

## TeliaSonera January-September 2008

### Growing sales and strong EBITDA

#### Nine-month period

- Net sales increased 5.7 percent to SEK 75,489 million (71,423). In local currencies net sales rose 5.2 percent.
- Net income attributable to shareholders of the parent company increased to SEK 13,367 million (13,207) and earnings per share to SEK 2.98 (2.94).
- Free cash flow decreased to SEK 6,410 million (11,165), mainly due to higher CAPEX and no one-off dividends from associated companies.

#### Third quarter

- Net sales increased 4.1 percent to SEK 25,817 million (24,798). In local currencies net sales rose 3.3 percent.
- EBITDA, excluding non-recurring items, increased to SEK 8,949 million (8,714) and the margin was 34.7 percent (35.1).
- Operating income, excluding non-recurring items, was SEK 8,203 million (8,354).
- Net income attributable to shareholders of the parent company was SEK 4,772 million (5,399) and earnings per share SEK 1.06 (1.20).
- Free cash flow decreased to SEK 2,829 million (5,078), mainly due to the timing of Turkcell Holding's dividend payment and a one-off dividend from the associated company Telefonos in the comparable period.
- The number of subscriptions reached 127.9 million at the end of the third quarter with 1.2 million new subscriptions in the majority-owned operations and 3.8 million in the associated companies, compared to the end of the second quarter 2008.
- The group outlook for 2008 remains unchanged.

### Comments by Lars Nyberg, President and CEO

"Third quarter performance was good with growing sales and strong EBITDA, driven by Mobility Services and Eurasia. We successfully managed to protect margins in Mobility Services despite intense competition and regulatory intervention in the form of lower interconnect and roaming fees. Sales in Broadband Services were essentially flat in absolute terms, but there is a considerable change in the underlying product mix, which puts pressure on margins. Improving operational efficiency remains one of our top priorities.

Another top priority is to grow our business in fast-growing and profitable markets. In October 2008 we took a further important step by entering two new high-growth emerging markets, Nepal and Cambodia.

We are in a period of global financial turmoil and it is very difficult to project how long it will last. However, TeliaSonera has a strong balance sheet and operates in a relatively non-cyclical industry. Therefore, we see no immediate effects of changing customer behavior in our operations. Regulatory intervention, intense competition and customer migration remain the primary challenges. We continue investing in high quality networks and new services that improve the productivity and flexibility of our customers, and continue looking for new investment opportunities."

## Financial Highlights

SEK in millions, except per share data, return and changes	Jul-Sep 2008	Jul-Sep 2007	Chg (%)	Jan-Sep 2008	Jan-Sep 2007	Chg (%)
Net sales	25,817	24,798	4	75,489	71,423	6
EBITDA <sup>1)</sup> excl. non-recurring items <sup>2)</sup>	8,949	8,714	3	24,682	23,813	4
Margin (%)	34.7	35.1		32.7	33.3	
Operating income	7,904	8,240	-4	21,292	20,097	6
Operating income excl. non-recurring items	8,203	8,354	-2	22,363	21,120	6
Net income <sup>3)</sup>	5,411	6,213	-13	15,043	15,089	0
of which attributable to shareholders of the parent company <sup>3)</sup>	4,772	5,399	-12	13,367	13,207	1
Earnings per share (SEK)	1.06	1.20	-12	2.98	2.94	1
Return on equity (%; rolling 12 months)	16.8	15.8		16.8	15.8	
Free cash flow	2,829	5,078	-44	6,410	11,165	-43

1) Please refer to page 13 for definitions.

2) Non-recurring items; see table on page 17.

3) January-September 2008 includes approximately SEK 470 million (775) 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 third quarter 2007, unless otherwise stated.

## Review of the Group, Third Quarter 2008

**Net sales** increased 4.1 percent to SEK 25,817 million (24,798). The positive net effects of acquisitions and exchange rate changes were 0.7 percent and 0.8 percent, respectively. Organic growth in local currencies was 2.6 percent.

In Mobility Services, net sales rose 5.1 percent to SEK 12,287 million (11,696) lifted by increased subscriptions in Spain and increased mobile data usage in all Nordic and Baltic markets.

In Broadband Services, net sales were SEK 11,063 million (11,145). Continued good development of international carrier operations, driven by growth in voice and IP traffic, and higher sales of IP-based services did not fully offset the decline in traditional fixed voice.

In Eurasia, net sales rose 17.1 percent to SEK 3,410 million (2,911) by continued strong revenue growth in all six markets. In absolute terms, the two largest markets, Kazakhstan and Azerbaijan, posted the largest sales increases. The development in markets that were entered in 2007 is encouraging with sales more than doubling in Uzbekistan and up close to 70 percent in Tajikistan.

**The number of subscriptions** rose 17.1 percent from the end of the third quarter 2007 to 127.9 million, of which 40.0 million in the majority-owned operations and 87.9 million in the associated companies.

**EBITDA**, excluding non-recurring items, increased to SEK 8,949 million (8,714) as a result of continued positive performance in Mobility Services and Eurasia. The margin was 34.7 percent (35.1).

In the third quarter, the gross savings effect from ongoing efficiency measures, primarily in the Swedish and Finnish operations, was about SEK 600 million. Thus far, 270 employees have accepted the offer for early retirement and 980 employees have agreed to be transferred to the redeployment unit in Sweden or to the competence pool in Finland. The gross savings effect for the nine-month period of 2008 from ongoing efficiency measures was approximately SEK 1.2 billion, compared to the corresponding period 2007.

