

Positive organic sales growth and higher margin

Q2
2013

Second quarter summary

- Net sales in local currencies, excluding acquisitions and disposals, increased 0.4 percent. In reported currency, net sales decreased 3.9 percent to SEK 25,274 million (26,294).
- The addressable cost base in local currencies, excluding acquisitions and disposals, decreased 4.1 percent. In reported currency, the addressable cost base decreased 6.6 percent to SEK 7,165 million (7,672).
- EBITDA, excluding non-recurring items, increased 3.3 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 1.2 percent to SEK 8,928 million (9,034). The EBITDA margin, excluding non-recurring items, increased to 35.3 percent (34.4).
- Operating income, excluding non-recurring items, decreased 2.8 percent to SEK 7,085 million (7,286). Operating income decreased 10.8 percent to 6,283 million (7,044), including non-recurring items of SEK -802 million (-242).
- Net income attributable to owners of the parent company decreased 16.9 percent to SEK 4,031 million (4,852).
- Earnings per share decreased to SEK 0.93 (1.12).
- Free cash flow was SEK 4,462 million (3,062, excluding dividends from MegaFon net of taxes of SEK 11,726 million).
- Group outlook for 2013 is unchanged.

First half summary

- Net sales in local currencies, excluding acquisitions and disposals, decreased 0.3 percent. In reported currency, net sales decreased 4.2 percent to SEK 49,816 million (51,987).
- Net income attributable to owners of the parent company decreased 9.3 percent to SEK 8,139 million (8,974) and earnings per share to SEK 1.88 (2.07).
- Free cash flow was SEK 6,876 million (5,255, excluding dividends from MegaFon net of taxes of SEK 11,726 million).

Financial highlights

SEK in millions, except key ratios, per share data and changes	Apr-Jun 2013	Apr-Jun 2012	Chg (%)	Jan-Jun 2013	Jan-Jun 2012	Chg (%)
Net sales	25,274	26,294	-3.9	49,816	51,987	-4.2
Change % local FX ex acquisitions and disposals	0.4			-0.3		
Addressable cost base ¹⁾	7,165	7,672	-6.6	14,154	15,104	-6.3
Change % local FX ex acquisitions and disposals	-4.1			-2.6		
EBITDA ¹⁾ excl. non-recurring items ²⁾	8,928	9,034	-1.2	17,437	17,886	-2.5
Margin (%)	35.3	34.4		35.0	34.4	
Operating income	6,283	7,044	-10.8	12,772	13,812	-7.5
Operating income excl. non-recurring items	7,085	7,286	-2.8	13,713	14,168	-3.2
Net income	4,438	5,132	-13.5	8,937	9,647	-7.4
of which attributable to owners of the parent	4,031	4,852	-16.9	8,139	8,974	-9.3
Earnings per share (SEK)	0.93	1.12	-17.0	1.88	2.07	-9.2
Return on equity (%), rolling 12 months)	20.1	19.1		20.1	19.1	
CAPEX-to-sales (%)	14.0	17.0		12.6	14.7	
Free cash flow	4,462	14,788		6,876	16,981	

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

Comments by Per-Arne Blomquist, President and CEO

“In the second quarter, organic revenue growth turned positive and margins improved further. TeliaSonera continues to lead the industry change in our markets by shifting away from minute based voice pricing, to new data centric models. In addition, we maintain focus on securing our long term profitability by implementing efficiency measures and investing for the future in 4G and fiber.

In Mobility Services, revenue pressure eased somewhat and margins strengthened, supported by higher billed revenue and reduced costs. It is particularly encouraging that our Danish operations reported an increase in billed revenues, as the market has been challenging for years. However, lower regulated interconnect rates continued to put pressure on revenues in all markets. In Broadband Services, the fiber roll-out regained momentum and in Sweden customer demand currently exceeds our ability to deliver. The cost base decreased, but not enough to fully compensate for the revenue decline. In Eurasia, organic revenue growth remained around 14 percent, supported by increasing data consumption and subscription growth. Margins continued to improve as a result of further cost savings. In Nepal, we reached a new milestone by passing 10 million subscriptions.

In Sweden, Norway and Denmark we launched new mobile offers to consumers, with flat fees for voice and messaging service together with bucket priced data related to usage. In Sweden, our consumer offer continued to attract more than 20 percent of new sales and a similar package is also available for the SME segment. In total, we have gained about 180,000 new subscriptions on the new price plans in Scandinavia and the initial findings are promising.

Network quality and capacity are crucial to meet the exploding demand for data; therefore we will further invest in 4G and mobile coverage, expand within fiber and selectively target acquisitions of existing fiber networks in our home markets. We will significantly expand our 4G network in Sweden, targeting 92 percent geographic coverage in the next two years, utilizing existing 2G/3G infrastructure to ensure a cost efficient roll-out. Coverage is prioritized across the group and our Estonian operation extended its 4G network significantly in the quarter and has currently the best national 4G coverage in Europe.

We continue to implement our cost savings program launched at the end of last year and approximately 1,050 of the targeted 1,800 employees have been given notice year to date. Savings are expected to be further visible in the second half of this year and we remain committed to reducing the cost base by SEK 2 billion net by the end of 2014.

The ownership disputes in our associated company Turkcell continues with two failed AGMs in the quarter. We welcome the decision on July 9, by the Privy Council, stating the terms under which Çukurova can recover the disputed shares in Turkcell Holding from Altimo, an important step in resolving the deadlock. It is crucial that corporate governance is restored in Turkcell and we fully support a resumption of dividend payments.

The above mentioned activities prove that we are executing on our strategy, targeting the best customer experience, high-quality networks and cost-efficient operations. Based on the performance for the first six 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 the coming two years. The savings amounted to SEK 0.2 billion in 2012 and additional SEK 0.4 billion was recorded in the first six months of 2013.

During 2013, 1,800 employees in the Nordics and Baltics will be affected and close to 1,050 people have been given notice year to date.

Total costs for the reductions in 2013 are estimated to SEK 1.7 billion, of which SEK 0.7 billion have been recorded year to date. The efficiency measures will be completed by early 2014 at the latest.

Review of the Group, second quarter 2013

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, increased 0.4 percent. In reported currency, net sales decreased 3.9 percent to SEK 25,274 million (26,294). The negative effect of exchange rate fluctuations was 3.4 percent and the negative effect of acquisitions and disposals was 0.9 percent.

