

Improved profitability and flat organic revenues

 Q3
 2013

Third quarter summary

- Net sales in local currencies, excluding acquisitions and disposals, were stable. In reported currency, net sales decreased 1.8 percent to SEK 25,381 million (25,842).
- The addressable cost base in local currencies, excluding acquisitions and disposals, decreased 3.9 percent. In reported currency, the addressable cost base decreased 5.4 percent to SEK 6,760 million (7,146).
- EBITDA, excluding non-recurring items, increased 3.8 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 1.5 percent to SEK 9,419 million (9,283). The EBITDA margin, excluding non-recurring items, increased to 37.1 percent (35.9).
- Operating income, excluding non-recurring items, increased 12.3 percent to SEK 7,721 million (6,878). Operating income increased 5.4 percent to SEK 7,130 million (6,762).
- Net income attributable to owners of the parent company increased 15.1 percent to SEK 4,641 million (4,032).
- Earnings per share increased to SEK 1.07 (0.93).
- Free cash flow was SEK 7,308 million (3,825), mainly explained by dividends from MegaFon net of taxes of SEK 1,940 million (0) and positive changes in working capital.
- Group outlook for 2013 is unchanged.

Nine-month summary

- Net sales in local currencies, excluding acquisitions and disposals, decreased 0.2 percent. In reported currency, net sales decreased 3.4 percent to SEK 75,197 million (77,829).
- Net income attributable to owners of the parent company decreased 1.7 percent to SEK 12,780 million (13,007) and earnings per share to SEK 2.95 (3.00).
- Free cash flow was SEK 14,184 million (20,806). Free cash flow excluding dividends from MegaFon net of taxes was SEK 12,244 million (9,080).

Financial highlights

SEK in millions, except key ratios, per share data and changes	Jul-Sep 2013	Jul-Sep 2012	Chg (%)	Jan-Sep 2013	Jan-Sep 2012	Chg (%)
Net sales	25,381	25,842	-1.8	75,197	77,829	-3.4
Change % local FX ex acquisitions and disposals	0.0			-0.2		
Addressable cost base ¹⁾	6,760	7,146	-5.4	20,914	22,250	-6.0
Change % local FX ex acquisitions and disposals	-3.9			-3.0		
EBITDA ¹⁾ excl. non-recurring items ²⁾	9,419	9,283	1.5	26,856	27,169	-1.2
Margin (%)	37.1	35.9		35.7	34.9	
Operating income	7,130	6,762	5.4	19,902	20,574	-3.3
Operating income excl. non-recurring items	7,721	6,878	12.3	21,434	21,046	1.8
Net income	5,135	4,353	18.0	14,072	14,001	0.5
of which attributable to owners of the parent	4,641	4,032	15.1	12,780	13,007	-1.7
Earnings per share (SEK)	1.07	0.93	15.1	2.95	3.00	-1.7
Return on equity (%, rolling 12 months)	21.5	18.7		21.5	18.7	
CAPEX-to-sales (%)	15.9	12.5		13.7	14.0	
Free cash flow	7,308	3,825	91.1	14,184	20,806	-31.8

1) Please refer to the last page for definitions. 2) Non-recurring items; see table on page 22.

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Comments by Johan Dennelind, President and CEO

"In the third quarter, organic revenues stayed flat and margins improved further compared to the corresponding period last year. Revenues continued to be impacted by difficult economic environment in our markets and lower regulated mobile termination rates, while profitability was supported by a further reduction in the cost base.

Demand for mobile data remains strong and our new data centric pricing models continue to gain traction across Scandinavia. It is particularly encouraging to report positive billed revenue growth in all three markets where these price plans have been introduced, reinforcing our view that we are on the right track.

The rapid development of our industry continues and legacy is being replaced with new technologies and business models. We maintain an active role in this migration by expanding high speed internet via fiber and 4G. Our ambition is to offer the best customer experience through high-quality networks and it is vital for our investment decisions that we can rely upon a transparent and predictable regulatory framework.

My initial observations as new CEO are that TeliaSonera has a solid asset base with a diversified product portfolio, attractive footprint, strong brands and competent people. The mix of mature and emerging markets give us a robust foundation. However, in recent years our position has weakened in too many of our markets and it is essential to strengthen our competitiveness going forward. In a fast changing environment we have to understand our customers' requirements and further develop a company culture that encourages agility and innovation.

In order to compete effectively and to support long term profitability, it is crucial to have an efficient organization and an appropriate cost base. We have to reduce complexity to enable an effective way of working, accelerate decision making and ensure our employees stay skilled and motivated.

It is obvious that managing our business in a sustainable way is vital to our reputation and future success. We need to further develop and strengthen our governance as well as secure common values within the group. It is important for all our stakeholders that we act responsibly and we also want to make sure our partners through the whole value chain of TeliaSonera behave in a similar responsible way. By this we can create a sustainable company presence in all our markets.

Since I took over as CEO, some measures to strengthen governance have been taken. A new compliance function has been established with direct reporting line to me. Furthermore, a new CEO office function will support the Eurasia review the board has initiated, as well as leading the program for TeliaSonera's journey ahead. In addition, a new group function for Strategy, Mergers & Acquisitions and Innovation will enable a holistic view on TeliaSonera's future development.

The next phase of our journey has just begun and based on the performance for the first nine months we reiterate our full year 2013 outlook."

Group outlook for 2013 (unchanged)

Net sales in local currencies, excluding acquisitions and disposals, 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 a period of two years. The savings amounted to SEK 0.2 billion in 2012 and an additional SEK 0.6 billion was recorded in the first nine months of 2013.

During 2013, 1,800 employees in the Nordics and Baltics will be affected and around 1,460 people have been given notice year to date.

Total costs for the reductions are estimated to SEK 1.7 billion, of which SEK 1.4 billion in 2013. Costs of SEK 1.0 billion have been recorded year to date. The redundancies will be completed by early 2014 at the latest.

Review of the Group, third quarter 2013

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, were stable. In reported currency, net sales decreased 1.8 percent to SEK 25,381 million (25,842). The negative effect of exchange rate fluctuations was 0.9 percent and the negative effect of acquisitions and disposals was 0.9 percent.

In Mobility Services, net sales in local currencies, excluding acquisitions and disposals, decreased 3.0 percent. In reported currency, net sales decreased 2.1 percent to SEK 12,208 million (12,476).

In Broadband Services, net sales in local currencies, excluding acquisitions and disposals, decreased 2.4 percent. In reported currency, net sales decreased 4.5 percent to SEK 8,252 million (8,644).

