

Dear Shareholders,

TeliaSonera's performance is strong. 2009 was a difficult year in the world economy, with low or even negative GDP growth in many markets. In spite of this, we reported the highest operating income in the company's history.

Due to a healthy mix of mature and emerging markets we have been able to keep revenues, in local currencies, intact in 2009 – while many of our competitors reported decreasing sales.

The EBITDA grew by 11 percent and the EBITDA margin improved to 33.6 percent. Operating income improved by 6 percent, despite notably lower income from associated companies – Turkcell and MegaFon.

Cash flow improved by as much as 50 percent due to successful efficiency improvements and careful capital spending.

It's particularly important that we have managed to break the trend of continuous cost increases.

At the same time as we have done these cost efficiency improvements – which have been hard for many of our employees – we can see that employee satisfaction and commitment improve. For the second year in a row, we have made significant progress and reached the highest level 2009 since TeliaSonera started measurements in 2004. It makes us really proud and happy.

For 2010 we are cautiously optimistic although some of the markets - in particular the Baltic countries – are still noticeably impacted by the economic downturn. Our outlook for this year, net sales and the EBITDA margin are expected to be somewhat higher than in 2009 at the same time as we continue to invest for the future.

When I joined TeliaSonera in 2007, we identified five focus areas – and later added another one – so they became six. By now we can actually tick some of them off. Our B2B sales division is now established and up and running, we are in the middle of the migration to IP-based services and we continue to grow our business in Eurasia.

Therefore, the focus areas have been reduced to three, which we will live with for many years to come – and they apply to all our business areas.

- The first is building a world class service company and delivering a superior customer experience
- The second is securing high quality in our networks, both fixed and mobile
- And the third is to run cost efficient operations

Having networks with good coverage and capacity and a cost efficient organization are basic. We need them to be successful - but it doesn't automatically make us a winner.

To deliver a superior customer experience means satisfied customers and it builds loyalty. In addition it's hard to copy and will remain the single most important factor to the deciding point who of the operators that will be the most successful.

In addition to our three focus areas it's important that TeliaSonera is being in the forefront in adopting new technology and introducing new services to our customers like iPhone, Spotify and 4G.

We are the leaders in developing mobile broadband. In December 2009, TeliaSonera opened up the world's first 4G commercial networks in the city centers of Stockholm and Oslo. By the end of this year, we will cover 25 Swedish municipalities and holiday areas and four Norwegian municipalities.

4G is the fastest mobile technology on the market, with speeds up to ten times higher than today's turbo 3G. 4G will open up new possibilities for customers to use and enjoy services on their laptops that require high transmission speeds and capacity, such as advanced web-TV broadcasting, extensive online gaming and web conferences.

In the Nordic and Baltic markets we have leading market positions in mature markets. Here the challenge is to sell more to already existing customers and to take advantage of the increased growth in mobile data and with that bandwidth - while maintaining profitability.

Eurasia is our growth engine - mobile penetration is lower and fixed networks are limited. We aim not only to grow in line with the market but also increase market shares. We also believe that the growth in mobile data will contribute to additional future growth opportunities.

In countries with lack of democracy, as the case in many countries in Eurasia, telecommunication, access to telephony, e-mail and internet, are the most important tools for openness and dialogue.

Our strategy is also to expand our operations in Eurasia both by increasing ownership in not wholly-owned operation but also making complementary acquisitions within our existing footprint, as well as selectively looking at new markets, in the region.

In October 2009, we successfully completed the cash offer for Eesti Telekom and in January this year we took full control of the company. We also increased our ownership in TEO LT in Lithuania and contributed to a "stock market rally" in Estonia and Lithuania. In February this year we increased our ownership in UCell, which during 2009 became the second largest operator in Uzbekistan after being number three.

These transactions underline our strategy to increase ownership in core holdings.

