

TeliaSonera January-June 2012

MegaFon transaction improves free cash flow

Second quarter

- Net sales in local currencies and excluding acquisitions were unchanged. In reported currency, net sales increased 1.1 percent to SEK 26,294 million (26,003).
- The addressable cost base in local currencies and excluding acquisitions decreased 0.8 percent. In reported currency, the addressable cost base decreased 1.2 percent to SEK 7,679 million (7,771).
- EBITDA, excluding non-recurring items, decreased 3.5 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, fell 2.0 percent to SEK 9,006 million (9,186) and the margin decreased to 34.3 percent (35.3).
- Operating income, excluding non-recurring items, decreased 6.1 percent to SEK 6,561 million (6,985).
- Net income attributable to owners of the parent company increased 10.0 percent to SEK 4,247 million (3,860) and earnings per share to SEK 0.98 (0.89). Net income includes a net capital gain of SEK 3,013 million from MegaFon and impairment charges of SEK 3,070 million within Mobility Services.
- Free cash flow increased to SEK 14,788 million (1,440) and was positively impacted by dividend from MegaFon of SEK 11,726 million net of taxes.
- During the quarter the number of subscriptions increased by 1.4 million in the consolidated companies and by 0.8 million in the associated companies. The total number of subscriptions was 174.6 million.
- Group outlook for 2012 is revised. Growth in net sales in local currencies and excluding acquisitions is expected to be within the range of 0-1 percent. EBITDA margin, excluding non-recurring items, is expected to be around 35 percent.

First half

- Net sales in local currencies and excluding acquisitions increased 1.5 percent. In reported currency, net sales increased 2.3 percent to SEK 51,987 million (50,838).
- Net income attributable to owners of the parent company decreased 4.1 percent to SEK 8,155 million (8,506) and earnings per share to SEK 1.88 (1.93).
- Free cash flow increased to SEK 16,981 million (4,087).

Financial highlights

SEK in millions, except key ratios, per share data and changes	Apr-Jun 2012	Apr-Jun 2011	Chg (%)	Jan-Jun 2012	Jan-Jun 2011	Chg (%)
Net sales	26,294	26,003	1	51,987	50,838	2
Addressable cost base ^{1, 2)}	7,679	7,771	-1	15,119	15,343	-1
EBITDA ²⁾ excl. non-recurring items ³⁾	9,006	9,186	-2	17,830	18,076	-1
Margin (%)	34.3	35.3		34.3	35.6	
Operating income	6,320	6,448	-2	12,847	13,721	-6
Operating income excl. non-recurring items	6,561	6,985	-6	13,202	14,243	-7
Net income	4,527	4,540	0	8,828	9,780	-10
of which attributable to owners of the parent	4,247	3,860	10	8,155	8,506	-4
Earnings per share (SEK)	0.98	0.89	10	1.88	1.93	-3
Return on equity (%), rolling 12 months)	18.0	17.5		18.0	17.5	
CAPEX-to-sales (%)	17.0	15.0		14.7	15.0	
Free cash flow	14,788	1,440		16,981	4,087	

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

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

Comments by Lars Nyberg, President and CEO

“Revenues in local currencies in the second quarter were largely unchanged compared to the same quarter a year ago. While trends within Broadband Services and Eurasia have been broadly stable, Mobility Services experienced a slower growth in service revenues and equipment sales. Mobility Sweden delivered growth for the 22nd consecutive quarter albeit at a lower rate, while growth in Yoigo in Spain slowed down despite further market share gains.

In Broadband Services, we see a continued strong demand for our fiber offerings, as four out of ten households in Sweden being offered our services sign up for them. In the first half of 2012, we have improved our internal processes and hired additional resources and are now ready to expand our fiber offerings to new customers.

It is satisfying to see that our growth engine Eurasia continues to deliver double-digit growth and that all countries are contributing. Given the rapid growth in subscriptions in countries such as Nepal, we have reduced our dependency on one single market. Kcell in Kazakhstan today represents 30 percent of our subscription base in the region, down from 50 percent five years ago.

In April, an important milestone was met as TeliaSonera, AF Telecom and Altimo resolved the governance disputes in MegaFon. As a result, we received a one-time dividend of SEK 12.4 billion in the second quarter. With a total investment of a mere SEK 1.2 billion since the company’s inception in 1994, our engagement in MegaFon is a true success story. Unfortunately, the dead-lock situation in Turkcell remains. We regret the postponement of the Annual General Meeting and we have provided our full support to distributing dividends as well as adding more independent members to the Board of Directors.

Customer behavior is rapidly changing in our industry. This requires that operators change their business models from being voice to data centric, where new ways of packaging offers and charging customers based on data usage rather than voice minutes are being introduced. TeliaSonera will be a leader in creating offers based on data that are attractive to customers, while providing the revenues needed for future, mainly data driven, investments. Our initiative to drive down international data roaming prices, which recently expanded to the US and Croatia, and our premium partnership with service providers such as Spotify, now available throughout the Nordics, are good examples of the future direction.

As connectivity becomes an increasingly fundamental part of society and people’s everyday lives, questions relating to the use of technology, privacy and freedom of expression become increasingly important. During the quarter TeliaSonera launched a program to further strengthen our focus and actions in this important area. At the same time we are one of the initiators of a dialogue involving eleven industry leaders that are formulating common principles to address these issues.

In light of the industry transition described above, operators including TeliaSonera, need to change their business models, address their structural cost base and review their way of working to secure future profitability. Based on the results for the first six months, we revise our outlook for 2012 and expect revenues in local currencies to be more or less unchanged and the EBITDA margin to be slightly lower compared to last year.”

Group outlook for 2012 (revised)

The growth in net sales in local currencies and excluding acquisitions is expected to be within the range of 0-1 percent (January-June 2012: 1.5 percent). Currency fluctuations may have a material impact on reported figures in Swedish krona.

The EBITDA margin, excluding non-recurring items, is expected to be around 35 percent (January-June 2012: 34.3 percent).

The CAPEX-to-sales ratio is expected to be approximately 13-14 percent, excluding license and spectrum fees (January-June 2012: 14.2 percent).

Please refer to page 28 for the previous Group outlook for 2012 (published on February 2, 2012)

Review of the Group, second quarter 2012

Net sales in local currencies and excluding acquisitions were unchanged. In reported currency, net sales increased 1.1 percent to SEK 26,294 million (26,003). The positive effect of exchange rate fluctuations was 1.0 percent.

In Mobility Services, net sales in local currencies and excluding acquisitions decreased 2.1 percent. Net sales in reported currency decreased 2.3 percent to SEK 12,581 million (12,879).

In Broadband Services, net sales in local currencies and excluding acquisitions decreased 1.0 percent. Net sales in reported currency decreased 0.8 percent to SEK 9,086 million (9,155).

In Eurasia, net sales in local currencies and excluding acquisitions increased 12.2 percent. Net sales in reported currency increased 18.9 percent to SEK 4,930 million (4,145).

The number of subscriptions increased by 15.2 million from the end of the second quarter 2011 to 174.6 million, of which 6.4 million to 65.5 million in the consolidated companies and 8.8 million to 109.1 million in the associated companies. During the second quarter, the total number of subscriptions increased by 1.4 million in the consolidated companies and by 0.8 million in the associated companies.