In Eurasia, net sales in local currencies, excluding acquisitions and disposals, increased 11.1 percent. Net sales in reported currency increased 3.1 percent to SEK 5,292 million (5,133).

Net sales per Business area



The number of subscriptions increased by 6.9 million from the end of the third quarter of 2012 to 185.8 million. In the consolidated operations the number of subscriptions increased by 3.2 million to 72.7 million. In the associated companies, the number of subscriptions increased by 3.7 million to 113.1 million. During the third quarter, the total number of subscriptions increased by 0.9 million in the consolidated operations and by 1.4 million in the associated companies.

The addressable cost base in local currencies, excluding acquisitions and disposals, decreased 3.9 percent. In reported currency, the addressable cost base decreased 5.4 percent to SEK 6,760 million (7,146).

EBITDA, excluding non-recurring items, increased 3.8 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 1.5 percent to SEK 9,419 million (9,283). The EBITDA margin, excluding non-recurring items, increased to 37.1 percent (35.9).

Operating income, excluding non-recurring items, increased 12.3 percent to SEK 7,721 million (6,878). Income from associated companies, excluding non-recurring items, increased to SEK 1,503 million (833).

Non-recurring items affecting operating income totaled SEK -591 million (-116), mainly related to efficiency measures and the divestment of Nepal Satellite which generated a capital loss of SEK 389 million.

Financial items totaled SEK -752 million (-977) of which SEK -670 million (-750) related to net interest expenses.

Income taxes decreased to SEK 1,243 million (1,432). The effective tax rate decreased to 19.5 percent (24.8) due to increased earnings from associated companies and reduced tax rate in Sweden.

Non-controlling interests in subsidiaries increased to SEK 494 million (321) of which SEK 447 million (271) was related to the Eurasian operations and SEK 38 million (39) to LMT and TEO.

Net income attributable to owners of the parent company increased 15.1 percent to SEK 4,641 million (4,032) and earnings per share to SEK 1.07 (0.93).

CAPEX increased to SEK 4,027 million (3,240) and the CAPEX-to-sales ratio increased to 15.9 percent (12.5). The CAPEX-to-sales ratio, excluding license and spectrum fees, increased to 14.3 percent (12.5).

Free cash flow increased to SEK 7,308 million (3,825) mainly explained by dividend from MegaFon and positive changes in working capital.

Net debt decreased to SEK 56,782 million at the end of the third quarter (66,151 at the end of the second quarter of 2013). The net debt/EBITDA ratio was 1.58 (1.85 at the end of the second quarter of 2013).

The equity/assets ratio was 40.9 percent (41.2 percent at the end of the second quarter of 2013).

Review of the Group, nine-month period 2013

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, decreased 0.2 percent. In reported currency, net sales decreased 3.4 percent to SEK 75,197 million (77,829). The negative effect of exchange rate fluctuations was 2.5 percent and the negative effect of acquisitions and disposals was 0.7 percent.

The addressable cost base in local currencies, excluding acquisitions and disposals, decreased 3.0 percent. In reported currency, the addressable cost base decreased 6.0 percent to SEK 20,914 million (22,250).

EBITDA, excluding non-recurring items, increased 2.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 1.2 percent to SEK 26,856 million (27,169). The EBITDA margin, excluding non-recurring items, increased to 35.7 percent (34.9).

Operating income, excluding non-recurring items, increased 1.8 percent to SEK 21,434 million (21,046). Income from associated companies, excluding non-recurring items, increased to SEK 4,297 million (3,623).

Non-recurring items affecting operating income totaled SEK -1,532 million (-471), mainly related to efficiency measures.

Financial items totaled SEK -2,355 million (-3,114) of which SEK -2,197 million (-2,412) related to net interest expenses.

Income taxes increased to SEK 3,475 million (3,459). The effective tax rate was 19.8 percent (19.8).

Non-controlling interests in subsidiaries increased to SEK 1,292 million (994) of which SEK 1,166 million (817) was related to the Eurasian operations and SEK 98 million (147) to LMT and TEO.

Net income attributable to owners of the parent company decreased 1.7 percent to SEK 12,780 million (13,007) and earnings per share to SEK 2.95 (3.00).

CAPEX decreased to SEK 10,285 million (10,872) and the CAPEX-to-sales ratio decreased to 13.7 percent (14.0). The CAPEX-to-sales ratio, excluding license and spectrum fees, decreased to 12.7 percent (13.7).

Free cash flow decreased to SEK 14,184 million (20,806). Free cash flow excluding dividends from MegaFon net of taxes was SEK 12,244 million (9,080).

Significant events in the third quarter

- On August 1, 2013, TeliaSonera announced that its Spanish subsidiary Yoigo had reached a series of agreements with Telefónica's subsidiary Movistar enabling Yoigo to sell combined fixed-mobile services to its customers. In addition, Movistar will be able to offer its customers better and faster mobile services on Yoigo's 4G network. In parallel Yoigo and Telefónica have reached an agreement with Abertis Telecom to acquire mobile telephone towers from Yoigo and Telefónica, with the aim to improve cost efficiency. The agreement is expected to be carried out in the fourth quarter of 2013 and will generate sales proceeds of EUR 60-70 million for Yoigo and reduce future operating costs.
- On August 15, 2013, TeliaSonera announced that Jonas Bengtsson had been appointed General Counsel of TeliaSonera.
- On August 29, 2013, TeliaSonera issued a Eurobond of EUR 350 million in a 20 year deal maturing in September 2033, under its existing EUR 11 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 3.558 percent per annum equivalent to Euro Mid-swaps +85 basis points.
- On September 1, 2013, Johan Dennelind assumed the position as President and CEO of TeliaSonera.
- On September 11, 2013, TeliaSonera announced that it had exited Nepal Satellite and focuses on Ncell, which reduces the business risk and complexity of TeliaSonera's involvement in Nepal. TeliaSonera reached an agreement to sell back its indirect ownership in Nepal Satellite, a regional operator in Nepal, to Zhodar Investment. The transaction generated a capital loss of SEK 389 million. Norton Rose Fulbright, K&L Gates and UBS were the principal advisors in the transaction.

Significant events after the end of the third quarter

- On October 3, 2013, TeliaSonera announced that Sverker Hannervall had been appointed acting President of business area Mobility Services. He assumed the position with immediate effect and remains in his current position as member of Group Management and Head of Business Services. He succeeded Tero Kivisaari, whose role in TeliaSonera's criticized investments in Uzbekistan, and the attention surrounding them, made it impossible for him to act with the internal and external authority necessary.

