Q3

TeliaSonera Interim Report
January – September 2015

TeliaSonera

Solid core business

THIRD QUARTER SUMMARY

- Net sales increased 6.3 percent to SEK 27,029 million (25,417). Net sales in local currencies, excluding acquisitions and disposals, increased 2.4 percent. Service revenues in local currencies, excluding acquisitions and disposals, decreased 0.5 percent.
- EBITDA, excluding non-recurring items decreased 0.9 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 3.1 percent to SEK 9,730 million (9,439). The EBITDA margin, excluding non-recurring items, decreased to 36.0 percent (37.1).
- Operating income, excluding non-recurring items, increased 3.0 percent to SEK 7,486 million (7,266).
- Net income attributable to owners of the parent company increased 12.7 percent to SEK 4,589 million (4,073) and earnings per share to SEK 1.06 (0.94).
- Free cash flow decreased to SEK 4,699 million (6,387), mainly explained by lower dividend from MegaFon as the company intends to pay out dividends in two tranches in 2015.
- Group outlook for 2015 is changed – EBITDA excluding non-recurring items, in local currencies, excluding acquisitions and disposals, is expected to be slightly below the level in 2014.

NINE-MONTH SUMMARY

- Net sales increased 7.9 percent to SEK 80,186 million (74,328). Net sales in local currencies, excluding acquisitions and disposals, increased 1.8 percent. Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.0 percent.
- Net income attributable to owners of the parent company was unchanged at SEK 11,561 million (11,563) and earnings per share at SEK 2.67 (2.67).
- Free cash flow increased to SEK 13,859 million (11,412), mainly due to dividends from Turkcell.

HIGHLIGHTS

SEK in millions, except key ratios, per share data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	27,029	25,417	*6.3*	80,186	74,328	*7.9*
Change (%) local organic	*2.4*			*1.8*		
of which service revenues (external)	23,687	22,856	*3.6*	70,142	66,668	*5.2*
change (%) local organic	*-0.5*			*-1.0*		
EBITDA[1] excl. non-recurring items[2]	9,730	9,439	*3.1*	27,460	26,620	*3.2*
Change (%) local organic	*-0.9*			*-3.3*		
Margin (%)	36.0	37.1		34.2	35.8	
Operating income excl. non-recurring items	7,486	7,266	*3.0*	18,844	19,898	*-5.3*
Operating income	6,879	6,333	*8.6*	17,439	18,154	*-3.9*
Income after financial items	6,575	5,664	*16.1*	15,998	16,080	*-0.5*
Net income	5,023	4,433	*13.3*	12,832	12,728	*0.8*
of which attributable to owners of the parent	4,589	4,073	*12.7*	11,561	11,563	*0.0*
Earnings per share (SEK)	1.06	0.94	*12.7*	2.67	2.67	*0.0*
RoCE (%, rolling 12 months)	11.6	12.6		11.6	12.6	
CAPEX excl. license and spectrum fees	3,909	3,782	*3.4*	12,219	9,861	*23.9*
Net debt	61,455	59,301		61,455	59,301	
Free cash flow	4,699	6,387	*-26.4*	13,859	11,412	*21.4*

Additional information available at www.teliasonera.com. 1) Please refer to page 37 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 third quarter of 2014, unless otherwise stated.

Comments by Johan Dennelind, President and CEO

"In the third quarter, there was an encouraging performance in our core operations in Sweden and Europe with both regions turning to positive organic EBITDA growth. Eurasia remained impacted by macroeconomic pressure and high competition in parts of the footprint, particularly affecting our operations in Kazakhstan while performance in Nepal remained strong.

In Sweden, we continue to execute on our superior network strategy and expect to invest more than SEK 6 billion this year, to a large extent related to fiber and 4G. The positive effects are gradually becoming visible and organic service revenue growth improved to 1 percent, supported by higher ARPU in mobile, broadband and TV together with high number of fiber deliveries. Growth in the consumer segment remained healthy and pressure in enterprise eased slightly in the quarter. As a result of higher service revenues and good cost control, the EBITDA margin increased by almost 1 percentage point compared to the corresponding period last year.

The integration of the acquired Tele2 business in Norway is well on track. Overall performance was solid with good organic growth and continued support from synergies. On a further positive note, our operations in all three Baltic countries delivered higher profits in the quarter. We continue to develop our customer propositions in the region, which was recently highlighted by our announced business combination in Lithuania between Teo and Omnitel.

In early September, we announced the withdrawal of the proposed merger with Telenor in Denmark as the parties were not able to agree with the European Commission on the merger conditions. It is still our view that returns remain insufficient and we will continue to seek ways to improve profitability in our Danish operation.

The overall performance in Eurasia was impacted by increased margin pressure in Kazakhstan. Price competition is fierce in the country and profitability was also affected by increased interconnect costs due to higher off-net volumes following recent product launches. We have undertaken actions to mitigate the impact but the expectation is that the trends will continue short term. Our business in Nepal managed the impact of the earthquake earlier this year in an impressive way and maintained solid performance in the quarter.

We continue to shape TeliaSonera for the future and further outlined our priorities by the recent decision to increase focus on our operations in Europe and Sweden and reduce the presence in Eurasia. In the past two years, we have put a lot of effort into improving the Eurasian operations, particularly from a corporate governance and sustainability perspective. In our view, these units are now in better shape and can be further developed by new owners. The process to leave the region has already commenced and we will continue to make updates as we progress.

Looking ahead, we expect both Region Sweden and Europe to show further progress in the fourth quarter, but that the challenges will remain in Eurasia, accentuated by Kazakhstan. As a result, we fine-tune our full-year outlook and expect EBITDA, on a local organic basis to be slightly below last year's level, and foresee CAPEX at around SEK 17 billion. The outlook excludes the synergy expectations for Norway which we raised in the previous quarter to SEK 700 million for 2015 with a run rate of SEK 1 billion when fully implemented in 2016".

Stockholm, October 20, 2015

Johan Dennelind
President and CEO

Group outlook for 2015 (changed)

EBITDA, excluding non-recurring items, in local currencies, excluding acquisitions and disposals, is expected to be slightly below the level in 2014. *(Changed from previously "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. *(Unchanged)*

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

Review of the group, third quarter 2015

SALES AND EARNINGS

Net sales in local currencies, excluding acquisitions and disposals, increased 2.4 percent. In reported currency, net sales increased 6.3 percent to SEK 27,029 million (25,417). The positive effect of exchange rate fluctuations was 1.2 percent and the positive effect of acquisitions and disposals was 2.7 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, decreased 0.5 percent.

In Region Sweden, net sales excluding acquisitions and disposals increased 1.5 percent. Net sales including acquisitions and disposals increased 1.5 percent to SEK 9,122 million (8,985). Service revenues, excluding acquisitions and disposals, increased 1.0 percent.

In Region Europe, net sales in local currencies, excluding acquisitions and disposals increased 5.0 percent. In reported currency, net sales increased 12.1 percent to SEK 11,137 million (9,935). Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.3 percent.

In Region Eurasia, net sales in local currencies, excluding acquisitions and disposals, decreased 3.2 percent. Net sales in reported currency increased 0.5 percent to SEK 5,492 million (5,467). Service revenues in local currencies, excluding acquisitions and disposals, decreased 4.1 percent.

The number of subscriptions in the subsidiaries increased by 1.3 million from the end of the third quarter of 2014 to 68.0 million. During the quarter, the total number of subscriptions increased by 0.2 million.