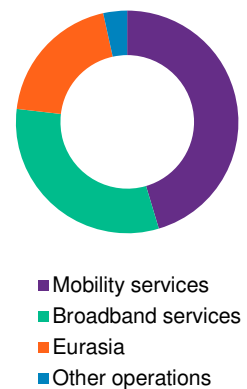
In Mobility Services, net sales in local currencies, excluding acquisitions and disposals, decreased 1.8 percent. In reported currency, net sales decreased 4.5 percent to SEK 12,014 million (12,581).

In Broadband Services, net sales in local currencies, excluding acquisitions and disposals, decreased 3.6 percent. In reported currency, net sales decreased 8.1 percent to SEK 8,325 million (9,054).

In Eurasia, net sales in local currencies, excluding acquisitions and disposals, increased 14.3 percent. Net sales in reported currency increased 5.4 percent to SEK 5,197 million (4,930).

The number of subscriptions increased by 9.5 million from the end of the second quarter of 2012 to 183.6 million. In the consolidated operations the number of subscriptions increased by 6.3 million to 71.8 million. In the associated companies, the number of subscriptions increased by 3.2 million to 111.8 million. During the second quarter, the total

Net sales per Business area



number of subscriptions increased by 1.4 million in the consolidated operations and remained unchanged in the associated companies.

The addressable cost base in local currencies, excluding acquisitions and disposals, decreased 4.1 percent. In reported currency, the addressable cost base decreased 6.6 percent to SEK 7,165 million (7,672).

EBITDA, excluding non-recurring items, increased 3.3 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 1.2 percent to SEK 8,928 million (9,034). The EBITDA margin, excluding non-recurring items, increased to 35.3 percent (34.4).

Operating income, excluding non-recurring items, decreased 2.8 percent to SEK 7,085 million (7,286). Income from associated companies, excluding non-recurring items, decreased to SEK 1,471 million (1,543).

Non-recurring items affecting operating income totaled SEK -802 million (-242), mainly related to efficiency measures.

Financial items totaled SEK -764 million (-998) of which SEK -721 million (-765) related to net interest expenses.

Income taxes increased to SEK 1,081 million (914). The effective tax rate was 19.6 percent (15.1). The increase is mainly a result of the MegaFon transactions reducing taxes in 2012.

Non-controlling interests in subsidiaries increased to SEK 407 million (280) of which SEK 365 million (217) was related to the Eurasian operations and SEK 33 million (52) to LMT and TEO.

Net income attributable to owners of the parent company decreased 16.9 percent to SEK 4,031 million (4,852) and earnings per share to SEK 0.93 (1.12).

CAPEX decreased to SEK 3,539 million (4,457) and the CAPEX-to-sales ratio decreased to 14.0 percent (17.0). The CAPEX-to-sales ratio, excluding license and spectrum fees, decreased to 13.2 percent (16.2).

Free cash flow was SEK 4,462 million (3,062, excluding dividends from MegaFon net of taxes of SEK 11,726 million).

Net debt increased to SEK 66,151 million at the end of the second quarter (55,275 at the end of the first quarter of 2013). The net debt/EBITDA ratio was 1.85 (1.54 at the end of the first quarter of 2013).

The equity/assets ratio was 41.2 percent (39.1 percent at the end of the first quarter of 2013).

Review of the Group, first half 2013

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, decreased 0.3 percent. In reported currency, net sales decreased 4.2 percent to SEK 49,816 million (51,987). The negative effect of exchange rate fluctuations was 3.2 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 2.6 percent. In reported currency, the addressable cost base decreased 6.3 percent to SEK 14,154 million (15,104).

EBITDA, excluding non-recurring items, increased 1.4 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 2.5 percent to SEK 17,437 million (17,886). The EBITDA margin, excluding non-recurring items, increased to 35.0 percent (34.4).

Operating income, excluding non-recurring items, decreased 3.2 percent to SEK 13,713 million (14,168). Income from associated companies, excluding non-recurring items, increased to SEK 2,794 million (2,789).

Non-recurring items affecting operating income totaled SEK -941 million (-355), mainly related to efficiency measures.

Financial items totaled SEK -1,603 million (-2,138) of which SEK -1,527 million (-1,662) related to net interest expenses.

Income taxes increased to SEK 2,232 million (2,027). The effective tax rate was 20.0 percent (17.4). The increase is mainly a result of the MegaFon transactions reducing taxes in 2012.

Non-controlling interests in subsidiaries increased to SEK 798 million (673) of which SEK 719 million (546) was related to the Eurasian operations and SEK 61 million (108) to LMT and TEO.

Net income attributable to owners of the parent company decreased 9.3 percent to SEK 8,139 million (8,974) and earnings per share to SEK 1.88 (2.07).

CAPEX decreased to SEK 6,258 million (7,632) and the CAPEX-to-sales ratio decreased to 12.6 percent (14.7). The CAPEX-to-sales ratio, excluding license and spectrum fees, decreased to 11.9 percent (14.2).

Free cash flow was SEK 6,876 million (5,255, excluding dividends from MegaFon net of taxes of SEK 11,726 million.)

Significant events in the second quarter

- On April 2, 2013, TeliaSonera announced that it continues to develop 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 Kallasvujo (re-elected), Vice-Chairman, Mats Jansson, Mikko Kosonen, Nina Linander, Martin Lorentzon, Per-Arne Sandström (re-elected) and Kersti Strandqvist. At the statutory meeting, it was decided to establish a Sustainability and Ethics Committee.
- On April 18, 2013, TeliaSonera announced that the Board of Directors launched a review of the transactions in Eurasia, led by Norton Rose.
- On April 22, 2013, TeliaSonera announced that it had acquired 90,000 own shares to cover commitments under the "Long Term Incentive Program 2010/2013."
- On May 30, 2013, TeliaSonera announced that it had secured 800 MHz spectrum enabling faster 4G roll-out in Estonia. By mid-June, the 4G network was ready to use and has a territorial coverage of over 95 percent.
- On June 14, 2013, TeliaSonera announced that Cecilia Edström will leave her position as Head of Group Communications at TeliaSonera during the summer of 2013.
- On June 16, 2013, TeliaSonera announced that the Board of Directors had appointed Johan Dannelind to the position of President and CEO of TeliaSonera. Johan Dannelind will take on his new position on September 1, 2013.
- On June 24, 2013, TeliaSonera issued a statement following a failed shareholders' meeting (AGM) in Turkcell.
- On June 26, 2013, TeliaSonera announced that it had been awarded the Best LTE/4G Roaming Product and Service, at the 2013 LTE Awards in Amsterdam.
- During the second quarter, TeliaSonera divested its remaining 2.46 million shares in Telio Holding, a company listed on the Oslo Stock Exchange, for a total consideration of NOK 55 million. The shares were part of the payment when TeliaSonera divested NextGenTel to Telio on January 31, 2013.

