

## TeliaSonera January-September 2010

### Improving growth and record earnings

#### Third quarter

- Net sales decreased 1.1 percent to SEK 26,754 million (27,053). Net sales in local currencies and excluding acquisitions increased 4.3 percent.
- The addressable cost base was flat at SEK 7,449 million (7,468). In local currencies and excluding acquisitions the addressable cost base increased 5.3 percent.
- EBITDA, excluding non-recurring items, increased 0.1 percent to SEK 9,776 million (9,763) and the margin increased to 36.5 percent (36.1). The increase in local currencies and excluding acquisitions was 4.0 percent.
- Operating income, excluding non-recurring items, increased to SEK 8,619 million (8,453).
- Net income attributable to owners of the parent company increased to SEK 5,988 million (5,043) and earnings per share to SEK 1.33 (1.12).
- Free cash flow decreased 37.4 percent to SEK 3,857 million (6,160) due to lower dividends from associated companies and higher paid taxes.
- During the quarter the number of subscriptions grew by 4.2 million, of which 2.0 million new subscriptions in the consolidated operations and 2.2 million in the associated companies, totaling 156.6 million.
- Group outlook for 2010 has been revised.

#### Nine-month period

- Net sales decreased 2.2 percent to SEK 79,808 million (81,612). In local currencies and excluding acquisitions net sales increased 3.4 percent.
- Net income attributable to owners of the parent company increased to SEK 15,948 million (13,952).
- Free cash flow decreased to SEK 11,159 million (12,525).

### Financial highlights

SEK in millions, except key ratios, per share data and changes	Jul-Sep	Jul-Sep	Chg	Jan-Sep	Jan-Sep	Chg
	2010	2009	(%)	2010	2009	(%)
Net sales	26,754	27,053	-1	79,808	81,612	-2
Addressable cost base <sup>1, 2)</sup>	7,449	7,468	-0	23,485	24,876	-6
EBITDA <sup>2)</sup> excl. non-recurring items <sup>3)</sup>	9,776	9,763	0	27,953	27,627	1
Margin (%)	36.5	36.1		35.0	33.8	
Operating income	8,738	8,104	8	23,884	22,819	5
Operating income excl. non-recurring items	8,619	8,453	2	24,024	24,106	-0
Net income	6,475	5,678	14	17,597	15,781	12
of which attributable to owners of the parent	5,988	5,043	19	15,948	13,952	14
Earnings per share (SEK)	1.33	1.12	19	3.55	3.11	14
Return on equity (%, rolling 12 months)	17.6	17.0		17.6	17.0	
CAPEX-to-sales (%)	11.0	12.0		11.4	11.4	
Free cash flow	3,857	6,160	-37	11,159	12,525	-11

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

2) Please refer to page 16 for definitions.

3) Non-recurring items; see table on page 20.

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 2009, unless otherwise stated.

## Comments by Lars Nyberg, President and CEO

"It is encouraging to see that the organic growth rate improved further in the third quarter and that the growth is coming from many parts within our group. Both Mobility Services and Eurasia are seeing accelerated growth compared to previous quarters, the former driven by mobile data and equipment sales and the latter by macroeconomic recovery and higher mobile penetration. More importantly, we are delivering profitable growth and the EBITDA, excluding non-recurring items, in the third quarter was the highest in the company's history.

In the Nordic region, the uptake of smart phones is boosting our mobile data revenues and equipment sales. Today, seven out of ten customers in Sweden are buying a smart phone with higher usage and average revenue per user as a result. The new iPhone 4 has been very well received by our customers and we can now see that other smart phone models based on Android and Symbian platforms are also getting a lot of traction. Our Spanish operator, Yoigo, recorded an all time-high customer intake and reached close to four percent market share and we remain confident that the operation will become EBITDA positive in the fourth quarter of 2010.

In Eurasia, we have invested significant amounts in building high-quality mobile networks in Uzbekistan and Nepal since we acquired the operations in 2007 and 2008. We can now see the result of these efforts. Both Ucell and Ncell are delivering record-high subscriber intake and we are closing the gap to the market leader in both countries. At the same time Kazakhstan, our largest market in Eurasia, continued to grow with growth in local currency exceeding 20 percent in the third quarter.

In Broadband Services, the on-going transition from traditional fixed telephony services to rich content services such as IPTV and Video on Demand is gaining momentum. This strengthens our firm belief that our fixed network is a crucial and differentiating asset for the future. At the same time it poses a short term challenge as we upgrade ADSL to VDSL and provide more households and businesses with fiber connections. We believe we can manage this difficult transition while protecting healthy margins. We are also encouraged that we now have more than 350,000 fiber/LAN customers which give us an opportunity to sell more services to our existing customers.

We have again raised our net sales outlook for the full year and we now believe our EBITDA margin will be higher in 2010 compared to last year."

## Group outlook for 2010 (revised)

Growth in net sales in local currencies and excluding acquisitions for 2010 is expected to be in line with the first nine months of 2010. Currency fluctuations may have a material impact on reported figures in Swedish krona.

TeliaSonera will continue to invest in future growth as well as in the quality of networks and services. Driven by the improved net sales outlook, we expect the addressable cost base in 2010 to be somewhat higher compared with the SEK 33.2 billion of 2009, in local currencies and excluding acquisitions. The EBITDA margin in 2010 is expected to be higher compared to 2009, excluding non-recurring items.

Capital expenditures will be driven by continued investments in broadband and mobile capacity as well as in network expansion in Eurasia. The CAPEX-to-sales ratio is expected to be around 13.5 percent in 2010.

Please refer to page 25 for the previous Group outlook for 2010 (published on July 20, 2010).

## Review of the Group, third quarter 2010

**Net sales** decreased 1.1 percent to SEK 26,754 million (27,053). Net sales in local currencies and excluding acquisitions increased 4.3 percent. The negative effect of acquisitions was 0.9 percent and the negative effect of exchange rate fluctuations was 4.5 percent.

In Mobility Services, net sales increased 2.6 percent to SEK 12,959 million (12,631). Net sales in local currencies and excluding acquisitions increased 9.0 percent.

In Broadband Services, net sales decreased 9.4 percent to SEK 9,772 million (10,785). Net sales in local currencies and excluding acquisitions decreased 5.8 percent.

In Eurasia, net sales increased 15.7 percent to SEK 4,288 million (3,706). Net sales in local currencies and excluding acquisitions increased 17.5 percent.

**The number of subscriptions** rose by 12.8 million from the end of the third quarter 2009 to 156.6 million, of which 6.5 million to 53.2 million in the consolidated operations and 6.3 million to 103.4 million in the associated companies. During the third quarter, the total number of subscriptions increased by 2.0 million in the consolidated companies and by 2.2 million in the associated companies.

**EBITDA**, excluding non-recurring items, increased 0.1 percent to SEK 9,776 million (9,763) and the margin increased to 36.5 percent (36.1). The increase in local currencies and excluding acquisitions was 4.0 percent.