EBITDA, excluding non-recurring items, decreased 0.9 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 3.1 percent to SEK 9,730 million (9,439). The EBITDA margin, excluding non-recurring items, decreased to 36.0 percent (37.1).

Income from associated companies and joint ventures increased to SEK 1,430 million (1,201), explained by significantly higher contribution from Turkcell.

Operating income, excluding non-recurring items, increased 3.0 percent to SEK 7,486 million (7,266), helped by higher income from associated companies and joint ventures.

Non-recurring items affecting operating income totaled SEK -607 million (-933), mainly related to restructuring charges in Sweden as well as restructuring and integration costs associated with the Tele2 acquisition in Norway.

Financial items totaled SEK -304 million (-669) of which SEK -573 million (-609) related to net interest expenses. The positive effect mainly refers to exchange rate changes affecting USD cash balances due to devaluation in Kazakhstan during the third quarter 2015.

Income taxes increased to SEK -1,552 million (-1,231). The effective tax rate was 23.6 percent (21.7).

Net income attributable to non-controlling interests increased to SEK 435 million (360).

Net income attributable to owners of the parent company increased 12.7 percent to SEK 4,589 million (4,073) and earnings per share to SEK 1.06 (0.94).

BALANCE SHEET ITEMS AND CASH FLOW

CAPEX decreased to SEK 3,902 million (4,929) and the CAPEX-to-service revenue ratio fell to 16.5 percent (21.6). CAPEX excluding license and spectrum fees increased to SEK 3,909 million (3,782) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees, was stable at 16.5 percent (16.5).

Free cash flow decreased to SEK 4,699 million (6,387), mainly due to lower dividends, net of taxes, of SEK 353 million (1,902) from MegaFon as the company intends to pay out dividends in two tranches in 2015.

Net debt was SEK 61,455 million at the end of third quarter (68,468 at the end of the second quarter of 2015). The net debt/EBITDA ratio was 1.70 (1.91 at the end of the second quarter of 2015).

The equity/assets ratio was 37.3 percent (39.0 percent at the end of the second quarter of 2015).

Review of the group, nine-month period 2015

SALES AND EARNINGS

Net sales in local currencies, excluding acquisitions and disposals increased 1.8 percent. In reported currency, net sales increased 7.9 percent to SEK 80,186 million (74,328). The positive effect of exchange rate fluctuations was 3.6 percent and the positive effect of acquisitions and disposals was 2.5 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, decreased 1.0 percent.

EBITDA, excluding non-recurring items, decreased 3.3 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 3.2 percent to SEK 27,460 million (26,620). The EBITDA margin, excluding non-recurring items, decreased to 34.2 percent (35.8).

Income from associated companies and joint ventures decreased to SEK 2,227 million (3,048), due to lower contribution from MegaFon and Turkcell, mainly explained by currency effects and one-time items.

Operating income, excluding non-recurring items, decreased 5.3 percent to SEK 18,844 million (19,898), mainly due to lower income from associated companies and joint ventures.

Non-recurring items affecting operating income totaled SEK -1,405 million (-1,744), mainly related to restructuring and integration costs associated with the Tele2 acquisition in Norway as well as restructuring charges in Sweden and costs related to the earthquake in Nepal.

Financial items totaled SEK -1,441 million (-2,074) of which SEK -1,971 million (-1,964) related to net interest expenses. The positive effect mainly refers to exchange rate changes affecting USD cash balances due to devaluations in Eurasia during 2015.

Income taxes decreased to SEK -3,166 million (-3,352). The effective tax rate was 19.8 percent (20.8). 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 1,270 million (1,165).

Net income attributable to owners of the parent company was unchanged at SEK 11,561 million (11,563) and earnings per share at SEK 2.67 (2.67).

BALANCE SHEET ITEMS AND CASH FLOW

CAPEX increased to SEK 12,605 million (11,027) and the CAPEX-to-service revenue ratio increased to 18.0 percent (16.5). CAPEX excluding license and spectrum fees increased to SEK 12,219 million (9,861) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees, increased to 17.4 percent (14.8).

Free cash flow increased to SEK 13,859 million (11,412), mainly due to dividends from Turkcell, paid in the second quarter.

SIGNIFICANT EVENTS IN THE THIRD QUARTER

- On September 11, 2015, TeliaSonera and Telenor announced the withdrawal of the proposed merger of their respective business units in Denmark. The companies had not been able to agree with the European Commission on acceptable conditions to go ahead with their plan to create a robust mobile operator.
- On September 17, 2015, TeliaSonera announced that it is not a long-term owner in Region Eurasia. TeliaSonera will increase focus on its Regions Europe and Sweden within the strategy of creating the new TeliaSonera. A process has been initiated in order to reduce the presence in Region Eurasia and over time fully leave.
- On September 28, 2015, TeliaSonera announced changes in Group Executive Management. TeliaSonera is combining the units Group Commercial and Group Technology into a new unit. Malin Frenning left TeliaSonera and Emil Nilsson will head Region Eurasia.

SIGNIFICANT EVENTS AFTER THE END OF THE THIRD QUARTER

- On October 6, 2015, TeliaSonera announced that it executes on its new strategic focus by combining its two Lithuanian subsidiaries. The fixed line operator Teo and the mobile operator Omnitel had decided to join forces, which strengthens TeliaSonera's core business in the Nordics and Baltics.
- On October 8, 2015, TeliaSonera announced that Sören Abildgaard had been appointed acting Head of the combined Group Commercial-Group Technology unit. Mr. Abildgaard will be a member of Group Executive Management. At the same date TeliaSonera informed that Erik Hallberg assumed a position as head of the new unit Global Businesses and he left Group Executive Management.

Growing revenues and EBITDA in Sweden

- TeliaSonera continues to expand its 4G and fiber networks in Sweden at a high pace to support a strong customer demand for high speed internet access. Fiber deliveries were high in the quarter with almost 30,000 new households connected, of which close to 16,000 single homes were connected in the quarter.
- Service revenue growth turned positive in the quarter, supported by better ARPU in mobile, broadband and TV, together with strong fiber deliveries. Profitability improved compared to the corresponding period last year, backed by higher revenues and cost control.

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	9,122	8,985	*1.5*	27,443	26,795	*2.4*
Change (%) local organic	*1.5*			*1.9*		
of which service revenues (external)	8,065	7,983	*1.0*	23,871	23,811	*0.2*
change (%) local organic	*1.0*			*-0.4*		
EBITDA excl. non-recurring items	3,752	3,637	*3.2*	10,459	10,850	*-3.6*
Margin (%)	41.1	40.5		38.1	40.5	
Income from associated companies	0	-1		-20	-6	
Operating income excl. non-recurring items	2,644	2,501	*5.7*	7,147	7,773	*-8.1*
Operating income	2,443	2,503	*-2.4*	6,835	7,599	*-10.1*
CAPEX excl. license and spectrum fees	1,400	1,184	*18.2*	3,986	3,363	*18.5*
% of service revenues	17.4	14.8		16.7	14.1	
EBITDA excl. non-recurring items - CAPEX	2,352	2,453	*-4.1*	6,473	7,487	*-13.5*
Subscriptions, (thousands)						
Mobile	6,138	6,233	*-1.5*	6,138	6,233	*-1.5*
Fixed telephony	1,932	2,093	*-7.7*	1,932	2,093	*-7.7*
Broadband	1,296	1,260	*2.9*	1,296	1,260	*2.9*
TV	713	681	*4.7*	713	681	*4.7*
Employees	6,652	6,702	*-0.7*	6,652	6,702	*-0.7*

Net sales, excluding acquisitions and disposals, increased 1.5 percent. Net sales including acquisitions and disposals increased 1.5 percent to SEK 9,122 million (8,985). There was no effect of acquisitions and disposals. **Service revenues**, excluding acquisitions and disposals, increased 1.0 percent.