For a number of years, we have had the ambition to increase our ownership in both Turkcell and MegaFon and to consolidate those businesses. However, this has proven to be very difficult and we have explored different routes to increase our control over and the liquidity of these assets.

In November, we took an important step towards resolving the long lasting ownership deadlock, by aligning our ownership interests with Altimio into a new company.

The real value of the agreement is in the execution of it, which depends on the resolution of the legal disputes with Cukurova regarding the ownership of Turkcell and regulatory approvals in Turkey and Russia. When these issues have been resolved, the shareholder structure and control of Turkcell and MegaFon will improve, as well as the liquidity of these assets.

We have focused on creating a governance structure where all major parties will have good possibilities to influence, without single-handedly controlling, the management of the new telecommunications group. Turkcell and MegaFon will both continue to operate as independent companies. They are both very strong and professionally managed operators and cross-border synergies are limited.

It may take some time before we reach the end result, but the new company will have exciting future prospects and add value to TeliaSonera and our shareholders.

As we close 2009, we also leave the first decade of the 21<sup>st</sup> century behind. During this period, TeliaSonera expanded eastward into new markets with growing economies and populations, and low mobile penetration.

We are now present in 20 countries with more than 48 million subscriptions in majority-owned operations and close to 100 million in our associated companies. This means that we have tripled the number of subscribers since Telia and Sonera were merged in late 2002.

In the same period, telecommunication services have become a basic necessity for people in their everyday lives. Society is being digitalized as we are constantly online, working from multiple locations, engaging in e-commerce, enjoying interactive entertainment and connecting to social networks on the internet.

The introduction of 3G services, rapid development of telecommunication networks and the development of new devices, such as computers with integrated SIM cards and more advanced and user-friendly mobile phones have all contributed to this trend.

The competitive landscape in the telecommunications industry is changing. Hardware manufacturers like Apple and Nokia are developing applications and content. Software manufacturers and internet search engines, like Microsoft and Google, are developing mobile phones and applications.

Our core business is - and will continue to be - providing network access and telecommunication services that help people and companies to communicate in an easy, efficient and environmentally friendly way

- When they want
- Where they want
- And at any device

We believe the future demand for bandwidth will be virtually unlimited. At the right price, customers will use as much capacity as we can provide.

According to the latest figures from Ericsson mobile data traffic in the world has for the first time passed voice in terms of consumed capacity by the customers.

Measurements show that data traffic has increased by 280 percent per year during the last two years and the forecasts indicate that traffic will double each year the coming five years.

But communications will not only be mobile. Also fixed networks have to be built-out in order to stand up to the demand.

Today TeliaSonera has connected 320,000 households to fiber and this year we plan to offer fiber to another 200,000 households.

This means that we increase our investments in fiber in Sweden by approximately one billion kronor compared to 2009.

In the longer run – more exactly 2014 – we strive to offer access with a speed to more than 100 Mbit per second to 50% of the Swedish households. By that we exceed the Governments' target for 2015. But it requires a regulation that guarantees a reasonable return on our investments.

The unlimited demand for bandwidth has two primary consequences.

First, the fixed networks will remain competitive, where there is already an infrastructure, as fixed networks are superior to mobile for communication between fixed locations with multiple users, such as homes and offices, requiring high-speed and transmission of large data volumes.

Second, in order to cater for the exploding volumes of data, we need to develop our business model to secure our future.

We will move in the same direction as utilities, by charging for the network connection and for each of the services required, such as voice, broadband and IPTV. In addition to this, a variable fee for the consumption will be added. This is based on the assumption that low volume users are not willing to subsidize high volume users or pay for services they do not require.

In addition to providing a world-class customer experience, these will be our primary challenges as we enter the new decade.

TeliaSonera is a well positioned and financially strong company, with motivated and competent employees. We are in the forefront in adopting new technology and introducing new services to an increasing number of customers. Add to that improved customer satisfaction and employee satisfaction. This makes me convinced that we have a bright future ahead of us.

Thank you!