**Operating income**, excluding non-recurring items, increased to SEK 8,619 million (8,453). Income from associated companies increased 15.6 percent to SEK 2,082 million (1,801).

**Non-recurring items** affecting operating income totaled SEK 119 million (-349) including a capital gain of SEK 831 million from the sale of Telia Stofa in Denmark and impairment charges of SEK 678 million related to the operations in Cambodia.

**Financial items** totaled SEK -487 million (-541) of which SEK -487 million (-416) related to net interest expenses. Financial items were positively affected by a capital gain from the divestiture of shares in Digitel in the Philippines of SEK 67 million.

**Income taxes** decreased to SEK 1,776 million (1,885). The effective tax rate decreased to 21.5 percent (24.9) due to reduced provisions for withholding taxes related mainly to Azer-cell and a tax exempt capital gain realized in the disposal of Telia Stofa in Denmark, partly offset by non tax-deductible impairment charges in the Cambodian operations.

**Non-controlling interests** in subsidiaries decreased to SEK 487 million (635), of which SEK 628 million (494) was related to operations in Eurasia and SEK 70 million (95) to LMT and TEO.

**Net income attributable to owners of the parent company** increased to SEK 5,988 million (5,043) and earnings per share to SEK 1.33 (1.12).

**CAPEX** decreased to SEK 2,941 million (3,238) and the CAPEX-to-sales ratio to 11.0 percent (12.0).

**Free cash flow** decreased 37.4 percent to SEK 3,857 million (6,160) due to higher paid taxes of SEK 989 million, mainly related to the Swedish operations, and lower dividends from associated companies. In the third quarter of 2009, a dividend of SEK 1,153 million was received from Turkcell Holding.

**Net debt** decreased to SEK 47,553 million at the end of the third quarter (52,387 at the end of the second quarter 2010).

**The equity/assets ratio** was 50.5 percent (51.2 at the end of the second quarter 2010).

### Acquisitions and divestitures

- On July 8, 2010, TeliaSonera announced that it had signed an agreement on the sale of its Danish subsidiary Telia Stofa to Ratos, a listed private equity company with Nordic focus. The sales price was DKK 1.1 billion on a cash and debt free basis. In the third quarter of 2010, TeliaSonera recognized a capital gain of SEK 831 million. Telia Stofa's revenues in 2009 were DKK 1,024 million, EBITDA was DKK 166 million and operating income was DKK 92 million. Telia Stofa has approximately 500 employees. Telia Stofa was deconsolidated as of August 1, 2010.
- TeliaSonera divested the remaining 7.8 percent of its holding in Digitel in the Philippines during the third quarter of 2010. The transaction value was SEK 112 million and resulted in a capital gain of SEK 67 million.

### Significant events in the third quarter

- On September 23, 2010, TeliaSonera AB issued a 15 year Eurobond of EUR 500 million under its existing EUR 9 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 3.928 percent p.a. equivalent to Euro Mid-swaps + 100 bp for a 15 year deal maturing in October 2025.
- TeliaSonera has conducted a SEK 678 million write-down of the carrying value of its Cambodian operations in the third quarter of 2010. In 2008, TeliaSonera acquired Applifone in Cambodia (brand name Star-Cell) as part of the acquisition of Spice Nepal in Nepal. Applifone is today the number seven out of nine mobile operators in Cambodia. In general, the market is characterized by fierce competition and high churn rates. In the first quarter of 2010, it was clear that TeliaSonera's ambition related to the Cambodian market had to be reviewed and the segment responsibility was transferred from business area Eurasia to TeliaSonera Holding within Other operations. Following further analysis of the market position, the value of Applifone was reassessed during the third quarter of 2010. After the write down there is no goodwill related to the Cambodian operations as per September 30, 2010.

## Spain and mobile data drive sales growth in Mobility Services

**Business area Mobility Services** provides mobility services to the consumer and enterprise mass markets. Services include mobile voice and data, mobile content, WLAN Hotspots, mobile broadband and Wireless Office. The business area comprises mobile operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.

- The strong demand for mobile broadband and smart phones in the Nordic countries continues to drive increased data usage and equipment sales. New mobile broadband offerings were launched in both Sweden and Norway during the quarter to better reflect customers' demand for higher speed and usage patterns. The 4G roll-out continues with launches in 28 cities in Sweden and four in Norway during 2010. TeliaSonera will begin selling Samsung's Android-powered tablet device, called Galaxy Tab, in the Nordic and Baltic markets in the fourth quarter.
- TeliaSonera's Spanish mobile operator, Yoigo, continues to benefit from its price leadership and no-frills tariffs and its market share reached close to four percent. The average monthly gross subscription intake was at all time high in the third quarter. Revenue trends in the Baltic countries are improving due to equipment sales and mobile data but the development on net sales compared to last year is still negative. Regulation has also had a significant impact on revenues in Latvia and Lithuania.

SEK in millions, except margins, operational data and changes	Jul-Sep 2010	Jul-Sep 2009	Chg (%)	Jan-Sep 2010	Jan-Sep 2009	Chg (%)
Net sales	12,959	12,631	3	37,936	37,912	0
EBITDA excl. non-recurring items	3,926	3,966	-1	11,284	11,074	2
Margin (%)	30.3	31.4		29.7	29.2	
Operating income	2,876	2,785	3	8,095	7,470	8
Operating income excl. non-recurring items	2,878	2,890	0	8,113	7,800	4
CAPEX	728	722	1	2,586	2,475	5
MoU	215	209	3	216	208	4
ARPU, blended (SEK)	197	218	-10	202	225	-10
Churn, blended (%)	29	28	4	29	28	4
Subscriptions, period-end (thousands)	18,091	16,589	9	18,091	16,589	9
Employees, period-end	7,506	7,771	-3	7,506	7,771	-3

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

- **Net sales** increased 2.6 percent to SEK 12,959 million (12,631). Net sales in local currencies and excluding acquisitions increased 9.0 percent. The negative effect of exchange rate fluctuations was 6.4 percent.

In local currencies, net sales grew in Spain, Sweden, Finland and Norway. Net sales in Sweden rose 8.3 percent to SEK 3,849 million (3,553), of which two thirds explained by mobile data and one third by an increase in equipment sales. In Spain, net sales in local currency rose 81.6 percent to the equivalent of SEK 1,694 million (1,036).

In Finland, net sales in local currency increased 8.4 percent, of which higher equipment sales and mobile data revenues contributed equally to the rise. In Norway, net sales in local currency grew 0.4 percent, the first increase since the second quarter of 2008. The decline in voice revenues, as a result of subscribers migrating to cheaper price plans, was compensated for by higher equipment sales and mobile data revenues. In Denmark, net sales in local currency decreased 5.9 percent as a result of lower voice revenues and a reduction in interconnect fees from May 1, 2010.

