Q1

TeliaSonera Interim Report
January – March 2015

Progress and challenges

FIRST QUARTER SUMMARY

- Net sales in local currencies, excluding acquisitions and disposals, increased 1.5 percent. In reported currency, net sales increased 8.8 percent to SEK 26,041 million (23,926). Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.1 percent.
- EBITDA, excluding non-recurring items decreased 4.3 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 2.3 percent to SEK 8,540 million (8,345). The EBITDA margin, excluding non-recurring items, decreased to 32.8 percent (34.9).
- Operating income, excluding non-recurring items, decreased 12.6 percent to SEK 5,496 million (6,286).
- Net income attributable to owners of the parent company decreased 5.9 percent to SEK 3,714 million (3,945) and earnings per share to SEK 0.86 (0.91).
- Free cash flow increased to SEK 2,853 million (2,556) despite higher cash CAPEX, supported by lower taxes and working capital changes.
- Group outlook for 2015 is unchanged.

HIGHLIGHTS

SEK in millions, except key ratios, per share data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	26,041	23,926	*8.8*	100,890
Change (%) local organic	*1.5*			
of which service revenues (external)	22,810	21,427	6.5	89,453
change (%) local organic	*-1.1*			
EBITDA[1] excl. non-recurring items[2]	8,540	8,345	*2.3*	35,223
Change (%) local organic	*-4.3*			
Margin (%)	32.8	34.9		34.9
Operating income excl. non-recurring items	5,496	6,286	*-12.6*	26,656
Operating income	5,119	6,196	*-17.4*	22,679
Income after financial items	4,725	5,416	*-12.7*	20,107
Net income	4,110	4,354	*-5.6*	15,599
of which attributable to owners of the parent	3,714	3,945	-5.9	14,502
Earnings per share (SEK)	0.86	0.91	*-5.9*	3.35
RoCE (%, rolling 12 months)	11.5	13.4		12.2
CAPEX excl. license and spectrum fees	3,714	2,581	*43.9*	15,325
Net debt	60,767	52,879		59,320
Free cash flow	2,853	2,556	*11.6*	13,046

Additional information available at www.teliasonera.com. 1) Please refer to page 33 for definitions. 2) Non-recurring items; see table on 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 first quarter of 2014, unless otherwise stated.
New segment and reporting structure due to new organization as of April 1, 2014, for more information please see page 21.

Comments by Johan Dennelind, President and CEO

”The first quarter was eventful and I am particularly satisfied that we reached two milestones by closing the Tele2 Norway acquisition and in achieving an agreement on dividend distribution in Turkcell.

Our strategic agenda remains firm and we have started to execute on our investment plans to improve the internet experience for our customers and structurally reduce the cost base. We are taking further steps into areas close to the core and recently launched new cloud based services for small and mid-sized enterprises.

In Sweden, mobile service revenue growth remained healthy at 2 percent, fuelled by solid demand for data in the consumer segment. Competitor activity intensified at the beginning of the year when more generous data bundles were introduced in the market. We continue to expand our 4G and fiber networks and will further utilize this strength in our customer offerings going forward. Demand for our fiber services remains strong and we are on track to reach our target for 2015 to increase the number of new connections to single-homes by 25 percent. Profitability slowed in the quarter, mainly due to market investments and changed product mix, but we expect performance to improve during the course of the year.

Our Finnish business holds up well in the market, but costs increased related to our focus on enhancing customer experience. In February, we finalized the acquisition of Tele2 Norway and the business combination will both strengthen our position in the market and enhance our proposition to the Norwegian customers. The nearly one million acquired subscriptions have now been migrated to our network and we remain confident reaching our synergy target in 2016. In Denmark, the regulatory approval process of our joint venture with Telenor continues as expected and we anticipate closing in the second half of 2015.

The macroeconomic and competitive picture in parts of Eurasia remained demanding and we have put a lot of effort into re-positioning our offerings in order to make us more attractive for the customers. Our operation in Nepal showed once again strong performance, while we need to further strengthen our competitiveness in Kazakhstan. Overall, organic service revenue growth turned slightly positive and profitability remained high, but the challenging environment is expected to remain near term.

After nearly five years with a deadlock between the main owners of Turkcell, we reached an agreement in March on a dividend distribution proposal for the years 2010-2014. This was recently approved by Turkcell’s General Assembly Meeting and TeliaSonera’s share amounts to approximately SEK 4.5 billion after tax. The resolution was an important step in achieving ordinary corporate governance of Turkcell and we will continue the dialogue with all relevant stakeholders.

As expected, the start of the year has been somewhat slow, but we foresee a gradual improvement in the earnings trend and reiterate our full year outlook. We anticipate EBITDA, on a local organic basis, to remain around last year’s level and foresee CAPEX at around SEK 17 billion, excluding license and spectrum fees.”

Stockholm, April 21, 2015

Johan Dennelind
President and CEO

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

Group outlook for 2015 (unchanged)

EBITDA, excluding non-recurring items, in local currencies, excluding acquisitions and disposals, is expected to be around the same level as in 2014.

CAPEX, excluding license and spectrum fees, is expected to be around SEK 17 billion. Currency fluctuations may impact the reported number in Swedish krona.

In line with the dividend policy, TeliaSonera targets to distribute at least SEK 3.00 for fiscal year 2015.

Review of the group, first quarter 2015

SALES AND EARNINGS

Net sales in local currencies, excluding acquisitions and disposals, increased 1.5 percent. In reported currency, net sales increased 8.8 percent to SEK 26,041 million (23,926). The positive effect of exchange rate fluctuations was 5.6 percent and the positive effect of acquisitions and disposals was 1.7 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, decreased 1.1 percent.

In region Sweden, net sales excluding acquisitions and disposals increased 2.9 percent. Net sales including acquisitions and disposals increased 3.9 percent to SEK 9,050 million (8,712). Service revenues, excluding acquisitions and disposals, declined 1.1 percent.

In region Europe, net sales in local currencies, excluding acquisitions and disposals decreased 0.9 percent. In reported currency, net sales increased 7.6 percent to SEK 10,330 million (9,597). Service revenues in local currencies, excluding acquisitions and disposals, declined 2.3 percent.

In region Eurasia, net sales in local currencies, excluding acquisitions and disposals, increased 3.7 percent. Net sales in reported currency increased 21.1 percent to SEK 5,597 million (4,622). Service revenues in local currencies, excluding acquisitions and disposals, increased 1.4 percent.

The number of subscriptions in the subsidiaries increased by 2.1 million from the end of the first quarter of 2014 to 67.5 million. During the quarter, the total number of subscriptions increased by 0.6 million. The definition of active mobile subscriptions is changed to three months for all countries. Historical numbers have been restated accordingly.

EBITDA, excluding non-recurring items, decreased 4.3 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 2.3 percent to SEK 8,540 million (8,345). The EBITDA margin, excluding non-recurring items, decreased to 32.8 percent (34.9).

Income from associated companies and joint ventures decreased to SEK 493 million (1,091), due to lower contribution from Turkcell and MegaFon, mainly explained by currency effects and one-time items.

Operating income, excluding non-recurring items, decreased 12.6 percent to SEK 5,496 million (6,286), mainly due to lower income from associated companies and joint ventures.

Non-recurring items affecting operating income totaled SEK -377 million (-90), mainly due to general restructuring and integration costs related to the Tele2 Norway acquisition.

Financial items totaled SEK -394 million (-780) of which SEK -692 million (-726) related to net interest expenses. Financial items were positively affected by foreign exchange rate effects in Eurasia mainly related to USD cash balances in Azerbaijan.

