

## TeliaSonera January-September 2009

### Steady progress resulted in highest EBITDA to date

#### Third quarter

- Net sales increased 4.8 percent to SEK 27,069 million (25,817). Net sales in local currencies and excluding acquisitions were unchanged.
- The addressable cost base in local currencies and excluding acquisitions decreased 4.8 percent.
- EBITDA, excluding non-recurring items, increased 9.1 percent to SEK 9,763 million (8,949) and the margin to 36.1 percent (34.7). The increase in local currencies and excluding acquisitions was 4.3 percent.
- Operating income, excluding non-recurring items, increased 3.0 percent to SEK 8,453 million (8,203).
- Net income attributable to owners of the parent company rose to SEK 5,043 million (4,772) and earnings per share to SEK 1.12 (1.06).
- Free cash flow rose to SEK 4,583 million (2,829) due to higher EBITDA and approximately SEK 1.2 billion in dividend from Turkcell Holding.
- During the quarter the number of subscriptions grew by 4.2 million, of which 1.4 million new subscriptions in the majority-owned operations and 2.8 million in the associated companies, totaling 143.9 million.
- Group outlook for 2009 remains unchanged from the second quarter report 2009.

#### Nine-month period

- Net sales increased 8.3 percent to SEK 81,751 million (75,489). Net sales in local currencies and excluding acquisitions were unchanged.
- Net income attributable to owners of the parent company increased to SEK 13,952 million (13,367) and earnings per share to SEK 3.11 (2.98).
- Free cash flow rose to SEK 12,364 million (6,410).

### Financial highlights

SEK in millions, except key ratios, per share data and changes	Jul-Sep 2009	Jul-Sep 2008	Chg (%)	Jan-Sep 2009	Jan-Sep 2008	Chg (%)
Net sales	27,069	25,817	5	81,751	75,489	8
Addressable cost base <sup>1)</sup>	7,511	7,510	0	25,125	24,185	4
EBITDA <sup>2)</sup> excl. non-recurring items <sup>3)</sup>	9,763	8,949	9	27,627	24,682	12
Margin (%)	36.1	34.7		33.8	32.7	
Operating income	8,104	7,904	3	22,819	21,292	7
Operating income excl. non-recurring items	8,453	8,203	3	24,106	22,363	8
Net income	5,678	5,411	5	15,781	15,043	5
of which attributable to owners of the parent	5,043	4,772	6	13,952	13,367	4
Earnings per share (SEK)	1.12	1.06	6	3.11	2.98	4
Return on equity (% , rolling 12 months)	17.0	16.8		17.0	16.8	
CAPEX-to-sales (%)	12.0	13.8		11.4	14.9	
Free cash flow	4,583	2,829	62	12,364	6,410	93

1) Additional information available at [www.teliasonera.com/ir](http://www.teliasonera.com/ir).

2) Please refer to page 15 for definitions.

3) Non-recurring items; see table on page 19.

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the third quarter of 2008, unless otherwise stated.

## Comments by Lars Nyberg, President and CEO

“During the third quarter we reported the highest EBITDA, excluding non-recurring items, in the company’s history. It is also satisfactory that operating income improved 3 percent compared to last year, despite a notably lower income from associated companies driven by currency fluctuations and one-off items. Due to a healthy mix of mature and emerging markets, we have been able to keep our revenues in local currencies unchanged for the first nine months compared to the same period last year. I see this as an achievement given that the telecom sector is pressured by lower economic activity, regulatory intervention and reduced roaming due to decreased business travel.

The strong trend for mobile data and mobile broadband continued and we are confident that we will launch 4G services in Stockholm and Oslo as one of the first operators in the world. A pre-requisite for delivering dramatically increased speed is the availability of devices and we see our agreement with Samsung to deliver modems as an important milestone. We are positive that the tender process for 4G licenses will commence in the other Nordic countries later this year or early next year.

It is also encouraging that after focusing on improving the quality of the network in Nepal, the operation that we acquired a year ago, we were ready to increase marketing activities in early October and the initial response from this campaign is promising.

The situation in the Baltic countries remains challenging and it is too early to talk about any green shoots in the economy. However, we have demonstrated our long-term commitment to this region by increasing our ownership in Eesti Telekom in Estonia and TEO in Lithuania from 60 percent to approximately 98 percent and 65 percent respectively. Following the completion of the offer for Eesti Telekom, we decided to initiate a squeeze-out process. In general, we will continue to look for opportunities to increase ownership in our core holdings.

We are making steady progress in our efforts to reduce structural costs. Our addressable cost base has been reduced by 4.4 percent, in local currencies and excluding acquisitions, for the first nine months and we can also see effects within Mobility Services this quarter. We remain committed that our EBITDA margin for 2009 will be higher than last year and we continue to scrutinize ways to preserve a strong free cash flow generation.”

## Group outlook for 2009 (unchanged)

Net sales in local currencies and excluding acquisitions are expected to be in line with or slightly below the level of 2008. Currency fluctuations may have an increasing influence on reported figures in Swedish krona.

TeliaSonera will continue to invest in future growth and the quality of networks and services. We expect the addressable cost base in 2009 to be below the SEK 33.8 billion of 2008, in local currencies and excluding acquisitions. The EBITDA margin in 2009 is expected to exceed the 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 in the range of 13-14 percent in 2009.

## Efficiency measures

The intention is to keep the addressable cost base for 2009 below the SEK 33.8 billion of 2008, in local currencies and excluding acquisitions, and that the number of employees will be somewhat below 30,000 by year-end 2009 (32,171). In the first three quarters of 2009, the addressable cost base in local currencies and excluding acquisitions decreased 4.4 percent compared to last year's corresponding period. In the third quarter 2009, the decrease was 4.8 percent compared to the corresponding period last year. The number of employees was 30,131 at the end of the third quarter 2009.

Restructuring costs for 2008 and 2009, reported as non-recurring items, are estimated to be somewhat higher than SEK 3 billion. Restructuring costs in 2008 amounted to SEK 1.6 billion. These ongoing efficiency measures affect 2,900 employees in Sweden and Finland, about 1,300 in 2008 and about 1,600 in 2009, as announced in February 2008. In the first three quarters of 2009, approximately 400 employees in Finland and approximately 700 in Sweden left the company, agreed to be transferred to the competence pool in Finland or accepted an offer for early retirement.