The addressable cost base in local currencies and excluding acquisitions decreased 0.8 percent. In reported currency, the addressable cost base decreased 1.2 percent to SEK 7,679 million (7,771).

EBITDA, excluding non-recurring items, decreased 3.5 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 2.0 percent to SEK 9,006 million (9,186). The EBITDA margin decreased to 34.3 percent (35.3).

Operating income, excluding non-recurring items, decreased 6.1 percent to SEK 6,561 million (6,985).

Non-recurring items affecting operating income totaled SEK -242 million (-537), mainly related to the sale of shares in MegaFon which resulted in a net capital gain of SEK 3,013 million and impairment charges in Mobility Services Norway and Lithuania of SEK 3,070 million.

Financial items totaled SEK -971 million (-584) of which SEK -737 million (-551) related to net interest expenses. The increase in net interest expenses is mainly a result of an increase in gross debt to SEK 85.7 billion (75.3). Other net financial items relate to foreign exchange rate effects, mainly in the Eurasian currencies.

Income taxes decreased to SEK 822 million (1,324). The effective tax rate was 15.4 percent (22.6). The decrease is mainly a result of the MegaFon transaction whereby the company disposed part of its shareholding and consolidated the majority of the remaining ownership to the Netherlands. The disposal of the shares resulted in a tax exempt capital gain. As TeliaSonera's MegaFon shares will be held directly by Sonera Holding BV this will have a positive impact on the withholding taxes. The positive tax effect has been partly offset against the non-tax deductible goodwill impairment charges made in Norway and Lithuania. Excluding the effect from MegaFon and the impairment charges, the effective tax rate would have been 24.2 percent.

Non-controlling interests in subsidiaries decreased to SEK 280 million (680), of which SEK 217 million (607) was related to the operations in Eurasia and SEK 52 million (63) to LMT and TEO.

Net income attributable to owners of the parent company increased 10.0 percent to SEK 4,247 million (3,860) and earnings per share to SEK 0.98 (0.89).

CAPEX increased to SEK 4,457 million (3,897) and the CAPEX-to-sales ratio to 17.0 percent (15.0). CAPEX for licenses and spectrum amounted to SEK 209 million (401), mainly relating to Mobility Services Denmark and Azerbaijan. The CAPEX-to-sales ratio, excluding licenses and spectrum fees, was 16.2 percent (13.4).

Free cash flow increased to SEK 14,788 million (1,440) and was positively impacted by the dividend from MegaFon of SEK 11,726 million net of taxes. Excluding the effect from MegaFon, free cash flow increased to SEK 3,062 million, mainly due to changes in working capital and cash CAPEX.

Net debt was SEK 73,758 million at the end of the second quarter (74,112 at the end of the first quarter of 2012). The net debt/EBITDA ratio was 2.00 (2.01 at the end of the first quarter of 2012).

The equity/assets ratio was 41.2 percent (38.6 percent at the end of the first quarter of 2012).

Review of the Group, first half 2012

Net sales in local currencies and excluding acquisitions increased 1.5 percent. In reported currency, net sales increased 2.3 percent to SEK 51,987 million (50,838). The positive effect of exchange rate fluctuations was 0.8 percent.

The addressable cost base in local currencies and excluding acquisitions decreased 2.0 percent. In reported currency, the addressable cost base decreased 1.5 percent to SEK 15,119 million (15,343).

EBITDA, excluding non-recurring items, decreased 2.5 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 1.4 percent to SEK 17,830 million (18,076). The EBITDA margin, excluding non-recurring items, decreased to 34.3 percent (35.6).

Operating income, excluding non-recurring items, decreased 7.3 percent to SEK 13,202 million (14,243).

Non-recurring items affecting operating income totaled SEK -355 million (-522), mainly related to the sale of shares in MegaFon which resulted in a net capital gain of SEK 3,013 million and impairment charges in Mobility Services Norway and Lithuania of SEK 3,070 million.

Financial items totaled SEK -2,082 million (-1,186) of which SEK -1,606 million (-1,082) related to net interest expenses. The increase in net interest expenses is mainly a result of an increase in gross debt. Other financial items was negatively impacted by foreign exchange rate effects in Eurasian currencies and a non-recurring currency effect of SEK 117 million related to the acquisition of Kcell.

Income taxes decreased to SEK 1,937 million (2,755). The effective tax rate decreased to 18.0 percent (22.0). The low income taxes were mainly impacted by the MegaFon transaction offset against the goodwill impairment charges in the second quarter of 2012. Excluding the MegaFon transaction and the impairment charges, the effective tax rate would have been 22.5 percent.

Non-controlling interests in subsidiaries decreased to SEK 673 million (1,274), of which SEK 546 million (1,129) was related to the operations in Eurasia and SEK 108 million (125) to LMT and TEO.

Net income attributable to owners of the parent company decreased 4.1 percent to SEK 8,155 million (8,506) and earnings per share decreased to SEK 1.88 (1.93).

CAPEX was flat at SEK 7,632 million (7,628) and the CAPEX-to-sales ratio decreased to 14.7 percent (15.0). CAPEX for licenses and spectrum amounted to SEK 227 million (1,338), mainly relating to Mobility Services Denmark and Azerbaijan. The CAPEX-to-sales ratio, excluding license and spectrum fees, amounted to 14.2 percent (12.4) in the first half of 2012.

Free cash flow increased to SEK 16,981 million (4,087) due to dividend from MegaFon, changes in working capital and lower income taxes. Excluding the effect from MegaFon, free cash flow increased to SEK 5,255 million, mainly due to changes in working capital and lower paid income taxes.

Significant events in the second quarter

- On April 2, 2012, TeliaSonera announced that Robert Andersson had been appointed President and Chief Executive Officer of Sonera in Finland and member of TeliaSonera Group Management.
- On April 5, 2012, TeliaSonera announced that it had sold its 18.6 percent stake in Smart Mobile, Cambodia, and had entered into an agreement in order to further increase its ownership in Ncell, Nepal.
- On April 24, 2012, TeliaSonera announced that MegaFon's shareholders, TeliaSonera, AF Telecom and Altimo had resolved the governance disputes and agreed that the company would pay a dividend of USD 5.15 billion and pursue an Initial Public Offering (IPO). The parties had also agreed that AF Telecom would get majority control in MegaFon, Altimo exit and TeliaSonera reduce its ownership whilst keeping a long term strategic ownership of 25 percent plus one share in MegaFon after an IPO. In the second quarter of 2012, TeliaSonera recognized a net capital gain of SEK 3,013 million and received a one-time dividend of SEK 12,366 million. The capital gain includes a negative non-cash exchange rate effect of SEK 572 million.

- On April 26, 2012, TeliaSonera, through its 75.45 percent owned subsidiary TeliaSonera Asia Holding B.V., acquired the remaining 49 percent of the shares and votes in Airbell Services Ltd., which owns 75 percent in Nepal Satellite Pvt. Ltd., a regional operator in Nepal.
- On May 10, 2012, TeliaSonera announced the agreement to acquire 7.87 percent of the shares in TEO LT from East Capital for EUR 0.637 (LTL 2.20) per share and the transaction was completed on May 10. Since May 8, TeliaSonera has also acquired an additional 6.55 percent of the outstanding shares in TEO LT through open market purchases at the same price (EUR 0.637/LTL 2.20) as paid to East Capital. On June 5, TeliaSonera launched a voluntary takeover bid to acquire the outstanding shares in TEO LT for the price of EUR 0.637 per share in cash. Including open market transactions, TeliaSonera holds 88.15 percent of TEO LT. The total value of the purchases amounts to EUR 59.3 million and the final settlement took place over time until July 4, 2012.
- After recent impairment tests TeliaSonera has decided to make goodwill impairment charges in its Mobility Services business units in Norway (NetCom) and Lithuania (Omnitel). The total goodwill impairment charge of SEK 3,070 million is reported in this Interim Report, and classified as non-recurring items.

