

## TeliaSonera January-March 2012

### Stable core business despite price competition

- Net sales in local currencies and excluding acquisitions increased 2.9 percent. In reported currency, net sales increased 3.5 percent to SEK 25,693 million (24,835).
- The addressable cost base in local currencies and excluding acquisitions decreased 2.1 percent. In reported currency, the addressable cost base decreased 1.7 percent to SEK 7,440 million (7,572).
- EBITDA, excluding non-recurring items, decreased 1.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA decreased 0.7 percent to SEK 8,824 million (8,890) and the margin decreased to 34.3 percent (35.8).
- Operating income, excluding non-recurring items, decreased 8.5 percent to SEK 6,641 million (7,258). Income from associated companies decreased 36.2 percent to SEK 1,033 million (1,619).
- Net income attributable to owners of the parent company decreased 15.9 percent to SEK 3,908 million (4,646) and earnings per share to SEK 0.90 (1.04).
- Free cash flow decreased 17.2 percent to SEK 2,193 million (2,647) due to higher cash CAPEX and higher interest paid.
- During the quarter the number of subscriptions increased by 1.2 million in the consolidated companies and by 1.1 million in the associated companies. The total number of subscriptions was 172.4 million.
- Group outlook for 2012 is unchanged.

### Financial highlights

SEK in millions, except key ratios, per share data and changes	Jan-Mar 2012	Jan-Mar 2011	Chg (%)	Jan-Dec 2011
Net sales	25,693	24,835	3	104,804
Addressable cost base <sup>1, 2)</sup>	7,440	7,572	-2	30,113
EBITDA <sup>2)</sup> excl. non-recurring items <sup>3)</sup>	8,824	8,890	-1	37,222
Margin (%)	34.3	35.8		35.5
Operating income	6,527	7,273	-10	29,626
Operating income excl. non-recurring items	6,641	7,258	-9	29,795
Net income	4,301	5,240	-18	21,072
of which attributable to owners of the parent	3,908	4,646	-16	18,341
Earnings per share (SEK)	0.90	1.04	-13	4.20
Return on equity (%; rolling 12 months)	17.8	19.0		16.8
CAPEX-to-sales (%)	12.4	15.0		16.6
Free cash flow	2,193	2,647		9,415

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

2) Please refer to page 15 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 2011, unless otherwise stated.

## **Comments by Lars Nyberg, President and CEO**

"The organic growth rate improved in the first quarter compared with previous quarters. Eurasia continued to deliver double-digit growth, while revenues in Broadband Services were almost at the same level as last year. In Mobility Services, the growth was mainly driven by equipment sales.

Despite price competition in many of our markets, we successfully defended our core business within Mobility Services as growth in data revenues compensated for the decline in voice and messaging. Changed customer behavior which leads to a mix shift in our business highlights the need to develop our business models and how we charge for our services going forward. We have been in the forefront stating that while prices for voice will continue to come down there must be a stronger correlation between usage and pricing of data. TeliaSonera is leading this change towards a new sustainable business model. We have been early in introducing tiered pricing of data, lower costs for data roaming and recently openly communicated that we will start to charge for mobile VoIP. This will be launched in Spain within a month and in Sweden for new subscriptions during the summer.

Within Broadband Sweden, we see a strong customer demand for our fiber offering although our focus in the first quarter has been to improve our internal processes. In Finland, our second largest market, we have for some time been in a negative trend and lost market share. In order to sharpen our profile and strengthen our business and the Sonera brand, we have recruited Robert Andersson as President and CEO of Sonera in Finland, who will also become a member of Group Management.

In Eurasia, Ncell in Nepal has been a success story since the acquisition in 2008 and the company has now passed 7 million subscriptions. We are therefore pleased that we in April were able to enter into an agreement to further increase our ownership. While our strategy is to be a strong majority-owner in core holdings we also aim to divest non-core minority interest. Therefore, we decided to divest our 18.6 percent stake in Smart Mobile and exit from the very competitive Cambodian mobile market.

With regards to MegaFon, we have confirmed that discussions are ongoing between us and the two other shareholders, AF Telecom and Altimo, regarding future ownership and governance of the company.

We reiterate the outlook for 2012 and believe that our continued work to develop our price models and scrutinize costs throughout the organization will leave our EBITDA margin at the same level as last year."

## **Group outlook for 2012 (unchanged)**

The growth in net sales in local currencies and excluding acquisitions is expected to be within the range of 1-2 percent. Currency fluctuations may have a material impact on reported figures in Swedish krona.

The EBITDA margin, excluding non-recurring items, in 2012 is expected to remain at the same level compared with 2011.

The CAPEX-to-sales ratio is expected to be approximately 13-14 percent in 2012, excluding license and spectrum fees.

## Review of the Group, first quarter 2012

**Net sales** in local currencies and excluding acquisitions increased 2.9 percent. In reported currency, net sales increased 3.5 percent to SEK 25,693 million (24,835). The positive effect of exchange rate fluctuations was 0.6 percent.

In Mobility Services, net sales in local currencies and excluding acquisitions increased 2.6 percent. Net sales in reported currency increased 2.9 percent to SEK 12,500 million (12,149).

In Broadband Services, net sales in local currencies and excluding acquisitions decreased 0.3 percent. Net sales in reported currency were flat at SEK 9,021 million (9,026).

In Eurasia, net sales in local currencies and excluding acquisitions increased 13.2 percent. Net sales in reported currency increased 15.1 percent to SEK 4,445 million (3,863).

**The number of subscriptions** rose by 14.3 million from the end of the first quarter 2011 to 172.4 million, of which 6.6 million to 64.1 million in the consolidated companies and 7.7 million to 108.3 million in the associated companies. During the first quarter, the total number of subscriptions increased by 1.2 million in the consolidated companies and increased by 1.1 million in the associated companies.

**The addressable cost base** in local currencies and excluding acquisitions decreased 2.1 percent. In reported currency, the addressable cost base decreased 1.7 percent to SEK 7,440 million (7,572).

**EBITDA**, excluding non-recurring items, decreased 1.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 0.7 percent to SEK 8,824 million (8,890). The EBITDA margin decreased to 34.3 percent (35.8).

**Operating income**, excluding non-recurring items, decreased 8.5 percent to SEK 6,641 million (7,258). Income from associated companies decreased 36.2 percent to SEK 1,033 million (1,619).

**Non-recurring items** affecting operating income totaled SEK -113 million (15). Non-recurring items included charges of approximately SEK 38 million (32) related to efficiency measures.

**Financial items** totaled SEK -1,111 million (-602) of which SEK -869 million (-531) related to net interest expenses. Non-recurring currency effects of SEK 117 million related to the acquisition of Kcell impacted financial items negatively.

**Income taxes** decreased to SEK 1,115 million (1,431). The effective tax rate was 20.6 percent (21.5).

**Non-controlling interests** in subsidiaries decreased to SEK 393 million (594), of which SEK 329 million (522) was related to the operations in Eurasia and SEK 56 million (62) to LMT and TEO.

