

TeliaSonera January-December 2010

Solid growth blazed the trail to record earnings

Fourth quarter

- Net sales in local currencies and excluding acquisitions increased 4.2 percent. In reported currency, net sales decreased 2.8 percent to SEK 26,774 million (27,549).
- The addressable cost base in local currencies and excluding acquisitions increased 5.2 percent. In reported currency, the addressable cost base decreased 1.8 percent to SEK 8,215 million (8,365).
- EBITDA, excluding non-recurring items, increased 5.2 percent in local currencies and excluding acquisitions. In reported currency, EBITDA was unchanged at SEK 9,024 million (9,039) and the margin increased to 33.7 percent (32.8).
- Operating income, excluding non-recurring items, increased 5.5 percent to SEK 7,991 million (7,573).
- Net income attributable to owners of the parent company increased 8.3 percent to SEK 5,309 million (4,902) and earnings per share to SEK 1.18 (1.09).
- Free cash flow decreased 57.7 percent to SEK 1,742 million (4,118) due to higher cash CAPEX of SEK 1.4 billion and higher paid taxes of SEK 1.3 billion.
- During the quarter the number of subscriptions grew by 2.6 million in the consolidated operations while subscriptions in the associated companies decreased by 2.2 million. The total number of subscriptions was 156.5 million.

Full year

- Net sales in local currencies and excluding acquisitions increased 3.5 percent. In reported currency, a decrease by 2.4 percent to SEK 106,582 million (109,161).
- Net income attributable to owners of the parent company increased 12.7 percent to SEK 21,257 million (18,854) and earnings per share to SEK 4.73 (4.20).
- Free cash flow decreased to SEK 12,901 million (16,643), mainly due to higher paid taxes of SEK 2.9 billion.
- The Board of Directors proposes an ordinary dividend of SEK 2.75 per share (2.25), totaling SEK 12,349 million (10,104), or 58 percent (54) of net income attributable to owners of the parent company. The Board has also declared its intention to repurchase shares for a total amount of approximately SEK 10 billion.

Financial highlights

SEK in millions, except key ratios, per share data and changes	Oct-Dec	Oct-Dec	Chg (%)	Jan-Dec	Jan-Dec	Chg (%)
	2010	2009		2010	2009	
Net sales	26,774	27,549	-3	106,582	109,161	-2
Addressable cost base ^{1, 2)}	8,215	8,365	-2	31,700	33,241	-5
EBITDA ²⁾ excl. non-recurring items ³⁾	9,024	9,039	-0	36,977	36,666	1
Margin (%)	33.7	32.8		34.7	33.6	
Operating income	8,199	7,505	9	32,083	30,324	6
Operating income excl. non-recurring items	7,991	7,573	6	32,015	31,679	1
Net income	5,965	5,499	8	23,562	21,280	11
of which attributable to owners of the parent	5,309	4,902	8	21,257	18,854	13
Earnings per share (SEK)	1.18	1.09	8	4.73	4.20	13
Return on equity (% , rolling 12 months)	17.8	15.2		17.8	15.2	
CAPEX-to-sales (%)	21.9	17.1		14.0	12.8	
Free cash flow	1,742	4,118	-58	12,901	16,643	-22

1) Additional information available at www.teliasonera.com. 2) Please refer to page 20 for definitions. 3) Non-recurring items; see table on page 24.

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the fourth quarter or the full year of 2009, unless otherwise stated.

Comments by Lars Nyberg, President and CEO

"The fourth quarter marks the end of a successful year for TeliaSonera. The organic revenue growth improved throughout the year and earnings per share increased 13 percent in 2010.

TeliaSonera's three focus areas are to secure high quality in our networks, be cost efficient and to build a world class service company, by providing a superior customer experience. In 2010, we continued to roll out high quality fixed and mobile networks, with improved capacity and coverage. We also made progress in working in a more integrated way throughout the company. Within Mobility and Broadband Services, a common operating model was put in place in every country to serve our customers' needs in a better way and to extract cost and scale advantages. In Eurasia, all operations except UCell in Uzbekistan were rebranded which further emphasizes their integration into the TeliaSonera group.

During the year, TeliaSonera strengthened its technology leadership as we were the first operator to launch commercial 4G services also in Finland, Denmark and Estonia. 4G services were launched as early as in December 2009 in Sweden and Norway and the roll-out continued throughout 2010. In October, Ncell in Nepal launched mobile data services in the world's highest location, when they introduced 3G services in the Mount Everest area. As we also see a major potential for mobile data in the Eurasian countries in the coming years, we are very pleased to have secured a 3G license in Kazakhstan in December. In Uzbekistan we invested heavily to increase mobile voice and data capacity by expanding our 3G network.

Our Spanish mobile operator, Yoigo, reached the EBITDA breakeven target in the fourth quarter, only four years after the launch in 2006. Yoigo is well positioned as the challenger in Spain and has reached a market share of four percent. To maximize shareholder value, we will now continue to develop the business and the next milestone is to become cash flow positive by the end of 2011.

The demand for smart phones is growing at an exceptional rate. In 2010, seven out of ten new mobile phones sold in our Swedish stores were smart phones. Adding a continued strong demand for mobile broadband and the launch of tablet devices, we are expecting an eight folded growth in data traffic in our network in three years time. In Broadband Services, the demand for on-demand services, such as films, is gaining momentum and we rented out more than 2 million films through our video on demand TV service in Sweden last year.

We are constantly reviewing our asset portfolio and during the year we increased our ownership in UCell in Uzbekistan and Ncell in Nepal, in line with our strategy of increasing ownership in core holdings. We also divested our non-core asset Telia Stofa in Denmark. We will continue to look for new opportunities within or neighboring our existing footprint. In spite of this, our financial position remains strong and the Board of Directors proposes a 22 percent increase in ordinary dividend. In addition, the Board has decided to execute the authorization from the Annual General Meeting and TeliaSonera will repurchase outstanding shares for a total value of approximately SEK 10 billion.

One of our focus areas is to run cost efficient operations. We had tailwind from previous cost savings during the first half of 2010. During the second half, the organization has identified further savings to be implemented during 2011. We also foresee that the common operating model and cross border organization within Mobility and Broadband Services will result in synergies. All in all, we aim to reduce the workforce by some 800 employees whereof 640 in Sweden and 165 in Finland. At the same time, we have a need to recruit new competence and aim to hire 200 new employees in 2011.

Looking ahead, we believe revenue growth in local currencies will be somewhat higher than in 2010. This will mainly be driven by mobile data in the Nordic region, increased market share in Spain and higher mobile penetration in Eurasia.”

Group outlook for 2011

The growth in net sales in local currencies and excluding acquisitions is expected to be around 4 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.

Please refer to page 29 for the previous Group outlook for 2010 (published on October 25, 2010)

Review of the Group, fourth quarter 2010

Net sales in local currencies and excluding acquisitions increased 4.2 percent. In reported currency, net sales decreased 2.8 percent to SEK 26,774 million (27,549). The negative effect of disposals was 1.4 percent and the negative effect of exchange rate fluctuations was 5.6 percent.

In Mobility Services, net sales in local currencies and excluding acquisitions increased 6.9 percent. Net sales in reported currency decreased 0.8 percent to SEK 12,661 million (12,759).

In Broadband Services, net sales in local currencies and excluding acquisitions decreased 5.0 percent. Net sales in reported currency decreased 9.0 percent to SEK 9,880 million (10,859).

In Eurasia, net sales in local currencies and excluding acquisitions increased 20.8 percent. Net sales in reported currency increased 16.8 percent to SEK 4,226 million (3,619).

The number of subscriptions rose by 9.4 million from the end of the fourth quarter 2009 to 156.5 million, of which 7.3 million to 55.3 million in the consolidated operations and 2.1 million to 101.2 million in the associated companies. During the fourth quarter, the total number of subscriptions increased by 2.6 million in the consolidated operations and decreased by 2.2 million in the associated companies.