Migration to bucket price plans 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.

- Mobility Sweden delivered growth for the 22nd consecutive quarter albeit at a lower rate, while growth in Yoigo in Spain slowed down despite further market share gains. In Denmark, TT-Netværket, the network-sharing joint venture with Telenor is established and secured 800 MHz frequencies which will allow a further roll-out of the 4G network.
- The partnership with Spotify, the leading provider of music streaming, was introduced in 2009 in Sweden and Finland and has now also been successfully launched in Denmark, Norway and Spain. As subscribers migrate to bucket price plans it is becoming increasingly important to add value-added services which creates differentiation for the customers.

SEK in millions, except margins, operational data and changes	Apr-Jun 2012	Apr-Jun 2011	Chg (%)	Jan-Jun 2012	Jan-Jun 2011	Chg (%)
Net sales	12,581	12,879	-2	25,081	25,028	0
EBITDA excl. non-recurring items	3,702	4,069	-9	7,345	7,827	-6
Margin (%)	29.4	31.6		29.3	31.3	
Operating income	-462	2,864		2,107	5,484	-62
Operating income excl. non-recurring items	2,597	2,904	-11	5,166	5,527	-7
CAPEX	1,201	1,488	-19	2,184	3,296	-34
Subscriptions, period-end (thousands)	19,767	19,013	4	19,767	19,013	4
Employees, period-end	7,416	7,511	-1	7,416	7,511	-1

Additional segment information available at www.teliasonera.com.

- **Net sales** in local currencies and excluding acquisitions decreased 2.1 percent. Net sales in reported currency decreased 2.3 percent to SEK 12,581 million (12,879). The negative effect of exchange rate fluctuations was 0.2 percent.

In Sweden, net sales rose 3.9 percent to SEK 4,323 million (4,160). After a period of intensive campaigns during the first quarter, the most aggressive offers were withdrawn from the market in April and the competitive situation became more rational towards the end of the quarter. Growth was mainly driven by mobile data usage, equipment sales and a growing content business.

In Finland, net sales in local currency declined 4.9 percent to the equivalent of SEK 2,068 million (2,211) due to lower interconnect revenues and a reduction of voice revenues, as a result of decreasing average price per minute and a lower subscription base.

In Norway, net sales in local currency fell by 6.1 percent to the equivalent of SEK 1,979 million (2,060), almost entirely explained by lower wholesale revenues. The average revenue per user has been positively impacted by the migration of subscribers to bundled offers and increased 7 percent compared with the previous quarter. Almost 60 percent of the subscriptions within the consumer segment are now on bucket price plans compared with 12 percent the same quarter a year ago.

In Denmark, net sales in local currency declined 14.0 percent to the equivalent of SEK 1,187 million (1,392) of which almost half can be explained by lower interconnect revenues and the remaining by subscribers migrating to bucket price plans with lower average revenue per user. Despite fierce price competition, the positive trend in subscription

intake continued and churn level was at the lowest since 2005 as a result of successful focus on marketing 4G services as well as bundling offers with Spotify.

Net sales in local currencies in Estonia, Latvia and Lithuania decreased 3.5 percent, 6.8 percent and 8.9 percent, respectively, to the equivalent of SEK 386 million (404), SEK 391 million (417) and SEK 321 million (356). The development in the Baltic countries is still characterized by continued growth in mobile data revenues but a reduction in voice revenues as lower average price per minute cannot be fully compensated for by higher usage. The decline is primarily driven within the consumer segment while all countries are showing a positive subscription intake within the corporate segment. Lower interconnect rates also impacted revenues and explain one third of the decline in Estonia and Latvia and as much as half of the decrease in revenues in Lithuania.

In Spain, net sales in local currency increased 3.8 percent to the equivalent of SEK 1,933 million (1,882). Most operators removed handset subsidies during the second quarter which impacted subscription intake and equipment sales. Revenues from handset sales declined 10 percent compared with the second quarter last year. In addition, interconnect fees were reduced by 18 percent to Eurocent 4.07 (4.98) by April 16, 2012. Despite the weak macroeconomic situation in the country, Yoigo continues to gain market share and revenues excluding equipment sales and regulatory impact grew 18 percent in local currency compared with the same quarter a year ago. The new offers launched in June were well received and confirmed Yoigo's price leader position.

- **The number of subscriptions** rose by 0.8 million from the end of the second quarter 2011 to 19.8 million. Growth was strongest in Spain and Sweden with an increase of 0.6 million and 0.3 million to 3.3 million and 6.4 million subscriptions, respectively. During the quarter the total number of subscriptions rose by 0.2 million.
- **EBITDA**, excluding non-recurring items, decreased 9.1 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 9.0 percent to SEK 3,702 million (4,069). The EBITDA margin decreased to 29.4 percent (31.6).

In Sweden, EBITDA, excluding non-recurring items, decreased 5.2 percent to SEK 1,810 million (1,909) and the EBITDA margin declined to 41.9 percent (45.9). However, the second quarter of 2011 was positively impacted by a reversal of a provision of approximately SEK 100 million, leaving the comparable margin at 43.5 percent. In addition, churn was negatively impacted by intense competition in the beginning of the quarter which also increased subscription retention costs.

In Finland, the EBITDA margin fell to 30.9 percent (32.2), mainly due to lower voice revenues while gross margin and the addressable cost base remained at the same level as in the second quarter of 2011.

In Norway, the EBITDA margin fell to 33.5 percent (35.7) as a result of lower wholesale revenues. The total cost base has been reduced by 3.6 percent compared to the second quarter a year ago, partly explained by a higher gross margin and more sales in internal channels.

In Denmark, the EBITDA margin fell to 8.3 percent (15.7), due to lower gross margin as a result of lower voice revenues and reduced interconnect margin. Marketing costs also increased as subscription intake reached its highest level in five years.

The EBITDA margin in Estonia fell to 31.6 percent (36.4) as a result of lower gross margin and dilution from low-margin equipment sales. In Latvia and Lithuania, the

EBITDA margins increased to 38.1 percent (35.3) and 29.3 percent (28.1), respectively, due to an improvement in gross margin.

EBITDA in Spain increased to SEK 127 million (103), corresponding to a margin of 6.6 percent (5.5) due to higher revenues and the removal of handset subsidies.

- **CAPEX** decreased to SEK 1,201 million (1,488) and the CAPEX-to-sales ratio to 9.5 percent (11.6). CAPEX is mainly driven by the roll-out of 1,800 MHz in Spain, a 3G network swap in Norway and 4G investments in Sweden and Finland. CAPEX, excluding licenses and spectrum fees, amounted to SEK 1,137 million (1,104) and the CAPEX-to-sales ratio to 9.0 percent (8.6). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 2,501 million (2,581).