The revenue trend improved compared to the previous quarter in all three Baltic countries. Net sales in local currency decreased 2.0 percent in Estonia. Net sales in local currencies in Latvia and Lithuania fell by 7.0 percent and 13.8 percent, respectively, compared to the corresponding quarter last year. Lower interconnect tariffs had a significant negative impact in these two countries and explain one third of the decline in Latvia and almost half of the decline in net sales in Lithuania.

- **The number of subscriptions** rose by 1.5 million from the end of the third quarter 2009 to 18.1 million. Growth was strongest in Spain with an increase of 0.8 million to 2.1 million subscriptions. Finland followed with 0.3 million new subscriptions and Sweden with 0.2 million. During the quarter the total number of subscriptions rose by 0.5 million.
- **Interconnect fees** that TeliaSonera receives from other mobile operators were lowered in Sweden on July 1, 2010, from SEK 0.32 to SEK 0.26. On July 1, 2009, fees in Norway were lowered from NOK 0.60 to NOK 0.50 and will be lowered further to NOK 0.30 on January 1, 2011. In Lithuania, interconnect fees were reduced from LTL 0.266 to LTL 0.148 on January 1, 2010. On April 1, 2010, fees in Spain were lowered from EUR 0.061 to EUR 0.055. In Latvia, interconnect fees were reduced from LVL 0.062 to LVL 0.047 from April 1, 2010 and from August 1, 2010, lowered further to LVL 0.04. In Denmark, interconnect fees were lowered from DKK 0.54 to DKK 0.44 on May 1, 2010. In Estonia, interconnect fees were reduced from EEK 1.36 to EEK 1.22 on July 1, 2010.
- **EBITDA**, excluding non-recurring items, decreased 1.0 percent to SEK 3,926 million (3,966). The EBITDA margin fell to 30.3 percent (31.4). Margins improved in Sweden, Denmark, Latvia and Spain. In local currencies, EBITDA, excluding non-recurring items, increased 3.3 percent.

In Sweden, EBITDA, excluding non-recurring items, increased 12.9 percent to SEK 1,682 million (1,490). The EBITDA margin improved to 43.7 percent (41.9) due to increased revenues and improving gross margin. In Finland, the EBITDA margin fell to 29.9 percent (33.8), as a result of lower gross margin, increased sales and marketing costs as well as activities related to improved customer and dealer support.

In Spain, the EBITDA loss narrowed to SEK -131 million (-209) despite a record-high gross intake of subscriptions. The forecast that Yoigo will become EBITDA positive in the fourth quarter of 2010 remains.

In Denmark, reduced personnel and sales and marketing costs compensated for the decline in sales and the EBITDA margin increased to 23.4 percent (22.4). In Norway, the EBITDA margin fell to 35.9 percent (37.6) due to increasing sales of high ARPU post-paid subscriptions with higher subsidies and continued growth in mobile broadband.

In Latvia, operating costs were successfully reduced and the EBITDA margin improved to 40.2 percent (38.6). In Estonia, improved gross margin compensated for the decline in sales and the EBITDA margin remained unchanged at 39.0 percent (38.8) compared to the corresponding quarter last year. The EBITDA margin in Lithuania fell to 31.4 percent (33.8), mostly due to increased sales and retention activities.

- **CAPEX** was unchanged at SEK 728 million (722) and the CAPEX-to-sales ratio was 5.6 percent (5.7). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, was also at the same level as the corresponding quarter last year at SEK 3,198 million (3,244).

<b>SEK in millions, except margins and changes</b>	<b>Jul-Sep</b>	<b>Jul-Sep</b>	<b>Chg</b>	<b>Jan-Sep</b>	<b>Jan-Sep</b>	<b>Chg</b>
	<b>2010</b>	<b>2009</b>	<b>(%)</b>	<b>2010</b>	<b>2009</b>	<b>(%)</b>
Net sales	12,959	12,631	3	37,936	37,912	0
of which Sweden	3,849	3,553	8	11,311	10,490	8
of which Finland	2,403	2,461	-2	7,288	7,661	-5
of which Norway	2,225	2,238	-1	6,563	6,757	-3
of which Denmark	1,578	1,865	-15	4,843	5,525	-12
of which Lithuania	436	562	-22	1,256	1,731	-27
of which Latvia	455	549	-17	1,366	1,776	-23
of which Estonia	436	495	-12	1,270	1,474	-14
of which Spain	1,694	1,036	64	4,366	2,894	51
EBITDA excl. non-recurring items	3,926	3,966	-1	11,284	11,074	2
of which Sweden	1,682	1,490	13	4,734	4,166	14
of which Finland	719	832	-14	2,275	2,462	-8
of which Norway	798	841	-5	2,367	2,386	-1
of which Denmark	369	417	-12	944	1,035	-9
of which Lithuania	137	190	-28	413	575	-28
of which Latvia	183	212	-14	564	742	-24
of which Estonia	170	192	-11	506	583	-13
of which Spain	-131	-209		-519	-876	
Margin (%), total	30.3	31.4		29.7	29.2	
Margin (%), Sweden	43.7	41.9		41.9	39.7	
Margin (%), Finland	29.9	33.8		31.2	32.1	
Margin (%), Norway	35.9	37.6		36.1	35.3	
Margin (%), Denmark	23.4	22.4		19.5	18.7	
Margin (%), Lithuania	31.4	33.8		32.9	33.2	
Margin (%), Latvia	40.2	38.6		41.3	41.8	
Margin (%), Estonia	39.0	38.8		39.8	39.6	
Margin (%), Spain	neg	neg		neg	neg	

<b>Net sales in local currencies and excluding acquisitions</b>	<b>Jul-Sep</b>	<b>Jan-Sep</b>
Change (%), total	9	6
Change (%), Sweden	8	8
Change (%), Finland	8	6
Change (%), Norway	0	-3
Change (%), Denmark	-6	-3
Change (%), Lithuania	-14	-20
Change (%), Latvia	-7	-14
Change (%), Estonia	-2	-4
Change (%), Spain	82	67

## Positive take-up of broadcast offerings in Broadband Services

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

- The strong demand for high-speed services improves the possibilities to sell more services to existing customers. More than 350,000 customers within the business area have now migrated from ADSL based services to Fiber/LAN accesses. At the same time, the number of VoIP customers continues to increase and compensated for 30 percent of the total decline of PSTN customers. The number of IPTV customers increased in all markets. Finland reached a milestone by passing 200,000 TV customers in the third quarter of 2010. In Sweden, more than 1.5 million Video on Demand rentals have been sold so far during 2010, compared with 1.2 million for the full year of 2009.
- In Sweden, HDTV via ADSL was launched in the third quarter. Price adjustments were also made for voice and billing fees within fixed telephony. The macroeconomic environment in the Baltic countries is still challenging but there are some signs of stabilization. Our Lithuanian operation, TEO, has been recognized as the best company in the Baltic States and the best company in Lithuania.

