quarter of 2013 and by 17,000 during the quarter to 1.4 million.

The number of traditional fixed voice subscriptions decreased by 374,000 from the end of the first quarter of 2013 to 2.6 million, and were down 103,000 during the quarter. The intake of VoIP subscriptions was 36,000 in the quarter, bringing the total number of VoIP subscriptions to 0.8 million.

**EBITDA**, excluding non-recurring items, decreased 1.8 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, declined 1.3 percent to SEK 2,431 million (2,464). The EBITDA margin increased to 30.2 percent (29.9).

In Sweden, the EBITDA margin improved to 37.7 percent (37.1), explained by a stronger gross margin combined with lower personnel and IT expenses.

In Finland, the EBITDA margin declined slightly to 23.3 percent (23.7). An improved gross margin and continued efficiency measures could not fully compensate for the revenue decrease. In Denmark, the EBITDA margin increased to 9.8 percent (8.3), supported by cost savings.

In Lithuania, the EBITDA margin increased to 43.2 percent (42.1) helped by cost savings. In Estonia the EBITDA margin increased to 30.0 percent (28.0).

In International Carrier, the EBITDA margin improved to 6.6 percent (6.5), explained by a larger share of non-voice services.

**CAPEX** decreased to SEK 776 million (796) and the CAPEX-to-sales ratio was stable at 9.6 percent (9.7). Fiber investments accounted for close to 40 percent of CAPEX, compared to around 25 percent last year. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, was stable at SEK 1,655 million (1,668).

## Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Jan-Mar 2014	Jan-Mar 2013	Chg (%)	Jan-Dec 2013
Net sales	8,056	8,243	-2.3	33,510
of which Sweden	4,519	4,727	-4.4	19,120
of which Finland	1,290	1,319	-2.2	5,232
of which Norway	–	87	–	89
of which Denmark	254	242	4.8	1,009
of which Lithuania	435	449	-3.3	1,805
of which Estonia	400	400	0.0	1,692
of which International Carrier	1,410	1,244	13.3	5,584
EBITDA excl. non-recurring items	2,431	2,464	-1.3	9,778
of which Sweden	1,705	1,753	-2.8	6,916
of which Finland	300	313	-4.0	1,198
of which Norway	–	-4	–	-4
of which Denmark	25	20	27.1	92
of which Lithuania	188	189	-0.5	747
of which Estonia	120	112	7.1	461
of which International Carrier	93	81	14.3	368
Margin (%), total	30.2	29.9		29.2
Margin (%), Sweden	37.7	37.1		36.2
Margin (%), Finland	23.3	23.7		22.9
Margin (%), Norway	–	-4.6		-4.5
Margin (%), Denmark	9.8	8.3		9.1
Margin (%), Lithuania	43.2	42.1		41.4
Margin (%), Estonia	30.0	28.0		27.2
Margin (%), International Carrier	6.6	6.5		6.6

Net sales in local currencies, excluding acquisitions and disposals	Jan-Mar
Change (%), total	-2.8
Change (%), Sweden	-4.4
Change (%), Finland	-6.2
Change (%), Norway	–
Change (%), Denmark	0.5
Change (%), Lithuania	-7.2
Change (%), Estonia	-4.1
Change (%), International Carrier	10.9

## Higher data revenues support growth in Eurasia

- Organic revenue growth was 6.0 percent, supported by close to 40 percent growth in data revenues which now account for around 15 percent of sales. Reported revenues were negatively impacted by the devaluation of the Kazakhstan tenge in February.
- The EBITDA margin improved by 1.7 percentage points compared to the same period last year to 54.7 percent, helped by general cost savings.

### Financial highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2014	Jan-Mar 2013	Chg (%)	Jan-Dec 2013
Net sales	4,622	4,684	-1.3	20,414
<i>Chg % local FX ex acquisitions and disposals</i>	6.0			
EBITDA excl. non-recurring items	2,527	2,481	1.8	10,796
Margin (%)	54.7	53.0		52.9
Income from associated companies	1,070	1,306	-18.1	5,926
of which Russia	541	691	-21.6	3,128
of which Turkey	528	617	-14.4	2,779
Operating income	2,831	2,972	-4.8	12,510
Operating income excl. non-recurring items	2,852	2,981	-4.4	13,714
CAPEX	355	832	-57.4	4,712
Subscriptions, period-end (thousands)				
Subsidiaries	43,485	41,919	3.7	44,177
Associated companies	117,900	110,800	6.4	115,500
Employees, period-end	4,971	5,099	-2.5	4,904

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

## Consolidated operations

### First quarter

**Net sales** in local currencies, excluding acquisitions and disposals, increased 6.0 percent. Net sales in reported currency decreased 1.3 percent to SEK 4,622 million (4,684). The negative effect from exchange rate fluctuations was 7.3 percent.