**Operating income**, excluding non-recurring items, was SEK 8,203 million (8,354). Operating income was driven by higher EBITDA and higher income from the associated companies in Russia and Turkey. However, the comparable quarter last year included a capital gain of SEK 631 million from the sale of Eltel by the associated company Telefos.

**Non-recurring items** affecting operating income totaled SEK -299 million (-114). Charges of approximately SEK -650 million related to efficiency measures were partly offset by the release of a provision of SEK 360 million related to a fiber network in France. The comparable period last year included the release of provisions of approximately SEK 200 million.

**Financial items** totaled SEK -818 million (-335), of which SEK -741 million (-401) related to net interest expenses.

**Income taxes** amounted to SEK -1,675 million (-1,692). The effective tax rate was 23.6 percent (21.4).

**Minority interests** in subsidiaries were SEK 639 million (814), of which SEK 434 million (552) related to operations in Eurasia and SEK 197 million (247) to Eesti Telekom, LMT and TEO.

**Net income attributable to shareholders of the parent company** decreased to SEK 4,772 million (5,399) and earnings per share to SEK 1.06 (1.20) mainly as a result of lower income from associated companies, higher non-recurring expenses and higher negative net financial items.

**CAPEX** was SEK 3,567 million (3,339) and the CAPEX-to-sales ratio 13.8 percent (13.5).

**Free cash flow** improved compared to the previous two quarters of 2008 and was SEK 2,829 million (5,078). Compared to the third quarter 2007, the higher EBITDA could not fully offset higher net interest expenses and increased CAPEX. In the comparable period 2007 free cash flow was positively impacted by about SEK 900 million in dividend from the associated company Telefos (related to the Eltel divestiture) and a SEK 610 million dividend from the associated company Turkcell Holding. TeliaSonera's dividend from Turkcell Holding to be paid in 2008 is approximately SEK 700 million and will affect free cash flow in the fourth quarter.

**Net debt** at the end of the third quarter amounted to SEK 48,902 million (50,407 at the end of the second quarter 2008).

**The equity/assets ratio** increased during the third quarter to 50.1 percent (49.3 percent at the end of the second quarter 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.

TeliaSonera estimates that about half of these efficiency measures will be implemented during 2008 and the remaining half 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, to be reported as non-recurring items, are estimated to be lower than SEK 3 billion, of which just above half in 2008.

TeliaSonera estimates that the gross savings effect for 2008 from the ongoing efficiency measures will be above SEK 1.5 billion compared to the cost base of 2007.

## Acquisitions and divestitures

- TeliaSonera on July 11, 2008, closed the acquisition of ComHouse on approval by the Norwegian competition authority. ComHouse is consolidated as of July 1, 2008.
- 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 is 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 consolidated as of the same date. (For more information, see page 19 and [www.teliasonera.com/ir](http://www.teliasonera.com/ir).)

## Significant events in the third quarter

- The Swedish Government on September 8, 2008, proposed a decrease in the Swedish corporate income tax rate from 28.0 percent to 26.3 percent as of January 1, 2009. The final decision is pending approval by the Swedish Parliament and is expected in December 2008. The tax rate cut, if enacted, is expected to marginally lower TeliaSonera's consolidated effective tax rate from 2009, all other things being equal. In addition, the revaluation of deferred tax assets and liabilities related to the Swedish operations will be treated as a one-off item in the income statement and is estimated to lower income taxes in the fourth quarter 2008 by SEK 300-400 million.
- In the third quarter 2008, non-recurring items were positively affected by a SEK 360 million reversal of a provision for onerous lease and maintenance contracts relating to a fiber network in France. The network was sold on October 3, 2008, and the transaction was not significant.

## Significant events after the third quarter

- TeliaSonera on October 15, 2008, launched new price plans for mobile broadband customers using data services when traveling abroad. European Connect is based on a capped daily fee for a specified amount of data traffic and will be offered to TeliaSonera's business customers in Sweden and all customers in Denmark and Norway. Finland and Lithuania will launch European Connect in 2009.

## Group outlook for 2008 (unchanged)

Net sales are expected to show stable growth in the financial year 2008 compared to the previous year.

Despite continued aggressive investments in future growth and in the quality of our networks and services, TeliaSonera's ambition for 2008 is to maintain the EBITDA margin level of 2007, excluding non-recurring items.

Net income for 2008 is estimated to be somewhat higher than in 2007, excluding the positive one-off items of approximately SEK 2.0 billion in 2007 and potential positive one-off items in 2008.

Capital expenditure will be driven by continued investments in broadband and mobile capacity and is expected to be around SEK 15 billion in 2008.