## Review of the Group, third quarter 2009

**Net sales** increased 4.8 percent to SEK 27,069 million (25,817). Net sales in local currencies and excluding acquisitions were unchanged. The positive effect of acquisitions was 1.0 percent and exchange rate fluctuations 3.8 percent.

In Mobility Services, net sales rose 3.8 percent to SEK 12,755 million (12,287). Net sales in local currencies and excluding acquisitions decreased 1.7 percent. The positive effect of exchange rate fluctuations was 5.5 percent.

In Broadband Services, net sales rose 2.5 percent to SEK 10,780 million (10,513). Net sales in local currencies and excluding acquisitions decreased 2.5 percent. The positive effect of acquisitions was 0.9 percent and exchange rate fluctuations 4.1 percent.

In Eurasia, net sales rose 8.9 percent to SEK 3,714 million (3,410). Net sales in local currencies and excluding acquisitions increased 3.8 percent. The positive effect of acquisitions was 5.0 percent and exchange rate fluctuations 0.1 percent.

**The number of subscriptions** rose by 15.8 million from the end of the third quarter of 2008 to 143.9 million, of which approximately 6.6 million to 46.8 million in the majority-owned operations and 9.2 million to 97.1 million in the associated companies.

During the quarter the number of subscriptions grew by 4.2 million, of which 1.4 million new subscriptions in the majority-owned operations and 2.8 million in the associated companies.

**EBITDA**, excluding non-recurring items, increased 9.1 percent to SEK 9,763 million (8,949). The increase in local currencies and excluding acquisitions was 4.3 percent. Efficiency measures, mainly in Sweden and Finland, and further improvement in profitability in Eurasia contributed to the rise. The margin rose to 36.1 percent (34.7).

**Operating income**, excluding non-recurring items, rose to SEK 8,453 million (8,203) mainly due to higher EBITDA. Income from associated companies declined 18 percent to SEK 1,801 million (2,192), mainly driven by currency fluctuations and lower contribution from Turkcell due to one-off items.

**Non-recurring items** affecting operating income totaled SEK -349 million (-299). Non-recurring items included charges of approximately SEK -365 million (-650) related to efficiency measures. The comparable period in 2008 included the release of a provision of SEK 360 million related to a fiber network in France.

**Financial items** totaled SEK -541 million (-818), of which SEK -416 million (-741) related to net interest expenses. Financial items were positively affected by lower interest rates and lower net debt.

**Income taxes** amounted to SEK -1,885 million (-1,675). The effective tax rate increased to 24.9 percent (23.6).

**Minority interests** in subsidiaries totaled SEK 635 million (639), of which SEK 464 million (434) related to operations in Eurasia and SEK 155 million (197) to Eesti Telekom, LMT and TEO.

**Net income attributable to owners of the parent company** rose to SEK 5,043 million (4,772) and earnings per share to SEK 1.12 (1.06).

**CAPEX** was SEK 3,238 million (3,567) and the CAPEX-to-sales ratio decreased to 12.0 percent (13.8).

**Free cash flow** rose significantly to SEK 4,583 million (2,829). Higher EBITDA and approximately SEK 1.2 billion in dividend from Turkcell Holding had a positive effect.

**Net debt** was SEK 46,545 million at the end of the third quarter (50,777 at the end of the second quarter 2009).

**The equity/assets ratio** was 51.0 percent at the end of the third quarter (51.8 at the end of the second quarter 2009).

#### **Acquisitions and divestitures**

- TeliaSonera's subsidiary NextGenTel AS, the second-largest Norwegian broadband supplier, acquired the broadband and VoIP business of Tele2 Norge on July 1, 2009, for SEK 107 million in cash. The operations were consolidated as of the same date.

#### **Significant events after the end of the third quarter**

- TeliaSonera announced on October 13, 2009, that following a successful completion of the cash offer for all outstanding shares in AS Eesti Telekom, the shareholding of TeliaSonera AB increased to 97.58 percent (60.12). TeliaSonera has therefore decided to initiate a squeeze-out process.
- TeliaSonera announced on October 13, 2009, that following the completion of the cash offer for all outstanding shares in TEO LT, AB, TeliaSonera controlled 68.08 percent (62.94) of the voting shares and 64.90 percent (60.00) of the company's capital.

## Sweden continued to perform well in Mobility Services

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

- The impact of the economic downturn was visible in most countries in terms of lower equipment sales and reduced roaming due to less business travel. Regulatory intervention remained a prime cause of price pressure in all markets and impacted net sales negatively by approximately 3 percent in the third quarter of 2009.
- In Sweden, the strong trend for mobile data and mobile broadband continued. The revenue decline in the other Nordic countries was mainly driven by regulatory effects and the loss of a service provider agreement in Norway. The situation in the Baltic countries remained challenging and the economic recession continued to cause substantial sales declines in local currencies.

SEK in millions, except margins, operational data and changes	Jul-Sep 2009	Jul-Sep 2008	Chg (%)	Jan-Sep 2009	Jan-Sep 2008	Chg (%)
Net sales	12,755	12,287	4	38,363	35,877	7
EBITDA excl. non-recurring items	3,971	3,841	3	11,103	10,892	2
Margin (%)	31.1	31.3		28.9	30.4	
Operating income	2,778	2,649	5	7,460	7,243	3
Operating income excl. non-recurring items	2,883	2,753	5	7,790	7,560	3
CAPEX	734	705	4	2,502	3,322	-25
MoU	190	191	-1	191	195	-2
ARPU, blended (SEK)	212	218	-3	219	223	-2
Churn, blended (%)	28	27		28	27	
Subscriptions, period-end (thousands)	16,589	15,450	7	16,589	15,450	7
Employees, period-end	7,813	8,420	-7	7,813	8,420	-7

Additional segment information available at [www.teliaSonera.com/ir](http://www.teliaSonera.com/ir)

- **Net sales** rose 3.8 percent to SEK 12,755 million (12,287). Net sales in local currencies and excluding acquisitions decreased 1.7 percent. The positive effect from exchange rate fluctuations was 5.5 percent.