**Net income attributable to owners of the parent company** decreased 15.9 percent to SEK 3,908 million (4,646) and earnings per share to SEK 0.90 (1.04).

**CAPEX** decreased to SEK 3,175 million (3,731) and the CAPEX-to-sales ratio to 12.4 percent (15.0). In the first quarter of 2012, CAPEX included SEK 18 million for the acquisition of licenses. The CAPEX-to-sales ratio, excluding licenses and spectrum fees, was 12.3 percent (11.3).

**Free cash flow** decreased 17.2 percent to SEK 2,193 million (2,647) due to higher cash CAPEX and higher interest paid.

**Net debt** was SEK 74,112 million at the end of the first quarter (65,048 at the end of the fourth quarter of 2011). The net debt/EBITDA ratio was 2.01 (1.75 at the end of the fourth quarter of 2011).

**The equity/assets ratio** was 38.6 percent (44.0 percent at the end of the fourth quarter of 2011).

#### **Significant events in the first quarter**

- On February 1, 2012 TeliaSonera paid USD 1,519 million for the acquisition of 49 percent of the shares in Kcell in Kazakhstan. As a result of this acquisition retained earnings in shareholders' equity and non-controlling interests in equity decreased, and net debt increased. TeliaSonera has also agreed to sell 25 percent of the shares minus one share in Kcell in an Initial Public Offering (IPO), expected to be completed during 2012. Depending on the share price development after the IPO, TeliaSonera may have to make an additional payment to Kazakhtelecom. Once both steps of the transaction have been completed, TeliaSonera's effective ownership in Kcell will be 61.9 percent.
- On February 7, 2012, TeliaSonera issued a Eurobond of EUR 750 million in a 12 year deal maturing in February 2024, under its existing EUR 10 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 3.663 percent p.a. equivalent to Euro Mid-swaps + 118 basis points.
- On February 29, 2012, TeliaSonera acquired all shares in Svenska Stadsnät AB, a company providing fiber capacity to municipalities, companies and households.

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

- On April 5, 2012 TeliaSonera announced that it had sold its 18.6 percent stake in Smart Mobile (Latelz Co. Ltd.) in Cambodia, and entered into an agreement in order to further increase its ownership in Ncell in Nepal.

## Strong growth in Sweden continued 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.

- The strong growth in Sweden continued despite intensified competition during the first quarter, although the most aggressive offers have been withdrawn from the market in April. Discussions on future business models and how to charge for our services going forward is ongoing. In Spain, Yoigo will launch a mobile VoIP offer in the second quarter followed by Telia in Sweden during the summer. The customers will have the opportunity to either choose a subscription which includes mobile VoIP or one without. When the need arises, this service can then be bought separately. Current subscriptions will not be affected.
- After the successful launch of 4G tablets before Christmas, the first 4G smartphone from Samsung was launched in February. TeliaSonera has today approximately 100,000 4G users in total in the Nordic and Baltic countries. TeliaSonera estimates that in five years an average smartphone user will use almost 3 Gigabyte of data monthly compared to around 300 Megabytes today, a tenfold increase.

SEK in millions, except margins, operational data and changes	Jan-Mar 2012	Jan-Mar 2011	Chg (%)	Jan-Dec 2011
Net sales	12,500	12,149	3	51,556
EBITDA excl. non-recurring items	3,643	3,758	-3	16,053
Margin (%)	29.1	30.9		31.1
Operating income	2,569	2,620	-2	11,122
Operating income excl. non-recurring items	2,569	2,623	-2	11,322
CAPEX	983	1,808	-46	6,742
Subscriptions, period-end (thousands)	19,603	18,680	5	19,520
Employees, period-end	7,326	7,427	-1	7,456

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

- **Net sales** in local currencies and excluding acquisitions increased 2.6 percent. Net sales in reported currency increased 2.9 percent to SEK 12,500 million (12,149). The positive effect of exchange rate fluctuations was 0.3 percent.

In Sweden, net sales rose by 5.4 percent to SEK 4,174 million (3,961). Despite aggressive campaigns from competitors during the first quarter the intake of postpaid subscriptions were more or less at the same level as in previous quarters. The growth is almost entirely explained by mobile data usage while voice and messaging revenues were stable compared to the corresponding period last year. Revenues from equipment sales increased compared to the corresponding quarter a year ago although the growth rate was less significant than in previous quarters.

In Finland, net sales in local currency declined 0.5 percent to the equivalent of SEK 2,147 million (2,178). The decline in postpaid voice revenues and lower interconnect revenues were almost compensated for by continued strong growth in mobile data, equipment sales and prepaid voice. Mobile data revenues increased almost 25 percent compared with the corresponding quarter a year ago.

In Norway, net sales in local currency fell by 8.8 percent to the equivalent of SEK 1,879 million (2,003), due to reductions in the average price per minute, lower equipment sales and loss of wholesale revenues.

In Denmark, net sales in local currency declined 6.6 percent to the equivalent of SEK 1,301 million (1,392). The Danish market is still characterized by heavy price competition and subscribers are migrating to bucket price plans with lower average revenue per user. This in combination with lower interconnect fees from March 1, explains the decline in revenues.

Net sales in local currency in Estonia increased 2.0 percent to the equivalent of SEK 359 million (353), driven by approximately 40 percent growth in mobile data revenues and equipment sales. In Latvia, net sales in local currency were unchanged at SEK 382 million (380) as higher equipment sales and mobile data compensated for lower voice and interconnect revenues. Net sales in local currency in Lithuania fell by 7.0 percent to the equivalent of SEK 311 million (335), mainly as a result of lower interconnect rates and price pressure.

In Spain net sales in local currency increased 25.4 percent to the equivalent of SEK 1,954 million (1,561) due to the increased number of subscriptions. The average revenue per user and minutes of use development is negatively impacted by the weak macroeconomic situation in the country.

- **The number of subscriptions** rose by 0.9 million from the end of the first quarter 2011 to 19.6 million. Growth was strongest in Spain and Sweden with an increase of 0.7 million and 0.4 million to 3.2 million and 6.4 million subscriptions, respectively. During the quarter the total number of subscriptions rose by 0.1 million.
- **EBITDA**, excluding non-recurring items, decreased 3.6 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.1 percent to SEK 3,643 million (3,758). The EBITDA margin decreased to 29.1 percent (30.9).

In Sweden, EBITDA, excluding non-recurring items, increased 6.9 percent to SEK 1,887 million (1,765), mainly due to higher revenues and lower personnel expenses as well as increased sales in own channels. The EBITDA margin improved to 45.2 percent (44.6).

In Finland, EBITDA margin of 31.8 percent (32.2) were more or less unchanged compared to the corresponding period a year ago. The lower gross margin was caused by low margin equipment sales but compensated for by a 2.8 percent reduction in the addressable cost base.