Income taxes decreased to SEK -615 million (-1,062). The effective tax rate was 13.0 percent (19.6). As a consequence of an intragroup restructuring, a revaluation has been made of the withholding tax provision which resulted in a positive one-off effect and a decrease of the deferred tax liability.

Net income attributable to non-controlling interests in subsidiaries decreased to SEK 396 million (409).

Net income attributable to owners of the parent company decreased 5.9 percent to SEK 3,714 million (3,945) and earnings per share to SEK 0.86 (0.91).

BALANCE SHEET ITEMS AND CASH FLOW

CAPEX increased to SEK 4,123 million (2,581) and the CAPEX-to-service revenue ratio increased to 18.1 percent (12.0). CAPEX excluding license and spectrum fees increased to SEK 3,714 million (2,581) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees, increased to 16.3 percent (12.0).

Free cash flow increased to SEK 2,853 million (2,556) despite higher cash CAPEX, supported by lower taxes and interest paid in the quarter.

Net debt increased to SEK 60,767 million at the end of the first quarter (59,320 at the end of the fourth quarter of 2014). The net debt/EBITDA ratio was 1.72 (1.68 at the end of the fourth quarter of 2014).

The equity/assets ratio was 41.0 percent (38.0 percent at the end of the fourth quarter of 2014).

SIGNIFICANT EVENTS IN THE FIRST QUARTER

- On February 5, 2015, TeliaSonera announced that the Norwegian Competition Authority had approved TeliaSonera's acquisition of Tele2's Norwegian operations.
- On February 16, 2015, TeliaSonera announced that it had issued a bond of EUR 500 million in a 20 year deal maturing in February 2035, under its existing EUR 12 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 1.70 percent p.a. equivalent to Mid-swaps + 63 basis points.
- On March 25, 2015, TeliaSonera announced that TeliaSonera and the other shareholders in Turkcell Holding had agreed to propose to the General Assembly Meeting of Turkcell that the company distribute dividends of TRY 3,925 million in total. The General Assembly Meeting of Turkcell was held on March 26, 2015, and the proposal was approved.

SIGNIFICANT EVENTS AFTER THE END OF THE FIRST QUARTER

- On April 8, 2015, TeliaSonera announced that the ordinary members of the Board Marie Ehrling, Olli-Pekka Kallasvuo, Mats Jansson, Mikko Kosonen, Nina Linander, Martin Lorentzon, Per-Arne Sandström and Kersti Strandqvist were re-elected at the Annual General Meeting. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board. The Annual General Meeting also decided upon a dividend to the shareholders of SEK 3.00 per share.
- On April 8, 2015, TeliaSonera announced that the European Commission had announced that they will open an in-depth investigation into the proposed merger of TeliaSonera's and Telenor's Danish operations,

Solid consumer demand in Sweden

- Consumer demand for mobile data remained solid and total mobile service revenue growth climbed to 2.0 percent. 4G traffic continued to increase and nearly two-thirds of the post-paid subscriptions are now migrated to data-centric price plans. Strong sales of smartphones and other hardware pushed up equipment revenues by 39 percent, impacting profitability negatively in the quarter.

- The fixed broadband customer base continued to increase combined with positive ARPU growth, supported by higher share of fiber subscriptions. Total service revenue growth remained impacted by a continued decline in traditional fixed voice telephony.

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	9,050	8,712	*3.9*	36,456
Change (%) local organic	*2.9*			
of which service revenues (external)	7,792	7,793	0.0	31,927
change (%) local organic	*-1.1*			
EBITDA excl. non-recurring items	3,267	3,596	*-9.2*	14,311
Margin (%)	36.1	41.3		39.3
Income from associated companies	-1	-3	*-54.9*	-5
Operating income excl. non-recurring items	2,173	2,630	*-17.4*	10,130
Operating income	2,095	2,631	*-20.4*	9,746
CAPEX excl. license and spectrum fees	1,010	982	*2.8*	4,936
% of service revenues	13.0	12.6		15.5
EBITDA excl. non-recurring items - CAPEX	2,257	2,614	*-13.7*	9,375
Subscriptions, (thousands)				
Mobile	6,133	6,126	*0.1*	6,186
Fixed telephony	2,015	2,175	*-7.4*	2,054
Broadband	1,287	1,224	*5.1*	1,275
TV	701	650	*7.8*	697
Employees	6,697	6,651	*0.7*	

Net sales, excluding acquisitions and disposals, increased 2.9 percent. Net sales including acquisitions and disposals increased 3.9 percent to SEK 9,050 million (8,712). The positive effect of acquisitions and disposals was 1.0 percent. **Service revenues**, excluding acquisitions and disposals, declined 1.1 percent.

Mobile service revenues grew 2.0 percent, supported by a strong development in the consumer segment. Fixed service revenues decreased 1.6 percent, as growth in broadband and TV revenues could not fully compensate for lower traditional telephony revenues.

EBITDA, excluding non-recurring items, acquisitions and disposals, dropped 9.6 percent. EBITDA, excluding non-recurring items, but including acquisitions and disposals, fell 9.2 percent to SEK 3,267 million (3,596).

The EBITDA margin dropped to 36.1 percent (41.3), due to market investments and changed product mix.

CAPEX increased to SEK 1,010 million (982) and CAPEX, excluding licenses and spectrum fees, increased to SEK 1,010 million (982).

The number of mobile subscriptions decreased by 53,000 in the quarter, explained by a lower pre-paid subscription base. In the quarter, the number of fixed broadband and TV subscriptions grew by 12,000 and 4,000, respectively.

Stable profitability in Europe

- Organic service revenue growth remained impacted by lower mobile termination rates in several markets. The EBITDA margin improved slightly, supported by higher profitability in Spain.
- The acquisition of Tele2 Norway closed in February and as a result of the transaction nearly one million subscriptions were transferred to TeliaSonera's network in the quarter.
- The European Commission announced on April 8, that they have opened an in-depth investigation into the proposed merger of TeliaSonera's and Telenor's Danish operations. TeliaSonera remains confident that the merger will be approved during 2015.

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	10,330	9,597	*7.6*	39,667
Change (%) local organic	*-0.9*			
of which service revenues (external)	8,359	7,851	6.5	32,488
change (%) local organic	*-2.3*			
EBITDA excl. non-recurring items	2,272	2,097	*8.4*	9,772
Margin (%)	22.0	21.8		24.6
Income from associated companies	29	20	*44.6*	108
Operating income excl. non-recurring items	909	906	*0.4*	4,759
Operating income	781	868	*-10.0*	4,401
CAPEX excl. license and spectrum fees	1,086	868	*25.1*	4,699
% of service revenues	13.0	11.1		14.5
EBITDA excl. non-recurring items - CAPEX	1,187	1,229	*-3.5*	5,073
Subscriptions, (thousands)				
Mobile	14,104	13,156	*7.2*	13,166
Fixed telephony	1,038	1,015	*2.3*	980
Broadband	1,425	1,294	*10.1*	1,415
TV	871	797	*9.3*	854
Employees	11,216	10,548	*6.3*	

Net sales in local currencies, excluding acquisitions and disposals, decreased 0.9 percent. In reported currency, net sales grew 7.6 percent to SEK 10,330 million (9,597). The positive effect of exchange rate fluctuations was 5.2 percent and the positive effect of acquisitions and disposals was 3.3 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, declined 2.3 percent.