The addressable cost base in local currencies and excluding acquisitions increased 5.2 percent. In reported currency, the addressable cost base decreased 1.8 percent to SEK 8,215 million (8,365).

EBITDA, excluding non-recurring items, increased 5.2 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, was unchanged at SEK 9,024 million (9,039). The EBITDA margin rose to 33.7 percent (32.8).

Operating income, excluding non-recurring items, increased to SEK 7,991 million (7,573). Income from associated companies increased 18.9 percent to SEK 2,144 million (1,803).

Non-recurring items affecting operating income totaled SEK 208 million (-68) including a positive non-cash exchange rate effect of SEK 347 million in Other operations related to final dissolution of a Dutch holding company structure.

Financial items totaled SEK -580 million (-522) of which SEK -467 million (-406) related to net interest expenses.

Income taxes increased to SEK 1,654 million (1,484). The effective tax rate was 21.7 percent (21.3).

Non-controlling interests in subsidiaries increased to SEK 656 million (597), of which SEK 598 million (557) was related to the operations in Eurasia and SEK 64 million (77) to LMT and TEO.

Net income attributable to owners of the parent company increased to SEK 5,309 million (4,902) and earnings per share to SEK 1.18 (1.09).

CAPEX increased to SEK 5,860 million (4,721) and the CAPEX-to-sales ratio to 21.9 percent (17.1). In the fourth quarter 2010, CAPEX included approximately SEK 400 million for the acquisition of a 3G license in Kazakhstan and additional LTE frequencies in Uzbekistan.

Free cash flow decreased 57.7 percent to SEK 1,742 million (4,118) due to higher cash CAPEX of SEK 1.4 billion and higher paid taxes of SEK 1.3 billion, mainly related to the Swedish operations. In the fourth quarter of 2010, a dividend of SEK 894 million (-) was received from Turkcell Holding.

Net debt decreased to SEK 47,309 million at the end of the fourth quarter (47,553 at the end of the third quarter of 2010).

The equity/assets ratio was 48.0 percent (50.5 percent at the end of the third quarter 2010).

Review of the Group, full year 2010

Net sales in local currencies and excluding acquisitions increased 3.5 percent. In reported currency, net sales decreased 2.4 percent to SEK 106,582 million (109,161). The negative effect of disposals was 0.4 percent and the negative effect of exchange rate fluctuations was 5.5 percent.

In Mobility Services, net sales in local currencies and excluding acquisitions increased 6.2 percent. Net sales in reported currency decreased 0.1 percent to SEK 50,597 million (50,671).

In Broadband Services, net sales in local currencies and excluding acquisitions decreased 4.6 percent. Net sales in reported currency decreased 8.0 percent to SEK 39,875 million (43,326).

In Eurasia, net sales in local currencies and excluding acquisitions increased 16.4 percent. Net sales in reported currency increased 8.1 percent to SEK 16,043 million (14,836).

The addressable cost base in local currencies and excluding acquisitions increased 1.3 percent. In reported currency, the addressable cost base decreased 4.6 percent to SEK 31,700 million (33,241).

EBITDA, excluding non-recurring items, increased 6.1 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 0.8 percent to SEK 36,977 million (36,666). The EBITDA margin rose to 34.7 percent (33.6).

Operating income, excluding non-recurring items, increased 1.1 percent to SEK 32,015 million (31,679). Income from associated companies decreased 2.4 percent to SEK 7,821 million (8,015).

Non-recurring items affecting operating income totaled SEK 68 million (-1,355) including a capital gain of SEK 830 million from the sale of Telia Stofa in Denmark, a positive non-cash exchange rate effect of SEK 347 million in Other operations related to final dissolution of a Dutch holding company structure, charges of SEK 373 million related to efficiency measures and impairment charges of SEK 678 million related to the operations in Cambodia.

Financial items totaled SEK -2,147 million (-2,710) of which SEK -1,863 million (-2,346) related to net interest expenses.

Income taxes increased to SEK 6,374 million (6,334). The effective tax rate decreased to 21.3 percent (22.9).

Non-controlling interests in subsidiaries decreased to SEK 2,305 million (2,426), of which SEK 2,237 million (1,994) was related to the operations in Eurasia and SEK 302 million (424) to LMT and TEO.

Net income attributable to owners of the parent company increased 12.7 percent to SEK 21,257 million (18,854) and earnings per share to SEK 4.73 (4.20).

CAPEX increased to SEK 14,934 million (14,007) and the CAPEX-to-sales ratio to 14.0 percent (12.8). In 2010, CAPEX included DKK 336 million for the acquisition of a 4G license in Denmark in the second quarter and approximately SEK 400 million for the acquisition of a 3G license in Kazakhstan and additional LTE frequencies in Uzbekistan in the fourth quarter.

Free cash flow decreased 22.5 percent to SEK 12,901 million (16,643) due to higher paid taxes of SEK 2.9 billion and higher cash CAPEX of SEK 0.6 billion.

Net debt at year-end 2010 was SEK 47,309 million (46,175). The Net debt/EBITDA ratio was unchanged at 1.3 (1.3).

The equity/assets ratio was 48.0 percent (49.1 percent at the end of the fourth quarter 2009).

Acquisitions and divestitures

- On February 2, 2010, TeliaSonera announced that it had increased its ownership in UCell (OOO Coscom) from 74 percent to 94 percent by acquiring 20 percent of the shares in the jointly owned TeliaSonera Uzbek Telecom Holding B.V. from Takilant Limited. TeliaSonera paid approximately SEK 1,600 million (USD 220 million) for the shares in the first quarter of 2010. TeliaSonera Uzbek Telecom Holding B.V. is a Dutch holding company owning 100 percent of OOO Coscom in Uzbekistan.

- On July 8, 2010, TeliaSonera announced that it had signed an agreement on the sale of its Danish subsidiary Telia Stofa to Ratos, a listed private equity company with Nordic focus. The sales price was DKK 1.1 billion on a cash and debt free basis. Telia Stofa's revenues in 2009 were DKK 1,024 million, EBITDA was DKK 166 million and operating income was DKK 92 million. Telia Stofa has approximately 500 employees. Telia Stofa was deconsolidated as of August 1, 2010 and TeliaSonera recognized a capital gain of SEK 830 million.
- TeliaSonera divested its 9.44 percent holding in Digitel in the Philippines during the second and third quarter of 2010. The transaction value was SEK 140 million and resulted in a capital gain of SEK 76 million.
- On December 8, 2010, TeliaSonera increased its ownership in TeliaSonera Asia Holding B.V. from 51 percent to 75.45 percent. TeliaSonera Asia Holding B.V. is a Dutch holding company that owns 80 percent in Ncell in Nepal and 100 percent in Applifone (brand name Star-Cell) in Cambodia. TeliaSonera paid SEK 1,105 million (USD 160 million) for the shares in the fourth quarter of 2010. On December 20, Applifone combined its operations with Latelz Co. Ltd. (brand name Smart Mobile) to become a stronger operator in the Cambodian market. The new operator will operate under the Smart Mobile brand with more than 850,000 mobile subscribers. As a result of this transaction, TeliaSonera Asia Holding B.V. owns 25 percent of the new company. In the third quarter of 2010, TeliaSonera conducted a SEK 678 million write-down of the carrying value of its Cambodian operations.