In Norway and Denmark, the EBITDA margins fell to 30.4 percent (34.1) and 10.6 percent (14.4), respectively, due to lower revenues as well as lower gross margin.

The EBITDA margins in Latvia and Estonia fell to 36.6 percent (38.9) and 28.1 percent (36.3), respectively. Margins in both countries were negatively impacted by the changed revenue mix with higher proportion of lower margin equipment sales. In Lithuania, the EBITDA margin increased somewhat to 28.3 percent (27.8).

EBITDA in Spain decreased to SEK 33 million (37), corresponding to a margin of 1.7 percent (2.4). Competition in the Spanish market was intense in the first quarter and churn increased compared with previous quarters. Most operators announced a reduction in handset subsidies at the end of the quarter. Additional costs for modernization of the network had a negative impact on profitability in the first quarter.

- CAPEX** decreased to SEK 983 million (1,808) and the CAPEX-to-sales ratio to 7.9 percent (14.9). CAPEX, excluding licenses and spectrum fees, amounted to SEK 975 million (871) and the CAPEX-to-sales ratio to 7.8 percent (7.2). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 2,660 million (1,950).

<b>SEK in millions, except margins and changes</b>	<b>Jan-Mar 2012</b>	<b>Jan-Mar 2011</b>	<b>Chg (%)</b>	<b>Jan-Dec 2011</b>
Net sales	12,500	12,149	3	51,556
of which Sweden	4,174	3,961	5	16,695
of which Finland	2,147	2,178	-1	8,885
of which Norway	1,879	2,003	-6	8,261
of which Denmark	1,301	1,392	-7	5,525
of which Lithuania	311	335	-7	1,451
of which Latvia	382	380	1	1,722
of which Estonia	359	353	2	1,608
of which Spain	1,954	1,561	25	7,451
EBITDA excl. non-recurring items	3,643	3,758	-3	16,053
of which Sweden	1,887	1,765	7	7,545
of which Finland	683	702	-3	2,843
of which Norway	572	683	-16	2,891
of which Denmark	138	201	-31	744
of which Lithuania	88	93	-5	405
of which Latvia	140	148	-5	653
of which Estonia	101	128	-21	553
of which Spain	33	37	-11	420
Margin (%), total	29.1	30.9		31.1
Margin (%), Sweden	45.2	44.6		45.2
Margin (%), Finland	31.8	32.2		32.0
Margin (%), Norway	30.4	34.1		35.0
Margin (%), Denmark	10.6	14.4		13.5
Margin (%), Lithuania	28.3	27.8		27.9
Margin (%), Latvia	36.6	38.9		37.9
Margin (%), Estonia	28.1	36.3		34.4
Margin (%), Spain	1.7	2.4		5.6

<b>Net sales in local currencies and excluding acquisitions</b>	<b>Jan-Mar</b>
Change (%), total	2.6
Change (%), Sweden	5.4
Change (%), Finland	-0.5
Change (%), Norway	-8.8
Change (%), Denmark	-6.6
Change (%), Lithuania	-7.0
Change (%), Latvia	-0.2
Change (%), Estonia	2.0
Change (%), Spain	25.4

## Improved growth trend within Broadband Services

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

- Organic revenue growth improved within Broadband Services in the first quarter, mainly driven by International Carrier. The customer demand for our fiber offering has met expectations with 30,000 new Fiber/LAN subscriptions in the first quarter although focus has mainly been on improving internal processes to deliver a world-class customer experience. In parallel with growing organically, TeliaSonera acquired all shares in Svenska Stadsnät AB, a company providing fiber capacity to municipalities, companies and households.
- The strong growth for our TV services in both Sweden and Finland continued. In Sweden, there are now 100,000 customers on Spotify, the music streaming service and our TV customers now use time shift technology over one million times a week, which gives the opportunity to watch any television program when it suits them, rather than on the scheduled time. Time shift, or SVOD, is just one example of how new technology and innovation create new customer value from already well-established technologies.

SEK in millions, except margins, operational data and changes	Jan-Mar 2012	Jan-Mar 2011	Chg (%)	Jan-Dec 2011
Net sales	9,021	9,026	0	36,811
EBITDA excl. non-recurring items	2,832	3,094	-8	12,101
Margin (%)	31.4	34.3		32.9
Operating income	1,587	1,861	-15	6,582
Operating income excl. non-recurring items	1,618	1,886	-14	7,168
CAPEX	1,235	940	31	5,448
Subscriptions, period-end (thousands)				
Broadband	2,493	2,415	3	2,481
Fixed voice and VoIP	4,517	5,018	-10	4,805
TV	1,218	994	23	1,177
Employees, period-end	13,376	13,581	-2	13,263

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

- **Net sales** in local currencies and excluding acquisitions decreased 0.3 percent. Net sales in reported currency were flat at SEK 9,021 million (9,026). The positive effect of exchange rate fluctuations was 0.2 percent and the positive effect of acquisitions and disposals was 0.1 percent.

In Sweden, net sales fell 3.7 percent to SEK 5,041 million (5,227), mainly as a result of a decline in voice revenues that could not be fully compensated for by strong growth in TV and broadband revenues.

In Finland, net sales in local currency decreased 4.1 percent to the equivalent of SEK 1,443 million (1,501), as a result of fewer PSTN subscriptions. The number of TV subscriptions increased by 55 percent compared to the corresponding quarter a year ago.

In Norway, net sales grew 1.6 percent in local currency to the equivalent of SEK 268 million (256) due to a smaller decline in average revenue per user than in previous quarters as well as increased equipment sales. In Denmark, net sales in local currency increased 0.7 percent to the equivalent of SEK 288 million (286).



In Estonia, net sales in local currency grew 0.2 percent to the equivalent of SEK 430 million (430). In Lithuania, net sales in local currency grew 2.5 percent to the equivalent of SEK 488 million (477) due to price increases on broadband services as well as higher equipment sales.

In International Carrier, net sales in local currencies grew 13.7 percent to the equivalent of SEK 1,346 million (1,177) due to a 24 percent increase in traffic revenues compared with the corresponding period a year ago.

- **The number of subscriptions** for broadband access rose to 2.5 million, an increase of 78,000 from the first quarter of 2011 and by 12,000 during the quarter.

The total number of TV subscriptions rose by 224,000 from the first quarter of 2011 and by 41,000 during the quarter to 1.2 million.

The number of fixed-voice subscriptions decreased by 654,000 from the end of the first quarter of 2011 to 3.9 million, and were down 327,000 during the quarter. The first quarter of 2012 includes a one-time correction of 201,000 in Sweden as mobile Centrex subscriptions now have been excluded. The intake of VoIP subscriptions was 39,000 in the quarter, bringing the total number of VoIP subscriptions to 0.6 million.

- **EBITDA**, excluding non-recurring items, fell 8.8 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 8.5 percent to SEK 2,832 million (3,094). The EBITDA margin decreased to 31.4 percent (34.3).