Margin improvement in Mobility Services

- In Sweden, Norway and Denmark, new mobile offers to consumers were launched, with flat fees for unlimited voice and messaging, combined with bucket-pricing for data. In Sweden, our consumer offer continued to attract more than 20 percent of new sales and a similar package is also available for the SME segment.
- In May, we announced our intention to accelerate the expansion of our 4G network in Sweden, targeting 99 percent population coverage and 92 percent geographic coverage by the end of 2015.
- Billed revenue growth turned positive in the quarter, but total revenue growth continued to be impacted by reduced regulated interconnect rates on all markets. The EBITDA margin improved, helped by a 9.2 percent reduction in operating expenses in local currencies.

Financial highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2013	Apr-Jun 2012	Chg (%)	Jan-Jun 2013	Jan-Jun 2012	Chg (%)
Net sales	12,014	12,581	-4.5	23,882	25,081	-4.8
EBITDA excl. non-recurring items	3,783	3,710	2.0	7,231	7,360	-1.8
Margin (%)	31.5	29.5		30.3	29.3	
Operating income	2,502	-455		4,864	2,121	129.3
Operating income excl. non-recurring items	2,717	2,604	4.3	5,137	5,180	-0.8
CAPEX	1,004	1,201	-16.4	1,942	2,184	-11.1
Subscriptions, period-end (thousands)	20,724	19,767	4.8	20,724	19,767	4.8
Employees, period-end	6,391	6,803	-6.1	6,391	6,803	-6.1

Second quarter

Net sales in local currencies, excluding acquisitions and disposals, decreased 1.8 percent. In reported currency, net sales decreased 4.5 percent to SEK 12,014 million (12,581). The negative effect of exchange rate fluctuations was 2.7 percent. Lower regulated interconnect rates impacted revenues negatively by SEK 422 million compared to the corresponding period last year.

In Sweden, net sales decreased 1.9 percent to SEK 4,242 million (4,323). Billed revenue growth remained positive and improved slightly on a sequential basis, helped by somewhat easing pressure on voice and messaging combined with continued solid growth in mobile data revenues. Total revenue growth continued to be affected by lower interconnect revenues and lower equipment sales. Our family offer Dela has attracted more than 20 percent of new sales in the consumer post-paid segment.

In Finland, net sales in local currency decreased 6.6 percent to the equivalent of SEK 1,856 million (2,068). Billed revenue growth continued to be negative in the quarter but pressure eased somewhat, helped by a pick-up in mobile data revenue growth. More than 50,000 new subscriptions were added in the post-paid segment.

In Norway, net sales in local currency decreased 10.1 percent to the equivalent of SEK 1,701 million (1,979). There was some pressure on billed revenues, mainly explained by a challenging B2B market. Revenue growth was also impacted by reduced equipment sales and continued effects from reduced interconnect and lower wholesale revenues. New data centric price plans were successfully launched in the quarter.

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 decreased 7.4 percent to the equivalent of SEK 1,047 million (1,187). Billed revenue growth has gradually improved and turned positive in the quarter, helped by strong development of mobile data. Overall revenue growth was impacted by effects from lower interconnect and reduced equipment sales.

In Estonia, Latvia and Lithuania, net sales in local currencies decreased 14.5 percent, 6.7 percent and 8.1 percent, respectively, to the equivalent of SEK 317 million (386), SEK 349 million (391) and SEK 283 million (321), respectively. Billed revenues remained under pressure in all three markets as data growth was not enough to compensate for the decline in voice. Equipment sales affected revenue growth positively in all countries, but this was offset by lower interconnect revenues across the region, with particular impact in Estonia.

In Spain, net sales in local currency increased 20.4 percent to the equivalent of SEK 2,236 million (1,933), driven by solid data growth and higher equipment sales.

The number of subscriptions rose by 1.0 million from the end of the second quarter of 2012 to 20.7 million. Growth was strongest in Spain and Sweden with an increase of 0.6 million and 0.2 million to 3.8 million and 6.6 million subscriptions, respectively. During the quarter the total number of subscriptions increased by 0.1 million.

EBITDA, excluding non-recurring items, increased 4.1 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 2.0 percent to SEK 3,783 million (3,710). The EBITDA margin increased to 31.5 percent (29.5).

In Sweden, the EBITDA margin increased to 43.8 percent (42.0), explained by reduced operating expenses related to personnel and IT, combined with the impact of somewhat lower equipment sales. In Finland, the EBITDA margin increased to 41.1 percent (31.1), supported by a one-time correction of subscription fee accruals of SEK 127 million and lower operating expenses.

In Norway, the EBITDA margin decreased to 31.8 percent (33.5), affected by lower billed revenues and decline in wholesale revenues.

In Denmark, the EBITDA margin increased to 14.6 percent (8.3) helped by improved billed revenues and lower operating expenses. We continue to develop our joint network TT-Netværket together with our partner. The dismantling process of old infrastructure will lead to increased costs mid-term in order to realize long-term synergies.

The EBITDA margin in Estonia increased to 32.8 percent (31.6), mainly due to improved gross margin from lower roaming costs. In Latvia and Lithuania, the EBITDA margins decreased to 29.2 percent (38.1) and 26.5 percent (29.3), respectively. Gross margin declined on both markets due to pressure on billed revenues and higher low margin equipment sales.

In Spain, the EBITDA margin increased to 8.2 percent (6.6) helped by lower costs for subsidies and sales commissions.

CAPEX decreased to SEK 1,004 million (1,201) and the CAPEX-to-sales ratio decreased to 8.4 percent (9.5). CAPEX, excluding licenses and spectrum fees, decreased to SEK 997 million (1,137) and the CAPEX-to-sales ratio to 8.3 percent (9.0). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 2,779 million (2,509).

Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Apr-Jun 2013	Apr-Jun 2012	Chg (%)	Jan-Jun 2013	Jan-Jun 2012	Chg (%)
Net sales	12,014	12,581	-4.5	23,882	25,081	-4.8
of which Sweden	4,242	4,323	-1.9	8,325	8,497	-2.0
of which Finland	1,856	2,068	-10.3	3,700	4,215	-12.2
of which Norway	1,701	1,979	-14.0	3,402	3,858	-11.8
of which Denmark	1,047	1,187	-11.8	2,096	2,488	-15.8
of which Lithuania	283	321	-11.8	567	632	-10.3
of which Latvia	349	391	-10.7	731	774	-5.6
of which Estonia	317	386	-17.9	616	745	-17.3
of which Spain	2,236	1,933	15.7	4,470	3,887	15.0
EBITDA excl. non-recurring items	3,783	3,710	2.0	7,231	7,360	-1.8
of which Sweden	1,860	1,814	2.5	3,741	3,705	1.0
of which Finland	763	643	18.7	1,340	1,328	0.9
of which Norway	541	662	-18.3	1,043	1,236	-15.6
of which Denmark	153	99	54.5	284	237	19.8
of which Lithuania	75	94	-20.2	151	182	-17.0
of which Latvia	102	149	-31.5	203	289	-29.8
of which Estonia	104	122	-14.8	194	223	-13.0
of which Spain	184	127	44.9	274	160	71.3
Margin (%), total	31.5	29.5		30.3	29.3	
Margin (%), Sweden	43.8	42.0		44.9	43.6	
Margin (%), Finland	41.1	31.1		36.2	31.5	
Margin (%), Norway	31.8	33.5		30.7	32.0	
Margin (%), Denmark	14.6	8.3		13.5	9.5	
Margin (%), Lithuania	26.5	29.3		26.6	28.8	
Margin (%), Latvia	29.2	38.1		27.8	37.4	
Margin (%), Estonia	32.8	31.6		31.5	29.9	
Margin (%), Spain	8.2	6.6		6.1	4.1	

Net sales in local currencies and excluding acquisitions	Apr-Jun	Jan-Jun
Change (%), total	-1.8	-2.2
Change (%), Sweden	-1.9	-2.0
Change (%), Finland	-6.6	-8.6
Change (%), Norway	-10.1	-8.9
Change (%), Denmark	-7.4	-11.5
Change (%), Lithuania	-8.1	-6.5
Change (%), Latvia	-6.7	-1.2
Change (%), Estonia	-14.5	-13.9
Change (%), Spain	20.4	19.8

Regained momentum for fiber deployment and reduced costs in Broadband Services

- The customer base continued to grow for all IP-based services and the fiber roll-out regained momentum. The number of TV customers passed 600,000 in Sweden reaching the number two position on the Swedish TV market.
- Pressure on revenue growth eased somewhat in the quarter, but sales continued to be affected by a decline in traditional fixed line services combined with challenging market conditions in the B2B segment.
- There was a positive effect from efficiency measures and operating expenses decreased by 2.3 percent compared to the corresponding period last year.

Financial highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2013	Apr-Jun 2012	Chg (%)	Jan-Jun 2013	Jan-Jun 2012	Chg (%)
Net sales	8,325	9,054	-8.1	16,568	18,040	-8.2
EBITDA excl. non-recurring items	2,415	2,778	-13.1	4,879	5,590	-12.7
Margin (%)	29.0	30.7		29.4	31.0	
Operating income	887	1,372	-35.3	2,129	2,972	-28.4
Operating income excl. non-recurring items	1,163	1,586	-26.7	2,467	3,217	-23.3
CAPEX	1,100	1,412	-22.1	1,896	2,603	-27.2
Subscriptions, period-end (thousands)						
Broadband	2,394	2,495	-4.0	2,394	2,495	-4.0
Fixed voice and VoIP	4,065	4,425	-8.1	4,065	4,425	-8.1
TV	1,370	1,248	9.8	1,370	1,248	9.8
Employees, period-end	12,836	13,768	-6.8	12,836	13,768	-6.8

Second quarter

Net sales in local currencies, excluding acquisitions and disposals, decreased 3.6 percent. Net sales in reported currency decreased 8.1 percent to SEK 8,325 million (9,054). The negative effect of exchange rates was 1.6 percent and the negative impact from acquisitions and disposals was 2.9 percent.

In Sweden, net sales decreased 4.4 percent to SEK 4,815 million (5,036). The customer base continued to increase for all IP-based services, but this was not enough to offset the decline in traditional fixed line services. In B2B, price pressure remained intense for large accounts and the public segment, while there is a migration to mobile solutions among smaller customers. The pace of new fiber installations picked-up in the second quarter following a slow start of the year.

In Finland, net sales in local currency decreased 6.3 percent to the equivalent of SEK 1,292 million (1,434), mainly due to intensified competition and price pressure in the B2B segment as well as continued decline in traditional fixed line services.

In Denmark, net sales in local currency decreased 6.4 percent to the equivalent of SEK 250 million (279) due to lower revenues from traditional voice services in the B2B segment.

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 1.4 percent to the equivalent of SEK 418 million (441). In Lithuania, net sales in local currency decreased 6.5 percent to the equivalent of SEK 441 million (491). Lithuania was impacted by continued decline in traditional fixed telephony revenues and a decrease in voice transit traffic while Estonia was affected by a somewhat slower customer intake for both broadband and IP-TV.

In International Carrier, net sales in local currencies increased 2.3 percent to the equivalent of SEK 1,386 million (1,395). Data revenues increased, but were partly offset by a decline in voice revenues.

The number of subscriptions for broadband access decreased to 2.4 million, a decline of 101,000 from the second quarter of 2012, explained by the divestiture of NextGenTel in Norway with 184,000 subscriptions. During the quarter the number of subscriptions increased by 19,000.

The total number of TV subscriptions rose by 122,000 from the second quarter of 2012 and by 21,000 during the quarter to 1.4 million.

The number of traditional fixed voice subscriptions decreased by 389,000 from the end of the second quarter of 2012 to 2.9 million, and were down 87,000 during the quarter. The intake of VoIP subscriptions was 30,000 in the quarter, bringing the total number of VoIP subscriptions to 0.7 million.

EBITDA, excluding non-recurring items, decreased 10.4 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 13.1 percent to SEK 2,415 million (2,778). The EBITDA margin decreased to 29.0 percent (30.7).

In Sweden, the EBITDA margin decreased to 35.1 percent (38.3), as reduced operating expenses did not fully compensate for the decline in revenues.

In Finland, the EBITDA margin decreased to 21.8 percent (23.4) as lower operating expenses did not fully compensate for the decline in revenues. In Denmark, the EBITDA margin decreased to 12.0 percent (12.9).

In Lithuania, the EBITDA margin increased marginally to 42.2 percent (41.8) and in Estonia the EBITDA margin remained stable at 27.3 percent (27.2).

In International Carrier, the EBITDA margin increased slightly to 8.1 percent (7.6).

CAPEX decreased to SEK 1,100 million (1,412) and the CAPEX-to-sales ratio decreased to 13.2 percent (15.6). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 1,315 million (1,366).

Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Apr-Jun 2013	Apr-Jun 2012	Chg (%)	Jan-Jun 2013	Jan-Jun 2012	Chg (%)
Net sales	8,325	9,054	-8.1	16,568	18,040	-8.2
of which Sweden	4,815	5,036	-4.4	9,542	10,058	-5.1
of which Finland	1,292	1,434	-9.9	2,611	2,864	-8.8
of which Norway	—	273		87	541	-84.1
of which Denmark	250	279	-10.4	492	564	-12.8
of which Lithuania	441	491	-10.2	890	979	-9.1
of which Estonia	418	441	-5.2	818	871	-6.1
of which International Carrier	1,386	1,395	-0.6	2,630	2,741	-4.0
EBITDA excl. non-recurring items	2,415	2,778	-13.1	4,879	5,590	-12.7
of which Sweden	1,691	1,927	-12.2	3,444	3,933	-12.4
of which Finland	282	335	-15.8	595	713	-16.5
of which Norway	—	49		-4	90	
of which Denmark	30	36	-16.7	50	66	-24.2
of which Lithuania	186	205	-9.3	375	396	-5.3
of which Estonia	114	120	-5.0	226	228	-0.9
of which International Carrier	112	106	5.7	193	164	17.7
Margin (%), total	29.0	30.7		29.4	31.0	
Margin (%), Sweden	35.1	38.3		36.1	39.1	
Margin (%), Finland	21.8	23.4		22.8	24.9	
Margin (%), Norway	—	17.9		-4.7	16.6	
Margin (%), Denmark	12.0	12.9		10.2	11.7	
Margin (%), Lithuania	42.2	41.8		42.1	40.4	
Margin (%), Estonia	27.3	27.2		27.6	26.2	
Margin (%), International Carrier	8.1	7.6		7.3	6.0	

Net sales in local currencies and excluding acquisitions	Apr-Jun	Jan-Jun
Change (%), total	-3.6	-4.4
Change (%), Sweden	-4.4	-5.2
Change (%), Finland	-6.3	-5.1
Change (%), Norway	—	—
Change (%), Denmark	-6.4	-8.7
Change (%), Lithuania	-6.5	-5.3
Change (%), Estonia	-1.4	-2.2
Change (%), International Carrier	2.3	-1.4

Continued strong growth in Eurasia

- Eurasia maintained a growth rate of 14 percent during the quarter, supported by a 57 percent increase in data revenues. Smartphone penetration continued to rise and is currently around 13 percent in the region.
- Profitability improved due to strict cost control and the EBITDA margin increased to 51.7 percent, despite negative impact from a lost interconnect case in Azerbaijan. Excluding this item, the EBITDA margin would have been 53.7 percent.

Financial highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2013	Apr-Jun 2012	Chg (%)	Jan-Jun 2013	Jan-Jun 2012	Chg (%)
Net sales	5,197	4,930	5.4	9,881	9,375	5.4
EBITDA excl. non-recurring items	2,688	2,482	8.3	5,169	4,740	9.1
Margin (%)	51.7	50.3		52.3	50.6	
Income from associated companies	1,447	4,528	-68.0	2,753	5,759	-52.2
of which Russia	754	3,904	-80.7	1,445	4,790	-69.8
of which Turkey	687	625	9.9	1,304	976	33.6
Operating income	3,149	6,396	-50.8	6,121	9,062	-32.5
Operating income excl. non-recurring items	3,368	3,228	4.3	6,349	5,970	6.3
CAPEX	1,140	1,609	-29.1	1,972	2,400	-17.8
Subscriptions, period-end (thousands)						
Subsidiaries	43,219	37,528	15.2	43,219	37,528	15.2
Associated companies	110,800	107,500	3.1	110,800	107,500	3.1
Employees, period-end	5,016	5,026	-0.2	5,016	5,026	-0.2

Consolidated operations

Net sales in local currencies, excluding acquisitions and disposals, increased 14.3 percent. Net sales in reported currency increased 5.4 percent to SEK 5,197 million (4,930). The negative effect from exchange rate fluctuations was 9.3 percent. The positive effect from acquisitions and disposals was 0.4 percent.

In Kazakhstan, net sales in local currency increased 4.3 percent to the equivalent of SEK 2,041 million (2,078) due to continued growth in data revenues. Competition remains fierce with some aggressive tariff offers in the market.

In Azerbaijan, net sales in local currency decreased 0.3 percent to the equivalent of SEK 978 million (1,030), affected by lower interconnect revenues.

In Uzbekistan, net sales in local currency increased 93.8 percent to the equivalent of SEK 783 million (474), helped by solid customer and ARPU trend following the departure of a competitor last year.

In Tajikistan, net sales in local currency increased 5.1 percent to the equivalent of SEK 235 million (234), mainly explained by the increase in the subscription base.

In Georgia, net sales in local currency decreased 8.3 percent to the equivalent of SEK 225 million (259) due to a lost government tender.

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 Moldova, net sales in local currency increased 4.2 percent to the equivalent of SEK 130 million (137) with growth in both data and voice revenues.

In Nepal, net sales in local currency increased 25.1 percent to the equivalent of SEK 809 million (718) following continued subscription growth. In Nepal, we reached a new milestone as the number of subscriptions passed 10 million.

The number of subscriptions in the consolidated operations was 43.2 million, an increase by 5.7 million, from the end of the second quarter of 2012. Growth was strongest in Kazakhstan and Nepal with a rise of 2.4 million and 2.2 million to 14.1 million and 10.3 million subscriptions, respectively. During the second quarter, the total number of subscriptions in the consolidated operations increased by 1.3 million. Nepal and Kazakhstan showed the largest rises with an increase of 0.8 million and 0.3 million subscriptions, respectively.

EBITDA, excluding non-recurring items, increased 18.1 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 8.3 percent to SEK 2,688 million (2,482). The EBITDA margin was 51.7 percent (50.3).

In Kazakhstan, the EBITDA margin decreased to 54.6 percent (56.5) due to somewhat higher expenses related to expansion of network and increased marketing costs.

In Azerbaijan, the EBITDA margin decreased to 41.5 percent (48.6), due to costs of SEK 103 million related to a lost interconnect case. Excluding this impact, the EBITDA margin was 52.0 percent. An additional SEK 205 million related to the interconnect case was charged as a non-recurring item.

In Uzbekistan, the EBITDA margin increased to 55.9 percent (32.7) due to higher revenues and cost measures. In Tajikistan, the EBITDA margin increased to 51.5 percent (50.9).

In Georgia, the EBITDA margin increased to 44.9 percent (38.6), helped by higher incoming roaming revenues and cost savings through new commission structures with dealers.

In Moldova, the EBITDA margin increased to 37.7 percent (35.0), mainly due to reduced personnel expenses.

In Nepal, the EBITDA margin decreased to 60.1 percent (61.0), explained by lower gross margin.

