TeliaSonera

Financially sound with a solid capital structure

Annual Report 2013

Contents

Introduction

TeliaSonera in brief

Communication the easy way

TeliaSonera has its roots in the Nordic telecom market and holds strong positions in the Nordic and Baltic countries, Eurasia and Spain. Our core business is to create better communication opportunities for people and businesses through mobile and broadband communication services.

TeliaSonera creates a world with better opportunities

We help people communicate with family, friends and business contacts in an easy, efficient and environmentally-friendly way. We do this by providing high quality telecommunication services in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain. Our ambition is to be a leading operator in all our markets, by providing the best customer experience high-quality networks and cost-efficient operations.

We are an international group

We have subsidiaries from the Nordics to Nepal, with 72.5 million subscriptions at year-end 2013 as well as 116.5 million subscriptions in our associated companies, mainly in Russia and Turkey. We are also the leading European wholesale provider with a wholly-owned international carrier network.

We are organized into three business areas

Mobility Services, Broadband Services and Eurasia are our three business areas. In the Nordic and Baltic countries, we provide mobile and fixed line services including TV. In Eurasia and Spain, we offer mobile services.

- Mobility Services
- Broadband Services
- Eurasia

We want to help our customers get connected

We offer high-quality services such as mobile broadband via 4G, digital home and fiber services to ensure we can meet future demands.

Our employees

We had 26,013 employees at year-end

26,013

The year in brief

2013 – an eventful year

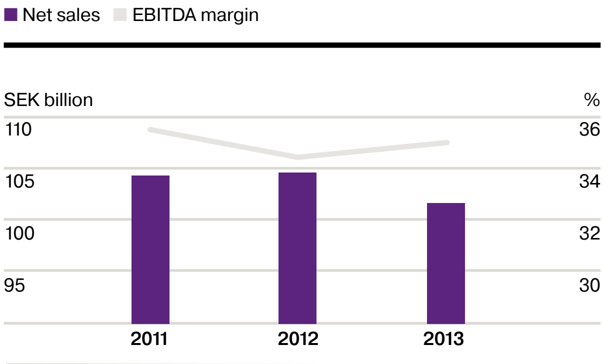
- In early February, the Swedish law firm Mannheimer Swartling released its report on TeliaSonera's investments in Uzbekistan. The investigation was not able to establish that bribery or money laundering had occurred; however, the suspicions of crime expressed by the Swedish Prosecution Authority could not be dismissed by the investigation. Serious criticism was directed at TeliaSonera for shortcomings in the investment process. As a consequence, Lars Nyberg left the company and a new Board of Directors was elected at the April AGM. The Board promptly launched a review of transactions in Eurasia, led by Norton Rose Fulbright, and in June appointed Johan Dennelind as President and CEO. He assumed his position on September 1.
- In March, we took an important step in the Swedish market. As one of the first operators in Europe, we offered the opportunity to connect multiple mobile devices to one subscription, including unlimited calls and text messages, with the possibility to share data volumes within certain buckets. Data-centric pricing has now been launched in Sweden, Denmark, Norway, Lithuania and Finland.
- In March, TeliaSonera and the other members of the Telecommunication Industry Dialogue signed guiding principles on telecommunication and freedom of expression and privacy. We also entered into a two-year collaboration with the Global Network Initiative (GNI) to develop and expand this initiative further.
- The customer base continued to grow for all IP-based services and the fiber roll-out regained momentum. Around 28 percent of our customers are connected via fiber in the Nordic and Baltic region. During the summer, the number of TV customers passed 600,000 in Sweden, reaching the number two position in the Swedish TV market.
- 4G is now launched in all Nordic and Baltic countries, in Spain and also in Azerbaijan, Moldova, Tajikistan and Uzbekistan (scale trial).
- In December, it was announced that following the decision to change TeliaSonera's operating model, a new Group Management team will be formed as of April 1, 2014.
- TeliaSonera is financially sound, with a robust generation of free cash flow and a solid capital structure.