Positive margin trend in Mobility Services

- Reported sales growth continued to be impacted by lower regulated termination rates on all our markets. Billed revenue growth improved further in the quarter to 1.2 percent, helped by high demand for mobile data.
- Our new pricing models, with flat fees for unlimited voice and messaging, combined with bucket-pricing for data, gained further traction across Scandinavia. Billed revenue growth was positive in all three markets where these have been implemented.
- The EBITDA margin improved by 2.1 percentage points compared to the corresponding period last year, helped by reduced operating costs.

Financial highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2013	Jul-Sep 2012	Chg (%)	Jan-Sep 2013	Jan-Sep 2012	Chg (%)
Net sales	12,208	12,476	-2.1	36,090	37,557	-3.9
Chg % local FX ex acquisitions and disposals	-3.0			-2.5		
EBITDA excl. non-recurring items	3,834	3,658	4.8	11,065	11,018	0.4
Margin (%)	31.4	29.3		30.7	29.3	
Operating income	2,801	2,542	10.2	7,665	4,663	64.4
Operating income excl. non-recurring items	2,813	2,579	9.1	7,950	7,759	2.5
CAPEX	1,136	944	20.3	3,078	3,128	-1.6
Subscriptions, period-end (thousands)	20,718	20,170	2.7	20,718	20,170	2.7
Employees, period-end	6,373	6,747	-5.5	6,373	6,747	-5.5

Third quarter

Net sales in local currencies, excluding acquisitions and disposals, decreased 3.0 percent. In reported currency, net sales decreased 2.1 percent to SEK 12,208 million (12,476). The positive effect of exchange rate fluctuations was 0.9 percent.

In Sweden, net sales decreased 0.5 percent to SEK 4,159 million (4,180). Billed revenue growth improved further in the quarter with higher demand for mobile data, while total revenue growth continued to be affected by reduced regulated interconnect rates. Our new pricing models, with flat fees for unlimited voice and messaging, combined with bucket-pricing for data, accounted for close to 30 percent of new sales in the B2C and B2B segments combined.

In Finland, net sales in local currency decreased 7.2 percent to the equivalent of SEK 1,856 million (1,938). Lower interconnect rates continued to burden total revenue growth, but pressure on billed revenue eased further in the quarter with 38,000 post-paid subscriptions added in the quarter. There was a slight stabilization in the consumer market in the quarter, but price competition remained intense within the B2B area.

In Norway, net sales in local currency decreased 4.3 percent to the equivalent of SEK 1,713 million (1,866). Billed revenue growth turned positive in the quarter, while total sales were impacted by lower interconnect rates and reduced wholesale revenues.

Business area

Mobility Services

provides mobile tele-communication 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 decreased 4.2 percent to the equivalent of SEK 1,083 million (1,090), significantly impacted by reduced regulated interconnect. Billed revenue growth continued to increase, helped by primarily increased growth in data. The new price models contributed positively to ARPU and around 40 percent of the subscription base has been migrated.

In Estonia, Latvia and Lithuania, net sales in local currencies decreased 14.8 percent, 4.4 percent and 10.0 percent, respectively, to the equivalent of SEK 338 million (387), SEK 386 million (395) and SEK 291 million (313), respectively. All operations were burdened by pressure on billed revenues and impact from reduced interconnect rates. In Estonia and Lithuania sales were also affected by lower growth in equipment sales.

In Spain, net sales in local currency increased 1.1 percent to the equivalent of SEK 2,395 million (2,317). Reported revenue growth was significantly impacted by major reductions in regulated interconnect rates, but also billed revenue growth slowed as a result of higher pressure on voice revenues. The competitive environment is challenging and churn increased in the quarter.

The number of subscriptions increased by 0.5 million from the end of the third quarter of 2012 to 20.7 million. Growth was strongest in Spain and Sweden with an increase of 0.3 million and 0.1 million to 3.8 million and 6.6 million subscriptions, respectively. During the quarter the total number of subscriptions remained flat.

EBITDA, excluding non-recurring items, increased 4.5 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 4.8 percent to SEK 3,834 million (3,658). The EBITDA margin increased to 31.4 percent (29.3).

In Sweden, the EBITDA margin increased to 46.7 percent (44.1), largely due to improved gross margin in combination with reduced cost for personnel, IT and sales and marketing. In Finland, the EBITDA margin increased to 34.9 percent (30.3) helped by an improved gross margin as well as reduced operating expenses.

In Norway, the EBITDA margin increased to 34.7 percent (33.1), mainly explained by improved gross margin and reduced costs for subsidies and marketing. In Denmark, the EBITDA margin increased to 16.9 percent (12.6), helped by lower operating expenses.

The EBITDA margin in Estonia increased to 32.8 percent (29.2) due to higher gross margin. In Latvia and Lithuania, the EBITDA margins decreased to 30.8 percent (33.2) and 25.8 percent (27.5), respectively, as cost cuts did not offset the revenue decline.

In Spain, the EBITDA margin increased to 6.9 percent (6.2), partly helped by lower sales and marketing costs.

CAPEX increased to SEK 1,136 million (944) and the CAPEX-to-sales ratio increased to 9.3 percent (7.6). CAPEX, excluding licenses and spectrum fees, increased to SEK 1,136 million (944) and the CAPEX-to-sales ratio to 9.3 percent (7.6). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 2,698 million (2,714).

Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Jul-Sep 2013	Jul-Sep 2012	Chg (%)	Jan-Sep 2013	Jan-Sep 2012	Chg (%)
Net sales	12,208	12,476	-2.1	36,090	37,557	-3.9
of which Sweden	4,159	4,180	-0.5	12,484	12,677	-1.5
of which Finland	1,856	1,938	-4.2	5,556	6,153	-9.7
of which Norway	1,713	1,866	-8.2	5,115	5,724	-10.6
of which Denmark	1,083	1,090	-0.6	3,179	3,578	-11.2
of which Lithuania	291	313	-7.0	858	945	-9.2
of which Latvia	386	395	-2.3	1,117	1,168	-4.4
of which Estonia	338	387	-12.7	954	1,132	-15.7
of which Spain	2,395	2,317	3.4	6,865	6,204	10.7
EBITDA excl. non-recurring items	3,834	3,658	4.8	11,065	11,018	0.4
of which Sweden	1,944	1,843	5.5	5,685	5,548	2.5
of which Finland	647	588	10.0	1,987	1,916	3.7
of which Norway	594	617	-3.7	1,637	1,853	-11.7
of which Denmark	183	137	33.6	467	374	24.9
of which Lithuania	75	86	-12.8	226	268	-15.7
of which Latvia	119	131	-9.2	322	420	-23.3
of which Estonia	111	113	-1.8	305	336	-9.2
of which Spain	165	143	15.4	439	303	44.9
Margin (%), total	31.4	29.3		30.7	29.3	
Margin (%), Sweden	46.7	44.1		45.5	43.8	
Margin (%), Finland	34.9	30.3		35.8	31.1	
Margin (%), Norway	34.7	33.1		32.0	32.4	
Margin (%), Denmark	16.9	12.6		14.7	10.5	
Margin (%), Lithuania	25.8	27.5		26.3	28.4	
Margin (%), Latvia	30.8	33.2		28.8	36.0	
Margin (%), Estonia	32.8	29.2		32.0	29.7	
Margin (%), Spain	6.9	6.2		6.4	4.9	

