

## Improved margin and cash flow

**Q1**  
**2013**

### First quarter summary

- Net sales in local currencies and excluding acquisitions decreased 0.9 percent. In reported currency, net sales decreased 4.5 percent to SEK 24,542 million (25,693).
- The addressable cost base in local currencies and excluding acquisitions decreased 1.0 percent. In reported currency, the addressable cost base decreased 6.0 percent to SEK 6,989 million (7,432).
- EBITDA, excluding non-recurring items, decreased 0.5 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.9 percent to SEK 8,509 million (8,852). The EBITDA margin, excluding non-recurring items, increased to 34.7 percent (34.5).
- Operating income, excluding non-recurring items, decreased 3.7 percent to SEK 6,628 million (6,882).
- Net income attributable to owners of the parent company decreased 0.3 percent to SEK 4,108 million (4,122).
- Earnings per share amounted to SEK 0.95 (0.95).
- Free cash flow increased to SEK 2,414 million (2,193), mainly due to lower cash CAPEX.
- During the quarter the number of subscriptions decreased by 0.8 million in the consolidated operations and remained unchanged in the associated companies. The total number of subscriptions was 182.1 million.
- Group outlook for 2013 is unchanged.

### Financial highlights

SEK in millions, except key ratios, per share data and changes	Jan-Mar 2013	Jan-Mar 2012	Chg (%)	Jan-Dec 2012
Net sales	24,542	25,693	-4.5	104,898
Addressable cost base <sup>1, 2)</sup>	6,989	7,432	-6.0	29,644
EBITDA <sup>2)</sup> excl. non-recurring items <sup>3)</sup>	8,509	8,852	-3.9	36,171
Margin (%)	34.7	34.5		34.5
Operating income	6,489	6,768	-4.1	28,400
Operating income excl. non-recurring items	6,628	6,882	-3.7	28,682
Net income	4,499	4,515	-0.4	21,168
of which attributable to owners of the parent	4,108	4,122	-0.3	19,886
Earnings per share (SEK)	0.95	0.95		4.59
Return on equity (%), rolling 12 months)	21.5	18.4	16.8	20.5
CAPEX-to-sales (%)	11.1	12.4		15.0
Free cash flow	2,414	2,193	10.1	23,740

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

2) Please refer to the last page for definitions.

3) Non-recurring items; see table on page 21.

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the first quarter of 2012, unless otherwise stated.

## Comments by Per-Arne Blomquist, President and CEO

“Our industry continues to go through a period of change where traditional business models are being challenged by new customer behavior. The competitive situation remains demanding on many markets and puts pressure on overall revenue streams. In this environment, we deliver a quarter with both improved margins and stronger cash flow.

In the first quarter, revenues in local currencies declined by 0.9 percent compared to the same period last year. Our business in Eurasia continued to perform well and delivered once again double digit growth with continued pick-up in data revenues. Mobility Services were impacted by major reductions in regulated interconnect rates, while Broadband Services experienced higher pressure on traditional voice revenues and were also impacted by slower roll-out of fiber due to cold weather conditions.

In March, we took an important step on the Swedish market. As one of the first operators in Europe we offer consumers the opportunity to connect multiple mobile devices to one subscription, including unlimited calls and text messages, with the possibility to share data volumes within certain buckets. In our view, this is an innovative and attractive proposal for the customer at the same time as we move towards a more sustainable business model in a world where the consumption of data is increasing heavily.

In order to maintain our ability to invest in future growth, it is essential to manage our cost base in a prudent way. We have continued to put significant emphasis on implementing the efficiency measures initiated at the end of last year. There were effects within Mobility Services already in the quarter, while within Broadband Services they will come in the latter part of the year. We remain determined to bring total costs down by SEK 2 billion net over a two year period.

During the quarter, we finalized the strategic review of our Spanish operator Yoigo. In early April, we announced that the sales process was terminated and that our intention is to continue developing the business. In the first quarter, Mobility Spain reported 19 percent revenue growth and a positive margin trend, highlighting its future potential.

In early February, the Swedish law firm Mannheimer Swartling released its report on TeliaSonera’s investments in Uzbekistan. The firm did not find any substance to the allegations that we committed bribery or participated in money laundering. However, it directed serious criticism at TeliaSonera for shortcomings in the investment process. Over the past few years, we have put significant effort into improving our processes and will continue to strengthen our way of working even further.

Sustainability is of high priority, with special focus on privacy, freedom of expression and anti-corruption. In March, TeliaSonera and the other members of the Telecommunication Industry Dialogue signed guiding principles on telecommunication and freedom of expression and privacy. The principles provide guidance on how we should act to respect these basic human rights. We also entered into a two-year collaboration with the Global Network Initiative (GNI) to develop and expand this initiative further.”

## Group outlook for 2013 (Unchanged)

Net sales in local currencies and excluding acquisitions are expected to be flat. Currency fluctuations may have a material impact on reported figures in Swedish krona.

The EBITDA margin, excluding non-recurring items, is expected to increase slightly compared to last year (2012: 34.5 percent).

The CAPEX-to-sales ratio is expected to be approximately 14 percent, excluding license and spectrum fees (2012: 14.6 percent).

## Efficiency measures

As announced in the third quarter of 2012, efficiency measures including personnel reductions net of 2,000 employees, will lower the cost base by SEK 2 billion net over the coming two years, of which approximately SEK 0.2 billion was recorded in the fourth quarter of 2012. An additional reduction of SEK 0.1 billion was achieved in the first quarter of 2013.

During 2013, 1,800 employees in the Nordics and Baltics will be affected. Close to 1,000 have been given notice year-to-date, of which the majority in early April and costs for this will be recorded in the second quarter.

Total costs for the reductions in 2013 are estimated to SEK 1.7 billion, of which SEK 0.1 billion was recorded in the first quarter. The efficiency measures will be completed by early 2014 at the latest.

## Review of the Group, first quarter 2013

### Sales and earnings

**Net sales** in local currencies and excluding acquisitions decreased 0.9 percent. In reported currency, net sales decreased 4.5 percent to SEK 24,542 million (25,693). The negative effect of exchange rate fluctuations was 3.1 percent and the negative effect of acquisitions and disposals was 0.5 percent.

In Mobility Services, net sales in local currencies and excluding acquisitions decreased 2.7 percent. In reported currency, net sales decreased 5.1 percent to SEK 11,868 million (12,500).

In Broadband Services, net sales in local currencies and excluding acquisitions decreased 5.9 percent. In reported currency, net sales decreased 8.3 percent to SEK 8,243 million (8,986).

In Eurasia, net sales in local currencies and excluding acquisitions increased 13.6 percent. Net sales in reported currency increased 5.4 percent to SEK 4,684 million (4,445).

Net sales per Business area



**The number of subscriptions** rose by 10.1 million from the end of the first quarter of 2012 to 182.1 million. In the consolidated operations the number of subscriptions increased by 6.3 million to 70.3 million. In the associated companies, the number of subscriptions increased by 3.8 million to 111.8 million. During the first quarter, the total number of subscriptions decreased by 0.8 million in the consolidated operations and remained unchanged in the associated companies.

**The addressable cost base** in local currencies and excluding acquisitions decreased 1.0 percent. In reported currency, the addressable cost base decreased 6.0 percent to SEK 6,989 million (7,432).

**EBITDA**, excluding non-recurring items, decreased 0.5 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.9 percent to SEK 8,509 million (8,852). The EBITDA margin, excluding non-recurring items, increased to 34.7 percent (34.5).