Financial highlights

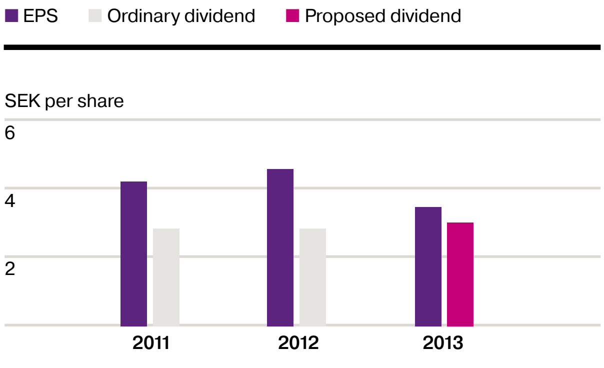
SEK in millions, except key ratios, per share data and margins	2013	2012	2011[1]
Net sales	101,700	104,898	104,804
EBITDA, excluding non-recurring items	35,584	36,171	37,222
Margin (%)	35.0	34.5	35.5
Operating income	24,462	28,400	29,720
Operating income, excluding non-recurring items	28,534	28,682	29,889
Net income	16,767	21,168	21,119
of which attributable to owners of the parent company	14,970	19,886	18,388
Earnings per share (SEK)	3.46	4.59	4.21
Return on equity (%, rolling 12 months)	15.9	20.5	17.1
CAPEX-to-sales (%)	16.1	15.0	16.6
Free cash flow	16,310	23,740	9,415

[1] Has not been restated for change in accounting principles, see further information in Note C1 to the consolidated financial statements.

NET SALES AND EBITDA MARGIN, EXCLUDING NON-RECURRING ITEMS, 2011–2013



EPS AND DIVIDENDS, 2011–2013



Letter from the CEO

Dear Shareholders,
2013 was another eventful and challenging year for the telecom industry and for TeliaSonera. Despite an uncertain and troubling macroeconomic climate in many of our markets, regulatory effects and rapidly changing customer behavior, we are pleased to close the year with more or less flat organic revenues, a slight increase in our EBITDA margin and solid free cash flow.

We have a lot to be proud of

I assumed the position as CEO in September 2013, and my initial observations were that TeliaSonera has a solid asset base, attractive footprint, strong brands and competent people. We have a lot to be proud of. However, our position has weakened in too many markets and it is vital to strengthen our competitiveness. In a fast changing landscape we have to develop a company culture that encourages agility and innovation.

Closer to the customers

We have to understand our customers' needs and deliver a differentiated customer experience. We need to reduce complexity regarding processes, products & offerings and step up our competitiveness in our local markets. The rapid development of our industry continues and legacy is being replaced with new technologies and business models. We maintain an active role in this migration by expanding high speed internet via fiber and 4G in order to enable people to communicate even more with each other, with even better quality. We are also determined to make our enterprise customers even more competitive by offering tailored products and services to best meet the core requirements of our diverse customer segments. In 2013, we invested more than SEK 16 billion in order to have high-quality networks, a prerequisite to be a leading telecom operator.

New business models

In March, we took an important initiative. As one of the first operators in Europe we offered our customers to connect multiple mobile devices to one subscription, including unlimited calls and text messages, with the possibility to share data volumes within certain buckets. In our view, this is an important step and an attractive service for the customer at the same time as we move towards a more sustainable business model in a world where the consumption of data is increasing heavily. Data-centric pricing is now launched in Sweden, Denmark, Norway, Lithuania and Finland.

Introduction

Governance and ethical behavior

It's obvious that managing our business in a sustainable way is vital to our reputation and future success. Creating a sustainable business is a key part of our strategy and major actions have been taken during the year in order to strengthen corporate governance.

