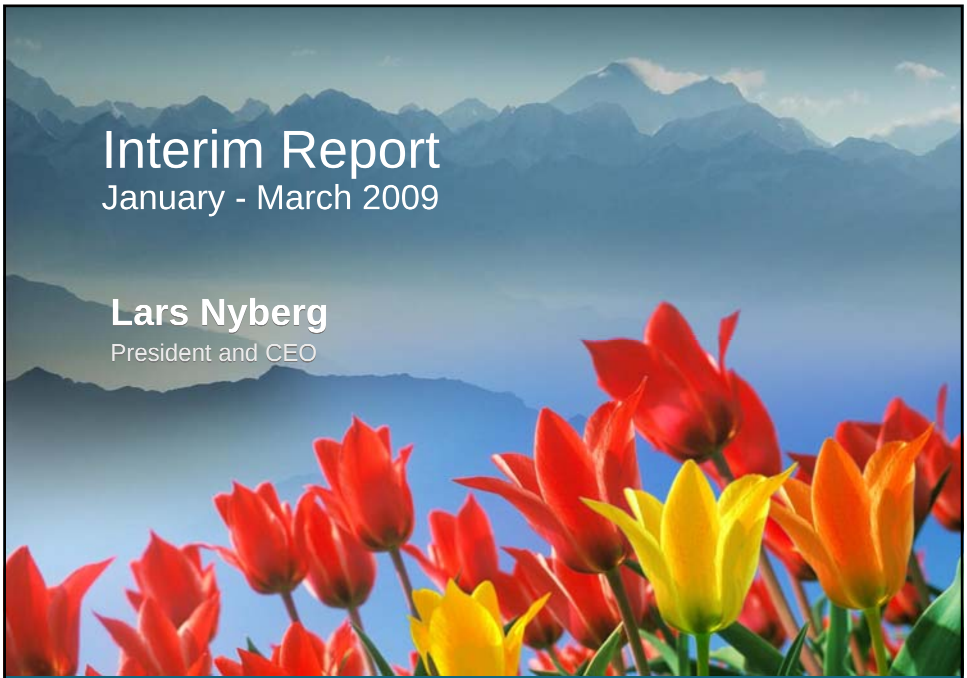


# Interim Report
January - March 2009

**Lars Nyberg**
President and CEO

TeliaSonera

## Strong first quarter - Q1 2009 in brief

- Net sales SEK 27,204 million *(24,398)*
  - *Increase +11.5%*
    - Organic growth +0.6% (in local currencies)
    - FX effect +9.6%
    - Acquisitions +1.3%
- EBITDA* SEK 8,821 million *(7,755)*
  - *Increase +13.7%*
  - *EBITDA margin* 32.4% (31.8)*
- EPS SEK 0.99 *(0.99)*
- Strong balance sheet
  - *Net debt/EBITDA 1.3x*
- Free Cash Flow SEK 4,282 million *(1,110)*

** Excl. non-recurring items*



TeliaSonera

# Business areas

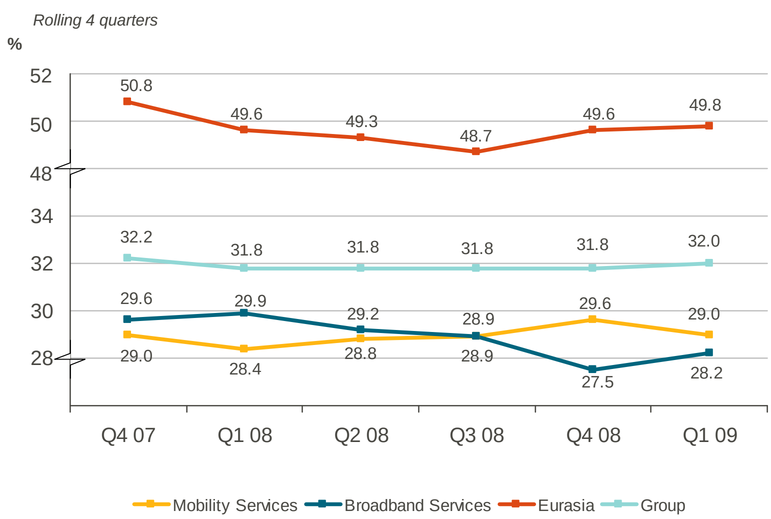
**Mobility services**
- Economic downturn visible
- Focus on cost efficiency
- Strong performance continued in Sweden