SEK in millions, except margins, operational data and changes	Jul-Sep 2010	Jul-Sep 2009	Chg (%)	Jan-Sep 2010	Jan-Sep 2009	Chg (%)
Net sales	9,772	10,785	-9	29,995	32,467	-8
EBITDA excl. non-recurring items	3,326	3,794	-12	10,044	10,635	-6
Margin (%)	34.0	35.2		33.5	32.8	
Operating income	1,971	2,284	-14	6,095	5,626	8
Operating income excl. non-recurring items	1,992	2,518	-21	6,212	6,688	-7
CAPEX	1,076	1,010	7	3,128	3,285	-5
Broadband ARPU (SEK)	304	314	-3	311	311	0
Subscriptions, period-end (thousands)						
Broadband	2,363	2,351	1	2,363	2,351	1
Fixed voice and VoIP	5,091	5,550	-8	5,091	5,550	-8
TV	886	739	20	886	739	20
Employees, period-end	13,949	13,994	-0	13,949	13,994	-0

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

- **Net sales** decreased 9.4 percent to SEK 9,772 million (10,785). Net sales in local currencies and excluding acquisitions decreased 5.8 percent. The negative impact from exchange rate fluctuations was 3.6 percent. IP-based services' share of external net sales increased to 37 percent (35).

In Sweden, net sales fell 4.4 percent to SEK 4,418 million (4,619). Revenues from fixed-voice services fell 9.5 percent, a similar trend as in previous quarters, while broadband revenues were unchanged compared to the third quarter last year. Revenues from IPTV and VoIP subscriptions increased more than 40 percent compared to the corresponding quarter last year. In Finland, net sales in local currency and excluding acquisitions decreased 1.8 percent to the equivalent of SEK 1,450 million (1,640), mainly due to a decline in traditional fixed-voice services.

In Denmark, net sales in local currency and excluding acquisitions increased 0.9 percent, due to increased sales towards the business segment as well as increased sales towards consumers in our own Telia shops. In Norway, net sales in local currency and excluding acquisitions decreased 10.6 percent to the equivalent of SEK 279 million (315).

In Estonia, net sales in local currency and excluding acquisitions increased 1.9 percent due to higher transit traffic and equipment sales. The decline in net sales in local currency and excluding acquisitions of 7.2 percent in Lithuania is caused by the economic downturn as well as lower volumes and lower interconnect prices. In Wholesale, net sales declined 13.1 percent to SEK 2,714 million (3,124). In local currency and excluding acquisitions, net sales fell by 10.5 percent. The decline in Wholesale is driven by lower international voice revenues, price erosion in international IP-traffic as well as lower sales in domestic wholesale.

- **The number of subscriptions** for broadband access rose to 2.4 million, an increase of 12,000 from the third quarter of 2009, and was unchanged during the quarter.

The total number of TV subscriptions rose by 147,000 from the third quarter of 2009 and by 44,000 during the quarter to 0.9 million.

The number of fixed-voice subscriptions decreased by 576,000 from the end of the third quarter 2009 to 4.8 million, and was down 172,000 from the second quarter of 2010. The third quarter of 2010 includes a one-time correction of 43,000 subscriptions in Sweden from the first two quarters of 2010. The intake of VoIP subscriptions was 32,000 in the quarter, bringing the total number of VoIP subscriptions to 319,000.

- **EBITDA**, excluding non-recurring items, decreased 12.3 percent to SEK 3,326 million (3,794). In local currencies, EBITDA, excluding non-recurring items, decreased 9.1 percent. The EBITDA margin fell to 34.0 percent (35.2).

In Sweden, the EBITDA margin was unchanged at 40.8 percent (40.7). The decrease in net sales was compensated for by improved gross margin, including lower interconnect costs and costs for subcontractors, and lower personnel costs compared to the third quarter of 2009.

In Finland, the decline in net sales and an increase in maintenance costs, as a result of fault repairs, lowered the EBITDA margin to 30.2 percent (36.2). Higher marketing costs to promote IPTV services also impacted margin negatively. In Denmark and Norway, improved gross margins lifted the EBITDA margins to 11.5 percent (2.7) and 16.8 percent (16.2), respectively.

In Estonia, the improvement in net sales and lower personnel expenses raised the EBITDA margin to 30.7 percent (30.2). In Lithuania, the reduction in addressable cost base of 5.7 percent could not fully compensate for the decrease in traditional fixed services and the EBITDA margin declined to 41.3 percent (42.7).

In Wholesale, the EBITDA margin was reduced to 23.5 percent (26.5) due to higher price erosion in international IP-traffic than in previous quarters. Higher than normal maintenance costs in domestic wholesale also impacted margin negatively.

- **CAPEX** increased to SEK 1,076 million (1,010) and the CAPEX-to-sales ratio to 11.0 percent (9.4). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 2,250 million (2,784).

SEK in millions, except margins and changes	Jul-Sep 2010	Jul-Sep 2009	Chg (%)	Jan-Sep 2010	Jan-Sep 2009	Chg (%)
Net sales	9,772	10,785	-9	29,995	32,467	-8
of which Sweden	4,418	4,619	-4	13,564	14,018	-3
of which Finland	1,450	1,640	-12	4,396	5,138	-14
of which Norway	279	315	-11	891	790	13
of which Denmark	235	259	-9	744	811	-8
of which Lithuania	526	630	-17	1,625	1,916	-15
of which Estonia	495	540	-8	1,437	1,610	-11
of which Wholesale	2,714	3,124	-13	8,404	9,212	-9
EBITDA excl. non-recurring items	3,326	3,794	-12	10,044	10,635	-6
of which Sweden	1,804	1,880	-4	5,395	4,994	8
of which Finland	438	594	-26	1,381	1,714	-19
of which Norway	47	51	-8	147	157	-6
of which Denmark	27	7		81	58	40
of which Lithuania	217	269	-19	663	867	-24
of which Estonia	152	163	-7	439	487	-10
of which Wholesale	640	829	-23	1,937	2,357	-18
Margin (%), total	34.0	35.2		33.5	32.8	
Margin (%), Sweden	40.8	40.7		39.8	35.6	
Margin (%), Finland	30.2	36.2		31.4	33.4	
Margin (%), Norway	16.8	16.2		16.5	19.9	
Margin (%), Denmark	11.5	2.7		10.9	7.2	
Margin (%), Lithuania	41.3	42.7		40.8	45.3	
Margin (%), Estonia	30.7	30.2		30.5	30.2	
Margin (%), Wholesale	23.5	26.5		23.0	25.6	

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	-6	-5
Change (%), Sweden	-4	-3
Change (%), Finland	-2	-5
Change (%), Norway	-11	-8
Change (%), Denmark	1	2
Change (%), Lithuania	-7	-6
Change (%), Estonia	2	-1
Change (%), Wholesale	-11	-6

## Improved organic growth and expanding margin in Eurasia

**Business area Eurasia** comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon (44 percent) and Turkish Turkcell (38 percent). The main strategy is to create shareholder value by increasing mobile penetration and introducing value-added services in each respective country.