In Kazakhstan, net sales in local currency increased 2.0 percent, equivalent of SEK 1,725 million (1,860), mainly driven by data growth. The mobile interconnect rate was cut by 15 percent in January, as earlier agreed among the operators. Net subscription intake was affected by a clean-up of around 0.8 million inactive subscriptions.

In Azerbaijan, net sales in local currency decreased 8.3 percent, equivalent of SEK 822 million (887). The weaker revenue trend is explained by lower regulated rates on international calls and price erosion due to aggressive campaigns in connection to mobile number portability introduced in February.

In Uzbekistan, net sales in local currency increased 23.5 percent, equivalent of SEK 786 million (701), supported by strong data growth, higher ARPU and improved network availability.

### 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.

In Tajikistan, net sales in local currency decreased 5.7 percent, equivalent of SEK 199 million (211), explained by lower international incoming call revenues driven by strong price competition on international traffic.

In Georgia, net sales in local currency decreased by 1.2 percent, equivalent of SEK 203 million (215), with positive effects from recently introduced equipment sales, but continued negative impact from the lost Government tender last year and impact of decreased interconnect prices.

In Moldova, net sales in local currency increased 4.1 percent, equivalent of SEK 112 million (117). The growth is largely explained by a positive development in voice and data revenues.

In Nepal, net sales in local currency increased 25.9 percent, equivalent of SEK 780 million (698). The increasing subscription base continues to be the main driver to revenue growth.

**The number of subscriptions** in the consolidated operations was 43.5 million, an increase by 1.6 million, from the end of the first quarter of 2013. Growth was strongest in Nepal and Uzbekistan with a rise of 1.6 million and 0.5 million to 11.2 million and 8.5 million subscriptions, respectively. During the first quarter, the total number of subscriptions in the consolidated operations decreased by 0.7 million. Nepal showed the largest rise with an increase of 0.3 million subscriptions, while Kazakhstan subscriptions declined by 0.8 million due to a clean-up of inactive subscriptions.

**EBITDA**, excluding non-recurring items, increased 9.7 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 1.8 percent to SEK 2,527 million (2,481). The EBITDA margin rose to 54.7 percent (53.0).

In Kazakhstan, the EBITDA margin increased to 57.9 percent (54.5), supported by a higher gross margin and lower operating expenses.

In Azerbaijan, the EBITDA margin improved to 52.8 percent (51.0), driven by a stronger gross margin and lower spend on sales and marketing. In Uzbekistan, the EBITDA margin increased to 57.4 percent (54.6), as an effect of higher revenue combined with cost saving activities.

In Tajikistan, the EBITDA margin decreased to 45.0 percent (49.3), due to lower incoming international call revenues. In Georgia, the EBITDA margin decreased to 40.8 percent (41.9), driven by lower gross margin due to equipment sales.

In Moldova, the EBITDA margin fell to 14.2 percent (33.3), due to high interconnect expenses driven by mobile number portability offers and a one-off charge related to classification error. In Nepal, the EBITDA margin was flat at 61.8 percent (61.9), supported by a stable gross margin and good cost control.

**CAPEX** decreased to SEK 355 million (832) and the CAPEX-to-sales ratio decreased to 7.7 percent (17.8). CAPEX, excluding licenses and spectrum fees, decreased to SEK 354 million (673) and the CAPEX-to-sales ratio to 7.7 percent (14.4). CAPEX was exceptionally low in the first quarter, but will be normalized over the year. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 2,172 million (1,649).

### Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Jan-Mar 2014	Jan-Mar 2013	Chg (%)	Jan-Dec 2013
Net sales	4,622	4,684	-1.3	20,414
of which Kazakhstan	1,725	1,860	-7.3	8,111
of which Azerbaijan	822	887	-7.3	3,824
of which Uzbekistan	786	701	12.2	3,118
of which Tajikistan	199	211	-5.6	932
of which Georgia	203	215	-5.5	915
of which Moldova	112	117	-4.5	512
of which Nepal	780	698	11.7	3,023
EBITDA excl. non-recurring items	2,527	2,481	1.8	10,796
of which Kazakhstan	999	1,014	-1.6	4,481
of which Azerbaijan	434	452	-4.1	1,912
of which Uzbekistan	451	383	17.8	1,680
of which Tajikistan	90	104	-13.5	472
of which Georgia	83	90	-8.5	385
of which Moldova	16	39	-59.1	185
of which Nepal	481	432	11.4	1,803
Margin (%), total	54.7	53.0		52.9
Margin (%), Kazakhstan	57.9	54.5		55.2
Margin (%), Azerbaijan	52.8	51.0		50.0
Margin (%), Uzbekistan	57.4	54.6		53.9
Margin (%), Tajikistan	45.0	49.3		50.6
Margin (%), Georgia	40.8	41.9		42.1
Margin (%), Moldova	14.2	33.3		36.1
Margin (%), Nepal	61.8	61.9		59.6