EBITDA, excluding non-recurring items, increased 3.7 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 8.4 percent to SEK 2,272 million (2,097). The EBITDA margin improved to 22.0 percent (21.8).

CAPEX increased to SEK 1,086 million (868) and CAPEX, excluding licenses and spectrum fees, increased to SEK 1,086 million (868).

Finland – Lower termination rates impact revenue growth

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	3,273	3,099	*5.6*	12,905
Change (%) local organic	*-0.3*			
of which service revenues (external)	2,767	2,678	3.3	11,082
change (%) local organic	*-2.4*			
EBITDA excl. non-recurring items	972	966	*0.6*	3,925
Margin (%)	29.7	31.2		30.4
Subscriptions, (thousands)				
Mobile	3,286	3,248	*1.2*	3,281
Fixed telephony	96	103	*-6.8*	99
Broadband	546	530	*3.0*	561
TV	493	441	*11.8*	481

Service revenues decreased 2.4 percent in local currency, excluding acquisitions and disposals, as mobile billed revenue growth, supported by strong data usage, could not fully compensate for lower regulated mobile interconnect revenues as well as a decline in fixed service revenues.

The EBITDA margin, excluding non-recurring items, fell to 29.7 percent (31.2), largely explained by a higher share of low-margin equipment sales and increased personnel expenses due to improved service levels in customer operations.

The number of TV subscriptions grew by 12,000 while the number of fixed broadband and fixed telephony subscriptions decreased in the quarter. The number of mobile subscriptions increased by 5,000 in the quarter.

Norway – Tele2 acquisition completed

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	2,058	1,606	*28.1*	6,864
Change (%) local organic	*6.6*			
of which service revenues (external)	1,712	1,349	26.9	5,655
change (%) local organic	*3.9*			
EBITDA excl. non-recurring items	486	483	*0.7*	2,130
Margin (%)	23.6	30.0		31.0
Subscriptions, (thousands)				
Mobile	2,485	1,510	*64.6*	1,517
Fixed telephony	49	0	–	0

Service revenues increased 3.9 percent in local currency, excluding acquisitions and disposals, supported by a strong performance in the consumer segment and increased wholesale revenues.

The EBITDA margin, excluding non-recurring items, dropped to 23.6 percent (30.0), mainly related to the acquisition of Tele2 Norway.

The number of mobile subscriptions grew by 968,000 in the quarter, of which 961,000 were related to the acquisition of Tele2 Norway.

Denmark – High competitive pressure

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	1,422	1,334	*6.6*	5,761
Change (%) local organic	*0.3*			
of which service revenues (external)	1,056	1,011	4.5	4,272
change (%) local organic	*-1.7*			
EBITDA excl. non-recurring items	154	165	*-6.5*	771
Margin (%)	10.8	12.4		13.4
Subscriptions, (thousands)				
Mobile	1,606	1,534	*4.7*	1,581
Fixed telephony	117	119	*-1.7*	122
Broadband	118	102	*15.2*	114
TV	20	19	*7.5*	20

Service revenues decreased 1.7 percent in local currency, excluding acquisitions and disposals, impacted by reduced mobile interconnect rates and lower mobile billed revenues. This was partly offset by growing fixed service revenues due to a larger broadband subscription base and improved TV ARPU.

The EBITDA margin, excluding non-recurring items, decreased to 10.8 percent (12.4), burdened by lower service revenues, a larger share of low margin equipment revenues and increased OPEX.

The number of mobile subscriptions increased by 25,000 in the quarter.

Lithuania – Further increase in broadband customer base

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	759	696	*9.0*	2,950
Change (%) local organic	*2.9*			
of which service revenues (external)	627	598	4.8	2,474
change (%) local organic	*-1.0*			
EBITDA excl. non-recurring items	244	253	*-3.6*	1,012
Margin (%)	32.2	36.3		34.3
Subscriptions, (thousands)				
Mobile	1,334	1,461	*-8.7*	1,378
Fixed telephony	463	492	*-5.9*	468
Broadband	537	440	*22.0*	516
TV	192	173	*11.0*	187

Service revenues decreased 1.0 percent in local currency, excluding acquisitions and disposals, as the growth in mobile service revenues, could not fully compensate for lower traditional fixed telephony revenues.

The EBITDA margin, excluding non-recurring items, decreased to 32.2 percent (36.3), due to a product mix shift with a higher share of low-margin revenues.

The number of mobile subscriptions decreased by 44,000 in the quarter, while the number of fixed broadband and TV subscriptions increased by 21,000 and 5,000, respectively.

Latvia – Higher profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	358	361	*-0.9*	1,458
Change (%) local organic	*-6.4*			
of which service revenues (external)	289	269	7.4	1,132
change (%) local organic	*1.4*			
EBITDA excl. non-recurring items	127	107	*19.0*	454
Margin (%)	35.5	29.6		31.2
Subscriptions, (thousands)				
Mobile	1,096	1,066	*2.8*	1,097

Service revenues increased 1.4 percent in local currency, excluding acquisitions and disposals, supported by strong growth in mobile billed revenues.

The EBITDA margin, excluding non-recurring items, improved to 35.5 percent (29.6), mainly due to a smaller share of low-margin equipment sales.

The number of subscriptions decreased by 1,000 in the quarter.

Estonia – Continued pressure on service revenues

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	631	634	*-0.5*	2,630
Change (%) local organic	*-6.1*			
of which service revenues (external)	492	504	-2.4	2,075
change (%) local organic	*-7.8*			
EBITDA excl. non-recurring items	196	207	*-5.4*	855
Margin (%)	31.1	32.7		32.5
Subscriptions, (thousands)				
Mobile	834	826	*1.0*	841
Fixed telephony	313	301	*4.0*	291
Broadband	224	222	*0.9*	224
TV	166	164	*1.2*	166

Service revenues fell 7.8 percent in local currency, excluding acquisitions and disposals, as the positive growth in mobile billed revenues could not compensate for a decline in other areas.

The EBITDA margin, excluding non-recurring items, fell to 31.1 percent (32.7), as a result of lower service revenues and an unfavorable product mix with a larger part of low-margin equipment sales.

The number of fixed broadband and TV subscriptions were unchanged in the quarter while the number of mobile subscriptions decreased by 7,000.

Spain – Positive EBITDA development

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	1,851	1,888	*-2.0*	7,392
Change (%) local organic	*-7.4*			
of which service revenues (external)	1,415	1,442	-1.9	5,799
change (%) local organic	*-7.3*			
EBITDA excl. non-recurring items	93	-84		625
Margin (%)	5.0	-4.5		8.5
Subscriptions, (thousands)				
Mobile	3,463	3,511	*-1.4*	3,471

Mobile service revenues fell 7.3 percent in local currency, excluding acquisitions and disposals, as continued growth in data revenues could not compensate for lower voice and messaging revenues as a result of price erosion in the Spanish market.

The EBITDA margin, excluding non-recurring items, improved to 5.0 percent (-4.5), explained by lower subsidies and commissions paid as well as cost saving activities.

The total number of subscriptions decreased by 8,000 in the quarter, of which the post-paid base grew by 7,000 subscriptions and the pre-paid base decreased by 15,000 subscriptions.

Growth despite challenges in Eurasia

- The macroeconomic and competitive environment remained demanding in several countries in the region. As a result of re-positioning and new offerings, organic service revenue growth in the region returned to positive. Reported revenue growth was supported by positive currency effects.
- The demand for internet access remained strong and data revenues increased by 19 percent and now account for almost 18 percent of service revenues. Investments in coverage and capacity increased to meet customer demand and support growth.