In Sweden, the EBITDA margin declined to 40.1 percent (42.6). Efficiency measures, such as lower personnel costs, could not compensate for a lower gross margin and higher costs for fault handling during the first quarter.

In Finland, the EBITDA margin declined to 26.5 percent (28.4) due to lower gross margin as a result of higher equipment sales and an increased cost for fault handling. The addressable cost base fell 12.3 percent, mainly due to lower personnel costs. The acquired cable-TV operator contributed slightly to the EBITDA.

In Norway, the EBITDA margin was unchanged at 15.3 percent (15.2). In Denmark the EBITDA margin increased to 11.8 percent (3.8) due to the increased sales, higher gross margin and lower personnel costs.

In Lithuania, the EBITDA margin declined to 39.1 percent (39.8) due to a changed mix with more equipment sales, while the EBITDA margin abated to 25.1 percent (30.7) in Estonia, mainly due to lower gross margin. In International Carrier, the EBITDA margin declined to 4.2 percent (6.3) as low margin voice revenues increased to 70 percent of external net sales compared with 66 percent the corresponding period a year ago.

- **CAPEX** increased to SEK 1,235 million (940) and the CAPEX-to-sales ratio rose to 13.7 percent (10.4). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, fell to SEK 1,597 million (2,154).

<b>SEK in millions, except margins and changes</b>	<b>Jan-Mar 2012</b>	<b>Jan-Mar 2011</b>	<b>Chg (%)</b>	<b>Jan-Dec 2011</b>
Net sales	9,021	9,026	0	36,811
of which Sweden	5,041	5,227	-4	20,834
of which Finland	1,443	1,501	-4	6,106
of which Norway	268	256	5	1,063
of which Denmark	288	286	1	1,165
of which Lithuania	488	477	2	1,962
of which Estonia	430	430	0	1,903
of which International Carrier	1,346	1,177	14	5,036
EBITDA excl. non-recurring items	2,832	3,094	-8	12,101
of which Sweden	2,019	2,225	-9	8,563
of which Finland	382	426	-10	1,641
of which Norway	41	39	5	174
of which Denmark	34	11	-	101
of which Lithuania	191	190	1	791
of which Estonia	108	132	-18	539
of which International Carrier	57	74	-23	293
Margin (%), total	31.4	34.3		32.9
Margin (%), Sweden	40.1	42.6		41.1
Margin (%), Finland	26.5	28.4		26.9
Margin (%), Norway	15.3	15.2		16.4
Margin (%), Denmark	11.8	3.8		8.7
Margin (%), Lithuania	39.1	39.8		40.3
Margin (%), Estonia	25.1	30.7		28.3
Margin (%), International Carrier	4.2	6.3		5.8

<b>Net sales in local currencies and excluding acquisitions</b>	<b>Jan-Mar</b>
Change (%), total	-0.3
Change (%), Sweden	-3.7
Change (%), Finland	-4.1
Change (%), Norway	1.6
Change (%), Denmark	0.7
Change (%), Lithuania	2.5
Change (%), Estonia	0.2
Change (%), International Carrier	13.7

## Eurasia continues to deliver double-digit revenue growth

**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 (44 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.

- Eurasia revenue growth in local currencies remained at double-digit in the first quarter with maintained high profitability. Growth in Kcell in Kazakhstan slowed as a result of price erosion for both voice and data services while growth improved in Azercell in Azerbaijan as well as in Ucell in Uzbekistan, compared with the previous quarter. The strong subscription intake in Ncell in Nepal continued and the company passed 7 million subscriptions in the first quarter and further strengthened its market leadership.
- In line with the strategy to be a strong majority-owner in core holdings and divest non-core minority interests, TeliaSonera entered into an agreement to further increase its ownership in Ncell in Nepal and to divest its 18.6 percent stake in Smart Mobile in Cambodia. The first phase of the previously announced transaction to increase ownership in Kcell in Kazakhstan, by acquiring a 49 percent stake from Kazakhtelecom, was completed during the first quarter.

SEK in millions, except margins, operational data and changes	Jan-Mar 2012	Jan-Mar 2011	Chg (%)	Jan-Dec 2011
Net sales	4,445	3,863	15	17,330
EBITDA excl. non-recurring items	2,258	1,968	15	8,850
Margin (%)	50.8	50.9		51.1
Income from associated companies	1,018	1,603	-36	5,735
Russia	673	1,094	-38	4,410
Turkey	351	509	-31	1,331
Operating income	2,453	2,898	-15	12,499
Operating income excl. non-recurring items	2,529	2,837	-11	11,749
CAPEX	791	850	-7	4,538
Subscriptions, period-end (thousands)				
Subsidiaries	36,231	30,289	20	34,840
Associated companies	107,300	99,670	8	106,225
Employees, period-end	5,033	4,902	3	4,994

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

### Consolidated operations

- **Net sales** in local currencies and excluding acquisitions increased 13.2 percent. Net sales in reported currency increased 15.1 percent to SEK 4,445 million (3,863). The positive effect from exchange rate fluctuations was 1.9 percent.

In Kazakhstan, net sales in local currency increased 3.2 percent to the equivalent of SEK 1,888 million (1,777), a slowdown compared with previous quarters. The launch by a third operator has resulted in price erosion on both voice and data services.

In Azerbaijan, net sales in local currency grew 11.0 percent to the equivalent of SEK 938 million (798) due to successful campaigns with focus on increasing the activity among existing subscribers as well as effects of new regional tariffs.

In Uzbekistan, net sales in local currency increased 21.7 percent to the equivalent of SEK 462 million (398) as a result of an increase in subscriptions and more than 160 percent increase in mobile data revenues. Electricity and weather conditions caused severe problems with the network availability.

In Tajikistan, net sales in local currency grew 21.6 percent to the equivalent of SEK 207 million (177), as a result of the highest subscription intake since the fourth quarter of 2008 as well as an increase in on-net usage, international calls and value added services.

In Georgia, net sales in local currency fell 4.3 percent to the equivalent of SEK 222 million (212), due to price competition in the market and the introduction of maximum retail tariffs in April 2011.

In Moldova, net sales in local currency increased 4.5 percent to the equivalent of SEK 119 million (107). In Nepal, net sales in local currency grew by 63.9 percent to the equivalent of SEK 613 million (398) as a result of continued strong subscription intake.

- **The number of subscriptions** in the consolidated operations was 36.2 million, an increase by 5.9 million, from the end of the first quarter of 2011. Growth was strongest in Nepal and Kazakhstan with a rise of 2.7 million and 1.8 million to 7.5 million and 11.2 million subscriptions, respectively. During the first quarter, the total number of subscriptions in the consolidated operations increased by 1.4 million. Nepal, Kazakhstan and Tajikistan showed the largest rises with an increase of 0.6 million, 0.3 million and 0.2 million subscriptions, respectively.
- **EBITDA**, excluding non-recurring items, increased 12.8 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 14.7 percent to SEK 2,258 million (1,968). The EBITDA margin remained stable at 50.8 percent (50.9).