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	-3.0	-2.5
Change (%), Sweden	-0.5	-1.5
Change (%), Finland	-7.2	-8.1
Change (%), Norway	-4.3	-7.4
Change (%), Denmark	-4.2	-9.2
Change (%), Lithuania	-10.0	-7.7
Change (%), Latvia	-4.4	-2.3
Change (%), Estonia	-14.8	-14.2
Change (%), Spain	1.1	12.6

High fiber demand and reduced costs in Broadband Services

- Revenue growth continued to be affected by a decline in traditional fixed line services combined with challenging market conditions in the B2B segment.
- Demand for fiber in the consumer segment was strong and deployment continued to pick up in the quarter. TeliaSonera strengthened its position as the number two player on the Swedish TV market and the new Play+ service on any device received further attention in the market.
- The addressable cost base decreased by 5.9 percent compared to the corresponding period last year, but this was not enough to compensate for the revenue decline.

Financial highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2013	Jul-Sep 2012	Chg (%)	Jan-Sep 2013	Jan-Sep 2012	Chg (%)
Net sales	8,252	8,644	-4.5	24,820	26,684	-7.0
Chg % local FX ex acquisitions and disposals	-2.4			-3.7		
EBITDA excl. non-recurring items	2,599	2,874	-9.6	7,478	8,464	-11.6
Margin (%)	31.5	33.2		30.1	31.7	
Operating income	1,304	1,629	-20.0	3,433	4,601	-25.4
Operating income excl. non-recurring items	1,405	1,671	-15.9	3,872	4,888	-20.8
CAPEX	1,217	1,202	1.2	3,113	3,805	-18.2
Subscriptions, period-end (thousands)						
Broadband	2,434	2,507	-2.9	2,434	2,507	-2.9
Fixed voice and VoIP	3,995	4,351	-8.2	3,995	4,351	-8.2
TV	1,398	1,289	8.5	1,398	1,289	8.5
Employees, period-end	12,518	13,606	-8.0	12,518	13,606	-8.0

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.

Third quarter

Net sales in local currencies, excluding acquisitions and disposals, decreased 2.4 percent. Net sales in reported currency decreased 4.5 percent to SEK 8,252 million (8,644). The positive effect of exchange rates was 0.9 percent and the negative impact from acquisitions and disposals was 3.0 percent.

In Sweden, net sales decreased 4.6 percent to SEK 4,660 million (4,883). The subscription base increased for all IP-based services, but continued to decline in traditional fixed telephony. Price pressure remained intense in the B2B segment with high activity in the public and large corporate segments. The roll-out of fiber to single homes gained further momentum and the number of new connections year to date has already passed last year's full year figure.

In Finland, net sales in local currency decreased 7.5 percent to the equivalent of SEK 1,273 million (1,335), mainly related to high competition in the B2B area and a decline in traditional fixed telephony.

In Denmark, net sales in local currency decreased 8.1 percent to the equivalent of SEK 248 million (261) explained by price pressure in the B2B segment.

In Estonia, net sales in local currency decreased 2.6 percent to the equivalent of SEK 439 million (439). In Lithuania, net sales in local currency decreased 4.5 percent to the equivalent of SEK 457 million (462). Broadband subscriptions increased on both markets, but were more than offset by a decline in traditional fixed telephony.

In International Carrier, net sales in local currencies increased 10.8 percent to the equivalent of SEK 1,422 million (1,289) related to higher volumes of voice traffic.

The number of subscriptions for broadband access decreased to 2.4 million, a decline of 73,000 from the third quarter of 2012, explained by the divestiture of NextGenTel in Norway with 184,000 subscriptions. During the quarter the number of subscriptions increased by 40,000.

The total number of TV subscriptions rose by 109,000 from the third quarter of 2012 and by 28,000 during the quarter to 1.4 million.

The number of traditional fixed voice subscriptions decreased by 387,000 from the end of the third quarter of 2012 to 2.8 million, and were down 97,000 during the quarter. The intake of VoIP subscriptions was 35,000 in the quarter, bringing the total number of VoIP subscriptions to 0.7 million.

EBITDA, excluding non-recurring items, decreased 8.9 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 9.6 percent to SEK 2,599 million (2,874). The EBITDA margin decreased to 31.5 percent (33.2).

In Sweden, the EBITDA margin decreased to 39.9 percent (40.7). Reduced operating expenses did not fully compensate for the revenue decline.

In Finland, the EBITDA margin decreased to 25.6 percent (28.6). In Denmark, the EBITDA margin decreased to 6.5 percent (11.1) partly explained by higher IT costs.

In Lithuania, the EBITDA margin decreased to 43.1 percent (43.5) and in Estonia the EBITDA margin decreased to 27.3 percent (28.2).

In International Carrier, the EBITDA margin decreased to 5.7 percent (8.4) mainly related to a higher share of low margin voice traffic.

CAPEX increased to SEK 1,217 million (1,202) and the CAPEX-to-sales ratio increased to 14.7 percent (13.9). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 1,382 million (1,672).

Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Jul-Sep 2013	Jul-Sep 2012	Chg (%)	Jan-Sep 2013	Jan-Sep 2012	Chg (%)
Net sales	8,252	8,644	-4.5	24,820	26,684	-7.0
of which Sweden	4,660	4,883	-4.6	14,202	14,941	-4.9
of which Finland	1,273	1,335	-4.6	3,884	4,199	-7.5
of which Norway	–	263	–	87	804	-89.2
of which Denmark	248	261	-5.0	740	825	-10.3
of which Lithuania	457	462	-1.1	1,347	1,441	-6.5
of which Estonia	439	439	0.0	1,257	1,310	-4.0
of which International Carrier	1,422	1,289	10.3	4,052	4,030	0.5
EBITDA excl. non-recurring items	2,599	2,874	-9.6	7,478	8,464	-11.6
of which Sweden	1,859	1,985	-6.3	5,303	5,918	-10.4
of which Finland	326	382	-14.7	921	1,095	-15.9
of which Norway	–	46	–	-4	136	–
of which Denmark	16	29	-44.8	66	95	-30.5
of which Lithuania	197	201	-2.0	572	597	-4.2
of which Estonia	120	124	-3.2	346	352	-1.7
of which International Carrier	81	108	-25.0	274	272	0.7
Margin (%), total	31.5	33.2	–	30.1	31.7	–
Margin (%), Sweden	39.9	40.7	–	37.3	39.6	–
Margin (%), Finland	25.6	28.6	–	23.7	26.1	–
Margin (%), Norway	–	17.5	–	-4.6	16.9	–
Margin (%), Denmark	6.5	11.1	–	8.9	11.5	–
Margin (%), Lithuania	43.1	43.5	–	42.5	41.4	–
Margin (%), Estonia	27.3	28.2	–	27.5	26.9	–
Margin (%), International Carrier	5.7	8.4	–	6.8	6.7	–