**Broadband services**
- Efficiency measures improved margins
- Continued strong growth in IP based services
- Introducing price increases for fixed telephony

**Eurasia**
- Slower organic growth but maintained high profitability
- Traffic continued to grow but prices declined
- Net sales in Uzbekistan more than tripled



# EBITDA margin trend (excl. non-recurring items)



# Focus areas

## Quality in networks

- Launch of 4G services in Stockholm and Oslo in 2010
- Increased speed for 3G services from 7.2 Mbps to 14.4 Mbps and 2,500 surf zones in Sweden
- Expansion of 3G network in Finland

## Cost efficiency

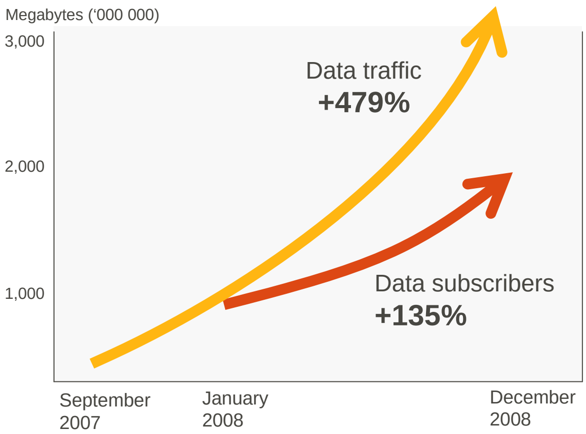
- Good progress in Broadband Services
- Reduced addressable costs
- Focus on reducing costs in Mobility Services



# Data traffic is increasing faster than customers

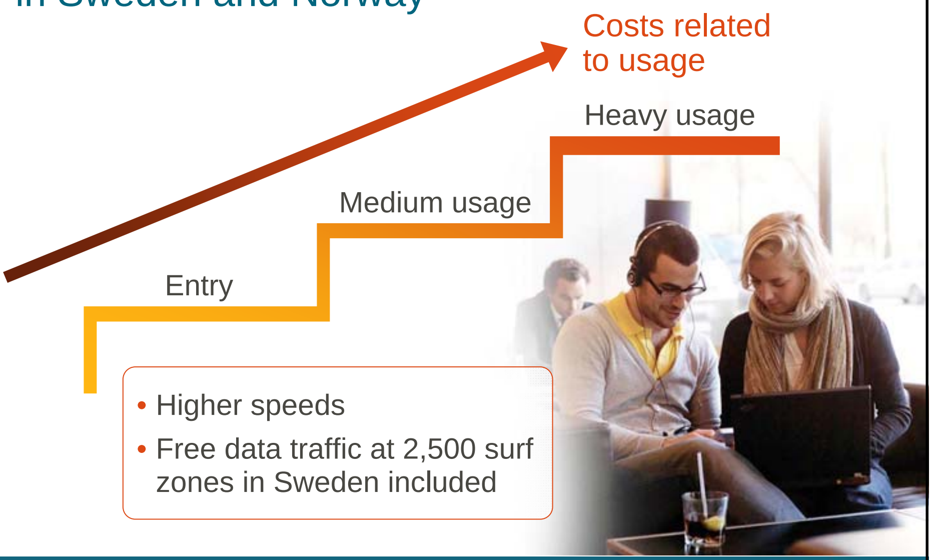
## Mobile data traffic and customers

TeliaSonera BA Mobility (Nordic and Baltic)