In local currencies, net sales grew in Sweden and Spain. Net sales in Sweden rose 4.6 percent to SEK 3,553 million (3,398), mainly as a result of strong growth in mobile data, an increasing number of paying mobile broadband subscribers and increased sales in own channels. In Spain, Yoigo continued to strengthen its market position by offering low-price services and net sales in local currency almost doubled compared to the third quarter of 2008.

In Norway, net sales in local currency decreased 9.7 percent mainly as a result of the loss of the national roaming agreement with Network Norway and a reduction in interconnect fees from July 1, 2009. In Finland and Denmark, net sales in local currencies fell 4.6 percent and 3.7 percent, respectively, due to a decline in postpaid traffic and roaming, primarily in the business segment.

The situation in Lithuania and Latvia worsened from the previous quarter and net sales in local currencies decreased by 25.2 percent and 27.5 percent, respectively, compared to the third quarter of 2008, mainly due to lower equipment sales and declining traffic revenues. In Estonia, trends improved somewhat compared to the previous quarter although net sales in local currency decreased by 16.5 percent compared to the third quarter of 2008.

- **Interconnect fees** that TeliaSonera receives from other mobile operators were lowered further in Sweden on July 1, 2009, from SEK 0.43 to SEK 0.32. On the same day fees in Norway were lowered from NOK 0.60 to NOK 0.50. In Denmark, interconnect fees were lowered from DKK 0.62 to DKK 0.54 on May 1, 2009. In Finland, interconnect fees were lowered from EUR 0.051 to EUR 0.049 on January 1, 2009. On the same date, fees in Lithuania were reduced from LTL 0.337 to LTL 0.267.
- **The number of subscriptions** rose by 1.1 million from the third quarter 2008 to 16.6 million. Growth was strongest in Spain with an increase of 562,000 subscriptions to 1.3 million. Sweden followed with 379,000 new subscriptions and Finland with 187,000. During the quarter, the total number of subscriptions rose by 305,000, with Spain showing the largest increase. In Finland, subscriber intake improved compared to previous quarters, mainly driven by a strong intake of mobile broadband subscribers, and 92,000 new subscriptions were registered in the third quarter of 2009.
- **EBITDA**, excluding non-recurring items, increased 3.4 percent to SEK 3,971 million (3,841). Addressable costs in local currencies and excluding acquisitions decreased 2.5 percent compared to last year. The EBITDA margin was stable compared to last year at 31.1 percent (31.3).

In Sweden, EBITDA excluding non-recurring items increased 7.9 percent to SEK 1,476 million (1,368) as a result of increased sales in own channels, focus on profitable products and unchanged costs. Despite a continued strong subscriber intake, the EBITDA loss in Spain narrowed to SEK 209 million (339).

In Norway, the decrease in net sales in local currency was compensated for by reduced costs and the EBITDA margin improved to 37.6 percent (35.1). Margins in Finland and Denmark were essentially unchanged compared to last year at 33.7 percent (34.1) and 22.8 percent (22.7), respectively, as lower sales were offset by reductions in personnel and subscriber acquisition costs.

In Lithuania, operating costs were successfully reduced and the EBITDA margin remained largely at the same level as last year at 33.8 percent (34.0). In Latvia and Estonia, cost savings did not fully compensate for the decline in sales and margins fell to 38.6 percent (40.5) and 35.7 percent (39.0), respectively.

- **CAPEX** was SEK 734 million (705) and the CAPEX-to-sales ratio 5.8 percent (5.7). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 3,237 million (3,136).

<b>SEK in millions, except margins and changes</b>	<b>Jul-Sep 2009</b>	<b>Jul-Sep 2008</b>	<b>Chg (%)</b>	<b>Jan-Sep 2009</b>	<b>Jan-Sep 2008</b>	<b>Chg (%)</b>
Net sales	12,755	12,287	4	38,363	35,877	7
of which Sweden	3,553	3,398	5	10,490	9,927	6
of which Finland	2,526	2,411	5	7,863	7,239	9
of which Norway	2,238	2,447	-9	6,757	7,144	-5
of which Denmark	1,831	1,727	6	5,546	5,052	10
of which Lithuania	562	683	-18	1,731	2,024	-14
of which Latvia	549	687	-20	1,776	1,972	-10
of which Estonia	538	584	-8	1,584	1,670	-5
of which Spain	1,086	503	116	3,011	1,258	139
EBITDA excl. non-recurring items	3,971	3,841	3	11,103	10,892	2
of which Sweden	1,476	1,368	8	4,127	3,758	10
of which Finland	851	821	4	2,530	2,360	7
of which Norway	841	860	-2	2,386	2,559	-7
of which Denmark	417	392	6	1,035	992	4
of which Lithuania	190	232	-18	575	713	-19
of which Latvia	212	278	-24	742	863	-14
of which Estonia	192	228	-16	583	642	-9
of which Spain	-209	-339	-38	-876	-996	-12
Margin (%), total	31.1	31.3		28.9	30.4	
Margin (%), Sweden	41.5	40.3		39.3	37.9	
Margin (%), Finland	33.7	34.1		32.2	32.6	
Margin (%), Norway	37.6	35.1		35.3	35.8	
Margin (%), Denmark	22.8	22.7		18.7	19.6	
Margin (%), Lithuania	33.8	34.0		33.2	35.2	
Margin (%), Latvia	38.6	40.5		41.8	43.8	
Margin (%), Estonia	35.7	39.0		36.8	38.4	
Margin (%), Spain	neg	neg		neg	neg	

## Significant cash flow improvement in Broadband Services

**Business area Broadband Services** provides mass-market services for connecting homes and offices. 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.

- The economic downturn has so far had a limited impact on net sales and the improving trend compared to the second quarter of 2009 was mainly related to the price increases in Sweden. Efforts to reduce operating expenses also significantly improved profitability and cash flow compared to last year. The loss of fixed-voice subscriptions continued but was partly compensated for by a strong demand for bundled offerings, including IPTV and VoIP subscriptions.
- Investments are being directed into fiber access and transmission networks to support services requiring higher bandwidth, such as IPTV and broadband. Around 80 percent of capital expenditures within Broadband Services are now allocated to fiber and IP. TeliaSonera strengthened its market position in IPTV in the Baltic countries and Sweden.

