

Telia AB

The Telia Group

**Interim Report
January–June 1999**

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INTERIM REPORT

January–June 1999

- SALES ROSE MORE THAN 8%, WHILE MOBILE AND FIXED SERVICES CONTINUED EXPANDING VOLUMES.
- INTERNET SERVICE ACCOUNTED FOR 38% OF LOCAL TRAFFIC IN THE FIXED NETWORK, 16 PERCENTAGE POINTS MORE THAN IN THE FIRST HALF OF 1998.
- SWEDISH OPERATIONS SIGNIFICANTLY IMPROVED EARNINGS DESPITE SIZABLE PRICE CUTS.
- AU-SYSTEM WAS DIVESTED FOR A CAPITAL GAIN EXCEEDING MSEK 400.
- THE MERGER WITH TELENOR WAS APPROVED BY BOTH COUNTRIES' PARLIAMENTS. THE EUROPEAN COMMISSION IS NOW EVALUATING THE MERGER, AND A DECISION IS EXPECTED IN OCTOBER.

The Period in Brief

MSEK	Jan–Jun 1999	Jan–Jun 1998	Jan–Jun 1997
Net sales	26,566	24,478	22,695
Gross margin (%)	29.4	34.8	26.7
Operating income	3,165	4,320	1,882
Income after financial net	2,878	3,883	1,444
Operating margin (%)	11.9	17.6	8.3
Interest coverage rate (multiple)	7.8	7.6	3.5
Net income	1,977	2,704	1,001
Investments	6,536	5,725	4,839

MSEK	Jun 30 1999	Dec 31 1998	Dec 31 1997
Balance sheet total	68,183	66,340	64,195
Capital employed	46,302	42,530	44,645
Operating capital	40,548	38,406	40,780
Net interest-bearing liability	13,974	12,519	18,821
Return on capital employed (%)	14.8	18.0	11.9
Return on equity (%)	14.5	18.3	12.4
Equity/assets ratio (%)	39.7	39.5	35.6
Number of employees	31,200	30,593	32,549

Sales and Earnings

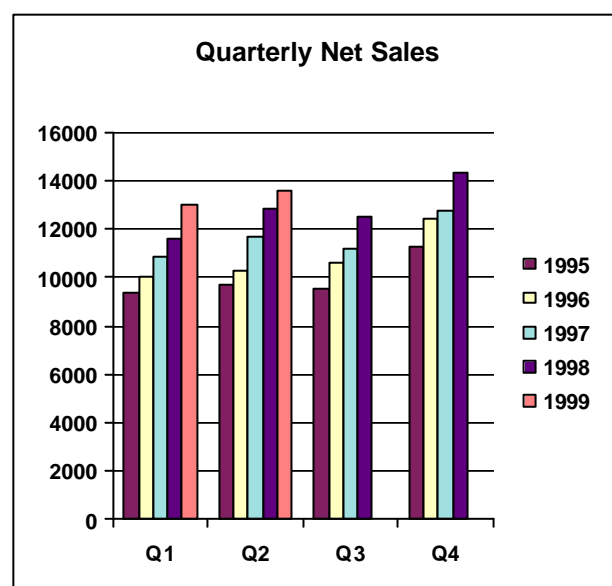
The telecommunications market grew apace during the period. Internet traffic and mobile telephony made the biggest advances. In Sweden, the mobile market expanded about 18%, the market for fixed services about 9%.

The Telia Group's net sales were 8.5% higher than one year previous. Growth in sales was a result of volume growth. Prices for fixed telephony in Sweden were cut about 3%. Markets outside Sweden accounted for more than 11% of sales. Taking into account Telia's share of sales by foreign associated companies, or some GSEK 2.9 of the approximate GSEK 16.2 total, the proportion of sales abroad was more than 20%.

Telia's sales of fixed services rose 7%. In Sweden, the rise was 5%. Internet access and traffic to mobile networks contributed most to growth. Traditional data communica-

tions and leased network capacity also reported healthy growth, as did operations in other markets.

Sales of mobile services in Sweden expanded more than 10%. Growth was attributable to GSM, which attracted more subscribers and generated more traffic per subscriber. Growth was also strong in Denmark. NMT in Sweden decreased sharply.



The Customer equipment and service business experienced weaker demand for goods and installation. Customer finance operations reported healthy increases in orders and sales, chiefly in Sweden. Information services reported a slight downturn in sales for several small directories. The inflow of orders remained steady, though.