## Increased sales and earnings in Mobility Services

*The business area Mobility Services is responsible for personal mobility services for the consumer and enterprise mass markets. Products and services in focus include mobile voice & data, mobile content, WLAN Hotspots, mobile over broadband, mobile/PC convergence and Wireless Office. The operations comprise the 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. TeliaSonera successfully defended its market positions. 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	Jul-Sep 2008	Jul-Sep 2007	Chg (%)	Jan-Sep 2008	Jan-Sep 2007	Chg (%)
Net sales	12,287	11,696	5	35,877	33,527	7
EBITDA excl. non-recurring items	3,841	3,627	6	10,892	10,260	6
Margin (%)	31.3	31.0		30.4	30.6	
Operating income	2,649	2,473	7	7,243	6,806	6
Operating income excl. non-recurring items	2,753	2,586	6	7,560	7,011	8
CAPEX	705	993	-29	3,322	2,692	23
MoU	191	192	-1	195	189	3
ARPU, blended (SEK)	218	234	-7	223	231	-3
Churn, blended (%)	27	29	-7	27	27	0
Subscriptions, period-end (thousands)	15,450	14,280	8	15,450	14,280	8

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

- **Net sales** rose 5.1 percent to SEK 12,287 million (11,696). Higher sales in Spain, the consolidation of ComHouse in Norway, the successful migration of debitel customers and improved product mix in Denmark, and increased overall mobile broadband usage were the main contributors to the rise. Regulatory interventions, including interconnect and roaming, were offset by increased sales in all markets except Finland and Estonia. An overall weaker economic development affected equipment sales and usage growth in the Baltic countries. Net sales in local currencies, including effects from acquisitions, increased 3.9 percent.

- **Interconnect fees** that TeliaSonera receives from other mobile operators were lowered 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 will be lowered from EUR 0.051 to EUR 0.049 as of 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 are estimated to have a total annualized negative effect of approximately SEK 600 million on sales as of the fourth quarter 2008.

- **The number of subscriptions** increased by close to 1.2 million from the end of the third quarter 2007 to approximately 15.5 million. Growth was strongest in Spain where the number of subscriptions rose by 516,000 year-on-year to 756,000 and is expected to reach just below 1 million subscriptions by the end of 2008. The positive year-on-year development continued in Sweden with 411,000 net additions and in Finland with 239,000. From the end of the second quarter 2008 to the end of the third quarter, the total number of subscriptions rose by 364,000, mainly driven by growth in Sweden, Spain and Finland.
- **Blended churn** for business area Mobility Services was 27 percent (29).
- **EBITDA**, excluding non-recurring items, rose to SEK 3,841 million (3,627) and the margin to 31.3 percent (31.0). EBITDA grew mainly as a result of higher sales and increased cost efficiency. The negative net effect on EBITDA from changed interconnect fees in the Nordic and Baltic markets was approximately SEK 200 million.

In Sweden, the margin was supported by tight cost control and efficiency measures. In Finland, the margin improved as a result of decreased interconnect costs and efficiency measures. In Norway, the margin improvement was mainly related to a higher level of service provider revenues and lower costs for interconnect and marketing. The margin in Denmark increased mainly as an effect of the improved product mix and the successful migration of debitel customers. In the Baltic countries, downward price pressure was not offset by lower costs except in Estonia where lower interconnect and roaming costs combined with lower equipment sales lifted the margin.

The start-up in Spain was affected by increased marketing costs and the EBITDA loss was SEK 339 million, of which approximately SEK 100 million is a one-off expense related to the termination of the old national roaming agreement. The EBITDA loss in Spain was SEK 996 million for the first nine months of 2008. TeliaSonera estimates that the EBITDA loss for Spain for 2008 will be above SEK 1 billion. In addition, TeliaSonera expects the operation to be cash flow positive and earnings accretive one year later than previously forecasted. TeliaSonera will consider different options for the Spanish operation going forward.

- **CAPEX** decreased to SEK 705 million (993) mainly due to the timing of investments between quarters.

<b>SEK in millions, except margins and changes</b>	<b>Jul-Sep 2008</b>	<b>Jul-Sep 2007</b>	<b>Chg (%)</b>	<b>Jan-Sep 2008</b>	<b>Jan-Sep 2007</b>	<b>Chg (%)</b>
Net sales	12,287	11,696	5	35,877	33,527	7
of which Sweden	3,398	3,341	2	9,927	9,648	3
of which Finland	2,411	2,486	-3	7,239	7,347	-1
of which Norway	2,447	2,355	4	7,144	6,743	6
of which Denmark	1,727	1,628	6	5,052	4,486	13
of which Lithuania	683	653	5	2,024	1,828	11
of which Latvia	687	687	0	1,972	1,985	-1
of which Estonia	584	621	-6	1,670	1,717	-3
of which Spain	503	167	201	1,258	360	249
EBITDA excl. non-recurring items	3,841	3,627	6	10,892	10,260	6
Margin (%), total	31.3	31.0		30.4	30.6	
Margin (%), Sweden	40.3	41.5		37.9	37.4	
Margin (%), Finland	34.1	31.9		32.6	31.8	
Margin (%), Norway	35.1	32.3		35.8	35.1	
Margin (%), Denmark	22.7	16.2		19.6	15.0	
Margin (%), Lithuania	34.0	34.2		35.2	38.0	
Margin (%), Latvia	40.5	46.7		43.8	46.5	
Margin (%), Estonia	39.0	36.4		38.4	36.8	
Margin (%), Spain	neg	neg		neg	neg	

## Challenging transition continues in Broadband Services

The business area **Broadband Services** is responsible for mass-market services for connecting homes and offices and for home communications. Products and services in focus 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.

- Price erosion and the migration from traditional fixed-voice services continue in all markets and regulatory intervention is evident in Sweden. The promotion of mobile broadband continued to affect penetration growth of DSL. Investments are directed into the backbone and transmission networks to support services that require higher bandwidth, such as IPTV and broadband.

