

SONERA CORP  
Form 425  
October 29, 2002

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**PROSPECTUS FILED PURSUANT TO RULE 425 UNDER THE SECURITIES ACT  
OF 1933 AND DEEMED FILED PURSUANT TO RULE 14D-2 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934**

October 29, 2002

**TELIA AB**

(Name of Filer)

**SONERA CORPORATION**

(Subject Company)

0-30340

(Exchange Act File No. of Subject Company)

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## Interim Report

### January September 2002

Telia AB (publ), SE-123 86 Farsta, Corp. Reg. No. 556103-4249, Registered office: Stockholm

#### Q3 in Brief

Underlying EBITDA improved 25 % to MSEK 4,281 (3,420). Substantially strengthened margin from 24 % to 30 %

Strong free cash flow of MSEK 2,059

Restructuring of the Danish fixed network operations affected operating income by MSEK 3,072

Costs totaling MSEK 12,089 for restructuring and streamlining efforts, primarily within International Carrier and the Danish fixed network operations, impacted operating income, falling to MSEK 10,815 (2,745)

Net sales increased to MSEK 14,496 (14,431). Sales for comparable units increased 5 %

The prospectus for the merger with Sonera was published on September 30, 2002

#### Review of Earnings

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Jan-Dec 2001
Net sales	14,496	14,431	42,727	42,226	57,196
Change in net sales (%)	0.5	7.0	1.2	6.8	5.8
Underlying EBITDA	4,281	3,420	11,249	9,782	12,915
Underlying EBITDA margin (%)	29.5	23.7	26.3	23.2	22.6
Depreciation, amortization and write-downs	-11,057	-2,775	-16,768	-7,690	-13,975
Items not reflecting underlying business operations	-3,997	-239	-4,801	62	384
Income from associated companies	-42	2,339	333	2,390	6,136
Operating income	-10,815	2,745	-9,987	4,544	5,460
Income after financial items	-10,964	2,491	-10,507	3,902	4,808
Net income	-10,118	1,900	-9,961	2,441	1,869
Basic and diluted loss/earnings per share (SEK)	-3.37	0.63	-3.32	0.81	0.62
Free cash flow	2,059	-1,527	2,674	-5,913	-6,506
Investments	1,956	5,965	6,646	15,578	20,735
of which CAPEX	1,783	5,630	5,896	12,864	17,713
Number of employees	16,244	22,509	16,244	22,509	17,149

**Comments from Anders Igel, President and CEO of Telia**

The efficiency programs carried out during the year are beginning to yield positive results. It is gratifying to note that earnings, excluding restructuring costs and write-downs, showed substantial improvement during the quarter. The significant increase in the underlying EBITDA margin combined with reduced investments resulted in a sharp increase in free cash flow.

During the third quarter, we have reviewed operations that did not show satisfactory earnings trends, specifically the international carrier operations, which we previously announced, and the fixed network operations in Denmark. We are now taking action to deal with operations that are a drain on Telia's earnings. These actions have resulted in substantial costs for restructuring and write-downs, which explains the negative operating income.

On September 30, we published the prospectus for the planned merger between Telia and Sonera and merger preparations are fully underway.

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## Review of the Group

### Underlying EBITDA margin reached 30 percent. Extensive streamlining costs impacted operating income

Net sales for the Telia Group increased 0.5 percent to MSEK 14,496 during the third quarter. Sales were affected by the extensive divestitures in 2001 as part of the Group's refinement. Sales for comparable units increased 5 percent.

Demand remained good in all growth areas. During the third quarter, Mobile's sales increased 12 percent; Internet Services' sales increased 30 percent; and International Carrier's sales increased 17 percent. Within Networks, sales fell 4 percent for comparable units due to the introduction of local carrier preselection in Sweden.

### Net Sales and Margins by Quarter (MSEK)

#### Significantly improved underlying EBITDA

The program of ongoing efficiency-enhancing measures is starting to yield results. During the third quarter, underlying EBITDA climbed a full 25 percent to MSEK 4,281 and the margin improved from 24 to 30 percent.

Mobile's margin increased from 26 to 31 percent; Internet Services improved its earnings 60 percent; and the increase for International Carrier was 58 percent. Weak development in Denmark led to a decreased margin within Networks, dropping from 38 percent to 35 percent. Underlying EBITDA in the Swedish fixed network operations improved and the margin was strengthened from 41 to 42 percent.

#### Distribution of Net Sales in Q3

#### Extensive restructuring and efficiency measures

The International Carrier business area and operations in Denmark have undergone an extensive review.

Looking forward, the International Carrier operations will be concentrated to wholesale sales of capacity, IP and voice to large customers on the profitable segments of Telia's wholly owned network in Europe and across the Atlantic. The expected result of these measures is for the carrier operations to report positive cash flow on a monthly basis in 2003, adjusted for restructuring costs.

Telia's Danish mobile and fixed network operations have so far had a negative impact on Telia's earnings. The cable TV operations, including Internet Cable, have developed well with a positive contribution to EBITDA. Customer growth in the Danish mobile operations was good and the number of customers now totals 449,000. This means that the focus of the cable TV and mobile operations will be sustained.

The Danish fixed network operations and Internet services, including broadband over ADSL show unsatisfactory development, however, and Telia deems that the current focus will not lead to satisfactory profitability. For this reason, the operations are now being switched to focus on potentially profitable areas and the product range and operating costs will be cut by more than half. The objective is to attain positive underlying EBITDA at the end of 2003. The possibility of reaching this objective however, is greatly dependent on the regulatory developments in Denmark, among other factors.

To adapt the operations to the new focus and to streamline other operations in the Group, costs totaling MSEK 12,089 were incurred in the third quarter, of which MSEK 3,160 were for restructuring and MSEK 8,929 entailed write-downs.

Depreciation, amortization, and write-downs in the third quarter totaled MSEK 11,057 (2,775). Write-downs totaled MSEK 8,112 (149) and mainly comprised write-downs of fixed assets in International Carrier and the fixed network operations in Denmark.

Items not reflecting underlying business operations totaled MSEK -3,997 (MSEK -239) and mainly referred to restructuring costs within International Carrier and the fixed network operations in Denmark, as well as capital gains within Holding. The item also included MSEK 159 from certain pension-related costs.

Income from associated companies totaled MSEK -42 (2,339). The comparative quarter was affected by capital gains of MSEK 3,034. Not including capital gains, income from associated companies improved by MSEK 645 in the third quarter 2002.

As a result of extensive write-downs and restructuring costs, operating income decreased to MSEK -10,815 (2,745) in the third quarter.

Financial items improved during the quarter to MSEK -149 (-254).

Income after financial items totaled MSEK -10,964 (2,491).

After minority stakes and a positive tax effect of MSEK 852 arising from a previously unutilized loss carry-forward, the net income reported for the third quarter was MSEK -10,118 (1,900).

#### **Nine-month period**

During the nine-month period, net sales advanced 1 percent compared with the same period in the preceding year. Sales for comparable units increased 6 percent.

Underlying EBITDA improved 15 percent to MSEK 11,249 (9,728).

Depreciation, amortization and write-downs totaled MSEK 16,768 (7,690), of which write-downs totaled MSEK 8,208 (149).

Items not reflecting underlying business operations totaled MSEK -4,801 (62) and consist of, in addition to restructuring costs and third quarter write-downs within International Carrier and the Danish fixed network operations, streamlining costs within other operations (MSEK 370), certain pension-related costs (MSEK 354), and a capital gain (MSEK 50).

Income from associated companies totaled MSEK 333 (2,390). Not including capital gains and write-downs, earnings showed an improvement of MSEK 2,151 during the nine-month period.

Operating income decreased to MSEK -9,987 (4,544).

Financial items totaled MSEK -520 (-642), resulting in income after financial items totaling MSEK -10,507 (3,902).

After minority stakes and a positive tax effect of MSEK 544 arising from a previously unutilized loss carry-forward, the net income reported was MSEK -9,961 (2,441).

#### **Strong cash flow, sustained low debt/equity ratio**

The substantial increase in underlying EBITDA and low level of investment generated strong free cash flow (cash flows from operating activities less CAPEX) of MSEK 2,059 in the quarter. This strong cash flow enabled the Group to reduce its net interest-bearing liabilities from MSEK 10,336 to MSEK 8,107 and the low debt/equity ratio was maintained despite significant restructuring provisions and write-downs.

MSEK	Sep 30, 2002	Dec 31, 2001	Dec 31, 2000
Interest coverage ratio (multiple)	-6.4	3.0	7.3

Change in total assets (%)  
-13.3 4.5 60.2  
Asset turnover ratio (multiple)  
0.48 0.46 0.54  
Equity/assets ratio (%)  
45.0 46.2 44.4  
Capital employed  
74,076 90,971 92,374  
Net interest-bearing liability  
8,107 10,661 20,235  
Debt/equity ratio (multiple)  
0.16 0.18 0.37

**Reduced investments**

Investments decreased 67 percent to MSEK 1,956 (5,965) in the third quarter due to lower investments in production facilities (CAPEX) in the Swedish fixed network, International Carrier and in the mobile networks.

Investments during the nine-month period totaled MSEK 6,646 (15,578), which represents a 57 percent decrease compared with the same period in the preceding year.

**Continued staff cuts**

During the nine-month period, the number of Group employees decreased by 905 to 16,244.

**Publication of the prospectus for the merger with Sonera**

On September 30, 2002, Telia published the prospectus for the merger with Sonera, along with instructions and terms and conditions for the exchange offer through which the merger will be effected. The exchange offer acceptance period commenced on October 7, 2002 and will end on November 8, 2002. The result of the offer is expected to be published on November 14, 2002.

**Extraordinary meeting of shareholders**

In connection with the planned merger with Sonera, an extraordinary meeting of Telia shareholders will be held on Monday, November 4, 2002 at 5:00 pm at Berwaldhallen in Stockholm, Sweden. Notice of the meeting was advertised in the newspapers on October 4.

**Changes in Telia's Management**

Within Telia's Group Management, Jörgen Latte was appointed as Acting CFO and Head of Corporate Financial Control on September 1, and Eva Lindqvist was appointed as head of the business area International Carrier on September 9. Marie Ehrling will be appointed as head of Telia's Swedish operations on January 1, 2003. After the planned merger with Sonera, Ehrling will be responsible for the profit center TeliaSonera Sverige.

**Review of Business Areas****Mobile Strong improvement in profitability and continued customer growth**

Mobile has developed positively during the quarter with a continued stream of customers, improved earnings and strengthened margins.