I have launched a comprehensive program to rebuild our reputation towards our stakeholder everywhere we operate. This is a long journey, but a prerequisite for our future survival. We can only sustain as a profitable company long term by acting responsibly in everything we do.

The sustainability work in 2013 has been focusing on improving our governance and compliance. In April the Board established a Sustainability and Ethics Committee with the task to review the group's internal and external sustainability reporting, policies, action plans and systems for risk management. I also implemented an Ethics and Compliance function to enforce the compliance with ethical and legal requirements. Our key sustainability focus areas have continued to be freedom of expression and privacy, customer privacy, anti-corruption, sustainability in supply chain and environmental targets. We need to pro-actively promote health and well-being at work for everyone who works for or with TeliaSonera, therefore occupational health and safety will be prioritized during 2014.

During the spring, TeliaSonera and the other members of the Telecommunication Industry Dialogue signed guiding principles on telecommunication and freedom of expression and privacy. The principles provide guidance on how we should act to respect these basic human rights. We also entered into a two-year collaboration with the Global Network Initiative (GNI) to develop and expand this initiative further.

We continued implementing the group environmental targets in all business units, identifying hotspots for energy efficiency and ways to reduce our CO_2 emissions. We have been looking into, and realizing, the potential to use for example solar energy in Eurasia and have currently over 500 base stations solar powered. However, in 2013 we were unable to deliver positive progress on our environmental targets, as energy efficiency decreased 5 percent and emissions increased 18 percent per subscription. This is mostly caused by our efforts to improve the reported data quality and accuracy.

> "Creating a sustainable business is a key part of our strategy and major actions have been taken to strengthen corporate governance."

TeliaSonera is committed to follow United Nations Global Compact 10 principles. Our sustainability performance is reported in the Sustainability report where you also find the progress regarding implementing the principles. To assure the credibility, transparency and balanced view of our sustainability issues, the Sustainability report has been externally assured by third party.

Accountability and a winning innovative culture

In order to compete effectively and to support long term profitability, it is crucial to have an efficient organization and a sound cost base. We have to reduce complexity to enable an efficient way of working, accelerate decision making and ensure our employees stay skilled and motivated.

A key task during the fall has been to develop the strategic roadmap for TeliaSonera. An important step in this process was taken in December when we finalized our new operating model, a country based structure that will be launched in April 2014. The aim with this change is to reduce overall complexity within the group, enhance customer focus and clarify general accountability as well as establishing a winning culture and mindset.

I want us to become a company much closer to our customers, with clearer accountability for delivering superior results in a sustainable, innovative and fun way. This will help us unleash and reach our full potential.

Capture the opportunities

TeliaSonera is a financially sound and balanced company. Entering a new year we face many challenges but also a lot of opportunities. I'm sure that that we have an exciting year ahead of us.

Stockholm, March 5, 2014

Johan Dennelind
President and CEO

Markets and brands

Strong market positions

Customers recognize us in each of our markets by our common identity. Our icon represents the international strength of TeliaSonera combined with a strong local connection as represented by our well-known local brand names. We also have local fighting brands in most markets, each with a different marketing strategy. We have subsidiaries in the Nordic and Baltic countries as well as in Eurasia and Spain and associated companies in Russia, Turkey and Latvia. We aim to be recognized as a leading player in all our markets.

Subsidiaries

Country	Trademark	Ownership[1]	Consolidated share[2]	Service	Market position	Market share[3]
Sweden						
Telia, halebop	Telia, Halebop	100%	100%	Mobile	1	39%
	Telia	100%	100%	Broadband	1	39%
	Telia	100%	100%	Fixed Voice incl. VoIP	1	62%
	Telia	100%	100%	TV	3	14%
Finland						
Sonera, tele finland	Sonera, TeleFinland	100%	100%	Mobile	2	34%
	Sonera	100%	100%	Broadband	2	31%
	Sonera	100%	100%	Fixed Voice	2	23%
	Sonera	100%	100%	TV	2	21%
Norway						
NetCom, Chess	NetCom, Chess	100%	100%	Mobile	2	23%
Denmark						
Telia, Call me, dlg Tele	Telia, Call me, DLG Tele[4]	100%	100%, 50%[4]	Mobile	3	18%
	Telia, DLG Tele[4]	100%	100%, 50%[4]	Broadband	5	5%
	Telia, Call me, DLG Tele[4]	100%	100%, 50%[4]	Fixed Voice incl. VoIP	2	7%
	Telia	100%	100%	TV	>5	<5%