<b>SEK in millions, except margins, operational data and changes</b>	<b>Jul-Sep 2008</b>	<b>Jul-Sep 2007</b>	<b>Chg (%)</b>	<b>Jan-Sep 2008</b>	<b>Jan-Sep 2007</b>	<b>Chg (%)</b>
Net sales	11,063	11,145	-1	33,175	33,269	0
EBITDA excl. non-recurring items	3,415	3,570	-4	9,295	9,714	-4
Margin (%)	30.9	32.0		28.0	29.2	
Operating income	1,633	2,090	-22	4,387	4,725	-7
Operating income excl. non-recurring items	2,103	2,240	-6	5,441	5,691	-4
CAPEX	1,274	1,294	-2	3,908	3,745	4
Broadband ARPU (SEK)	275	273	1	269	271	-1
Subscriptions, period-end (thousands)						
Broadband	2,405	2,230	8	2,405	2,230	8
Fixed voice	5,921	6,311	-6	5,921	6,311	-6
Associated company, total	774	745	4	774	745	4

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

- **Net sales** were marginally lower at SEK 11,063 million (11,145). Continued good development of international carrier operations, driven by growth in voice and IP traffic, and higher sales of IP-based services did not fully offset the decline in traditional fixed voice. Net sales in local currencies decreased 1.4 percent.
- **The number of subscriptions** for broadband access rose to 2,405,000, an increase of 175,000 from the end of the third quarter 2007 and of 26,000 from the end of the second quarter 2008.

The total number of TV subscriptions rose to 839,000, of which 450,000 IPTV subscriptions. In Sweden, the push for IPTV resulted in a rise of more than 100,000 new subscriptions year-on-year to 320,000. Thus far, half of TeliaSonera's IPTV customer-base in Sweden is paying customers. The total number of IPTV subscriptions increased by 23,000 from the end of the second quarter 2008, however in Sweden the number was unchanged.

The number of fixed voice subscriptions decreased by 390,000 from the end of the third quarter 2007 to 5,921,000, and fell by 92,000 from the end of the second quarter 2008.

- **EBITDA**, excluding non-recurring items, decreased to SEK 3,415 million (3,570) and the EBITDA margin was 30.9 percent (32.0). EBITDA fell mainly as a result of the change in revenue mix, as products from international carrier and IP-based services, including TV, replace traditional fixed voice. Compared to traditional fixed voice, these services have lower, albeit increasing, margins. Cost efficiency measures partially offset the effects of the changed revenue mix.

In Sweden, the margin decrease reflected the continued fall in sales of traditional services, which was not fully offset by efficiency measures. In Wholesale, the margin improved as sales increased without incurring higher costs for sales, general and administration and due to efficiency improvements. The improvement of the Finnish margin was mainly due to lower sales and marketing costs and supported by efficiency measures. In addition to higher personnel costs in Estonia, higher sales of IP-based services, including TV, affected margins for the remaining markets.

SEK in millions, except margins and changes	Jul-Sep 2008	Jul-Sep 2007	Chg (%)	Jan-Sep 2008	Jan-Sep 2007	Chg (%)
Net sales	11,063	11,145	-1	33,175	33,269	0
of which Sweden	4,769	5,016	-5	14,553	15,302	-5
of which Finland	1,858	1,896	-2	5,622	5,651	-1
of which Norway	230	226	2	689	660	4
of which Denmark	573	524	9	1,703	1,447	18
of which Lithuania	557	545	2	1,671	1,557	7
of which Estonia	560	487	15	1,557	1,434	9
of which Wholesale	2,861	2,690	6	8,312	7,866	6
EBITDA excl. non-recurring items	3,415	3,570	-4	9,295	9,714	-4
Margin (%), total	30.9	32.0		28.0	29.2	
Margin (%), Sweden	31.6	36.2		28.8	30.3	
Margin (%), Finland	31.3	27.2		23.5	25.6	
Margin (%), Norway	18.3	22.6		20.6	21.8	
Margin (%), Denmark	5.1	13.7		5.6	13.1	
Margin (%), Lithuania	42.2	45.9		44.2	45.5	
Margin (%), Estonia	25.9	27.9		27.9	24.1	
Margin (%), Wholesale	30.7	27.2		28.6	28.6	



- **CAPEX** was SEK 1,274 million (1,294) with continued investments in broadband platforms and common infrastructure, including core and transmission networks.

## Continued expansion and strong development in Eurasia

*The 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.*

- Following the successful investments in Uzbekistan and Tajikistan, a further important step was taken by the acquisition of controlling interests in two mobile operators, Spice Nepal Pvt. Ltd. in Nepal and Applifone Co. Ltd. in Cambodia. The two companies will be consolidated as of the fourth quarter 2008. Nepal and Cambodia have a combined population of 43 million, low mobile penetration and growing economies. (For more information, see page 19 and [www.teliasonera.com/ir](http://www.teliasonera.com/ir).)
- The business area continues to show strong market growth in terms of volumes. Higher penetration in an increasingly competitive market environment together with regulatory intervention put pressure on margins. In addition, slowing economic development and rising inflationary pressure may affect consumer spending. TeliaSonera maintained market leadership in Kazakhstan and Azerbaijan, strengthened its position and became market leader in Tajikistan and maintained its positions in all other markets.

