

TeliaSonera January-December 2008

Record high fourth-quarter and full-year earnings

Fourth quarter

- Net sales rose 12.7 percent to SEK 28,096 million (24,921). Organic growth in local currencies was 4.5 percent.
- EBITDA, excluding non-recurring items, increased 14.8 percent to SEK 8,272 million (7,208) and the margin to 29.4 percent (28.9).
- Operating income, excluding non-recurring items, increased 20.8 percent to SEK 7,678 million (6,358).
- Net income attributable to shareholders of the parent company increased to SEK 5,644 million (4,467) and earnings per share to SEK 1.26 (0.99).
- Free cash flow increased to SEK 4,918 million (1,839), mainly due to higher EBITDA, the timing of Turkcell Holding's dividend payment and lower income taxes.
- During the quarter the number of subscriptions grew by more than 6.8 million to 134.8 million, with 3.4 million new subscriptions in the majority-owned operations and over 3.4 million in the associated companies.

Full year

- Net sales rose 7.5 percent to SEK 103,585 million (96,344). Organic growth in local currencies was 3.9 percent.
- EBITDA, excluding non-recurring items, increased 6.2 percent to SEK 32,954 million (31,021) and the margin was 31.8 percent (32.2).
- Operating income, excluding non-recurring items, increased 9.3 percent to SEK 30,041 million (27,478).
- Net income attributable to shareholders of the parent company increased to SEK 19,011 million (17,674) and earnings per share to SEK 4.23 (3.94).
- Free cash flow was SEK 11,328 million (13,004).
- The number of subscriptions was 134.8 million at year-end with 7.5 million new subscriptions in the majority-owned operations and 12.5 million in the associated companies, compared to year-end 2007.
- The Board of Directors proposes an ordinary dividend of SEK 1.80 per share (1.80), equaling a total of SEK 8,083 million (8,083).

Comments by Lars Nyberg, President and CEO

"We reported record high earnings for the fourth quarter and the full year. Reported growth as well as organic growth in local currencies was higher in 2008 than the year before, but we did not fully reach our ambition of maintaining the EBITDA-margin level.

When I joined TeliaSonera in 2007, I said we need to change our behavior in order to succeed in one of the world's most rapidly changing and demanding industries. In 2008, we strengthened the Leadership Team and introduced a more stringent performance and consequence management. As a result, I am starting to see a change in how we respond to external trends and strive to achieve operational excellence.

We are pleased that customer satisfaction, according to the European Performance Satisfaction Index (EPSI), improved in most of our Nordic and Baltic businesses in 2008. In addition, we further strengthened our market positions in Eurasia and became market leader also in Tajikistan and Georgia.

During the year, we invested in future growth by expanding our presence to Nepal and Cambodia. Mobility Services delivered continued growth with improving margins, despite regulatory intervention and intense competition. The reduced profitability in Broadband Services shows, however, that the efficiency measures we are taking are necessary as we cannot have structurally higher costs than our competitors.

We need to be prepared for a potentially drawn-out economic downturn that may affect consumer and corporate behavior. The worsening economic trends, particularly in the Baltic countries, had no material effect on usage in our markets in 2008. However, we experienced somewhat slower growth than expected in some Eurasian markets in January 2009, although it is too early to draw any conclusion based on one month."

Financial highlights

SEK in millions, except key ratios, per share data and changes	Oct-Dec 2008	Oct-Dec 2007	Chg (%)	Jan-Dec 2008	Jan-Dec 2007	Chg (%)
Net sales	28,096	24,921	13	103,585	96,344	8
EBITDA ¹⁾ excl. non-recurring items ²⁾	8,272	7,208	15	32,954	31,021	6
Margin (%)	29.4	28.9		31.8	32.2	
Operating income	7,356	6,058	21	28,648	26,155	10
Operating income excl. non-recurring items	7,678	6,358	21	30,041	27,478	9
Net income ³⁾	6,399	5,209	23	21,442	20,298	6
of which attributable to shareholders of the parent company ³⁾	5,644	4,467	26	19,011	17,674	8
Earnings per share (SEK)	1.26	0.99	27	4.23	3.94	7
Return on equity (%, rolling 12 months)	17.2	18.6		17.2	18.6	
CAPEX-to-sales (%)	16.1	18.2		15.2	14.0	
Free cash flow	4,918	1,839	167	11,328	13,004	-13

1) Please refer to page 17 for definitions.

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

3) January-December 2008 includes approximately SEK 1,520 million (2,036) positive one-off items.

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the full year or in the fourth quarter 2007, unless otherwise stated.

Group outlook for 2009

Net sales in local currencies and excluding acquisitions are expected to increase in 2009 compared to 2008. Currency fluctuations may to an increasing extent influence the reported figures in Swedish krona.

TeliaSonera will continue to invest in future growth and in the quality of networks and services, although the intention is to keep the addressable cost base for 2009 unchanged compared to SEK 33.8 billion in 2008. The ambition for 2009 is to maintain the EBITDA margin level of 2008, excluding non-recurring items.

Capital expenditures will be driven by continued investments in broadband and mobile capacity as well as in network expansion in our acquired operations. The CAPEX-to-sales ratio is expected to be somewhat lower in 2009 than in 2008.

Efficiency measures

Intensified efficiency improvement is imperative for TeliaSonera to be able to continue shifting the product mix by investing in mobility and IP-based services. Efficiency measures to be implemented primarily in the Swedish and Finnish operations during 2008 and 2009 are in total estimated to give annual gross savings effects of approximately SEK 5 billion compared to the cost base of 2007.

Just above half of these efficiency measures were implemented during 2008 and the remainder will be implemented in 2009. The efficiency measures are expected to result in a reduction of approximately 2,900 employees, of whom about two-thirds in Sweden and one-third in Finland. The related restructuring costs, reported as non-recurring items, are estimated to be lower than SEK 3 billion, of which about SEK 1.6 billion were recognized in 2008.

The gross savings effect for 2008 from the ongoing efficiency measures was approximately SEK 2 billion compared to the cost base of 2007.

Thus far, 270 employees have accepted the offer for early retirement and 1,064 employees have agreed to be transferred to the redeployment unit in Sweden or the competence pool in Finland. Under the same efficiency program, TeliaSonera in January 2009, gave notice to 1,200 employees in Sweden and announced a streamlining of 390 jobs in Broadband Services in Finland.

Review of the Group, fourth quarter 2008

Net sales increased 12.7 percent to SEK 28,096 million (24,921). Organic growth in local currencies was 4.5 percent. All business areas showed higher sales. The positive net effect of acquisitions was 1.5 percent and of exchange rate changes 6.7 percent.

In Mobility Services, net sales rose 10.4 percent to SEK 12,796 million (11,588) with increased sales in all markets except Latvia. Net sales growth was driven by a doubling of the customer base in Spain, higher usage and a growing number of mobile broadband customers in Sweden.

In Broadband Services, net sales increased 5.0 percent to SEK 11,768 million (11,209) due to higher sales in all markets except Sweden and Norway. Growing voice and IP traffic in the international carrier operations in Wholesale and higher sales of IP-based services in the Baltic countries and Denmark contributed to the increase.

In Eurasia, net sales rose 44.9 percent to SEK 4,219 million (2,911), lifted by continued growth, especially in Kazakhstan and Azerbaijan, and the acquisition of operations in Nepal and Cambodia. In Uzbekistan, net sales more than doubled and Tajikistan reported growth of more than 80 percent.

The number of subscriptions rose by 20.0 million from year-end 2007 to 134.8 million at year-end 2008. The number of subscriptions in the majority-owned operations rose by 7.5 million to 43.4 million and in the associated companies by 12.5 million to 91.4 million. During the fourth quarter, the total number of subscriptions increased by more than 6.8 million, with 3.4 million new subscriptions in the majority-owned operations and over 3.4 million in the associated companies.