Subsidiaries

Country	Trademark	Ownership[1]	Consolidated share[2]	Service	Market position	Market share[3]
Lithuania						
	Omnitel, Ezys	100%	100%	Mobile	1	36%
	TEO	88.2%	88.2%	Broadband	1	51%
	TEO	88.2%	88.2%	Fixed Voice	1	90%
	TEO	88.2%	88.2%	TV	1	23%
Latvia						
	LMT Okarte, Amigo	60.3%	60.3%	Mobile	1	41%
Estonia						
	EMT, Diil	100%	100%	Mobile	1	44%
	Elion	100%	100%	Broadband	1	59%
	Elion	100%	100%	Fixed Voice incl. VoIP	1	78%
	Elion	100%	100%	TV	2	35%
Spain						
	Yoigo	76.6%	100%	Mobile	4	7%
Kazakhstan						
	Kcell, Activ	61.9%	61.9%	Mobile	1	46%
Azerbaijan						
	Azercell	38.1%	69.5%	Mobile	1	51%
Uzbekistan						
	Ucell	94.0%	100%	Mobile	2	44%
Tajikistan						
	Tcell	60.0%	60.0%	Mobile	1	37%
Georgia						
	Geocell, Lailai	74.3%	74.3%	Mobile	2	35%
Moldova						
	Moldcell	74.3%	74.3%	Mobile	2	30%
Nepal						
	Ncell	60.4%	80.4%	Mobile	1	56%

Associated companies

Country	Trademark	Ownership[1]	Consolidated share[2]	Service	Market position	Market share[3]
Latvia						
	Lattelecom	49.0%	49.0%	Broadband	1	55%
	Lattelecom	49.0%	49.0%	Fixed Voice incl. VoIP	1	94%
	Lattelecom	49.0%	49.0%	TV	1	35%
Russia						
	MegaFon	25.2%	27.2%	Mobile	2	28%
Turkey						
	Turkcell	38.0%	38.0%	Mobile	1	51%

[1] Ownership is defined as direct and indirect ownership, i.e. effective ownership.

[2] Consolidated share includes commitments to acquire non-controlling interests (NCI put options).

[3] In Broadband and Fixed Voice, TeliaSonera's market share estimate is based on the share of revenues where data is available, and number of subscriptions where no data is available. In Mobile, the market share is based on the number of subscriptions except for subsidiaries in Eurasia where it is based on interconnect traffic. For TV, market share is based on the number of pay-TV subscriptions of cable TV, satellite TV, terrestrial TV and IPTV. For Russia, market share is based on information from ACM Consulting. For Turkey, market share is based on information from ICTA.

[4] TeliaSonera owns 50 percent of DLG Tele and controls the company via agreements.

Board of Directors' Report

TeliaSonera reports its financial results by the three business area segments **Mobility Services, Broadband Services** and **Eurasia**, and the segment **Other operations**. The business areas are based on business units which in most cases are country organizations, and for which certain financial information is reported. Other operations includes the units Other Business Services, TeliaSonera Holding and Group functions, which are all reported collectively. TeliaSonera's group functions are Communications, Finance (including M&A and Procurement), Human Resources, Strategy and Business Development, IT, Legal Affairs, Ethics and Compliance and Internal Audit.

A new operating model effective April 1, 2014, was announced on December 16, 2013. For additional information, see section "Significant events in 2013."