Significant events in 2010

- On September 23, 2010, TeliaSonera AB issued a 15 year Eurobond of EUR 500 million under its existing EUR 9 billion EMTN (Euro Medium Term Note) program. The Reoffer yield was set at 3.928 percent p.a. equivalent to Euro Mid-swaps + 100 bp for a 15 year deal maturing in October 2025.
- On December 2, 2010, TeliaSonera's Board of Directors extended the employment contract for Lars Nyberg, President and CEO, until December 2013.
- On December 20, 2010, TeliaSonera signed a new EUR 1,000 million Revolving Credit Facility with a 7 year maturity.
- TeliaSonera was the first operator to launch 4G services commercially during the fourth quarter 2010 in Finland, Denmark and Estonia. Today the services are offered in Finland to customers in Turku and Helsinki. In Denmark in Copenhagen, Aarhus, Odense and Aalborg and in Estonia the services are offered in the city centers of Tallinn, Tartu, Kohila, and at IT College of Tallinn University of Technology. The network rollout continues during 2011.
- On December 25, 2010, TeliaSonera's subsidiary Kcell in Kazakhstan received a permanent 3G license replacing the temporary 3G license period in December, when 3G services were launched in the two cities Almaty and Astana.

Significant events after year-end 2010

- TeliaSonera is rolling out a new, modern radio network in Norway to offer increased coverage and speed. Huawei and Ericsson have been selected to build the combined 2G/3G/4G radio network. Huawei is providing equipment for the southern part of the network and Ericsson for the northern part.

TeliaSonera share

The TeliaSonera share is listed on NASDAQ OMX Stockholm and NASDAQ OMX Helsinki. The share's settlement price in Stockholm increased 2.8 percent in 2010, from SEK 51.85 to SEK 53.30. The highest share price was SEK 56.90 (53.35) and the lowest SEK 44.00 (34.40). The number of shareholders decreased from 635,799 to 601,736. Ownership by the Swedish state was 37.3 percent and the Finnish state's holding was 13.7 percent. Holdings outside Sweden and Finland increased to 17.6 percent from 13.8 percent.

Dividend policy

TeliaSonera shall target a solid investment grade long-term credit rating (A- to BBB+) to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions. The ordinary dividend shall be at least 50 percent of net income attributable to owners of the parent company. In addition, excess capital shall be returned to shareholders after the Board of Directors has taken into consideration the company's cash at hand, cash flow projections and investment plans in a medium term perspective, as well as capital market conditions.

Ordinary dividend to shareholders

For 2010, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.75 (2.25) per share, totaling SEK 12.3 billion, or 58 percent of net income attributable to owners of the parent company.

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 6, 2011, and that the first day of trading in shares excluding rights to dividend be set for April 7, 2011. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 11, 2011. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 14, 2011.

Repurchase of outstanding shares

The Annual General Meeting (AGM) 2010 authorized the Board of Directors to repurchase up to 10 percent of the outstanding shares in TeliaSonera. According to the dividend policy, excess capital shall be returned to shareholders. The Board of Directors has therefore declared its intention to repurchase TeliaSonera shares for a total amount of approximately SEK 10 billion, in addition to the ordinary dividend. All shareholders will be offered to participate in the repurchase program by a public offering. The AGM 2011 will be proposed to decide to cancel the repurchased shares. Further information about the repurchase program is expected to be released late February, 2011.

Annual General Meeting 2011

The Annual General Meeting (AGM) will be held on April 6, 2011, at 14:00 CET at Cirkus, Stockholm. Notice of the meeting will be posted on www.teliasonera.com, and advertised in the newspapers at the end of February 2011. The record date entitling shareholders to attend the meeting will be March 31, 2011. Shareholders may file notice of intent to attend the AGM from the end of February 2011. TeliaSonera must receive notice of attendance no later than March 31, 2011.

Proposal for authorization

In order to provide TeliaSonera with an additional instrument to adjust the company's capital structure, the Board of Directors proposes that the Annual General Meeting resolve to authorize the Board of Directors to repurchase a maximum of 10 percent of the company's total number of outstanding shares, with the intention of cancelling repurchased shares.

Yoigo reached EBITDA breakeven in Mobility Services

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

- The strong demand for mobile broadband and smart phones in the Nordic countries continued to drive increased data usage and equipment sales. The iPhone 4 was the best selling smart phone during 2010, but the sale of smart phones based on Android is gaining momentum. The 4G roll-out continued and TeliaSonera has now launched commercial services in the four Nordic countries and in Estonia.
- TeliaSonera's Spanish mobile operator, Yoigo, reached its target to become EBITDA positive in the fourth quarter, only four years after launch. During 2010, Yoigo was the clear winner in mobile number portability and its market share reached 4 percent at year-end. In the Baltic countries, the trends in net sales have stabilized and higher equipment sales compensated for a continued reduction in voice revenues.

SEK in millions, except margins, operational data and changes	Oct-Dec 2010	Oct-Dec 2009	Chg (%)	Jan-Dec 2010	Jan-Dec 2009	Chg (%)
Net sales	12,661	12,759	-1	50,597	50,671	-0
EBITDA excl. non-recurring items	3,644	3,842	-5	14,928	14,916	0
Margin (%)	28.8	30.1		29.5	29.4	
Operating income	2,655	2,621	1	10,750	10,091	7
Operating income excl. non-recurring items	2,663	2,743	-3	10,776	10,543	2
CAPEX	1,293	1,344	-4	3,879	3,819	2
MoU	217	213	2	216	209	3
ARPU, blended (SEK)	189	212	-11	199	222	-10
Churn, blended (%)	29	25		28	27	
Subscriptions, period-end (thousands)	18,384	16,963	8	18,384	16,963	8
Employees, period-end	7,488	7,465	0	7,488	7,465	0

Additional segment information available at www.teliaSonera.com.

Fourth quarter

- **Net sales** in local currencies and excluding acquisitions increased 6.9 percent. Net sales in reported currency decreased 0.8 percent to SEK 12,661 million (12,759). The negative effect of exchange rate fluctuations was 7.7 percent.

In local currencies, net sales grew in Spain, Sweden, Norway and Finland. Net sales in Sweden rose by 7.8 percent to SEK 3,907 million (3,624), of which mobile data explains two thirds of the increase. Net sales were also positively impacted by higher equipment sales and voice revenues. In Spain, net sales in local currency rose 51.6 percent to the equivalent of SEK 1,613 million (1,192), mainly due to higher voice revenues as a result of strong subscription intake.

The Norwegian market was characterized by aggressive price offers from smaller operators ahead of the reduction in mobile termination rates from January 1, 2011. Despite this, net sales in local currency showed growth for the second consecutive quarter with an increase of 1.7 percent. The decline in voice revenues, as a result of subscribers migrating to cheaper price plans, was compensated for by mobile data revenues, higher equipment sales and an increase in wholesale revenues.

In Finland, net sales in local currency grew 1.2 percent to the equivalent of SEK 2,364 million (2,619) driven by an increasing number of mobile data subscriptions and higher equipment sales. However, revenue growth fell compared to the third quarter due to a larger decline in voice revenues and less equipment sales. Lower interconnect fees from December 1, 2010, also impacted negatively.

In Denmark, net sales in local currency declined 3.3 percent as growth in mobile data and higher equipment sales could not compensate for the decline in voice revenues and lower interconnect revenues. The competition is fierce in the Danish market as smaller operators are lowering prices in order to attract subscribers.

The revenue trend in the Baltic countries has stabilized but net sales in local currencies are still lower in all three countries compared to the same period last year. Net sales in local currency in Estonia decreased 2.6 percent. Net sales in local currencies in Latvia and Lithuania fell by 0.7 percent and 4.9 percent respectively. Lower interconnect fees had a significant negative impact in Latvia and Lithuania. Net sales growth would have been positive in both countries excluding this effect.

- **The number of subscriptions** rose by 1.4 million from the end of the fourth quarter 2009 to 18.4 million. Growth was strongest in Spain with an increase of 0.8 million to 2.3 million subscriptions. Finland followed with 0.4 million new subscriptions and Sweden with 0.2 million. During the quarter the total number of subscriptions rose by 0.3 million.
- **Interconnect fees** that TeliaSonera receives from other mobile operators were lowered in Lithuania from LTL 0.266 to LTL 0.148 on January 1, 2010. In Latvia, fees were reduced from LVL 0.062 to LVL 0.047 from April 1, 2010 and from August 1, 2010, lowered further to LVL 0.04. On April 1, 2010, fees in Spain were lowered from EUR 0.061 to EUR 0.055 and on October 1, 2010, lowered further to EUR 0.050. In Denmark, fees were lowered from DKK 0.54 to DKK 0.44 on May 1, 2010. In Estonia, fees were reduced from EEK 1.36 to EEK 1.22 on July 1, 2010. In Sweden, fees were lowered on July 1, 2010, from SEK 0.32 to SEK 0.26. In Finland, fees were lowered on December 1, 2010, from EUR 0.049 to EUR 0.044.