SEK in millions, except margins, operational data and changes	Jul-Sep 2009	Jul-Sep 2008	Chg (%)	Jan-Sep 2009	Jan-Sep 2008	Chg (%)
Net sales	10,780	10,513	3	32,484	31,516	3
EBITDA excl. non-recurring items	3,810	3,363	13	10,652	9,153	16
Margin (%)	35.3	32.0		32.8	29.0	
Operating income	2,302	1,607	43	5,646	4,316	31
Operating income excl. non-recurring items	2,536	2,076	22	6,708	5,370	25
CAPEX	1,007	1,265	-20	3,275	3,826	-14
Broadband ARPU (SEK)	314	278	13	311	265	17
Subscriptions, period-end (thousands)						
Broadband	2,351	2,255	4	2,351	2,255	4
Fixed voice	5,348	5,921	-10	5,348	5,921	-10
Associated company, total	755	774	-2	755	774	-2
Employees, period-end	13,994	15,911	-12	13,994	15,911	-12

Additional segment information available at [www.teliaSonera.com/ir](http://www.teliaSonera.com/ir)

- **Net sales** increased 2.5 percent to SEK 10,780 million (10,513). However, in local currencies and excluding acquisitions net sales decreased 2.5 percent. The positive effects from acquisitions and exchange rate fluctuations were 0.9 percent and 4.1 percent, respectively. Sales of IP-based services increased 17.6 percent in reported currency and now represent approximately 35 percent of Broadband Services' total net sales.

In Sweden, net sales decreased 1.8 percent to SEK 4,619 million (4,704), an improvement compared to the second quarter of 2009. Growth in IP-based services remained strong and revenues for IPTV more than doubled compared to last year. The price increases in fixed telephony in Sweden that were announced in March 2009 also had a positive impact in the third quarter.

In Denmark, Finland and Norway, net sales in local currencies and excluding acquisitions decreased by 1-4 percent as sales of IP-based services could not fully offset the decline in traditional fixed-voice services and equipment sales. The acquisition of the broadband and VoIP business of Tele2 Norge impacted reported net sales positively by approximately SEK 90 million in the third quarter of 2009.



- **The number of subscriptions** for broadband access rose to 2,351,000, an increase of 96,000 from the third quarter of 2008 and an increase of 63,000 during the quarter.

The total number of TV subscriptions rose by 109,000 from the third quarter of 2008 to 739,000, of which 561,000 were IPTV subscriptions. More than 20 percent of TeliaSonera's broadband customers also subscribe to the IPTV services. The total number of IPTV subscriptions increased by 29,000 during the quarter, of which 17,000 in Sweden.

The number of fixed-voice subscriptions decreased by 573,000 from the third quarter of 2008 to 5,348,000, and was down 143,000 from the second quarter of 2009. The intake of VoIP subscriptions was strong and reached 56,000 in the quarter, bringing the total number of VoIP subscriptions to 295,000.

- **EBITDA**, excluding non-recurring items, increased 13.3 percent to SEK 3,810 million (3,363). Addressable costs in local currencies and excluding acquisitions fell 14.5 percent compared to last year, with the Swedish and Finnish operations showing the largest decline, 18 percent in total. The EBITDA margin improved to 35.3 percent (32.0).

In Sweden, the EBITDA margin improved to 41.0 percent (31.4) due to lower operating expenses as a result of efficiency measures, improved gross margin and lower interconnect costs.

In Finland, price increases, improved cost efficiency and lower maintenance and subcontractor costs lifted the EBITDA margin to 36.4 percent (34.3). In Norway, the consolidation of Tele2 Norge in the third quarter of 2009 diluted the EBITDA margin to 16.2 percent (18.3).

In Estonia, the decrease in net sales in local currency was compensated for by reduced costs and the EBITDA margin improved to 30.2 percent (25.9). Despite a strong intake of IPTV and broadband subscriptions in Lithuania, the EBITDA margin improved somewhat to 42.7 percent (42.2) compared to the third quarter of 2008.

- **CAPEX** was SEK 1,007 million (1,265) and the CAPEX-to-sales ratio 9.3 percent (12.0). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 2,803 million (2,098).

<b>SEK in millions, except margins and changes</b>	<b>Jul-Sep 2009</b>	<b>Jul-Sep 2008</b>	<b>Chg (%)</b>	<b>Jan-Sep 2009</b>	<b>Jan-Sep 2008</b>	<b>Chg (%)</b>
Net sales	10,780	10,513	3	32,484	31,516	3
of which Sweden	4,619	4,704	-2	14,044	14,361	-2
of which Finland	1,636	1,520	8	5,130	4,593	12
of which Norway	315	230	37	790	689	15
of which Denmark	259	239	8	811	735	10
of which Lithuania	630	557	13	1,916	1,671	15
of which Estonia	540	560	-4	1,610	1,557	3
of which Wholesale	3,124	3,047	3	9,212	8,840	4
EBITDA excl. non-recurring items	3,810	3,363	13	10,652	9,153	16
of which Sweden	1,894	1,477	28	5,022	4,100	22
of which Finland	596	522	14	1,703	1,099	55
of which Norway	51	42	21	157	142	11
of which Denmark	7	-44		58	-83	
of which Lithuania	269	235	15	867	738	17
of which Estonia	163	145	12	487	435	12
of which Wholesale	829	987	-16	2,357	2,720	-13
Margin (%), total	35.3	32.0		32.8	29.0	
Margin (%), Sweden	41.0	31.4		35.8	28.5	
Margin (%), Finland	36.4	34.3		33.2	23.9	
Margin (%), Norway	16.2	18.3		19.9	20.6	
Margin (%), Denmark	2.7	neg		7.2	neg	
Margin (%), Lithuania	42.7	42.2		45.3	44.2	
Margin (%), Estonia	30.2	25.9		30.2	27.9	
Margin (%), Wholesale	26.5	32.4		25.6	30.8	

## Profitability improved from already high levels in Eurasia

**Business area Eurasia** comprises mobile operations 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 strategy is to create shareholder value by increasing penetration and introducing value-added services in each respective country.