SEK in millions, except margins and changes	Apr-Jun 2012	Apr-Jun 2011	Chg (%)	Jan-Jun 2012	Jan-Jun 2011	Chg (%)
Net sales	12,581	12,879	-2	25,081	25,028	0
of which Sweden	4,323	4,160	4	8,497	8,121	5
of which Finland	2,068	2,211	-6	4,215	4,389	-4
of which Norway	1,979	2,060	-4	3,858	4,063	-5
of which Denmark	1,187	1,392	-15	2,488	2,784	-11
of which Lithuania	321	356	-10	632	691	-9
of which Latvia	391	417	-6	773	797	-3
of which Estonia	386	404	-4	745	757	-2
of which Spain	1,933	1,882	3	3,887	3,443	13
EBITDA excl. non-recurring items	3,702	4,069	-9	7,345	7,827	-6
of which Sweden	1,810	1,909	-5	3,697	3,674	1
of which Finland	640	711	-10	1,323	1,413	-6
of which Norway	662	736	-10	1,234	1,419	-13
of which Denmark	99	218	-55	237	419	-43
of which Lithuania	94	100	-6	182	193	-6
of which Latvia	149	147	1	289	295	-2
of which Estonia	122	147	-17	222	275	-19
of which Spain	127	103	23	160	140	14
Margin (%), total	29.4	31.6		29.3	31.3	
Margin (%), Sweden	41.9	45.9		43.5	45.2	
Margin (%), Finland	30.9	32.2		31.4	32.2	
Margin (%), Norway	33.5	35.7		32.0	34.9	
Margin (%), Denmark	8.3	15.7		9.5	15.1	
Margin (%), Lithuania	29.3	28.1		28.8	27.9	
Margin (%), Latvia	38.1	35.3		37.4	37.0	
Margin (%), Estonia	31.6	36.4		29.8	36.3	
Margin (%), Spain	6.6	5.5		4.1	4.1	

Net sales in local currencies and excluding acquisitions	Apr-Jun	Jan-Jun
Change (%), total	-2.1	0.2
Change (%), Sweden	3.9	4.6
Change (%), Finland	-4.9	-2.7
Change (%), Norway	-6.1	-7.5
Change (%), Denmark	-14.0	-10.3
Change (%), Lithuania	-8.9	-8.0
Change (%), Latvia	-6.8	-3.6
Change (%), Estonia	-3.5	-0.9
Change (%), Spain	3.8	13.7

IP revenues now exceed traditional 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.

- Broadband Services, excluding International Carrier, reached a milestone in the second quarter as IP revenues now exceed revenues from traditional fixed line services. The customer demand for our fiber offering remains strong and today 23 percent of our broadband subscribers are connected with fiber access where Lithuania has the highest ratio of 40 percent. In Sweden, four out of ten single-dwelling households being offered our services sign up for them.
- As the first provider in Sweden, Telia now offers its customers access to the same services on the computer as they get on the TV at home. The service is called Play+ and includes a total of 29 channels, play-function and the video-on-demand library of more than 1,300 movie titles.

SEK in millions, except margins, operational data and changes	Apr-Jun 2012	Apr-Jun 2011	Chg (%)	Jan-Jun 2012	Jan-Jun 2011	Chg (%)
Net sales	9,086	9,155	-1	18,107	18,181	0
EBITDA excl. non-recurring items	2,802	2,906	-4	5,634	6,000	-6
Margin (%)	30.8	31.7		31.1	33.0	
Operating income	1,359	1,280	6	2,946	3,141	-6
Operating income excl. non-recurring items	1,574	1,675	-6	3,192	3,561	-10
CAPEX	1,451	1,395	4	2,686	2,335	15
Subscriptions, period-end (thousands)						
Broadband	2,495	2,423	3	2,495	2,423	3
Fixed voice and VoIP	4,425	4,956	-11	4,425	4,956	-11
TV	1,248	1,105	13	1,248	1,105	13
Employees, period-end	13,560	13,697	-1	13,560	13,697	-1

Additional segment information available at www.teliasonera.com.

- **Net sales** in local currencies and excluding acquisitions decreased 1.0 percent. Net sales in reported currency decreased 0.8 percent to SEK 9,086 million (9,155). The positive effect of acquisitions and disposals was 0.2 percent.

In Sweden, net sales fell 3.6 percent to SEK 5,051 million (5,225). Revenues from TV and broadband fiber grew strongly by 24 percent and 55 percent, respectively, but could as in previous quarters not fully compensate for loss of PSTN subscriptions and lower traffic revenues. Telia gains most of those subscribers migrating from PSTN to VoIP but with lower average revenue per user as a result.

In Finland, net sales in local currency decreased 3.2 percent to the equivalent of SEK 1,447 million (1,506). External sales within the consumer segment grew by more than 9 percent as a result of a 15 percent increase in TV subscriptions compared to last year. Revenues within the business segment fell 4 percent due to lower traffic revenues and a decline in traditional datacom services.

In Norway, net sales grew 2.0 percent in local currency to the equivalent of SEK 273 million (262), due to an increase in average revenue per user as well as increased sales within the business segment. In Denmark, net sales in local currency decreased 3.9 percent to the equivalent of SEK 283 million (297), as a result of a decline in traditional voice revenues that could not be fully compensated for by the growth in broadband and IP services.

In Estonia, net sales in local currency fell 3.0 percent to the equivalent of SEK 441 million (460). In Lithuania, net sales in local currency grew 3.4 percent to the equivalent of SEK 491 million (481), due to an increase in average revenue per user and a growing number of broadband and TV subscriptions.

In International Carrier, net sales in local currencies increased 11.2 percent to the equivalent of SEK 1,395 million (1,233) due to growth in both voice and IP revenues.

- **The number of subscriptions** for broadband access rose to 2.5 million, an increase of 72,000 from the second quarter of 2011 and by 2,000 during the quarter.

The total number of TV subscriptions rose by 143,000 from the second quarter of 2011 and by 30,000 during the quarter to 1.2 million.

The number of traditional fixed voice subscriptions decreased by 675,000 from the end of the second quarter of 2011 to 3.8 million, and were down 121,000 during the quarter. The intake of VoIP subscriptions was 29,000 in the quarter, bringing the total number of VoIP subscriptions to 0.6 million.

- **EBITDA**, excluding non-recurring items, fell 4.1 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.6 percent to SEK 2,802 million (2,906). The EBITDA margin decreased to 30.8 percent (31.7).

In Sweden, the EBITDA margin was unchanged at 38.4 percent (38.7) as lower revenues were compensated for by lower costs primarily for marketing. In Finland, the EBITDA margin fell to 23.4 percent (26.8) due to lower gross margin as a result of higher content costs for TV and cost increases for network capacity.

In Norway, the EBITDA margin rose to 17.9 percent (16.0), mainly as a result of increased sales and a reduction in personnel expenses. In Denmark the EBITDA margin increased to 14.5 percent (7.7) due to a higher gross margin and lower personnel expenses.

In Lithuania, the EBITDA margin was unchanged at 41.8 percent (41.8). In Estonia the EBITDA margin fell to 27.2 percent (31.5) due to lower revenues. In International Carrier, the EBITDA margin rose to 7.5 percent (5.5).

- **CAPEX** increased to SEK 1,451 million (1,395) and the CAPEX-to-sales ratio rose to 16.0 percent (15.2). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, fell to SEK 1,351 million (1,511).