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	5,597	4,622	*21.1*	20,458
Change (%) local organic	*3.7*			
of which service revenues (external)	5,257	4,448	18.2	19,473
change (%) local organic	*1.4*			
EBITDA excl. non-recurring items	2,908	2,527	*15.1*	10,859
Margin (%)	52.0	54.7		53.1
Income from associated companies	-9	0		26
Operating income excl. non-recurring items	1,970	1,783	*10.5*	7,819
Operating income	1,895	1,763	*7.5*	4,936
CAPEX excl. license and spectrum fees	1,155	354		3,370
% of service revenues	22.0	8.0		17.3
EBITDA excl. non-recurring items - CAPEX	1,344	2,173	*-38.2*	6,135
Subscriptions, (thousands)				
Mobile	39,931	38,927	*2.6*	40,294
Employees	5,266	4,971	*5.9*	

Net sales in local currencies, excluding acquisitions and disposals, increased 3.7 percent. In reported currency, net sales grew 21.1 percent to SEK 5,597 million (4,622). The positive effect of exchange rate fluctuations was 17.4 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, increased 1.4 percent.

EBITDA, excluding non-recurring items, decreased 2.1 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, grew 15.1 percent to SEK 2,908 million (2,527). The EBITDA margin decreased to 52.0 percent (54.7).

CAPEX increased to SEK 1,565 million (355) due to investments in capacity and coverage and frequency in Georgia. CAPEX, excluding licenses and spectrum fees, increased to SEK 1,155 million (354).

Kazakhstan – Challenges remain

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	1,951	1,725	*13.1*	7,248
Change (%) local organic	*-2.7*			
of which service revenues (external)	1,800	1,723	4.5	7,043
change (%) local organic	*-10.1*			
EBITDA excl. non-recurring items	1,057	999	*5.8*	4,032
Margin (%)	54.2	57.9		55.6
Subscriptions, (thousands)				
Mobile	10,829	11,236	*-3.6*	11,215

Service revenues fell 10.1 percent in local currency, excluding acquisitions and disposals, as increased competition and lower interconnect rates put pressure on voice and messaging revenues. Equipment sales reached SEK 150 million (0) in the quarter.

The EBITDA margin, excluding non-recurring items, decreased to 54.2 percent (57.9), mainly related to a product-mix shift with lower billed revenues and increased equipment sales.

The number of subscriptions fell by 386,000 in the quarter.

Azerbaijan – Easing revenue pressure

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	938	822	*14.1*	3,778
Change (%) local organic	*0.0*			
of which service revenues (external)	931	818	13.7	3,757
change (%) local organic	*-0.8*			
EBITDA excl. non-recurring items	495	434	*14.2*	2,042
Margin (%)	52.8	52.8		54.0
Subscriptions, (thousands)				
Mobile	4,196	3,955	*6.1*	4,219

Service revenues declined 0.8 percent in local currency, excluding acquisitions and disposals, explained by lower messaging and interconnect revenues. Data revenues grew by more than 15 percent in the quarter, supported by an increased smartphone penetration.

The EBITDA margin, excluding non-recurring item, was stable at 52.8 percent (52.8).

The number of subscriptions decreased by 23,000 in the quarter.

In February, the Azerbaijan manat devaluated versus the US dollar by 34 percent.

Uzbekistan – Strong service revenue growth

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	1,032	786	*31.2*	3,613
Change (%) local organic	*12.9*			
of which service revenues (external)	1,031	785	31.3	3,607
change (%) local organic	*13.0*			
EBITDA excl. non-recurring items	534	451	*18.5*	*1,944*
Margin (%)	51.8	57.4		53.8
Subscriptions, (thousands)				
Mobile	8,527	8,463	*0.8*	8,574

Service revenues grew 13.0 percent in local currency, excluding acquisitions and disposals, positively impacted by higher messaging and data revenues.

The EBITDA margin, excluding non-recurring items, fell to 51.8 percent (57.4) due to higher sales commission and transmission costs.

The number of subscriptions decreased by 47,000 in the quarter.

Tajikistan – Continued high competition

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	206	199	*3.6*	857
Change (%) local organic	*-7.9*			
of which service revenues (external)	180	171	5.8	708
change (%) local organic	*-6.0*			
EBITDA excl. non-recurring items	66	90	*-26.0*	364
Margin (%)	32.2	45.0		42.5
Subscriptions, (thousands)				
Mobile	2,753	2,788	*-1.3*	2,775

Service revenues decreased 6.0 percent in local currency, excluding acquisitions and disposals, mainly impacted by a decline in international traffic.

The EBITDA margin, excluding non-recurring items, fell to 32.2 percent (45.0), burdened by lower service revenues, exchange rate losses and additional accrued taxes.

The number of subscriptions decreased by 22,000 in the quarter.

Georgia – Higher service revenues but weaker margin

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	210	203	*3.6*	874
Change (%) local organic	*-4.2*			
of which service revenues (external)	199	182	9.7	813
change (%) local organic	*1.4*			
EBITDA excl. non-recurring items	66	83	*-20.7*	355
Margin (%)	31.2	40.8		40.6
Subscriptions, (thousands)				
Mobile	1,913	1,881	*1.7*	1,861

Service revenues increased 1.4 percent in local currency, excluding acquisitions and disposals, as strong data revenue growth more than compensated for lower voice revenues.

The EBITDA margin, excluding non-recurring items, fell to 31.2 percent (40.8) due to higher operating expenses.

The number of subscriptions grew by 52,000 in the quarter.

Moldova – Improved revenue growth

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	126	112	*12.5*	497
Change (%) local organic	*16.6*			
of which service revenues (external)	106	106	-0.6	436
change (%) local organic	*3.1*			
EBITDA excl. non-recurring items	25	16	*57.0*	131
Margin (%)	19.8	14.2		26.4
Subscriptions, (thousands)				
Mobile	908	862	*5.3*	896

Service revenues grew 3.1 percent in local currency, excluding acquisitions and disposals, spurred by a positive development in data, content and messaging revenues.

The EBITDA margin, excluding non-recurring items, improved to 19.8 percent (14.2), mainly explained by a one-off charge due to a classification error in the comparable quarter last year.

The number of subscriptions increased by 12,000 in the quarter.

Nepal – Strong growth and profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	1,130	780	*44.9*	3,593
Change (%) local organic	*14.4*			
of which service revenues (external)	1,005	662	51.9	3,099
change (%) local organic	*19.9*			
EBITDA excl. non-recurring items	681	481	*41.4*	2,155
Margin (%)	60.3	61.8		60.0
Subscriptions, (thousands)				
Mobile	10,806	9,742	*10.9*	10,754

Service revenues grew 19.9 percent in local currency, excluding acquisitions and disposals, supported by strong billed revenue growth and larger subscription base.

The EBITDA margin, excluding non-recurring items, decreased slightly to 60.3 percent (61.8), due to higher interconnect costs.

The number of subscriptions grew by 52,000 in the quarter.

