

TeliaSonera January-September 2011

Continued margin improvement and strong cash flow

Third quarter

- Net sales in local currencies and excluding acquisitions increased 2.4 percent. In reported currency, net sales decreased 1.0 percent to SEK 26,612 million (26,873).
- The addressable cost base in local currencies and excluding acquisitions decreased 0.4 percent. In reported currency, the addressable cost base decreased 3.4 percent to SEK 7,307 million (7,563).
- EBITDA, excluding non-recurring items, increased 4.0 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 0.5 percent to SEK 9,802 million (9,756). The EBITDA margin, excluding non-recurring items improved to 36.8 percent (36.3).
- Operating income, excluding non-recurring items, decreased 7.0 percent to SEK 7,997 million (8,599) due to lower income from associated companies.
- Net income attributable to owners of the parent company decreased to SEK 4,863 million (5,988) and earnings per share to SEK 1.12 (1.33).
- Free cash flow increased to SEK 5,106 million (3,857).
- During the quarter the number of subscriptions grew by 1.3 million in the consolidated operations and by 3.7 million in the associated companies. The total number of subscriptions was 164.4 million.
- Group outlook for 2011 remains unchanged.

Nine-month period

- Net sales in local currencies and excluding acquisitions increased 2.7 percent. In reported currency, net sales decreased 3.6 percent to SEK 77,231 million (80,128).
- Net income attributable to owners of the parent company decreased to SEK 13,369 million (15,948) and earnings per share decreased to SEK 3.05 (3.55).
- Free cash flow decreased to SEK 9,106 million (11,159).

Financial highlights

SEK in millions, except key ratios, per share data and changes	Jul-Sep 2011	Jul-Sep 2010	Chg (%)	Jan-Sep 2011	Jan-Sep 2010	Chg (%)
Net sales	26,612	26,873	-1	77,231	80,128	-4
Addressable cost base ^{1, 2)}	7,307	7,563	-3	22,923	23,779	-4
EBITDA ²⁾ excl. non-recurring items ³⁾	9,802	9,756	0	27,723	27,895	-1
Margin (%)	36.8	36.3		35.9	34.8	
Operating income	8,041	8,718	-8	21,740	23,826	-9
Operating income excl. non-recurring items	7,997	8,599	-7	22,218	23,966	-7
Net income	5,618	6,475	-13	15,398	17,597	-12
of which attributable to owners of the parent	4,863	5,988	-19	13,369	15,948	-16
Earnings per share (SEK)	1.12	1.33	-16	3.05	3.55	-14
Return on equity (% , rolling 12 months)	16.9	17.6		16.9	17.6	
CAPEX-to-sales (%)	13.6	10.9		14.5	11.3	
Free cash flow	5,106	3,857	32	9,106	11,159	-18

1) Additional information available at www.teliasonera.com.

2) Please refer to page 17 for definitions.

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

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the third quarter of 2010, unless otherwise stated.

Comments by Lars Nyberg, President and CEO

"We are pleased to yet again deliver a strong result and that we, despite the current macro-economic uncertainty, continue to deliver growth. The cost reduction initiatives had effect in the third quarter, and after four quarters of cost increases we saw a reduction of the addressable cost base. Our EBITDA margin, excluding non-recurring items, has now improved twelve consecutive quarters on a rolling 12-month basis and the margin of 36.8 percent was the highest in a third quarter since 2006.

The demand for our services is greater than ever and the challenge lies in our ability to monetize on this. After the summer, we launched several new offers for mobile data to better reflect our customers' different needs and with a better correlation between usage patterns and monthly fees. In May, we reduced prices on data roaming within the Nordic and Baltic countries by as much as 90 percent. Since then, data roaming volumes have more than doubled. Similar offers will be launched on more markets over time.

The fiber roll-out is now gaining momentum and we have today 0.5 million of our 2.5 million broadband customers in the Nordic and Baltic countries connected by fiber. In addition, we are now also rapidly upgrading 1 million of our broadband connections over the copper network with VDSL2 to better support HD-TV, on-demand services and online gaming.

Growth in Eurasia remained very healthy during the third quarter and Kazakhstan and Nepal passed 10 million and 6 million subscriptions, respectively. It is fascinating to witness the appetite for mobile data also in these countries and we are determined to take the leading position within data in our footprint. Ncell is already today the leading internet service provider in Nepal and today 25 percent of Ucell's revenues come from value added services.

One of the cornerstones in our strategy is to increase the ownership in our core operations. In some countries, mainly in Eurasia, we have a relatively low economic ownership although we have full management control. Therefore, I was very pleased that we in September signed a Memorandum of Understanding with Kazakhtelecom to increase our ownership in Kcell in Kazakhstan by 24 percent plus one share in connection with a planned IPO.

Our first priority in implementing our agreement with Altimo is to resolve the legal disputes related to Turkcell. Therefore, the recently announced final award by the International Chamber of Commerce in Geneva in our favor and the British Virgin Islands court decision in favor of Altimo are significant steps in the right direction. The Capital Markets Board's new decree regarding corporate governance principles, stating that the number of independent board members in Turkcell must be increased to three, is positive and fully in line with what we have been trying to achieve for a long time. Increasing the number of independent members will resolve the deadlock and prevents a minority from blocking majority decisions."

Group outlook for 2011 (unchanged)

The growth in net sales in local currencies and excluding acquisitions and disposals is expected to be around 3 percent. Currency fluctuations may have a material impact on reported figures in Swedish krona.

We expect the growth in the addressable cost base in 2011 to be below the growth in net sales, in local currencies and excluding acquisitions. The EBITDA margin, excluding non-recurring items, in 2011 is expected to improve compared with 2010.

Capital expenditures will be driven by investments in broadband and mobile capacity as well as in network expansion in Eurasia. The CAPEX-to-sales ratio is expected to be approximately 13-14 percent in 2011, excluding license and spectrum fees.

Review of the Group, third quarter 2011

Net sales in local currencies and excluding acquisitions increased 2.4 percent. In reported currency, net sales decreased 1.0 percent to SEK 26,612 million (26,873). The negative effect of disposals was 0.5 percent and the negative effect of exchange rate fluctuations was 2.9 percent.

In Mobility Services, net sales in local currencies and excluding acquisitions increased 2.7 percent. In reported currency, net sales increased 1.3 percent to SEK 13,139 million (12,968).

In Broadband Services, net sales in local currencies and excluding acquisitions decreased 5.5 percent. In reported currency, net sales decreased 6.3 percent to SEK 9,155 million (9,772).