**Operating income**, excluding non-recurring items, decreased 3.7 percent to SEK 6,628 million (6,882). Income from associated companies, excluding non-recurring items, increased to SEK 1,323 million (1,246).

**Non-recurring items** affecting operating income totaled SEK -139 million (-113), mainly related to efficiency measures in Finland.

**Financial items** totaled SEK -839 million (-1,140) of which SEK -806 million (-897) related to net interest expenses. Last year financial items were negatively impacted by non-recurring currency effects of SEK 117 million related to the acquisition of Kcell.

**Income taxes** increased to SEK 1,151 million (1,113). The effective tax rate was 20.4 percent (19.8).

**Non-controlling interests** in subsidiaries decreased to SEK 391 million (393) of which SEK 354 million (329) was related to the Eurasian operations and SEK 28 million (56) to LMT and TEO.

**Net income attributable to owners of the parent company** decreased 0.3 percent to SEK 4,108 million (4,122) and earnings per share was unchanged at SEK 0.95 (0.95).

**CAPEX** decreased to SEK 2,719 million (3,175) and the CAPEX-to-sales ratio decreased to 11.1 percent (12.4). The CAPEX-to-sales ratio, excluding license and spectrum fees, amounted to 10.4 percent (12.3).

**Free cash flow** increased to SEK 2,414 million (2,193), mainly due to lower cash CAPEX.

**Net debt** decreased to SEK 55,275 million at the end of the first quarter (59,543 at the end of the fourth quarter of 2012). The net debt/EBITDA ratio was 1.54 (1.64 at the end of the fourth quarter of 2012).

**The equity/assets ratio** was 39.1 percent (38.2 percent at the end of the fourth quarter of 2012).

## Significant events in the first quarter

- On February 1, 2013, TeliaSonera announced that Lars Nyberg, President and CEO, had decided to leave TeliaSonera.
- On February 1, 2013, TeliaSonera announced that the Board of Directors had appointed Per-Arne Blomquist as acting President and CEO.
- On February 6, 2013, TeliaSonera announced that Veysel Aral, CEO of Kcell and Regional Head of Central Asia, had been appointed President of Business area Eurasia. In this role, he succeeded Tero Kivisaari, who managed dual roles since his appointment as President of Business area Mobility Services in October 2012.
- On February 6, 2013, TeliaSonera announced that Christian Luiga, formerly Head of Corporate Control, had been appointed acting CFO. This was a consequence of Per-Arne Blomquist being appointed acting President and CEO.
- On March 12, 2013, TeliaSonera announced that the Capital Markets Board of Turkey (CMB) had decided that it had appointed three independent board members to the Board of Turkcell, replacing three Board members representing each of the major shareholders.
- On March 12, 2013, TeliaSonera announced that the company, and its fellow founding members of the Telecommunication Industry Dialogue, had published the signed guiding principles on telecommunication and freedom of expression and privacy. The principles are the result of two years of dialogue. In addition, the Global Network Initiative (GNI) announced a two year collaboration with the Industry Dialogue group. By working together, the Industry Dialogue and GNI aim to advance freedom of expression and privacy rights in the Information and Communication Technology (ICT) sector more effectively.
- On March 25, 2013, TeliaSonera announced that its Swedish operator Telia was one of the first in Europe to launch a subscription (Telia Mobile Share) that enables customers, like families, to connect several of their mobile devices to one subscription and to share the included data bucket among them.

## Significant events after the end of the first quarter

- On April 2, 2013, TeliaSonera announced that it had decided to continue developing its Spanish operator Yoigo.
- On April 3, 2013, six new members of the board were elected and the board members are Marie Ehrling, Chairman, Olli-Pekka Kallasvuori, Vice-Chairman, Mats Jansson, Mikko Kosonen, Nina Linander, Martin Lorentzon, Per-Arne Sandström and Kersti Strandqvist. At the statutory meeting, it was decided to establish a Sustainability and Ethics Committee.

## Maintained margin within Mobility Services

- In March, Mobility Sweden launched a new offer directed to consumers, enabling them to connect several mobile devices to one subscription, including unlimited calls and text messages, with the possibility to share data volumes within certain buckets. This was an important step for us in order to monetize on higher data usage and the initial response in the market has been positive.
- Overall, revenues were adversely impacted by significant reductions in regulated interconnect rates on most markets. We managed to defend our margin, despite headwind on sales, thanks to reduced operating expenses.

### Financial highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2013	Jan-Mar 2012	Chg (%)	Jan-Dec 2012
Net sales	11,868	12,500	-5.1	50,637
EBITDA excl. non-recurring items	3,448	3,650	-5.5	14,718
Margin (%)	29.1	29.2		29.1
Operating income	2,362	2,576	-8.3	4,229
Operating income excl. non-recurring items	2,420	2,576	-6.1	10,429
CAPEX	938	983	-4.6	4,496
Subscriptions, period-end (thousands)	20,585	19,603	5.0	20,537
Employees, period-end	6,915	7,199	-3.9	7,118

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

### First quarter

**Net sales** in local currencies and excluding acquisitions decreased 2.7 percent. In reported currency, net sales decreased 5.1 percent to SEK 11,868 million (12,500). The negative effect of exchange rate fluctuations was 2.4 percent. Higher pressure on voice and messaging revenues, significant reductions in regulated interconnect prices on several markets, combined with lower equipment sales affected overall performance. Lower interconnect revenues impacted sales by close to SEK 500 million compared to the same quarter last year.

In Sweden, net sales decreased 2.2 percent to SEK 4,083 million (4,174). Billed revenues continued to grow, but at a slower rate compared to previous quarter, mainly due to increased pressure on voice and messaging services in the corporate segment. Total revenue was also impacted by reduced equipment sales as there were no major new product launches in the quarter.

In Finland, net sales in local currency decreased 10.5 percent to the equivalent of SEK 1,844 million (2,147). Billed revenues declined as growth in data was not enough to offset increased pressure on voice and messaging. Lower interconnect revenues explained more than one third of the overall sales decline.

In Norway, net sales in local currency declined 7.7 percent to the equivalent of SEK 1,701 million (1,879). Billed revenues remained flat compared to last year, but sales were negatively affected by reduced interconnect and lower wholesale volumes.

#### Business area

##### Mobility Services

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

In Denmark, net sales in local currency declined 15.3 percent to the equivalent of SEK 1,049 million (1,301). Two thirds of the decline is explained by lower interconnect revenues, while pressure on billed revenues eased somewhat in the quarter.

In Estonia and Lithuania, net sales in local currencies decreased 13.2 percent and 4.8 percent, respectively, to the equivalent of SEK 299 million (359) and SEK 284 million (311) respectively. The decline in Estonia was mainly related to reduced interconnect revenues, while there was continued pressure on billed revenues in Lithuania from lower voice and messaging revenues.

In Latvia, net sales in local currency increased 4.5 percent to the equivalent of SEK 382 million (382), helped by higher equipment sales.

In Spain, net sales in local currency increased 19.2 percent to the equivalent of SEK 2,234 million (1,954), explained by solid data growth and higher equipment sales.

**The number of subscriptions** rose by 1.0 million from the end of the first quarter of 2012 to 20.6 million. Growth was strongest in Spain and Sweden with an increase of 0.6 million and 0.2 million to 3.7 million and 6.6 million subscriptions, respectively. During the quarter the total number of subscriptions remained unchanged.