- Organic growth improved further from the second quarter of 2010. Kazakhstan, the largest operation in Eurasia, continued to show an improvement due to strong subscription intake and an improved macroeconomic situation. Uzbekistan and Nepal are witnessing an accelerated subscriber intake and have now reached 6 million and more than 3 million subscriptions, respectively. In September, Ncell in Nepal also launched 3G services in 11 cities.
- In Azerbaijan, revenue growth in local currency was positive again for the first time since the fourth quarter of 2008. In Russia, MegaFon became the second largest mobile operator in terms of number of subscriptions already in the previous quarter and is now close to become the second largest also in terms of revenues. According to ACM-Consulting, MegaFon is the market leader in mobile data in Russia with a 35 percent market share.

SEK in millions, except margins, operational data and changes	Jul-Sep 2010	Jul-Sep 2009	Chg (%)	Jan-Sep 2010	Jan-Sep 2009	Chg (%)
Net sales	4,288	3,706	16	11,817	11,217	5
EBITDA excl. non-recurring items	2,278	1,912	19	6,075	5,709	6
Margin (%)	53.1	51.6		51.4	50.9	
Income from associated companies						
Russia	1,442	1,171	23	3,899	3,672	6
Turkey	605	601	1	1,671	2,283	-27
Operating income	3,684	3,137	17	9,700	9,869	-2
Operating income excl. non-recurring items	3,684	3,137	17	9,700	9,869	-2
CAPEX	950	1,355	-30	2,893	2,829	2
Subscriptions, period-end (thousands)						
Subsidiaries	26,264	20,952	25	26,264	20,952	25
Associated companies	102,491	96,324	6	102,491	96,324	6
Employees, period-end	4,775	4,542	5	4,775	4,542	5

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

### Consolidated operations

- **Net sales** increased 15.7 percent to SEK 4,288 million (3,706). Organic growth in local currencies was 17.5 percent. The negative effect from exchange rate fluctuations was 1.8 percent.

In Kazakhstan, net sales in local currency increased by 20.4 percent, an improvement compared to the previous quarter due to a continued strong subscription intake and an improved macroeconomic situation. In Azerbaijan, early signs of increased economic activity in the country led to an increase in net sales in local currency of 2.7 percent to the equivalent of SEK 971 million (952).

Growth in Nepal accelerated and net sales in local currency increased by 71.4 percent to the equivalent of SEK 286 million (163). The strong growth trend is a result of a successful launch of a new tariff plan with the same price to all networks and the improved customer perception of Ncell since the successful rebranding in March 2010.

In Uzbekistan, growth in net sales in local currency remained at a very high level and increased by 50.1 percent to the equivalent of SEK 416 million (303), due to accelerated subscription intake and strong growth in value added services.

In Moldova, Moldcell reached a 30 percent market share as a result of the rebranding in the second quarter and introduction of new price plans. Net sales in local currency grew by 17.6 percent to the equivalent of SEK 130 million (124). Growth in Tajikistan remained at high levels and net sales in local currency grew by 17.8 percent to the equivalent of SEK 223 million (192).

In Georgia, net sales in local currency decreased by 10.1 percent to the equivalent of SEK 281 million (344), due to a 46 percent reduction in interconnect prices on August 1, 2010, as well as a new excise tax of 10 percent of revenues from September 1, 2010. Excluding these effects, revenues were at the same level as in the corresponding quarter last year.

- **The number of subscriptions** in the consolidated operations was 26.3 million, an increase by 5.3 million, from the end of the third quarter 2009. Growth was strongest in Nepal and Kazakhstan with a rise of 1.6 million and 1.3 million subscriptions to 3.4 million and 8.4 million, respectively. During the third quarter the total number of subscriptions in the Eurasian consolidated operations increased by 1.9 million. Nepal, Kazakhstan and Uzbekistan showed the largest rise with an increase of 0.7 million, 0.6 million and 0.6 million subscriptions, respectively. In Azerbaijan, the number of subscriptions decreased by 0.1 million and churn reduction activities have been initiated with expected full effect in the fourth quarter of 2010.
- **EBITDA**, excluding non-recurring items, increased 19.1 percent to SEK 2,278 million (1,912). The margin was 53.1 percent (51.6). In local currencies, EBITDA, excluding non-recurring items, increased 21.1 percent, due to higher profitability in Kazakhstan, Uzbekistan and Moldova. Despite the strong growth in new subscriptions, the EBITDA margin in Uzbekistan has now reached approximately 40 percent.
- **CAPEX** decreased to SEK 950 million (1,355) and included continued investments in capacity, coverage and service quality in the networks. The CAPEX-to-sales ratio decreased to 22.2 percent (36.6). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, more than doubled to SEK 1,328 million (557).

SEK in millions, except changes	Jul-Sep	Jul-Sep	Chg	Jan-Sep	Jan-Sep	Chg
	2010	2009	(%)	2010	2009	(%)
Net sales	4,288	3,706	16	11,817	11,217	5
of which Kazakhstan	1,984	1,635	21	5,359	4,970	8
of which Azerbaijan	971	952	2	2,741	2,942	-7
of which Uzbekistan	416	303	37	1,144	889	29
of which Tajikistan	223	192	16	605	545	11
of which Georgia	281	344	-18	865	1,018	-15
of which Moldova	130	124	5	350	369	-5
of which Nepal	286	163	75	761	505	51

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	18	15
Change (%), Kazakhstan	20	16
Change (%), Azerbaijan	3	-1
Change (%), Uzbekistan	50	49
Change (%), Tajikistan	18	29
Change (%), Georgia	-10	-3
Change (%), Moldova	18	16
Change (%), Nepal	71	52

### Associated companies – Russia

- MegaFon (associated company, in which TeliaSonera holds 43.8 percent) in Russia reported a subscription base of 56.5 million, an increase of 8.2 million compared to the corresponding period last year and 2.4 million higher than the previous quarter.
- TeliaSonera's income from Russia increased to SEK 1,442 million (1,171). The Russian ruble appreciated 2.1 percent against the Swedish krona which had a positive impact of SEK 26 million.

### Associated companies – Turkey

- Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey reported a subscription base of 34.1 million, a decrease of 2.2 million compared to the corresponding period last year and 166,000 lower than the previous quarter. In Ukraine, the number of subscriptions rose by 0.2 million to 11.9 million from the end of the third quarter 2009 and decreased by 43,000 during the quarter.
- TeliaSonera's income from Turkey was unchanged at SEK 605 million (601). The Turkish lira depreciated 2.2 percent against the Swedish krona, which had a negative impact of SEK 8 million.

## Other operations

**Other operations** comprise Other Business Services, TeliaSonera Holding and Corporate functions. Other Business Services is responsible for sales of managed-services solutions to business customers in the Nordic countries.