- Eurasia showed good growth in terms of volumes and traffic minutes grew by more than 50 percent compared to last year. The economic downturn has not had a major effect on usage but customers have become more price-sensitive. Revenue growth has been negatively affected in markets where the economic downturn was most evident. Profitability improved despite decreasing average price per minute in all markets.
- TeliaSonera maintained market leadership in Kazakhstan, Azerbaijan, Tajikistan and Georgia. At the end of June 2009, Ucell became the second largest mobile operator in Uzbekistan. TeliaSonera maintained its positions in all other markets.

SEK in millions, except margins, operational data and changes	Jul-Sep 2009	Jul-Sep 2008	Chg (%)	Jan-Sep 2009	Jan-Sep 2008	Chg (%)
Net sales	3,714	3,410	9	11,241	8,985	25
EBITDA excl. non-recurring items	1,894	1,703	11	5,659	4,464	27
Margin (%)	51.0	49.9		50.3	49.7	
Income from associated companies						
Russia	1,171	1,359	-14	3,672	3,720	-1
Turkey	601	819	-27	2,283	2,700	-15
Operating income	3,103	3,445	-10	9,771	9,620	2
Operating income excl. non-recurring items	3,103	3,445	-10	9,771	9,620	2
CAPEX	1,362	1,415	-4	2,932	3,555	-18
Subscriptions, period-end (thousands)						
Subsidiaries	21,093	15,408	37	21,093	15,408	37
Associated companies	96,324	87,140	11	96,324	87,140	11
Employees, period-end	4,722	4,108	15	4,722	4,108	15

Additional segment information available at [www.teliaSonera.com/ir](http://www.teliaSonera.com/ir)

### Consolidated operations

- **Net sales** rose 8.9 percent to SEK 3,714 million (3,410). Consolidated since October 1, 2008, the operations in Nepal and Cambodia affected net sales positively by 5.0 percent. Organic growth in local currencies was 3.8 percent. The positive effect from exchange rate fluctuations was 0.1 percent.

Net sales in local currency in Uzbekistan increased by more than 140 percent and in Tajikistan by 45 percent. In Kazakhstan, the growth in local currency was 1.2 percent which was lower than in the second quarter of 2009. Development in Azerbaijan was negatively affected by lower interconnect prices and price reductions in June and net sales in local currency declined by 12.6 percent compared to the third quarter of 2008.

- **The number of subscriptions** in the majority-owned operations was 21.1 million, an increase by 5.7 million, or 37 percent, from the third quarter of 2008, including 2.0 million subscriptions from the acquired operations in Nepal and Cambodia. Subscription growth excluding acquisitions was 24 percent. Growth was strongest in Uzbekistan with a rise of 2.7 million subscriptions to 4.8 million. During the quarter the total number of subscriptions in Eurasia rose by 1.0 million.
- **EBITDA**, excluding non-recurring items, increased 11.2 percent to SEK 1,894 million (1,703). The EBITDA margin rose to 51.0 percent (49.9), driven by a balanced-growth approach and efficient cost control. The improvement in profitability was achieved despite price erosion caused by growing competition and increasing price sensitivity among customers.
- **CAPEX** decreased to SEK 1,362 million (1,415) and included continued investments in capacity, coverage and higher service quality in the networks, particularly in Kazakhstan, Uzbekistan and Nepal. The CAPEX-to-sales ratio fell to 36.7 percent (41.5). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 532 million (288).

SEK in millions, except changes	Jul-Sep	Jul-Sep	Chg	Jan-Sep	Jan-Sep	Chg
	2009	2008	(%)	2009	2008	(%)
Net sales	3,714	3,410	9	11,241	8,985	25
of which Kazakhstan	1,635	1,737	-6	4,970	4,599	8
of which Azerbaijan	952	934	2	2,942	2,477	19
of which Uzbekistan	303	121	150	889	290	207
of which Tajikistan	192	141	36	545	337	62
of which Georgia	344	376	-9	1,018	1,005	1
of which Moldova	124	105	18	369	293	26
of which Nepal	163	–		505	–	
of which Cambodia	8	–		24	–	

### Associated companies – Russia

- MegaFon (associated company, in which TeliaSonera holds 43.8 percent) in Russia increased its subscription base by 2.7 million to 48.3 million from the end of the second quarter, and by 6.6 million or 16 percent, from the third quarter of 2008. MegaFon maintained its market share in terms of subscriptions during the quarter of 23 percent.
- TeliaSonera's income from Russia decreased to SEK 1,171 million (1,359). The Russian ruble depreciated 6.1 percent against the Swedish krona which had a negative impact of SEK 138 million.

### Associated companies – Turkey

- Turkcell (associated company, in which TeliaSonera holds 37.3 percent, reported with a one-quarter lag) in Turkey grew its subscription base to 36.3 million, an increase of 0.9 million from the corresponding period last year, but a decrease of 0.1 million from the previous quarter. In Ukraine, the number of subscriptions rose by 1.7 million to 11.7 million and by 0.2 million during the quarter.
- TeliaSonera's income from Turkey decreased to SEK 601 million (819). The main reason was litigation provisions that amounted to TRY 145 million and affected TeliaSonera's income by approximately SEK -280 million. The Turkish lira appreciated 6.1 percent against the Swedish krona, which had a positive impact of SEK 35 million.

- On September 25, 2009, Turkcell Holding's General Assembly decided to pay a total net cash dividend of TRY 527 million (SEK 2.7 billion). TeliaSonera's share is approximately SEK 1.2 billion. As a result, TeliaSonera received approximately SEK 1.9 billion (1.1) in dividends from Turkcell in 2009, of which SEK 1.2 billion was paid in the third quarter of 2009 through Turkcell Holding.

