Q2

TeliaSonera Interim Report
January – June 2015

TeliaSonera

Executing on our strategic agenda

SECOND QUARTER SUMMARY

- Net sales increased 8.5 percent to SEK 27,115 million (24,985). Net sales in local currencies, excluding acquisitions and disposals, increased 1.9 percent. Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.3 percent.
- EBITDA, excluding non-recurring items decreased 4.0 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 4.0 percent to SEK 9,190 million (8,836). The EBITDA margin, excluding non-recurring items, decreased to 33.9 percent (35.4).
- Operating income, excluding non-recurring items, decreased 7.6 percent to SEK 5,862 million (6,347).
- Net income attributable to owners of the parent company decreased 8.1 percent to SEK 3,258 million (3,545) and earnings per share to SEK 0.75 (0.82).
- Free cash flow increased to SEK 6,307 million (2,469), mainly due to Turkcell dividends of SEK 4,722 million, net of tax.
- Group outlook for 2015 is unchanged.

FIRST HALF SUMMARY

- Net sales increased 8.7 percent to SEK 53,156 million (48,911). Net sales in local currencies, excluding acquisitions and disposals, increased 1.5 percent. Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.3 percent.
- Net income attributable to owners of the parent company decreased 6.9 percent to SEK 6,973 million (7,490) and earnings per share to SEK 1.61 (1.73).
- Free cash flow increased to SEK 9,160 million (5,025), mainly due to Turkcell dividends of SEK 4,722 million, net of tax.

HIGHLIGHTS

SEK in millions, except key ratios, per share data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	27,115	24,985	*8.5*	53,156	48,911	*8.7*
Change (%) local organic	*1.9*			*1.5*		
of which service revenues (external)	23,645	22,384	*5.6*	46,455	43,811	*6.0*
change (%) local organic	*-1.3*			*-1.3*		
EBITDA[1)] excl. non-recurring items[2)]	9,190	8,836	*4.0*	17,730	17,181	*3.2*
Change (%) local organic	*-4.0*			*-4.6*		
Margin (%)	33.9	35.4		33.4	35.1	
Operating income excl. non-recurring items	5,862	6,347	*-7.6*	11,358	12,632	*-10.1*
Operating income	5,441	5,625	*-3.3*	10,560	11,821	*-10.7*
Income after financial items	4,698	5,001	*-6.1*	9,423	10,416	*-9.5*
Net income	3,698	3,942	*-6.2*	7,808	8,295	*-5.9*
of which attributable to owners of the parent	3,258	3,545	*-8.1*	6,973	7,490	*-6.9*
Earnings per share (SEK)	0.75	0.82	*-8.1*	1.61	1.73	*-6.9*
RoCE (%, rolling 12 months)	11.5	13.5		11.5	13.5	
CAPEX excl. license and spectrum fees	4,596	3,498	*31.4*	8,310	6,079	*36.7*
Net debt	68,468	67,097		68,468	67,097	
Free cash flow	6,307	2,469	*155.5*	9,160	5,025	*82.3*

Additional information available at www.teliasonera.com. 1) Please refer to page 36 for definitions. 2) Non-recurring items; see table on page 23.

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 2014, unless otherwise stated.

Comments by Johan Dennelind, President and CEO

”TeliaSonera is on a journey of change to become a new generation telecoms company and we will achieve this by enhancing our core operations and explore opportunities in adjacent areas. In order to succeed, we need to drive innovation across the group to improve customer experience and deliver new relevant services. We will engage with partners to differentiate and speed up time to market. In the past quarter we have taken several new initiatives, particularly in the music field, highlighted by our new innovation partnership with Spotify.

In the second quarter, organic service revenues and EBITDA remained slightly under pressure, while reported numbers were supported by the acquisition of Tele2 in Norway and currency effects. Free cash flow improved significantly thanks to the dividend payment from Turkcell.

In Sweden, pressure on profitability eased in the quarter. We continue to invest in our networks to offer our customers superior connectivity wherever they are. Our mobile, broadband and TV operations all delivered positive service revenue growth, supported by higher ARPU and positive net customer intake, while fixed telephony continued to decline. Our recent price changes in the B2C segment are expected to support performance going forward, whereas competition in the B2B segment remains fierce. Mobile data consumption continued to increase, supported by a higher share of 4G-enabled handsets and two-thirds of data traffic is now handled by our 4G network. Our fiber roll-out gained further momentum backed by strong consumer demand. We expect to connect more than 50,000 single-family homes in 2015, an increase by around 50 percent compared to last year. At the end of the period we made changes in the leadership team to further boost our commercial agenda.

The integration of Tele2 Norway is progressing at full steam and synergy execution is running ahead of plan, supporting profitability in the quarter. We raise our synergy target from SEK 800 million to around SEK 1 billion, of which approximately SEK 700 million is expected to be achieved this year and the full run rate in 2016. We are also fulfilling our commitment to the Norwegian customers by investing significantly in our mobile network and a new milestone was reached in June when 4G-population coverage surpassed 90 percent.

In Eurasia, the quarter was challenging in several aspects. In late April, Nepal was hit by a devastating earthquake impacting the people of the country. Our local team has made a significant effort maintaining service functionality and securing reliable communications after this critical event. TeliaSonera has also via Ncell made major long term commitments to support the rebuild of Nepal. In Kazakhstan, price competition remains fierce and continues to impact service revenue growth and profitability. We work hard to strengthen competitiveness and recently launched new offerings to improve our customer proposition, but the challenging environment is likely to remain near term. Further, Swedish media reported on the privatization of Azercell, which took place seven years ago. TeliaSonera investigated this transaction already in 2013 and we have submitted our findings to Swedish authorities.

Looking ahead, we expect the earnings trend to improve somewhat in the second half of the year and reiterate our full year outlook, but we see increased risks related to performance in Eurasia. Group EBITDA, on a local organic basis and excluding synergies in Norway, is anticipated to remain around last year’s level, while CAPEX is estimated to be approximately SEK 17 billion, excluding license and spectrum fees.”

Stockholm, July 17, 2015

Johan Dennelind
President and CEO

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, second quarter 2015

SALES AND EARNINGS

Net sales in local currencies, excluding acquisitions and disposals, increased 1.9 percent. In reported currency, net sales increased 8.5 percent to SEK 27,115 million (24,985). The positive effect of exchange rate fluctuations was 3.9 percent and the positive effect of acquisitions and disposals was 2.7 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, decreased 1.3 percent.

In region Sweden, net sales excluding acquisitions and disposals increased 1.3 percent. Net sales including acquisitions and disposals increased 1.9 percent to SEK 9,272 million (9,099). Service revenues, excluding acquisitions and disposals, declined 1.0 percent.

In region Europe, net sales in local currencies, excluding acquisitions and disposals increased 2.5 percent. In reported currency, net sales increased 10.7 percent to SEK 10,845 million (9,797). Service revenues in local currencies, excluding acquisitions and disposals, declined 2.4 percent.

In region Eurasia, net sales in local currencies, excluding acquisitions and disposals, increased 0.1 percent. Net sales in reported currency increased 13.9 percent to SEK 5,740 million (5,041). Service revenues in local currencies, excluding acquisitions and disposals, decreased 2.0 percent.

The number of subscriptions in the subsidiaries increased by 1.8 million from the end of the second quarter of 2014 to 67.7 million. During the quarter, the total number of subscriptions increased by 0.4 million.