In Eurasia, net sales in local currencies and excluding acquisitions increased 16.8 percent. In reported currency, net sales increased 4.7 percent to SEK 4,614 million (4,408).

The number of subscriptions rose by 8.3 million from the end of the third quarter 2010 to 164.4 million. In the consolidated operations the number of subscriptions increased by 7.7 million to 60.4 million. In the associated companies, the number of subscriptions increased by 0.6 million to 104.0 million. During the third quarter, the total number of subscriptions increased by 1.3 million in the consolidated operations and increased by 3.7 million in the associated companies.

The addressable cost base in local currencies and excluding acquisitions decreased 0.4 percent. In reported currency, the addressable cost base decreased 3.4 percent to SEK 7,307 million (7,563).

EBITDA, excluding non-recurring items, increased 4.0 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 0.5 percent to SEK 9,802 million (9,756). The EBITDA margin, excluding non-recurring items, improved to 36.8 percent (36.3).

Operating income, excluding non-recurring items, decreased 7.0 percent to SEK 7,997 million (8,599). Income from associated companies decreased 32.4 percent to SEK 1,407 million (2,082).

Non-recurring items affecting operating income totaled SEK 44 million (119), mainly due to a capital gain of SEK 98 million in Other operations relating to the sale of North Sea Communications AS.

Financial items totaled SEK -790 million (-467) of which SEK -680 million (-467) related to net interest expenses.

Income taxes decreased to SEK 1,633 million (1,776). The effective tax rate increased to 22.5 percent (21.5).

Non-controlling interests in subsidiaries increased to SEK 755 million (487), of which SEK 670 million (628) was related to the operations in Eurasia and SEK 70 million (70) to LMT and TEO.

Net income attributable to owners of the parent company decreased 18.8 percent to SEK 4,863 million (5,988) and earnings per share to SEK 1.12 (1.33), mainly due to lower income from associated companies and higher finance costs.

CAPEX increased to SEK 3,632 million (2,941) and the CAPEX-to-sales ratio increased to 13.6 percent (10.9). The CAPEX-to-sales ratio, excluding license and spectrum fees, amounted to 13.6 percent in the third quarter of 2011.

Free cash flow increased to SEK 5,106 million (3,857), mainly due to lower income taxes paid and higher dividends received from associated companies.

Net debt decreased to SEK 65,980 million at the end of the third quarter (68,409 at the end of the second quarter of 2011). The net debt/EBITDA ratio was 1.80 (1.87 at the end of the second quarter of 2011).

The equity/assets ratio was 44.5 percent (46.1 percent at the end of the second quarter of 2011).

Review of the Group, nine-month period 2011

Net sales in local currencies and excluding acquisitions increased 2.7 percent. In reported currency, net sales decreased 3.6 percent to SEK 77,231 million (80,128). The negative effect of disposals was 1.1 percent and the negative effect of exchange rate fluctuations was 5.2 percent.

The addressable cost base in local currencies and excluding acquisitions increased 2.5 percent. In reported currency, the addressable cost base decreased 3.6 percent to SEK 22,923 million (23,779).

EBITDA, excluding non-recurring items, increased 5.2 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 0.6 percent to SEK 27,723 million (27,895). The EBITDA margin, excluding non-recurring items, improved to 35.9 percent (34.8).

Operating income, excluding non-recurring items, decreased 7.3 percent to SEK 22,218 million (23,966). Income from associated companies decreased 28.4 percent to SEK 4,065 million (5,677).

Non-recurring items affecting operating income totaled SEK -478 million (-140) mainly related to efficiency measures.

Financial items totaled SEK -1,958 million (-1,509) of which SEK -1,716 million (-1,338) related to net interest expenses.

Income taxes decreased to SEK 4,384 million (4,720). The effective tax rate increased to 22.2 percent (21.1).

Non-controlling interests in subsidiaries increased to SEK 2,029 million (1,649), of which SEK 1,799 million (1,639) was related to the operations in Eurasia and SEK 195 million (238) to LMT and TEO.

Net income attributable to owners of the parent company decreased 16.2 percent to SEK 13,369 million (15,948) and earnings per share decreased to SEK 3.05 (3.55).

CAPEX increased to SEK 11,190 million (9,074) and the CAPEX-to-sales ratio increased to 14.5 percent (11.3). The CAPEX-to-sales ratio, excluding license and spectrum fees, amounted to 12.7 percent in the nine-month period of 2011.

Free cash flow decreased to SEK 9,106 million (11,159) due to higher cash CAPEX.

Significant events in the third quarter

- On July 22, 2011, TeliaSonera announced that its share capital had been decreased by SEK 513,191,782.40, by means of cancellation of the 160,372,432 shares repurchased in the repurchase offer in the spring of 2011. After the decrease, TeliaSonera's share capital amounts to SEK 13,856,271,299.20 and there are 4,330,084,781 shares and votes in the company. After this, TeliaSonera holds no own shares.
- On September 1, 2011, Telia Norge AS sold North Sea Communications AS to Hitec-Vision for SEK 190 million. North Sea Communications AS operates a fiber optical cable system between Norway and the UK, providing the offshore oil and gas industry in the southern part of the North Sea with high-speed and low-latency communications. TeliaSonera recognized a capital gain of SEK 98 million.
- On September 15, 2011, TeliaSonera issued a Eurobond of EUR 500 million in a 10.5 year deal maturing in March 2022, under its existing EUR 10 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 4.134 percent p.a. equivalent to Euro Mid-swaps + 142 basis points.
- On September 21, 2011, TeliaSonera announced that it had signed a binding Memorandum of Understanding with Kazakhtelecom to increase its ownership in GSM Kazakhstan LLP, operating under the Kcell brand in Kazakhstan, in connection with a planned Initial Public Offering (IPO). The contemplated final outcome of the transactions, is that Kazakhtelecom will sell its shares in the IPO, apart from 24 percent plus one share that will be acquired by TeliaSonera (or by TeliaSonera's subsidiary Fintur Holdings). The transactions will be completed at market value. Any sale to TeliaSonera and IPO of shares are subject to a number of conditions being fulfilled by both parties.
- On September 30, 2011 TeliaSonera announced that an arbitration tribunal of the International Chamber of Commerce (ICC) had issued its final award related to a dispute concerning the 2005 Turkcell Holding share purchase agreement between TeliaSonera and Cukurova. The tribunal ordered Cukurova to pay damages to TeliaSonera to an amount of USD 932 million, plus interest. TeliaSonera has taken actions to recover these damages.