Competition in the Swedish market maintained pressure on prices in the most profitable service and customer segments for all businesses. However, volume growth and actions taken to boost efficiency yielded positive results. Earnings from established Swedish operations improved greatly compared to one year previous. Telia's gross mar-

gins in fixed and mobile services are on a par with those of competing operators.

To ensure long-term growth, Telia invested in new, sophisticated services and in geographic expansion. These initiatives increase development expenditure for goods and services in the short term. Interactive information services, primarily based on Internet technologies and digital cable TV, represent a major area of investment. Also, geographic expansion and actions taken to position Telia in its markets will grow value in the long term but incur costs of market entry for all businesses in the short term.

Telia's associated companies in Brazil and Poland have large loans in U.S. dollars. Because of a sharp drop in their local currencies in the first quarter, the companies have been forced to report unrealized exchange rate losses. The effect on the Telia Group was a charge of more than GSEK 0.7 against first-half earnings.

Altogether, the Group's adjusted operating income rose 8%, to MSEK 3,081 (2,853). Excluding telecom operations outside the Nordic countries, adjusted operating income climbed more than 18%, to MSEK 3,827 (3,229).

For a long time, Telia was a partner in AU-System, one of Europe's biggest consulting and software companies specializing in data and telecommunications. It was decided that the company would have better prospects for growth with no telecom operator among its investors. Hence, at March 31 Telia sold its 47% interest to Schroder Ventures. The sale generated a capital gain of MSEK 416. The accounts for the first half of 1998 included capital gains of MSEK 3,303 from the sale of the Italian company Omnitel.

During a period of three years, Telia carried out extensive staff restructuring in all operations. The restructuring was facilitated by a separate Recruitment division in the parent company. The activities of the division are now virtually wound up, so related costs fell sharply from 1998.

Pension commitments for the first half of 1999 had a positive effect on operating income, compared to the same period in 1998, owing to anticipated compensation from Telia's pension funds. The majority of the total appreciation in the pension funds has been reserved for future compensation to Telia.

As the year 2000 approaches, extensive work is under way on IT systems in operations. Compliance efforts are proceeding as planned.

On the whole, the Group's core operations boosted earnings. Operating income and income after financial net declined year-on-year, but operating income excluding capital gains more than doubled. The return on equity exceeded the Group's long-term goal of at least 11% by a broad margin.

Financial Position

The Group has a solid financial position. On a rolling 12-month basis, the balance sheet total expanded 4%, while sales expanded 10%. The rate of turnover of capital inched up, and the equity/assets ratio was in line with the long-term goal of 40%.

During the first six months, fixed assets increased MSEK 324, primarily through investments in associated companies and leasing receivables. At June 30, fixed assets represented 73% (75% at December 31) of total assets.

Accounts receivable from customers declined as a result of seasonal factors, to MSEK 9,341 (9,501), while liquid funds advanced, to MSEK 1,173 (683). The current ratio advanced to 0.80 (0.71).

Equity increased, to MSEK 28,148 (27,593). The 1998 dividend of MSEK 1,400 was paid in the second quarter. Provisions remained steady from six months earlier, owing to the net effect of higher provisions for taxes and lower pension provisions.

Operating liabilities (current liabilities less short-term borrowings) diminished, to MSEK 14,537 (16,451).

Financing

Operating cash flow for the period was negative. Increased investment and disbursements for taxes and the dividend could not be offset by the positive cash flow from operations in other respects.

At June 30, Telia had a pension liability of MSEK 2,121 on its books, MSEK 169 less than at December 31. During the period, no additional provisions were made to the pension funds. The return on the funds benefited from developments in Swedish and foreign stock markets. Total compensation from the funds of MSEK 375, corresponding to pension disbursements made, was anticipated in the accounts. The market value of holdings in Fund 1 after compensation exceeded the value of pension commitments (MSEK 9,110) by MSEK 2,319. Fund 2 secures commitments of MSEK 5,961. Its market value was MSEK 5,894.

Negative cash flow added to net borrowings, which ended the period at MSEK 11,853 (MSEK 10,229 at year-end).

The average cost of loans during the first half was 5.06% (5.66% for full-year 1998). The interest coverage rate for the period improved, to 7.8 (7.6).