Other operations

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jan-Mar 2015	Jan-Mar 2014	*Chg (%)*	Jan-Dec 2014
Net sales	1,780	1,667	*6.8*	7,043
Change (%) local organic	*0.1*			
of which International Carrier	1,506	1,410	6.9	5,964
EBITDA excl. non-recurring items	92	123	*-24.8*	282
of which International Carrier	92	93	-0.4	371
Margin (%)	5.2	7.4		4.0
Income from associated companies	474	1,074	*-55.8*	4,463
of which Russia	150	541	-72.2	2,247
of which Turkey	324	528	-38.7	2,213
Operating income excl. non-recurring items	444	968	*-54.1*	3,948
Operating income	348	934	*-62.7*	3,597
CAPEX	463	363	*27.3*	2,317
Employees	3,284	3,571	*-8.0*	

Net sales in local currencies, excluding acquisitions and disposals, increased 0.1 percent. In reported currency, net sales increased 6.8 percent to SEK 1,780 million (1,667). The positive effect of exchange rate fluctuations was 6.7 percent.

EBITDA, excluding non-recurring items, decreased to SEK 92 million (123). The EBITDA margin, excluding non-recurring items, declined to 5.2 percent (7.4).

In International Carrier, net sales increased 6.9 percent to SEK 1,506 million (1,410) and the EBITDA margin, excluding non-recurring items, declined to 6.1 percent (6.6).

Income from associated companies, excluding non-recurring items, dropped to SEK 474 million (1,074). The lower contribution from both MegaFon in Russia and Turkcell in Turkey are largely explained by negative currency effects and one-off items.

Condensed consolidated statements of comprehensive income

SEK in millions, except per share data, number of shares and changes	Jan-Mar 2015	Jan-Mar[1] 2014	*Chg (%)*	Jan- Dec[1] 2014
Net sales	26,041	23,926	*8.8*	100,890
Cost of sales	-15,147	-13,213	*14.6*	-57,921
Gross profit	**10,894**	**10,713**	*1.7*	**42,969**
Selling, admin. and R&D expenses	-6,071	-5,587	*8.7*	-22,987
Other operating income and expenses, net	-197	-21		-1,895
Income from associated companies and joint ventures	493	1,091	*-54.8*	4,593
Operating income	**5,119**	**6,196**	*-17.4*	**22,679**
Finance costs and other financial items, net	-394	-780	*-49.5*	-2,573
Income after financial items	**4,725**	**5,416**	*-12.7*	**20,107**
Income taxes	-615	-1,062	*-42.1*	-4,508
Net income	**4,110**	**4,354**	*-5.6*	**15,599**
Items that may be reclassified to net income:				
Foreign currency translation differences	118	-1,191		3,065
Other comprehensive income from associated companies and joint ventures	236	-32		9
Cash flow hedges	-172	-303		69
Available-for-sale financial instruments	24	0		3
Income tax relating to items that may be reclassified to net income	-256	45		845
Items that will not be reclassified to net income:				
Remeasurements of defined benefit pension plans	31	-1,065		-3,953
Income tax relating to items that will not be reclassified to net income	-9	282		870
Associates' remeasurements of defined benefit pension plans	0	5		5
Other comprehensive income	**-28**	**-2,259**		**911**
Total comprehensive income	**4,082**	**2,094**		**16,510**
Net income attributable to:				
Owners of the parent	3,714	3,945		14,502
Non-controlling interests	396	409		1,097
Total comprehensive income attributable to:				
Owners of the parent	3,608	1,881		15,081
Non-controlling interests	474	213		1,429
Earnings per share (SEK), basic and diluted	0.86	0.91		3.35
Number of shares (thousands)				
Outstanding at period-end	4,330,085	4,330,085		4,330,085
Weighted average, basic and diluted	4,330,085	4,330,085		4,330,085
EBITDA	8,163	8,255	*-1.1*	33,675
EBITDA excl. non-recurring items	8,540	8,345	*2.3*	35,223
Depreciation, amortization and impairment losses	-3,537	-3,150	*12.3*	-15,589
Operating income excl. non-recurring items	5,496	6,286	*-12.6*	26,656

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

Condensed consolidated statements of financial position

SEK in millions	Mar 31, 2015	Dec 31, 2014
Assets		
Goodwill and other intangible assets	89,507	86,161
Property, plant and equipment	70,597	69,669
Investments in associates and joint ventures, pension obligation assets and other non-current assets	34,081	34,301
Deferred tax assets	6,698	5,955
Long-term interest-bearing receivables	18,681	14,336
Total non-current assets	*219,564*	*210,422*
Inventories	1,984	1,779
Trade and other receivables and current tax receivables	20,890	20,137
Short-term interest-bearing receivables	8,343	10,993
Cash and cash equivalents	34,962	28,735
Total current assets	*66,179*	*61,644*
Total assets	**285,743**	**272,066**
Equity and liabilities		
Equity attributable to owners of the parent	114,990	111,383
Equity attributable to non-controlling interests	5,447	4,981
Total equity	*120,436*	*116,364*
Long-term borrowings	91,855	90,168
Deferred tax liabilities	11,304	10,840
Provisions for pensions and other long-term provisions	14,588	15,268
Other long-term liabilities	2,354	1,887
Total non-current liabilities	*120,102*	*118,163*
Short-term borrowings	18,683	11,321
Trade payables and other current liabilities, current tax payables and short-term provisions	26,523	26,218
Total current liabilities	*45,206*	*37,539*
Total equity and liabilities	**285,743**	**272,066**

Condensed consolidated statements of cash flows

SEK in millions	Jan-Mar 2015	Jan-Mar 2014[1)]	Jan-Dec 2014
Cash flow before change in working capital	7,255	6,103	29,366
Change in working capital	-144	-623	-114
Cash flow from operating activities	**7,112**	**5,480**	**29,252**
Cash CAPEX	-4,259	-2,924	-16,206
Free cash flow	***2,853***	***2,556***	***13,046***
Cash flow from other investing activities	-6,925	-21	-5,774
Total cash flow from investing activities	**-11,183**	**-2,945**	**-21,979**
Cash flow before financing activities	***-4,071***	***2,535***	***7,272***
Cash flow from financing activities	**9,888**	**-2,224**	**-10,269**
Cash flow for the period	**5,817**	**311**	**-2,997**
Cash and cash equivalents, opening balance	**28,735**	**31,355**	**31,355**
Cash flow for the period	5,817	311	-2,997
Exchange rate differences	410	-160	377
Cash and cash equivalents, closing balance	**34,962**	**31,505**	**28,735**

1) Restated for comparability, see page 21.

Condensed consolidated statements of changes in equity

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2014	**108,324**	**4,610**	**112,934**
Dividends	–	-8	**-8**
Share-based payments	4	–	**4**
Repurchased treasury shares	–	–	–
Total transactions with owners	*4*	*-8*	***-8***
Total comprehensive income	1,881	213	**2,094**
Effect of equity transactions in associates	10	–	**10**
Closing balance, March 31, 2014	**110,219**	**4,815**	**115,034**
Dividends	-12,990	-1,050	**-14,040**
Share-based payments	14	–	**14**
Repurchased treasury shares	-6	–	**-6**
Total transactions with owners	*-12,982*	*-1,050*	***-14,032***
Total comprehensive income	13,200	1,216	**14,416**
Effect of equity transactions in associates	946	–	**946**
Closing balance, December 31, 2014	**111,383**	**4,981**	**116,364**
Opening balance, January 1, 2015	**111,383**	**4,981**	**116,364**
Dividends	–	-9	**-9**
Share-based payments	5	–	**5**
Repurchased treasury shares	–	–	–
Total transactions with owners	*5*	*-9*	***-4***
Total comprehensive income	3,608	474	**4,082**
Effect of equity transactions in associates	-5	–	**-5**
Closing balance, March 31, 2015	**114,990**	**5,447**	**120,436**

Basis of preparation

GENERAL

As in the annual accounts for 2014, TeliaSonera's consolidated financial statements as of and for the three-month period ended March 31, 2015, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and, given the nature of TeliaSonera's transactions, with IFRSs as adopted by the European Union. The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Reports Act as well as standard RFR 2 Accounting for Legal Entities and other statements issued by the Swedish Financial Reporting Board. For the Group this interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and for the Parent Company in accordance with the Swedish Annual Reports Act. The accounting policies adopted are consistent with those of the previous financial year, except as described below. All amounts in this report are presented in SEK millions, unless otherwise stated. Rounding differences may occur.