Significant events after the end of the third quarter

- On October 7, 2011, TeliaSonera received USD 100 million from Altimio as certain milestones had been met in fulfilling the agreement signed in November 2009. Altimio made an initial payment to TeliaSonera of USD 50 million at signing in 2009.
- On October 13, 2011, TeliaSonera acquired nationwide frequencies in the 1,800 MHz band (5 blocks, 2*25MHz) for the Swedish market. The licenses granted for the 1,800 MHz band are valid for 25 years starting from 2013, and the cost for the new frequency blocks is SEK 920 million in total. Payment to the Swedish Post and Telecom Agency will be made during the fourth quarter of 2011.

Profitability improvement within Mobility Services

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

- The new price offering on data roaming that was introduced in May has been very well received by the customers. With price cuts of up to 90 percent within the Nordic and Baltic markets, the new tariffs are well below the price caps on roaming set by the European Commission for July 2012. The offer with lower data roaming prices will be extended to more markets over time.
- Net sales growth was positive in Sweden, Estonia, Latvia and Spain. Despite the uncertain macroeconomic situation, the development in the B2B segment remained healthy. In the consumer segment, the challenge lies in the migration from premium brands to fighting brands. Growth in equipment sales was somewhat lower this quarter, partly as a result of fewer releases of new phone models compared with the same period a year ago. New offers for mobile data have been launched in several of our markets to better reflect customers' different needs.

SEK in millions, except margins, operational data and changes	Jul-Sep 2011	Jul-Sep 2010	Chg (%)	Jan-Sep 2011	Jan-Sep 2010	Chg (%)
Net sales	13,139	12,968	1	37,913	37,987	0
EBITDA excl. non-recurring items	4,183	3,926	7	11,856	11,284	5
Margin (%)	31.8	30.3		31.3	29.7	
Operating income	3,037	2,876	6	8,500	8,095	5
Operating income excl. non-recurring items	3,038	2,878	6	8,544	8,113	5
CAPEX	955	728	31	4,181	2,586	62
Subscriptions, period-end (thousands)	19,155	18,091	6	19,155	18,091	6
Employees, period-end	7,758	7,506	3	7,758	7,506	3

Additional segment information available at www.teliasonera.com.

- **Net sales** in local currencies and excluding acquisitions increased 2.7 percent. Net sales in reported currency increased 1.3 percent to SEK 13,139 million (12,968). The negative effect of exchange rate fluctuations was 1.4 percent.

In Sweden, net sales rose by 6.0 percent to SEK 4,077 million (3,845) due to continued strong growth in mobile data. Revenues from mobile data increased 35 percent while voice and messaging revenues rose by 2 percent, respectively.

In Finland, net sales in local currency declined 3.2 percent to the equivalent of SEK 2,252 million (2,379). Mobile data revenues grew approximately 30 percent compared to the same quarter last year. The decline in voice revenues was explained by a decline in the average price per minute. Growth in minutes of use was positive for the first time since late 2008. Revenues from equipment were approximately 10 percent below last year's level in the third quarter.

In Norway, net sales in local currency fell by 1.4 percent to the equivalent of SEK 2,179 million (2,211), mainly due to lower interconnect fees which negatively impacted revenues by approximately NOK 90 million in the third quarter. Growth in equipment sales, mobile data and wholesale revenues remained healthy. In July 2011, the agreement with Tele2 on national roaming was extended until March 2014.

In Denmark, net sales in local currency declined 10.9 percent to the equivalent of SEK 1,363 million (1,564). The Danish mobile market was characterized by heavy price competition in the third quarter which led to a decline in average price per minute. Revenues from mobile data grew by 35 percent but could not compensate for lower voice and interconnect revenues. There are signs of stabilization in the Danish market as promotion campaigns ended and several operators raised prices in late September.

The macro economic recovery is visible in Estonia and net sales in local currency increased by 4.3 percent to the equivalent of SEK 437 million (430). This was the second consecutive quarter of growth, largely explained by higher roaming and equipment revenues. In Latvia, net sales in local currency rose 0.9 percent to the equivalent of SEK 444 million (452), driven by equipment sales and mobile data. Net sales in local currency in Lithuania fell by 14.3 percent as a result of lower interconnect rates and price pressure.

In Spain, net sales in local currency increased 25.8 percent to the equivalent of SEK 2,063 million (1,694) due to continued strong subscription intake. Growth in equipment sales was lower compared to the previous quarter. Yoigo's market share has now passed 5 percent.

- **The number of subscriptions** rose by 1.1 million from the end of the third quarter of 2010 to 19.2 million. Growth was strongest in Spain and Sweden with an increase of 0.8 million and 0.4 million to 2.9 million and 6.2 million subscriptions, respectively. During the quarter the total number of subscriptions rose by 0.1 million.
- **EBITDA**, excluding non-recurring items, increased 7.6 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 6.5 percent to SEK 4,183 million (3,926). The EBITDA margin increased to 31.8 percent (30.3).

In Sweden, EBITDA, excluding non-recurring items, increased 14.4 percent to SEK 1,925 million (1,683) as a result of higher revenues and lower production costs. Lower growth in equipment sales this quarter also improved the margin. The EBITDA margin improved to 47.2 percent (43.8).

In Finland, the EBITDA margin improved to 33.2 percent (30.2) due to lower costs related to transmission and lower sales commission. The EBITDA margin in Norway was stable at 36.3 percent (36.3). In Denmark, the EBITDA margin fell to 15.2 percent (23.3) as cost initiatives, such as reduction of subsidies in own sales channels, could not compensate for lower revenues.

The EBITDA margins in Lithuania, Latvia and Estonia fell to 29.3 percent (31.4), 39.2 percent (40.7) and 35.9 percent (39.5), respectively, mainly as a result of changed revenue mix with a higher proportion of low margin equipment sales.

Yoigo in Spain contributed with SEK 74 million to EBITDA, compared with a loss of SEK 131 million in the corresponding quarter last year. The improvement can again be explained by higher revenues and an increased share of traffic in its own network.

- **CAPEX** increased to SEK 955 million (728) and the CAPEX-to-sales ratio to 7.3 percent (5.6). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, was somewhat higher at SEK 3,228 million (3,198).