Net sales in local currencies, excluding acquisitions and disposals	Jan-Mar
Change (%), total	6.0
Change (%), Kazakhstan	2.0
Change (%), Azerbaijan	-8.3
Change (%), Uzbekistan	23.5
Change (%), Tajikistan	-5.7
Change (%), Georgia	-1.2
Change (%), Moldova	4.1
Change (%), Nepal	25.9

### **Associated companies – Russia**

MegaFon (in which TeliaSonera holds 25.2 percent and consolidates 27.2 percent, reported with one-quarter lag) in Russia reported a subscription base of 70.1 million, an increase by 5.5 million compared to the corresponding period last year and 1.8 million higher than the previous quarter.

TeliaSonera's income from Russia decreased to SEK 541 million (691). The Russian ruble depreciated 5.1 percent against the Swedish krona which had a negative impact of SEK 23 million.

### **Associated companies – Turkey**

Turkcell (in which TeliaSonera holds 38.0 percent, reported with one-quarter lag) in Turkey reported a subscription base of 35.2 million, an increase by 0.1 million compared to the corresponding period last year and 0.2 million higher than the previous quarter. In Ukraine, the number of subscriptions increased by 1.5 million to 12.6 million compared to the corresponding period last year and increased by 0.4 million during the quarter.

TeliaSonera's income from Turkey decreased to SEK 528 million (617). The Turkish lira depreciated 12.5 percent against the Swedish krona which had a negative impact of SEK 53 million.

## Other operations

### Financial highlights

SEK in millions, except changes	Jan-Mar 2014	Jan-Mar 2013	Chg (%)	Jan-Dec 2013
Net sales	878	860	2.1	3,556
EBITDA excl. non-recurring items	67	117	-42.9	321
Income from associated companies	4	0		-1
Operating income	-180	-87		-1,083
Operating income excl. non-recurring items	-146	-77		-583
CAPEX	284	149	90.5	1,054

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

**Net sales** in local currencies, excluding acquisitions and disposals, increased 1.1 percent. In reported currency, net sales increased 2.1 percent to SEK 878 million (860).

**EBITDA**, excluding non-recurring items, decreased 42.9 percent to SEK 67 million (117) in reported currency.

### 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.

*Stockholm, April 23, 2014*

Johan Dannelind  
President and CEO

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



## Condensed Consolidated Statements of Comprehensive Income

SEK in millions, except per share data, number of shares and changes	Jan-Mar 2014	Jan-Mar 2013 <sup>1)</sup>	Chg (%)	Jan-Dec 2013 <sup>1)</sup>
Net sales	23,972	24,582	-2.5	101,870
Cost of sales	-13,260	-13,844	-4.2	-57,883
<b>Gross profit</b>	<b>10,713</b>	<b>10,738</b>	<b>-0.2</b>	<b>43,987</b>
Selling, admin. and R&D expenses	-5,587	-5,503	1.5	-22,801
Other operating income and expenses, net	-21	-69	-69.5	-2,745
Income from associated companies and joint ventures	1,091	1,323	-17.5	6,021
<b>Operating income</b>	<b>6,196</b>	<b>6,489</b>	<b>-4.5</b>	<b>24,462</b>
Finance costs and other financial items, net	-780	-839	-7.0	-3,094
<b>Income after financial items</b>	<b>5,416</b>	<b>5,650</b>	<b>-4.1</b>	<b>21,368</b>
Income taxes	-1,062	-1,151	-7.7	-4,601
<b>Net income</b>	<b>4,354</b>	<b>4,499</b>	<b>-3.2</b>	<b>16,767</b>
Items that may be reclassified to net income:				
Foreign currency translation differences	-1,191	-2,245		-3,809
Income from associate companies and joint ventures	-32	-19		-153
Cash flow hedges	-303	280		334
Available-for-sale financial instruments	0	-2		-2
Income tax relating to items that may be reclassified	45	-433		367
Items that will not be reclassified to net income:				
Re-measurements of defined benefit pension plans	-1,065	801		4,402
Income tax relating to items that will not be reclassified	282	-176		-966
Associates' re-measurements of defined benefit pension plans	5	-		-9
<b>Other comprehensive income</b>	<b>-2,259</b>	<b>-1,794</b>		<b>164</b>
<b>Total comprehensive income</b>	<b>2,094</b>	<b>2,705</b>		<b>16,931</b>
Net income attributable to:				
Owners of the parent	3,945	4,108		14,970
Non-controlling interests	409	391		1,797
Total comprehensive income attributable to:				
Owners of the parent	1,881	2,309		15,260
Non-controlling interests	213	396		1,671
Earnings per share (SEK), basic and diluted	0.91	0.95		3.46
Number of shares (thousands)				
Outstanding at period-end	4,330,085	4,330,085		4,330,085
Weighted average, basic and diluted	4,330,085	4,330,085		4,330,085
EBITDA	8,254	8,393	-1.6	33,656
EBITDA excl. non-recurring items	8,345	8,509	-1.9	35,584
Depreciation, amortization and impairment losses	-3,150	-3,227	-2.4	-15,215
Operating income excl. non-recurring items	6,286	6,628	-5.2	28,534