SEK in millions, except changes	Jul-Sep	Jul-Sep	Chg	Jan-Sep	Jan-Sep	Chg
	2010	2009	(%)	2010	2009	(%)
Net sales	1,157	1,361	-15	3,915	4,169	-6
EBITDA excl. non-recurring items	246	113	119	524	206	155
Income from associated companies	-8	-11	-27	-18	187	
Operating income	208	-86		-33	-162	-80
Operating income excl. non-recurring items	66	-76		-28	-267	-90
CAPEX	184	151	22	464	698	-34

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

- **Net sales** decreased 15.0 percent to SEK 1,157 million (1,361). In local currencies and excluding acquisitions, net sales increased 7.7 percent.

EBITDA, excluding non-recurring items, increased to SEK 246 million (113), mainly due to lower costs for head-office functions and improved results within Other Business Services.

Stockholm, October 25, 2010

Lars Nyberg  
President and CEO

## Auditors' Review Report

We have reviewed the condensed interim financial information for the period January 1 – September 30, 2010, for TeliaSonera AB. The Board of Directors and the President and CEO are responsible for the preparation and presentation of this interim financial information 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.

We conducted our review in accordance with the Standard on Review Engagements SÖG 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 is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Stockholm, October 25, 2010

PricewaterhouseCoopers AB

Bo Hjalmarsson  
Authorized Public Accountant  
Auditor in charge

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 07:15 CET on October 25, 2010.

### *Financial Information*

Year-end Report January–December 2010	February 3, 2011
Annual General Meeting 2011 in Stockholm	April 6, 2011
Interim Report January–March 2011	April 19, 2011
Interim Report January–June 2011	July 20, 2011
Interim Report January–September 2011	October 19, 2011
Year-end Report January–December 2011	February 2, 2012

### *Questions regarding the reports:*

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### *Definitions*

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

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

ARPU, blended: Average monthly revenue per subscription.

Churn, blended: The number of lost subscriptions (postpaid and prepaid) expressed as a percentage of the average number of subscriptions (postpaid and prepaid).

MoU: Minutes of usage per subscription and month.

## Condensed Consolidated Statements of Comprehensive Income

SEK in millions, except per share data, number of shares and changes	Jul-Sep 2010	Jul-Sep 2009	Chg (%)	Jan-Sep 2010	Jan-Sep 2009	Chg (%)
Net sales	26,754	27,053	-1	79,808	81,612	-2
Cost of sales	-14,129	-15,151	-7	-43,964	-45,696	-4
<b>Gross profit</b>	<b>12,625</b>	<b>11,902</b>	<b>6</b>	<b>35,844</b>	<b>35,916</b>	<b>-0</b>
Selling, admin. and R&D expenses	-6,158	-5,318	16	-17,746	-18,234	-3
Other operating income and expenses, net	189	-281		109	-1,075	
Income from associated companies and joint ventures	2,082	1,801	16	5,677	6,212	-9
<b>Operating income</b>	<b>8,738</b>	<b>8,104</b>	<b>8</b>	<b>23,884</b>	<b>22,819</b>	<b>5</b>
Finance costs and other financial items, net	-487	-541	-10	-1,567	-2,188	-28
<b>Income after financial items</b>	<b>8,251</b>	<b>7,563</b>	<b>9</b>	<b>22,317</b>	<b>20,631</b>	<b>8</b>
Income taxes	-1,776	-1,885	-6	-4,720	-4,850	-3
<b>Net income</b>	<b>6,475</b>	<b>5,678</b>	<b>14</b>	<b>17,597</b>	<b>15,781</b>	<b>12</b>
Foreign currency translation differences	-10,574	-9,424	12	-16,237	-10,682	52
Income from associated companies	26	-6		41	199	-79
Cash flow hedges	15	-13		-59	58	
Available-for-sale financial instruments	-90	-3		-90	33	
Income taxes relating to other comprehensive income	-227	-238	-5	-756	-348	117
<b>Other comprehensive income</b>	<b>-10,850</b>	<b>-9,684</b>	<b>12</b>	<b>-17,101</b>	<b>-10,740</b>	<b>59</b>
<b>Total comprehensive income</b>	<b>-4,375</b>	<b>-4,006</b>	<b>9</b>	<b>496</b>	<b>5,041</b>	<b>-90</b>
Net income attributable to:						
Owners of the parent	5,988	5,043	19	15,948	13,952	14
Non-controlling interests	487	635	-23	1,649	1,829	-10
Total comprehensive income attributable to:						
Owners of the parent	-4,175	-4,070	3	-704	5,202	
Non-controlling interests	-200	64		1,200	-161	
Earnings per share (SEK), basic and diluted	1.33	1.12	19	3.55	3.11	14
Number of shares (thousands)						
Outstanding at period-end	4,490,457	4,490,457		4,490,457	4,490,457	
Weighted average, basic and diluted	4,490,457	4,490,457		4,490,457	4,490,457	
EBITDA	10,571	9,431	12	28,497	26,255	9
EBITDA excl. non-recurring items	9,776	9,763	0	27,953	27,627	1
Depreciation, amortization and impairment losses	-3,915	-3,128	25	-10,290	-9,648	7
Operating income excl. non-recurring items	8,619	8,453	2	24,024	24,106	-0

## Condensed Consolidated Statements of Financial Position

SEK in millions	Sep 30, 2010	Dec 31, 2009
<b>Assets</b>		
Goodwill and other intangible assets	90,677	100,239
Property, plant and equipment	56,676	61,222
Investments in associates and joint ventures, deferred tax assets and other non-current assets	61,965	60,849
<i>Total non-current assets</i>	<b>209,318</b>	<b>222,310</b>
Inventories	1,347	1,551
Trade receivables, current tax assets and other receivables	21,075	21,595
Interest-bearing receivables	1,176	1,726
Cash and cash equivalents	12,787	22,488
<i>Total current assets</i>	<b>36,385</b>	<b>47,360</b>
<i>Non-current assets held-for-sale</i>	<b>–</b>	<b>0</b>
<b>Total assets</b>	<b>245,703</b>	<b>269,670</b>
<b>Equity and liabilities</b>		
Equity attributable to owners of the parent	124,375	135,372
Equity attributable to non-controlling interests	7,202	7,127
<i>Total equity</i>	<b>131,577</b>	<b>142,499</b>
Long-term borrowings	57,832	63,664
Deferred tax liabilities, other long-term provisions	23,073	25,625
Other long-term liabilities	1,602	1,589
<i>Total non-current liabilities</i>	<b>82,507</b>	<b>90,878</b>
Short-term borrowings	4,625	8,169
Trade payables, current tax liabilities, short-term provisions and other current liabilities	26,994	28,124
<i>Total current liabilities</i>	<b>31,619</b>	<b>36,293</b>
<b>Total equity and liabilities</b>	<b>245,703</b>	<b>269,670</b>