Investments

Total Group investments rose 14% from one year previous. The rise was concentrated in markets outside the Nordic countries, chiefly in the form of capital infusions for associated companies. Investments in fixed networks and leasing assets increased in all markets.

The increase in investment was primarily attributable to financial (non-depreciable) assets. The Group's depreciation and amortization according to plan climbed to MSEK 4,651 (4,188).

Investments in intangible and tangible fixed assets were unchanged from the first half of 1998. Investment in buildings and land dropped after the sale in 1998 of Telia's commercial properties. Investments in fixed networks were dominated in Sweden by the introduction of equal access and number portability and outside Sweden by the Viking Ring initiative. Investment surged in leasing assets based on customer demand.

Group Investments	Jan-Jun 1999	Jan-Jun 1998	Jan-Jun 1997
<i>MSEK</i>			
Goodwill	19	6	27
Other intangible assets	62	80	96
Buildings etc.	13	179	107
Land and land improvements	10	7	14
<i>Telecom installations</i>	823	807	966
<i>Mobile telephony installations</i>	485	572	606
<i>Leasing assets</i>	1,729	1,493	1,032
<i>Other machinery and equipment</i>	1,686	1,667	1,675
Machinery and equipment	4,723	4,539	4,279
Shares and participations	1,709	914	316
Total	6,536	5,725	4,839

Investments in shares and participations mainly consisted of MSEK 967 invested in Tess in Brazil, MSEK 609 in Netia in Poland, and MSEK 83 in Eesti Telekom in Estonia. In July, Telia exercised an option to purchase an additional 6% in Telecom Éireann for MIEP 80 (roughly MSEK 888) in conjunction with the company's public listing.

Human Resources

The number of employees increased during the first six months, to 31,200 (30,593 at December 31). Operations in Sweden reduced staffing by 421, while the number of employees abroad rose by 1,028. Since 1990, staff numbers in Sweden have decreased by about 22,000 in all.

Changes in Group Structure

At March 1, Telia acquired 28% of the shares in Wireless Maingate AB, which develops wireless machine-machine communication. In Finland, 60% of the shares in Turun Sähkövalvonta Oy, renamed Viesti-Tuote Turku Oy, were acquired at January 1. The company is a retailer of mobile phones and other goods.

In February, a minor shareholding in AS Eesti Telekom was acquired when the company was listed on the Estonian stock exchange. In the second quarter, Telia exchanged its stakes in AS Eesti Telefon and AS Eesti Mobiiltelefon for shares in Eesti Telekom, in which Telia now owns 49%.

In the first quarter, Telia restructured its holdings in Poland. The Group's holdings in the associated companies Netia Telekom S.A. and Netia South Sp. z o.o. were transferred to Netia Holdings S.A. in exchange for shares in that company. Netia Telekom and Netia South thus became wholly owned subsidiaries of Netia Holdings, in which Telia owned 37% of the shares at June 30.

In January, Telia's venture capital company Slottsbacken Venture Capital acquired 11% of the shares in Digiscope AB, which specializes in strategies and applications for interactive services.

At January 1, Schenker-BTL acquired Telia's remaining 25% shareholding in NLV Logistics Village AB, thus completing the spin-off of Telia's logistics operations. In March, all shares in UAB Lietelija, a wholly owned Lithuanian company, were sold to Lietuvos Telekomas, in which Telia and the Finnish operator Sonera have a joint shareholding of 60%. At March 31, Telia divested its 47%

interest in the software development company AU-System Invest AB. At April 1, Telia transferred its support operations for directory production to the wholly owned subsidiary Anymedia AB; 70% of Anymedia's shares were subsequently sold to Elanders AB, effective June 30.

Business Review

FIXED SERVICES

Net sales advanced 7% thanks to ongoing growth in demand in all customer segments. The adjusted operating income improved more than 15%.

Traffic volume in the Swedish market expanded, especially for Internet access and calls to mobile networks. Telia sharply reduced the price of domestic calls during the period, by 24% for daytime weekdays. Internet revenues grew apace. Ongoing internationalization and greater use of intranets in the corporate segment produced healthy growth in traditional data communications services.

PLUS services, the answering service Telesvar, and caller ID were used to a growing extent. Almost 1.9 million customers subscribe to Telia's caller ID service.

Swedish operations have boosted earnings considerably thanks to robust volume growth and efficiency programs implemented.

