
TeliaSonera

Annual Report 2008

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This is TeliaSonera



TeliaSonera provides telecommunication services in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain.

We offer services that help people and companies communicate in an easy, efficient and environmentally friendly way.

Our main purpose is to best serve our customers and create value for our shareholders through providing competitive services as well as generating sustainable and improving profits and cash flows.

We develop our operational excellence by focusing on creating a world-class service company, securing quality in our networks and achieving a best-in-class cost structure. That is how we create value.

TeliaSonera is listed on the NASDAQ OMX Stockholm and Helsinki stock exchanges.

The Year in Brief

Highlights and Achievements

Improved customer satisfaction

Customer satisfaction improved in most of our Nordic and Baltic businesses and employee commitment was the highest to date.

Strengthened positions in Eurasia

We strengthened our market positions further in Eurasia and expanded to two new high-growth markets, Nepal and Cambodia.

Apple iPhone 3G and mobile broadband

Apple iPhone 3G gave a tremendous boost to our brands and together with mobile broadband drove mobile data usage higher.

4G – the next generation mobile networks

4G-licenses in Sweden and Norway and plan to launch 4G commercially as one of the first operators in the world in 2010.

Strong subscription growth

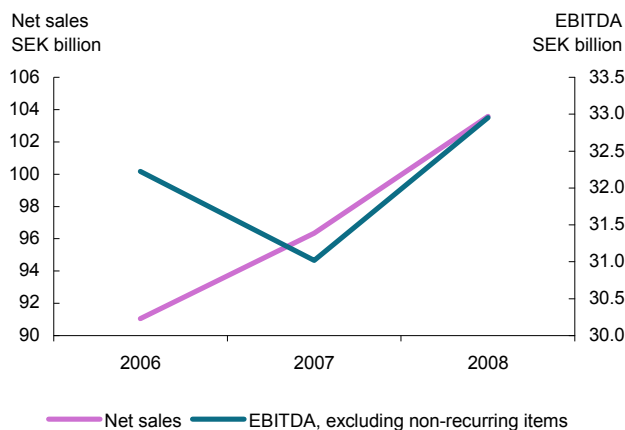
The number of subscriptions grew 17 percent to 135 million in 2008. We are now in 20 markets with 450 million inhabitants.

Financial Highlights

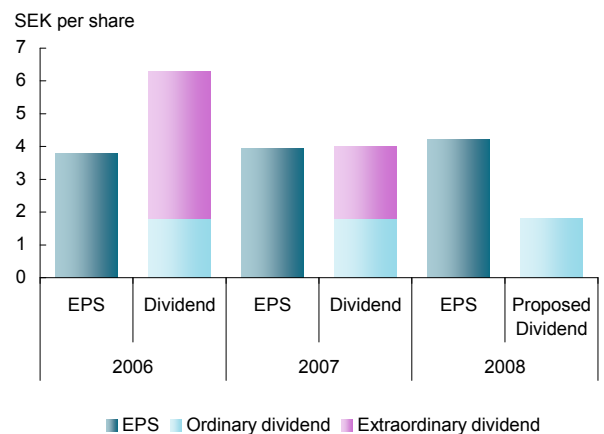
SEK in millions except key ratios, per share data and margins

	2008	2007	2006
Net sales	103,585	96,344	91,060
EBITDA, excluding non-recurring items	32,954	31,021	32,266
Margin (%)	31.8	32.2	35.4
Operating income	28,648	26,155	25,489
Operating income, excluding non-recurring items	30,041	27,478	26,751
Net income	21,442	20,298	19,283
of which attributable to shareholders of the parent company	19,011	17,674	16,987
Earnings per share (SEK)	4.23	3.94	3.78
Return on equity (% , rolling 12 months)	17.2	18.6	17.2
CAPEX-to-sales (%)	15.2	14.0	12.2
Free cash flow	11,328	13,004	16,596

Net sales and EBITDA, excluding non-recurring items



EPS and Dividends



Letter from the CEO

Dear Shareholders,

TeliaSonera continued growing in 2008 and is now present in 20 markets with 450 million inhabitants and subscriptions of 135 million. We reported record-high earnings in 2008.

Net income rose 5.6 percent to SEK 21.4 billion, a new record for TeliaSonera. This was driven by Mobility Services, which achieved growth and higher profitability, despite regulatory intervention and intense competition in the Nordic and Baltic markets, and by strong performance in business area Eurasia.

Eurasia is the growth engine of TeliaSonera. With less developed fixed-line infrastructure and relatively low mobile penetration, the growth potential lies in growing the customer base significantly, increasing mobile usage, and further ahead also in increasing usage of mobile data.

“Creating a world-class service company and securing quality in our networks are fundamental for our success.”

Lars Nyberg, President and CEO, TeliaSonera

In our more mature markets, usage of mobile broadband and data has exploded. Mobile data traffic in our Nordic and Baltic operations jumped close to 500 percent in 2008. More advanced and attractive devices designed for easy surfing contribute strongly to this trend.

The Apple iPhone 3G was introduced in 2008 and gave a tremendous boost to our brands in the Nordic and Baltic region. Data usage among Apple iPhone 3G customers is significantly higher than among users of other handsets.

In Broadband Services, profitability decreased as a continued decline in fixed-voice sales was not totally offset by higher sales of new, IP-based services and by cost-efficiency measures. As a result we did not fully reach our ambition of maintaining the group EBITDA-margin level. This confirms that our earlier plans to increase cost efficiency and the measures we are taking in this part of the organization are necessary.

2008 was a year marked by financial turmoil and macro-economic slowdown. The downturn became much more severe as the year progressed, and the global economy was exceptionally weak in the fourth quarter. TeliaSonera operates in a relatively non-cyclical or late-cyclical industry and we saw no marked effect on our earnings.

Six focus areas

Our core business is to offer services that help people and companies communicate in an easy, efficient and environmentally friendly way. Our purpose is to best serve our customers and create value for our shareholders through providing competitive services, as well as generating sustainable and improving profits and cash flows.

We operate in one of the world's most rapidly changing, demanding and competitive industries. When I joined TeliaSonera in 2007, I realized that in order to succeed and act as *one* company we need to change the company culture and our behavior, particularly in the Swedish and Finnish businesses. All our discussions have to start with the customer and we need to raise our sense of urgency. I am now starting to see a change in our behavior. This is a result of the strengthening of our Leadership Team, the introduction of a more stringent performance and consequence management attitude and rigorous attention to our six focus areas.



Create a world-class service company

This is perhaps the most challenging of our priorities as it is both complex and requires a major change of processes, attitude and focus in many parts of the company. I am pleased to see that customer satisfaction, according to the European Performance Satisfaction Index (EPSI), improved in most of our Nordic and Baltic businesses during 2008. In Eurasia we strengthened our market positions further. One driver of service improvement is employee satisfaction. Therefore, I am encouraged that we saw employee satisfaction and commitment improve in 2008 to the highest level since TeliaSonera started measurements in 2004.

Secure quality in our networks

Demand for capacity is virtually unlimited and requires network upgrades. Capital expenditure was SEK 15.8 billion in 2008 and included investments in increased network capacity and coverage and upgrades to support new value-added services.

The strong trend for mobile data and broadband will put further increased demands on the capacity of our networks. We now have 4G licenses in Sweden and Norway and aim to be one of the first operators in the world to launch 4G commercially in 2010. 4G will increase capacity dramatically, enabling significantly faster downloading of large quantities of multimedia.

We have the best mobile networks in Sweden, according to EPSI, and in 2008 we reduced the number of dropped mobile calls.

In Eurasia we also improved service quality in the networks, particularly in Uzbekistan, Tajikistan and Nepal.

Best-in-class cost structure

TeliaSonera cannot have structurally higher costs than its competitors. Intensified efficiency improvement is crucial for TeliaSonera to be able to adjust its cost base to reflect the shift from traditional to new, value-added services, especially from fixed-voice to mobile and IP-based services. We are carefully going through our operations in order to reduce complexity and the number of products and services.

Migrate our traditional fixed-voice customers to new, value-added services

Our fixed-voice business in Sweden has been declining for several years already as a growing share of customers choose to no longer have a traditional fixed-voice service. Our best asset is our large customer base and our challenge is to keep it. We transform our business through providing IP-based communication and content services at competitive cost and with the best customer service. We have a real opportunity to offer the market triple play and a string of value-added services. Since our launch of IPTV at the beginning of 2007, the number of IPTV subscriptions in Sweden has grown to 324,000 and including all Nordic and Baltic markets to 477,000.

Continue to grow profitably in Eurasia

We intend to grow our assets in Eurasia both organically and through acquisitions. We want to expand and look for investment opportunities in the surrounding region. We focus on markets with low mobile penetration, reasonably sized populations and growing economies.

Our acquisitions in Uzbekistan and Tajikistan in 2007 have turned out successful – sales more than doubled in Uzbekistan in the fourth quarter of 2008 and rose more than 80 percent in Tajikistan, where we became market leader. We strengthened our positions in the other Eurasian markets and are now the largest operator also in Georgia, in addition to Kazakhstan and Azerbaijan – where we already had market leadership. During the year we entered two new growth markets, Nepal and Cambodia, by acquiring controlling interests in the mobile operators Spice Nepal and Applifone.

On investing in this region, we have the ambition to control and thereby consolidate. However, sometimes it is not possible to have a majority position. TeliaSonera has minority interests in MegaFon, the third largest operator in Russia, and Turkcell, the leading operator in Turkey. Where we are willing to take a minority position, we will seek to have a degree of liquidity and control, for example through dividends, management control, board seats or public listing.

Establish a high-powered business sales organization

Another priority is to improve service for business customers and increase sales growth and efficiency, mainly in Finland and Sweden. We are changing our business-to-business sales approach and, as of January 1, 2008, we have combined all our sales resources into one organization that will sell our products and services to the business customers. This dedicated sales organization is measured on growth, market share and sales efficiency.

Well positioned and financially balanced

Entering 2009 we face a number of challenges but also opportunities.

Looking ahead, we need to prepare ourselves for a potentially drawn-out economic downturn that may affect consumer and corporate behavior. Still the influence on our performance is much bigger from regulatory intervention and intense competition.

We expect net sales in local currencies and excluding acquisitions to increase in 2009 compared to 2008. But currency fluctuations may to an increasing extent influence the reported figures. TeliaSonera will continue to invest in future growth and in the quality of networks and services, although with the intention of keeping the addressable costs for 2009 unchanged from 2008. Capital expenditures will be driven by continued investments in broadband and mobile capacity as well as in network expansion in our acquired operations. The CAPEX-to-sales ratio is expected to be somewhat lower in 2009 than in 2008.

TeliaSonera is a strong and financially balanced company with lots of competence and many skilled and motivated people. We have leading positions in the Nordic and Baltic countries and in several emerging markets with high growth potential. We are very well equipped to capture the opportunities that may arise.

Stockholm, March 9, 2009

Lars Nyberg
President and CEO

The TeliaSonera Share

The TeliaSonera share fell 36 percent during 2008, while the NASDAQ OMX Stockholm All Share Index fell 42 percent. The Board of Directors proposes to the Annual General Meeting an ordinary dividend of SEK 1.80 per share (1.80).

During 2008 an average of 22.0 million TeliaSonera shares were traded per trading day, corresponding to a value of SEK 1,042 million per day. TeliaSonera's share price fell 36 percent to SEK 38.90.

Since early 2003, just after the merger of Telia and Sonera, the share price has increased from around SEK 25 but on average underperformed the NASDAQ OMX Stockholm All Share Index. Compared to the Dow Jones STOXX Telecommunications Index, which includes the largest telecom operators in Europe, the TeliaSonera share has performed largely in line with the index.

TeliaSonera's market capitalization was SEK 175 billion at year-end, representing 8 percent of the total market value on the Stockholm stock exchange. In terms of market value, TeliaSonera was the third largest company on the Stockholm stock exchange at year-end and Europe's seventh largest telecommunications operator.

Dividend to shareholders

For 2008, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 1.80 (1.80) per share, totaling SEK 8.1 billion, or 43 percent of net income attributable to shareholders of the parent company. The proposal is according to TeliaSonera's capital structure and dividend policy, which is unchanged from 2007.

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

and investment plans in a medium term perspective, as well as capital market conditions.

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

Proposal on authorization for share repurchase and resale of own shares

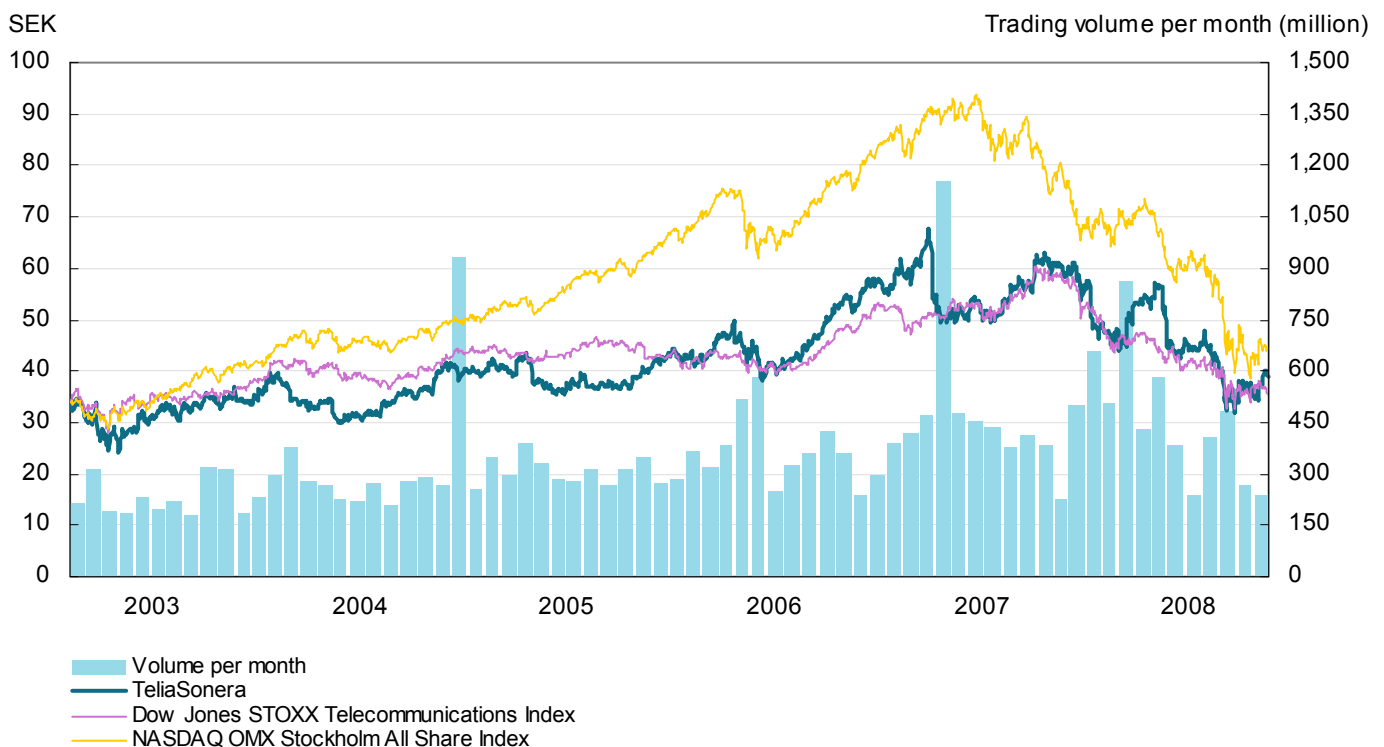
In order to provide TeliaSonera with an additional instrument to adjust the company's capital structure, the Board of Directors proposes that the Annual General Meeting resolves to authorize the Board of Directors to repurchase a maximum of 10 percent of the company's total number of outstanding shares. To date, no plans are made to exercise the proposed authorization.

The Board of Directors also proposes that the Annual General Meeting authorizes the Board of Directors to decide upon a sale of part or all of the repurchased shares through the stock exchange.

The Board of Directors further intends to propose to the Annual General Meeting in 2010 that shares repurchased and not resold be cancelled through a reduction of the company's share capital, without repayment to the shareholders.

Number of shareholders

The number of shareholders decreased during the year from 655,247 to 651,816. Ownership by the Swedish State as a percentage of outstanding shares was 37.3 percent and ownership by the Finnish State was 13.7 percent. Holdings outside of Sweden and Finland decreased from 22.4 percent to 15.6 percent. At year-end, Swedish institutional investors owned 24.2 percent (18.2) of the outstanding shares and Finnish institutional investors owned 3.2 percent (3.0). Swedish private investors owned 3.2 percent (3.0) and Finnish private investors 2.8 percent (2.4) of the outstanding shares.



The Largest Shareholders, as of December 31, 2008

Shareholder	Number of outstanding shares ¹	Percent of outstanding shares/votes
Swedish State	1,674,310,553	37.3
Finnish State	616,128,221	13.7
Swedbank Robur funds	145,833,721	3.2
Alecta	78,050,000	1.7
Cevian Capital LP	71,698,500	1.6
AMF Pension	67,200,000	1.5
SEB Funds	66,469,958	1.5
SHB/SPP Funds	65,549,693	1.5
Fourth Swedish National Pension Fund	62,215,300	1.4
Nordea Funds	61,072,985	1.4
Skandia Life Insurance	53,933,830	1.2
AFA Insurance	46,596,300	1.0
Shareholders outside Sweden and Finland	629,442,585	14.1
Total other shareholders	851,955,567	18.9
Total shares outstanding	4,490,457,213	100.0

Source: SIS Ägarservice, Euroclear Sweden

¹ Each TeliaSonera share represents one vote at the General Meeting of Shareholders and no shareholder has any special voting rights.

The TeliaSonera Share Listing: NASDAQ OMX Stockholm and Helsinki

NASDAQ OMX Stockholm

Ticker symbol	TLSN
Highest price 2008	SEK 62.00
Lowest price 2008	SEK 30.80
At close 2008	SEK 38.90
Shares traded 2008, volume	5,550 million
Shares traded 2008, value	SEK 263 billion
Market capitalization Dec 31, 2008	SEK 175 billion

NASDAQ OMX Helsinki

Ticker symbol	TLS1V
Shares traded 2008, volume	575 million
Shares traded 2008, value	EUR 2.8 billion

The Largest Countries by Number of Shares, as of December 31, 2008

Country	Number of outstanding shares	Percent of outstanding shares/votes
Sweden	2,903,099,124	64.6
Finland	886,217,004	19.7
United States	225,442,273	5.0
United Kingdom	161,926,500	3.6
Luxembourg	86,870,594	1.9
Jersey	52,880,690	1.2
Belgium	33,510,999	0.8
France	20,977,861	0.5
Norway	15,866,318	0.4
Ireland	14,560,932	0.3
Total others	89,104,918	2.0
Total shares outstanding	4,490,457,213	100.0

Source: Euroclear Sweden

Changes in Issued Share Capital

	Issued share capital, SEK thousand	Number of shares	Quotient value, SEK/share
Share capital, Dec 31, 2001	9,603,840	3,001,200,000	3.20
– New share issue, Dec 3, 2002	5,134,582	1,604,556,725	3.20
Share capital, Dec 31, 2002	14,738,422	4,605,756,725	3.20
– New share issue, Feb 10, 2003	222,321	69,475,344	3.20
Share capital, Dec 31, 2003	14,960,743	4,675,232,069	3.20
Share capital, Dec 31, 2004	14,960,743	4,675,232,069	3.20
Share capital, Dec 31, 2005	14,960,743	4,675,232,069	3.20
Cancellation of shares repurchased during 2005, Sept 6, 2006	-591,280	-184,774,856	3.20
Share capital, Dec 31, 2006	14,369,463	4,490,457,213	3.20
Share capital, Dec 31, 2007	14,369,463	4,490,457,213	3.20
Share capital, Dec 31, 2008	14,369,463	4,490,457,213	3.20

Corporate Strategy

Business concept

TeliaSonera offers reliable, innovative and user-friendly services for transferring and packaging of voice, images, data, information, transactions and entertainment. TeliaSonera is present in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain. TeliaSonera is also the leading European wholesale provider of quality cross-border voice, IP and capacity services, provided through its international carrier network.

Depending on the market position, TeliaSonera either offers a complete service portfolio or a focused range of services. TeliaSonera aims at creating customer value through its superior customer service, infrastructure and knowledge of customer needs.

Vision and values

TeliaSonera's vision is that simplicity makes everything possible. TeliaSonera's shared values, serving as a guide in its daily operations, are about adding value, showing respect and making it happen.

Strategy

TeliaSonera's overall strategy is to deliver products and services to our different customer segments based on a deep understanding of present and future customer needs. To create shareholder value through sustainable and improved profitability and cash flows, we will deliver our services in a cost-effective and sustainable manner.

Six focus areas, identified to respond to external trends and achieve operational efficiency:

- Create a world-class service company
- Secure quality in our networks
- Achieve best-in-class cost structure
- Migrate our traditional fixed-voice customers to new, value-added services
- Continue to grow profitably in Eurasia
- Establish a high-powered business sales organization

The Nordic and Baltic markets

TeliaSonera aims to grow in line with the markets and maintain profitability in the Nordic and Baltic region. All Nordic and Baltic markets are exposed to price pressure caused by intense competition and regulatory intervention. In this environment operational efficiency is a

top priority. TeliaSonera strives to improve efficiency continuously in order to be able to develop new mobility and IP-based services.

Eurasia, including Russia and Turkey

TeliaSonera wants to expand in Eurasia and the surrounding region. We will focus on markets with low mobile penetration, reasonably sized populations and growing economies, and will leverage our management experience in the region. We will seek to consolidate our minority stakes in MegaFon and Turkcell or, if that proves to be impossible, to improve liquidity, for example through management control, public listing and dividends.

Spain

In the Spanish market TeliaSonera aims, together with its local partner, to create an efficient low-cost mobile operator with a market position that achieves sustainable strong profits and cash flows and thereby grow the value of the operation.

TeliaSonera's shared values, serving as a guide in the daily operations, are:

Add Value
Show Respect
Make it Happen

Capital structure

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

Market and Customers

TeliaSonera provides high-quality telecommunications services, including packaging and carrying content like sound, images, data, information, transactions and entertainment. We operate in markets with different levels of maturity, in one of the world's most dynamic industries.

We live in an all-communicating society where we want to be able to connect anytime, anywhere, on any device. New technologies gain ground as means of carrying our communication. Demand for capacity is virtually unlimited.

TeliaSonera believes fixed lines will provide the most efficient access for many years to service fixed locations, such as offices or homes in regions where fixed networks already exist. Wireless technologies are being implemented for increased coverage and reach in all our markets and where fixed network presence is not economically feasible.

TeliaSonera offers telecommunication services in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain. Trends are in many ways similar in the emerging markets and more developed markets. But there are differences. With less developed fixed line infrastructure and mobile markets only partially penetrated, the growth potential in emerging markets lies in growing the customer base significantly and increasing mobile usage.

“Regulatory intervention, intense competition and customer migration remain the primary challenges.”

Lars Nyberg, President and CEO, TeliaSonera

A growth industry in transition

Communication services have grown as a share of gross domestic product and disposable income over time in more developed as well as emerging markets. In emerging markets the correlation between telecom penetration and economic growth is strong.

Telecommunication is a growth industry undergoing significant change. People grow increasingly dependent on having constant access to electronic communication for work, entertainment, social life and care. People want to be able to reach all communications services wherever, whenever and on their own personal device. Businesses strive to become more efficient, profitable and at the same time environmentally friendly. Modern telecommunications are opening new opportunities for companies to improve in all these areas.

Evolving customer behavior and new technology – allowing attractive and easy-to-use services – drive migration from traditional fixed voice services to new mobile and IP-based services in the more developed markets. In emerging markets, with young and large populations, low mobile penetration and growing economies, mobile usage and subscription numbers increase fast.

The need to always be connected drives demand for more bandwidth. Transmission for fixed broadband has grown rapidly over the past five years and demand for higher network speed is increasing dramatically.

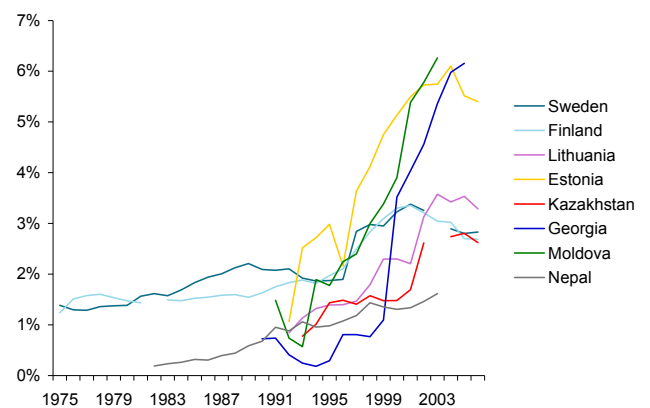
In such a context telecom operators are faced with numerous opportunities but also some challenges.

Throughout 2008 intense competition and regulatory intervention continued putting prices under pressure in our markets.

The year was also marked by financial turmoil and macro economic slowdown. The downturn became much more severe as the year progressed, and the global economy was exceptionally weak in the fourth quarter. TeliaSonera operates in a relatively non-cyclical or late-cyclical industry and we saw no marked effect on our earnings. Looking ahead though, we need to prepare ourselves for a potentially drawn-out economic downturn that may affect consumer and corporate behavior.

In general terms, basic voice spending is expected to hold fairly stable, even though the migration to mobile services could be pushed. However, it seems likely that customers' appetite for adopting new and innovative services could be held back, particularly if the downturn lasts for several years.

Telecom expenditure as part of GDP in some of TeliaSonera's markets, 1975–2006



Source: Ovum, 2008

Customer trends

Customers are becoming increasingly dependent on constant access to electronic communication: for work, socializing, entertainment, shopping and information. The market is converging both in terms of services and devices, and customers expect the same services regardless of device. Simplicity is a key driver of customer satisfaction.

These trends apply mainly to our more developed markets. While the trends in many ways are similar in our emerging markets underlying drivers contrast due to demographic, economic and infrastructure differences.

New ways of socializing are gaining ground while voice calls in total generally grow or hold stable. The take up of new non-voice services is growing with SMS, chatting, email and online communities.

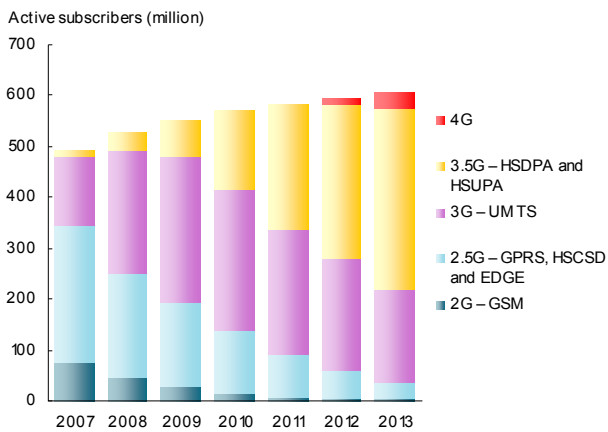
Simplicity drives mobile data usage

The single most important driver of non-voice traffic is the increased use of mobile broadband, which is developing into a strong complement as well as in some cases a substitute to fixed broadband. In a few years from now more families are likely to have mobile broadband connections for each family member as a complement to the household's fixed broadband connection. A key driver behind this development is built-in mobile SIM-cards in laptops.

Telecom services are becoming increasingly device centric, meaning that each screen – TV, computer or handset – allows users full access to all digital applications, content or files. More advanced handsets with new attractive user interfaces, such as the Apple

iPhone 3G and other smart phones, make customers more apt to use advanced services, which in turn drives mobile data traffic.

Handsets in use per generation

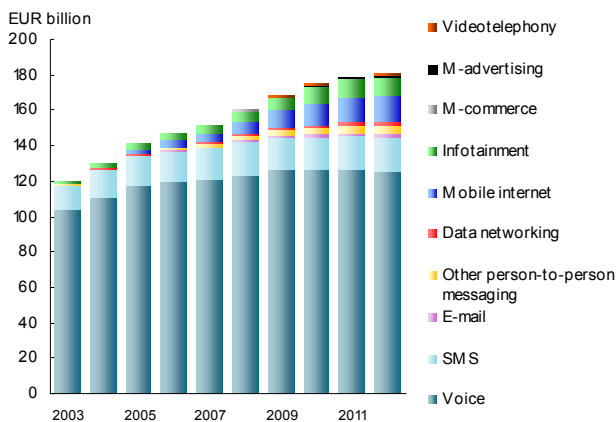


Source: AnalysysMason, 2008, Western European Mobile Market: Trends and forecasts 2008–2013

Take-up of business services such as fleet management and other logistics services can be expected to accelerate. One growth area is mobile applications, such as business-to-business solutions for electronic locks and employee access rights.

In 2008, non-voice services represented around 20 percent of mobile revenues in Western Europe and are expected to grow to 30 percent in 2013 (AnalysysMason, 2008). Key drivers are simplicity, both when it comes to the actual services and to mobile phones, and transmission speeds.

Mobile market revenue sources



Source: AnalysysMason, 2008, Western European Mobile Market: Trends and forecasts 2008–2013. See Glossary for definitions.

Online socializing increases consumer power

Virtual communities and online social networking sites are powerful and popular means for social interaction. Internet-based services are becoming increasingly important for private businesses and the public sector alike. The power of the consumer is growing.

Social networking sites emerged in the mid 2000s, and since then growth has been dramatic. The sites are used for several purposes, but the largest communities focus on personal contacts and social interaction as a complement to meeting physically or talking on the phone. Photo sharing is an important feature. Other communities are focused on professional networking and enable users to stay in touch, and facilitate recruitment and career planning. Another category encompasses content sharing, such as music or video clips. Yet another interest group is communities, aiming at sharing expertise or exercising influence.

Mobile access to social networks

Usage of interactive sites has the potential to strongly increase consumer power, particularly in the so called messenger generation, people aged 35 or younger. The private individual can spread and share views and attitudes fast and widely in a way that only large media houses had the power to do before. At the same time, the internet communities present businesses with the opportunity to use the sites as a marketing channel, not only for advertising but also by creating profiles or virtual spaces where their offerings are presented.

Bloggning is another means of interaction on the internet that is rapidly picking up. Today, most bloggning takes place over a computer but as mobile screens, internet access and pricing schemes are becoming more user-friendly, bloggning over the mobile is expected to increase.

Many of the major online social networks are adding mobile features and creating mobile interfaces enabling customers to upload photos and other content to the site. Thus, online socializing is also an important driver of mobile data usage, according to AnalysysMason's Mobile social networking and case studies, August 2008.

Online media consumption

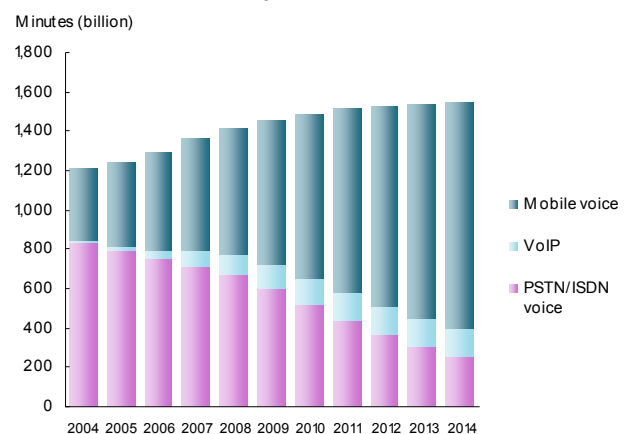
Modern communications fundamentally change the way we consume media. Information and entertainment have long been among the most attractive services over the internet. With the introduction of smart home gateways, new possibilities are opening up as the TV set and the computer come together; both connected to the internet. The internet moves into the living room and develops into a service around which friends and family can jointly participate not only to watch TV or video, but to share photos and music as well as play online games or socialize with others over the internet.

Customers are particularly interested in accessing music via the computer or mobile. Digital distribution of music is steadily gaining ground at the expense of physical distribution, as it allows instant access, at the time and place preferred by the user. Related to this is the Track-ID facility on several mobile phones which allows the customer to identify the artist and the title by simply clicking on the mobile. Similarly, customer value is brought by video-on-demand which allows the customers to "rent" a movie without having to go to the video store, but rather to pick out a movie and access it directly via the connected TV set and view it whenever preferred.

Migration of voice

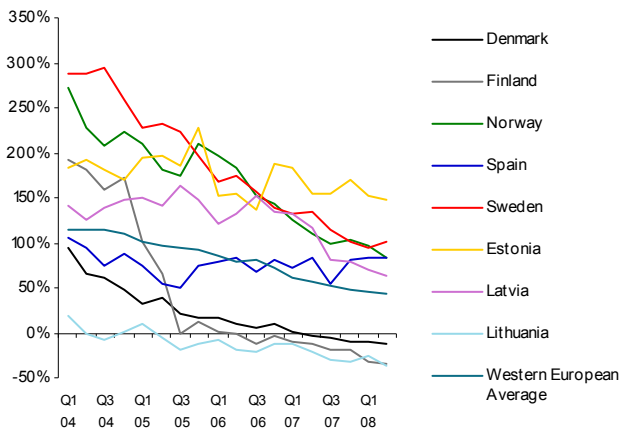
Voice services remain the core business of telecommunications. However, the voice business is in a period of transformation where a growing number of customers choose to have a mobile connection only. Mobile voice price premium has long been an obstacle to mobile migration in some of our markets. Today, such premiums are reduced to levels where mobile is affordable and in some countries mobile voice is already cheaper than fixed voice.

Voice minutes Western Europe



Source: AnalysysMason, 2008

Mobile voice premium to fixed voice



Source: AnalysysMason, 2008
Telecom Market Matrix Western Europe
Telecom Market Matrix Eastern Europe
Western European Mobile Market: Trends and forecasts 2008

In Finland, only about 20 percent of all voice call minutes come from the fixed network, while the equivalent share in Sweden is approximately 60 percent. In all our markets, to varying degrees, there is a potential to grow revenue by moving traffic to the mobile networks where customers can place and receive calls on their personal phone, wherever and whenever it suits them.

In parallel, customers migrate from traditional fixed voice to voice over internet protocol, or broadband, so called VoIP. The development towards IP technology is driving a change in price models as well as business models.

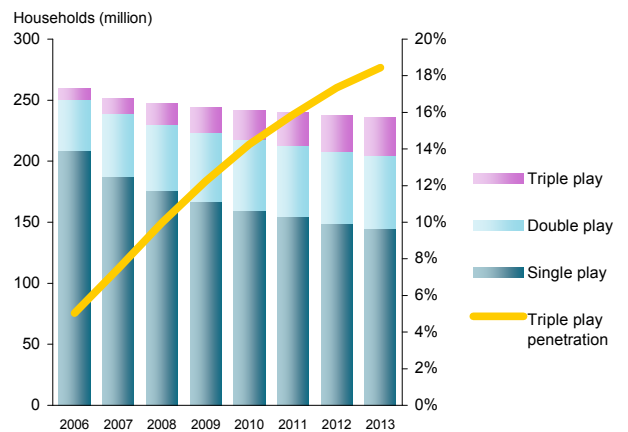
Growing demand for triple play

The penetration of broadband among European households is steadily increasing with the Nordic countries in the forefront. Broadband constitutes the base on which the customer can find a variety of services, not only telephony and access to the internet, but also media services such as TV and video-on-demand, VoD. At the same time, there is an increasing demand from private consumers and businesses alike for accessing services independent of technology, and converged offerings will continue to increase.

The connected home – often referred to as triple play – with convergence of broadband, TV and telephony, is a step in this direction. Triple-play penetration is fairly low today, but as the services grow more attractive, more people will see the possibilities and advantages of a connected home. As a result, over 15 percent of households in Western Europe are seen having adopted triple play in 2013 (AnalysysMason, 2008).

As technology advances and more services are converged into one single offering, so called smart home solutions, simplicity will be even more important to attract consumer attention.

Multi-play services penetration



Source: AnalysysMason, 2008, Multi-play services in Western Europe: Market sizings and forecasts 2008–2013

Demand for interaction drives IPTV take up

As broadband infrastructure is being upgraded to cater to services that offer enhanced user experience, so called rich media services, digital broadband TV, also called IPTV, is gaining ground. Having learnt from the internet world, customers recognize the value of interaction. Demand for interaction is a key driver behind the take up of IPTV. The number of IPTV customers as a share of the total number of pay-TV households in Western Europe is seen rising to around 15 percent in 2013, from 9 percent in 2008 (AnalysysMason, 2008).

The digitalization of the TV networks opens up for a higher degree of interactivity as well as new types of services. From a consumer perspective the freedom of choice will increase, as TV programs and movies can be consumed at any given point in time. VoD services show the way and are expected to have the greatest potential of rendering additional revenues. As TV is becoming IP based, the possibility to consume media over multiple devices will be a fact.

People want all gadgets in one

More gadgets and devices – such as TV sets, computers, game consoles and MP3 players – are being equipped with built-in connectivity for easy access to online services. Customers would like as few boxes and cables as possible, and would be prepared to pay for professional help when setting up electronic equipment.

Driven by customer demand and technological achievements, the distinction between the mobile phone and laptop is becoming blurred. Today, the functionality of a mobile phone is not very different from that of a PC and simultaneously, new PC models like netbooks are optimized for internet browsing. Another trend is that private consumers now buy high-end terminals that were previously demanded by business customers only.

Need for efficiency and less travel

Modern telecommunications are opening for new opportunities for companies and public sector organizations to manage and operate more efficiently. Companies are using more integrated functions that require fast, stable and secure connections and on top of that secure, reliable and appropriate applications. Particularly corporate customers want services that combine accesses with network and service integration.

Demand to access the same service irrespective of device is evident in the business segment. Such services include ordinary emails as well as intranets and specific applications like order systems. Working out of the home is becoming more and more common. Secure internet and intranet access means employees can work just as efficiently outside the office walls. Reasons for wanting to work from home include less travel and more flexible hours. Secure and fast access allows business travelers, maintenance workers and others with many hours spent outside of the office to become more efficient.

As businesses seek to improve processes and employee efficiency, they turn to purchasing entire communications solutions rather than seeing access as one service and application as another independent component. Today many business customers buy communications as a complete service offering, for example a remotely hosted platform that manages security, voice, data, video and other applications.

Care for the environment

The negative impact on the environment from telecom services is quite modest compared to that of other industries. Rather, the networks and services bring opportunities for businesses and individuals to reduce their environmental footprint.

Care for the environment is a key concern for consumers and businesses today and has developed into an important buying criterion. Many investments will be made with the environment in mind.

A growing trend closely related to the telecom industry is the non-moving movement, where business travel is replaced by telecom services such as telephone calls, tele conferences, video conferencing and net meetings. In other words, modern communication can result in fewer business trips and at the same time enable more company contact. Costs are extremely low in comparison with business travel, and the individual sees the value in the ability to work from home.

Emerging markets

Eurasia is the growth engine of TeliaSonera. In many respects customer demand is the same in our emerging markets as in the Nordic and Baltic countries, and similar technology and services trends apply. There are however some underlying differences in demography, economic development and telecommunications availability.

With less developed fixed line infrastructure and a mobile market only partially penetrated, the growth potential in our emerging markets lies in growing the customer base significantly, increasing mobile usage, and further ahead also in mobile data.

TeliaSonera is present in Eurasia with majority-owned companies in eight markets, and via associated companies MegaFon in Russia and Turkcell in Turkey, including Turkcell's subsidiaries in the Ukraine and Belarus. TeliaSonera also has a financial holding in Afghanistan.

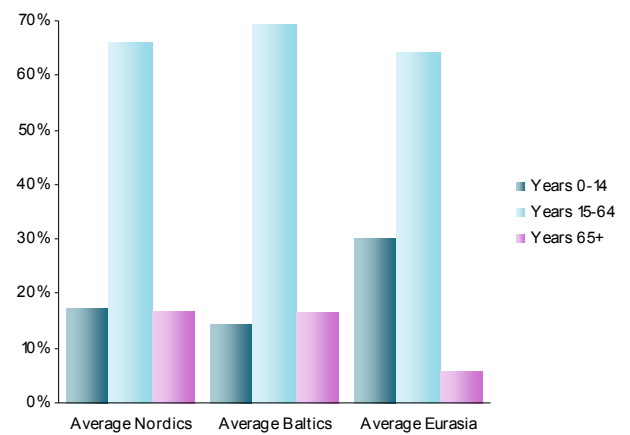
The discussion below concerns Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal and Cambodia, the markets where TeliaSonera has majority-owned operations.

Young and sizeable populations

The markets of our majority-owned operators vary in size from Moldova with 4.3 million inhabitants to Nepal with 29.5 million. The combined population is 110.8 million, more than three times the size of the Nordic and Baltic markets with a combined population of 31.8 million.

The demographic differences are large, with ageing populations in the Nordic and Baltic countries and significantly younger populations in our emerging markets. In Eurasia, people younger than 15 make up on average 30 percent of the population, whereas the equivalent shares in the Nordic and Baltic regions are 17 percent and 14 percent, respectively. Looking at people aged 65 and more they represent 17 percent on average of the populations in the Nordic and Baltic region, but as little as 6 percent in Eurasia. The demography in Eurasia opens for a rapid take up of telecommunications services, as it is usually the young that more readily take on new technology-based services.

Age group distribution



Source: CIA WORLD FACT BOOK 2008

The emergence of a middle class with increasing real wages, together with rising local consumption, foreign direct investment and the opening up of regulatory frameworks all add to the positive development of our mobile markets in Eurasia. In several of them, exports of natural resources such as oil and gas are the largest underlying drivers of business activity. Correlation between growing telecom penetration and economic growth is strong.

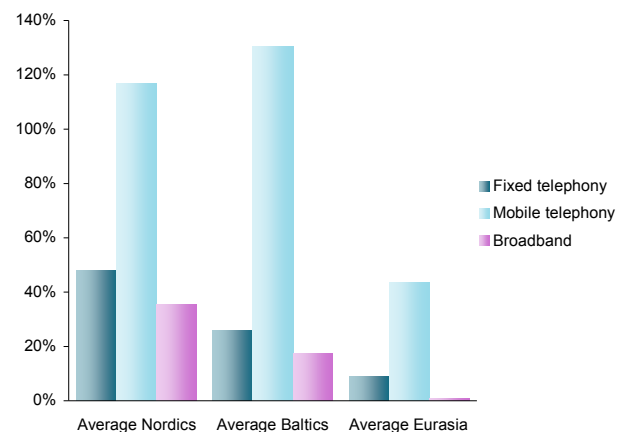
Untapped markets

Mobile penetration in the markets where TeliaSonera has majority-owned operations is still fairly low, with the exception of Kazakhstan. The average penetration rate was around 44 percent in 2008, compared with 130 percent in the Baltic countries and 117 percent in the Nordic market.

As the standard of living improves, demand for and take up of services will grow even faster and show in mobile subscriptions, the use of value added services, internet use and the number of broadband connections. So far, internet user penetration remains low in Eurasia, and so does PC penetration.

In the Nordic countries, the number of broadband subscriptions expressed as a percentage of inhabitants was 36 percent in 2008. Penetration in the Baltic countries reached 17 percent, but in Eurasia only about 1 percent. The low broadband penetration in Eurasia opens for future opportunities to expand into the mobile broadband business. Particularly in the Nordic markets and to a certain extent in the Baltic countries, mobile broadband serves as a substitute or a complement to an already existing service, but in Eurasia mobile broadband connectivity represents a new market with high growth potential.

Regional telecom penetration



Source: TeliaSonera 2008 estimates, based on ITU World Communication/ICT Indicators Database, 2007. Penetration per population.

A voice market with growing demand for data services

As GDP per capita is lower in our emerging markets than in western markets, price sensitivity is higher. Not only low-price mobile phones but also easily available prepaid offerings are therefore must haves for operators.

Customers in these markets are not only focusing on basic quality issues such as coverage, but are also interested in SMS-based information services, MMS and ringback tones. The share of such services of total revenues is increasing and in the most penetrated markets – Georgia and Azerbaijan – ranges between 10 and 15 percent. 3G networks and services are made available by some operators in Moldova, Georgia, Tajikistan, Uzbekistan and Cambodia and they are expected to be introduced in other countries as well, to meet a growing demand for broadband data communication.

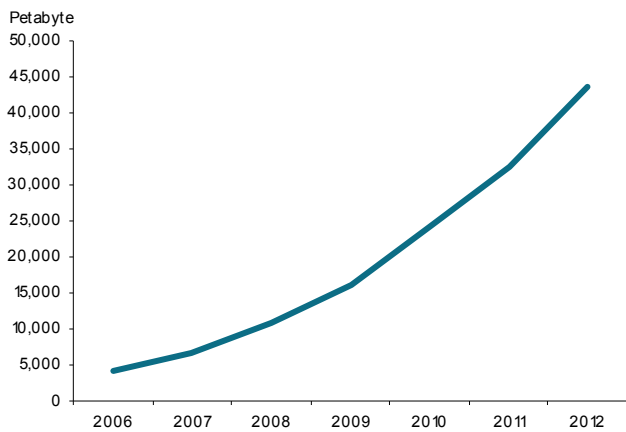
Technology trends

Customers want coverage and fast internet at home, at work and indoors as well as outdoors. Demand for capacity is virtually unlimited. The technology evolution taking place in the Nordic and Baltic countries is expected also in Eurasia, but when and to what extent remains to be seen.

“Every 18 months the performance doubles.” Moore’s law, named after Intel co-founder Gordon E. Moore, has been of major importance to describe the history of computer and IT technologies and is becoming relevant also to describe the development in telecommunications.

Transmission for fixed broadband has grown rapidly over the past five years. For example, traffic to TeliaSonera’s Swedish IP network reached 100 Gigabits per second in October 2008, hundredfold the speed in 2000. While file sharing makes up a large part of that rise, recent growth in streamed traffic involving web-TV watching place new demands on the networks. Moore’s law is becoming true also for describing the evolution of mobile communications. The rapid development of wireless access technologies drives a massive increase in mobile data traffic.

Global IP-traffic increase

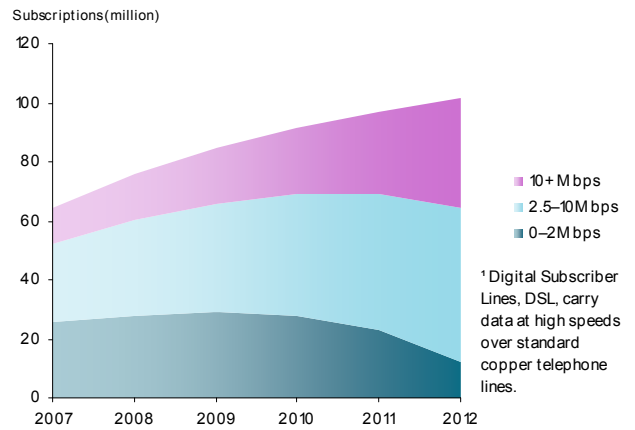


Source: Cisco, Approaching the Zetta byte Era, June 16, 2008

Network upgrades and investments

Bandwidth requirements will be determined by the total use of simultaneously connected devices at a certain spot, for example a home or office. Strong traffic growth drives a need for network upgrades and network investments. For many, broadband delivered via the existing copper network or via the mobile network are sufficient. However, for very capacity intense sites, the most future proof technology is fiber, often referred to as FTTx - fiber to the home, building or curb.

Western Europe consumer DSL¹ subscriptions per speed

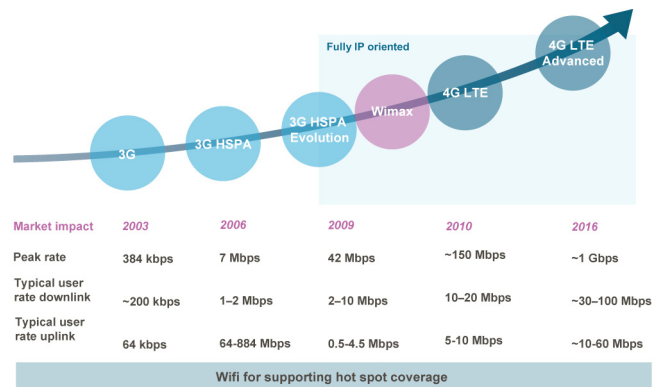


¹ Digital Subscriber Lines, DSL, carry data at high speeds over standard copper telephone lines.

Source: Ovum, 2008

A new global generation of mobile network technology is about to be launched, the so called 4G or Long Term Evolution, LTE, networks. The technology offers high speed mobile broadband and implies a migration to IP-based services also in the mobile networks. This migration opens for new opportunities in service creation, quality and production efficiency.

Technology evolution supports mobile broadband



Source: Ericsson – TeliaSonera joint technology study, October 2008

Moore’s law does not only describe increased performance but also improved cost efficiency. An operator needs to support each radio transmitter with a capacity of several hundreds of Megabits per second rather than the few Mbps that has been the norm until recently. To meet this requirement and to capture new business opportunities, while achieving reasonable cost per Megabit, upgrading of the current backbone networks is needed.

Improved mobile indoor coverage

Two major technologies support converged fixed-mobile services as well as improved mobile coverage and capacity for certain indoor environments. Unlicensed Mobile Access, UMA, is a standard for extension of mobile services using a WLAN radio link and access point in the customer’s premises. UMA requires specific handsets. The second, femtocells, are low-power wireless access points that operate in the 3G spectrum to connect standard mobile handsets to a mobile core network using residential digital subscriber line, DSL.

All IP and improved service quality

Telecommunication is developing into an all-IP world. In order to improve performance, efficiency and quality for IP-based services, specifications for a new mobile core network are being finalized in the international standardization body 3GPP during the first quarter, 2009. The new network, named Evolved Packet Core, and the related

standard, will be of major importance as it lowers delays and can efficiently offer fully seamless IP-connectivity management between different access networks.

A technology related to the delivery of IP-based mobile services is IP Multimedia Subsystem, IMS, which is a telecom architecture for building and delivering IP-based services. Now IMS solutions are progressing and being accepted by fixed, mobile as well as cable operators as the future default control platform for IP-based communication services such as VoIP.

New technologies for commercial purposes

Peer-to-Peer is a technology that enables among other things file sharing. P2P is already used in various commercial purposes as for example Skype, a software allowing phone calls via internet, and Joost, a system for distributing recorded TV programs and other forms of video content.

Web services, web 2.0 and related tools play an extremely important role in making service development possible for many people. This puts the end user in the driver seat of open service innovation. Social software enabling online communities and media communication include Rich Site Summary, RSS, for delivering online news, as well as podcasts, videocasts, blogs and sites, or Wikis, the pages of which are edited by the users themselves.

Near Field Communication

Near Field Communication, NFC, is a standardized short range radio frequency based communications protocol that provides easy and secure connections among various devices without user configuration. NFC will increase simplicity significantly and can be used in for example public transport, retail payments, event arenas and for business workflow.

The possibilities will increase once the next generation of mobile SIM-cards is available. The Universal Integrated Circuit Card, UICC, will increase storage capabilities and improve possibilities for operators to configure and update services. As a result new business models emerge and in turn new opportunities for mobile operators, who can offer business partners a channel to the end users.

Market regulation

Regulation is part of the market environment in which TeliaSonera operates and we need to adapt to any change. Regulatory intervention remains a primary challenge together with intense competition and customer migration. As a strong player in many markets, TeliaSonera is significantly impacted by alterations in regulation, since these can change business conditions.

TeliaSonera's view is that sector-specific regulations, particularly in the developed Nordic markets, should gradually be withdrawn in order to stimulate investments and innovation, and that the telecom sector should eventually only be regulated by general competition legislation.

However, the telecom market remains a regulated market. In November 2007, the EU Commission published its proposals for a "Revised regulatory framework for electronic communications." Following decisions by the Council of Ministers and the European Parliament a revised framework is expected to be implemented. Proposals include a new market-based strategy for the allocation of frequencies with increased flexibility in the use and trade of frequencies.

The Commission also proposed to provide regulatory authorities with the additional remedy of functional separation. That implies authorities would have the power to require market dominant operators to separate their access network activities, as an exceptional obligation subject to Commission oversight. In Sweden, such legal provisions on functional separation already entered into force on July 1, 2008.

There are developments on EU level and nationally on how to adapt regulations to the emergence of what is often called Next Generation Access Networks. TeliaSonera's standpoint is that the regulatory environment should give the right incentives for operators to be able to invest in the modernization of networks, particularly by introducing fiber in the access networks.

In 2007, EU rules were introduced to regulate prices and conditions for international roaming, for example for mobile phone use abroad. The regulation requires a gradual reduction of both retail and wholesale prices over a three year period, but only for voice calls. In September 2008, the Commission proposed to extend the scope of the Roaming Regulation to cover also SMS services and data roaming. The duration of the regulation for voice calls will be extended for three more years with further gradual price reductions. The proposed amendments have been submitted to the European Parliament and to the Council, which must both agree before the proposal can become law. The same rules will apply to Norway as an EEA country even if the implementation time may differ.

Regulatory environment in Eurasia

The regulatory environment in Eurasia is different from that of the EU. Obviously, there is no overall regulatory "umbrella" such as the EU regulatory framework and the topical regulatory issues are specific to each country. However, they often relate to spectrum assignment for our mobile operations and regulation of mobile termination rates.

It can be noted that in Russia, the regulatory authority regulates both retail prices and termination rates for fixed-to-mobile calls. Three Russian nationwide 3G licenses were granted at a beauty contest in 2007. The frequencies are not yet fully available but are still used by various governmental organizations for example in Moscow. Mobile Number Portability, MNP, and Mobile Virtual Network Operators, MVNOs, have not been introduced in Russia.

In Turkey, the Telecommunications Law was reformed in 2000 and 2001. The reforms aimed at modernizing and reforming the legal and institutional framework for the provision of telecommunications infrastructure and services in Turkey. The Telecommunications Authority is a financially and administratively independent telecommunications regulator, which has the authority to grant licenses and set fees in the telecommunications sector. In 2008 MNP was introduced and three 3G mobile licenses were granted through auction where each actor, including Turkcell, received a license for different bandwidths.

Competition and market position

The telecom industry is undergoing significant changes. As customer behavior is evolving and new technology allows attractive and easy-to-use services, the industry is converging with sectors such as media, entertainment and IT. In such a context, telecom operators are facing numerous opportunities but also several challenges.

A new competition context is evolving, where the telecom value chain covers a larger set of services and a larger number of partners and competitors. In the consumer market, convergence is centered on media, content and devices. The convergence has driven many telecom operators into taking a more active role in the media industry as well as the device industry by focusing not only on mobile phones, but also on computers, TV set-top-boxes and smart home gateways.

New actors line up

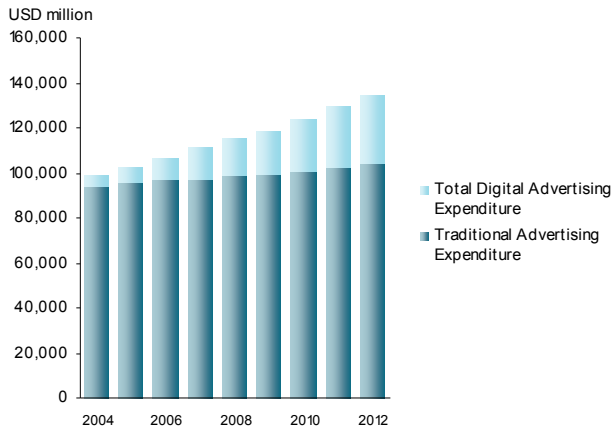
The market convergence opens for opportunities for operators to enlarge their market by entering new service segments. However, it also opens for new business models where other than operators are strengthening their roles. Several new actors are lining up to gain a position in the content and services market. Mobile phone manufacturers, and companies like Apple, as well as strong internet brands all strive for positions in the mobile market in particular.