**EBITDA**, excluding non-recurring items, decreased 4.0 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 5.5 percent to SEK 3,448 million (3,650). The EBITDA margin decreased marginally to 29.1 percent (29.2).

In Sweden, the EBITDA margin improved to 46.1 percent (45.3), explained by higher gross margin from reduced low margin equipment sales, but also a reduction in addressable costs related to personnel and IT. In Finland, the EBITDA margin declined to 31.3 percent (31.9) as the achieved cost reduction did not compensate for the decline in net sales.

In Norway, the EBITDA margin declined to 29.5 percent (30.5), mainly as an effect of reduced gross margin due to lower wholesale traffic and reduced equipment margin. In Denmark, the EBITDA margin improved to 12.5 percent (10.6), helped by improved gross margin and lower spend related to marketing and sales commissions.

The EBITDA margin in Estonia improved to 30.1 percent (28.1). The improvement is explained by higher gross margin due to better margins for interconnect and roaming together with increased margin for certain wholesale products. In Latvia and Lithuania, the EBITDA margins decreased to 26.4 percent (36.6) and 26.8 percent (28.3), respectively. The decline in Latvia is explained by weaker gross margin partly due to negative balance in interconnect traffic. In Lithuania the gross margin was negatively affected by changed product mix.

In Spain, the EBITDA margin increased to 4.0 percent (1.7) helped by lower costs for subsidies and sales commissions.

**CAPEX** decreased to SEK 938 million (983) and the CAPEX-to-sales ratio was stable at 7.9 percent (7.9). CAPEX, excluding licenses and spectrum fees, amounted to SEK 938 million (975) and the CAPEX-to-sales ratio to 7.9 percent (7.8). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 2,510 million (2,667).

### Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Jan-Mar 2013	Jan-Mar 2012	Chg (%)	Jan-Dec 2012
Net sales	11,868	12,500	-5.1	50,637
of which Sweden	4,083	4,174	-2.2	17,297
of which Finland	1,844	2,147	-14.1	8,173
of which Norway	1,701	1,879	-9.5	7,582
of which Denmark	1,049	1,301	-19.4	4,835
of which Lithuania	284	311	-8.7	1,277
of which Latvia	382	382	–	1,608
of which Estonia	299	359	-16.7	1,515
of which Spain	2,234	1,954	14.3	8,382
EBITDA excl. non-recurring items	3,448	3,650	-5.5	14,718
of which Sweden	1,881	1,891	-0.5	7,382
of which Finland	577	685	-15.8	2,446
of which Norway	502	574	-12.5	2,414
of which Denmark	131	138	-5.1	549
of which Lithuania	76	88	-13.6	339
of which Latvia	101	140	-27.9	543
of which Estonia	90	101	-10.9	417
of which Spain	90	33	172.7	627
Margin (%), total	29.1	29.2		29.1
Margin (%), Sweden	46.1	45.3		42.7
Margin (%), Finland	31.3	31.9		29.9
Margin (%), Norway	29.5	30.5		31.8
Margin (%), Denmark	12.5	10.6		11.4
Margin (%), Lithuania	26.8	28.3		26.5
Margin (%), Latvia	26.4	36.6		33.8
Margin (%), Estonia	30.1	28.1		27.5
Margin (%), Spain	4.0	1.7		7.5

Net sales in local currencies and excluding acquisitions	Jan-Mar
Change (%), total	-2.7
Change (%), Sweden	-2.2
Change (%), Finland	-10.5
Change (%), Norway	-7.7
Change (%), Denmark	-15.3
Change (%), Lithuania	-4.8
Change (%), Latvia	4.5
Change (%), Estonia	-13.2
Change (%), Spain	19.2



## Continued transition in Broadband Services

- The customer base grew for all IP based services in the quarter. The number of TV-subscriptions approached 600,000 in Sweden and the earlier successful launch of Telia Play+, with the possibility to get access to our TV offerings on smartphones and tablets, continued. Cold weather affected the roll-out of fiber in the period.
- The traditional fixed business was impacted by weaker voice volumes in both B2C and B2B segments, combined with price pressure in the B2B segment across most countries.
- In the quarter, we completed the divestment of our Norwegian business NextGenTel, which was deconsolidated as of February 1.

### Financial highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2013	Jan-Mar 2012	Chg (%)	Jan-Dec 2012
Net sales	8,243	8,986	-8.3	35,723
EBITDA excl. non-recurring items	2,464	2,812	-12.4	11,004
Margin (%)	29.9	31.3		30.8
Operating income	1,242	1,600	-22.4	4,054
Operating income excl. non-recurring items	1,304	1,631	-20.0	6,242
CAPEX	796	1,191	-33.2	5,445
Subscriptions, period-end (thousands)				
Broadband	2,375	2,493	-4.7	2,532
Fixed voice and VoIP	4,142	4,517	-8.3	4,269
TV	1,349	1,218	10.8	1,332
Employees, period-end	12,646	13,083	-3.3	13,173

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

### First quarter

**Net sales** in local currencies and excluding acquisitions decreased 5.9 percent. Net sales in reported currency decreased 8.3 percent to SEK 8,243 million (8,986). The negative effect of exchange rates was 0.8 percent and the negative impact from acquisitions and disposals was 1.6 percent.

In Sweden, net sales decreased 6.1 percent to SEK 4,727 million (5,022). The customer base increased in all IP-based services, but this could not compensate for a weaker trend in traditional voice revenues. Fiber deployment was on a lower level compared to the same period last year due to cold weather conditions.

In Finland, net sales in local currency decreased 3.9 percent to the equivalent of SEK 1,319 million (1,430). The decline in sales narrowed compared to previous quarter, partly helped by higher broadband ARPU.

In Denmark, net sales in local currency decreased 11.0 percent to the equivalent of SEK 242 million (285) due to lower revenues from traditional voice services.

### Business area Broadband

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

In Estonia, net sales in local currency decreased 3.1 percent to the equivalent of SEK 400 million (430). In Lithuania, net sales in local currency decreased 4.1 percent to the equivalent of SEK 449 million (488). Revenue trends remained fairly stable in both countries compared to previous quarter, with growth in IP-based services but continued pressure on traditional voice revenues.

In International Carrier, net sales in local currencies decreased 10.2 percent to the equivalent of SEK 1,244 million (1,346) as a result of lower voice traffic volumes and impact from reduced interconnect revenues.

**The number of subscriptions** for broadband access fell to 2.4 million, a decrease of 118,000 from the first quarter of 2012 and by 157,000 during the quarter explained by the divestiture of NextGenTel in Norway with 184,000 subscriptions. Adjusted for NextGenTel, the number of subscriptions increased by 27,000 during the quarter.

The total number of TV subscriptions rose by 131,000 from the first quarter of 2012 and by 17,000 during the quarter to 1.3 million. Adjusted for NextGenTel, the number of subscriptions increased by 29,000 during the quarter.

The number of traditional fixed voice subscriptions decreased by 406,000 from the end of the first quarter of 2012 to 2.9 million, and were down 97,000 during the quarter. The intake of VoIP subscriptions was 5,000 in the quarter, bringing the total number of VoIP subscriptions to 0.7 million. Adjusted for NextGenTel, the number of subscriptions increased by 33,000 during the quarter.