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan- Sep 2002	Jan- Sep 2001
Net sales	5,743	5,247	16,214	14,692
of which external	5,367	4,786	15,131	13,143
Underlying EBITDA	1,800	1,375	4,391	3,616
EBITDA margin (%)	31.3	26.2	27.1	24.6
Depreciation, amortization etc.	-1,036	-980	-2,875	-2,499
Items not reflecting underlying business operations	-38	-33	-386	-47
Income from associates	81	105	212	224
Operating income	807	467	1,342	1,294
Investments	633	2,100	2,012	3,307
of which CAPEX	633	1,835	1,761	3,027

Continued customer growth, increased use of SMS and increased traffic per customer in all Nordic markets contributed to a 12 percent increase in external net sales, to MSEK 5,367 in the third quarter, compared to the corresponding quarter of 2001. The number of customers during the quarter increased by 130,000 to 5,258,000, while the number of customers via service providers fell by 6,000 to 173,000.



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Sales rose 15 percent to MSEK 15,131 for the nine-month period.

Volume growth combined with streamlining efforts in all Nordic operations led to a 31 percent improvement in underlying EBITDA, to MSEK 1,800, and the margin was strengthened to 31.3 (26.2) percent during the quarter.

Depreciation increased to MSEK 1,036 (980).

Items not reflecting underlying business operations totaled MSEK -38 (-33) and primarily refer to pension provisions in the Swedish operations.

Income from associated companies, of which the greater part refers to operations in the Baltic states and Russia, fell to MSEK 81 (105). The poorer result is due to the fact that the operations in Russia, after the formation of MegaFon, consist to a large part of start-up operations.

Operating income increased to MSEK 807 (467). Operating income for the nine-month period increased to MSEK 1,342 (1,294).

Investments decreased to MSEK 633 (2,100) and were primarily for capacity expansion in the Norwegian, Danish

and Swedish networks. The high level of investment in the comparative year is attributable to the acquisition of a 3G license in Denmark (MSEK 1,170).

#### **Continued customer growth and improved profitability in Sweden**

In Sweden, external net sales in mobile telephony rose 4 percent to MSEK 2,820. At the same time, the price level fell 4 percent due to reduced interconnect fees.

The number of GSM customers during the quarter increased by 57,000 to 3,401,000 and the number of customers via service providers increased by 2,000 to 89,000.

The average traffic volume per customer and month rose to 135 minutes (131).

SMS climbed 24 percent and 134 million messages were sent during the quarter.

Reduced interconnect fees and an increased share of prepaid customers led to a drop in the average revenue per user (ARPU), to SEK 293 (303).

Churn was 13 percent compared with 11 percent during the second quarter 2002.

Increased traffic per customer and cost-cutting measures resulted in a 6 percent improvement in underlying EBITDA, to MSEK 1,518, and the margin increased to 48.4 (46.3) percent.

Telia's and Tele2's jointly owned network company, Svenska UMTS-nät AB, signed a loan agreement with a group of banks for SEK 11 billion in loans and credit on current account for the 3G buildout in Sweden. The buildout and financing of the UMTS network in Sweden is proceeding according to plan.

A GPRS service, Telia GPRS LAN-access, was introduced during the quarter. The service targets businesses with employees who need to access information in the company's internal systems when they are away from the office.

Two new subscription types for businesses were also launched: Work for voice services and Executive for voice and data services.

On October 1, 2002, Telia further reduced its interconnect fee in the GSM network from SEK 0.92 to SEK 0.88 per minute. The price for the HomeRun broadband service was also reduced.

#### **Continued growth and improved earnings in Norway**

In Norway, external net sales in mobile telephony rose 25 percent to MSEK 1,484. The number of customers during the quarter increased by 26,000 to 1,022,000, while the number of customers via service providers fell by 8,000 to 84,000.

SMS growth remained strong. During the third quarter, 197 million messages were sent, up 47 percent from the same quarter of the preceding year.

Simple and attractive customer offers and an increased share of postpaid customers contributed to an increase in the traffic volume per customer per month to 169 (147) minutes and ARPU climbed to NOK 377 (341).

Underlying EBITDA climbed 48 percent to MSEK 629 and the margin improved to 41.6 percent (35.4). This improvement in earnings is attributable to customer growth, increased traffic volume and streamlining efforts.

#### **Strong sales growth in Denmark**

In Denmark, external sales in mobile telephony rose 62 percent to MSEK 250. The increase was mainly attributable to customer growth. Sales of mobile subscriptions have continued to be successful and the number of customers increased during the quarter by 36,000 to 449,000.

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During the third quarter, a total of 58 million SMS messages were sent, a jump of nearly 300 percent. There was also a slight improvement in traffic volume per user and ARPU.

Underlying EBITDA improved to MSEK -119 (-128).

Most of the investments made during the quarter referred to the expansion of the GSM 900 network, which is expected to be completed during the year.

### **Sales growth and reduced deficit in Finland**

In the Finnish market, external sales for mobile telephony jumped 34 percent to MSEK 235 compared with the same quarter of 2001. The number of customers rose by 12,000 to 247,000. Prepaid customers represented the greater part of this growth.

SMS increased 29 percent.

Underlying EBITDA improved to MSEK -34 (-95), partly due to the fact that a greater part of the traffic is now carried in Telia's own network as a result of the roaming agreement with Suomen 2G.

Telia has committed to selling its mobile operations in Finland as stipulated by the EU in its approval of the merger with Sonera.

**Growth in the Baltic states and Russia**

The associated companies in Russia and the Baltic states continued to show positive development and the total number of customers surged 635,500 to 3,814,000 during the quarter. The customer growth was primarily attributable to the Russian operations.

**Business solutions, telephony**

External net sales for telephony in Business Solutions totaled MSEK 408 and underlying EBITDA improved to MSEK -21 (-73).

**Reduced losses in other business**

For other operations, which mainly include mobile portals, shops and radio contracting, external net sales fell 17 percent to MSEK 170. The decline is chiefly attributable to retail operations. Reduced costs for the portal business resulted in an improvement in underlying EBITDA to MSEK -158 (-184).

**Internet Services Stronger market position in broadband**

Within Internet Services, external net sales rose 30 percent to MSEK 1,034 during the third quarter compared with the same quarter of 2001. The increase is attributable to continued demand for broadband access, greater demand for TV services and higher prices. The average price level climbed 7 percent during the quarter.

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan- Sep 2002	Jan- Sep 2001
Net sales	1,046	765	3,057	2,337
of which external				
1,034	797	3,027	2,325	
Underlying EBITDA				
-92	-229	-406	-747	
EBITDA margin (%)				
-8.8	-29.9	-13.3	-32.0	
Depreciation, amortization etc.				
-124	-108	-493	-281	
Items not reflecting underlying business operations				
-19	-15	-116	-24	
Income from associates				
-33	-9	-51	-36	
Operating income				
-268	-361	-1,066	-1,088	
Investments				
67	129	303	672	
of which CAPEX				
68	129	274	605	

Sales for the nine-month period increased 30 percent.

Telia's Internet services continued to report weak development. Third quarter sales fell to MSEK 30 (31). This was attributable to weak demand, primarily for content services (portal services) and payment services. The operations also reported weak profitability.

The range of services is being restructured in order to create a service portfolio with solid long-term growth and sustainable profitability. Telia is also concentrating greater efforts on developing accesses and related value-added services such as VOIP and other types of

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communications-related services, an area where Telia has high expertise and a strong market position with over 1.2 million Internet access customers.

The changed focus means that payment services and certain content services are being phased out in Sweden. The hosting services Telia Instant Web and Telia Webshotell were closed during the quarter. Certain Internet services will also be phased out in Denmark. Systems and platforms related to Internet services were written down by MSEK 12 in the third quarter.

The sustained strong stream of customers within broadband access, price changes and streamlining efforts improved underlying EBITDA to MSEK -92 (-229) compared with the same quarter of 2001. During the nine-month period underlying EBITDA improved to MSEK -406 (-747).

Depreciation, amortization and write-downs rose to MSEK 124 (108) and include, write-downs on Internet services systems and platforms totaling MSEK 12.

Under items not reflecting underlying business operations, MSEK 12 was reported in restructuring costs, including provisions for redundant personnel.

Income from associated companies totaling MSEK -33 (-9) refer to Marakanda and include a third quarter write-down totaling MSEK 24.

Operating income improved to MSEK -268 (-361). Operating income for the nine-month period totaled MSEK -1,066 (-1,088).

Investments decreased to MSEK 67 (129). This decline was attributable to reduced investment needs in the cable TV business, as property owners are now taking over a large part of the network investments.

### **Internet accesses**

Sales of Internet accesses jumped 45 percent to MSEK 665. During the quarter, the number of ADSL customers increased by 15,000 to 279,000 and the number of customers with Internet Cable increased by 9,000 to 134,000.

Demand for broadband access was strongest in the business segment where primarily smaller companies choose Internet-based solutions over traditional data communications.

During the quarter, Telia strengthened its market position in broadband within the Swedish business segment in which Telia now has 50 percent of the market. At the same time, Telia maintained its 55 percent market share in broadband in the consumer segment.

During the third quarter, demand for dial-up Internet services also grew after having stagnated somewhat earlier in the year. The number of customers grew by 14,000 during the quarter and is currently on a par with the third quarter of 2001. The sales increase is largely attributable to the launch of Telia Internet för Alla, an access service that was well received, particularly among young customers.

Several other new product launches were successful during the quarter. For small and medium-size businesses, Telia has developed an IPX that enables companies to integrate IP telephones, analog telephones, fax machines and modems in a single network solution. A new type of fixed Internet access, ProLane Light, was also developed for small and medium-size companies.

Several major deals were finalized during the quarter. An agreement was signed with SEB for the delivery of a virtual private network. Fixed access solutions (ProLane) were sold to several municipalities.

### Cable TV

Increased sales of cable TV connections, higher payments from property owners in the Swedish market and a price increase for cable TV in Denmark resulted in a 14 percent increase in external net sales in the cable TV business, to MSEK 336. During the quarter, the number of cable TV customers increased 21,000 to 1,591,000. The number of digital TV customers remained largely unchanged, which is in line with the market trend.

In Sweden, the total number of cable TV customers was 1,403,000 at the end of the period.

In Denmark, 188,000 customers were connected directly via cable and approximately 440,000 indirectly via parabolic antenna connections.

The cable TV operations in Sweden, Com Hem, will be divested as stipulated by the EU for its approval of the planned merger with Sonera.

### International Carrier New strategic focus will yield positive cash flow 2003

Weaker growth in broadband, delayed 3G buildout and insolvency among several carriers resulted in dramatic and turbulent developments in the carrier market with slowed growth, increased risk and lower asset value in the industry. Considering these developments, Telia has decided to change the strategic direction for International Carrier and to restructure the operations. A restructuring provision of MSEK 2,825 was made in the third quarter.

	Jul-Sep 2002	Jul-Sep 2001	Jan- Sep 2002	Jan- Sep 2001
MSEK				
Net sales	1,378	1,283	3,868	3,361
of which external	1,176	1,003	3,264	2,630
Underlying EBITDA	-255	-614	-873	-1,181
EBITDA margin (%)	-18.5	-47.9	-22.6	-35.1
Depreciation, amortization etc.	-5,457	-135	-5,868	-305
Items not reflecting underlying business operations	-3,649	1	-3,650	0
Income from associates	0	0	0	0
Operating income				

-9,361	-748	-10,391	-1,486
Investments			
222	1,620	660	3,880
of which CAPEX			
222	1,643	660	3,880

The changed market conditions also led Telia to write down the book value of the fixed assets by MSEK 6,131 in the third quarter.