## 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	Jul-Sep 2009	Jul-Sep 2008	Chg (%)	Jan-Sep 2009	Jan-Sep 2008	Chg (%)
Net sales	1,316	1,136	16	4,002	3,459	16
EBITDA excl. non-recurring items	109	56	95	211	198	7
Income from associated companies	-11	1		187	-7	
Operating income	-63	209		-74	113	
Operating income excl. non-recurring items	-52	-65	-20	-178	-187	-5
CAPEX	134	184	-27	575	569	1

Additional segment information available at [www.teliaSonera.com/ir](http://www.teliaSonera.com/ir)

- Net sales** increased 15.8 percent to SEK 1,316 million (1,136). In local currencies and excluding acquisitions, net sales increased 8.9 percent.

Net sales in the cable TV company Stofa increased 31.1 percent to SEK 400 million (305). In local currency, net sales grew 18.5 percent. The number of subscriptions for broadband access decreased by 3,000 from the third quarter of 2008 to 147,000, while the number of subscriptions for cable TV increased by 7,000 to 216,000.

Stockholm, October 28, 2009

Lars Nyberg  
President and CEO

## Auditors' Review Report

We have reviewed the condensed interim financial information for the period January 1 – September 30, 2009, for TeliaSonera AB. The Board of Directors and the President and CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group, and with the Annual Accounts Act for the Parent Company.

Stockholm, October 28, 2009

PricewaterhouseCoopers AB

Göran Tidström  
Authorized Public Accountant  
Auditor in charge

Håkan Malmström  
Authorized Public Accountant

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 October 28, 2009.

## *Financial Information*

Year-end Report January–December 2009	February 11, 2010
Annual General Meeting 2010 in Stockholm	April 7, 2010
Interim Report January–March 2010	April 20, 2010
Interim Report January–June 2010	July 20, 2010
Interim Report January–September 2010	October 25, 2010

## *Questions regarding the reports:*

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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.

## Condensed Consolidated Statements of Comprehensive Income

SEK in millions, except per share data, number of shares and changes	Jul-Sep 2009	Jul-Sep 2008	Chg (%)	Jan-Sep 2009	Jan-Sep 2008	Chg (%)
Net sales	27,069	25,817	5	81,751	75,489	8
Cost of sales	-15,167	-14,120	7	-45,835	-41,883	9
<b>Gross profit</b>	<b>11,902</b>	<b>11,697</b>	<b>2</b>	<b>35,916</b>	<b>33,606</b>	<b>7</b>
Selling, admin. and R&D expenses	-5,318	-5,779	-8	-18,234	-18,106	1
Other operating income and expenses, net	-281	-206	36	-1,075	-598	80
Income from associated companies and joint ventures	1,801	2,192	-18	6,212	6,390	-3
<b>Operating income</b>	<b>8,104</b>	<b>7,904</b>	<b>3</b>	<b>22,819</b>	<b>21,292</b>	<b>7</b>
Finance costs and other financial items, net	-541	-818	-34	-2,188	-1,462	50
<b>Income after financial items</b>	<b>7,563</b>	<b>7,086</b>	<b>7</b>	<b>20,631</b>	<b>19,830</b>	<b>4</b>
Income taxes	-1,885	-1,675	13	-4,850	-4,787	1
<b>Net income</b>	<b>5,678</b>	<b>5,411</b>	<b>5</b>	<b>15,781</b>	<b>15,043</b>	<b>5</b>
Foreign currency translation differences	-9,424	6,886		-10,682	2,964	
Income from associated companies	-6	-74		199	43	
Cash flow hedges	-13	-47		58	-7	
Available-for-sale financial instruments	-3	7		33	-60	
Income taxes relating to other comprehen- sive income	-238	79		-348	65	
<b>Other comprehensive income</b>	<b>-9,684</b>	<b>6,851</b>		<b>-10,740</b>	<b>3,005</b>	
<b>Total comprehensive income</b>	<b>-4,006</b>	<b>12,262</b>		<b>5,041</b>	<b>18,048</b>	<b>-72</b>
Net income attributable to:						
Owners of the parent	5,043	4,772	6	13,952	13,367	4
Minority interests	635	639	-1	1,829	1,676	9
Total comprehensive income attributable to:						
Owners of the parent	-4,070	10,940		5,202	16,024	-68
Minority interests	64	1,322	-95	-161	2,024	
Earnings per share (SEK), basic and diluted	1.12	1.06	6	3.11	2.98	4
Number of shares (thousands)						
Outstanding at period-end	4,490,457	4,490,457		4,490,457	4,490,457	
Weighted average, basic and diluted	4,490,457	4,490,457		4,490,457	4,490,457	
EBITDA	9,431	8,691	9	26,255	23,693	11
EBITDA excl. non-recurring items	9,763	8,949	9	27,627	24,682	12
Depreciation, amortization and impairment losses	-3,128	-2,979	5	-9,648	-8,791	10
Operating income excl. non-recurring items	8,453	8,203	3	24,106	22,363	8



## Condensed Consolidated Statements of Financial Position

SEK in millions	Sep 30, 2009	Dec 31, 2008
<b>Assets</b>		
Goodwill and other intangible assets	96,768	100,968
Property, plant and equipment	57,870	61,946
Investments in associates and joint ventures, deferred tax assets and other non-current assets	59,462	62,265
<i>Total non-current assets</i>	<i>214,100</i>	<i>225,179</i>
Inventories	1,467	1,673
Trade receivables, current tax assets and other receivables	21,447	23,434
Interest-bearing receivables	1,867	2,147
Cash and cash equivalents	17,063	11,826
<i>Total current assets</i>	<i>41,844</i>	<i>39,080</i>
<i>Non-current assets held-for-sale</i>	<i>39</i>	<i>27</i>
<b>Total assets</b>	<b>255,983</b>	<b>264,286</b>
<b>Equity and liabilities</b>		
Equity attributable to owners of the parent	127,506	130,387
Minority interests	9,185	11,061
<i>Total equity</i>	<i>136,691</i>	<i>141,448</i>
Long-term borrowings	55,340	54,178
Deferred tax liabilities, other long-term provisions	24,544	24,594
Other long-term liabilities	1,692	2,565
<i>Total non-current liabilities</i>	<i>81,576</i>	<i>81,337</i>
Short-term borrowings	11,309	11,621
Trade payables, current tax liabilities, short-term provisions and other current liabilities	26,407	29,880
<i>Total current liabilities</i>	<i>37,716</i>	<i>41,501</i>
<b>Total equity and liabilities</b>	<b>255,983</b>	<b>264,286</b>