Reported mobile service revenues grew 1.9 percent, supported by continued growth in the consumer segment and stable revenues in the enterprise segment. Reported fixed service revenues improved sequentially and were almost flat compared to last year, as growth in broadband and TV revenues, together with support from a strong fiber roll-out, more or less compensated for the decline in fixed telephony revenues.

EBITDA, excluding non-recurring items, acquisitions and disposals, increased 3.2 percent. EBITDA, excluding non-recurring items, but including acquisitions and disposals, increased 3.2 percent to SEK 3,752 million (3,637). The EBITDA margin increased to 41.1 percent (40.5) supported by price adjustments and lower mobile subscriber acquisition costs.

CAPEX increased to SEK 1,400 million (1,184) and CAPEX, excluding licenses and spectrum fees, increased to SEK 1,400 million (1,184).

The number of mobile subscriptions decreased by 8,000 in the quarter, while the number of fixed broadband and TV subscriptions increased by 1,000 and 4,000, respectively.

Improved earnings trend in region Europe

- Performance in Region Europe improved and operations in 5 of 7 countries reported positive organic EBITDA growth in the quarter. In Norway, the integration of the acquired Tele2 business is well on track and supports profitability. Further, TeliaSonera's operations in all three Baltic countries reported higher profits compared to the corresponding period last year.
- In early September, TeliaSonera and Telenor announced the withdrawal of the proposed merger of their operations in Denmark as the companies were not able to agree with the European Commission on the merger conditions.
- In October we announced that our Lithuanian subsidiaries Teo and Omnitel will combine their operations.

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	11,137	9,935	*12.1*	32,312	29,329	*10.2*
Change (%) local organic	*5.0*			*1.9*		
of which service revenues (external)	8,836	8,293	*6.5*	25,853	24,267	*6.5*
change (%) local organic	*-1.3*			*-2.3*		
EBITDA excl. non-recurring items	3,036	2,716	*11.8*	7,918	7,305	*8.4*
Margin (%)	27.3	27.3		24.5	24.9	
Income from associated companies	32	36	*-11.3*	87	83	*4.7*
Operating income excl. non-recurring items	1,600	1,436	*11.4*	3,652	3,705	*-1.4*
Operating income	1,346	1,396	*-3.6*	3,119	3,522	*-11.5*
CAPEX excl. license and spectrum fees	1,174	1,152	*1.9*	3,670	2,972	*23.5*
% of service revenues	13.3	13.9		14.2	12.2	
EBITDA excl. non-recurring items - CAPEX	1,862	1,564	*19.0*	4,249	4,333	*-2.0*
Subscriptions, (thousands)						
Mobile	14,152	13,226	*7.0*	14,152	13,226	*7.0*
Fixed telephony	1,001	999	*0.2*	1,001	999	*0.2*
Broadband	1,269	1,251	*1.4*	1,269	1,251	*1.4*
TV	890	841	*5.8*	890	841	*5.8*
Employees	11,326	10,940	*3.5*	11,326	10,940	*3.5*

Net sales in local currencies, excluding acquisitions and disposals, increased 5.0 percent. In reported currency, net sales increased 12.1 percent to SEK 11,137 million (9,935). The positive effect of exchange rate fluctuations was 0.1 percent and the positive effect of acquisitions and disposals was 7.0 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, decreased 1.3 percent.

EBITDA, excluding non-recurring items, increased 1.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 11.8 percent to SEK 3,036 million (2,716). The EBITDA margin was stable at 27.3 percent (27.3).

CAPEX increased slightly to SEK 1,174 million (1,152) and CAPEX, excluding licenses and spectrum fees increased somewhat to SEK 1,174 million (1,152).

Finland – Mobile billed revenue growth continues

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	Chg (%)	Jan-Sep 2015	Jan-Sep 2014	Chg (%)
Net sales	3,273	3,222	*1.6*	9,874	9,545	*3.4*
Change (%) local organic	*-0.8*			*-0.2*		
of which service revenues (external)	2,758	2,798	*-1.4*	8,294	8,280	*0.2*
change (%) local organic	*-3.7*			*-3.3*		
EBITDA excl. non-recurring items	1,048	1,064	*-1.5*	2,997	3,049	*-1.7*
Margin (%)	32.0	33.0		30.4	31.9	
Subscriptions, (thousands)						
Mobile	3,326	3,286	*1.2*	3,326	3,286	*1.2*
Fixed telephony	84	104	*-19.2*	84	104	*-19.2*
Broadband	529	553	*-4.3*	529	553	*-4.3*
TV	491	477	*2.9*	491	477	*2.9*

Service revenues decreased 3.7 percent in local currency, excluding acquisitions and disposals, burdened by lower regulated mobile interconnect rates and price erosion in the enterprise segment. Mobile billed revenues continued to grow, supported by a favorable development within the consumer segment.

The EBITDA margin, excluding non-recurring items, decreased to 32.0 percent (33.0), driven by increased costs related to higher service levels within customer operations.

The number of mobile and TV subscriptions was stable, while fixed telephony and fixed broadband subscriptions decreased slightly in the quarter.

Norway – Further profitability improvement

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	Chg (%)	Jan-Sep 2015	Jan-Sep 2014	Chg (%)
Net sales	2,396	1,773	*35.1*	6,861	5,065	*35.5*
Change (%) local organic	*6.5*			*5.5*		
of which service revenues (external)	2,020	1,481	*36.4*	5,728	4,238	*35.2*
change (%) local organic	*2.7*			*1.3*		
EBITDA excl. non-recurring items	862	588	*46.7*	2,080	1,587	*31.1*
Margin (%)	36.0	33.2		30.3	31.3	
Subscriptions, (thousands)						
Mobile	2,475	1,527	*62.1*	2,475	1,527	*62.1*
Fixed telephony	43	0		43	0	

Service revenues increased 2.7 percent in local currency, excluding acquisitions and disposals, as growth in billed revenues more than compensated for reduced regulated interconnect revenues.

The EBITDA margin, excluding non-recurring items, improved to 36.0 percent (33.2), driven by higher service revenues and synergies related to the Tele2 acquisition.

The number of mobile subscriptions increased by 23,000 in the quarter. An agreement has been signed to divest the majority of the fixed subscription base to Phonect with expected closing in the fourth quarter.

Denmark – Revenue pressure but stable profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	Chg (%)	Jan-Sep 2015	Jan-Sep 2014	Chg (%)
Net sales	1,459	1,464	-0.4	4,328	4,187	3.3
Change (%) local organic	-2.5			-0.3		
of which service revenues (external)	1,085	1,113	-2.5	3,194	3,179	0.5
change (%) local organic	-4.5			-3.1		
EBITDA excl. non-recurring items	211	204	3.6	527	557	-5.3
Margin (%)	14.5	13.9		12.2	13.3	
Subscriptions, (thousands)						
Mobile	1,636	1,566	4.5	1,636	1,566	4.5
Fixed telephony	118	125	-5.6	118	125	-5.6
Broadband	129	112	15.2	129	112	15.2
TV	26	19	36.8	26	19	36.8

Service revenues decreased 4.5 percent in local currency, excluding acquisitions and disposals, due to a combination of continued pressure on ARPU in the consumer segment as well as lower interconnect and roaming revenues. Fixed service revenues were relatively stable, helped by continued growth in the number of broadband and TV subscriptions.