Source: TeliaSonera

# New mobile broadband subscriptions launched in Sweden and Norway






# Group outlook 2009, net sales revised from Year-end report

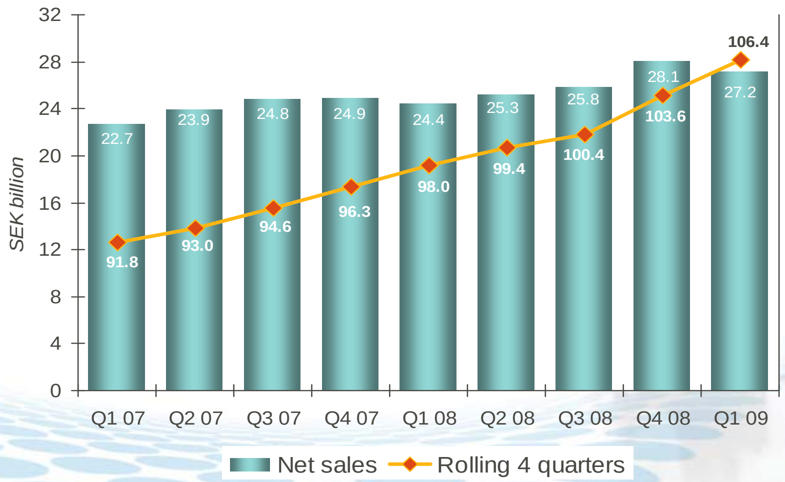
- Net sales in local currencies and excluding acquisitions are expected to be around the same level in 2009 compared to 2008.
- The intention is to keep the addressable cost base for 2009 unchanged compared to SEK 33.8 billion in 2008, in local currencies and excluding acquisitions.
- The ambition for 2009 is to maintain the EBITDA margin level of 2008 (31.8 percent), excl. non-recurring items.
- The CAPEX-to-sales ratio is expected to be somewhat lower in 2009 than in 2008. In order to preserve strong cash generation, capital expenditures may be reduced further if the economy continues to deteriorate.

# Interim Report
January - March 2009

**Per-Arne Blomquist**
Executive Vice President and CFO

TeliaSonera

## Net sales trend - Group





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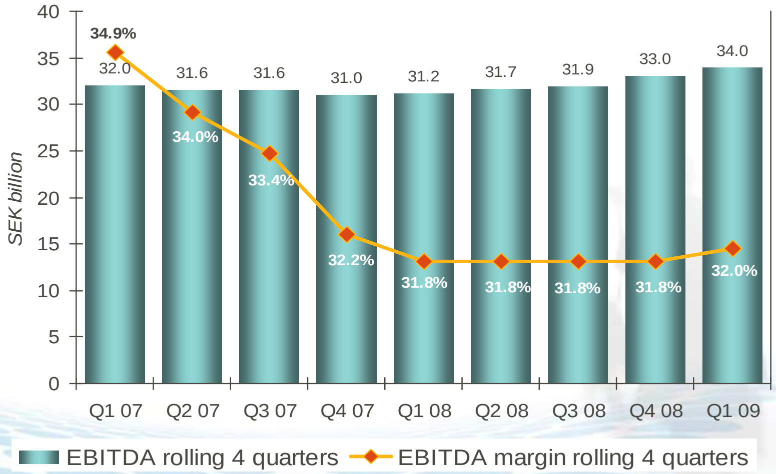
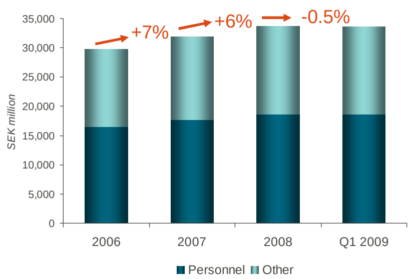
# EBITDA margin* trend - Group