## Condensed Consolidated Statements of Cash Flows

SEK in millions	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
Cash flow before change in working capital	7,513	9,423	21,794	23,801
Change in working capital	-284	-47	-2,113	-1,951
<b>Cash flow from operating activities</b>	<b>7,229</b>	<b>9,376</b>	<b>19,681</b>	<b>21,850</b>
Cash CAPEX	-3,372	-3,216	-8,522	-9,325
<b>Free cash flow</b>	<b>3,857</b>	<b>6,160</b>	<b>11,159</b>	<b>12,525</b>
Cash flow from other investing activities	1,313	-374	-1,077	-935
<b>Total cash flow from investing activities</b>	<b>-2,059</b>	<b>-3,590</b>	<b>-9,599</b>	<b>-10,260</b>
<b>Cash flow before financing activities</b>	<b>5,170</b>	<b>5,786</b>	<b>10,082</b>	<b>11,590</b>
<b>Cash flow from financing activities</b>	<b>-3,326</b>	<b>-2,182</b>	<b>-19,276</b>	<b>-5,728</b>
<b>Cash flow for the period</b>	<b>1,844</b>	<b>3,604</b>	<b>-9,194</b>	<b>5,862</b>
<b>Cash and cash equivalents, opening balance</b>	<b>11,373</b>	<b>14,442</b>	<b>22,488</b>	<b>11,826</b>
Cash flow for the period	1,844	3,604	-9,194	5,862
Exchange rate differences	-430	-983	-507	-625
<b>Cash and cash equivalents, closing balance</b>	<b>12,787</b>	<b>17,063</b>	<b>12,787</b>	<b>17,063</b>

## Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Sep 2010			Jan-Sep 2009		
	Non- Owners of the parent		Total equity	Non- Owners of the parent		Total equity
	controlling interests			controlling interests		
Opening balance	135,372	7,127	<b>142,499</b>	130,387	11,061	<b>141,448</b>
Dividends	-10,104	-1,055	<b>-11,159</b>	-8,083	-1,626	<b>-9,709</b>
Other transactions with owners	-189	-70	<b>-259</b>	—	-89	<b>-89</b>
<b>Total comprehensive income</b>	<b>-704</b>	<b>1,200</b>	<b>496</b>	<b>5,202</b>	<b>-161</b>	<b>5,041</b>
<b>Closing balance</b>	<b>124,375</b>	<b>7,202</b>	<b>131,577</b>	<b>127,506</b>	<b>9,185</b>	<b>136,691</b>

## Basis of Preparation

**General.** As in the annual accounts for 2009, TeliaSonera's consolidated financial statements as of and for the nine-month period ended September 30, 2010, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and, given the nature of TeliaSonera's transactions, with IFRSs as adopted by the European Union. The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act as well as standard RFR 2.3 *Accounting for Legal Entities* and other statements issued by the Swedish Financial Reporting Board. This report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

**Changes in accounting policies.** For information, see corresponding section in TeliaSonera's Interim Report January-March 2010.

**New accounting standards (not yet adopted by the EU).** Amendments on transfers of financial assets to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011; earlier application permitted; comparative information is not required at initial application) were published on October 7, 2010. The amendments require enhanced disclosures of risk exposures relating to transferred financial assets when an entity has continuing involvement in those assets (contractual obligations to pay or receive cash flows). Examples are guarantees and options (other than at fair value) from agreements such as factoring of receivables, securitization, and sale or lend of financial assets. The amendments also require disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. TeliaSonera is currently analyzing the effects, if any, of adopting the amendments.

For additional information, see corresponding section in TeliaSonera's Interim Report January-June 2010 and Annual Report 2009.

## Non-recurring Items

SEK in millions	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
<b>Within EBITDA</b>	<b>795</b>	<b>-332</b>	<b>544</b>	<b>-1,372</b>
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-2	-105	-18	-330
Broadband Services	-23	-219	-115	-1,015
Other operations	-11	-8	-154	-27
<i>of which TeliaSonera Holding</i>	-1	-4	-3	2
Capital gains:				
Telia Stofa	831	-	831	-
<b>Within Depreciation, amortization and impairment losses</b>	<b>-676</b>	<b>-15</b>	<b>-680</b>	<b>-47</b>
Impairment losses, accelerated depreciation:				
Broadband Services	2	-15	-2	-47
Other operations	-678	-	-678	-
<b>Within Income from associated companies and joint ventures</b>	<b>-</b>	<b>-2</b>	<b>-4</b>	<b>132</b>
Capital gains:				
SmartTrust	-	-2	-4	132
<b>Within Finance costs and other financial items, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>119</b>	<b>-349</b>	<b>-140</b>	<b>-1,287</b>

## Deferred Taxes

SEK in millions	Sep 30, 2010	Dec 31, 2009
Deferred tax assets	9,758	11,177
Deferred tax liabilities	-12,521	-13,210
<b>Net deferred tax liabilities (-)/assets (+)</b>	<b>-2,763</b>	<b>-2,033</b>

## Segment and Group Operating Income

SEK in millions	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
Mobility Services	2,876	2,785	8,095	7,470
Broadband Services	1,971	2,284	6,095	5,626
Eurasia	3,684	3,137	9,700	9,869
Other operations	208	-86	-33	-162
<b>Total segments</b>	<b>8,739</b>	<b>8,120</b>	<b>23,857</b>	<b>22,803</b>
Elimination of inter-segment profits	-1	-16	27	16
<b>Group</b>	<b>8,738</b>	<b>8,104</b>	<b>23,884</b>	<b>22,819</b>

## Related Party Transactions

*MegaFon.* In the three-month and the nine-month period ended September 30, 2010, TeliaSonera sold services to its associated company OAO MegaFon worth SEK 50 million and SEK 212 million, respectively.

*Svenska UMTS-nät.* In the three-month and the nine-month period ended September 30, 2010, TeliaSonera purchased services from its 50 percent-owned joint venture, Svenska UMTS-nät AB, worth SEK 167 million and SEK 563 million, respectively, and sold services worth SEK 63 million and SEK 194 million, respectively.

## Investments

SEK in millions	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
<b>CAPEX</b>	<b>2,941</b>	<b>3,238</b>	<b>9,074</b>	<b>9,286</b>
Intangible assets	403	587	1,703	1,259
Property, plant and equipment	2,538	2,651	7,371	8,027
<b>Acquisitions and other investments</b>	<b>423</b>	<b>91</b>	<b>1,345</b>	<b>194</b>
Asset retirement obligations	400	—	413	12
Goodwill and fair value adjustments	22	91	22	171
Equity holdings	1	—	910	11
<b>Total</b>	<b>3,364</b>	<b>3,329</b>	<b>10,419</b>	<b>9,480</b>

## Net Debt

SEK in millions	Sep 30, 2010	Dec 31, 2009
Long-term and short-term borrowings	62,457	71,833
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings	-1,958	-2,861
Less short-term investments, cash and bank	-12,946	-22,797
<b>Net debt</b>	<b>47,553</b>	<b>46,175</b>

## Loan Financing and Credit Rating

The underlying operating cash flow generation continues to be positive also during the third quarter of 2010.