The EBITDA margin, excluding non-recurring items, improved to 14.5 percent (13.9), supported by lower operating expenses.

The number of mobile subscriptions grew by 12,000 in the quarter, mainly related to postpaid subscriptions, while the number of fixed broadband and TV subscriptions increased by 8,000 and 3,000, respectively.

Lithuania – Positive subscription intake

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	Chg (%)	Jan-Sep 2015	Jan-Sep 2014	Chg (%)
Net sales	791	733	7.9	2,306	2,153	7.1
Change (%) local organic	5.6			3.4		
of which service revenues (external)	638	618	3.3	1,885	1,839	2.5
change (%) local organic	1.1			-1.1		
EBITDA excl. non-recurring items	275	262	4.9	766	747	2.6
Margin (%)	34.8	35.8		33.2	34.7	
Subscriptions, (thousands)						
Mobile	1,344	1,388	-3.2	1,344	1,388	-3.2
Fixed telephony	452	475	-4.8	452	475	-4.8
Broadband	383	363	5.5	383	363	5.5
TV	202	180	12.2	202	180	12.2

Service revenues grew 1.1 percent in local currency, excluding acquisitions and disposals, supported by a larger subscription base on fixed broadband and TV, as well as higher mobile data revenues.

The EBITDA margin, excluding non-recurring items, fell to 34.8 percent (35.8), due to an increased share of low margin hardware sales.

The number of mobile subscriptions increased by 13,000 in the quarter, while the number of fixed broadband and TV subscriptions increased by 6,000 and 7,000, respectively.

Latvia – Service revenue growth supports profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	464	363	*27.7*	1,197	1,108	*8.0*
Change (%) local organic	*25.2*			*4.3*		
of which service revenues (external)	309	285	*8.7*	899	849	*5.8*
change (%) local organic	*6.4*			*2.1*		
EBITDA excl. non-recurring items	148	114	*29.5*	410	343	*19.3*
Margin (%)	31.9	31.5		34.2	31.0	
Subscriptions, (thousands)						
Mobile	1,120	1,112	*0.7*	1,120	1,112	*0.7*

Service revenues grew 6.4 percent in local currency, excluding acquisitions and disposals, helped by a growing subscription base and increased mobile data usage due to higher smartphone penetration. Equipment sales doubled compared to last year.

The EBITDA margin, excluding non-recurring items, improved slightly to 31.9 percent (31.5).

The number of mobile subscriptions increased by 20,000 in the quarter, mainly related to postpaid subscriptions.

Estonia – Improved margin

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	686	661	*3.8*	1,954	1,935	*1.0*
Change (%) local organic	*0.3*			*-2.9*		
of which service revenues (external)	525	526	*-0.1*	1,513	1,551	*-2.4*
change (%) local organic	*-2.9*			*-6.1*		
EBITDA excl. non-recurring items	256	240	*6.8*	647	664	*-2.5*
Margin (%)	37.3	36.2		33.1	34.3	
Subscriptions, (thousands)						
Mobile	851	825	*3.2*	851	825	*3.2*
Fixed telephony	304	295	*3.1*	304	295	*3.1*
Broadband	228	223	*2.2*	228	223	*2.2*
TV	171	165	*3.6*	171	165	*3.6*

Service revenues decreased 2.9 percent in local currency, excluding acquisitions and disposals, as mobile billed revenue growth could not fully compensate for lower roaming revenues and other travel-related service revenues. Fixed service revenues were stable, helped by a growing fixed broadband and TV subscription base.

The EBITDA margin, excluding non-recurring items, strengthened to 37.3 percent (36.2), due to lower personnel and roaming costs.

The number of fixed broadband and TV subscriptions increased slightly in the quarter, while the number of mobile subscriptions increased by 11,000.

Spain – Stable service revenues

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	2,094	1,743	*20.2*	5,862	5,404	*8.5*
Change (%) local organic	*17.8*			*4.7*		
of which service revenues (external)	1,501	1,474	*1.8*	4,339	4,330	*0.2*
change (%) local organic	*-0.4*			*-3.3*		
EBITDA excl. non-recurring items	235	245	*-3.8*	491	358	*37.1*
Margin (%)	11.2	14.0		8.4	6.6	
Subscriptions, (thousands)						
Mobile	3,399	3,521	*-3.5*	3,399	3,521	*-3.5*

Service revenues decreased 0.4 percent in local currency, excluding acquisitions and disposals, as positive billed revenue growth could not fully compensate for lower interconnect revenues.

The EBITDA margin, excluding non-recurring items, declined to 11.2 percent (14.0), mainly due to substantially higher low-margin equipment sales.

The number of mobile subscriptions decreased by 34,000 in the quarter, as a positive net intake of 26,000 postpaid subscriptions was offset by a 60,000 decline in the prepaid subscription base.

Continued challenges in Eurasia

- The macroeconomic environment and competitive situation remains demanding in parts of Eurasia. In Kazakhstan, price competition is fierce and profitability in the third quarter was also impacted by increased interconnect costs, related to recent product launches. Actions to mitigate the effects in Kazakhstan have been implemented but the expectation is that the trends will continue short term.

- Growth and profitability in Nepal remained solid despite the impact from the earthquakes earlier in the year, but recent general strikes in the country create uncertainty regarding the business environment near term.

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	5,492	5,467	*0.5*	16,828	15,130	*11.2*
Change (%) local organic	*-3.2*			*0.0*		
of which service revenues (external)	5,147	5,171	*-0.5*	15,759	14,426	*9.2*
change (%) local organic	*-4.1*			*-1.7*		
EBITDA excl. non-recurring items	2,773	2,890	*-4.0*	8,736	8,158	*7.1*
Margin (%)	50.5	52.9		51.9	53.9	
Income from associated companies	11	4	*190.5*	3	26	*-89.7*
Operating income excl. non-recurring items	1,838	2,097	*-12.4*	5,967	5,865	*1.7*
Operating income	1,783	1,469	*21.3*	5,682	4,805	*18.2*
CAPEX excl. license and spectrum fees	775	975	*-20.5*	2,833	1,981	*43.0*
% of service revenues	15.1	18.9		18.0	13.7	
EBITDA excl. non-recurring items - CAPEX	2,005	767	*161.3*	5,516	5,011	*10.1*
Subscriptions, (thousands)						
Mobile	40,597	40,154	*1.1*	40,597	40,154	*1.1*
Employees	5,661	5,149	*9.9*	5,661	5,149	*9.9*

Net sales in local currencies, excluding acquisitions and disposals, decreased 3.2 percent. In reported currency, net sales increased 0.5 percent to SEK 5,492 million (5,467). The positive effect of exchange rate fluctuations was 3.7 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, decreased 4.1 percent.

EBITDA, excluding non-recurring items, decreased 8.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items declined 4.0 percent to SEK 2,773 million (2,890). The EBITDA margin fell to 50.5 percent (52.9).

CAPEX decreased to SEK 768 million (2,122) and CAPEX, excluding licenses and spectrum fees, decreased to SEK 775 million (975).

Kazakhstan – High competition and margin drop

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	1,712	1,897	*-9.8*	5,613	5,396	*4.0*
Change (%) local organic	*-13.2*			*-9.1*		
of which service revenues (external)	1,586	1,822	*-12.9*	5,204	5,273	*-1.3*
change (%) local organic	*-16.2*			*-13.7*		
EBITDA excl. non-recurring items	741	1,054	*-29.7*	2,792	3,058	*-8.7*
Margin (%)	43.3	55.6		49.7	56.7	
Subscriptions, (thousands)						
Mobile	10,792	11,684	*-7.6*	10,792	11,684	*-7.6*

Service revenues fell 16.2 percent in local currency, excluding acquisitions and disposals, explained by the continued price war, ARPU pressure and a lower subscription base compared to the same quarter previous year. In August, Kazakhstan's Tenge devaluated by more than 30 percent versus USD.