EBITDA margins continued to exceed 50 percent in Kazakhstan, Azerbaijan and Nepal. The introduction of a subscription tax negatively impacted profitability in Uzbekistan. In Tajikistan, margin improved due to efficiencies related to the operational merger between two separate legal entities. In Moldova, profitability was positively impacted by lower costs for interconnect while the opposite and price competition explain the decline in Georgia.

- **CAPEX** decreased to SEK 791 million (850) and the CAPEX-to-sales ratio decreased to 17.8 percent (22.0). CAPEX, excluding licenses and spectrum fees, amounted to SEK 782 million (850) and the CAPEX-to-sales ratio to 17.6 percent (22.0). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, improved to SEK 1,467 million (1,118).

	Jan-Mar 2012	Jan-Mar 2011	Chg (%)	Jan-Dec 2011
<b>SEK in millions, except changes</b>				
Net sales	4,445	3,863	15	17,330
of which Kazakhstan	1,888	1,777	6	7,913
of which Azerbaijan	938	798	18	3,449
of which Uzbekistan	462	398	16	1,738
of which Tajikistan	207	177	17	834
of which Georgia	222	212	5	926
of which Moldova	119	107	11	518
of which Nepal	613	398	54	1,960

<b>Net sales in local currencies and excluding acquisitions</b>	<b>Jan-Mar</b>
Change (%), total	13.2
Change (%), Kazakhstan	3.2
Change (%), Azerbaijan	11.0
Change (%), Uzbekistan	21.7
Change (%), Tajikistan	21.6
Change (%), Georgia	-4.3
Change (%), Moldova	4.5
Change (%), Nepal	63.9

#### **Associated companies – Russia**

- MegaFon (associated company, in which TeliaSonera holds 43.8 percent) in Russia reported a subscription base of 63.1 million, an increase of 6.0 million compared to the corresponding period last year and 0.6 million higher than the previous quarter.
- TeliaSonera's income from Russia decreased to SEK 673 million (1,094). One time effects related to MegaFon financial items and taxes had a negative impact of SEK 264 million. The Russian ruble appreciated 0.7 percent against the Swedish krona which had a positive impact of SEK 5 million.

#### **Associated companies – Turkey**

- Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey reported a subscription base of 34.5 million, an increase of 1.0 million compared to the corresponding period last year and 0.1 million higher than the previous quarter. In Ukraine, the number of subscriptions increased by 0.6 million to 9.7 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 351 million (509). Write-downs and currency effects in Turkcell's operation in Belarus had a negative impact of approximately SEK 250 million. The Turkish lira depreciated 20.2 percent against the Swedish krona, which had a negative impact of SEK 89 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.*

	Jan-Mar	Jan-Mar	Chg	Jan-Dec
SEK in millions, except changes	2012	2011	(%)	2011
Net sales	979	921	6	3,992
EBITDA excl. non-recurring items	92	68	35	258
Income from associated companies	-18	-7	-157	-115
Operating income	-82	-110	25	-541
Operating income excl. non-recurring items	-75	-92	18	-406
CAPEX	166	132	26	657

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

- **Net sales** in local currencies and excluding acquisitions increased 7.7 percent. In reported currency, net sales increased 6.3 percent to SEK 979 million (921).
- **EBITDA**, excluding non-recurring items, increased to SEK 92 million (68) in reported currency.

Stockholm, April 19, 2012

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 April 19, 2012.

*Financial Information*

Interim Report January–June 2012	July 18, 2012
Interim Report January–September 2012	October 17, 2012
Year-end Report January–December 2012	January 31, 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

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*Definitions*

Addressable cost base: Comprises personnel costs, marketing costs and all other operating expenses other than purchases of goods and sub-contractor services, and interconnect, roaming and other network-related costs.

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>Jan-Mar 2012</b>	<b>Jan-Mar 2011<sup>1)</sup></b>	<b>Chg (%)</b>	<b>Jan-Dec 2011<sup>1)</sup></b>
Net sales	25,693	24,835	3	104,804
Cost of sales	-14,285	-13,136	9	-57,414
<b>Gross profit</b>	<b>11,408</b>	<b>11,699</b>	<b>-2</b>	<b>47,390</b>
Selling, admin. and R&D expenses	-5,996	-6,307	-5	-24,232
Other operating income and expenses, net	82	262	-69	760
Income from associated companies and joint ventures	1,033	1,619	-36	5,708
<b>Operating income</b>	<b>6,527</b>	<b>7,273</b>	<b>-10</b>	<b>29,626</b>
Finance costs and other financial items, net	-1,111	-602	85	-2,848
<b>Income after financial items</b>	<b>5,416</b>	<b>6,671</b>	<b>-19</b>	<b>26,778</b>
Income taxes	-1,115	-1,431	-22	-5,706
<b>Net income</b>	<b>4,301</b>	<b>5,240</b>	<b>-18</b>	<b>21,072</b>
Foreign currency translation differences	228	-3,822	-106	-5,339
Income from associated companies	-197	-35	-	88
Cash flow hedges	64	61	-	-118
Available-for-sale financial instruments	1	-	-	-1
Income taxes relating to other comprehensive income	-166	-10	-	5
<b>Other comprehensive income</b>	<b>-70</b>	<b>-3,806</b>	<b>-98</b>	<b>-5,365</b>
<b>Total comprehensive income</b>	<b>4,231</b>	<b>1,434</b>		<b>15,707</b>
Net income attributable to:				
Owners of the parent	3,908	4,646	-16	18,341
Non-controlling interests	393	594	-34	2,731
Total comprehensive income attributable to:				
Owners of the parent	3,613	1,154		13,096
Non-controlling interests	617	280		2,611
Earnings per share (SEK), basic and diluted	0.90	1.04		4.20
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	4,479,766		4,366,992
Number of treasury shares (thousands)				
Outstanding at period-end	-	160,372		-
Weighted average	-	10,691		50,528
EBITDA	8,712	8,919		37,180
EBITDA excl. non-recurring items	8,824	8,890		37,222
Depreciation, amortization and impairment losses	-3,217	-3,265		-13,263
Operating income excl. non-recurring items	6,641	7,258		29,795

1) Certain restatements have been made, see page 18-21.