<b>SEK in millions, except margins, operational data and changes</b>	<b>Jul-Sep 2008</b>	<b>Jul-Sep 2007</b>	<b>Chg (%)</b>	<b>Jan-Sep 2008</b>	<b>Jan-Sep 2007</b>	<b>Chg (%)</b>
Net sales	3,410	2,911	17	8,985	7,427	21
EBITDA excl. non-recurring items	1,703	1,534	11	4,464	3,928	14
Margin (%)	49.9	52.7		49.7	52.9	
Income from associated companies						
Russia	1,359	1,173	16	3,720	3,124	19
Turkey	819	568	44	2,700	1,834	47
Operating income	3,445	2,939	17	9,620	7,957	21
Operating income excl. non-recurring items	3,445	2,939	17	9,620	7,957	21
CAPEX	1,415	929	52	3,555	2,266	57
Subscriptions, period-end (thousands)						
Subsidiaries	15,408	10,878	42	15,408	10,878	42
Associated companies	87,140	74,116	18	87,140	74,116	18

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

### Consolidated operations

- **Net sales** rose 17.1 percent to SEK 3,410 million (2,911) with continued strong revenue growth in all six markets. In absolute terms, Kazakhstan and Azerbaijan posted the largest sales increases. Development in the markets entered in 2007 is encouraging with sales more than doubling in Uzbekistan and up close to 70 percent in Tajikistan. Net sales in local currencies increased 18.5 percent.

- **The number of subscriptions** rose by over 4.5 million, or 41.6 percent, from the end of the third quarter 2007 to 15.4 million, with around 1.6 million net additions each in Kazakhstan and Uzbekistan. From the end of the second quarter 2008 to the end of the third quarter, the total number of subscriptions rose by close to 0.9 million, with the largest increase in Uzbekistan, driven by a successful re-branding that helped grow the subscription base by close to 0.6 million.
- **EBITDA**, excluding non-recurring items, increased to SEK 1,703 million (1,534) as a result of higher sales. The margin decreased to 49.9 percent (52.7) due to higher network, sales and marketing expenses. However, compared to recent quarters, margin development is positive, driven by a balanced-growth approach and efficient cost control.
- **CAPEX** increased to SEK 1,415 million (929), due to continued investments in capacity, coverage and higher service quality in the networks, particularly in Uzbekistan and Tajikistan.

	Jul-Sep	Jul-Sep	Chg	Jan-Sep	Jan-Sep	Chg
SEK in millions, except changes	2008	2007	(%)	2008	2007	(%)
Net sales	3,410	2,911	17	8,985	7,427	21
of which Kazakhstan	1,737	1,519	14	4,599	4,037	14
of which Azerbaijan	934	839	11	2,477	2,154	15
of which Uzbekistan	121	58	109	290	58	400
of which Tajikistan	141	85	66	337	85	296
of which Georgia	376	317	19	1,005	831	21
of which Moldova	105	98	7	293	270	9

#### Associated companies – Russia

- MegaFon (associated company, in which TeliaSonera holds 43.8 percent) continued showing strong performance and increased its subscription base by 2.9 million from the end of the second quarter 2008 to 41.7 million. MegaFon increased its market share in terms of subscriptions during the third quarter to 23 percent.
- TeliaSonera's income from Russia rose to SEK 1,359 million (1,173), fueled by continued strong sales and earnings growth at MegaFon. The Russian ruble depreciated against the Swedish krona, which had a negative impact of SEK 26 million.

#### Associated companies – Turkey

- Turkcell (associated company, in which TeliaSonera holds 37.3 percent, reported with a one-quarter lag) in Turkey increased its subscription base by 0.3 million from the end of the second quarter 2008 to 35.4 million. During the quarter, Turkcell recorded the highest intake of postpaid subscriptions in the company's history as a result of marketing campaigns, including offers promoting migration from prepaid to postpaid. In Ukraine, the number of subscriptions rose by 0.6 million from the end of the second quarter to 10.0 million.
- TeliaSonera's income from Turkey rose to SEK 819 million (568). The Turkish lira appreciated against the Swedish krona, which had a positive impact of SEK 63 million.

- Turkcell Holding's General Assembly on September 26, 2008, decided to pay a total net cash dividend of TRY 293 million (SEK 1.5 billion). TeliaSonera's share is approximately SEK 700 million and will affect free cash flow in the fourth quarter 2008. As a result, TeliaSonera will have received approximately SEK 1,100 million (983) in dividends from Turkcell in 2008.
- Turkcell on August 27, 2008, announced the acquisition of 80 percent of the shares in BeST, 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	Jul-Sep 2008	Jul-Sep 2007	Chg (%)	Jan-Sep 2008	Jan-Sep 2007	Chg (%)
Net sales	579	536	8	1,768	1,378	28
EBITDA excl. non-recurring items	4	2	100	56	-83	
Income from associated companies	1	654		-7	741	
Operating income	183	747	-76	42	586	-93
Operating income excl. non-recurring items	-92	598		-258	438	
CAPEX	175	123	42	487	291	67

Additional segment information available at [www.teliaSonera.com/ir](http://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, October 28, 2008

Lars Nyberg  
President and CEO

## Auditors' Review Report

We have reviewed the condensed interim financial information for the period January 1 – September 30, 2008, 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, 2008

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, 2008.