The EBITDA margin, excluding non-recurring items, deteriorated to 43.3 percent (55.6), as a consequence of lower service revenues, increased low margin handset sales and higher interconnect costs related to more off-net usage.

The mobile subscription development improved in the quarter with a net intake of 32,000, following several quarters with negative development.

Azerbaijan – Pressure on service revenues

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	888	1,058	*-16.1*	2,680	2,810	*-4.6*
Change (%) local organic	*-9.2*			*-4.6*		
of which service revenues (external)	886	1,057	*-16.1*	2,666	2,801	*-4.8*
change (%) local organic	*-8.7*			*-4.8*		
EBITDA excl. non-recurring items	501	589	*-14.9*	1,499	1,546	*-3.0*
Margin (%)	56.4	55.6		55.9	55.0	
Subscriptions, (thousands)						
Mobile	4,185	4,175	*0.2*	4,185	4,175	*0.2*

Service revenues dropped 8.7 percent in local currency, excluding acquisitions and disposals, as data revenue growth could not compensate for lower voice and messaging revenues.

The EBITDA margin, excluding non-recurring item, improved to 56.4 percent (55.6), as cost efficiency measures offset lower service revenues.

The number of mobile subscriptions increased by 6,000 in the quarter.

Uzbekistan – Continued growth

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	1,178	964	*22.2*	3,322	2,650	*25.3*
Change (%) local organic	*10.8*			*10.2*		
of which service revenues (external)	1,176	962	*22.2*	3,316	2,646	*25.3*
change (%) local organic	*10.8*			*10.2*		
EBITDA excl. non-recurring items	647	505	*28.2*	*1,789*	*1,449*	*23.4*
Margin (%)	54.9	52.4		53.9	54.7	
Subscriptions, (thousands)						
Mobile	8,642	8,435	*2.4*	8,642	8,435	*2.4*

Service revenues grew 10.8 percent in local currency, excluding acquisitions and disposals, backed by strong growth in data and content revenues as well as a growing subscription base.

The EBITDA margin, excluding non-recurring items, improved to 54.9 percent (52.4), supported by growing service revenues.

The number of mobile subscriptions increased by 123,000 in the quarter.

Tajikistan – Revenue pressure impacts profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	185	230	*-19.4*	573	640	*-10.4*
Change (%) local organic	*-15.6*			*-12.5*		
of which service revenues (external)	159	182	*-12.9*	496	524	*-5.5*
change (%) local organic	*-8.7*			*-7.7*		
EBITDA excl. non-recurring items	53	109	*-51.4*	173	292	*-40.7*
Margin (%)	28.5	47.3		30.2	45.7	
Subscriptions, (thousands)						
Mobile	2,597	2,676	*-3.0*	2,597	2,676	*-3.0*

Service revenues fell 8.7 percent in local currency, excluding acquisitions and disposals, mainly due to decreased international traffic and slower data revenue growth.

The EBITDA margin, excluding non-recurring items, crumbled to 28.5 percent (47.3), mainly related to lower net sales.

The number of mobile subscriptions decreased by 29,000 in the quarter.

Georgia – Lower margin due to revenue decline

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	Chg (%)	Jan-Sep 2015	Jan-Sep 2014	Chg (%)
Net sales	209	236	*-11.4*	615	647	*-5.0*
Change (%) local organic	*-3.3*			*-3.9*		
of which service revenues (external)	197	225	*-12.4*	582	599	*-2.9*
change (%) local organic	*-4.5*			*-1.8*		
EBITDA excl. non-recurring items	76	97	*-21.5*	217	262	*-17.2*
Margin (%)	36.4	41.1		35.3	40.5	
Subscriptions, (thousands)						
Mobile	1,999	1,905	*4.9*	1,999	1,905	*4.9*

Service revenues decreased 4.5 percent in local currency, excluding acquisitions and disposals, as strong growth in data revenues could not fully compensate for the decline in voice and messaging revenues.

The EBITDA margin, excluding non-recurring items, dropped to 36.4 percent (41.1), mainly due to lower service revenues.

The number of mobile subscriptions increased by 34,000 in the quarter, reaching a total base of 2.0 million subscriptions.

Moldova – Higher equipment sales pressure profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	Chg (%)	Jan-Sep 2015	Jan-Sep 2014	Chg (%)
Net sales	134	133	*1.2*	409	366	*11.7*
Change (%) local organic	*12.6*			*18.6*		
of which service revenues (external)	102	112	*-8.8*	298	328	*-9.2*
change (%) local organic	*1.4*			*-3.6*		
EBITDA excl. non-recurring items	25	43	*-41.2*	93	98	*-5.1*
Margin (%)	18.6	32.0		22.7	26.8	
Subscriptions, (thousands)						
Mobile	922	864	*6.7*	922	864	*6.7*

Service revenues increased 1.4 percent in local currency, excluding acquisitions and disposals, boosted by strong growth in data revenues.

The EBITDA margin, excluding non-recurring items, deteriorated to 18.6 percent (32.0), due to lower gross margin as a consequence of a higher share of low-margin equipment sales and local currency devaluation impacts in the cost base.

The number of mobile subscriptions increased by 15,000 in the quarter, supported by recently launched bundled offerings.

Nepal – Healthy growth and strong profitability

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	1,182	941	*25.6*	3,605	2,624	*37.4*
Change (%) local organic	*10.1*			*14.4*		
of which service revenues (external)	1,037	809	*28.1*	3,180	2,248	*41.5*
change (%) local organic	*12.3*			*17.8*		
EBITDA excl. non-recurring items	762	547	*39.2*	2,261	1,583	*42.9*
Margin (%)	64.5	58.1		62.7	60.3	
Subscriptions, (thousands)						
Mobile	11,461	10,414	*10.1*	11,461	10,414	*10.1*

Service revenues grew 12.3 percent in local currency, excluding acquisitions and disposals, despite influence from several regional strikes in the country at the end of the quarter. Data revenue growth is the main driver of service revenues.

The EBITDA margin, excluding non-recurring items, grew to 64.5 percent (58.1), mainly due to higher gross margin following lower interconnect and roaming expenses.

The number of mobile subscriptions increased by 28,000 in the quarter.

The country has been impacted by general strikes in the quarter, creating uncertainty about the business environment near term.

Other operations

HIGHLIGHTS

SEK in millions, except margins, operational data and changes	Jul-Sep 2015	Jul-Sep 2014	*Chg (%)*	Jan-Sep 2015	Jan-Sep 2014	*Chg (%)*
Net sales	2,020	1,801	*12.2*	5,788	5,252	*10.2*
Change (%) local organic	*6.9*			*4.0*		
of which International Carrier	1,744	1,524	*14.5*	4,955	4,438	*11.6*
EBITDA excl. non-recurring items	170	196	*-13.5*	347	307	*12.9*
of which International Carrier	100	90	*11.2*	277	259	*6.7*
Margin (%)	8.4	10.9		6.0	5.9	
Income from associated companies	1,387	1,161	*19.4*	2,157	2,944	*-26.7*
of which Russia	525	678	*-22.5*	909	1,601	*-43.2*
of which Turkey	864	484	*78.6*	1,253	1,339	*-6.4*
Operating income excl. non-recurring items	1,404	1,232	*14.0*	2,078	2,556	*-18.7*
Operating income	1,307	964	*35.6*	1,804	2,229	*-19.1*
CAPEX	561	472	*18.9*	1,730	1,545	*11.9*
Employees	3,310	3,188	*3.8*	3,310	3,188	*3.8*

Net sales in local currencies, excluding acquisitions and disposals, increased 6.9 percent. In reported currency, net sales grew 12.2 percent to SEK 2,020 million (1,801).The positive effect of exchange rate fluctuations was 5.3 percent.