1) Certain restatements have been made, see page 19.

## Condensed Consolidated Statements of Financial Position

SEK in millions	Mar 31, 2014	Dec 31, 2013
<b>Assets</b>		
Goodwill and other intangible assets	81,359	81,522
Property, plant and equipment	63,844	64,792
Investments in associates and joint ventures, deferred tax assets and other non-current assets	37,843	38,073
Long-term interest-bearing receivables	9,395	9,479
<i>Total non-current assets</i>	<i>192,441</i>	<i>193,866</i>
Inventories	1,600	1,582
Trade receivables, current tax assets and other receivables	17,654	19,346
Short-term interest-bearing receivables	5,773	6,313
Cash and cash equivalents	31,894	31,721
<i>Total current assets</i>	<i>56,921</i>	<i>58,962</i>
<b>Total assets</b>	<b>249,362</b>	<b>252,828</b>
<b>Equity and liabilities</b>		
Equity attributable to owners of the parent	110,219	108,324
Equity attributable to non-controlling interests	4,815	4,610
<i>Total equity</i>	<i>115,034</i>	<i>112,934</i>
Long-term borrowings	85,320	80,089
Deferred tax liabilities, other long-term provisions	22,192	21,781
Other long-term liabilities	1,223	1,356
<i>Total non-current liabilities</i>	<i>108,735</i>	<i>103,226</i>
Short-term borrowings	2,336	10,634
Trade payables, current tax liabilities, short-term provisions and other current liabilities	23,257	26,034
<i>Total current liabilities</i>	<i>25,593</i>	<i>36,668</i>
<b>Total equity and liabilities</b>	<b>249,362</b>	<b>252,828</b>

## Condensed Consolidated Statements of Cash Flows

SEK in millions	Jan-Mar 2014	Jan-Mar 2013	Jan-Dec 2013 <sup>1)</sup>
Cash flow before change in working capital	6,103	6,257	30,306
Change in working capital	-623	-1,423	730
<b>Cash flow from operating activities</b>	<b>5,480</b>	<b>4,834</b>	<b>31,036</b>
Cash CAPEX	-2,924	-2,420	-14,726
<b>Free cash flow</b>	<b>2,556</b>	<b>2,414</b>	<b>16,310</b>
Cash flow from other investing activities	10	-1,268	361
<b>Total cash flow from investing activities</b>	<b>-2,914</b>	<b>-3,688</b>	<b>-14,365</b>
<b>Cash flow before financing activities</b>	<b>2,566</b>	<b>1,146</b>	<b>16,671</b>
<b>Cash flow from financing activities</b>	<b>-2,224</b>	<b>-4,624</b>	<b>-15,013</b>
<b>Cash flow for the period</b>	<b>342</b>	<b>-3,478</b>	<b>1,658</b>
<b>Cash and cash equivalents, opening balance</b>	<b>31,721</b>	<b>29,805</b>	<b>29,805</b>
Cash flow for the period	342	-3,478	1,658
Exchange rate differences	-169	-427	258
<b>Cash and cash equivalents, closing balance</b>	<b>31,894</b>	<b>25,900</b>	<b>31,721</b>

1) Including dividends from MegaFon net of taxes of SEK 1,940 million.

## Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Mar 2014			Jan-Mar 2013		
	Owners of the parent	Non-controlling interests	Total equity	Owners of the parent	Non-controlling interests	Total equity
Opening balance	108,324	4,610	112,934	105,150	3,956	109,106
Dividends	–	-8	-8	–	-9	-9
Share-based payments	4	–	4	5	–	5
Total comprehensive income	1,881	213	2,094	2,309	396	2,705
Effect of equity transactions in associates	10	–	10	9	–	9
<b>Closing balance</b>	<b>110,219</b>	<b>4,815</b>	<b>115,034</b>	<b>107,473</b>	<b>4,343</b>	<b>111,816</b>

## Basis of Preparation

### General

As in the annual accounts for 2013, TeliaSonera's consolidated financial statements of and for the three-month period ended March 31, 2014, 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. All amounts in this report are presented in SEK millions, unless otherwise stated. Rounding differences may occur.