EBITDA, excluding non-recurring items, decreased 4.0 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 4.0 percent to SEK 9,190 million (8,836). The EBITDA margin, excluding non-recurring items, decreased to 33.9 percent (35.4).

Income from associated companies and joint ventures decreased to SEK 304 million (756), due to lower contribution from MegaFon and Turkcell, mainly explained by currency effects and one-time items.

Operating income, excluding non-recurring items, decreased 7.6 percent to SEK 5,862 million (6,347), mainly due to lower income from associated companies and joint ventures.

Non-recurring items affecting operating income totaled SEK -421 million (-721), mainly related to the earthquake in Nepal, as well as to restructuring and integration costs related to the Tele2 acquisition in Norway.

Financial items totaled SEK -743 million (-625) of which SEK -707 million (-630) related to net interest expenses.

Income taxes decreased to SEK -1,000 million (-1,059). The effective tax rate was 21.3 percent (21.2).

Net income attributable to non-controlling interests increased to SEK 440 million (397).

Net income attributable to owners of the parent company decreased 8.1 percent to SEK 3,258 million (3,545) and earnings per share to SEK 0.75 (0.82).

BALANCE SHEET ITEMS AND CASH FLOW

CAPEX increased to SEK 4,580 million (3,516) and the CAPEX-to-service revenue ratio increased to 19.4 percent (15.7). CAPEX excluding license and spectrum fees increased to SEK 4,596 million (3,498) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees, increased to 19.4 percent (15.6).

Free cash flow increased to SEK 6,307 million (2,469), mainly due to Turkcell dividends of SEK 4,722 million, net of tax.

Net debt was SEK 68,468 million at the end of the second quarter (60,767 at the end of the first quarter of 2015). The net debt/EBITDA ratio was 1.91 (1.72 at the end of the first quarter of 2015).

The equity/assets ratio was 39.0 percent (41.0 percent at the end of the first quarter of 2015).

Review of the group, first half 2015

SALES AND EARNINGS

Net sales in local currencies, excluding acquisitions and disposals, increased 1.5 percent. In reported currency, net sales increased 8.7 percent to SEK 53,156 million (48,911). The positive effect of exchange rate fluctuations was 4.8 percent and the positive effect of acquisitions and disposals was 2.4 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, decreased 1.3 percent.

EBITDA, excluding non-recurring items, decreased 4.6 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 3.2 percent to SEK 17,730 million (17,181). The EBITDA margin, excluding non-recurring items, decreased to 33.4 percent (35.1).

Income from associated companies and joint ventures decreased to SEK 797 million (1,847), due to lower contribution from MegaFon and Turkcell, mainly explained by currency effects and one-time items.

Operating income, excluding non-recurring items, decreased 10.1 percent to SEK 11,358 million (12,632), mainly due to lower income from associated companies and joint ventures.

Non-recurring items affecting operating income totaled SEK -798 million (-811), mainly related to restructuring and integration costs related to the Tele2 acquisition in Norway as well as to costs related to the earthquake in Nepal.

Financial items totaled SEK -1,137 million (-1,405) of which SEK -1,399 million (-1,356) related to net interest expenses.

Income taxes decreased to SEK -1 615 million (-2,121). The effective tax rate was 17.1 percent (20.4). The decrease is a consequence of the positive one-off effect related to the first quarter of the year.

Net income attributable to non-controlling interests increased to SEK 836 million (805).

Net income attributable to owners of the parent company decreased 6.9 percent to SEK 6,973 million (7,490) and earnings per share to SEK 1.61 (1.73).

BALANCE SHEET ITEMS AND CASH FLOW

CAPEX increased to SEK 8,703 million (6,098) and the CAPEX-to-service revenue ratio increased to 18.7 percent (13.9). CAPEX excluding license and spectrum fees increased to SEK 8,310 million (6,079) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees, increased to 17.9 percent (13.9).

Free cash flow increased to SEK 9,160 million (5,025), mainly due to Turkcell dividends of SEK 4,722 million, net of tax.

SIGNIFICANT EVENTS IN THE SECOND 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.
- On April 8, 2015, TeliaSonera announced that the European Commission had announced that they would open an in-depth investigation into the proposed merger of TeliaSonera's and Telenor's Danish operations.
- On April 28, 2015, TeliaSonera announced that it had acquired 270,783 shares to an average price of SEK 51.7908 to cover commitments under the "Long Term Incentive Program 2012/2015".
- On June 10, 2015, TeliaSonera announced that TeliaSonera and Spotify had decided to further boost co-operation following more than five years of successful partnership and TeliaSonera made an equity investment of USD 115 million.
- On June 23, 2015, TeliaSonera and Telenor commented on European Commission Statement of Objections regarding the proposed merger of TeliaSonera's and Telenor's operations in Denmark. A statement of objections is an ordinary event in the context of a merger of this type.
- On June 25, 2015, TeliaSonera announced changes in Group Executive Management. As of July 1, Hélène Barnekow assumed the position of Executive Vice President and Head of region Sweden, while Malin Frenning assumed a new role in Group Executive Management as Senior Vice President and Head of Technology and transformation. Sverker Hannervall will leave the company but remains as advisor during the notice period.

SIGNIFICANT EVENTS AFTER THE END OF THE SECOND QUARTER

- On July 1, 2015, TeliaSonera and Telenor announced first members of Joint Venture top management team. Ms. Hilde Tonne from Telenor Group's Executive Management had been appointed CEO for the future joint venture in Denmark. Additionally, Telia Denmark's CEO Søren Abildgaard and CFO Dennis Kilian had been appointed deputy CEO and CFO, respectively.

Easing pressure on profitability in Sweden

- Mobile, fixed broadband and TV operations all delivered positive service revenue growth in the quarter, supported by higher ARPU and positive net subscription intake. Fixed telephony continued to decline, impacting performance negatively, but overall earnings pressure eased compared to the first quarter.

- The fiber roll-out continued to gain momentum backed by strong consumer demand and more than 50,000 single-family homes are expected to be connected in 2015, an increase by around 50 percent compared to last year.

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	9,272	9,099	*1.9*	18,322	17,810	*2.9*
Change (%) local organic	*1.3*			*2.1*		
of which service revenues (external)	8,014	8,035	*-0.3*	15,806	15,829	*-0.1*
change (%) local organic	*-1.0*			*-1.0*		
EBITDA excl. non-recurring items	3,441	3,617	*-4.9*	6,708	7,214	*-7.0*
Margin (%)	37.1	39.8		36.6	40.5	
Income from associated companies	-19	-2		-20	-5	
Operating income excl. non-recurring items	2,330	2,643	*-11.8*	4,503	5,273	*-14.6*
Operating income	2,297	2,464	*-6.8*	4,392	5,096	*-13.8*
CAPEX excl. license and spectrum fees	1,577	1,197	*31.7*	2,587	2,179	*18.7*
% of service revenues	19.7	14.9		16.4	13.8	
EBITDA excl. non-recurring items - CAPEX	1,864	2,420	*-23.0*	4,121	5,034	*-18.1*
Subscriptions, (thousands)						
Mobile	6,146	6,155	*-0.1*	6,146	6,155	*-0.1*
Fixed telephony	1,967	2,134	*-7.8*	1,967	2,134	*-7.8*
Broadband	1,295	1,247	*3.8*	1,295	1,247	*3.8*
TV	709	663	*6.9*	709	663	*6.9*
Employees	6,896	6,860	*0.5*	6,896	6,860	*0.5*

Net sales, excluding acquisitions and disposals, increased 1.3 percent. Net sales including acquisitions and disposals increased 1.9 percent to SEK 9,272 million (9,099). The positive effect of acquisitions and disposals was 0.6 percent. **Service revenues**, excluding acquisitions and disposals, declined 1.0 percent.