In Norway, fees were reduced from NOK 0.50 to NOK 0.30 on January 1, 2011. This will have an annual negative impact on net sales of approximately SEK 450 million. In Latvia, fees were lowered from LVL 0.04 to LVL 0.035 on January 1, 2011, and will be reduced further to LVL 0.03 on July 1, 2011. In Spain, fees will be lowered on April 1, 2011, to EUR 0.045 and reduced further to EUR 0.04 on October 1, 2011.

- **EBITDA**, excluding non-recurring items, increased 1.0 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 5.2 percent to SEK 3,644 million (3,842). The EBITDA margin fell to 28.8 percent (30.1).

In Sweden, EBITDA, excluding non-recurring items, increased 7.9 percent to SEK 1,467 million (1,360) due to increased revenues and higher profitability in mobile data. The EBITDA margin was unchanged at 37.5 percent (37.5). In Finland, the EBITDA margin fell to 29.9 percent (33.4), as a result of a dilution effect from low-margin equipment sales, higher personnel costs and increased marketing spending compared with the low commercial activities during the same period last year.

In Spain, Yoigo reached its target to become EBITDA positive and the result came in at SEK 78 million (-119) due to higher net sales and a higher share of traffic on its own network. In Denmark, lower gross margin and higher marketing costs caused a decline in the EBITDA margin to 17.3 percent (22.5). In Norway, the EBITDA margin fell to 33.0 percent (34.7), mainly due to an increase in churn and higher personnel costs.

The EBITDA margins in the Baltic countries have been negatively impacted by the reduction in voice revenues and a higher share of low-margin equipment revenues. The EBITDA margin in Estonia fell to 36.3 percent (38.4). In Latvia and Lithuania, the EBITDA margins decreased to 34.4 percent (37.8) and 34.0 percent (39.5) respectively.

- **CAPEX** decreased 3.8 percent to SEK 1,293 million (1,344) and the CAPEX-to-sales ratio was 10.2 percent (10.5). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 2,351 million (2,498).

Full year

- **Net sales** in local currencies and excluding acquisitions increased 6.2 percent. In reported currency, net sales were unchanged at SEK 50,597 million (50,671). The negative effect of exchange rate fluctuations was 6.3 percent.
- **EBITDA**, excluding non-recurring items, increased 4.8 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, was flat at SEK 14,928 million (14,916) and the margin was unchanged at 29.5 percent (29.4). Addressable cost base in local currencies and excluding acquisitions increased 7.1 percent.
- **CAPEX** increased 1.6 percent to SEK 3,879 million (3,819) and the CAPEX-to-sales ratio was 7.7 percent (7.5). CAPEX included DKK 336 million for the acquisition of a 4G license in Denmark in the second quarter of 2010. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, was unchanged at SEK 11,049 million (11,097).

SEK in millions, except margins and changes	Oct-Dec 2010	Oct-Dec 2009	Chg (%)	Jan-Dec 2010	Jan-Dec 2009	Chg (%)
Net sales	12,661	12,759	-1	50,597	50,671	-0
of which Sweden	3,907	3,624	8	15,218	14,114	8
of which Finland	2,364	2,619	-10	9,652	10,280	-6
of which Norway	2,094	2,220	-6	8,657	8,977	-4
of which Denmark	1,510	1,753	-14	6,353	7,278	-13
of which Lithuania	415	489	-15	1,671	2,220	-25
of which Latvia	451	510	-12	1,817	2,286	-21
of which Estonia	400	460	-13	1,670	1,934	-14
of which Spain	1,613	1,192	35	5,979	4,086	46
EBITDA excl. non-recurring items	3,644	3,842	-5	14,928	14,916	0
of which Sweden	1,467	1,360	8	6,201	5,526	12
of which Finland	707	873	-19	2,982	3,335	-11
of which Norway	690	770	-10	3,057	3,156	-3
of which Denmark	261	395	-34	1,205	1,430	-16
of which Lithuania	141	193	-27	554	768	-28
of which Latvia	155	193	-20	719	935	-23
of which Estonia	145	177	-18	651	760	-14
of which Spain	78	-119		-441	-995	
Margin (%), total	28.8	30.1		29.5	29.4	
Margin (%), Sweden	37.5	37.5		40.7	39.2	
Margin (%), Finland	29.9	33.4		30.9	32.4	
Margin (%), Norway	33.0	34.7		35.3	35.2	
Margin (%), Denmark	17.3	22.5		19.0	19.6	
Margin (%), Lithuania	34.0	39.5		33.2	34.6	
Margin (%), Latvia	34.4	37.8		39.6	40.9	
Margin (%), Estonia	36.3	38.4		39.0	39.3	
Margin (%), Spain	4.8	neg		neg	neg	

Net sales in local currencies and excluding acquisitions	Oct-Dec	Jan-Dec
Change (%), total	7	6
Change (%), Sweden	8	8
Change (%), Finland	1	4
Change (%), Norway	2	-2
Change (%), Denmark	-3	-3
Change (%), Lithuania	-5	-16
Change (%), Latvia	-1	-11
Change (%), Estonia	-3	-4
Change (%), Spain	52	63

Positive subscription intake in 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 efforts made to improve customer loyalty were visible in the fourth quarter and subscription intake was again positive due to accelerated intake of broadband, VoIP and TV subscriptions. The number of Fiber/LAN customers grew by 14 percent during the quarter to more than 400,000 and the new number of VoIP subscriptions compensated for more than 50 percent of the total decline of PSTN subscriptions.
- In Sweden, 40 percent of the broadband customers also have TV services from TeliaSonera. During 2010, more than 2 million Video on Demand rentals were sold compared with 1.2 million for the full year of 2009. Customer satisfaction improved during 2010 and TeliaSonera was ranked as the best telecom operator in both fixed voice and in the broadband segment in Sweden. The number of employees in Broadband Services increased by more than 300 in Lithuania and approximately 50 in Finland, due to insourcing during 2010.

SEK in millions, except margins, operational data and changes	Oct-Dec 2010	Oct-Dec 2009	Chg (%)	Jan-Dec 2010	Jan-Dec 2009	Chg (%)
Net sales	9,880	10,859	-9	39,875	43,326	-8
EBITDA excl. non-recurring items	2,991	3,268	-8	13,035	13,903	-6
Margin (%)	30.3	30.1		32.7	32.1	
Operating income	1,718	1,767	-3	7,813	7,393	6
Operating income excl. non-recurring items	1,757	1,934	-9	7,969	8,622	-8
CAPEX	1,800	1,668	8	4,928	4,953	-1
Broadband ARPU (SEK)	299	314	-5	308	312	-1
Subscriptions, period-end (thousands)						
Broadband	2,402	2,348	2	2,402	2,348	2
Fixed voice and VoIP	5,040	5,440	-7	5,040	5,440	-7
TV	935	798	17	935	798	17
Employees, period-end	13,901	13,645	2	13,901	13,645	2

Additional segment information available at www.teliaSonera.com.

Fourth quarter

- **Net sales** in local currencies and excluding acquisitions decreased 5.0 percent. Net sales in reported currency decreased 9.0 percent to SEK 9,880 million (10,859). The negative impact from exchange rate fluctuations was 4.0 percent. IP-based services' share of external net sales increased to 37 percent (35).