The measures now being taken are expected to result in a positive cash flow for the carrier operations on a monthly basis during 2003, adjusted for restructuring costs, while Telia retains the possibility to take part of future market growth within IP and broadband.

#### **Concentration on the profitable segments of the network**

Looking forward, the operations will be concentrated to wholesale sales of capacity, IP and voice to large customers on the profitable segments of Telia's wholly owned network in Europe and across the Atlantic.

Telia will also offer secure transport of Internet traffic at competitive prices by continuing to operate its IP network and maintain peering points (connection points to other operators' networks) in Europe and the United States.

#### **Phase-out of unprofitable operations**

The new focus entails a restructuring of the operations. The restructuring will be completed at the end of 2003 and includes the following steps, among others:

Phase-out of operations in Asia

Phase-out of sales of domestic voice through resellers in the United Kingdom

Phase-out of the co-location business

Freezing domestic network services in the United States

Centralizing sales, administration and customer services functions to Sweden.

The restructuring will greatly reduce the number of offices and technical facilities as well as lead to reduced operation and maintenance costs and leased lines.

The purpose is to reduce the current staffing of 800 employees by more than half.

The total cost of the restructuring is estimated at approximately SEK 3.5 billion, for which provisions of MSEK 2,825 were made in the third quarter.

#### **Increased sales in all product areas**

Third-quarter external net sales rose 17 percent, compared with the corresponding period in the preceding year. Sales were good in all three main product areas.

Capacity and IP sales increased 11 percent and voice sales increased 27 percent. The sales growth is attributable to good order intake, primarily during the second quarter, due to the fact that several competing carriers were forced to exit the market. Order intake tapered off somewhat towards the end of the quarter.

Sales for the nine-month period increased 24 percent compared with the same period in the preceding year.

#### **Improved underlying EBITDA**

Increased net sales led to further improvement in underlying EBITDA to MSEK -255, compared with MSEK -614 in the third quarter 2001. Compared with the second quarter 2002, the improvement in earnings was MSEK 32.

Depreciation, amortization and write-downs climbed to MSEK 5,457 (135). The write-down of fixed assets in the third quarter totaled MSEK 6,131, of which MSEK 5,307 burdened the item depreciation, amortization and write-downs and refer to unutilized network sections and technical facilities.

Items not reflecting underlying business operations totaled MSEK -3,649 (1) and include the provision of MSEK 2,825 for close-downs or partial phase-outs of technical facilities, offices and regeneration and amplifier sites as well as redundant personnel, and also includes the MSEK 824 write-down of infrastructure and network capacity acquired from other operators.

The write-down of fixed assets and the restructuring provision led to decreased operating income totaling MSEK -9,361 (-748). Operating income for the nine-month period totaled MSEK -10,391 (-1,486).

#### **Customer-driven investments**

Investments decreased during the quarter to MSEK 222 (1,620) and primarily referred to equipment for expanding capacity in the wholly owned network due to increased customer demand.

#### **Networks Continued improvement in earnings in Sweden. Focus-shift in Denmark**

External net sales in Networks fell 8 percent to MSEK 6,615 in the third quarter compared with the third quarter 2001. Sales for comparable units fell 4 percent. This decrease was mainly due to declining revenues in the Swedish retail market.



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MSEK					Jul-Sep 2002	Jul-Sep 2001	Sep 2002	Sep 2001
Net sales					8,093	8,229	24,732	24,742
of which external								
	6,615	7,183	20,403	21,472				
Underlying EBITDA								
	2,832	3,129	8,440	8,759				
EBITDA margin (%)								
	35.0	38.0	34.1	35.4				
Depreciation, amortization etc.								
	-4,307	-1,345	-7,128	-3,877				
Items not reflecting underlying business operations								
	-378	-99	-641	-58				
Income from associates								
	-32	-624	74	-3,530				
Operating income								
	-1,885	1,061	745	1,294				
Investments								
	649	1,869	2,709	5,155				
of which CAPEX								
	649	1,830	2,706	4,692				

Sales for the nine-month period decreased 5 percent. Price levels remained largely unchanged during the period.

Underlying EBITDA fell to MSEK 2,832 (3,129) during the quarter. The weaker earnings are attributable to losses in the Danish operations. The Danish fixed network operations were reviewed during the quarter in order to value their assets and determine a new focus.

Looking forward, the operations will be concentrated to the transport capacity offer and voice services for both consumers and business customers. This means that the product range and operating costs will be cut by more than half. In conjunction with the review and the new focus, the value of current assets was written down by MSEK 353, the value of fixed assets was written down by MSEK 2,786, and a provision of MSEK 286 was made for restructuring costs. The action program is expected to entail additional restructuring costs of approximately MSEK 185-250 in the fourth quarter 2002. The objective is to attain positive underlying EBITDA at the end of 2003. The possibility of reaching this objective is greatly dependent

on the regulatory developments in Denmark, among other factors.

In Sweden, underlying EBITDA improved to MSEK 3,245 (3,137) despite lower net sales. The improvement in earnings is attributable to reduced costs for sales and product development in the retail business and lower maintenance and installation costs in the wholesale business.

Within Networks, depreciation and write-downs increased to MSEK 4,307 (1,345) in the third quarter. The increase is primarily attributable to the MSEK 2,786 write-down of fixed assets in Denmark.

Items not reflecting underlying business operations totaled MSEK -378 (-99). Costs for ongoing streamlining measures in the Swedish operations, including provisions for redundant personnel, totaled MSEK 21 and costs for restructuring the Danish operations totaled MSEK 286.

Income from associated companies improved to MSEK -32 (-624) as Netia and Eircom/Comsource no longer burden earnings.

Losses in Denmark caused operating income to drop to MSEK -1,885 (1,061) in the third quarter.

Operating income for the nine-month period totaled MSEK 744 (1,294) as losses in Denmark were largely offset by the fact that Eircom/Comsource did not burden income from associated companies.

Investments dropped off to MSEK 649 (1,869) during the third quarter, contributing to significantly improved cash flow.

#### **Retail market**

Sales in the retail market declined 8 percent to MSEK 5,543 due to decreased market shares in Swedish fixed telephony. The greatest drop was in local calls due to the carrier preselect reform introduced in February 2002.

Reduced market shares led call revenues for fixed telephony in Sweden to drop 12 percent to MSEK 1,989 during the quarter. Sales dropped in network capacity, data communications and IT services compared with the same quarter 2001. Sales increased, however, for premium services including Caller ID and Telesvar voicemail for consumers and Advance services for business customers.

The number of telephone subscriptions in Sweden dropped by 11,000 to 5,594,000. The number of ISDN channels also fell as more and more customers switch from ISDN to ADSL/LAN.

The Danish retail market also reported somewhat lower sales.

#### **Wholesale market**

Sales in the wholesale operations climbed 23 percent comparatively. The increase was mainly attributable to increased sales of interconnect traffic and network capacity in Sweden.

Demand for broadband connections remained strong. Third quarter deliveries of ADSL/LAN connections totaled 28,000, of which 13,000 were to service providers outside Telia. As the period drew to a close, there were 379,000 customers connected to Telia's broadband network through ADSL/LAN solutions.

In Denmark, sales fell 28 percent due to weaker demand for network capacity from other operators and service providers.

Reported sales for the wholesale operations fell 9 percent to MSEK 1,072 due to the fact that the installation material purchased by the subcontractor Swedia Networks are no longer reported as sales in Skanova.

#### **Holding**

Telia Holding is responsible for the Group's investments outside of Telia's core businesses. Telia Holding comprises a number of consolidated businesses, including Finans/Credit, Sergel Kreditjänster, Division Satellit, Division Offentlig Telecom, Promotor, Overseas, including Suntel, as well as several associated companies, including Slottsbacken, INGROU, Drutt Corp, Telefons, AUUS, Infonet Services and COOP Bank.

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Extensive divestitures in 2001 along with the closing down of Vimera (customer training) and Time (accounting services) during the second quarter 2002 as well as ongoing phase-outs of operations within Division Satellit resulted in reduced net sales, while underlying EBITDA and the margin improved.

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan- Sep 2002	Jan- Sep 2001
Net sales	458	1,649	1,378	8,889
of which external				
243 624 704 2,525				
Underlying EBITDA				
142 20 345 150				
EBITDA margin (%)				
31.0 1.2 25.0 1.7				
Depreciation, amortization etc.				
-115 -185 -355 -661				
Items not reflecting underlying business operations				
137 -902 36 -861				
Income from associates				
-53 2,872 123 5,758				
Operating income				
111 1,805 149 4,386				
Investments				
239 240 710 2,610				
of which CAPEX				
67 186 244 706				

For the remaining operations, external net sales fell during the third quarter to MSEK 243 (277) while underlying EBITDA increased to MSEK 142 (130). The drop in sales is

attributable to the consulting company Promotor and Sun-tel, while underlying EBITDA mainly improved within Promotor and Sergel Kreditjänster.

Depreciation fell to MSEK 115 (185) due to divestitures/-phase-outs of operations.

Items not reflecting underlying business operations totaled MSEK 137 (-902) and consisted mainly of a capital gain of MSEK 145 from the sale of Telia's remaining 9 percent holding in the Orbiant Group to Flextronics. Divestiture decisions made during the third quarter led to additional redundancies, and provisions for restructuring costs of MSEK 12 were made.

Income from associated companies totaled MSEK -53 (2,872). Capital gains affected earnings by MSEK 9 compared with MSEK 3,047 in the comparative quarter.

Operating income totaled MSEK 111 (1,805).

Investments totaled MSEK 239 (240). MSEK 129 referred to loan conversion to shareholder contributions in AUCS, MSEK 55 to Finans/Credit's leasing operations, MSEK 22 to network investments in Suntel and MSEK 33 to shareholder contributions in COOP Bank.

#### **Outlook 2002**

Telia's efforts aimed at developing and streamlining its core businesses began to yield results in the third quarter. In the coming quarter, we expect the costs of planned marketing activities to have a slowing effect on earnings.

Our focus on reducing investments has been successful, though we are planning to raise our level of investment somewhat in the fourth quarter.

Stockholm, October 25, 2002

*Anders Igel*  
President and CEO

#### **Auditors Review Report**

We have made a review of this interim report in accordance with recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is substantially limited in scope in comparison to an audit.

Nothing has come to our attention that indicates that this interim report fails to comply with the requirements of the Swedish Securities Exchange Act and International Accounting Standards (IAS).