EBITDA, excluding non-recurring items, increased to SEK 8,272 million (7,208) and the margin to 29.4 percent (28.9). Eurasia showed strong performance with a rise in EBITDA of more than 50 percent from the fourth quarter of 2007. The EBITDA increase in Mobility Services came from higher sales and cost efficiency. In Broadband Services, EBITDA decreased as a result of a continued decline in fixed voice sales in Sweden and Finland and a changed revenue mix that was not offset by savings effects from efficiency measures.

The fourth quarter of 2007 included a positive net effect of approximately SEK 280 million from one-off items distributed between business area Mobility Services (see page 9) and business area Broadband Services (see page 12).

Operating income, excluding non-recurring items, rose to SEK 7,678 million (6,358). Operating income was driven by higher EBITDA and income from associated companies in Russia and Turkey.

Non-recurring items affecting operating income totaled SEK -322 million (-300). Non-recurring items included charges of approximately SEK -200 million (-230) related to efficiency measures.

Financial items decreased to SEK -775 million (-289), of which SEK -674 million (-307) related to net interest expenses. Financial items were negatively affected by higher net debt.

Income taxes amounted to SEK -182 million (-560) and the effective tax rate was very low at 2.8 percent (9.7). The tax rate was decreased by positive one-off items both in 2008 and 2007. A lowering of the Swedish corporate income tax rate from 28.0 percent to 26.3 percent as of January 1, 2009, resulted in a revaluation of deferred tax assets and liabilities related to the Swedish operations and in a positive one-off item of approximately SEK 400 million in the fourth quarter of 2008. New deferred tax assets amounting to approximately SEK 650 million were recorded in the fourth quarter of 2008, relating to Finland, the Netherlands and International Carrier (SEK 850 million of new deferred tax assets in the fourth quarter of 2007, mainly in Finland). The effect on earnings per share from the positive one-off items in income taxes was SEK 0.23 (0.19).

Minority interests in subsidiaries were SEK 755 million (742), of which SEK 572 million (557) related to operations in Eurasia and SEK 175 million (172) to Eesti Telekom, LMT and TEO.

Net income attributable to shareholders of the parent company increased to SEK 5,644 million (4,467) and earnings per share to SEK 1.26 (0.99).

CAPEX was SEK 4,523 million (4,537) and the CAPEX-to-sales ratio 16.1 percent (18.2).

Free cash flow increased to SEK 4,918 million (1,839). Higher EBITDA, lower income taxes, about SEK 700 million in dividend from the associated company Turkcell Holding and lower working capital all had a positive effect.

Net debt at the end of the fourth quarter amounted to SEK 48,614 million (47,674 at the end of the third quarter 2008).

The equity/assets ratio increased slightly during the fourth quarter to 50.5 percent (50.1 percent at the end of the third quarter 2008).

Review of the Group, full year 2008

Net sales increased 7.5 percent to SEK 103,585 million (96,344). Organic growth in local currencies was 3.9 percent. In Mobility Services, net sales rose 7.9 percent to SEK 48,673 million (45,115) with increased sales in most markets. In Broadband Services, net sales increased 1.0 percent to SEK 44,943 million (44,478) with higher sales in all markets except Sweden. In Eurasia, net sales rose 27.7 percent to SEK 13,204 million (10,338). The positive net effect of acquisitions was 1.5 percent and of exchange rate changes 2.1 percent.

EBITDA, excluding non-recurring items, increased to SEK 32,954 million (31,021) and the margin was 31.8 percent (32.2). The EBITDA increase came from higher sales and cost efficiency in Mobility Services and a continued positive performance in Eurasia.

In addition to the one-off items in the fourth quarter of 2007 (reported under the review of the fourth quarter on page 4), EBITDA in 2007 also included a positive net effect of SEK 175 million, mainly related to reversals of provisions in Mobility Services and Broadband Services, and SEK 130 million in storm-related costs in Broadband Services in Sweden.

Operating income, excluding non-recurring items, increased to SEK 30,041 million (27,478) due to higher EBITDA and income from associated companies in Russia and Turkey. In 2007, income from associated companies included a capital gain of SEK 631 million from the sale of Eltel and was positively impacted by SEK 240 million in the form of a gain from the sale of Petersburg Transit Telecom by Telecominvest and a partial reversal of write-downs on old equipment in MegaFon.

Non-recurring items affecting operating income were SEK -1,393 million (-1,323), including charges of about SEK -1,630 million (-900) related to cost efficiency programs. Non-recurring items were positively impacted by the release of a provision of SEK 360 million in TeliaSonera Holding related to a fiber network in France.

In 2007, non-recurring items were positively impacted by the release of provisions of approximately SEK 200 million in TeliaSonera Holding. Meanwhile, a write-down of the access network in Finland and a provision for dismantling the network had a negative impact of approximately SEK 600 million.

Financial items totaled SEK -2,237 million (-904), of which SEK -2,110 million (-1,174) related to net interest expenses. Financial items were negatively affected by higher net debt. Meanwhile, received penalty interest of approximately SEK 290 million related to a court decision on historical interconnect fees in Sweden had a positive effect.

Income taxes amounted to SEK -4,969 million (-4,953). The effective tax rate was low at 18.8 percent (19.6), mainly due to positive one-off items in the fourth quarter (as described on page 4). The effect on earnings per share from positive one-off income tax items was SEK 0.23 (0.19).

Minority interests in subsidiaries were SEK 2,431 million (2,624), of which SEK 1,705 million (1,895) related to operations in Eurasia and SEK 692 million (702) to Eesti Telekom, LMT and TEO.

Net income attributable to shareholders of the parent company increased to SEK 19,011 million (17,674) and earnings per share to SEK 4.23 (3.94).

CAPEX increased to SEK 15,795 million (13,531) and the CAPEX-to-sales ratio to 15.2 percent (14.0) mainly due to the acquisition of a 2.6-GHz license in Sweden and continued investments in network capacity and coverage within Mobility Services and Broadband Services. In Eurasia, CAPEX increased mainly due to investments in Uzbekistan and Tajikistan to improve coverage and maintain high service quality.

Free cash flow decreased to SEK 11,328 million (13,004), mainly due to higher CAPEX and higher financial expenses. Free cash flow was positively impacted by higher EBITDA and approximately SEK 500 million received in the form of a one-off payment related to historical interconnect disputes in Sweden. In 2007, cash flow was positively impacted by one-off dividends from associated companies; about SEK 900 million from Telefos, mainly related to its sale of Eltel, and about SEK 530 million from Overseas Telecom, mainly related to its sale of MTN Uganda.

Net debt at year-end 2008 was SEK 48,614 million (34,155 at year-end 2007).

The equity/assets ratio increased slightly to 50.5 percent from 50.3 percent at year-end 2007.

Acquisitions and divestitures

TeliaSonera on September 26, 2008, announced the acquisition of controlling interests in two mobile operators, Spice Nepal Pvt. Ltd. in Nepal and Applifone Co. Ltd. in Cambodia. TeliaSonera acquired 51 percent of the shares and votes in TeliaSonera Asia Holding B.V. from Visor Group that remains owner of the other 49 percent. TeliaSonera Asia Holding B.V. owns 80 percent of the shares and votes in Spice Nepal and 100 percent of the shares and votes in Applifone. The total cash consideration paid by TeliaSonera was approximately SEK 3.3 billion (USD 484 million), corresponding to 51 percent of the total equity value of TeliaSonera Asia Holding B.V. The transaction was completed on October 1, 2008, and the operations have been consolidated as of the same date. (For more information, see page 23 and www.teliaonera.com/ir.)