CAPEX decreased to SEK 1,140 million (1,609) and the CAPEX-to-sales ratio decreased to 21.9 percent (32.6). CAPEX, excluding licenses and spectrum fees, decreased to SEK 955 million (1,464) and the CAPEX-to-sales ratio to 18.4 percent (29.7). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 1,548 million (873).

Net sales, EBITDA and margin by country

SEK in millions, except margins and changes	Apr-Jun 2013	Apr-Jun 2012	Chg (%)	Jan-Jun 2013	Jan-Jun 2012	Chg (%)
Net sales	5,197	4,930	5.4	9,881	9,375	5.4
of which Kazakhstan	2,041	2,078	-1.8	3,901	3,966	-1.6
of which Azerbaijan	978	1,030	-5.0	1,865	1,968	-5.2
of which Uzbekistan	783	474	65.2	1,484	936	58.5
of which Tajikistan	235	234	0.4	446	441	1.1
of which Georgia	225	259	-13.1	440	481	-8.5
of which Moldova	130	137	-5.1	247	256	-3.5
of which Nepal	809	718	12.7	1,507	1,331	13.2
EBITDA excl. non-recurring items	2,688	2,482	8.3	5,169	4,740	9.1
of which Kazakhstan	1,115	1,174	-5.0	2,129	2,244	-5.1
of which Azerbaijan	406	501	-19.0	858	986	-13.0
of which Uzbekistan	438	155	182.6	821	310	164.8
of which Tajikistan	121	119	1.7	225	220	2.3
of which Georgia	101	100	1.0	191	179	6.7
of which Moldova	49	48	2.1	88	87	1.1
of which Nepal	486	438	11.0	918	801	14.6
Margin (%), total	51.7	50.3		52.3	50.6	
Margin (%), Kazakhstan	54.6	56.5		54.6	56.6	
Margin (%), Azerbaijan	41.5	48.6		46.0	50.1	
Margin (%), Uzbekistan	55.9	32.7		55.3	33.1	
Margin (%), Tajikistan	51.5	50.9		50.4	49.9	
Margin (%), Georgia	44.9	38.6		43.4	37.2	
Margin (%), Moldova	37.7	35.0		35.6	34.0	
Margin (%), Nepal	60.1	61.0		60.9	60.2	

Net sales in local currencies and excluding acquisitions	Apr-Jun	Jan-Jun
Change (%), total	14.3	14.0
Change (%), Kazakhstan	4.3	4.1
Change (%), Azerbaijan	-0.3	-0.5
Change (%), Uzbekistan	93.8	84.7
Change (%), Tajikistan	5.1	5.8
Change (%), Georgia	-8.3	-3.6
Change (%), Moldova	4.2	5.6
Change (%), Nepal	25.1	27.0

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 64.8 million, an increase of 1.7 million compared to the corresponding period last year and 0.2 million higher than the previous quarter.

TeliaSonera's income from Russia decreased to SEK 754 million (891, excluding capital gains of SEK 3,013 million). The Russian ruble depreciated 4.8 percent against the Swedish krona which had a negative impact of SEK 38 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 34.9 million, an increase of 0.4 million 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 1.2 million to 11.1 million compared to the corresponding period last year and remained stable during the quarter.

TeliaSonera's income from Turkey increased to SEK 687 million (625). The Turkish lira depreciated 2.3 percent against the Swedish krona, which had a negative impact of SEK 16 million.

Other operations

Financial highlights

SEK in millions, except changes	Apr-Jun 2013	Apr-Jun 2012	Chg (%)	Jan-Jun 2013	Jan-Jun 2012	Chg (%)
Net sales	915	974	-6.1	1,775	1,953	-9.1
EBITDA excl. non-recurring items	41	57	-28.1	158	181	-12.7
Income from associated companies	1	-15		1	-33	
Operating income	-255	-275		-342	-359	
Operating income excl. non-recurring items	-163	-138		-240	-215	
CAPEX	300	235	27.7	449	445	0.9

Net sales in local currencies, excluding acquisitions and disposals, decreased 4.5 percent. In reported currency, net sales decreased 6.1 percent to SEK 915 million (974). Sales growth was negatively impacted by the closure of the Finnish retail chain Veikon Kone during the third quarter of 2012. Veikon Kone's contribution was SEK 127 million in the second quarter of 2012.

EBITDA, excluding non-recurring items, decreased 28.1 percent to SEK 41 million (57) 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.

The Board of Directors and the President and CEO certify that the Interim Report gives a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 17, 2013

Marie Ehrling
Chairman of the Board

Olli-Pekka Kallasvuo
Vice-Chairman of the Board

Agneta Ahlström
Board member,
employee representative

Magnus Brattström
Board member,
employee representative

Stefan Carlsson
Board member,
employee representative

Mats Jansson
Board member

Mikko Kosonen
Board member

Nina Linander
Board member

Martin Lorentzon
Board member

Per-Arne Sandström
Board member

Kersti Strandqvist
Board member

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	Apr-Jun 2013	Apr-Jun 2012 ¹⁾	Chg (%)	Jan-Jun 2013	Jan-Jun 2012 ¹⁾	Chg (%)
Net sales	25,274	26,294	-3.9	49,816	51,987	-4.2
Cost of sales	-14,108	-14,522	-2.9	-27,952	-28,797	-2.9
Gross profit	11,166	11,772	-5.1	21,864	23,190	-5.7
Selling, admin. and R&D expenses	-5,687	-6,223	-8.6	-11,150	-12,200	-8.6
Other operating income and expenses, net	-667	-3,051	-78.1	-736	-2,970	-75.2
Income from associated companies and joint ventures	1,471	4,546	-67.6	2,794	5,792	-51.8
Operating income	6,283	7,044	-10.8	12,772	13,812	-7.5
Finance costs and other financial items, net	-764	-998	-23.3	-1,603	-2,138	-25.0
Income after financial items	5,519	6,046	-8.7	11,169	11,674	-4.3
Income taxes	-1,081	-914	17.2	-2,232	-2,027	10.1
Net income	4,438	5,132	-13.5	8,937	9,647	-7.4
Items that may be reclassified to net income:						
Foreign currency translation differences	1,715	518		-530	920	
Income from associate companies and joint ventures	-55	-99		-74	-286	
Cash flow hedges	-10	-63		270	1	
Available-for-sale financial instruments	2	0		0	1	
Income tax relating to items that will be reclassified	642	-80		209	-246	
Items that will not be reclassified to net income:						
Remeasurements of defined benefit pension plans	994	8		1,795	207	
Income tax relating to items that will not be reclassified	-219	-2		-395	-54	
Associates' remeasurements of defined benefit pension plans	9	-		9	-	
Other comprehensive income	3,078	282		1,284	543	
Total comprehensive income	7,516	5,414		10,221	10,191	
Net income attributable to:						
Owners of the parent	4,031	4,852		8,139	8,974	
Non-controlling interests	407	280		798	673	
Total comprehensive income attributable to:						
Owners of the parent	7,085	4,851		9,394	9,010	
Non-controlling interests	431	563		827	1,181	
Earnings per share (SEK), basic and diluted	0.93	1.12		1.88	2.07	
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	8,125	8,887		16,518	17,627	
EBITDA excl. non-recurring items	8,928	9,034		17,437	17,886	
Depreciation, amortization and impairment losses	-3,314	-6,389		-6,541	-9,606	
Operating income excl. non-recurring items	7,085	7,286		13,713	14,168	