SEGMENTS

First quarter 2014 figures have been restated to reflect the new organization effective April 1, 2014.

CORRECTION OF PRIOR PERIOD CLASSIFICATION ERROR

For comparability, cash flow has been restated for first quarter 2014 due to reclassification of balances between cash and cash equivalents.

Prior periods have been restated to reflect the discovery of certain classification errors between net sales and cost of sales referring to supplier rebates in region Europe. The corrections were as follows:

SEK in millions	Jan-Mar 2014 Reported	Jan-Mar 2014 Restated	*Chg*	Apr-Jun 2014 Reported	Apr-Jun 2014 Restated	*Chg*
Net sales	23,972	23,926	*-46*	25,017	24,985	*-32*
Cost of sales	-13,260	-13,214	*46*	-13,901	-13,869	*32*
Gross profit	**10,713**	**10,713**	–	**11,116**	**-11,116**	–

SEK in millions	Jul-Sep 2014 Reported	Jul-Sep 2014 Restated	*Chg*	Oct-Dec 2014 Reported	Oct-Dec 2014 Restated	*Chg*
Net sales	25,464	25,417	*-47*	26,606	26,562	*-44*
Cost of sales	-14,296	-14,249	*47*	-16,634	-16,590	*44*
Gross profit	**11,168**	**11,168**	–	**9,972**	**9,972**	–

SEK in millions	Jan-Dec 2014 Reported	Jan-Dec 2014 Restated	*Chg*
Net sales	101,060	100,890	*170*
Cost of sales	-58,091	-57,921	*-170*
Gross profit	**42,969**	**42,969**	–

RESTATEMENT OF OPERATIONAL DATA

Prior periods have been restated to reflect a new product classification, primarily within Managed Services and Support. Restatements have impacted external services revenues in Region Sweden and Region Europe.

The definition of number of mobile prepaid subscriptions has been changed. Prepaid subscriptions are counted if the subscriber has been active during the last three months. Prior periods have been restated for comparability.

Non-recurring items

SEK in millions	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Within EBITDA	**-377**	**-90**	**-1,549**
Restructuring charges, synergy implementation costs, etc.:			
Region Sweden	-78	2	-354
Region Europe	-128	-38	-204
Region Eurasia	-75	-19	-637
Other operations	-96	-34	-246
Capital gains/losses	-1	–	-107
Within Depreciation, amortization and impairment losses	–	–	**-2,428**
Impairment losses, accelerated depreciation:			
Region Sweden	–	–	-29
Region Europe	–	–	-152
Region Eurasia	–	–	-2,246
Other operations	–	–	-1
Within Income from associated companies and joint ventures	–	–	–
Capital gains/losses	–	–	–
Total	**-377**	**-90**	**-3,976**

Segment and group net sales, EBITDA and operating income

Net sales, EBITDA excl. non-recurring items and Operating income SEK in millions	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Net sales			
Region Sweden	9,050	8,712	36,456
of which external	*8,978*	*8,647*	*36,165*
Region Europe	10,330	9,597	39,667
of which external	*10,227*	*9,475*	*39,402*
Region Eurasia	5,597	4,622	20,458
of which external	*5,434*	*4,470*	*19,759*
Other operations	1,780	1,667	7,043
Total segments	**26,756**	**24,598**	**103,624**
Eliminations	-715	-672	-2,734
Group	**26,041**	**23,926**	**100,890**
EBITDA excl. non-recurring items			
Region Sweden	3,267	3,596	14,311
Region Europe	2,272	2,097	9,772
Region Eurasia	2,908	2,527	10,859
Other operations	92	123	282
Total segments	**8,540**	**8,343**	**35,224**
Eliminations	0	1	0
Group	**8,540**	**8,345**	**35,223**
Operating income			
Region Sweden	2,095	2,631	9,746
Region Europe	781	868	4,401
Region Eurasia	1,895	1,763	4,936
Other operations	348	934	3,597
Total segments	**5,119**	**6,196**	**22,680**
Eliminations	0	0	0
Group	**5,119**	**6,196**	**22,679**
Finance costs and other financial items, net	-394	-780	-2,573
Income after financial items	**4,725**	**5,416**	**20,107**

Investments

SEK in millions	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
CAPEX	**4,123**	**2,581**	**16,679**
Intangible assets	719	229	2,756
Property, plant and equipment	3,404	2,352	13,923
Acquisitions and other investments	**4,722**	**51**	**1,220**
Asset retirement obligations	80	46	171
Goodwill and fair value adjustments	4,642	–	1,004
Equity holdings	0	5	45
Total	**8,845**	**2,632**	**17,899**

Financial instruments – fair values

Long-term and short-term borrowings[1)] SEK in millions	Mar 31, 2015		Dec 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	26,331	32,656	26,955	34,726
Interest rate swaps	257	257	283	283
Cross currency interest rate swaps	1,653	1,653	1,577	1,577
Subtotal	**28,242**	**34,567**	**28,814**	**36,585**
Open-market financing program borrowings	59,932	65,512	57,861	63,534
Other borrowings at amortized cost	3,625	3,625	3,431	3,431
Subtotal	**91,799**	**103,704**	**90,106**	**103,549**
Finance lease agreements	56	56	62	62
Total long-term borrowings	**91,855**	**103,760**	**90,168**	**103,611**
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	7,254	7,287	7,414	7,414
Interest rate swaps	12	12	–	–
Cross currency interest rate swaps	414	414	329	329
Subtotal	**7,680**	**7,713**	**7,743**	**7,743**
Utilized bank overdraft and short-term credit facilities at amortized cost	1,147	1,147	1,057	1,058
Open-market financing program borrowings	4,037	4,086	725	726
Other borrowings at amortized cost	5,810	5,810	1,786	1,786
Subtotal	**18,674**	**18,757**	**11,311**	**11,313**
Finance lease agreements	9	9	10	10
Total short-term borrowings	**18,683**	**18,766**	**11,321**	**11,323**

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see TeliaSonera's Annual Report 2014, Note C3 to the consolidated financial statements.

Financial assets and liabilities by fair value hierarchy level[1)] SEK in millions	Mar 31, 2015				Dec 31, 2014			
		of which				of which		
	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
Financial assets at fair value								
Equity instruments available-for-sale	**281**	29	–	252	**228**	–	–	228
Equity instruments held-for-trading	**68**	–	–	68	**108**	–	–	108
Long- and short-term bonds available-for-sale	**8,904**	8,904	–	–	**4,950**	4,950	–	–
Derivatives designated as hedging instruments	**2,621**	–	2,621	–	**3,901**	–	3,901	–
Derivatives held-for-trading	**2,975**	–	2,920	55	**1,923**	–	1,868	55
Total financial assets at fair value by level	**14,850**	**8,933**	**5,541**	**375**	**11,110**	**4,950**	**5,770**	**391**
Financial liabilities at fair value								
Borrowings in fair value hedge relationships	**33,586**	–	33,586	–	**34,369**	–	34,369	–
Derivatives designated as hedging instruments	**1,821**	–	1,821	–	**1,727**	–	1,727	–
Derivatives held-for-trading	**1,461**	–	1,461	–	**882**	–	882	–
Total financial liabilities at fair value by level	**36,868**	**–**	**36,868**	**–**	**36,978**	**–**	**36,978**	**–**

1) For information on fair value hierarchy levels and fair value estimation, see TeliaSonera's Annual Report 2014, Note C3 to the consolidated financial statements.