In Sweden, net sales fell 2.8 percent to SEK 4,521 million (4,649). Revenues from fixed-voice services as well as from IP based services showed improvements compared with the third quarter. Price adjustments for voice and billing fees had a positive effect within fixed telephony and revenues from TV- and VoIP subscriptions increased more than 40 percent compared to the corresponding quarter last year.

In Finland, net sales in local currency and excluding acquisitions decreased 2.9 percent to the equivalent of SEK 1,424 million (1,644), mainly due to a decline in traditional fixed-voice services while IP based revenues were unchanged compared to the fourth quarter last year.

In Norway, net sales in local currency and excluding acquisitions decreased 11.3 percent to the equivalent of SEK 266 million (324), due to continued high churn rate in the consumer segment.

In Denmark, net sales in local currency and excluding acquisitions decreased 2.5 percent to the equivalent of SEK 239 million (275) due to lower internal sales. External net sales increased 11.3 percent due to higher intake of broadband subscriptions.

In Lithuania, net sales in local currency and excluding acquisitions decreased by 2.6 percent to the equivalent of SEK 514 million (592), mainly due to the economic downturn as well as lower volumes and equipment sales. In Estonia, net sales in local currency and excluding acquisitions increased 2.5 percent due to higher transit traffic, growth in value added services and increased equipment sales.

The decline in Wholesale by 9.2 percent in local currencies and excluding acquisitions was driven by lower international voice revenues and price erosion in international IP-traffic.

- **The number of subscriptions** for broadband access rose to 2.4 million, an increase of 54,000 from the fourth quarter of 2009 and by 39,000 during the quarter.

The total number of TV subscriptions rose by 137,000 from the fourth quarter of 2009 and by 49,000 during the quarter to 0.9 million.

The number of fixed-voice subscriptions decreased by 546,000 from the end of the fourth quarter 2009 to 4.7 million, and was down 106,000 from the third quarter of 2010. The intake of VoIP subscriptions was 55,000 in the quarter, bringing the total number of VoIP subscriptions to 374,000.

- **EBITDA**, excluding non-recurring items, decreased 4.9 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 8.5 percent to SEK 2,991 million (3,268). The EBITDA margin increased to 30.3 percent (30.1).

In Sweden, the EBITDA margin fell slightly to 33.4 percent (34.0), mainly due to a lower gross margin and higher personnel costs. In Finland, the decline in net sales and higher costs for a temporary increase in number of employees in customer care caused a decline in EBITDA margin to 23.7 percent (31.4). Higher marketing costs to promote TV also contributed to the decline.

In Norway, a reduction in addressable cost base of 14.4 percent compensated for the decrease in net sales and the EBITDA margin improved to 13.5 percent (13.0). In Denmark, higher costs for sales and marketing impacted profitability negatively and the EBITDA margin decreased to 7.1 percent (10.5).

Both Estonia and Lithuania were able to improve profitability compared to the corresponding quarter last year and the EBITDA margins increased to 31.1 percent (26.4) and 36.8 percent (33.4) respectively. In Estonia, the improvements in net sales and lower personnel expenses were the main explanations for the increase in margin. In Lithuania, lower bad debt and other operating expenses impacted positively.

In Wholesale, the reduction in net sales was compensated for by a decrease in cost of goods sold. In addition, lower operating expenses in domestic wholesale also had a positive impact. The EBITDA margin increased to 26.8 percent (23.9).

- **CAPEX** increased to SEK 1,800 million (1,668) and the CAPEX-to-sales ratio to 18.2 percent (15.4). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 1,191 million (1,600).

Full year

- **Net sales** in local currencies and excluding acquisitions decreased 4.6 percent. Net sales in reported currency decreased 8.0 percent to SEK 39,875 million (43,326). The positive effect of acquisitions was 0.4 percent and the negative effect from exchange rate fluctuation was 3.8 percent.
- **EBITDA**, excluding non-recurring items, decreased 2.8 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 6.2 percent to SEK 13,035 million (13,903) and the margin increased to 32.7 percent (32.1). Addressable cost base in local currencies and excluding acquisitions decreased 2.6 percent.
- **CAPEX** was unchanged at SEK 4,928 million (4,953) and the CAPEX-to-sales ratio increased to 12.4 percent (11.4). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 8,107 million (8,950).

SEK in millions, except margins and changes	Oct-Dec 2010	Oct-Dec 2009	Chg (%)	Jan-Dec 2010	Jan-Dec 2009	Chg (%)
Net sales	9,880	10,859	-9	39,875	43,326	-8
of which Sweden	4,521	4,649	-3	18,085	18,667	-3
of which Finland	1,424	1,644	-13	5,820	6,782	-14
of which Norway	266	324	-18	1,157	1,114	4
of which Denmark	239	275	-13	983	1,086	-9
of which Lithuania	514	592	-13	2,139	2,508	-15
of which Estonia	473	518	-9	1,910	2,128	-10
of which Wholesale	2,810	3,203	-12	11,214	12,415	-10
EBITDA excl. non-recurring items	2,991	3,268	-8	13,035	13,903	-6
of which Sweden	1,512	1,582	-4	6,907	6,576	5
of which Finland	338	516	-34	1,719	2,230	-23
of which Norway	36	42	-14	183	199	-8
of which Denmark	17	29	-41	98	87	13
of which Lithuania	189	198	-5	852	1,065	-20
of which Estonia	147	137	7	586	624	-6
of which Wholesale	753	766	-2	2,690	3,123	-14
Margin (%), total	30.3	30.1		32.7	32.1	
Margin (%), Sweden	33.4	34.0		38.2	35.2	
Margin (%), Finland	23.7	31.4		29.5	32.9	
Margin (%), Norway	13.5	13.0		15.8	17.9	
Margin (%), Denmark	7.1	10.5		10.0	8.0	
Margin (%), Lithuania	36.8	33.4		39.8	42.5	
Margin (%), Estonia	31.1	26.4		30.7	29.3	
Margin (%), Wholesale	26.8	23.9		24.0	25.2	

Net sales in local currencies and excluding acquisitions	Oct-Dec	Jan-Dec
Change (%), total	-5	-5
Change (%), Sweden	-3	-3
Change (%), Finland	-3	-5
Change (%), Norway	-11	-9
Change (%), Denmark	-2	1
Change (%), Lithuania	-3	-5
Change (%), Estonia	2	0
Change (%), Wholesale	-9	-6

Accelerated growth with improved profitability in Eurasia

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

- Organic growth improved for the fifth consecutive quarter due to strong subscription intake and improved macroeconomic situation. Kcell in Kazakhstan secured a 3G license and launched 3G services in the cities of Almaty and Astana in December. Ncell in Nepal reached 4 million subscribers and in October, the world's highest located mobile data service was launched when Ncell introduced 3G services in the Mount Everest area. TeliaSonera increased its indirect ownership in Ncell from 40.8 percent to 60.4 percent during the fourth quarter. TeliaSonera also acquired a right to further increase its ownership in Ncell to 72.9 percent if certain conditions are met.
- In Russia, MegaFon further strengthened its leading position in mobile data and reached a market share of 36 percent of mobile data revenues according to ACM-Consulting. MegaFon also became the second largest mobile operator in Russia in terms of revenues in the third quarter. In Turkey, Turkcell maintained its leading position in 2010 and the market share was stable around 55 percent.

SEK in millions, except margins, operational data and changes	Oct-Dec 2010	Oct-Dec 2009	Chg (%)	Jan-Dec 2010	Jan-Dec 2009	Chg (%)
Net sales	4,226	3,619	17	16,043	14,836	8
EBITDA excl. non-recurring items	2,273	1,827	24	8,348	7,536	11
Margin (%)	53.8	50.5		52.0	50.8	
Income from associated companies						
Russia	1,154	1,019	13	5,053	4,691	8
Turkey	879	773	14	2,550	3,056	-17
Operating income	3,567	3,376	6	13,267	13,245	0
Operating income excl. non-recurring items	3,614	3,094	17	13,314	12,963	3
CAPEX	2,580	1,485	74	5,473	4,314	27
Subscriptions, period-end (thousands)						
Subsidiaries	28,505	22,363	27	28,505	22,363	27
Associated companies	100,286	98,342	2	100,286	98,342	2
Employees, period-end	4,853	4,712	3	4,853	4,712	3

Additional segment information available at www.teliaSonera.com.