SEK in millions, except margins and changes	Apr-Jun 2012	Apr-Jun 2011	Chg (%)	Jan-Jun 2012	Jan-Jun 2011	Chg (%)
Net sales	9,086	9,155	-1	18,107	18,181	0
of which Sweden	5,051	5,225	-3	10,092	10,452	-3
of which Finland	1,447	1,506	-4	2,890	3,007	-4
of which Norway	273	262	4	541	518	4
of which Denmark	283	297	-5	571	583	-2
of which Lithuania	491	481	2	979	958	2
of which Estonia	441	460	-4	871	890	-2
of which International Carrier	1,395	1,233	13	2,741	2,410	14
EBITDA excl. non-recurring items	2,802	2,906	-4	5,634	6,000	-6
of which Sweden	1,942	2,023	-4	3,961	4,248	-7
of which Finland	339	404	-16	721	830	-13
of which Norway	49	42	17	90	81	11
of which Denmark	41	23	78	75	34	121
of which Lithuania	205	201	2	396	391	1
of which Estonia	120	145	-17	228	277	-18
of which International Carrier	105	68	54	162	142	14
Margin (%), total	30.8	31.7		31.1	33.0	
Margin (%), Sweden	38.4	38.7		39.2	40.6	
Margin (%), Finland	23.4	26.8		24.9	27.6	
Margin (%), Norway	17.9	16.0		16.6	15.6	
Margin (%), Denmark	14.5	7.7		13.1	5.8	
Margin (%), Lithuania	41.8	41.8		40.4	40.8	
Margin (%), Estonia	27.2	31.5		26.2	31.1	
Margin (%), International Carrier	7.5	5.5		5.9	5.9	

Net sales in local currencies and excluding acquisitions	Apr-Jun	Jan-Jun
Change (%), total	-1.0	-0.7
Change (%), Sweden	-3.6	-3.6
Change (%), Finland	-3.2	-3.7
Change (%), Norway	2.0	1.8
Change (%), Denmark	-3.9	-1.6
Change (%), Lithuania	3.4	3.0
Change (%), Estonia	-3.0	-1.4
Change (%), International Carrier	11.2	12.4

All countries contributing to growth within Eurasia

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

- Revenue growth in local currencies remained at double-digit while the EBITDA margin was kept above 50 percent. Growth in Kazakhstan has slowed down as a result of price erosion and lower interconnect rates but is being compensated for by improved growth trends in Azerbaijan and continued market share gains in Nepal. Ncell in Nepal passed 8 million subscriptions in the second quarter of 2012.
- An important milestone was met as the shareholders in MegaFon, TeliaSonera, AF Telecom and Altimo resolved the governance disputes and agreed that the company would pay a dividend of USD 5.15 billion and pursue an Initial Public Offering (IPO) as soon as practically possible. TeliaSonera reduced its ownership to 35.6 percent but aims to keep a long term strategic ownership of 25 percent plus one share in MegaFon after an IPO.

SEK in millions, except margins, operational data and changes	Apr-Jun 2012	Apr-Jun 2011	Chg (%)	Jan-Jun 2012	Jan-Jun 2011	Chg (%)
Net sales	4,930	4,145	19	9,375	8,008	17
EBITDA excl. non-recurring items	2,482	2,149	15	4,740	4,117	15
Margin (%)	50.3	51.8		50.6	51.4	
Income from associated companies	3,832	1,069		4,850	2,672	82
Russia	3,208	1,063		3,881	2,157	80
Turkey	625	8		976	517	89
Operating income	5,699	2,549	124	8,152	5,447	50
Operating income excl. non-recurring items	2,531	2,556	-1	5,060	5,393	-6
CAPEX	1,609	867	86	2,400	1,717	40
Subscriptions, period-end (thousands)						
Subsidiaries	37,528	31,587	19	37,528	31,587	19
Associated companies	108,100	99,322	9	108,100	99,322	9
Employees, period-end	5,026	4,963	1	5,026	4,963	1

Additional segment information available at www.teliasonera.com.

Consolidated operations

- **Net sales** in local currencies and excluding acquisitions increased 12.2 percent. Net sales in reported currency increased 18.9 percent to SEK 4,930 million (4,145). The positive effect from exchange rate fluctuations was 6.7 percent.

In Kazakhstan, net sales in local currency increased 1.6 percent to the equivalent of SEK 2,078 million (1,880). Price competition remains fierce and an increase in usage has not fully compensated for the decline in average revenue per user. Interconnect rates were reduced by 8.5 percent in average on March 30, 2012 and the interconnect rates are now symmetrical between Kcell and other operators.

In Azerbaijan, net sales in local currency increased 10.4 percent to the equivalent of SEK 1,030 million (841). Azericell started commercial 4G services and launched a number of data offers in connection with the Eurovision Song Contest that took place in Baku. Several campaigns have also successfully been launched to increase the activity among existing subscribers.

In Uzbekistan, net sales in local currency increased 13.9 percent to the equivalent of SEK 474 million (414). Price competition became more rational and Ucell has raised prices for some of its subscriptions. Ucell also restructured its dealer compensation structure to focus more on customer loyalty. The number of subscriptions decreased slightly due to fewer double SIM cards.

In Tajikistan, net sales in local currency increased 17.0 percent to the equivalent of SEK 234 million (191), as a result of an increase in subscriptions and higher interconnect revenues while the price pressure is high on international traffic.

In Georgia, net sales in local currency increased 3.0 percent to the equivalent of SEK 259 million (223), the first quarter of growth since the second quarter of 2010. The growth comes as a result of higher average revenue per user, partly driven by an increase in prices for incoming international calls. In June, Geocell pioneered the Georgian mobile market by launching a handset campaign with installment plans for the first time.

In Moldova, net sales in local currency increased 0.2 percent to the equivalent of SEK 137 million (127). In Nepal, net sales in local currency increased 62.7 percent to the equivalent of SEK 718 million (472) as a result of continued strong subscription intake and gained market share. Average revenue per user is showing a favorable development as a result of increased usage, effective pricing and growth in mobile data revenues.

- **The number of subscriptions** in the consolidated operations was 37.5 million, an increase by 5.9 million, from the end of the second quarter of 2011. Growth was strongest in Nepal and Kazakhstan with a rise of 2.7 million and 2.0 million to 8.1 million and 11.7 million subscriptions, respectively. During the second quarter, the total number of subscriptions in the consolidated operations increased by 1.3 million. Nepal, Kazakhstan and Tajikistan showed the largest rises with an increase of 0.6 million, 0.5 million and 0.2 million subscriptions, respectively.
- **EBITDA**, excluding non-recurring items, increased 9.1 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 15.5 percent to SEK 2,482 million (2,149). The EBITDA margin was 50.3 percent (51.8).

The EBITDA margin in Kazakhstan remains well above 50 percent although profitability has been negatively impacted by higher interconnect costs as a result of an increasing volume of off-net calls. The same explanation is valid for Azerbaijan where interconnect costs increased significantly compared to a year ago. Costs for marketing also increased in the second quarter relating to the sponsorship of the Eurovision Song Contest. Despite this, the EBITDA margin was around 50 percent.

In Tajikistan, the EBITDA margin improved due to efficiencies related to the operational merger between two separate legal entities while the introduction of a subscription tax in January 2012 had a negative impact on profitability in Uzbekistan.