Reported mobile service revenues increased 1.0 percent, supported by continued good development within the consumer segment, and the development within the business segment eased somewhat, sequentially. Reported fixed service revenues decreased 1.3 percent, as growth in fixed broadband and TV revenues could not fully compensate for the decline in traditional fixed telephony revenues.

EBITDA, excluding non-recurring items, acquisitions and disposals, decreased 5.1 percent. EBITDA, excluding non-recurring items, but including acquisitions and disposals, declined 4.9 percent to SEK 3,441 million (3,617). The EBITDA margin dropped to 37.1 percent (39.8), burdened by a changed product mix and increased low-margin equipment sales.

CAPEX increased to SEK 1,577 million (1,197) and CAPEX, excluding licenses and spectrum fees, increased to SEK 1,577 million (1,197).

The number of mobile subscriptions increased by 13,000 in the quarter, propelled by an addition of 20,000 postpaid subscriptions. In the quarter, the number of fixed broadband and TV subscriptions grew by 8,000 each, while the number of fixed telephony subscriptions decreased by 48,000.

Europe supported by synergies in Norway

- The integration of Tele2 in Norway continues and synergy execution is running ahead of plan. The previous synergy target of SEK 800 million is raised to approximately SEK 1 billion, of which approximately SEK 700 million is expected to be achieved this year and the full run rate in 2016. The Norwegian 4G network now reaches over 90 percent of the population.

- In June, the European Commission took the next step in the regulatory approval process into the proposed merger of TeliaSonera's and Telenor's operations in Denmark by addressing a "statement of objections".

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	10,845	9,797	*10.7*	21,175	19,394	*9.2*
Change (%) local organic	*2.5*			*0.4*		
of which service revenues (external)	8,658	8,122	*6.6*	17,017	15,973	*6.5*
change (%) local organic	*-2.4*			*-2.8*		
EBITDA excl. non-recurring items	2,610	2,492	*4.8*	4,883	4,589	*6.4*
Margin (%)	24.1	25.4		23.1	23.7	
Income from associated companies	26	27	*-3.2*	55	47	*17.1*
Operating income excl. non-recurring items	1,142	1,363	*-16.2*	2,051	2,269	*-9.6*
Operating income	992	1,258	*-21.2*	1,772	2,126	*-16.6*
CAPEX excl. license and spectrum fees	1,410	952	*48.1*	2,496	1,820	*37.2*
% of service revenues	16.3	11.7		14.7	11.4	
EBITDA excl. non-recurring items - CAPEX	1,200	1,539	*-22.0*	2,386	2,769	*-13.8*
Subscriptions, (thousands)						
Mobile	14,087	13,105	*7.5*	14,087	13,105	*7.5*
Fixed telephony	1,023	1,017	*0.6*	1,023	1,017	*0.6*
Broadband	1,257	1,239	*1.5*	1,257	1,239	*1.5*
TV	877	833	*5.3*	877	833	*5.3*
Employees	11,536	10,875	*6.1*	11,536	10,875	*6.1*

Net sales in local currencies, excluding acquisitions and disposals, increased 2.5 percent. In reported currency, net sales increased 10.7 percent to SEK 10,845 million (9,797). The positive effect of exchange rate fluctuations was 1.8 percent and the positive effect of acquisitions and disposals was 6.4 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, declined 2.4 percent.

EBITDA, excluding non-recurring items, decreased 7.5 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 4.8 percent to SEK 2,610 million (2,492). The EBITDA margin declined to 24.1 percent (25.4).

CAPEX increased to SEK 1,410 million (952) and CAPEX, excluding licenses and spectrum fees, increased to SEK 1,410 million (952).

Finland – Continued mobile billed revenue growth

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	Chg (%)	Jan-Jun 2015	Jan-Jun 2014	Chg (%)
Net sales	3,328	3,224	3.2	6,600	6,323	4.4
Change (%) local organic	*0.4*			*0.0*		
of which service revenues (external)	2,769	2,804	-1.2	5,537	5,482	1.0
change (%) local organic	*-3.9*			*-3.2*		
EBITDA excl. non-recurring items	978	1,019	-4.0	1,949	1,985	-1.8
Margin (%)	29.4	31.6		29.5	31.4	
Subscriptions, (thousands)						
Mobile	3,307	3,273	1.1	3,307	3,273	1.1
Fixed telephony	90	107	-15.9	90	107	-15.9
Broadband	533	550	-3.1	533	550	-3.1
TV	491	475	3.4	491	475	3.4

Service revenues decreased 3.9 percent in local currency, excluding acquisitions and disposals, burdened by lower interconnect revenues. Mobile billed revenues continued to grow, supported by strong development within the consumer segment. Continued challenging development within fixed services.

The EBITDA margin, excluding non-recurring items, decreased to 29.4 percent (31.6), explained by increased low-margin equipment sales and improved service levels in customer care.

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

Norway – Synergies support profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	Chg (%)	Jan-Jun 2015	Jan-Jun 2014	Chg (%)
Net sales	2,407	1,685	42.9	4,466	3,291	35.7
Change (%) local organic	*7.8*			*5.0*		
of which service revenues (external)	1,996	1,409	41.7	3,708	2,757	34.5
change (%) local organic	*2.9*			*0.8*		
EBITDA excl. non-recurring items	731	516	41.7	1,217	999	21.9
Margin (%)	30.4	30.6		27.3	30.3	
Subscriptions, (thousands)						
Mobile	2,452	1,518	61.5	2,452	1,518	61.5
Fixed telephony	46	–		46	–	

Service revenues increased 2.9 percent in local currency, excluding acquisitions and disposals, as growth in billed revenues more than compensated for lower wholesale revenues.

The EBITDA margin, excluding non-recurring items, was stable at 30.4 percent (30.6), supported by synergies related to the Tele2 acquisition. Non-recurring items related to Tele2 acquisition was SEK -75 million.

The number of mobile subscriptions decreased by 33,000 in the quarter, mainly due to a clean-up of the subscription base.

Denmark – Continued challenging market conditions

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	1,448	1,389	*4.2*	2,869	2,723	*5.4*
Change (%) local organic	*1.4*			*0.8*		
of which service revenues (external)	1,053	1,055	*-0.2*	2,110	2,067	*2.1*
change (%) local organic	*-2.9*			*-2.3*		
EBITDA excl. non-recurring items	162	189	*-14.0*	316	353	*-10.5*
Margin (%)	11.2	13.6		11.0	13.0	
Subscriptions, (thousands)						
Mobile	1,624	1,557	*4.3*	1,624	1,557	*4.3*
Fixed telephony	120	128	*-6.3*	120	128	*-6.3*
Broadband	121	108	*12.0*	121	108	*12.0*
TV	23	18	*27.8*	23	18	*27.8*

Service revenues decreased 2.9 percent in local currency, excluding acquisitions and disposals, mainly related to a combination of lower billed revenues, since good customer intake could not compensate for the intense price pressure and reduced interconnect and roaming revenues. Fixed service revenues grew, supported by a larger fixed broadband and TV subscription base.