Operations in the other three Nordic countries reported healthy growth in demand and revenue. Earnings are burdened by the cost of expanding capacity.

Investment in fixed services totaled MSEK 2,171 for the period, the majority attributable to investment in infrastructure and service platforms in Sweden. In Sweden, investments to enable equal access and number portability were the top priority. Investments abroad were dominated by the Viking Ring initiative, to link the Nordic countries with London, Paris, Frankfurt, and Hamburg.

To enable business initiatives in the market for global backbone traffic, Telia is establishing local network hubs in markets of strategic importance.

MOBILE SERVICES

Sales developed favorably, and earnings soared despite price cuts. Sales gains were in GSM and there chiefly for Telia's prepaid phone card, Mobitel Refill. At June 30, Telia's mobile networks served a total of 2,381,000 subscribers, including 625,000 Refill customers. The NMT 900 service is being closed down.

Telia also offers GSM 1800 services in Finland and Denmark, the latter accounting for 147,000 subscribers. Expenditure to establish operations in these markets curbed earnings from operations. In Finland, the incumbent operator has blocked Telia from establishing national roaming capability. Telia has lodged a complaint with the European Commission over these actions.

In the first half, Telia invested a total of MSEK 654 in mobile services, MSEK 445 of that in Sweden and MSEK 209 to build GSM networks in Denmark and Finland.

CUSTOMER EQUIPMENT AND SERVICE

These businesses, including the product areas goods, audio service, IT service, and installation, are exposed to tough competition with steadily falling prices. Profitability has been unsatisfactory, so extensive work is under way to achieve improvements such as more efficiency in procedures and production.

After a weak first quarter, sales took off in the second, lifting total sales for the first half just past sales for the same period one year previous.

Service and support business developed favorably. IT service received more orders from outside the Telia Group. During the period, contracts worth about MSEK 500 were signed with external customers.

The adjusted operating income was on a par with one year previous. Efficiency-enhancing measures taken in the Swedish business helped earnings, while operations in other countries reported unsatisfactory profitability.

INFORMATION SERVICES

Adjusted operating income more than doubled. The established businesses, mainly the Swedish directory operations, developed robustly. At the same time, income was negatively affected by development work and the introduction of new services.

The call center services product area, comprising outsourced customer support and telemarketing services, was restructured. The market outlook is good.

Directory assistance felt the impact of the change to new number series. Earnings almost doubled as a result of efficiency measures implemented.

In the TV services product area, earnings suffered because the digital-TV market developed more slowly than expected and new interactive TV services were delayed.

The portals product area mainly consists of Passagen, Telia's gateway to the Internet and platform for information services tailored to specific groups. The Swedish operations are run by the associated company Scandinavia Online. Earnings improved but remained unsatisfactory.

FINANCIAL SERVICES

Telia commands a leading position in the Swedish market for IT financing and is steadily reinforcing its positions in the other Nordic markets.

A massive rise in the number of new customer financing contracts boosted net sales more than 40% on the preceding year. Earnings improved.

Financing for personal computer systems bundled with Telia Internet slowed in Sweden after outstanding growth in 1998. Now, this market is expanding in other Nordic countries, particularly Norway.

Billing operations continued to develop invoicing systems and payment services. These services are also offered in other Nordic countries.

The credit appraisals and debt collection area developed according to plan. Insurance operations plan to launch product insurance in the other Nordic markets, too.

TELECOM OPERATIONS OUTSIDE THE NORDIC COUNTRIES

Net sales increased from one year previous mainly in the operations in the United Kingdom and Sri Lanka. Most operations are in relatively early commercial and development phases. Earnings suffered in the first quarter from foreign exchange turbulence in Brazil and Poland. Tess and Netia have loans of more than MUSD 400 each, so Group income suffered unrealized exchange rate losses of about GSEK 0.7. Investments totaling MSEK 1,707 were primarily attributable to capital infusions in Tess and Netia.

Broadening the market

Associated companies in fixed and mobile telephony in Estonia, Latvia, and Lithuania progressed, as did mobile telephony operations in the St. Petersburg region. Telia's own data communications and Internet activities in Lithuania were transferred to the associated company Lietuvos Telekomas.

Netia, which builds and operates networks for fixed, local telephony in Poland, enhanced sales by increasing the number of new customers and substantially boosting the volume of traffic on installed lines. Income before financial net turned out as planned. After the parent company Netia Holdings S.A. was listed on the Nasdaq stock exchange in the United States (the first Polish company to do so), Telia's stake equaled about 30% of the shares.