Advertisement-based business models are already well established in the internet space, with market leaders such as Google. As mobile

internet surfing is growing, the same logic is entering the mobile market, and the big internet brands will be among the first to move into the mobile space. Advertising along with m-commerce also opens for new revenue streams for operators. Both these markets will grow, but their share of total revenues is expected to be fairly small for most operators.

However, online advertising on internet is clearly gaining ground as a media channel at the expense of traditional media. As handsets gain in popularity as a media channel, mobile operators are presented with the opportunity to sell space here.

Digital and traditional advertising spending



Source: Strategy Analytics, 2008

An ecosystem of industries

The market context is changing in the consumer and business segments alike. In the business segment, the transformation is related to the convergence between the historically divided telecom and IT services markets. Telecom providers as well as IT providers are expanding their offerings to cover both sides and thereby taking on a larger role in the value chain. Various related industries are working together in an ecosystem with dependence on each other for partnerships, but also in competition with one another.

A driver behind this development is the need by both private and public companies to manage their operations more efficiently. In this

process they turn to electronic communication and related applications. At the same time the boundaries between business and private life become blurred. The telecom and IT suppliers are growing closer to each other in order to meet the increased need for efficiency and productivity, and satisfy the demand for higher benefits and fast payback from communications and IT investments.

Prices under pressure

TeliaSonera is present in 20 markets, including associated companies. Competition is intense and together with regulatory intervention puts prices under pressure in all markets.


























Mobile market competition is particularly strong in the Nordic and Baltic markets where new customers, but not necessarily new SIM-cards, are few. In these markets, competition is focusing on adding services and increasing service usage. Retail mobile voice prices in the Nordic markets have been declining for some years. Certain consolidation has taken place during recent years however, resulting in fewer players in most markets. The large players, with their own networks, have gained at the expense of smaller providers relying on renting network capacity. But on the other hand, regulation is putting pressure on prices.

Meanwhile, the average revenue per customer remains fairly stable since the price declines are offset by increased voice usage and higher customer spending on value-added services and mobile internet services. An uncertainty in this context is the flat rate pricing of mobile data, which could hamper potential revenue growth, and result in increased costs due to higher data consumption. Operators are starting to introduce other price models that better reflect the level of usage.






Our emerging markets are also characterized by keen competition.

In the broadband market, where services generally are priced as a fixed fee per month, the average retail revenue per user is holding steady, and even showing a slight increase. However, data consumption is growing as customers demand higher bandwidths in tandem with increased usage. That increase is rarely offset by corresponding price increases. To compensate for this, broadband providers are offering a number of individually priced, related services such as storage, TV and VoD.

Markets and Brands

Country	Trademark	Ownership (percent)	Service	No. of Subscriptions (thousands)	Market Position	Market Share (percent) ¹	Main Competitors	Logotypes
Majority-owned companies								
Sweden	Telia, Halebop	100	Mobile	5,334	1	40	Tele2, Telenor, "3"	 
	Telia	100	Broadband	1,122	1	41	Telenor, Com Hem	
	Telia	100	Fixed Voice	4,000	1	65	Tele2, Telenor, Com Hem	
Finland	Sonera, TeleFinland	100	Mobile	2,676	1	39	Elisa, DNA	 
	Sonera	100	Broadband	478	2	32	Elisa, DNA, Welho	
	Sonera	100	Fixed Voice	420	2	27	Elisa, Finnet	
Norway	NetCom, Chess	100	Mobile	1,581	2	28	Telenor, Tele2	 
	NextGenTel	100	Broadband	176	2	11	Telenor, Get, Tele2	
Denmark	Telia, Call me	100	Mobile	1,493	3	22	TDC, Telenor, "3"	  
	Telia, Stofa, DLG Tele ²	100	Broadband	184	3	11	TDC, Telenor	
	Telia, Call me, DLG Tele ²	100	Fixed Voice	226	2	8	TDC, Tele2	
Lithuania	Omnitel, Ezys	100	Mobile	2,012	1	39	Bitė GSM, Tele2	  
	TEO	60	Broadband	298	1	49	LRTC, Balticum TV	
	TEO	60	Fixed Voice	769	1	95	Telekomuniacijų grupė, Cubio	
Latvia	LMT, Okarte, Amigo	60.3	Mobile	1,056	1	44	Tele2, Bitė Latvia	 
Estonia	EMT, Diil	60.1	Mobile	778	1	47	Tele2, Elisa	  
	Elion	60.1	Broadband	176	1	65	Starman, STV	
	Elion	60.1	Fixed Voice	391	1	85	Starman, Tele2	
Spain	Yoigo	76.6	Mobile	970	4	2	Telefónica, Vodafone, Orange	
Kazakhstan ³	K'cell	51	Mobile	7,083	1	47	VimpelCom	
Azerbaijan ³	Azercell	51.3	Mobile	3,471	1	59	Bakcell	
Uzbekistan	UCell	74	Mobile	2,683	2	22	MTS, VimpelCom	
Tajikistan	Indigo Tajikistan, Somoncom	60 59.4	Mobile	1,154	1	33	Babilon Mobile	
Georgia ³	Geocell	100	Mobile	1,582	1	49	Magticom, VimpelCom	
Moldova ³	Moldcell	100	Mobile	550	2	24	Orange	
Nepal ⁴	Mero Mobile	80	Mobile	1,749	2	41	NTC	
Cambodia ⁴	Star-Cell	100	Mobile	144	4	4	Mobitel, TMIC	

Associated companies

Latvia	Latt telecom	49	Broadband	180	1	75	Baltkom TV, Izzī	
	Latt telecom	49	Fixed Voice	597	1	95	Telecom Baltija, Teledialogs SIA	
Russia	MegaFon	43.8	Mobile	43,558	3	23	MTS, VimpelCom	
Turkey	Turkcell	37.3	Mobile	36,300	1	56	Vodafone, Avea	
Ukraine ⁵	Life		Mobile	10,700	3	20	Kyivstar, MTS, VimpelCom	
Belarus ⁵	Life		Mobile	200	3	3	Velcom, MTS	

¹ In Broadband and Fixed Voice TeliaSonera's market share estimate is based on the share of revenues. In Mobile the market share is based on the number of subscriptions except for subsidiaries in Eurasia where it is based on interconnect traffic.

² TeliaSonera owns 50 percent of DLG Tele and controls the company.

³ For Kazakhstan, Azerbaijan, Georgia and Moldova, the ownership percent indicates Fintur Holdings B.V.'s ownership in the four companies. TeliaSonera holds directly and indirectly 74 percent in Fintur Holdings.

⁴ For Nepal and Cambodia the ownership percent indicates TeliaSonera Asia Holding B.V.'s ownership. TeliaSonera holds 51 percent in TeliaSonera Asia Holding B.V.

⁵ Turkcell's subsidiaries in Ukraine and Belarus, in which Turkcell holds 55 percent and 80 percent, respectively.

A Review of Our Operations



Mobility Services

TeliaSonera offers services that help people and companies communicate in an easy, efficient and environmentally friendly way. Demand for being able to connect anywhere, anytime and on any device is growing, be it for entertainment, socializing, business or care.

We operate in markets with varying levels of maturity. In the Nordic and Baltic markets we see massive increases in mobile data usage and IP traffic. We continue migrating our fixed voice customers to mobile and IP-based services, and we invest to



Broadband Services

cater to TV and value-added services that drive broadband growth.

In the emerging markets of Eurasia young and growing populations, low mobile penetration and expanding economies offer a tremendous opportunity for growth. In 2008 we entered two new high-growth emerging markets.

Our success is based on providing world-class services and high-quality networks.



Eurasia

Mobility Services



TeliaSonera Mobility Services comprises leading brands across the Nordic and Baltic region. Our mobile operators in Sweden, Finland, Lithuania, Latvia and Estonia are the market leaders in their respective countries. We are the second largest mobile operator in Norway and number three in Denmark. Since 2006, we also have operations in Spain.

In 2008, customers in all our Nordic and Baltic markets showed us they value freedom of movement not only for voice but also for sharing data and information – be it for work, care, socializing or entertainment. We saw mobile data usage explode along with the continued success of our laptop-embedded mobile-broadband service. The SIM-card equipped laptop is at the heart of our strategy to offer services that are easy to use and ready to access anywhere. We launched it already in 2007, as the first operator in Europe. While mobile voice certainly remains the dominating revenue generator for us, data traffic is the driver of growth.

Easy surfing attracts new customers

In July 2008, TeliaSonera started sales of the Apple iPhone 3G in Sweden, Finland, Norway and Denmark and later in Latvia, Lithuania and Estonia. It has been a tremendous boost to all our brands in the region. For example, in Sweden the Apple iPhone 3G alongside mobile broadband USB modems topped sales at Telia's stores throughout the rest of the year. The iPhone has helped drive data traffic by making surfing easy. Mobile data usage is considerably higher among iPhone users than customers on average.

New pricing for mobile broadband

The emergence of new technology that makes handsets, laptops and other devices perfectly suitable for mobility and data usage is one of the reasons behind the fast take off in mobile data traffic. Attractive pricing and flat-rate offerings for mobile broadband is another. Following campaigns promoting mobile broadband a growing number of people discovered the possibility of surfing, downloading and emailing at increased speeds also while on the move for business or pleasure. Meanwhile a small share of our customer base generates a large part of the traffic. Therefore, we are reviewing the pricing of mobile broadband to find models that better reflect the level of usage.

4G – the next generation of mobile networks

A third and fundamental factor behind the soaring mobile data usage is the development of the underlying technology allowing increased network capacity and speed. TeliaSonera rolled out turbo 3G in all Nordic and Baltic markets already in 2007. The strong mobile broadband trend will put further increased demands on the capacity of our networks. That is why we are looking forward to the next generation of mobile networks. We now have 4G-licenses in Sweden and Norway and aim to be one of the first operators in the world to launch 4G commercially in 2010. The new frequencies will enable TeliaSonera to build a mobile network providing access speeds of up to 100 Megabit per second, more than 10 times faster than today's networks, and considerably improving our customers' experience of interactive services. TeliaSonera has chosen Ericsson for the supply of the initial 4G city network in Stockholm and Huawei for the network in Oslo. In most of our other Nordic and Baltic markets licenses are expected to be issued in 2009.

Mobility finds its way home

Customers show us they value the freedom of mobility also while at home. Like the mobile phone, the laptop is becoming a personal belonging. We also see a trend towards smaller laptops, or netbooks, with functionality optimized for internet browsing. People bring their personal laptops about the house to watch TV while cooking, send emails from the couch or read web magazines in bed. For the customer this is regardless of whether access comes from a fixed network, a public radio network or WLAN, wireless local area network. As the need for speed is virtually unlimited and demand for mobility is growing all-IP-based backhaul networks will be required. Significantly higher speeds will be going out to the base stations in order to ensure outdoor as well as indoor coverage and capacity.

We look into various new technologies and solutions to improve customer experience and to meet future demands for increased reach and capacity within homes and offices as well as outdoors. One such solution on the mobility side may be 3G femto technology which is being tried out in Lithuania and Denmark. 3G femtocells are access points, or small 3G base stations connected to the mobile core network via the fixed broadband internet in the customer's apartment, house or small office.

Improving customer service and distribution

As part of our growth strategy, we strive to constantly improve relations with our customers. In 2008 we improved customer satisfaction scores in most of our Nordic and Baltic markets, according to the European Performance Satisfaction Index, EPSI. To create closer relations with our customers we also strengthened our distribution network. By acquiring full ownership of retail chain ComHouse in Norway in July 2008, we now have our own distribution channels in all Nordic and Baltic markets. For more information on EPSI see section Corporate Responsibility.

Regulation across our markets

Across our markets, regulatory intervention remains one of our primary challenges. Managing the effects from such intervention - including interconnect and roaming fees - is part of our business and the impact varies from country to country.

See section Market and Customers for more information on market shares, brands and market regulation.



“As mobile data usage is exploding we want to offer people and businesses services that are easy to access and easy to use anywhere, anytime. Unmatched in experience and with a good geographic spread, we aim to be the driver of the mobility services evolution in the Nordic and Baltic markets.”

Kenneth Karlberg, President, Mobility Services

Advantage Cinderella – a clean ferry tale

Companies show a growing need for mobility. Via our new sales force Business Services, we offer mobility services that help companies save time, increase efficiency and improve their own customer service.

One such tool is Telia Kvittens used by field workers in any sector from public elderly care to private sector service companies. Reneriet, a Stockholm-based cleaning company that serves ferries operating the Baltic Sea, is a customer. Modern ferries mean large investments for the shipping companies that own them and must spend as little time as possible ashore. In less than two hours Reneriet staff cleans 900 cabins at M/S Cinderella, a vessel carrying passengers between Sweden and Finland. To make sure all cabins are cleaned and ready to welcome new passengers Reneriet uses Telia Kvittens. Based on Near Field Communication the system automatically sends a receipt confirming the cleaning has been carried out, and by whom, or reports any damages that need fixing directly to a repairer. The system can automatically redirect incoming passengers to new cabins. Services like Telia Kvittens give Reneriet and its customers an advantage.

Broadband Services



TeliaSonera Broadband Services comprises market leading brands across the Nordic and Baltic countries. We are the market leader in Sweden, Lithuania, Estonia and, via our associated company, in Latvia. In Finland, Norway and Denmark, our operators are number two or three in their markets. TeliaSonera also has a strong position in the international carrier market.

In 2008, we continued the migration of our fixed voice customers to mobile and IP-based services. More and more people choose to no longer have a traditional fixed line telephony subscription, in favor of mobile phone services and internet telephony, VoIP. More bandwidth and new platforms are required because people and companies make use of the internet for a string of new services and activities beyond web surfing. Such services include TV, games, social networking, surveillance, secure storage, business meetings and customer relations.

In 2008, we saw increased demand from private customers and businesses alike to access our services independent of terminal and connection, and a growing interest in converged offerings. That is why the investment in triple play – voice, broadband and TV as one bundle – and increased bandwidth is so important to our future.

TeliaSonera believes fixed lines will provide the most efficient access for many years to service fixed locations, such as offices or homes in regions where fixed networks already exist. Wireless technologies are being implemented for increased coverage and reach in all our markets and where fixed network presence is not economically feasible.

TV – a driver of broadband growth

We offer triple play in most of our Nordic and Baltic markets. We see television at the center of the digital home for all kinds of internet interaction and as a driver of broadband growth ahead.

Our total number of TV subscriptions reached 867,000 in 2008. Our push for IPTV, or digital TV via broadband, brought up the number of subscriptions to 324,000 in Sweden, our single largest market. In 2008 we enhanced our offering for IPTV by adding 17 channels to our already comprehensive selection of channels and on-demand services. New sales have more than compensated for the churn in the market and at the same time, after the initial free-of-charge trial period, 70 percent of our Swedish IPTV customers continue to be paying customers.

TV opens up for a new range of services that users are willing to pay for, including video-on-demand, or VoD, and time-shift TV, features allowing viewers to choose what day and time to see a program. Like VoD, time-shift TV is a service that adds value and will drive growth. Telia's online video store in Sweden has also become a great success.

Smart Broadband makes life easier

In order to meet future demands for increased reach and capacity within homes and offices as well as outdoors, we are looking into various new technologies and solutions to offer customers wireless extension of their wireline connection. Smart Broadband is one such solution, available in Sweden. An intelligent box that connects data, sound and voice equipment, Smart Broadband enables people to easily use their connection for more than surfing and it puts an end to tangled cores. TeliaSonera was the first operator in the world to launch Smart Broadband in 2007.

Save money, time and the environment

For our business customers, new communication tools allow the exchange of documents and video presentations. Our services generate benefits like unlimited availability, lower travel costs and reduced carbon dioxide emissions. Usage of virtual meeting services accelerated in 2008 in tandem with tightening economic conditions and increasing awareness of the environmental damage caused by business travel.

TeliaSonera offers a range of tele-conferencing services, including video-conferencing services together with Tandberg and with Cisco, which developed TelePresence, a new generation virtual meeting service that TeliaSonera was first in the Nordics to launch already in 2007. TelePresence features advanced technology and equipment that make meeting participants who are present via a link really appear to be in the same room.

For business customers to adopt meeting solutions and services like unified communication, they need a company that can deliver telecom carrier grade solutions that ensure security. Our secure infrastructure for data communication also gives companies the possibility to provide unmatched customer service through video and other tele-presence services.

From business to entertainment

TeliaSonera has a strong position in the international carrier market. Serving the communications industry with quality IP and cross-border services, TeliaSonera International Carrier is the leading European carrier with 43,000 kilometers of network and the fastest IP growth rate in Europe. It provides direct internet connectivity via its global IP network to 85 percent of all European broadband service providers. TeliaSonera International Carrier was nominated in the Best Wholesale Carrier and the Green Award categories for the annual world Communications Awards in 2008. A decisive factor for the nominations was consistently high network quality.

International Carrier

Read more about Europe's leading international carrier on www.teliasoneraic.com.

TeliaSonera International Carrier powered the Dreamhack event with internet connectivity again in 2008 via a 40 gigabit link to the world wide web. Dreamhack in Sweden is the world's largest LAN, or local area network, party.

Gaming is part of the new IP-based services of the digital home. TeliaSonera in 2008 launched a new and unique service, Telia Game Subscription, that means users no longer need to buy their computer games, but can easily download them to their computers from Telia's gaming portal and play as much as they want for a fixed monthly fee. The service is not limited to Telia customers – anyone can subscribe.

Higher speed requires investments

Successfully managing the migration from traditional fixed services to new mobile and IP-based services, including investments and costs, is crucial for TeliaSonera. This is particularly true in Sweden. This transition needs to be handled in a cost efficient way as TeliaSonera cannot have structurally higher costs than its competitors. Improving operational efficiency remains one of our top priorities.

We continue to modernize our broadband networks in densely populated areas where we see a demand. In such areas in Sweden we increase access to fast fiber for apartment buildings, single dwelling houses and companies and we increase capacity of the transport network. In Finland, the building of a fiber optic network started already in 2007 in the country's 15 biggest cities. Investments by business area Broadband Services in the backbone and transmission networks are required also to meet the growing need for speed that comes from wireless internet. Telecommunications has contributed to the development of new services in various other sectors over the years, for example in retail banking, and in the airline industry. Through our fiber networks we can help our business customers deliver high-bandwidth connectivity services to their end customers. One such example could be a high-resolution video application enabling interaction.

Connecting Nordea – the Nordic region's largest bank

Nordea, the Nordic region's largest bank has chosen TeliaSonera DataNet to secure fast and safe data communication transmission between its branches and ATMs throughout the Nordic markets, except Finland. Fiber access will allow high-speed capacity. With DataNet as the platform, Nordea can build IP-based communication services, such as IP telephony, video and the integration of communication services in its IT systems – so called unified communication.

At the same time, we are replacing fixed-line telephones in sparsely populated rural areas in Finland with wireless solutions. We will ensure services by migrating them securely and in a controlled manner to the mobile network. No fixed-line access will be dismantled before it has been ensured that the services operate flawlessly.

Improved customer service

Our best asset is our large customer base and we work hard to improve our customer service. In 2008, we managed to increase customer satisfaction in most Nordic and Baltic markets, according to EPSI. Our Norwegian broadband operator NextGenTel was awarded best customer service company in Norway in 2008 in competition with companies in eight industries. For more information on EPSI see section Corporate Responsibility.

See section Market and Customers for more information on market shares, brands and regulation.



“Our aim is to transform our business through providing IP-based communication and content services at a competitive cost level and with the best customer service. Our best asset is our large customer base and we have an excellent opportunity to strengthen our positions. Our success is based on high-quality services and networks.”

Håkan Dahlström, President, Broadband Services

Eurasia



TeliaSonera has majority-owned operators with strong or leading brands in eight markets: Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and the two new markets, Nepal and Cambodia, that we added in 2008. We are minority owners of MegaFon in Russia and Turkcell in Turkey, including Turkcell's subsidiaries in the Ukraine and Belarus, and have a financial holding in an operator in Afghanistan. Growing in Eurasia is a top priority for TeliaSonera. Eurasia contributes strongly to group earnings and the focus ahead is on sustaining high profitability.

With young and large populations, low mobile penetration and expanding economies, the countries in this part of the world provide a valuable opportunity for growth. Here we operate in one of the world's most dynamic regions where we are committed to continue exploiting growth and creating value for our shareholders. We aim to create leading market positions through organic growth and acquisitions. The growth potential lies in expanding the customer base and increasing mobile voice usage. Looking ahead we also see mobile data taking off with an emerging demand for mobile broadband. Our success is based on providing high-quality services and networks.

The growth engine of TeliaSonera

In markets with a combined population of more than 380 million, including Russia and Turkey, TeliaSonera's majority- and minority-owned businesses continued their strong performance in 2008. Growth in our consolidated companies was driven by higher subscription numbers, increased traffic, higher usage of voice and non-voice services, and acquisitions.

We have a strong track record of creating value in this region.

Already in the early 1990s, and long before the merger between Telia and Sonera in 2002, we were founding partners of some of the operations in Eurasia that are now key contributors to TeliaSonera's solid earnings and shareholder returns. By combining local expertise and our international experience we develop our business to become the leading telecom operator in this part of the world.

New markets

Taking a further important step in executing our strategy to expand into new high-growth emerging markets, we entered Nepal and Cambodia in 2008. TeliaSonera acquired controlling interests in Nepal's second largest mobile operator Spice Nepal, operating under

the brand Mero Mobile, and in Cambodian start-up Applifone, offering services under the brand Star-Cell.

Nepal and Cambodia have a combined population of 43 million, growing economies and low mobile penetration, 14 percent and 21 percent respectively. Spice Nepal launched its operation in 2005 and has a market share of around 41 percent. Applifone started its business in October 2007 and is the fourth largest mobile operator in Cambodia with a market share of around 4 percent.

Completed in October 2008, the new acquisitions followed our successful investments in Uzbekistan and Tajikistan in 2007. In these two markets we have increased our market shares fast despite strong competition and became the market leader in Tajikistan in 2008.

Growth and profitability in balance

The emergence of a middle class with increasing real wages, and growing domestic consumption, higher foreign direct investment and the opening up of regulatory frameworks all add to the development of the emerging markets where we are present. In many of them exports of natural resources such as oil and gas are the largest underlying drivers of business activity and economic growth. The share of telecommunications as a percentage of gross domestic products is still low and represents an opportunity. So does the weak fixed-line infrastructure as it leaves room for high mobile services demand.

Intense competition and regulatory intervention are putting margins under pressure and remain our main challenge. Meanwhile the world is in a period of financial turmoil and severe economic downturn and it is very difficult to predict how long it will last. While telecom is a relatively non-cyclical industry customers in this part of the world are very price sensitive. Our balanced-growth approach has enabled us to sustain a high profitability.

High-quality services and networks

Our success is based on providing high-quality services and networks. Strong growth obviously means sizeable investment need. Investment focus in business area Eurasia is on coverage, capacity, 3G licenses and networks and further on developing our transmission and transport networks to cater to a growing demand for mobile data and internet.

The popularity of mobile services has grown dramatically due to larger network coverage, more developed international roaming and value added services along with attractive pricing. 3G services were launched in Georgia in 2007, followed by Moldova in 2008. Geocell and Moldcell now offer 3.5G providing access to services like fast

mobile internet, video calls and, coming up, mobile TV. 3G licenses are obtained in Uzbekistan, Tajikistan, Nepal and Cambodia and are expected in Azerbaijan in 2009.

Demand for internet is expected to grow and will require not only network investments but the right devices as laptop penetration is still low, although there is already a demand for USB modems. Mobile phones will be a way to get to internet and the future of mobile broadband looks promising.

A contributor to society

TeliaSonera offers services that can help render economic, social and environmental benefits. People who never had access to telecommunication have increased possibilities to connect to others and access information. Being a good corporate citizen means more, though. Our companies are important contributors to the societies they operate in. TeliaSonera is a significant investor in the region and plays an important role as an infrastructure builder and as an employer and tax payer. Being part of local society is a prerequisite for succeeding in the region, in addition to a deep understanding of, and the ability to manage, local culture and keeping strong internal control.

Good ethics is a requirement for us when conducting business. Good ethics is our means of deciding whether a course of action is right or wrong. We view high ethical standards and continuous follow-up of business conduct as the path for sustainability. For more information see section Corporate Responsibility.

Political and economic risk could be a challenge but TeliaSonera is well equipped to handle such risk, which is also outweighed by the opportunities in the region. As we expand to new fast-growing and profitable markets we do it in cooperation with strong local partners. We keep strong corporate governance and risk management.

Russia and Turkey

TeliaSonera owns, directly and indirectly, 44 percent of MegaFon, Russia's third largest mobile operator, and 37 percent of Turkcell, the largest operator in Turkey. These assets have brought significant value to our shareholders for several years through strong sales and earnings growth. We will seek to control and thereby consolidate our minority stakes in MegaFon and Turkcell or, if that is impossible, we will seek to have a degree of liquidity and control, for example through dividends, management control, board seats or public listing. For more information visit www.megafon.ru and www.turkcell.com.

See section Market and Customers for more information on market shares, brands and market regulation.



“A top priority for TeliaSonera is to grow in Eurasia. We are creating an operation under our control that is becoming a strong, solid and meaningful asset to TeliaSonera in one of the world's most dynamic regions.”

Tero Kivisaari, President, Eurasia

Corporate Responsibility

As a leading provider of telecommunication services, TeliaSonera is a vital part of the social and economic infrastructure in the markets where we operate. Our communication services drive growth, competitiveness and the transition to a knowledge-based society. Our services help people and companies communicate in a simple, effective and environmentally friendly way.

TeliaSonera is committed to managing business operations in a responsible and ethical manner, with the aim of capturing business opportunities and managing risks.

Key issues

We have identified the following four areas to be the most material in maintaining the trust of our stakeholders and ensuring the success of our business:

- Helping to bridge the digital divide – the unequal access to information and communication technology
- Meeting the demand for communication services that contribute to sustainability
- Becoming a world-class service company
- Maintaining high ethical standards as we expand our operations in emerging markets

Bridging the digital divide

TeliaSonera believes that access to information and communication technology, or ICT – regardless of income, age, gender or geography – is a great enabler of economic and social development as well as improved chances in life for the individual. We contribute to bridging the digital divide in a number of ways; by increasing coverage, providing services that are easy to use and investing in emerging markets. Our services reach people in 20 markets, including associated companies. In 2008, the total number of subscriptions reached 135 million of which 109 million in Eurasia, including majority- and minority-owned operations. Through our presence in emerging markets, we contribute to improve access to ICT in these countries.

Sustainable communication services

The growing concerns about climate change are driving demand for solutions that contribute to sustainability. We help to reduce climate impact by providing new means of communication. Services for telephone, internet or video meetings can substantially cut the need to travel, while other services can contribute to sustainability by optimizing traffic flows, electricity consumption and logistics.

World-class service company

Our success is based on providing world-class services and high-quality networks, two of our six focus areas. We continue to invest in upgrading our networks and strengthen our supervision and back-up systems. In 2008, we introduced the widely respected Six Sigma methodology to ensure high quality and continuous improvement in our business processes. We also recognize that without the right leadership and employee focus on our customers, we cannot expect to retain the confidence that we have earned.

High ethical standards in all markets

TeliaSonera's Code of Ethics, combined with a solid internal control environment, holds top managers personally responsible for following the key policies and procedures. The Eurasian markets represent an excellent opportunity for growth, but there are also challenges and risks related to the region. To further strengthen the control environment we regularly rotate managers.

Corporate responsibility management framework

The starting point for TeliaSonera's approach to corporate responsibility is the commitment to the highest standards of conduct by every employee. Their commitment to preserve our reputation

and enhance the customer experience is found in our vision of Simplicity, our Shared Values and our Code of Ethics.

Show Respect – what we mean

Our shared values guide our employees in their everyday work and decision-making. They are:

- Add Value
- Show Respect
- Make it Happen

The second pillar of our values, Show Respect, defines TeleSonera's relationship with its stakeholders and is the basis for our approach to Corporate Responsibility.

We show respect by:

- Treating others the way we want to be treated ourselves
- Establishing trust by delivering on our promises
- Engaging in honest and open dialogue even when we do not agree

At TeliaSonera, we believe that corporate responsibility must be integrated in the day-to-day business if it is to be effective and credible. Our approach is to strive for continuous improvement, step by step.

During 2008 we initiated a review of our CR policies and processes in order to implement an integrated framework for all majority-owned companies and to integrate and align the CR work with TeliaSonera's overall business objectives. This work continues in 2009.

Fair Business

At TeliaSonera, we have a long history of achieving success through honest and fair business practices. Common standards of behavior have been defined in the Code of Ethics that applies to all employees in majority-owned operations as well as contractors, suppliers and service providers. A specific Code of Ethics and Conduct for the Eurasian operations focuses on particular challenges found in these markets.

Major elements of these Codes include:

- Ethical business practices, including zero tolerance of corruption. Employees are to refrain from doing anything that could compromise their ability to perform their role objectively and professionally.
- Winning by better products and better performance. TeliaSonera will not seek competitive advantages through illegal or unethical business practices.
- Blowing the whistle. Employees are expected to report anything they witness that does not appear to comply with the Codes or other internal policies, and without fear of adverse consequences.
- Acting with respect and valuing integrity, thus ensuring equal opportunities for our employees regardless of race, gender, ethnicity, religion, political conviction and sexual preferences.

TeliaSonera requires high corporate responsibility standards by our suppliers. In 2008 we launched group-wide supply chain standards regarding environmental, social and ethical issues, including human rights. The requirements will be used both as a tool for selecting suppliers and as a basis for active engagement with them to promote good corporate responsibility management practices. We expect our suppliers to demonstrate continuous improvement.

Customer experience

With the ambition to improve customer experience we introduced the business management approach Six Sigma during 2008. Six Sigma is a methodology that seeks to identify and remove causes of defects and errors in processes.

The first Six Sigma projects have been successfully completed.

- Mobility Services Sweden Customer Care: Increased service capacity by optimizing time usage.
- Mobility Services Sweden Product & Production: Reduced variation for mobile call defect ratio by optimizing certain selected cells (400 out of 20,000) in the radio network. Estimated benefit: more consistent customer experience to mobile calls, with a 50 percent reduction in variation.

Customer protection

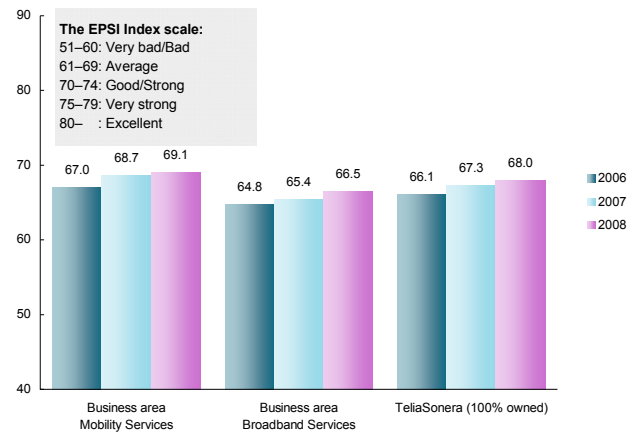
We strive to protect our customers from illegal or abusive use of our networks, such as distribution of child pornography. We provide technology and information to help our customers protect themselves from e-bullying and unwanted content. Initiatives include:

- Supporting and committing to the European Framework for Safer Mobile Use by Younger Teenagers and Children. The guidelines cover access control mechanisms and promotion of customer awareness.
- Collaboration with Ecpat – a global network working together for the elimination of child prostitution and child pornography.
- Partnership with the World Childhood Foundations in projects to prevent e-bullying.
- Our wholesale carrier, TeliaSonera International Carrier, offers a free-of-charge service for preventing the access to internet sites with sexually abusive content.

Customer satisfaction

To measure and benchmark our performance from the customer perspective, we participate in the European Performance Satisfaction Index (EPSI). According to the EPSI results 2008, customer satisfaction improved in most our Nordic and Baltic businesses in 2008. On the whole, mobile customers were more satisfied than broadband customers. The best results were achieved by Omnitel in Lithuania nearly reaching the “excellent” index score with a result of 79.3.

Improved customer satisfaction, EPSI 2008



The EPSI method is a well established method for measuring customer satisfaction and loyalty. Research is public and from a reliable source with statistically verified data. EPSI-rating is based on international research insight from studies in many industries during the past 15 years, with varieties between markets.

Freedom of expression and privacy

Access to communication technology promotes freedom of expression and encourages openness in otherwise closed societies. But technological advances also mean that people's personal data is processed and stored more frequently than ever before. These changes create significant freedom of expression, privacy and data protection challenges.

TeliaSonera complies with the data protection laws that govern our markets and takes all reasonable care to prevent unauthorized access to personal data.

During 2008 The Global Network Initiative – a multi stakeholder forum that TeliaSonera participated in initially – introduced Principles on Protecting and Advancing Freedom of Expression and Privacy in Information and Communications Technologies. The Principles were signed by the US internet companies. TeliaSonera and other telecom operators did not sign the principles, but will continue to work with these issues individually and through industry organizations.

Environmental Performance

The direct environmental impact of TeliaSonera's operations is limited in relation to the economic value of our services. More importantly, by replacing the need to travel, TeliaSonera's services help our customers reduce their environmental impact, including greenhouse gas emissions.



TeliaSonera gets “Prime” status by oekom research

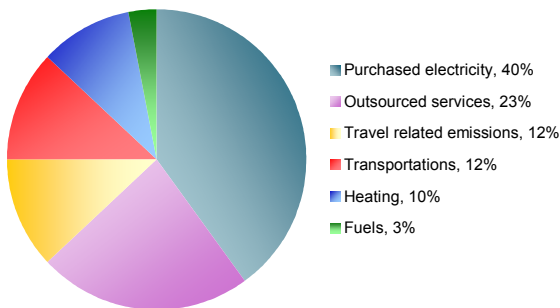
TeliaSonera has received "Prime" status by oekom research, one of the world's leading rating agencies for sustainable investments. TeliaSonera ranks among the world's best companies within the telecom industry thus qualifying for ecologically and socially based investment. Among TeliaSonera's strengths oekom highlighted measures taken to reduce the environmental impact of business travel both among employees and customers by promoting an increased use of tele-meeting services. Measures to minimize the use of electromagnetic ratios of mobile phones and base stations were given the rating "excellent," or A+.

http://www.oekom-research.com/index_en.php

Increased energy efficiency and reduced CO₂ emissions

In our internal operations we strive to minimize our impact on the environment by continuously improving our resource efficiency. Reducing carbon dioxide emissions is a priority and we are achieving this by a transition to eco-labeled electricity, where possible, to cut the emission of our energy consumption. For example in Sweden and Finland, 100 percent of our energy consumption is eco-labeled.

CO₂ emissions by source 2008



Sweden, Finland, Norway, Denmark, Lithuania

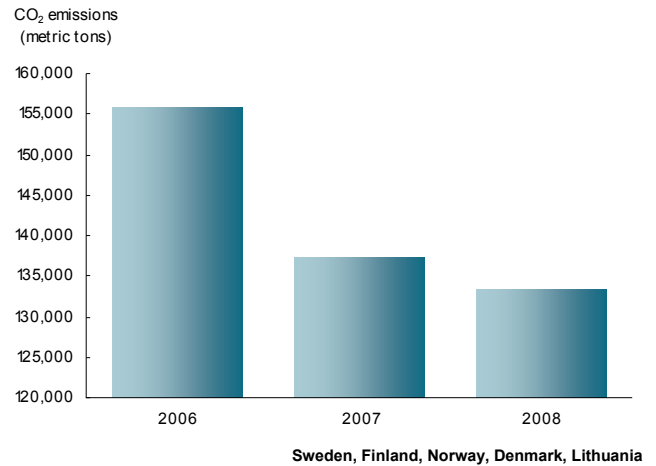
In order to limit fossil energy consumption, TeliaSonera has piloted the introduction of fuel cell technology to produce backup power for base stations in Sweden. In 2008, the number of pilot fuel cell powered base stations was increased from four to six.

In 2008, the total carbon dioxide emissions from wholly-owned operations, in relation to the number of subscriptions in those operations, fell by 11 percent. The main part of this decline can be attributed to an increased use of renewable energy sources and improved energy efficiency.

Reduced travel

Within TeliaSonera we aim to take a lead in using tele meetings as a replacement for physical meetings, thus reducing the need to travel. For example in 2008, by replacing physical traveling with the virtual meeting service TelePresence in Sweden and Finland, TeliaSonera achieved time savings equaling 40 months of full time work of one employee, SEK 5.8 million in traveling costs and some 170 tons in carbon dioxide emissions.

TeliaSonera CO₂ emissions 2006–2008



Transparency in climate reporting

TeliaSonera has strived to be a pioneer in climate reporting. In 2008, this ambition was acknowledged by the Carbon Disclosure Project when it recognized TeliaSonera as the leading Swedish large-cap company for climate reporting. See www.cdproject.net for additional information.

Environmental and quality management system

In Sweden, TeliaSonera has had certified management systems since 1992. An integrated management system in accordance with ISO 14001 and ISO 9001 was implemented in 2001. In Finland, our operations have been certified according to ISO 9001 certificate since 2007. These certification programs aim to ensure a systematic approach to handling environmental and quality issues relevant to our operations.

Employee commitment and performance

As an international telecom operator, employing around 32,000 people, TeliaSonera is strongly committed to develop its employees' competence and leadership. Working across borders and driving international solutions is essential to us.

Performance management and competence development

TeliaSonera is pushing to be even more commercial and customer-oriented and it is essential that our employees possess the right combination of competences. Customer migration from traditional fixed-voice services to new mobility and IP-based services in the more developed of our markets, particularly in Sweden and Finland, adds to this need. We conducted several competence development activities in 2008 with the aim to develop our capabilities to meet our business objectives.

A Performance Management Model is under implementation in TeliaSonera in order to maximize performance and in a structured way encourage all employees to strive towards the same goals. The model will:

- Create focus, clarity and alignment of our business objectives and values
- Provide solid feedback where high performance is rewarded and poor performance addressed
- Offer employees opportunities to develop and grow
- Make individual and business success more transparent

The Performance Management Model is being introduced for TeliaSonera's top 300 managers in 2009 and is intended to be launched for all employees in 2010.

To meet our demand for employees who can take responsibility for driving forward change, TeliaSonera conducts Group-wide programs:

- The Business Acumen Certificate aims at improving the general understanding of what drives our business. In 2008, we certified 150 employees, who work as "change agents" within their own organizations. The program is run by the Stockholm School of Economics.
- The IT/IP program targets a number of key employees, with the purpose of creating "IT/IP Ambassadors" in the organization. The program is run together with Sweden's Royal Institute of Technology.
- TeliaSonera Business School for middle managers and a few key specialists across our operations was conducted with about 30 participants.
- The Top Talent program generates a pool of top talents coming from across our operations and who are expected to become future top leaders. 25 individuals took part in the program in 2008.
- TeliaSonera International Trainee Program aims at attracting external young talents who can form a future base for coming top leaders and key specialists. The program started in February 2008, with 34 participants from our Nordic, Baltic and Eurasian operations.

Management review and succession planning

On an annual basis TeliaSonera's Leadership Team carries out a management review lead by the CEO. It is an activity that responds to short- as well as long-term business needs of leadership capability and supply.

The purpose of the management review and succession planning is to provide for a solid overview of current leadership capability, and succession planning, secure a future talent pool and follow up on succession planning activities in the respective business areas and functions.

The objective of the management review and succession planning is to ensure a constant focus on the improvement of readiness levels (that is candidates ready to step up and succeed current managers), and of the mix of nationalities and gender.

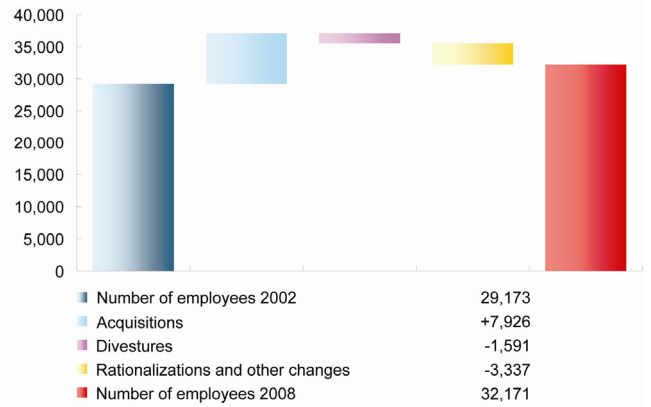
Today the majority of the management is of Swedish or Finnish nationality. This is natural given the history of the company and the fact that the head office is in Sweden, but with our geographic expansion this is changing.

Gender distribution

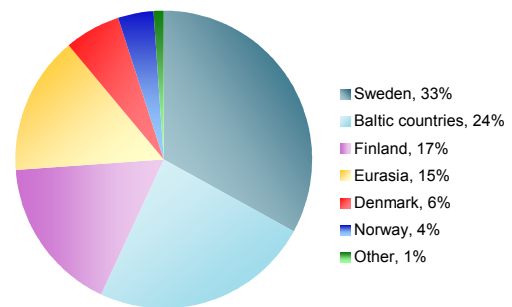
In the majority-owned operations the share of women has increased to from 42 to 44 percent since the merger of Telia and Sonera late 2002. At the same time the share of female senior executives, other than board members, has increased from 18 to 32 percent. See Note 32 to the consolidated financial statements for more information.

The share of women is highest in Kazakhstan and Azerbaijan (both 54 percent) but significantly lower in Norway and Cambodia (both 32 percent).

Development of the number of employees



Distribution of nationalities 2008

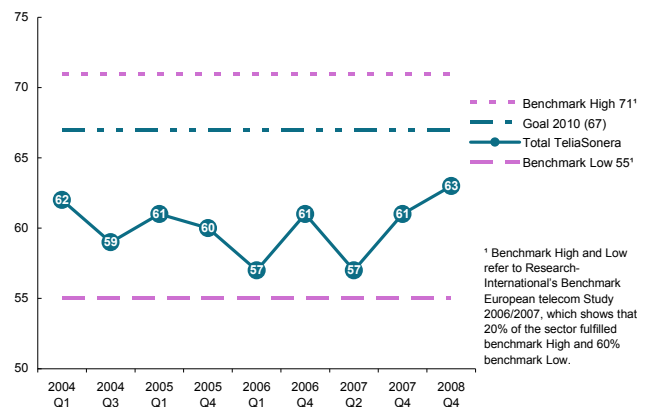


Employee commitment

One of TeliaSonera's six focus areas is to become a world-class service company. We regard employee satisfaction as a key driver of service improvement.

Employee commitment improved in 2008 and reached the highest level since we started measuring in 2004, according to the TeliaSonera Employee Commitment Score, ECS. TeliaSonera's ambition is to reach a score of 67 in 2010.

Employee commitment improved in 2008



¹ Benchmark High and Low refer to Research-International's Benchmark European telecom Study 2008/2007, which shows that 20% of the sector fulfilled benchmark High and 60% benchmark Low.

Reporting

We monitor our CR performance through robust internal reporting systems and present our results and progress annually in a digital CR report available on our website www.teliasonera.com. We are gradually expanding our CR reporting to cover not only our wholly-owned operations and in 2008 we started including our majority-owned operations.

Our reporting is based on the standards of the Global Reporting Initiative (www.globalreporting.org) as well as the telecommunications sector supplement and we publish a GRI reporting index on our website.

International guidelines

TeliaSonera supports the following international guidelines for corporate responsibility:

- United Nations Global Compact www.globalcompact.org
(through our ETNO membership)
- OECD Guidelines for Multinational Enterprises www.oecd.org
- Core ILO Conventions www.ilo.org

Report of the Directors

Despite turmoil in the global financial markets and the rapid downturn in the world economy, TeliaSonera reported improved sales and earnings in 2008, increasing net sales by 8 percent to SEK 103.6 billion and net income by 6 percent to SEK 21.4 billion. The number of subscriptions increased by 20 percent to 43 million in the majority-owned operations, and by 16 percent to 91 million in TeliaSonera's associated companies.

The EBITDA margin, excluding non-recurring items, was maintained almost at the level of 2007 and was 31.8 percent. EBITDA in absolute terms increased by 6 percent to SEK 33.0 billion.

Operating income, excluding non-recurring items, increased by 9 percent to SEK 30.0 billion due to higher EBITDA and further improved earnings in associated companies. The share of Eurasian operations increased to over 45 percent of TeliaSonera's operating income (40 percent in 2007).

Earnings per share increased by 7 percent to SEK 4.23.

TeliaSonera changed its business organization on January 1, 2008, when Integrated Enterprise Services was discontinued as a separate business area and its operations are since then reported as part of Mobility Services, Broadband Services and Other operations.

In January 2008, TeliaSonera created a separate wholly-owned telecom network infrastructure subsidiary in Sweden, TeliaSonera Skanova Access AB, with the purpose of enhancing efficiency and increasing the market's confidence and trust in TeliaSonera as a supplier of wholesale products.

In June 2008, the Board of Directors rejected a non-binding indicative offer by France Telecom, regarding a potential acquisition of TeliaSonera. The decision was thereafter supported by TeliaSonera's main shareholders.

In October 2008, TeliaSonera continued to expand its presence in the growing mobile markets in Eurasia by acquiring operators in Nepal and Cambodia.

The Board of Directors proposes an ordinary dividend of SEK 1.80 per share, equaling a total of SEK 8.1 billion.

Financial Results

SEK in millions, except earnings per share and margins	2008	2007	Change, %
Net sales	103,585	96,344	+8
Operating expenses (except depreciation, amortization and impairment losses)	-71,196	-66,803	+7
Depreciation, amortization and impairment losses	-12,057	-11,704	+3
Other operating income and expenses	-780	621	
Income from associated companies and joint ventures	9,096	7,697	+18
Operating income	28,648	26,155	+10
Financial income and expenses, net	-2,237	-904	+147
Income after financial items	26,411	25,251	+5
Income taxes	-4,969	-4,953	+0
Net income	21,442	20,298	+6
Attributable to:			
Shareholders of the parent company	19,011	17,674	+8
Minority interests in subsidiaries	2,431	2,624	-7
Earnings per share (SEK)	4.23	3.94	+7
EBITDA excluding non-recurring items ^{1, 2}	32,954	31,021	+6
Margin (%)	31.8	32.2	
Operating income excluding non-recurring items ²	30,041	27,478	+9
Margin (%)	29.0	28.5	

¹ EBITDA is an abbreviation for Earnings Before Interest, Tax, Depreciation and Amortization. TeliaSonera defines EBITDA as Operating income before Depreciation, amortization and impairment losses, and before Income from associated companies and joint ventures.
² For details of non-recurring items, see "Non-recurring items" below.

Net sales

Net sales increased 7.5 percent to SEK 103,585 million (SEK 96,344 million in 2007). Organic growth in local currencies increased to 3.9 percent (3.6). The positive net effect from acquisitions and divestments was 1.5 percent and from exchange rate changes 2.1 percent. Approximately half of the Group's organic local currency growth came from Mobility Services, especially from Spain, and the other half from Eurasia, partly offset by the organic local currency decline in Broadband Services.

SEK in millions	2008	2007	Change, SEK million	Change, %	Organic local currency change, %
Mobility Services	48,673	45,115	+3,558	+8	+4
Broadband Services	44,943	44,478	+465	+1	-1
Eurasia	13,204	10,338	+2,866	+28	+20
Other operations	2,538	2,049	+489	+24	+12
Eliminations of internal sales	-5,773	-5,636	-137		
Group	103,585	96,344	+7,241	+8	+4

The number of subscriptions rose by 19.9 million to 134.8 million. The number of subscriptions in the majority-owned operations rose to 43.4 million and in the associated companies to 91.4 million.

Expenses

Overall, expenses increased 7.9 percent in 2008, approximately in line with the increase in net sales.

Expenses SEK in millions	2008	2007	Change, SEK million	Change, %
Goods and services purchased	-16,102	-17,271	+1,169	-7
Interconnect and roaming expenses	-16,663	-14,998	-1,665	+11
Network capacity expenses	-4,602	-3,727	-875	+23
Change in inventories	-56	-81	+25	-31
Personnel expenses	-15,056	-13,477	-1,579	+12
Marketing expenses	-7,423	-6,941	-482	+7
Other expenses	-11,294	-10,308	-986	+10
Total excluding depreciation, amortization and impairment losses	-71,196	-66,803	-4,393	+7
Depreciation, amortization and impairment losses	-12,057	-11,704	-353	+3
Other operating income and expenses	-780	621	-1,401	
Total expenses	-84,033	-77,886	-6,147	+8

Goods and services purchased decreased in 2008 mainly due to lower use of subcontracting in Broadband Services. Interconnect and roaming expenses increased mainly due to increased volumes in International Carrier in Broadband Services and increased volumes in Eurasia. Network capacity expenses increased in all business areas due to higher volumes of traffic.

Personnel expenses increased by 12 percent, due to acquisitions, salary increases and currency effects, which were not fully offset by reductions in the number of personnel especially in Sweden in Finland. The average number of employees increased by 5 percent from 28,561 in 2007 to 30,037 in 2008.

Marketing expenses increased due to increased amount of subsidies and sales commissions for retaining and acquiring customers, especially in Mobility Services in Norway and Spain, and in Eurasia. Other expenses increased mainly due to increased IT expenses.

Depreciation, amortization and impairment losses increased mainly due to growth in Eurasia and currency effects. In 2007, the amount included write-downs of SEK 635 million in Broadband Services related to the fixed access network in Finland and certain product and IT platforms in Sweden.

Other operating income and expenses, net, was negative in 2008 mainly due to provisions of approximately SEK 1,630 million recorded for the ongoing restructuring activities. In 2007, the net amount was positive, when certain provisions related to historical interconnect fees were released in Sweden (impacting other operating income positively by SEK 653 million and interconnect expenses by SEK 118 million). See Note 9 to the consolidated financial statements for further details.

Profitability

EBITDA, excluding non-recurring items, increased to SEK 32,954 million (SEK 31,021 million in 2007), due to higher sales and cost efficiency in Mobility Services and a continued high growth in Eurasia. The EBITDA margin was 31.8 percent (32.2). The margin improved in Mobility Services, despite the negative effects from regulatory interventions. The margin decreased in Broadband Services due to the continued change in the product mix and a reversal of interconnect provisions in the previous year's results, which effects were not fully offset by savings effects from efficiency measures. The margin in Eurasia was also slightly lower due to investments in growth in the newly entered markets.

EBITDA excluding non-recurring items, SEK in millions	2008	2007	Change, SEK million	Change, %
Mobility Services	14,399	13,084	+1,315	+10
Broadband Services	11,922	12,821	-899	-7
Eurasia	6,553	5,255	+1,298	+25
Other operations	116	-161	+277	
Eliminations	-36	22	-58	
Group	32,954	31,021	+1,933	+6

Operating income, excluding non-recurring items, increased to SEK 30,041 million (27,478) due to higher EBITDA excluding non-recurring items and higher income from associated companies. Due to profitable growth in both Russia and Turkey, income from associated companies increased by 18 percent to SEK 9,096 million, even though in 2007 the amount included a capital gain of SEK 631 million in "Other operations" and positive one-off items of SEK 240 million in Russia.

Operating income excluding non-recurring items, SEK in millions	2008	2007	Change, SEK million	Change, %
Mobility Services	9,926	8,751	+1,175	+13
Broadband Services	6,684	7,515	-831	-11
Eurasia	13,731	10,883	+2,848	+26
Other operations	-300	264	-564	
Eliminations	0	65	-65	
Group	30,041	27,478	+2,563	+9

Financial items totaled SEK -2,237 million (-904), of which SEK -2,110 million (-1,174) related to net interest expenses. While the higher amount of net debt increased interest expenses significantly, the financial items were positively impacted by a non-recurring penalty interest income of SEK 290 million, related to a court decision on historical interconnect fees in Sweden.

Income taxes amounted to SEK -4,969 million (-4,953). The effective tax rate was lower at 18.8 percent (19.6). The tax rate was decreased by positive one-off items both in 2008 and 2007. A lowering of the Swedish corporate income tax rate from 28.0 percent to 26.3 percent as of January 1, 2009, resulted in a revaluation of deferred tax assets and liabilities related to the Swedish operations and in a positive one-off item of approximately SEK 400 million in 2008. New deferred tax assets amounting to approximately SEK 650 million were recorded in 2008, relating to Finland, the Netherlands and International Carrier (SEK 850 million of new deferred tax assets in 2007, mainly in Finland).

Minority interests in subsidiaries were SEK 2,431 million (2,624) of which SEK 1,705 million (1,895) related to the Eurasian operations and SEK 692 million (702) to the Baltic operations of Broadband Services and Mobility Services.

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

Return on capital employed was 17.3 percent (19.4) and return on equity 17.2 percent (18.6).

See the Consolidated Income Statements and related notes to the consolidated financial statements for further details.

Non-recurring items

The following table presents non-recurring items for 2008 and 2007. These items are not included in “EBITDA excluding non-recurring items” or in “Operating income excluding non-recurring items” analyzed above, but are included in the total results for TeliaSonera and for each of the business areas.

SEK in millions	2008	2007
Within EBITDA	-1,296	-688
Restructuring charges, synergy implementation costs, etc.:		
Mobility Services	-397	-363
Broadband Services	-1,194	-599
Other operations	295	142
Capital gains:		
Broadband Services	–	132
Within Depreciation, amortization and impairment losses	-97	-635
Impairment losses, accelerated depreciation:		
Mobility Services	-3	–
Broadband Services	-94	-635
Within Income from associated companies and joint ventures	–	–
Within Financial net	290	–
Penalty interest income	290	–
Total	-1,103	-1,323

The ongoing restructuring and streamlining programs have led to significant implementation costs and provisions in 2007 and 2008, mainly related to operations in Sweden and Finland, impacting both business areas Mobility Services and Broadband Services. In 2007, the results for Broadband Services were also impacted by write-downs related to the fixed access network in Finland and certain product and IT platforms in Sweden.

For a detailed discussion of the restructuring and streamlining efforts, see Note 24 to the consolidated financial statements.

Non-recurring items for Other operations have been positively affected by reversals of provisions related to certain old international carrier operations under restructuring. In 2008, a provision of SEK 360 million for an onerous lease and maintenance contract in France was reversed due to a sale of the network. In 2007, SEK 155 million of the restructuring provisions were reversed due to better than expected success in restructuring activities.

Capital gains in the comparative year 2007 included a gain of SEK 132 million from selling part of TeliaSonera’s international carrier network in the U.K. Penalty interest income of SEK 290 million in 2008 from Tele2 was related to a court decision on historical interconnect fees in Sweden.

Efficiency Measures

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

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

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

By the end of 2008, 270 employees have accepted the offer for early retirement and 1,064 employees have agreed to be transferred to the redeployment unit in Sweden or to the competence pool in

Finland. In January 2009, TeliaSonera gave notice of further reductions (see “Significant Events after Year-End 2008” below).

Outlook

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

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

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

Dividend to Shareholders

For 2008, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 1.80 (SEK 1.80 for 2007) per share, totaling SEK 8.1 billion, or 43 percent of net income attributable to shareholders of the parent company.

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

For 2008, no extraordinary dividend is proposed by the Board of Directors to the AGM. For 2007, excess capital was returned to shareholders as an extraordinary dividend of SEK 2.20 per share, totaling SEK 9.9 billion.

The Board of Directors has made an assessment according to Chapter 18 Section 4 of the Swedish Companies Act, to assess whether the proposed dividend is justified. The Board of Directors assesses that:

- The parent company’s restricted equity and the Group’s total equity attributable to the shareholders of the parent company, after the distribution of profits in accordance with the proposal, will be sufficient in relation to the scope of the parent company’s and the Group’s business;
- The proposed dividend does not jeopardize the parent company’s or the Group’s ability to make the investments that are considered necessary; and that
- The proposal is consistent with the established cash flow forecast under which the parent company and the Group are expected to manage unexpected events and temporary variations in cash flows to a reasonable extent.