The EBITDA margin, excluding non-recurring items, fell to 11.2 percent (13.6), burdened by lower billed revenues and higher low-margin equipment sales.

The number of mobile subscriptions grew by 18,000 in the quarter, reaching a total base of over 1.6 million subscriptions.

Lithuania – Stable margin development

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	756	723	*4.5*	1,515	1,419	*6.7*
Change (%) local organic	*1.7*			*2.3*		
of which service revenues (external)	619	623	*-0.6*	1,247	1,221	*2.1*
change (%) local organic	*-3.2*			*-2.1*		
EBITDA excl. non-recurring items	247	232	*6.7*	491	485	*1.3*
Margin (%)	32.7	32.0		32.4	34.2	
Subscriptions, (thousands)						
Mobile	1,330	1,378	*-3.5*	1,330	1,378	*-3.5*
Fixed telephony	457	483	*-5.4*	457	483	*-5.4*
Broadband	377	358	*5.3*	377	358	*5.3*
TV	195	176	*10.8*	195	176	*10.8*

Service revenues fell 3.2 percent in local currency, excluding acquisitions and disposals, as growth in mobile billed revenues could not fully compensate for a decline in fixed service revenues.

The EBITDA margin, excluding non-recurring items, increased to 32.7 percent (32.0), supported by cost saving activities.

The number of mobile subscriptions decreased by 4,000 in the quarter, while the number of fixed broadband and TV subscriptions increased by 4,000 and 3,000, respectively.

Latvia – Improved profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	375	384	*-2.2*	733	745	*-1.6*
Change (%) local organic	*-4.9*			*-5.6*		
of which service revenues (external)	300	295	*1.5*	589	565	*4.3*
change (%) local organic	*-1.3*			*0.0*		
EBITDA excl. non-recurring items	134	122	*10.0*	262	229	*14.2*
Margin (%)	35.8	31.8		35.7	30.7	
Subscriptions, (thousands)						
Mobile	1,100	1,078	*2.1*	1,100	1,078	*2.1*

Service revenues decreased 1.3 percent in local currency, excluding acquisitions and disposals, as the mobile billed revenue growth could not fully offset lower regulated interconnect revenues.

The EBITDA margin, excluding non-recurring items, improved to 35.8 percent (31.8), supported by less low-margin equipment sales.

The number of mobile subscriptions increased by 4,000 in the quarter.

Estonia – Pressure on profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	637	640	*-0.4*	1,268	1,274	*-0.5*
Change (%) local organic	*-3.1*			*-4.6*		
of which service revenues (external)	496	521	*-4.8*	988	1,026	*-3.6*
change (%) local organic	*-7.7*			*-7.8*		
EBITDA excl. non-recurring items	195	217	*-10.0*	392	425	*-7.7*
Margin (%)	30.7	33.9		30.9	33.3	
Subscriptions, (thousands)						
Mobile	841	825	*2.0*	841	825	*2.0*
Fixed telephony	310	299	*3.7*	310	299	*3.7*
Broadband	226	223	*1.3*	226	223	*1.3*
TV	168	164	*2.4*	168	164	*2.4*

Service revenues fell 7.7 percent in local currency, excluding acquisitions and disposals, as mobile billed revenue growth could not compensate for a decline in roaming revenues related to traveling as well as lower fixed service revenues.

The EBITDA margin, excluding non-recurring items, decreased to 30.7 percent (33.9), explained by lower service revenues and increased low-margin equipment sales.

The number of fixed broadband and TV subscriptions increased slightly in the quarter and the number of mobile subscriptions increased by 7,000.

Spain – Improving service revenue trend

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	1,917	1,773	*8.1*	3,768	3,662	*2.9*
Change (%) local organic	*5.3*			*-1.3*		
of which service revenues (external)	1,423	1,414	*0.7*	2,838	2,856	*-0.6*
change (%) local organic	*-2.0*			*-4.7*		
EBITDA excl. non-recurring items	163	198	*-17.7*	256	114	*125.0*
Margin (%)	8.5	11.1		6.8	3.1	
Subscriptions, (thousands)						
Mobile	3,433	3,477	*-1.3*	3,433	3,477	*-1.3*

Mobile service revenues decreased 2.0 percent in local currency, excluding acquisitions and disposals, as stable postpaid ARPU, supported by new attractive high ARPU offerings, could not fully compensate for a weaker trend in the prepaid ARPU.

The EBITDA margin, excluding non-recurring items, compressed to 8.5 percent (11.1), due to costs related to postpaid customer intake, lower interconnect revenues and higher low-margin equipment sales.

The total number of mobile subscriptions decreased by 30,000 in the quarter, despite 45,000 added postpaid subscriptions.

Challenges of various natures in Eurasia

- In late April, Nepal was hit by a major earthquake and Ncell played a critical role to ensure that vital communication services were in place to assist the rescue and relief efforts. The major part of Ncell's network is now up and running.
- In Kazakhstan, a price war is ongoing and all competitors launched various aggressive offerings during the quarter.

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	5,740	5,041	*13.9*	11,336	9,664	*17.3*
Change (%) local organic	*0.1*			*1.8*		
of which service revenues (external)	5,355	4,807	*11.4*	10,612	9,255	*14.7*
change (%) local organic	*-2.0*			*-0.4*		
EBITDA excl. non-recurring items	3,054	2,741	*11.4*	5,962	5,268	*13.2*
Margin (%)	53.2	54.4		52.6	54.5	
Income from associated companies	1	22	*-95.7*	-8	22	*4.9*
Operating income excl. non-recurring items	2,160	1,986	*8.8*	4,130	3,768	*9.6*
Operating income	2,004	1,573	*27.4*	3,899	3,336	*16.9*
CAPEX excl. license and spectrum fees	903	652	*38.5*	2,058	1,006	*104.5*
% of service revenues	16.9	13.6		19.4	10.9	
EBITDA excl. non-recurring items - CAPEX	2,167	2,071	*4.7*	3,511	4,243	*-17.3*
Subscriptions, (thousands)						
Mobile	40,388	39,561	*2.1*	40,388	39,561	*2.1*
Employees	5,502	5,181	*6.2*	5,502	5,181	*6.2*

Net sales in local currencies, excluding acquisitions and disposals, increased 0.1 percent. In reported currency, net sales grew 13.9 percent to SEK 5,740 million (5,041). The positive effect of exchange rate fluctuations was 13.8 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, decreased 2.0 percent.

EBITDA, excluding non-recurring items, decreased 2.7 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, grew 11.4 percent to SEK 3,054 million (2,741). The EBITDA margin decreased to 53.2 percent (54.4).

CAPEX increased to SEK 887 million (670) and CAPEX, excluding licenses and spectrum fees, increased to SEK 903 million (652).

Kazakhstan – Intensified competitive pressure

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	1,950	1,774	*9.9*	3,901	3,499	*11.5*
Change (%) local organic	*-10.7*			*-6.8*		
of which service revenues (external)	1,818	1,729	*5.2*	3,618	3,452	*4.8*
change (%) local organic	*-14.6*			*-12.4*		
EBITDA excl. non-recurring items	994	1,005	*-1.1*	2,051	2,004	*2.3*
Margin (%)	51.0	56.7		52.6	57.3	
Subscriptions, (thousands)						
Mobile	10,760	11,400	*-5.6*	10,760	11,400	*-5.6*

Service revenues fell 14.6 percent in local currency, excluding acquisitions and disposals, explained by heavy ARPU pressure and a lower subscription base following intensified competition.