## *Financial Information*

Year-end Report January–December 2008	February 11, 2009
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

## *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.

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

## Condensed Consolidated Income Statements

<b>SEK in millions, except per share data, number of shares and changes</b>	<b>Jul-Sep 2008</b>	<b>Jul-Sep 2007</b>	<b>Chg (%)</b>	<b>Jan-Sep 2008</b>	<b>Jan-Sep 2007</b>	<b>Chg (%)</b>
Net sales	25,817	24,798	4	75,489	71,423	6
Cost of sales	-13,897	-13,365	4	-41,215	-39,588	4
<b>Gross profit</b>	<b>11,920</b>	<b>11,433</b>	<b>4</b>	<b>34,274</b>	<b>31,835</b>	<b>8</b>
Selling, admin., and R&D expenses	-6,002	-5,630	7	-18,774	-17,521	7
Other operating income and expenses, net	-206	30		-598	50	
Income from associated companies and joint ventures	2,192	2,407	-9	6,390	5,733	11
<b>Operating income</b>	<b>7,904</b>	<b>8,240</b>	<b>-4</b>	<b>21,292</b>	<b>20,097</b>	<b>6</b>
Finance costs and other financial items, net	-818	-335	144	-1,462	-615	138
<b>Income after financial items</b>	<b>7,086</b>	<b>7,905</b>	<b>-10</b>	<b>19,830</b>	<b>19,482</b>	<b>2</b>
Income taxes	-1,675	-1,692	-1	-4,787	-4,393	9
<b>Net income</b>	<b>5,411</b>	<b>6,213</b>	<b>-13</b>	<b>15,043</b>	<b>15,089</b>	<b>0</b>
Attributable to:						
Shareholders of the parent company	4,772	5,399	-12	13,367	13,207	1
Minority interests in subsidiaries	639	814	-21	1,676	1,882	-11
Shareholders' basic and diluted earnings per share (SEK)	1.06	1.20	-12	2.98	2.94	1
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	8,691	8,714	0	23,693	23,401	1
EBITDA excl. non-recurring items	8,949	8,714	3	24,682	23,813	4
Depreciation, amortization and impairment losses	-2,979	-2,881	3	-8,791	-9,038	-3
Operating income excl. non-recurring items	8,203	8,354	-2	22,363	21,120	6

## Condensed Consolidated Balance Sheets

SEK in millions	Sep 30, 2008	Dec 31, 2007
<b>Assets</b>		
Goodwill and other intangible assets	90,236	83,909
Property, plant and equipment	56,574	52,602
Investments in associates and joint ventures, deferred tax assets and other non-current assets	54,849	48,633
<i>Total non-current assets</i>	<i>201,659</i>	<i>185,144</i>
Inventories	1,262	1,168
Trade receivables, current tax assets and other receivables	22,319	20,881
Interest-bearing receivables	1,603	1,701
Cash and cash equivalents	8,799	7,802
<i>Total current assets</i>	<i>33,983</i>	<i>31,552</i>
<i>Non-current assets held-for-sale</i>	<i>5</i>	<i>6</i>
<b>Total assets</b>	<b>235,647</b>	<b>216,702</b>
<b>Equity and liabilities</b>		
Shareholders' equity	115,336	117,274
Minority interests	8,800	9,783
<i>Total equity</i>	<i>124,136</i>	<i>127,057</i>
Long-term borrowings	49,683	41,030
Deferred tax liabilities, other long-term provisions	24,163	16,748
Other long-term liabilities	2,312	2,366
<i>Total non-current liabilities</i>	<i>76,158</i>	<i>60,144</i>
Short-term borrowings	8,710	2,549
Trade payables, current tax liabilities, short-term provisions and other current liabilities	26,643	26,952
<i>Total current liabilities</i>	<i>35,353</i>	<i>29,501</i>
<b>Total equity and liabilities</b>	<b>235,647</b>	<b>216,702</b>

## Condensed Consolidated Cash Flow Statements

SEK in millions	Jul-Sep 2008	Jul-Sep 2007	Jan-Sep 2008	Jan-Sep 2007
Cash flow before change in working capital	7,408	8,625	19,180	21,835
Change in working capital	-998	-232	-1,487	-1,638
<b>Cash flow from operating activities</b>	<b>6,410</b>	<b>8,393</b>	<b>17,693</b>	<b>20,197</b>
Intangible and tangible fixed assets acquired (cash CAPEX)	-3,581	-3,315	-11,283	-9,032
<b>Free cash flow</b>	<b>2,829</b>	<b>5,078</b>	<b>6,410</b>	<b>11,165</b>
Cash flow from other investing activities	-436	-879	50	-1,938
<b>Total cash flow from investing activities</b>	<b>-4,017</b>	<b>-4,194</b>	<b>-11,233</b>	<b>-10,970</b>
<b>Cash flow before financing activities</b>	<b>2,393</b>	<b>4,199</b>	<b>6,460</b>	<b>9,227</b>
<b>Cash flow from financing activities</b>	<b>-148</b>	<b>-3,683</b>	<b>-5,695</b>	<b>-15,217</b>
<b>Cash flow for the period</b>	<b>2,245</b>	<b>516</b>	<b>765</b>	<b>-5,990</b>
<b>Cash and cash equivalents, opening balance</b>	<b>6,246</b>	<b>5,182</b>	<b>7,802</b>	<b>11,603</b>
Cash flow for the period	2,245	516	765	-5,990
Exchange rate differences	308	-57	232	28
<b>Cash and cash equivalents, closing balance</b>	<b>8,799</b>	<b>5,641</b>	<b>8,799</b>	<b>5,641</b>