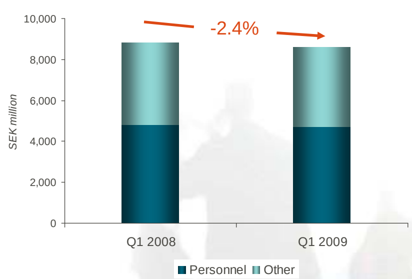

** Excluding non-recurring items*



# OPEX development - Group



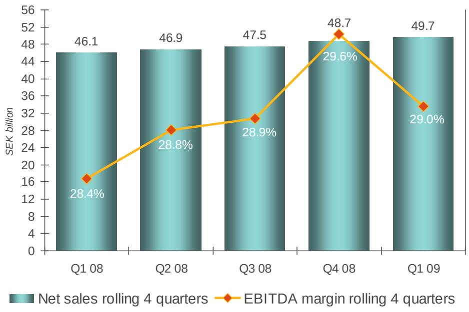

Rolling 4 quarter values, in local currencies and excluding acquisitions




Quarterly values, in local currencies and excluding acquisitions

# Mobility Services

## Economic downturn visible



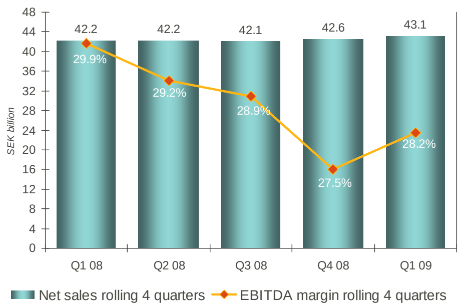

- Continued volume growth for mobile data in all markets
- Strong performance continued in Sweden. Revenues increased 7.5 percent and margin improved to 37.1 percent (36.1)
- Lower equipment sales and reduced roaming due to less business travel. Negative impact from regulatory intervention was at least 3 percent
- Focus on cost efficiency. Addressable costs in local currencies and excluding acquisitions increased 3.6 percent mainly due to high intake in Spain

Net sales in local currencies decreased 0.8 percent during Q1 2009



# Broadband Services

## Efficiency measures improved margin

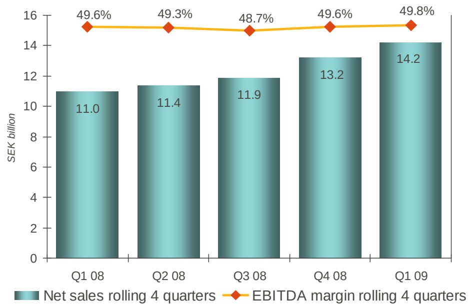



- Margins improved considerably from the fourth quarter due to efficiency measures. Addressable costs in local currencies and excluding acquisitions fell 6 percent
- Sales of IP-based services increased 16 percent in reported currency and now represent one third of net sales
- TeliaSonera strengthened its market position in IPTV, especially in the Baltics but also in Sweden
- The price increase on fixed telephony in Sweden will have a gradual impact starting from the second quarter

Net sales in local currencies decreased 2.1 percent during Q1 2009

# Eurasia

## Maintained high profitability



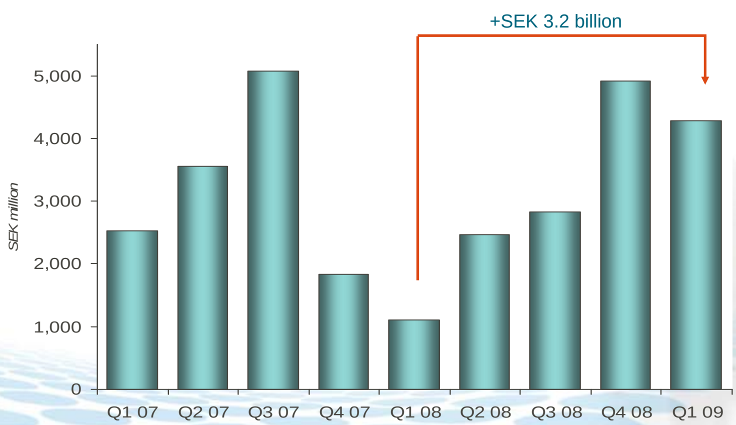

- Lower organic growth in the first quarter, 6.1 percent, compared with the fourth quarter as economic downturn became more evident
- Despite price erosion, EBITDA margin increased to 49.9 percent (49.3) in the first quarter, 2009, driven by balanced-growth approach and cost control
- Maintained market leadership in Kazakhstan, Azerbaijan, Tajikistan and Georgia, and maintained positions in all other markets
- CAPEX-to-sales ratio fell to 27.5 percent (45.0) and cash flow increased to SEK 837 millions (116)