Consolidated operations

Fourth quarter

- **Net sales** in local currencies and excluding acquisitions increased 20.8 percent. Net sales in reported currency increased 16.8 percent to SEK 4,226 million (3,619). The negative effect from exchange rate fluctuations was 4.0 percent.

In Kazakhstan, net sales in local currency increased by 21.2 percent to the equivalent of SEK 1,934 million (1,623). The subscriber intake remained strong and Kcell passed 9 million subscriptions in January, 2011. Early findings from the launch of 3G services in December are very positive and the amount of data traffic was three times higher in the fourth quarter compared to the same period last year. In Azerbaijan, revenue growth was positive for the second consecutive quarter and net sales in local currency grew by 3.3 percent.

In Nepal, net sales in local currency almost doubled with a growth of 97.3 percent to the equivalent of SEK 362 million (182). The introduction of a new tariff plan earlier during the year, with the same price to all networks, has been successful and Ncell continues to gain market share from the incumbent.

In Uzbekistan, growth in net sales in local currency remained at a very high level and increased by 66.6 percent to the equivalent of SEK 463 million (311), due to accelerated subscription intake and strong growth in value added services.

In Tajikistan, net sales in local currency grew by 18.1 percent to the equivalent of SEK 214 million (190). In January, 2011, the Parliament in Tajikistan approved VAT on incoming international calls and imposed an excise tax of 3 percent on mobile revenues.

Growth in Moldova remained strong and net sales in local currency grew by 19.4 percent to the equivalent of SEK 129 million (117).

In Georgia, net sales in local currency decreased by 21.0 percent to the equivalent of SEK 231 million (313). The 46 percent reduction in interconnect fees from August 1, 2010, as well as the excise tax of 10 percent of revenues from September 1, 2010 had full effect in the fourth quarter.

- **The number of subscriptions** in the consolidated operations was 28.5 million, an increase by 6.1 million, from the end of the fourth quarter 2009. Growth was strongest in Nepal, Uzbekistan and Kazakhstan with a rise of 1.9 million, 1.8 million and 1.8 million subscriptions to 4.1 million, 6.8 million and 8.9 million, respectively. During the fourth quarter the total number of subscriptions in the Eurasian consolidated operations increased by 2.2 million. Uzbekistan and Nepal showed the largest rise with an increase of 0.8 million and 0.7 million subscriptions, respectively.
- **EBITDA**, excluding non-recurring items, increased 28.7 percent in local currencies. In reported currency, EBITDA, excluding non-recurring items, increased 24.4 percent to SEK 2,273 million (1,827), mainly driven by higher profitability in Kazakhstan. The EBITDA margin was 53.8 percent (50.5). Despite the continued strong growth in subscriptions, the EBITDA margin in UCell in Uzbekistan improved to approximately 40 percent while Ncell in Nepal kept its EBITDA margin above 50 percent. Kcell in Kazakhstan has also entered into a long term agreement on transmission services with Kazak-telekom, which should provide savings in transmission costs going forward.
- **CAPEX** increased to SEK 2,580 million (1,485) and the CAPEX-to-sales ratio increased to 61.1 percent (41.0). In the fourth quarter 2010, CAPEX included approximately SEK 400 million for the acquisition of a 3G license in Kazakhstan and additional LTE frequencies in Uzbekistan. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK -307 million (342).

Full year

- **Net sales** in local currencies and excluding acquisitions rose 16.4 percent. Net sales in reported currency increased 8.1 percent to SEK 16,043 million (14,836). The negative effect of exchange rate fluctuations was 8.3 percent.
- **EBITDA**, excluding non-recurring items, increased 18.9 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 10.8 percent to SEK 8,348 million (7,536) and the margin was 52.0 percent (50.8). Addressable cost base in local currencies and excluding acquisitions increased 21.3 percent.

- **CAPEX** increased to SEK 5,473 million (4,314) and the CAPEX-to-sales ratio to 34.1 percent (29.1). In 2010, CAPEX included approximately SEK 400 million for the acquisition of a 3G license in Kazakhstan and additional LTE frequencies in Uzbekistan. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 2,875 million (3,222).

SEK in millions, except changes	Oct-Dec 2010	Oct-Dec 2009	Chg (%)	Jan-Dec 2010	Jan-Dec 2009	Chg (%)
Net sales	4,226	3,619	17	16,043	14,836	8
of which Kazakhstan	1,934	1,623	19	7,293	6,593	11
of which Azerbaijan	894	887	1	3,635	3,829	-5
of which Uzbekistan	463	311	49	1,607	1,200	34
of which Tajikistan	214	190	13	819	735	11
of which Georgia	231	313	-26	1,096	1,331	-18
of which Moldova	129	117	10	479	486	-1
of which Nepal	362	182	99	1,123	687	63

Net sales in local currencies and excluding acquisitions	Oct-Dec	Jan-Dec
Change (%), total	21	16
Change (%), Kazakhstan	21	17
Change (%), Azerbaijan	3	0
Change (%), Uzbekistan	67	54
Change (%), Tajikistan	18	26
Change (%), Georgia	-21	-7
Change (%), Moldova	19	17
Change (%), Nepal	97	64

Associated companies – Russia

Fourth quarter

- MegaFon (associated company, in which TeliaSonera holds 43.8 percent) in Russia reported a subscription base of 57.2 million, an increase of 6.7 million compared to the corresponding period last year and 0.7 million higher than the previous quarter.
- TeliaSonera's income from Russia increased to SEK 1,154 million (1,019). The Russian ruble depreciated 7.0 percent against the Swedish krona which had a negative impact of SEK 89 million.

Full year

- TeliaSonera's income from Russia increased to SEK 5,053 million (4,691). The Russian ruble depreciated 1.4 percent against the Swedish krona which had a negative impact of SEK 72 million.

Associated companies – Turkey

Fourth quarter

- Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey reported a subscription base of 31.4 million, a decrease of 4.6 million compared to the corresponding period last year and 2.7 million lower than the previous quarter. In Ukraine, the number of subscriptions decreased by 0.1 million to 11.7 million from the end of 2009 and fell by 0.2 million during the quarter.
- TeliaSonera's income from Turkey increased to SEK 879 million (773). The Turkish lira depreciated 1.2 percent against the Swedish krona, which had a negative impact of SEK 15 million.

Full year

- TeliaSonera's income from Turkey decreased to SEK 2,550 million (3,056), mainly due to the negative impact of impairment charges, write-down of non-current assets and legal provisions. The Turkish lira depreciated 2.6 percent against the Swedish krona, which had a negative impact of SEK 69 million.
- In 2010, Turkcell distributed to its shareholders a total cash dividend of approximately SEK 4.1 billion (TRY 0.9 billion), corresponding to 50 percent of Turkcell's distributable net income for the fiscal year 2009. TeliaSonera's share was approximately SEK 1.5 billion (1.9).

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.

	Oct-Dec	Oct-Dec	Chg	Jan-Dec	Jan-Dec	Chg
SEK in millions, except changes	2010	2009	(%)	2010	2009	(%)
Net sales	1,266	1,537	-18	5,181	5,706	-9
EBITDA excl. non-recurring items	116	104	12	640	310	106
Income from associated companies	-5	4		-23	191	
Operating income	256	-262		223	-424	
Operating income excl. non-recurring items	-46	-201	-77	-74	-468	-84
CAPEX	190	223	-15	654	921	-29

Additional segment information available at www.teliaSonera.com.