### Changes in accounting policies and correction of prior period classification errors

As of January 1, 2014, the following standard/changes are applicable to TeliaSonera IFRIC 21 *Levies* and IAS 32 *Financial Instruments: Presentation*. IFRIC 21 clarifies when to recognize a liability for levies (taxes imposed by government and government bodies whether national local or international other than income taxes, penalties and fines). A liability is recognized progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. IAS 32 *Financial Instruments: Presentation - amendments on offsetting financial assets and financial liabilities*, clarifies the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The changes have had only minor impact on TeliaSonera financial statements and therefore no restatements have been made to previous years.

For additional information on other changes, however currently not applicable to TeliaSonera, see corresponding section in TeliaSonera's Annual Report 2013.

Prior periods have been restated to reflect the discovery of certain classification errors, referring to certain equipment sales and commission fees in business area Mobility Services. The corrections were as follows:

<b>Condensed Consolidated Statements of Comprehensive Income</b>						
<b>SEK in millions</b>	<b>Jan-Mar 2013</b>			<b>Apr-Jun 2013</b>		
	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>
Net sales	24,542	24,582	40	25,274	25,312	38
Cost of sales	-13,844	-13,844	–	-14,108	-14,108	–
<b>Gross profit</b>	<b>10,698</b>	<b>10,738</b>	<b>40</b>	<b>11,166</b>	<b>11,204</b>	<b>38</b>
Selling, admin. and R&D expenses	-5,463	-5,503	-40	-5,687	-5,725	-38
Other items, net	1,254	1,254	–	804	804	–
<b>Operating income</b>	<b>6,489</b>	<b>6,489</b>	<b>–</b>	<b>6,283</b>	<b>6,283</b>	<b>–</b>

<b>Condensed Consolidated Statements of Comprehensive Income</b>						
<b>SEK in millions</b>	<b>Jul-Sep 2013</b>			<b>Oct-Dec 2013</b>		
	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>
Net sales	25,381	25,416	35	26,503	26,560	57
Cost of sales	-13,823	-13,823	–	-16,108	-16,108	–
<b>Gross profit</b>	<b>11,558</b>	<b>11,593</b>	<b>35</b>	<b>10,395</b>	<b>10,452</b>	<b>57</b>
Selling, admin. and R&D expenses	-5,447	-5,482	-35	-6,034	-6,091	-57
Other items, net	1,019	1,019	–	199	199	–
<b>Operating income</b>	<b>7,130</b>	<b>7,130</b>	<b>–</b>	<b>4,560</b>	<b>4,560</b>	<b>–</b>

<b>Condensed Consolidated Statements of Comprehensive Income</b>			
<b>SEK in millions</b>	<b>Jan-Dec 2013</b>		
	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>
Net sales	101,700	101,870	170
Cost of sales	-57,883	-57,883	–
<b>Gross profit</b>	<b>43,817</b>	<b>43,987</b>	<b>170</b>
Selling, admin. and R&D expenses	-22,631	-22,801	-170
Other items, net	3,276	3,276	–
<b>Operating income</b>	<b>24,462</b>	<b>24,462</b>	<b>–</b>

## Non-recurring Items

SEK in millions	Jan-Mar 2014	Jan-Mar 2013	Jan-Dec 2013
<b>Within EBITDA</b>	<b>-90</b>	<b>-117</b>	<b>-1,928</b>
Restructuring charges, synergy implementation costs, etc.:			
Mobility Services	-16	-58	-373
Broadband Services	-19	-74	-486
Eurasia	-21	-9	-349
Other operations	-34	-10	-331
<i>of which TeliaSonera Holding</i>	-	-	-3
Capital gains/losses	-	35	-389
<b>Within Depreciation, amortization and impairment losses</b>	<b>-</b>	<b>-22</b>	<b>-2,179</b>
Impairment losses, accelerated depreciation:			
Mobility Services	-	-	-1,048
Broadband Services	-	-22	-462
Eurasia	-	-	-500
Other operations	-	-	-169
<b>Within Income from associated companies and joint ventures</b>	<b>-</b>	<b>-</b>	<b>35</b>
Capital gains/losses	-	-	35
<b>Total</b>	<b>-90</b>	<b>-139</b>	<b>-4,072</b>

## Deferred Taxes

SEK in millions	Mar 31, 2014	Dec 31, 2013
Deferred tax assets	5,499	5,493
Deferred tax liabilities	-9,984	-10,063
<b>Net deferred tax liabilities (-)/assets (+)</b>	<b>-4,485</b>	<b>-4,570</b>