The EBITDA margin, excluding non-recurring items, decreased to 51.0 percent (56.7), burdened by lower service revenues and increased low-margin equipment sales.

The number of mobile subscriptions decreased by 69,000 in the quarter, of which 44,000 refers to pre-paid subscriptions.

Azerbaijan – Cost control supports profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	853	929	*-8.2*	1,792	1,752	*2.3*
Change (%) local organic	*-3.6*			*-1.9*		
of which service revenues (external)	849	926	*-8.3*	1,780	1,745	*2.0*
change (%) local organic	*-4.1*			*-2.5*		
EBITDA excl. non-recurring items	503	523	*-3.9*	998	957	*4.3*
Margin (%)	58.9	56.3		55.7	54.6	
Subscriptions, (thousands)						
Mobile	4,179	3,936	*6.2*	4,179	3,936	*6.2*

Service revenues decreased 4.1 percent in local currency, excluding acquisitions and disposals, as growth in data revenues could not fully compensate for a decline in voice and messaging revenues.

The EBITDA margin, excluding non-recurring item, improved to 58.9 percent (56.3), as a consequence of lower personnel expenses and cost efficiency measures.

The number of mobile subscriptions decreased by 17,000 in the quarter, of which 14,000 refers to pre-paid subscriptions.

Uzbekistan – Increased competition

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	Chg (%)	Jan-Jun 2015	Jan-Jun 2014	Chg (%)
Net sales	1,112	899	*23.6*	2,144	1,686	*27.2*
Change (%) local organic	*7.3*			*9.9*		
of which service revenues (external)	1,110	899	*23.5*	2,141	1,684	*27.2*
change (%) local organic	*7.2*			*9.9*		
EBITDA excl. non-recurring items	607	493	*23.1*	1,142	944	*20.9*
Margin (%)	54.6	54.8		53.3	56.0	
Subscriptions, (thousands)						
Mobile	8,518	8,410	*1.3*	8,518	8,410	*1.3*

Service revenues grew 7.2 percent in local currency, excluding acquisitions and disposals, explained by strong growth in data and content revenues. The competitive climate is getting tougher as a fourth player entered the market at the beginning of the quarter.

The EBITDA margin, excluding non-recurring items, was stable at 54.6 percent (54.8), supported by growing billed revenues and cost control.

The number of mobile subscriptions decreased by 8,000 in the quarter, of which 10,000 refers to pre-paid subscriptions.

Tajikistan – Further price competition

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	Chg (%)	Jan-Jun 2015	Jan-Jun 2014	Chg (%)
Net sales	182	211	*-13.7*	388	410	*-5.3*
Change (%) local organic	*-13.4*			*-10.7*		
of which service revenues (external)	157	172	*-8.8*	337	342	*-1.5*
change (%) local organic	*-8.3*			*-7.1*		
EBITDA excl. non-recurring items	54	94	*-42.4*	120	183	*-34.4*
Margin (%)	29.7	44.5		31.0	44.7	
Subscriptions, (thousands)						
Mobile	2,626	2,775	*-5.4*	2,626	2,775	*-5.4*

Service revenues fell 8.3 percent in local currency, excluding acquisitions and disposals, as higher data revenues could only partly compensate for a decline in international traffic revenues.

The EBITDA margin, excluding non-recurring items dropped to 29.7 percent (44.5), due to lower billed revenues as well as bad debt expenses and additional accrued taxes.

The number of mobile subscriptions fell by 127,000 in the quarter.

Georgia – Positive subscription intake

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	Chg (%)	Jan-Jun 2015	Jan-Jun 2014	Chg (%)
Net sales	195	208	*-6.0*	405	410	*-1.3*
Change (%) local organic	*-4.2*			*-4.2*		
of which service revenues (external)	185	193	*-3.8*	385	374	*2.7*
change (%) local organic	*-1.9*			*-0.3*		
EBITDA excl. non-recurring items	75	82	*-8.6*	141	165	*-14.7*
Margin (%)	38.5	39.5		34.7	40.1	
Subscriptions, (thousands)						
Mobile	1,965	1,925	*2.1*	1,965	1,925	*2.1*

Service revenues declined 1.9 percent in local currency, excluding acquisitions and disposals, as lower voice revenues was only partially compensated for by higher data revenues and increased revenues from incoming international traffic.

The EBITDA margin, excluding non-recurring items, decreased slightly to 38.5 percent (39.5), mainly related to lower services revenues.

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

Moldova – Continued sales growth

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	Chg (%)	Jan-Jun 2015	Jan-Jun 2014	Chg (%)
Net sales	149	121	*22.5*	275	233	*17.7*
Change (%) local organic	*26.8*			*22.0*		
of which service revenues (external)	90	109	*-17.9*	196	216	*-9.4*
change (%) local organic	*-15.0*			*-6.1*		
EBITDA excl. non-recurring items	43	40	*8.7*	68	55	*22.6*
Margin (%)	28.9	32.6		24.7	23.8	
Subscriptions, (thousands)						
Mobile	907	821	*10.4*	907	821	*10.4*

Service revenues dropped 15.0 percent in local currency, excluding acquisitions and disposals, entirely due to one-off adjustments.

The EBITDA margin, excluding non-recurring items, decreased to 28.9 percent (32.6), burdened by higher interconnect and roaming expenses as well as higher low-margin equipment sales.

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

Nepal – Solid performance in the face of adversity

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	1,294	903	*43.2*	2,423	1,683	*44.0*
Change (%) local organic	*18.8*			*16.7*		
of which service revenues (external)	1,139	777	*46.6*	2,144	1,439	*49.0*
change (%) local organic	*21.6*			*20.8*		
EBITDA excl. non-recurring items	819	554	*47.7*	1,500	1,036	*44.8*
Margin (%)	63.3	61.4		61.9	61.6	
Subscriptions, (thousands)						
Mobile	11,433	10,293	*11.1*	11,433	10,293	*11.1*

Service revenues increased 21.6 percent in local currency, excluding acquisitions and disposals, supported by strong growth in international traffic and data, despite negative effects from network unavailability due to the earthquake in April.

The EBITDA margin, excluding non-recurring items, increased to 63.3 percent (61.4), supported by strong service revenue growth. Non-recurring costs of SEK 90 million related to the earthquake was reported in the quarter. At this moment, we have not identified further damages that will have a material impact.

The number of mobile subscriptions grew by 628,000 in the quarter.

Other operations

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Apr-Jun 2015	Apr-Jun 2014	*Chg (%)*	Jan-Jun 2015	Jan-Jun 2014	*Chg (%)*
Net sales	1,987	1,784	*11.4*	3,768	3,451	*9.2*
Change (%) local organic	*4.7*			*2.5*		
of which International Carrier	1,704	1,505	*13.3*	3,210	2,914	*10.2*
EBITDA excl. non-recurring items	85	-12		177	111	*59.4*
of which International Carrier	84	76	*10.2*	177	169	*4.4*
Margin (%)	4.3	-0.7		4.7	3.2	
Income from associated companies	296	709	*-58.2*	770	1,782	*-56.8*
of which Russia	233	381	*-38.8*	384	923	*-58.4*
of which Turkey	65	327	*-80.1*	389	855	*-54.5*
Operating income excl. non-recurring items	229	356	*-35.5*	674	1,324	*-49.1*
Operating income	148	330	*-55.2*	496	1,264	*-60.7*
CAPEX	706	710	*-0.6*	1,169	1,074	*8.9*
Employees	3,304	3,290	*0.4*	3,304	3,290	*0.4*

Net sales in local currencies, excluding acquisitions and disposals, increased 4.7 percent. In reported currency, net sales increased 11.4 percent to SEK 1,987 million (1,784).The positive effect of exchange rate fluctuations was 6.7 percent.