SEK in millions, except margins and changes	Jul-Sep 2011	Jul-Sep 2010	Chg (%)	Jan-Sep 2011	Jan-Sep 2010	Chg (%)
Net sales	13,139	12,968	1	37,913	37,987	0
of which Sweden	4,077	3,845	6	11,958	11,305	6
of which Finland	2,252	2,379	-5	6,658	7,245	-8
of which Norway	2,179	2,211	-1	6,268	6,515	-4
of which Denmark	1,363	1,564	-13	4,147	4,805	-14
of which Lithuania	362	433	-16	1,053	1,249	-16
of which Latvia	444	452	-2	1,241	1,357	-9
of which Estonia	437	430	2	1,194	1,254	-5
of which Spain	2,063	1,694	22	5,506	4,366	26
EBITDA excl. non-recurring items	4,183	3,926	7	11,856	11,284	5
of which Sweden	1,925	1,683	14	5,445	4,746	15
of which Finland	748	719	4	2,161	2,280	-5
of which Norway	790	802	-1	2,209	2,360	-6
of which Denmark	207	364	-43	626	931	-33
of which Lithuania	106	136	-22	299	412	-27
of which Latvia	174	184	-5	469	567	-17
of which Estonia	157	170	-8	432	508	-15
of which Spain	74	-131		214	-519	
Margin (%), total	31.8	30.3		31.3	29.7	
Margin (%), Sweden	47.2	43.8		45.5	42.0	
Margin (%), Finland	33.2	30.2		32.5	31.5	
Margin (%), Norway	36.3	36.3		35.2	36.2	
Margin (%), Denmark	15.2	23.3		15.1	19.4	
Margin (%), Lithuania	29.3	31.4		28.4	33.0	
Margin (%), Latvia	39.2	40.7		37.8	41.8	
Margin (%), Estonia	35.9	39.5		36.2	40.5	
Margin (%), Spain	3.6	neg		3.9	neg	

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	2.7	4.3
Change (%), Sweden	6.0	5.8
Change (%), Finland	-3.2	-1.6
Change (%), Norway	-1.4	0.7
Change (%), Denmark	-10.9	-7.4
Change (%), Lithuania	-14.3	-9.7
Change (%), Latvia	0.9	-2.1
Change (%), Estonia	4.3	2.0
Change (%), Spain	25.8	35.1

Fiber deployment gaining pace within Broadband Services

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

- The fiber deployment in the Nordic and Baltic countries is gaining momentum and 0.5 million of our 2.5 million broadband customers in the Nordic and Baltic countries are today connected by fiber. The target to expand the coverage to 2.3 million homes connected by fiber by the end of 2014 remains unchanged. The number of TV subscriptions grew in all markets and the number of VoIP subscriptions reached 0.5 million.
- The cost efficiency measures implemented earlier this year had impact in the third quarter and the profitability level was defended despite lower net sales. International Carrier showed a positive trend in net sales and profitability due to a focus on higher-margin traffic.

SEK in millions, except margins, operational data and changes	Jul-Sep 2011	Jul-Sep 2010	Chg (%)	Jan-Sep 2011	Jan-Sep 2010	Chg (%)
Net sales	9,155	9,772	-6	27,336	29,995	-9
EBITDA excl. non-recurring items	3,119	3,326	-6	9,119	10,044	-9
Margin (%)	34.1	34.0		33.4	33.5	
Operating income	1,880	1,971	-5	5,021	6,095	-18
Operating income excl. non-recurring items	1,910	1,992	-4	5,471	6,212	-12
CAPEX	1,454	1,076	35	3,789	3,128	21
Subscriptions, period-end (thousands)						
Broadband	2,453	2,363	4	2,453	2,363	4
Fixed voice and VoIP	4,889	5,091	-4	4,889	5,091	-4
TV	1,137	886	28	1,137	886	28
Employees, period-end	13,468	13,949	-3	13,468	13,949	-3

Additional segment information available at www.teliasonera.com.

- **Net sales** in local currencies and excluding acquisitions decreased 5.5 percent. Net sales in reported currency decreased 6.3 percent to SEK 9,155 million (9,772). The negative effect of exchange rate fluctuations was 1.0 percent and the positive effect of acquisitions and disposals was 0.2 percent.

In Sweden, net sales fell 4.8 percent to SEK 4,207 million (4,418). Revenues from fixed-voice services fell around 11 percent while the growth within IP based services was approximately 4 percent, a slight improvement compared to the previous quarter. An increased number of TV- and VoIP subscriptions led to a revenue increase of more than 35 percent for these services.

In Finland, net sales in local currency decreased 7.4 percent to the equivalent of SEK 1,328 million (1,450), mainly due to lower PSTN subscriptions and a drop in Broadband ARPU in the consumer segment. Traditional fixed-voice services declined by 11 percent while IP-based revenues grew by 2 percent compared with the same period last year.

In Norway, net sales in local currency fell 3.4 percent to the equivalent of SEK 270 million (279). The number of broadband subscriptions was unchanged compared to the previous quarter. In Denmark, net sales in local currency increased 3.4 percent to the equivalent of SEK 237 million (235) as growth in IP-based services, mainly broadband and TV, fully compensated for a decline in revenues from fixed-voice services.

In Estonia, net sales in local currency grew 7.5 percent to the equivalent of SEK 518 million (495), due to higher transit traffic, equipment sales and value added services. In Lithuania, net sales in local currency fell 4.8 percent to the equivalent of SEK 489 million (526).

In Wholesale, net sales fell 9.3 percent to SEK 2,425 million (2,714), an improvement compared to previous quarter. Within International Carrier, net sales in local currencies fell 9.8 percent compared with -20.1 percent in the previous quarter due to an improving trend within voice revenues, both in terms of prices and volumes.

- **The number of subscriptions** for broadband access rose to 2.5 million, an increase of 90,000 from the third quarter of 2010 and by 30,000 during the quarter.

The total number of TV subscriptions rose by 251,000 from the third quarter of 2010 and by 32,000 during the quarter to 1.1 million.

The number of fixed-voice subscriptions decreased by 382,000 from the end of the third quarter of 2010 to 4.4 million, and was down 104,000 during the quarter. The intake of VoIP subscriptions was 37,000 in the quarter, bringing the total number of VoIP subscriptions to 0.5 million.

- **EBITDA**, excluding non-recurring items, fell 5.5 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 6.2 percent to SEK 3,119 million (3,326).

In Sweden, the EBITDA margin, improved to 41.5 percent (40.8), mainly as a result of lower cost of goods sold and lower personnel costs due to efficiency measures.