The full statement by the Board of Directors on the same will be included in the Annual General Meeting documents.

See also “Proposed Appropriation of Earnings.”

Review of the Business Areas

TeliaSonera changed its business organization on January 1, 2008, when Integrated Enterprise Services was discontinued as a separate business area, and its operations are reported as part of Mobility Services, Broadband Services and Other operations.

Growth and improving margins in Mobility Services

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

SEK in millions, except margins, operational data and changes	2008	2007	Change, %
Net sales	48,673	45,115	+8
EBITDA excl. non-recurring items	14,399	13,084	+10
Margin (%)	29.6	29.0	
Operating income	9,526	8,386	+14
Operating income excl. non-recurring items	9,926	8,751	+13
CAPEX	4,467	4,168	+7
MoU	195	190	+3
ARPU, blended (SEK)	223	230	-3
Churn, blended (%)	27	28	
Subscriptions, period-end (thousands)	15,900	14,501	+10
Employees, period-end	8,339	8,052	+4

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

Net sales rose 7.9 percent to SEK 48,673 million (45,115). Organic growth in local currencies was 4.4 percent, of which over two-thirds came from Spain. The positive effect from exchange rate fluctuations was 2.4 percent. Overall subscription growth and higher usage of mobile broadband, data and voice drove sales higher. Regulatory interventions, including interconnect and roaming pricing, were off-set by higher sales in most markets.

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

During the year, interconnect fees that TeliaSonera receives from other mobile operators were lowered by 22 percent in Sweden, and by 14 percent in Norway and Denmark. In Finland, fees were lowered by 23 percent on January 1, 2008, and further by 4 percent on January 1, 2009.

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

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

In Sweden, EBITDA increased to SEK 4,949 million (4,827). In 2007, EBITDA was positively impacted by reversals of provisions of SEK 325 million related to historical interconnect prices.

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

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

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

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

SEK in millions, except margins and changes	2008	2007	Change, %
Net sales	48,673	45,115	+8
of which Sweden	13,334	12,905	+3
of which Finland	9,917	9,786	+1
of which Norway	9,433	9,001	+5
of which Denmark	6,845	6,138	+12
of which Lithuania	2,722	2,484	+10
of which Latvia	2,635	2,654	-1
of which Estonia	2,262	2,305	-2
of which Spain	2,050	589	+248
EBITDA excl. non-recurring items	14,399	13,084	+10
Margin (%), total	29.6	29.0	
Margin (%), Sweden	37.1	37.4	
Margin (%), Finland	31.0	29.4	
Margin (%), Norway	35.3	34.1	
Margin (%), Denmark	20.1	13.7	
Margin (%), Lithuania	34.6	36.8	
Margin (%), Latvia	43.0	45.2	
Margin (%), Estonia	38.1	34.9	
Margin (%), Spain	neg	neg	

Challenging transition continues in Broadband Services

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

SEK in millions, except margins, operational data and changes	2008	2007	Change, %
Net sales	44,943	44,478	+1
EBITDA excl. non-recurring items	11,922	12,821	-7
Margin (%)	26.5	28.8	
Operating income	5,396	6,413	-16
Operating income excl. non-recurring items	6,684	7,515	-11
CAPEX	5,934	5,722	+4
Broadband ARPU (SEK)	274	270	+1
Subscriptions, period-end (thousands)			
Broadband	2,434	2,326	+5
Fixed voice	5,806	6,218	-7
Associated company, total	777	757	+3
Employees, period-end	16,171	17,294	-6

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

Net sales increased 1.0 percent to SEK 44,943 million (44,478). The decline in organic sales was 0.8 percent in local currencies, especially due to continued decline in fixed voice services in Sweden. The positive effect from exchange rate fluctuations was 1.5 percent. Measured in Swedish krona, sales grew in all markets except Sweden. The positive development of international carrier

operations in Wholesale and the acquisition of DLG-Tele in Denmark contributed to the higher sales.

EBITDA, excluding non-recurring items, decreased to SEK 11,922 million (12,821) and the margin to 26.5 percent (28.8). Cost efficiency measures did not offset the effects of the changed revenue mix. In 2007, EBITDA was also positively impacted by one-off items of SEK 200 million net. The changing revenue mix had a negative impact on margin, when products from international carrier and IP-based services, including TV, replace traditional fixed voice. Compared to traditional fixed voice, these services have lower margins and ARPU.

In 2007, EBITDA was positively impacted by reversals of provisions of SEK 446 million related to historical interconnect prices, and negatively impacted by SEK 130 million of storm related costs, both in Sweden, and also negatively impacted by a provision of SEK 120 million for changed LLUB pricing in Wholesale.

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

SEK in millions, except margins and changes	2008	2007	Change, %
Net sales	44,943	44,478	+1
of which Sweden	19,536	20,343	-4
of which Finland	7,736	7,598	+2
of which Norway	913	891	+2
of which Denmark	2,352	1,998	18
of which Lithuania	2,302	2,124	+8
of which Estonia	2,163	1,926	+12
of which Wholesale	11,302	10,495	+8
EBITDA excl. non-recurring items	11,922	12,821	-7
Margin (%), total	26.5	28.8	
Margin (%), Sweden	27.6	31.1	
Margin (%), Finland	21.7	23.4	
Margin (%), Norway	20.0	22.1	
Margin (%), Denmark	4.4	12.1	
Margin (%), Lithuania	42.7	43.9	
Margin (%), Estonia	26.7	24.4	
Margin (%), Wholesale	26.7	27.5	

Strengthening market positions in Eurasia

The business area continued to show good volume growth. Regulatory intervention, higher penetration and increasing competition put pressure on prices and margins in the region. In addition, the current economic uncertainty reduces visibility ahead. Fluctuations in exchange rates may also have an adverse effect on revenue and margins.

TeliaSonera maintained market leadership in Kazakhstan and Azerbaijan, strengthened its position and became market leader in Tajikistan and Georgia, and maintained the positions in all other markets.

In October 2008, TeliaSonera continued to expand its presence in the growing mobile markets in Eurasia by acquiring operators in Nepal and Cambodia.

SEK in millions, except margins, operational data and changes	2008	2007	Change, %
Net sales	13,204	10,338	+28
EBITDA excl. non-recurring items	6,553	5,255	+25
Margin (%)	49.6	50.8	
Income from associated companies			
Russia	5,070	4,181	+21
Turkey	3,991	2,725	+46
Operating income	13,731	10,883	+26
Operating income excl. non-recurring items	13,731	10,883	+26
CAPEX	4,595	3,114	+48
Subscriptions, period-end (thousands)			
Subsidiaries	18,416	12,147	+52
Associated companies	90,558	78,056	+16
Employees, period-end	4,780	3,862	+24

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

Consolidated operations

Net sales rose 27.7 percent to SEK 13,204 million (10,338) with revenue growth in all markets. Organic growth in local currencies was 20.3 percent, of which half from Kazakhstan and one-fourth from Azerbaijan. The acquisitions in Uzbekistan and Tajikistan, consolidated since July 1, 2007, and in Nepal and Cambodia, consolidated since October 1, 2008, affected net sales positively by 5.1 percent. The positive effect from exchange rate fluctuations was 2.3 percent.

EBITDA, excluding non-recurring items, increased 25 percent to SEK 6,553 million (5,255) as a result of higher sales. The margin decreased to 49.6 percent (50.8) due to a decrease in average revenue per minute as well as higher network, sales and marketing expenses. In addition, inflation drove costs higher, particularly for salaries, rents and energy.

CAPEX increased to SEK 4,595 million (3,114) driven by investments in additional capacity, and to improve coverage and maintain a high service quality in the network particularly in Uzbekistan and Tajikistan. The CAPEX-to-sales ratio was 34.8 percent (30.1).

SEK in millions, except changes	2008	2007	Change, %
Net sales	13,204	10,338	+28
of which Kazakhstan	6,673	5,582	+20
of which Azerbaijan	3,563	2,958	+20
of which Uzbekistan	496	139	+257
of which Tajikistan	516	184	+180
of which Georgia	1,393	1,123	+24
of which Moldova	420	365	+15
of which Nepal	158	–	
of which Cambodia	10	–	

Associated companies – Russia

MegaFon (associated company, in which TeliaSonera holds 43.8 percent) in Russia continued to demonstrate strong performance and increased its subscription base by 7.9 million to 43.6 million. MegaFon increased its market share in terms of subscriptions from 20 to 23 percent. The Russian mobile market continued to show strong volume and revenue growth.

TeliaSonera's income from Russia rose to SEK 5,070 million (4,181), fueled by continued strong sales and earnings growth at MegaFon. The result in 2007 was positively impacted by SEK 240 million in the form of a gain from the sale of Petersburg Transit Telecom by Telecominvest and a partial reversal of write-downs on old equipment in MegaFon. The Russian ruble was, on average, stable against the Swedish krona.

Associated companies – Turkey

Turkcell (associated company, in which TeliaSonera holds 37.3 percent, reported with a one-quarter lag) in Turkey grew its subscription base by 1.5 million to 36.3 million, as a result of attractive pricing, improved sales channel efficiency, dealer incentives and the continuous positive effect of ongoing campaigns. In Ukraine, the number of subscriptions rose by 3.1 million to 10.7 million.

TeliaSonera's income from Turkey rose to SEK 3,991 million (2,725). The Turkish lira was, on average, stable against the Swedish krona.

In 2008, Turkcell distributed to its shareholders a total cash dividend of TRY 649 million, equal to SEK 2.9 billion, corresponding to 50 percent of the distributable income for the fiscal year 2007.

TeliaSonera's share was approximately SEK 1.1 billion (1.0).

In August 2008, Turkcell announced the acquisition of 80 percent of the shares in BeST (rebranded to Life), the third largest mobile operator in Belarus.

Other operations

SEK in millions, except changes	2008	2007	Change, %
Net sales	2,538	2,049	+24
EBITDA excl. non-recurring items	116	-161	
Income from associated companies	6	740	
Operating income	-5	406	
Operating income excl. non-recurring items	-300	264	
CAPEX	795	527	+51

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

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

In 2007, income from associated companies (and operating income) was positively impacted by a capital gain of SEK 631 million from the sale of Eltel by the associated company Telefos.

Financial Position, Liquidity and Capital Resources

Balance Sheet

SEK in millions	2008	2007	Change, SEK million	Change, %
Assets				
Goodwill and other intangible assets	100,968	83,909	+17,059	+20
Property, plant and equipment	61,946	52,602	+9,344	+18
Investments in associated companies and joint ventures, deferred tax assets and other financial assets	62,265	48,633	+13,632	+28
Total non-current assets	225,179	185,144	+40,035	+22
Current assets (except cash and cash equivalents)	27,254	23,750	+3,504	+15
Cash and cash equivalents	11,826	7,802	+4,024	+52
Total current assets	39,080	31,552	+7,528	+24
Non-current assets held-for-sale	27	6	+21	+350
Total assets	264,286	216,702	+47,584	+22
Equity and liabilities				
Shareholders' equity	130,387	117,274	+13,113	+11
Minority interests	11,061	9,783	+1,278	+13
Total equity	141,448	127,057	+14,391	+11
Long-term borrowings	54,178	41,030	+13,148	+32
Other long-term liabilities	27,159	19,114	+8,045	+42
Total non-current liabilities	81,337	60,144	+21,193	+35
Short-term borrowings	11,621	2,549	+9,072	+356
Other current liabilities	29,880	26,952	+2,928	+11
Total current liabilities	41,501	29,501	+12,000	+41
Total equity and liabilities	264,286	216,702	+47,584	+22

In general, the balance sheet amounts were increased in 2008 due to weakening of the Swedish krona against most other currencies, when the non-Swedish subsidiaries were translated into krona with higher exchange rates. Almost half of the increase in total assets and total equity and liabilities was due to exchange rate differences.

Goodwill and other intangible assets increased in 2008 mainly due to the acquisition of operations in Nepal and Cambodia (SEK 4.4 billion), granting of a minority put option in Azertel (SEK 3.6 billion), and due to currency effects (SEK 8.3 billion).

Property, plant and equipment increased through capital expenditures (CAPEX) and the acquisitions, and due to positive exchange rate differences of SEK 4.8 billion, partly offset by depreciation.

The carrying value of associated companies and joint ventures increased due to income from these companies (SEK 9.1 billion), and was partly offset by dividends received from associated companies, mainly Turkcell, (SEK 1.4 billion) and by negative exchange rate differences (SEK 1.5 billion).

Both deferred tax assets and liabilities increased due to currency effects. Additionally, deferred tax assets were decreased by the utilization of tax assets, partly offset by recognition of new assets of SEK 650 million. Deferred tax liabilities in Sweden decreased partly due to the change in the Swedish tax rate. Net deferred tax asset decreased to SEK 1.9 billion (2.4).

Other non-current assets increased mainly due to increased positive result from the interest rate and cross currency interest rate swaps used for hedging (SEK 3.8 billion), long-term receivables recorded in connection with the privatization of Azercell (SEK 0.8 billion) and currency effects.

Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities) remained negative at SEK -4.1 billion (SEK -4.3 billion in 2007). Increases due to sales growth and acquisitions were offset by decreases due to growth in operating expenses and by timing effects.

Shareholders' equity increased to SEK 130.4 billion, due to net income attributable to shareholders of SEK 19.0 billion and positive exchange rate differences of SEK 12.4 billion, partly offset by

dividends of SEK 18.0 billion paid to shareholders in April 2008. The equity/assets ratio, adjusted for proposed dividends, remained stable at 50.5 percent (50.3). See the Consolidated Statements of Changes in Equity for further details.

Net debt increased from SEK 34.2 billion to SEK 48.6 billion, due to dividend payments, the cash paid for acquisitions and currency effects, only partly offset by free cash flow. The net debt/equity ratio increased to 36.5 percent (31.3).

Other long-term liabilities increased mainly due to increase in deferred tax liabilities (SEK 1.7 billion), a liability recorded for the minority put option in Azertel (SEK 5.0 billion), and exchange rate differences (SEK 1.6 billion).

See the Consolidated Balance Sheets and related notes to the consolidated financial statements for further details.

Cash Flows

SEK in millions	2008	2007	Change, SEK million	Change, %
Cash from operating activities	27,086	26,529	+557	+2
Cash used in capital expenditure	-15,758	-13,525	-2,233	+17
Free cash flow	11,328	13,004	-1,676	-13
Cash used in other investing activities	-3,876	-2,180	-1,696	+78
Cash flow before financing activities	7,452	10,824	-3,372	-31
Cash used in financing activities	-4,359	-14,726	+10,367	-70
Cash and cash equivalents, opening balance	7,802	11,603	-3,801	-33
Net cash flow for the period	3,093	-3,902	+6,995	
Exchange rate differences	931	101	+830	
Cash and cash equivalents, closing balance	11,826	7,802	+4,024	+52

Cash flow from operating activities increased slightly in 2008. The cash flow was positively affected by higher EBITDA and lower cash payments for taxes, and negatively affected by higher financing cost and lower dividends from associated companies. In 2007, cash flow from operating activities included one-off dividends of approximately SEK 1.4 billion from associated companies Telefos and Overseas Telecom.

Cash used in capital expenditure (cash CAPEX) increased significantly in 2008. As a result, free cash flow (cash flow from operating activities less capital expenditure) decreased in 2008 by 13 percent.

The increase in cash CAPEX to SEK 15.8 billion (SEK 13.5 billion in 2007) and the increase in the CAPEX-to-sales ratio to 15.2 percent (14.0) was driven mainly by the purchase of a Swedish 4G license in Mobility Services, increased investments in network capacity to support increased mobile traffic in the transit networks in Broadband Services, and investments in capacity, coverage and higher quality service in Eurasia, especially in Uzbekistan.

Cash used in other investing activities consists of acquisitions, divestments, changes in loans receivable and in short term investments, and repayments from or additional contributions to pension funds. Net cash paid for acquisitions was SEK 4.1 billion (4.6), and net cash used for granting loans was SEK 0.2 billion (net cash received from loans receivable of SEK 1.1 billion in 2007). In 2007, net cash used in other investing activities included a repayment of SEK 0.5 billion from TeliaSonera's pension fund in Sweden.

Net cash used in financing activities decreased in 2008, mainly due to lower cash return paid to shareholders than in 2007. Dividends paid to shareholders of the parent company were SEK 18.0 billion (28.3) and to the minority shareholders SEK 1.9 billion (1.4). Net new borrowings were SEK 15.5 billion (15.0). See the Consolidated Cash Flow Statements and related notes to the consolidated financial statements for further details.

Acquisitions, Investments and Divestitures

During 2008, TeliaSonera has made a number of acquisitions and divestitures.

- In January 2008, Fintur Holdings B.V. finalized the acquisition of an additional 14.3 percent interest in Geocell LLC for a total consideration of approximately SEK 210 million (USD 33 million), increasing Fintur's ownership in Geocell from 83.2 percent to 97.5 percent.
- In April 2008, the privatization of the Republic of Azerbaijan's 35.7 percent ownership in Azercell Telekom B.M. (Azercell) was completed. Azertel Telekomünikasyon A.S., the parent company of Azercell and a majority-owned subsidiary of Fintur Holdings B.V. (Fintur), acquired the entire stake from the Republic of Azerbaijan, increasing Azertel's ownership in Azercell to 100 percent. At the same time, the previous minority shareholders in Azertel increased their ownership to 49 percent. Fintur's effective ownership in Azercell therefore remains at 51 percent. The largest minority shareholder was also granted a put option, giving the shareholder the right to sell its 42 percent stake to TeliaSonera at fair value in certain deadlock situations. As part of the privatization arrangement, Azertel's equity will be increased by USD 180 million over three years. In case the minority shareholders cannot participate in the equity increase for their pro-rata share, Fintur's ownership in Azertel will increase.
- On May 27, 2008, Cygate, a TeliaSonera subsidiary specializing in systems integration, closed the acquisition of Avansys AB in Sweden and paid SEK 138 million for the acquisition.
- On July 11, 2008, TeliaSonera closed the acquisition of remaining 66.6 percent in ComHouse AS in Norway, making ComHouse a wholly-owned subsidiary, and paid cash consideration of SEK 162 million. ComHouse has been consolidated as of July 1, 2008.
- On September 26, 2008, TeliaSonera announced the acquisition of controlling interests in two mobile operators, Spice Nepal Pvt. Ltd. in Nepal and Applifone Co. Ltd. in Cambodia. TeliaSonera acquired 51 percent of the shares and votes in TeliaSonera Asia Holding B.V. from Visor Group that remains owner of the other 49 percent. TeliaSonera Asia Holding B.V. owns 80 percent of the shares and votes in Spice Nepal and 100 percent of the shares and votes in Applifone. The total cash consideration paid by TeliaSonera was approximately SEK 3.3 billion (USD 484 million), corresponding to 51 percent of the total equity value of TeliaSonera Asia Holding B.V. The transaction was completed on October 1, 2008, and the operations have been consolidated as of the same date.

Credit Facilities

TeliaSonera believes that its bank credit facilities and open-market financing programs are sufficient for the present liquidity requirements. TeliaSonera's cash and short-term investments totaled SEK 12.9 billion at the end of the year (SEK 8.9 billion at the end of 2007). In addition, the total available unutilized amount under the committed credit facilities was SEK 14.1 billion at year-end (12.6).

TeliaSonera's credit ratings remained unchanged in 2008. The rating from Moody's Investors Service is A3 for long-term borrowing and Prime-2 for short-term borrowing, with a "Stable outlook" reference. The rating from Standard & Poor's Ratings Services is A- for long-term borrowing and A2 for short-term borrowing, also with a "Stable outlook" reference.

TeliaSonera generally seeks to arrange its financing through the parent company TeliaSonera AB. The primary means of external borrowing are described in Note 22 to the consolidated financial statements.

Research and Development

The main focus of research and development (R&D) at TeliaSonera is to support future profitable growth through developing reliable, innovative and user-friendly services based on open standards, integration of third party solutions and cooperation with external innovation clusters. The most important input to the R&D processes is current and forecasted market demand. To reduce risk and ensure easy to use services a proactive engagement of end users in all R&D phases is mandatory.

Examples of important emerging areas are Mobile Wallet (ticketing, payments & ID through the Mobile), Mobile 2.0 content services, Rich Communication Services (RCS), wireless office services, interactive personalized IPTV and Smart Home. Focus is on cost-efficient, high-quality network and service technologies. Another key priority in 2008 has been the development of the next phase of the mobile broadband market and preparation for the related roll out of 4G/LTE (Long Term Evolution).

As of December 31, 2008, TeliaSonera had approximately 540 patent "families" and approximately 2,100 patents and patent applications, none of which, individually, is material to its business.

In 2008, TeliaSonera incurred R&D expenses of SEK 1,178 million (SEK 1,731 million in 2007).

Environment

The environmental impact from TeliaSonera's operations is mainly generated by energy utilization, travel and transport, and material usage. In 2008, TeliaSonera included the environmental aspect as an elemental view in the development of its operations and made technology investments to increase energy efficiency, reduce travel and replace material needs. New technology has reduced the space required by servers, the need for more than one computer and one phone per employee has been reduced and e-billing has replaced paper invoices. In addition the use of new telecommunication services has increased working flexibility.

TeliaSonera in Sweden does not conduct any operations subject to environmental permits from authorities according to the Swedish environmental legislation, chapter 9.

Parent Company

The parent company TeliaSonera AB, which is domiciled in Stockholm, comprises the Group's Swedish activities in development and operation of fixed network services and broadband application services. The parent company also includes Group executive management functions, certain Group common operations and the Group's internal banking operations. As of January 1, 2008, certain operations were transferred to the new, wholly-owned telecom network infrastructure subsidiary, TeliaSonera Skanova Access AB (Skanova Access).

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2.2 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board.

Net sales for the year declined to SEK 16,132 million (SEK 17,809 million in 2007), due to migration to mobile services and lower priced IP-based services, and to operations being transferred to Skanova Access. SEK 12,644 million (12,811) was billed to subsidiaries. Operating income increased strongly due to capital gains on assets transferred to Skanova Access and was SEK 21,697 million (6,304). In 2007, income after financial items was positively impacted by dividend payments from subsidiaries. Net income was SEK 30,306 million (20,001).

The balance sheet total increased to SEK 211,098 million (182,436). Shareholders' equity increased to SEK 75,017 million (63,013) and retained earnings to SEK 58,790 million

(44,848 million) as the strong result more than compensated for the ordinary and extra dividend payments of SEK 17,962 million in 2008.

Free cash flow was a negative SEK 3,370 million (positive 20,668), and cash flow before financing activities was SEK 4,011 million (7,916). Net debt increased to SEK 112,435 million (87,647). Cash and cash equivalents totaled SEK 6,202 million (2,790) at year-end.

The equity/assets ratio (including the equity component of untaxed reserves and adjusted for the proposed dividend) was 34.5 percent (32.6).

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

Mainly due to the transfer of operations to Skanova Access, the number of employees at December 31, 2008, net decreased to 2,160 from 2,565 at year-end 2007.

TeliaSonera Share

TeliaSonera's issued and outstanding share capital as of December 31, 2008, totaled SEK 14,369,463,081.60 distributed among 4,490,457,213 shares. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company. At the general meeting of shareholders, each shareholder is entitled to vote for the total number of shares she or he owns or represents. Each share is entitled to one vote.

There are no rules in either the Swedish legislation or in TeliaSonera AB's Articles of Association that would limit the possibility to transfer the TeliaSonera shares.

As of December 31, 2008, the company had two shareholders with more than ten percent of the shares and votes: the Swedish State with 37.3 percent and the Finnish State with 13.7 percent. TeliaSonera is not aware of any agreements between major shareholders of the company regarding the TeliaSonera shares.

As of December 31, 2008, TeliaSonera's pension funds held 0.04 percent of the company's shares and votes. No TeliaSonera shares are held by the company itself or by its subsidiaries.

The Board of Directors does not currently have any authorization by the general meeting of shareholders to issue new shares or to repurchase TeliaSonera shares.

In case of a "change of control" in TeliaSonera AB, the company could have to repay certain loans at short notice, since some of TeliaSonera's financing agreements contain customary "change of control" clauses. These clauses generally also contain other conditions including, for example, that the "change of control" has to cause a negative change in TeliaSonera's credit rating in order to be effective. The CEO and the Executive Vice President may resign within one month and three months, respectively, from a "change of control" of TeliaSonera AB and be entitled to severance pay as further described in Note 32 to the consolidated financial statements. Other members of the Leadership Team, if they continue their employment after a "change of control," are entitled to a one-time compensation as described in Note 32 to the consolidated financial statements.

The Articles of Association of TeliaSonera AB do not include any rules relating to the appointment or dismissal of members of the Board of Directors, or any rules relating to amendments to the company's Articles of Association, in the general meeting of the shareholders.

On June 5, 2008, TeliaSonera's Board of Directors, supported by its main owners, rejected a non-binding, indicative offer by France Telecom regarding a potential acquisition of TeliaSonera AB. The decision was thereafter supported by TeliaSonera's main shareholders. The indicative offer consisted of a combination of cash and shares in France Telecom, representing a blended spot

value of TeliaSonera at approximately SEK 56 per share. The principle of equal treatment of all shareholders made it impossible for France Telecom to offer small shareholders a cash-only alternative. On June 29, 2008, France Telecom presented a revised indicative offer. The structure, terms and conditions of the revised indicative offer were largely unchanged. As a consequence of a reduced France Telecom share value on June 29, 2008, the blended spot value of the combination of cash and shares in France Telecom was on June 29, 2008, somewhat below SEK 56 per share. The Board of TeliaSonera therefore maintained its view that the proposal substantially undervalued the company. France Telecom withdrew its indicative offer on June 30, 2008.

See also section "The TeliaSonera Share" and Note 21 to the consolidated financial statements.

Proposal on Authorization for Repurchase and Resale of Own Shares

In order to provide TeliaSonera with an additional instrument to adjust the company's capital structure, the Board of Directors proposes that the Annual General Meeting authorizes the Board of Directors to repurchase a maximum of 10 percent of the company's total number of outstanding shares, through purchases on the stock exchange or through an offer directed to all shareholders. To date, no plans are made to exercise the proposed authorization.

The Board of Directors also proposes that the Annual General Meeting authorizes the Board of Directors to decide upon a sale of part or all of the repurchased shares through the stock exchange.

The Board of Directors further intends to propose to the Annual General Meeting in 2010 that shares repurchased and not resold be cancelled through a reduction of the company's share capital, without repayment to the shareholders.

Remuneration to Executive Management

See Note 32 to the consolidated financial statements for remuneration to management, as decided by the Annual General Meeting in March 2008.

The Board of Directors' proposal for the remuneration guidelines, to be adopted at the Annual General Meeting on April 1, 2009, are the same as the remuneration guidelines adopted by the Annual General Meeting on March 31, 2008:

The guiding principle is that remuneration and other terms of employment for the executives shall be competitive in order to assure that TeliaSonera can attract and retain competent executives.

The total remuneration package shall consist of a base salary, variable components of annual variable salary and long term variable compensation, pension and other benefits. The base salary levels shall be set and reviewed on an individual basis and shall be aligned with the salary levels in the market in which the executive in question is employed. The annual variable salary shall be defined in a plan for a set period with set precise targets that promotes TeliaSonera's business goals. The level of the annual variable salary may vary between executives and cannot exceed 50 percent of the fixed annual salary.

TeliaSonera does not presently have any share based long term variable compensation program.

Pension plans shall follow local market practice and, if possible, the defined contribution system shall be used for newly appointed executives.

The contract with executives shall require a period of at least 6 months from the employee and maximum 12 months (6 months for the CEO) from the company with respect to resignation or termination of employment. Upon termination by the company, the executive shall be entitled to severance pay equal to his or her fixed monthly salary for a period of maximum 12 months (24 months for the CEO). Other benefits shall be competitive in the local market. If an executive resigns his or her position, he or she is not entitled to severance pay.

The Board of Directors may allow minor deviations on an individual basis from this remuneration policy.

Changes in Management

On January 15, 2008, Karin Eliasson started as Group Vice President and Head of Group Human Resources, to succeed Rune Nyberg, who retired in January 2008. Ms. Eliasson had previously the same role in SCA, a global consumer goods and paper company.

On May 12, 2008, Cecilia Edström started as Group Vice President and Head of Group Communications, to succeed Ewa Lagerqvist, who left the company in October 2007. Ms. Edström was previously Senior Vice President, Corporate Relations at Scania, a global truck, bus and engine manufacturer.

On August 1, 2008, Sverker Hannervall started as Senior Vice President and Head of the Business Services sales division in Sweden and Finland, to succeed Juho Lipsanen, who left the company on July 31, 2008. Mr. Hannervall was previously General Manager of Cisco Systems in Sweden.

On September 1, 2008, Per-Arne Blomquist started as Executive Vice President and Chief Financial Officer of TeliaSonera, to succeed Kim Ignatius, who left the company after eight years on July 31, 2008, to take up a similar position outside TeliaSonera. Mr. Blomquist was previously Executive Vice President and Chief Financial Officer of SEB, a North-European bank.

On November 1, 2008, Håkan Dahlström started as President of business area Broadband Services, to succeed Anders Bruse, who took up a position as Senior Vice President, Program Office of TeliaSonera. Mr. Dahlström was previously Head of Mobility Services in Sweden.

On December 1, 2008, Åke Södermark started as Chief Information Officer of TeliaSonera. He was previously Senior Vice President at Nasdaq OMX Group. In February 2009, he was also appointed as member of the Leadership Team.

Significant Events after Year-End 2008

On January 12, 2009, TeliaSonera gave notice to 1,200 employees in Sweden, as part of the efficiency program started in February 2008. Under the same program, TeliaSonera announced on January 14, 2009, a streamlining of 390 jobs in Broadband Services in Finland.

On January 15, 2009, TeliaSonera announced that it had chosen Ericsson to deliver the initial 4G city network in Stockholm, Sweden, and Huawei to deliver the network in Oslo, Norway. The evaluation of suppliers for 4G networks in other Nordic and Baltic countries are in progress.

On January 30, 2009, TeliaSonera's subsidiary Fintur Holdings B.V. increased its holding in Geocell from 97.5 percent to 100 percent by acquiring 2.5 percent of the shares in the Georgian mobile operator from the Government of Georgia.

Risks and risk management

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. Management 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.

TeliaSonera has an established risk management framework in place to regularly identify, analyze, 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.

Set forth below is a description of factors that may affect TeliaSonera's business, results of operations, financial condition or the share price from time to time.

Risks related to the industry and market conditions

Current downturn in the world economy

The length of the current turmoil in the global financial markets and the downturn in the world economy are difficult to predict. TeliaSonera has a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe and long-term downturn in the economy would have an impact on TeliaSonera's customers and may have a negative impact on its growth and results of operations through reduced telecom spending.

The maturity schedule of TeliaSonera's loan portfolio is evenly distributed over several years, and the refinancing is expected to be made using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed lines of credit with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, the cost of funding might be higher, should the financial turmoil and the downturn in the economy continue for a long time or become even more severe.

Competition and price pressure

TeliaSonera is subject to substantial and historically increasing competition and price pressure. Competition from a variety of sources, including current market participants, new entrants and new products and services, may adversely affect TeliaSonera's results of operations. Competition has led to an increased customer churn and a decrease in customer growth rates as well as to declines in the prices TeliaSonera charges for its products and services and may have similar effects in the future.

In order to meet the increased competition and price pressure, TeliaSonera has carried out and continues to carry out efficiency improvement programs to adjust its cost base accordingly. There is, however, a risk that TeliaSonera will not be successful in implementing its programs due to operational or regulatory reasons or otherwise.

Regulation

TeliaSonera operates in a highly regulated industry. The regulations to which TeliaSonera is subject impose significant limits on its flexibility to manage its business. For example, in both Sweden and Finland, TeliaSonera has been designated as a party with significant market power in certain markets in which it operates. As a result, TeliaSonera is required to provide certain services on regulated terms and prices, which may differ from the terms on which it would otherwise have provided those services.

Changes in legislation, regulation or government policy affecting TeliaSonera's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of licenses to TeliaSonera or other parties, could adversely affect TeliaSonera's business and results.

Emerging markets

TeliaSonera has made significant investments in telecommunications operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, Cambodia, Russia and Turkey. The political, economic, legal and regulatory systems in these countries historically have been less predictable than in countries with more mature institutional structures. Additionally, the political situation in each of the emerging markets in which TeliaSonera has operations has been unstable in the past and may also become unstable in the future.

Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent TeliaSonera from receiving dividends or selling its investments, if such restrictions were introduced in countries where TeliaSonera has significant operations. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally.

A large part of TeliaSonera's results is derived from emerging markets, and especially from associated companies in Russia and Turkey. In 2008, over 45 percent of operating income and approximately 50 percent of net income was derived from investments in emerging markets. Weakening of the economies or currencies or other negative developments in these markets might have a significantly negative effect on TeliaSonera's results of operations.

Allegations of possible health risks

Concerns have been expressed that the electromagnetic signals from mobile handsets and base stations, which serve as the platform for transmitting radio signals, may pose health risks and interfere with the operation of electronic equipment. These concerns may intensify with time and as new products are introduced. Actual or perceived risks of mobile handsets or base stations and related publicity or litigation could reduce the growth rate, customer base or average usage per customer of TeliaSonera's mobile communications services, may result in significant restrictions on the location and operation of base stations, or could subject TeliaSonera to claims for damages, any of which could have a negative impact on its business, financial condition and results of operations.

Risks related to TeliaSonera's operations and strategic activities

Impairment losses and restructuring charges

Factors generally affecting the telecommunications and technology markets, and changes in the economic, regulatory, business or political environment, as well as TeliaSonera's ongoing review and refinement of its business plans, could adversely affect its affairs. TeliaSonera could be required to recognize impairment losses with respect to assets if management's expectation of future cash flows attributable to these assets change, including but not limited to goodwill and fair value adjustments that TeliaSonera has recorded in connection with acquisitions that it has made or may make in the future. Through the merger of Telia and Sonera, the acquisition of NetCom, and other acquisitions, TeliaSonera has a significant amount of goodwill in its balance sheet, amounting to SEK 84 billion as of December 31, 2008, which is not amortized but annually tested for impairment.

In the past, TeliaSonera has undertaken a number of restructuring and streamlining initiatives, including the restructuring and streamlining of the Swedish and Finnish operations and the restructuring of the international carrier and Danish operations, which have resulted in substantial restructuring and streamlining charges. Similar initiatives may be undertaken in the future.

TeliaSonera has also significant deferred tax assets resulting from earlier recorded impairment losses and restructuring charges. Significant adverse changes in the economic, regulatory, business or political environment, as well as in TeliaSonera's business plans,

could also result in TeliaSonera not being able to use these tax assets in full to reduce its tax obligations in the future, and would consequently lead to an additional tax charge when such tax asset is derecognized.

In addition to affecting TeliaSonera's results of operations, such losses and charges may adversely affect TeliaSonera's ability to pay dividends. Any significant write-down of intangible or other assets would have the effect of reducing, or possibly eliminating, TeliaSonera's dividend capacity.

Investments in networks, licenses, new technology and start-up operations

TeliaSonera has made substantial investments in telecom networks and licenses and also expects to invest substantial amounts over the next several years in the upgrading and expansion of networks. From time to time, TeliaSonera also has to pay fees to acquire new licenses or to renew or maintain the existing licenses, in order to serve its customers.

From time to time, TeliaSonera may also engage in start-up operations, such as Xfera Móviles S.A. in Spain and Applifone Co. Ltd. in Cambodia, which require substantial investments and expenditure in the build-up phase.

The success of these investments and start-ups will depend on a variety of factors beyond TeliaSonera's control, including the cost of acquiring, renewing or maintaining licenses, the cost of new technology, availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. A failure to realize the benefits expected from these investments and start-ups may adversely affect TeliaSonera's results of operation.

Acquisitions, strategic alliances and business combinations

TeliaSonera may participate in the consolidation of the telecommunications industry through acquisitions, strategic alliances or business combinations. A failure in such transactions could harm TeliaSonera's business and results of operations. For example, due to competition in the identification of acquisition opportunities or strategic partners, TeliaSonera may make an acquisition or enter into a strategic alliance on unfavorable terms. There are also the risks that TeliaSonera will not be able to successfully integrate and manage any acquired company or strategic alliance, the acquisition or strategic alliance will fail to achieve the strategic benefits or synergies sought, and that management's attention will be diverted away from other ongoing business concerns. In addition, any potential acquisition could negatively affect TeliaSonera's financial position, including its credit ratings, or, if made using TeliaSonera shares, dilute the existing shareholders.

Customer service and network quality

In addition to cost efficiency in all operations and profitable growth in emerging markets, TeliaSonera's focus areas include high-quality service to its customers, high quality of its networks and services, and simplicity in services and offerings. TeliaSonera's ambition to create a world-class service company requires a major change of processes, attitude and focus in many parts of the company. The high quality of networks and services is also fundamental in the customer perception and TeliaSonera's success going forward. Failure to reach or maintain such high levels might have an adverse impact on TeliaSonera's business.

Limited number of suppliers

TeliaSonera is reliant upon certain suppliers, of which there are a limited number, to manufacture and supply network equipment and related software as well as handsets, to allow TeliaSonera to develop its networks and to offer its services on a commercial basis. TeliaSonera cannot be certain that it will be able to obtain network equipment or handsets from alternative suppliers on a timely basis if the existing suppliers are unable to satisfy TeliaSonera's requirements. In addition, like its competitors, TeliaSonera currently outsources many of its key support services, including network

construction and maintenance in most of its operations. The limited number of suppliers of these services, and the terms of TeliaSonera's arrangements with current and future suppliers, may adversely affect TeliaSonera, including by restricting its operational flexibility.

Ability to recruit and retain skilled personnel

To remain competitive and implement its strategy, and to adapt to changing technologies, TeliaSonera will need to recruit, retain, and where necessary, retrain highly skilled employees with particular expertise. In particular, competition is intense for qualified telecommunications and information technology personnel. To a considerable extent, TeliaSonera's ability to recruit and retain skilled personnel for growth business areas and new technologies will depend on its ability to offer them competitive remuneration packages. If TeliaSonera cannot implement competitive remuneration packages, it may be unable to recruit and retain skilled employees, which may limit its ability to develop high growth business areas and new business areas or remain competitive in the traditional business areas.

Risks related to associated companies and joint ventures

Limited influence in associated companies and joint ventures

TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through associated companies in which TeliaSonera does not have a controlling interest, such as Turkcell İletişim Hizmetleri A.S. in Turkey, OAO MegaFon in Russia, and Lattelecom SIA in Latvia and, as a result, TeliaSonera has limited influence over the conduct of these businesses. Under the governing documents for certain of these entities, TeliaSonera's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to timing and amount of cash distributions. The risk of actions outside TeliaSonera's or its associated company's control and adverse to TeliaSonera's interests, or disagreement or deadlock, is inherent in associated companies and jointly controlled entities.

As part of its strategy TeliaSonera may, where practical, increase its shareholdings in some of its associated companies. The implementation of such strategy, however, may be difficult due to a variety of factors, including factors beyond TeliaSonera's control, such as willingness on the part of other existing shareholders to dispose of or accept dilution of their shareholdings and, in the event TeliaSonera gains greater control, its ability to successfully manage the relevant businesses.

In Sweden, TeliaSonera has entered into a cooperation arrangement with Tele2 to build and operate a UMTS network through a 50 percent owned joint venture Svenska UMTS-nät AB, which has rights to a Swedish UMTS license. TeliaSonera has made significant investments in and financial commitments to this venture. As this is a jointly controlled venture, there is a risk that the partners may disagree on important matters, including the funding of the company. This risk may be magnified because TeliaSonera and Tele2 are significant competitors. A disagreement or deadlock regarding the company or a breach by one of the parties of the material provisions of the cooperation arrangements could have a negative effect on TeliaSonera's business in Sweden.

Risks related to owning TeliaSonera shares

Volatility in share prices

The market price of the TeliaSonera share has been volatile in the past, partly due to volatility in the securities market in general and for telecom companies in particular, and may be volatile in the future. TeliaSonera's share price may be affected by many factors in addition to TeliaSonera's financial results, operations and direct business environment, including but not limited to: expectations of financial analysts and investors compared to the actual financial results, acquisitions or disposals that TeliaSonera makes or is

expected or speculated to make, TeliaSonera's potential participation in the industry consolidation or speculation thereof, and speculation of financial analysts and investors regarding TeliaSonera's future dividend policy compared to the current dividend policy.

Actions by the largest shareholders

The Swedish State holds 37.3 percent and the Finnish State holds 13.7 percent of TeliaSonera's outstanding shares. Accordingly, the Swedish State, acting alone, may have and the Swedish State and the Finnish State, if they should choose to act together, will have the power to influence any matters submitted for a vote of shareholders. The interests of the Swedish State and the Finnish State in deciding these matters could be different from the interests of TeliaSonera's other shareholders.

In addition, any sale by the Swedish State or the Finnish State of a significant number of TeliaSonera shares, or the public perception that these sales could occur, may cause the market price of TeliaSonera shares to fluctuate significantly. As far as TeliaSonera is aware, the Swedish State and the Finnish State are currently not under any contractual commitment that would restrict their ability to sell any shares.

Financial risk management

TeliaSonera is exposed to financial risks such as credit risk, liquidity risk, currency risk, interest rate risk, financing risk, and pension obligation risk. Financial risk management is centralized in the Corporate Finance and Treasury unit.

The *credit risk* with respect to TeliaSonera's trade receivables is diversified geographically and among a large number of customers, both private individuals and companies in various industries. Bad debt expense in relation to consolidated net sales was 0.4 percent in 2008 (0.5 percent in 2007).

TeliaSonera manages the *liquidity risk* by depositing its surplus liquidity in banks or investing it in short-term interest-bearing instruments, with good credit ratings. In addition to available cash TeliaSonera has committed revolving credit facilities and overdraft facilities. In total the available unutilized amount under committed facilities was approximately SEK 14 billion at year-end.

TeliaSonera's operational currency *transaction exposure* is not significant. TeliaSonera's *conversion exposure*, however, is significant and is expected to continue to grow due to the ongoing expansion of business operations outside Sweden. TeliaSonera does not normally hedge its conversion exposure. At year-end, the conversion exposure amounted to SEK 207 billion (SEK 170 billion at year-end 2007). Strengthening of the Swedish krona by 10 percentage points against all currencies in which TeliaSonera has

conversion exposure would have had a negative impact of SEK 20 billion (17) on the TeliaSonera group's equity as of December 31, 2008.

TeliaSonera manages *interest rate risk* by aiming to balance the estimated running cost of borrowing and the risk of significant negative impact on earnings, should there be a sudden major change in interest rates. TeliaSonera's policy is that the duration of interest of the debt portfolio should be from 6 months to 4 years.

By having a significant part of its borrowings with a longer maturity than the duration of interest, TeliaSonera is able to obtain the desired interest rate risk without having to assume a high *financing risk*. In order to further reduce the financing risk, TeliaSonera aims to spread loan maturity dates over a longer period. TeliaSonera currently enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's.

TeliaSonera has a significant amount of *pension obligations*, with a net present value of SEK 22.8 billion (20.8) at year-end. TeliaSonera maintains pension funds to secure these obligations, with plan assets totaling SEK 18.1 billion (19.3), based on market values at year-end. A decrease of 1 percentage point in the weighted average discount rate would have increased the pension obligations by SEK 3.9 billion (3.5) as of December 31, 2008. The effect would, however, be partly offset by a positive impact from the fixed income assets in the pension funds. A similar reduction in the interest rates would have increased the value of the fixed-income plan assets by SEK 1.0 billion (1.0).

Financial risk management is described in more detail in Note 28 to the consolidated financial statements.

Financial reporting risks

The follow-up of TeliaSonera's results of business operations and financial condition is based on internal and external financial reporting, which has to be timely, reliable, correct, and complete. Internal control over this reporting is an integral part of TeliaSonera's corporate governance. It includes methods and procedures to safeguard the Group's assets, ensure and control the reliability and correctness of financial reporting in accordance with applicable legislation and guidelines, improve operational efficiency, and control the level of risk in the business operations.

The management of financial reporting risks is described in more detail in the Corporate Governance Report. The corporate governance report, including the description of internal controls, does not form part of the official annual report and has not been audited.

Consolidated Income Statements

SEK in millions, except per share data	Note	January-December	
		2008	2007
Net sales	6, 7	103,585	96,344
Cost of sales	8	-57,853	-54,196
Gross profit		45,732	42,148
Selling and marketing expenses	8	-16,670	-15,819
Administrative expenses	8	-7,552	-6,760
Research and development expenses	8	-1,178	-1,732
Other operating income	9	755	1,349
Other operating expenses	9	-1,535	-728
Income from associated companies and joint ventures	6, 12	9,096	7,697
Operating income	6	28,648	26,155
Finance costs	13	-3,683	-1,736
Other financial items	13	1,446	832
Income after financial items		26,411	25,251
Income taxes	14	-4,969	-4,953
Net income		21,442	20,298
Attributable to:			
Shareholders of the parent company		19,011	17,674
Minority interests		2,431	2,624
Shareholders' earnings per share (SEK), basic and diluted	21	4.23	3.94

Consolidated Balance Sheets

SEK in millions	Note	December 31,	
		2008	2007
Assets			
Goodwill	15	84,431	71,172
Other intangible assets	15	16,537	12,737
Property, plant and equipment	16	61,946	52,602
Investments in associated companies and joint ventures	6, 12	39,543	33,065
Deferred tax assets	14	13,206	12,017
Pension obligation assets	23	330	187
Other non-current assets	17	9,186	3,364
Total non-current assets		225,179	185,144
Inventories	18	1,673	1,168
Trade and other receivables	19	23,243	20,787
Current tax receivables		191	94
Interest-bearing receivables	20	2,147	1,701
Cash and cash equivalents	20	11,826	7,802
Total current assets		39,080	31,552
Non-current assets held-for-sale		27	6
Total assets		264,286	216,702
Equity and liabilities			
Shareholders' equity		130,387	117,274
Minority interests in equity		11,061	9,783
Total equity		141,448	127,057
Long-term borrowings	22	54,178	41,030
Deferred tax liabilities	14	11,260	9,577
Provisions for pensions and employment contracts	23	22	416
Other long-term provisions	24	13,312	6,755
Other long-term liabilities	25	2,565	2,366
Total non-current liabilities		81,337	60,144
Short-term borrowings	22	11,621	2,549
Short-term provisions	24	849	137
Current tax payables		1,254	2,212
Trade payables and other current liabilities	26	27,777	24,603
Total current liabilities		41,501	29,501
Total equity and liabilities		264,286	216,702
Contingent assets	30	–	–
Guarantees	30	2,303	2,146
Collateral pledged	30	1,854	1,484

Consolidated Cash Flow Statements

SEK in millions	Note	January-December	
		2008	2007
Net income		21,442	20,298
Adjustments for:			
Amortization, depreciation and impairment losses		12,111	11,879
Capital gains/losses on sales/disposals of non-current assets		-17	-84
Income from associated companies and joint ventures, net of dividends received		-7,686	-5,012
Pensions and other provisions		-294	-847
Financial items		1,924	1,495
Income taxes		1,077	-189
Miscellaneous non-cash items		-77	1
Cash flow before change in working capital		28,480	27,541
Increase (-)/Decrease (+) in operating receivables		-1,824	427
Increase (-)/Decrease (+) in inventories		-325	-86
Increase (+)/Decrease (-) in operating liabilities		755	-1,353
Change in working capital		-1,394	-1,012
Cash flow from operating activities	31	27,086	26,529
Intangible assets and property, plant and equipment acquired	31	-15,758	-13,525
Intangible assets and property, plant and equipment divested		40	176
Shares, participations and operations acquired	31	-4,079	-4,597
Shares, participations and operations divested	31	32	116
Loans granted and other similar investments		-472	-740
Repayment of loans granted and other similar investments		309	1,863
Compensation from pension fund		-	525
Net change in short-term investments		294	477
Cash flow from investing activities		-19,634	-15,705
Cash flow before financing activities		7,452	10,824
Dividends paid to parent company's shareholders		-17,962	-28,290
Dividends to and investments by minority shareholders, net		-1,902	-1,415
Proceeds from long-term borrowings		11,776	17,075
Repayment of long-term borrowings		-1,261	-2,853
Net change in short-term borrowings		4,990	757
Cash flow from financing activities		-4,359	-14,726
Net change in cash and cash equivalents		3,093	-3,902
Cash and cash equivalents, opening balance		7,802	11,603
Net change in cash and cash equivalents for the year		3,093	-3,902
Exchange rate differences in cash and cash equivalents		931	101
Cash and cash equivalents, closing balance	20	11,826	7,802
Interest received	31	787	571
Interest paid	31	-2,569	-1,457
Dividends received	31	1,410	2,684
Income taxes paid	31	-3,892	-5,142

Consolidated Statements of Changes in Equity

SEK in millions	Note	Share capital	Other contributed capital	Recycling reserves	Other reserves	Retained earnings	Total shareholders' equity	Minority interests in equity	Total equity
Closing balance, December 31, 2006		14,369	51,026	-2,887	6,047	50,662	119,217	8,500	127,717
Fair value amortization of revalued net assets in step acquisitions	21	-	-	-	-166	166	-	-	-
Reporting financial instruments at fair value	21	-	-	39	-	-	39	-	39
Foreign currency translation differences	21	-	-	8,634	-	-	8,634	160	8,794
<i>Net income recognized directly in equity</i>		-	-	8,673	-166	166	8,673	160	8,833
Net income		-	-	-	-	17,674	17,674	2,624	20,298
<i>Comprehensive income</i>		-	-	8,673	-166	17,840	26,347	2,784	29,131
Transactions with minority shareholders in subsidiaries	21	-	-	-	-	-	-	-42	-42
Dividends	21	-	-10,104	-	-	-18,186	-28,290	-1,459	-29,749
Closing balance, December 31, 2007		14,369	40,922	5,786	5,881	50,316	117,274	9,783	127,057
Fair value amortization of revalued net assets in step acquisitions	21	-	-	-	-153	153	-	-	-
Reporting financial instruments at fair value	21	-	-	-341	-	-	-341	-	-341
Foreign currency translation differences	21	-	-	12,405	-	-	12,405	1,675	14,080
<i>Net income recognized directly in equity</i>		-	-	12,064	-153	153	12,064	1,675	13,739
Net income		-	-	-	-	19,011	19,011	2,431	21,442
<i>Comprehensive income</i>		-	-	12,064	-153	19,164	31,075	4,106	35,181
Transactions with minority shareholders in subsidiaries	21	-	-	-	-	-	-	-842	-842
Dividends	21	-	-9,879	-	-	-8,083	-17,962	-1,986	-19,948
Closing balance, December 31, 2008		14,369	31,043	17,850	5,728	61,397	130,387	11,061	141,448

Notes to Consolidated Financial Statements

Note 1 (Consolidated) Basis of Preparation

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 9, 2009. The income statements and balance sheets of the parent company and the Group are subject to adoption by the Annual General Meeting on April 1, 2009.

TeliaSonera's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and, given the nature of TeliaSonera's transactions, in accordance with IFRSs as adopted by the European Union (EU).

In addition, concerning purely Swedish circumstances, the Swedish Financial Reporting Board has issued standard RFR 1.2 "Supplementary Accounting Rules for Groups" and other statements. As encouraged by the Financial Reporting Board, TeliaSonera has pre-adopted RFR 1.2. The standard is applicable to Swedish legal entities whose securities are listed on a Swedish stock exchange or authorized equity market place on the balance sheet date and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Accounts Act.

Measurement bases, consolidation and accounting principles

The consolidated financial statements have been prepared mainly under the historical cost convention. Other measurement bases used and applied consolidation and accounting principles are described below.

Amounts and dates

Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK) or other currency specified and are based on the twelve-month period ended December 31 for income statement and cash flow statement items, and as of December 31 for balance sheet items, respectively.

Recently issued accounting standards

New or revised/amended standards and interpretations, effective in 2008 or pre-adopted

- *IFRS 8 "Operating Segments"* (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). TeliaSonera adopted IFRS 8 in 2007.
- *Amended IAS 23 "Borrowing Costs"* (effective January 1, 2009; earlier application permitted). The amendment removes the option of immediately expensing borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for use or sale. The amendment is of no consequence to TeliaSonera, as it already applied the existing alternative of capitalizing borrowing costs.
- *Amendments on reclassification of financial assets to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures* (effective July 1, 2008 if reclassification made before November 1, 2008; otherwise November 1, 2008). The amendments to IAS 39 introduce the possibility of re-classification 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 of 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.

- *IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"* (effective for annual periods beginning on or after March 1, 2007). IFRIC 11 is currently not relevant to TeliaSonera.
- *IFRIC 12 "Service Concession Arrangements"* (effective for annual periods beginning on or after January 1, 2008). IFRIC 12 is not relevant to TeliaSonera.
- *IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"* (effective January 1, 2008; earlier application permitted). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognized as an asset and explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. No additional liability need be recognized by the employer unless the contributions payable under the minimum funding requirement cannot be returned to the company. TeliaSonera adopted IFRIC 14 in 2007. IFRIC 14 is currently not relevant to TeliaSonera.

New or revised/amended standards and interpretations, not yet effective

Recently issued new or revised/amended standards and interpretations impacting TeliaSonera's consolidated financial statements on or after January 1, 2009, are as follows:

- *Amended IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements"* (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). The amendments address retrospective determination of the cost of an investment in separate financial statements when adopting IFRSs for the first time. The amendments to IFRS 1 and IAS 27 are not applicable to TeliaSonera.
- *Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards"* (effective for annual periods beginning on or after July 1, 2009; earlier application permitted). The revised version has an improved structure but does not contain any technical changes. IFRS 1 is not applicable to TeliaSonera.
- *Amended IFRS 2 "Share-based Payment"* (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). The amendment clarifies that vesting conditions are service conditions and performance conditions only and further specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. IFRS 2 is currently not relevant to TeliaSonera.
- *Revised IFRS 3 "Business Combinations" and amended IAS 27 "Consolidated and Separate Financial Statements"* (effective for annual periods beginning on or after July 1, 2009; earlier application permitted). Among other things, the changes to the standards include: (a) that transaction costs are expensed as incurred; (b) that contingent consideration is always recognized at fair value and for non-equity-consideration post-combination changes in fair value affects the income statement; (c) that an option is added to on a transac-

tion-by-transaction basis permit recognition of 100 percent of the goodwill of the acquired entity with the increased goodwill amount also increasing the non-controlling interest; (d) that in a step acquisition, on the date that control is obtained, the fair values of the acquired entity's assets and liabilities, including goodwill, are measured and any resulting adjustments to previously recognized assets and liabilities are recognized in profit or loss; (e) that acquiring additional shares in a subsidiary after control was obtained as well as a partial disposal of shares in a subsidiary while retaining control is accounted for as an equity transaction with owners; and (f) that a partial disposal of shares in a subsidiary that results in loss of control triggers remeasurement of the residual holding to fair value and any difference between fair value and carrying amount is a gain or loss, recognized in profit or loss. TeliaSonera expects that applying the revised IFRS 3 and the amended IAS 27 will lead to increased volatility in the income statement.