## Condensed Consolidated Statements of Cash Flows

SEK in millions	Jul-Sep 2009	Jul-Sep 2008	Jan-Sep 2009	Jan-Sep 2008
Cash flow before change in working capital	7,846	7,408	23,640	19,180
Change in working capital	-47	-998	-1,951	-1,487
<b>Cash flow from operating activities</b>	<b>7,799</b>	<b>6,410</b>	<b>21,689</b>	<b>17,693</b>
Cash CAPEX	-3,216	-3,581	-9,325	-11,283
<b>Free cash flow</b>	<b>4,583</b>	<b>2,829</b>	<b>12,364</b>	<b>6,410</b>
Cash flow from other investing activities	-374	-436	-935	50
<b>Total cash flow from investing activities</b>	<b>-3,590</b>	<b>-4,017</b>	<b>-10,260</b>	<b>-11,233</b>
<b>Cash flow before financing activities</b>	<b>4,209</b>	<b>2,393</b>	<b>11,429</b>	<b>6,460</b>
<b>Cash flow from financing activities</b>	<b>-605</b>	<b>-148</b>	<b>-5,567</b>	<b>-5,695</b>
<b>Cash flow for the period</b>	<b>3,604</b>	<b>2,245</b>	<b>5,862</b>	<b>765</b>
<b>Cash and cash equivalents, opening balance</b>	<b>14,442</b>	<b>6,246</b>	<b>11,826</b>	<b>7,802</b>
Cash flow for the period	3,604	2,245	5,862	765
Exchange rate differences	-983	308	-625	232
<b>Cash and cash equivalents, closing balance</b>	<b>17,063</b>	<b>8,799</b>	<b>17,063</b>	<b>8,799</b>

## Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Sep 2009			Jan-Sep 2008		
	Owners of the parent	Minority interests	Total equity	Owners of the parent	Minority interests	Total equity
Opening balance	130,387	11,061	141,448	117,274	9,783	127,057
Dividends	-8,083	-1,626	-9,709	-17,962	-1,480	-19,442
Transactions with minority interests	–	-89	-89	–	-1,527	-1,527
Total comprehensive income	5,202	-161	5,041	16,024	2,024	18,048
<b>Closing balance</b>	<b>127,506</b>	<b>9,185</b>	<b>136,691</b>	<b>115,336</b>	<b>8,800</b>	<b>124,136</b>

### Basis of Preparation

*General.* As in the annual accounts for 2008, TeliaSonera's consolidated financial statements as of and for the nine-month period ended September 30, 2009, 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).* On October 8, 2009, an amendment on classification of rights issues to IAS 32 *Financial Instruments: Presentation* (effective for annual periods beginning on or after February 1, 2010; to be applied retrospectively, earlier application permitted) was published, addressing the accounting for issues of rights, options or warrants not being denominated in the issuer's functional currency. While previously accounted for as derivative liabilities, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendment is currently not relevant to TeliaSonera.

For additional information, see corresponding sections in TeliaSonera's Interim Report January-June 2009, Interim Report January-March 2009 and Annual Report 2008.

## Non-recurring Items

	Jul-Sep 2009	Jul-Sep 2008	Jan-Sep 2009	Jan-Sep 2008
<b>SEK in millions</b>				
<b>Within EBITDA</b>	<b>-332</b>	<b>-258</b>	<b>-1,372</b>	<b>-989</b>
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-105	-104	-330	-314
Broadband Services	-219	-429	-1,015	-975
Other operations	-8	275	-27	300
<i>of which TeliaSonera Holding</i>	-4	337	2	386
<b>Within Depreciation, amortization and impairment losses</b>	<b>-15</b>	<b>-41</b>	<b>-47</b>	<b>-82</b>
Impairment losses, accelerated depreciation:				
Mobility Services	-	-	-	-3
Broadband Services	-15	-41	-47	-79
<b>Within Income from associated companies and joint ventures</b>	<b>-2</b>	<b>-</b>	<b>132</b>	<b>-</b>
Capital gains:				
SmartTrust	-2	-	132	-
<b>Within Finance costs and other financial items, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>290</b>
Penalty interest:				
Tele2	-	-	-	290
<b>Total</b>	<b>-349</b>	<b>-299</b>	<b>-1,287</b>	<b>-781</b>

## Deferred Taxes

	Sep 30, 2009	Dec 31, 2008
<b>SEK in millions</b>		
Deferred tax assets	11,793	13,206
Deferred tax liabilities	-12,880	-11,260
<b>Net deferred tax assets (+)/liabilities (-)</b>	<b>-1,087</b>	<b>1,946</b>

## Segment and Group Operating Income

	Jul-Sep 2009	Jul-Sep 2008	Jan-Sep 2009	Jan-Sep 2008
<b>SEK in millions</b>				
Mobility Services	2,778	2,649	7,460	7,243
Broadband Services	2,302	1,607	5,646	4,316
Eurasia	3,103	3,445	9,771	9,620
Other operations	-63	209	-74	113
<b>Total segments</b>	<b>8,120</b>	<b>7,910</b>	<b>22,803</b>	<b>21,292</b>
Elimination of inter-segment profits	-16	-6	16	0
<b>Group</b>	<b>8,104</b>	<b>7,904</b>	<b>22,819</b>	<b>21,292</b>

## Related Party Transactions

*MegaFon.* As of September 30, 2009, TeliaSonera had interest-bearing claims of SEK 328 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 and nine-month periods ended September 30, 2009, TeliaSonera purchased services from its 50 percent-owned joint venture, Svenska UMTS-nät AB, worth SEK 171 million and SEK 524 million, respectively, and sold services worth SEK 106 million and SEK 259 million, respectively.