Stockholm, October 25, 2002

*Ernst & Young AB*  
Torsten Lyth  
Authorized Public Accountant

*Gunnar Widhagen*  
Authorized Public Accountant

*Filip Cassel*  
Authorized Public Accountant

#### **Financial Information**

Year-end Report 2002 February 3, 2003  
Telia AB, Investor Relations  
SE-123 86 Farsta, Sweden

#### **Questions regarding content:**

#### **Reports may be ordered via:**

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Consolidated Income Statements

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Oct 2001- Sep 2002	Jan-Dec 2001	Jan-Dec 2000
Net sales	14,496	14,431	42,727	42,226	57,697	57,196	54,064
Costs of production							
-8,972 -9,432 -27,316 -27,433 -40,318 -40,435 -33,028							
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<b>Gross income</b>	<b>5,524</b>	<b>4,999</b>	<b>15,411</b>	<b>14,793</b>	<b>17,379</b>	<b>16,761</b>	<b>21,036</b>
Sales, administrative, and R&D expenses	-4,287	-4,272	-13,291	-12,596	-18,638	-17,943	-16,326
Other operating revenues and expenses, net	-12,010	-321	-12,440	-43	-11,891	506	8,493
Income from associated companies	-42	2,339	333	2,390	4,079	6,136	-1,197
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<b>Operating income</b>	<b>-10,815</b>	<b>2,745</b>	<b>-9,987</b>	<b>4,544</b>	<b>-9,071</b>	<b>5,460</b>	<b>12,006</b>
Net financial revenues and expenses	-149	-254	-520	-642	-530	-652	-289

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**Income after financial items**  
**-10,964 2,491 -10,507 3,902 -9,601 4,808 11,717**  
Income taxes  
852 -573 544 -1,421 -952 -2,917 -1,447  
Minority interests  
-6 -18 2 -40 20 -22 8

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**Net income**  
**-10,118 1,900 -9,961 2,441 -10,533 1,869 10,278**

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Loss/earnings per share, basic (SEK)  
 -3.37 0.63 -3.32 0.81 -3.51 0.62 3.50  
 Loss/earnings per share, diluted (SEK)  
 -3.37 0.63 -3.32 0.81 -3.51 0.62 3.50

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Quarterly Data

	2002			2001				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
BITDA	14,496	14,346	13,885	14,970	14,431	14,203	13,592	14,5
7 3,381 3,133 3,420 3,014 3,348 3,790 3,180								
ecting underlying business operations								
7 23 322 -239 271 30 6,937 -116								
associates								
2 3,746 2,339 208 -157 -370 -759								
3,416 7,201 5,520 3,493 3,221 10,357 2,305								
amortization and write-downs								
004 -2,707 -6,285 -2,775 -2,505 -2,410 -2,427 -2,099								
ome								
9 709 916 2,745 988 811 7,930 206								
financial items								
3 535 906 2,491 909 502 7,658 267								
127 -572 1,900 250 291 7,408 172								
share, basic (SEK)								
0.04 -0.19 0.63 0.08 0.10 2.47 0.06								
share, diluted (SEK)								
0.04 -0.19 0.63 0.08 0.10 2.47 0.06								
h flow								
2 -865 9,171 4,745 3,158 -3,026 3,486 -25,923								
7 2,053 5,157 5,965 5,954 3,659 10,311 16,745								
PEX								
1 2,022 4,849 5,630 3,666 3,568 7,185 3,369								
positions								
1 308 335 2,288 91 3,126 13,376								



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## Condensed Consolidated Balance Sheets

MSEK	Sep 30, 2002	Sep 30, 2001	Dec 31, 2001	Dec 31, 2000
<b>Assets</b>				
Intangible fixed assets				
27,273 28,439 26,816 25,198				
Tangible fixed assets				
37,041 49,449 47,314 43,807				
Financial fixed assets				
19,473 18,934 20,784 22,335				
<i>Total fixed assets</i>				
83,787 96,822 94,914 91,340				
Inventories, etc.				
348 854 636 773				
Receivables				
23,325 32,170 23,521 29,072				
Short-term investments				
1,985 345 7,602 178				
Cash and bank				
1,919 948 1,518 1,352				
<i>Total current assets</i>				
27,577 34,317 33,277 31,375				
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<b>Total assets</b>				
	<b>111,364</b>	<b>131,139</b>	<b>128,191</b>	<b>122,715</b>
<b>Equity and liabilities</b>				
Shareholders equity				
50,526 61,884 59,885 55,988				
Minority interests				
290 1,536 204 320				
Provisions for pensions and employee contracts				
1,514 2,529 2,358 3,525				
Deferred tax liability, other provisions				
13,557 9,109 10,749 7,826				
<i>Total provisions</i>				
15,071 11,638 13,107 11,351				
Long-term loans				
14,113 25,984 25,193 20,876				
Short-term loans				
8,083 5,825 3,931 13,166				
Non-interest-bearing liabilities				
23,281 24,272 25,871 21,014				
<i>Total liabilities</i>				

45,477 56,081 54,995 55,056

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**Total equity and liabilities**  
**111,364 131,139 128,191 122,715**

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Condensed Consolidated Cash Flow Statements and Changes in Net Interest-bearing Liability

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Oct 2001- Sep 2002	Jan-Dec 2001	Jan-Dec 2000
Cash flow before change in working capital	3,088	2,400	8,357	7,049	11,580	10,272	9,589
Change in working capital	745	716	177	-1,123	1,444	144	563
<b>Cash flow from operating activities</b>	<b>3,833</b>	<b>3,116</b>	<b>8,534</b>	<b>5,926</b>	<b>13,024</b>	<b>10,416</b>	<b>10,152</b>
Cash flow from investing activities	-1,725	1,629	-5,819	-1,049	-1,138	3,632	-37,121
<b>Operating cash flow</b>	<b>2,108</b>	<b>4,745</b>	<b>2,715</b>	<b>4,877</b>	<b>11,886</b>	<b>14,048</b>	<b>-26,969</b>
Cash flow from financing activities	-1,425	-5,021	-7,960	-5,426	-9,142	-6,608	26,818

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**Cash flow for the period**

683 -276 -5,245 -549 2,744 7,440 -151

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**Cash and cash equivalents, opening balance**

3,027 1,207 8,923 1,437 949 1,437 1,575

Cash flow for the period

683 -276 -5,245 -549 2,744 7,440 -151

Exchange rate differences in cash and cash equivalents

-41 18 -9 61 -24 46 13

**Cash and cash equivalents, closing balance**

3,669 949 3,669 949 3,669 8,923 1,437

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**Net interest-bearing liability, opening balance**

10,336 19,069 10,661 20,235 15,769 20,235 7,527

Change in net borrowings

-1,949 -2,801 -1,710 -3,470 -6,647 -8,407 12,429

Change in pension provisions

-280 -499 -844 -996 -1,015 -1,167 279

**Net interest-bearing liability, closing balance**

8,107 15,769 8,107 15,769 8,107 10,661 20,235

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## Condensed Consolidated Statements of Changes in Shareholders' Equity

MSEK	Sep 30, 2002	Sep 30, 2001	Dec 31, 2001	Dec 31, 2000
<b>Opening balance</b>	<b>59,885</b>	<b>55,988</b>	<b>55,988</b>	<b>32,893</b>
Change of accounting principles (IAS 39)				
-342 -342				
<i>Adjusted opening balance</i>	<i>59,885</i>	<i>55,646</i>	<i>55,646</i>	<i>32,893</i>
Dividend				
-600 -1,501 -1,501 -1,470				
New share issue				
12,750				
Underwriting expenses after tax posted directly to equity				
16 -16 -231				
Transactions with outside parties				
-16 -128 -155 -82				
Share of earnings in companies previously outside the Group				
29				
Differences arising from translation of foreign operations				
1,128 5,787 4,268 2,127				
Fair value measurement of securities available for sale				
15 -21 143				
Gains/losses on instruments used to hedge cash flow				
51 102 114				
Differences after tax on forward contracts used for equity hedge				
8 -442 -483 -306				
Net income for the period				
-9,961 2,441 1,869 10,278				
<b>Closing balance</b>	<b>50,526</b>	<b>61,884</b>	<b>59,885</b>	<b>55,988</b>

## Business Area Breakdown

## July-September 2002 or September 30, 2002

MSEK	Mobile	Internet Services	International Carrier	Networks	Group- wide	<i>of which Holding</i>	<b>Group</b>
Net sales	5,743	1,046	1,378	8,093	-1,764	458	<b>14,496</b>

External net sales  
 5,367 1,034 1,176 6,615 304 243 **14,496**  
 Underlying EBITDA  
 1,800 -92 -255 2,832 -4 142 **4,281**  
 Depreciation, amortization & write-downs  
 -1,036 -124 -5,457 -4,307 -133 -115 **-11,057**  
 Items not reflecting underlying business operations  
 -38 -19 -3,649 -378 87 137 **-3,997**  
 Income from associated companies  
 81 -33 0 -32 -58 -53 **-42**  
 Operating income  
 807 -268 -9,361 -1,885 -108 111 **-10,815**  
 Operating capital  
 36,509 905 426 24,927 -4,294 2,134 **58,473**  
 of which Segment assets  
 42,275 2,179 8,688 33,965 8,654 6,777 **95,761**  
 of which Segment liabilities  
 -5,766 -1,274 -8,262 -9,038 -12,948 -4,643 **-37,288**  
 Equity participations in associates  
 2,993 0 0 2,526 2,880 2,880 **8,399**  
 Investments  
 633 67 222 649 385 239 **1,956**  
 of which CAPEX  
 633 68 222 649 211 67 **1,783**  
 Number of employees  
 4,371 1,420 784 7,399 2,270 1,465 **16,244**  
 Average number of full-time employees  
 4,470 1,377 785 7,300 2,288 1,478 **16,220**

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**July-September 2001 or September 30, 2001 (restated)**

MSEK	Mobile	International Services	Carrier	Networks	Group-wide	of which Holding	Group
Net sales	5,247	765	1,283	8,229	-1,093	1,649	<b>14,431</b>
External net sales	4,786	797	1,003	7,183	662	624	<b>14,431</b>
Underlying EBITDA	1,375	-229	-614	3,129	-241	20	<b>3,420</b>
Depreciation, amortization & write-downs	-980	-108	-135	-1,345	-207	-185	<b>-2,775</b>
Items not reflecting underlying business operations	-33	-15	1	-99	-93	-902	<b>-239</b>
Income from associated companies	105	-9	0	-624	2,867	2,872	<b>2,339</b>
Operating income	467	-361	-748	1,061	2,326	1,805	<b>2,745</b>
Operating capital	36,647	1,680	11,506	29,380	-1,187	3,185	<b>78,026</b>
of which Segment assets	43,676	2,867	17,386	40,324	8,316	8,275	<b>112,569</b>
of which Segment liabilities	-7,029	-1,187	-5,880	-10,944	-9,503	-5,090	<b>-34,543</b>
Equity participations in associates	2,564	30	0	2,299	3,727	3,727	<b>8,620</b>
Investments	2,100	129	1,620	1,869	247	240	<b>5,965</b>
of which CAPEX	1,835	129	1,643	1,830	193	186	<b>5,630</b>
Number of employees	5,029	1,272	730	7,897	7,581	6,832	<b>22,509</b>
Average number of full-time employees	4,791	1,199	653	7,585	11,436	10,656	<b>25,664</b>