- *Amendment on improving disclosures about financial instruments to IFRS 7 "Financial Instruments: Disclosures"* (effective for annual periods beginning on or after January 1, 2009; earlier application permitted; comparative disclosures not required in the first year of application). The amendments introduce a three-level hierarchy for fair value measurement disclosures and require additional disclosures about the relative reliability of fair value measurements. In addition, the existing requirements for the disclosure of liquidity risk are clarified and enhanced.
- *Revised IAS 1 "Presentation of Financial Statements"* (effective for annual periods beginning on or after 1 January 1, 2009; earlier application permitted). The revision requires all owner changes in equity to be presented in a statement of changes in equity, separately from non-owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The revisions also include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles will be used in accounting standards, but are not mandatory for use in financial statements. TeliaSonera is currently evaluating the effects of the revised IAS 1.
- *Amendments on puttable financial instruments and obligations arising on liquidation to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements"* (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). The amendments are currently not relevant to TeliaSonera.
- *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, to be applied retrospectively). 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.
- *"Improvements to IFRSs (May 2008)"* (mostly effective for annual periods beginning on or after January 1, 2009; earlier application permitted). These improvements to about 20 IFRSs make necessary, but non-urgent, amendments that have not been included as part of other major projects. The amendments are presented in two parts: (a) those that involve accounting changes for presentation, recognition or measurement purposes, and (b) those involving terminology or editorial changes with minimal effect on accounting. All in all, the amendments to those IFRSs that are applicable to

TeliaSonera have in certain cases already been applied and will otherwise have no or very limited impact on TeliaSonera's results or financial position.

- *IFRIC 13 "Customer Loyalty Programmes"* (effective for annual periods beginning on or after July 1, 2008; earlier application permitted). IFRIC 13 explains how to account for obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. Entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when their obligations are fulfilled either by supplying awards themselves or through a third party. TeliaSonera already defers revenue related to loyalty programs as required by IFRIC 13. However, IFRIC 13 requires that the deferred revenue be determined as the fair value of the goods or services to be delivered in the future, while TeliaSonera bases the deferral on estimated costs. The change following the adoption of IFRIC 13 is not expected to have a material impact on TeliaSonera's results or financial position.
- *IFRIC 15 "Agreements for the Construction of Real Estate"* (effective for annual periods beginning on or after January 1, 2009; to be applied retrospectively). IFRIC 15 applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and when revenue from the construction should be recognized. IFRIC 15 is not applicable to TeliaSonera.
- *IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"* (effective for annual periods beginning on or after October 1, 2008; to be applied prospectively). IFRIC 16 applies to entities that hedge foreign currency risks arising from net investments in foreign subsidiaries, associates, joint ventures or branches and wish to qualify for hedge accounting in accordance with IAS 39. IFRIC 16 does not apply to other types of hedge accounting and should not be applied by analogy. IFRIC 16 clarifies that (a) the presentation currency does not create an exposure to which hedge accounting may be applied and consequently, an entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation; (b) the hedging instrument(s) may be held by any entity or entities within the group; and (c) while IAS 39 "Financial Instruments: Recognition and Measurement" must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 "The Effects of Changes in Foreign Exchange Rates" must be applied in respect of the hedged item. TeliaSonera already in previous periods applied the principles stated by IFRIC 16.
- *IFRIC 17 "Distributions of Non-cash Assets to Owners"* (effective for annual periods beginning on or after July 1, 2009; earlier application permitted; to be applied prospectively). IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and clarifies that: (a) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (b) the dividend payable should be measured at the fair value of the net assets to be distributed; and that (c) the difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. IFRIC 17 also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. Currently, IFRIC 17 is not relevant to TeliaSonera.

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

EU endorsement status

As of the beginning of March 2009, all standards, revisions/amendments to standards, and interpretations mentioned above had been adopted by the EU, except for revised IFRS 1, revised IFRS 3, amendment on improving disclosures to IFRS 7, amendment on business combinations to IAS 27, amendment on eligible hedged items to IAS 39, IFRIC 12, IFRIC 15, IFRIC 16, IFRIC 17 and IFRIC 18.

The EU Commission has announced that, if an IFRS (or equivalent) is endorsed after the balance sheet date but before the date the financial statements are issued, it can be treated as endorsed for the purposes of those financial statements if application prior to the date of endorsement is permitted by both the Regulation endorsing the document and the related IFRS.

Note 2 (Consolidated) Key Sources of Estimation Uncertainty

The preparation of financial statements requires management and the Board of Directors to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and various other assumptions that management and the Board believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, significantly impacting TeliaSonera’s earnings and financial position.

Management believes that the following areas, all of which are discussed and separately marked in the respective sections of Note 4 “Significant Accounting Policies,” comprise the most difficult, subjective or complex judgments it has to make in the preparation of the financial statements: revenue recognition (page 49); income taxes (page 50); valuation of intangible and other non-current assets (page 51); collecting trade receivables (page 52); making provisions for pensions (page 54) as well as provisions for restructuring activities, minority put options, contingent liabilities and litigation (page 55).

Note 3 (Consolidated) Consolidated Financial Statements

General

The consolidated financial statements comprise the parent company TeliaSonera AB and all entities over which TeliaSonera has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. TeliaSonera’s consolidated financial statements are based on accounts prepared by all controlled entities as of December 31, and have been prepared using the purchase method. According to this method the cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the

acquirer, in exchange for control of the acquiree plus any costs directly attributable to the business combination. Identifiable assets acquired, and liabilities and contingent liabilities assumed are initially measured at fair value. Any excess of the cost of acquisition over the fair value of net assets acquired is recognized as goodwill.

Values for entities acquired or divested during the year are included in the consolidated income statement from the date on which control is transferred to TeliaSonera or excluded from the date on which control ceases.

Intra-group sales and other transactions have been eliminated in the consolidated financial statements. Profits and losses resulting from intra-group transactions are eliminated unless a loss indicates impairment.

Minority interests

Transactions with minority interests are treated as transactions with non-related parties. Disposals to minority interests result in capital gains or losses which are recognized in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the Group’s carrying value of net assets of the subsidiary. Commitments to purchase minority interests and put options granted to minority shareholders (including any subsequent capital contributions from minority shareholders) are recognized as contingent consideration. Where the amount of the commitment exceeds the amount of the minority interest, the difference is recorded as goodwill. Changes in the fair value of put options granted in connection with business combinations are recognized as an adjustment of goodwill, while changes in fair value of put options granted to minority shareholders in existing subsidiaries are recognized in the income statement.

Foreign currency translation and inflation adjustments

Items included in the separate financial statements of a Group entity are measured in the entity’s functional currency, being the currency of the primary economic environment in which the entity operates, normally the local currency.

The consolidated financial statements are presented in Swedish kronor (SEK), which is the functional currency of the parent company. When income statements and balance sheets of foreign operations (subsidiaries, associated companies and joint ventures, and branch offices) are translated into SEK, the exchange rate prevailing on the balance sheet date (closing rate) is used to translate all items in the balance sheets except for the equity components, which are converted at the historical rate. Income statement items are translated using the average rate for that period. Differences resulting from translation do not affect income but are recognized directly in equity. When a foreign operation is sold, any related cumulative exchange rate difference is recognized in the income statement as part of the gain or loss on the sale.

When the functional currency for a subsidiary, an associated company or a joint venture is the currency of a hyperinflationary economy, the reported non-monetary assets and liabilities, and equity are restated in terms of the measuring unit current at the balance sheet date. The restated financial statements are translated into SEK at the closing rate. The restating effects are recorded as financial income or expense and in income from associated companies and joint ventures, respectively. Currently, no subsidiary, associated company or joint venture operates in a hyperinflationary economy.

Goodwill and fair value adjustments arising from the acquisition of foreign entities are treated as assets and liabilities of the foreign entity.

Associated companies and joint ventures

Entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights, are recorded as associated companies. Entities over which the Group has joint

control by virtue of a contractual arrangement are recorded as joint ventures.

Holdings in associated companies and joint ventures are included in the consolidated income statement and balance sheet according to the equity method and are initially recognized at cost. In the income statement, the Group's share of net income in associated companies and joint ventures is included in operating income because the operations of these companies are related to telecommunications and it is the Group's strategy to capitalize on industry know-how by means of investing in partly owned operations. The share of net income is based on the company's most recent accounts, adjusted for any discrepancies in accounting principles, and with estimated adjustments for significant events and transactions up to TeliaSonera's close of books.

The income statement item Income from associated companies and joint ventures also includes amortization of fair value adjustments and other consolidation adjustments made upon the acquisition of associated companies and joint ventures as well as any subsequent impairment losses on goodwill and other intangible assets, and capital gains and losses on divestitures of stakes in such companies. TeliaSonera's share of any gains or losses resulting from transactions with associated companies and joint ventures are eliminated.

Negative equity participations in associated companies and joint ventures are recognized only for entities for which the Group has contractual obligations to contribute additional capital and are then recorded as Other provisions.

Segment reporting

The Group's basic operating segments are called business areas (BA), which are founded on management's decision to organize the Group around differences in products and services in combination with geographical areas. Each BA constitutes a reportable segment. Operating segments that are not individually reportable and certain corporate functions are combined into an "other operations" reportable segment. For additional information, see Note 6 "Segment Information." Segments are consolidated based on the same accounting principles as for the Group as a whole, except for inter-segment finance leases which are treated as operating leases. When significant operations are transferred between segments, comparative period figures are reclassified.

Note 4 (Consolidated) Significant Accounting Policies

Revenue recognition

Net sales principally consist of traffic charges including interconnect and roaming, subscription fees, connection and installation fees, service charges and sales of customer premises equipment. Sales are recognized at fair value, normally being the sales value, adjusted for rebates and discounts granted and sales-related taxes.

Revenue is recognized in the period in which the service is performed, based on actual traffic or over the contract term, as applicable. Revenue from rendering of services is recognized when it is probable that the economic benefits associated with a transaction will flow to the group, and the amount of revenue, and the associated costs incurred, or to be incurred, can be measured reliably. Revenue from voice and data services is recognized at the time when the services are used by the customer. Revenue arising from interconnect voice and data traffic with other telecom operators is recognized at the time of transit across TeliaSonera's network. When invoicing end-customers for third-party content services, amounts collected on behalf of the principal are excluded from revenue.

Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred and recognized as revenue based on the actual usage of the cards. Connection fees are separately recogni-

zed at completion of connection, if the fees do not include any amount for subsequent servicing but only cover the connection costs. Amounts for subsequent servicing are deferred.

Revenue from equipment sales is recognized when delivery has occurred and the significant risks and rewards have been transferred to the customer, i.e. normally on delivery and when accepted by the customer.

Under customer loyalty programs, customers are entitled to certain discounts relating to services and goods provided by TeliaSonera. A provision with respect to the total estimated earned amount is recognized as deduction from revenues. For recognition of customer acquisition costs, see section "Operating expenses" below.

TeliaSonera may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). In some cases, the arrangements include initial installation, initiation, or activation services and involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. Telecom equipment is accounted for separately from service where a market for each deliverable exist and if title to the equipment passes to the end-customer. Costs associated with the equipment are recognized at the time of revenue recognized. The revenue is allocated to equipment and services in proportion to the fair value of the individual items. If the fair value of delivered items cannot, but the fair value of undelivered items can be reliably determined, the residual method is used. Under the residual method, the amount of consideration allocated to the delivered item(s) equals the total arrangement consideration less the aggregate fair value of the undelivered items. Customized equipment that can be used only in connection with services or products provided by TeliaSonera is not accounted for separately and revenue is deferred over the total service arrangement period.

To corporate customers, TeliaSonera offers long-term functional service agreements for total telecom services, which may include switchboard services, fixed telephony, mobile telephony, data communication and other customized services. There are generally no options for the customer to acquire the equipment at the end of the service contract period. Revenue for such functionality agreements is recognized over the service period but part of the periodic fixed fee is deferred to meet the costs at the end of the contract period (maintenance and up-grades).

Service and construction contract revenues are recognized using the percentage of completion method. The stage of completion is estimated using measures based on the nature and terms of the contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately expensed.

Within the international carrier operations, sales of Indefeasible Rights of Use (IRU) regarding fiber and duct are recognized as revenue over the period of the agreement (see also section "TeliaSonera as operating lessor" below).

For a telecom operator, management judgment is required in a number of cases to determine if and how revenue should be recognized and to determine fair values, such as when signing agreements with third-party providers for content services (whether TeliaSonera acts as principal or agent under a certain agreement); in complex bundling of products, services and rights to use assets into one customer offering (whether TeliaSonera should recognize the separate items up-front or defer); the sales of Indefeasible Rights of Use; and in assessing the degree of completion in service and construction contracts.

Operating expenses

TeliaSonera presents its analysis of expenses using a classification based on function. Cost of sales comprises all costs for services and products sold as well as for installation, maintenance, service, and support. Selling and marketing expenses comprise all costs for selling and marketing services and products and includes

expenses for advertising, PR, pricelists, commission fees, credit information, debt collection, etc. Bad debt losses as well as doubtful debts allowances are also included. Recovery of receivables written-off in prior years is included in Other operating income. Research and development expenses (R&D) include expenses for developing new or substantially improving already existing services, products, processes or systems. Maintenance and minor adjustments to already existing products, services, processes or systems is not included in R&D. Expenses that are related to specific customer orders (customization) are included in Cost of sales. Amortization, depreciation and impairment losses are included in each function to the extent referring to intangible assets or property, plant and equipment used for that function.

Costs for retailer commissions, other customer acquisition costs, advertising, and other marketing costs are expensed as incurred.

Other operating income and expenses

Other operating income and other operating expenses include gains and losses, respectively, on disposal of shares or operations in subsidiaries (see section "Associated companies and joint ventures" above) and on disposal or retirement of intangible assets or property, plant and equipment.

Also included in other operating income and expenses are government grants, exchange rate differences on operating transactions, restructuring costs and other similar items. Government grants are initially measured at fair value and recognized as income over the periods necessary to match them with the related costs. Exchange rate differences on operating transactions include effects from economic hedges and value changes in derivatives hedging operational transaction exposure (see section "Derivatives and hedge accounting" below).

Finance costs and other financial items

Interest income and expenses are recognized as incurred, using the effective interest rate method, with the exception of borrowing costs directly attributable to the acquisition, construction or production of an asset, which are capitalized as part of the cost of that asset (see also section "Intangible assets, and property, plant and equipment" below). Interest income and expenses also include changes in fair value of the interest component of cross currency interest rate swaps as well as changes in fair value of interest rate swaps. The initial difference between nominal value and net present value of borrowings with an interest rate different to market rate ("day 1 gain") is amortized until due date and recognized as Other interest income. The interest component of changes in the fair value of borrowings measured at fair value and of derivatives hedging loans and borrowings (see section "Derivatives and hedge accounting" below) are included in Other interest income (gains) or in Interest expenses (losses). Exchange rate differences on financial transactions comprise changes in fair value of the currency component of cross currency interest rate swaps and of forward contracts hedging currency risks in external borrowings.

Dividend income from equity investments is recognized when TeliaSonera's rights to receive payment have been established. Income and expenses relating to guarantee commissions are included in Other interest income and Interest expenses, respectively. Interest expenses include funding-related bank fees and fees to rating institutions and market makers.

Income taxes

Incomes taxes comprise current and deferred tax. Current and deferred income taxes are recognized in the income statement or in equity, to the extent relating to items recognized directly in equity. Deferred income taxes are provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements and on unutilized tax deductions or losses. Where a subsidiary has a history of tax losses, TeliaSonera recognizes a deferred tax asset only to the

extent that the subsidiary has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available.

On initial recognition of assets and liabilities, deferred taxes are not recognized on temporary differences in transactions that are not business combinations. Deferred tax liabilities for undistributed earnings or temporary differences related to investments in subsidiaries, associated companies and joint ventures are not recognized because such retained earnings can be withdrawn as non-taxable dividends and the companies can be sold without tax consequences. However, some foreign jurisdictions impose withholding tax on dividends. In such cases, a deferred tax liability calculated based on the respective withholding tax rate is recognized. In certain countries, income tax is not levied on profits, but calculated on dividends paid or declared. In those cases, since current and deferred taxes should be recognized at the rate of undistributed earnings, no deferred tax is recognized and current tax is recognized in the period when dividends are declared.

Current and deferred income tax is determined using tax rates and tax legislation that have been enacted or substantively enacted at the balance sheet date and in the case of deferred tax that are expected to apply when the related deferred income tax asset or liability is settled. Effects of changes in tax rates are recognized in the period when the change is substantively enacted. Deferred tax assets are recognized to the extent that the ability of utilizing the tax asset is probable.

Significant management judgment is required in determining current tax liabilities and assets as well as provisions for deferred tax liabilities and assets, in particular as regards valuation of deferred tax assets. As part of this process, income taxes have to be estimated in each of the jurisdictions in which TeliaSonera operates. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from the different valuation of certain assets and liabilities in the financial statements and in the tax returns. Management must also assess the probability that the deferred tax assets will be recovered from future taxable income. Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities or by courts of law. For additional information on deferred tax assets and liabilities and their carrying values as of the balance sheet date, see Note 14 "Income Taxes."

Intangible assets, and property, plant and equipment

Intangible assets, and property, plant and equipment represent approximately 60 percent of TeliaSonera's total assets.

Measurement bases

Goodwill is measured, after initial recognition, at cost, less any accumulated impairment losses. Goodwill is not amortized but tested for impairment at least annually. Impairment losses are not reversed. Based on management analysis, goodwill acquired in a business combination is for impairment testing purposes allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination. Each group represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

Other intangible assets are measured at cost, including directly attributable borrowing costs, less accumulated amortization and any impairment losses. Direct external and internal development expenses for new or substantially improved products and processes are capitalized, provided that future economic benefits are probable, costs can be measured reliably and the product and process is technically and commercially feasible. Activities in projects at the feasibility study stage as well as maintenance and training activities are expensed as incurred. Mobile and fixed telecommunication licenses are regarded as integral to the network and the amortization of a license does not commence until the related network is ready for use. Intangible assets acquired in a

business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are measured on the same basis as intangible assets acquired separately.

Property, plant and equipment are measured at cost, including directly attributable borrowing costs, less accumulated depreciation and any impairment losses. Software used in the production process is considered to be an integral part of the related hardware and is capitalized as plant and machinery. Property and plant under construction is valued at the expense already incurred, including interest during the installation period. To the extent a legal or constructive obligation to a third party exists, the acquisition cost includes estimated costs of dismantling and removing the asset and restoring the site. The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the item will flow to TeliaSonera and the cost of the item can be measured reliably. All other replacement costs are expensed as incurred. A change in estimated expenditures for dismantling, removal and restoration is added to and/or deducted from the carrying value of the related asset. To the extent that the change would result in a negative carrying value, this effect is recognized as income. The change in depreciation charge is recognized prospectively.

Capitalized interest is calculated, based on the Group's estimated average cost of borrowing. However, actual borrowing costs are capitalized if individually identifiable, such as interest paid on construction loans for buildings.

Government grants, initially measured at fair value, reduce the carrying value of related assets and are recognized as income over the assets' useful life by way of a reduced depreciation charge.

Amortization and depreciation

Amortization on intangible assets other than goodwill and depreciation on property, plant and equipment is based on residual values, and taking into account the estimated useful lives of various asset classes or individual assets. Land is not depreciated. For assets acquired during a year, amortization and depreciation is calculated from the date of acquisition. Amortization and depreciation is mainly recognized on a straight-line basis.

Determination of the useful lives of asset classes involves taking into account historical trends and making assumptions related to future socio-economical and technological development and expected changes in market behavior. These assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. For additional information on intangible and tangible assets subject to amortization and depreciation and their carrying values as of the balance sheet date as well as on currently applied useful lives and total amortization and depreciation for the year, see Note 15 "Goodwill and Other Intangible Assets," Note 16 "Property, Plant and Equipment" and Note 11 "Amortization, Depreciation and Impairment Losses", respectively.

Impairment testing

Goodwill and other intangible assets with indefinite useful lives (currently none existing) and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Intangible assets with a finite life and tangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is tested for impairment. If an analysis indicates that the carrying value is higher than its recoverable amount, which is the

higher of the fair value less costs to sell and value in use, an impairment loss is recognized for the amount by which the carrying amounts exceeds the recoverable amount.

Value in use is measured based on the expected future discounted cash flows (DCF model) attributable to the asset.

A number of significant assumptions and estimates are involved in using DCF models to forecast operating cash flows, for example with respect to factors such as market growth rates, revenue volumes, market prices for telecommunications services, costs to maintain and develop communications networks and working capital requirements. Forecasts of future cash flows are based on the best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts and other available information. These assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. The cash flow forecasts are adjusted by an appropriate discount rate derived from TeliaSonera's cost of capital plus a reasonable risk premium at the date of evaluation. For additional information on goodwill and its carrying value as of the balance sheet date, see Note 15 "Goodwill and Other Intangible Assets."

Financial instruments

Categories

Financial instruments are for measurement purposes grouped into categories. The categorization depends on the purpose and is determined at initial recognition. Category "Financial assets at fair value through profit and loss" comprises derivatives not designated as hedging instruments (held-for-trading) with a positive fair value and investments held-for-trading. Category "Held-to-maturity" comprises non-derivative financial assets with fixed or determinable payments and fixed maturity that TeliaSonera has the positive intention and ability to hold to maturity. This category includes commercial papers, certain government bonds and treasury bills. Category "Loans and receivables" comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes trade receivables, accrued revenues for services and goods, loan receivables, bank deposits and cash at hand. Category "Available-for-sale financial assets" comprises non-derivative financial assets that are designated to this category or not to any of the other categories. This category currently includes equity instruments. Assets included in the categories are reported under balance sheet items Other non-current assets (Note 17), Trade and Other receivables (Note 19), Interest-bearing Receivables, Cash and Cash Equivalents (Note 20).

Category "Financial liabilities at fair value through profit and loss" comprises derivatives not designated as hedging instruments (held-for-trading) with a negative fair value and put options granted to minority shareholders in existing subsidiaries. Category "Financial liabilities measured at amortized cost" comprises all other financial liabilities, such as borrowings, trade payables, accrued expenses for services and goods, and certain provisions settled in cash. Liabilities included in the categories are reported under balance sheet items Long-term and Short-term Borrowings (Note 22), Other Provisions (Note 24), Other Long-term Liabilities (Note 25) and Trade Payables and Other Current Liabilities (Note 26).

Transaction costs, impairment and derecognition

Financial assets and financial liabilities are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. However, transaction costs related to assets or liabilities held for trading or liabilities that are hedged items in a fair value hedge are expensed as incurred. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset. Individually significant financial assets are tested for impairment on

an individual basis. The remaining financial assets are assessed collectively.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when TeliaSonera has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset, or has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the carrying amounts is recognized in profit or loss.

Fair value estimation

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. For financial assets, the current bid price is used. The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques. Management uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

Current/non-current distinction

Financial assets and liabilities maturing more than one year from the balance sheet date are considered to be non-current. Other financial assets and liabilities are recognized as current. Financial assets and liabilities are recognized and derecognized applying settlement date accounting.

Financial assets – measurement

Quoted equity instruments are measured at fair value, being the quoted market prices. Unrealized gains and losses arising from changes in fair value other than impairment losses up to the date of sale are recognized in the fair value reserve as a component of equity. If the fair value of a quoted equity instrument declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. An impairment loss is calculated by reference to the current fair value. Unquoted equity instruments whose fair value cannot be reliably determined are valued at cost less any impairment. An impairment loss on an unquoted equity instrument is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on equity investments carried at cost are not subsequently reversed.

Government bonds and treasury bills are initially recognized at fair value and if held-to-maturity subsequently measured at amortized cost, using the effective interest rate method, less impairment. If not held-to-maturity such instruments are subsequently measured at fair value, being the quoted market prices, with changes recorded directly in equity. Receivables arising from own lending, except for short-term receivables where the interest effect is immaterial, are measured at amortized cost, using the effective

interest rate method, less impairment. An impairment loss on government bonds and treasury bills and on receivables from own lending is calculated as the difference between the carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate.

Short-term investments with maturities over 3 months comprise bank deposits, commercial papers issued by banks, bonds and investments held-for-trading. Cash and cash equivalents include cash at hand and bank deposits as well as highly-liquid short-term investments with maturities up to and including 3 months, such as commercial papers issued by banks. All instruments are initially measured at fair value and subsequently at fair value if categorized as held-for-trading, otherwise at amortized cost.

Financial liabilities – measurement

Financial liabilities (interest-bearing loans and borrowings), except for short-term liabilities where the interest effect is immaterial, are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method. Liabilities that are hedged against changes in fair value are, however, measured at fair value. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the loan or borrowings. Borrowings with an interest rate different to market rate are initially measured at fair value, being the net present value applying the market interest rate. The difference between the nominal value and the net present value is amortized until due date.

Financial guarantee liabilities are contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount initially recognized.

Trade receivables and trade payables – measurement

Trade receivables are initially recognized at fair value, normally being the invoiced amount, and subsequently carried at invoiced amount less impairment (bad debt losses), which equals amortized cost since the terms are generally 30 days and the recognition of interest would be immaterial. An estimate of the amount of doubtful receivables is made when collection of the full amount is no longer probable. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Bad debts are written-off when identified and charged to Selling and marketing expenses. Accrued trade payables are recognized at the amounts expected to be billable.

TeliaSonera's allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends. Should economic or specific industry trends worsen compared to management estimates, the allowance may have to be increased, negatively impacting earnings. See section "Credit risk" in Note 28 "Financial Risk Management" for a description of how credit risks related to trade receivables are mitigated. For additional information on the allowance for doubtful receivables and its carrying value as of the balance sheet date, see Note 19 "Trade and Other Receivables."

Trade payables are initially recognized at fair value, normally being the invoiced amounts, and subsequently measured at invoiced amounts, which equals amortized cost, using the effective interest rate method, since generally the payments terms are such that the recognition of interest would be immaterial.

Derivatives and hedge accounting – measurement and classification

TeliaSonera uses derivative instruments, such as interest and cross currency interest rate swaps, forward contracts and options, primarily to control exposure to fluctuations in exchange rates and interest rates.

Derivatives and embedded derivatives, when their economic characteristics and risks are not clearly and closely related to other characteristics of the host contract, are recognized at fair value. Derivatives with a positive fair value are recognized as non-current or current receivables and derivatives with a negative fair value as non-current or current liabilities. Currency swaps, forward exchange contracts and options are classified as non-interest-bearing and interest rate swaps and cross currency interest rate swaps as interest-bearing items. For classification in the income statement, see sections "Other operating income and expenses" and "Finance costs and other financial items" above.

Hedging instruments are designated as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. Documentation on hedges includes: the relationship between the hedging instrument and the hedged item; risk management objectives and strategy for undertaking various hedge transactions; and whether the hedging instrument used is highly effective in offsetting changes in fair values or cash flows of the hedged item.

For fair value hedges, the effective and ineffective portions of the change in fair value of the derivative, along with the gain or loss on the hedged item attributable to the risk being hedged, are recognized in the income statement.

For cash flow hedges, the effective portion of the change in fair value of the derivative is recognized in the hedging reserve as a component of equity until the underlying transaction is reflected in the income statement, at which time any deferred hedging gains or losses are recognized in the income statement. The ineffective portion of the change in fair value of a derivative used as a cash flow hedge is recognized in the income statement. However, when the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gains and losses are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the foreign currency translation reserve as a component of equity. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses deferred in the foreign currency translation reserve are recognized in the income statement on disposal of the foreign operation.

Changes in the fair value of derivative instruments that do not meet the criteria for hedge accounting are recognized in the income statement.

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies (economic hedges) or that are initiated in order to manage e.g. the overall interest rate duration of the debt portfolio. Changes in the fair value of economic hedges are recognized in the income statement as exchange rate differences, offsetting the exchange rate differences on monetary assets and liabilities. Changes in the fair value of portfolio management derivatives are recognized in the income statement as finance costs.

Inventories

Inventories are carried at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the

sale. Obsolescence is assessed with reference to the age and rate of turnover of the items. The entire difference between the opening and closing balance of the obsolescence allowance is charged to costs of sales.

Assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. An asset-held-for-sale is measured at the lower of its previous carrying value and fair value less costs to sell.

Shareholders' equity

Shareholders' equity is divided into share capital, other contributed capital, recycling reserves, other reserves and retained earnings. Share capital is the legally issued share capital. Other contributed capital comprises contributions made by shareholders in the form of share premiums in connection with new share issues, specific share holder contributions, etc. This item is reduced by reimbursements to shareholders made in accordance with separately decided and communicated capital repayment programs (e.g. through purchasing own shares or extraordinary dividends). Recycling reserves include fair value reserve, hedging reserve and foreign currency translation reserve which are recycled through the income statement, while other reserves comprise revaluation reserve (in connection with step acquisitions) and inflation adjustment reserve. All other equity is retained earnings.

Dividend payments are proposed by the Board of Directors in accordance with the regulations of the Swedish Companies Act and decided by the General Meeting of shareholders. The proposed cash dividend for 2008 will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts

TeliaSonera provides defined benefit pension plans, which mean that the individual is guaranteed a pension equal to a certain percentage of his or her salary, to most of its employees in Sweden, Finland and Norway. The pension plans mainly include retirement pension, disability pension and family pension. Employees in TeliaSonera AB and most of its Swedish subsidiaries are eligible for retirement benefits under the ITP-Tele defined benefit plan. As of January 1, 2007, a new defined contribution pension plan (the ITP1 plan) was introduced. This pension plan is applicable to all employees born in 1979 and later. TeliaSonera's employees in Finland are entitled to statutory pension benefits pursuant to the Finnish Employees' Pension Act, a defined benefit pension arrangement with retirement, disability, unemployment and death benefits (TEL pension). In addition, certain employees have additional pension coverage through a supplemental pension plan.

The pension obligations are secured mostly by pension funds, but also by provisions in the balance sheet combined with pension credit insurance. In Sweden, the part of the ITP multiemployer pension plan that is secured by paying pension premiums is accounted for as a defined contribution plan as the plan administrator does not provide any information necessary to account for the plan as a defined benefit plan. In Finland, a part of the pension is funded in advance and the remaining part financed as a pay-as-you-go pension (i.e. contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period).

The Group's employees in many other countries are usually covered by defined contribution pension plans. Contributions to the latter are normally set at a certain percentage of the employee's salary and are expensed as incurred.

The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method. Actuarial assumptions are determined at the balance sheet date. The

assets of TeliaSonera's pension funds constitute pension plan assets and are valued at fair value.

Changes in the present value of pension obligations due to revised actuarial assumptions as well as differences between expected and actual return on plan assets are treated as actuarial gains or losses. When the net cumulative unrecognized actuarial gain or loss on pension obligations and plan assets goes outside a corridor equal to 10 percent of the higher of either pension obligations or the fair value of plan assets at the beginning of the year, the surplus amount is amortized over the average expected remaining employment period.

Net provisions or assets for post-employment benefits in the balance sheet represent the present value of obligations at the balance sheet date less the fair value of plan assets, unrecognized actuarial gains and losses and unrecognized past-service costs.

The most significant assumptions that management has to make in connection with the actuarial calculation of pension obligations and pension expenses affect the discount rate, the expected annual rate of compensation increase, the expected employee turnover rate, the expected average remaining working life, the expected annual income base amount increase, the expected annual adjustments to pensions, and the expected annual return on plan assets. These assumptions are prepared by an internal Pension Committee and subject to review by the Audit Committee of the Board of Directors. A change in any of these key assumptions may have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost. For additional information on pension obligations and their present values as of the balance sheet date, see Note 23 "Provisions for Pensions and Employment Contracts."

The discount rate reflects the rates at which the pension obligations could be effectively settled, which means a period somewhere from 15 to 30 years. Historically, management has chosen to base the estimated discount rate on yields either derived from high-quality corporate bonds or, for countries where there is no deep market for such bonds, derived from domestic government bonds. For Sweden, which represents approximately 87 percent of TeliaSonera's pension obligations, the discount rate was based on nominal government bonds adjusting yields to consistent terms by extrapolating the yield-curve.

At the end of 2008, however, financial market conditions were such that the yields on Swedish government bonds were well below historic levels. Furthermore, the implied long-term rate of inflation, taken as the difference between real and nominal government bonds, was at abnormally low levels and significantly below the national central bank's long-term target of 2 percent which had served as management's basis for the long-term inflation assumption. IAS 19 "Employee Benefits" requires the economic relationship between the discount rate and inflation rate to be considered, and as management has chosen to maintain its 2-percent assumption for long-term inflation, a discount rate assumption of 4.0 percent was chosen in order to preserve a reasonable relationship between the assumptions.

As part of its assessment of a realistic valuation of the pension obligations, management also reviewed to what extent other Swedish market indicators might be useful and concluded that the current Swedish swap curve rates support its choice of estimated discount rate. See section "Pension obligation risk" in Note 28 "Financial Risk Management" for a sensitivity analysis related to a change in the weighted average discount rate used in calculating pension provisions.

The expected annual rate of compensation increase reflects expected future salary increases as a compound of inflation, seniority and promotion. The estimate is based on historical data on salary increases and on the expected future inflation rate (see also below). Historical data is also the basis for estimating the employee turnover rate, which reflects the expected level of employees, by age class, leaving the company through natural attrition.

The estimate for expected average remaining working life is based on current employee age distribution and the expected employee turnover rate. The income base amount, existing only in Sweden, is set annually and inter alia used for determining the ceiling for pensionable income in the public

pension system. The estimate for the expected annual income base amount increase is based on the expected future inflation rate and the historical annual rate of compensation increase on the total labor market.

Expected annual adjustments to pensions reflect the inflation rate. In determining this rate, management has chosen to use the inflation target rates set by the national and European central banks.

The expected annual return on plan assets reflects the average rate of earnings expected on the investments made (or to be made) to provide for the pension benefit obligations that are secured by the pension funds. Plan assets chiefly consist of fixed income instruments and equity instruments.

The expected nominal net return from the Swedish pension fund portfolio, representing approximately 85 percent of total plan assets, is 4.6 percent per annum over a 10-year period, where inflation is assumed to be 2.0 percent per annum. The strategic allocation of plan assets is composed to give the expected average return. More specifically the expected gross nominal return in the Swedish pension fund is based on the following assumptions; domestic fixed income 4.0 percent, domestic and global equity 7.5 percent and other investments 7.5 percent. The assumptions used in the non-Swedish pension funds are similar.

Other provisions and contingencies

Restructuring provisions include termination benefits, onerous contracts and other expenses related to competitive cost level programs, post-merger integration programs, closing-down of operations, etc. Restructuring provisions are mainly recognized as Other operating expenses, since they are not expenses for post-decision ordinary activities.

Other provisions also include contingent consideration resulting from business combinations or from put options granted to minority shareholders in existing subsidiaries, warranty commitments, environmental restoration, litigation, customer loyalty programs, onerous contracts not related to restructuring activities, etc. Such provisions are recognized as Cost of sales, Selling and marketing expenses, Administrative expenses or Research and development expenses as applicable, except for provisions for loyalty programs that are recognized as a deduction from net sales. Provisions for contingent consideration in business combinations are not charged to income, but increases goodwill.

A provision is recognized when TeliaSonera has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the likelihood of an outflow of re-sources is less than probable but more than remote, or a reliable estimate is not determinable, the matter is disclosed as a contingency provided that the obligation or the legal claim is material.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. From time to time, parts of provisions may also be reversed due to better than expected outcome in the related activities in terms of cash outflow.

Termination benefits are recognized when TeliaSonera is committed to terminate the employment of an employee or group of employees before the normal retirement date or as a result of an offer made in order to encourage voluntary redundancy. Such benefits are recognized only after an appropriate public announcement has been made specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms.

Onerous contracts are recognized when the expected benefits to be derived by from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing

with the contract. Before a provision is established any impairment loss on the assets associated with that contract is provided for.

Where there are a number of similar obligations, e.g. product warranty commitments, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class may be small but it is probable that some outflow of resources will be needed to settle the class of obligations as a whole.

TeliaSonera has engaged, and may in the future need to engage, in restructuring activities, which require management to make significant estimates related to expenses for severance and other employee termination costs, lease cancellation, site dismantling and other exit costs and to realizable values of assets made redundant or obsolete (see section "Intangible assets, and property, plant and equipment" above). Should the actual amounts differ from these estimates, future results could be materially impacted.

The determination of redemption amounts for minority put options involves management judgment and estimates of factors such as the likelihood of exercise of the option and the timing thereof, projected cash flows of the underlying operations, the weighted average cost of capital, etc. A change in any of these factors may have a significant impact on future results.

Determination of the treatment of contingent assets and liabilities in the financial statements is based on management's view of the expected outcome of the applicable contingency. Management consults with legal counsel on matters related to litigation and other experts both within and outside the company with respect to matters in the ordinary course of business.

For additional information on restructuring provisions and minority put options, including their carrying values as of the balance sheet date, and on contingencies and litigation, see Notes 24 "Other Provisions" and 30 "Contingencies, Other Contractual Obligations and Litigation," respectively.

Leasing agreements

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

TeliaSonera as lessee

As a lessee, TeliaSonera has entered into finance and operating leases and rental contracts. For a finance lease agreement, the accounts include the leased asset as a tangible non-current asset and the future obligation to the lessor as a liability in the balance sheet, capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Initial direct costs are added to the capitalized amount. Minimum lease payments are apportioned between the finance charges and reduction of the lease liability to produce a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income. Other agreements are operating leases, with the leasing costs recognized evenly throughout the period of the agreement.

TeliaSonera as finance lessor

TeliaSonera owns assets that it leases to customers under finance lease agreements. Amounts due from lessees are recorded as receivables at the amount of the net investment in the leases, which equals the net present value. Initial direct costs are included in the initial measurement of the financial lease receivable and reduce the amount of income recognized over the lease term. Income is recognized over the lease term on an annuity basis.

TeliaSonera as operating lessor

Rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and are recognized on the same basis as the lease revenues.

Fiber and duct are sold as part of the operations of TeliaSonera's international carrier business. TeliaSonera has decided to view these as integral equipment to land. Under the agreements, title is not transferred to the lessee. The transactions are therefore recorded as operating lease agreements. The contracted sales price is mainly paid in advance and sales that are not recognized in income are recorded as long-term liabilities or short-term deferred revenues.

Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the time of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate, any resulting exchange rate differences being charged to income. Accordingly, realized as well as unrealized exchange rate differences are recorded in the income statement. Exchange rate differences arising from operating receivables or liabilities are recorded in operating income, while differences attributable to financial assets or liabilities are recorded in finance costs.

Note 5 (Consolidated) Changes in Group Composition

Significant events in 2008

Asia Holding

On October 1, 2008, TeliaSonera acquired 51 percent of the shares and votes in TeliaSonera Asia Holding B.V. (Asia Holding), which owns controlling interests in the two mobile operators Spice Nepal Pvt. Ltd. in Nepal (80 percent) and Applifone Co. Ltd. in Cambodia (100 percent).

Other acquisitions

In 2008 and in order to strengthen its market position, TeliaSonera also acquired all outstanding shares in the retail chain ComHouse AS in Norway (previously an associated company), further the Swedish systems integrator Avansys AB and its subsidiaries (100 percent), the dunning company UAB Creditcollect (now UAB Sergel) in Lithuania (100 percent) and the Estonian IT training company IT Koolituskeskuse OÜ, including its subsidiaries in Estonia, Latvia and Lithuania (83 percent).

For additional information, see Note 34 "Business Combinations, etc."

Note 6 (Consolidated) Segment Information

The Group's operations are managed and reported by business area (BA) as follows.

- Business area Mobility Services provides personal mobility services to the consumer and enterprise mass markets. Products and services include mobile voice and data, mobile content, WLAN Hotspots, mobile over broadband, mobile/PC convergence and Wireless Office. The business area comprises mobile operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.
- Business area Broadband Services provides mass-market services for connecting homes and offices. Products and services include broadband over copper, fiber and cable, IPTV, voice over internet, home communications services, IP-VPN/Business internet, leased lines and traditional telephony. The business area operates the group common core network, including the data network of the international carrier business, and comprises operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.
- Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia,

Moldova, Nepal and Cambodia. The business area is also responsible for developing TeliaSonera's shareholding in the mobile operators MegaFon (44 percent) in Russia and Turkcell (37 percent) in Turkey.

- 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. TeliaSonera Holding is responsible for the Group's non-core/non-strategic operations. Corporate functions comprise the Corporate Head Office and certain shared service functions on Group level, BA level and country level.

Segment consolidation is based on the same accounting principles as for the Group as a whole, except for inter-segment finance leases which are treated as operating leases. Inter-segment transactions are based on commercial terms. Besides Net sales and Operating income, principal segment control and reporting concepts are EBITDA excluding non-recurring items and Operating segment capital, respectively (see "Definitions"). Comparative period figures for 2007 have been restated to reflect the organizational restructuring effective January 1, 2008 (see "Report of the Directors," section "Review of the Business Areas").

January–December 2008 or December 31, 2008

SEK in millions	Mobility Services	Broadband Services	Eurasia	Other operations	Eliminations	Group
Net sales	48,673	44,943	13,204	2,538	-5,773	103,585
External net sales	46,259	42,015	13,196	2,115	–	103,585
EBITDA excluding non-recurring items	14,399	11,922	6,553	116	-36	32,954
Non-recurring items	-397	-1,194	–	295	–	-1,296
Amortization, depreciation and impairment losses	-4,354	-5,483	-1,883	-422	36	-12,106
Income from associated companies and joint ventures	-122	151	9,061	6	–	9,096
Operating income/loss	9,526	5,396	13,731	-5	0	28,648
Financial items, net						-2,237
Income taxes						-4,969
Net income						21,442
Investments in associated companies and joint ventures	96	974	38,100	373	–	39,543
Other operating segment assets	93,159	57,996	34,088	6,309	-1,375	190,177
Unallocated operating assets						13,397
Other unallocated assets						21,169
Total assets						264,286
Operating segment liabilities	12,795	14,529	13,141	5,434	-1,396	44,503
Unallocated operating liabilities						20,597
Other unallocated liabilities						65,821
Adjusted equity						133,365
Total equity and liabilities						264,286
Investments	4,771	6,435	12,691	955	3	24,855
of which CAPEX	4,467	5,934	4,595	795	4	15,795
Number of employees	8,339	16,171	4,780	2,881	–	32,171
Average number of full-time employees	7,777	15,270	4,276	2,714	–	30,037

SEK in millions	January–December 2007 or December 31, 2007 (restated)					Group
	Mobility Services	Broadband Services	Eurasia	Other operations	Eliminations	
Net sales	45,115	44,478	10,338	2,049	-5,636	96,344
External net sales	42,738	41,547	10,332	1,727	–	96,344
EBITDA excluding non-recurring items	13,084	12,821	5,255	-161	22	31,021
Non-recurring items	-364	-468	–	142	2	-688
Amortization, depreciation and impairment losses	-4,162	-6,162	-1,278	-315	42	-11,875
Income from associated companies and joint ventures	-172	222	6,906	740	1	7,697
Operating income/loss	8,386	6,413	10,883	406	67	26,155
Financial items, net						-904
Income taxes						-4,953
Net income						20,298
Investments in associated companies and joint ventures	274	885	31,572	334	–	33,065
Other operating segment assets	86,076	54,332	16,008	4,734	-1,789	159,361
Unallocated operating assets						12,111
Other unallocated assets						12,165
Total assets						216,702
Operating segment liabilities	13,145	13,904	3,708	4,904	-1,800	33,861
Unallocated operating liabilities						29,751
Other unallocated liabilities						43,995
Adjusted equity						109,095
Total equity and liabilities						216,702
Investments	5,468	6,264	7,679	1,301	-10	20,702
of which CAPEX	4,168	5,722	3,114	527	–	13,531
Number of employees	8,052	17,294	3,862	2,084	–	31,292
Average number of full-time employees	7,186	16,197	3,051	2,127	–	28,561

External net sales were distributed by product area as follows.

SEK in millions	January–December	
	2008	2007
Mobile communications	56,213	50,418
Fixed communications	39,473	38,535
Other services	7,899	7,391
Total	103,585	96,344

Fixed communications include internet, data and TV services.
Other services include equipment sales, managed services and financial services.

Net sales by external customer location and non-current assets, respectively, were distributed among individually material countries as follows.

	January–December				December 31			
	2008		2007		2008		2007	
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
	Net sales				Non-current assets			
Sweden	35,890	34.7	36,046	37.4	22,373	13.7	23,336	17.0
Finland	16,781	16.2	16,735	17.4	48,604	29.8	41,982	30.7
Norway	10,287	9.9	9,603	10.0	28,455	17.5	29,941	21.9
All other countries	40,627	39.2	33,960	35.2	63,671	39.0	41,604	30.4
Total	103,585	100.0	96,344	100.0	163,103	100.0	136,863	100.0

Net sales by external customer location were distributed among economic regions as follows.

	January–December			
	2008		2007	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	88,448	85.4	84,452	87.6
<i>of which European Union (EU) member states</i>	<i>78,108</i>	<i>75.4</i>	<i>74,817</i>	<i>77.7</i>
Rest of Europe	1,419	1.4	1,068	1.1
North-American Free Trade Agreement (NAFTA)	688	0.6	555	0.6
Rest of world	13,030	12.6	10,269	10.7
Total	103,585	100.0	96,344	100.0

The TeliaSonera Group offers a diversified portfolio of mass-market services and products in highly competitive markets. Hence, the Group's exposure to individual customers is limited.

Note 7 (Consolidated) Net Sales

The distribution of change in net sales in terms of volume effects, structural effects, exchange rate effects, and price effects was as follows.

Percent	January–December	
	2008	2007
Change in net sales, total	7.5	5.8
– volume growth	9.8	9.7
– structural changes	1.5	2.7
– exchange rate effects	2.1	-0.5
– price reductions	-5.8	-6.1

TeliaSonera experiences volume growth mainly within mobile communications and broadband in almost all of its geographical markets. The growth is especially strong in the Eurasian operations due to ongoing high customer intake. The impact from volume growth is, however, partly offset by overall price pressure on telecom services.

Structural changes in 2008 mainly related to the acquisitions of Avansys, ComHouse and the mobile operations in Nepal and Cambodia as well as the acquisitions in 2007 of Cygate, debitel Danmark and the mobile operations in Uzbekistan and Tajikistan, while 2007 was also impacted by the acquisition of NextGenTel in 2006.

Net sales are broken down by reportable segment, by product area, by individually material countries and by economic region in Note 6 "Segment Information."

Note 8 (Consolidated) Expenses by Nature

Operating expenses are presented on the face of the income statement using a classification based on the functions "Cost of sales," "Selling and marketing expenses," "Administrative expenses" and "Research and development expenses." Total expenses by function were distributed by nature as follows.

SEK in millions	January–December	
	2008	2007
Goods purchased	16,102	17,271
Interconnect and roaming expenses	16,663	14,998
Other network expenses	4,602	3,727
Change in inventories	56	81
Personnel expenses (see also Note 32)	15,056	13,477
Marketing expenses	7,423	6,941
Other expenses	11,294	10,308
Amortization, depreciation and impairment losses (see also Note 11)	12,057	11,704
Total	83,253	78,507

The main components of Other expenses are rent and leasing fees, consultants' services, IT expenses, energy expenses and travel expenses.

Note 9 (Consolidated) Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	January–December	
	2008	2007
Other operating income		
Capital gains	64	232
Exchange rate gains	267	49
Commissions, license and patent fees, etc.	265	311
Grants	37	24
Recovered accounts receivable, released accounts payable	25	680
Compensation for damages	97	53
Total other operating income	755	1,349
Other operating expenses		
Capital losses	-97	-44
Provisions for onerous contracts	0	4
Exchange rate losses	-341	-114
Restructuring costs	-986	-366
Impairment charges	-49	-171
Damages paid	-62	-37
Total other operating expenses	-1,535	-728
Net effect on income	-780	621
<i>of which net exchange rate losses on derivative instruments held-for-trading</i>	<i>-13</i>	<i>-45</i>

Released accounts payable in 2007 include SEK 653 million relating to a number of court rulings reducing certain historical interconnect fees in Sweden. Restructuring costs mainly relates to staff redundancy costs. In 2008, this item also includes a SEK 360 million reversal of a provision for onerous lease and maintenance contracts relating to a fiber network in France.

Note 10 (Consolidated) Related Party Transactions

The Swedish State and the Finnish State

The Swedish State currently owns 37.3 percent and the Finnish State 13.7 percent of the outstanding shares in TeliaSonera AB. The remaining 49.0 percent of the outstanding shares are widely held.

The TeliaSonera Group's services and products are offered to the Swedish and the Finnish State, their agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain state-owned companies run businesses that compete with TeliaSonera. Likewise, TeliaSonera buys services from state-owned companies at market prices and on otherwise conventional commercial terms. Neither the Swedish and Finnish State and their agencies, nor state-owned companies represent a significant share of TeliaSonera's net sales or earnings.

The Swedish telecommunications market is governed mainly by the Electronic Communications Act and ordinances, regulations and decisions in accordance with the Act. Notified operators are required to pay a fee to finance measures to prevent serious threats and disruptions to electronic communications during peacetime. The required fee from TeliaSonera was SEK 46 million in 2008 and SEK 57 million in 2007. In addition, TeliaSonera, like other operators, pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities under the Electronic Communications Act and the Radio and Telecommunications Terminal Equipment Act. TeliaSonera paid fees of SEK 47 million in 2008 and SEK 48 million in 2007.

The Finnish telecommunications market is governed mainly by the Communications Market Act and the Act on the Protection of Privacy and Data Security in Electronic Communications as well as by regulations, decisions and technical directions in accordance

with these acts. In 2008 and 2007, TeliaSonera paid EUR 2.0 million and EUR 1.7 million, respectively, for the use of radio frequencies and EUR 0.8 million and EUR 0.8 million, respectively, for the use of numbers. In 2008 and 2007, TeliaSonera paid EUR 0.1 million and EUR 0.1 million, respectively, for data privacy supervision and EUR 0.8 million and EUR 0.8 million, respectively, as communications market fee, i.e. a general fee paid for the regulatory activities of the Finnish Communications Regulatory Authority (FICORA).

Associated companies and joint ventures

TeliaSonera sells and buys services and products to and from associated companies and joint ventures. These transactions are based on commercial terms. Sales to as well as purchases from these companies mainly related to Svenska UMTS-nät AB in Sweden and, up until August 2007, to Telefos AB through its former subsidiaries in the Eltel Group in Sweden and Finland, and comprised 3G capacity and network construction services bought and sold.

Summarized information on transactions and balances with associated companies and joint ventures was as follows.

SEK in millions	January–December or December 31,	
	2008	2007
Sales of goods and services		
Svenska UMTS-nät AB (joint venture)	357	212
Other	145	124
Total sales of goods and services	502	336
Purchases of goods and services		
Svenska UMTS-nät AB (joint venture)	550	551
Telefos AB (including the Eltel Group up until August 9, 2007)	–	1,079
Other	159	184
Total purchases of goods and services	709	1,814
Total trade and other receivables	61	63
Loans receivable		
OAQ MegaFon	362	301
Total loans receivable	362	301
Total trade and other payables	206	186

Pension funds

As of December 31, 2008, TeliaSonera's pension funds held 1,746,948 TeliaSonera shares, or 0.04 percent of the voting rights. For information on transactions and balances, see Note 23 "Provisions for Pensions and Employment Contracts."

Commitments and collateral held

TeliaSonera has made certain commitments on behalf of group companies, associated companies and joint ventures and holds collateral in the form of shares in associated companies. See Note 30 "Contingencies, Other Contractual Obligations and Litigation" for further details.

Key management

See section "Remuneration to corporate officers" in Note 32 "Human Resources" for further details.

Note 11 (Consolidated) Amortization, Depreciation and Impairment Losses

No general changes of useful lives were effected in 2008. For a discussion on impairment testing, see Note 15 "Goodwill and Other Intangible Assets." The following amortization and depreciation rates were applied.

Trade names	Individual evaluation, minimum 10%
Telecom licenses, numbering rights	Remaining license period, minimum 5%. Licenses are regarded as integral to the network and amortization of a license does not commence until the related network is ready for use.
Interconnect and roaming agreements	Agreement term, based on the remaining useful life of the related license
Customer relationships	Individual evaluation, based on historic and projected churn
Other intangible assets	20–33% or individual evaluation
Buildings	2–10%
Land improvements	2%
Capitalized improvements on leased premises	Remaining term of corresponding lease
Mobile networks (base stations and other installations)	14.5%
Fixed networks	
– Switching systems and transmission systems	10–33%
– Transmission media (cable)	5–10%
– Equipment for special networks	20–33%
– Usufruct agreements of limited duration	Agreement term or time corresponding to the underlying asset
– Other installations	2–33%
Equipment, tools and installations	10–33%
Equipment placed with customers under service arrangements	Agreement term, annuity basis

Amortization, depreciation and impairment losses on other intangible assets and property, plant and equipment were distributed by function and other operating expenses as follows.

SEK in millions, except proportions	January–December	
	2008	2007
Cost of sales	10,136	9,660
Selling and marketing expenses	1,133	1,400
Administrative expenses	737	495
Research and development expenses	51	149
Total functions	12,057	11,704
Other operating expenses	49	171
Total amortization, depreciation and impairment losses	12,106	11,875
<i>Proportion to net sales (%)</i>	<i>11.7</i>	<i>12.3</i>

Amortization, depreciation and impairment losses are broken down by reportable segment in Note 6 "Segment Information."

Amortization, depreciation and impairment losses were distributed by asset class as follows.

SEK in millions	January–December	
	2008	2007
Other intangible assets	2,545	2,837
Buildings and land improvements	335	318
Mobile networks	4,270	3,599
Fixed networks	4,060	4,378
Other plant and equipment	896	743
Total	12,106	11,875

Note 12 (Consolidated) Associated Companies and Joint Ventures

Income from associated companies and joint ventures

The net effect on income from holdings in associated companies and joint ventures was as follows.

SEK in millions	January–December	
	2008	2007
Share in net income for the year	9,257	7,677
Amortization of fair value adjustments	-146	-54
Impairment losses on goodwill, fair value adjustments, etc.	–	–0
Net capital gains	-15	74
Net effect on income	9,096	7,697

Income is broken down by reportable segment in Note 6 "Segment Information." Large individual stakes (including capital gains/losses and intermediate holding companies, when applicable) impacted earnings as follows.

SEK in millions	January–December	
	2008	2007
Svenska UMTS-nät AB, Sweden (joint venture)	-120	-156
SIA Lattelecom, Latvia	151	225
OAo MegaFon, Russia	5,070	4,181
Turkcell İletişim Hizmetleri A.S., Turkey	3,991	2,725
Telefos AB, Sweden	1	640
Other holdings	3	82
Net effect on income	9,096	7,697

Turkcell's financials are included in TeliaSonera's reporting with a one-quarter lag. In 2007, Telefos divested its remaining subsidiary Eltel Group Oy.

Investments in associated companies and joint ventures

The total carrying value was distributed and changed as follows.

SEK in millions	December 31,	
	2008	2007
Goodwill and similar assets on consolidation	7,925	8,655
Share of equity	31,618	24,410
Carrying value	39,543	33,065
Carrying value, opening balance	33,065	25,536
Share of net income for the year	9,257	7,677
Amortization and write-downs of fair value adjustments	-146	-54
Dividends received	-1,410	-2,684
Acquisitions and operations acquired	11	389
Reclassifications	248	-314
Exchange rate differences	-1,482	2,515
Carrying value, closing balance	39,543	33,065

The carrying value is broken down by reportable segment in Note 6 "Segment Information" and by company in Note 35 "Specification of Shareholdings and Participations." The market value of the Group's holding in the publicly quoted Turkcell was SEK 36,687 million and SEK 57,871 million as of December 31, 2008 and 2007, respectively.

Summarized information on the associated companies' and joint ventures' aggregate (100 percent) balance sheets and income statements was as follows.

SEK in millions	December 31, or January–December	
	2008	2007
Non-current assets	135,433	125,270
Current assets	56,096	39,976
Provisions and long-term liabilities	20,348	17,691
Current liabilities	23,691	23,508
Net sales	96,302	85,195
Gross profit	66,450	56,158
Net income	30,992	24,638

Note 13 (Consolidated) Finance Costs and Other Financial Items

Finance costs and other financial items were distributed as follows.