## Condensed Consolidated Statements of Financial Position

SEK in millions	Mar 31, 2012	Dec 31, 2011 <sup>1)</sup>
<b>Assets</b>		
Goodwill and other intangible assets	91,095	92,017
Property, plant and equipment	60,997	61,291
Investments in associates and joint ventures, deferred tax assets and other non-current assets	66,172	63,979
<i>Total non-current assets</i>	<i>218,264</i>	<i>217,287</i>
Inventories	1,599	1,475
Trade receivables, current tax assets and other receivables	20,908	21,151
Interest-bearing receivables	1,299	1,453
Cash and cash equivalents	18,884	12,631
<i>Total current assets</i>	<i>42,690</i>	<i>36,710</i>
<b>Total assets</b>	<b>260,954</b>	<b>253,997</b>
<b>Equity and liabilities</b>		
Equity attributable to owners of the parent	111,408	116,680
Equity attributable to non-controlling interests	4,678	7,353
<i>Total equity</i>	<i>116,086</i>	<i>124,033</i>
Long-term borrowings	73,039	68,108
Deferred tax liabilities, other long-term provisions	24,328	24,163
Other long-term liabilities	1,256	1,409
<i>Total non-current liabilities</i>	<i>98,623</i>	<i>93,680</i>
Short-term borrowings	22,018	11,734
Trade payables, current tax liabilities, short-term provisions and other current liabilities	24,227	24,550
<i>Total current liabilities</i>	<i>46,245</i>	<i>36,284</i>
<b>Total equity and liabilities</b>	<b>260,954</b>	<b>253,997</b>

1) Certain restatements have been made, see page 18-21.

## Condensed Consolidated Statements of Cash Flows

SEK in millions	Jan-Mar 2012	Jan-Mar 2011 <sup>1)</sup>	Jan-Dec 2011 <sup>1)</sup>
Cash flow before change in working capital	6,452	5,766	28,732
Change in working capital	-1,194	-581	-1,782
<b>Cash flow from operating activities</b>	<b>5,258</b>	<b>5,185</b>	<b>26,950</b>
Cash CAPEX	-3,065	-2,538	-17,535
<b>Free cash flow</b>	<b>2,193</b>	<b>2,647</b>	<b>9,415</b>
Cash flow from other investing activities	-347	516	1,568
<b>Total cash flow from investing activities</b>	<b>-3,412</b>	<b>-2,022</b>	<b>-15,967</b>
<b>Cash flow before financing activities</b>	<b>1,846</b>	<b>3,163</b>	<b>10,983</b>
<b>Cash flow from financing activities</b>	<b>4,444</b>	<b>7,192</b>	<b>-13,295</b>
<b>Cash flow for the period</b>	<b>6,290</b>	<b>10,355</b>	<b>-2,312</b>
<b>Cash and cash equivalents, opening balance</b>	<b>12,631</b>	<b>15,344</b>	<b>15,344</b>
Change in accounting principle	-	25	25
Cash flow for the period	6,290	10,355	-2,312
Exchange rate differences	-37	-52	-426
<b>Cash and cash equivalents, closing balance</b>	<b>18,884</b>	<b>25,672</b>	<b>12,631</b>

1) Certain restatements have been made, see page 18-21.

## Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Mar 2012			Jan-Mar 2011		
	Owners of the parent	Non-controlling interests	Total equity	Owners of the parent	Non-controlling interests	Total equity
Opening balance	116,680	7,353	<b>124,033</b>	125,907	6,758	<b>132,665</b>
Adjustment of opening balance related to Turkcell (inflation accounting in Belarus)	110	–	<b>110</b>	–	–	–
Dividends	–	-1,775	<b>-1,775</b>	–	-601	<b>-601</b>
Business combinations	–	17	<b>17</b>	–	–	–
Repurchased treasury shares	–	–	–	-9,981	–	<b>-9,981</b>
Acquisition of non-controlling interest	-8,997	-1,534	<b>-10,531</b>	–	–	–
Other transactions with owners	–	–	–	–	11	<b>11</b>
Total comprehensive income	3,613	617	<b>4,230</b>	1,154	280	<b>1,434</b>
Share-based payments	2	–	<b>2</b>	2	–	<b>2</b>
<b>Closing balance</b>	<b>111,408</b>	<b>4,678</b>	<b>116,086</b>	<b>117,082</b>	<b>6,448</b>	<b>123,530</b>

### Basis of Preparation

*General.* As in the annual accounts for 2011, TeliaSonera's consolidated financial statements as of and for the three-month period ended March 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 Accounts Act as well as standard RFR 2 *Accounting for Legal Entities* and other statements issued by the Swedish Financial Reporting Board. This report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The accounting policies adopted are consistent with those of the previous financial year, except as described below.

*Change of accounting principle and correction of prior period classification errors.* TeliaSonera has changed the accounting principle for joint ventures (JVs) from the equity method to proportionate consolidation. The change of accounting principle is expected to improve the information and better reflect the substance and economic reality of the joint ventures. The major part of JVs held by TeliaSonera will be classified as joint operations according to the recently issued IFRS 11 *Joint Arrangements*. The equity method will not be allowed for joint operations but instead a venture shall recognize its share of the assets, liabilities, revenues and expenses of the joint operation. IFRS 11 is not yet adopted by EU. The proportionate consolidation method is not described in detail in current IFRSs but, similar to the method described in IFRS 11, TeliaSonera has included its share line by line of the assets, liabilities, revenues, expenses of the joint ventures. Previously TeliaSonera only recognized its share of the net income of joint ventures on a separate line. The change will have no impact of the net income. Comparative information for prior periods has been adjusted/restated and refers to business area Mobility Services.

Further in this report, prior periods have been restated to reflect the discovery of certain classification errors, referring to certain equipment sales in business area Mobility Services.

The combined effects on the consolidated statements of comprehensive income from the change of accounting principle for joint operations and the corrections were as follows.

<b>Condensed Consolidated Statements of Comprehensive Income</b>						
<b>SEK in millions</b>	<b>Jan-Mar 2011</b>			<b>Apr-Jun 2011</b>		
	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>
Net sales	24,725	24,835	110	25,894	26,003	109
Cost of sales	-13,046	-13,136	-90	-14,260	-14,356	-96
<b>Gross profit</b>	<b>11,679</b>	<b>11,699</b>	<b>20</b>	<b>11,634</b>	<b>11,647</b>	<b>13</b>
Selling, admin. and R&D expenses	-6,307	-6,307	–	-5,942	-5,942	–
Other items, net	1,890	1,881	-9	745	743	-2
<b>Operating income</b>	<b>7,262</b>	<b>7,273</b>	<b>11</b>	<b>6,437</b>	<b>6,448</b>	<b>11</b>
Finance costs and other financial items, net	-593	-602	-9	-575	-584	-9
<b>Income after financial items</b>	<b>6,669</b>	<b>6,671</b>	<b>2</b>	<b>5,862</b>	<b>5,864</b>	<b>2</b>
Income taxes	-1,429	-1,431	-2	-1,322	-1,324	-2
<b>Net income</b>	<b>5,240</b>	<b>5,240</b>	<b>–</b>	<b>4,540</b>	<b>4,540</b>	<b>–</b>