**EBITDA**, excluding non-recurring items, declined 11.1 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 12.4 percent to SEK 2,464 million (2,812). The EBITDA margin decreased to 29.9 percent (31.3).

In Sweden, the EBITDA margin decreased to 37.1 percent (39.9) due to lower gross margin and higher personnel expenses in order to improve customer service.

In Finland, the EBITDA margin decreased to 23.7 percent (26.4), since a higher gross margin could not fully compensate for increased operating costs.

In Denmark, the EBITDA margin decreased to 8.3 percent (10.5), due to lower voice revenues.

In Lithuania, the EBITDA margin increased to 42.1 percent (39.1) due to a better gross margin development. In Estonia the EBITDA margin increased to 28.0 percent (25.1), explained by positive impact from efficiency measures.

In International Carrier, the EBITDA margin increased to 6.5 percent (4.3) helped by an improved gross margin due to lower intake of low margin voice traffic.

**CAPEX** decreased to SEK 796 million (1,191) and the CAPEX-to-sales ratio decreased to 9.7 percent (13.3). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 1,668 million (1,621).

## Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Jan-Mar 2013	Jan-Mar 2012	Chg (%)	Jan-Dec 2012
Net sales	8,243	8,986	-8.3	35,723
of which Sweden	4,727	5,022	-5.9	20,043
of which Finland	1,319	1,430	-7.8	5,584
of which Norway	87	268	-67.5	1,083
of which Denmark	242	285	-15.1	1,092
of which Lithuania	449	488	-8.0	1,915
of which Estonia	400	430	-7.0	1,761
of which International Carrier	1,244	1,346	-7.6	5,388
EBITDA excl. non-recurring items	2,464	2,812	-12.4	11,004
of which Sweden	1,753	2,006	-12.6	7,747
of which Finland	313	378	-17.2	1,351
of which Norway	-4	41	-	184
of which Denmark	20	30	-33.3	125
of which Lithuania	189	191	-1.0	774
of which Estonia	112	108	3.7	463
of which International Carrier	81	58	39.7	361
Margin (%), total	29.9	31.3		30.8
Margin (%), Sweden	37.1	39.9		38.7
Margin (%), Finland	23.7	26.4		24.2
Margin (%), Norway	-4.6	15.3		17.0
Margin (%), Denmark	8.3	10.5		11.4
Margin (%), Lithuania	42.1	39.1		40.4
Margin (%), Estonia	28.0	25.1		26.3
Margin (%), International Carrier	6.5	4.3		6.7

Net sales in local currencies and excluding acquisitions	Jan-Mar
Change (%), total	-5.9
Change (%), Sweden	-6.1
Change (%), Finland	-3.9
Change (%), Norway	-16.0
Change (%), Denmark	-11.0
Change (%), Lithuania	-4.1
Change (%), Estonia	-3.1
Change (%), International Carrier	-10.2

## Double-digit growth and strong margins in Eurasia

- The revenue trend continued to be strong in Eurasia and all markets delivered positive growth, except Azerbaijan which was impacted by reduced interconnect rates. Data revenue is growing and representing a greater share of net sales in all markets, helped by increasing smartphone penetration which has more than doubled in the past year.
- Profitability improved and the reported EBITDA margin reached 53.0 percent, the highest since early 2007, helped by a positive sales mix and strict cost control.

### Financial highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2013	Jan-Mar 2012	Chg (%)	Jan-Dec 2012
Net sales	4,684	4,445	5.4	19,731
EBITDA excl. non-recurring items	2,481	2,258	9.9	9,976
Margin (%)	53.0	50.8		50.6
Income from associated companies	1,306	1,231	6.1	13,815
of which Russia	691	886	-22.0	11,542
of which Turkey	617	351	75.8	2,280
Operating income	2,972	2,666	11.5	20,629
Operating income excl. non-recurring items	2,981	2,742	8.7	12,340
CAPEX	832	791	5.2	4,739
Subscriptions, period-end (thousands)				
Subsidiaries	41,919	36,231	15.7	42,535
Associated companies	110,800	107,000	3.6	110,700
Employees, period-end	5,099	5,033	1.3	4,980

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

### Consolidated operations

**Net sales** in local currencies and excluding acquisitions increased 13.6 percent. Net sales in reported currency increased 5.4 percent to SEK 4,684 million (4,445). The negative effect from exchange rate fluctuations was 8.8 percent. The positive effect from acquisitions was 0.6 percent.

In Kazakhstan, net sales in local currency increased 4.0 percent to the equivalent of SEK 1,860 million (1,888), mainly driven by growth of data. The market remains highly competitive but price erosion slowed down in the quarter.

In Azerbaijan, net sales in local currency decreased 0.7 percent to the equivalent of SEK 887 million (938). The weaker revenue trend is largely explained by reduced interconnect rates.

In Uzbekistan, net sales in local currency increased 75.3 percent to the equivalent of SEK 701 million (462). The absence of a third player in the market has impacted ARPU positively. Ucell churned out 1.5 million inactive subscriptions during the first quarter.

In Tajikistan, net sales in local currency increased 6.6 percent to the equivalent of SEK 211 million (207), explained by growth in data revenues. The higher subscription base more than compensated for the ARPU erosion.

#### 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 (25 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.

In Georgia, net sales in local currency increased by 1.6 percent to the equivalent of SEK 215 million (222), supported by higher prices for incoming international roaming traffic. The subscription base declined in the quarter, to a large extent explained by the loss of a large Government tender.

In Moldova, net sales in local currency increased 7.3 percent to the equivalent of SEK 117 million (119). The improved growth rate is largely explained by a positive development in voice revenues, helped by more favorable pricing environment.

In Nepal, net sales in local currency increased 29.3 percent to the equivalent of SEK 698 million (613). The growing subscription base continues to be the main driver to revenue growth.

**The number of subscriptions** in the consolidated operations was 41.9 million, an increase by 5.7 million, from the end of the first quarter of 2012. Growth was strongest in Kazakhstan and Nepal with a rise of 2.6 million and 2.1 million to 13.8 million and 9.6 million subscriptions, respectively. During the first quarter, the total number of subscriptions in the consolidated operations decreased by 0.6 million, mainly because Ucell in Uzbekistan churned out 1.5 million inactive subscriptions. Nepal, Kazakhstan and Tajikistan showed the largest rises with an increase of 0.5 million, 0.3 million and 0.3 million subscriptions, respectively.

**EBITDA**, excluding non-recurring items, increased 19.1 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 9.9 percent to SEK 2,481 million (2,258). The EBITDA margin was 53.0 percent (50.8).

In Kazakhstan, the EBITDA margin decreased to 54.5 percent (56.7), partly due to higher utility costs related to a significant increase in energy prices and larger size of the network.

In Azerbaijan, the EBITDA margin decreased to 51.0 percent (51.7), as profitability was negatively affected by the slowing revenue trend.

In Uzbekistan, the EBITDA margin increased to 54.6 percent (33.5), as an effect of higher revenue and cost optimization measures. In Tajikistan, the EBITDA margin increased slightly to 49.3 percent (48.8).

In Georgia, the EBITDA margin increased to 41.9 percent (35.6), helped by positive gross margin trend due to increasing incoming and roaming revenue and cost optimization. In Moldova, the EBITDA margin increased slightly to 33.3 percent (32.8).

In Nepal, the EBITDA margin increased to 61.9 percent (59.2), driven by traffic growth with strict cost control.