SEK in millions	January–December	
	2008	2007
Finance costs		
Interest expenses	-3,477	-1,948
Interest expenses on finance leases	-2	-5
Unwinding of provision discounts	-147	-26
Capitalized interest	58	17
Net exchange rate gains and losses	-115	226
Total finance costs	-3,683	-1,736
Other financial items		
Interest income	1,429	736
Interest income on finance leases	29	52
Dividends from financial investments	0	0
Capital gains on financial investments available-for-sale	5	49
Capital losses on equity instruments at cost	-13	-
Impairment losses on venture capital investments	-4	-5
Total other financial items	1,446	832
Net effect on income	-2,237	-904

Interest income in 2008 includes received penalty interest of SEK 290 million related to court rulings on certain historical interconnect fees.

Details on interest expenses, net exchange rate gains and losses and interest income related to hedging activities, loan receivables and borrowings were as follows.

SEK in millions	January–December					
	2008	2007	2008	2007	2008	2007
	Interest expenses		Net exchange rate gains and losses		Interest income	
Fair value hedge derivatives	-173	-57	2,047	272	-	-
Cash flow hedge derivatives	-245	-46	-75	145	-	-
Derivatives held-for-trading	-2	97	3,850	192	-	-
Held-to-maturity investments	-	-	-	-	5	15
Loans and receivables	-	-	-2,514	-	1,428	711
Borrowings in fair value hedge relationships	-656	-611	-2,047	-272	-	-
Borrowings and other financial liabilities at amortized cost	-2,396	-1,284	-1,376	-111	-	-
Other	-5	-47	-	0	-4	10
Total	-3,477	-1,948	-115	226	1,429	736

Borrowings at amortized cost include items in cash flow hedge relationships as well as unhedged items.

Note 14 (Consolidated) Income Taxes

Income tax expense

In 2008 and 2007, pre-tax income was SEK 26,411 million and SEK 25,251 million, respectively. Income tax expense was distributed as follows.

SEK in millions	January–December	
	2008	2007
Tax items brought to income		
Current tax expense relating to current year	-3,083	-5,623
Underprovided or overprovided current tax expense in prior years	-36	-158
Deferred tax expense originated or reversed in current year	-2,926	88
Recognition of previously unrecognized deferred taxes	625	845
Effect on deferred tax income (+)/expense (-) from changes in tax rates	451	-105
Total tax expense brought to income	-4,969	-4,953
Tax items recognized directly in shareholders' equity		
Current tax income	303	44
Deferred tax income (+)/expense (-)	87	-14
Total tax income recognized directly in shareholders' equity	390	30

The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	January–December	
	2008	2007
Swedish income tax rate	28.0	28.0
Effect of higher or lower tax rates in subsidiaries	-2.4	-1.7
Withholding tax on dividends from subsidiaries, associate companies and joint ventures	4.8	2.2
Underprovided or overprovided current tax expense in prior years	0.1	0.6
Recognition of previously unrecognized tax losses	-2.4	-3.4
Effect on deferred tax expense from changes in tax rates	-1.7	0.4
Income from associated companies and joint ventures	-9.7	-8.5
Current year losses for which no deferred tax asset was recognized	1.9	2.2
Non-deductible expenses	0.4	0.1
Tax-exempt income	-0.2	-0.3
Tax rate as per the income statement	18.8	19.6
Tax recognized directly in shareholders' equity	-1.5	-0.1
Effective tax rate	17.3	19.5

In December 2008, the Swedish parliament passed changes to the tax legislation, including, among others, a reduction of the Swedish corporate income tax rate from 28 percent to 26.3 percent effective January 1, 2009. This triggered a recalculation of existing deferred tax assets and liabilities in TeliaSonera's Swedish operations, resulting in a net deferred tax income of SEK 395 million in 2008. The corresponding one-off effect of other corporate income tax-rate changes enacted in 2008 (the Czech Republic, Georgia, Italy, Kazakhstan, Lithuania, the Russian Federation and the UK) was a net deferred tax income, totaling SEK 56 million.

Income tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	December 31,	
	2008	2007
Deferred tax assets		
Opening balance	12,017	12,054
Operations acquired	22	66
Income statement period change	-1,013	-950
Recognized in equity	87	-14
Reclassifications	379	334
Exchange rate differences	1,714	527
Deferred tax assets, closing balance	13,206	12,017
Deferred tax liabilities		
Opening balance	9,577	10,121
Operations acquired	464	774
Operations divested	-563	-
Income statement period change	837	-1,778
Reclassifications	353	431
Exchange rate differences	592	29
Deferred tax liabilities, closing balance	11,260	9,577

For changes in deferred tax assets and liabilities related to operations acquired in 2008, see Note 34 "Business Combinations, etc."

Temporary differences in deferred tax assets and liabilities were as follows.

SEK in millions	December 31,	
	2008	2007
Gross deferred tax assets		
Unrealized gain, associated companies	48	48
Delayed depreciation, impairment losses and fair value adjustments, other non-current assets	6,654	5,782
Delayed expenses for provisions	655	255
Doubtful current receivables	135	191
Tax loss carry-forwards	10,151	9,481
Subtotal	17,643	15,757
Valuation allowances		
Delayed depreciation, other non-current assets	-40	-132
Tax loss carry-forwards	-3,927	-2,918
Subtotal	-3,967	-3,050
Off-set deferred tax liabilities/assets	-470	-690
Total deferred tax assets	13,206	12,017
Deferred tax liabilities		
Withholding taxes and impairment losses, subsidiaries and associated companies	2,082	1,322
Accelerated depreciation and fair value adjustments, other non-current assets	6,535	6,094
Fair value adjustments, provisions	1,521	653
Delayed revenue recognition, current receivables	34	52
Profit equalization reserves	1,558	2,146
Subtotal	11,730	10,267
Off-set deferred tax assets/liabilities	-470	-690
Total deferred tax liabilities	11,260	9,577
Net deferred tax assets	1,946	2,440
Net increase (+)/decrease (-) in valuation allowance	917	-52

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2008, are expected to expire as follows.

Expected expiry SEK in millions	2009	2010	2011	2012	2013	2014– 2026	Un- limit- ed	Total

Unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated such income tax that is levied on dividends paid, totaled SEK 1,031 million in 2008 and SEK 963 million in 2007.

Tax loss carry-forwards

Deferred tax assets originating from tax loss carry-forwards mainly relate to Finland and Spain.

Tax losses in Finland refer mainly to impairment losses on the European 3G investments recognized by TeliaSonera Finland Oyj (formerly Sonera Oyj) in 2002 and to capital losses on shares divested in 2003 by another subsidiary within the Finnish tax group. Following a positive advance ruling by the Finnish tax authorities related to losses incurred in Telia's former mobile operations in Finland during 2001, 2002 and 2004, an additional deferred tax asset was recognized, amounting to SEK 234 million as of December 31, 2008.

Tax losses in Spain refer to the Spanish 3G mobile network operator Xfera that was acquired in 2006. Xfera is a start-up operation that has reported tax losses since its incorporation in 2000, due to annual spectrum fees invoiced by the Spanish government authorities, depreciation and write-downs of earlier investments, other pre-operating losses and additional operating losses incurred thereafter. As of December 31, 2008, Xfera had tax

losses and taxable temporary differences totaling SEK 10.7 billion. As is the normal case for start-up operations, management projects tax losses also during the next few years.

At the current stage of the 3G market and due to the decreases in equipment prices in the past few years, management is, however, confident that Xfera will be able to generate taxable profits, and has prepared a robust business plan based on a sound business model with detailed and benchmarked data, and has also convinced other parties to invest alongside TeliaSonera. As a result, management believes that the current tax losses will be utilized before they expire after 15 years from the first profitable year. However, management acknowledges that the threshold for recognizing deferred tax assets in a situation of recurring historical losses is higher than for other assets, and has therefore reduced its projections to a level which it is convinced that Xfera will reach. As of December 31, 2008, based on these projections, management has recognized a deferred tax asset of SEK 772 million after valuation allowance.

TeliaSonera's accumulated tax loss carry-forwards were SEK 36,822 million in 2008 and SEK 35,277 million in 2007. Tax loss carry-forwards as of December 31, 2008 are expected to expire as follows.

Expected expiry SEK in millions	2009	2010	2011	2012	2013	2014– 2026	Un- limit- ed	Total

Most of the Finnish tax loss carry-forwards expire in 2012.

Note 15 (Consolidated) Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

SEK in millions	December 31,			
	2008	2007	2008	2007
	Goodwill		Other intangible assets	
Accumulated cost	84,847	71,515	33,553	26,350
Accumulated amortization	–	–	-16,157	-12,858
Accumulated impairment losses	-416	-343	-861	-756
Advances	–	–	2	1
Carrying value	84,431	71,172	16,537	12,737
<i>of which work in progress</i>	–	–	1,380	716
Carrying value, opening balance	71,172	62,638	12,737	11,534
Investments	6,882	4,653	4,195	3,332
<i>of which capitalized interest</i>	–	–	29	10
Sales and disposals	–	–	-22	-13
Operations acquired	–	–	112	248
Operations divested	–	-1	0	-1
Grants received	–	–	-3	–
Reclassifications	-122	109	255	-7
Amortization for the year	–	–	-2,450	-2,615
Impairment losses/reversed losses for the year	–	-10	-95	-212
Advances	–	–	1	-2
Exchange rate differences	6,499	3,783	1,807	473
Carrying value, closing balance	84,431	71,172	16,537	12,737

Apart from goodwill, there are currently no intangible assets with indefinite useful lives. In the income statement, amortization of and impairment losses on other intangible assets is included in all expense line items by function as well as in line item Other operating expenses. For additional information on significant transactions in 2008, see Note 34 "Business Combinations, etc."

The total carrying value of goodwill was distributed by reportable segment as follows.

SEK in millions	December 31,	
	2008	2007
Business area Mobility Services	58,256	54,883
of which Finland	24,584	21,297
of which Norway	22,591	23,973
of which Denmark	5,427	4,723
Business area Broadband Services	13,548	12,030
of which Finland	9,814	8,502
Business area Eurasia	12,028	3,777
of which Azerbaijan	4,845	18
of which Uzbekistan and Tajikistan	2,818	3,221
of which Nepal and Cambodia	3,190	–
Other operations	599	482
Total goodwill	84,431	71,172

The total carrying value of other intangible assets was distributed by asset type as follows.

SEK in millions	December 31,	
	2008	2007
Trade names	365	398
Licenses	5,091	3,903
Customer relationships, interconnect and roaming agreements	6,231	4,694
Capitalized development expenses	2,052	1,584
Patents, etc.	1,378	1,324
Leaseholds, etc.	38	117
Work in progress, advances	1,382	717
Total other intangible assets	16,537	12,737

Percent	Sweden	Finland	Norway	Denmark	Baltic countries	Spain	Eurasian countries
Business area Mobility Services							
WACC rates	7.0	7.3	7.4	7.9	10.5–11.5	11.1	–
Terminal growth rates	1.0	2.0	2.0	2.0	2.0	2.0	–
Business area Broadband Services							
WACC rates	7.0	7.3	7.4	7.9	7.4–8.7	–	–
Terminal growth rates	1.0	1.0	1.0	1.0	1.0	–	–
Business area Eurasia							
WACC rates	–	–	–	–	–	–	11.5–18.0
Terminal growth rates	–	–	–	–	–	–	1.0–2.5
Other operations							
WACC rates	7.4–10.0	–	–	–	–	–	–
Terminal growth rates	1.0	–	–	–	–	–	–

In all cases management believes the terminal growth rates to not exceed the average growth rates for markets in which TeliaSonera operates.

As of December 31, 2008, the recoverable values based on value in use of the cash-generating units were found not to fall short of their carrying values in any test and therefore the related goodwill was not impaired. For cash-generating unit Broadband Services – Norway, with a goodwill carrying value of SEK 1,545 million, the estimated recoverable value corresponded to the carrying value. In the impairment test for Broadband Services – Norway, the sales growth assumption was between 5–9 percent during the next 5 years. The EBITDA margin during the same period was assumed to be between 20–22 percent, and the terminal growth rate of free

capitalized development expenses mainly refer to IT systems, supporting the selling and marketing, and administrative functions.

Impairment testing

Goodwill is for impairment testing purposes allocated to cash-generating units in accordance with TeliaSonera's business organization. In most cases, each geographical market within the respective reportable segment constitutes a cash-generating unit. Carrying values of all cash-generating units are annually tested for impairment. The recoverable amounts (that is, higher of value in use and fair value less cost to sell) are normally determined on the basis of value in use, applying discounted cash flow calculations. From time to time, TeliaSonera may also obtain independent appraisals of fair values to determine recoverable amounts.

In the value in use calculations, management used assumptions that it believes are reasonable based on the best information available as of the date of the financial statements. The key assumptions were sales growth, EBITDA margin development, the weighted average cost of capital (WACC), and the terminal growth rate of free cash flow. The calculations were based on 5-year forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. Due to the start-up nature of the investments, the forecast period used for cash-generating units Mobility Services – Spain and Eurasia – Uzbekistan was 10 years.

Business area Eurasia's operations in Nepal and Cambodia, each constituting a cash-generating unit, were acquired in October 2008. The investment decision and the purchase price allocation were based on the discounted cash flow of management's projections. There have been no events after the acquisition that would cause management to significantly change the previous cash flow projections. Consequently, the original projections also form the basis for the 2008 impairment test.

The post-tax WACC rates and the terminal growth rates used to extrapolate cash flows beyond the 5-year forecasts (in Spain and Uzbekistan 10-year forecasts) varied by reportable segment and geographic area as follows.

cash flow after the 5-year period was assumed to be 1.0 percent. A post-tax WACC rate of 7.4 percent was used in the test.

The following table sets out to what extent each key assumption approximately must change, all else being equal, in order for the recoverable value to change by 10 percent, or by SEK 0.2 billion.

Sales growth in the 5-year period	+1.5 percentage points
EBITDA margin in the 5-year period and beyond	+1.4 percentage points
Terminal growth rate of free cash flow	+0.7 percentage points
Post-tax WACC rate	-0.6 percentage points

Note 16 (Consolidated) Property, Plant and Equipment

The carrying value was distributed and changed as follows.

SEK in millions	December 31,									
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Plant and machinery									
	Property		Mobile networks		Fixed networks		Equipment, tools and installations		Total	
Accumulated cost	9,048	7,542	58,333	47,386	127,983	119,656	8,592	7,434	203,956	182,018
Accumulated depreciation	-3,831	-3,078	-33,630	-28,154	-84,314	-77,482	-6,026	-5,514	-127,801	-114,228
Accumulated impairment losses	-509	-426	-405	-384	-13,544	-14,644	-257	-246	-14,715	-15,700
Advances	–	24	506	486	–	1	–	1	506	512
Carrying value	4,708	4,062	24,804	19,334	30,125	27,531	2,309	1,675	61,946	52,602
<i>of which assets under construction</i>	–	–	3,753	3,033	1,792	2,087	–	–	5,545	5,120
Carrying value, opening balance	4,062	4,095	19,334	16,043	27,531	26,652	1,675	1,405	52,602	48,195
Investments	415	155	6,805	5,895	5,012	4,914	905	709	13,137	11,673
<i>of which capitalized interest</i>	1	–	10	2	17	5	1	–	29	7
Sales and disposals	-18	-20	-116	-49	-3	-57	-18	-35	-155	-161
Dismantling and restoration	–	–	2	29	418	53	–	–	420	82
Operations acquired	–	59	125	68	326	355	83	55	534	537
Operations divested	–	–	–	–	-2	-46	–	-20	-2	-66
Grants received	–	–	–	–	-5	–	–	–	-5	–
Reclassifications	90	-33	-191	148	-235	-463	492	251	156	-97
Depreciation for the year	-324	-318	-4,178	-3,580	-4,035	-4,164	-889	-738	-9,426	-8,800
Impairment losses/reversed losses for the year	-11	–	-17	-19	-100	-214	-7	-5	-135	-238
Advances	-24	-4	20	385	-1	-2	-1	-9	-6	370
Exchange rate differences	518	128	3,020	414	1,219	503	69	62	4,826	1,107
Carrying value, closing balance	4,708	4,062	24,804	19,334	30,125	27,531	2,309	1,675	61,946	52,602

Property

TeliaSonera's real estate holdings include some 4,000 properties, mainly in Sweden and Finland. The substantial majority is used solely for technical facilities, like network installations, computer installations, research centers and service outlets.

The Group's Swedish properties have been assessed for tax purposes at the following values.

SEK in millions	December 31,	
	2008	2007
Buildings	308	289
Land and land improvements	70	56
Tax-assessed value	378	345

At the 2008 property assessment for tax purposes, a number of properties were assessed for the first time, while others had their assessments adjusted. Some tax-assessed properties were sold or disposed of in 2008.

Note 17 (Consolidated) Other Non-current Assets

The total carrying and fair values of other non-current assets were distributed as follows.

SEK in millions	December 31,			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Equity instruments available-for-sale	325	325	385	385
Equity instruments held-for-trading	76	76	51	51
Government bonds and treasury bills held-to-maturity	99	99	132	132
Loans and receivables at amortized cost	3,171	3,171	1,144	1,144
Interest rate swaps designated as fair value hedges	–	–	39	39
Interest rate swaps designated as cash flow hedges	691	691	9	9
Cross currency interest rate swaps designated as cash flow hedges	462	462	35	35
Interest rate swaps and cross currency interest rate swaps held-for-trading	3,173	3,173	480	480
Subtotal (see Categories – Note 27)	7,997	7,997	2,275	2,275
Finance lease receivables	938	938	677	677
Subtotal (see Credit risk – Note 28)/Total fair value	8,935	8,935	2,952	2,952
Equity instruments at cost	61		59	
Deferred expenses	190		353	
Total other non-current assets	9,186		3,364	
of which interest-bearing	6,866		2,475	
of which non-interest-bearing	2,320		889	

For Loans and receivables, including claims on associated companies, fair value is estimated at the present value of future cash flows discounted by applying market interest rates as of the balance sheet date. As of December 31, 2008, contractual cash flows for Government bonds and treasury bills and Loans and receivables represented the following expected maturity dates.

Expected maturity SEK in millions	2010					Later years	Total
	2010	2011	2012	2013	2014		
Government bonds and treasury bills	34	23	–	32	10		99
Loans and receivables	2,090	451	10	153	467		3,171

For more information on financial instruments by category and exposed to credit risk, see Notes 27 “Financial Assets and Liabilities by Category” and 28 “Financial Risk Management,” respectively. Equity instruments are specified in Note 35 “Specification of Shareholdings and Participations.” For information on leases, see Note 29 “Leasing Agreements.”

Note 18 (Consolidated) Inventories

After deductions for obsolescence amounting to SEK 4 million in 2008 and SEK 10 million in 2007, the total carrying value was distributed as follows.

SEK in millions	December 31,	
	2008	2007
Goods for resale	1,171	952
Other inventories and expense incurred on construction contracts	502	216
Total	1,673	1,168

Other inventories include purchased supplies that are mainly intended for use in constructing TeliaSonera’s own installations and for repair and maintenance. Inventories carried at net realizable value totaled SEK 101 million in 2008 and SEK 31 million in 2007.

Note 19 (Consolidated) Trade and Other Receivables

The total carrying value of trade and other receivables was distributed as follows.

SEK in millions	December 31,	
	2008	2007
Accounts receivable		
Invoiced receivables	14,094	13,771
Allowance for doubtful receivables	-968	-729
Total accounts receivable at amortized cost	13,126	13,042
Currency swaps, forward exchange contracts and currency options held-for-trading	1,072	141
Loans and receivables at amortized cost	6,089	5,162
Subtotal (see Categories – Note 27 and Credit risk – Note 28)	20,287	18,345
Other current receivables	1,763	1,283
Deferred expenses	1,193	1,159
Total trade and other receivables	23,243	20,787

For Accounts receivable and Loans and receivables, the carrying values equal fair value as the impact of discounting is insignificant. Loans and receivables mainly comprise accrued call, interconnect and roaming charges. TeliaSonera offers a diversified portfolio of mass-market services and products in a number of highly competitive markets, resulting in a limited credit risk concentration to individual markets and customers.

For Accounts receivable and Loans and receivables, as of the balance sheet date, concentration of credit risk by geographical area and by customer segment was as follows.

Geographical area SEK in millions	December 31, 2008	
Nordic countries	13,591	
Baltic countries	1,484	
Eurasia	1,716	
Other countries	2,424	
Total carrying value	19,215	

Customer segment SEK in millions	December 31, 2008	
Residential customers	6,278	
Business customers	6,325	
Other operators	5,770	
Distributors	842	
Total carrying value	19,215	

The geographic concentration to the Nordic operations reflects a relatively higher share of post-paid customer contracts. In most cases, customers are billed in local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses. Refer to Notes 27 "Financial Assets and Liabilities by Category" and 28 "Financial Risk Management" for more information on financial instruments classified by category and exposed to credit risk, respectively.

As of the balance sheet date, ageing of Accounts receivable and Loans and receivables were as follows.

SEK in millions	December 31,	
	Accounts receivable	Loans and receivables
Not due	8,504	4,196
Receivables past due but not impaired		
Less than 30 days	2,414	1,665
30 – 180 days	1,073	85
More than 180 days	1,135	143
Total past due but not impaired	4,622	1,893
Total carrying value	13,126	6,089

Receivables past due as of the balance sheet date were not provided for as there had not been a significant change in credit quality and the amounts were still considered recoverable. Balances past due more than 180 days mainly referred to other operators. See also section "Credit risk management" in Note 28 "Financial Risk Management" for information on mitigation of credit risks related to accounts receivable.

Total bad debt expenses were SEK 433 million in 2008 and SEK 448 million in 2007. Recovered accounts receivable in these years were SEK 29 million and SEK 27 million, respectively.

The allowance for doubtful accounts receivable changed as follows.

SEK in millions	December 31,	
	2008	2007
Opening balance	729	791
Provisions for receivables impaired	254	345
Receivables written-off as uncollectible	-24	-336
Unused amounts reversed	-50	-77
Exchange rate differences	59	6
Closing balance	968	729

Note 20 (Consolidated) Interest-bearing Receivables, Cash and Cash Equivalents

Interest-bearing receivables

The total carrying value of interest-bearing receivables was distributed as follows.

SEK in millions	December 31,	
	2008	2007
Loans and receivables at amortized cost	921	385
Short-term investments with maturities over 3 months	1,031	1,059
<i>of which investments held-for-trading</i>	50	95
<i>of which bonds and commercial papers held-to-maturity</i>	564	358
<i>of which bank deposits at amortized cost</i>	417	606
Subtotal (see Categories – Note 27)	1,952	1,444
Finance lease receivables	195	257
Total (see Credit risk – Note 28)	2,147	1,701

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Notes 27 "Financial Assets and Liabilities by Category" and 28 "Financial Risk Management" for more information on financial instruments classified by category and exposed to credit risk, respectively. For information on leases, see Note 29 "Leasing Agreements."

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

SEK in millions	December 31,	
	2008	2007
Short-term investments with maturities up to and including 3 months	5,277	2,261
<i>of which commercial papers held-to-maturity</i>	244	1,189
<i>of which bank deposits at amortized cost</i>	5,033	1,072
Cash and bank	6,549	5,541
Total (see Categories – Note 27 and Credit risk – Note 28)	11,826	7,802

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Notes 27 "Financial Assets and Liabilities by Category" and 28 "Financial Risk Management" for more information on financial instruments classified by category and exposed to credit risk, respectively, and to Note 30 "Contingencies, Other Contractual Obligations and Litigation" for information on blocked funds in bank accounts.

Note 21 (Consolidated) Equity and Earnings per Share

Share capital

According to the articles of association of TeliaSonera AB the authorized share capital shall amount to no less than SEK 8 billion and no more than SEK 32 billion. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company.

Since December 31, 2005, the issued share capital changed as follows.

	Issued share capital (SEK)	Number of issued shares	Quotient value (SEK/share)
Issued share capital, December 31, 2005	14,960,742,621	4,675,232,069	3.20
Cancellation of shares repurchased in 2005, September 6, 2006	-591,279,539	-184,774,856	3.20
Issued share capital, December 31, 2006	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2007	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2008	14,369,463,082	4,490,457,213	3.20

Treasury shares

The 2005 Annual General Meeting of shareholders decided on a share repurchase program. After executing the program, the 2006 Annual General Meeting decided to reduce the share capital by cancellation of the repurchased shares. The cancellation was accomplished on September 6, 2006.

No TeliaSonera shares are held by the company's subsidiaries.

Reserves

SEK in millions	December 31,	
	2008	2007
Recycling reserves		
Fair value reserve – quoted equity instruments		
Opening balance	128	124
Net changes in fair value	-97	4
Closing balance	31	128
Hedging reserve – cash flow hedges		
Opening balance	0	-35
Net changes in fair value	-349	-13
Transferred to finance costs in the income statement	18	62
Tax effect	87	-14
Closing balance	-244	0
Foreign currency translation reserve		
Opening balance	5,658	-2,976
Translation of foreign operations	13,185	8,741
Foreign operations divested	–	7
Hedging of foreign operations	-1,083	-158
Tax effect	303	44
Closing balance	18,063	5,658
Total recycling reserves, closing balance	17,850	5,786
Other reserves		
Revaluation reserve		
Opening balance	972	1,138
Transfer of amortization and depreciation for the year	-153	-166
Closing balance	819	972
Inflation adjustment reserve		
Opening balance	4,909	4,909
Closing balance	4,909	4,909
Total other reserves, closing balance	5,728	5,881
Total reserves, closing balance	23,578	11,667

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure, with a negative net effect in equity of SEK 244 million as of December 31, 2008. Future gains or losses will affect the income statement in 2010–2011, 2013–2014, 2016–2017 and 2019 when the hedged items mature. No hedging reserve transfer necessitated adjustment

of the cost of acquisition. See also section “Financial Instruments” in Note 4 “Significant Accounting Policies.”

The inflation adjustment reserve refers to the Turkish economy, which as of January 1, 2006, from an accounting perspective was no longer considered to be hyperinflationary.

Minority interests in equity

Exchange rate differences in minority interests changed as follows.

SEK in millions	December 31,	
	2008	2007
Opening balance	-266	-426
Translation of foreign operations	1,675	160
Closing balance	1,409	-266

Minority interests in equity were distributed as follows (including intermediate holding companies, where applicable).

SEK in millions	December 31,	
	2008	2007
DLG-debitel I/S, Denmark	66	60
TEO LT, AB, Lithuania	1,319	1,178
Latvijas Mobilais Telefons SIA, Latvia	864	764
AS Eesti Telekom, Estonia	2,203	2,175
Fintur Holdings B.V., the Netherlands	5,615	5,356
TeliaSonera UTA Holding B.V., the Netherlands	987	233
Other subsidiaries	7	17
Total minority interests in equity	11,061	9,783

Earnings per share and dividends

	January–December	
	2008	2007
Net income attributable to shareholders of the parent company (SEK million)	19,011	17,674
Average number of outstanding shares, basic and diluted (thousands)	4,490,457	4,490,457
Earnings per outstanding share, basic and diluted (SEK)	4.23	3.94
Ordinary cash dividend (for 2008 as proposed by the Board)		
– Per share (SEK)	1.80	1.80
– Total (SEK million)	8,083	8,083
Extraordinary cash dividend		
– Per share (SEK)	–	2.20
– Total (SEK million)	–	9,879

Note 22 (Consolidated) Long-term and Short-term Borrowings

Open-market financing programs

TeliaSonera's open-market financing (excluding debt derivatives) entails the following programs.

Program		Characteristics	Limit currency	December 31,						
				2008			2007			
				Interest rate type		Average maturity (years)	Limit		Utilized	
Limit	Utilized	Floating	Fixed	(in millions)	(in millions)					
TeliaSonera AB	Euro Medium Term Note (EMTN)	Uncommitted International Long-term	EUR	7,000	4,652	1,497	3,155	4.1	7,000	4,067
TeliaSonera AB	Euro Commercial Paper (ECP)	Uncommitted International Short-term	EUR	1,000	–	–	–	–	1,000	–
TeliaSonera AB	Flexible Term Note (FTN)	Uncommitted Swedish domestic Short-term and long-term	SEK	12,000	4,591	–	4,591	0.3	12,000	992
TeliaSonera Finland Oyj	EMTN	Uncommitted International Long-term Dormant	EUR	3,000	203	–	203	0.3	3,000	203

The TeliaSonera Finland Oyj EMTN program will not be used for any new financing or refinancing. The intention is that TeliaSonera AB will continue to refinance the outstanding TeliaSonera Finland debt.

Borrowings and interest rates

Long-term and short-term borrowings were distributed as follows.

SEK in millions	December 31,			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings	49,834	51,723	39,993	40,263
<i>of which at amortized cost</i>	24,563	25,700	20,343	20,544
<i>of which in fair value hedge relationships</i>	16,623	16,623	13,856	13,856
<i>of which hedging net investments</i>	8,648	9,400	5,794	5,863
Other borrowings at amortized cost	3,894	3,894	699	699
Interest rate swaps at fair value	375	375	188	188
<i>of which designated as hedging instruments</i>	288	288	188	188
<i>of which held-for-trading</i>	87	87	–	–
Cross currency interest rate swaps at fair value	20	20	77	77
<i>of which designated as hedging instruments</i>	20	20	–	–
<i>of which held-for-trading</i>	–	–	77	77
Subtotal (see Categories – Note 27)	54,123	56,012	40,957	41,227
Finance lease agreements	55	55	73	73
Total long-term borrowings	54,178	56,067	41,030	41,300
Short-term borrowings				
Utilized bank overdraft facilities at amortized cost	7	7	5	5
Open-market financing program borrowings	9,550	9,590	1,444	1,440
<i>of which at amortized cost</i>	9,550	9,590	1,444	1,440
Other borrowings at amortized cost	2,030	2,030	1,045	1,045
Subtotal (see Categories – Note 27)	11,587	11,627	2,494	2,490
Finance lease agreements	34	34	55	55
Total short-term borrowings	11,621	11,661	2,549	2,545

Bank overdraft facilities had a total limit of SEK 1,204 million in 2008 and SEK 1,163 million in 2007.

Normally, borrowings by TeliaSonera AB denominated in foreign currencies are swapped into SEK. The exceptions typically include funds borrowed to finance the Group's international ventures or selective hedging of net investments abroad. TeliaSonera AB's portfolio of interest rate swaps and cross currency interest rate

swaps as of December 31, 2008 and 2007 had a nominal value of approximately SEK 38,500 million and SEK 37,600 million, respectively. As of December 31, 2008, the portfolio included interest rate swaps with a nominal value of SEK 900 million related to the overall management of the funding portfolio structure and hence not included in hedge relationships.

Average interest rates, including relevant hedges, on outstanding long-term and short-term borrowings as per the balance sheet date was as follows.

Percent	December 31,	
	2008	2007
TeliaSonera AB (SEK)		
Long-term borrowings	4.91	4.89
Short-term borrowings	5.30	4.58
TeliaSonera Finland Oyj (EUR)		
Long-term borrowings	4.18	4.63
Short-term borrowings	4.63	3.86

Note 23 (Consolidated) Provisions for Pensions and Employment Contracts

Pension obligations and pension expenses

Total assets (provisions) for pension obligations were as follows.

SEK in millions	December 31,	
	2008	2007
Present value of pension obligations	22,814	20,807
Fair value of plan assets	-18,068	-19,265
Pension obligations less plan assets	4,746	1,542
Unrecognized past service cost	-19	-2
Unrecognized actuarial gains (+)/losses (-)	-5,035	-1,311
Net assets (-)/provisions (+) for pension obligations	-308	229
<i>of which recognized as provisions</i>	22	416
<i>of which recognized as assets</i>	-330	-187

For comments, see section "Pension obligation risk" in Note 28 "Financial Risk Management."

Total pension expenses were distributed as follows.

SEK in millions	January–December	
	2008	2007
Current service cost	441	461
Interest cost	925	814
Expected return on plan assets	-996	-865
Amortization of past service cost	-14	-13
Amortization of actuarial gains (-)/losses (+)	52	83
Pension expenses, defined benefit pension plans	408	480
Settlement of pension obligations	3	–
Termination benefits (excl. premiums and pension-related social charges)	408	182
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	690	490
Pension-related social charges and taxes, other pension expenses	206	309
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring charges	-543	-240
Total pension expenses	1,172	1,221
<i>of which pension premiums paid to the ITP pension plan</i>	92	105

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on the following principal assumptions, each presented as a weighted average for the different pension plans.

Percentages, except remaining working life	December 31,	
	2008	2007
Discount rate	4.2	4.6
Expected rate of compensation increase	3.2	3.2
Employee turnover rate	2.9	2.9
Average expected remaining working life, years	14.4	14.4
Increase in income base amount (only Swedish Group units)	2.8	2.8
Annual adjustments to pensions	2.1	2.1
Expected return on plan assets	4.7	5.1

Specifications to pension obligations and pension expenses

Changes in present value of pension obligations, fair value of plan assets, net assets (net provisions) for pension obligations and actuarial net gains or losses for the defined benefit pension plans were as follows.

SEK in millions, except percentages	December 31,	
	2008	2007
Present value of pension obligations		
Opening balance	20,807	21,495
Current service cost	441	461
Interest cost	925	814
Benefits paid	-1,181	-1,143
Benefits paid, early retirement	-23	-48
Termination benefits	408	182
Reclassifications	-	435
Operations acquired/divested	-22	-25
Settlement of pension obligations	-3	-
Actuarial gains (-)/losses (+)	1,104	-1,489
Exchange rate differences	358	125
Closing balance, present value of pension obligations	22,814	20,807
<i>Experience adjustments arising on plan liabilities (%)</i>	-0.2	0.6
<i>Effects of changes in actuarial assumptions (%)</i>	-4.6	6.5
Fair value of plan assets		
Opening balance	19,265	18,977
Expected return on plan assets	996	865
Contribution to pension funds	645	573
Payment from pension funds	-536	-982
Operations acquired/divested	-23	-24
Actuarial gains (+)/losses (-)	-2,633	-272
Exchange rate differences	354	128
Closing balance, plan assets	18,068	19,265
<i>Experience adjustments arising on plan assets (%)</i>	-13.6	-1.4
Return on plan assets		
Expected return on plan assets	996	865
Actuarial gains (+)/losses (-)	-2,633	-272
Actual return on plan assets	-1,637	593
<i>Actual return on plan assets (%)</i>	-8.5	3.1
Net assets/provisions for pension obligations		
Opening balance	229	-82
Pension expenses, defined benefit pension plans	408	480
Benefits paid	-1,181	-1,143
Benefits paid, early retirement	-23	-48
Contribution to pension funds	-645	-573
Payment from pension funds	536	982
Termination benefits	408	182
Operations acquired/divested, net	-3	-
Reclassifications	-	435
Exchange rate differences	-37	-4
Closing balance, net assets (-)/provisions (+) for pension obligations	-308	229
Unrecognized actuarial gains/losses		
Opening balance, actuarial gains (+)/losses (-)	-1,311	-2,611
Actuarial gains (-)/losses (+) to be recognized	52	83
Actuarial gains (-)/losses (+), acquired/divested operations	2	-
Actuarial gains (+)/losses (-), pension obligations	-1,104	1,489
Actuarial gains (+)/losses (-), plan assets	-2,633	-272
Exchange rate differences	-41	0
Closing balance, unrecognized actuarial gains (+)/losses (-)	-5,035	-1,311
Operations divested		
Decrease in pension obligations	-22	-25
Decrease in plan assets	23	24
Change in unrecognized actuarial gains (-)/losses (+)	2	-
Net position, operations divested	3	-1

Plan-asset allocation

As of the balance sheet date, plan assets were allocated as follows.

Asset category	December 31,			
	2008		2007	
	SEK in millions	Per-cent	SEK in millions	Per-cent
Fixed income instruments, liquidity	12,598	69.7	12,269	63.7
Shares and other investments	5,470	30.3	6,996	36.3
Total	18,068	100.0	19,265	100.0
<i>of which shares in TeliaSonera AB</i>	<i>68</i>	<i>0.4</i>	<i>88</i>	<i>0.5</i>

Future contributions

For companies in Sweden, the total pension liabilities are secured also by pension credit insurance. This means that, should the net provision for pension obligations increase, each company can choose if and when to contribute to the pension fund or otherwise to recognize a provision in the balance sheet. To pension funds outside Sweden, TeliaSonera expects to contribute SEK 154 million in 2009.

Note 24 (Consolidated) Other Provisions

Changes in other provisions were as follows.

SEK in millions	December 31, 2008					Total
	Restructuring provisions	Contingent consideration, etc.	Warranty provisions	Asset retirement obligations	Other provisions	
Opening balance	1,058	3,206	1,021	779	828	6,892
<i>of which financial liabilities at:</i>						
– fair value through profit and loss	–	1,884	–	–	–	1,884
– amortized cost	–	–	85	–	–	85
Provisions for the period	1,473	4,986	82	477	482	7,500
Utilized provisions	-398	–	-52	-53	-155	-658
Reversals of provisions	-478	–	-28	–	-92	-598
Reclassifications	-543	–	71	–	-63	-535
Timing and interest-rate effects	28	-107	19	17	11	-32
Exchange rate differences	59	1,015	341	75	102	1,592
Closing balance	1,199	9,100	1,454	1,295	1,113	14,161
<i>of which non-current portion</i>	633	9,100	1,209	1,289	1,081	13,312
<i>of which current portion</i>	566	–	245	6	32	849
<i>of which financial liabilities at (see Categories – Note 27):</i>						
– fair value through profit and loss	–	7,900	–	–	–	7,900
– amortized cost	–	–	12	–	–	12

For Warranty provisions, the carrying value equals fair value as provisions are discounted to present value. Refer to Note 27 “Financial Assets and Liabilities by Category” for more information on financial instruments classified by category. As of December 31, 2008, contractual undiscounted cash flows for the financial liabilities represented the following expected maturities.

Expected maturity	SEK in millions						Carrying value
SEK in millions	2009	2010	2011	2012–2013	Later years	Total	7,912
Financial liabilities	4	5,765	2,438	–	7	8,214	7,912

Expected maturities in 2010 and 2011 mainly relate to certain minority put options. In this case, expected maturity refers to the earliest point in time, based on the agreement terms, at which TeliaSonera estimates that the minority shareholder might call for option exercise. Timing of the actual exercise, if any, is dependent on counterpart decisions. For additional information, see section “Contingent consideration, etc.” below.

Restructuring provisions

Changes in restructuring provisions were as follows.

SEK in millions	December 31, 2008 or January–December 2008					Total
	Danish operations	International carrier operations		OPEX savings programs	Other restructuring provisions	
		Strategic refocusing	Post-merger integration			
Carrying value, opening balance	83	589	168	218	–	1,058
Provisions for the period	8	3	–	1,461	1	1,473
Utilized provisions (cash outflow)	-38	-22	-21	-316	-1	-398
Reversals of provisions	-4	-417	-4	-53	–	-478
Reclassification to pension liability	–	–	–	-543	–	-543
Timing and interest-rate effects	–	21	7	–	–	28
Exchange rate differences	8	27	18	6	–	59
Carrying value, closing balance	57	201	168	773	0	1,199
<i>of which current portion</i>	–	19	49	498	–	566
Cash outflow during the year	-38	-22	-21	-316	-1	-398
Cash outflow in prior years	-748	-2,215	-207	-1,314	-70	-4,554
Total cash outflow	-786	-2,237	-228	-1,630	-71	-4,952

The restructuring provisions represent the present value of management’s best estimate of the amounts required to settle the liabilities. The estimates may vary as a result of changes in the actual number of months an employee is staying in redeployment before leaving and in the actual outcome of negotiations with

lessors, sub-contractors and other external counterparts as well as the timing of such changes.

Danish operations within business areas Mobility Services and Broadband Services

Several restructuring measures have been taken in relation to TeliaSonera's Danish operations: in 2002 in connection with focusing the Danish fixed network operations; in 2004 in connection with the acquisition of Orange Denmark to realize synergy gains from the acquisition; in 2005 in connection with integrating the mobile operations and the fixed network operations; and in 2006 in connection with further efficiency measures. The remaining provision as of December 31, 2008 mainly relates to the phase-out of long-term lease contracts and is expected to be fully used by 2020.

International carrier operations within business area Broadband Services

Strategic refocusing

In 2002, TeliaSonera decided to change the strategic focus of Telia International Carrier and significantly restructure its operations. As part of the restructuring program, management decided to close down Telia International Carrier's Asian operations as well as its domestic voice reseller business in the United Kingdom and Germany, discontinue offering domestic network services in the United States and terminate its co-location business. Telia International Carrier's sales, administration and customer care resources were also centralized and the original workforce of approximately 800 persons was reduced by more than 50 percent, mainly in 2002 and 2003. In 2008, SEK 360 million related to an onerous lease and maintenance contract for a fiber network in France was reversed due to better than expected success in negotiating the contract termination. The remaining provision as of December 31, 2008 mainly relates to the phase-out of long-term lease contracts and is expected to be fully used by 2019.

Post-merger integration

To realize post-merger synergy gains, management in 2003 decided to integrate the international carrier operations previously run separately by Telia and Sonera. Overlapping operations were phased out and the traffic was moved over from leased capacity to the wholly owned network. Parts of Sonera's operations in the United Kingdom, the United States, Sweden and Germany were closed down. The remaining provision as of December 31, 2008 mainly relates to the phase-out of long-term lease contracts and is expected to be fully used by 2016.

OPEX savings programs within business areas Mobility Services and Broadband Services

In the Swedish and Finnish operations, management in 2005 and in 2008 launched transition programs to keep the profitability by achieving competitive cost levels and focusing of the service offerings. The 2008 program includes efficiency measures implemented in 2008 and 2009 which, among other things, 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 remaining provision as of December 31, 2008 is expected to be fully used by 2012.

Contingent consideration, etc.

Contingent consideration, etc. relates to Xfera Móviles S.A. (Xfera), TeliaSonera Uzbek Telecom Holding B.V. (Uzbek Holding) and Azertel Telekomünikasyon Yatırım ve Dis Ticaret A.S. (Azertel).

For Xfera, which was acquired in 2006, the closing balance comprises in total SEK 1,200 million referring to contingent additional consideration to the selling shareholders based on an up to 20 year earn-out model and to a put option giving existing minority shareholders the right to sell their shares to TeliaSonera after 5 years, of which at least 2 consecutive years of net profit. The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimate for the earn-out model has been made based on the Xfera 10-year business plan, using a post-tax discount rate (WACC) of 11.1 percent and a terminal growth rate of free cash flow of 2.0 percent. The

amounts and timing may vary as a result of changes in Xfera's operations and profitability compared to the business plan. The estimate for the put option liability has been made based on assumptions about the timing of the option exercise and about the fair value of Xfera at that date and the provision may vary as a result of changes in Xfera's estimated fair value and the timing of the option exercise.

For Uzbek Holding, the parent company of the mobile operator OOO Coscom in Uzbekistan, the closing balance comprises SEK 2,139 million for a put option granted in 2007 in conjunction with the acquisition of a 3G license, frequencies and number blocks in Uzbekistan in exchange for cash and a 26 percent interest in Uzbek Holding. The put option gives the existing minority shareholder the right to sell the 26 percent interest in Uzbek Holding to TeliaSonera after December 31, 2009. The exercise price is dependent on the number of active subscribers in Coscom and on whether the option is exercised in 2010 or after December 31, 2010. In the latter case, the exercise price is equal to the fair value at the time of exercise and is to be determined by independent appraisal. The provision represents the present value of management's best estimate of the amount required to settle the liability. The estimate has been made based on assumptions about the timing of the option exercise and about the fair value of Uzbek Holding at that date, using the Coscom 10-year business plan with a post-tax discount rate (WACC) of 17.0 percent and a terminal growth rate of free cash flow of 2.0 percent. The provision may vary as a result of changes in Uzbek Holding's estimated fair value and the timing of the option exercise.

For Azertel, the parent company of the mobile operator Azercell Telekom B.M. (Azercell) in Azerbaijan, the closing balance comprises SEK 5,761 million for a put option granted in 2008 in conjunction with the privatization of Azercell, now wholly-owned by Azertel. Should a deadlock regarding material decisions at the general assembly arise, the resolution supported by TeliaSonera will apply. In such circumstances, the put option gives the largest minority shareholder the right to sell its 42 percent holding in Azertel to TeliaSonera. The exercise price is equal to the fair value at the time of exercise and is to be determined by independent appraisal. The provision represents the present value of management's best estimate of the amount required to settle the liability. The estimate of Azertel's fair value has been made based on the Azercell 5-year business plan with a post-tax discount rate (WACC) of 12.6 percent and a terminal growth rate of free cash flow of 1.0 percent. The provision may vary as a result of changes in Azertel's estimated fair value and the timing of the option exercise.

Fair value estimates for the contingent consideration and the minority put option liabilities are based on TeliaSonera's long-term business plans for such business units. In 2008, during the financial market turmoil, the global equity market values have decreased significantly and, if applied to TeliaSonera's business units through a peer group multiple valuation, would in many cases be below the fair values derived from TeliaSonera's own long-term business plans. Management believes that fair value based on its own business plans gives a better picture of the value for TeliaSonera and of the long-term valuation, compared to the equity market values in the current financial turmoil.

Warranty provisions

Warranty provisions include SEK 997 million related to a guarantee commitment on behalf of the minority held Ipse 2000 S.p.A. The provision represents TeliaSonera's share of the present value of Ipse's remaining UMTS license fees payable to the Italian government in 2006-2010. In early 2006, the Italian government revoked the license as Ipse had not met the license requirements. Ipse's position was that no further license fees should be payable, but TeliaSonera continued to carry a full provision since the outcome of Ipse's claim against the government was considered uncertain. TeliaSonera also gave cash collateral for the remaining license payments (see Note 30 "Contingencies, Other Contractual Obligations and Litigation"). Following a recent unfavorable court decision

and new legislation in Italy, Ipse has decided to pay installments due for 2006-2008. The payment was made in the beginning of January 2009.

Asset retirement obligations and Other provisions

Asset retirement obligations mainly refer to dismantling and restoration of mobile and fixed network sites and to handling hazardous waste such as worn-out telephone poles impregnated with arsenic. Other provisions comprise provisions for damages and court cases, for loyalty programs, for payroll taxes on future pension payments and for onerous and other loss-making contracts, and insurance provisions. The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary mostly as a result of changes in tax and other legislation, in the actual outcome of negotiations with counterparts and in actual customer behavior as well as the timing of such changes.

Note 25 (Consolidated) Other Long-term Liabilities

Other long-term non-interest-bearing liabilities were distributed as follows.

SEK millions	December 31,	
	2008	2007
Long-term trade payables at amortized cost	175	223
Danish 3G license fee liability at amortized cost	193	244
Azercell share purchase consideration at amortized cost	541	–
Other liabilities at amortized cost	261	–
Liabilities at amortized cost (see Categories – Note 27)	1,170	467
Prepaid operating lease agreements	449	800
Other liabilities	946	1,099
Total other long-term liabilities	2,565	2,366

For liabilities at amortized cost, the carrying value equals fair value as the amounts are discounted to present value using market interest rates. Refer to Note 27 "Financial Assets and Liabilities by Category" for more information on financial instruments classified by category and to Note 28 "Financial Risk Management" on management of liquidity risks. As of December 31, 2008, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	2010	2011	2012	2013	2014	Later years	Total	Carrying value
Liabilities at amortized cost	414	396	20	16	16	330	1,192	1,170

For information on leases, see Note 29 "Leasing Agreements."

Other liabilities mainly comprise customer advances for broadband build-out. Further included was deferred "day 1 gains" which changed as follows.

SEK millions	December 31,	
	2008	2007
Opening balance	209	–
Additional gains	56	209
Recognized in the income statement	-13	–
Exchange rate differences	38	–
Closing balance	290	209
<i>of which current portion</i>	<i>98</i>	<i>16</i>

Note 26 (Consolidated) Trade Payables and Other Current Liabilities

Trade payables and other current liabilities were distributed as follows.

SEK millions	December 31,	
	2008	2007
Accounts payable at amortized cost	9,401	9,600
Currency swaps, forward exchange contracts and currency options held-for-trading	338	1
Current liabilities at amortized cost	5,603	4,855
Subtotal (see Categories – Note 27)	15,342	14,456
Other current liabilities	7,629	5,895
Deferred income	4,806	4,252
Total trade payables and other current liabilities	27,777	24,603

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. The remaining contractual maturity is mainly less than 3 months. Refer to Note 27 "Financial Assets and Liabilities by Category" for more information on financial instruments classified by category and to Note 28 "Financial Risk Management" on management of liquidity risks.

The main components of Current liabilities are accrued payables to suppliers and accrued interconnect and roaming charges, while Other current liabilities mainly entail value-added tax, advances from customers and accruals of payroll expenses and social security contributions. Deferred income chiefly relate to subscription and other telecom charges. Included is also the current portion of deferred "day 1 gains" (refer to Note 25 "Other Long-term Liabilities").

Note 27 (Consolidated) Financial Assets and Liabilities by Category

The table below sets forth carrying values of classes of financial assets and liabilities distributed by category. Excluded are financial instruments which are discussed in Note 12 “Associated Companies and Joint Ventures,” Note 23 “Provisions for Pensions and Employment Contracts” and Note 29 “Leasing Agreements,” respectively.

SEK in millions	Note	December 31,	
		2008	2007
Financial assets			
Derivatives designated as hedging instruments	17	1,153	83
Financial assets at fair value through profit and loss		4,371	767
<i>of which derivatives not designated as hedging instruments</i>	17, 19	4,245	621
<i>of which held-for-trading investments</i>	17, 20	126	146
Held-to-maturity investments	17, 20	907	1,679
Loans and receivables	17, 19, 20	35,306	26,952
Available-for-sale financial assets	17	325	385
Total financial assets by category		42,062	29,866
Financial liabilities			
Derivatives designated as hedging instruments	22	308	188
Financial liabilities at fair value through profit and loss		8,325	1,962
<i>of which derivatives not designated as hedging instruments</i>	22, 26	425	78
<i>of which liabilities designated upon initial recognition</i>	24	7,900	1,884
Borrowings in fair value hedge relationships	22	16,623	13,856
Borrowings hedging net investments	22	8,648	5,794
Financial liabilities measured at amortized cost	22, 24, 25, 26	56,281	38,543
Total financial liabilities by category		90,185	60,343

Note 28 (Consolidated) Financial Risk Management

Principles of financing and financial risk management

TeliaSonera's financing and financial risks are managed under the control and supervision of the Board of Directors of TeliaSonera AB. Financial management is centralized within the Corporate Finance and Treasury (CFT) unit of TeliaSonera AB, which functions as TeliaSonera's internal bank and is responsible for the management of financing and financial risks.

CFT is responsible for Group-wide financial risk management including netting and pooling of capital requirements and payment flows. CFT also seeks to optimize the cost of financial risk management, which in certain cases may mean that e.g. an inter company transaction is not replicated with an identical transaction outside the Group or that derivative transactions are initiated in order to adjust e.g. the overall interest rate duration of the debt portfolio, e.g. through overlay-swaps, if deemed appropriate. This means that situations may arise in which certain derivative transactions with parties outside the Group do not fully satisfy the requirements for hedge accounting, and thus any shift in market value will affect the financial net.

Regarding foreign currency transaction exposure, CFT has a clearly defined deviation mandate which currently is capped at the equivalent of a nominal SEK +/-200 million, expressed as the long/short SEK counter-value amount that may be exposed to cur-

rency fluctuations. As of December 31, 2008, the deviation mandate was utilized by less than SEK 50 million.

SEK is the functional currency of TeliaSonera AB. Its borrowings are therefore normally denominated in, or swapped into, SEK unless linked to international operations or allocated as hedging of net investments abroad. TeliaSonera Finland Oyj's borrowings are denominated in EUR.

Capital management

TeliaSonera's capital structure and dividend policy is decided by the Board of Directors. TeliaSonera shall target a solid investment grade long-term credit rating (A- to BBB+) to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions.

The ordinary dividend shall be at least 40 percent of net income attributable to shareholders of the parent company. In addition, excess capital shall be returned to shareholders, after the Board of Directors has taken into consideration the company's cash at hand, cash flow projections and investment plans in a medium term perspective, as well as capital market conditions.

TeliaSonera AB is not subject to any externally imposed capital requirements.

Credit risk management

TeliaSonera's exposure to credit risk arises from default of the counterpart, with a maximum exposure equal to the carrying amount of these instruments (detailed in the respective note), as follows.

SEK in millions	Note	December 31,	
		2008	2007
Other non-current assets	17	8,935	2,952
Trade and other receivables	19	20,287	18,345
Interest-bearing receivables	20	2,147	1,701
Cash and cash equivalents	20	11,826	7,802
Total		43,195	30,800

TeliaSonera AB accepts only creditworthy counterparts when entering into financial transactions such as interest rate swaps, cross currency swaps and other transactions in derivatives. TeliaSonera AB requires each counterpart to have an approved rating and an International Swaps and Derivatives Association, Inc. (ISDA) agreement. The permitted exposure to each counterpart when entering into a financial transaction depends on the rating of that counterpart. As of December 31, 2008 and 2007, the aggregate exposure to counterparts in derivatives was SEK 4,475 million and SEK 532 million, respectively, calculated as a net claim on each counterpart.

The credit risk with respect to TeliaSonera's trade receivables is diversified geographically and among a large number of customers, private individuals as well as companies in various industries. Solvency information is required for credit sales to minimize the risk of bad debt losses and is based on group-internal information on payment behavior, if necessary supplemented by credit and business information from external sources. Bad debt expense in relation to consolidated net sales was approximately 0.4 percent in 2008 and 0.5 percent in 2007.

Surplus cash in TeliaSonera AB may only be invested in bank deposits, commercial papers issued by banks and/or in Swedish, Finnish, Norwegian or Danish government bonds and treasury bills. There are no limits for investments in government papers. For investments with banks, the rating should be at least A-1 (Standard & Poor's) or P-1 (Moody's) and the maturity is limited to 12 months. Furthermore, for maturities longer than 10 business days, the exposure per bank is limited to SEK 1,000 million.

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. TeliaSonera's policy is to have a strong liquidity position in terms of available cash and/or unutilized committed credit facilities. As of December 31, 2008, the surplus liquidity (short-term investments and cash and bank) amounted to SEK 12,858 million. TeliaSonera AB's surplus liquidity is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. At year-end, TeliaSonera AB had no such investments in interest-bearing securities with maturities exceeding 3 months. The average yield on bank deposits and short-term investments as per the balance sheet date was 3.4 percent in 2008 and 4.3 percent in 2007.

In addition to available cash, TeliaSonera has committed bank credit facilities and overdraft facilities, intended for short-term financing and back-up purposes, as follows.

In millions of the respective currency					December 31,	
					2008	2007
Group entity	Type	Characteristics	Final maturity	Currency	Limit	Limit
TeliaSonera AB	Revolving credit facility	Committed, syndicated	December 2011	EUR	1,000	1,000
TeliaSonera AB	Revolving credit facility	Committed, bilateral	September 2010	SEK	2,000	2,000
TeliaSonera AB	Revolving credit facility	Committed, bilateral	April 2013	SEK	1,400	–
TeliaSonera AB and subsidiaries	Bank overdraft facilities	Committed, bilateral	–	SEK (various)	1,204	1,163

As of December 31, 2008, SEK 1,407 million of the total facilities was utilized (no utilization as of year-end 2007). In total, the available unutilized amount under committed bank credit facilities and overdraft facilities was SEK 14,133 million and SEK 12,636 million as of December 31, 2008 and 2007, respectively.