**January-September 2002 or September 30, 2002**



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MSEK	Mobile	Internet Services	International Carrier	Networks	Group-wide	of which Holding	Group
Net sales	16,214	3,057	3,868	24,732	-5,144	1,378	<b>42,727</b>
External net sales							
15,131 3,027 3,264 20,403 902 704							<b>42,727</b>
Underlying EBITDA							
4,391 -406 -873 8,440 -303 345							<b>11,249</b>
Depreciation, amortization & write-downs							
-2,875 -493 -5,868 -7,128 -404 -355							<b>-16,768</b>
Items not reflecting underlying business operations							
-386 -116 -3,650 -641 -8 36							<b>-4,801</b>
Income from associated companies							
212 -51 0 74 98 123							<b>333</b>
Operating income							
1,342 -1,066 -10,391 745 -617 149							<b>-9,987</b>
Operating capital							
36,509 905 426 24,927 -4,294 2,134							<b>58,473</b>
of which Segment assets							
42,275 2,179 8,688 33,965 8,654 6,777							<b>95,761</b>
of which Segment liabilities							
-5,766 -1,274 -8,262 -9,038 -12,948 -4,643							<b>-37,288</b>
Equity participations in associates							
2,993 0 0 2,526 2,880 2,880							<b>8,399</b>
Investments							
2,012 303 660 2,709 962 710							<b>6,646</b>
of which CAPEX							
1,761 274 660 2,706 495 244							<b>5,896</b>
Number of employees							
4,371 1,420 784 7,399 2,270 1,465							<b>16,244</b>
Average number of full-time employees							
4,470 1,377 785 7,300 2,288 1,478							<b>16,220</b>

**January-September 2001 or September 30, 2001 (restated)**

MSEK	Mobile	Internet Services	International Carrier	Networks	Group- wide	<i>of which Holding</i>	<b>Group</b>
Net sales	14,692	2,337	3,361	24,742	-2,906	8,889	<b>42,226</b>
External net sales							
13,143 2,325 2,630 21,472 2,656 2,525							<b>42,226</b>
Underlying EBITDA							
3,616 -747 -1,181 8,759 -665 150							<b>9,782</b>
Depreciation, amortization & write-downs							
-2,499 -281 -305 -3,877 -728 -661							<b>-7,690</b>
Items not reflecting underlying business operations							
-47 -24 0 -58 191 -861							<b>62</b>
Income from associated companies							
224 -36 0 -3,530 5,732 5,758							<b>2,390</b>
Operating income							
1,294 -1,088 -1,486 1,294 4,530 4,386							<b>4,544</b>
Operating capital							
36,647 1,680 11,506 29,380 -1,187 3,185							<b>78,026</b>
of which Segment assets							
43,676 2,867 17,386 40,324 8,316 8,275							<b>112,569</b>
of which Segment liabilities							
-7,029 -1,187 -5,880 -10,944 -9,503 -5,090							<b>-34,543</b>
Equity participations in associates							
2,564 30 0 2,299 3,727 3,727							<b>8,620</b>
Investments							
3,307 672 3,880 5,155 2,564 2,610							<b>15,578</b>
of which CAPEX							
3,027 605 3,880 4,692 660 706							<b>12,864</b>
Number of employees							
5,029 1,272 730 7,897 7,581 6,832							<b>22,509</b>
Average number of full-time employees							
4,791 1,199 653 7,585 11,436 10,656							<b>25,664</b>

**January-December 2001 or December 31, 2001 (restated)**

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MSEK	Mobile	Internet Services	International Carrier	Networks	Group-wide	of which Holding	Group
Net sales	19,830	3,305	4,632	34,065	-4,636	10,680	<b>57,196</b>
External net sales							
17,857 3,288 3,652 29,159 3,240 3,072							<b>57,196</b>
Underlying EBITDA							
4,705 -970 -1,569 11,710 -961 265							<b>12,915</b>
Depreciation, amortization & write-downs							
-3,385 -606 -3,589 -5,422 -973 -886							<b>-13,975</b>
Items not reflecting underlying business operations							
-49 -28 -1 -71 533 -209							<b>384</b>
Income from associated companies							
361 -45 0 -2,363 8,183 8,233							<b>6,136</b>
Operating income							
1,632 -1,649 -5,159 3,854 6,782 7,403							<b>5,460</b>
Operating capital							
36,499 1,401 8,652 30,795 -7,197 287							<b>70,150</b>
of which Segment assets							
42,810 2,810 14,074 39,525 8,151 1,296							<b>107,370</b>
of which Segment liabilities							
-6,311 -1,409 -5,422 -8,730 -15,348 -1,009							<b>-37,220</b>
Equity participations in associates							
3,061 22 0 3,488 3,356 3,356							<b>9,927</b>
Investments							
4,979 903 5,037 7,129 2,687 2,744							<b>20,735</b>
of which CAPEX							
4,341 836 5,037 6,767 732 788							<b>17,713</b>
Number of employees							
4,813 1,369 777 7,910 2,280 1,576							<b>17,149</b>
Average number of full-time employees							
4,857 1,257 671 7,693 10,501 9,729							<b>24,979</b>

## Geographic Segment Breakdown

## January-September 2002 or September 30, 2002

MSEK	Sweden	Other Nordic countries	Baltic Region	Rest of Europe	Rest of world	Group
External net sales	33,471	6,941	168	1,461	686	<b>42,727</b>
Depreciation, amortization & write-downs	-6,900	-5,471	-23	-3,843	-531	<b>-16,768</b>
Income from associated companies	-192	1	133	194	197	<b>333</b>
Operating income	2,947	-5,319	117	-6,906	-826	<b>-9,987</b>
Operating capital	18,562	32,769	5,161	-595	2,576	<b>58,473</b>
of which Segment assets	45,045	38,030	5,287	3,867	3,532	<b>95,761</b>
of which Segment liabilities	-26,483	-5,261	-126	-4,462	-956	<b>-37,288</b>
Equity participations in associates	772	-1	5,017	461	2,150	<b>8,399</b>
Investments	3,987	1,825	47	739	48	<b>6,646</b>
of which CAPEX	3,618	1,821	47	368	42	<b>5,896</b>
Number of employees	12,733	2,513	189	355	454	<b>16,244</b>
Average number of full-time employees	12,576	2,619	194	354	477	<b>16,220</b>

## January-September 2001 or September 30, 2001

MSEK	Sweden	Other Nordic countries	Baltic Region	Rest of Europe	Rest of world	Group
External net sales	34,338	5,858	103	1,202	725	<b>42,226</b>
Depreciation, amortization & write-downs						

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-5,309	-1,988	-16	-169	-208	<b>-7,690</b>
Income from associated companies					
2,919	-19	-2,047	-1,159	2,696	<b>2,390</b>
Operating income					
8,514	-1,567	-2,065	-2,289	1,951	<b>4,544</b>
Operating capital					
25,976	35,505	5,150	7,757	3,638	<b>78,026</b>
of which Segment assets					
52,179	40,278	5,263	10,139	4,710	<b>112,569</b>
of which Segment liabilities					
-26,203	-4,773	-113	-2,382	-1,072	<b>-34,543</b>
Equity participations in associates					
793	-2	5,034	462	2,333	<b>8,620</b>
Investments					
7,369	3,972	884	2,765	588	<b>15,578</b>
of which CAPEX					
6,009	3,480	48	2,748	579	<b>12,864</b>
Number of employees					
18,720	2,690	180	362	557	<b>22,509</b>
Average number of full-time employees					
21,487	2,982	177	423	595	<b>25,664</b>

January-December 2001 or December 31, 2001

MSEK	Sweden	Other Nordic countries	Baltic Region	Rest of Europe	Rest of world	Group
External net sales	46,348	8,113	133	1,667	935	<b>57,196</b>
Depreciation, amortization & write-downs	-7,975	-2,788	-23	-2,920	-269	<b>-13,975</b>
Income from associated companies	5,497	-22	-1,923	-246	2,830	<b>6,136</b>
Operating income	12,403	-2,483	-1,967	-4,474	1,981	<b>5,460</b>
Operating capital	24,218	34,289	5,623	5,647	373	<b>70,150</b>
of which Segment assets	48,862	39,549	5,807	8,919	4,233	<b>107,370</b>
of which Segment liabilities	-24,644	-5,260	-184	-3,272	-3,860	<b>-37,220</b>
Equity participations in associates	557	-3	5,508	1,568	2,297	<b>9,927</b>
Investments	10,122	5,136	1,271	3,661	545	<b>20,735</b>
of which CAPEX						

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8,668 4,752 83 3,611 599 **17,713**

Number of employees

13,365 2,739 196 352 497 **17,149**

Average number of full-time employees

20,922 2,880 201 411 565 **24,979**

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Income from Associated Companies

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Oct 2001- Sep 2002	Jan-Dec 2001	Jan-Dec 2000
<b>Core business</b>	<b>11</b>	<b>-533</b>	<b>210</b>	<b>-3,368</b>	<b>1,481</b>	<b>-2,097</b>	<b>301</b>
Baltic states (Mobile/Networks)	47	45	124	125	194	195	189
Netia (Networks)	0	-521	0	-2,443	-21	-2,464	-411
Comsource/Eircom (Networks)	-0	-87	151	-1,053	1,330	126	-933
Other	-36	30	-65	3	-22	46	1,456
<b>Holding</b>	<b>-53</b>	<b>2,872</b>	<b>123</b>	<b>5,758</b>	<b>2,598</b>	<b>8,233</b>	<b>-1,498</b>
Unisource/AUCS	-0	4	40	-106	-226	-372	1,445
Telia Overseas	17	54	273	2,655	412	2,794	-1,719
Eniro	-2	3,043	-3	3,423	2,626	6,052	185
Other	-68	-229	-187	-214	-214	-241	-1,409
<b>Total</b>	<b>-42</b>	<b>2,339</b>	<b>333</b>	<b>2,390</b>	<b>4,079</b>	<b>6,136</b>	<b>-1,197</b>



**Long-lived Assets**

	Intangible assets						Tangible assets	
	Goodwill			Other intangibles			Sep 30, 2002	Dec 31, 2001
	Sep 30, 2002	Dec 31, 2001	Dec 31, 2000	Sep 30, 2002	Dec 31, 2001	Dec 31, 2000		
<b>g balance</b>	<b>24,686</b>	<b>23,935</b>	<b>1,143</b>	<b>2,130</b>	<b>1,263</b>	<b>1,003</b>	<b>47,314</b>	<b>43,807</b>
es	22,893	394	1,316	509	5,513	16,409	16,084	
ons acquired	19	40	1,291	2,431				
scards	-31	-18	-1	-23	-208	-875	-579	
ons divested	6	-251	-86	-4	-2	-1,258	-387	
fications	-10	269	-68	-76	-480	-620	54	
ation, depreciation	-1,375	-655	-322	-338	-212	-7,122	-8,825	-7,352
owns, reversals of write-downs	-28	-1	-41	-2	-7,869	-3,428	-36	
contribution from CATV customers		-1	6	21				
es		-3	3					
ge rate differences	2,104	828	-10	46	26	-101	804	253
<b>balance</b>	<b>24,686</b>	<b>23,935</b>	<b>2,402</b>	<b>2,130</b>	<b>1,263</b>	<b>37,041</b>	<b>47,314</b>	<b>43,807</b>