**CAPEX** increased to SEK 832 million (791) and the CAPEX-to-sales ratio was stable at 17.8 percent (17.8). CAPEX, excluding licenses and spectrum fees, amounted to SEK 673 million (782) and the CAPEX-to-sales ratio to 14.4 percent (17.6). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 1,649 million (1,467).

## Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Jan-Mar 2013	Jan-Mar 2012	Chg (%)	Jan-Dec 2012
Net sales	4,684	4,445	5.4	19,731
of which Kazakhstan	1,860	1,888	-1.5	8,256
of which Azerbaijan	887	938	-5.4	3,934
of which Uzbekistan	701	462	51.7	2,369
of which Tajikistan	211	207	1.9	927
of which Georgia	215	222	-3.2	1,011
of which Moldova	117	119	-1.7	536
of which Nepal	698	613	13.9	2,716
EBITDA excl. non-recurring items	2,481	2,258	9.9	9,976
of which Kazakhstan	1,014	1,070	-5.2	4,602
of which Azerbaijan	452	485	-6.8	1,964
of which Uzbekistan	383	155	147.1	904
of which Tajikistan	104	101	3.0	470
of which Georgia	90	79	13.9	397
of which Moldova	39	39	–	193
of which Nepal	432	363	19.0	1,614
Margin (%), total	53.0	50.8		50.6
Margin (%), Kazakhstan	54.5	56.7		55.7
Margin (%), Azerbaijan	51.0	51.7		49.9
Margin (%), Uzbekistan	54.6	33.5		38.2
Margin (%), Tajikistan	49.3	48.8		50.7
Margin (%), Georgia	41.9	35.6		39.3
Margin (%), Moldova	33.3	32.8		36.0
Margin (%), Nepal	61.9	59.2		59.4

Net sales in local currencies and excluding acquisitions	Jan-Mar
Change (%), total	13.6
Change (%), Kazakhstan	4.0
Change (%), Azerbaijan	-0.7
Change (%), Uzbekistan	75.3
Change (%), Tajikistan	6.6
Change (%), Georgia	1.6
Change (%), Moldova	7.3
Change (%), Nepal	29.3

## Associated companies – Russia

MegaFon (associated company, in which TeliaSonera holds 25.2 percent and consolidates 27.6 percent, reported with one-quarter lag) in Russia reported a subscription base of 64.6 million, an increase of 1.9 million compared to the corresponding period last year and 0.2 million lower than the previous quarter.

TeliaSonera's income from Russia decreased to SEK 691 million (886). The Russian ruble depreciated 1.4 percent against the Swedish krona which had a negative impact of SEK 10 million. The lower earnings contribution is explained by reduced ownership compared to the same quarter a year ago, impacting results negatively by around SEK 400 million.

### **Associated companies – Turkey**

Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with one-quarter lag) in Turkey reported a subscription base of 35.1 million, an increase of 0.6 million compared to the corresponding period last year and a decrease by 0.1 million subscriptions compared to the previous quarter. In Ukraine, the number of subscriptions increased by 1.4 million to 11.1 million compared to the corresponding period last year and increased by 0.4 million during the quarter.

TeliaSonera's income from Turkey increased to SEK 617 million (351). The Turkish lira was stable against the Swedish krona, which had no impact in SEK.

## Other operations

### Financial highlights

SEK in millions, except changes	Jan-Mar 2013	Jan-Mar 2012	Chg (%)	Jan-Dec 2012
Net sales	860	979	-12.2	3,799
EBITDA excl. non-recurring items	117	124	-5.6	483
Income from associated companies	0	-18	–	-50
Operating income	-87	-84	-3.6	-503
Operating income excl. non-recurring items	-77	-77	–	-319
CAPEX	149	210	-29.0	1,014

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

### 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.

**Net sales** in local currencies and excluding acquisitions decreased 10.7 percent. In reported currency, net sales decreased 12.2 percent to SEK 860 million (979).

**EBITDA**, excluding non-recurring items, decreased 5.6 percent to SEK 117 million (124) in reported currency.

*Stockholm, April 19, 2013*

Per-Arne Blomquist  
President and CEO

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



## Condensed Consolidated Statements of Comprehensive Income

SEK in millions, except per share data, number of shares and changes	Jan-Mar 2013	Jan-Mar 2012 <sup>1)</sup>	Chg (%)	Jan-Dec 2012 <sup>1)</sup>
Net sales	24,542	25,693	-4.5	104,898
Cost of sales	-13,844	-14,275	-3.0	-58,350
<b>Gross profit</b>	<b>10,698</b>	<b>11,418</b>	<b>-6.3</b>	<b>46,548</b>
Selling, admin. and R&D expenses	-5,463	-5,978	-8.6	-24,037
Other operating income and expenses, net	-69	82	—	-7,979
Income from associated companies and joint ventures	1,323	1,246	6.2	13,868
<b>Operating income</b>	<b>6,489</b>	<b>6,768</b>	<b>-4.1</b>	<b>28,400</b>
Finance costs and other financial items, net	-839	-1,140	-26.4	-3,918
<b>Income after financial items</b>	<b>5,650</b>	<b>5,628</b>	<b>0.4</b>	<b>24,482</b>
Income taxes	-1,151	-1,113	3.4	-3,314
<b>Net income</b>	<b>4,499</b>	<b>4,515</b>	<b>-0.4</b>	<b>21,168</b>
Items that may be reclassified to net income:				
Foreign currency translation differences	-2,245	402		-2,432
Income from associate companies and joint ventures	-19	-187		-260
Cash flow hedges	280	64		28
Available-for-sale financial instruments	-2	1		24
Income tax relating to items that will be reclassified	-433	-166		-439
Items that will not be reclassified to net income:				
Remeasurements of defined benefit pension plans	801	199		-1,635
Income tax relating to items that will not be reclassified	-176	-52		361
<b>Other comprehensive income</b>	<b>-1,794</b>	<b>261</b>		<b>-4,353</b>
<b>Total comprehensive income</b>	<b>2,705</b>	<b>4,776</b>		<b>16,815</b>
Net income attributable to:				
Owners of the parent	4,108	4,122		19,886
Non-controlling interests	391	393		1,282
Total comprehensive income attributable to:				
Owners of the parent	2,309	4,159		15,797
Non-controlling interests	396	617		1,018
Earnings per share (SEK), basic and diluted	0.95	0.95		4.59
Number of shares (thousands)				
Outstanding at period-end	4,330,085	4,330,085		4,330,085
Weighted average, basic and diluted	4,330,085	4,330,085		4,330,085
EBITDA	8,393	8,740	-4.0	35,074
EBITDA excl. non-recurring items	8,509	8,852	-3.9	36,171
Depreciation, amortization and impairment losses	-3,227	-3,217	0.3	-20,542
Operating income excl. non-recurring items	6,628	6,882	-3.7	28,682

1) Certain restatements have been made, see page 19.