As of December 31, 2008, contractual undiscounted cash flows for the Group's interest-bearing borrowings and non-interest-bearing currency derivatives represented the following expected maturities, including installments and estimated interest payments. Amounts in foreign currency have been converted into SEK using

the exchange rate prevailing on the balance sheet day. Future interest payments, related to instruments with floating interest rates, have been estimated using forward rates. Where gross settlements are performed (cross currency interest rate swaps, currency swaps and forward exchange contracts), all amounts are reported on a gross basis. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant. Corresponding information on non-interest-bearing liabilities are presented in Notes 25 "Other Long-term Liabilities" and 26 "Trade Payables and Other Current Liabilities."

Expected maturity SEK in millions	2009	2010	2011	2012	2013	Later years	Total
Utilized bank overdraft facilities	7	–	–	–	–	–	7
Open-market financing program borrowings	4,592	8,949	6,129	8,433	7,646	25,990	61,739
Other borrowings	6,263	121	1,576	519	377	–	8,856
Finance lease agreements	34	24	14	6	4	7	89
Cross currency interest rate swaps and interest rate swaps							
Payables	1,508	3,625	2,442	6,156	4,470	8,794	26,995
Receivables	-1,678	-4,165	-2,656	-7,254	-5,201	-10,538	-31,492
Currency swaps and forward exchange contracts							
Payables	36,528	–	–	–	–	–	36,528
Receivables	-36,386	–	–	–	–	–	-36,386
Total, net	10,868	8,554	7,505	7,860	7,296	24,253	66,336

Currency risk management

Currency risk is the risk that fluctuations in foreign exchange rates will adversely affect items in the Group's income statement, balance sheet and/or cash flows. Currency risk can be divided into transaction exposure and conversion exposure. Transaction exposure relates to net inflows or outflows of foreign currencies required by operations (exports and imports) and/or financing (interest and amortization). Conversion exposure relates to equity in foreign subsidiaries, associated companies or joint ventures which is denominated in foreign currencies as well as goodwill and fair value adjustments arising from acquisitions.

TeliaSonera's general policy is to hedge the majority of known operational transaction exposure up to 12 months into the future.

This hedging is primarily initiated via forward exchange contracts and refers to invoiced cash flows. However, financial flows, such as loans and investments, are usually hedged until maturity, even if that is longer than 12 months. Financial flows longer than one year are hedged by normally using cross currency interest rate swaps, while shorter terms are hedged using currency swaps or forward exchange contracts. Currency options are also used from time to time. TeliaSonera does not normally hedge its conversion exposure.

As of December 31, 2008, TeliaSonera's portfolio of cross currency interest rate swap contracts represented the following

currencies and expected maturities. Amounts indicated represent carrying values.

Expected maturity SEK in millions	2009	2010	2011	2012	2013	Later years	Total
Cross currency interest rate swaps, received							
Buy EUR	–	2,848	–	6,150	4,444	8,563	22,005
Buy USD	–	–	1,287	–	–	592	1,879
Buy JPY	–	–	262	–	–	–	262
Total, received	–	2,848	1,549	6,150	4,444	9,155	24,146
Cross currency interest rate swaps, paid							
Total, paid	–	-2,348	-1,302	-5,248	-3,762	-7,813	-20,473
Net position	–	500	247	902	682	1,342	3,673

As of December 31, 2008, the TeliaSonera Group's portfolio of currency swap contracts and forward exchange contracts hedging loans, investments, and operational transaction exposures represented the following currencies and expected maturities. Amounts indicated represent settlement values.

Expected maturity SEK in millions	2009	Later years	Total
Sell USD	1,418	–	1,418
Sell EUR	611	–	611
Sell DKK	210	–	210
Sell NOK	91	–	91
Sell GBP	56	–	56
Sell other currencies	98	–	98
Sell total	2,484	–	2,484
Buy USD	-1,485	–	-1,485
Buy EUR	-563	–	-563
Buy DKK	-195	–	-195
Buy NOK	-93	–	-93
Buy GBP	-59	–	-59
Buy other currencies	-96	–	-96
Buy total	-2,491	–	-2,491
Net position	-7	–	-7

TeliaSonera's conversion exposure was distributed as follows.

Currency	December 31,			
	2008		2007	
	Amount in SEK million	Percent	Amount in SEK million	Percent
EUR	81,321	39.4	67,281	39.5
<i>of which hedged through borrowings</i>	6,149	3.0	4,045	2.4
NOK	32,142	15.6	32,555	19.1
TRY	26,704	12.9	20,258	11.9
RUB	16,946	8.2	9,456	5.6
DKK	15,700	7.6	12,178	7.2
LTL	8,098	3.9	8,317	4.9
EEK	5,438	2.6	4,963	2.9
USD	4,984	2.4	4,073	2.4
LVL	4,132	2.0	3,759	2.2
NPR	2,747	1.3	–	–
KZT	2,416	1.2	1,741	1.0
UZS	1,267	0.6	1,628	1.0
AZN	1,205	0.6	1,194	0.7
TJS	1,020	0.5	839	0.5
GEL	898	0.4	364	0.2
GBP	847	0.4	947	0.6
Other currencies	817	0.4	575	0.3
Total	206,682	100.0	170,128	100.0

Transaction exposure sensitivity

In most cases, TeliaSonera customers are billed in local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses. Hence, the operational need to net purchase foreign currency is primarily due to a deficit from such settlements and the limited import of equipment and supplies.

The negative impact on post-tax income would be approximately SEK 130 million on a full-year basis, should the Swedish krona weaken by 10 percentage points against all other transaction currencies, assuming an operational transaction exposure equivalent to that in 2008, and provided that no hedging measures were taken and not including any potential impact on post-tax income due to currency translation of other income statement items. Applying the same assumptions, the positive impact on post-tax income would be approximately SEK 120 million on a full-year basis, should the Euro, the Danish krone and the Baltic currencies weaken by 10 percentage points against the Swedish krona and all other transaction currencies.

Conversion exposure sensitivity

The positive impact on Group equity would be approximately SEK 20.1 billion if the Swedish krona weakened by 10 percentage points against all conversion exposure currencies, based on the exposure as of December 31, 2008 and including hedges but excluding any potential equity impact due to TeliaSonera's operational need to net purchase foreign currency or to currency translation of other income statement items. TeliaSonera's conversion exposure is expected to continue to grow due to ongoing expansion of the international business operations.

Interest rate risk management

The TeliaSonera Group's sources of funds are primarily shareholders' equity, cash flows from operating activities, and borrowing. The interest-bearing borrowing exposes the Group to interest rate risk. Interest rate risk is the risk that a change in interest rates will negatively affect the Group's net interest expense and/or cash-flows. TeliaSonera's financial policy provides guidelines for interest rates and the average maturity of borrowings. The Group aims at balancing the estimated running cost of borrowing and the risk of significant negative impact on earnings, should there be a sudden, major change in interest rates. The Group's policy is that the duration of interest of the debt portfolio should be from 6 months to 4 years.

If the loan portfolio structure deviates from the desired one, various forms of derivative instruments are used to adapt the structure in terms of duration and/or currency, including e.g. interest rate swaps and cross currency interest rate swaps.

As of December 31, 2008, the TeliaSonera Group's portfolio of interest rate swap contracts and cross currency interest rate swap

contracts represented the following interest types and expected maturities. Amounts indicated represent carrying values.

Expected maturity SEK in millions	2009	2010	2011	2012	2013	Later years	Total
Interest received							
Fixed interest rate	–	1,740	1,767	5,692	–	10,325	19,524
Floating interest rate	–	1,780	668	6,150	5,082	11,655	25,335
Total received	–	3,520	2,435	11,842	5,082	21,980	44,859
Interest paid							
Fixed interest rate	–	-2,387	-1,269	–	-729	-2,789	-7,174
Floating interest rate	–	-671	-904	-10,839	-3,762	-17,916	-34,092
Total paid	–	-3,058	-2,173	-10,839	-4,491	-20,705	-41,266
Net position	–	462	262	1,003	591	1,275	3,593

TeliaSonera AB has designated certain interest rate swaps as cash flow hedges to hedge against changes in the amount of future cash flows related to interest payments on existing liabilities. Hedge ineffectiveness related to outstanding cash flow hedges was immaterial and recognized in earnings during the year. Net changes in fair value recognized in shareholders' equity are separately reported in a hedging reserve (see section "Reserves" of Note 21 "Equity and Earnings per Share"). In 2008, no cash flow hedges were discontinued due to the original forecasted transactions not having occurred in the originally specified time period.

Interest rate risk sensitivity

As of December 31, 2008, TeliaSonera AB and TeliaSonera Finland Oyj had interest-bearing debt of SEK 59.3 billion with duration of interest of approximately 2.0 years, including derivatives. The volume of loans exposed to changes in interest rates over the next 12-month period was at the same date SEK 33.9 billion, assuming that existing loans maturing during the year are refinanced and after accounting for derivatives. The exact effect of a change in interest rates on the financial net stemming from this debt portfolio depends on the timing of maturity of the debt as well as reset dates for floating rate debt, and that the volume of loans may vary over time, thereby affecting the estimate. However, assuming that those loans were reset by January 1, 2009 at a one percentage point higher interest rate than the prevailing rate as per December 31, 2008, and remained at that new level during 12 months, the post-tax interest expense would increase by some SEK 250 million. Fair value of the loan portfolio would change by approximately SEK 1,100 million, should the level in market interest rates make a parallel shift of one percentage point, and assuming the same volume of loans and a similar duration on those loans as per year-end 2008.

Financing risk management

TeliaSonera's aggregate borrowings usually have a longer maturity than duration of interest (principal is fixed longer than interest rates). This allows the Group to obtain the desired interest rate risk without having to assume a high financing risk. The Group's policy is that the average maturity of borrowings should normally exceed 2 years. In order to reduce financing risk, the Group aims to spread loan maturity dates over a longer period.

TeliaSonera AB enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's. In 2008, Standard & Poor's confirmed its assigned credit rating on TeliaSonera AB at A- for long-term borrowings and A-2 for short-term borrowings, with a "Stable" outlook. Moody's credit rating on TeliaSonera AB remained unchanged at A-3 for long-term borrowings and P-2 for short-term borrowings, with a "Stable" outlook. These ratings represent a solid investment grade level and are thus expected to allow TeliaSonera continued good access to the financial markets.

TeliaSonera finances its operations chiefly by borrowing under its uncommitted open-market financing programs directly in Swedish and international money markets and capital markets. TeliaSonera also use some bank financing, which represented approximately 6 percent of the Group's total borrowing as of

December 31, 2008. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing.

Pension obligation risk

As of December 31, 2008, the TeliaSonera Group had pension obligations which net present value amounted to SEK 22,814 million (see Note 23 "Provisions for Pensions and Employment Contracts"). To secure these obligations, the Group has pension funds, with plan assets of SEK 18,068 million based on market values as of December 31, 2008. The pension funds' assets are used as prime funding source for the pension obligations, and consisted of approximately 70 percent fixed income instruments and approximately 30 percent shares and other investments at year-end 2008. The expected average net return on the pension funds' plan assets is 4.7 percent annually. The portion of the pension obligations not covered by plan assets is recognized in the balance sheet, adjusted for unrecognized actuarial gains and losses, and unrecognized past service cost.

In 2008, accumulated actuarial losses increased from SEK 1,311 million to SEK 5,035 million. The actual net return on plan assets was a negative 8.5 percent (positive 3.1 percent in 2007), mainly due to falling prices on equity instruments. In addition, lower discount rates increased the present value of pension obligations.

As of December 31, 2008, the strategic asset allocation decided by the board of the Swedish pension fund, which represents approximately 85 percent of total plan assets, was 60 percent fixed income, 32 percent equities and 8 percent other investments. Other investments include primarily hedge funds and private equity. Out of the total strategic assets, 40 percent are domestic index (inflation) linked government bonds and 20 percent refers to other domestic fixed income assets with low credit risk. Out of the equity holdings, domestic equities represent 10 percentage points and global equities 22 percentage points. The actual allocation may fluctuate from the strategic allocation in a range of +/-10 percent between fixed income and equities. All assets in the Swedish pension fund are managed by appointed external managers with specialist mandates.

Pension obligation risk sensitivity

The approximate impact on the pension obligations is SEK 3.9 billion, should the weighted average discount rate decrease by one percentage point from the 4.2 percent which is currently used. Such an increase in the obligations, were interest rates to fall, should be partly offset by a positive impact from the fixed income assets in the pension funds. Based on the existing asset structure and the duration of the pension funds' fixed income portfolios (including index-linked bonds) as of December 31, 2008, and assuming that the value of the other assets in the pension funds were unchanged, a similar reduction in interest rates is estimated to increase the value of the pension funds assets by some SEK 1.0 billion.

Exogenous risk factors might from time to time lead to actuarial modifications increasing TeliaSonera's pension obligations. However, the impact on the obligations of such modifications cannot be quantified until realized.

Management of insurable risks

The insurance cover is governed by corporate guidelines and includes a common package of different property and liability insurance programs. The business units and other units being responsible for assessing the risks decide the extent of actual cover. Corporate Insurance at TeliaSonera AB manages the common Group insurance programs and uses a captive, TeliaSonera Försäkring AB, as a strategic tool in managing the insurance programs. The risks in the captive are in part reinsured in the international reinsurance market.

Note 29 (Consolidated) Leasing Agreements

TeliaSonera as lessee

Finance leases

The Group's finance leases concerns computers and other IT equipment, production vehicles, company cars to employees, and other vehicles. There is no subleasing.

The carrying value of the leased assets as of the balance sheet date was as follows.

SEK millions	December 31,	
	2008	2007
Cost	623	665
Less accumulated depreciation	-491	-477
Net carrying value of finance lease agreements	132	188

In 2008 and 2007, depreciation and impairment losses totaled SEK 88 million and SEK 84 million, respectively. Leasing fees paid in these years totaled SEK 63 million and SEK 82 million, respectively.

As of December 31, 2008, future minimum leasing fees and their present values as per finance lease agreements that could not be canceled in advance and were longer than one year in duration were as follows.

Expected maturity SEK in millions	2009	2010	2011	2012	2013	Later years	Total
Future minimum leasing fees	45	30	17	7	5	10	114
Present value of future minimum lease payments	43	28	15	6	4	8	104

As of the balance sheet date, the present value of future minimum leasing fees under non-cancelable finance lease agreements was as follows.

SEK millions	December 31,	
	2008	2007
Total future minimum leasing fees	114	141
Less interest charges	-10	-13
Present value of future minimum leasing fees	104	128

Operating leases

TeliaSonera's operating lease agreements primarily concern office space, technical sites, land, computers and other equipment. Certain contracts include renewal options for various periods of time. Subleasing consists mainly of office premises.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2008 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	2009	2010	2011	2012	2013	Later years	Total
Future minimum leasing fees	1,889	1,634	1,221	1,016	889	1,994	8,643
Minimum sublease payments	23	18	10	5	2	0	58

In 2008 and 2007, total rent and leasing fees paid were SEK 2,592 million and SEK 2,678 million, respectively. In these years, revenue for subleased items totaled SEK 23 million and SEK 27 million, respectively.

At the end of 2008, office space and technical site leases covered approximately 786,000 square meters, including approximately 5,000 square meters of office space for TeliaSonera's principal executive offices (enlarged by 700 square meters in early 2009), located at Sturegatan 1 in Stockholm, Sweden. Apart from certain short-term leases, leasing terms range mainly between 3 and 50 years with an average term of approximately 7 years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options for various periods of time.

TeliaSonera as lessor

Finance leases

The leasing portfolio of TeliaSonera's customer financing operations in Sweden, Finland, Denmark and Estonia comprises financing of products related to TeliaSonera's product offerings. The term of the contract stock is approximately 13 quarters. The term of new contracts signed in 2008 was 12 quarters. Of all contracts, 77 percent carry a fixed interest rate and 23 percent a floating interest rate. Most contracts include renewal options. In Finland, TeliaSonera also under a finance lease agreement provides electricity meters with SIM cards for automated reading to a power company as part of TeliaSonera's service package. The term of the agreement is 15 years and carries a fixed interest rate.

As of the balance sheet date, the present value of future minimum lease payment receivables under non-cancelable finance lease agreements was as follows.

SEK millions	December 31,	
	2008	2007
Gross investment in finance lease contracts	1,344	1,125
Less unearned finance revenues	-210	-188
Net investment in finance lease contracts	1,134	937
Less: Unguaranteed residual values of leased properties for the benefit of the lessor	-1	-3
Present value of future minimum lease payment receivables	1,133	934

As of December 31, 2008, the gross investment and present value of receivables relating to future minimum lease payments under non-cancelable finance lease agreements were distributed as follows.

Expected maturity SEK in millions	2009	2010	2011	2012	2013	Later years	Total
Gross investment	322	229	158	75	57	503	1,344
Present value of future minimum lease payment receivables	307	208	137	61	45	375	1,133

As of December 31, 2008 and 2007, the reserve for doubtful receivables regarding minimum lease payments totaled SEK 8 mil-

lion and SEK 6 million, respectively. Credit losses on leasing receivables are reduced by gains from the sale of equipment returned.

Operating leases

The leasing portfolio refers to the international carrier business and includes some 20 agreements with other international operators and 88 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years.

The carrying value of the leased assets as of the balance sheet date was as follows.

SEK millions	December 31,	
	2008	2007
Cost	4,013	3,689
Less accumulated depreciation	-2,596	-2,211
Less accumulated impairment losses	-300	-300
Gross carrying value	1,117	1,178
Plus prepaid sales costs	0	2
Less prepaid lease payments	-449	-800
Net value of operating lease agreements	668	380

Depreciation and impairment losses totaled SEK 286 million in 2008 and SEK 346 million in 2007.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2008 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions						Later years	Total
	2009	2010	2011	2012	2013		
Future minimum lease payments	311	132	77	39	19	19	597

Note 30 (Consolidated) Contingencies, Other Contractual Obligations and Litigation

Contingent assets and guarantees

As of the balance sheet date, TeliaSonera had no contingent assets, while guarantees reported as contingent liabilities were distributed as follows.

SEK millions	December 31,	
	2008	2007
Credit guarantee on behalf of Svenska UMTS-nät AB	2,021	1,838
Credit guarantees on behalf of other associated companies	–	13
Other credit and performance guarantees, etc.	39	61
Guarantees for pension obligations	243	234
Total guarantees	2,303	2,146

As of December 31, 2008, total guarantees represented the following expected maturities.

Expected maturity SEK in millions						Total
	2009	2010	2011	2012– 2013	Later years	
Guarantees	39	496	1,525	–	243	2,303

Some loan covenants agreed limit the scope for divesting or pledging certain assets. Some of TeliaSonera AB's more recent financing arrangements include change-of-control provisions which under certain conditions allow the lenders to call back the arrange-

ment before scheduled maturity. Conditions required include a new owner taking control of TeliaSonera AB, inter alia also resulting in a lowering of TeliaSonera AB's official credit rating to a "non-investment grade" level.

For all guarantees, except the credit guarantee on behalf of Svenska UMTS-nät AB, stated amounts equal the maximum potential amount of future payments that TeliaSonera could be required to make under the respective guarantee.

As security for certain amounts borrowed by TeliaSonera's 50 percent owned joint venture Svenska UMTS-nät AB under a third-party credit facility totaling SEK 4,800 million, TeliaSonera and Tele2, the other shareholder of Svenska UMTS-nät, have each severally but not jointly issued guarantees of a maximum of SEK 2,400 million to the lenders and granted pledges of their shares in Svenska UMTS-nät. The indebtedness under the credit facility may become due on an accelerated basis, under certain circumstances, including if either TeliaSonera or Tele2 ceases to hold, directly or indirectly, 50 percent of the company, unless the lenders provide their advance consent. TeliaSonera is not contractually required to provide any further capital contributions to or guarantees in favor of Svenska UMTS-nät. As of December 31, 2008, Svenska UMTS-nät had, under the credit facility, borrowed SEK 4,041 million, of which TeliaSonera guarantees 50 percent, or SEK 2,021 million.

TeliaSonera has entered into a cross-border finance lease-leaseback agreement for mobile network equipment in Finland, with a zero carrying value as of December 31, 2008. The arrangement was entered into in 1998 by TeliaSonera Finland Oyj (formerly Sonera Oyj) and is valid for 15 years, with an early termination option after 11 years. TeliaSonera has determined that in substance the transactions are not leases as defined in IAS 17, and the amounts are shown net on the balance sheet. Both the lease receivables and the lease obligations were settled at the inception of the agreement and TeliaSonera received a net cash consideration of USD 11 million (EUR 9 million) which was recorded in the balance sheet as an advance payment received and is recognized in financial income over the lease term. In 2008, some amendments to the structure were initiated whereby TeliaSonera provided additional security to certain stakeholders under the lease agreements. TeliaSonera has defeased all obligations under the agreement but retains the ownership of the equipment. However, during the agreement period, TeliaSonera can not dispose of the equipment but may make replacements.

Collateral held

OAo Telecominvest (TCI), 26.1 percent owned by TeliaSonera, owns 31.3 percent of the shares in TeliaSonera's associated company OAo 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. TCI has pledged its remaining shares in MegaFon, corresponding to a 23.1 percent ownership in MegaFon, in order to guarantee a loan in favor of AF Telecom Holding which is one of the shareholders of TCI.

Collateral pledged

As of the balance sheet date, collateral pledged was distributed as follows.

SEK millions	December 31,	
	2008	2007
For long-term borrowings: Shares in Svenska UMTS-nät AB	84	204
For pension obligations: Real estate mortgages	23	18
For pension obligations: Current receivables	46	40
For warranty provisions: Blocked funds in bank accounts	1,158	960
For other provisions: Bonds and short-term investments	140	132
For bank overdraft facilities: Chattel mortgages	18	16
For operating leases: Real estate mortgages	3	4
For operating leases: Blocked funds in bank accounts	1	1
For deposits from customers: Blocked funds in bank accounts	119	109
For investments in associated companies: Blocked funds in bank accounts	37	–
For court proceedings: Blocked funds in bank accounts	225	–
Total collateral pledged	1,854	1,484

As of December 31, 2008, TeliaSonera had recognized all of its commitments on behalf of Ipse 2000 S.p.A. in the balance sheet as warranty provisions. Ipse's UMTS license payments to the Italian government have been secured by bank guarantees. According to an agreement with the bank, Ipse and its shareholders, including TeliaSonera, have given cash collateral for the remaining license payments from 2006 to 2010. TeliaSonera's part of the cash collateral amounts to SEK 1,147 million (EUR 105 million). Of that, EUR 62 million was paid in January 2009 (see Note 24 "Other Provisions" for additional information).

In addition, as of December 31, 2008, shares in Applifone Co. Ltd. and all non-current assets in Applifone were pledged as collateral for borrowings totaling SEK 136 million (USD 18 million) and future customer payments to Spice Nepal Pvt. Ltd. were pledged as collateral for borrowings totaling SEK 144 million (USD 19 million). All loans were repaid in February 2009 and the pledges have been discontinued.

Other unrecognized contractual obligations

As of December 31, 2008, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	2009			Total
	2009	2010	Later years	
Intangible assets	112	–	–	112
Property, plant and equipment	1,695	28	–	1,723
Other holdings of securities	8	–	–	8
Total	1,815	28	–	1,843

Most of the obligations with respect to property, plant and equipment refer to contracted build-out of TeliaSonera's mobile networks in Sweden, Finland and Spain as well as fixed network in Sweden.

TeliaSonera's Spanish subsidiary Xfera also pays an annual spectrum fee during the term of its 3G license expiring in 2020. The fee is determined on an annual basis by the Spanish government authorities and for 2009 is set to SEK 297 million (EUR 27 million).

Legal and administrative proceedings

In its normal course of business, TeliaSonera is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and regulatory matters. TeliaSonera is also involved in administrative proceedings relating principally to telecommunications regulations and competition law. In particular, TeliaSonera is involved in numerous proceedings related to interconnect fees, which affects future revenues. Except for the proceedings described below, TeliaSonera or its subsidiaries are not involved in any legal, arbitration or regulatory proceedings which management believes could have a material adverse effect on TeliaSonera's business, financial condition or results of operations.

Regulatory proceedings

The administrative courts in Sweden have ruled that TeliaSonera shall reimburse Tele2 for all traffic transferred by TeliaSonera to Tele2's mobile network, while TeliaSonera is entitled to be reimbursed by the originating operators who have transferred traffic on TeliaSonera's network. In connection with the proceedings above, Tele2 brought an action in the Swedish civil courts against TeliaSonera claiming currently SEK 846 million and accrued interest for interconnect fees for the period September 1998–January 2004. TeliaSonera has paid parts of the sum claimed and has recognized provisions for the remaining exposure that management believes to be sufficient.

During the second half of 2001, a number of operators filed complaints against TeliaSonera with the Swedish Competition Authority and the Authority initiated an investigation regarding TeliaSonera's pricing of ADSL services. The complaints suggest that the difference between TeliaSonera's wholesale prices and retail prices is too low to effectively enable competition in the retail market. In December 2004, the Competition Authority sued TeliaSonera at the Stockholm District Court claiming that TeliaSonera has abused its dominant position. The Authority demands a fee of SEK 144 million. TeliaSonera's position is that it has not engaged in any prohibited pricing activities. Following the Competition Authority's lawsuit, Tele2 has on April 1, 2005 and Spray Network on June 29, 2006, respectively, claimed substantial damages from TeliaSonera due to the alleged abuse of dominant market position. TeliaSonera will vigorously contest Tele2's and Spray Network's claims. The actions for damages have been stayed pending the case between TeliaSonera and the Competition Authority.

Other legal proceedings

TeliaSonera is currently involved in court cases with Primav Construcoes e Comercio and Telmig, former shareholders of the Brazilian mobile operator Tess, relating to such shareholders' disposal of their investments in Tess as well as certain call options and subscription rights in Tess. Whilst TeliaSonera has sold its holding in Tess, it has entered into certain guarantees to compensate the buyer for certain losses in connection with the above-mentioned court cases. TeliaSonera will vigorously contest any claims in connection with the disputes. Even if TeliaSonera believes that losing the disputes is not probable, but given the anticipated duration of the court proceedings, TeliaSonera has recognized a provision for estimated future legal fees.

Note 31 (Consolidated) Cash Flow Information

Cash flow from operating activities under the direct method presentation

SEK millions	January–December	
	2008	2007
Cash receipts from customers	103,143	97,276
Cash paid to employees and suppliers	-71,793	-67,403
Cash flow generated from operations	31,350	29,873
Dividends received	1,410	2,684
Interest received	787	571
Interest paid	-2,569	-1,457
Income taxes paid	-3,892	-5,142
Cash flow from operating activities	27,086	26,529

Non-cash transactions

Asset retirement obligations (AROs)

In 2008 and 2007, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 443 million and SEK 82 million, respectively.

Building-infrastructure exchange transactions

TeliaSonera provides and installs infrastructure in buildings and as compensation is granted an exclusive right to deliver services for 5–10 years through this infrastructure. These activities entailed non-cash exchanges of SEK 141 million in 2008 and SEK 47 million in 2007.

Acquisitions and divestitures

The TeliaSonera Group is continually restructured through the acquisition and divestiture of subsidiaries and lines of business as well as associated companies, joint ventures and companies outside the Group. The fair value of assets acquired and liabilities assumed in subsidiaries and the total cash flow from acquisitions were as follows.

SEK millions	January–December	
	2008	2007
Intangible assets	5,132	4,346
Property, plant and equipment	464	622
Financial assets, accounts receivable, inventories etc.	268	1,183
Cash and cash equivalents	105	292
Equity adjustments related to transactions prior to the business combination	8	–
Minority interests	-478	65
Provisions	-408	-762
Non-current liabilities	-294	-598
Current liabilities	-612	-678
Total purchase consideration	4,185	4,470
Less repayment of certain borrowings	40	419
Less purchase consideration paid prior to the business combination	-75	–
Less cash and cash equivalents in acquired group companies	-105	-292
Net cash outflow from acquired group companies	4,045	4,597
Purchase consideration for other acquisitions	34	–
Total cash outflow from acquisitions	4,079	4,597

See Note 34 “Business Combinations, etc.” for more information on significant transactions in 2008.

The fair value of assets divested and liabilities transferred in subsidiaries and the total cash flow from divestitures were as follows.

SEK millions	January–December	
	2008	2007
Financial assets, accounts receivable, inventories etc.	6	–
Assets held-for-sale	1	1
Liabilities related to assets held-for-sale	-1	-1
Total sales consideration	6	0
Less cash and cash equivalents in divested group companies	–	–
Net cash inflow from divested group companies	6	0
Sales consideration for other divestitures	26	116
Total cash inflow from divestitures	32	116

Note 32 (Consolidated) Human Resources

Employees, salaries, and social security expenses

Acquired operations in 2008 added 1,116 employees, of which in Nepal 416, in Norway 412 and in Cambodia 172. In the existing operations, efficiency measures in Sweden and Finland offset recruitments mainly in Eurasia to handle the growth in customer

base, resulting in a net decrease of the number of employees by 237. Hence, the total change during 2008 was an increase by 879 employees to 32,171 at year-end (31,292 at year-end 2007).

The average number of full-time employees by country was as follows.

Country	January–December			
	2008		2007	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	10,152	52.1	10,002	54.2
Finland	5,258	59.9	5,697	59.0
Norway	1,245	67.9	945	69.7
Denmark	1,736	65.5	1,559	66.6
Lithuania	3,694	51.6	3,672	52.1
Latvia	1,064	47.6	1,010	57.1
Estonia	2,310	58.8	2,322	56.8
Spain	79	70.9	72	65.3
Kazakhstan	1,483	40.6	1,278	45.9
Azerbaijan	622	43.1	613	46.3
Uzbekistan	806	64.0	358	64.8
Tajikistan	605	64.8	255	49.4
Georgia	275	49.1	227	49.3
Moldova	313	47.0	293	45.1
Nepal	92	54.0	–	–
Cambodia	44	67.6	–	–
Russian Federation	56	62.5	60	63.3
United Kingdom	45	64.4	51	74.5
Other countries	158	73.0	147	72.8
Total	30,037	55.9	28,561	56.0

In total, operations in 2008 and 2007 were conducted in 32 and 28 countries, respectively.

The share of female and male Senior executives was as follows. Senior executives include ordinary members of boards of directors,

presidents and other members of executive management teams at the corporate level, business area level and company level.

Percent	December 31,			
	2008		2007	
	Boards of directors	Other Senior executives	Boards of directors	Other Senior executives
Women	19.2	32.1	22.9	23.4
Men	80.8	67.9	77.1	76.6
Total	100.0	100.0	100.0	100.0

Total salaries and other remuneration, along with social security expenses and other personnel expenses, were as follows.

SEK millions	January–December	
	2008	2007
Salaries and other remuneration	11,011	9,632
Social security expenses		
Employer's social security contributions	2,134	1,971
Pension expenses	1,172	1,221
Total social security expenses	3,306	3,192
Capitalized work by employees	-360	-208
Other personnel expenses	1,099	861
Total personnel expenses recognized by nature	15,056	13,477

Salaries and other remuneration were divided between Senior executives and other employees as follows. Variable pay was expensed in the respective year, but disbursed in the following year.

SEK in millions	January–December			
	2008		2007	
	Senior executives (of which variable pay)	Other employees	Senior executives (of which variable pay)	Other employees
Salaries and other remuneration	155 (27)	10,856	179 (30)	9,453

Pension expenses for all Senior executives totaled SEK 25 million in 2008 and SEK 36 million in 2007.

Remuneration to corporate officers

Principles

As resolved by the 2008 Annual General Meeting of shareholders in TeliaSonera AB, annual remuneration is paid to the members of the Board of Directors in the amount of SEK 1,000,000 (2007 AGM: SEK 900,000) to the chairman and SEK 425,000 (SEK 400,000) to each of the other directors, elected by the Annual General Meeting. In addition, annual remuneration is paid to the chairman of the Board's Audit Committee in the amount of SEK 150,000 and SEK 100,000 to each of the other members of the Audit Committee. Additional annual remuneration is also paid to the chairman of the Board's Remuneration Committee in the amount of SEK 40,000 and SEK 20,000 to each of the other members of the Remuneration Committee. No separate remuneration is paid to directors for other committee work. Directors appointed as employee representatives are not remunerated. There are no pension benefit arrangements for external directors.

Remuneration to the Chief Executive Officer (CEO), the Executive Vice President (EVP) and other members of the Leadership Team consists of base salary, annual variable pay, certain taxable benefits and pension benefits. As of December 31, 2008, TeliaSonera had no share-related incentive program. "Other members of the Leadership Team" refers to the 7 individuals who are directly reporting to the CEO and which, along with the CEO and the EVP, constituted the TeliaSonera Leadership Team on December 31, 2008.

Annual variable pay to the CEO, EVP and to the other members of the Leadership Team is capped at 50 percent of the base salary. Variable pay is based on the financial performance of the Group, financial performance in each officer's area of responsibility and individual performance objectives.

Pension benefits and other benefits to the CEO, the EVP and other members of the Leadership Team as described above form part of each individual's total remuneration package.

Remuneration and other benefits during the year, capital value of pension commitments

SEK	Board remuneration/ Base salary	Variable pay	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
<i>Board of Directors</i>							
Tom von Weymarn, chairman	1,090,000	–	–	–	–	1,090,000	–
Maija-Liisa Friman	493,750	–	–	–	–	493,750	–
Conny Karlsson	458,750	–	–	–	–	458,750	–
Lars G Nordström	438,750	–	–	–	–	438,750	–
Timo Peltola	438,750	–	–	–	–	438,750	–
Jon Risfelt	518,750	–	–	–	–	518,750	–
Caroline Sundewall	568,750	–	–	–	–	568,750	–
<i>Leadership Team</i>							
Lars Nyberg, CEO	8,160,000	3,100,800	–	147,394	8,356,200	19,764,394	–
Per-Arne Blomquist, EVP	1,533,340	766,667	–	166,001	582,733	3,048,741	158,847
Other members of the Leadership Team (7 individuals)	17,593,685	6,436,949	646,929	2,725,517	6,128,149	33,531,229	32,744,285
<i>Former CEOs, EVPs</i>							
Anders Igel	–	–	–	–	664,683	664,683	44,243,695
Marianne Nivert	–	–	–	–	–	–	35,237,011
Jan-Åke Kark	–	–	–	–	–	–	35,284,107
Stig-Arne Larsson	–	–	–	–	–	–	25,483,109
Lars Berg	–	–	–	–	–	–	20,962,033
Tony Hagström	–	–	–	–	–	–	8,329,443
Kim Ignatius	2,420,831	677,833	462,313	93,159	1,269,035	4,923,171	10,514,054
Total	33,715,356	10,982,249	1,109,242	3,132,071	17,000,800	65,939,718	212,956,584

Comments on the table:

- Board remuneration includes remuneration for Audit Committee and Remuneration Committee work. Remuneration is paid monthly.
- The EVP assumed his position on September 1, 2008. On a full-year basis, the base salary in 2008 was SEK 4,600,000. The capital value of pension commitment for the EVP refers to his previous employment in the Group.
- Variable pay was expensed in 2008, but will be settled in cash in 2009. Actual variable pay for 2008 corresponds to 38 percent of the base salary for the CEO, to 50 percent for the EVP and for other members of the Leadership Team to 32–40 percent of the base salary. Variable pay with respect to performance in 2007 was paid in 2008 to the CEO in an amount of SEK 1,333,333, to the former EVP in an amount of SEK 1,066,500 and to other members of the current Leadership Team in an amount of SEK 2,633,988.
- Other remuneration includes cash settlement for unused vacation days.
- Other benefits refer chiefly to company car but also to a number of other taxable benefits. One other member of the Leadership Team is entitled to housing allowance and school fee. In the absence of a long term variable pay scheme, the EVP and one other member of the Leadership Team are compensated

by way of an annual fixed amount, which is included in the total amount of Other benefits. The compensation will be discontinued if and when a potential award from a long term variable pay scheme is introduced.

- Pension expense refers to the expense that affected earnings for the year. See further disclosures concerning the terms and conditions of pension benefits below.

Pension benefits

TeliaSonera operates both defined benefit executive schemes and defined contribution executive schemes. A defined benefit scheme provides a pension level which is pre-determined as a percentage of the pensionable salary at retirement. A defined contribution scheme provides a contribution to the pension scheme as a percentage of the pensionable salary. The level of pension benefits at retirement will be determined by the contributions paid and the return on investments and the costs associated to the plan. As from July 2006, the defined benefit executive scheme is closed for new entrants in the Group and only defined contribution executive schemes are offered.

CEO and EVP

For the CEO, the pension plan provides a defined contribution arrangement which is two-fold. One part is providing a base-salary

related contribution of 4.5 percent of the salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts. The income base amount is determined annually by the Swedish Government and was SEK 48,000 for 2008. The second part is a fixed annual contribution of SEK 6,000,000. For the EVP, the pension agreement is the same as for the CEO apart from the fixed contribution. For the EVP, there is instead a 10 percent additional contribution of the base salary. The contributions into the plan are vesting immediately. The normal retirement age is 65, although the Company may request the CEO to enter into early retirement not earlier than from age 60 and the CEO may enter into early retirement on his own request not earlier than from age 60. Contributions to the pension scheme will cease at retirement or earlier if leaving the company for any other reason.

Other members of the Leadership Team

Other members of the Leadership Team have individual pension arrangements. Four members are covered by defined benefit schemes and three members are covered by defined contribution schemes. Two of the members covered by defined benefit schemes have a retirement age of 62 and 60, respectively. The retirement age for the remaining five members is 65. One member is covered by the Finnish statutory pension arrangement TyEL.

The defined benefit executive scheme for those two members with a retirement age lower than 65 is providing 70 percent of pensionable salary until age 65. For all members covered by the defined benefit executive scheme (not including TyEL), the old age provision from age 65 life-long is according to the ITP plan Section 2 with an additional benefit of 32.5 percent on pensionable salaries above 20 income base amounts for two of the members and 32.5 percent on pensionable salary above 30 income base amounts for one member. The pensionable salary includes base salary and variable pay for those employed prior to July 1, 2002. For those employed after July 1, 2002, only the base salary is pensionable.

The ITP Section 2 provides 10 percent of pensionable salary up to 7.5 income base amounts, 65 percent of such salary between 7.5 and 20 income base amounts and 32.5 percent of such salary between 20 and 30 income base amounts. Salaries above 30 income base amounts are not pensionable. The benefits under the plan are vested.

The defined contribution executive scheme is providing base-salary related contributions of 24.5 percent of the base salary up to 7.5 income base amounts and 50 percent of such salary above 7.5 income base amounts for two of the members. One member has contributions according to the ITP plan Section 1 of 4.5 percent on the salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts based on both base salary and variable pay. This member has also an additional contribution corresponding to 15 percent of the base salary. All contributions to the schemes are vesting immediately.

Severance pay and change of control

Termination of the CEO's employment by the Company or by the CEO requires that notice is given by either party in writing 6 months before termination. Should a termination of employment be initiated by the Company before the CEO has turned the age of 60, the CEO is entitled to a severance pay in the amount of two annual base salaries to be paid in 24 equal monthly installments. The salary during the notice period and the severance pay will be reduced by any other income. Should the CEO give notice of termination, he is not entitled to any severance pay. However, the CEO is entitled to a severance pay in the event of change of control in TeliaSonera, if he gives notice of termination within one month from the change of ownership. In addition, if the CEO gives notice of termination for this reason before September 3, 2009, he is entitled to a one-off contribution of SEK 6,000,000 to his pension plan by the end of the termination period.

Termination of employment in relation to the EVP and the other members of the Leadership require that notice is given in writing 6 months before termination by the employees and 12 months before

termination by the Company. Should notice be given by the Company, the member is entitled to a severance pay in the amount of one annual base salary to be paid in 12 equal monthly installments. The salary during the notice period and the severance pay will be reduced by any other income. Should the member give notice of termination on his or her own initiative, he or she is not entitled to any severance pay. However, in the event of change of control in TeliaSonera, the EVP is entitled to a severance pay, should he give notice of termination within 3 months from the change of ownership.

Other members of the Leadership Team are entitled to compensation if a change of control should occur. If a buyer purchases shares in TeliaSonera and reaches not less than a 51 percent ownership and if a member continues his or her employment for more than 30 days from the change of ownership and has not given notice of resignation, compensation equivalent to 12 months base salary will be paid.

Planning and decision process

Applying the remuneration policy adopted at the Annual General Meeting each year, the CEO's total remuneration package is decided by the Board of Directors based on the recommendation of its Remuneration Committee. Total remuneration packages to other members of the Leadership Team are approved by the Remuneration Committee, based on the CEO's recommendation.

Note 33 (Consolidated) Auditors' Fees and Services

The following remuneration was paid to auditors and accounting firms for audits and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews. Remuneration was also paid for independent advice, using Group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other accounting firms refer to subsidiaries or associated companies and joint ventures not audited by the Group auditors. Auditors are elected by the Annual General Meeting.

PricewaterhouseCoopers AB (PwC) has served as TeliaSonera AB's independent auditor (Group auditor) since April 28, 2004 and was re-elected for a 3-year term at the 2008 Annual General Meeting.

SEK in millions	January–December	
	2008	2007
PwC		
Audits	46	37
Audit-related services	2	6
Tax services	0	0
All other services	1	10
Total PwC	49	53
Ernst & Young (E&Y)		
Audits, audit-related services	–	1
Tax services	1	1
All other services	7	2
Total E&Y	8	4
KPMG		
Audits, audit-related services	–	2
Tax services	5	4
All other services	2	2
Total KPMG	7	8
Other accounting firms		
Audits	2	0
Audit-related services, tax services and all other services	5	5
Total other accounting firms	7	5
Total	71	70

In addition, fees for accounting firm services capitalized as transaction costs in business combinations and similar transactions totaled SEK 5 million in 2008 (other non-audit services performed by KPMG amounting to SEK 1 million and by Other accounting firms amounting to SEK 4 million) and SEK 3 million in 2007 (other non-audit services performed by Other accounting firms).

Within the provisions of Swedish legislation, the Audit Committee of the Board of Directors of TeliaSonera AB is responsible, among other matters, for the oversight of TeliaSonera's independent auditors. The Board of Directors has adopted a policy regarding pre-approval of audit-related services and permissible non-audit services provided by audit firms.

Note 34 (Consolidated) Business Combinations, etc.

Asia Holding

Description of and reasons for the acquisition

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.
- 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.

Nepal and Cambodia have growing economies. Mobile penetration in Nepal, with a population of 28.4 million, is approximately 13 percent, while mobile penetration in Cambodia, with a population of 14.6 million, is approximately 21 percent. Goodwill is explained by expected 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 were included in the consolidated financial statements as of October 1, 2008.

Financial effects

The acquired businesses impacted consolidated net sales and net income, including the effects of fair value adjustments, as follows.

SEK in millions	Net sales	Net income
October 1–December 31, 2008	168	16

The following table sets forth the TeliaSonera Group pro forma net sales, net income and earnings per share, including the effects of fair value adjustments, had the acquisition taken place at January 1, 2008.

SEK in millions, except per share data	January–December 2008		
	TeliaSonera Group	Asia Holding	TeliaSonera Group pro forma
Net sales	103,585	398	103,983
Net income	21,442	-14	21,428
Basic and diluted earnings per share (SEK)	4.23		4.23

Cost of combination, goodwill and cash-flow effects

Details of the cost of combination and goodwill were as follows.

	SEK in millions
Cost of combination	
Cash purchase consideration	3,382
Transaction-related direct expenses	54
Total cost of combination	3,382
Less fair value of net assets acquired (as specified below)	-663
Goodwill (allocated to business area Eurasia)	2,719

The total costs 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 adjustment.

The cash-flow effects were as follows.

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

Assets acquired and liabilities assumed

Carrying values and fair values of assets acquired and liabilities assumed were as follows.

SEK in millions	Carrying value	Fair value adjustments	Fair value
Goodwill	5,227	-5,227	–
Licenses	664	–	664
Interconnect agreements	881	–	881
Customer relationships	158	–	158
Mobile networks	427	–	427
Financial non-current assets	9	–	9
Inventories, receivables, other current assets	108	–	108
Cash and cash equivalents	56	–	56
Total assets acquired	7,530	-5,227	2,303
Minority interests	-18	-637	-655
Deferred income tax liabilities	-398	–	-398
Other long-term liabilities	-189	–	-189
Short-term liabilities	-398	–	-398
Total liabilities assumed	-1,003	-637	-1,640
Total fair value of net assets acquired	6,527	-5,864	663

There were no purchased in-process research and development assets acquired, nor any contingent liabilities assumed. For information on collateral pledged arising from the acquisition, see section "Collateral pledged" in Note 30 "Contingencies, Other Contractual Obligations and Litigation."

Other business combinations in 2008

For a number of minor business combinations in 2008, the aggregate cost of combination was SEK 437 million (of which SEK 75 million paid prior to the business combination) and the net cash outflow SEK 353 million. Goodwill totaled SEK 450 million, of which SEK 335 million was allocated to business area Mobility Services, SEK 11 million to business area Broadband Services and SEK 104 million to reportable segment Other operations. The acquired businesses impacted consolidated net sales and net income, including the effects of fair value adjustments, by SEK 348 million and SEK -20 million, respectively.

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 adjustment.

MCT purchase price allocation finalized

In the third quarter of 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.

Supplemental transaction in Azerbaijan

Relating to TeliaSonera's operations in Azerbaijan, TeliaSonera in 2008 granted the largest minority shareholder a put option. Should a deadlock regarding material decisions at the general assembly arise, the resolution supported by TeliaSonera will apply. In such

circumstances, the put option gives the shareholder the right to sell its 42 percent holding at fair value to TeliaSonera. TeliaSonera accounted for the present value of the estimated option redemption amount as a provision (see section "Contingent consideration, etc." in Note 24 "Other Provisions" for additional information) and derecognized the minority interest, which increased goodwill by SEK 3,608 million. Any future changes in the estimated redemption amount will be recognized in the income statement, while no minority interest will be recognized.

Note 35 (Consolidated) Specification of Shareholdings and Participations

Associated companies and joint ventures

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Equity participation in consolidated accounts		Carrying value in each parent company	
			2008	2007	2008	2007
			SEK in millions			
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	325	321	198	198
Lokomo Systems AB, 556580-3326, Stockholm	44	734,241	1	1	0	0
Telefos AB, 556523-6865, Stockholm	26	2,560,439	1	0	0	0
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	4	4	1	1
Other operating, dormant and divested companies			0	0	0	0
Companies outside Sweden						
OAO Telecominvest, St. Petersburg	26	4,262,165	3,423	2,446	700	700
Other operating, dormant and divested companies			0	59	0	75
Total parent company					899	974
Subsidiaries' holdings						
Swedish companies						
Svenska UMTS-nät AB, 556606-7996, Stockholm (joint venture)	50	501,000	84	204	500	500
SmartTrust AB, 556179-5161, Stockholm	30	70,991,460	22	0	18	0
Other operating, dormant and divested companies			0	0	0	0
Companies outside Sweden						
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	16	6	7	6	18
SIA Lattelecom, 00030527, Riga	49	71,581,000	964	876	1,650	1,428
Kiinteistö Oy Pietarsaaren Isokatu 8, 0181832-2, Pietarsaari	48	12,851	3	0	7	8
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	7,084	6,974	2,136	1,850
Turkcell İletişim Hizmetleri A.S., 304844-252426, Istanbul	13	292,485,209	14,101	12,720	1,371	1,188
OAO MegaFon, 7812014560, Moscow	36	2,207,234	13,492	9,432	470	422
AUCS Communications Services v.o.f., 34097149, Hoofddorp	33	–	21	12	0	0
Johtotieto Oy, 0875145-8, Helsinki	33	170	3	1	0	0
Operators Clearing House A/S, 18936909, Copenhagen	33	1,333	7	7	5	5
Voicecom OÜ, 10348566, Tallinn	26	–	1	1	1	1
SCF Huolto Oy, 1892276-7, Loimaa	20	20	1	0	0	0
Other operating, dormant and divested companies			0	0	0	0
Total			39,543	33,065		

The share of voting power in Overseas Telecom AB is 42 percent. OAO Telecominvest owns an additional 31 percent of the shares in OAO MegaFon. Turkcell Holding A.S. owns 51 percent of the shares in Turkcell İletişim Hizmetleri A.S.

The parent company's holdings of Other operating, dormant and divested companies for the comparative year (Group carrying value SEK 59 million, parent company carrying value SEK 75 million) relate to ComHouse AS, which became a subsidiary in 2008.

Other equity holdings

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying/fair value in consolidated accounts		Carrying value in each parent company	
			2008	2007	2008	2007
SEK in millions						
Parent company holdings						
Swedish companies						
Slottsbacken Fund Two KB, 969660-9875, Stockholm	18	–	7	6	7	6
Lindholmen Science Park AB, 556568-6366, Gothenburg	10	90	2	0	2	0
Ullna Golf AB, 556042-8095, Österåker	1	3,500	1	1	1	1
Other operating, dormant and divested companies			0	1	0	1
Companies outside Sweden						
Digital Telecommunications Phils., Inc., 000-449-918-000, Quezon City	9	600,000,000	96	173	96	173
Birdstep Technology ASA, 977037093, Oslo	2	1,722,594	3	22	3	22
Vision Extension L.P., LP180, Saint Helier, Jersey	2	–	1	1	1	1
Other operating, dormant and divested companies			0	0	0	0
Total parent company					110	204
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies		0	0	0	0	0
Companies outside Sweden						
Telecom Development Company Afghanistan B.V., 34183985, Amsterdam	12	1,225	225	187	225	187
Magma Venture Capital I Annex Fund, L.P., Cayman Islands	7	–	1	–	1	–
Magma Venture Capital I, L.P., Cayman Islands	7	–	24	19	24	19
Oy Merinova Ab, 0778620-2, Vaasa	6	800	0	1	0	1
Vierumäki Golf Village Oy, 1927979-3, Helsinki	5	0	15	10	15	10
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	6	5	6	5
Santapark Oy, 1095079-8, Rovaniemi	3	10,000	2	2	2	2
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	5	4	5	4
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	33	13	33	13
Digital Media & Communications II L.P., 3037042, Boston, MA	0	–	7	6	7	6
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	0	1	0	1
Kiinteistö Oy Turun Monitoimihalli, 0816425-3, Turku	0	1	1	1	1	1
Holdings in other real estate and housing companies, Finland	–	–	28	23	28	23
Holdings in other local phone companies, etc., Finland	–	–	5	7	5	7
Other operating, dormant and divested companies			0	12	0	12
Total			462	495		

The parent company's and subsidiaries' holdings of Other operating, dormant and divested companies for the comparative year (Group carrying value SEK 13 million, carrying value in the

respective parent company SEK 13 million) relate to OMX AB and iVision AS, which were divested in 2008.

Parent Company Income Statements

SEK in millions	Note	January-December	
		2008	2007
Net sales	2	16,132	17,809
Costs of production	3	-13,354	-10,725
Gross income		2,778	7,084
Selling and marketing expenses	3	-154	-213
Administrative expenses	3	-753	-448
Research and development expenses	3	-439	-377
Other operating income	4	20,606	578
Other operating expenses	4	-341	-320
Operating income		21,697	6,304
Financial income and expenses	7	-3,417	17,541
Income after financial items		18,280	23,845
Appropriations	8	12,037	-2,586
Income before taxes		30,317	21,259
Income taxes	8	-11	-1,258
Net income		30,306	20,001

Parent Company Balance Sheets

SEK in millions	Note	December 31,	
		2008	2007
Assets			
Goodwill and other intangible assets	9	1,257	1,235
Property, plant and equipment	10	5,090	18,654
Deferred tax assets	8	311	235
Other financial assets	11	164,194	122,345
Total non-current assets		170,852	142,469
Inventories	12	6	1
Trade and other receivables	13	34,038	37,176
Short-term investments	14	4,730	1,611
Cash and bank	14	1,472	1,179
Total current assets		40,246	39,967
Total assets		211,098	182,436
Shareholders' equity and liabilities			
<i>Restricted equity</i>			
Share capital		14,369	14,369
Other reserves		1,858	3,796
<i>Non-restricted equity</i>			
Retained earnings		28,484	24,847
Net income		30,306	20,001
Total shareholders' equity		75,017	63,013
Untaxed reserves	8	8,024	20,061
Provisions for pensions and employment contracts	16	551	538
Other provisions	17	157	406
Total provisions		708	944
<i>Interest-bearing liabilities</i>			
Long-term borrowings	18	52,629	38,305
Short-term borrowings	18	70,335	52,695
<i>Non-interest-bearing liabilities</i>			
Long-term liabilities	19	620	814
Current tax payables		–	752
Short-term provisions, trade payables and other current liabilities	20	3,765	5,852
Total liabilities		127,349	98,418
Total shareholders' equity and liabilities		211,098	182,436
Contingent assets	24	–	–
Guarantees	24	5,489	4,669
Collateral pledged	24	–	1

Parent Company Cash Flow Statements

SEK in millions	Note	January-December	
		2008	2007
Net income		30,306	20,001
Adjustments for:			
Amortization, depreciation and impairment losses		1,756	3,295
Capital gains/losses on sales/discards of non-current assets		-21,221	89
Pensions and other provisions		-499	-1,173
Financial items		1,357	777
Group contributions and appropriations		-12,037	2,585
Income taxes		-1,029	-2,182
Cash flow before change in working capital		-1,367	23,392
Increase (-)/Decrease (+) in operating receivables		1,715	903
Increase (-)/Decrease (+) in inventories etc.		-5	6
Increase (+)/Decrease (-) in operating liabilities		-2,062	-559
Change in working capital		-352	350
Cash flow from operating activities		-1,719	23,742
Intangible and tangible non-current assets acquired		-1,651	-3,074
Shares and participations		-3,591	-10,673
Non-current assets divested, etc.		–	-228
Loans granted and other similar investments		10,354	-2,912
Compensation from pension fund		500	950
Net change in interest-bearing current receivables		118	111
Cash flow from investing activities		5,730	-15,826
Cash flow before financing activities		4,011	7,916
Dividend to shareholders		-17,962	-28,290
Group contributions and dividends received		2,148	-1,091
Proceeds from long-term borrowings		11,430	16,460
Repayment of long-term borrowings		-1,231	-777
Change in short-term borrowings		5,016	979
Cash flow from financing activities		-599	-12,718
Change in cash and cash equivalents		3,412	-4,803
Cash and cash equivalents, opening balance		2,790	7,593
Change in cash and cash equivalents		3,412	-4,803
Cash and cash equivalents, closing balance	14	6,202	2,790
Interest received		6,091	3,517
Interest paid		-9,430	-5,408
Dividends received		231	16,841
Income taxes paid		-751	-2,600

Parent Company Statements of Changes in Shareholders' Equity

SEK in millions	Note	Share capital	Statutory reserve	Revaluation reserve	Non-restricted equity	Total shareholders' equity
Closing balance, December 31, 2006		14,369	1,855	2,443	52,595	71,262
Depreciation on tangible assets written-up	15	–	–	-502	502	–
Reporting financial instruments at fair value	15	–	–	–	40	40
<i>Net income recognized directly in equity</i>		–	–	-502	542	40
Net income		–	–	–	20,001	20,001
<i>Comprehensive income</i>		–	–	-502	20,543	20,041
Dividend		–	–	–	-28,290	-28,290
Closing balance, December 31, 2007		14,369	1,855	1,941	44,848	63,013
Depreciation on and sales of tangible assets written-up	15	–	–	-1,938	1,938	–
Reporting financial instruments at fair value	15	–	–	–	-340	-340
<i>Net income recognized directly in equity</i>		–	–	-1,938	1,598	-340
Net income		–	–	–	30,306	30,306
<i>Comprehensive income</i>		–	–	-1,938	31,904	29,966
Dividend		–	–	–	-17,962	-17,962
Closing balance, December 31, 2008		14,369	1,855	3	58,790	75,017

Notes to Parent Company Financial Statements

Note 1 (Parent company) Basis of Preparation

General

The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2.2 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board. As encouraged by the Financial Reporting Board, TeliaSonera has pre-adopted RFR 2.2. The standard is applicable to Swedish legal entities whose equities on the balance sheet day are listed on a Swedish stock exchange or authorized equity market place. In their consolidated financial statements such companies

have to comply with the EU regulation on international accounting standards, while they still have to comply with the Annual Accounts Act in their separate financial statements. RFR 2.2 states that as a main rule listed parent companies should apply IFRSs and specifies exceptions and additions, caused by legal provisions or by the connection between accounting and taxation in Sweden.