In Finland, the EBITDA margin declined to 25.5 percent (30.2) as the 7.4 percent reduction in the addressable cost base could not compensate for the decline in net sales and a lower gross margin. In Norway, the EBITDA margin remained at the same level at 17.0 percent (16.8). In Denmark, the EBITDA margin improved to 16.5 percent (11.5).

In Lithuania, EBITDA margin improved slightly to 41.7 percent (41.3) while in Estonia the EBITDA margin abated to 27.0 percent (30.7), mainly due to lower gross margin.

In Wholesale, the EBITDA margin increased to 24.8 percent (23.6). Within International Carrier, margin improved to 5.4 percent (2.5) due to a focus on higher-margin traffic. However, profitability within domestic wholesale fell due to lower copper access sale as well as higher costs for fault handling.

- **CAPEX** increased to SEK 1,454 million (1,076) and the CAPEX-to-sales ratio rose to 15.9 percent (11.0). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, fell to SEK 1,665 million (2,250).

SEK in millions, except margins and changes	Jul-Sep 2011	Jul-Sep 2010	Chg (%)	Jan-Sep 2011	Jan-Sep 2010	Chg (%)
Net sales	9,155	9,772	-6	27,336	29,995	-9
of which Sweden	4,207	4,418	-5	12,875	13,564	-5
of which Finland	1,328	1,450	-8	3,930	4,396	-11
of which Norway	270	279	-3	788	891	-12
of which Denmark	237	235	1	694	744	-7
of which Lithuania	489	526	-7	1,447	1,625	-11
of which Estonia	518	495	5	1,408	1,437	-2
of which Wholesale	2,425	2,714	-11	7,146	8,404	-15
EBITDA excl. non-recurring items	3,119	3,326	-6	9,119	10,044	-9
of which Sweden	1,748	1,803	-3	5,172	5,395	-4
of which Finland	339	438	-23	993	1,381	-28
of which Norway	46	47	-2	127	147	-14
of which Denmark	39	27	44	66	81	-19
of which Lithuania	204	217	-6	595	663	-10
of which Estonia	140	152	-8	417	439	-5
of which Wholesale	601	640	-6	1,750	1,937	-10
Margin (%), total	34.1	34.0		33.4	33.5	
Margin (%), Sweden	41.5	40.8		40.2	39.8	
Margin (%), Finland	25.5	30.2		25.3	31.4	
Margin (%), Norway	17.0	16.8		16.1	16.5	
Margin (%), Denmark	16.5	11.5		9.5	10.9	
Margin (%), Lithuania	41.7	41.3		41.1	40.8	
Margin (%), Estonia	27.0	30.7		29.6	30.5	
Margin (%), Wholesale	24.8	23.6		24.5	23.1	

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	-5.5	-6.4
Change (%), Sweden	-4.8	-5.1
Change (%), Finland	-7.4	-4.6
Change (%), Norway	-3.4	-7.5
Change (%), Denmark	3.4	0.1
Change (%), Lithuania	-4.8	-4.6
Change (%), Estonia	7.5	5.0
Change (%), Wholesale	-9.3	-13.1

Eurasia continues to be the growth engine

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

- Organic growth remained strong and 1.2 million new subscriptions were added in the consolidated operations in the third quarter. Kazakhstan and Nepal passed 10 million and 6 million subscriptions, respectively. TeliaSonera signed a binding memorandum of understanding with Kazakhtelecom to increase its ownership in Kcell in connection with a planned IPO.
- Income from associated companies declined 32 percent, mainly as a result of one-off items in Turkcell. MegaFon remained the market leader in mobile data and the number two mobile operator in Russia in terms of revenues and subscriptions. Competition in the Russian mobile market has increased due to fights over market shares with lower average price per minute as a result.

SEK in millions, except margins, operational data and changes	Jul-Sep 2011	Jul-Sep 2010	Chg (%)	Jan-Sep 2011	Jan-Sep 2010	Chg (%)
Net sales	4,614	4,408	5	12,622	12,135	4
EBITDA excl. non-recurring items	2,376	2,278	4	6,493	6,075	7
Margin (%)	51.5	51.7		51.4	50.1	
Income from associated companies						
Russia	1,204	1,442	-17	3,361	3,899	-14
Turkey	174	605	-71	691	1,671	-59
Operating income	3,056	3,684	-17	8,503	9,700	-12
Operating income excl. non-recurring items	3,073	3,684	-17	8,465	9,700	-13
CAPEX	1,067	950	12	2,784	2,893	-4
Subscriptions, period-end (thousands)						
Subsidiaries	32,783	26,264	25	32,783	26,264	25
Associated companies	103,000	102,491	0	103,000	102,491	0
Employees, period-end	4,989	4,775	4	4,989	4,775	4

Additional segment information available at www.teliasonera.com.

Consolidated operations

- **Net sales** in local currencies and excluding acquisitions increased 16.8 percent. Net sales in reported currency increased 4.7 percent to SEK 4,614 million (4,408). The negative effect from exchange rate fluctuations was 12.1 percent.

In Kazakhstan, net sales in local currency increased 16.4 percent to the equivalent of SEK 2,109 million (2,028), driven by subscription growth and strong growth in mobile data. The price cap on retail tariffs of KZT 18 per minute that was introduced in May 2011 and the launch by Tele2 have resulted in a reduction in average price per minute in the market. Kcell proactively launched new offers during the third quarter. Kcell remains the undisputed leader in mobile data and revenues more than doubled compared to the same period last year and now stand for approximately 8 percent of total revenues.

In Azerbaijan, net sales in local currency fell 7.4 percent to the equivalent of SEK 882 million (1,026). Retail prices have been significantly reduced as a result of the conversion from unit-based to local currency-based minute pricing. Azercell also launched new promotion campaigns for prepaid subscriptions with flat prices for all local calls, which had a significant positive impact on minutes of use.

In Uzbekistan, net sales in local currency increased 33.0 percent to the equivalent of SEK 456 million (416). Ucell is heavily promoting data services and data revenues more than doubled compared with the same quarter a year ago and now represents around 10 percent of total revenues. The number of subscriptions remained largely at the same level as in previous quarter due to aggressive marketing campaigns by competitors.

In Tajikistan, net sales in local currency grew 26.7 percent to the equivalent of SEK 234 million (223), mainly as a result of an increase in on-net usage, incoming international calls and value added services. In January 2011, the Parliament in Tajikistan approved VAT on incoming international calls and imposed an excise tax of 3 percent on mobile revenues.