In Georgia, the EBITDA margin was kept around 40 percent. In Moldova, the EBITDA margin was positively impacted by a decrease in interconnect rates. The EBITDA margin in Nepal is now the highest within the consolidated operations in Eurasia as increasing revenues has been achieved with good cost control.

- **CAPEX** increased to SEK 1,609 million (867) and the CAPEX-to-sales ratio increased to 32.6 percent (20.9). CAPEX, excluding licenses and spectrum fees, amounted to SEK 1,470 million (850) and the CAPEX-to-sales ratio to 29.8 percent (20.5). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 873 million (1,282).

SEK in millions, except changes	Apr-Jun 2012	Apr-Jun 2011	Chg (%)	Jan-Jun 2012	Jan-Jun 2011	Chg (%)
Net sales	4,930	4,145	19	9,375	8,008	17
of which Kazakhstan	2,078	1,880	11	3,966	3,657	8
of which Azerbaijan	1,030	841	22	1,968	1,639	20
of which Uzbekistan	474	414	14	936	812	15
of which Tajikistan	234	191	23	441	368	20
of which Georgia	259	223	16	481	435	11
of which Moldova	137	127	8	256	234	9
of which Nepal	718	472	52	1,331	870	53

Net sales in local currencies and excluding acquisitions	Apr-Jun	Jan-Jun
Change (%), total	12.2	12.7
Change (%), Kazakhstan	1.6	2.4
Change (%), Azerbaijan	10.4	10.7
Change (%), Uzbekistan	13.9	17.6
Change (%), Tajikistan	17.0	19.2
Change (%), Georgia	3.0	-0.6
Change (%), Moldova	0.2	2.2
Change (%), Nepal	62.7	63.2

Associated companies – Russia

- MegaFon (associated company, in which TeliaSonera holds 35.6 percent and consolidates 41.6 percent) in Russia reported a subscription base of 63.7 million, an increase of 6.4 million compared to the corresponding period last year and 0.6 million higher than the previous quarter.
- TeliaSonera's income from Russia increased to SEK 3,208 million (1,063), including a net capital gain of SEK 3,013 million from the divestment of 26.1 percent in Telecominvest, equaling an 8.2 percent stake in MegaFon. The Russian ruble depreciated 1.7 percent against the Swedish krona which had a negative impact of SEK 3 million.
- Excluding the capital gain, TeliaSonera's income from Russia decreased to SEK 195 million (1,063) as a result of lower economic ownership, MegaFon's higher interest expenses and a foreign exchange loss. The effect of the new capital structure with higher interest expenses, as a result of the dividend payment of USD 5.15 billion, was SEK 166 million. The second quarter 2012 also included a foreign exchange loss of SEK 654 million as a significant part of the loans are denominated in USD. Since the end of April, the USD has appreciated 11 percent against the RUB.

Associated companies – Turkey

- Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with one-quarter lag) in Turkey reported a subscription base of 34.5 million, an increase of 1.3 million compared to the corresponding period last year and was on the same level as the previous quarter. In Ukraine, the number of subscriptions increased by 1.1 million to 9.9 million compared to the corresponding period last year and increased by 0.2 million during the quarter.
- TeliaSonera's income from Turkey increased to SEK 625 million (8). The corresponding quarter a year ago included SEK 345 million in one-time losses from Turkcell's operations in Belarus. The Turkish lira depreciated 10.7 percent against the Swedish krona, which had negative impact of SEK 67 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.*

	Apr-Jun 2012	Apr-Jun 2011	Chg (%)	Jan-Jun 2012	Jan-Jun 2011	Chg (%)
SEK in millions, except changes						
Net sales	974	1,001	-3	1,953	1,922	2
EBITDA excl. non-recurring items	19	62	-69	111	130	-15
Income from associated companies	-16	-57	72	-34	-64	47
Operating income	-277	-242	-14	-359	-352	-2
Operating income excl. non-recurring items	-140	-148	5	-215	-240	10
CAPEX	196	147	33	362	279	30

Additional segment information available at www.teliaSonera.com.

- **Net sales** in local currencies and excluding acquisitions decreased 1.0 percent. In reported currency, net sales decreased 2.7 percent to SEK 974 million (1,001).
- **EBITDA**, excluding non-recurring items, decreased to SEK 19 million (62) in reported currency.

The Board of Directors and the President and CEO certify that the Interim Report gives a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 18, 2012

Anders Narvinger
Chairman

Timo Peltola
Vice-Chairman

Agneta Ahlström

Magnus Brattström

Stefan Carlsson

Maija-Liisa Friman

Ingrid Jonasson Blank

Olli-Pekka Kallasvuo

Lars Renström

Jon Risfelt

Per-Arne Sandström

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 July 18, 2012.

Financial Information

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

Questions regarding the reports:

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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

SEK in millions, except per share data, number of shares and changes	Apr-Jun 2012	Apr-Jun 2011 ¹⁾	Chg (%)	Jan-Jun 2012	Jan-Jun 2011 ¹⁾	Chg (%)
Net sales	26,294	26,003	1	51,987	50,838	2
Cost of sales	-14,531	-14,356	1	-28,816	-27,492	5
Gross profit	11,763	11,647	1	23,171	23,346	-1
Selling, admin. and R&D expenses	-6,242	-5,942	5	-12,238	-12,249	0
Other operating income and expenses, net	-3,050	-286		-2,968	-24	
Income from associated companies and joint ventures	3,849	1,029		4,882	2,648	
Operating income	6,320	6,448	-2	12,847	13,721	-6
Finance costs and other financial items, net	-971	-584	66	-2,082	-1,186	76
Income after financial items	5,349	5,864	-9	10,765	12,535	-14
Income taxes	-822	-1,324	-38	-1,937	-2,755	-30
Net income	4,527	4,540	0	8,828	9,780	-10
Foreign currency translation differences	496	1,435		724	-2,387	
Income from associated companies	-17	15		-214	-20	
Cash flow hedges	-63	-40		1	21	
Available-for-sale financial instruments	0	1		1	1	
Income taxes relating to other comprehensive income	-80	224		-246	214	
Other comprehensive income	336	1,635		266	-2,171	
Total comprehensive income	4,863	6,175	-21	9,094	7,609	20
Net income attributable to:						
Owners of the parent	4,247	3,860	10	8,155	8,506	-4
Non-controlling interests	280	680	-59	673	1,274	-47
Total comprehensive income attributable to:						
Owners of the parent	4,300	5,397	-20	7,913	6,551	21
Non-controlling interests	563	778	-28	1,181	1,058	12
Earnings per share (SEK), basic and diluted	0.98	0.89	10	1.88	1.93	-3
Number of shares (thousands)						
Outstanding at period-end	4,330,085	4,490,457		4,330,085	4,330,085	
Weighted average, basic and diluted	4,330,085	4,490,457		4,330,085	4,404,512	
Number of treasury shares (thousands)						
Outstanding at period-end	–	–		–	160,372	
Weighted average	–	–		–	85,945	
EBITDA	8,859	8,654	2	17,571	17,573	0
EBITDA excl. non-recurring items	9,006	9,186	-2	17,830	18,076	-1
Depreciation, amortization and impairment losses	-6,389	-3,235	97	-9,606	-6,500	48
Operating income excl. non-recurring items	6,561	6,985	-6	13,202	14,243	-7