Organic growth in local currencies was 6.1 percent in Q1 2009

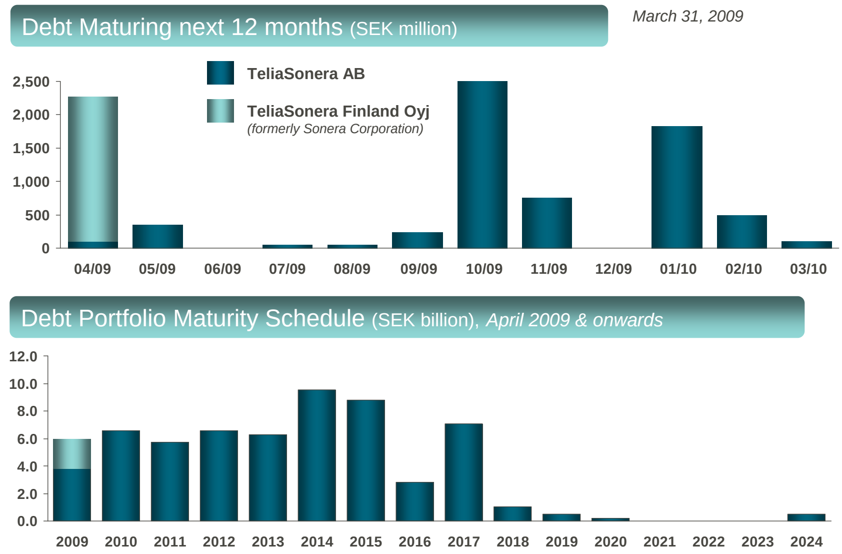


# Strong free cash flow generation

Free cash flow increased to SEK 4.3 billion (1.1) due to:
- Higher EBITDA
- Lower working capital

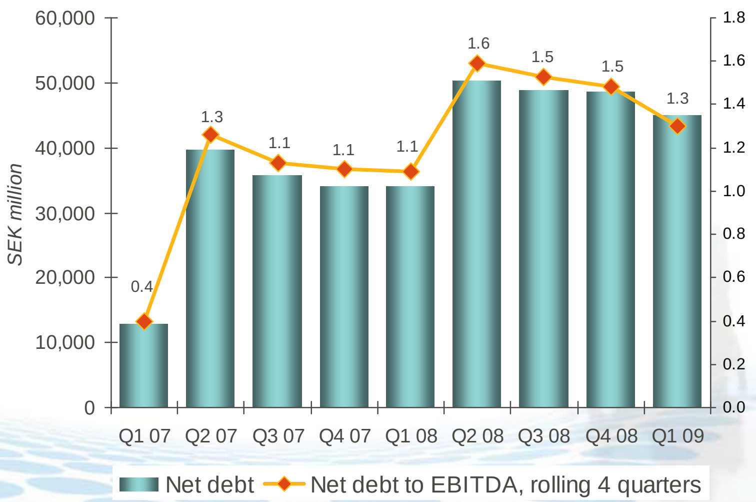


# Debt maturity schedule (excl. lease and pension liabilities)






# Group financial profile



## Actual versus guidance

| | Guidance 2009 | Actual Q1 2009 |
|---|---|---|
| Net sales | Around the same level compared to 2008* | 0.6 percent |
| Addressable cost base | Unchanged from 2008 (SEK 33.8 billion)* | -2.4 percent |
| EBITDA margin** | Maintain the margin level of 2008 (31.8 percent) | 32.4 percent |
| CAPEX-to-sales ratio | Somewhat lower than in 2009 (15.2 percent) | CAPEX, -16.1 percent in local currencies |
| Number of employees | < 31,200 | 31,549 vs 32,171 year-end 2008 |