- **Net sales** in local currencies and excluding acquisitions increased 11.7 percent. In reported currency, net sales decreased 17.6 percent to SEK 1,266 million (1,537).
- **EBITDA**, excluding non-recurring items, increased 11.5 percent in reported currency to SEK 116 million (104), mainly due to lower costs for head-office functions and improved results within Other Business Services.

Stockholm, February 3, 2011

Lars Nyberg
President and CEO

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

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 February 3, 2011.

Financial Information

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

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Definitions

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

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

ARPU, blended: Average monthly revenue per subscription.

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

MoU: Minutes of usage per subscription and month.

Condensed Consolidated Statements of Comprehensive Income

SEK in millions, except per share data, number of shares and changes	Oct-Dec 2010	Oct-Dec 2009	Chg (%)	Jan-Dec 2010	Jan-Dec 2009	Chg (%)
Net sales	26,774	27,549	-3	106,582	109,161	-2
Cost of sales	-13,640	-15,269	-11	-57,604	-60,965	-6
Gross profit	13,134	12,280	7	48,978	48,196	2
Selling, admin. and R&D expenses	-7,548	-6,484	16	-25,294	-24,718	2
Other operating income and expenses, net	469	-94		578	-1,169	
Income from associated companies and joint ventures	2,144	1,803	19	7,821	8,015	-2
Operating income	8,199	7,505	9	32,083	30,324	6
Finance costs and other financial items, net	-580	-522	11	-2,147	-2,710	-21
Income after financial items	7,619	6,983	9	29,936	27,614	8
Income taxes	-1,654	-1,484	11	-6,374	-6,334	1
Net income	5,965	5,499	8	23,562	21,280	11
Foreign currency translation differences	-2,722	3,327		-18,959	-7,355	158
Income from associated companies	-144	-11		-103	188	
Cash flow hedges	122	31		63	89	-29
Available-for-sale financial instruments	0	1		-90	34	
Income taxes relating to other comprehen- sive income	-180	52		-936	-296	
Other comprehensive income	-2,924	3,400		-20,025	-7,340	172
Total comprehensive income	3,041	8,899	-66	3,537	13,940	-75
Net income attributable to:						
Owners of the parent	5,309	4,902	8	21,257	18,854	13
Non-controlling interests	656	597	10	2,305	2,426	-5
Total comprehensive income attributable to:						
Owners of the parent	2,396	7,866	-70	1,692	13,068	-87
Non-controlling interests	645	1,033	-38	1,845	872	112
Earnings per share (SEK), basic and diluted	1.18	1.09	8	4.73	4.20	13
Number of shares (thousands)						
Outstanding at period-end	4,490,457	4,490,457		4,490,457	4,490,457	
Weighted average, basic and diluted	4,490,457	4,490,457		4,490,457	4,490,457	
EBITDA	9,244	8,986	3	37,741	35,241	7
EBITDA excl. non-recurring items	9,024	9,039	-0	36,977	36,666	1
Depreciation, amortization and impairment losses	-3,189	-3,284	-3	-13,479	-12,932	4
Operating income excl. non-recurring items	7,991	7,573	6	32,015	31,679	1

Condensed Consolidated Statements of Financial Position

SEK in millions	Dec 31, 2010	Dec 31, 2009
Assets		
Goodwill and other intangible assets	90,531	100,239
Property, plant and equipment	58,353	61,222
Investments in associates and joint ventures, deferred tax assets and other non-current assets	62,458	60,849
<i>Total non-current assets</i>	<i>211,342</i>	<i>222,310</i>
Inventories	1,395	1,551
Trade receivables, current tax assets and other receivables	19,993	21,595
Interest-bearing receivables	2,477	1,726
Cash and cash equivalents	15,344	22,488
<i>Total current assets</i>	<i>39,209</i>	<i>47,360</i>
<i>Non-current assets held-for-sale</i>	<i>-</i>	<i>0</i>
Total assets	250,551	269,670
Equity and liabilities		
Equity attributable to owners of the parent	125,907	135,372
Equity attributable to non-controlling interests	6,758	7,127
<i>Total equity</i>	<i>132,665</i>	<i>142,499</i>
Long-term borrowings	60,563	63,664
Deferred tax liabilities, other long-term provisions	23,230	25,625
Other long-term liabilities	1,593	1,589
<i>Total non-current liabilities</i>	<i>85,386</i>	<i>90,878</i>
Short-term borrowings	4,873	8,169
Trade payables, current tax liabilities, short-term provisions and other current liabilities	27,627	28,124
<i>Total current liabilities</i>	<i>32,500</i>	<i>36,293</i>
Total equity and liabilities	250,551	269,670

Condensed Consolidated Statements of Cash Flows

SEK in millions	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Cash flow before change in working capital	7,037	7,783	28,831	31,584
Change in working capital	716	977	-1,397	-974
Cash flow from operating activities	7,753	8,760	27,434	30,610
Cash CAPEX	-6,011	-4,642	-14,533	-13,967
Free cash flow	1,742	4,118	12,901	16,643
Cash flow from other investing activities	-866	-2,725	-1,943	-3,660
Total cash flow from investing activities	-6,877	-7,367	-16,476	-17,627
Cash flow before financing activities	876	1,393	10,958	12,983
Cash flow from financing activities	1,540	3,541	-17,736	-2,187
Cash flow for the period	2,416	4,934	-6,778	10,796
Cash and cash equivalents, opening balance	12,787	17,063	22,488	11,826
Cash flow for the period	2,416	4,934	-6,778	10,796
Exchange rate differences	141	491	-366	-134
Cash and cash equivalents, closing balance	15,344	22,488	15,344	22,488

Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Dec 2010			Jan-Dec 2009		
	Owners of the parent	Non-controlling interests	Total equity	Owners of the parent	Non-controlling interests	Total equity
Opening balance	135,372	7,127	142,499	130,387	11,061	141,448
Dividends	-10,104	-2,037	-12,141	-8,083	-2,817	-10,900
Other transactions with owners	-1,057	-177	-1,234	–	-1,989	-1,989
Total comprehensive income	1,692	1,845	3,537	13,068	872	13,940
Share-based payments	4	–	4	–	–	–
Closing balance	125,907	6,758	132,665	135,372	7,127	142,499

Basis of Preparation

General. As in the annual accounts for 2009, TeliaSonera's consolidated financial statements as of and for the year ended December 31, 2010, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and, given the nature of TeliaSonera's transactions, with IFRSs as adopted by the European Union. The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act as well as standard RFR 2 *Accounting for Legal Entities* and other statements issued by the Swedish Financial Reporting Board. This report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

New accounting standards (not yet adopted by the EU). Additions on accounting for financial liabilities to IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1, 2013; earlier application permitted but only if the IFRS 9 requirements on accounting for financial assets also are applied) were issued on October 28, 2010. Following the parts of IFRS 9 issued in November 2009, prescribing the accounting for financial assets, these additions complete the classification and measurement phase of replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The existing amortized cost measurement is maintained for most liabilities, limiting change to addressing the volatility in net income arising from choosing to measure own debt at fair value. For liabilities designated as category fair value through profit and loss, IFRS 9 requires that the portion of the change in its fair value due to changes in the entity's own credit risk is recognized in other comprehensive income, rather than in net income. TeliaSonera is currently analyzing the effects, if any, of adopting the entire IFRS 9. Tentatively, the additions on accounting for financial liabilities will not have any impact.

Amendments on deferred tax: recovery of underlying assets to IAS 12 *Income Taxes* (effective for annual periods beginning on or after January 1, 2012; early adoption permitted; involves the concurrent withdrawal of SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*) were issued on December 20, 2010. IAS 12 requires that deferred tax relating to an asset should be measured depending on whether recovery of the asset's carrying amount is expected through use or sale. The amendments to IAS 12 refer to assets accounted for under IAS 40 *Investment Property* and revalued assets accounted for under IAS 16 *Property, Plant and Equipment*, respectively. IAS 40 is not applicable to TeliaSonera and the revaluation model under IAS 16 is not used. Consequently, the amendments to IAS 12 are not applicable to TeliaSonera.