Telia U.K. kept expanding traffic volume and revenues. However, income was affected by declining prices and higher expenses for leased lines.

Following customers

Net sales of the Unisource group decreased because of restructuring under way. Earnings improved substantially thanks to capital gains on the sale of Unisource's stake in the German company Arcor. In early August, the network services company Unisource Carrier Services was sold to Energis, a telecom company in the U.K. Agreement has been reached concerning AT&T's withdrawal from AT&T-Unisource Communications Services (AUCS). Discussions are under way on future collaboration between AUCS and Infonet Services Corporation.

Capitalizing on know-how

The partly owned subsidiary Telia Overseas participates in consortia that apply for mobile telephony licenses. Licenses have been won in Brazil, Slovenia, and Uganda. The Slovenian company Si.Mobil, in which Telia Overseas has a 25% stake, opened commercial service at March 25.

Demand for international consulting services remained healthy, particularly in mobile communications and Internet services.

Parent Company

The parent company Telia AB (registered in Stockholm) conducts the Group's activities in network development, construction, and operation and provides basic production of network services. At January 1, the business support and contracting activities were transferred to the

subsidiary Telia System och Service AB. The parent company also comprises Group executive management functions and several support units, including the Group's internal bank.

Net sales totaled MSEK 13,242 (14,105), of which MSEK 11,466 (12,588) represented invoicing to subsidiaries. Earnings before appropriations and tax improved, to MSEK 1,238 (H1 1998: loss of 764), owing to the closure of the Recruitment Division, capital gains on the sale of AU-System, and healthier net financial income.

Net income after appropriations and tax ended at MSEK 409 (590). Equity was MSEK 16,531 (16,044 at year-end), and retained earnings MSEK 5,876 (5,389).

From December 31, 1998, to June 30, 1999, the balance sheet total shrank MSEK 9,513, to MSEK 57,233. Cash flow from regular business operations was MSEK 550 (-1,632), while operating cash flow was MSEK -2,516 (-774). Net borrowings dropped MSEK 4,171 during the period. At June 30, liquid funds totaled MSEK 4,763 (9,297 at December 31).

The current ratio was 0.88 (0.88 at December 31, 1998). The equity/assets ratio (including the equity component of untaxed reserves) improved, to 47.8% (39.0%).

The parent company invested MSEK 3,557 (2,585) in fixed assets, including MSEK 1,719 (1,836) in machinery and equipment, chiefly telecom installations. Other investments totaling MSEK 1,838 were primarily attributable to capital infusions in subsidiaries and associated companies.

The number of employees at June 30 was 6,818 (8,610 at year-end). The decrease resulted from the closure of the Recruitment Division and transfer of the business support and contracting activities to subsidiaries.

Telia and Telenor

On March 30, 1999, the Swedish and Norwegian governments signed an agreement to merge Telia and Telenor in a single company. The agreement is based on commercial terms and equal influence by both countries.

According to the agreement, following the merger the Swedish state will own 60% and the Norwegian state 40% of the new company. Balance between the owners will be

achieved by each party exercising the same influence in votes at the annual general meeting.

The company's shares will be listed as soon as possible. The agreement states that the two owners will have a policy of retaining combined holdings of at least 51% of the shares in the new company.

The Swedish Riksdag and Norwegian Storting approved the merger in June. The agreement is also contingent on the approval of the European Commission. The Commission is expected to deliver its decision in October.

CEO's Comments

Competition in the Swedish market is intensifying, and prices are falling—even in mobile telephony. Despite this, Telia bolstered profitability by expanding volumes and streamlining operations, thus reducing operating costs in the second quarter to a level below that of the same quarter the preceding year. Earnings from fixed and mobile services in Sweden improved GSEK 1.1 in the first half.

New business operations in Sweden and operations in new markets kept on growing, boosting revenues 27% and 34%, respectively. Internet traffic now accounts for 38% of local traffic in Sweden.

Telia's international initiatives are proceeding apace. Telecom Éireann and the Polish operator Netia successfully listed their shares. As Unisource is restructured, the shareholder value built up during the 1990s is continuously being crystallized.