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	-2.4	-3.7
Change (%), Sweden	-4.6	-5.0
Change (%), Finland	-7.5	-5.9
Change (%), Norway	–	–
Change (%), Denmark	-8.1	-8.5
Change (%), Lithuania	-4.5	-5.0
Change (%), Estonia	-2.6	-2.4
Change (%), International Carrier	10.8	2.5

Solid growth and strong margins in Eurasia

- Organic sales growth remained double digit with data growing its share as of revenues on all markets. Growth in Uzbekistan remained high but slowed compared to the levels reported in the first half of 2013, explained by tougher comparable numbers following the exit of competitor in the third quarter last year.
- The EBITDA margin increased by 3.6 percentage points to 53.9 percent, explained by cost saving actions.

Financial highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2013	Jul-Sep 2012	Chg (%)	Jan-Sep 2013	Jan-Sep 2012	Chg (%)
Net sales	5,292	5,133	3.1	15,173	14,508	4.6
Chg % local FX ex acquisitions and disposals	11.1			12.9		
EBITDA excl. non-recurring items	2,853	2,584	10.4	8,022	7,324	9.5
Margin (%)	53.9	50.3		52.9	50.5	
Income from associated companies	1,477	804	83.7	4,230	6,563	-35.5
of which Russia	793	173		2,238	4,963	-54.9
of which Turkey	675	631	7.0	1,979	1,607	23.1
Operating income	3,167	2,615	21.1	9,288	11,677	-20.5
Operating income excl. non-recurring items	3,574	2,652	34.8	9,923	8,622	15.1
CAPEX	1,472	855	72.2	3,444	3,255	5.8
Subscriptions, period-end (thousands)						
Subsidiaries	44,138	41,152	7.3	44,138	41,152	7.3
Associated companies	112,200	108,400	3.5	112,200	108,400	3.5
Employees, period-end	5,007	5,043	-0.7	5,007	5,043	-0.7

Consolidated operations

Net sales in local currencies, excluding acquisitions and disposals, increased 11.1 percent. Net sales in reported currency increased 3.1 percent to SEK 5,292 million (5,133). The negative effect from exchange rate fluctuations was 8.3 percent. The positive effect from acquisitions and disposals was 0.3 percent.

In Kazakhstan, net sales in local currency increased 3.0 percent to the equivalent of SEK 2,099 million (2,131). There was further pressure on voice services, but revenue growth was boosted by strong growth for data. The overall market remained competitive, but no new major aggressive campaigns were launched in the quarter.

In Azerbaijan, net sales in local currency increased 5.4 percent to the equivalent of SEK 1,001 million (982). Billed revenue growth improved in the quarter, partly explained by somewhat easier comparable number due to promotional campaigns last year.

In Uzbekistan, net sales in local currency increased 36.6 percent to the equivalent of SEK 813 million (684). The overall growth rate slowed compared to the levels reported in the first half of 2013, explained by tougher comparable numbers as a competitor exited the market in the third quarter of 2012.

In Tajikistan, net sales in local currency increased 10.0 percent to the equivalent of SEK 252 million (242). Billed revenue growth improved as a result of favorable development for both voice and data services.

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 decreased 9.0 percent to the equivalent of SEK 248 million (283), mainly explained by a lower subscription base related to a lost government tender in the first half of 2013.

In Moldova, net sales in local currency increased 2.9 percent to the equivalent of SEK 136 million (140) as both voice and data revenues continued to grow. The number of subscriptions declined in the quarter as inactive subscriptions were removed.

In Nepal, net sales in local currency increased 28.6 percent to the equivalent of SEK 749 million (669) helped by a higher number of subscriptions and strong growth for data.

The number of subscriptions in the consolidated operations was 44.1 million, an increase by 3.0 million, from the end of the third quarter of 2012. Growth was strongest in Nepal and Kazakhstan with a rise of 2.2 million and 1.6 million to 10.8 million and 14.3 million subscriptions, respectively. During the third quarter, the total number of subscriptions in the consolidated operations increased by 0.9 million. Nepal and Uzbekistan showed the largest rises with an increase of 0.4 million and 0.4 million subscriptions, respectively.

EBITDA, excluding non-recurring items, increased 18.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 10.4 percent to SEK 2,853 million (2,584). The EBITDA margin increased to 53.9 percent (50.3).

In Kazakhstan, the EBITDA margin decreased to 54.6 percent (56.3), due to lower gross margin driven by network related expenses. In Azerbaijan, the EBITDA margin increased to 54.9 percent (50.3), helped by improved gross margin and cost saving actions.

In Uzbekistan, the EBITDA margin increased to 56.1 percent (39.8), boosted by higher revenues and good cost control. In Tajikistan, the EBITDA margin increased to 52.4 percent (52.1), helped by reduced operating expenses.

In Georgia, the EBITDA margin increased to 43.5 percent (42.4), supported by lower subsidies and sales commission costs. In Moldova, the EBITDA margin decreased to 37.5 percent (37.9), due largely to a reduced gross margin.

In Nepal, the EBITDA margin increased to 56.9 percent (54.3), helped by continued revenue growth.

CAPEX increased to SEK 1,472 million (855) and the CAPEX-to-sales ratio increased to 27.8 percent (16.7). CAPEX, excluding licenses and spectrum fees, increased to SEK 1,086 million (853) and the CAPEX-to-sales ratio to 20.5 percent (16.6). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 1,381 million (1,729).

Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Jul-Sep 2013	Jul-Sep 2012	Chg (%)	Jan-Sep 2013	Jan-Sep 2012	Chg (%)
Net sales	5,292	5,133	3.1	15,173	14,508	4.6
of which Kazakhstan	2,099	2,131	-1.5	6,000	6,097	-1.6
of which Azerbaijan	1,001	982	1.9	2,866	2,950	-2.8
of which Uzbekistan	813	684	18.9	2,297	1,620	41.8
of which Tajikistan	252	242	4.1	698	683	2.2
of which Georgia	248	283	-12.4	688	764	-9.9
of which Moldova	136	140	-2.9	383	396	-3.3
of which Nepal	749	669	12.0	2,256	2,000	12.8
EBITDA excl. non-recurring items	2,853	2,584	10.4	8,022	7,324	9.5
of which Kazakhstan	1,146	1,200	-4.5	3,275	3,444	-4.9
of which Azerbaijan	550	494	11.3	1,408	1,480	-4.9
of which Uzbekistan	456	272	67.6	1,277	582	119.4
of which Tajikistan	132	126	4.8	357	346	3.2
of which Georgia	108	120	-10.0	299	299	0.0
of which Moldova	51	53	-3.8	139	140	-0.7
of which Nepal	426	363	17.4	1,344	1,164	15.5
Margin (%), total	53.9	50.3		52.9	50.5	
Margin (%), Kazakhstan	54.6	56.3		54.6	56.5	
Margin (%), Azerbaijan	54.9	50.3		49.1	50.2	
Margin (%), Uzbekistan	56.1	39.8		55.6	35.9	
Margin (%), Tajikistan	52.4	52.1		51.1	50.7	
Margin (%), Georgia	43.5	42.4		43.5	39.1	
Margin (%), Moldova	37.5	37.9		36.3	35.4	
Margin (%), Nepal	56.9	54.3		59.6	58.2	

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	11.1	12.9
Change (%), Kazakhstan	3.0	3.7
Change (%), Azerbaijan	5.4	1.5
Change (%), Uzbekistan	36.6	63.8
Change (%), Tajikistan	10.0	7.3
Change (%), Georgia	-9.0	-5.6
Change (%), Moldova	2.9	4.6
Change (%), Nepal	28.6	27.5

Associated companies – Russia

MegaFon (associated company, in which TeliaSonera holds 25.2 percent and consolidates 27.2 percent, reported with one-quarter lag) in Russia reported a subscription base of 66.0 million, an increase of 2.4 million compared to the corresponding period last year and 1.2 million higher than the previous quarter.

TeliaSonera's income from Russia increased to SEK 793 million (173). The contribution last year was impacted by high interest expenses and negative effect from exchange rates. The Russian ruble depreciated 5.5 percent against the Swedish krona which had a negative impact of SEK 46 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 34.7 million, stable compared to the corresponding period last year and a decrease by 0.2 million subscriptions compared to the previous quarter. In Ukraine, the number of subscriptions increased by 1.4 million to 11.5 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 675 million (631). The Turkish lira depreciated 3.1 percent against the Swedish krona, which had a negative impact of SEK 22 million.

Other operations

Financial highlights

SEK in millions, except changes	Jul-Sep 2013	Jul-Sep 2012	Chg (%)	Jan-Sep 2013	Jan-Sep 2012	Chg (%)
Net sales	815	793	2.8	2,590	2,746	-5.7
EBITDA excl. non-recurring items	133	160	-16.9	291	341	-14.7
Income from associated companies	0	-2		1	-35	
Operating income	-142	-31		-484	-390	
Operating income excl. non-recurring items	-72	-30		-312	-245	
CAPEX	202	248	-18.5	651	693	-6.1

Net sales in local currencies, excluding acquisitions and disposals, increased 1.2 percent. In reported currency, net sales increased 2.8 percent to SEK 815 million (793).

EBITDA, excluding non-recurring items, decreased 16.9 percent to SEK 133 million (160) in reported currency.

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.

Stockholm, October 17, 2013

Johan Dennelind
President and CEO

Report of Review of Interim Financial Information

Introduction

We have reviewed this report for the period January 1, 2013 to September 30, 2013 for TeliaSonera AB. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report 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 International Standards on Auditing, ISA, 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.

Conclusion

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

Stockholm, October 17, 2013

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor in charge

Jeanette Skoglund
Authorized Public Accountant

Condensed Consolidated Statements of Comprehensive Income

SEK in millions, except per share data, number of shares and changes	Jul-Sep 2013	Jul-Sep 2012 ¹⁾	Chg (%)	Jan-Sep 2013	Jan-Sep 2012 ¹⁾	Chg (%)
Net sales	25,381	25,842	-1.8	75,197	77,829	-3.4
Cost of sales	-13,823	-14,099	-2.0	-41,775	-42,896	-2.6
Gross profit	11,558	11,743	-1.6	33,422	34,933	-4.3
Selling, admin. and R&D expenses	-5,447	-5,808	-6.2	-16,597	-18,009	-7.8
Other operating income and expenses, net	-484	-6		-1,220	-2,975	-59.0
Income from associated companies and joint ventures	1,503	833	80.4	4,297	6,625	-35.1
Operating income	7,130	6,762	5.4	19,902	20,574	-3.3
Finance costs and other financial items, net	-752	-977	-23.0	-2,355	-3,114	-24.4
Income after financial items	6,378	5,785	10.3	17,547	17,460	0.5
Income taxes	-1,243	-1,432	-13.2	-3,475	-3,459	0.5
Net income	5,135	4,353	18.0	14,072	14,001	0.5
Items that may be reclassified to net income:						
Foreign currency translation differences	-4,178	-4,474		-4,708	-3,554	
Income from associate companies and joint ventures	-46	-36		-120	-322	
Cash flow hedges	132	65		402	66	
Available-for-sale financial instruments	1	24		1	25	
Income tax relating to items that will be reclassified	-162	-554		47	-800	
Items that will not be reclassified to net income:						
Remeasurements of defined benefit pension plans	1,257	-1,915		3,052	-1,708	
Income tax relating to items that will not be reclassified	-291	504		-686	450	
Associates' remeasurements of defined benefit pension plans	-18	-		-9	-	
Other comprehensive income	-3,305	-6,386		2,021	-5,843	
Total comprehensive income	1,830	-2,033		12,051	8,158	
Net income attributable to:						
Owners of the parent	4,641	4,032		12,780	13,007	
Non-controlling interests	494	321		1,292	994	
Total comprehensive income attributable to:						
Owners of the parent	1,556	-1,681		10,950	7,329	
Non-controlling interests	274	-352		1,101	829	
Earnings per share (SEK), basic and diluted	1.07	0.93		2.95	3.00	
Number of shares (thousands)						
Outstanding at period-end	4,330,085	4,330,085		4,330,085	4,330,085	
Weighted average, basic and diluted	4,330,085	4,330,085		4,330,085	4,330,085	
EBITDA	8,829	9,167		25,347	26,794	
EBITDA excl. non-recurring items	9,419	9,283		26,856	27,169	
Depreciation, amortization and impairment losses	-3,201	-3,239		-9,742	-12,845	
Operating income excl. non-recurring items	7,721	6,878		21,434	21,046	