**Cash Flow from Investing Activities**

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Oct 2001- Sep 2002	Jan-Dec 2001	Jan-Dec 2000
Shares, participations & operations acquired	-227	-248	-572	-1,762	-1,051	-2,241	-30,841
Shares, participations & operations divested	106	4,331	1,144	9,991	6,784	15,631	9,325
Intangible & tangible fixed assets acquired	-1,774	-4,643	-5,860	-11,839	-10,943	-16,922	-15,997
Other investing activities, net	170	2,189	-531	2,561	4,072	7,164	392

**Total**  
**-1,725 1,629 -5,819 -1,049 -1,138 3,632 -37,121**

**Net Indebtedness**

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MSEK	Sep 30, 2002	Sep 30, 2001	Dec 31, 2001	Dec 31, 2000
Long-term and short-term loans	22,196	31,809	29,124	34,042
Less: Interest-bearing financial assets				
-7,309 -6,503 -7,510 -4,968				
Interest-bearing receivables				
-4,390 -10,773 -4,191 -10,834				
Short-term investments, cash and bank				
-3,904 -1,293 -9,120 -1,530				
<hr/>				
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<b>Total net borrowings</b>				
<b>6,593 13,240 8,303 16,710</b>				
Provision for pensions				
1,514 2,529 2,358 3,525				
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<b>Total net interest-bearing liability</b>				
<b>8,107 15,769 10,661 20,235</b>				
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Gross Investments by Class of Asset

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Oct 2001- Sep 2002	Jan-Dec 2001	Jan-Dec 2000
Goodwill	4	82	8	535	-79	448	22,893
Other intangible assets							
192 1,265 394 1,379 331 1,316 509							

Real estate

4 96 21 193 97 269 552

Machinery and equipment

1,587 4,269 5,481 11,292 10,317 16,128 15,519

*Fixed networks*

682 1,801 2,308 3,436 5,894 7,022 4,115

*Mobile networks*

449 422 1,246 1,113 2,257 2,124 1,411

*Other machinery and equipment*

456 2,046 1,927 6,743 2,166 6,982 9,993

Shares and participations

169 253 742 2,179 1,137 2,574 8,269

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**Total**

**1,956 5,965 6,646 15,578 11,803 20,735 47,742**

of which CAPEX

1,783 5,630 5,896 12,864 10,745 17,713 16,580

of which acquisitions

173 335 750 2,714 1,058 3,022 31,162

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**Financial Instruments**

MSEK	September 30, 2002		September 30, 2001		December 31, 2001	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Equity participations in associates	8,399	7,400	8,620	10,969	9,927	9,682
Other holdings of securities						
338 338 342 342 426 426						
Other long- and short-term receivables	10,260	10,188	15,628	15,556	10,061	9,973
Short-term investments	235	235	344	344	197	197
Interest rate swaps received	656	656	248	248	673	673
Interest rate swaps paid	-647	-647	-249	-249	-646	-646
FX interest rate swaps received	12,189	12,189	8,527	8,527	12,629	12,629
FX interest rate swaps paid	-11,097	-11,097	-7,218	-7,218	-11,442	-11,442
Other currency derivatives	119	119	441	441	355	355
<b>Total assets</b>	<b>20,452</b>	<b>19,381</b>	<b>26,683</b>	<b>28,960</b>	<b>22,180</b>	<b>21,847</b>
Provisions for pensions	1,514	1,514	2,529	2,529	2,358	2,358
Long-term loans	14,158	14,570	26,792	27,254	25,543	25,890
Short-term loans	8,147	8,206	5,954	5,973	4,030	4,044
Interest rate swaps received	-1,555	-1,555	-1,729	-1,729	-1,970	-1,970
Interest rate swaps paid	1,659	1,659	1,757	1,757	2,062	2,062
FX interest rate swaps received	-1,802	-1,802	-7,847	-7,847	-1,840	-1,840
FX interest rate swaps paid	1,894	1,894	7,274	7,274	1,901	1,901
Other currency derivatives	71	71	671	671	430	430
<b>Total liabilities</b>	<b>24,086</b>	<b>24,557</b>	<b>35,401</b>	<b>35,882</b>	<b>32,514</b>	<b>32,875</b>
Less book value of:						
- pensions	-1,514	-2,529	-2,358			
- accrued interest	-305	-392	-602			
- other currency derivatives	-71	-671	-430			
<b>Book value of interest-bearing liabilities</b>	<b>22,196</b>	<b>31,809</b>	<b>29,124</b>			
<b>FX swaps/forward contracts (portfolio)</b>						

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Purchases of foreign currency	15,218	15,218	15,217	15,217	19,972	19,972
Sales of foreign currency	9,753	9,753	18,252	18,252	14,030	14,030

**Changes in Share Capital**

	Number of shares	Par value, SEK/share	Share capital, KSEK
Share capital, Dec 31, 1999	8,800,000	1,000.00	8,800,000
Bonus issue, May 20, 2000 1,036.80 323,840			
Split 324:1, May 20, 2000 2,842,400,000 3.20			
New share issue, June 16, 2000 150,000,000 3.20 480,000			
Share capital, Dec 31, 2000 3,001,200,000 3.20 9,603,840			
Share capital, Dec 31, 2001 3,001,200,000 3.20 9,603,840			
Share capital, Sep 30, 2002 3,001,200,000 3.20 9,603,840			

**Average Number of Shares**

Period	Number
July-September 2002	3,001,200,000
After dilution 3,001,200,000	
July-September 2001 3,001,200,000	
After dilution 3,001,200,000	
January-Sep 2002 3,001,200,000	
After dilution 3,001,200,000	
January-Sep 2001 3,001,200,000	
After dilution 3,001,200,000	
Oct 2001-Sep 2002 3,001,200,000	
After dilution 3,001,200,000	
January-Dec 2001 3,001,200,000	
After dilution 3,001,200,000	
January-Dec 2000 2,932,757,377	





**Contingent Assets and Contingent Liabilities**

MSEK	Sep 30, 2002	Dec 31, 2001
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**Contingent assets****Collateral pledged**

Shares in subsidiaries		
92 82		
Shares in associated companies		
143		
Blocked funds in bank accounts		
96 9		

<b>Total</b>		
<b>331 91</b>		

**Contingent liabilities**

Credit & performance guarantees, etc.		
549 622		
FPG/PRI		
163 163		

<b>Total</b>		
<b>712 785</b>		

**Contractual Obligations**

MSEK	Sep 30, 2002	Dec 31, 2001
------	-----------------	-----------------

Tangible fixed assets	499	499
Indefeasible Rights of Use (IRU)		
55 179		
Associated & non-consolidated companies		
131 274		

<b>Total</b>		
<b>685 952</b>		

**Deferred tax**

MSEK	Sep 30, 2002	Dec 31, 2001
Deferred tax liability	7,383	6,940

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Deferred tax benefit (incl. valuation reserve)

-3,004 -1,490

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**Net deferred tax liability**

**4,379 5,450**

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### Basis for Presentation

*General.* For the nine-month period ended September 30, 2002 and as in the year ended December 31, 2001, Telia's consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS). This report has been prepared in accordance with IAS 34 Interim Financial Reporting.

*Accounting principles.* The applied accounting principles, including the adoption of IAS 39 Financial Instruments: Recognition and Measurement as of January 1, 2001, are described in Telia's Annual Report for 2001.

Discrepancies between Swedish GAAP and the accounting principles applied by Telia are discussed in a separate note.

*Amounts and dates.* Unless otherwise specified, all amounts are in millions of Swedish kronor (MSEK) and are based on the nine-month period ended September 30, 2002 for income statement items and as of September 30, 2002 for balance sheet items, respectively.

*Restated accounts.* Some adjustments of the Group's business organization have been implemented during the nine-month period ended September 30, 2002. Hence, the business area figures in this report have been restated.

*Recently published accounting standards.* During 2001 the interpretations SIC-30 Reporting Currency Translation from Measurement Currency to Presentation Currency and SIC-33 Consolidation and Equity Method Potential Voting Rights and Allocation of Ownership Interests were published, which are to be applied to accounting periods beginning January 1, 2002 or later. The interpretation SIC-32 Intangible Assets Web Site Costs was issued on March 13, 2002 and became effective on March 25, 2002. Application of these interpretations has not entailed any changes to the comparative figures.

During 2000 IAS 41 Agriculture was published, which goes into effect on January 1, 2003. IAS 41 does not affect Telia's operations.

### Swedish GAAP

*Differences in principles.* Telia's consolidated financial statements are prepared in accordance with International Accounting Standards (IAS). IAS deviates in certain respects from Swedish GAAP, primarily with respect to the reporting of financial instruments and the computation of pension liability and pension expense. The deviations are described in Telia's Annual Report for 2001.

*Translation into Swedish GAAP.* Application of Swedish GAAP affects consolidated net income and shareholders' equity as follows.

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Jan-Dec 2001
<b>Net income under IAS</b>	<b>-10,118</b>	<b>1,900</b>	<b>-9,961</b>	<b>2,441</b>	<b>1,869</b>
Financial instruments					
12 -130 26 -142 -43					
Pensions					
-1,184 -448 -2,839 -978 -1,088					
Deferred tax					
329 123 788 275 317					
<b>Net income under Swedish GAAP</b>					
<b>-10,961 1,445 -11,986 1,596 1,055</b>					

MSEK	Sep 30, 2002	Sep 30, 2001	Dec 31, 2001
------	-----------------	-----------------	-----------------

<b>Shareholders equity under IAS</b>	<b>50,526</b>	<b>61,884</b>	<b>59,885</b>
Financial instruments			
56 347 126			
Pensions			
-2,694 255 145			
Deferred tax			
739 -207 -76			
<b>Shareholders equity under Swedish GAAP</b>			
<b>48,627 62,279 60,080</b>			

### Changes in Group Composition

In the beginning of March, 2002, a group of lenders and the largest shareholders, including Telia, came to an agreement for a financial reconstruction of the Polish company Netia Holdings S.A. that primarily entails a conversion of the lenders' claims to equity in the company. Telia currently owns 48 percent of the share capital in Netia. When all transactions have been completed, Telia's shareholding will be approximately 3 percent.