EBITDA, excluding non-recurring items, decreased to SEK 170 million (196). The EBITDA margin, excluding non-recurring items, decreased to 8.4 percent (10.9).

In International Carrier, net sales increased 14.5 percent to SEK 1,744 million (1,524) and the EBITDA margin, excluding non-recurring items, decreased slightly to 5.8 percent (5.9).

Income from associated companies, excluding non-recurring items, increased to SEK 1,387 million (1,161). The lower contribution from MegaFon in Russia is mainly explained by currency effects, while the improvement from Turkcell in Turkey is due to better operational performance and currency effects.

Condensed consolidated statements of comprehensive income

SEK in millions, except per share data, number of shares and changes	Jul Sep 2015	Jul-Sep[1] 2014	*Chg (%)*	Jan- Sep 2015	Jan- Sep[1] 2014	*Chg (%)*
Net sales	27,029	25,417	*6.3*	80,186	74,328	*7.9*
Cost of sales	-15,293	-14,248	*7.3*	-45,739	-41,331	*10.7*
Gross profit	**11,737**	**11,168**	***5.1***	**34,446**	**32,997**	***4.4***
Selling, admin. and R&D expenses	-6,005	-5,483	*9.5*	-18,685	-16,846	*10.9*
Other operating income and expenses, net	-283	-553	*-48.9*	-550	-1,044	*-47.4*
Income from associated companies and joint ventures	1,430	1,201	*19.1*	2,227	3,048	*-26.9*
Operating income	**6,879**	**6,333**	***8.6***	**17,439**	**18,154**	***-3.9***
Finance costs and other financial items, net	-304	-669		-1,441	-2,074	
Income after financial items	**6,575**	**5,664**		**15,998**	**16,080**	
Income taxes	-1,552	-1,231		-3,166	-3,352	
Net income	**5,023**	**4,433**		**12,832**	**12,728**	
Items that may be reclassified to net income:						
Foreign currency translation differences	-4,707	801		-7,967	2,525	
Other comprehensive income from associated companies and joint ventures	-124	61		35	57	
Cash flow hedges	250	212		377	-262	
Available-for-sale financial instruments	60	0		15	2	
Income tax relating to items that may be reclassified to net income	247	-37		-250	420	
Items that will not be reclassified to net income:						
Remeasurements of defined benefit pension plans	-1,949	-1,884		1,304	-3,587	
Income tax relating to items that will not be reclassified to net income	423	391		-274	763	
Associates' remeasurements of defined benefit pension plans	0	1		-1	5	
Other comprehensive income	**-5,798**	**-455**		**-6,761**	**-77**	
Total comprehensive income	**-775**	**3,978**		**6,071**	**12,651**	
Net income attributable to:						
Owners of the parent	4,589	4,073		11,561	11,563	
Non-controlling interests	435	360		1,270	1,165	
Total comprehensive income attributable to:						
Owners of the parent	-796	3,409		5,404	11,336	
Non-controlling interests	21	568		667	1,315	
Earnings per share (SEK), basic and diluted	1.06	0.94		2.67	2.67	
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	4,330,080	4,330,085		4,330,082	4,330,085	
EBITDA	9,123	8,803	*3.6*	26,074	25,266	*3.2*
EBITDA excl. non-recurring items	9,730	9,439	*3.1*	27,460	26,620	*3.2*
Depreciation, amortization and impairment losses	-3,674	-3,670	*0.1*	-10,863	-10,159	*6.9*
Operating income excl. non-recurring items	7,486	7,266	*3.0*	18,844	19,898	*-5.3*

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

Condensed consolidated statements of financial position

SEK in millions	Sep 30, 2015	Dec 31, 2014
Assets		
Goodwill and other intangible assets	86,770	86,161
Property, plant and equipment	69,725	69,669
Investments in associates and joint ventures, pension obligation assets and other non-current assets	28,291	34,301
Deferred tax assets	5,789	5,955
Long-term interest-bearing receivables	16,312	14,336
Total non-current assets	*207,517*	*210,422*
Inventories	1,923	1,779
Trade and other receivables and current tax receivables	18,194	20,137
Short-term interest-bearing receivables	10,919	10,993
Cash and cash equivalents	26,742	28,735
Total current assets	*57,778*	*61,644*
Total assets	**265,296**	**272,066**
Equity and liabilities		
Equity attributable to owners of the parent	103,796	111,383
Equity attributable to non-controlling interests	4,828	4,981
Total equity	*108,624*	*116,364*
Long-term borrowings	92,658	90,168
Deferred tax liabilities	10,991	10,840
Provisions for pensions and other long-term provisions	13,658	15,268
Other long-term liabilities	1,785	1,887
Total non-current liabilities	*119,093*	*118,163*
Short-term borrowings	13,505	11,321
Trade payables and other current liabilities, current tax payables and short-term provisions	24,074	26,218
Total current liabilities	*37,580*	*37,539*
Total equity and liabilities	**265,296**	**272,066**

Condensed consolidated statements of cash flows

SEK in millions	Jul-Sep 2015	Jul-Sep 2014[1)]	Jan-Sep 2015	Jan-Sep 2014[1)]
Cash flow before change in working capital	8,695	10,016	27,843	22,965
Change in working capital	302	693	-812	-359
Cash flow from operating activities	**8,997**	**10,709**	**27,031**	**22,606**
Cash CAPEX	-4,298	-4,321	-13,173	-11,194
Free cash flow	***4,699***	***6,387***	***13,859***	***11,412***
Cash flow from other investing activities	505	1,988	-8,349	1,001
Total cash flow from investing activities	**-3,793**	**-2,334**	**-21,522**	**-10,193**
Cash flow before financing activities	***5,204***	***8,375***	***5,510***	***12,413***
Cash flow from financing activities	**2,132**	**1,315**	**-7,469**	**-13,639**
Cash flow for the period	**7,337**	**9,690**	**-1,960**	**-1,226**
Cash and cash equivalents, opening balance	**19,578**	**20,657**	**28,735**	**31,353**
Cash flow for the period	7,337	9,690	-1,960	-1,226
Exchange rate differences	-173	76	-34	296
Cash and cash equivalents, closing balance	**26,742**	**30,423**	**26,742**	**30,423**

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	-960	**-13,950**
Share-based payments	14	–	**14**
Repurchased treasury shares	-6	–	**-6**
Total transactions with owners	*-12,982*	*-960*	***-13,942***
Total comprehensive income	11,336	1,315	**12,651**
Effect of equity transactions in associates	996	–	**996**
Closing balance, September 30, 2014	**107,673**	**4,965**	**112,638**
Dividends	–	-98	**-98**
Share-based payments	4	–	**4**
Repurchased treasury shares	–	–	–
Total transactions with owners	*4*	*-98*	***-94***
Total comprehensive income	3 745	114	**3 859**
Effect of equity transactions in associates	-41	–	**-41**
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	-821	**-13,810**
Share-based payments	18	–	**18**
Repurchased treasury shares	-14	–	**-14**
Total transactions with owners	*-12,986*	*-821*	***-13,807***
Total comprehensive income	5,404	667	**6,071**
Effect of equity transactions in associates	-4	–	**-4**
Closing balance, September 30, 2015	**103,796**	**4,828**	**108,624**