In Georgia, net sales in local currency fell 13.6 percent to the equivalent of SEK 249 million (291). As in previous quarters, the decline is largely explained by the 46 percent reduction in interconnect fees from August 1, 2010, the excise tax of 10 percent of revenues from September 1, 2010, as well as the introduction of maximum retail tariffs in April 2011. In Moldova, net sales in local currency increased 10.9 percent to the equivalent of SEK 141 million (133).

In Nepal, net sales in local currency grew by 105.8 percent to the equivalent of SEK 543 million (293) as a result of a continued strong subscription intake but also a higher average revenue per user compared with the same quarter last year. Ncell is now the leading internet service provider in the country with approximately 30,000 Ncell Connect, 3G Internet, customers.

- **The number of subscriptions** in the consolidated operations was 32.8 million, an increase by 6.5 million, from the end of the third quarter of 2010. Growth was strongest in Nepal, Kazakhstan and Uzbekistan with a rise of 2.6 million, 1.7 million and 1.5 million to 6.0 million, 10.1 million and 7.5 million subscriptions, respectively. During the third quarter, the total number of subscriptions in the consolidated operations increased by 1.2 million. Nepal, Kazakhstan and Tajikistan showed the largest rises with an increase of 0.6 million, 0.4 million and 0.1 million subscriptions, respectively.
- **EBITDA**, excluding non-recurring items, increased 16.3 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 4.3 percent to SEK 2,376 million (2,278). The EBITDA margin was flat at 51.5 percent (51.7).

Profitability increased in Kazakhstan, Tajikistan and Nepal due to strong growth in revenues and EBITDA margins exceeded 50 percent. Despite aggressive campaigns from competitors, the EBITDA margin in Uzbekistan remained around 40 percent. The EBITDA margins in Azerbaijan and Georgia declined compared to the same period last year due to lower revenues and an increase in off-net traffic.

- **CAPEX** increased to SEK 1,067 million (950) and the CAPEX-to-sales ratio increased to 23.1 percent (21.6). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, was flat at SEK 1,309 million (1,328).

	Jul-Sep	Jul-Sep	Chg	Jan-Sep	Jan-Sep	Chg
SEK in millions, except changes	2011	2010	(%)	2011	2010	(%)
Net sales	4,614	4,408	5	12,622	12,135	4
of which Kazakhstan	2,109	2,028	4	5,766	5,479	5
of which Azerbaijan	882	1,026	-14	2,521	2,882	-13
of which Uzbekistan	456	416	10	1,268	1,144	11
of which Tajikistan	234	223	5	602	607	-1
of which Georgia	249	291	-14	684	894	-23
of which Moldova	141	133	6	375	358	5
of which Nepal	543	293	85	1,413	779	81

Net sales in local currencies and excluding acquisitions	Jul-Sep	Jan-Sep
Change (%), total	16.8	18.7
Change (%), Kazakhstan	16.4	19.7
Change (%), Azerbaijan	-7.4	-2.1
Change (%), Uzbekistan	33.0	37.1
Change (%), Tajikistan	26.7	18.3
Change (%), Georgia	-13.6	-17.3
Change (%), Moldova	10.9	11.9
Change (%), Nepal	105.8	104.7

Associated companies – Russia

- MegaFon (associated company, in which TeliaSonera holds 43.8 percent) in Russia reported a subscription base of 60.2 million, an increase of 3.7 million compared to the corresponding period last year and 2.9 million higher than the previous quarter.
- TeliaSonera's income from Russia decreased to SEK 1,204 million (1,442). The Russian ruble depreciated 6.3 percent against the Swedish krona, which had a negative impact of SEK 81 million.

Associated companies – Turkey

- Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey reported a subscription base of 34.1 million, flat compared to the corresponding period last year and 0.9 million higher than the previous quarter. In Ukraine, the number of subscriptions decreased by 3.2 million to 8.7 million compared to the corresponding period last year and decreased by 0.1 million during the quarter.
- TeliaSonera's income from Turkey decreased to SEK 174 million (605), mainly due to a goodwill impairment in Belarus and exchange losses following the devaluation of the Belarusian ruble. In addition, a provision was made with regards to a fine from the Turkish Competition Board. The Turkish lira depreciated 8.1 percent against the Swedish krona, which had a negative impact of SEK 15 million.

Other operations

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

	Jul-Sep	Jul-Sep	Chg	Jan-Sep	Jan-Sep	Chg
SEK in millions, except changes	2011	2010	(%)	2011	2010	(%)
Net sales	968	1,136	-15	2,890	3,856	-25
EBITDA excl. non-recurring items	125	226	-45	255	466	-46
Income from associated companies	-2	-8	-75	-66	-18	
Operating income	65	188	-65	-287	-91	
Operating income excl. non-recurring items	-25	46		-265	-86	
CAPEX	156	184	-15	435	464	-6

Additional segment information available at www.teliasonera.com.

- **Net sales** in local currencies and excluding acquisitions decreased 3.2 percent. In reported currency, net sales decreased 14.8 percent to SEK 968 million (1,136).
- **EBITDA**, excluding non-recurring items, decreased 44.7 percent in reported currency to SEK 125 million (226).

Stockholm, October 19, 2011

Lars Nyberg
President and CEO

Auditors' Review Report

We have reviewed the condensed interim financial information for the period January 1 – September 30, 2011, for TeliaSonera AB. The Board of Directors and the President and CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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.

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

Stockholm, October 19, 2011

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Auditor in charge

Jeanette Skoglund
Authorized Public Accountant

TeliaSonera AB discloses the information provided herein pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication at 07:15 CET on October 19, 2011.