Significant events after year-end 2008

- TeliaSonera on January 15, 2009, said it had chosen Ericsson to deliver the initial 4G city network in Stockholm, Sweden, and Huawei to deliver the network in Oslo, Norway. The evaluation of suppliers for 4G networks in other Nordic and Baltic countries are in progress.
- TeliaSonera, through its subsidiary Fintur Holdings B.V., on January 30, 2009, increased its holding in Geocell to 100 percent from 97.5 percent by acquiring 2.5 percent of the shares in the Georgian mobile operator from the Government of Georgia.

TeliaSonera share

The TeliaSonera share is listed on NASDAQ OMX Stockholm and NASDAQ OMX Helsinki. The share's settlement price in Stockholm decreased 35.7 percent in 2008, from SEK 60.50 to SEK 38.90. The highest share price was SEK 62.00 (68.00) and the lowest SEK 30.80 (47.70).

The number of shareholders decreased from 655,247 to 651,816. Ownership by the Swedish state was 37.3 percent and the Finnish state's holding was 13.7 percent. Holdings outside Sweden and Finland decreased to 15.6 percent from 22.4 percent. At year-end, Swedish institutional investors owned 24.2 percent (18.2) of the share capital and Finnish institutional investors owned 3.2 percent (3.0). Swedish private investors owned 3.2 percent (3.0) and Finnish private investors 2.8 percent (2.4).

Ordinary dividend to shareholders

For 2008, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 1.80 (1.80) per share, totaling SEK 8.1 billion, or 42.5 percent of net income attributable to shareholders of the parent company. For 2007, in addition to the ordinary dividend, excess capital was returned to shareholders in the form of an extraordinary dividend of SEK 2.20 per share, totaling SEK 9.9 billion.

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 1, 2009, and that the first day of trading in shares excluding rights to dividend be set for April 2, 2009. The recommended record date at VPC for the right to receive dividend will be April 6, 2009. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by VPC on April 9, 2009.

Dividend policy reiterated

TeliaSonera shall target a solid investment grade long-term credit rating (A- to BBB+) to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions. The ordinary dividend shall be at least 40 percent of net income attributable to shareholders of the parent company. In addition, excess capital shall be returned to shareholders after the Board of Directors has taken into consideration the company's cash at hand, cash flow projections and investment plans in a medium term perspective, as well as capital market conditions.

Proposal for authorization

In order to provide TeliaSonera with an additional instrument to adjust the company's capital structure, the Board of Directors proposes that the Annual General Meeting resolve to authorize the Board of Directors to repurchase a maximum of 10 percent of the company's total number of outstanding shares. To date, no plans are made to exercise the proposed authorization. (For information on TeliaSonera's dividend policy and capital structure, see above.)

Annual General Meeting 2009

The Annual General Meeting (AGM) will be held on April 1, 2009, at 3 p.m. CET at Cirkus, Stockholm. Notice of the meeting will be posted on TeliaSonera's website, www.teliaisonera.com, and advertised in the newspapers in mid-February 2009. The record date entitling shareholders to attend the meeting will be March 26, 2009. Shareholders may file notice of intent to attend the AGM from February 19, 2009. TeliaSonera must receive notice of attendance no later than 4 p.m. CET on March 26, 2009.

A Finnish shareholders' information meeting will be arranged on March 30, 2009, at 3 p.m. Finnish time at Marina Congress center, Helsinki. Finnish shareholders will have the possibility to meet representatives from management and the Board. Shareholders may file notice of intent to attend the Finnish shareholders' information meeting from March 2, 2009. TeliaSonera must receive notice of attendance no later than March 16, 2009. More information about how to file notice of intent to attend the meeting will be given in connection with similar information about the AGM.

Growth and improving margins in Mobility Services

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

- Volume growth in the mobile markets continued with strong demand for mobile devices, including mobile broadband and the Apple iPhone 3G. Intense competition together with regulatory intervention continued to put downward pressure on prices in all markets. The growing need for higher network speeds required by mobile data services continued driving investments in the industry.

SEK in millions, except margins, operational data and changes	Oct-Dec	Oct-Dec	Chg	Jan-Dec	Jan-Dec	Chg
	2008	2007	(%)	2008	2007	(%)
Net sales	12,796	11,588	10	48,673	45,115	8
EBITDA excl. non-recurring items	3,507	2,824	24	14,399	13,084	10
Margin (%)	27.4	24.4		29.6	29.0	
Operating income	2,283	1,580	44	9,526	8,386	14
Operating income excl. non-recurring items	2,366	1,740	36	9,926	8,751	13
CAPEX	1,145	1,476	-22	4,467	4,168	7
MoU	196	194	1	195	190	3
ARPU, blended (SEK)	224	225	0	223	230	-3
Churn, blended (%)	27	28		27	28	
Subscriptions, period-end (thousands)	15,900	14,501	10	15,900	14,501	10
Employees, period-end	8,339	8,052	4	8,339	8,052	4

Additional segment information available at www.teliaonera.com/ir

Fourth quarter

- Net sales** rose 10.4 percent to SEK 12,796 million (11,588). Organic growth in local currencies was 4.6 percent. The positive effect from exchange rate fluctuations was 4.7 percent.

In reported currency, Spain, Finland, Sweden and Denmark made the largest contributions to net sales in absolute terms. In general, subscription growth and higher usage of mobile broadband, data and voice drove volumes higher in our markets, while regulatory interventions, including interconnect and roaming, put downward pressure on revenue.

In local currencies, sales growth came mainly from a doubling of the customer base in Spain, higher usage and a growing number of mobile broadband customers in Sweden, and the consolidation of ComHouse in Norway. Revenue in Spain was also positively affected by the decision to buy terminals directly from vendors and sell them to distribution channels. Lower terminal sales and intensifying price pressure affected sales in Latvia and Estonia. Usage growth in the Baltic countries however remained largely unaffected by the weaker economic development.

- The number of subscriptions** rose by 1.4 million from year-end 2007 to 15.9 million. Growth was strongest in Spain with an increase of 543,000 to 970,000, in line with the target for 2008. Sweden followed with 527,000 new subscriptions and Finland with 227,000. In Lithuania, the number of subscriptions was unchanged. During the quarter the number of subscriptions rose by 450,000, with Spain and Sweden showing the largest increases.

- **EBITDA**, excluding non-recurring items, rose 24.2 percent to SEK 3,507 million (2,824) and the margin to 27.4 percent (24.4). EBITDA rose as a result of higher sales and improved cost efficiency, including lower sales and marketing costs mainly in Sweden, Finland and Denmark. Changed interconnect fees in the Nordic and Baltic markets had a negative net effect of approximately SEK 155 million on EBITDA. In Finland, however, the effect was positive as costs decreased more than revenues.

In Sweden, EBITDA decreased to SEK 1,191 million (1,216). However, the fourth quarter 2007 was positively impacted by reversals of provisions of SEK 185 million related to historical interconnect prices.

In Denmark, EBITDA increased to SEK 382 million (170), corresponding to a margin of 21.3 percent (10.3). The fourth quarter of 2007 included negative one-off items of SEK 135 million related to balance sheet corrections.

In Spain, the EBITDA loss narrowed to SEK -273 million (-463).

- **CAPEX** decreased to SEK 1,145 million (1,476), mainly as a result of reduced investments in Finland and Denmark due to the timing of investments between the quarters. The CAPEX-to-sales ratio was 8.9 percent (12.7).

Full year

- **Net sales** rose 7.9 percent to SEK 48,673 million (45,115). Organic growth in local currencies was 4.4 percent. The positive effect from exchange rate fluctuations was 2.4 percent.

In reported currency, Spain, Denmark, Sweden and Norway made the largest contributions to net sales in absolute terms. Overall subscription growth and higher usage of mobile broadband, data and voice drove sales higher. Regulatory interventions, including interconnect and roaming, were offset by higher sales in most markets.