TeliaSonera still has a strong liquidity position and is well funded for the remainder of 2010, absent any material acquisitions.

After a very quiet summer with respect to corporate issuance, conditions for funding activities improved and increased activities in the capital markets were noted during September. Underlying interest rates have remained low in a historical perspective. Even with somewhat stabilized financial markets there are still concerns about the fiscal position in certain EMU countries, which might again affect the markets negatively going forward.

In late September, TeliaSonera issued a new public benchmark Eurobond with final maturity in 2025. The nominal amount issued was EUR 500 million with a fixed coupon of 3.875 percent and settlement date October 1, 2010. This funding is inter alia used as refinancing of maturing bonds during the quarter.

In September 2010, Standard & Poor's confirmed its assigned credit rating on TeliaSonera AB at A- for long-term borrowings and A-2 for short-term borrowings, with a "Stable" outlook.

The Swedish krona continued to strengthen against the euro but might be reaching levels where the trend will be less clear.

## Financial Key Ratios

	Sep 30, 2010	Dec 31, 2009
Return on equity (%, rolling 12 months)	17.6	15.2
Return on capital employed (%, rolling 12 months)	16.9	15.5
Equity/assets ratio (%)	50.5	49.1
Net debt/equity ratio (%)	38.3	34.9
Net debt/EBITDA rate (multiple, rolling 12 months)	1.29	1.26
Owners' equity per share (SEK)	27.70	30.15

## Business Combinations in the Third Quarter

For minor business combinations in the third quarter, the cost of combination totaled SEK 27 million and the net cash outflow SEK 26 million. Goodwill was SEK 22 million, allocated to business area Broadband Services. Goodwill is explained by strengthened market positions. The total cost of combination and fair values were determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

## Guarantees and Collateral Pledged

As of September 30, 2010, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 2,054 million, of which SEK 1,775 million referred to credit guarantees on behalf of Svenska UMTS-nät AB. Collateral pledged totaled SEK 952 million, mainly referring to pledged shares in Svenska UMTS-nät, blocked funds in bank accounts related to Ipse 2000 S.p.A.'s future license payments and insurance provisions.

## Contractual Obligations

As of September 30, 2010, contractual obligations totaled SEK 1,159 million, of which SEK 1,084 million referred to contracted build-out of TeliaSonera's mobile networks in Sweden and fixed networks in Sweden and Lithuania.

## Parent Company

Condensed Income Statements (SEK in millions)	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
Net sales	2,840	3,648	10,018	11,263
Operating income	353	-38	1,258	-140
Income after financial items	7,675	2,875	23,562	10,644
Income before taxes	6,392	3,006	19,546	10,952
Net income	5,224	3,003	16,078	10,948

Net sales, primarily related to fixed network services and broadband application services in Sweden, declined due to migration to mobile services and lower-priced IP-based services. Out of the total net sales in the nine-month period, SEK 7,164 million (8,995) was billed to subsidiaries. Financial net improved strongly, mainly as a result of group contributions from subsidiaries.

Condensed Balance Sheets (SEK in millions)	Sep 30, 2010	Dec 31, 2009
Non-current assets	170,120	171,160
Current assets	54,901	51,677
<b>Total assets</b>	<b>225,021</b>	<b>222,837</b>
Shareholders' equity	85,138	79,280
Untaxed reserves	12,262	8,245
Provisions	643	698
Liabilities	126,978	134,614
<b>Total equity and liabilities</b>	<b>225,021</b>	<b>222,837</b>

Total investments in the nine-month period were SEK 6,833 million (968), of which SEK 415 million (622) in property, plant and equipment primarily for the fixed network. Other investments totaled SEK 6,418 million (346), of which SEK 6,182 million referred to acquisition of shares in UAB Omnitel and AS Eesti Telekom, which are now directly wholly-owned subsidiaries to the parent company.

## Risks and Uncertainties

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

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

See Notes C27 and C35 to the consolidated financial statements in TeliaSonera's Annual Report 2009 for a detailed description of some of the factors that may affect TeliaSonera's business, financial position and results of operations. TeliaSonera believes that the risk environment has not materially changed from the one described in the Annual Report 2009.

Risks and uncertainties that could specifically impact the quarterly results of operations during the remainder of 2010 include, but may not be limited to:

- *World economy changes.* Changes in the global financial markets and the world economy are difficult to predict. TeliaSonera has a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe or long-term recession in the countries in which TeliaSonera operates would have an impact on its customers and may have a negative impact on its growth and results of operations through reduced telecom spending. The maturity schedule of TeliaSonera's loan portfolio is aimed to be evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed lines of credit with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, TeliaSonera's cost of funding might be higher, should there be changes in the global financial markets or the world economy.
- *Investments in future growth.* TeliaSonera is currently investing in future growth through, for example, sales and marketing expenditures to retain and acquire customers in most markets, build-up of its customer base in start-up operations and investments in infrastructure in all markets to improve capacity and access. While TeliaSonera believes that these investments will improve market position and financial results in the long term, they may not have the targeted positive effects yet in the short term and related expenditures may impact the results of operations both in the long and short term.
- *Non-recurring items.* In accordance with their nature, non-recurring items such as capital gains and losses, restructuring costs, write-downs, etc., may impact the quarterly results in the short term with amounts or timing that deviate from those currently expected. Depending on external factors or internal developments, TeliaSonera might also experience non-recurring items that are not currently anticipated.
- *Associated companies.* A significant portion of TeliaSonera's results derives from MegaFon and Turkcell, which TeliaSonera does not control and which operate in growth markets but also in more volatile political, economic and legal environments. Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.
- *Acquisitions.* TeliaSonera has made a number of targeted acquisitions in accordance with its strategy. The efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, are significant for the results of operations both in the long and short term.
- *Regulation.* TeliaSonera operates in a highly regulated industry. The regulations to which TeliaSonera is subject impose significant limits on its flexibility to manage its business. Changes in legislation, regulation or government policy affecting TeliaSonera's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of licenses to TeliaSonera or other parties, could adversely affect TeliaSonera's business and results.

## Previous Group outlook for 2010 (published on July 20, 2010)

*Growth in net sales in local currencies and excluding acquisitions for 2010 is expected to be in line with the first half of 2010. Currency fluctuations may have a material impact on reported figures in Swedish krona.*

*TeliaSonera will continue to invest in future growth as well as in the quality of networks and services. We expect the addressable cost base in 2010 to be in line with the SEK 33.2 billion of 2009, in local currencies and excluding acquisitions. The EBITDA margin in 2010 is expected to be somewhat higher compared to 2009, excluding non-recurring items.*

*Capital expenditures will be driven by continued investments in broadband and mobile capacity as well as in network expansion in Eurasia. The CAPEX-to-sales ratio is expected to be approximately 14-15 percent in 2010.*

## 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.