** In local currencies and excluding acquisitions*
*** Excluding non-recurring items*



## Strong financial key ratios

| | Mar 31, 2009 | Dec 31, 2008 |
|---|---|---|
| Return on equity* | 17.0% | 17.2% |
| Return on capital employed* | 16.9% | 17.3% |
| Equity/assets ratio | 50.3% | 50.5% |
| Net debt/equity ratio | 32.7% | 36.5% |

** Rolling 12 months*

One of the best rated Telecom Operators in Europe

## Forward-looking statements

Statements made in this document relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of TeliaSonera.



# Efficiency measures

**Target 2009**

- Addressable cost base to remain unchanged, SEK 33,800 million in 2009
- Number of employees will be lower than 31,200 year-end 2009

**Q1 2009**

- Addressable cost base in local currency and excl. acquisitions decreased 2.4% compared to last year
- Number of employees 31,549 compared with 32,171 year-end 2008



# Strong first quarter

| *SEK million* | Jan - Mar 2009 | Jan - Mar 2008 | *Change %* |
|---|---|---|---|
| Net sales | 27,204 | 24,398 | *12* |
| EBITDA* | 8,821 | 7,755 | *14* |
| *EBITDA* margin* | *32.4%* | *31.8%* | |
| Operating income* | 7,477 | 6,750 | *11* |
| Non-recurring items | -226 | -180 | |
| Operating income | 7,251 | 6,570 | *10* |
| Financial items | -859 | -13 | |
| Net income** | 4,440 | 4,465 | *-1* |
| | | | |
| EPS, SEK | 0.99 | 0.99 | *0* |
| CAPEX | 3,074 | 3,230 | *-5* |
| *CAPEX-to-sales* | *11.3%* | *13.2%* | |
| Free Cash Flow | 4,282 | 1,110 | *286* |

** Excluding non-recurring items*
*** Attributable to owners of the parent company*

## Net sales - Group & per Business area

| SEK million | Jan - Mar 2009 | Jan - Mar 2008 | Change % |
|---|---|---|---|
| Mobility Services | 12,578 | 11,519 | *9* |
| Broadband Services | 10,964 | 10,446 | *5* |
| Eurasia | 3,741 | 2,717 | *38* |
| Other operations | 1,355 | 1,133 | *20* |
| **The Group** | **27,204** | **24,398** | ***12*** |



TeliaSonera

## EBITDA* and margin* - Group & per Business area

| EBITDA* SEK million | Jan - Mar 2009 | Jan - Mar 2008 | Change % |
|---|---|---|---|
| Mobility Services | 3,412 | 3,388 | *1* |
| Broadband Services | 3,497 | 3,049 | *15* |
| Eurasia | 1,865 | 1,339 | *39* |
| Other operations | 57 | -2 | |
| **The Group** | **8,821** | **7,755** | ***14*** |

| EBITDA* margin, % | Jan - Mar 2009 | Jan - Mar 2008 | Change % point |
|---|---|---|---|
| Mobility Services | 27.1 | 29.4 | *-2.3* |
| Broadband Services | 31.9 | 29.2 | *2.7* |
| Eurasia | 49.9 | 49.3 | *0.6* |
| Other operations | 4.2 | - | |
| **The Group** | **32.4** | **31.8** | ***0.6*** |

** Excl. non-recurring items*



TeliaSonera

# Statement of cash flows

| *SEK million* | Jan – Mar 2009 | Jan – Mar 2008 |
|---|---|---|
| EBITDA excluding non-recurring items | 8,821 | 7,755 |
| Dividends received from associated companies | 0 | 0 |
| Interest paid (net) | -1,011 | -517 |
| Income taxes paid | -926 | -1,379 |
| Payment of restructuring provisions | -192 | -97 |
| Difference between paid/recorded pensions | -47 | -355 |
| Changes in working capital and other items, net | 815 | -1,189 |
| **Cash flow from operating activities** | **7,460** | **4,218** |
| Cash CAPEX | -3,178 | -3,108 |
| **Free cash flow** | **4,282** | **1,110** |
| Cash flow from other investing activities | -451 | 94 |
| **Cash flow before financing activities** | **3,831** | **1,204** |
| Cash flow from financing activities | 3,274 | 4,920 |
| **Change in cash & cash equivalents** | **7,105** | **6,124** |