In local currencies, sales growth came mainly from strong subscription growth in Spain and continued usage and subscription growth in Sweden. The successful migration of Call me (formerly named debitel) customers and an improved product mix in Denmark, and the consolidation of ComHouse in Norway also lifted sales. A weaker economic development affected equipment sales in Latvia and Estonia. However, the revenue decline in these countries is mainly a result of lower prices and, in Estonia, a reduction in interconnect fees.

- **Interconnect fees** that TeliaSonera receives from other mobile operators were lowered in Denmark from DKK 0.72 to DKK 0.62 on May 1, 2008, in Sweden from SEK 0.55 to SEK 0.43 on July 1, 2008, and on the same date in Norway from NOK 0.70 to NOK 0.60. In Finland, fees were lowered from EUR 0.066 to EUR 0.051 on January 1, 2008, and further to EUR 0.049 on January 1, 2009.

In Norway, the reduction of the interconnect fees and symmetric prices with Telenor as of July 1, 2008, and the effect of losing the national roaming agreement with Network Norway have, as previously estimated, a total annualized negative effect of approximately SEK 600 million on sales as of the fourth quarter 2008.

- **EBITDA**, excluding non-recurring items, rose to SEK 14,399 million (13,084) and the margin to 29.6 percent (29.0). The EBITDA increase came mainly from higher sales and improved cost efficiency. Changed interconnect fees in the Nordic and Baltic markets had a negative net effect of approximately SEK 630 million on EBITDA.

In Sweden, EBITDA increased to SEK 4,949 million (4,823). In 2007, EBITDA was positively impacted by reversals of provisions of SEK 325 million related to historical interconnect prices.

In Denmark, EBITDA increased to SEK 1,374 million (841). The margin in Denmark increased mainly as a result of an improved product mix and the successful migration of Call me customers. In 2007, EBITDA included negative one-off items of SEK 160 million related to balance sheet corrections.

In Lithuania and Latvia, downward price pressure was not offset by lower costs. Meanwhile in Estonia, lower costs for interconnect and roaming combined with a decline in sales of low-margin equipment lifted the margin to 38.1 percent (34.9).

The EBITDA loss in Spain narrowed to SEK -1,269 million (-1,443) despite a SEK 100 million one-off expense in the third quarter of 2008 related to the termination of the old national roaming agreement. The Spanish operation is under review for different options going forward, as previously communicated.

- **CAPEX** increased to SEK 4,467 million (4,168) mainly due to a one-off payment of SEK 563 million for the acquisition of a 2.6 GHz license in Sweden in the second quarter. Other CAPEX included continued investments in network coverage and capacity, including upgrading and building capacity for mobile broadband. The CAPEX-to-sales ratio was 9.2 percent (9.2).

SEK in millions, except margins and changes	Oct-Dec	Oct-Dec	Chg	Jan-Dec	Jan-Dec	Chg
	2008	2007	(%)	2008	2007	(%)
Net sales	12,796	11,588	10	48,673	45,115	8
of which Sweden	3,407	3,257	5	13,334	12,905	3
of which Finland	2,678	2,439	10	9,917	9,786	1
of which Norway	2,289	2,258	1	9,433	9,001	5
of which Denmark	1,793	1,652	9	6,845	6,138	12
of which Lithuania	698	656	6	2,722	2,484	10
of which Latvia	663	669	-1	2,635	2,654	-1
of which Estonia	592	588	1	2,262	2,305	-2
of which Spain	792	229	246	2,050	589	248
EBITDA excl. non-recurring items	3,507	2,824	24	14,399	13,084	10
Margin (%), total	27.4	24.4		29.6	29.0	
Margin (%), Sweden	35.0	37.3		37.1	37.4	
Margin (%), Finland	26.8	21.9		31.0	29.4	
Margin (%), Norway	33.6	31.0		35.3	34.1	
Margin (%), Denmark	21.3	10.3		20.1	13.7	
Margin (%), Lithuania	32.8	33.5		34.6	36.8	
Margin (%), Latvia	40.9	41.1		43.0	45.2	
Margin (%), Estonia	37.0	29.3		38.1	34.9	
Margin (%), Spain	neg	neg		neg	neg	

Challenging transition continues in Broadband Services

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

- Overall price erosion was evident in all markets and the migration from traditional fixed voice services persisted. Penetration growth of DSL was affected by market saturation, competition and the promotion of mobile broadband. Investments were directed to the backbone and transmission networks to support services that require higher bandwidth, such as IPTV and broadband.

SEK in millions, except margins, operational data and changes	Oct-Dec	Oct-Dec	Chg	Jan-Dec	Jan-Dec	Chg
	2008	2007	(%)	2008	2007	(%)
Net sales	11,768	11,209	5	44,943	44,478	1
EBITDA excl. non-recurring items	2,627	3,107	-15	11,922	12,821	-7
Margin (%)	22.3	27.7		26.5	28.8	
Operating income	1,009	1,688	-40	5,396	6,413	-16
Operating income excl. non-recurring items	1,243	1,824	-32	6,684	7,515	-11
CAPEX	2,026	1,977	2	5,934	5,722	4
Broadband ARPU (SEK)	285	265	8	274	270	1
Subscriptions, period-end (thousands)						
Broadband	2,434	2,326	5	2,434	2,326	5
Fixed voice	5,806	6,218	-7	5,806	6,218	-7
Associated company, total	777	757	3	777	757	3
Employees, period-end	16,171	17,294	-6	16,171	17,294	-6

Additional segment information available at www.teliaonera.com/ir

Fourth quarter

- Net sales** increased 5.0 percent to SEK 11,768 million (11,209) with growth in all markets except Sweden and Norway. Organic growth in local currencies was 0.5 percent. The positive effect from exchange rate fluctuations was 4.5 percent. The good development of the international carrier operations continued, driven by growth of more than 40 percent in low-margin voice traffic revenue, in reported currency. In Sweden, sales decreased only 1.2 percent, a smaller decline than in the previous quarters of 2008. Higher equipment sales, a higher share of paying IPTV customers, and less declining fixed voice sales supported the improved development.
- The number of subscriptions** for broadband access rose to 2,434,000, an increase of 108,000 from year-end 2007 and 29,000 from the end of the third quarter 2008.

The total number of TV subscriptions rose by 98,000 from year-end 2007 to 867,000, of which 477,000 were IPTV subscriptions, up 99,000. In Sweden, the push for IPTV resulted in a rise of 20,000 from year-end 2007 to 324,000. Thus far, around 70 percent of TeliaSonera's IPTV customer base in Sweden is paying customers. The total number of IPTV subscriptions increased by 27,000 during the fourth quarter, of which 4,000 in Sweden.

The number of fixed voice subscriptions decreased by 412,000 from year-end 2007 to 5,806,000, and was down by 115,000 from the end of the third quarter 2008.

- **EBITDA**, excluding non-recurring items, decreased to SEK 2,627 million (3,107) and the margin was 22.3 percent (27.7). In Sweden, the lower margin reflected a changed revenue mix with a continued fall in sales of traditional services that was not fully offset by efficiency measures, and growth in IP-based services, including TV. Compared to traditional fixed voice, these services have lower margins and ARPU. In Wholesale, higher sales of low-margin international voice traffic affected profitability. In Denmark, the margin decreased to 1.1 percent (9.4) as a result of the continued promotion of IPTV and broadband services.

The fourth quarter of 2007 included a SEK 386 million reversal of a provision related to historical interconnect fees in Sweden. In Wholesale, a provision for changed LLUB pricing had a negative effect of some SEK 120 million.