Basis of preparation

GENERAL

As in the annual accounts for 2014, TeliaSonera's consolidated financial statements as of and for the nine-month period ended September 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 nine months 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 the third quarter and first nine months 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	Jul-Sep 2014 Reported	Jul-Sep 2014 Restated	*Chg*	Jan-Sep 2014 Reported	Jan-Sep 2014 Restated	*Chg*
Net sales	25,464	25,417	*-47*	74,454	74,328	*-126*
Cost of sales	-14,296	-14,248	*47*	-41,457	-41,331	*126*
Gross profit	**11,168**	**11,168**	–	**32,997**	**32,997**	–

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	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Within EBITDA	**-607**	**-636**	**-1,386**	**-1,353**
Restructuring charges, synergy implementation costs, etc.:				
Region Sweden	-201	2	-293	-175
Region Europe	-254	-40	-532	-182
Region Eurasia	-55	-353	-286	-669
Other operations	-97	-268	-274	-327
Capital gains/losses	0	21	-1	–
Within Depreciation, amortization and impairment losses	–	**-297**	–	**-391**
Impairment losses, accelerated depreciation:				
Region Sweden	–	–	–	–
Region Europe	–	–	–	–
Region Eurasia	–	-297	–	-391
Other operations	–	–	–	–
Within Income from associated companies and joint ventures	–	–	**-19**	–
Capital gains/losses	–	–	-19	–
Total	**-607**	**-93**	**-1,405**	**-1,744**

Segment information

SEK in millions	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Net sales				
Region Sweden	9,122	8,985	27,443	26,795
of which external	*9,069*	*8,916*	*27,260*	*26,588*
Region Europe	11,137	9,935	32,312	29,329
of which external	*11,022*	*9,827*	*31,995*	*28,981*
Region Eurasia	5,492	5,467	16,828	15,130
of which external	*5,300*	*5,265*	*16,272*	*14,596*
Other operations	2,020	1,801	5,788	5,252
Total segments	**27,770**	**26,187**	**82,371**	**76,506**
Eliminations	-741	-770	-2,185	-2,178
Group	**27,029**	**25,417**	**80,186**	**74,328**
EBITDA excl. non-recurring items				
Region Sweden	3,752	3,637	10,459	10,850
Region Europe	3,036	2,716	7,918	7,305
Region Eurasia	2,773	2,890	8,736	8,158
Other operations	170	196	347	307
Total segments	**9,730**	**9,439**	**27,460**	**26,621**
Eliminations	–	0	–	-1
Group	**9,730**	**9,439**	**27,460**	**26,620**
Operating income				
Region Sweden	2,443	2,503	6,835	7,599
Region Europe	1,346	1,396	3,119	3,522
Region Eurasia	1,783	1,469	5,682	4,805
Other operations	1,307	964	1,804	2,229
Total segments	**6,879**	**6,333**	**17,439**	**18,155**
Eliminations	–	0	0	-1
Group	**6,879**	**6,333**	**17,439**	**18,154**
Finance costs and other financial items, net	-304	-669	-1,441	-2,074
Income after financial items	**6,575**	**5,664**	**15,998**	**16,080**

SEK in millions	Region Sweden	Region Europe	Region Eurasia	Other operations	Total segments	Un-allocated	Group
Segment assets							
September 30, 2015	39,891	99,370	33,555	37,368	210,183	55,112	265,296
December 31, 2014	39,313	96,852	37,735	47,084	220,984	51,082	272,066
Segment liabilities							
September 30, 2015	9,701	11,108	10,833	5,206	36,848	119,825	156,673
December 31, 2014	10,195	11,679	13,354	5,250	40,478	115,223	155,701

The decrease in segment assets in Other operations is mainly explained by dividends from the associated company Turkcell.

Investments

SEK in millions	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
CAPEX	**3,902**	**4,929**	**12,605**	**11,027**
Intangible assets	578	1,405	1,941	1,926
Property, plant and equipment	3,325	3,525	10,664	9,101
Acquisitions and other investments	**54**	**18**	**5,635**	**966**
Asset retirement obligations	1	14	88	66
Goodwill and fair value adjustments	15	4	4,502	866
Equity holdings	37	1	1,044	34
Total	**3,956**	**4,947**	**18,240**	**11,993**

Financial instruments – fair values

Long-term and short-term borrowings[1] SEK in millions	Sep 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	36,351	43,805	26,955	34,726
Interest rate swaps	685	685	283	283
Cross currency interest rate swaps	1,497	1,497	1,577	1,577
Subtotal	**38,533**	**45,987**	**28,814**	**36,585**
Open-market financing program borrowings	50,454	53,931	57,861	63,534
Other borrowings at amortized cost	3,620	3,620	3,431	3,431
Subtotal	**92,607**	**103,538**	**90,106**	**103,549**
Finance lease agreements	51	51	62	62
Total long-term borrowings	**92,658**	**103,589**	**90,168**	**103,611**
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	–	–	7,414	7,414
Interest rate swaps	49	49	–	–
Cross currency interest rate swaps	21	21	329	329
Subtotal	**70**	**70**	**7,743**	**7,743**
Utilized bank overdraft and short-term credit facilities at amortized cost	1,551	1,551	1,057	1,058
Open-market financing program borrowings	5,881	5,926	725	726
Other borrowings at amortized cost	5,995	6,373	1,786	1,786
Subtotal	**13,497**	**13,920**	**11,311**	**11,313**
Finance lease agreements	9	9	10	10
Total short-term borrowings	**13,505**	**13,928**	**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 and the section Fair value measurements of level 3 financial instruments.

Financial assets and liabilities by fair value hierarchy level[1)]SEK in millions	Sep 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	**1,297**	–	–	1,297	**275**	–	–	275
Equity instruments held-for-trading	**41**	–	–	41	**61**	–	–	61
Long- and short-term bonds available-for-sale	**10,955**	10,955	–	–	**4,950**	4,950	–	–
Derivatives designated as hedging instruments	**2,740**	–	2,740	–	**3,901**	–	3,901	–
Derivatives held-for-trading	**3,157**	–	3,093	65	**1,923**	–	1,868	55
Total financial assets at fair value by level	**18,190**	**10,955**	**5,832**	**1,403**	**11,110**	**4,950**	**5,770**	**391**
Financial liabilities at fair value								
Borrowings in fair value hedge relationships	**36,351**	–	36,351	–	**34,369**	–	34,369	–
Derivatives designated as hedging instruments	**2,143**	–	2,143	–	**1,727**	–	1,727	–
Derivatives held-for-trading	**711**	–	711	–	**882**	–	882	–
Total financial liabilities at fair value by level	**39,205**	**–**	**39,205**	**–**	**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 and the section below.

FAIR VALUE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS

Investments classified within Level 3 make use of significant unobservable inputs in deriving fair value, as they trade infrequently. As observable prices are not available for these equity instruments, TeliaSonera has a market approach to derive the fair value.

TeliaSonera's primary valuation technique used for estimating the fair value of unlisted equity instruments in level 3 is based on the most recent transaction for the specific company if such transaction had been recently done. If there had been significant changes in circumstances between the transaction date and the balance sheet date that, in the assessment of TeliaSonera, would be a material impact on the fair value, the carrying value is adjusted to reflect the changes.