On March 19, 2002, a Memorandum of Understanding was signed with the Indian company Bharti Tele-Ventures for the sale of Telia's holding of 26 percent of the shares in the mobile operator Bharti Mobile Ltd.

On April 18, 2002, Telia sold its 40 percent stake in Comsource UnLtd to the other shareholder, the Dutch telecom operator KPN.

On July 1, 2002, Telia's remaining 9 percent shareholding in the Orbiant Group was sold to the other shareholder Flextronics.

On March 26, 2002, Telia and the Finnish telecom operator Sonera Oyj announced plans to merge. On September 30, 2002, Telia issued the prospectus setting forth the terms and conditions of the Exchange Offer being made to all Sonera shareholders through which the merger between Sonera and Telia will be effected. The Exchange Offer acceptance period commenced on October 7, 2002 and will end on November 8, 2002. Telia offers 1.51440 Telia shares in exchange for each Sonera share, one new Telia warrant is offered in exchange for each Sonera warrant issued pursuant to Sonera's 1999 and 2000 stock option programs and 0.30288 Telia ADSs are offered in exchange for each Sonera ADS (each Telia ADS will be equal to five Telia shares). The completion of the Exchange Offer is subject to certain conditions, including the condition that shares representing more than 90 percent of the shares and votes in Sonera (on a fully diluted basis) shall have been validly tendered and not withdrawn. The merger is conditional upon Telia's current shareholders authorizing the Board of Directors to issue the new shares and warrants necessary to complete the Exchange Offer. Telia has therefore convened an Extraordinary General Meeting on November 4, 2002. Telia has applied for listing of the Telia share and certain warrants on the Helsinki Stock Exchange and to have the Telia ADSs quoted on NASDAQ in the United States.

### Related Party Transactions

*The Swedish State.* The Telia Group's services and products are offered to the Swedish state, its agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain state-owned companies run businesses that compete with Telia.

Likewise, Telia buys services from state-owned companies at market prices and on otherwise conventional commercial terms. Neither the Swedish state, its agencies, or state-owned companies represent a significant share of Telia's net sales or income.

Like other operators whose business requires a permit from the state, Telia pays an annual fee to the National Post and Telecom Agency for the agency's activities. As from January 1, 2002, the fee is equal to 1.57 thousandths of net sales in the operator's business for which a permit is required. There are additional fees for the agency's licensing activities under the Radio Communications Act and the Radio and Telecommunications Terminal Equipment Act.

*Infonet.* Telia owns a participating interest in the American company Infonet Services Corp. In the three-month period ended September 30, 2002, Telia sold services and products to Infonet worth MSEK 17 and purchased services and products worth MSEK 58. In the nine-month period ended September 30, 2002, Telia sold services and products to Infonet worth MSEK 29 and purchased services and products worth MSEK 219.

*AUCS.* Telia owns a participating interest in the Dutch company AUCS Communications Services. As of September 30, 2002, Telia had interest-bearing claims on AUCS of MSEK 154. In the nine-month period ended September 30, 2002, Telia sold services to AUCS worth MSEK 27.

*Telefos.* Telia owns 49 percent of the shares in Telefos AB. As of September 30, 2002, Telia had interest-bearing claims on the Telefos Group of MSEK 1,423 and had signed a limited supplementary guarantee of MSEK 150 for the credit-insured pension commitments of Telefos companies. In the three-month period ended September 30, 2002, Telia sold services and products worth MSEK 81 to the Telefos Group and bought services and products worth MSEK 568. In the nine-month period ended September 30, 2002, Telia sold services and products worth MSEK 295 and bought services and products worth MSEK 2,556. Some of the services purchased by Telia referred to construction of capital assets.

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*IN.* Telia holds an indirect participating interest in IN-GROUP Sweden AB (IN). In the three-month period ended September 30, 2002, Telia sold services and products worth MSEK 9 and bought services and products worth MSEK 33. In the nine-month period ended September 30, 2002, Telia sold services and products worth MSEK 38 and bought services and products worth MSEK 199.

*Other.* In addition to those specified, Telia buys and sells services and products to a limited extent from these and other associated companies, in all cases on market terms.

**Non-cash Transactions**

*Vehicles.* Telia leases vehicles through financial leasing, primarily from GE Capital. New acquisitions during the three-month period and the nine-month period ended September 30, 2002 entailed a non-cash investment of MSEK 7 and MSEK 31, respectively.

*Infrastructure/capacity swaps.* Within the international carrier operations, swap contracts for infrastructure and capacity are signed with other carriers. Until both parties have fulfilled all deliveries as agreed, the value provided might differ from the value received. As of September 30, 2002, Telia had, through non-cash swapping, net received infrastructure and network capacity with a book value of MSEK 24.

*AUCS.* Claims of MSEK 187 on the associated company AUCS Communications Services have been converted to shares in the company.

**Dividend**

The year 2001 dividend of SEK 0.20 per share, or a total of MSEK 600, was paid out on May 2, 2002.

**Financial Risk Management**

*Foreign exchange risk.* The Telia Group has a relatively limited operational need to net purchase foreign currency, primarily due to the settlement deficit in telephony traffic and import of materials.

Telia's general policy is normally to hedge the majority of known operational transaction exposure up to 12 months into the future. Given an operational net transaction exposure equal to that of 2001, and provided that no hedging measures were taken, there would be a negative impact on Group earnings of approximately MSEK 30 on an annual basis if the Swedish krona weakened one percent against the transaction currencies.

Telia's conversion exposure has increased due to the relatively fast growth of Telia's operations outside of Sweden. Telia does not typically hedge its conversion exposure, unless the exposure would be short-term and relate to a large amount of a freely-convertible foreign currency of a country with smoothly-functioning financial markets. As of September 30, 2002, the Group had no hedged conversion exposure.

*Interest rate risk.* Telia's financial policy provides guidelines for fixing interest rates on loan debt relative to the average life of the loan. The Group's policy is that the duration of loan debt should be from six months to four years. The general principle is to optimize interest rate risk from an overall Group perspective.

As of September 30, 2002, the Group had interest-bearing loans of approximately GSEK 22.2 with duration of approximately two years, including derivatives. The volume of loans exposed to changes in interest rates over the next 12-month period was at the same date approximately GSEK 10, assuming that existing loans maturing during that period are refinanced and after accounting for interest rate swaps. The exact effect of a change in interest rates on the financial net depends on the timing of maturity of the debt as well as reset dates for floating rate debt, and that the volume of loans may vary over time, thereby affecting the estimate. Fair value of the loan portfolio would, however, change by approximately MSEK 380, should the level in market interest rates make a parallel shift of one percentage point, and assuming the same volume of loans and a similar duration on those loans as per September 30, 2002.

Approximately GSEK 7 was used during the first nine months of 2002 to amortize loans. During the third quarter of 2002, continuing uncertainty in the financial markets has led to considerable volatility in the relative interest rate spreads in the credit market for corporate borrowers, including telecom companies. The volatility is expected to continue in the near future.

*Financing and liquidity risk.* Telia is considered one of the most creditworthy telecommunications companies in Europe, which gives the Group good opportunities to finance operations using the financial markets.

In April 2002, the credit rating agency Standard & Poor's downgraded its credit rating for Telia AB to A+ for long-term borrowing and to A-1 for short-term borrowing. Standard & Poor's also put Telia's rating on its watch list for possible downgrading in light of the bid on Sonera Oyj. Telia's rating from the credit rating agency Moody's is the highest possible, P-1, for short-term borrowing, while Telia's rating from Moody's for long-term borrowing is A1. Moody's has also posted Telia's rating on its watch list for possible downgrading.

Telia AB has a Revolving Credit Facility, i.e., confirmed loan commitments from a consortium of leading international banks, which constitutes a liquidity tool for the Group. At present, the loan commitment amounts to MUSD 1,000 or the equivalent value in certain other currencies. It

was not utilized as of September 30.

**Parent Company**

The parent company Telia AB, which is domiciled in Stockholm, comprises the Group's Swedish operations in development and operation of fixed networks and basic production of network services. The parent company also includes Group executive management functions, certain support units and the Group's internal banking operations.

Net sales for the nine-month period were MSEK 17,300 (16,752), of which MSEK 14,244 (13,899) was invoiced to subsidiaries. Earnings before appropriations and taxes improved to MSEK -250 (-3,046). During the same period in 2001, the parent company's shares in Netia were written down. Earnings after appropriations and taxes were MSEK 611 (-1,061). Equity was MSEK 33,322 (33,296 at year-end 2001), and retained earnings MSEK 9,824 (9,814).

The balance sheet total decreased to MSEK 79,011 (82,796 at year-end). Cash flow from operating activities was MSEK 7,489 (1,277), while operating cash flow was MSEK 840 (612). Net borrowings declined, to MSEK 26 (3,858 at year-end). Cash and cash equivalents totaled MSEK 2,394 (8,068 at year-end).

The equity/assets ratio (including the equity component of untaxed reserves) improved to 55.8 percent (54.0 percent at year-end 2001).

Total investments for the nine-month period amounted to MSEK 3,368 (7,885), including MSEK 2,423 (3,529) in tangible fixed assets, primarily fixed telephony installations. Other investments totaling MSEK 945 (4,356) were primarily attributable to capital infusions in subsidiaries and associated companies. Of the capital infusions to subsidiaries, MSEK 829 was provided through debt conversion.

The number of employees as of September 30, 2002, was 3,324 (3,150 at year-end 2001).



**Geographical Markets, Business Areas<sup>1)</sup>**

MSEK	Jul-Sep				MSEK	Jul-Sep			
	2002	2001	2002	2001		2002	2001	2002	2001
<b>Mobile</b>									
<b>Mobile telephony, Sweden</b>									
<b>Mobile telephony, Finland</b>									
Net sales	3,135	3,084	8,836	8,564	Net sales	240	175	702	470
of which external	2,820	2,715	7,916	7,418	of which external	235	175	694	456
Underlying EBITDA	1,518	1,429	3,995	3,833	Underlying EBITDA	-34	-95	-237	-265
EBITDA margin (%)	48.4	46.3	45.2	44.8	EBITDA margin (%)	-14.2	-54.3	-33.8	-56.4
Investments	154	448	744	952	Investments	32	94	179	217
<b>Mobile telephony, Norway</b>									
<b>Business solutions, telephony</b>									
Net sales	1,513	1,198	4,045	3,157	Net sales	502	386	1,501	1,343
of which external	1,484	1,190	3,997	3,135	of which external	408	347	1,402	1,086
Underlying EBITDA	629	424	1,641	1,034	Underlying EBITDA	-21	-73	-73	-92
EBITDA margin (%)	41.6	35.4	40.6	32.8	EBITDA margin (%)	-4.2	-18.9	-4.9	-6.9
Investments	308	214	736	501	Investments	6	8	17	13
<b>Mobile telephony, Denmark</b>									
Net sales	298	187	744	554					
of which external	250	155	626	482					
Underlying EBITDA	-119	-128	-479	-347					
EBITDA margin (%)	-39.9	-68.4	-64.4	-62.6					
Investments	185	1,296	333	1,456					
<b>Jul-Sep</b>	<b>Jul-Sep</b>	<b>Jan-Sep</b>	<b>Jan-Sep</b>	<b>Jul-Sep</b>	<b>Jul-Sep</b>	<b>Jan-Sep</b>	<b>Jan-Sep</b>	<b>Jul-Sep</b>	<b>Jul-Sep</b>
<b>MSEK</b>	<b>MSEK</b>	<b>MSEK</b>	<b>MSEK</b>	<b>MSEK</b>	<b>MSEK</b>	<b>MSEK</b>	<b>MSEK</b>	<b>MSEK</b>	<b>MSEK</b>
<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>

**Internet Services**

**Networks**

**Sweden**

**Sweden**

Net sales

886 644 2,577 1,996 Net sales 7,718 7,747 23,558 23,303

of which external

875 676 2,548 1,985 of which external 6,370 6,836 19,552 20,398

Underlying EBITDA

-93 -208 -401 -697 Underlying EBITDA 3,245 3,137 8,766 8,753

EBITDA margin (%)

-10.5 -32.3 -15.6 -34.9 EBITDA margin (%) 42.0 40.5 37.2 37.6

Investments

48 84 233 562 Investments 575 1,394 2,296 3,888

1) For further information: [www.telia.com](http://www.telia.com), Investor Relations, Financial Information, External Net Sales per Business Area and Product Segment (specification).