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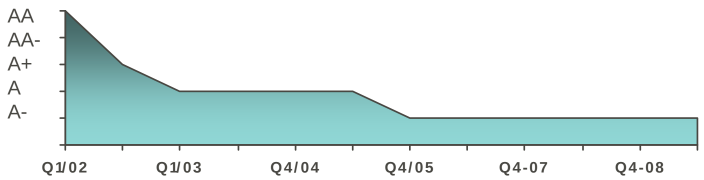
# TeliaSonera AB credit ratings (A3/A-)

## TeliaSonera AB long-term ratings migration history 2002-to-today




**Moody's (A3/P-2)**

- January 8, 2003, lowered long-term debt rating to A2
- Nov 1, 2006, outlook changed to Negative
- Oct 30, 2007, lowered long- and short-term debt rating to **A3** and P-2 respectively
- Feb 12, 2009, debt ratings confirmed.
- **Outlook: Stable**

**Standard & Poor's (A-/A-2)**

- February 5, 2003, lowered long-term debt rating to A
- October 28, 2005, lowered long-term debt rating to **A-** and short-term debt rating to A-2
- September 29, 2008, debt ratings confirmed
- **Outlook: Stable**

One of the best rated Telecom Operators in Europe

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## Liquidity position, TeliaSonera Group

Cash and cash equivalents, less blocked funds approx. SEK 14 billion

| Committed bank lines | Maturity | Size | Amount undrawn |
|---|---|---|---|
| Bilateral credit facility | Sep 2010 | SEK 2 billion | SEK 2 billion |
| Syndicated revolving credit facility | Dec 2011 | EUR 1 billion | EUR 1 billion |
| Bilateral credit facility | Apr 2013 | SEK 1.4 billion | SEK 1.4 billion |

*March 31, 2009*



## Credit statistics - Group Year end 2008

*TeliaSonera Estimates*

| *TS Reported (SEK billion)* | 2008 |
|---|---|
| Gross Debt | 65.8 |
| Cash & Liquidity [1] | 11.8 |
| Derivative Adjustment | 4.3 |
| Net Debt | 49.7 |
| **Moody's** | |
| Adjusted Net Debt [2] | 83 |
| Adjusted Retained Cash Flow [3] | 20.6 |
| Adjusted (RCF/Net Debt) | 25% |
| **S&P** | |
| Adjusted Net Debt [4] | 68 |
| Adjusted EBITDA [5] | 32 |
| Adjusted (Net Debt/EBITDA) | 2.1X |

*(A) TeliaSonera estimates*

1) *Cash and cash equivalents incl. STI < 3 months*
2) *Net debt + pensions (5) + non-standard adj. etc. (11) + operating lease adj. (13) + No deduction of positive Debt derivatives. (4)*
3) *Cash flow before change in working cap (28.5) + operating lease adj. (1.7 ) - aligned & unusual FFO (0.3) - ordinary dividend payment (common & minority) (10) ( Moody's approach)*
4) *Net debt + adj. incl. pensions & credit guarantees (7) + operating lease adj. (7) + No deduction of positive Debt derivatives (4) (S&P's approach)*
5) *Op income before D&A (40.8) – Associates (9.1) +operating lease effect etc. (+0.3) (S&P's approach)*

## TeliaSonera pensions obligations

- TeliaSonera uses defined benefit pension plans for most employees in Sweden, Finland & Norway
- TeliaSonera pension funds are funding vehicles for those pension obligations, the remainder recorded on the balance sheet, covered via credit guarantees
- Rating agencies would typically define our “pension gap” to be approximately SEK 5 billion

| *SEK billion* | 2008 | 2007 |
|---|---|---|
| Present value of pension obligation | 22.8 | 20.8 |
| Fair value of plan assets | 18.1 | 19.3 |
| Pension obligations less plan assets | 4.7 | 1.5 |
| Booked Pension Liability(+)/ Receivable(-) | -0.3 | 0.2 |
| **”Pension gap”** | **5.0** | 1.3 |