On September 11, one of the biggest changes to affect the Swedish telecommunications industry will occur: the simultaneous introduction of equal access with carrier pre-selection and number portability. Telia has invested more than GSEK 1 to put in place the technical prerequisites for these changes. A number of complicated projects have been completed on schedule. I am convinced that Telia also has the marketing wherewithal to manage this new state of competition.

Stockholm, August 26, 1999

Jan-Åke Kark

President and CEO

Auditors' Review Report

We have made a review of this Interim Report in accordance with recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is substantially limited in relation to an audit. Nothing has come to our attention that indicates that this Interim Report fails to comply with the requirements of the Swedish Annual Accounts Act.

Stockholm, August 26, 1999

Ernst & Young AB

Peter Norberg
Certified Public Accountant

Gunnar Widhagen
Certified Public Accountant

Filip Cassel
Chief Auditor, Certified Public Accountant,
Appointed by the Swedish National Audit Office

Group Income Statements

MSEK	Jan–Jun 1999	Jan–Jun 1998	Full Year 1998	Full Year 1997
Net sales	26,566	24,478	51,372	46,816
Costs of production	-16,034	-15,543	-32,328	-30,512
Gross income	10,532	8,935	19,044	16,304
Selling, administrative, and R&D expenses	-7,171	-7,399	-15,155	-12,105
Other operating revenues and expenses, net	548	3,459	4,781	817
Share of earnings in associated companies	-744	-675	-1,081	-175
Operating income	3,165	4,320	7,589	4,841
Financial net	-287	-437	-798	-813
Income after financial net	2,878	3,883	6,791	4,028
Taxes	-908	-1,188	-2,267	-1,336
Minority shares	7	9	-40	40
Net income	1,977	2,704	4,484	2,732

Group Balance Sheets

MSEK	Jun 30 1999	Jun 30 1998	Dec 31 1998	Dec 31 1997
Intangible fixed assets	1,670	1,589	1,842	1,566
Tangible fixed assets	38,450	42,710	38,832	42,173
Financial fixed assets	9,908	5,421	9,030	5,098
Inventories etc.	913	996	946	982
Current receivables	16,069	14,037	15,007	12,817
Short-term investments	546	132	202	517
Cash and bank deposits	627	526	481	1,042
Total assets	68,183	65,411	66,340	64,195
Equity	28,148	25,518	27,593	24,041
Minority shares	301	441	494	306
Provisions for pensions	2,121	3,443	2,290	6,695
Other provisions	6,077	5,567	5,845	5,207
Long-term loans	8,519	6,934	6,491	7,082
Current loans	8,262	8,298	7,062	7,731
Non-interest-bearing liabilities	14,755	15,210	16,565	13,133
Total equity and liabilities	68,183	65,411	66,340	64,195

Group Cash Flow Statements

MSEK	Jan–Jun 1999	Jan–Jun 1998	Full Year 1998	Full Year 1997
Funds from operations	7,289	3,991	11,044	12,108
Change in working capital, interest, etc.	-1,602	968	-463	-2,223
Cash flow from operating activities	5,687	4,959	10,581	9,885
Cash flow from investing activities	-5,837	-1,309	-3,291	-9,032
Operating cash flow	-150	3,650	7,290	853
Cash flow from financing activities	666	-4,558	-8,232	-414
Cash flow for the period	516	-908	-942	439
Net interest-bearing liability, opening balance	12,519	18,821	18,821	18,644
Change in net borrowings	1,624	640	-1,897	4,364
Change in pension liability	-169	-3,252	-4,405	-4,187
Change in net liabilities	1,455	-2,612	-6,302	177
Net interest-bearing liability, closing balance	13,974	16,209	12,519	18,821

Quarterly Data

MSEK	1997				1998			1999	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	11,772	11,272	12,849	11,675	12,803	12,526	14,368	13,013	13,553
Operating income	1,122	1,701	1,258	790	3,530	2,047	1,222	1,212	1,953
Income after financial net	891	1,488	1,096	576	3,307	1,819	1,089	1,057	1,821

Segment Information, Jan–Jun 1999

MSEK	Net sales	Adjusted optg income	Operating income	Investment	No. of employees
				s	
Fixed services	16,958	3,369	3,062	2,171	15,492
Mobile services	3,880	825	844	654	2,032
Customer equipment and service	1,948	160	112	49	3,559
Information services	1,747	211	203	150	5,096
Financial services	1,546	304	304	2,273	606
Telecom operations outside the Nordic countries	510	-746	-746	1,707	888
Other and Group	-23	-1,042	-614	-468	3,527
Total	26,566	3,081	3,165	6,536	31,200