Financial Information

Year-end Report January–December 2011	February 2, 2012
Annual General Meeting 2012	April 3, 2012
Interim Report January–March 2012	April 19, 2012
Interim Report January–June 2012	July 18, 2012
Interim Report January–September 2012	October 17, 2012
Year-end Report January–December 2012	January 31, 2013

Questions regarding the reports:

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Definitions

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

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

Condensed Consolidated Statements of Comprehensive Income

SEK in millions, except per share data, number of shares and changes	Jul-Sep 2011	Jul-Sep 2010¹⁾	Chg (%)	Jan-Sep 2011	Jan-Sep 2010¹⁾	Chg (%)
Net sales	26,612	26,873	-1	77,231	80,128	-4
Cost of sales	-14,507	-14,158	2	-41,813	-44,051	-5
Gross profit	12,105	12,715	-5	35,418	36,077	-2
Selling, admin. and R&D expenses	-5,684	-6,268	-9	-17,933	-18,037	-1
Other operating income and expenses, net	213	189	12	190	109	72
Income from associated companies and joint ventures	1,407	2,082	-32	4,065	5,677	-28
Operating income	8,041	8,718	-8	21,740	23,826	-9
Finance costs and other financial items, net	-790	-467	69	-1,958	-1,509	30
Income after financial items	7,251	8,251	-12	19,782	22,317	-11
Income taxes	-1,633	-1,776	-8	-4,384	-4,720	-7
Net income	5,618	6,475	-13	15,398	17,597	-12
Foreign currency translation differences	-195	-10,574	-98	-2,582	-16,237	-84
Income from associated companies	49	26	88	29	41	-29
Cash flow hedges	-128	15	-107	-107	-59	81
Available-for-sale financial instruments	-1	-90	-99	0	-90	
Income taxes relating to other comprehen- sive income	180	-227	394	-756		
Other comprehensive income	-95	-10,850	-99	-2,266	-17,101	-87
Total comprehensive income	5,523	-4,375		13,132	496	
Net income attributable to:						
Owners of the parent	4,863	5,988	-19	13,369	15,948	-16
Non-controlling interests	755	487	55	2,029	1,649	23
Total comprehensive income attributable to:						
Owners of the parent	4,512	-4,175	11,063	-704		
Non-controlling interests	1,011	-200	2,069	1,200		
Earnings per share (SEK), basic and diluted	1.12	1.33	-16	3.05	3.55	-14
Number of shares (thousands)						
Outstanding at period-end	4,330,085	4,490,457	4,330,085	4,490,457		
Weighted average, basic and diluted	4,330,085	4,490,457	4,379,430	4,490,457		
Number of treasury shares (thousands)						
Outstanding at period-end	-	-	-	-		
Weighted average	31,377	-	67,556	-		
EBITDA	9,868	10,551	-6	27,286	28,439	-4
EBITDA excl. non-recurring items	9,802	9,756	0	27,723	27,895	-1
Depreciation, amortization and impairment losses	-3,234	-3,915	-17	-9,611	-10,290	-7
Operating income excl. non-recurring items	7,997	8,599	-7	22,218	23,966	-7

1) Certain restatements have been made, see page 20.

Condensed Consolidated Statements of Financial Position

SEK in millions	Sep 30, 2011	Dec 31, 2010
Assets		
Goodwill and other intangible assets	93,345	90,531
Property, plant and equipment	59,184	58,353
Investments in associates and joint ventures, deferred tax assets and other non-current assets	64,081	62,458
<i>Total non-current assets</i>	<i>216,610</i>	<i>211,342</i>
Inventories	1,330	1,395
Trade receivables, current tax assets and other receivables	21,026	19,993
Interest-bearing receivables	1,452	2,477
Cash and cash equivalents	14,912	15,344
<i>Total current assets</i>	<i>38,720</i>	<i>39,209</i>
<i>Non-current assets held-for-sale</i>	<i>0</i>	<i>-</i>
Total assets	255,330	250,551
Equity and liabilities		
Equity attributable to owners of the parent	114,645	125,907
Equity attributable to non-controlling interests	7,853	6,758
<i>Total equity</i>	<i>122,498</i>	<i>132,665</i>
Long-term borrowings	70,078	60,563
Deferred tax liabilities, other long-term provisions	23,699	23,230
Other long-term liabilities	1,543	1,593
<i>Total non-current liabilities</i>	<i>95,320</i>	<i>85,386</i>
Short-term borrowings	12,831	4,873
Trade payables, current tax liabilities, short-term provisions and other current liabilities	24,681	27,627
<i>Total current liabilities</i>	<i>37,512</i>	<i>32,500</i>
Total equity and liabilities	255,330	250,551

Condensed Consolidated Statements of Cash Flows

SEK in millions	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
Cash flow before change in working capital	8,737	7,513	21,853	21,794
Change in working capital	-129	-284	-1,949	-2,113
Cash flow from operating activities	8,608	7,229	19,904	19,681
Cash CAPEX	-3,502	-3,372	-10,798	-8,522
Free cash flow	5,106	3,857	9,106	11,159
Cash flow from other investing activities	-1,295	1,313	-776	-1,077
Total cash flow from investing activities	-4,797	-2,059	-11,574	-9,599
Cash flow before financing activities	3,811	5,170	8,330	10,082
Cash flow from financing activities	5,524	-3,326	-8,498	-19,276
Cash flow for the period	9,335	1,844	-168	-9,194
Cash and cash equivalents, opening balance	5,669	11,373	15,344	22,488
Cash flow for the period	9,335	1,844	-168	-9,194
Exchange rate differences	-92	-430	-264	-507
Cash and cash equivalents, closing balance	14,912	12,787	14,912	12,787

Condensed Consolidated Statements of Changes in Equity

	Jan-Sep 2011			Jan-Sep 2010		
	Owners of the parent	Non-controlling interests	Total equity	Owners of the parent	Non-controlling interests	Total equity
SEK in millions						
Opening balance	125,907	6,758	132,665	135,372	7,127	142,499
Dividends	-12,349	-976	-13,325	-10,104	-1,055	-11,159
Repurchased and canceled treasury shares	-9,981	–	-9,981	–	–	–
Other transactions with owners	-2	2	0	-189	-70	-259
Total comprehensive income	11,063	2,069	13,132	-704	1,200	496
Share-based payments	7	–	7	–	–	–
Closing balance	114,645	7,853	122,498	124,375	7,202	131,577

Basis of Preparation

General. As in the annual accounts for 2010, TeliaSonera's consolidated financial statements as of and for the nine-month period ended September 30, 2011, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and, given the nature of TeliaSonera's transactions, with IFRSs as adopted by the European Union. The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act as well as standard RFR 2 *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*.

Correction of prior period classification errors. For information, see corresponding section in TeliaSonera's Interim Report January-March 2011.

New accounting standards (not yet adopted by the EU). For information, see corresponding sections in TeliaSonera's Interim Report January-June 2011 and Annual Report 2010.