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

Condensed Consolidated Statements of Financial Position

SEK in millions	Jun 30, 2012	Dec 31, 2011 ¹⁾
Assets		
Goodwill and other intangible assets	89,378	92,016
Property, plant and equipment	62,670	61,292
Investments in associates and joint ventures, deferred tax assets and other non-current assets	43,422	58,572
Long-term interest-bearing receivables	12,644	5,407
<i>Total non-current assets</i>	<i>208,114</i>	<i>217,287</i>
Inventories	1,589	1,475
Trade receivables, current tax assets and other receivables	21,153	21,151
Short-term interest-bearing receivables	1,354	1,453
Cash and cash equivalents	10,110	12,631
<i>Total current assets</i>	<i>34,206</i>	<i>36,710</i>
Total assets	242,320	253,997
Equity and liabilities		
Equity attributable to owners of the parent	101,888	116,680
Equity attributable to non-controlling interests	4,123	7,353
<i>Total equity</i>	<i>106,011</i>	<i>124,033</i>
Long-term borrowings	73,310	68,108
Deferred tax liabilities, other long-term provisions	23,623	24,163
Other long-term liabilities	1,178	1,409
<i>Total non-current liabilities</i>	<i>98,111</i>	<i>93,680</i>
Short-term borrowings	12,352	11,734
Trade payables, current tax liabilities, short-term provisions and other current liabilities	25,846	24,550
<i>Total current liabilities</i>	<i>38,198</i>	<i>36,284</i>
Total equity and liabilities	242,320	253,997

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

Condensed Consolidated Statements of Cash Flows

SEK in millions	Apr-Jun 2012	Apr-Jun 2011 ¹⁾	Jan-Jun 2012	Jan-Jun 2011 ¹⁾
Cash flow before change in working capital	18,883	7,487	25,335	13,253
Change in working capital	-10	-1,218	-1,204	-1,799
Cash flow from operating activities	18,873	6,269	24,131	11,454
Cash CAPEX	-4,085	-4,829	-7,150	-7,367
Free cash flow	14,788²⁾	1,440	16,981²⁾	4,087
Cash flow from other investing activities	1,219	3	872	519
Total cash flow from investing activities	-2,866	-4,826	-6,278	-6,848
Cash flow before financing activities	16,007	1,443	17,853	4,606
Cash flow from financing activities	-24,826	-21,302	-20,382	-14,110
Cash flow for the period	-8,819	-19,859	-2,529	-9,504
Cash and cash equivalents, opening balance	18,884	25,672	12,631	15,344
Change in accounting principle	0	0	0	25
Cash flow for the period	-8,819	-19,859	-2,529	-9,504
Exchange rate differences	45	-120	8	-172
Cash and cash equivalents, closing balance	10,110	5,693	10,110	5,693

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

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

Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Jun 2012			Jan-Jun 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	124,033	125,907	6,758	132,665
Adjustment of opening balance related to Turkcell (inflation accounting in Belarus)	110	–	110	–	–	–
Dividends	-12,341	-2,128	-14,469	-12,349	-948	-13,297
Business combinations	–	17	17	–	–	–
Repurchased treasury shares	–	–	–	-9,981	–	-9,981
Acquisition of non-controlling interest	-10,482	-2,289	-12,771	–	–	–
Other transactions with owners	0	-11	-11	2	8	10
Total comprehensive income	7,913	1,181	9,094	6,551	1,058	7,609
Share-based payments	8	–	8	4	–	4
Closing balance	101,888	4,123	106,011	110,134	6,876	117,010

Basis of Preparation

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

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

New accounting standards (not yet adopted by the EU)

The International Accounting Standards Board (IASB) has on June 28, 2012 issued "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)." The amendments change the transition guidance to provide further relief from full retrospective application. The effective date of these amendments, annual periods beginning on or after 1 January 2013, is aligned with the effective dates of IFRS 10, IFRS 11 and IFRS 12.

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

Non-recurring Items

	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011
SEK in millions				
Within EBITDA	-147	-532	-259	-503
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-22	-61	-22	-64
Broadband Services	-214	-457	-243	-468
Eurasia	-31	-6	-107	-10
Other operations	-99	-94	-106	-112
<i>of which TeliaSonera Holding</i>	<i>-61</i>	<i>8</i>	<i>-61</i>	<i>8</i>
Capital gains/losses	219	86	219	151
Within Depreciation, amortization and impairment losses	-3,097	-5	-3,098	-19
Impairment losses, accelerated depreciation:				
Broadband Services	-1	-5	-2	-19
Mobility Services	-3,070	-	-3,070	-
Other operations	-26	-	-26	-
Within Income from associated companies and joint ventures	3,002	-	3,002	-
Capital gains	3,002	-	3,002	-
Total	-242	-537	-355	-522

Deferred Taxes

	Jun 30, 2012	Dec 31, 2011
SEK in millions		
Deferred tax assets	7,369	8,164
Deferred tax liabilities	-11,895	-13,437
Net deferred tax liabilities (-)/assets (+)	-4,526	-5,273

Segment and Group Operating Income

	Apr-Jun 2012	Apr-Jun 2011 ¹⁾	Jan-Jun 2012	Jan-Jun 2011 ¹⁾
SEK in millions				
Mobility Services	-462	2,864	2,107	5,484
Broadband Services	1,359	1,280	2,946	3,141
Eurasia	5,699	2,549	8,152	5,447
Other operations	-277	-242	-359	-352
Total segments	6,319	6,451	12,846	13,720
Elimination of inter-segment profits	1	-3	1	1
Group	6,320	6,448	12,847	13,721

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

Investments

SEK in millions	Apr-Jun 2012	Apr-Jun 2011 ¹⁾	Jan-Jun 2012	Jan-Jun 2011 ¹⁾
CAPEX	4,457	3,897	7,632	7,628
Intangible assets	662	897	1,077	2,318
Property, plant and equipment	3,795	3,000	6,555	5,310
Acquisitions and other investments	1,245	481	1,395	585
Asset retirement obligations	104	147	198	251
Goodwill and fair value adjustments	1,117	111	1,172	111
Equity holdings	24	223	25	223
Total	5,702	4,378	9,027	8,213

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

Goodwill Impairment Charges Mobility Services Norway and Lithuania

Given the relatively high carrying value of business unit Mobility Services Norway, including a substantial goodwill amount created in conjunction with the acquisition of NetCom in 2000, and the current assessment of the achievable long-term return on investment, management has concluded that the current carrying value is not possible to defend, verified by an impairment test performed as of June 30, 2012.

For business unit Mobility Services Lithuania, as disclosed in TeliaSonera's Annual Report 2011, the estimated recoverable value as of December 31, 2011 corresponded to the carrying value. During the first half of 2012, the total value of the Lithuanian mobile market continued to decrease due to competition and price pressure. Consequently, an impairment test was performed as of June 30, 2012.

In both impairment tests, the recoverable values fell short of the carrying values and hence, related goodwill was impaired. Accordingly, under IAS 36, non-cash goodwill impairment charges of SEK 2,752 million (NOK 2,366 million) and SEK 318 million (LTL 125 million), respectively, have been posted to the consolidated financial statements as of June 30, 2012, classified as non-recurring items. The goodwill charges are based on long-term assessments, and not specifically related to the short-term performance of the respective business unit.