Measurement bases and significant accounting principles

With the few exceptions below, TeliaSonera AB applies the same measurement bases and accounting principles as described in "Notes to Consolidated Financial Statements" (Note 4).

Item	Note	Accounting treatment
Goodwill	6, 9	Goodwill is amortized systematically over a maximum of 5 years.
Group contributions/Untaxed reserves and appropriations	7, 8	Group contributions net received are recognized as dividends from subsidiaries, while if net rendered are recognized directly in shareholders' equity, net of income tax. Untaxed reserves and appropriations are reported gross excluding deferred tax liabilities related to the temporary differences.
Borrowing costs	7, 9, 10	Borrowing costs directly attributable to the acquisition, construction or production of an asset are not capitalized as part of the cost of that asset.
Investments in subsidiaries and associated companies	7, 11	Investments in subsidiaries and associated companies are recognized at cost less any impairment. Dividends received are brought to income.
Provisions for pensions and employment contracts	7, 16	Pension obligations and pension expenses are recognized in accordance with FAR SRS accounting recommendation No. 4 (RedR 4).
Leasing agreements	23	All leasing agreements are accounted for as operating leases.

Amounts and dates

Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK million) or other currency specified and are based on the twelve-month period ended December 31 for income statement and cash flow statement items, and as of December 31 for balance sheet items, respectively.

Recently issued accounting standards

For information relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (corresponding section in Note 1).

Key sources of estimation uncertainty

For information relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (Note 2).

Note 2 (Parent company) Net Sales

Sales by customer location were distributed among economic regions as follows.

SEK in millions	January–December	
	2008	2007
European Economic Area (EEA)	16,129	17,807
<i>of which European Union (EU) member states</i>	16,119	17,804
<i>of which Sweden</i>	16,051	17,676
Rest of Europe	3	2
Total	16,132	17,809

Net sales were broken down by product category as follows.

SEK in millions	January–December	
	2008	2007
Fixed telephony	9,263	9,892
Internet	3,183	3,000
Network capacity	2,204	3,348
Data communications	865	957
Other	617	612
Total	16,132	17,809

There was no invoiced advertising tax in the years 2008 and 2007, respectively.

Note 3 (Parent company) Expenses by Nature

Operating expenses are presented on the face of the income statement using a classification based on the functions "Cost of production," "Selling and marketing expenses," "Administrative expenses" and "Research and development expenses." Total expenses by function were distributed by nature as follows.

SEK in millions	January–December	
	2008	2007
Goods purchased	31	103
Interconnect and roaming expenses	1,388	1,630
Other network expenses	7,326	3,345
Change in inventories	10	6
Personnel expenses (see also Note 26)	2,064	1,419
Rent and leasing fees	455	493
Consultants' services	203	373
IT expenses	1,509	1,084
Other expenses	0	297
Amortization, depreciation and impairment losses (see also Note 6)	1,714	3,013
Total	14,700	11,763

Note 4 (Parent company) Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	January–December	
	2008	2007
Other operating income		
Capital gains	20,483	2
Exchange rate gains	116	118
Patents sold, commissions, etc.	0	48
Recovered accounts receivable, released accounts payable	0	372
Damages received	7	38
Total other operating income	20,606	578
Other operating expenses		
Capital losses	-5	-12
Exchange rate losses	-90	-91
Restructuring costs	-181	-19
Impairment charges	-32	-180
Damages paid	-33	-18
Total other operating expenses	-341	-320
Net effect on income	20,265	258
<i>of which net exchange rate gains on derivative instruments held-for-trading</i>	<i>40</i>	<i>33</i>

Capital gains in 2008 refer to assets transferred to the subsidiary TeliaSonera Skanova Access AB (see also Note 10 "Property, Plant and Equipment"). Released accounts payable in 2007 included SEK 372 million following court rulings reducing certain historical interconnect fees.

Note 5 (Parent company) Related Party Transactions

General

Conventional commercial terms apply for the supply of goods and services to and from subsidiaries, associated companies and joint ventures.

Subsidiaries

In 2008 and 2007, sales to subsidiaries totalled SEK 12,644 million and SEK 12,811 million, respectively, while purchases from subsidiaries totalled SEK 7,383 million and SEK 1,221 million, respectively.

Pension fund

As of December 31, 2008, Telia Pension Fund held 1,393,189 TeliaSonera shares, or 0.03 percent of the voting rights. TeliaSonera AB's share of the fund's assets is 69 percent. For information on transactions and balances, see Note 16 "Provisions for Pensions and Employment Contracts."

Commitments on behalf of related parties

TeliaSonera AB has made certain commitments on behalf of group companies, associated companies and joint ventures. See Note 24 "Contingencies, Other Contractual Obligations and Litigation" for further details.

Other transactions

For descriptions of certain other transactions with related parties, see "Notes to Consolidated Financial Statements" (Note 10).

Note 6 (Parent company) Amortization, Depreciation and Impairment Losses

Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment were distributed by function and other operating expenses as follows.

SEK in millions, except proportions	January–December	
	2008	2007
Costs of production	1,645	2,956
Administrative expenses	69	57
Total functions	1,714	3,013
Other operating expenses	32	180
Total	1,746	3,193
<i>Proportion to net sales (%)</i>	<i>10.8</i>	<i>17.9</i>

Amortization, depreciation and impairment losses were distributed by asset class as follows.

SEK in millions	January–December	
	2008	2007
Goodwill	23	23
Other intangible assets	384	320
Fixed networks	1,316	2,814
Other plant and equipment	23	36
Total	1,746	3,193

Goodwill is amortized straight-line over 5 years. For other useful lives applied, see "Notes to Consolidated Financial Statements" (Note 11). Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations (see this section in Note 8 "Income Taxes").

Note 7 (Parent company) Financial Income and Expenses

Financial income and expenses were distributed as follows.

SEK in millions	January–December	
	2008	2007
Income from shares in subsidiaries		
Dividends, etc.	231	15,408
Capital gains/losses, net	22	46
Impairment losses	-4	-
Group contributions, net received	1,031	2,991
Total	1,280	18,445
Income from shares in associated companies		
Dividends, etc.	0	1,432
Capital gains/losses, net	2	83
Impairment losses	-12	-113
Total	-10	1,402
Income from other financial investments		
Capital gains/losses, net	1	32
Total	1	32
Other financial income		
Interest from subsidiaries	1,432	976
Other interest income	649	234
Exchange rate gains	9	4
Total	2,090	1,214
Other financial expenses		
Interest to subsidiaries	-2,622	-1,921
Other interest expenses	-3,073	-1,567
Interest component of the year's pension provision	-31	-24
Exchange rate losses	-1,052	-40
Total	-6,778	-3,552
Net effect on income	-3,417	17,541

Other interest income in 2008 includes received penalty interest of SEK 290 million related to court rulings on certain historical inter-connect fees. Dividends from subsidiaries in 2007 included one-off transactions of SEK 14,998 million. Regarding Group contributions, refer to section "Untaxed reserves, appropriations and group contributions" in Note 8 "Income Taxes." See also Note 16 "Provisions for Pensions and Employment Contracts" on the interest component of the year's pension provision.

Details on other interest expenses, net exchange rate gains and losses and other interest income related to hedging activities, loan receivables and borrowings were as follows.

SEK in millions	January–December					
	Other interest expenses		Net exchange rate gains and losses		Other interest income	
	2008	2007	2008	2007	2008	2007
Fair value hedge derivatives	-173	-57	2,047	272	-	-
Cash flow hedge derivatives	-211	-17	-75	145	-	-
Derivatives held-for-trading	-2	97	3,857	123	-	-
Held-to-maturity investments	-	-	-	-	-	5
Loans and receivables	-	-	-2,538	-	630	210
Borrowings in fair value hedge relationships	-572	-525	-2,047	-272	-	-
Borrowings and other financial liabilities at amortized cost	-2,083	-1,061	-2,287	-304	-	-
Other	-32	-4	-	-0	19	19
Total	-3,073	-1,567	-1,043	-36	649	234

Borrowings at amortized cost include items in cash flow hedge relationships as well as unhedged items.

Note 8 (Parent company) Income Taxes

Income tax expense

In 2008 and 2007, pre-tax income was SEK 30,317 million and SEK 21,259 million, respectively. Income tax expense was distributed as follows.

SEK in millions	January–December	
	2008	2007
Tax items brought to income		
Current tax expense relating to current year	0	-2,539
Underprovided or overprovided current tax expense in prior years	0	2
Deferred tax expense originated or reversed in current year	-11	1,279
Total tax expense brought to income	-11	-1,258
Tax items recognized directly in shareholders' equity		
Deferred tax income (+)/expense (-)	87	-14
Total tax income (+)/expense (-) recognized directly in shareholders' equity	87	-14

The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	January–December	
	2008	2007
Swedish income tax rate	28.0	28.0
Underprovided or overprovided current tax expense in prior years	0.0	0.0
Effect on deferred tax expense from change in tax rate	0.0	–
Non-deductible expenses	0.3	0.4
Tax-exempt income	-28.3	-22.5
Effective tax rate as per the income statement	0.0	5.9
Tax recognized directly in shareholders' equity	-0.3	0.1
Effective tax rate	-0.3	6.0

In 2008, tax-exempt income mainly refers to an asset transfer to the subsidiary TeliaSonera Skanova Access AB (Skanova Access), made at market value in exchange for new shares issued by Skanova Access. From a fiscal point of view, however, the assets were transferred at tax book value and the consideration was treated as tax-exempt income in TeliaSonera AB. In 2007, tax-exempt income primarily referred to dividends from subsidiaries and associated companies. In December 2008, the Swedish parliament passed changes to the tax legislation, including, among others, a reduction of the Swedish corporate income tax rate from 28 percent to 26.3 percent effective January 1, 2009. This triggered a recalculation of existing deferred tax assets, resulting in a net deferred tax expense of SEK 15 million in 2008.

Income tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	December 31,	
	2008	2007
Deferred tax assets		
Carrying value, opening balance	235	307
Income statement period change	-11	-58
Recognized in shareholders' equity	87	-14
Carrying value, closing balance	311	235
Deferred tax liabilities		
Carrying value, opening balance	–	1,337
Income statement period change	–	-1,337
Carrying value, closing balance	–	–

Temporary differences in deferred tax assets and liabilities were as follows.

SEK in millions	December 31,	
	2008	2007
Deferred tax assets		
Fair value adjustments for other financial assets	87	0
Delayed expenses for provisions	224	235
Total deferred tax assets	311	235
Total deferred tax liabilities	–	–
Net deferred tax assets	311	235

In 2008 and 2007, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. The unrecognized deferred tax liability in untaxed reserves amounted to SEK 2,110 million in 2008 and SEK 5,617 million in 2007.

Untaxed reserves, appropriations and group contributions

Untaxed reserves in the balance sheet were distributed as follows.

SEK in millions	December 31,	
	2008	2007
Profit equalization reserves	5,625	7,281
Accumulated excess amortization and depreciation	2,399	12,780
Total	8,024	20,061

Excess amortization and depreciation changed as follows.

SEK in millions	December 31,			
	2008		2007	
	Intangible assets	Plant and machinery	Intangible assets	Plant and machinery
Opening balance	108	12,672	134	13,083
Reversals	35	-10,416	-26	-411
Closing balance	143	2,256	108	12,672

Appropriations brought to income were as follows.

SEK in millions	January–December	
	2008	2007
Change in profit equalization reserves	1,656	-3,022
Change in accumulated excess amortization and depreciation	10,381	437
Net effect on income	12,037	-2,585

Under certain conditions, it is possible to transfer profits through group contributions between Swedish companies in a group. Group contributions provided are normally a deductible expense for the contributor and taxable in-come for the recipient. Group contributions were as follows.

SEK in millions	January–December	
	2008	2007
Pre-tax group contributions, net received (recognized in income)	1,031	2,991

Note 9 (Parent company) Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

SEK in millions	December 31,			
	2008	2007	2008	2007
	Goodwill		Other intangible assets	
Accumulated cost	114	114	3,447	3,019
Accumulated amortization	-103	-80	-1,665	-1,359
Accumulated impairment losses	-	-	-536	-459
Carrying value	11	34	1,246	1,201
<i>of which work in progress</i>	-	-	415	544
Carrying value, opening balance	34	54	1,201	391
Investments and operations acquired	-	3	368	1,130
Grants received	-	-	-3	-
Reclassifications	-	-	64	-
Amortization for the year	-23	-23	-306	-185
Impairment losses for the year	-	-	-78	-135
Carrying value, closing balance	11	34	1,246	1,201

Other intangible assets were taken over from subsidiaries at gross carrying value.

The carrying value of other intangible assets was distributed as follows.

SEK in millions	December 31,	
	2008	2007
Capitalized development expenses	825	597
Licenses, contractual agreements, patents, etc.	6	60
Work in progress	415	544
Total carrying value	1,246	1,201

Capitalized development expenses and work in progress mainly refer to administrative IT support systems.

Note 10 (Parent company) Property, Plant and Equipment

The total carrying value was distributed and changed as follows.

SEK in millions	December 31,							
	2008	2007	2008	2007	2008	2007	2008	2007
	Property		Plant and machinery		Equipment, tools and installations		Total	
Accumulated cost	442	406	40,750	72,541	695	511	41,887	73,458
Accumulated depreciation	-197	-173	-35,439	-55,575	-608	-446	-36,244	-56,194
Accumulated impairment losses	-	-	-551	-546	-5	-5	-556	-551
Accumulated write-ups	-	-	3	1,941	-	-	3	1,941
Carrying value	245	233	4,763	18,361	82	60	5,090	18,654
<i>of which assets under construction</i>	-	-	851	1,260	-	-	851	1,260
Carrying value, opening balance	233	203	18,361	18,704	60	96	18,654	19,003
Investments and operations acquired	36	58	1,190	2,599	50	48	1,276	2,705
Sales and disposals	-	-	-13,432	-149	0	-41	-13,432	-190
Grants received	-	-	-5	-	-	-	-5	-
Reclassifications	-	-10	-59	3	-5	-7	-64	-14
Depreciation for the year	-24	-18	-1,292	-2,796	-23	-36	-1,339	-2,850
Carrying value, closing balance	245	233	4,763	18,361	82	60	5,090	18,654

Property

No real estate properties owned by the parent company were assigned tax-assessed values.

Plant and machinery

Plant and machinery includes switching systems and peripheral equipment, transmission systems, transmission media and other types of media in the Swedish fixed networks. Assets were taken over from subsidiaries at gross carrying value. In 2008, transfer of assets to the subsidiary TeliaSonera Skanova Access AB net reduced the carrying value by SEK 13,427 million (accumulated cost SEK 32,952 million, accumulated depreciation SEK 21,440 million, accumulated impairment losses SEK 12 million and accumulated write-ups SEK 1,927 million).

Equipment, tools, and installations

Assets were taken over from subsidiaries at gross carrying value.

Note 11 (Parent company) Other Financial Assets

Investments in associated companies

The carrying value of investments in associated companies changed as follows.

SEK in millions	December 31,	
	2008	2007
Carrying value, opening balance	974	1,085
Issues of new shares and shareholder contributions	6	4
Impairment losses	-6	-108
Divestitures	-	-7
Reclassifications	-75	-
Carrying value, closing balance	899	974

Other holdings of equity securities

The carrying value of other holdings of equity securities changed as follows.

SEK in millions	December 31,	
	2008	2007
Carrying value, opening balance	204	172
Acquisitions	2	27
Changes in fair value	-97	5
Carrying value, closing balance	109	204

Other financial assets by class

The total carrying and fair values of other financial assets were as follows.

SEK in millions	December 31,			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Other holdings of equity securities available-for-sale	102	102	196	196
Other holdings of equity securities held-for-trading	8	8	8	8
Loans and receivables at amortized cost	1	1	5	5
Interest rate swaps designated as fair value hedges	691	691	39	39
Interest rate swaps designated as cash flow hedges	–	–	9	9
Cross currency interest rate swaps designated as cash flow hedges	462	462	35	35
Interest rate and cross currency interest rate swaps held-for-trading	3,173	3,173	480	480
Subtotal (see Categories – Note 21 and Credit risk – Note 22)/Total fair value	4,437	4,437	772	772
Shares in subsidiaries	158,858		120,488	
Receivables from subsidiaries	–		111	
Investments in associated companies	899		974	
Total other financial assets	164,194		122,345	
of which interest-bearing	4,436		767	
of which non-interest-bearing	159,758		121,578	

The 2008 increase of the carrying value for shares in subsidiaries mainly refers to a capital contribution of SEK 34,000 million that was provided in kind in exchange for new shares issued by the subsidiary TeliaSonera Skanova Access AB. For Loans and receivables, including claims on associated companies, fair value is estimated at the present value of future cash flows discounted by applying market interest rates as of the balance sheet date. As of December 31, 2008, contractual cash flows for Loans and receivables represented the following expected maturity dates.

Expected maturity SEK in millions	2010– 2013	Later years	Total
Loans and receivables	–	1	1

For more information on financial instruments by category and exposed to credit risk, refer to Note 21 “Financial Assets and Liabilities by Category” and section “Credit risk management” in Note 22 “Financial Risk Management,” respectively. Shareholdings and participations in subsidiaries are specified in Note 28 “Specification of Shareholdings and Participations,” while information on associated companies and other holdings of equity securities is presented in “Notes to Consolidated Financial Statements” (Note 35). Conventional commercial terms apply for receivables from subsidiaries.

Note 12 (Parent company) Inventories

No deductions for inventory obsolescence were needed for the years 2008 and 2007. The carrying value referred to supplies and consumables and was SEK 6 million in 2008 and SEK 1 million in 2007.

Other long-term financial assets

The carrying value of other long-term financial assets changed as follows.

SEK in millions	December 31,	
	2008	2007
Carrying value, opening balance	121,167	110,627
Purchases	38,707	10,059
Sales and disposals	-330	-13
Impairment losses	-83	-4
Changes in fair value	3,725	498
Carrying value, closing balance	163,186	121,167

Note 13 (Parent company) Trade and Other Receivables

The carrying value of trade and other receivables was distributed as follows.

SEK in millions	December 31,	
	2008	2007
Accounts receivable		
Invoiced receivables	889	1,809
Allowance for doubtful receivables	-200	-209
Total accounts receivable at amortized cost	689	1,600
Currency swaps and forward exchange contracts held-for-trading	1,072	141
Receivables from associated companies at amortized cost	3	4
Loans and receivables at amortized cost	81	145
Subtotal (see Categories – Note 21 and Credit risk – Note 22)	1,845	1,890
Receivables from subsidiaries	31,827	34,688
of which cash-pool balances	27,104	26,339
of which trade and other receivables	4,723	8,349
Other current receivables	213	453
Deferred expenses	153	145
Total trade and other receivables	34,038	37,176
of which interest-bearing	27,282	26,635
of which non-interest-bearing	6,756	10,541

For Accounts receivable and Loans and receivables, the carrying values equal fair value as the impact of discounting is insignificant. For Accounts receivable and Loans and receivables (including receivables from associated companies), as of the balance sheet

date, concentration of credit risk by geographical area and by customer segment was as follows.

Geographical area SEK in millions	December 31, 2008
Sweden	766
Other countries	7
Total carrying value	773

Customer segment SEK in millions	December 31, 2008
Other operators	576
Other customers	197
Total carrying value	773

For more information on financial instruments by category and exposed to credit risk, refer to Note 21 "Financial Assets and Liabilities by Category" and section "Credit risk management" in Note 22 "Financial Risk Management," respectively. Conventional commercial terms apply for receivables from subsidiaries. As of the balance sheet date, ageing of Accounts receivable and Loans and receivables (including receivables from associated companies) were as follows.

SEK in millions	December 31, 2008	
	Accounts receivable	Loans and receivables
Not due	297	16
Receivables past due but not impaired		
Less than 30 days	145	–
30 – 180 days	4	–
More than 180 days	243	68
Total past due but not impaired	392	68
Total carrying value	689	84

Receivables past due as of the balance sheet date were not provided for as there had not been a significant change in credit quality and the amounts were still considered recoverable. TeliaSonera AB does not hold any significant collateral over these balances. Balances past due more than 180 days mainly referred to settlements with other operators regarding traffic passed in transit through TeliaSonera's fixed network. See also "Notes to Consolidated Financial Statements" (section "Credit risk management" in Note 28) for information on mitigation of credit risks related to accounts receivable.

Total bad debt expenses were SEK 34 million in 2008 and SEK 23 million in 2007, while there was no recovered accounts receivable in these years. The allowance for doubtful accounts receivable changed as follows.

SEK in millions	December 31,	
	2008	2007
Opening balance	209	181
Provisions for receivables impaired	34	72
Unused amounts reversed	-43	-44
Closing balance	200	209

Note 14 (Parent company) Short-term Investments, Cash and Cash Equivalents

Short-term investments

No short-term investments as of December 31, 2008 or 2007 had maturities over 3 months.

Cash and cash equivalents

Short-term investments with maturities up to and including 3 months are combined with Cash and bank to produce the item Cash and cash equivalents, as follows.

SEK in millions	December 31,	
	2008	2007
Short-term investments with maturities up to and including 3 months	4,730	1,611
<i>of which commercial papers held-to-maturity</i>	–	1,189
<i>of which bank deposits at amortized cost</i>	4,730	422
Cash and bank	1,472	1,179
Total (see Categories – Note 21 and Credit risk – Note 22)	6,202	2,790

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. For more information on financial instruments by category and exposed to credit risk, refer to Note 21 "Financial Assets and Liabilities by Category" and section "Credit risk management" in Note 22 "Financial Risk Management," respectively, and to Note 24 "Contingencies, Other Contractual Obligations and Litigation" for information on blocked funds in bank accounts.

Note 15 (Parent company) Shareholders' Equity

Share capital and treasury shares

See "Notes to Consolidated Financial Statements" (corresponding sections in Note 21).

Revaluation reserve

The revaluation reserve changed as follows.

SEK in millions	December 31,	
	2008	2007
Carrying value, opening balance	1,941	2,443
Sale of assets to the subsidiary TeliaSonera Skanova Access AB	-1,927	–
Depreciation	-11	-502
Carrying value, closing balance	3	1,941

Fair value reserve

The fair value reserve changed as follows.

SEK in millions	December 31,			
	2008		2007	
	Securi- ties	Deriva- tives	Securi- ties	Deriva- tives
Carrying value, opening balance	129	0	124	-35
Net changes in fair value	-98	-348	5	-13
Transferred to interest expenses in the income statement	–	18	–	62
Tax effect	–	87	–	-14
Carrying value, closing balance	31	-243	129	0

No transfer necessitated adjustment of the cost of acquisition.

Note 16 (Parent company) Provisions for Pensions and Employment Contracts

Pension obligations and pension expenses

The vast majority of employees in TeliaSonera AB are covered by a defined benefit pension plan (the ITP-Tele plan) which means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plan mainly includes retirement pension, disability pension and family pension. As of January 1, 2007, a new defined contribution pension plan (the ITP1 plan) was introduced. This pension plan is applicable to all employees born in 1979 or later.

The existing pension obligations that TeliaSonera AB assumed when it was converted into a limited liability company on July 1, 1993 and other pension obligations of the parent company are secured by Telia Pension Fund. Certain commitments, chiefly the contractual right to retire at age 55, 60, or 63 for certain categories of personnel, are provided for by a taxed reserve in the balance sheet.

Pension obligations are calculated annually, on the balance sheet date, based on actuarial principles.

SEK in millions	December 31,	
	2008	2007
Opening balance, pension obligations covered by plan assets	10,281	10,404
Opening balance, pension obligations not covered by plan assets	538	555
Opening balance, total pension obligations	10,819	10,959
Current service cost	122	109
Interest cost, paid-up policy indexation	447	448
Benefits paid	-816	-849
Divested operations	-69	-
Other changes in valuation of pension obligations	47	-1
Termination benefits	52	153
Closing balance, pension obligations covered by plan assets	10,051	10,281
Closing balance, pension obligations not covered by plan assets	551	538
Closing balance, total pension obligations	10,602	10,819
<i>of which FPG/PRI pensions</i>	<i>6,025</i>	<i>5,985</i>

In 2008, actuarial modifications reflecting an extended average life expectancy were implemented, resulting in an increase of the present value of pension obligations, however more than offset by a lowered standard increment for calculating the ITP pension plan funding reserve.

The fair value of plan assets changed as follows.

SEK in millions, except percentages	December 31,	
	2008	2007
Opening balance, plan assets	11,797	12,335
Actual return	-835	412
Divested operations	-69	-
Payment from pension fund	-500	-950
Closing balance, plan assets	10,393	11,797
<i>Actual return on plan assets (%)</i>	<i>-7.1</i>	<i>3.3</i>

As of the balance sheet date, plan assets were allocated as follows.

Asset category	December 31,			
	2008		2007	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	7,158	68.9	7,622	64.6
Shares and other investments	3,235	31.1	4,175	35.4
Total	10,393	100.0	11,797	100.0
<i>of which shares in TeliaSonera AB</i>	<i>37</i>	<i>0.4</i>	<i>41</i>	<i>0.3</i>

Provisions for pension obligations were recognized in the balance sheet as follows.

SEK in millions	December 31,	
	2008	2007
Present value of pension obligations	10,602	10,819
Fair value of plan assets	-10,393	-11,797
Surplus capital in pension fund	342	1,516
Provisions for pension obligations	551	538

Total pension expense (income) was distributed as follows.

SEK in millions	January–December	
	2008	2007
Current service cost	122	109
Interest cost, paid-up policy indexation	447	448
Less interest expenses recognized as financial expenses	-31	-24
Actual return on plan assets	835	-412
Other changes in valuation of pension obligation	-22	-1
Termination benefits	52	153
Pension expense, defined benefit pension plans	1,403	273
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	81	62
Changes in estimates	4	-19
Pension-related social charges and taxes	69	-
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	-73	-189
Pension expense	1,484	127
Decrease (-)/Increase (+) of surplus capital in pension fund	-1,105	-415
Total pension expense (+)/income (-)	379	-288
<i>of which pension premiums paid to the ITP pension plan</i>	<i>28</i>	<i>33</i>

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by FPG/PRI and the Swedish Financial Supervisory Authority, respectively.

The principal calculation assumption is the discount rate which, as a weighted average for the different pension plans and, as applicable, net of yield tax on pension plan assets, was 3.0 percent in 2008 and 3.2 percent in 2007. Obligations were calculated based on the salary levels existing at December 31, 2008 and 2007, respectively.

Plan asset allocation

See “Notes to Consolidated Financial Statements” (corresponding section in Note 23).

Future contributions and pension payments

As of December 31, 2008, the fair value of plan assets exceeded the present value of TeliaSonera AB's pension obligations. Unless the fair value of plan assets during 2009 should fall short of the present value of pension obligations, TeliaSonera AB has no intention to make any contribution to the pension fund.

In 2009, TeliaSonera AB expects pension payments from its defined benefit plans to be SEK 780 million.

Note 17 (Parent company) Other Provisions

Changes in other provisions were as follows.

December 31, 2008						
SEK in millions	Payroll taxes on future pension payments	Restructuring provisions	Warranty provisions	Damages and court cases	Insurance provisions	Total
Opening balance	60	47	78	240	55	480
<i>of which financial liabilities at amortized cost</i>	–	–	78	–	–	78
Provisions for the period	3	224	3	–	–	230
Utilized provisions	–	-53	-41	–	-4	-98
Reversals of provisions	–	-45	-28	–	–	-73
Reclassifications	–	-73	–	–	–	-73
Timing and interest-rate effects	–	-2	-0	–	–	-2
Closing balance	63	98	12	240	51	464
<i>of which non-current portion</i>	63	35	8	–	51	157
<i>of which current portion</i>	–	63	4	240	–	307
<i>of which financial liabilities at amortized cost (see Categories – Note 21)</i>	–	–	12	–	–	12

Provisions are discounted to present value, which equals fair value. Refer to Note 21 “Financial Assets and Liabilities by Category” for more information on financial instruments classified by category. As of December 31, 2008, contractual undiscounted cash flows for the financial liabilities represented the following expected maturities.

Expected maturity SEK in millions	2009	2010	2011– 2013	Later years	Total	Carrying value
Financial liabilities	4	4	–	7	15	12

Restructuring provisions mainly refer to staff redundancy costs related to cost savings programs in the Swedish operations, launched by management in 2005 and in 2008. The remaining provision as of December 31, 2008 is expected to be fully used by 2012. Warranty provisions also include provisions for potential litigation and other provisions related to disposals and winding-up of group entities and associated companies.

The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary mostly as a result of changes in actual pension payments, changes in the actual number of months an employee is staying in redeployment before leaving, changes in tax and other legislation and changes in the actual outcome of negotiations with lessors, sub-contractors and other external counter-parts as well as the timing of such changes.

Note 18 (Parent company) Long-term and Short-term Borrowings

Open-market financing programs

For information on TeliaSonera AB's open-market financing programs, see “Notes to Consolidated Financial Statements” (corresponding section in Note 22).

Borrowings and interest rates

Long-term and short-term borrowings were distributed as follows.

SEK in millions	December 31,			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings	49,834	51,723	38,034	38,294
<i>of which at amortized cost</i>	33,211	35,100	24,178	24,438
<i>of which in fair value hedge relationships</i>	16,623	16,623	13,856	13,856
Other borrowings at amortized cost	2,400	2,400	6	6
Interest rate swaps at fair value	375	375	188	188
<i>of which designated as hedging instruments</i>	288	288	188	188
<i>of which held-for-trading</i>	87	87	–	–
Cross currency interest rate swaps at fair value	20	20	77	77
<i>of which designated as hedging instruments</i>	20	20	–	–
<i>of which held-for-trading</i>	–	–	77	77
Total long-term borrowings (see Categories – Note 21)	52,629	54,518	38,305	38,565
Short-term borrowings				
Open-market financing program borrowings	7,323	7,333	1,444	1,440
<i>of which at amortized cost</i>	7,323	7,333	1,444	1,440
Other borrowings at amortized cost	1,419	1,419	777	775
Subtotal (see Categories – Note 21)/ Total fair value	8,742	8,752	2,221	2,215
Borrowings from subsidiaries	61,593		50,474	
<i>of which cash-pool balances</i>	27,105		26,339	
<i>of which other borrowings</i>	34,488		24,135	
Total short-term borrowings	70,335		52,695	

For 2008 and 2007, fully unutilized bank overdraft facilities had a total limit of SEK 1,067 million and SEK 1,053 million, respectively.

For additional information on financial instruments classified by category, refer to Note 21 “Financial Assets and Liabilities by Category”, and for information on maturities and liquidity risks, refer to section “Liquidity risk management” in Note 22 “Financial Risk Management.” Refer to “Notes to Consolidated Financial Statements” (corresponding section in Note 22) for information on the swap portfolio and average interest rates on borrowings. Conventional commercial terms apply for borrowings from subsidiaries.

Note 19 (Parent company) Long-term Liabilities

The carrying value of long-term liabilities was distributed as follows.

SEK in millions	December 31,	
	2008	2007
Liabilities to subsidiaries	38	160
Prepaid contracts for broadband build-out	573	654
Other liabilities	9	–
Total long-term liabilities	620	814

For the years 2008 and 2007, SEK 573 million and SEK 233 million, respectively, fell due more than 5 years after the balance sheet date.

Note 20 (Parent company) Short-term Provisions, Trade Payables and Other Current Liabilities

Short-term provisions, trade payables and other current liabilities were distributed as follows.

SEK in millions	December 31,	
	2008	2007
Accounts payable at amortized cost	1,223	2,069
Currency swaps, forward exchange contracts and currency options held-for-trading	338	1
Current liabilities to associated companies at amortized cost	31	38
Current liabilities at amortized cost	762	934
Subtotal (see Categories – Note 21)	2,354	3,042
Liabilities to subsidiaries	680	1,499
Other current liabilities	244	451
Deferred income	487	860
Total short-term provisions, trade payables and other current liabilities	3,765	5,852

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. The remaining contractual maturity is mainly less than 3 months. For additional information on financial instruments classified by category and on liquidity risks, refer to Note 21 “Financial Assets and Liabilities by Category” and section “Liquidity risk management” in Note 22 “Financial Risk Management.”

The main components of Current liabilities are accrued payables to suppliers and accrued interconnect and roaming charges, while Other current liabilities mainly entail value-added tax, advances from customers and accruals of payroll expenses and social security contributions. Deferred income chiefly relate to charges for network capacity. Conventional commercial terms apply for trading with subsidiaries.

Note 21 (Parent company) Financial Assets and Liabilities by Category

The table below sets forth carrying values of classes of financial assets and liabilities distributed by category. Financial assets and liabilities relating to subsidiaries are not included. Excluded are also investments in associated companies as discussed in Note 11 "Other Financial Assets" and pension obligations as discussed in Note 16 "Provisions for Pensions and Employment Contracts."

SEK in millions	Note	December 31,	
		2008	2007
Financial assets			
Derivatives designated as hedging instruments	11	1,153	83
Financial assets at fair value through profit and loss			
Derivatives not designated as hedging instruments	11, 13	4,245	621
Held-for-trading investments	11	8	8
Held-to-maturity investments	14	–	1,189
Loans and receivables	11, 13, 14	6,976	3,355
Available-for-sale financial assets	11	102	196
Total financial assets by category		12,484	5,452
Financial liabilities			
Derivatives designated as hedging instruments	18	308	188
Financial liabilities at fair value through profit and loss			
Derivatives not designated as hedging instruments	18, 20	425	78
Borrowings in fair value hedge relationships	18	16,623	13,856
Financial liabilities measured at amortized cost	17, 18, 20	46,381	29,524
Total financial liabilities by category		63,737	43,646

Expected maturity SEK in millions	2009	2010	2011	2012	2013	Later years	Total
Other borrowings	6,264	121	1,576	519	377	–	8,857
Cross currency interest rate swaps and interest rate swaps							
Payables	1,507	3,625	2,442	6,156	4,470	8,794	26,994
Receivables	-1,678	-4,165	-2,656	-7,254	-5,201	-10,538	-31,492
Currency swaps and forward exchange contracts							
Payables	36,528	–	–	–	–	–	36,528
Receivables	-36,386	–	–	–	–	–	-36,386
Total, net	10,827	8,530	7,491	7,854	7,292	24,246	66,240

For additional information on liquidity risk management relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (corresponding section in Note 28).

Note 23 (Parent company) Operating Lease Agreements

TeliaSonera AB leases primarily premises and land. Most of the leases are from outside parties. The leases are on commercial terms with respect to prices and duration. There was no subletting.

Note 22 (Parent company) Financial Risk Management

General

For general information on financial risk management relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (Note 28).

Credit risk management

TeliaSonera's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments (detailed in the respective note and excluding receivables from subsidiaries), as follows.

SEK in millions	Note	December 31,	
		2008	2007
Other financial assets	11	4,437	772
Trade and other receivables	13	1,845	1,890
Short-term investments, cash and cash equivalents	14	6,202	2,790
Total		12,484	5,452

For additional information on credit risk management relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (corresponding section in Note 28).

Liquidity risk management

As of December 31, 2008, contractual undiscounted cash flows for interest-bearing borrowings and non-interest-bearing currency derivatives represented the following expected maturities, including estimated interest payments. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant. Corresponding information on non-interest-bearing liabilities are presented in Note 20 "Short-term Provisions, Trade Payables and Other Current Liabilities."

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2008 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	2009	2010	2011	2012	2013	Later years	Total

In 2008 and 2007, total rent and leasing fees paid were SEK 455 million and SEK 493 million a, respectively.

Note 24 (Parent company) Contingencies, Other Contractual Obligations and Litigation

Contingent assets, guarantees and collateral pledged

As of the balance sheet date, TeliaSonera AB had no contingent assets, while guarantees reported as contingent liabilities and collateral pledged were distributed as follows.

SEK in millions	December 31,	
	2008	2007
Guarantees		
Guarantees on behalf of subsidiaries	3,336	2,686
Credit guarantee on behalf of Svenska UMTS-nät AB	2,021	1,838
Other credit and performance guarantees, etc.	–	13
Guarantees for pension obligations	132	132
Total guarantees	5,489	4,669
Collateral pledged	–	1

Some loan covenants agreed limit the scope for divesting or pledging certain assets. For information on change-of-control provisions in some of TeliaSonera AB's more recent financing arrangements, see "Notes to Consolidated Financial Statements" (corresponding section in Note 30).

For all guarantees, except the credit guarantee on behalf of TeliaSonera AB's indirectly 50 percent owned joint venture Svenska UMTS-nät AB, stated amounts equal the maximum potential amount of future payments that TeliaSonera AB could be required to make under the respective guarantee. For information on the guarantee on behalf of Svenska UMTS-nät, see "Notes to Consolidated Financial Statements" (corresponding section in Note 30).

Guarantees on behalf of subsidiaries include SEK 2,030 million (EUR 178 million) related to Xfera Móviles S.A., comprising a counter guarantee of EUR 135 million as TeliaSonera's share on behalf of Xfera's performance requirements in relation to its UMTS license and a counter guarantee of EUR 43 million as TeliaSonera's share to cover payment to a former Xfera shareholder, should the outcome of a legal dispute concerning Xfera's spectrum fee for 2001 be favourable. Guarantees on behalf of subsidiaries also include SEK 646 million related to Swedish pension obligations and SEK 314 million related to the Danish 3G license.

In addition to guarantees indicated above, guarantees for fulfillment of contractual undertakings are granted by TeliaSonera AB on behalf of subsidiaries, as part of the Group's normal course of business. At the balance sheet date, there was no indication that payment will be required in connection with any such contractual guarantee.

Other unrecognized contractual obligations

As of December 31, 2008, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	December 31,		
	2009	Later years	Total
Other intangible assets	31	–	31
Property, plant and equipment	240	–	240
Total	271	–	271

Obligations with respect to property, plant and equipment refer to the continued expansion of transmission capacity in the Swedish fixed network.

Legal and administrative proceedings

For additional information relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (corresponding section in Note 30).

Note 25 (Parent company) Cash Flow Information

Non-cash transactions

In 2008, a capital contribution of SEK 34,000 million was provided in kind in exchange for new shares issued by the subsidiary TeliaSonera Skanova Access AB (see also Note 10 "Property, Plant and Equipment," section "Plant and machinery" for information on this non-cash asset transfer). In 2008 and 2007, claims on subsidiaries totaling SEK 25 million and SEK 4 million, respectively, were converted to equity in the companies.

Note 26 (Parent company) Human Resources

The number of employees decreased to 2,160 at December 31, 2008 (2,565 at year-end 2007), mainly due to operations being transferred of to the subsidiary TeliaSonera Skanova Access AB. The average number of full-time employees was as follows.

Country	January–December			
	2008		2007	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	2,117	68.4	2,501	69.2
Total	2,117	68.4	2,501	69.2

The share of female and male Corporate Officers was as follows. Corporate Officers include all members of the Board of Directors, the President, the Executive Vice President and the 6 other members (2007: 5 members) of the Leadership Team employed by the parent company.

Percent	December 31,			
	2008		2007	
	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	40.0	25.0	40.0	14.3
Men	60.0	75.0	60.0	85.7
Total	100.0	100.0	100.0	100.0

Absence due to illness, as a percentage of ordinary work-hours excluding leave time and vacation, was distributed as follows.

Percent	January–December	
	2008	2007
Total absence due to illness	2.1	2.6
Absence due to illness for a period of 60 consecutive days or longer	1.0	1.5
Total absence due to illness, men	1.6	2.0
Total absence due to illness, women	3.2	3.8
Total absence due to illness, employees 29 years of age and younger	1.9	1.1
Total absence due to illness, employees 30–49 years of age	2.0	2.2
Total absence due to illness, employees 50 years of age and older	2.3	3.0

Total personnel expenses were distributed by nature as follows.

SEK in millions	January–December	
	2008	2007
Salaries and other remuneration	1,215	1,218
Social security expenses		
Employer's social security contributions	398	403
Pension expenses	379	-288
Total social security expenses	777	115
Other personnel expenses	72	86
Total personnel expenses recognized by nature	2,064	1,419

Salaries and other remuneration were divided between Corporate Officers and other employees as follows.

SEK in millions	January–December			
	2008		2007	
Country	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Sweden	41 (9)	1,174	58 (7)	1,160
Total	41 (9)	1,174	58 (7)	1,160

Corporate Officers include members of the Board of Directors and, as applicable, former Board members (but exclude employee representatives); the President and the Executive Vice President and, as applicable, former holders of these positions; and the 6 other members (2007: 5 members) of the Leadership Team employed by the parent company.

Pension expenses and outstanding pension commitments for Corporate Officers were as follows. There are no pension benefit arrangements for external members of the Board of Directors.

SEK in millions	January–December or December 31,	
	2008	2007
Pension expenses	15	18
Outstanding pension commitments	168	184

For additional information, see section "Remuneration to corporate officers" in "Notes to Consolidated Financial Statements" (Note 32).

Note 27 (Parent company) Auditors' Fees and Services

Remuneration paid was as follows. See also additional information in "Notes to Consolidated Financial Statements" (Note 33).

SEK in millions	January–December	
	2008	2007
PricewaterhouseCoopers AB (PwC)		
Audits	9	9
Audit-related services	0	1
Tax services, all other services	0	1
Total	9	11
Ernst & Young AB (E&Y)		
Tax services, all other services	4	1
Total	4	1
KPMG Bohlins AB (KPMG)		
Tax services, all other services	5	6
Total	5	6
Other accounting firms		
Tax services, all other services	3	4
Total	3	4
Total	21	22

In 2008 and 2007, no audit firm fees were capitalized as transaction costs in business combinations and similar transactions.

Note 28 (Parent company) Specification of Shareholdings and Participations

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			2008	2007
Swedish companies				
TeliaSonera Skanova Access AB, 556446-3734, Stockholm	100	21,255,000	34,003	3
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	10,000	5,557	5,557
Baltic Tele AB, 556454-0085, Stockholm	100	100,000	3,096	3,096
TeliaSonera Sverige AB, 556430-0142, Stockholm	100	3,000,000	2,898	2,898
Amber Mobile Teleholding AB, 556554-7774, Stockholm	100	1,000	2,806	2,806
TeliaSonera Mobile Networks AB, 556025-7932, Nacka	100	550,000	2,698	2,683
Telia International AB, 556352-1284, Stockholm	100	20,000	1,722	1,722
Telia Fastigheter Telaris AB, 556343-6434, Stockholm	100	50,000,000	731	731
Cygate Group AB (publ), 556364-0084, Solna	100	532,724,280	681	681
Telia International Holdings AB, 556572-1486, Stockholm	100	1,000	508	508
TeliaSonera International Carrier AB, 556583-2226, Stockholm	100	1,000,000	453	453
TeliaSonera Finans AB, 556404-6661, Stockholm	100	1,000	229	229
TeliaSonera Försäkring AB, 516401-8490, Stockholm	100	1,000,000	200	200
TeliaSonera Sverige Net Fastigheter AB, 556368-4801, Stockholm	100	5,000	169	169
IKT II Holding AB, 556635-7306, Stockholm	100	1,822,791	120	120
Sonera Sverige AB, 556476-3133, Stockholm	100	52,000	75	75
Telia Electronic Commerce AB, 556228-8976, Stockholm	100	27,500	45	45
Sense Communications AB, 556582-8968, Stockholm	100	250,000	34	34
Sergel Kreditjänster AB, 556264-8310, Stockholm	100	5,000	8	8
Telia InfoMedia Interactive AB, 556138-5781, Stockholm	100	250,000	8	8
Telia International Management AB, 556595-2917, Stockholm	100	1,000	5	5
TeliaSonera Asset Finance AB, 556599-4729, Stockholm	100	1,000	3	3
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	3	3
Telia Norge Holding AB, 556591-9759, Stockholm	100	1,000	0	0
Other operating, dormant and divested companies			0	304

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			2008	2007
Companies outside Sweden				
TeliaSonera Finland Oyj, 1475607-9, Helsinki	100	1,417,360,375	75,448	71,184
Sergel Oy, 1571416-1, Helsinki	100	267,966,000	277	277
TeliaSonera International Carrier Finland Oy, 1649304-9, Helsinki	100	100	37	37
Telia NetCom Holding AS, 954393232, Oslo	100	100	4,596	4,596
NextGenTel AS, 981649141, Bergen	100	3,750,000,000	2,335	2,335
TeliaSonera Chess Holding AS, 980107760, Bergen	100	160,959,656	2,315	2,315
ComHouse AS, 988755656, Larvik	100	181,700,000	239	–
Telia Norge AS, 975961176, Oslo	100	2,000	189	189
TeliaSonera International Carrier Norway AS, 981946685, Oslo	100	32,666	80	80
TeliaSonera Danmark A/S, 18530740, Copenhagen	100	14,500	6,835	6,835
Amber Teleholding A/S, 20758694, Copenhagen	100	1,000	3,048	3,048
debitel Danmark A/S, 19670996, Albertslund	100	200,000,000	1,344	1,344
TeliaSonera International Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
UAB Sergel, 125026242, Vilnius	100	1,500	4	–
SIA Telia Latvija, 000305757, Riga	100	328,300	123	13
TeliaSonera International Carrier Latvia SIA, 000325135, Riga	100	205,190	13	13
Latvijas Mobilais Telefons SIA, 000305093, Riga	24.5	140,679	2	2
SIA Sergel, 010318318, Riga	100	1,000	1	–
Xfera Móviles S.A., A82528548, Madrid	76.6	517,025,247	2,523	2,523
TeliaSonera Telekomünikasyon Hizmetleri L.S., 381395, Istanbul	99	79,133	10	–
TeliaSonera International Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	–	1,329	1,329
TeliaSonera International Carrier France S.A.S., B421204793, Paris	100	2,700,000	681	681
TeliaSonera International Carrier Switzerland AG, 2171000547-8, Zurich	100	1,000	54	54
TeliaSonera International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	60	60
TeliaSonera International Carrier Belgium S.A., 469422293, Brussels	100	50,620	20	20
TeliaSonera International Carrier Italy S.p.A, 07893960018, Turin	100	530,211	17	17
ZAO TeliaSonera International Carrier Russia, 102780919732, Moscow	100	220,807,825	200	200
TeliaSonera International Carrier Poland Sp. z o.o., KRS00000186, Warsaw	100	52,500	63	63
TeliaSonera International Carrier Czech Republic a.s., 26207842, Prague	100	20,000	182	182
TeliaSonera International Carrier Slovakia, s.r.o., 36709913, Bratislava	100	–	7	0
TeliaSonera International Carrier Hungaria Távközlési Kft., 01-09-688192, Budapest	100	–	32	15
TeliaSonera International Carrier Bulgaria EOOD, 175215740, Sofia	100	40,050	19	–
TeliaSonera International Carrier Romania S.R.L., 20974985, Bukarest	100	20,001	10	0
TeliaSonera International Carrier Telekomünikasyon L.S., 609188-556770, Istanbul	100	55,919	8	0
TeliaSonera International Carrier, Inc., 541837195, Herndon, VA	100	100	530	530
TeliaSonera International Carrier Singapore Pte. Ltd, 200005728N, Singapore	100	1,200,002	1	5
Telia Swedtel (Philippines), Inc., AS095-003695, Manila	100	124,995	2	2
Other operating, dormant and divested companies			0	26
Total			158,858	120,488

Equity participation corresponds to voting rights participation in all companies except Xfera Móviles S.A., where TeliaSonera controls 80 percent of the votes by virtue of a shareholders agreement.

Telia Denmark is a branch of Telia Nättjänster Norden AB. Telia Norge Holding AB and Telia NetCom Holding AS jointly own all shares in NetCom AS. Baltic Tele AB holds 60 percent of the shares in AS Eesti Telekom and Amber Teleholding A/S 60 percent of the shares in TEO LT, AB (63 percent of the votes considering the company's treasury shares). Amber Mobile Teleholding AB owns all shares in UAB Omnitel. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. TeliaSonera has a board majority on Latvijas Mobilais Telefons. The remaining shares in TeliaSonera Telekomünikasyon Hizmetleri L.S. are owned by Telia-

Sonera Finland Oyj which also indirectly controls Fintur Holdings B.V. and TeliaSonera UTA Holding B.V.

In 2008, the previously associated company ComHouse AS became a subsidiary, while the holding in TeliaSonera Telekomünikasyon Hizmetleri L.S. was transferred from a subsidiary. Other operating and dormant companies do not control Group assets of significant value. Holdings of Other Swedish and non-Swedish companies for the comparative year (SEK 304 million and SEK 26 million, respectively), refer to the liquidations of IKT I Holding AB, Infonet Svenska AB, Telia Holding Personal AB and Telefons II B.V. in 2008.

In addition to the companies mentioned above, TeliaSonera AB indirectly controls a number of operating and dormant subsidiaries of subsidiaries.

Proposed Appropriation of Earnings

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	28,483,266,524
Net income	30,306,233,346
Total	58,789,499,870

The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 1.80 per share ordinary dividend to the shareholders	8,082,822,983
To be carried forward to 2009	50,706,676,887
Total	58,789,499,870

The Report of the Directors for the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 9, 2009

Tom von Weymar
Chairman

Agneta Ahlström

Majja-Liisa Friman

Elof Isaksson

Conny Karlsson

Lars G Nordström

Timo Peltola

Jon Risfelt

Caroline Sundewall

Berith Westman

Lars Nyberg
President and CEO

Our auditors' report was rendered March 11, 2009

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Auditors' Report

To the Annual Meeting of the shareholders of TeliaSonera AB (publ)

Corporate Reg. No. 556103-4249

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the managing director of TeliaSonera AB (publ) for the year 2008. The company's annual accounts and consolidated accounts are included in the printed version on pages 30-108. The Board of Directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the managing director and significant estimates made by the Board of Directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory report of the directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the report of the directors and that the members of the Board of Directors and the managing director be discharged from liability for the financial year.

Stockholm, March 11, 2009

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Ten-year Summary Financial Data

TeliaSonera Group Financial Data (IFRS)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Income statements (SEK in millions)										
Net sales	103,585	96,344	91,060	87,661	81,937	82,425	59,483	57,196	54,064	52,121
Operating income	28,648	26,155	25,489	17,549	18,793	14,710	-10,895	5,460	12,006	5,946
Income after financial items	26,411	25,251	25,226	17,019	17,448	13,899	-11,616	4,808	11,717	5,980
Net income	21,442	20,298	19,283	13,694	14,264	10,049	-7,997	1,891	10,270	4,226
of which attributable to parent company shareholders	19,011	17,674	16,987	11,697	12,964	9,080	-8,067	1,869	10,278	4,222
EBITDA excluding non-recurring items	32,954	31,021	32,266	29,411	30,196	30,700	15,692	12,915	13,087	14,059
EBITDA	31,658	30,333	31,113	27,508	30,841	32,035	9,421	13,299	21,425	12,875
Amortization, depreciation and impairment losses	12,106	11,875	11,203	13,188	15,596	17,707	20,844	13,975	8,222	7,652
Balance sheets (SEK in millions)										
Goodwill and other intangible assets	100,968	83,909	74,172	74,367	69,534	61,820	68,106	26,816	25,198	2,146
Property, plant and equipment	61,946	52,602	48,195	48,201	47,212	49,161	56,172	47,314	43,807	33,318
Financial assets	62,265	48,633	41,826	40,526	35,353	42,061	48,534	20,784	22,335	18,023
Current assets and non-current assets held-for-sale	39,107	31,558	35,199	40,681	39,873	37,018	33,844	33,277	31,375	23,117
Total assets	264,286	216,702	199,392	203,775	191,972	190,060	206,656	128,191	122,715	76,604
Total equity	141,448	127,057	127,717	135,694	128,067	115,834	113,949	60,089	56,308	33,103
of which shareholders' equity	130,387	117,274	119,217	127,049	121,133	112,393	108,829	59,885	55,988	32,893
Provisions	24,594	16,748	15,471	15,564	13,402	15,297	18,406	13,107	11,351	10,488
Interest-bearing liabilities	65,799	43,579	27,729	26,735	24,675	30,554	44,732	29,124	34,042	16,057
Non-interest-bearing liabilities	32,445	29,318	28,475	25,782	25,828	28,375	29,569	25,871	21,014	16,956
Total equity and liabilities	264,286	216,702	199,392	203,775	191,972	190,060	206,656	128,191	122,715	76,604
Capital employed	199,186	153,090	127,195	146,712	147,132	142,235	157,035	90,971	92,374	50,936
Operating capital	178,017	140,925	110,163	125,299	126,198	120,006	137,113	70,150	75,042	39,160
Net debt	48,614	34,155	14,892	7,879	6,580	17,648	38,075	20,004	32,512	14,280
Net interest-bearing liability	44,652	31,830	10,736	5,320	3,741	8,847	25,034	10,661	20,235	7,527
Cash flows (SEK in millions)										
Cash flow from operating activities	27,086	26,529	27,501	26,990	24,403	26,443	12,449	10,416	10,152	10,715
Cash flow from investing activities	-19,634	-15,705	-13,084	-12,236	-7,991	-3,443	-5,553	3,632	-37,121	-10,701
Cash flow before financing activities	7,452	10,824	14,417	14,754	16,412	23,000	6,896	14,048	-26,969	14
Cash flow from financing activities	-4,359	-14,726	-19,382	-15,653	-11,102	-16,412	-10,344	-6,608	26,818	1,005
Cash flow for the year	3,093	-3,902	-4,965	-899	5,310	6,588	-3,448	7,440	-151	1,019
Free cash flow	11,328	13,004	16,596	15,594	14,118	17,351	3,877	-6,506	-5,845	2,828
Investments (SEK in millions)										
CAPEX	15,795	13,531	11,101	11,583	10,331	9,267	14,345	17,713	16,580	7,701
Acquisitions and other investments	9,060	7,171	3,951	2,732	9,099	2,851	40,093	3,022	31,162	4,444
Total investments	24,855	20,702	15,052	14,315	19,430	12,118	54,438	20,735	47,742	12,145
Business ratios										
EBITDA margin (%)	31.8	32.2	35.4	33.6	36.9	37.2	26.4	22.6	24.2	27.0
Operating margin (%)	27.7	27.1	28.0	20.0	22.9	17.8	-18.3	9.5	22.2	11.4
Return on sales (%)	20.7	21.1	21.2	15.6	17.4	12.2	-13.4	3.3	19.0	8.1
Amortization, depreciation and impairment losses as a percentage of net sales	11.7	12.3	12.3	15.0	19.0	21.5	35.0	24.4	15.2	14.7
CAPEX-to-sales ratio (%)	15.2	14.0	12.2	13.2	12.6	11.2	24.1	31.0	30.7	14.8
Total asset turnover (multiple)	0.43	0.46	0.45	0.44	0.43	0.42	0.36	0.46	0.54	0.72
Turnover of capital employed (multiple)	0.59	0.69	0.67	0.60	0.57	0.55	0.48	0.62	0.75	1.10
Return on assets (%)	12.7	13.1	13.2	9.4	10.5	8.7	-5.7	5.7	13.6	9.4
Return on capital employed (%)	17.3	19.4	19.5	12.6	13.9	11.6	-7.7	7.8	18.9	14.4
Return on equity (%)	17.2	18.6	17.2	10.3	11.6	8.5	-9.7	3.3	23.9	14.2
Equity/assets ratio (%)	50.5	50.3	49.9	58.9	63.8	58.5	54.2	46.4	44.7	41.3
Net debt/equity ratio (%)	36.5	31.3	15.0	6.6	5.4	15.9	34.0	33.6	59.3	45.1
Interest coverage ratio (multiple)	7.6	14.2	18.1	11.7	7.6	5.1	-4.7	3.0	7.3	8.5
Self-financing rate (multiple)	1.09	1.28	1.83	1.89	1.26	2.18	0.23	0.50	0.21	0.88
Share data										
Number of outstanding shares (millions)										
– at the end of the period	4,490.5	4,490.5	4,490.5	4,490.5	4,675.2	4,675.2	4,605.8	3,001.2	3,001.2	8.8
– average, basic ¹	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2	4,667.6	3,124.3	3,001.2	2,932.8	2,851.2
– average, diluted ¹	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2	4,668.4	3,125.3	3,001.2	2,932.8	2,851.2
Basic and diluted earnings/loss per share (SEK)	4.23	3.94	3.78	2.56	2.77	1.95	-2.58	0.62	3.50	1.48
Cash dividend per share (SEK) ^{2 3}	1.80	4.00	6.30	3.50	1.20	1.00	0.40	0.20	0.50	0.52
Total cash dividend (SEK in millions) ^{2 3}	8,083	17,962	28,290	15,717	5,610	4,675	1,870	600	1,501	1,470
Pay-out ratio (%)	42.5	101.6	166.5	136.9	43.3	51.4	n/a	32.1	14.3	34.8
Shareholders' equity per share (SEK)	29.04	26.12	26.55	28.29	25.91	24.04	23.63	19.95	18.66	11.54

¹ Adjusted for a 324-to-1 share split in 2000.