**Subscription Trends <sup>1)</sup>**

	Sep 30, 2002	Jun 30, 2002	Mar 31, 2002	Dec 31, 2001	Dec 31, 2000	Dec 31, 1999	Dec 31, 1998	Dec 31, 1997	Dec 31, 1996
<b>Fixed telephony, Sweden</b>	3,540	3,484	3,459	3,439	3,257	2,638	2,206	1,935	1,811
Norway									
22 996 985 970 850									
Other Nordic countries									
648 567 527 412 203 120									
<b>Internet, <sup>2)</sup> Sweden</b>									
78 1,044 1,028 992 738 604 440 231 106									
of which broadband									
322 288 245 51 6 1									
Denmark									
164 158 147 108 78 63 11									
of which broadband									
70 65 58 30 11 3									
<b>Fixed TV, Sweden</b>									
03 1,384 1,389 1,378 1,358 1,348 1,330 1,308 1,291									
Denmark									
186 186 179 175 170 164 145 137									
<b>Fixed telephony, PSTN, Sweden</b>									
04 5,605 5,642 5,663 5,783 5,889 5,965 6,010 6,032									
Denmark									
256 244 264 232 209 160 86 12									
<b>Fixed channels, Sweden</b>									
905 921 922 838 630 424 244 129									

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- 1) For further information: [www.telia.com](http://www.telia.com), Investor Relations, Financial Information, Operational Data
  - 2) Internet access via the fixed network and the cable television network

**Disclosure Obligation in Finland**

Telia's interim reports, year-end reports and annual reports as well as stock exchange releases in connection hereto which possibly will be published prior to the implementation of the combination of Telia and Sonera, will be published in Finland in English only. According to the prospectus published in connection with the exchange offer, it is the intention to publish the financial information in Finland also in Finnish and Swedish. Telia intends, however, to publish the financial information in Finnish and Swedish only after the combination of Telia and Sonera is completed.

The following information is provided pursuant to the Finnish Financial Supervision Authority decision no. 28/269/2002.

This interim report has been prepared in accordance with chapter 2, section 5 of the Finnish Securities Markets Act.

Telia prepares its consolidated financial statements in accordance with International Accounting Standards (IAS). The main differences between Finnish Accounting Standards (Finnish GAAP) and IAS, relevant to Telia, are as follows.

**Business combinations**

Under Finnish GAAP an acquisition paid through the issue of own shares does not require that the purchase price is determined based on the market value of the issued shares. IAS require that the purchase price is determined based on the market value of the issued shares which often results in the recognition of goodwill and other assets at consolidation and future depreciation and amortization of such amounts. Historically Telia has not issued own shares at acquisitions but the proposed acquisition of Sonera involves the issue of own shares.

**Impairment of fixed assets and long-term investments**

IAS require that if future cash flows are used for recoverability tests these cash flows should be discounted. Finnish GAAP do not exactly define how recoverability tests should be performed.

**Capitalization of interest cost relating to investments in associated companies**

Finnish GAAP allow the capitalization of interest costs relating to investments in associated companies if the associated company carries out construction activities that takes time to complete. IAS do not allow capitalization of interest costs relating to investments in associated companies.

**Financial instruments**

Under Finnish GAAP, derivative financial instruments cannot be recorded at fair value. Under IAS, all derivatives are recorded in the balance sheet at fair value. The changes in the fair value of derivatives are recorded either in earnings or in a separate component of shareholders' equity, depending on the intended use and designation of the derivative at its inception.

Under Finnish GAAP, investments in marketable securities should be recorded at the lower of cost or market value and the unrealized changes are recorded in the income statement as write-downs or reversals of write-downs. Under IAS, Telia reports all marketable securities classified as available-for-sale at fair value, and records the unrealized gains and losses as a separate component of shareholders' equity, unless there is an impairment, in which case a write-down is recorded in the income statement.

**Deferred taxes**

Finnish GAAP do not require the recognition of deferred tax assets for certain temporary differences even if it is apparent that the temporary differences reverses in the foreseeable future. IAS require the recognition of a deferred tax asset under such circumstances.

**Financial Information/Underlying EBITDA**

The financial information given in this interim report is based on Telia's unaudited consolidated interim financial statements that are prepared in accordance with International Accounting Standards (IAS). This interim report includes information on underlying EBITDA and on other similar underlying measures of Telia's results of operations. Underlying EBITDA equals operating income before depreciation, amortization and write-downs, net of items not reflecting the underlying business operations and excluding income from associated companies. Items not reflecting the underlying business operations include capital gains and losses, restructuring/phase-out of operations, personnel redundancy costs, and expenses in conjunction with the initial public offering in 2000. Telia's management uses underlying EBITDA and operating income as the principal measures for monitoring profitability in internal operations. Management believes that, besides operating income, underlying EBITDA is also a measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, underlying EBITDA is presented to enhance the understanding of Telia's historical operating performance.

Underlying EBITDA, however, should not be considered as an alternative to operating income as an indicator of our operating performance. Similarly, underlying EBITDA should not be considered as an alternative to cash flows from operating activities as a measure of liquidity. Underlying EBITDA is not a measure of financial performance under IAS or U.S. GAAP and may not be comparable to other similarly titled measures for other companies. Underlying EBITDA is not meant to be predictive of potential future results.

**Forward-Looking Statements**

This interim report contains statements concerning, among other things, Telia's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent Telia's future expectations. Telia 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, including Telia's market position, growth in the telecommunications industry in Europe, the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of Telia 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, Telia undertakes no obligation to update any of them in light of new information or future events.

**Cautionary Disclaimer/Legend**

The combination of Sonera and Telia will be implemented through an exchange offer being made by Telia to all shareholders of Sonera. The contents of this document are neither an offer to purchase nor a solicitation of an offer to sell shares of Telia. Any offer in the United States will only be made through a prospectus which is part of a registration statement on Form F-4 which Telia filed with the U.S. Securities and Exchange Commission (the SEC) on October 1, 2002. Sonera shareholders who are U.S. persons or are located in the United States are urged to carefully review the registration statement on Form F-4, the prospectus included therein and other documents relating to the offer that Telia has filed or will file with the SEC because these documents contain important information relating to the offer. You are also urged to read the related solicitation/recommendation statement on Schedule 14D-9 that was filed by Sonera with the SEC on October 1, 2002 regarding the offer. You may obtain a free copy of these documents at the SEC's web site at [www.sec.gov](http://www.sec.gov). You may also inspect and copy the registration statement on Form F-4, as well as any documents incorporated by reference therein, and the Schedule 14D-9 at the public reference room maintained by the SEC at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. These documents may also be obtained free of charge by contacting Telia AB, Investor Relations, SE-123 86 Farsta, Sweden. Attention: External Communications or Investor Relations (tel: +46 8 7137143, or Sonera Corporation, Teollisuuskatu 15, P.O. Box 106, FIN-00051 SONERA, Finland. Attention: Investor Relations (tel: +358 20401). **YOU SHOULD READ THE PROSPECTUS AND THE SCHEDULE 14D-9 CAREFULLY BEFORE MAKING A DECISION CONCERNING THE OFFER.**

**Forward-Looking Statements**

This document contains forward-looking statements regarding Telia's exchange offer to Sonera's shareholders and warrant holders. Statements that are not strictly historical statements, including statements about Telia's and Sonera's beliefs and expectations, constitute forward-looking statements. By their nature, forward-looking statements are subject to risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Telia and Sonera are under no obligation to, and expressly disclaim such obligation to, update or alter their forward-looking statements, whether as a result of new information, future events or otherwise.

**Restrictions on Ability of Certain Persons to Participate in the Exchange Offer**

Due to restrictions under the securities laws of Australia, the Hong Kong Special Administrative Region of the People's Republic of China, Italy, Japan, New Zealand and South Africa, the exchange offer will not be extended to persons with registered addresses in, and who are residents of, any of Australia, the Hong Kong Special Administrative Region of the People's Republic of China, Italy, Japan, New Zealand or South Africa.

**Cautionary Disclaimer/Legend**

The combination of Sonera and Telia will be implemented through an exchange offer being made by Telia to all shareholders of Sonera. The contents of this document are neither an offer to purchase nor a solicitation of an offer to sell shares of Telia. Any offer in the United States will only be made through a prospectus which is part of a registration statement on Form F-4 which Telia filed with the U.S. Securities and Exchange Commission (the "SEC") on October 1, 2002. Sonera shareholders who are U.S. persons or are located in the United States are urged to carefully review the registration statement on Form F-4, the prospectus included therein and other documents relating to the offer that Telia has filed or will file with the SEC because these documents contain important information relating to the offer. You are also urged to read the related solicitation/recommendation statement on Schedule 14D-9 that was filed by Sonera with the SEC on October 1, 2002 regarding the offer. You may obtain a free copy of these documents at the SEC's web site at [www.sec.gov](http://www.sec.gov). You may also inspect and copy the registration statement on Form F-4, as well as any documents incorporated by reference therein, and the Schedule 14D-9 at the public reference room maintained by the SEC at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. These documents may also be obtained free of charge by contacting Telia AB, Investor Relations, SE-12386 Farsta, Sweden. Attention: External Communications or Investor Relations (tel: +46 8 7137143, or Sonera, Teollisuuskatu 15, P.O. Box 106, FIN-00051 SONERA, Finland. Attention: Investor Relations (tel: +358 20401). YOU SHOULD READ THE PROSPECTUS AND THE SCHEDULE 14D-9 CAREFULLY BEFORE MAKING A DECISION CONCERNING THE OFFER.