## Condensed Consolidated Statements of Changes in Equity

SEK in millions	Jan-Sep 2008			Jan-Sep 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	-65	-	-65	-21	-	-21
Hedging of foreign operations, net of tax	-162	-	-162	-2	-	-2
Currency translation differences	2,884	348	3,232	5,345	2	5,347
<i>Net income recognized directly in equity</i>	2,657	348	3,005	5,322	2	5,324
Net income	13,367	1,676	15,043	13,207	1,882	15,089
<i>Comprehensive income</i>	16,024	2,024	18,048	18,529	1,884	20,413
Transactions with minority shareholders in subsidiaries	-	-1,527	-1,527	-	-49	-49
Dividends	-17,962	-1,480	-19,442	-28,290	-1,428	-29,718
<b>Closing balance</b>	<b>115,336</b>	<b>8,800</b>	<b>124,136</b>	<b>109,456</b>	<b>8,907</b>	<b>118,363</b>

## Basis of Preparation

*General.* As in the annual accounts for 2007, TeliaSonera's consolidated financial statements as of and for the nine-month period ended September 30, 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 2.1 *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.* Amendments on reclassification of financial assets to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* (effective July 1, 2008; *adopted by the EU*) were issued on October 13, 2008. The amendments to IAS 39 introduce the possibility of reclassification of a non-derivative financial asset out of the "Fair value through profit and loss" category if held-for-trading but only in rare circumstances. The deterioration of the world's financial markets occurring in the third quarter 2008 is a possible example of such rare circumstances. IAS 39 now also permits the transfer from the "Available-for-sale" category to the "Loans and receivables" category of a financial asset that would have met the definition of loans and receivables had it not been designated as available-for-sale. The amendments to IFRS 7 require additional disclosures in connection with any now permitted reclassification. Currently, TeliaSonera is not considering the reclassification of any financial assets.

An amendment on eligible hedged items to IAS 39 *Financial Instruments: Recognition and Measurement* (effective for annual periods beginning on or after July 1, 2009; earlier application permitted, must be applied retrospectively; *not yet adopted by the EU*) was issued on July 31, 2008. The amendment restricts/clarifies the risks qualifying for hedge accounting in two particular situations: (a) a one-sided risk in a hedged item (hedging with options) and (b) inflation in a financial hedged item (identifying inflation as a hedged risk or portion). The amendment is currently not relevant to TeliaSonera.



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

## Non-recurring Items

	Jul-Sep 2008	Jul-Sep 2007	Jan-Sep 2008	Jan-Sep 2007
<b>SEK in millions</b>				
<b>Within EBITDA</b>	<b>-258</b>	<b>0</b>	<b>-989</b>	<b>-412</b>
Restructuring charges, synergy implementation costs, etc.:				
Mobility Services	-104	-114	-314	-206
Broadband Services	-429	-35	-975	-353
Other operations	275	149	300	147
<i>of which TeliaSonera Holding</i>	337	142	386	159
<b>Within Depreciation, amortization and impairment losses</b>	<b>-41</b>	<b>-114</b>	<b>-82</b>	<b>-611</b>
Impairment losses, accelerated depreciation:				
Mobility Services	-	-	-3	-
Broadband Services	-41	-114	-79	-611
<b>Within Income from associated companies and joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Within Finance costs and other financial items, net</b>	<b>-</b>	<b>-</b>	<b>290</b>	<b>-</b>
Penalty interest:				
Tele2	-	-	290	-
<b>Total</b>	<b>-299</b>	<b>-114</b>	<b>-781</b>	<b>-1,023</b>

## Deferred Taxes

	Sep 30, 2008	Dec 31, 2007
<b>SEK in millions</b>		
Deferred tax assets	11,240	12,017
Deferred tax liabilities	-10,480	-9,577
<b>Net deferred tax assets</b>	<b>760</b>	<b>2,440</b>

## Segment and Group Operating Income

	Jul-Sep 2008	Jul-Sep 2007	Jan-Sep 2008	Jan-Sep 2007
<b>SEK in millions</b>				
Mobility Services	2,649	2,473	7,243	6,806
Broadband Services	1,633	2,090	4,387	4,725
Eurasia	3,445	2,939	9,620	7,957
Other operations	183	747	42	586
<b>Total segments</b>	<b>7,910</b>	<b>8,249</b>	<b>21,292</b>	<b>20,074</b>
Elimination of inter-segment profits	-6	-9	0	23
<b>Group</b>	<b>7,904</b>	<b>8,240</b>	<b>21,292</b>	<b>20,097</b>

## Related Party Transactions

*MegaFon.* As of September 30, 2008, TeliaSonera had interest-bearing claims of SEK 317 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.

*Turkcell Holding.* As of September 30, 2008, TeliaSonera had a dividend payment claim of SEK 726 million on its 47-percent-owned associated company, Turkcell Holding A.S.

*Svenska UMTS-nät.* In the three-month and the nine-month period ended September 30, 2008, TeliaSonera purchased services from its 50 percent owned joint venture Svenska UMTS-nät AB worth SEK 138 million and SEK 385 million, respectively, and sold services worth SEK 93 million and SEK 273 million, respectively.