EBITDA, excluding non-recurring items, improved to SEK 85 million (-12). The EBITDA margin, excluding non-recurring items, increased to 4.3 percent (-0.7).

In International Carrier, net sales increased 13.3 percent to SEK 1,704 million (1,505) and the EBITDA margin, excluding non-recurring items, decreased to 4.9 percent (5.1).

Income from associated companies, excluding non-recurring items, dropped to SEK 296 million (709).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	Apr-Jun 2015	Apr-Jun[1] 2014	Chg (%)	Jan- Jun 2015	Jan- Jun[1] 2014	Chg (%)
Net sales	27,115	24,985	*8.5*	53,156	48,911	*8.7*
Cost of sales	-15,299	-13,869	*10.3*	-30,447	-27,082	*12.4*
Gross profit	**11,816**	**11,116**	***6.3***	**22,710**	**21,829**	***4.0***
Selling, admin. and R&D expenses	-6,609	-5,776	*14.4*	-12,680	-11,363	*11.6*
Other operating income and expenses, net	-70	-470	*-85.1*	-267	-491	*-45.6*
Income from associated companies and joint ventures	304	756	*-59.7*	797	1,847	*-56.8*
Operating income	**5,441**	**5,625**	***-3.3***	**10,560**	**11,821**	***-10.7***
Finance costs and other financial items, net	-743	-625	*19.0*	-1,137	-1,405	*-19.1*
Income after financial items	**4,698**	**5,001**	***-6.1***	**9,423**	**10,416**	***-9.5***
Income taxes	-1,000	-1,059	*-5.6*	-1,615	-2,121	*-23.9*
Net income	**3,698**	**3,942**	***-6.2***	**7,808**	**8,295**	***-5.9***
Items that may be reclassified to net income:						
Foreign currency translation differences	-3,378	2,916		-3,260	1,724	
Other comprehensive income from associated companies and joint ventures	-77	28		159	-4	
Cash flow hedges	299	-171		127	-474	
Available-for-sale financial instruments	-69	2		-45	2	
Income tax relating to items that may be reclassified to net income	-241	412		-497	457	
Items that will not be reclassified to net income:						
Remeasurements of defined benefit pension plans	3,222	-638		3,253	-1,703	
Income tax relating to items that will not be reclassified to net income	-688	90		-697	373	
Associates' remeasurements of defined benefit pension plans	-1	-1		-1	4	
Other comprehensive income	**-934**	**2,638**		**-962**	**378**	
Total comprehensive income	**2,764**	**6,580**		**6,846**	**8,674**	
Net income attributable to:						
Owners of the parent	3,258	3,545		6,973	7,490	
Non-controlling interests	440	397		836	805	
Total comprehensive income attributable to:						
Owners of the parent	2,592	6,046		6,200	7,927	
Non-controlling interests	172	534		646	747	
Earnings per share (SEK), basic and diluted	0.75	0.82		1.61	1.73	
Number of shares (thousands)						
Outstanding at period-end	4,330,080	4,330,085		4,330,080	4,330,085	
Weighted average, basic and diluted	4,330,082	4,330,085		4,330,083	4,330,085	
EBITDA	8,788	8,209	*7.1*	16,951	16,463	*3.0*
EBITDA excl. non-recurring items	9,190	8,836	*4.0*	17,730	17,181	*3.2*
Depreciation, amortization and impairment losses	-3,651	-3,339	*9.3*	-7,189	-6,489	*10.8*
Operating income excl. non-recurring items	5,862	6,347	*-7.6*	11,358	12,632	*-10.1*

1) Certain restatements have been made, see page 22.

Condensed consolidated statements of financial position

SEK in millions	Jun 30, 2015	Dec 31, 2014
Assets		
Goodwill and other intangible assets	87,431	86,161
Property, plant and equipment	70,329	69,669
Investments in associates and joint ventures, pension obligation assets and other non-current assets	30,340	34,301
Deferred tax assets	5,965	5,955
Long-term interest-bearing receivables	19,148	14,336
Total non-current assets	*213,213*	*210,422*
Inventories	2,307	1,779
Trade and other receivables and current tax receivables	19,651	20,137
Short-term interest-bearing receivables	9,229	10,993
Cash and cash equivalents	19,578	28,735
Total current assets	*50,764*	*61,644*
Total assets	**263,977**	**272,066**
Equity and liabilities		
Equity attributable to owners of the parent	104,585	111,383
Equity attributable to non-controlling interests	4,822	4,981
Total equity	*109,407*	*116,364*
Long-term borrowings	92,015	90,168
Deferred tax liabilities	11,498	10,840
Provisions for pensions and other long-term provisions	12,833	15,268
Other long-term liabilities	2,008	1,887
Total non-current liabilities	*118,354*	*118,163*
Short-term borrowings	11,094	11,321
Trade payables and other current liabilities, current tax payables and short-term provisions	25,123	26,218
Total current liabilities	*36,216*	*37,539*
Total equity and liabilities	**263,977**	**272,066**

Condensed consolidated statements of cash flows

SEK in millions	Apr-Jun 2015	Apr-Jun 2014[1)]	Jan-Jun 2015	Jan-Jun 2014[1)]
Cash flow before change in working capital	11,893	6,847	19,148	12,950
Change in working capital	-970	-429	-1,114	-1,052
Cash flow from operating activities	**10,923**	**6,418**	**18,035**	**11,898**
Cash CAPEX	-4,616	-3,949	-8,875	-6,873
Free cash flow	***6,307***	***2,469***	***9,160***	***5,025***
Cash flow from other investing activities	-1,930	-968	-8,855	-988
Total cash flow from investing activities	**-6,546**	**-4,917**	**-17,729**	**-7,861**
Cash flow before financing activities	***4,377***	***1,500***	***305***	***4,036***
Cash flow from financing activities	**-19,490**	**-12,729**	**-9,602**	**-14,954**
Cash flow for the period	**-15,113**	**-11,229**	**-9,296**	**-10,917**
Cash and cash equivalents, opening balance	**34,962**	**31,505**	**28,735**	**31,353**
Cash flow for the period	-15,113	-11,229	-9,296	-10,917
Exchange rate differences	-271	380	139	221
Cash and cash equivalents, closing balance	**19,578**	**20,657**	**19,578**	**20,657**

1) Restated for comparability, see page 22.