Related party transactions

In the quarter ended March 31, 2015, TeliaSonera purchased services for SEK 73 million (32), and sold services for SEK 51 million (48). Related parties in these transactions were mainly MegaFon, Turkcell, Lattelecom and Rodnik.

Net debt

SEK in millions	Mar 31, 2015	Dec 31, 2014
Long-term and short-term borrowings	110,538	101,489
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-5,177	-5,618
Less long-term bonds available for sale	-8,529	-4,671
Less short-term investments, cash and bank	-36,065	-31,880
Net debt	**60,767**	**59,320**

Loan financing and credit rating

The underlying operating cash flow continued to be positive also in the first quarter of 2015.

The rating from Standard & Poor’s remained unchanged with a credit rating on TeliaSonera AB of A- for long-term borrowings and A-2 for short-term borrowings with a stable outlook. Moodys’ has confirmed the long-term rating of A3 and P2 for short-term borrowings but the outlook is negative.

On the back of favorable credit market conditions TeliaSonera issued a EUR 500 million twenty-year benchmark Eurobond in February to attractive levels, a re-offer spread of 63 basis points over EUR mid swaps and with an annual coupon of 1.625 percent.

With limited funding needs during 2015 TeliaSonera will continue to have an opportunistic funding approach and take advantage of attractive funding opportunities when they appear, with a special focus on diversifying the investor base.

Collateral held

TeliaSonera has sold all its shares in Telecominvest (TCI) to AF Telecom Holding (AFT). The purchase price, denominated i USD, has not been fully paid by AFT and in order to secure the value of TeliaSonera’s receivable, presently SEK 5,436 million (4,925 at the end of 2014), MegaFon shares held by TCI, representing 3.27 percent of the shares in MegaFon, are presently pledged to TeliaSonera. Two tranches are remaining out of a total of five. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to TeliaSonera.

Guarantees and collateral pledged

As of March 31, 2015, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 320 million (320 at the end of 2014), of which SEK 288 million (287 at the end of 2014) referred to guarantees for pension obligations. Collateral pledged totaled SEK 432 million (426 at the end of 2014).

Contractual obligations and commitments

As of March 31, 2015, contractual obligations totaled SEK 3,064 million (2,117 at the end of 2014), of which SEK 1,653 million (1,286 at the end of 2014) referred to contracted build-out of TeliaSonera’s fixed networks in Sweden.

Business combinations in the first quarter

TELE2'S NORWEGIAN OPERATIONS

After the Norwegian Competition Authority approval TeliaSonera acquired Tele2's Norwegian mobile operations on February 12, 2015. The acquisition included 100 percent of all outstanding shares in Tele2 Norge AS and Network Norway AS and their subsidiaries and joint ventures. As part of the remedies provided in order to get the approval, TeliaSonera has signed an agreement with mobile operator ICE Communication Norge AS (ICE) partly on national roaming, partly on the sale of the customer base and the marketing and sales organization of Network Norway, which provides voice communication solutions to companies. In addition TeliaSonera has sold infrastructure to ICE.

The transaction is a strategic fit for the group and in line with the ambition to strengthen TeliaSonera's position in the core markets. The greater scale will improve TeliaSonera's competitiveness and ability to offer mobile internet to enterprise customers and consumers in Norway, including the rural areas where large investments are needed.

The preliminary cost of combination, preliminary fair values of assets acquired including goodwill and liabilities assumed are presented in the table below. The table includes the effects of all the related transactions, including remedies provided. The total cost of the combination includes repayment of certain borrowings of SEK 3,043 million to Tele2. The total cost of the combination has been impacted by negative cash flow, interest and seasonal changes in working capital since the agreed locked box date as of May 31, 2014.

SEK in millions	Tele2 Norway
Cost of combination	
Cash consideration	5,138
Contingent consideration	–
Total cost of the combination	**5,138**
Fair value of net assets acquired	
Goodwill	1,856
Intangible assets	2,926
Property, plant and equipment	271
Deferred tax assets	1,054
Other non-current assets	79
Current assets	765
Total assets acquired, including goodwill	***6,951***
Deferred tax liabilities	743
Other non-current liabilities	136
Current liabilities	934
Total liabilities assumed	***1,813***
Total fair value of net assets acquired, including goodwill	**5,138**

SEK in millions	Tele2 Norway
Total cost of the combination paid in cash	5,138
Less cash and cash equivalents	-1
Net cash outflow from the combination	**5,137**

Goodwill consists of the knowledge of transferred personnel and expected synergies from the assets merged to the network and operations of TeliaSonera. No part of goodwill is expected to be deductible for tax purposes. The fair value of acquired receivables amounts to SEK 563 million. Acquisition-related costs of SEK 10 million and SEK 17 million have been recognized as other operating expenses in 2015 and 2014, respectively. 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 adjustment.

OTHER MINOR BUSINESS COMBINATIONS

On January 2, 2015, TeliaSonera acquired all shares in Transit Bredband AB. The cost and net cash outflow of the combination was SEK 22 million. The cost of the combination and fair values has 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 adjustment.

Financial key ratios

	Mar 31, 2015	Dec 31, 2014
Return on equity (%, rolling 12 months)	13.9	15.0
Return on capital employed (%, rolling 12 months)	11.5	12.2
Equity/assets ratio (%)	41.0	38.0
Net debt/equity ratio (%)	51.9	57.4
Net debt/EBITDA rate excl. non-recurring items (multiple, rolling 12 months)	1.72	1.68
Net debt/assets ratio	21.3	21.8
Owners' equity per share (SEK)	26.56	25.72

Parent company

Condensed income statements SEK in millions	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Net sales	0	1	4
Gross income	**0**	**1**	**4**
Operating expenses	-263	155	-920
Operating income	**-263**	**156**	**-916**
Financial income and expenses	704	-552	3,409
Income after financial items	**441**	**-396**	**2,493**
Appropriations	1,055	1,489	7,750
Income before taxes	**1,497**	**1,093**	**10,243**
Income taxes	-338	-251	-231
Net income	**1,159**	**843**	**10,012**

Financial income improved mainly due to positive exchange rate effects.

Condensed balance sheets SEK in millions	Mar 31, 2015	Dec 31, 2014
Non-current assets	159,121	155,495
Current assets	64,106	65,805
Total assets	**223,227**	**221,300**
Equity and liabilities		
Restricted shareholders' equity	15,712	15,712
Non-restricted shareholders' equity	69,065	68,020
Total shareholders' equity	**84,777**	**83,732**
Untaxed reserves	11,844	11,476
Provisions	500	478
Long-term liabilities	88,292	87,172
Short-term liabilities	37,815	38,442
Total equity and liabilities	**223,227**	**221,300**

Total investments in the period were SEK 2,136 million (12), of which SEK 4 million (5) referred to shareholder contributions to subsidiaries. For investments in the period see also Business Combinations.