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

Condensed Consolidated Statements of Financial Position

SEK in millions	Jun 30, 2013	Dec 31, 2012 ¹⁾
Assets		
Goodwill and other intangible assets	83,289	83,278
Property, plant and equipment	63,067	62,657
Investments in associates and joint ventures, deferred tax assets and other non-current assets	38,610	38,858
Long-term interest-bearing receivables	10,353	10,880
<i>Total non-current assets</i>	<i>195,319</i>	<i>195,673</i>
Inventories	1,589	1,623
Trade receivables, current tax assets and other receivables	23,902	22,298
Short-term interest-bearing receivables	4,379	3,647
Cash and cash equivalents	18,128	29,805
<i>Total current assets</i>	<i>47,998</i>	<i>57,373</i>
Total assets	243,317	253,046
Equity and liabilities		
Equity attributable to owners of the parent	102,420	105,150
Equity attributable to non-controlling interests	4,039	3,956
<i>Total equity</i>	<i>106,459</i>	<i>109,106</i>
Long-term borrowings	73,987	82,184
Deferred tax liabilities, other long-term provisions	23,421	25,035
Other long-term liabilities	1,208	1,190
<i>Total non-current liabilities</i>	<i>98,616</i>	<i>108,409</i>
Short-term borrowings	12,500	9,403
Trade payables, current tax liabilities, short-term provisions and other current liabilities	25,742	26,128
<i>Total current liabilities</i>	<i>38,242</i>	<i>35,531</i>
Total equity and liabilities	243,317	253,046

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

Condensed Consolidated Statements of Cash Flows

SEK in millions	Apr-Jun 2013	Apr-Jun 2012 ¹⁾	Jan-Jun 2013	Jan-Jun 2012 ¹⁾
Cash flow before change in working capital	7,071	18,873	13,328	25,287
Change in working capital	700	0	-723	-1,156
Cash flow from operating activities	7,771	18,873	12,605	24,131
Cash CAPEX	-3,309	-4,085	-5,729	-7,150
Free cash flow	4,462	14,788²⁾	6,876	16,981²⁾
Cash flow from other investing activities	384	1,219	-884	872
Total cash flow from investing activities	-2,925	-2,866	-6,613	-6,278
Cash flow before financing activities	4,846	16,007	5,992	17,853
Cash flow from financing activities	-12,942	-24,826	-17,566	-20,382
Cash flow for the period	-8,096	-8,819	-11,574	-2,529
Cash and cash equivalents, opening balance	25,900	18,884	29,805	12,631
Cash flow for the period	-8,096	-8,819	-11,574	-2,529
Exchange rate differences	324	45	-103	8
Cash and cash equivalents, closing balance	18,128	10,110	18,128	10,110

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

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

Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Jun 2013			Jan-Jun 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	-744	-13,084	-12,341	-2,128	-14,469
Business combinations	–	–	–	–	17	17
Repurchased treasury shares	-4	–	-4	–	–	–
Acquisition of non-controlling interest	–	–	–	-10,482	-2,289	-12,771
Other transactions with owners	–	–	–	–	-11	-11
Total comprehensive income	9,394	827	10,221	9,010	1,181	10,191
Share-based payments	9	–	9	8	–	8
Effect of equity transactions in associates	212	–	212	–	–	–
Closing balance	102,420	4,039	106,459	99,016	4,123	103,139

1) See reference on page 22.

Basis of Preparation

General

As in the annual accounts for 2012, TeliaSonera's consolidated financial statements of and for the six-month period ended June 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.

New accounting standards (not yet adopted by the EU)

In May 2013, the International Accounting Standards Board (IASB) issued IFRIC 21 *Levies*. The interpretation clarifies when to recognize a liability for levies (taxes imposed by government and government bodies whether national local or international other than income taxes, penalties and fines). The interpretation concerns levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and also those where the timing and amount of the levy is certain. A liability is recognized progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The effective date for IFRIC 21 is January 1, 2014, with earlier application permitted and is expected to have minor impact on TeliaSonera.

IASB has also published a minor amendment to IAS 39 *Financial instruments: Recognition and measurement: Novation of Derivatives and Continuation of Hedge Accounting*. The amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a

central counterparty and has been introduced in response to legislative changes across many jurisdictions. The change is applicable for annual periods beginning on or after January 1, 2014, with retrospective application. Currently not applicable to TeliaSonera.

Changes in accounting policies 2013

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

Non-recurring Items

SEK in millions	Apr-Jun 2013	Apr-Jun 2012	Jan-Jun 2013	Jan-Jun 2012
Within EBITDA	-802	-147	-919	-259
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-215	-22	-274	-22
Broadband Services	-243	-214	-317	-243
Eurasia	-219	-31	-228	-107
Other operations	-92	-99	-102	-106
<i>of which TeliaSonera Holding</i>	3	-61	3	-61
Capital gains/losses	-33	219	2	219
Within Depreciation, amortization and impairment losses	-	-3,097	-22	-3,098
Impairment losses, accelerated depreciation:				
Broadband Services	-	-1	-22	-2
Mobility Services	-	-3,070	-	-3,070
Other operations	-	-26	-	-26
Within Income from associated companies and joint ventures	-	3,002	-	3,002
Impairment losses	-	-	-	-
Capital gains/losses	-	3,002	-	3,002
Total	-802	-242	-941	-355

Deferred Taxes

SEK in millions	Jun 30, 2013	Dec 31, 2012 ¹⁾
Deferred tax assets	6,622	7,410
Deferred tax liabilities	-10,533	-10,287
Net deferred tax liabilities (-)/assets (+)	-3,911	-2,877

1) Certain restatements have been made, see reference above.