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	-12,990	-713	**-13,703**
Share-based payments	8	–	**8**
Repurchased treasury shares	-6	–	**-6**
Total transactions with owners	*-12,988*	*-713*	***-13,701***
Total comprehensive income	7,927	747	**8,674**
Effect of equity transactions in associates	27	–	**27**
Closing balance, June 30, 2014	**103,291**	**4,643**	**107,934**
Dividends	–	-345	**-345**
Share-based payments	10	–	**10**
Repurchased treasury shares	–	–	**–**
Total transactions with owners	*10*	*-345*	***-335***
Total comprehensive income	7,154	682	**7,836**
Effect of equity transactions in associates	928	–	**928**
Closing balance, December 31, 2014	**111,383**	**4,981**	**116,364**
Opening balance, January 1, 2015	**111,383**	**4,981**	**116,364**
Dividends	-12,990	-805	**-13,795**
Share-based payments	11	–	**11**
Repurchased treasury shares	-14	–	**-14**
Total transactions with owners	*-12,992*	*-805*	***-13,798***
Total comprehensive income	6,200	646	**6,846**
Effect of equity transactions in associates	-4	–	**-4**
Closing balance, June 30, 2015	**104,585**	**4,822**	**109,407**

Basis of preparation

GENERAL

As in the annual accounts for 2014, TeliaSonera's consolidated financial statements as of and for the six months period ended June 30, 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 half 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 second quarter and first half 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	Apr-Jun 2014 Reported	Apr-Jun 2014 Restated	*Chg*	Jan-Jun 2014 Reported	Jan-Jun 2014 Restated	*Chg*
Net sales	25,017	24,985	*-32*	48,990	48,911	*-79*
Cost of sales	-13,901	-13,869	*32*	-27,161	-27,082	*79*
Gross profit	**11,116**	**-11,116**	–	**21,829**	**21,829**	–

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	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
Within EBITDA	**-402**	**-627**	**-779**	**-717**
Restructuring charges, synergy implementation costs, etc.:				
Region Sweden	-14	-179	-92	-177
Region Europe	-150	-104	-278	-143
Region Eurasia	-156	-297	-230	-316
Other operations	-81	-26	-177	-60
Capital gains/losses	0	-21	-1	-21
Within Depreciation, amortization and impairment losses	**-**	**-94**	**-**	**-94**
Impairment losses, accelerated depreciation:				
Region Sweden	-	-	-	-
Region Europe	-	-	-	-
Region Eurasia	-	-94	-	-94
Other operations	-	-	-	-
Within Income from associated companies and joint ventures	**-19**	**-**	**-19**	**-**
Capital gains/losses	-19	-	-19	-
Total	**-421**	**-721**	**-798**	**-811**

Segment information

SEK in millions	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
Net sales				
Region Sweden	9,272	9,099	18,322	17,810
of which external	*9,212*	*9,024*	*18,190*	*17,672*
Region Europe	10,845	9,797	21,175	19,394
of which external	*10,746*	*9,679*	*20,973*	*19,154*
Region Eurasia	5,740	5,041	11,336	9,664
of which external	*5,538*	*4,862*	*10,972*	*9,331*
Other operations	1,987	1,784	3,768	3,451
Total segments	**27,844**	**25,721**	**54,601**	**50,319**
Eliminations	-729	-736	-1,444	-1,408
Group	**27,115**	**24,985**	**53,156**	**48,911**
EBITDA excl. non-recurring items				
Region Sweden	3,441	3,617	6,708	7,214
Region Europe	2,610	2,492	4,883	4,589
Region Eurasia	3,054	2,741	5,962	5,268
Other operations	85	-12	177	111
Total segments	**9,190**	**8,838**	**17,730**	**17,181**
Eliminations	0	-2	0	-1
Group	**9,190**	**8,836**	**17,730**	**17,181**
Operating income				
Region Sweden	2,297	2,464	4,392	5,096
Region Europe	992	1,258	1,772	2,126
Region Eurasia	2,004	1,573	3,899	3,336
Other operations	148	330	496	1,264
Total segments	**5,441**	**5,626**	**10,560**	**11,822**
Eliminations	-	-1	0	-1
Group	**5,441**	**5,625**	**10,560**	**11,821**
Finance costs and other financial items, net	-743	-625	-1,137	-1,405
Income after financial items	**4,698**	**5,001**	**9,423**	**10,416**

SEK in millions	Region Sweden	Region Europe	Region Eurasia	Other operations	Total segments	Un-allocated	Group
Segment assets							
June 30, 2015	40,173	99,761	35,906	40,929	216,768	47,209	263,977
December 31, 2014	39,313	96,852	37,735	47,084	220,984	51,082	272,066
Segment liabilities							
June 30, 2015	9,958	11,289	11,096	5,798	38,140	116,431	154,571
December 31, 2014	10,195	11,679	13,354	5,250	40,478	115,223	155,701

The segment assets increase in Region Europe is mainly related to the acquisition of Tele2 Norway. The decrease in segment assets in Other operations is mainly explained by dividends from the associate Turkcell.

Investments

SEK in millions	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
CAPEX	**4,580**	**3,516**	**8,703**	**6,098**
Intangible assets	644	293	1,363	521
Property, plant and equipment	3,936	3,224	7,340	5,576
Acquisitions and other investments	**858**	**897**	**5,581**	**948**
Asset retirement obligations	7	6	87	52
Goodwill and fair value adjustments	-155	863	4,487	863
Equity holdings	1,006	28	1,007	33
Total	**5,438**	**4,413**	**14,284**	**7,046**

Financial instruments – fair values

Long-term and short-term borrowings[1)] SEK in millions	Jun 30, 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	42,426	50,576	26,955	34,726
Interest rate swaps	1,075	1,075	283	283
Cross currency interest rate swaps	1,306	1,306	1,577	1,577
Subtotal	**44,807**	**52,957**	**28,814**	**36,585**
Open-market financing program borrowings	42,993	46,258	57,861	63,534
Other borrowings at amortized cost	4,162	3,791	3,431	3,431
Subtotal	**91,961**	**103,006**	**90,106**	**103,549**
Finance lease agreements	54	54	62	62
Total long-term borrowings	**92,015**	**103,060**	**90,168**	**103,611**
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	–	–	7,414	7,414
Interest rate swaps	34	34	–	–
Cross currency interest rate swaps	–	–	329	329
Subtotal	**34**	**34**	**7,743**	**7,743**
Utilized bank overdraft and short-term credit facilities at amortized cost	2,068	2,069	1,057	1,058
Open-market financing program borrowings	3,588	3,624	725	726
Other borrowings at amortized cost	5,394	5,765	1,786	1,786
Subtotal	**11,083**	**11,491**	**11,311**	**11,313**
Finance lease agreements	11	11	10	10
Total short-term borrowings	**11,094**	**11,502**	**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	Jun 30, 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	1,267	–	–	1,267	275	–	–	275
Equity instruments held-for-trading	51	–	–	51	61	–	–	61
Long- and short-term bonds available-for-sale	9,548	9,548	–	–	4,950	4,950	–	–
Derivatives designated as hedging instruments	2,375	–	2,375	–	3,901	–	3,901	–
Derivatives held-for-trading	2,707	–	2,652	55	1,923	–	1,868	55
Total financial assets at fair value by level	**15,497**	**9,548**	**5,027**	**1,372**	**11,110**	**4,950**	**5,770**	**391**
Financial liabilities at fair value								
Borrowings in fair value hedge relationships	42,426	–	42,426	–	34,369	–	34,369	–
Derivatives designated as hedging instruments	2,223	–	2,223	–	1,727	–	1,727	–
Derivatives held-for-trading	756	–	756	–	882	–	882	–
Total financial liabilities at fair value by level	**45,404**	–	**45,404**	–	**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.