In 2012, the parent company's shares in Telecominvest (TCI) were sold to AF Telecom Holding (AFT). The purchase price, denominated i USD, has not been fully paid by AFT and in order to secure the value of the parent company's receivable, presently SEK 5,436 million (4,925 at the end of 2014), MegaFon shares held by TCI, representing 3.27 percent of the shares in MegaFon, are presently pledged to the parent company. Two tranches are remaining out of a total of five. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to the parent company.

Risks and uncertainties

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

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

See section Risk and uncertainties and Note C26 to the consolidated financial statements in TeliaSonera's Annual and Sustainability Report 2014 for a detailed description of some of the factors that may affect TeliaSonera's business, brand perception, financial position, results of operations or the share price from time to time. Risks and uncertainties that could specifically impact the quarterly results of operations during 2015 include, but may not be limited to:

Global financial markets unrest. Changes in the global financial markets 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 financial crisis by itself or by triggering a downturn in the economy of one or more countries in which TeliaSonera operates would have an impact on its customers and may have a negative impact on 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 unfavorable changes in the global financial markets.

International political and macroeconomic developments. TeliaSonera has material investments and receivables in the Russian Federation related to its associated company OAO MegaFon and the international carrier operations. Following the conflict between the Russian Federation and Ukraine, the European Union and the United States have implemented sanctions directed towards individuals and corporates. The Russian Federation has as a consequence decided on certain counter actions. The sanctions and counter actions may negatively affect the Russian ruble and the Russian economy, which in turn may impact countries whose economies are closely linked to the Russian economy, such as a number of TeliaSonera's Eurasian operations. These developments, as well as other international political conflicts or developments affecting countries in which TeliaSonera is operating, may adversely impact TeliaSonera's cash flows, financial position and results of operations.

Competition and price pressure. TeliaSonera is subject to substantial and historically increasing competition and price pressure. Competition from a variety of sources, including current market participants, new entrants and new products and services, may adversely affect TeliaSonera's results of operations. Transition to new business models in the telecom industry may lead to structural changes and different competitive dynamics. Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect TeliaSonera's customer relationships, service offerings and position in the value chain, and adversely impact its results of operations.

Investments in future growth. TeliaSonera is currently investing in future growth through, for example, sales and marketing expenditures to retain and acquire customers in most markets, build-up of its customer base in start-up operations and investments in infrastructure in all markets to improve capacity and access. While TeliaSonera believes that these investments will improve market position and financial results in the long term, they may not have the targeted positive effects yet in the short term and related expenditures may impact the results of operations both in the long and short term.

Non-recurring items. In accordance with their nature, non-recurring items such as capital gains and losses, restructuring costs, impairment charges, etc., may impact the quarterly results in the short term with amounts or timing that deviate from those currently expected. Depending on external factors or internal developments, TeliaSonera might also experience non-recurring items that are not currently anticipated.

Emerging markets. TeliaSonera has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, Russia and Turkey. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in countries with more mature institutional structures. The future political situation in each of the emerging market countries may remain unpredictable, and markets in which TeliaSonera operates may become unstable, even to the extent that TeliaSonera has to exit a country or a specific operation within a country. Another implication may be unexpected or unpredictable litigation cases. Other risks associated with operating in emerging market countries include foreign exchange restrictions or administrative issues, which could effectively prevent TeliaSonera from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. One example of this is TeliaSonera's business in Uzbekistan in which the group has a net exposure of approximately SEK 9.2 billion, including group companies' receivables totaling approximately SEK 7.7 billion, cash and cash equivalents of approximately SEK 1.5 billion and short-term investments of approximately SEK 0.7 billion. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally. Such negative political or legal developments or weakening of the economies or currencies in these markets might have a significantly negative effect on TeliaSonera's results of operations and financial position.

Impairment losses and restructuring charges. TeliaSonera could be required to recognize impairment losses with respect to assets if management's expectation of future cash flows attributable to these assets change, including but not limited to goodwill and fair value adjustments that TeliaSonera has recorded in connection with acquisitions that it has made or may make in the future. TeliaSonera has undertaken a number of restructuring and streamlining initiatives which have resulted in substantial restructuring and streamlining charges. Similar initiatives may be undertaken in the future. In addition to affecting TeliaSonera's results of operations, impairment losses and restructuring charges may adversely affect TeliaSonera's ability to pay dividends.

Shareholder matters in partly-owned subsidiaries. TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through subsidiaries in which TeliaSonera does not have a 100 percent ownership. Under the governing documents for certain of these entities, the holders of non-controlling interests have protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. One example where TeliaSonera is dependent on a minority owner is Fintur Holdings B.V. (Fintur's minority share-holder is Turkcell) which owns the operations in Kazakhstan, Azerbaijan, Georgia and Moldova. As a result, actions outside TeliaSonera's control and adverse to its interests may affect TeliaSonera's position to act as planned in these partly owned subsidiaries.

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

Associated companies and joint operations. A significant portion of TeliaSonera's results derives from associated companies, in particular MegaFon and Turkcell, which TeliaSonera does not control and which operate in growth markets but also in more volatile political, economic and legal environments. In turn, these associated companies own stakes in numerous other companies. TeliaSonera does not have a controlling interest in its associated companies and as a result has limited influence over the conduct of all these businesses. Under the governing documents for certain of these entities, TeliaSonera's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to the timing and amount of cash distributions. The risk of actions outside TeliaSonera's or its associated companies' control and adverse to TeliaSonera's interests, or disagreement or deadlock, is inherent in associated companies and jointly controlled entities. One example of this is the ongoing corporate governance issues on shareholder level in Turkcell. TeliaSonera might not be able to assure that the associated companies apply the same responsible business principles, increasing the risk for wrongdoings and reputational and financial losses. Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.

Regulation. TeliaSonera operates in a highly regulated industry. The regulations to which TeliaSonera is subject impose significant limits on its flexibility to manage its business. Changes in legislation, regulation or government policy affecting TeliaSonera's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of licenses to TeliaSonera or other parties, could adversely affect TeliaSonera's business and results.

Sustainability. TeliaSonera is subject to a number of ethics and sustainability related risks, including but not limited to, human rights, customer privacy, corruption, network integrity, data security, labor practices and environment. Especially, the risk is high in emerging markets where historically, the political, economic, legal and regulatory systems have been less predictable than in countries with more mature institutional structures. Failure or perception of failure to adhere to TeliaSonera's ethics and sustainability requirements may damage customer or other stakeholders' perception of TeliaSonera and negatively impact TeliaSonera's business operations and its brand.

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

Forward-looking statements

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

TeliaSonera in brief

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

For more information about TeliaSonera, see www.teliasonera.com.

Definitions

Billed revenues: Voice, messaging, data and content.

CAPEX: An abbreviation of "Capital Expenditure." Investments in intangible and tangible non-current assets but excluding goodwill, fair-value adjustments and asset retirement obligations.

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

Net debt: Interest-bearing liabilities less derivatives recognized as financial assets (and hedging long-term and short-term borrowings) and related credit support annex (CSA), less short term investments, long-term bonds available for sale and cash/cash equivalents.

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

Non-recurring items comprise capital gains and losses, impairment losses, restructuring programs (costs for phasing out operations and personnel redundancy costs) or other costs with the character of not being part of normal daily operations.

Return on capital employed: Operating income plus financial revenues excluding FX gains expressed as a percentage of average capital employed.

Service revenues (external): External net sales excluding equipment sales.

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 2014, unless otherwise stated.

Financial calendar

Interim Report January–June 2015
July 17, 2015

Interim Report January–September 2015
October 20, 2015

Year-end Report January–December 2015
January 29, 2016

Questions regarding the reports

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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 21, 2015.

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