Segment Information, Jan–Jun 1998 (pro forma)

MSEK	Net sales	Adjusted optg income	Operating income	Investment	No. of employees
				s	
Fixed services	15,851	2,899	2,828	1,720	15,454
Mobile services	3,379	502	502	823	1,826
Customer equipment and service	1,900	165	40	29	3,314
Information services	1,728	103	28	155	4,076
Financial services	1,083	300	265	2,013	516
Telecom operations outside the Nordic countries	431	-376	2,932	1,087	1,047
Other and Group	106	-740	-2,275	-102	5,260
Total	24,478	2,853	4,320	5,725	31,493

Accounting Principles

The Telia Group follows the recommendations of the Swedish Financial Accounting Standards Council (RR). In the tables for the Group, taxes are reported for part of the year based on the full tax method, and measures of return are based on values covering the preceding 12 months.

From January 1, 1999, entries for interest related to service contracts in finance companies are classified as Net sales or Costs of production instead of Other revenues or Other

expenses, as before. The accounts also comply now with recommendation RR 8 on reporting the effects of changes in foreign exchange rates. Hence, from January 1, 1999, adjustments for goodwill and consolidation of foreign subsidiaries and associated companies have been treated as items in foreign operations. These items were previously valued at the exchange rate at the time of acquisition. Comparative figures for previous years have been restated.

Definitions

Adjusted operating income. Operating income before capital gains/losses, costs of personnel restructuring (including contractual pension obligations), some common pension commitments, and year 2000 compliance.

Adjusted equity. Reported equity less the proposed dividend.

Capital employed. Balance sheet total less non-interest-bearing liabilities, non-interest-bearing provisions, and the proposed dividend.

Operating capital. Capital employed excluding interest-bearing assets but including participations in associated companies.

Gross margin. Operating income plus depreciation according to plan expressed as a percentage of net sales.

Operating margin. Operating income expressed as a percentage of net sales.

Return on capital employed. Operating income plus financial revenues expressed as a percentage of average capital employed.

Return on equity after full tax. Net income expressed as a percentage of average adjusted equity.

Equity/assets ratio. Adjusted equity expressed as a percentage of the balance sheet total.

Interest coverage rate. Operating income plus financial revenues divided by financial expenses.

Current ratio. Current assets expressed as a percentage of current liabilities.

Net cash flow. Increase (–) or decrease (+) in net borrowings.

Net interest-bearing liability. Interest-bearing liabilities less interest-bearing assets.

Net borrowings. Interest-bearing liabilities less pension liability and interest-bearing assets.

Board of Directors

Jan Stenberg

Chairman
President and CEO, Scandinavian Airlines Systems

Björn Wolrath

Vice Chairman
Chairman, Momentum AB

Frank Andersson

Substitute, Municipal Executive Committee in Gothenburg

Lars Johan Cederlund

Deputy Assistant Under-Secretary in the Ministry of Industry and Commerce

Birgitta Frejhagen

President, InfoKomp AB

Birgitta Johansson-Hedberg

Director

Carl-Erik Nyquist

President and CEO, Vattenfall AB

Ronny Käck

Employee Representative, National Union of State Employees, Support and Communications

Kjell Olofsson

Employee Representative, National Union of State Employees, Support and Communications

Berith Westman

Employee Representative, Chairman of the local Telecom section of the Union of Civil Servants

Deputy members

Christer André

Employee Representative, National Union of State Employees

Elof Isaksson

Employee Representative, National Union of State Employees, Support and Communications, Norrbotten region

Gösta Mölleby

Employee Representative, Union of Civil Servants, Telecom

Secretary of the board

Mikael Engqvist

Vice President, Legal Affairs, Telia AB

Group Executive Management

Jan-Åke Kark

President and CEO, Telia AB

Stig-Arne Larsson

Deputy CEO and CFO, Telia AB

Business area heads

Jan Rudberg

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Bjørn Formo

Norway

Financial Information from Telia

Annual Report Summary

End of February

Annual Report

End of March

Interim Report, Jan–Mar

Mid-May

Interim Report, Jan–Jun

Late August

Interim Report, Jan–Sep

Early November

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