- **CAPEX** was SEK 2,026 million (1,977) with continued investments in broadband platforms and common infrastructure, including core and transmission networks. The CAPEX-to-sales ratio was 17.2 percent (17.6).

SEK in millions, except margins and changes	Oct-Dec	Oct-Dec	Chg	Jan-Dec	Jan-Dec	Chg
	2008	2007	(%)	2008	2007	(%)
Net sales	11,768	11,209	5	44,943	44,478	1
of which Sweden	4,983	5,041	-1	19,536	20,343	-4
of which Finland	2,114	1,947	9	7,736	7,598	2
of which Norway	224	231	-3	913	891	
of which Denmark	649	551	18	2,352	1,998	18
of which Lithuania	631	567	11	2,302	2,124	8
of which Estonia	606	492	23	2,163	1,926	12
of which Wholesale	2,990	2,629	14	11,302	10,495	8
EBITDA excl. non-recurring items	2,627	3,107	-15	11,922	12,821	-7
Margin (%), total	22.3	27.7		26.5	28.8	
Margin (%), Sweden	23.9	33.4		27.6	31.1	
Margin (%), Finland	16.8	17.0		21.7	23.4	
Margin (%), Norway	18.3	22.9		20.0	22.1	
Margin (%), Denmark	1.1	9.4		4.4	12.1	
Margin (%), Lithuania	38.8	39.5		42.7	43.9	
Margin (%), Estonia	23.6	25.2		26.7	24.4	
Margin (%), Wholesale	21.5	24.3		26.7	27.5	

Full year

- **Net sales** increased 1.0 percent to SEK 44,943 million (44,478). The decline in organic sales was 0.8 percent in local currencies. The positive effect from exchange rate fluctuations was 1.5 percent. In reported currency, sales grew in all markets except Sweden. The positive development of international carrier operations in Wholesale and the acquisition of DLG-Tele in Denmark contributed to the higher sales.
- **EBITDA**, excluding non-recurring items, decreased to SEK 11,922 million (12,821) and the margin to 26.5 percent (28.8). Cost efficiency measures did not offset the effects of the changed revenue mix. In 2007, EBITDA was positively impacted by one-off items of approximately SEK 200 million net.

In addition to the one-off items in the fourth quarter of 2007 (see above), EBITDA in 2007 included a positive effect of SEK 60 million from the reversal of a provision, and SEK 130 million in storm related costs in Sweden, both in the first quarter.

- **CAPEX** was SEK 5,934 million (5,722) with continued investments in broadband platforms and common infrastructure, including core and transmission networks. The CAPEX-to-sales ratio was 13.2 percent (12.9).

Strengthening market positions in Eurasia

Business area Eurasia comprises mobile operations managed by Fintur in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal and Cambodia and a shareholding of 12 percent in Afghanistan's largest operator Roshan. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon (44 percent) and Turkish Turkcell (37 percent). The main responsibility is to create shareholder value and to exploit penetration growth in the respective countries.

- The business area continued to show good volume growth. Regulatory intervention, higher penetration and increasing competition put pressure on prices and margins in the region. In addition, the current economic uncertainty reduces visibility ahead. Fluctuations in exchange rates may also have an adverse effect on revenue and margins.
- TeliaSonera maintained market leadership in Kazakhstan and Azerbaijan, strengthened its position and became market leader in Tajikistan and Georgia, and maintained its positions in all other markets.

SEK in millions, except margins, operational data and changes	Oct-Dec	Oct-Dec	Chg	Jan-Dec	Jan-Dec	Chg
	2008	2007	(%)	2008	2007	(%)
Net sales	4,219	2,911	45	13,204	10,338	28
EBITDA excl. non-recurring items	2,089	1,327	57	6,553	5,255	25
Margin (%)	49.5	45.6		49.6	50.8	
Income from associated companies						
Russia	1,350	1,057	28	5,070	4,181	21
Turkey	1,291	891	45	3,991	2,725	46
Operating income	4,111	2,926	40	13,731	10,883	26
Operating income excl. non-recurring items	4,111	2,926	40	13,731	10,883	26
CAPEX	1,040	848	23	4,595	3,114	48
Subscriptions, period-end (thousands)						
Subsidiaries	18,416	12,147	52	18,416	12,147	52
Associated companies	90,558	78,056	16	90,558	78,056	16
Employees, period-end	4,780	3,862	24	4,780	3,862	24

Additional segment information available at www.teliaonera.com/ir

Consolidated operations

Fourth quarter

- **Net sales** rose 44.9 percent to SEK 4,219 million (2,911) with revenue growth in all markets. Organic growth in local currencies was 18.1 percent. In reported currency, the largest contributions in absolute terms came from Kazakhstan and Azerbaijan. In Uzbekistan net sales more than doubled and Tajikistan reported growth of more than 80 percent. Consolidated since October 1, 2008, the operations in Nepal and Cambodia affected net sales positively by 5.8 percent. The positive effect from exchange rate fluctuations was 21.0 percent.

- **The number of subscriptions** rose by 6.3 million, or 51.6 percent, from year-end 2007 to 18.4 million, including 1.9 million subscriptions from the acquired operators in Nepal and Cambodia. Subscription growth excluding acquisitions was 36.0 percent, with the largest increase in Uzbekistan, mainly driven by a successful re-branding that helped grow the subscription base by nearly 2.0 million.
- **EBITDA**, excluding non-recurring items, increased 57.4 percent to SEK 2,089 million (1,327) as a result of higher sales. The margin rose to 49.5 percent (45.6), driven by a balanced-growth approach and efficient cost control. Profitability improved despite price erosion caused by growing competition and higher promotional spending. The margin in Nepal was in line with the business area as a whole and the dilutive effect from the consolidation in Cambodia was not material.
- **CAPEX** was SEK 1,040 million (848) and included continued investments in capacity, coverage and higher service quality in the networks, particularly in Uzbekistan, Nepal and Tajikistan. The CAPEX-to-sales ratio was 24.7 percent (29.1).

Full year

- **Net sales** rose 27.7 percent to SEK 13,204 million (10,338) with revenue growth in all markets. Organic growth in local currencies was 20.3 percent. In reported currency, the largest contributions in absolute terms came from Kazakhstan, Azerbaijan, Uzbekistan and Tajikistan. The acquisitions in Uzbekistan and Tajikistan, consolidated since July 1, 2007, and in Nepal and Cambodia, consolidated since October 1, 2008, affected net sales positively by 5.1 percent. The positive effect from exchange rate fluctuations was 2.4 percent.
- **EBITDA**, excluding non-recurring items, increased 24.7 percent to SEK 6,553 million (5,255) as a result of higher sales. The margin decreased to 49.6 percent (50.8) due to a decrease in average revenue per minute as well as higher network, sales and marketing expenses. In addition, inflation drove costs higher, particularly for salaries, rents and energy.
- **CAPEX** increased to SEK 4,595 million (3,114) driven by investments in additional capacity, and to improve coverage and maintain a high service quality in the network particularly in Uzbekistan and Tajikistan. The CAPEX-to-sales ratio was 34.8 percent (30.1).

SEK in millions, except changes	Oct-Dec	Oct-Dec	Chg	Jan-Dec	Jan-Dec	Chg
	2008	2007	(%)	2008	2007	(%)
Net sales	4,219	2,911	45	13,204	10,338	28
of which Kazakhstan	2,074	1,545	34	6,673	5,582	20
of which Azerbaijan	1,086	804	35	3,563	2,958	20
of which Uzbekistan	206	81	154	496	139	257
of which Tajikistan	179	99	81	516	184	180
of which Georgia	388	292	33	1,393	1,123	24
of which Moldova	127	95	34	420	365	15
of which Nepal	158	—	—	158	—	—
of which Cambodia	10	—	—	10	—	—

Associated companies – Russia

Fourth quarter

- MegaFon (associated company, in which TeliaSonera holds 43.8 percent) in Russia continued its strong performance, increasing its subscription base by 1.8 million to 43.6 million during the quarter.
- TeliaSonera's income from Russia rose to SEK 1,350 million (1,057). The ruble appreciated against the Swedish krona during the quarter, which had a positive impact of SEK 116 million.