## Segment and Group Operating Income

SEK in millions	Jan-Mar 2014	Jan-Mar 2013	Jan-Dec 2013
Mobility Services	2,256	2,362	9,012
Broadband Services	1,288	1,242	4,023
Eurasia	2,831	2,972	12,510
Other operations	-180	-87	-1,083
<b>Total segments</b>	<b>6,196</b>	<b>6,489</b>	<b>24,462</b>
Elimination of inter-segment profits	0	0	0
<b>Group</b>	<b>6,196</b>	<b>6,489</b>	<b>24,462</b>

## Investments

SEK in millions	Jan-Mar 2014	Jan-Mar 2013	Jan-Dec 2013
<b>CAPEX</b>	<b>2,581</b>	<b>2,719</b>	<b>16,332</b>
Intangible assets	229	418	3,322
Property, plant and equipment	2,352	2,301	13,010
<b>Acquisitions and other investments</b>	<b>51</b>	<b>1,174</b>	<b>1,461</b>
Asset retirement obligations	46	44	220
Goodwill and fair value adjustments	–	979	1,038
Equity holdings	5	151	203
<b>Total</b>	<b>2,632</b>	<b>3,893</b>	<b>17,793</b>

## Financial Instruments – Fair Values

Long-term and Short-term Borrowings <sup>1)</sup> SEK in millions	Mar 31, 2014		Dec 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
<b>Long-term borrowings</b>				
Open-market financing program borrowings in fair value hedge relationships	35,835	41,214	19,289	20,225
Interest rate swaps at fair value	255	255	254	254
Cross currency interest rate swaps at fair value	1,492	1,492	1,630	1,630
<b>Subtotal</b>	<b>37,582</b>	<b>42,961</b>	<b>21,173</b>	<b>22,109</b>
Open-market financing program borrowings	45,836	48,902	57,026	60,698
Other borrowings at amortized cost	1,845	1,845	1,834	1,834
<b>Subtotal</b>	<b>85,263</b>	<b>93,708</b>	<b>80,033</b>	<b>84,641</b>
Finance lease agreements	57	57	56	56
<b>Total long-term borrowings</b>	<b>85,320</b>	<b>93,765</b>	<b>80,089</b>	<b>84,697</b>
<b>Short term borrowings</b>				
Open-market financing program borrowings in fair value hedge relationships	–	–	2,735	2,818
Interest rate swaps designated as hedging instruments	–	–	31	31
Cross currency interest rate swaps held for trading	17	17	17	17
<b>Subtotal</b>	<b>17</b>	<b>17</b>	<b>2,783</b>	<b>2,866</b>
Utilized bank overdraft and short-term credit facilities at amortized cost	703	703	811	811
Open-market financing program borrowings	808	829	5,954	5,995
Other borrowings at amortized cost	805	807	1,083	1,083
<b>Subtotal</b>	<b>2,333</b>	<b>2,356</b>	<b>10,631</b>	<b>10,755</b>
Finance lease agreements	3	3	3	3
<b>Total short-term borrowings</b>	<b>2,336</b>	<b>2,359</b>	<b>10,634</b>	<b>10,758</b>

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see TeliaSonera's Annual Report 2013, Note C3 to the consolidated financial statements.

Financial Assets and Liabilities by Fair Value Hierarchy Level <sup>1)</sup> SEK in millions	March 31, 2014				December 31, 2013			
	Carrying value	of which			Carrying value	of which		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Financial assets at fair value</b>								
Equity instruments available-for-sale	190	–	–	190	190	–	–	190
Equity instruments held-for-trading	70	–	–	70	70	–	–	70
Convertible bonds available-for-sale	169	169	–	–	162	160	–	2
Derivatives designated as hedging instruments	1,173	–	1,173	–	1,533	–	1,533	–
Derivatives held-for-trading	675	–	675	–	1,374	–	1,374	–
<b>Total financial assets at fair value by level</b>	<b>2,277</b>	<b>169</b>	<b>1,848</b>	<b>260</b>	<b>3,329</b>	<b>160</b>	<b>2,907</b>	<b>262</b>
<b>Financial liabilities at fair value</b>								
Borrowings in fair value hedge relationships	35,835	–	35,835	–	22,025	–	22,025	–
Derivatives designated as hedging instruments	439	–	439	–	1,090	–	1,090	–
Derivatives held-for-trading	832	–	832	–	1,013	–	1,013	–
<b>Total financial liabilities at fair value by level</b>	<b>37,106</b>	<b>–</b>	<b>37,106</b>	<b>–</b>	<b>24,128</b>	<b>–</b>	<b>24,128</b>	<b>–</b>

1) For information on fair value hierarchy levels and fair value estimation, see TeliaSonera's Annual Report 2013, Note C3 to the consolidated financial statements.