## Condensed Consolidated Statements of Financial Position

SEK in millions	Mar 31, 2013	Dec 31, 2012 <sup>1)</sup>
<b>Assets</b>		
Goodwill and other intangible assets	81,472	83,278
Property, plant and equipment	61,616	62,657
Investments in associates and joint ventures, deferred tax assets and other non-current assets	40,085	38,858
Long-term interest-bearing receivables	10,484	10,880
<i>Total non-current assets</i>	<i>193,657</i>	<i>195,673</i>
Inventories	1,652	1,623
Trade receivables, current tax assets and other receivables	20,762	22,298
Short-term interest-bearing receivables	4,303	3,647
Cash and cash equivalents	25,900	29,805
<i>Total current assets</i>	<i>52,617</i>	<i>57,373</i>
<b>Total assets</b>	<b>246,274</b>	<b>253,046</b>
<b>Equity and liabilities</b>		
Equity attributable to owners of the parent	107,473	105,150
Equity attributable to non-controlling interests	4,343	3,956
<i>Total equity</i>	<i>111,816</i>	<i>109,106</i>
Long-term borrowings	71,507	82,184
Deferred tax liabilities, other long-term provisions	24,173	25,035
Other long-term liabilities	1,262	1,190
<i>Total non-current liabilities</i>	<i>96,942</i>	<i>108,409</i>
Short-term borrowings	12,108	9,403
Trade payables, current tax liabilities, short-term provisions and other current liabilities	25,408	26,128
<i>Total current liabilities</i>	<i>37,516</i>	<i>35,531</i>
<b>Total equity and liabilities</b>	<b>246,274</b>	<b>253,046</b>

1) Certain restatements have been made, see page 19.

## Condensed Consolidated Statements of Cash Flows

SEK in millions	Jan-Mar 2013	Jan-Mar 2012 <sup>1)</sup>	Jan-Dec 2012 <sup>1,2)</sup>
Cash flow before change in working capital	6,257	6,414	39,952
Change in working capital	-1,423	-1,156	-1,073
<b>Cash flow from operating activities</b>	<b>4,834</b>	<b>5,258</b>	<b>38,879</b>
Cash CAPEX	-2,420	-3,065	-15,139
<b>Free cash flow</b>	<b>2,414</b>	<b>2,193</b>	<b>23,740</b>
Cash flow from other investing activities	-1,268	-347	8,780
<b>Total cash flow from investing activities</b>	<b>-3,688</b>	<b>-3,412</b>	<b>-6,359</b>
<b>Cash flow before financing activities</b>	<b>1,146</b>	<b>1,846</b>	<b>32,520</b>
Cash flow from financing activities	-4,624	4,444	-15,231
<b>Cash flow for the period</b>	<b>-3,478</b>	<b>6,290</b>	<b>17,289</b>
<b>Cash and cash equivalents, opening balance</b>	<b>29,805</b>	<b>12,631</b>	<b>12,631</b>
Cash flow for the period	-3,478	6,290	17,289
Exchange rate differences	-427	-37	-115
<b>Cash and cash equivalents, closing balance</b>	<b>25,900</b>	<b>18,884</b>	<b>29,805</b>

1) Certain restatements have been made, see page 19.

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

## Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Mar 2013			Jan-Mar 2012		
	Owners of the parent	Non-controlling interests	Total equity	Owners of the parent	Non-controlling interests	Total equity
Opening balance	105,150	3,956	109,106	115,589	7,353	122,942
Change in accounting principle pensions	–	–	–	-2,878	–	-2,878
Adjustment of opening balance related to Turkcell (inflation accounting in Belarus)	–	–	–	110	–	110
Dividends	–	-9	-9	–	-1,775	-1,775
Business combinations	–	–	–	–	17	17
Acquisition of non-controlling interest	–	–	–	-8,997	-1,534	-10,531
Total comprehensive income	2,309	396	2,705	4,159	617	4,776
Share-based payments	5	–	5	2	–	2
Effect of equity transactions in associates	9	–	9	–	–	–
<b>Closing balance</b>	<b>107,473</b>	<b>4,343</b>	<b>111,816</b>	<b>107,985</b>	<b>4,678</b>	<b>112,663</b>

## Basis of Preparation

### General

As in the annual accounts for 2012, TeliaSonera's consolidated financial statements of and for the three-month period ended March 31, 2013, 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. This report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The accounting policies adopted are consistent with those of the previous financial year, except as described below.

### Changes in accounting policies

As of January 1, 2013, TeliaSonera applies the amended standards IAS 19 *Employee Benefits*, IAS 28 *Investments in Associates and Joint Ventures*, IFRS 7 *Financial Instruments: Disclosures* and the new standards IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* and IFRS 13 *Fair Value Measurement* and any consequential amendments in other standard. For additional information, see corresponding section in TeliaSonera's Annual Report 2012.

IFRS 13 defines fair value and sets out the framework for measuring fair value. The introduction of IFRS 13 had no major impact on the Group's carrying values or valuation techniques but might in the future increase the volatility in comprehensive income. The new standard also requires additional disclosures for financial instruments measured at fair value split by fair value hierarchy level.

The most significant amendment in IAS 19 is the elimination of the "corridor approach" for defined benefit pension plans. As a result, historical accumulated actuarial gains and losses will increase recognized pension liabilities and decrease shareholders' equity. Future re-measurements (including actuarial gains and losses) will not be deferred, but immediately impact shareholders' equity through other comprehensive income (OCI). Further, the expected return on plan assets affecting net income should not be assessed

separately, but equal the rate used to discount pension obligations. As of 2013, TeliaSonera also has chosen to classify these interest components as financial items in the statement of comprehensive income net income. The impact of applying the revised IAS 19 in 2012 was as follows:

Condensed Consolidated Statements of Comprehensive Income	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec
SEK in millions	2012	2012	2012	2012	2012
Cost of sales	10	10	9	9	38
<b>Gross profit</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>38</b>
Selling, admin and R&D expenses	18	18	19	19	74
<b>Operating income</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>112</b>
Finance costs and other financial items, net	-28	-28	-28	-28	-112
<b>Income after financial items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Income taxes	0	0	0	0	0
<b>Net income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Re-measurements of defined benefit pension plans	199	8	-1,915	73	-1,635
Income tax relating to items that will not be reclassified	-52	-2	504	-89	361
<b>Other comprehensive income</b>	<b>147</b>	<b>6</b>	<b>-1,411</b>	<b>-16</b>	<b>-1,274</b>
<b>Total comprehensive income</b>	<b>147</b>	<b>6</b>	<b>-1,411</b>	<b>-16</b>	<b>-1,274</b>

Condensed Consolidated Statements of Financial Position	Mar 31,	Jun 30,	Sep 30,	Dec 31,
SEK in millions	2012	2012	2012	2012
<b>Assets</b>				
Receivables for pension obligations	-1,193	-1,271	-1,431	-1,571
Other long non-interest bearing receivables	-277	-287	-317	-403
Deferred tax assets	504	487	991	688
<b>Total assets</b>	<b>-966</b>	<b>-1,071</b>	<b>-757</b>	<b>-1,286</b>
<b>Equity and liabilities</b>				
Equity attributable to owners of the parent	-2,731	-2,725	-4,136	-4,281
<i>Total equity</i>	<i>-2,731</i>	<i>-2,725</i>	<i>-4,136</i>	<i>-4,281</i>
Provisions for pensions	2,136	2,040	3,765	3,494
Deferred tax liabilities	-371	-386	-386	-471
Other current liabilities	—	—	—	-28
<b>Total equity and liabilities</b>	<b>-966</b>	<b>-1,071</b>	<b>-757</b>	<b>-1,286</b>

Condensed Consolidated Statements of Cash Flows	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec
SEK in millions	2012	2012	2012	2012	2012
Cash flow before change in working capital	-38	-10	-30	-58	-136
Change in working capital	38	10	30	58	136
<b>Cash flow from operating activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Non-recurring Items