Related Party Transactions

In the six-month period ended June 30, 2012, TeliaSonera purchased services for SEK 31 million, and sold services for a value of SEK 52 million. Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

Net Debt

SEK in millions	Jun 30, 2012	Dec 31, 2011
Long-term and short-term borrowings	85,662	79,842
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings	-1,637	-2,085
Less short-term investments, cash and bank	-10,267	-12,709
Net debt	73,758	65,048

Loan Financing and Credit Rating

In April, the ordinary dividend of SEK 12,341 million was paid. The underlying operating cash flow continued to be positive also in the second quarter of 2012. In late April, the dividend and the first proceed from the divestment of the indirectly owned stake in MegaFon was received.

In July 2012, Standard & Poor's confirmed its credit rating on TeliaSonera AB of A- for long-term borrowings and A-2 for short-term borrowings with a stable outlook. After the announcement in relation to MegaFon in late April, Moody's on May 4 changed the outlook from negative back to stable for its credit rating on TeliaSonera AB of A3 for long-term borrowings and P-2 for short-term borrowings.

The second quarter of 2012 has seen a further deterioration of the EMU crisis with increasing pressure on Greece, Spain and Italy. Although discussions around a Greek exit from EMU have intensified focus has moved to Spain with widening spreads to earlier highs compared to German bonds.

The corporate credit market has been resilient and open throughout the quarter despite limited risk appetite. TeliaSonera has not made any major bond issue during the quarter but will continue to have an opportunistic funding strategy to take advantage of attractive funding opportunities when they appear.

Financial Key Ratios

	Jun 30, 2012	Dec 31, 2011
Return on equity (% , rolling 12 months)	18.0	16.8
Return on capital employed (% , rolling 12 months)	16.1	16.4
Equity/assets ratio (%)	41.2	44.0
Net debt/equity ratio (%)	73.9	58.2
Net debt/EBITDA rate (multiple, rolling 12 months)	2.00	1.75
Owners' equity per share (SEK)	23.53	26.95

Collateral Held

TeliaSonera has sold all its shares in Telecominvest (TCI) to AF Telecom Holding (AFT). The purchase price has not been fully paid by AFT and in order to secure the value of TeliaSonera's receivable, presently SEK 8,077 million, MegaFon shares held by TCI, representing 6.53 percent of the shares in MegaFon, are presently pledged to TeliaSonera. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to TeliaSonera.

Guarantees and Collateral Pledged

As of June 30, 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 253 million.

Contractual Obligations and Commitments

As of June 30, 2012, contractual obligations totaled SEK 1,417 million, of which SEK 1,122 million referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

Business Combinations in the Second Quarter

On April 26, 2012, TeliaSonera took a further step in executing its strategy to expand into new high-growth emerging markets by acquiring an additional 49 percent of the shares and votes in Airbell Services Ltd. which owns 75 percent of the shares and votes in Nepal Satellite Telecom Pvt. Ltd. with licenses to operate in certain regions in Nepal. Goodwill is explained by synergies from subsequent restructuring of the operations, potential market opportunities from licenses and customer base.

The results of the Nepal Satellite Telecom operations have been included in the consolidated financial statements as of April 26, 2012.

Preliminary purchase price allocation	SEK in millions
Cash	295
Contingent consideration	536
Fair value of existing interest in Nepal Satellite	359
Total cost of the combination	1,190
Mobile networks	82
Inventories, receivables and other current assets	60
Cash and cash equivalents	2
Minority interests	25
Deferred income tax liabilities	-1
Other long-term liabilities	-126
Short-term liabilities	-122
Total fair value of net assets acquired	-80
Goodwill (allocated to business area Eurasia)	1,270

Cash flow effects	SEK in millions
Total cost of the combination paid in cash	295
Less acquired cash and cash equivalents	-2
Net cash outflow from the combination	293

The total cost of combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to refinement.

The re-measurement of the existing interest in Airbell/Nepal Satellite Telecom has resulted in a gain of SEK 185 million. This amount has been included in other operating income in the consolidated statement of comprehensive income.

Parent Company

Condensed Income Statements	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun
SEK in millions	2012	2011	2012	2011
Net sales	24	6	31	16
Operating income	-2	105	38	-1,283
Income after financial items	9,166	5,748	10,695	6,744
Income before taxes	9,294	5,665	10,908	7,640
Net income	8,890	5,594	10,069	7,123

Last year, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary effecting operating income for 2011. This year's financial items include a capital gain of SEK 7,481 million for the sale of shares in Telecominvest (TCI) to AF Telecom Holding (AFT). The purchase price has not been fully paid by AFT and in order to secure the value of TeliaSonera's receivable, presently SEK 8,077 million, MegaFon shares held by TCI, representing 6.53 percent of the shares in MegaFon, are presently pledged to TeliaSonera. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to TeliaSonera. During the first half of 2012, the total value of the Lithuanian mobile market continued to decrease due to competition and price pressure. Consequently, the value of the shares in UAB Omnitel has been written down by SEK 674 million.

Condensed Balance Sheets	Jun 30,	Dec 31,
SEK in millions	2012	2011
Non-current assets	206,489	177,648
Current assets	34,252	43,661
Total assets	240,741	221,309
Shareholders' equity	79,579	81,848
Untaxed reserves	13,058	13,271
Provisions	1,263	570
Liabilities	146,841	125,620
Total equity and liabilities	240,741	221,309

Total investments in the period were SEK 21,478 million (4,020), of which SEK 20,472 million referred to shareholder contributions to subsidiaries.

Risks and Uncertainties

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

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

See Notes C27 and C35 to the consolidated financial statements in TeliaSonera's Annual Report 2011 for a detailed description of some of the factors that may affect TeliaSonera's

business, financial position and results of operations. TeliaSonera believes that the risk environment has not materially changed from the one described in the Annual Report 2011.

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

- *World economy changes.* Changes in the global financial markets and the world economy are difficult to predict. TeliaSonera has a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe or long-term recession in the countries in which TeliaSonera operates would have an impact on its customers and may have a negative impact on its growth and results of operations through reduced telecom spending. The maturity schedule of TeliaSonera's loan portfolio is aimed to be evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed lines of credit with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, TeliaSonera's cost of funding might be higher, should there be changes in the global financial markets or the world economy.
- *Competition and price pressure.* TeliaSonera is subject to substantial and historically increasing competition and price pressure. Competition from a variety of sources, including current market participants, new entrants and new products and services, may adversely affect TeliaSonera's results of operations.
- *Investments in future growth.* TeliaSonera is currently investing in future growth through, for example, sales and marketing expenditures to retain and acquire customers in most markets, build-up of its customer base in start-up operations and investments in infrastructure in all markets to improve capacity and access. While TeliaSonera believes that these investments will improve market position and financial results in the long term, they may not have the targeted positive effects yet in the short term and related expenditures may impact the results of operations both in the long and short term.
- *Non-recurring items.* In accordance with their nature, non-recurring items such as capital gains and losses, restructuring costs, impairment charges, etc., may impact the quarterly results in the short term with amounts or timing that deviate from those currently expected. Depending on external factors or internal developments, TeliaSonera might also experience non-recurring items that are not currently anticipated.
- *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.

Previous Outlook for 2012 (published on February 2, 2012)

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.

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.