## Related Party Transactions

In the quarter ended March 31, 2014, TeliaSonera purchased services for SEK 32 million, and sold services for SEK 48 million. Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

## Net Debt

SEK in millions	Mar 31, 2014	Dec 31, 2013
Long-term and short-term borrowings	87,656	90,723
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related Credit Support Annex (CSA)	-2,489	-2,878
Less short-term investments, cash and bank	-32,288	-32,071
<b>Net debt</b>	<b>52,879</b>	<b>55,774</b>

## Loan Financing and Credit Rating

The underlying operating cash flow continued to be positive also in the first quarter of 2014.

The ratings from Standard & Poor's and Moody's, respectively, are unchanged 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 have continued to offer favorable new issue conditions also in the first quarter. The primary debt markets were rather unaffected although the general risk sentiment deteriorated due to emerging market concerns.

In February, TeliaSonera issued a EUR 500 million 5 year public bond transaction with a coupon of 1.375 percent. Further, an existing bond maturing in 2033 with a coupon of 3.50 percent was tapped for EUR 86 million in January and EUR 70 million in March. With limited funding needs for the remaining year, the opportunistic approach to take advantage of attractive funding opportunities combined with a special focus on diversifying the investor base remains.

## Financial Key Ratios

	Mar 31, 2014	Dec 31, 2013
Return on equity (% , rolling 12 months)	15.9	15.9
Return on capital employed (% , rolling 12 months)	13.9	13.9
Equity/assets ratio (%)	39.6	39.5
Net debt/equity ratio (%)	53.5	55.8
Net debt/EBITDA rate (multiple, rolling 12 months)	1.49	1.57
Net debt/assets ratio	21.2	22.1
Owners' equity per share (SEK)	25.45	25.02

## 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 5,932 million, MegaFon shares held by TCI, representing 4.9 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 March 31, 2014, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 316 million, of which SEK 285 million referred to guarantees for pension obligations. Collateral pledged totaled SEK 203 million.

## Contractual Obligations and Commitments

As of March 31, 2014, contractual obligations totaled SEK 2,680 million, of which SEK 1,612 million referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

## Business Combinations

There have been no business combinations during the three-month period 2014. For information on business combinations during 2013, see corresponding section in TeliaSonera's Year-end Report January-December 2013.



## Parent Company

Condensed Income Statements SEK in millions	Jan-Mar 2014	Jan-Mar 2013	Jan-Dec 2013
Net sales	1	1	7
Operating income	156	-61	-1,023
Income after financial items	-396	1,104	7,801
Income before taxes	1,093	2,809	17,862
Net income	843	2,179	16,860

Net income decreased as a consequence of lower impact from financial currency effects related to loan agreements.

Condensed Balance Sheets SEK in millions	Mar 31, 2014	Dec 31, 2013
Non-current assets	177,298	179,378
Current assets	55,972	64,302
<b>Total assets</b>	<b>233,270</b>	<b>243,680</b>
Shareholders' equity	87,314	86,661
Untaxed reserves	11,535	11,246
Provisions	575	571
Liabilities	133,846	145,202
<b>Total equity and liabilities</b>	<b>233,270</b>	<b>243,680</b>

Total investments in the quarter were SEK 12 million (7), of which SEK 5 million (0) referred to shareholder contributions to subsidiaries.

In 2012, the parent company's shares in Telecominvest (TCI) were sold to AF Telecom Holding (AFT). The purchase price has not been fully paid by AFT and in order to secure the value of the parent company's receivable, presently SEK 5,932 million, MegaFon shares held by TCI, representing 4.9 percent of the issued shares in MegaFon, are presently pledged to the parent company. 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 the parent company.

## Risks and Uncertainties

TeliaSonera operates in a broad range of geographical 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. TeliaSonera 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.

TeliaSonera has an established risk management framework in place to regularly identify, analyze, assess and report business, financial as well as ethics and sustainability 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 C26 and C34 to the consolidated financial statements in TeliaSonera's Annual Report 2013 for a detailed description of some of the factors that may affect TeliaSonera's business, brand perception, financial position, results of operations or the share price from time to time. Risks and uncertainties that could specifically impact the quarterly results of operations during 2014 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. Transition to new business models in the telecom industry may lead to structural changes and different competitive dynamics. Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect TeliaSonera's customer relationships, service offerings and position in the value chain, and adversely impact its 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, even to the extent that TeliaSonera has to exit a country or a specific operation within a country. Another implication may be unexpected or unpredictable litigation cases. 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 a net exposure of approximately SEK 7.6 billion, including group companies' receivables totaling approximately SEK 5.4 billion and cash and cash equivalent balances of approximately SEK 1.2 billion. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally. Such negative political or legal developments or weakening of the economies or currencies in these markets might have a significantly negative effect on TeliaSonera's results of operations and financial position.