Non-recurring Items

	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
SEK in millions				
Within EBITDA	66	795	-437	544
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-1	-2	-65	-18
Broadband Services	-8	-23	-476	-115
Eurasia	-16	-	-26	-
Other operations	-14	-11	-126	-154
<i>of which TeliaSonera Holding</i>	0	-1	8	-3
Capital gains/losses:				
Telia Stofa	-	831	-	831
Other entities	105	-	256	-
Within Depreciation, amortization and impairment losses	-22	-676	-41	-680
Impairment losses, accelerated depreciation:				
Broadband Services	-22	2	-41	-2
Other operations	-	-678	-	-678
Within Income from associated companies and joint ventures	-	-	-	-4
Capital gains:				
SmartTrust	-	-	-	-4
Within Finance costs and other financial items, net	-	-	-	-
Total	44	119	-478	-140

Deferred Taxes

	Sep 30, 2011	Dec 31, 2010
SEK in millions		
Deferred tax assets	8,810	9,048
Deferred tax liabilities	-12,975	-12,526
Net deferred tax liabilities (-)/assets (+)	-4,165	-3,478

Segment and Group Operating Income

	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
SEK in millions				
Mobility Services	3,037	2,876	8,500	8,095
Broadband Services	1,880	1,971	5,021	6,095
Eurasia	3,056	3,684	8,503	9,700
Other operations	65	188	-287	-91
Total segments	8,038	8,719	21,737	23,799
Elimination of inter-segment profits	3	-1	3	27
Group	8,041	8,718	21,740	23,826

Related Party Transactions

Svenska UMTS-nät. As of September 30, 2011, TeliaSonera had interest-bearing claims of SEK 1,685 million on its 50 percent-owned joint venture, Svenska UMTS-nät AB. In the three-month and the nine-month period ended September 30, 2011, TeliaSonera purchased services from Svenska UMTS-nät worth SEK 128 million and SEK 431 million, respectively, and sold services worth SEK 25 million and SEK 187 million, respectively.

Investments

SEK in millions	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
CAPEX	3,632	2,941	11,190	9,074
Intangible assets	338	403	2,653	1,703
Property, plant and equipment	3,294	2,538	8,537	7,371
Acquisitions and other investments	9	423	594	1,345
Asset retirement obligations	–	400	251	413
Goodwill and fair value adjustments	1	22	112	22
Equity holdings	8	1	231	910
Total	3,641	3,364	11,784	10,419

Net Debt

SEK in millions	Sep 30, 2011	Dec 31, 2010
Long-term and short-term borrowings	82,909	65,436
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings	-1,882	-1,731
Less short-term investments, cash and bank	-15,047	-16,396
Net debt	65,980	47,309

Loan Financing and Credit Rating

The underlying operating cash-flow continued to be positive also in the third quarter of 2011.

TeliaSonera has a strong liquidity position and is well-funded for the remainder of 2011. A new 2-year revolving Credit facility of EUR 665 million was signed in September for potential bridge funding of acquisitions.

In August 2011, Standard & Poor's confirmed its assigned credit rating on TeliaSonera AB at A- for long-term borrowings and A-2 for short-term borrowings, with a "Stable" outlook.

The sovereign debt crisis in southern Europe with Greece in the front of the problems escalated further during the third quarter, with significant deterioration in financial market conditions. Corporate credit markets have had historical low activity during the quarter with only a few issuers taking advantage of the windows that appeared. New issuance came with substantial new issue premiums compared to outstanding bonds in secondary markets as a cushion for investors versus the widening and the volatility of credit spreads that had been evident.

In the middle of September, TeliaSonera issued a new public Euro benchmark bond with a 10.5 year tenor. The nominal amount issued was EUR 500 million with a fixed coupon of 4 percent.

TeliaSonera continues to identify windows of opportunities to take advantage of attractive long-dated funding levels when they appear.

For the remainder of 2011 and the first half of 2012 the economic outlook looks bleak. Released macro data for the US and the Euro zone signal no or very weak GDP growth. Corporate credit markets are expected to be volatile and event-driven for the remainder of 2011 with an inactive primary market.

The Swedish krona traded sideways in range during the quarter and ended at a somewhat weaker level compared to the end of the second quarter of 2011. The outlook for SEK is uncertain. The normal relationship of a weaker SEK in financial market stress seems less strong.

Financial Key Ratios

	Sep 30, 2011	Dec 31, 2010
Return on equity (% , rolling 12 months)	16.9	17.8
Return on capital employed (% , rolling 12 months)	16.2	16.9
Equity/assets ratio (%)	44.5	48.0
Net debt/equity ratio (%)	58.1	39.3
Net debt/EBITDA rate (multiple, rolling 12 months)	1.80	1.28
Owners' equity per share (SEK)	26.48	28.04

Guarantees and Collateral Pledged

As of September 30, 2011, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 290 million, of which SEK 253 million referred to guarantees for pension obligations. Collateral pledged totaled SEK 197 million.

Contractual Obligations

As of September 30, 2011, contractual obligations totaled SEK 922 million, of which SEK 784 million referred to contracted build-out of TeliaSonera's fixed networks in Sweden.

Parent Company

Condensed Income Statements (SEK in millions)	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
Net sales	8	2,840	24	10,018
Operating income	192	353	-1,091	1,258
Income after financial items	1,616	7,675	8,360	23,562
Income before taxes	1,325	6,392	8,965	19,546
Net income	1,092	5,224	8,215	16,078

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary, strongly impacting net sales and operating income. Out of the total net sales in the nine-month period, SEK 24 million (7,164) was billed to subsidiaries. Income after financial items declined, as a result of lower group contributions and dividends from subsidiaries and negative effects from foreign exchange derivatives.

Condensed Balance Sheets (SEK in millions)	Sep 30, 2011	Dec 31, 2010
Non-current assets	179,637	174,292
Current assets	38,974	65,044
Total assets	218,611	239,336
Shareholders' equity	80,386	94,573
Untaxed reserves	12,604	13,209
Provisions	586	620
Liabilities	125,035	130,934
Total equity and liabilities	218,611	239,336

Total investments in the nine-month period were SEK 4,033 million (6,833), of which SEK 4,013 million referred to shareholder contributions to subsidiaries. In the corresponding period of 2010, investments amounting to SEK 6,182 million referred to acquisition of shares in subsidiaries.

Risks and Uncertainties

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

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

See Notes C27 and C35 to the consolidated financial statements in TeliaSonera's Annual Report 2010 for a detailed description of some of the factors that may affect TeliaSonera's business, financial position and results of operations. TeliaSonera believes that the risk environment has not materially changed from the one described in the Annual Report 2010.

Risks and uncertainties that could specifically impact the quarterly results of operations during the remainder of 2011 include, but may not be limited to:

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

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.