Full year

- MegaFon continued to demonstrate strong performance and increased its subscription base by 7.9 million to 43.6 million. MegaFon increased its market share in terms of subscriptions from 20 to 23 percent. The Russian mobile market continued to show strong volume and revenue growth.
- TeliaSonera's income from Russia rose to SEK 5,070 million (4,181), fueled by continued strong sales and earnings growth at MegaFon. The comparable period was positively impacted by SEK 240 million in the form of a gain from the sale of Petersburg Transit Telecom by Telecominvest and a partial reversal of write-downs on old equipment in MegaFon. The Russian ruble was, on average, stable against the Swedish krona.

Associated companies – Turkey

Fourth quarter

- Turkcell (associated company, in which TeliaSonera holds 37.3 percent, reported with a one-quarter lag) in Turkey grew its subscription base by 0.9 million during the quarter. In Ukraine, where Turkcell has a majority-owned operation, the number of subscriptions rose by 0.7 million during the quarter.
- TeliaSonera's income from Turkey rose to SEK 1,291 million (891). The Turkish lira depreciated against the Swedish krona, which had a negative impact of SEK 45 million.

Full year

- Turkcell grew its subscription base by 1.5 million to 36.3 million, as a result of attractive pricing, improved sales channel efficiency, dealer incentives and the continuous positive effect of ongoing campaigns. In Ukraine, the number of subscriptions rose by 3.1 million to 10.7 million.
- TeliaSonera's income from Turkey rose to SEK 3,991 million (2,725). The Turkish lira appreciated against the Swedish krona, which had a positive impact of SEK 9 million.
- In 2008, Turkcell distributed to its shareholders a total cash dividend of approximately TRY 649 million (SEK 2.9 billion), corresponding to 50 percent of the distributable income for the fiscal year 2007. TeliaSonera's share was approximately SEK 1,100 million (983), of which about SEK 700 million (0) was paid in the fourth quarter.
- Turkcell on August 27, 2008, announced the acquisition of 80 percent of the shares in BeST (rebranded to Life), the third largest mobile operator in Belarus.

Other operations

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

SEK in millions, except changes	Oct-Dec	Oct-Dec	Chg	Jan-Dec	Jan-Dec	Chg
	2008	2007	(%)	2008	2007	(%)
Net sales	770	671	15	2,538	2,049	24
EBITDA excl. non-recurring items	60	-78		116	-161	
Income from associated companies	13	-1		6	740	
Operating income	-47	-180		-5	406	
Operating income excl. non-recurring items	-42	-174		-300	264	
CAPEX	308	236	31	795	527	51

Additional segment information available at www.teliasonera.com/ir

- Net sales for Other operations increased mainly due to the consolidation of Avansys to Other Business Services and the good development of TeliaSonera Holding.

Stockholm, February 11, 2009

Lars Nyberg
President and CEO

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

TeliaSonera AB discloses the information provided herein pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication at 07.30 CET on February 11, 2009.

Financial Information

Annual General Meeting 2009 in Stockholm	April 1, 2009
Interim Report January–March 2009	April 24, 2009
Interim Report January–June 2009	July 24, 2009
Interim Report January–September 2009	October 28, 2009

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Definitions

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

ARPU, blended: Average monthly revenue per subscription.

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

MoU: Minutes of usage per subscription and month.

DSL: Digital Subscriber Line is a family of technologies that provide digital data transmission over the wires of a local telephone network.

LLUB: Local Loop Unbundling.

Condensed Consolidated Income Statements

SEK in millions, except per share data, number of shares and changes	Oct-Dec 2008	Oct-Dec 2007	Chg (%)	Jan-Dec 2008	Jan-Dec 2007	Chg (%)
Net sales	28,096	24,921	13	103,585	96,344	8
Cost of sales	-15,747	-14,608	8	-56,962	-54,196	5
Gross profit	12,349	10,313	20	46,623	42,148	11
Selling, admin. and R&D expenses	-7,517	-6,790	11	-26,291	-24,311	8
Other operating income and expenses, net	-182	571		-780	621	
Income from associated companies and joint ventures	2,706	1,964	38	9,096	7,697	18
Operating income	7,356	6,058	21	28,648	26,155	10
Finance costs and other financial items, net	-775	-289	168	-2,237	-904	147
Income after financial items	6,581	5,769	14	26,411	25,251	5
Income taxes	-182	-560	-68	-4,969	-4,953	0
Net income	6,399	5,209	23	21,442	20,298	6
Attributable to:						
Shareholders of the parent company	5,644	4,467	26	19,011	17,674	8
Minority interests in subsidiaries	755	742	2	2,431	2,624	-7
Shareholders' basic and diluted earnings per share (SEK)	1.26	0.99	27	4.23	3.94	7
Number of shares (thousands)						
Outstanding at period-end	4,490,457	4,490,457		4,490,457	4,490,457	
Weighted average, basic and diluted	4,490,457	4,490,457		4,490,457	4,490,457	
EBITDA	7,965	6,932	15	31,658	30,333	4
EBITDA excl. non-recurring items	8,272	7,208	15	32,954	31,021	6
Depreciation, amortization and impairment losses	-3,315	-2,837	17	-12,106	-11,875	2
Operating income excl. non-recurring items	7,678	6,358	21	30,041	27,478	9

Condensed Consolidated Balance Sheets

SEK in millions	Dec 31, 2008	Dec 31, 2007
Assets		
Goodwill and other intangible assets	100,968	83,909
Property, plant and equipment	61,946	52,602
Investments in associates and joint ventures, deferred tax assets and other non-current assets	62,265	48,633
<i>Total non-current assets</i>	225,179	185,144
Inventories	1,673	1,168
Trade receivables, current tax assets and other receivables	23,434	20,881
Interest-bearing receivables	2,147	1,701
Cash and cash equivalents	11,826	7,802
<i>Total current assets</i>	39,080	31,552
<i>Non-current assets held-for-sale</i>	27	6
Total assets	264,286	216,702
Equity and liabilities		
Shareholders' equity	130,387	117,274
Minority interests	11,061	9,783
<i>Total equity</i>	141,448	127,057
Long-term borrowings	54,178	41,030
Deferred tax liabilities, other long-term provisions	24,594	16,748
Other long-term liabilities	2,565	2,366
<i>Total non-current liabilities</i>	81,337	60,144
Short-term borrowings	11,621	2,549
Trade payables, current tax liabilities, short-term provisions and other current liabilities	29,880	26,952
<i>Total current liabilities</i>	41,501	29,501
Total equity and liabilities	264,286	216,702

Condensed Consolidated Cash Flow Statements

SEK in millions	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Cash flow before change in working capital	9,300	5,706	28,480	27,541
Change in working capital	93	626	-1,394	-1,012
Cash flow from operating activities	9,393	6,332	27,086	26,529
Intangible and tangible fixed assets acquired (cash CAPEX)	-4,475	-4,493	-15,758	-13,525
Free cash flow	4,918	1,839	11,328	13,004
Cash flow from other investing activities	-3,926	-242	-3,876	-2,180
Total cash flow from investing activities	-8,401	-4,735	-19,634	-15,705
Cash flow before financing activities	992	1,597	7,452	10,824
Cash flow from financing activities	1,336	491	-4,359	-14,726
Cash flow for the period	2,328	2,088	3,093	-3,902
Cash and cash equivalents, opening balance	8,799	5,641	7,802	11,603
Cash flow for the period	2,328	2,088	3,093	-3,902
Exchange rate differences	699	73	931	101
Cash and cash equivalents, closing balance	11,826	7,802	11,826	7,802

Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Dec 2008			Jan-Dec 2007		
	Share-holders' equity	Minority interests	Total equity	Share-holders' equity	Minority interests	Total equity
Opening balance	117,274	9,783	127,057	119,217	8,500	127,717
Reporting financial instruments at fair value	-341	–	-341	39	–	39
Hedging of foreign operations, net of tax	-780	–	-780	-114	–	-114
Currency translation differences	13,185	1,675	14,860	8,748	160	8,908
<i>Net income recognized directly in equity</i>	12,064	1,675	13,739	8,673	160	8,833
Net income	19,011	2,431	21,442	17,674	2,624	20,298
<i>Comprehensive income</i>	31,075	4,106	35,181	26,347	2,784	29,131
Transactions with minority shareholders in subsidiaries	–	-842	-842	–	-42	-42
Dividends	-17,962	-1,986	-19,948	-28,290	-1,459	-29,749
Closing balance	130,387	11,061	141,448	117,274	9,783	127,057

Basis of Preparation

General. As in the annual accounts for 2007, TeliaSonera's consolidated financial statements as of and for the year ended December 31, 2008, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and, given the nature of TeliaSonera's transactions, with IFRSs as adopted by the European Union. The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act as well as standard RFR 2.2 *Accounting for Legal Entities* and other statements issued by the Swedish Financial Reporting Board. This report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

New accounting standards (not yet adopted by the EU). A revised IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective for annual periods beginning on or after January 1, 2009; earlier application permitted) was issued on November 27, 2008. The revised version has an improved structure but does not contain any technical changes. IFRS 1 is not applicable to TeliaSonera.

An updated version of the recent reclassification amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* (issued on October 13, 2008) was issued on November 27, 2008, clarifying the effective date requirements as follows: "Any reclassification made on or after 1 November 2008 takes effect from the date of reclassification. However, any reclassification before 1 November 2008 can take effect from 1 July 2008 or a subsequent date. A reclassification cannot be applied retrospectively before 1 July 2008." Currently, TeliaSonera is not considering the reclassification of any financial assets.

IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for annual periods beginning on or after July 1, 2009; earlier application permitted; prospective application required) was issued on November 27, 2008. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and clarifies that: (a) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (b) the dividend payable should be measured at the fair value of the net assets to be distributed; and that (c) the difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. IFRIC 17 also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. Currently, IFRIC 17 is not relevant to TeliaSonera.

IFRIC 18 *Transfers of Assets from Customers* (effective for transfers received on or after July 1, 2009; earlier application permitted within limits; to be applied prospectively) was issued on January 29, 2009. IFRIC 18 clarifies (a) the circumstances in which the definition of an asset is met; (b) the recognition of the asset and the measurement of its cost on initial recognition; (c) the identification of the separately identifiable services (one or more services in exchange for the transferred asset); (d) the recognition of revenue; and (e) the accounting for transfers of cash from customers. Currently, IFRIC 18 is not expected to have any significant impact on TeliaSonera's results or financial position.

For additional information, see corresponding sections in TeliaSonera's Interim Report January-September 2008, Interim Report January-June 2008 and Annual Report 2007.

Non-recurring Items

SEK in millions	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Within EBITDA	-307	-276	-1,296	-688
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-83	-157	-397	-363
Broadband Services	-219	-246	-1,194	-599
Other operations	-5	-5	295	142
of which TeliaSonera Holding	-3	2	383	161
Capital gains:				
Broadband Services	-	132	-	132
Within Depreciation, amortization and impairment losses	-15	-24	-97	-635
Impairment losses, accelerated depreciation:				
Mobility Services	-	-	-3	-
Broadband Services	-15	-24	-94	-635
Within Income from associated companies and joint ventures	-	-	-	-
Within Finance costs and other financial items, net	-	-	290	-
Penalty interest:				
Tele2	-	-	290	-
Total	-322	-300	-1,103	-1,323

Deferred Taxes

SEK in millions	Dec 31, 2008	Dec 31, 2007
Deferred tax assets	13,206	12,017
Deferred tax liabilities	-11,260	-9,577
Net deferred tax assets	1,946	2,440

Segment and Group Operating Income

SEK in millions	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Mobility Services	2,283	1,580	9,526	8,386
Broadband Services	1,009	1,688	5,396	6,413
Eurasia	4,111	2,926	13,731	10,883
Other operations	-47	-180	-5	406
Total segments	7,356	6,014	28,648	26,088
Elimination of inter-segment profits	0	44	0	67
Group	7,356	6,058	28,648	26,155

Related Party Transactions

MegaFon. As of December 31, 2008, TeliaSonera had interest-bearing claims of SEK 362 million on its associated company OAO MegaFon. OAO Telecominvest (TCI), 26.1 percent owned by TeliaSonera, owns 31.3 percent of the shares in MegaFon. TeliaSonera has signed agreements with TCI and a TCI shareholder in order to secure TeliaSonera's ownership in MegaFon, including an agreement under which TCI has pledged 8.2 percent of the shares in MegaFon to TeliaSonera.

Svenska UMTS-nät. In the three-month period and the year ended December 31, 2008, TeliaSonera purchased services from its 50 percent-owned joint venture Svenska UMTS-nät AB worth SEK 165 million and SEK 550 million, respectively, and sold services worth SEK 84 million and SEK 357 million, respectively.

Investments

SEK in millions	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
CAPEX	4,523	4,537	15,795	13,531
Intangible assets	792	444	2,528	1,308
Property, plant and equipment	3,731	4,093	13,267	12,223
Acquisitions and other investments	4,841	2,298	9,060	7,171
Asset retirement obligations	443	82	443	82
Goodwill and fair value adjustments	4,386	2,211	8,578	6,483
Equity holdings	12	5	39	606
Total	9,364	6,835	24,855	20,702

Net Debt

SEK in millions	Dec 31, 2008	Dec 31, 2007
Long-term and short-term borrowings, net of derivatives ¹⁾	61,472	43,016
Less short-term investments, cash and bank	-12,858	-8,861
Net debt	48,614	34,155

1) As of the fourth quarter 2008, the net debt calculation includes derivatives recognized as financial assets and designated to hedge long-term and short-term borrowings. Comparative figures have been restated.

Loan Financing

The underlying cash flow generation was positive also in the fourth quarter 2008.

Conditions for funding activities in the fourth quarter improved somewhat compared to the very strained situation during early autumn. In the quarter, TeliaSonera issued both short-term debt in the form of commercial papers, focusing on maturities over 3 months, and long-term debt in EUR as well as in SEK with maturities around 5 years. Credit spreads rose but due to successively lower underlying interest rates the total borrowing cost remained fairly reasonable.

Financial Key Ratios

	Dec 31, 2008	Dec 31, 2007
Return on equity (%, rolling 12 months)	17.2	18.6
Return on capital employed (%, rolling 12 months)	17.3	19.4
Equity/assets ratio (%)	50.5	50.3
Net debt/equity ratio (%)	36.5	31.3
Shareholders' equity per share (SEK)	29.04	26.12

Business Combinations in the Fourth Quarter

For additional information on business combinations during the year, see corresponding sections in TeliaSonera's interim reports for the first, second and third quarter of 2008.