<b>Condensed Consolidated Statements of Comprehensive Income</b>						
<b>SEK in millions</b>	<b>Jul-Sep 2011</b>			<b>Oct-Dec 2011</b>		
	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>
Net sales	26,612	26,707	95	27,123	27,259	136
Cost of sales	-14,507	-14,583	-76	-15,222	-15,339	-117
<b>Gross profit</b>	<b>12,105</b>	<b>12,124</b>	<b>19</b>	<b>11,901</b>	<b>11,920</b>	<b>19</b>
Selling, admin. and R&D expenses	-5,684	-5,684	–	-6,299	-6,299	–
Other items, net	1,620	1,618	-2	2,225	2,226	1
<b>Operating income</b>	<b>8,041</b>	<b>8,058</b>	<b>17</b>	<b>7,827</b>	<b>7,847</b>	<b>20</b>
Finance costs and other financial items, net	-790	-807	-17	-835	-855	-20
<b>Income after financial items</b>	<b>7,251</b>	<b>7,251</b>	<b>–</b>	<b>6,992</b>	<b>6,992</b>	<b>–</b>
Income taxes	-1,633	-1,633	–	-1,318	-1,318	–
<b>Net income</b>	<b>5,618</b>	<b>5,618</b>	<b>–</b>	<b>5,674</b>	<b>5,674</b>	<b>–</b>

<b>Condensed Consolidated Statements of Comprehensive Income</b>						
<b>SEK in millions</b>	<b>Jan-Dec 2011</b>			<b>Jan-Dec 2010</b>		
	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>	<b>Reported</b>	<b>Restated</b>	<b>Chg</b>
Net sales	104,354	104,804	450	106,979	107,287	308
Cost of sales	-57,035	-57,414	-379	-57,691	-57,911	-220
<b>Gross profit</b>	<b>47,319</b>	<b>47,390</b>	<b>71</b>	<b>49,288</b>	<b>49,376</b>	<b>88</b>
Selling, admin. and R&D expenses	-24,232	-24,232	–	-25,684	-25,684	–
Other items, net	6,480	6,468	-12	8,399	8,233	-166
<b>Operating income</b>	<b>29,567</b>	<b>29,626</b>	<b>59</b>	<b>32,003</b>	<b>31,925</b>	<b>-78</b>
Finance costs and other financial items, net	-2,793	-2,848	-55	-2,067	-2,085	-18
<b>Income after financial items</b>	<b>26,774</b>	<b>26,778</b>	<b>4</b>	<b>29,936</b>	<b>29,840</b>	<b>-96</b>
Income taxes	-5,702	-5,706	-4	-6,374	-6,278	96
<b>Net income</b>	<b>21,072</b>	<b>21,072</b>	<b>–</b>	<b>23,562</b>	<b>23,562</b>	<b>–</b>

The separate effects from the change of accounting principle for joint ventures were as follows.

<b>Condensed Consolidated Statements of Comprehensive Income</b>					
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec
SEK in millions	2011	2011	2011	2011	2011
Net sales	-31	-31	-19	-32	-113
Cost of sales	51	44	38	51	184
<b>Gross profit</b>	<b>20</b>	<b>13</b>	<b>19</b>	<b>19</b>	<b>71</b>
Income from associated companies and joint ventures	-8	-1	-1	2	-8
Other items, net	-1	-1	-1	-1	-4
<b>Operating income</b>	<b>11</b>	<b>11</b>	<b>17</b>	<b>20</b>	<b>59</b>
Finance costs and other financial items, net	-9	-9	-17	-20	-55
<b>Income after financial items</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>4</b>
Income taxes	-2	-2	-	-	-4
<b>Net income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Condensed Consolidated Statements of Financial Position</b>					
	Mar 31,	Jun 30,	Sep 30,	Dec 31,	Dec 31,
SEK in millions	2011	2011	2011	2011	2010
<b>Assets</b>					
Goodwill and other intangible assets	111	107	104	102	113
Property, plant and equipment	1,765	1,754	1,704	1,711	1,798
Investments in associates and joint ventures, deferred tax assets and other non-current assets	-538	-541	-1,766	-1,764	-526
<i>Total non-current assets</i>	<i>1,338</i>	<i>1,320</i>	<i>42</i>	<i>49</i>	<i>1,386</i>
Trade receivables, current tax assets and other receivables	87	85	96	116	91
Interest-bearing receivables	-200	-200	-85	-80	-200
Cash and cash equivalents	12	24	7	31	25
<i>Total current assets</i>	<i>-101</i>	<i>-91</i>	<i>18</i>	<i>67</i>	<i>-84</i>
<b>Total assets</b>	<b>1,237</b>	<b>1,229</b>	<b>60</b>	<b>116</b>	<b>1,302</b>
<b>Equity and liabilities</b>					
Short-term borrowings	1,188	1,173	-	-	1,260
Trade payables, current tax liabilities, short-term provisions and other current liabilities	49	56	60	116	42
<i>Total current liabilities</i>	<i>1,237</i>	<i>1,229</i>	<i>60</i>	<i>116</i>	<i>1,302</i>
<b>Total equity and liabilities</b>	<b>1,237</b>	<b>1,229</b>	<b>60</b>	<b>116</b>	<b>1,302</b>

<b>Condensed Consolidated Statements of Cash Flows</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>
Cash flow before change in working capital	70	67	-316	56	-123
Change in working capital	13	8	-8	37	50
<b>Cash flow from operating activities</b>	<b>83</b>	<b>75</b>	<b>-324</b>	<b>93</b>	<b>-73</b>
Cash CAPEX	-23	-48	-6	-64	-141
<b>Free cash flow</b>	<b>60</b>	<b>27</b>	<b>-330</b>	<b>29</b>	<b>-214</b>
Cash flow from other investing activities	–	–	1,485	-5	1,480
<b>Total cash flow from investing activities</b>	<b>-23</b>	<b>-48</b>	<b>1,479</b>	<b>-69</b>	<b>1,339</b>
<b>Cash flow before financing activities</b>	<b>60</b>	<b>27</b>	<b>1,155</b>	<b>24</b>	<b>1,266</b>
<b>Cash flow from financing activities</b>	<b>-73</b>	<b>-15</b>	<b>-1,172</b>	<b>0</b>	<b>-1,260</b>
<b>Cash flow for the period</b>	<b>-13</b>	<b>12</b>	<b>-17</b>	<b>24</b>	<b>6</b>
<b>Cash and cash equivalents, opening balance</b>	<b>25</b>	<b>12</b>	<b>24</b>	<b>7</b>	<b>25</b>
Cash flow for the period	-13	12	-17	24	6
<b>Cash and cash equivalents, closing balance</b>	<b>12</b>	<b>24</b>	<b>7</b>	<b>31</b>	<b>31</b>