## TeliaSonera pensions obligations

Main reasons for the increase in the estimated “pension gap” by some SEK 3.7 billion (vs. Year end 2007)

- Decrease of discount rate for pension obligations: impact SEK 1 billion (Pension liabilities increased)
- Negative overall returns on assets: impact SEK 2.6 billion (Realized negative approx. SEK 1.6 billion vs. expected positive return SEK 1 billion)

TeliaSonera Group assumptions regarding pensions

| | Year end 2008 | Year end 2007 |
|---|---|---|
| Discount rate | 4.2% | 4.6% |
| Expected return on Plan Assets (Net) | 4.7% | 5.1% |
| Expected salary increase | 3.2% | 3.2% |

## TeliaSonera pensions obligations

TeliaSonera Group pension related risks

- Reduction of the discount rate for pension obligations by 100 bps from a level of 4.2%, would imply an increase in TeliaSonera Group pension liabilities, all else equal, by some SEK 3.9 billion
- The expected impact on fixed income Plan Assets, for the same change in overall interest rates, would imply an increase in value, all else equal, by some SEK 1 billion
- "Net impact" thus SEK 2.9 billion
(other Plan Assets assumed yielding a zero return)
- "Exogenous risks" include e.g. change in Life Expectancy



## TeliaSonera's funding strategy

- Liquidity position, as of March 31, 2009
  - Cash and cash equivalents, less blocked funds approx. SEK 14 billion
  - Available unutilized amount of committed bank credit lines approx. SEK 14 billion
- Primary means of external borrowing
  - EMTN (€7 billion) 1)
  - Swedish FTN (SEK 12 billion) 2)
  - ECP (€1 billion) 3)
- TeliaSonera's intention is to continue to refinance the outstanding Sonera ("TSF") debt as well as any new financing required
- Expected total (EMTN) funding need during the rest of 2009
  - None

*1) Approx. € 5.4 billion utilized of the EMTN*
*2) Approx. SEK 1.3 billion utilized of the FTN (in the form of CP's)*
*3) ECP programme presently unutilized*

# FX rates

| *Currency* | Average YTD Q1 2009 | Average YTD Q1 2008 | *Change %* |
|---|---|---|---|
| Azerbaijan / Manat | 10.3447 | 7.5000 | *38* |
| Denmark / Krone | 1.4691 | 1.2613 | *16* |
| Estonia / Kroon | 0.6996 | 0.6007 | *16* |
| EMU / Euro | 10.9463 | 9.3992 | *16* |
| Britain / Pound | 12.0453 | 12.4901 | *-4* |
| Georgia / Lari | 5.0242 | 4.0345 | *25* |
| Japan / Yen | 0.0898 | 0.0595 | *51* |
| Cambodia / Riel | 0.0021 | - | |
| Kazakhstan / Tenge | 0.0605 | 0.0525 | *15* |
| Lithuania / Litas | 3.1702 | 2.7222 | *16* |
| Latvia / Lat | 15.5024 | 13.4791 | *15* |
| Moldova / Leu | 0.7909 | 0.5684 | *39* |
| Norway / Krone | 1.2227 | 1.1833 | *3* |
| Nepal / Rupee | 0.1065 | - | |
| Russia / Rouble | 0.2468 | 0.2598 | *-5* |
| Tajikistani / Somoni | 2.2779 | 1.8284 | *25* |
| United States / Dollar | 8.3988 | 6.3299 | *33* |
| Uzbekistan / Sum | 0.0060 | 0.0049 | *22* |
| | Average Q4 2008 | Average Q4 2007 | *Change %* |
| Turkey / Lira | 5.0612 | 5.3871 | *-6* |

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