Asia Holding

On October 1, 2008, TeliaSonera took a further step in executing its strategy to expand into new high-growth emerging markets by acquiring 51 percent of the shares and votes in TeliaSonera Asia Holding B.V. (Asia Holding), which owns controlling interests in:

- Spice Nepal Pvt. Ltd. (80 percent of the shares and votes), the second largest mobile operator in Nepal with around 1.6 million subscriptions and an estimated market share of approximately 41 percent as of August 2008. Mobile penetration in Nepal, with a population of 28.4 million, is approximately 13 percent.
- Applifone Co. Ltd. (100 percent of the shares and votes), the fourth largest mobile operator in Cambodia, with some 97,500 subscriptions and an estimated market share of approximately 3 percent as of August 2008. Mobile penetration in Cambodia, with a population of 14.6 million, is approximately 21 percent.

Goodwill is explained by potential increases in subscription numbers, a strong market position in Nepal and synergies from subsequent restructuring of the operations.

The results of the Asia Holding operations have been included in the consolidated financial statements as of October 1, 2008.

Preliminary purchase price allocation	SEK in millions
Purchase consideration	3,328
Transaction related direct expenses	54
Total cost of the combination	3,382
Licenses	664
Interconnect agreements	881
Customer relationships	158
Mobile networks	427
Financial non-current assets	9
Inventories, receivables and other current assets	108
Cash and cash equivalents	56
Minority interests	-655
Deferred income tax liabilities	-398
Other long-term liabilities	-189
Short-term liabilities	-398
Total fair value of net assets acquired	663
Goodwill (allocated to business area Eurasia)	2,719

Cash flow effects	SEK in millions
Total cost of the combination paid in cash	3,382
Less acquired cash and cash equivalents	-56
Net cash outflow from the combination	3,326

Impact on consolidated financials, October 1 – December 31, 2008	SEK in millions
Net sales	168
Net income	16

Pro forma effects , as if the combination had taken place at January 1, 2008 (SEK in millions, except per share data)	TeliaSonera Group	Asia Holding	TeliaSonera Group pro forma
Net sales	103,585	398	103,983
Net income	21,442	-14	21,428
Earnings per share (SEK)	4.23		4.23

The total cost of combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to refinement.

Other business combinations

For minor business combinations in the fourth quarter, the cost of combination totaled SEK 15 million and the net cash outflow SEK 15 million. Goodwill was SEK 11 million, allocated to business area Broadband Services. Goodwill is explained by strengthened market positions. The total cost of combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to refinement.

Guarantees and Collateral Pledged

Guarantees at December 31, 2008, totaled SEK 2,303 million, of which SEK 2,021 million referred to credit guarantees on behalf of Svenska UMTS-nät. Under certain third-party agreements, the credit guarantees on behalf of Svenska UMTS-nät are capped at SEK 2,400 million. Collateral pledged totaled SEK 1,854 million, mainly referring to blocked funds in bank accounts for Ipse 2000 S.p.A.'s future license payments and for certain court proceedings.

Contractual Obligations

Contractual obligations at December 31, 2008, totaled SEK 1,843 million, of which SEK 1,512 million referred to contracted build-out of TeliaSonera's mobile networks in Sweden, Finland and Spain as well as fixed network in Sweden.

Parent Company

Condensed Income Statements (SEK in millions)	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Net sales	3,888	4,405	16,132	17,809
Gross profit	557	1,737	2,778	7,084
Operating income	4	1,851	21,697	6,303
Income after financial items	-2,159	2,777	18,280	23,845
Income before taxes	-49	1,668	30,317	21,259
Net income	-69	1,172	30,306	20,001

Net sales, primarily related to fixed network services in Sweden, declined due to migration to mobile services and lower-priced IP-based services, and to operations being transferred to the subsidiary TeliaSonera Skanova Access AB (Skanova Access). Out of the total net sales in the year, SEK 12,644 million (12,811) was billed to subsidiaries. Operating income increased strongly due to capital gains on assets transferred to Skanova Access at the beginning of the year. In 2007, income after financial items was positively impacted by dividend payments from subsidiaries.

Condensed Balance Sheets (SEK in millions)	Dec 31, 2008	Dec 31, 2007
Non-current assets	170,852	142,469
Current assets	40,246	39,967
Total assets	211,098	182,436
Shareholders' equity	75,017	63,013
Untaxed reserves	8,024	20,061
Provisions	708	944
Liabilities	127,349	98,418
Total equity and liabilities	211,098	182,436

Total investments in the year were SEK 40,280 million (13,269), of which SEK 1,276 million (2,705) in property, plant and equipment primarily for the fixed network. Other investments totaled SEK 39,004 million (10,564), of which SEK 34,000 million related to a capital contribution provided in kind in exchange for new shares issued by Skanova Access. In 2007, other investments included the acquisitions of Cygate and debitel Danmark (SEK 2,024 million) and intra-group transfers of shareholdings (SEK 8,015 million).

Risks and Uncertainties

TeliaSonera operates in a broad range of geographic product and service markets in the highly competitive and regulated telecommunications industry. As a result, TeliaSonera is subject to a variety of risks and uncertainties. TeliaSonera has defined risk as anything that could have a material adverse effect on the achievement of TeliaSonera's goals.

Risks can be threats, uncertainties or lost opportunities relating to TeliaSonera's current or future operations or activities. Additionally, these risks may affect TeliaSonera's share price from time to time.

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

See "Report of the Directors – Risks and Risk Management" in TeliaSonera's Annual Report 2007 for a detailed description of some of the factors that may affect TeliaSonera's business, financial condition and results of operations.

Risks and uncertainties that could specifically impact the quarterly results of operations during 2009 include, but may not be limited to:

- *Current downturn in the world economy.* The length of the current turmoil in the global financial markets and the downturn in the world economy are difficult to predict. TeliaSonera has a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe and long-term downturn in the economy would have an impact on its customers and may have a negative impact on its growth and results of operations through reduced telecom spending. The maturity schedule of TeliaSonera's loan portfolio is evenly distributed over several years, and the refinancing is expected to be made using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed lines of credit with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, the cost of funding might be higher, should the financial turmoil and the downturn in the economy continue for a long time or become even more severe.
- *Investments in future growth.* TeliaSonera is currently investing in future growth through, for example, sales and marketing expenditures to retain and acquire customers in most markets as well as building up its customer base in start-up operations and emerging markets. While TeliaSonera believes that these investments will improve market position and financial results in the long term, they may not have the targeted positive effects yet in the short term and related expenditure may impact the results of operations between quarters.
- *Efficiency programs.* TeliaSonera is in the process of adjusting its cost base to reflect the shift from traditional to new services, especially from fixed-voice services to mobile and IP-based services. In the short term, depending on when the related decisions are made and carried out, these efficiency programs may not yet bring the cost savings that will be visible in the long term. Additionally, related amounts of restructuring costs and their timing may increase the volatility of quarterly results in the short term.

- *Non-recurring items.* In accordance with their nature, non-recurring items such as capital gains and losses, restructuring costs, write-downs, etc. may impact the quarterly results in the short term with amounts or timing that deviate from those currently expected. Depending on external factors or internal developments, TeliaSonera might also experience non-recurring items that are not currently anticipated.
- *Associated companies.* A significant part of TeliaSonera's results derives from MegaFon and Turkcell, which TeliaSonera does not control and which operate in growth markets but also in more volatile political, economic and legal environments. Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.
- *Acquisitions.* TeliaSonera has made a number of targeted acquisitions in accordance with its strategy. The efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, are significant for the results of operations both in the long and short term. Integration of acquired companies always includes certain risks, and the integration process may increase the volatility of quarterly earnings in the short term.

Forward-Looking Statements

This report contains statements concerning, among other things, TeliaSonera's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent TeliaSonera's future expectations. TeliaSonera believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include, but may not be limited to: TeliaSonera's market position; growth in the telecommunications industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of TeliaSonera, its associated companies and joint ventures, and the telecommunications industry in general. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, TeliaSonera undertakes no obligation to update any of them in light of new information or future events.