## Investments

	Jul-Sep 2008	Jul-Sep 2007	Jan-Sep 2008	Jan-Sep 2007
<b>SEK in millions</b>				
<b>CAPEX</b>	<b>3,567</b>	<b>3,339</b>	<b>11,272</b>	<b>8,994</b>
Intangible assets	574	277	1,736	864
Property, plant and equipment	2,993	3,062	9,536	8,130
<b>Acquisitions and other investments</b>	<b>264</b>	<b>2,533</b>	<b>4,219</b>	<b>4,873</b>
Goodwill and fair value adjustments	261	2,338	4,192	4,272
Equity holdings	3	195	27	601
<b>Total</b>	<b>3,831</b>	<b>5,872</b>	<b>15,491</b>	<b>13,867</b>

## Net Debt

	Sep 30, 2008	Dec 31, 2007
<b>SEK in millions</b>		
Long-term and short-term borrowings	58,393	43,579
Less short-term investments, cash and bank	-9,491	-8,861
<b>Net debt</b>	<b>48,902</b>	<b>34,718</b>

## Loan Financing

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

Funding activities during the third quarter focused primarily on the domestic Swedish Commercial Paper market which – after having functioned well – rapidly more or less closed down during the latter part of September. Issuance of long-term debt was limited during the quarter due to the intensified turbulence in the financial markets.

In early October, TeliaSonera made an acquisition in Asia that was financed primarily through available cash.

## Financial Key Ratios

	Sep 30, 2008	Dec 31, 2007
Return on equity (% , rolling 12 months)	16.8	18.6
Return on capital employed (% , rolling 12 months)	17.3	19.4
Equity/assets ratio (%)	50.1	50.3
Net debt/equity ratio (%)	41.4	31.8
Shareholders' equity per share (SEK)	25.68	26.12

## Business Combinations

### Business combinations in the third quarter

For minor business combinations in the third quarter, the cost of combination totaled SEK 239 million (of which SEK 75 million paid prior to the business combination) and the net cash outflow SEK 184 million. Goodwill was SEK 335 million, allocated to business area Mobility 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.

### MCT purchase price allocation finalized

In the third quarter 2008, TeliaSonera finalized the purchase price allocation for MCT Corp., the U.S. company with shareholdings in mobile operators in Uzbekistan, Tajikistan and Afghanistan that was acquired in July 2007. A few adjustments were made and the net effect was a decrease in goodwill by SEK 193 million, primarily referring to higher net debt and lower deferred income tax liabilities.

### Asia Holding

As described above, TeliaSonera on October 1, 2008 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.

Work on the purchase price allocation has started. To some extent the total cost of combination (approximately SEK 3.3 billion) will be allocated to certain identifiable intangible assets (foremost licenses and roaming agreements), but is expected to mainly be recognized as goodwill. 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 will be included in the consolidated financial statements as of October 1, 2008.

## Collateral Pledged and Guarantees

Collateral pledged at September 30, 2008, totaled SEK 1,589 million, mainly referring to blocked funds in bank accounts for Ipse 2000 S.p.A.'s future license payments and for certain court proceedings, and to pledges of shares in Svenska UMTS-nät AB. Guarantees totaled SEK 2,210 million, of which SEK 1,928 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.

## Contractual Obligations

Contractual obligations at September 30, 2008, totaled SEK 4,949 million, of which SEK 3,293 million referred to the agreed purchase price for 51 percent of the shares in TeliaSonera Asia Holding B.V. and SEK 958 million to the contracted build-out of TeliaSonera's fixed networks in Sweden and Finland.

## Parent Company

<b>Condensed Income Statements (SEK in millions)</b>	<b>Jul-Sep 2008</b>	<b>Jul-Sep 2007</b>	<b>Jan-Sep 2008</b>	<b>Jan-Sep 2007</b>
Net sales	4,061	4,303	12,244	13,404
Gross profit	865	1,613	2,221	5,347
Operating income	529	1,398	21,693	4,452
Income after financial items	-105	2,844	20,439	21,068
Income before taxes	-65	2,168	30,366	19,591
Net income	-56	1,768	30,375	18,829

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 nine-month period, SEK 9,619 million (9,612) 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.

<b>Condensed Balance Sheets (SEK in millions)</b>	<b>Sep 30, 2008</b>	<b>Dec 31, 2007</b>
Non-current assets	164,343	142,469
Current assets	44,837	39,967
<b>Total assets</b>	<b>209,180</b>	<b>182,436</b>
Shareholders' equity	75,361	63,013
Untaxed reserves	10,133	20,061
Provisions	713	944
Liabilities	122,973	98,418
<b>Total equity and liabilities</b>	<b>209,180</b>	<b>182,436</b>

Total investments in the nine-month period were SEK 36,117 million (11,868), of which SEK 850 million (1,827) in property, plant and equipment primarily for the fixed network. Other investments totaled SEK 35,267 million (10,041), 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 2,019 million) and intra-group transfers of shareholdings (SEK 7,132 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. TeliaSonera believes that the risk environment has not materially changed from the one described in the Annual Report 2007.

Risks and uncertainties that could specifically impact the quarterly results of operations during the remainder of 2008 include, but may not be limited to:

- *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 a customer base in Spain. 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 shifting its cost base from traditional to new 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.
- *Financial market turmoil.* 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 industry. 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 of 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 and the operational results might suffer from increased uncertainty, should the financial turmoil and the downturn in the economy continue for a long time or become even more severe.

## 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.