² For 2008 as proposed by the Board of Directors.

³ For 2007, 2006 and 2005 including extra dividends of SEK 2.20 per share (totaling SEK 9,879 million), SEK 4.50 per share (totaling SEK 20,207 million) and SEK 2.25 per share (totaling SEK 10,104 million), respectively.

Ten-year Summary Operational Data

TeliaSonera Group Operational Data	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Mobility Services										
Total subscriptions (thousands)	15,900	14,501	13,434	13,000	11,545	9,519	9,202	4,936	4,519	2,841
<i>of which Sweden</i>										
Mobile telephony, total subscriptions (thousands)	5,334	4,807	4,603	4,387	4,243	3,838	3,604	3,439	3,257	2,638
Mobile telephony, total GSM/UMTS (thousands)	5,334	4,807	4,489	4,267	4,117	3,706	3,467	3,295	3,076	2,348
Mobile telephony, total NMT (thousands)	–	–	114	120	126	132	137	144	181	290
Mobile telephony, outgoing traffic (millions of minutes)	7,849	6,635	5,335	4,456	3,814	3,313	3,201	3,016	2,591	2,089
Mobile telephony, incoming traffic (millions of minutes)	3,815	3,474	3,058	2,750	2,573	2,400	2,272	2,067	1,766	1,416
Mobile telephony, MoU (minutes)	191	178	157	139	131	128	131	127	123	121
Mobile telephony, blended churn (%)	14	15	17	15	11	13	n/a	n/a	n/a	n/a
Mobile telephony, ARPU (SEK)	189	194	204	213	227	252	262	285	308	332
<i>of which Finland</i>										
Mobile telephony, total subscriptions (thousands)	2,676	2,449	2,407	2,507	2,297	2,428	2,790	239	149	33
Mobile telephony, outgoing traffic (millions of minutes)	5,618	5,473	5,936	5,642	4,820	4,743	n/a	n/a	n/a	n/a
Mobile telephony, incoming traffic (millions of minutes)	2,911	2,656	2,554	2,405	2,147	2,090	n/a	n/a	n/a	n/a
Mobile telephony, traffic per customer and month (minutes)	276	284	285	277	253	232	n/a	n/a	n/a	n/a
Mobile telephony, blended churn (%)	17	16	19	24	28	17	n/a	n/a	n/a	n/a
Mobile telephony, ARPU (EUR)	26	29	29	30	38	38	n/a	n/a	n/a	n/a
<i>of which Norway</i>										
Mobile telephony, total subscriptions (thousands)	1,581	1,577	1,641	1,651	1,308	1,195	1,089	970	850	–
Mobile telephony, traffic per customer and month (minutes)	247	236	218	192	175	164	156	133	130	–
Mobile telephony, ARPU (NOK)	330	348	352	333	339	342	330	310	308	–
<i>of which Denmark</i>										
Mobile telephony, total subscriptions (thousands)	1,493	1,449	1,123	1,154	1,115	472	421	288	263	170
<i>of which Baltic countries</i>										
Mobile telephony, subscriptions, Lithuania (thousands)	2,012	2,012	2,074	1,889	1,338	1,052	851	–	–	–
Mobile telephony, subscriptions, Latvia (thousands)	1,056	1,015	803	735	649	534	447	–	–	–
Mobile telephony, subscriptions, Estonia (thousands)	778	765	759	677	595	–	–	–	–	–
<i>of which Spain</i>										
Mobile telephony, subscriptions (thousands)	970	427	24	–	–	–	–	–	–	–
Broadband Services										
Broadband, total subscriptions (thousands)	2,434	2,326	1,990	1,430	1,029	678	495	255	59	14
Fixed telephony, total subscriptions (thousands)	5,806	6,218	6,497	7,064	8,312	8,087	8,296	6,585	6,621	6,519
<i>of which Sweden</i>										
Broadband, subscriptions (thousands)	1,122	1,061	915	711	526	394	317	194	27	2
Fixed telephony, total subscriptions (thousands)	4,000	4,295	4,586	5,036	6,115	6,283	6,415	6,585	6,621	6,519
<i>of which Finland</i>										
Broadband, subscriptions (thousands)	478	473	412	350	243	150	82	–	–	–
Fixed telephony, total subscriptions (thousands)	420	497	580	647	740	804	722	–	–	–
<i>of which Norway</i>										
Broadband, subscriptions (thousands)	176	177	172	–	–	–	–	–	–	–
<i>of which Denmark</i>										
Broadband, subscriptions (thousands)	184	187	162	151	126	104	81	58	30	11
Cable TV, subscriptions (thousands)	210	210	210	204	201	195	188	179	175	170
Fixed telephony, prefix and contract customers (thousands)	226	251	165	195	212	172	223	n/a	n/a	n/a
<i>of which Baltic countries</i>										
Broadband, subscriptions, Lithuania (thousands)	298	259	181	105	50	25	11	–	–	–
Fixed telephony, subscriptions, Lithuania (thousands)	769	789	785	798	819	828	936	–	–	–
Broadband, subscriptions, Estonia (thousands)	176	163	141	107	77	–	–	–	–	–
Fixed telephony, subscriptions, Estonia (thousands)	391	386	381	388	426	–	–	–	–	–
Eurasia										
Mobile telephony, total subscriptions (thousands)	18,416	12,147	7,352	6,146	3,866	2,385	1,614	–	–	–
Mobile telephony, subscriptions, Kazakhstan (thousands)	7,083	6,017	3,539	3,320	1,795	990	615	–	–	–
Mobile telephony, subscriptions, Azerbaijan (thousands)	3,471	3,029	2,333	1,741	1,291	912	669	–	–	–
Mobile telephony, subscriptions, Uzbekistan (thousands)	2,683	690	–	–	–	–	–	–	–	–
Mobile telephony, subscriptions, Tajikistan (thousands)	1,154	611	–	–	–	–	–	–	–	–
Mobile telephony, subscriptions, Georgia (thousands)	1,582	1,296	1,032	715	481	307	198	–	–	–
Mobile telephony, subscriptions, Moldova (thousands)	550	504	448	370	299	176	132	–	–	–
Mobile telephony, subscriptions, Nepal (thousands)	1,749	–	–	–	–	–	–	–	–	–
Mobile telephony, subscriptions, Cambodia (thousands)	144	–	–	–	–	–	–	–	–	–

Operational Data	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Human Resources										
Number of employees as of December 31	32,171	31,292	28,528	28,175	29,082	26,694	29,173	17,149	29,868	30,643
Average number of full-time employees during the year	30,037	28,561	26,969	27,403	25,381	26,188	17,277	24,979	30,307	29,546
of whom, in Sweden	10,152	10,002	10,427	11,061	10,948	11,321	12,593	20,922	25,383	25,414
of whom, in Finland	5,258	5,697	5,936	6,369	6,750	6,408	1,142	775	999	662
of whom, in other countries	14,627	12,862	10,606	9,973	7,683	8,459	3,542	3,282	3,925	3,470
of whom, women	13,251	12,571	12,164	11,934	11,427	10,936	7,546	9,196	11,521	11,268
of whom, men	16,786	15,990	14,805	15,469	13,954	15,252	9,731	15,783	18,786	18,278
Salaries and remuneration (SEK in millions)	11,011	9,632	8,918	9,023	8,674	8,460	6,732	8,852	9,543	9,184
Employer's social security contributions (SEK in millions)	2,134	1,971	1,903	1,970	1,902	1,950	1,804	2,614	3,055	2,895
Salaries and employer's social security contributions as a percentage of operating costs	16.0	14.8	15.2	15.5	16.4	14.9	14.9	19.4	25.5	26.2
Net sales per employee (SEK in thousands)	3,449	3,373	3,376	3,199	3,228	3,147	3,443	2,290	1,784	1,764
Operating income per employee (SEK in thousands)	954	916	945	640	740	562	-631	219	396	201
Change in labor productivity (%)	7.8	7.1	11.2	8.3	10.8	-4.9	53.5	31.9	8.3	17.9
Net income per employee (SEK in thousands)	714	711	715	500	511	347	-467	75	339	143

Definitions

Concepts

EBITDA

An abbreviation of "Earnings Before Interest, Tax, Depreciation and Amortization." Equals operating income before amortization, depreciation and impairment losses, and before income from associated companies.

Non-recurring items

Non-recurring items include capital gains and losses, costs for phasing out operations, personnel redundancy costs, and non-capitalized expenses in conjunction with the merger with Sonera in 2002. Effective January 1, 2003, only capital gains/losses, write-downs, restructuring programs or similar that represent more than SEK 100 million on an individual basis, are reported as non-recurring. Previous periods have not been restated.

Adjusted shareholders' equity

Reported equity (excluding minority interests) less the (proposed) dividend. For the parent company also including untaxed reserves net of tax.

Capital employed

Total assets less non-interest-bearing liabilities and non-interest-bearing provisions, and the (proposed) dividend.

Operating capital

Non-interest-bearing assets less non-interest-bearing liabilities, including the (proposed) dividend, and non-interest-bearing provisions.

Segment assets and liabilities (Segment operating capital)

As Operating capital, but assets and liabilities exclude deferred and current tax items, respectively, and liabilities exclude the (proposed) dividend.

Net interest-bearing liability

Interest-bearing liabilities and provisions less interest-bearing assets but including investments in associated companies and joint ventures.

Net debt

Interest-bearing liabilities less derivatives recognized as financial assets and hedging long-term and short-term borrowings, and less short-term investments and cash and bank.

Free cash flow

Cash flow from operating activities less cash CAPEX.

CAPEX

An abbreviation of "Capital Expenditure." Investments in intangible and tangible non-current assets but excluding goodwill, fair-value adjustments and asset retirement obligations.

Acquisitions and other investments

Investments in goodwill and fair-value adjustments, shares and participations, and asset retirement obligations.

EBITDA margin

EBITDA excluding non-recurring items expressed as a percentage of net sales.

Operating margin (EBIT margin)

Operating income expressed as a percentage of net sales.

Return on sales

Net income (including minority interests) expressed as a percentage of net sales.

Total asset turnover

Net sales divided by the average balance sheet total.

Turnover of capital employed

Net sales divided by the average capital employed.

Return on assets

Operating income plus financial revenues expressed as a percentage of the average balance sheet total.

Return on capital employed

Operating income plus financial revenues expressed as a percentage of average capital employed.

Return on equity

Net income (excluding minority interests) expressed as a percentage of average adjusted shareholders' equity.

Equity/assets ratio

Adjusted shareholders' equity and minority interests expressed as a percentage of total assets.

Net debt/equity ratio

Net debt expressed as a percentage of adjusted shareholders' equity and minority interests.

Interest coverage ratio

Operating income plus financial revenues divided by financial expenses.

Self-financing rate

Cash flow from operating activities divided by gross investments.

Share data

Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while shareholders' equity per share is based on the number of shares at the end of the period.

Pay-out ratio

Dividend per share divided by basic earnings per share.

MoU

Minutes of usage per subscription and month.

Blended churn

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

ARPU

Average monthly revenue per user.

Labor productivity

Year-on-year percentage change in the ratio: net sales at fixed prices to average number of full-time employees.

Notation conventions

In conformity with international standards, this report applies the following currency notations:

SEK	Swedish krona	GEL	Georgian lari	NPR	Nepalese rupee
AZN	Azerbaijan manat	JPY	Japanese yen	RUB	Russian ruble
DKK	Danish krone	KZT	Kazakhstan tenge	TJS	Tajikistan somoni
EEK	Estonian kroon	LTL	Lithuanian lita	TRY	Turkish lira
EUR	European euro	LVL	Latvian lat	USD	U.S. dollar
GBP	Pound sterling	NOK	Norwegian krone	UZS	Uzbekistan som

Corporate Governance Report

Introduction

TeliaSonera has in the opinion of the Board of Directors followed the Swedish Code of Corporate Governance during 2008.

The corporate governance report, including the description of internal controls, does not form part of the official annual report and has not been audited.

This report starts with an overview of TeliaSonera’s corporate governance model and Group-wide governance framework, followed by a description of the company’s decision-making forums and processes. A description of the internal control over financial reporting concludes the report.

TeliaSonera’s corporate governance model

TeliaSonera’s corporate governance model is designed to ensure that operative results correspond to decisions made, and is structured to encourage all employees to strive, within set boundaries, towards the same goals, with a common clear understanding of direction, shared values, roles, responsibilities and authority to act.

The Shareholders’ Meeting is the company’s highest decision-making forum. Among other issues, the Shareholders’ Meeting elects the members of the Board of Directors. The Board is responsible for the governance and its duties includes among other issues appointment and dismissal of the CEO, who is responsible for the company’s business development.

Group-wide governance framework

The Group-wide governance framework comprises common direction and shared values, the management model and delegation of obligations and authority as well as the policies issued by Group functions.

Common direction and shared values

In order to provide a general guidance to all employees in the Group the following governance documents have been issued.

Corporate strategy

Our corporate strategy sets out the general direction of the Group, and defines our business concept.

TeliaSonera offers reliable, innovative and user-friendly services for transferring and packaging of voice, images, data, information, transactions and entertainment. TeliaSonera is present in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain. TeliaSonera is also the leading European wholesale provider of quality cross-border voice, IP and capacity services, provided through wholly-owned international carrier network.

To create shareholder value through sustainable and improved profitability and cash flows, we will deliver our services in a cost effective and sustainable manner.

See section Corporate Strategy (page 9) for more information.

Vision

Our vision, “Simplicity makes everything possible,” defines the way we look at our future.

Shared values

Our shared values, “Add value,” “Show respect” and “Make it happen,” focus on the behavior we want to promote.

Code of ethics

Our code of ethics sets out the ethical standards within which we act.

The common direction and shared values are decided by the Board of Directors.

Management model

The management model describes

- The governance system
- The organization
- The roles and responsibilities within the organization

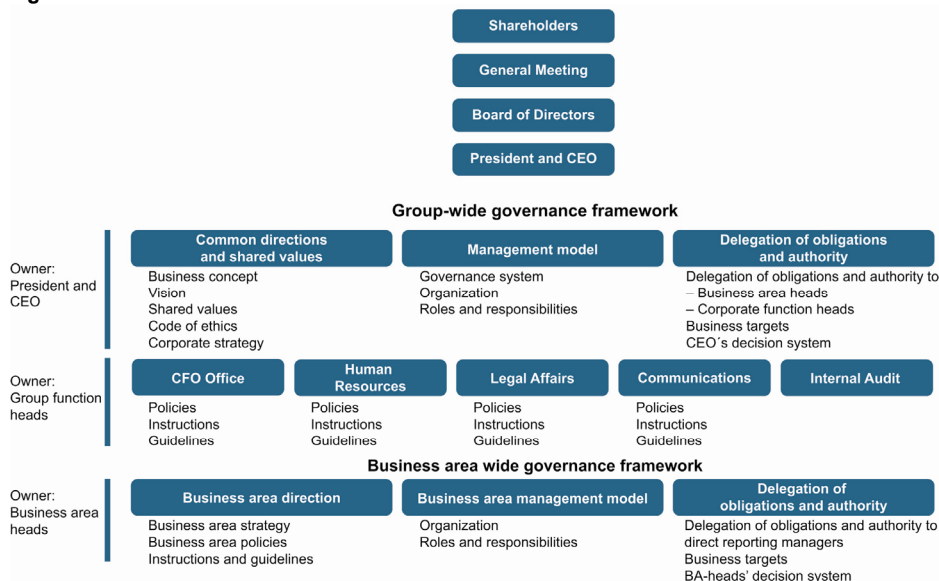
The management model is decided by the Board of Directors.

Delegation of obligations and authority

Defines the obligations imposed on the heads of business areas, including the head of sales division Business Services, and corporate functions and within which limits they may make decisions.

The delegation is decided by the CEO, within limits set by the Board of Directors.

TeliaSonera’s corporate governance model



Business targets

Describes yearly targets for the Group as a whole and for each business area and is directed to the heads of business areas and corporate functions.

The business targets for the Group are decided by the Board of Directors.

CEO's decision system

Sets out how decisions by the CEO are made in individual cases.

Policies issued by Group functions

The heads of Group functions shall secure that necessary corporate policies, instructions and guidelines are issued within their area of responsibility.

- Corporate policies are relatively short, mainly principles based and binding for all wholly-owned companies. Corporate policies are approved by the Board.
- Corporate instructions are normally more detailed and operational. They shall be in line with corporate policies and they are binding for all wholly-owned companies. Corporate instructions are approved by the CEO.
- Corporate guidelines are non-binding recommendations and should be in line with corporate policies and instructions. They are approved by the heads of Group functions.

Business area-wide governance framework

The business area-wide governance framework shall be set within the boundaries of the Group wide framework. The business concept, vision, shared values and code of ethics are common for the entire Group.

Head office

The corporate head office assists the CEO in setting the framework for the activities of the business areas. The head office also provides the business areas with certain support regarding for example legal and communications issues.

Performance Management Model

A Performance Management Model is under implementation in TeliaSonera in order to maximize performance and in a structured way encourage all employees to strive towards the same goals. The model will:

- Create focus, clarity and alignment of our business objectives and values
- Provide solid feedback where high performance is rewarded and poor performance addressed
- Offer employees opportunities to develop and grow
- Share business and individual success

Decision making forums

Shareholders' General Meeting

TeliaSonera is a Swedish, public, limited liability company and is governed by the Swedish Companies Act and the company's Articles of Association. According to the Companies Act, the Shareholders' General Meeting is the company's highest decision-making forum where the owners exercise their shareholder power.

The TeliaSonera share is listed on NASDAQ OMX Stockholm and NASDAQ OMX Helsinki. TeliaSonera has only one type of shares. Each TeliaSonera share represents one vote at the General Meeting of Shareholders. TeliaSonera had 651,816 shareholders at year-end 2008.

The company announced in the Interim Report January-September 2008 that the Annual General Meeting (AGM) will be held on April 1, 2009, in Stockholm. Information about the shareholders' rights to have an issue addressed at the General Meeting and the deadline for when such a request must have been received by the company to ensure that it is included in the notice of the ordinary AGM can be found on the company's website.

Shareholders had the opportunity to register for the AGM 2008 in several ways, for example via the company's website.

The AGM 2008 was held on March 31, 2008, in Stockholm. A shareholders' information meeting was held in Helsinki the following day, which was attended by the company's management and parts of the Board.

The entire Board of Directors, members of the Leadership Team and the chief auditor attended the AGM 2008. After nomination by the Nomination Committee, attorney Sven Unger was elected chairman of the AGM 2008. Peter Rudman, representing Nordea Fonder, and Thomas Andersson, representing Handelsbanken Fonder, were appointed to approve the minutes. None of them were members of the Board or employees of the company.

The AGM was held in Swedish and simultaneously interpreted into Finnish and English due to the company's international ownership. Material for the meeting was available in Swedish, Finnish and English.

TeliaSonera also provided shareholders who could not attend the AGM the possibility to follow the meeting via the internet and vote by proxies arranged by TeliaSonera. The shareholders attending the AGM were given the opportunity to ask questions, comment and make proposals for decisions.

The minutes from the meeting are available on the company's website in Swedish, Finnish and English.

Nomination Committee

After the AGM 2008, TeliaSonera's Nomination Committee consists of representatives of the company's four largest shareholders at the time of the notice of the AGM and the Chairman of the Board. The AGM decided that the Nomination Committee should consist of Viktoria Aastrup, (the Swedish State), Markku Tapio (the Finnish State), KG Lindvall (Swedbank Robur Funds), Lennart Ribohn (SEB Funds) and the Chairman of the Board Tom von Weymarn.

The Nomination Committee shall in accordance with its instruction

- nominate the Chairman and other members of the Board,
- propose the Board remuneration that is divided among the Chairman and other members and remuneration for serving on committees,
- nominate the Chairman of the AGM and
- nominate the external auditors.

The Nomination Committee has reported to the company that the Committee is following the guidelines in the Swedish Code of Corporate Governance and that it intends to report its activities at the AGM and on the company's website. Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by email to "forslagtillstyrelseledamot@teliasonera.com".

The Nomination Committee's proposals shall in accordance with the instruction be made public at the latest in connection with the notice of the AGM.

Board of Directors

The Board of Directors is responsible for the governance, choice of strategic direction as well as substance of external communication of the Group. In that role the board makes decisions on i.a.:

- Appointment and dismissal of the CEO
- The overall organization of the Group
- The delegation of authority within the Group
- The internal control environment and risk management model of the Group
- Guidelines and instructions for the management
- The strategic direction and key strategic initiatives of the Group
- The core content of the Group's external communication

As of the AGM 2008, TeliaSonera's Board of Directors consists of seven members elected by the AGM, serving one-year terms, and three employee representatives from the Swedish operations. An additional Finnish employee representative is present at Board

meetings, but without voting rights. The AGM 2008 re-elected Tom von Weymar to serve as Chairman of the Board.

All members elected by the AGM in 2008 are considered to be independent in relation to the company and the shareholders. The guidelines for the work of the Board of Directors are set down in standing orders. The standing orders contain rules regarding the number of ordinary board meetings, the agenda items for ordinary board meetings, responsibilities within the Board, including the tasks of the Chairman of the Board, the division of responsibilities between the Board and the CEO and how work is to be carried out in committees.

To improve the efficiency of board work, the Board has appointed a Remuneration Committee and an Audit Committee.

The Remuneration Committee handles issues regarding salary and other remuneration to the CEO and Leadership Team and incentive programs that target a broader group of employees.

The Audit Committee reviews the company's external financial reporting, auditing, accounting and internal financial reporting processes, including reviewing of accounting principles that are important for the company. The Audit Committee also reviews the environment of internal control over financial reporting as well as over business operations. In addition, reviews cover the performance and independence of the company's auditors.



The Audit Committee held six meetings in 2008

The Board of Directors' committees prepare decisions for the Board.

The Remuneration Committee has the authority to approve remuneration to persons in TeliaSonera's Leadership Team. The Audit Committee – and in some cases its chairman – has the right to make decisions regarding the purchase of services from the company's auditors within the framework decided by the Board.

TeliaSonera's General Counsel Jan Henrik Ahnrell served as secretary at the Board's and its committees' meetings.

Work of the Board of Directors during 2008

The Board of Directors held nine ordinary meetings during 2008 as well as six extra meetings. In addition to following up on the day-to-day business of the Group, the Board of Directors paid special attention to:

- Value-creating strategic options
- Proposal from France Telecom regarding acquisition of TeliaSonera
- Target definition for the operations
- Investments in Eurasia, including Russia and Turkey
- Internal control over business operations and financial reporting
- Funding and debt structure
- Human Resources issues, including performance management, remuneration and succession planning

The Board of Directors applied a systematic and structured evaluation of its internal work, also with the assistance of external consultants – Active Owner Partners AB. The result of this evaluation was reported to the Nomination Committee.

The CEO and Leadership Team

The CEO is responsible for the company's business development and leads and coordinates the day-to-day operations in accordance with the guidelines and instructions of the Board of Directors.

Headed by the CEO, the Leadership Team consists of 10 members: The CEO, CFO, General Counsel, Head of Group Human Resources, Head of Group Communications, Chief Information Officer, Presidents of the three business areas and the Head of the business sales division Business Services.

The Leadership Team holds meetings monthly. At these meetings, issues of strategic nature and Group-wide importance are reviewed. Business reviews with the business area heads are carried out quarterly.

Remuneration structure in TeliaSonera

According to the remuneration policy for the Leadership Team established by the AGM, TeliaSonera shall offer a competitive remuneration package. The salary consists of a base salary and a variable salary. The base salary follows the salary structure in each respective country while the objectives of the variable salary are established in a plan for each calendar year and are based on the Group's financial performance, the business unit's financial performance and individual performance objectives. The variable salary for members of the Leadership Team may be a maximum of 50 percent of the base salary.

There are currently no share or share price-related incentive programs at TeliaSonera.

The Board of Directors determines the base salary and other remuneration for the CEO. The Remuneration Committee approves, after proposals from the CEO, base salaries and other remuneration to members of the Leadership Team.

Lars Nyberg had an annual base salary of SEK 8,160,000. The CEO's variable salary may be a maximum of 50 percent of the base salary. In 2008 the outcome of Lars Nyberg's variable salary was SEK 3,100,800.

Internal controls over business operations and financial reporting

The Board of Directors is according to the Swedish Companies Act and the Swedish Code of Corporate Governance responsible for internal controls. During 2008 the Board has strived to further develop the company's internal controls over business operations and intends to continue developing these internal controls in 2009.

Internal controls over financial reporting is an integral part of TeliaSonera's corporate governance. It includes methods and procedures to safeguard the Group's assets, ensure and control the reliability and correctness of financial reporting in accordance with applicable legislation and guidelines, improve operational efficiency and control the level of risk in the business operations.

According to company policy adopted by the Board of Directors, the financial reporting of TeliaSonera shall be in line with high professional standards and be full, fair, accurate, punctual and understandable. TeliaSonera's policy for internal controls over financial reporting is based on the international COSO internal control framework.

The Board of Directors strives for a sufficient internal control environment within the Group. This environment should be stable and independent of external control requirements.

Control environment

On an annual basis the Board of Directors reviews the company's Code of ethics. The purpose of the code is, among other things, to further promote honest and ethical conduct, clear communication, compliance with applicable governmental rules, the prompt internal reporting of violations of the code, and accountability for adherence to the code.

Planning for the operations is based on annual operating plans and the follow-up is conducted in a monthly basis, complemented

with rolling seven-quarter forecasts and quarterly business review meetings. The CEO sets goals for the operations based on the guidelines of the Board of Directors. To ensure performance, managers have annual targets for their particular operations.

Each unit of operations has a controller responsible for ensuring that the monthly and quarterly financial reporting follows policies and that the reports are delivered on time, sufficient internal controls exist and are performed, required reconciliations are properly done and larger business and financial risks are identified and reported.

TeliaSonera has a common system for all large wholly-owned units of operation for standardized control and reporting. TeliaSonera has also established a financial shared services unit that takes care of the standardized financial accounting processes across all large wholly-owned units.

Risk management

Risk management is an integral part of the Group's business control and monitoring. Risks that may pose a threat to achieving business objectives are identified, and measures to control these risks are introduced.

A process exists to regularly identify risks that could lead to material misstatements of financial information.

The Group's security unit works with preventive security measures and crisis management to protect the Group's assets, IT systems, personnel and to safeguard telecom networks, services and customers from infringements and fraud.

Control activities

To mitigate risks, TeliaSonera performs control activities, both automated and manual, to ensure that necessary actions are taken to either prevent or detect material misstatements and to safeguard the assets of the company.

Processes are described in a common and structured way, and key controls that are critical in mitigating the financial reporting risks are identified and documented. Sufficient risk-based testing activities were performed during 2008 to assure that these key controls are functioning as intended. Remediation activities were taken to correct or improve controls where such activities were necessary.

Monitoring of control activities

The Board of Directors actively monitors the environment of internal control over financial reporting, specifically through the Audit Committee.

The Board of Directors receives monthly financial reports from the CEO.

The Board of Directors and its Audit Committee review all external financial reports before they are made public. The Audit Committee receives direct reports from the external and internal auditors and discusses and follows up their viewpoints. Both the external and internal auditors are represented at the meetings of the committee. At least once a year, the entire Board of Directors meets with the external auditors, in part without the presence of management.

The Board of Directors regularly receives risk reports compiled by management. Also the Audit Committee on a case by case basis reviews units such as for example Corporate Risk Management, Corporate Business Control and Corporate Finance and Treasury. The purpose of these evaluations is to increase the Board's understanding of major issues related to TeliaSonera's risk management and controls.

The Audit Committee addresses, among other issues, internal control environment, impairment valuations, interpretations of accounting principles of special importance for the Group, legal matters that could have a significant impact on the financial statements and evaluation of the auditors' performance.

TeliaSonera also has an internal disclosure committee that reports to the CEO and CFO and that exercises additional control over TeliaSonera's responsibilities regarding external financial reporting. This committee includes responsible persons from corporate control, the legal department and investor relations.

TeliaSonera has implemented a structured monitoring process, systematic testing activities of key controls, and periodic monitoring on the performance of internal controls at both the business area and the Group level. The Group level meetings regarding the monitoring of internal controls are chaired by the CFO and all finance officers responsible for the business areas participate as well as the responsible persons from corporate control, internal audit, legal department, IT units, corporate security and risk management. The Group level meetings are also attended by the external auditors.

The CFO regularly reports to the Audit Committee on the monitoring of internal controls. Both the Audit Committee and the Board of Directors have reviewed and discussed management's assessment of the company's internal controls, and have actively followed up the related improvement measures by management.

Internal controls over business operations

Management has identified a need to enlarge the internal control environment to comprise internal controls over business operations. The purpose of internal controls over business operations is to monitor performance metrics related to defined metric measurements and as a result promote well suited and efficient business operations.

Metric measurements focuses on removing mistakes, waste and defects from operations by the means of statistical analysis. It also focuses not only on removing problems but finding out and tackling the root causes of problems.

Internal audit

The Group has an internal audit function that reviews the Group's operations and makes proposals with a view to improve internal controls, streamline processes and increase efficiency. In order to obtain integrity in the metric measurements the internal audit function performs assurance of underlying data. The Head of Corporate Internal Audit reports to the CEO, who decides in consultation with the Audit Committee on the function's tasks and priorities.

The internal audit's tasks and priorities as well as findings are reported to and discussed on a regular basis at the Audit Committee meetings.

External auditors

At the AGM 2008 PricewaterhouseCoopers AB was re-elected as auditor until the end of the AGM 2011. Göran Tidström (born 1946) is the auditor in charge.

PricewaterhouseCoopers AB is engaged by the company's largest shareholder, the Swedish State, for both audit and advisory services. Current audit assignments include Svenska Spel and Samhall.

Göran Tidström is also an auditor of Meda, Trelleborg and Volvo. He is deputy president of the International Federation of Accountants, IFAC, and Chairman of the Board of the European Financial Reporting Advisory Group, EFRAG.

Board of Directors



From left: Timo Peltola, Elof Isaksson, Maija-Liisa Friman, Conny Karlsson, Tom von Weymarn, Caroline Sundewall, Jon Risfelt, Agneta Ahlström, Lars G Nordström and Berith Westman.

Tom von Weymarn (Born 1944)

Chairman of the Board. Elected to the Board of Directors in 2002. Mr. von Weymarn is the Chairman of the Remuneration Committee of TeliaSonera. He is also a member of the Audit Committee of TeliaSonera since March 31, 2008. In addition, Mr. von Weymarn is the Chairman of the Board of Directors of Lännen Tehtaat Plc and Turku Science Park Oy, a board member of Pohjola Bank Plc, Hydrios Biotechnology Oy, Sibelius Academy, a Senior Advisor and member of the Supervisory Board of IndustriKapital and partner of Boardman Oy. Mr. von Weymarn served as President and CEO of Oy Rettig Ab between 1997 and 2004, and as Executive Vice President of Cultor Plc between 1991 and 1997. He was a Director of Oy Karl Fazer Ab between 1983 and 1991, the last two years as President and CEO. Mr. von Weymarn holds a Master of Science in Chemical Engineering.

Shares in TeliaSonera: 30,316

Maija-Liisa Friman (Born 1952)

Elected to the Board of Directors in 2007. Ms. Friman is a member of the Audit Committee of TeliaSonera since March 31, 2008. She is Chairman of Ekokem, a member of the Boards of Directors of Metso Oyj, The Finnish Medical Foundation and LKAB. She is also a member of the Management Council for Keskinäinen Vakuutusyhtiö Ilmarinen. Previously, Ms. Friman was the CEO of Aspocomp Group Oyj. Ms. Friman holds a Master of Science degree in Chemical Engineering.

Shares in TeliaSonera: 5,597¹

Conny Karlsson (Born 1955)

Elected to the Board of Directors in 2007. Mr. Karlsson was a member of the Audit Committee of TeliaSonera until March 31, 2008, and since that date a member of the Remuneration Committee of TeliaSonera. In addition, he is the Chairman of the Board of Swedish Match AB, and a member of the Board of Capman Oyj. He has previously been CEO of Duni AB and has held several managerial positions in Procter & Gamble. Mr. Karlsson holds a Master of Business Administration.

Shares in TeliaSonera: 10,000

Lars G Nordström (Born 1943)

Elected to the Board of Directors in 2007. Mr. Nordström is also a member of the Remuneration Committee of TeliaSonera. In addition, he is President and CEO of the Swedish postal administration Posten AB, a board member of Nordea Bank AB, of which he was President and CEO between 2002 and 2007. He is the chairman of the Finnish-Swedish Chamber of Commerce, the European Financial Management & Marketing Association (EFMA), and the Royal Swedish Opera. He is also a member of the boards of the Swedish American Chamber of Commerce and Viking Line Abp. Mr. Nordström studied law at Uppsala University.

Shares in TeliaSonera: 4,000

Timo Peltola (Born 1946)

Elected to the Board of Directors in 2004. Mr. Peltola is a member of the Remuneration Committee of TeliaSonera. In addition, he is the Chairman of the Boards of Directors of Neste Oil Oyj and AW-Energy Oy, Deputy Chairman of the Board of Directors of Nordea Bank AB and member of the Board of SAS AB. He is also a member of the Advisory Board of CVC Capital Partners and Sveafastigheter Ab. Mr. Peltola served as President and CEO of Huhtamäki Oyj between 1989 and 2004. Mr. Peltola holds a Doctor degree in Economics hc.

Shares in TeliaSonera: 3,000

Jon Risfelt (Born 1961)

Elected to the Board of Directors in 2007. Mr. Risfelt is a member of the Audit Committee of TeliaSonera as from April 24, 2007. In addition, he is Chairman of the Board of Ortivus AB and holds board assignments in Enea Data AB, Bilia AB and ÅF AB. He has previously served as CEO of Europolitan AB, Nyman & Schultz AB and Gambro Renal. He has held various managerial positions within the American Express Group, Scandinavian Airlines and Ericsson. Mr. Risfelt holds a Master of Science in Chemical Engineering.

Shares in TeliaSonera: 4,500

Caroline Sundewall (Born 1958)

Elected to the Board of Directors in 2001. Ms. Sundewall is the Chairman of the Audit Committee of TeliaSonera. In addition, she is a board member of Electrolux AB, Haldex AB, Lifco AB, Pägengruppen AB, Aktiemarknadsbolagens Förening and Ahlsell AB. Ms. Sundewall has previously served as business editor for *Finanstidningen* and business commentator and business editor for *Sydsvenska Dagbladet*. She has also held the position of business controller of Ratos AB. Ms. Sundewall holds a Bachelor of Science in Economics.

Shares in TeliaSonera: 4,000¹

Agneta Ahlström (Born 1960)

Employee representative, appointed by the trade union to the Board of Directors in December 2007. Ms. Ahlström is deputy Chairman of the Swedish Union of Clerical and Technical Employees in Industry, Telecommunications section (Unionen-Tele). Previously, she was the Chairman of the section of SIF-TELE at TeliaSonera International Carrier.

Shares in TeliaSonera: 200

Elof Isaksson (Born 1942)

Employee representative, appointed by the trade union to the Board of Directors in 2000. In addition Mr. Isaksson is the Chairman of the Union of Service and Communication Employees within TeliaSonera, SEKO TELE, and Chairman of the European Work Council at TeliaSonera. He is also a board member of the Telia Pension Fund.

Shares in TeliaSonera: 1,750¹

Berith Westman (Born 1945)

Employee representative, appointed by the trade union to the Board of Directors in 1993. In addition, Ms. Westman is the Chairman of the Swedish Union of Clerical and Technical Employees in Industry, the Telecommunications section (Unionen-Tele) and a board member of Telia Pension Fund.

Shares in TeliaSonera: 1,000

Remuneration and attendance see below.

¹ Including shareholdings by spouse and/or affiliated persons.

Remuneration and other benefits during the year, attendance and number of shares

Name	Elected year	Position	Committee	Presence board meetings	Presence committee meetings	Total remuneration and benefits (SEK)	Shares in TeliaSonera
Tom von Weymarn ¹	2002	Chairman of the Board and Chairman of the Remuneration Committee	Remuneration Audit	100%	100%	1,090,000	30,316
Maija-Liisa Friman ¹	2007	Director	Audit	93%	100%	493,750	5,597 ³
Conny Karlsson ²	2007	Director	Remuneration	100%	100%	458,750	10,000
Lars G Nordström	2007	Director	Remuneration	100%	100%	438,750	4,000
Timo Peltola	2004	Director	Remuneration	100%	100%	438,750	3,000
Jon Risfelt	2007	Director	Audit	100%	100%	518,750	4,500
Caroline Sundewall	2001	Director and Chairman of the Audit Committee	Audit	100%	100%	568,750	4,000 ³
Agneta Ahlström	2007	Employee Representative		93%			200
Elof Isaksson	2000	Employee Representative		100%			1,750 ³
Berith Westman	1993	Employee Representative		80%			1,000

See also Note 32 to the consolidated financial statements.

¹ Member of the Audit Committee since March 31, 2008.

² Member of the Audit Committee until March 31, 2008. Since that date member of the Remuneration Committee.

³ Including shareholdings by spouse and/or affiliated persons.

Leadership Team



Lars Nyberg (Born 1951)

President and Chief Executive Officer. Mr. Nyberg was appointed President and CEO on July 27, 2007, and assumed his position on September 3. Mr. Nyberg is also Chairman of DataCard Inc. and a board member of Autoliv Inc. Between 1995 and 2003 he was Chairman and CEO of NCR Corp. where he continued as Chairman until 2005. Previously, Mr. Nyberg held several managerial positions in Philips, and was a member of Philips Group Management Committee. Mr. Nyberg holds a Bachelor of Science degree in Business Administration.

Shares in TeliaSonera: 200,000¹



Karin Eliasson (Born 1961)

Group Vice President and Head of Group Human Resources since January 2008. Prior to joining TeliaSonera, Ms. Eliasson was Senior Vice President Human Resources at Svenska Cellulosa Aktiebolaget, SCA. She has been the CEO of Novare Human Capital AB and Vice President Organizational Development at Stora Enso AB. Ms. Eliasson is a board member of Proffice AB, Pensionsgaranti and PRI Pensionstjänst AB. She holds a Bachelor of Science in Human Resource Development and Labour Relations.

Shares in TeliaSonera: 1,100



Per-Arne Blomquist (Born 1962)

Executive Vice President and Chief Financial Officer of TeliaSonera since September 2008. Prior to joining TeliaSonera, Mr. Blomquist was Executive Vice President and CFO of SEB, from 2006, and Head of Group Finance of SEB between 2001 and 2006. Between 1997 and 2000 he held various positions at Telia, e.g. as managing director of Telia Företag. Per-Arne Blomquist started his career at Alfa Laval in 1989 and has a Bachelor of Science degree in Business Administration and Economics.

Shares in TeliaSonera: 10,300²



Sverker Hannervall (Born 1960)

Senior Vice President and Head of sales division Business Services in Sweden and Finland since August 2008. Mr. Hannervall is also a board member of Teligent AB and senior advisor to Innovations-Kapital AB. Between 2004 and 2008 he was General Manager of Cisco Systems in Sweden. Previously, Mr. Hannervall was President and CEO of Trio AB and prior to that Executive Vice President of Telelogic AB. Between 1984 and 1997 he held various managerial positions at IBM. He holds a Master of Science.

Shares in TeliaSonera: 0



Jan Henrik Ahnrell (Born 1959)

Group Vice President and General Counsel of TeliaSonera since 1999. Mr. Ahnrell has been employed by TeliaSonera since 1989. Prior to his service as General Counsel, Mr. Ahnrell was the head of various legal departments within the TeliaSonera Group and served as corporate counsel in various TeliaSonera companies. Mr. Ahnrell holds a Master of Law.

Shares in TeliaSonera: 8,500



Kenneth Karlberg (Born 1954)

President of business area Mobility Services since January 2007. Mr. Karlberg has been employed by TeliaSonera since 1987. Mr. Karlberg has previously held several executive positions in TeliaSonera, including Executive Vice President of Telia and head of the Telia Mobile business area. Mr. Karlberg has undergone the Senior Officer program at the Swedish Military Academy.

Shares in TeliaSonera: 1,600²



Håkan Dahlström (Born 1962)

President of business area Broadband Services as of November 2008. Mr. Dahlström was most recently Head of Mobility Services in Sweden, since January 2007, and has held a number of managerial positions within TeliaSonera, including Head of Corporate Networks & Technology. Prior to joining Telia in 1998, Mr. Dahlström was a Navy Officer with extensive experience from the procurement and development of information and communication systems for the Swedish Armed Forces. He holds a Master of Engineering in Computer Technology and a Master of Science in Digital Technology.

Shares in TeliaSonera: 4,000²



Tero Kivisaari (Born 1972)

President of business area Eurasia since May 2007. Mr. Kivisaari was previously Chief Financial Officer and Vice President of business area Eurasia. He is the Chairman and CEO of Fintur Holdings B.V. and a board member of Turkcell and MegaFon. Mr. Kivisaari has also been the CFO of SmartTrust AB. Before that he held the position of Vice President of Sonera Corporation's International Operations. Mr. Kivisaari holds a MBA in Finance.

Shares in TeliaSonera: 0



Cecilia Edström (Born 1966)

Group Vice President and Head of Group Communications since May 2008. Previously, Ms. Edström was Senior Vice President and Head of Corporate Relations at Scania AB, where she held a number of senior positions since 1995. She started her career in corporate finance at SEB in 1989. She is also a member of the board of BE Group AB. Ms. Edström has a Bachelor of Science degree in Finance and Business Administration.

Shares in TeliaSonera: 300²



Åke Södermark (Born 1954)

Chief Information Officer, joined TeliaSonera in December 2008, and became a member of the Leadership Team in February 2009. Prior to joining TeliaSonera, Mr. Södermark was Senior Vice President at Nasdaq OMX Group and since 2005 Head of Development at OMX Market Technology. Between 1997 and 2005 he held various managerial positions at Atos Origin and at SEB IT between 1985 and 1997. Mr. Södermark started his career at VPC (Swedish Central Security Depository) and his educational background is in computer technology.

Shares in TeliaSonera: 6,000

¹ By way of pension insurance.

² Including shareholdings by spouse and/or affiliated persons.

Remuneration and other benefits during the year, capital value of pension commitments

SEK	Base salary	Variable pay	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Lars Nyberg, CEO	8,160,000	3,100,800	–	147,394	8,356,200	19,764,394	–
Per-Arne Blomquist, EVP ¹	1,533,340	766,667	–	166,001	582,733	3,048,741	158,847
Other members of the Leadership Team (7 individuals) ²	17,593,685	6,436,949	646,929	2,725,517	6,128,149	33,531,229	32,744,285

See also Note 32 to the consolidated financial statements and Report of the Directors (Remuneration to Executive Management).

¹ Per-Arne Blomquist assumed his position on September 1, 2008.

² The Leadership Team had 9 members in 2008.

Glossary

3G Third generation of mobile phone standards and technology.

4G Next generation of mobile phone standards and technology.

ADSL Asymmetric Digital Subscriber Line is a form of DSL, a data communications technology that enables faster data transmission over copper lines than a conventional voice band modem can provide.

ADSL2+ Extends the capability of basic ADSL. The data rates can be as high as 24 Mbit/s.

Blog A website where entries are written in chronological order and commonly displayed in reverse chronological order.

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

EDGE Enhanced Data rates for GSM Evolution or Enhanced GPRS (EGPRS), is a digital mobile phone technology that allows increased data transmission rates and improved data transmission reliability.

Femtocell Originally known as an Access Point Base Station is a small cellular base station, typically designed for use in residential or small business environments.

GPRS General Packet Radio Service is a mobile data service available to users of GSM and mobile phones.

GPS Global Positioning System.

GSM Global System for Mobile communications is the most common standard for mobile phones in the world.

HDTV High-definition television is a digital television broadcasting system with greater resolution than traditional television systems.

HSDPA High-Speed Downlink Packet Access is a 3G mobile telephony communications protocol in the HSPA family, which allows networks based on UMTS to have higher data transfer speeds and capacity. Also called turbo 3G.

HSPA High-Speed Packet Access is a collection of mobile telephony protocols that extend and improve the performance of existing UMTS protocols.

ICT Information and communications technology.

IMS IP Multimedia Subsystem is an architectural framework for delivering internet protocol multimedia services.

IP Internet Protocol is a data-oriented protocol used for communicating data across a packet-switched internet work. IP provides the service of communicable unique global addressing amongst computers.

IPTV Internet Protocol Television is a system where a digital television service is delivered by using Internet Protocol over a network infrastructure, which may include delivery by a broadband connection. A general definition of IPTV is television content that, instead of being delivered through traditional broadcast and cable formats, is received by the viewer through the technologies used for computer networks.

Java Refers to a number of computer software products and specifications from Sun Microsystems that together provide a system for developing application software and deploying it in a cross-platform environment. Java is used in a wide variety of computing platforms spanning from embedded devices and mobile phones on the low end to enterprise servers and super computers on the high end. Java is fairly common in mobile phones, web servers and enterprise applications, and somewhat less common on desktop computers though users may sometimes come across Java applets when browsing the World Wide Web.

LAN Local Area Network is a computer network covering a small geographic area, like a home, office, or group of buildings e.g. a school.

LTE Long Term Evolution (also called 4G) is the name given to a project within the Third Generation Partnership Project to improve the UMTS mobile phone standard to cope with future requirements. Goals include improving efficiency, lowering costs, improving services, making use of new spectrum opportunities, and better integration with other open standards. The LTE project is not a standard, but it will result in the new evolved release 8 of the UMTS standard, including mostly or wholly extensions and modifications of the UMTS system.

Mbps Megabit per second is a unit of data transfer rate equal to 1,000,000 bits per second.

Mobile 2.0 Refers to a perceived next generation of mobile internet services.

Mobile Broadband Describe various types of wireless high-speed internet access through a portable modem, telephone or other device.

MNP Mobile Number Portability enables mobile telephone users to retain their mobile telephone numbers when changing from one mobile network operator to another.

MVNO Mobile Virtual Network Operator is a company that provides mobile phone service but does not have its own licensed frequency allocation of radio spectrum.

Netbook A type of laptop designed for wireless communication and access to the internet. The term is a combination of the words internet and notebook.

NFC Near Field Communication is a short-range high frequency wireless communication technology which enables the exchange of data between devices over about a 10 centimeter distance.

P2P Peer-to-peer computer network uses diverse connectivity between participants in a network and the cumulative bandwidth of network participants rather than conventional centralized resources where a relatively low number of servers provide the core value to a service or application.

PDA Personal Digital Assistant is a handheld computer, also known as pocket computer or palmtop computer.

PSTN All standard analogue lines, whether or not they are overlaid or augmented by other technologies (such as xDSL). Includes circuit-switched cable telephony lines, but excludes direct access VoIP.

RSS A family of web feed formats used to publish frequently updated works - such as blog entries, news headlines, audio and video – in a standardized format.

SIM Subscriber Identity Module is part of a removable smart card ICC (Integrated Circuit Card), also known as a SIM Card, for mobile cellular telephony devices such as mobile phones and computers.

Smartphone A mobile phone offering advanced capabilities beyond a typical mobile phone, often with PC functionality. There is no industry standard definition of a smart phone.

SOHO Small Office Home Office, a market segment.

Time-shift TV The recording and storage of a TV program to be viewed at a time more convenient to the user.

Triple Play A marketing term for the provisioning of the two broadband services, high-speed internet access and television, and one narrowband service, telephone over a single broadband connection.

UICC Universal Integrated Circuit Card is the smart card used in mobile terminals in GSM and UMTS networks. The UICC ensures the integrity and security of all kinds of personal data, and it typically holds a few hundred kilobytes.

UMA Unlicensed Mobile Access is the commercial name of the 3GPP Generic Access Network or GNA standard. GAN is a telecommunication system that extends mobile voice, data and IP multimedia applications over IP access networks.

UMTS Universal Mobile Telecommunications System is a 3G mobile phone technology.

VDSL2 Very High Speed Digital Subscriber Line 2 is the newest and most advanced standard of DSL broadband wireline communications. Designed to support the wide deployment of triple play services such as voice, video, data, HDTV and interactive gaming.

VoD Video-on-Demand systems allow users to select and watch to video content on demand.

VoIP Voice over Internet Protocol.

WAP Wireless Application Protocol is an open international standard for applications that use wireless communication. Its principal application is to enable access to the internet from a mobile phone or PDA.

Web 2.0 Refers to a perceived second generation of web-based communities and hosted services which aim to facilitate creativity, collaboration, and sharing between users.

WiMAX Worldwide Interoperability for Microwave Access is a telecommunications technology aimed at providing wireless data over long distances in a variety of ways, from point-to-point links to full mobile cellular type access.

WLAN Wireless LAN is a wireless local area network, which is the linking of two or more computers without using wires.

Definitions used in graph Mobile market revenue sources (Chapter Market and Customers, Customer Trends)

Data networking The use of shared applications (such as applications for customer relationship management, enterprise resource planning or mobile workforce management), as well as access to corporate intranets; data networking is exclusive to the business segment.

Infotainment Information-based media content or programming that also includes entertainment content in an effort to enhance popularity with audiences and consumers.

M-advertising Mobile advertisement is a form of advertising via mobile phones or other mobile devices.

M-commerce Mobile ticketing, mobile shopping, mobile banking, mobile trading and mobile advertising; m-commerce does not include revenue derived from digital content delivered over operators' or third-party mobile portals (such as games and ringtones).

Other P2P messaging Person-to-person communications other than SMS and email, mainly MMS (picture messages and video messages) and MIM (mobile instant messaging), but excluding any messages used to deliver third-party content.

Video telephony Real-time audiovisual person-to-person communications.

Annual General Meeting 2009

TeliaSonera's Annual General Meeting (AGM) will be held on Wednesday, April 1, 2009, at 3.00 p.m. at Cirkus, Djurgårds-slätten 43–45, Stockholm. The complete notification was published on TeliaSonera's website, www.teliasonera.com in mid-February. The meeting will be interpreted into Finnish and English.

Right to attend

Shareholders who wish to attend the Annual General Meeting shall

- be entered into the transcription of the share register as of Thursday, March 26, 2009, kept by Swedish central securities depository Euroclear Sweden AB (formerly VPC AB); and
- give notice of attendance to the Company no later than 4.00 p.m. on Thursday, March 26, 2009.

Notice to the Company

Notice of attendance can be made

- in writing to TeliaSonera AB, Box 10, SE-182 11 Danderyd, Sweden,
- by telephone +46-8-611 6015 on weekdays between 10.00 a.m. and 4.00 p.m.,
- by fax +46-8-611 6017, or,
- via the Company's web site www.teliasonera.com (only private individuals).

When giving notice of attendance, please state name/company name, social security number/corporate registration number, address, telephone number (office hours) and number of accompanying persons.

Shareholding in the name of a nominee

Shareholders, whose shares are registered in the name of a nominee, must request to be temporarily entered into the share register kept by Euroclear Sweden AB (formerly VPC AB) as of March 26, 2009, in order to be entitled to participate in the meeting. Such shareholder is requested to inform the nominee to that effect well before that day.

As Finnish shareholders within the Finnish book-entry system at Euroclear Finland Oy (formerly APK) are nominee registered at Euroclear Sweden AB (formerly VPC AB), these Finnish shareholders have to contact Euroclear Finland Oy (formerly APK), by email: thy@euroclear.eu or by phone: +358 (0)20 770 6609, for reregistration well in advance of March 26, 2009 to be able to participate in the meeting.

Nominee

Shareholders who are represented by proxy shall issue a power of attorney for the representative. Forms for power of attorneys are available at the Company's web site www.teliasonera.com. To a power of attorney issued by a legal entity a copy of the certificate of registration (and should such certificate not exist, a corresponding document of authority) of the legal entity shall be attached. The documents must not be older than one year. In order to facilitate the registration at the meeting, powers of attorney in original, certificates of registration and other documents of authority should be sent to the Company at the address above at the latest by Friday, March 27, 2009.

Notice to follow the meeting on distance via internet

Shareholder does also have the opportunity to follow the Annual General Meeting on distance via an internet connection. Shareholders wishing to follow the meeting on distance via internet must be listed as shareholders in the printout of the share register issued by Euroclear Sweden AB (formerly VPC AB) already on February 28, 2009, and have notified the company of their intention to follow the meeting on distance no later than 4.00 p.m. Thursday March 26, 2009.

Shareholders following the meeting via internet are considered as guests and can only follow the Annual General Meeting and are not able to vote, make proposals or express opinions. Shareholders who have fulfilled the above criterions will be provided with details of the connections and their personal passwords before the meeting. If a shareholder wishes to participate in the meeting through a representative and to personally follow the meeting via internet, the notice procedure as a whole must be applied.

Please note that following the annual general meeting via an internet connection requires a PC, Operating system: Windows XP, Web browser: Internet Explorer 6 or later, Media Player: Windows Media Player 9 or higher, internet connection for good quality: Broadband with speed of 1 Mbps or faster (not a requirement).

Decisions to be made by the AGM

The AGM determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and President from liability. The AGM also appoints the Board of Directors and makes decisions regarding remuneration to the Board. The Board of Directors proposes that a dividend of SEK 1.80 per share be distributed to the shareholders, and that April 6, 2009 be set as the record date for the dividend. If the Annual General Meeting adopts this proposal, it is estimated that disbursement from Euroclear Sweden AB (formerly VPC AB) will take place on April 9, 2009.

Other information

The CEO's speech at the Annual General Meeting will be posted on the Company's web site www.teliasonera.com under section Investor Relations after the meeting.

Shareholders' information meeting in Finland

A Finnish shareholders' information meeting will be arranged on March 30, 2009, at 3.00 p.m. Finnish time at the Marina Congress Center, Helsinki. The Finnish shareholders will there have the possibility to meet representatives from the management and the board in person.

Notice of intention to attend the Finnish Shareholders' information meeting can be done starting from March 2 as described below, however no later than March 16:

- by phone: +358 (0)2040 54444
- by email: communications-fi@sonera.com

Information and a link to the notification per email can be found on TeliaSonera's website: www.teliasonera.com under section Investor Relations.

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Production

Production: TeliaSonera AB Investor Relations in cooperation with Hallvarsson & Halvarsson
Online speech enabling: VoiceCorp
Film production: Producenterna
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