SEK in millions	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
<b>Within EBITDA</b>	<b>-117</b>	<b>-112</b>	<b>-1,097</b>
Restructuring charges, synergy implementation costs, etc.:			
Mobility Services	-58	–	-228
Broadband Services	-74	-29	-633
Eurasia	-9	-76	-287
Other operations	-10	-7	-147
<i>of which TeliaSonera Holding</i>	–	–	-48
Capital gains/losses	35	–	198
<b>Within Depreciation, amortization and impairment losses</b>	<b>-22</b>	<b>-1</b>	<b>-7,565</b>
Impairment losses, accelerated depreciation:			
Broadband Services	-22	-1	-1,555
Mobility Services	–	–	-5,984
Other operations	–	–	-26
<b>Within Income from associated companies and joint ventures</b>	<b>–</b>	<b>–</b>	<b>8,380</b>
Impairment losses	–	–	–
Capital gains/losses	–	–	8,380 <sup>1)</sup>
<b>Within Finance costs and other financial items, net</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>-139</b>	<b>-113</b>	<b>-282</b>

1) The capital gain includes a negative non-cash exchange rate effect of SEK 1,441 million.

## Deferred Taxes

SEK in millions	Mar 31, 2013	Dec 31, 2012 <sup>1)</sup>
Deferred tax assets	6,622	7,410
Deferred tax liabilities	10,429	10,287
<b>Net deferred tax liabilities (-)/assets (+)</b>	<b>-3,807</b>	<b>-2,877</b>

1) Certain restatements have been made, see page 19.

## Segment and Group Operating Income

SEK in millions	Jan-Mar 2013	Jan-Mar 2012 <sup>1)</sup>	Jan-Dec 2012 <sup>1)</sup>
Mobility Services	2,362	2,576	4,229
Broadband Services	1,242	1,600	4,054
Eurasia	2,972	2,666	20,629
Other operations	-87	-84	-503
<b>Total segments</b>	<b>6,489</b>	<b>6,758</b>	<b>28,409</b>
Elimination of inter-segment profits	0	10	-9
<b>Group</b>	<b>6,489</b>	<b>6,768</b>	<b>28,400</b>

1) Certain restatements have been made, see page 19.

## Investments

SEK in millions	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
<b>CAPEX</b>	<b>2,719</b>	<b>3,175</b>	<b>15,685</b>
Intangible assets	1,119	415	2,174
Property, plant and equipment	1,600	2,760	13,511
<b>Acquisitions and other investments</b>	<b>1,157</b>	<b>150</b>	<b>1,905</b>
Asset retirement obligations	44	94	651
Goodwill and fair value adjustments	962	55	1,206
Equity holdings	151	1	48
<b>Total</b>	<b>3,876</b>	<b>3,325</b>	<b>17,590</b>

## Financial Instruments – Fair Values

Long-term and Short-term Borrowings <sup>1)</sup> SEK in millions	Mar 31, 2013		Dec 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
<b>Long-term borrowings</b>				
Open-market financing program borrowings in fair value hedge relationships	14,261	14,261	17,600	17,600
Interest rate swaps at fair value	287	287	340	340
Cross currency interest rate swaps at fair value	2,187	2,187	1,956	1,956
<b>Subtotal</b>	<b>16,735</b>	<b>16,735</b>	<b>19,896</b>	<b>19,896</b>
Open-market financing program borrowings	53,116	58,955	59,915	71,146
Other borrowings at amortized cost	1,603	1,603	2,311	2,311
<b>Subtotal</b>	<b>71,454</b>	<b>77,293</b>	<b>82,122</b>	<b>93,353</b>
Finance lease agreements	53	53	62	62
<b>Total long-term borrowings</b>	<b>71,507</b>	<b>77,346</b>	<b>82,184</b>	<b>93,415</b>
<b>Short term borrowings</b>				
Open-market financing program borrowings in fair value hedge relationships	2,873	2,873	401	401
Interest rate swaps designated as hedging instruments	53	53	29	29
Interest rate swaps held for trading	0	0	42	42
Cross currency interest rate swaps held for trading	59	59	343	343
<b>Subtotal</b>	<b>2,985</b>	<b>2,985</b>	<b>815</b>	<b>815</b>
Utilized bank overdraft and short-term credit facilities at amortized cost	–	–	–	423
Open-market financing program borrowings	6,527	6,798	5,204	5,285
Other borrowings at amortized cost	2,593	2,593	2,958	2,909
<b>Subtotal</b>	<b>12,105</b>	<b>12,376</b>	<b>9,400</b>	<b>9,432</b>
Finance lease agreements	3	3	3	3
<b>Total short-term borrowings</b>	<b>12,108</b>	<b>12,379</b>	<b>9,403</b>	<b>9,435</b>

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see TeliaSonera's Annual Report 2012, Note C3 to the consolidated financial statements.

Financial Assets and Liabilities by Fair Value Hierarchy Level <sup>1)</sup> SEK in millions	March 31, 2013				December 31, 2012			
	Carrying value	of which			Carrying value	of which		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Financial assets at fair value</b>								
Equity instruments available-for-sale	256	67	–	189	189	–	–	189
Equity instruments held-for-trading	66	–	–	66	69	–	–	69
Convertible bonds available-for-sale	2	–	–	2	4	–	–	4
Derivatives designated as hedging instruments	1,421	–	1,421	–	1,790	–	1,790	–
Derivatives held-for-trading	293	–	293	–	570	–	569	–
<b>Total financial assets at fair value by level</b>	<b>2,038</b>	<b>67</b>	<b>1,714</b>	<b>257</b>	<b>2,622</b>	<b>–</b>	<b>2,359</b>	<b>262</b>
<b>Financial liabilities at fair value</b>								
Borrowings in fair value hedge relationships	17,134	–	17,134	–	18,001	–	18,001	–
Derivatives designated as hedging instruments	577	–	577	–	802	–	802	–
Derivatives held-for-trading	1,983	–	1,983	–	2,044	–	2,044	–
<b>Total financial liabilities at fair value by level</b>	<b>19,694</b>	<b>–</b>	<b>19,694</b>	<b>–</b>	<b>20,847</b>	<b>–</b>	<b>20,847</b>	<b>–</b>

1) For information on fair value hierarchy levels and fair value estimation, see TeliaSonera's Annual Report 2012, Note C3 to the consolidated financial statements.

## Related Party Transactions

In the quarter ended March 31, 2013, TeliaSonera purchased services for SEK 16 million, and sold services for SEK 37 million. Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

## Net Debt

SEK in millions	Mar 31, 2013	Dec 31, 2012
Long-term and short-term borrowings	83,615	91,586
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit collateral	-2,166	-2,175
Less short-term investments, cash and bank	-26,174	-29,968
<b>Net debt</b>	<b>55,275</b>	<b>59,443</b>

## Loan Financing and Credit Rating

The underlying operating cash flow continued to be positive also in the first quarter of 2013.

The rating from Standard & Poor's and Moody's, respectively, remained unchanged with a credit rating on TeliaSonera AB of A-/A3 for long-term borrowings and A-2/P-2 for short-term borrowings with a stable outlook.

Credit markets have continued to offer favorable new issue conditions in the first quarter with new issuance volumes in the primary market in Europe in line with last year.

TeliaSonera has not made any major funding during the first quarter but will continue to have an opportunistic funding strategy and take advantage of attractive funding opportunities when they appear with a special focus on diversifying the investor base.