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

## Non-recurring Items

	<b>Jan-Mar</b>	<b>Jan-Mar</b>	<b>Jan-Dec</b>
<b>SEK in millions</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
<b>Within EBITDA</b>	<b>-112</b>	<b>29</b>	<b>-41</b>
Restructuring charges, synergy implementation costs, etc.:			
Mobility Services	–	-3	-221
Broadband Services	-29	-11	-575
Eurasia	-76	-4	-19
Other operations	-7	-18	-177
<i>of which TeliaSonera Holding</i>	–	–	28
Capital gains/losses:			
Other entities	–	65	951
<b>Within Depreciation, amortization and impairment losses</b>	<b>-1</b>	<b>-14</b>	<b>-66</b>
Impairment losses, accelerated depreciation:			
Broadband Services	-1	-14	-66
<b>Within Income from associated companies and joint ventures</b>	<b>–</b>	<b>–</b>	<b>-63</b>
Impairment losses	–	–	-63
<b>Within Finance costs and other financial items, net</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>-113</b>	<b>15</b>	<b>-170</b>

## Deferred Taxes

	<b>Mar 31,</b>	<b>Dec 31,</b>
<b>SEK in millions</b>	<b>2012</b>	<b>2011</b>
Deferred tax assets	7,923	8,164
Deferred tax liabilities	-13,725	-13,437
<b>Net deferred tax liabilities (-)/assets (+)</b>	<b>-5,802</b>	<b>-5,273</b>

## Segment and Group Operating Income

	Jan-Mar 2012	Jan-Mar 2011 <sup>1)</sup>	Jan-Dec 2011 <sup>1)</sup>
<b>SEK in millions</b>			
Mobility Services	2,569	2,620	11,122
Broadband Services	1,587	1,861	6,582
Eurasia	2,453	2,898	12,499
Other operations	-82	-110	-541
<b>Total segments</b>	<b>6,527</b>	<b>7,269</b>	<b>29,662</b>
Elimination of inter-segment profits	-	4	-36
<b>Group</b>	<b>6,527</b>	<b>7,273</b>	<b>29,626</b>

1) Certain restatements have been made, see page 18-21.

## Investments

	Jan-Mar 2012	Jan-Mar 2011 <sup>1)</sup>	Jan-Dec 2011 <sup>1)</sup>
<b>SEK in millions</b>			
<b>CAPEX</b>	<b>3,175</b>	<b>3,731</b>	<b>17,384</b>
Intangible assets	415	1,421	4,762
Property, plant and equipment	2,760	2,310	12,622
<b>Acquisitions and other investments</b>	<b>150</b>	<b>104</b>	<b>672</b>
Asset retirement obligations	94	104	323
Goodwill and fair value adjustments	55	-	112
Equity holdings	1	0	237
<b>Total</b>	<b>3,325</b>	<b>3,835</b>	<b>18,056</b>

1) Certain restatements have been made, see page 18-21.

## Net Debt

	Mar 31, 2012	Dec 31, 2011
<b>SEK in millions</b>		
Long-term and short-term borrowings	95,057	79,842
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings	-1,801	-2,085
Less short-term investments, cash and bank	-19,144	-12,709
<b>Net debt</b>	<b>74,112</b>	<b>65,048</b>

## Loan Financing and Credit Rating

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

In January 2012, Standard & Poor's confirmed its credit rating on TeliaSonera AB of A- for long-term borrowings and A-2 for short-term borrowings with a stable outlook. Since December 2011, Moody's outlook is negative for its credit rating on TeliaSonera AB of A3 for long-term borrowings and P-2 for short-term borrowings.

The two LTRO (Long-term refinancing operations) from ECB have created ample liquidity conditions chasing investments with significant tightening of credit spreads as an effect. On the back of favorable credit market conditions, TeliaSonera issued a EUR 750 million twelve-year benchmark Eurobond in February to very attractive levels, the first twelve-year EUR corporate benchmark transaction since spring 2011. TeliaSonera will continue throughout the year to keep a close watch on the markets to take advantage of attractive funding opportunities.

Financial markets and credit markets in general are expected to remain event-driven and volatile and heavily influenced by politics. The LTRO effect is projected to subside during the year, but technical factors will remain strong and favorable for issuers for some time.

The Swedish krona traded in a range during the quarter and ended on a strengthening trend. The outlook for SEK is uncertain but with the Riksbank reluctant to cut the repo rate and SEK increasingly regarded as a safe haven the case for a stronger currency increases.

## Financial Key Ratios

	Mar 31, 2012	Dec 31, 2011
Return on equity (% , rolling 12 months)	17.8	16.8
Return on capital employed (% , rolling 12 months)	15.9	16.4
Equity/assets ratio (%)	38.6	44.0
Net debt/equity ratio (%)	73.6	58.2
Net debt/EBITDA rate (multiple, rolling 12 months)	2.01	1.75
Owners' equity per share (SEK)	25.73	26.95

## Business Combinations

For a minor business combination in the first quarter of 2012, the cost of combination totaled SEK 99 million and the net cash outflow SEK 108 million. Goodwill was SEK 55 million, allocated to business area Broadband Services. Goodwill is explained by strengthened market positions. The total cost of combination and fair values were determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

## Guarantees and Collateral Pledged

As of March 31, 2012, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 305 million, of which SEK 273 million referred to guarantees for pension obligations. Collateral pledged totaled SEK 251 million.

## Contractual Obligations and Commitments

As of March 31, 2012, contractual obligations totaled SEK 737 million, of which SEK 600 million referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

## Parent Company

<b>Condensed Income Statements (SEK in millions)</b>	<b>Jan-Mar 2012</b>	<b>Jan-Mar 2011</b>	<b>Jan-Dec 2011</b>
Net sales	7	10	30
Operating income	40	-1,388	-1,616
Income after financial items	1,529	996	11,034
Income before taxes	1,614	1,975	10,972
Net income	1,179	1,529	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.

<b>Condensed Balance Sheets (SEK in millions)</b>	<b>Mar 31, 2012</b>	<b>Dec 31, 2011</b>
Non-current assets	188,064	177,648
Current assets	42,532	43,661
<b>Total assets</b>	<b>230,596</b>	<b>221,309</b>
Shareholders' equity	83,075	81,848
Untaxed reserves	13,186	13,271
Provisions	570	570
Liabilities	133,765	125,620
<b>Total equity and liabilities</b>	<b>230,596</b>	<b>221,309</b>

Total investments in the period were SEK 10,327 million (4,015), of which SEK 10,221 million referred to shareholder contributions to subsidiaries.

## Risks and Uncertainties

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

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

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



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

- *World economy changes.* Changes in the global financial markets and the world economy are difficult to predict. TeliaSonera has a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe or long-term recession in the countries in which TeliaSonera operates would have an impact on its customers and may have a negative impact on its growth and results of operations through reduced telecom spending. The maturity schedule of TeliaSonera's loan portfolio is aimed to be evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed lines of credit with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, TeliaSonera's cost of funding might be higher, should there be changes in the global financial markets or the world economy.
- *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.
- *Associated companies.* A significant portion of TeliaSonera's results derives from MegaFon and Turkcell, which TeliaSonera does not control and which operate in growth markets but also in more volatile political, economic and legal environments. Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.
- *Acquisitions.* TeliaSonera has made a number of targeted acquisitions in accordance with its strategy. The efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, are significant for the results of operations both in the long and short term.
- *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.

## **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.