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

Non-recurring Items

SEK in millions	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Within EBITDA	220	-53	764	-1,425
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-8	-122	-26	-452
Broadband Services	-27	-143	-142	-1,158
Eurasia	-47	282	-47	282
Other operations	10	-70	-144	-97
<i>of which TeliaSonera Holding</i>	-34	-35	-37	-33
Capital gains/losses:				
Telia Stofa	-1	-	830	-
Other entities	293	-	293	-
Within Depreciation, amortization and impairment losses	-12	-24	-692	-71
Impairment losses, accelerated depreciation:				
Broadband Services	-12	-24	-14	-71
Other operations	-	-	-678	-
Within Income from associated companies and joint ventures	-	9	-4	141
Capital gains:				
SmartTrust	-	9	-4	141
Within Finance costs and other financial items, net	-	-	-	-
Total	208	-68	68	-1,355

Deferred Taxes

SEK in millions	Dec 31, 2010	Dec 31, 2009
Deferred tax assets	9,048	11,177
Deferred tax liabilities	-12,526	-13,210
Net deferred tax liabilities (-)/assets (+)	-3,478	-2,033

Segment and Group Operating Income

	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK in millions	2010	2009	2010	2009
Mobility Services	2,655	2,621	10,750	10,091
Broadband Services	1,718	1,767	7,813	7,393
Eurasia	3,567	3,376	13,267	13,245
Other operations	256	-262	223	-424
Total segments	8,196	7,502	32,053	30,305
Elimination of inter-segment profits	3	3	30	19
Group	8,199	7,505	32,083	30,324

Related Party Transactions

MegaFon. In the three-month period and the year ended December 31, 2010, TeliaSonera sold services to its associated company OAO MegaFon worth SEK 32 million and SEK 244 million, respectively.

Svenska UMTS-nät. As of December 31, 2010, TeliaSonera had interest-bearing claims of SEK 200 million on its 50 percent-owned joint venture, Svenska UMTS-nät AB. In the three-month period and the year ended December 31, 2010, TeliaSonera purchased services from Svenska UMTS-nät worth SEK 164 million and SEK 727 million, respectively, and sold services worth SEK 63 million and SEK 257 million, respectively.

Investments

	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK in millions	2010	2009	2010	2009
CAPEX	5,860	4,721	14,934	14,007
Intangible assets	795	597	2,498	1,856
Property, plant and equipment	5,065	4,124	12,436	12,151
Acquisitions and other investments	390	2,648	1,735	2,842
Asset retirement obligations	114	1,043	527	1,055
Goodwill and fair value adjustments	47	1,605	69	1,776
Equity holdings	229	-	1,139	11
Total	6,250	7,369	16,669	16,849

Net Debt

	Dec 31,	Dec 31,
SEK in millions	2010	2009
Long-term and short-term borrowings	65,436	71,833
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings	-1,731	-2,861
Less short-term investments, cash and bank	-16,396	-22,797
Net debt	47,309	46,175

Loan Financing

In line with the earlier quarters of 2010, the underlying operating positive cash-flow continued to be positive also in the fourth quarter of 2010. Smaller acquisition activities during the period affected liquidity.

Funding conditions continued to be reasonably good in the credit markets all through the autumn, but except the new 15 year Eurobond issued late September, no further bond transaction was executed during the quarter. TeliaSonera's main funding theme in 2010 has been on issuing longer dated Eurobonds to move further out the credit curve, driven by the attractive all-in levels.

A new 7 year Revolving Credit Syndicated Loan Facility of EUR 1,000 million was signed on December 20, 2010 with 14 participating banks. This facility replaces an earlier similar facility with final maturity in December 2011.

The outlook for 2011 continues to be mixed due to the worries about the development in Southern Europe. However, the corporate credit market will probably continue to be resilient as long as there are no specific bad news and pending the underlying interest rate development. The Swedish krona had a strong performance all through 2010 and there seems to be consensus that this trend will continue also in the beginning of 2011.

Financial Key Ratios

	Dec 31, 2010	Dec 31, 2009
Return on equity (% , rolling 12 months)	17.8	15.2
Return on capital employed (% , rolling 12 months)	16.9	15.5
Equity/assets ratio (%)	48.0	49.1
Net debt/equity ratio (%)	39.3	34.9
Net debt/EBITDA rate (multiple, rolling 12 months)	1.28	1.26
Owners' equity per share (SEK)	28.04	30.15

Business Combinations

For additional information on business combinations during the year, see corresponding section in TeliaSonera's Interim Report January-September 2010.

Business combinations in the fourth quarter

For minor business combinations in the fourth quarter, the cost of combination totaled SEK 49 million and the net cash outflow SEK 49 million. Goodwill was SEK 46 million, allocated to business area Broadband Services. Goodwill is explained by strengthened market positions. The total cost of combination and fair values were determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

Guarantees and Collateral Pledged

As of December 31, 2010, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 1,644 million, of which SEK 1,375 million referred to credit guarantees on behalf of Svenska UMTS-nät AB. Collateral pledged totaled SEK 905 million, mainly referring to pledged shares in Svenska UMTS-nät, blocked funds in bank accounts related to Ipse 2000 S.p.A.'s license payments and insurance provisions.

Contractual Obligations

As of December 31, 2010, contractual obligations totaled SEK 788 million, of which SEK 733 million referred to contracted build-out of TeliaSonera's mobile and fixed networks in Sweden.

Parent Company

Condensed Income Statements (SEK in millions)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2010	2009	2010	2009
Net sales	3,218	3,872	13,236	15,135
Operating income	545	1,579	1,803	1,439
Income after financial items	11,199	2,320	34,761	12,964
Income before taxes	10,252	1,791	29,798	12,743
Net income	9,344	1,316	25,422	12,264

Net sales, primarily related to fixed network services and broadband application services in Sweden, declined due to migration to mobile services and lower-priced IP-based services. Out of the total net sales in the year, SEK 10,375 million (12,058) was billed to subsidiaries. Financial net improved strongly, mainly as a result of dividends and group contributions from subsidiaries.

Condensed Balance Sheets (SEK in millions)	Dec 31,	Dec 31,
	2010	2009
Non-current assets	174,292	171,160
Current assets	65,044	51,677
Total assets	239,336	222,837
Shareholders' equity	94,573	79,280
Untaxed reserves	13,209	8,245
Provisions	620	698
Liabilities	130,934	134,614
Total equity and liabilities	239,336	222,837

Total investments in the year were SEK 11,898 million (4,879), of which SEK 633 million (914) in property, plant and equipment primarily for the fixed network. Other investments totaled SEK 11,265 million (3,965), of which SEK 10,967 million referred to acquisition of shares in UAB Omnitel, AS Eesti Telekom and Telia Telecommunications International B.V., which are now directly wholly-owned subsidiaries to the parent company.

Risks and Uncertainties

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

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

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

Risks and uncertainties that could specifically impact the quarterly results of operations during 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, write-downs, etc., may impact the quarterly results in the short term with amounts or timing that deviate from those currently expected. Depending on external factors or internal developments, TeliaSonera might also experience non-recurring items that are not currently anticipated.

- *Associated companies.* A significant portion of TeliaSonera's results derives from MegaFon and Turkcell, which TeliaSonera does not control and which operate in growth markets but also in more volatile political, economic and legal environments. Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.
- *Acquisitions.* TeliaSonera has made a number of targeted acquisitions in accordance with its strategy. The efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, are significant for the results of operations both in the long and short term.
- *Regulation.* TeliaSonera operates in a highly regulated industry. The regulations to which TeliaSonera is subject impose significant limits on its flexibility to manage its business. Changes in legislation, regulation or government policy affecting TeliaSonera's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of licenses to TeliaSonera or other parties, could adversely affect TeliaSonera's business and results.

Previous Group outlook for 2010 (published on October 25, 2010)

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

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

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

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.