## Financial Key Ratios

	Mar 31, 2013	Dec 31, 2012 <sup>1)</sup>
Return on equity (% , rolling 12 months)	21.5	20.5
Return on capital employed (% , rolling 12 months)	15.4	14.9
Equity/assets ratio (%)	39.1	38.2
Net debt/equity ratio (%)	57.3	61.4
Net debt/EBITDA rate (multiple, rolling 12 months)	1.54	1.64
Net debt/assets ratio	22.4	23.5
Owners' equity per share (SEK)	24.8	24.3

1) Certain restatements have been made, see page 19.

## Collateral Held

TeliaSonera has sold all its shares in Telecominvest (TCI) to AF Telecom Holding (AFT). The purchase price has not been fully paid by AFT and in order to secure the value of TeliaSonera's receivable, presently SEK 7,560 million, MegaFon shares held by TCI, representing 6.53 percent of the shares in MegaFon, are presently pledged to TeliaSonera. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to TeliaSonera.

## Guarantees and Collateral Pledged

As of March 31, 2013, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 343 million, of which SEK 318 million referred to guarantees for pension obligations. Collateral pledged totaled SEK 376 million.

## Contractual Obligations and Commitments

As of March 31, 2013, contractual obligations totaled SEK 2,564 million, of which SEK 923 million referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

## Business Combinations and Other Changes in Group Composition in the First Quarter

### KazNet Media

On January 11, 2013, TeliaSonera reaffirmed its strategic commitment to developing mobile technologies and services in Kazakhstan by acquiring 100 percent of TOO KazNet Media, operating a WiMax network in Kazakhstan. Goodwill is explained by the future expected cash flows from the acquired business, the strengthened market position and opportunities for TeliaSonera in Kazakhstan. The result of the KazNet Media operations is included in the consolidated financial statements as of January 2013.



SEK in millions	KazNet Media
<b>Cost of combination</b>	
Cash consideration	714
Contingent consideration	6
<b>Total cost of the combination</b>	<b>720</b>
<b>Fair value of net assets acquired</b>	
Intangible assets (mainly frequencies)	704
Property, plant and equipment	237
Inventories, receivables and other current assets	68
Cash and cash equivalents	40
<b>Total assets acquired</b>	<b>1,049</b>
Deferred income tax liabilities	-145
Short-term liabilities	-445
<b>Total liabilities assumed</b>	<b>-590</b>
<b>Total fair value of net assets acquired</b>	<b>459</b>
<b>Goodwill (allocated to business area Eurasia)</b>	<b>261</b>

SEK in millions	KazNet Media
The total cost of the combination paid in cash	714
Less acquired cash and cash equivalents	-40
<b>Net cash outflow from the combination</b>	<b>674</b>

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

## TOO Rodnik

TeliaSonera's share of net income from TOO Rodnik Ink, holding 79.9 percent in the publicly quoted subsidiary AO KazTransCom, is included in TeliaSonera's reporting with a one-quarter lag in line item "Income from associated companies and joint ventures."

## Parent Company

Condensed Income Statements SEK in millions	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Net sales	1	7	61
Operating income	-61	40	-435
Income after financial items	3,003	1,529	13,413
Income before taxes	2,809	1,614	13,954
Net income	2,179	1,179	12,327

Last year financial items include a capital gain of SEK 7,481 million for the sale of shares in Telecominvest (TCI) to AF Telecom Holding (AFT). The purchase price has not been fully paid by AFT and in order to secure the value of TeliaSonera's receivable, presently SEK 7,560 million, MegaFon shares held by TCI, representing 6.53 percent of the shares in MegaFon, are presently pledged to TeliaSonera. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to TeliaSonera.

<b>Condensed Balance Sheets SEK in millions</b>	<b>Mar 31, 2013</b>	<b>Dec 31, 2012</b>
Non-current assets	196,825	202,089
Current assets	51,875	63,876
<b>Total assets</b>	<b>248,700</b>	<b>265,965</b>
Shareholders' equity	84,268	81,871
Untaxed reserves	12,924	12,730
Provisions	584	539
Liabilities	150,924	170,825
<b>Total equity and liabilities</b>	<b>248,700</b>	<b>265,965</b>

Total investments in the quarter were SEK 7 million (10,327), of which SEK 0 (10,221) million referred to shareholder contributions to subsidiaries.

## Risks and Uncertainties

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

TeliaSonera has an established risk management framework in place to regularly identify, analyze and assess, 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 2012 for a detailed description of some of the factors that may affect TeliaSonera's business, financial position and results of operations.

Risks and uncertainties that could specifically impact the quarterly results of operations during 2013 include, but may not be limited to:

*World economy changes.* Changes in the global financial markets and the world economy are difficult to predict. TeliaSonera has a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe or long-term recession in the countries in which TeliaSonera operates would have an impact on its customers and may have a negative impact on its growth and results of operations through reduced telecom spending. The maturity schedule of TeliaSonera's loan portfolio is aimed to be evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed lines of credit with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, TeliaSonera's cost of funding might be higher, should there be changes in the global financial markets or the world economy.

*Competition and price pressure.* TeliaSonera is subject to substantial and historically increasing competition and price pressure. Competition from a variety of sources, includ-

ing current market participants, new entrants and new products and services, may adversely affect TeliaSonera's results of operations.

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

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

*Emerging markets.* TeliaSonera has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, Russia and Turkey. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in countries with more mature institutional structures. The future political situation in each of the emerging market countries may remain unpredictable, and markets in which TeliaSonera operates may become unstable. Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent TeliaSonera from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. One example of this is TeliaSonera's business in Uzbekistan in which the group has a net exposure of approximately SEK 6 billion. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally. Weakening of the economies or currencies or other negative developments in these markets might have a significantly negative effect on TeliaSonera's results of operations.

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

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

*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. TeliaSonera has limited influence over the conduct of 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 current deadlock in the board work of Turkcell. TeliaSonera might not be able to assure that the associated companies apply the same corporate responsibility 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 sustainability related risks, including but not limited to, environment, network integrity, data security, corruption and human rights. 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 sustainability requirements may damage customer or other stakeholders' perception of TeliaSonera and negatively impact TeliaSonera's business operations and its brand.

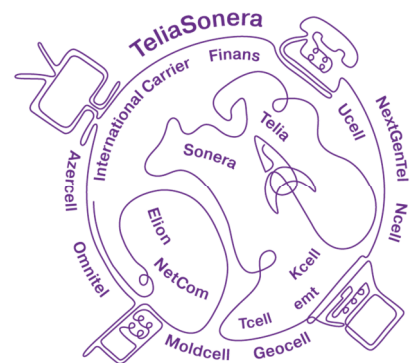
## Forward-looking Statements

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

## TeliaSonera in brief

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

For more information about TeliaSonera, see [www.teliasonera.com](http://www.teliasonera.com).



## Definitions

**Addressable cost base** is defined as personnel costs, marketing costs and all other operating expenses other than purchases of goods and sub-contractor services as well as interconnect, roaming and other network-related costs. Addressable cost base does not include non-recurring items.

**Billed revenues** are defined as voice, messaging, data and content.

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

For additional information, see corresponding section in TeliaSonera's Annual Report 2012.

## Financial calendar

Interim Report January–June 2013  
Interim Report January–September 2013  
Year-end Report January–December 2013

July 17, 2013  
October 17, 2013  
January 30, 2014

## Questions regarding the reports

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