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

Condensed Consolidated Statements of Financial Position

SEK in millions	Sep 30, 2013	Dec 31, 2012 ¹⁾
Assets		
Goodwill and other intangible assets	81,037	83,278
Property, plant and equipment	62,434	62,657
Investments in associates and joint ventures, deferred tax assets and other non-current assets	37,276	38,858
Long-term interest-bearing receivables	8,802	10,880
<i>Total non-current assets</i>	189,549	195,673
Inventories	1,448	1,623
Trade receivables, current tax assets and other receivables	20,053	22,298
Short-term interest-bearing receivables	4,186	3,647
Cash and cash equivalents	27,211	29,805
<i>Total current assets</i>	52,898	57,373
Total assets	242,447	253,046
Equity and liabilities		
Equity attributable to owners of the parent	104,009	105,150
Equity attributable to non-controlling interests	4,308	3,956
<i>Total equity</i>	108,317	109,106
Long-term borrowings	76,617	82,184
Deferred tax liabilities, other long-term provisions	21,786	25,035
Other long-term liabilities	1,149	1,190
<i>Total non-current liabilities</i>	99,552	108,409
Short-term borrowings	10,018	9,403
Trade payables, current tax liabilities, short-term provisions and other current liabilities	24,560	26,128
<i>Total current liabilities</i>	34,578	35,531
Total equity and liabilities	242,447	253,046

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

Condensed Consolidated Statements of Cash Flows

SEK in millions	Jul-Sep 2013 ³⁾	Jul-Sep 2012 ¹⁾	Jan-Sep 2013 ³⁾	Jan-Sep 2012 ^{1,2)}
Cash flow before change in working capital	10,472	7,845	23,800	33,133
Change in working capital	590	-780	-133	-1,937
Cash flow from operating activities	11,062	7,065	23,667	31,196
Cash CAPEX	-3,754	-3,240	-9,483	-10,390
Free cash flow	7,308	3,825	14,184	20,806
Cash flow from other investing activities	1,077	-153	193	719
Total cash flow from investing activities	-2,677	-3,393	-9,290	-9,671
Cash flow before financing activities	8,385	3,672	14,377	21,525
Cash flow from financing activities	505	-2,312	-17,061	-22,694
Cash flow for the period	8,890	1,360	-2,684	-1,169
Cash and cash equivalents, opening balance	18,128	10,110	29,805	12,631
Cash flow for the period	8,890	1,360	-2,684	-1,169
Exchange rate differences	193	-181	90	-173
Cash and cash equivalents, closing balance	27,211	11,289	27,211	11,289

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

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

3) Including dividends from MegaFon net of taxes of SEK 1,940 million.

Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Sep 2013			Jan-Sep 2012		
	Owners of the parent	Non-controlling interests	Total equity	Owners of the parent	Non-controlling interests	Total equity
Opening balance	105,149	3,956	109,105	115,589	7,353	122,942
Change in accounting policy for defined benefit pension plans ¹⁾	–	–	–	-2,878	–	-2,878
Adjustment of opening balance related to Turkcell (inflation accounting in Belarus)	–	–	–	110	–	110
Dividends	-12,340	-749	-13,089	-12,341	-2,371	-14,712
Business combinations	–	–	–	–	17	17
Repurchased treasury shares	-4	–	-4	–	–	–
Acquisition of non-controlling interest	–	–	–	-10,803	-1,986	-12,789
Other transactions with owners	–	–	–	–	-35	-35
Total comprehensive income	10,950	1,101	12,051	7,329	829	8,158
Share-based payments	14	–	14	13	–	13
Effect of equity transactions in associates	240	–	240	–	–	–
Closing balance	104,009	4,308	108,317	97,019	3,807	100,826

1) See reference below.

Basis of Preparation

General

As in the annual accounts for 2012, TeliaSonera's consolidated financial statements of and for the nine-month period ended September 30, 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 2013

For information, see corresponding section in TeliaSonera's Interim Report January-March 2013.

Non-recurring Items

SEK in millions	Jul-Sep 2013	Jul-Sep 2012	Jan-Sep 2013	Jan-Sep 2012
Within EBITDA	-590	-115	-1,509	-374
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-11	-15	-285	-37
Broadband Services	-102	-40	-419	-283
Eurasia	-19	-37	-247	-144
Other operations	-69	-2	-171	-108
of which TeliaSonera Holding	3	2	6	-59
Capital gains/losses	-389	-21	-387	198
Within Depreciation, amortization and impairment losses	-1	-1	-23	-3,099
Impairment losses, accelerated depreciation:				
Broadband Services	-1	-2	-23	-4
Mobility Services	-	-	-	-3,070
Other operations	-	1	-	-25
Within Income from associated companies and joint ventures	-	-	-	3,002
Impairment losses	-	-	-	-
Capital gains/losses	-	-	-	3,002
Total	-591	-116	-1,532	-471

Deferred Taxes

SEK in millions	Sep 30, 2013	Dec 31, 2012 ¹⁾
Deferred tax assets	6,198	7,410
Deferred tax liabilities	-10,050	-10,287
Net deferred tax liabilities (-)/assets (+)	-3,852	-2,877

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

Segment and Group Operating Income

SEK in millions	Jul-Sep 2013	Jul-Sep 2012 ¹⁾	Jan-Sep 2013	Jan-Sep 2012 ¹⁾
Mobility Services	2,801	2,542	7,665	4,663
Broadband Services	1,304	1,629	3,433	4,601
Eurasia	3,167	2,615	9,288	11,677
Other operations	-142	-31	-484	-390
Total segments	7,130	6,755	19,902	20,551
Elimination of inter-segment profits	-	7	-	23
Group	7,130	6,762	19,902	20,574

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

Investments

SEK in millions	Jul-Sep 2013	Jul-Sep 2012	Jan-Sep 2013	Jan-Sep 2012
CAPEX	4,027	3,240	10,285	10,872
Intangible assets	669	483	1,652	1,560
Property, plant and equipment	3,358	2,757	8,633	9,312
Acquisitions and other investments	11	126	1,206	1,521
Asset retirement obligations	6	92	53	290
Goodwill and fair value adjustments	–	34	986	1,206
Equity holdings	5	0	167	25
Total	4,038	3,366	11,491	12,393