On June 9, 2015, TeliaSonera acquired a 1.4 percent stake in Spotify for USD 115 million, corresponding to SEK 976 million at the transaction date. As per June 30, 2015, the fair value of the shares is considered to equal the acquisition price as the acquisition of the shares was an orderly transaction between market participants and there have been no changes in circumstances between the acquisition date and the balance sheet date that in the assessment of TeliaSonera would have a material impact on fair value.

Level 3 financial assets changed by SEK 981 million from SEK 391 million as of December 31, 2014, to SEK 1,372 million per June 30, 2015. The increase is mainly related to the acquisition of the shares in Spotify which is classified as Equity instruments available-for-sale.

Treasury shares

On April 28, 2015, TeliaSonera acquired 270,783 own shares to an average price of SEK 51.7908 to cover commitments under the "Long Term Incentive Program 2012/2015". During the second quarter 2015, TeliaSonera distributed 266,195 shares to the incentive program participants. As of June 30, 2015, 4,588 TeliaSonera AB shares were held by the company itself and the total numbers of registered and outstanding shares were 4,330,084,781 and 4,330,080,193, respectively. The total number of registered and outstanding shares as of December 31, 2014, was 4,330,084,781.

Related party transactions

In the six month period ended June 30, 2015, TeliaSonera purchased goods and services for SEK 138 million (76), and sold goods and services for SEK 111 million (98). Related parties in these transactions were mainly MegaFon, Turkcell, Lattelecom and Rodnik.

Net debt

SEK in millions	Jun 30, 2015	Dec 31, 2014
Long-term and short-term borrowings	103,109	101,489
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-4,686	-5,618
Less long-term bonds available for sale	-8,278	-4,671
Less short-term investments, cash and bank	-21,677	-31,880
Net debt	**68,468**	**59,320**

Loan financing and credit rating

The underlying operating cash flow continued to be positive also in the second 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 changed the outlook to negative.

A problematic second quarter on financial markets in Europe where extreme interest rate volatility and worsening conditions around Greece has dampen activity in credit markets. With support from central banks buying bond programs, credit markets and interest rate markets are expected to regain stability and new issuance volumes should get back to normal.

TeliaSonera has not made any major funding during the second quarter. With limited funding needs for the remainder of the year, the strategy remains to 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 5,194 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 June 30, 2015, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 319 million (320 at the end of 2014), of which SEK 287 million (287 at the end of 2014) referred to guarantees for pension obligations. Collateral pledged totaled SEK 392 million (426 at the end of 2014).

Contractual obligations and commitments

As of June 30, 2015, contractual obligations totaled SEK 3,540 million (2,117 at the end of 2014), of which SEK 2,328 million (1,286 at the end of 2014) referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

Business combinations

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	1,715
Intangible assets	2,882
Property, plant and equipment	316
Deferred tax assets	1,054
Other non-current assets	68
Current assets	936
Total assets acquired, including goodwill	***6,971***
Deferred tax liabilities	743
Other non-current liabilities	322
Current liabilities	768
Total liabilities assumed	***1,833***
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 614 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. Compared to the preliminary fair values presented in the interim report for the first quarter of 2015, goodwill has been reduced by SEK 141 million as a result of increased fair values for current assets. Other changes relate mainly to reclassifications.

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. On June 8, 2015, TeliaSonera acquired all outstanding shares in the Finnish company ict-verstas Oy. The cost of the transaction, SEK 28 million, was paid in cash. The costs of the combinations 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.

Financial key ratios

	Jun 30, 2015	Dec 31, 2014
Return on equity (%, rolling 12 months)	14.4	15.0
Return on capital employed (%, rolling 12 months)	11.5	12.2
Equity/assets ratio (%)	39.0	38.0
Net debt/equity ratio (%)	66.5	57.4
Net debt/EBITDA rate excl. non-recurring items (multiple, rolling 12 months)	1.91	1.68
Net debt/assets ratio	25.9	21.8
Owners' equity per share (SEK)	24.15	25.72

Parent company

Condensed income statements SEK in millions	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
Net sales	1	1	1	2
Gross income	**1**	**1**	**1**	**2**
Operating expenses	-278	-143	-541	12
Operating income	**-277**	**-142**	**-540**	**14**
Financial income and expenses	7,820	105	8,524	-447
Income after financial items	**7,542**	**-36**	**7,984**	**-432**
Appropriations	1,356	2,002	2,412	3,491
Income before taxes	**8,898**	**1,966**	**10,395**	**3,059**
Income taxes	-308	55	-646	-196
Net income	**8,590**	**2,020**	**9,749**	**2,863**

Financial income improved mainly due to dividends received from subsidiaries.

Condensed balance sheets SEK in millions	Jun 30, 2015	Dec 31, 2014
Non-current assets	158,641	155,495
Current assets	55,303	65,805
Total assets	**213,945**	**221,300**
Equity and liabilities		
Restricted shareholders' equity	15,712	15,712
Non-restricted shareholders' equity	64,830	68,020
Total shareholders' equity	**80,542**	**83,732**
Untaxed reserves	12,134	11,476
Provisions	503	478
Long-term liabilities	87,931	87,172
Short-term liabilities	32,835	38,442
Total equity and liabilities	**213,945**	**221,300**

Total investments in the six months period ended June 30, 2015, were SEK 4,096 million (595) mainly related to the acquisition of Tele2's Norwegian mobile operations and shares in Spotify.

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 5,194 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 business transformation and future growth. TeliaSonera is currently investing in business transformation and future growth through, for example, initiatives to increase competitiveness and reduce cost as well as to improve capacity and access by accelerating the fiber roll-out in Sweden, new B2B offerings, as well as upgrading data networks in Eurasia. TeliaSonera is also constantly investing in sales and marketing efforts to retain and acquire customers in its markets. TeliaSonera believes that these investments and initiatives will improve market position and financial strength. Should TeliaSonera however fail to reach the targets set for its business transformation and customer attraction activities, the results of operations will be negatively impacted.

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, Turkey and Afghanistan. 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. Examples of this are TeliaSonera's businesses in Uzbekistan and Nepal. In Uzbekistan, the group's net exposure is approximately SEK 9.6 billion, including group companies' receivables totaling approximately SEK 7.4 billion, cash and cash equivalents of approximately SEK 1.6 billion and short-term investments of approximately SEK 0.9 billion. In Nepal, cash and cash equivalents total approximately SEK 2.5 billion. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally. Such negative political or legal developments or weakening of the economies or currencies in these markets might have a significantly negative effect on TeliaSonera's results of operations and financial position.

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

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

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

Associated companies 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.

Board of Directors’ and President’s certification

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 17, 2015

Marie Ehrling
Chair of the Board

Olli-Pekka Kallasvuo
Vice-Chair of the Board

Agneta Ahlström
Board member,
employee representative

Stefan Carlsson
Board member,
employee representative

Mats Jansson
Board member

Mikko Kosonen
Board member

Nina Linander
Board member

Martin Lorentzon
Board member

Per-Arne Sandström
Board member

Kersti Strandqvist
Board member

Peter Wiklund
Board member,
employee representative

Johan Dennelind
President and CEO

Review Report

Introduction

We have reviewed the interim report for TeliaSonera AB (publ) for the period January 1 - June 30, 2015. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, July 17, 2015

Deloitte AB

Jan Palmqvist
Authorized Public Accountant

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 second quarter of 2014, unless otherwise stated.

Financial calendar

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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