Segment and Group Operating Income

SEK in millions	Apr-Jun 2013	Apr-Jun 2012 ¹⁾	Jan-Jun 2013	Jan-Jun 2012 ¹⁾
Mobility Services	2,502	-455	4,864	2,121
Broadband Services	887	1,372	2,129	2,972
Eurasia	3,149	6,396	6,121	9,062
Other operations	-255	-275	-342	-359
Total segments	6,283	7,038	12,772	13,796
Elimination of inter-segment profits	0	6	0	16
Group	6,283	7,044	12,772	13,812

1) Certain restatements have been made, see reference above.

Investments

SEK in millions	Apr-Jun 2013	Apr-Jun 2012	Jan-Jun 2013	Jan-Jun 2012
CAPEX	3,539	4,457	6,258	7,632
Intangible assets	565	662	983	1,077
Property, plant and equipment	2,974	3,795	5,275	6,555
Acquisitions and other investments	20	1,245	1,195	1,395
Asset retirement obligations	3	104	47	198
Goodwill and fair value adjustments	7	1,117	986	1,172
Equity holdings	10	24	162	25
Total	3,559	5,702	7,453	9,027

Financial Instruments – Fair Values

Long-term and Short-term Borrowings ¹⁾ SEK in millions	Jun 30, 2013		Dec 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	17,214	17,214	17,600	17,600
Interest rate swaps at fair value	246	246	340	340
Cross currency interest rate swaps at fair value	1,727	1,727	1,956	1,956
Subtotal	19,187	19,187	19,896	19,896
Open-market financing program borrowings	53,245	62,506	59,915	71,146
Other borrowings at amortized cost	1,496	1,390	2,311	2,311
Subtotal	73,928	83,083	82,122	93,353
Finance lease agreements	59	59	62	62
Total long-term borrowings	73,987	81,142	82,184	93,415
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	3,037	3,037	401	401
Interest rate swaps designated as hedging instruments	54	54	29	29
Interest rate swaps held for trading	–	–	42	42
Cross currency interest rate swaps held for trading	42	42	343	343
Subtotal	3,133	3,133	815	815
Utilized bank overdraft and short-term credit facilities at amortized cost	0	0	423	423
Open-market financing program borrowings	6,244	6,376	5,204	5,285
Other borrowings at amortized cost	3,120	3,120	2,958	2,909
Subtotal	12,497	12,629	9,400	9,432
Finance lease agreements	3	3	3	3
Total short-term borrowings	12,500	12,632	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	Jun 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	195	–	–	195	189	–	–	189
Equity instruments held-for-trading	70	–	–	70	69	–	–	69
Convertible bonds available-for-sale	2	–	–	2	4	–	–	4
Derivatives designated as hedging instruments	1,235	–	1,235	–	1,790	–	1,790	–
Derivatives held-for-trading	187	–	187	–	570	–	569	–
Total financial assets at fair value by level	1,689	–	1,422	267	2,622	–	2,359	262
Financial liabilities at fair value								
Borrowings in fair value hedge relationships	20,251	–	20,251	–	18,001	–	18,001	–
Derivatives designated as hedging instruments	444	–	444	–	802	–	802	–
Derivatives held-for-trading	1,626	–	1,626	–	2,044	–	2,044	–
Total financial liabilities at fair value by level	22,321	–	22,321	–	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 six-month period ended June 30, 2013, TeliaSonera purchased services for SEK 44 million, and sold services for SEK 74 million. Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

Net Debt

SEK in millions	Jun 30, 2013	Dec 31, 2012
Long-term and short-term borrowings	86,487	91,586
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit collateral	-1,965	-2,175
Less short-term investments, cash and bank	-18,371	-29,968
Net debt	66,151	59,443

Loan Financing and Credit Rating

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

The corporate credit market in Europe had a robust second quarter with new issuance supply above second quarter last year.

TeliaSonera has not made any major funding during the second quarter. With limited funding needs for the remainder of the year, the opportunistic strategy remains to take advantage of attractive funding opportunities when they appear with a special focus on diversifying the investor base.

Financial Key Ratios

	Jun 30, 2013	Dec 31, 2012 ¹⁾
Return on equity (% , rolling 12 months)	20.1	20.5
Return on capital employed (% , rolling 12 months)	15.3	14.9
Equity/assets ratio (%)	41.2	38.2
Net debt/equity ratio (%)	66.0	61.4
Net debt/EBITDA rate excl. non-recurring items (multiple, rolling 12 months)	1.85	1.64
Net debt/assets ratio	27.2	23.5
Owners' equity per share (SEK)	23.7	24.3

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

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 7,788 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 June 30, 2013, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 345 million, of which SEK 318 million referred to guarantees for pension obligations. Collateral pledged totaled SEK 201 million.

Contractual Obligations and Commitments

As of June 30, 2013, contractual obligations totaled SEK 3,112 million, of which SEK 1,254 million referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

Business Combinations in the Second Quarter

For a minor business combination in the second quarter of 2013, the cost of combination totaled SEK 13 million and the net cash outflow SEK 25 million. Goodwill was SEK 7 million, allocated to business area Broadband Services. Goodwill is explained by strengthened market positions. The total cost of combination and fair values were determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

Parent Company

Condensed Income Statements SEK in millions	Apr-Jun 2013	Apr-Jun 2012	Jan-Jun 2013	Jan-Jun 2012
Net sales	3	24	5	31
Operating income	-151	-2	-212	38
Income after financial items	11,366	9,166	14,369	10,695
Income before taxes	12,496	9,294	15,305	10,908
Net income	12,739	8,890	14,918	10,069

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	Jun 30, 2013	Dec 31, 2012
Non-current assets	187,953	202,089
Current assets	52,363	63,876
Total assets	240,316	265,965
Shareholders' equity	84,659	81,871
Untaxed reserves	11,794	12,730
Provisions	568	539
Liabilities	143,295	170,825
Total equity and liabilities	240,316	265,965

Total investments in the period were SEK 24 million (21,478), of which SEK 18 million (20,472) referred to shareholder contributions to subsidiaries.

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 7,788 million, MegaFon shares held by TCI, representing 6.53 percent of the 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 owner-

ship 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.

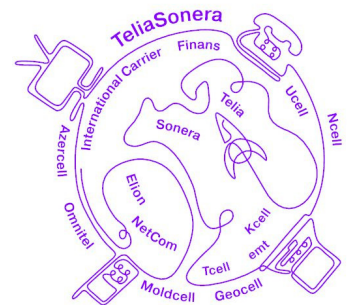
In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the second quarter of 2012, unless otherwise stated.

Financial calendar

Interim Report January–September 2013	October 17, 2013
Year-end Report January–December 2013	January 30, 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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