Financial Instruments – Fair Values

SEK in millions	Sep 30, 2013		Dec 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
Long-term and Short-term Borrowings¹⁾				
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	18,819	18,819	17,600	17,600
Interest rate swaps at fair value	244	244	340	340
Cross currency interest rate swaps at fair value	1,665	1,665	1,956	1,956
Subtotal	20,728	20,728	19,896	19,896
Open-market financing program borrowings	54,545	61,588	59,915	71,146
Other borrowings at amortized cost	1,285	1,285	2,311	2,311
Subtotal	76,558	83,601	82,122	93,353
Finance lease agreements	59	59	62	62
Total long-term borrowings	76,617	83,660	82,184	93,415
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	2,626	2,626	401	401
Interest rate swaps designated as hedging instruments	27	27	29	29
Interest rate swaps held for trading	43	43	42	42
Cross currency interest rate swaps held for trading	–	–	343	343
Subtotal	2,696	2,696	815	815
Utilized bank overdraft and short-term credit facilities at amortized cost	1,906	1,906	423	423
Open-market financing program borrowings	5,322	5,402	5,204	5,285
Other borrowings at amortized cost	91	64	2,958	2,909
Subtotal	10,015	10,068	9,400	9,432
Finance lease agreements	3	3	3	3
Total short-term borrowings	10,018	10,071	9,403	9,435

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 ¹⁾ SEK in millions	Sep 30, 2013				Dec 31, 2012			
	Carrying value	of which			Carrying value	of which		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets at fair value								
Equity instruments available-for-sale	186	—	—	186	189	—	—	189
Equity instruments held-for-trading	70	—	—	70	69	—	—	69
Bonds available-for-sale	174	172	—	2	4	—	—	4
Derivatives designated as hedging instruments	1,259	—	1,259	—	1,790	—	1,790	—
Derivatives held-for-trading	670	—	670	—	570	—	569	—
Total financial assets at fair value by level	2,359	172	1,929	258	2,622	—	2,359	262
Financial liabilities at fair value								
Borrowings in fair value hedge relationships	21,556	—	21,556	—	18,001	—	18,001	—
Derivatives designated as hedging instruments	429	—	429	—	802	—	802	—
Derivatives held-for-trading	1,550	—	1,550	—	2,044	—	2,044	—
Total financial liabilities at fair value by level	23,535	—	23,535	—	20,847	—	20,847	—

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 nine-month period ended September 30, 2013, TeliaSonera purchased services for SEK 92 million, and sold services for SEK 140 million. Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

Net Debt

SEK in millions	Sep 30, 2013	Dec 31, 2012
Long-term and short-term borrowings	86,635	91,586
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit collateral	-2,319	-2,175
Less short-term investments, cash and bank	-27,534	-29,968
Net debt	56,782	59,443

Loan Financing and Credit Rating

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.

Despite worries in US for central bank downsizing their asset purchasing program with increased interest rate volatility as an effect, the corporate credit market in Europe had a robust third quarter with healthy new issuance volume and stable credit spreads. New issuance volumes in EUR however were well below third quarter last year mainly due to a very active third quarter 2012.

TeliaSonera issued a EUR 350 million 20 year public transaction end of August with a coupon of 3.50 percent. With limited funding needs for the remaining year, the opportunistic approach remains to take advantage of attractive funding opportunities when they appear.

Financial Key Ratios

	Sep 30, 2013	Dec 31, 2012 ¹⁾
Return on equity (%, rolling 12 months)	21.5	20.5
Return on capital employed (%, rolling 12 months)	16.2	14.9
Equity/assets ratio (%)	40.9	38.2
Net debt/equity ratio (%)	57.3	61.4
Net debt/EBITDA rate excl. non-recurring items (multiple, rolling 12 months)	1.58	1.64
Net debt/assets ratio	23.4	23.5
Owners' equity per share (SEK)	24.0	24.3

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

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 5,885 million, MegaFon shares held by TCI, representing 4.9 percent of the issued 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 September 30, 2013, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 344 million, of which SEK 317 million referred to guarantees for pension obligations. Collateral pledged totaled SEK 208 million.

Contractual Obligations and Commitments

As of September 30, 2013, contractual obligations totaled SEK 2,294 million, of which SEK 1,326 million referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

Business Combinations

For information on business combinations during the nine-month period, see corresponding sections in TeliaSonera's Interim Report January-June 2013 and Interim Report January-March 2013.

Parent Company

Condensed Income Statements SEK in millions	Jul-Sep 2013	Jul-Sep 2012	Jan-Sep 2013	Jan-Sep 2012
Net sales	1	16	6	47
Operating income	110	-136	-102	-98
Income after financial items	2,938	3,239	17,307	13,934
Income before taxes	2,764	2,926	18,069	13,834
Net income	2,148	2,169	17,066	12,238

For the nine-month period ended September 30, 2013, income after financial items improved as higher non-taxable dividends from subsidiaries more than compensated for negative foreign currency effects.

Condensed Balance Sheets SEK in millions	Sep 30, 2013	Dec 31, 2012
Non-current assets	183,847	202,089
Current assets	56,567	63,876
Total assets	240,414	265,965
Shareholders' equity	86,911	81,871
Untaxed reserves	11,968	12,730
Provisions	798	539
Liabilities	140,737	170,825
Total equity and liabilities	240,414	265,965

Total investments in the period were SEK 35 million (21,479), of which SEK 21 million (21,448) referred to shareholder contributions to subsidiaries and associates.

In 2012, the parent company's shares in Telecominvest (TCI) were sold to AF Telecom Holding (AFT). The purchase price has not been fully paid by AFT and in order to secure the value of the parent company's receivable, presently SEK 5,885 million, MegaFon shares held by TCI, representing 4.9 percent of the issued shares in MegaFon, are presently pledged to the parent company. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to the parent company.

Risks and Uncertainties

TeliaSonera operates in a broad range of 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, including 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 7 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.

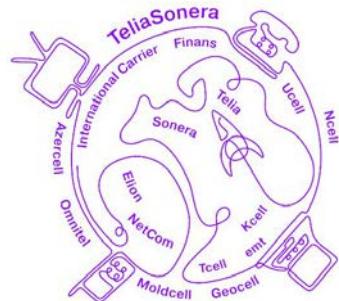
Forward-looking Statements

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.



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.

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 2012, unless otherwise stated.

Financial calendar

Year-end Report January–December 2013	January 30, 2014
Annual General Meeting 2014	April 2, 2014
Interim Report January–March 2014	April 23, 2014
Interim Report January–June 2014	July 17, 2014
Interim Report January–September 2014	October 17, 2014
Year-end Report January–December 2014	January 29, 2015

Questions regarding the reports

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