## Investments

	Jul-Sep 2009	Jul-Sep 2008	Jan-Sep 2009	Jan-Sep 2008
<b>SEK in millions</b>				
<b>CAPEX</b>	<b>3,238</b>	<b>3,567</b>	<b>9,286</b>	<b>11,272</b>
Intangible assets	587	574	1,259	1,736
Property, plant and equipment	2,651	2,993	8,027	9,536
<b>Acquisitions and other investments</b>	<b>91</b>	<b>264</b>	<b>194</b>	<b>4,219</b>
Asset retirement obligations	—	—	12	—
Goodwill and fair value adjustments	91	261	171	4,192
Equity holdings	—	3	11	27
<b>Total</b>	<b>3,329</b>	<b>3,831</b>	<b>9,480</b>	<b>15,491</b>

## Net Debt

	Sep 30, 2009	Dec 31, 2008
<b>SEK in millions</b>		
Long-term and short-term borrowings	66,649	65,799
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings	-2,534	-4,327
Less short-term investments, cash and bank	-17,570	-12,858
<b>Net debt</b>	<b>46,545</b>	<b>48,614</b>

## Loan Financing

The underlying cash flow generation was positive also in the third quarter of 2009.

Conditions for funding activities have continued to improve during the early autumn and TeliaSonera issued some longer-dated bond financing in Norwegian krone during the latter part of the quarter, with final maturity in 2021. So far, no short-dated debt issuance has been made in 2009.

TeliaSonera is well funded for the remainder of the year also considering share purchases following the bids for AS Eesti Telekom in Estonia and TEO LT, AB in Lithuania.

Overall financial market sentiment has improved after the first quarter, with credit spreads tightening from the high levels in the very early part of the year, and some signs of a recovery in the general economy are visible. However, it is still too early to tell if the current positive trend will continue, since real economy effects and credit losses tend to lag, and the current monetary policy in most countries is extremely loose. The Swedish krona remains weak in a historical perspective.

## Financial Key Ratios

	<b>Sep 30, 2009</b>	<b>Dec 31, 2008</b>
Return on equity (% , rolling 12 months)	17.0	17.2
Return on capital employed (% , rolling 12 months)	17.1	17.3
Equity/assets ratio (%)	51.0	50.5
Net debt/equity ratio (%)	35.9	36.5
Owners' equity per share (SEK)	28.39	29.04

## Business Combinations in the Third Quarter

For minor business combinations in the third quarter, the cost of combination totaled SEK 107 million and the net cash outflow SEK 107 million. Goodwill was SEK 48 million, allocated to business area Broadband Services. Goodwill is explained by strengthened market positions. The total cost of combination and fair values were determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

## Guarantees and Collateral Pledged

At September 30, 2009, the maximum potential future payments that TeliaSonera could be required to make under issued financial guarantees totaled SEK 2,426 million, of which SEK 2,150 million referred to credit guarantees on behalf of Svenska UMTS-nät AB. Collateral pledged totaled SEK 1,091 million, mainly referring to blocked funds in bank accounts related to Ipse 2000 S.p.A.'s future license payments, certain court proceedings and shares in Svenska UMTS-nät.

## Contractual Obligations

Contractual obligations at September 30, 2009, totaled SEK 1,588 million, of which SEK 1,258 million referred to contracted build-out of TeliaSonera's mobile network services in Sweden and Spain as well as its fixed network services in Sweden and Finland.

## Parent Company

<b>Condensed Income Statements</b> <b>(SEK in millions)</b>	<b>Jul-Sep</b> <b>2009</b>	<b>Jul-Sep</b> <b>2008</b>	<b>Jan-Sep</b> <b>2009</b>	<b>Jan-Sep</b> <b>2008</b>
Net sales	3,648	4,061	11,263	12,244
Gross profit	294	865	1,267	2,221
Operating income	-38	529	-140	21,693
Income after financial items	2,875	-105	10,644	20,439
Income before taxes	3,006	-65	10,952	30,366
Net income	3,003	-56	10,948	30,375

Net sales, primarily related to fixed network services and broadband application services in Sweden, declined due to migration to mobile services and lower-priced IP-based services. Out of the total net sales in the nine-month period, SEK 8,995 million (9,619) was billed to subsidiaries. Income after financial items increased strongly as a result of dividend payments from subsidiaries. In 2008, operating income was heavily impacted by capital gains on assets transferred to the subsidiary TeliaSonera Skanova Access AB (Skanova Access) and income before taxes by a related reversal of excess depreciation.

<b>Condensed Balance Sheets</b> <b>(SEK in millions)</b>	<b>Sep 30,</b> <b>2009</b>	<b>Dec 31,</b> <b>2008</b>
Non-current assets	167,566	170,852
Current assets	43,879	40,246
<b>Total assets</b>	<b>211,445</b>	<b>211,098</b>
Shareholders' equity	77,957	75,017
Untaxed reserves	7,716	8,024
Provisions	716	708
Liabilities	125,056	127,349
<b>Total equity and liabilities</b>	<b>211,445</b>	<b>211,098</b>

Total investments in the nine-month period were SEK 968 million (36,117), of which SEK 622 million (850) in property, plant and equipment primarily for the fixed network. Other investments totaled SEK 346 million (35,267). In 2008, other investments included a capital contribution of SEK 34,000 million provided in kind in exchange for new shares issued by Skanova Access.

## 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 2008 for a detailed description of some of the factors that may affect TeliaSonera's business, financial position and results of operations. TeliaSonera believes that the risk environment has not materially changed from the one described in the Annual Report 2008.

Risks and uncertainties that could specifically impact the results of operations during the remainder of 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 sharp decline 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 long-term recession in the countries in which TeliaSonera operates would have an impact on its customers and may have a negative impact on its growth and results of operations through reduced telecom spending. The maturity schedule of TeliaSonera's loan portfolio is evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed lines of credit with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, 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, build-up of its customer base in start-up operations and investments in infrastructure in all markets to improve capacity and access. While TeliaSonera believes that these investments will improve market position and financial results in the long term, they may not have the targeted positive effects yet in the short term and related expenditures may impact the results of operations 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 portion of TeliaSonera's results derives from MegaFon and Turkcell, which TeliaSonera does not control and which operate in growth markets but also in more volatile political, economic and legal environments. Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.

- *Acquisitions.* TeliaSonera has made a number of targeted acquisitions in accordance with its strategy. The efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, are significant for the results of operations both in the long and short term. 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.