*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. (Fintur's minority shareholder is Turkcell) 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.

*Supply chain.* TeliaSonera is reliant upon a limited number of suppliers to manufacture and supply network equipment and related software as well as terminals, to allow TeliaSonera to develop its networks and to offer its services on a commercial basis. TeliaSonera cannot be certain that it will be able to obtain network equipment or terminals from alternative suppliers on a timely basis if the existing suppliers are unable to satisfy TeliaSonera's requirements. In addition, like its competitors, TeliaSonera currently outsources many of its key support services, including network construction and maintenance in most of its operations. The limited number of suppliers of these services, and the terms of TeliaSonera's arrangements with current and future suppliers, may adversely affect TeliaSonera, including by restricting its operational flexibility. In connection with signing supplier contracts for delivery of terminals, TeliaSonera may also grant the supplier a guarantee to sell a certain number of each terminal model to its customers. Should the customer demand for a terminal model under such a guarantee turn out to be smaller than anticipated, TeliaSonera's results of operations may be adversely affected.

*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 at the board level 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.

*Ethics and sustainability.* TeliaSonera is subject to a number of ethics and sustainability related risks, including but not limited to, human rights, corruption, network integrity, data security and environment. 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. Failure or perception of failure to adhere to TeliaSonera's ethics and sustainability requirements may damage customer or other stakeholders' perception of TeliaSonera and negatively impact TeliaSonera's business operations and its brand.

*Review of Eurasian transactions.* In April 2013, the Board of Directors assigned the international law firm Norton Rose Fulbright (NRF) to review transactions and agreements made in Eurasia by TeliaSonera in the past few years with the intention to give the Board a clear picture of the transactions and a risk assessment from a business ethics perspective. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms. In consultation with the law firms, TeliaSonera has promptly taken steps, and will continue to take steps, in its business operations as well as in its governance structure and with its personnel which reflect concerns arising from the review. In addition to the NRF review, the Swedish Prosecution Authority's investigation with respect to Uzbekistan is ongoing and TeliaSonera continues to cooperate with and provide assistance to the Prosecutor. As TeliaSonera will carry on assessing its positions in the Eurasian jurisdictions, there is a risk that future actions taken by the company as a consequence of either the NRF review, the Swedish Prosecution Authority's investigation, or TeliaSonera's own successive improvements to its ethical standards and procedures may adversely impact the results of operations and financial position in TeliaSonera's operations in the Eurasian jurisdictions. Another risk is presented by the Swedish Prosecution Authority's notification in the beginning of 2013 within the investigation of TeliaSonera's transactions in Uzbekistan, that the Authority is separately investigating the possibility of seeking a corporate fine against TeliaSonera, which under the Swedish Criminal Act can be levied up to a maximum amount of SEK 10 million, and forfeiture of any proceeds to

TeliaSonera resulting from the alleged crimes. The Swedish Prosecution Authority may take similar actions with respect to transactions made or agreements entered into by TeliaSonera relating to operations in its other Eurasian markets. Further, actions taken, or to be taken, by the police, prosecution or regulatory authorities in other jurisdictions against TeliaSonera's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, might directly or indirectly harm TeliaSonera's business, results of operations, financial position or brand reputation.

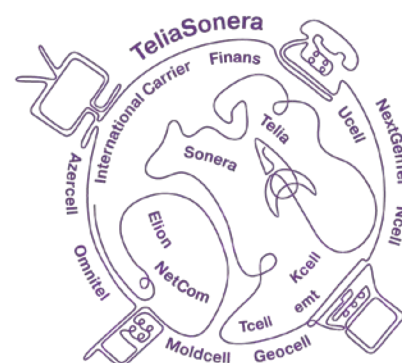
## Forward-looking Statements

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.

## TeliaSonera in brief

TeliaSonera has its roots in the Nordic telecom market and holds strong positions in the Nordic and Baltic countries, Eurasia and Spain. Our core business is to create better communication opportunities for people and businesses through mobile and broadband communication services.

For more information about TeliaSonera, see [www.teliasonera.com](http://www.teliasonera.com).



## Definitions

**Addressable cost base** is defined as personnel costs, marketing costs and all other operating expenses other than purchases of goods and sub-contractor services as well as interconnect, roaming and other network-related costs. Addressable cost base does not include non-recurring items.

**Billed revenues** are defined as voice, messaging, data and content.

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

**Net debt/assets ratio:** Net debt expressed as a percentage of total assets.

For additional information, see corresponding section in TeliaSonera's Annual Report 2013.

## Financial calendar

Interim Report January–June 2014

July 17, 2014

Interim Report January–September 2014

October 17, 2014

Year-end Report January–December 2014

January 29, 2015

## Questions regarding the reports

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