In addition, the assessment of the fair value of material unlisted equity instruments is verified by applying other valuation models in the form of valuation multiples from listed comparable companies (peers) on relevant financial and operational metrics, such as revenue, gross profit and other relevant KPIs for the specific company. Comparable listed companies are determined based on industry, size, development stage, geographic area and strategy. The multiple is calculated by dividing the enterprise value of the comparable company by the relevant metric. The multiple is then adjusted for discounts/premiums with regards to differences, advantages and disadvantages between TeliaSonera's investment and the comparable public companies based on company specific facts and circumstances.

Although TeliaSonera uses its best judgement, and cross-references results of the primary valuation model against other models in estimating the fair value of unlisted equity instruments, there are inherent limitations in any estimation techniques. The fair value estimates presented herein are not necessarily indicative of an amount that TeliaSonera could realize in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value could be material.

Unlisted equity instruments for which the fair value cannot be reliably measured are measured at cost less any impairment.

The table below presents the movement in level 3 instruments for the nine-month period ended September 30, 2015:

SEK in millions	Sep 30, 2015 Equity instruments available-for-sale	Equity instruments held-for-trading	Long- and short-term bonds available-for-sale	Derivatives held-for-trading	Total	Dec 31, 2014 Equity instruments available-for-sale	Equity instruments held-for-trading	Long- and short-term bonds available-for-sale	Derivatives held-for-trading	Total
Level 3, opening balance	275	61	–	55	391	203	57	2	0	262
Changes in fair value	12	-22	–	10	-1	–	–	-2	55	53
of which recognized in net income	*-13*	*-22*	–	*10*	*-25*	–	–	*-2*	*55*	*53*
of which recognized in other comprenhensive income	*25*	–	–	–	*25*	–	–	–	–	–
Purchases /capital contributions	993	3	–	–	996	33	4	–	–	37
Transfer out of level 3	*0*	*0*	–	–	–	–	–	–	–	–
Exchange rate differences	17	0	–	0	16	38	2	–	–	40
Level 3, closing balance	**1,297**	**41**	–	**65**	**1, 404**	**275**	**61**	**0**	**55**	**391**

The purchases in 2015 mainly related to the acquisition of 1.4 percent stake in Spotify for USD 115 million, corresponding to SEK 976 million at the transaction date on June 9, 2015.

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 September 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 nine-month period ended September 30, 2015, TeliaSonera purchased goods and services for SEK 171 million (159), and sold goods and services for SEK 131 million (209). Related parties in these transactions were mainly MegaFon, Turkcell, Lattelecom and Rodnik.

Net debt

SEK in millions	Sep 30, 2015	Dec 31, 2014
Long-term and short-term borrowings	106,164	101,489
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-5,691	-5,618
Less long-term bonds available for sale	-8,775	-4,671
Less short-term investments, cash and bank	-30,243	-31,880
Net debt	**61,455**	**59,320**

Loan financing and credit rating

The underlying operating cash flow continued to be positive also in the third 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.

The third quarter showed increased volatility in financial markets and continuous concerns around Chinese growth prospects and lower commodity prices, impacting all developed and emerging markets. Credit spreads widened across sectors and new issuance volumes were light versus previous quarters.

TeliaSonera has not made any major funding during the third 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 2,740 million (4,925 at the end of 2014), MegaFon shares held by TCI, representing 1.63 percent of the shares in MegaFon, are presently pledged to TeliaSonera. One tranche is 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 September 30, 2015, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 317 million (320 at the end of 2014), of which SEK 284 million (287 at the end of 2014) referred to guarantees for pension obligations. Collateral pledged totaled SEK 394 million (426 at the end of 2014).

Contractual obligations and commitments

As of September 30, 2015, contractual obligations totaled SEK 3,260 million (2,117 at the end of 2014), of which SEK 2,035 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. On August 3, 2015, TeliaSonera acquired all shares in the Estonian company Green IT OÜ. The cost of the transaction, SEK 21 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

	Sep 30, 2015	Dec 31, 2014
Return on equity (%, rolling 12 months)	15.1	15.0
Return on capital employed (%, rolling 12 months)	11.6	12.2
Equity/assets ratio (%)	37.3	38.0
Net debt/equity ratio (%)	62.2	57.4
Net debt/EBITDA rate excl. non-recurring items (multiple, rolling 12 months)	1.70	1.68
Net debt/assets ratio	23.2	21.8
Owners' equity per share (SEK)	23.97	25.72

Parent company

Condensed income statements SEK in millions	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Net sales	1	1	2	3
Gross income	**1**	**1**	**2**	**3**
Operating expenses	-265	-204	-806	-192
Operating income	**-264**	**-203**	**-804**	**-189**
Financial income and expenses	-1,858	-530	6,665	-976
Income after financial items	**-2,122**	**-733**	**5,861**	**-1,165**
Appropriations	1,851	2,498	4,263	5,990
Income before taxes	**-271**	**1,765**	**10,124**	**4,824**
Income taxes	57	-400	-589	-596
Net income	**-214**	**1,365**	**9,535**	**4,228**

Financial income for the nine-month period improved mainly due to dividends received from subsidiaries.

Condensed balance sheets SEK in millions	Sep 30, 2015	Dec 31, 2014
Non-current assets	159,578	155,495
Current assets	59,910	65,805
Total assets	**219,488**	**221,300**
Equity and liabilities		
Restricted shareholders' equity	15,712	15,712
Non-restricted shareholders' equity	64,862	68,020
Total shareholders' equity	**80,573**	**83,732**
Untaxed reserves	11,904	11,476
Provisions	490	478
Long-term liabilities	89,176	87,172
Short-term liabilities	37,345	38,442
Total equity and liabilities	**219,488**	**221,300**

Total investments in the nine-month period ended September 30, 2015, were SEK 6,575 million (3,972) 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 2,740 million (4,925 at the end of 2014), MegaFon shares held by TCI, representing 1.63 percent of the shares in MegaFon, are presently pledged to the parent company. One tranche is 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 may decide to or be forced to exit a country or a specific operation within a country. Another implication may be unexpected or unpredictable litigation cases under civil or tax legislation. 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 SEK10.2 billion, including group companies' receivables totaling approximately SEK 7.7 billion, cash and cash equivalents of approximately SEK 1.8 billion and short-term investments of approximately SEK 1.2 billion. In Nepal, cash and cash equivalents total approximately SEK 2.8 billion. Still 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. Factors generally affecting the telecom markets as well as changes in the economic, regulatory, business or political environment impact TeliaSonera financially. Management also constantly reviews and refines the business plans, and may make exit decisions or take other actions in order to effectively execute on TeliaSonera's strategy. Should such circumstances negatively change management's expectation of future cash flows attributable to certain assets, TeliaSonera will be required to recognize asset impairment losses, including but not limited to goodwill and fair value adjustments recorded in connection with historical or future acquisitions. Further, 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 financial position and 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, even to the extent that TeliaSonera may decide to exit one or a number of markets.

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. As examples, ongoing related investigations are conducted by the Dutch prosecutor and police authorities, and by the U.S. Department of Justice and the U.S. Securities Exchange Commission. At this point in time, it is not possible to assess how or when these investigations will be resolved.

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.

Review Report

Introduction

We have reviewed the interim report for TeliaSonera AB (publ) for the period January 1 -September 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, October 20, 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 third quarter of 2014, unless otherwise stated.

Financial calendar

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

Annual General Meeting 2016
April 12, 2016

Interim Report January–March 2016
April 20, 2016

Interim Report January–June 2016
July 20, 2016

Interim Report January–September 2016
October 21, 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 October 20, 2015.

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