In this Report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the full year of 2012, unless otherwise stated.

Mission, Vision and Strategy

Corporate and private customers value the freedom and flexibility of high-quality internet and communication systems. TeliaSonera provides network access and telecommunication services that enable people and businesses to achieve what they regard as important. Seeing the big picture is vital, but the smaller details are just as essential in meeting customer needs.

Mission: To provide network access and telecommunication services

TeliaSonera's mission is to help people and companies communicate in an easy, efficient and environmentally-friendly way, by providing network access and telecommunication services. Our focus is to deliver a first-rate customer experience, while ensuring the quality of our networks and maintaining a cost-efficient structure. TeliaSonera is an international group with a global strategy, but wherever we operate we act as a local company.

Our focus areas

- Providing world-class customer experience
- High-quality networks
- Driving cost efficiency

Vision: To contribute to a world with better opportunities

TeliaSonera is a world-class service company, recognized as an industry leader. We are proud pioneers of the telecom industry, a position we have gained by being innovative, reliable and customer-friendly. Wherever we operate, we act in a responsible way, based on a firm set of values and business principles. Our services form a major part of people's daily lives – for business, education and pleasure.

Shared values

- Add value
- Show respect
- Make it happen

Strategy: Solutions based on deep understanding

Widespread access to reliable communication services has become pivotal in our daily lives both at home and at work. Since the arrival of smartphones and tablets, we rely increasingly on digital transmission for social and business communication. New pricing models have contributed to making communication services effective, transparent and personal. We expect this trend to increase and evolve in the coming years. TeliaSonera's strategy is to deliver tailored products and services to best meet the core requirements of our diverse customer segments. We provide solutions formed by our in-depth understanding of our customers' present and future needs. We create shareholder value by delivering services in a cost-effective and sustainable manner, which leads to improved profitability and strong cash flow.

Three major challenges

Our customers' behavior has been affected by the rapid digitalization of data within our society. Usage has become more dynamic and enhanced by videos, moving images, interactive entertainment and social networks. With consideration to this development, we believe our industry faces three main imminent challenges:

1. Continued rebalancing of data pricing to follow current business models
2. Fixed-mobile convergence and bundling of services
3. Development of value-added services linked to our core business, e.g. cloud storage and virtual meetings

Our customers depend on us to prioritize our commitment to be their access provider – it is our primary role.

Additionally, we pledge to add value through applications that relate to network access to reduce churn and increase data transfer-speed and capacity.

An industry leader

Corporations and customers value quality, flexible B2B product portfolios, outstanding customer care and early implementation. Mobile internet has revolutionized the business landscape.

We at TeliaSonera understand our customers' needs, which include:
- High-quality networks – Our services are reliable in terms of coverage, speed and up-time.
- World-class customer experience – We strive to provide easy-to-use services with a "touch and feel" experience.
- Business-to-business (B2B) product portfolios – We assure customer needs are met with integrated business solutions.
- Early implementation – We get new technology and services to customers faster.
- Competitive pricing – We exploit the potential of economies of scale.

Our unified brand

People trust a brand they know. The unified brand further strengthens our position on the international scene by manifesting TeliaSonera's unique combination of international reach and local connection.

We aim to be seen as the most attractive brand in our industry in each market, providing the best customer experience. We also aim to be viewed as smart, innovative and local, wherever we operate.

Risks and Risk Management

TeliaSonera operates in several geographical markets and with a broad range of products and services in the highly competitive and regulated telecommunications industry. In addition, certain TeliaSonera markets are highly challenging when it comes to corruption and violations of human rights. As a result, TeliaSonera is subject to a variety of risks and uncertainties. TeliaSonera has defined risk as anything that could have a material adverse effect on the achievement of TeliaSonera's goals. Risks can be threats, uncertainties or lost opportunities relating to TeliaSonera's current or future operations or activities.

TeliaSonera has an established risk management framework in place to regularly identify, analyze, assess, and report risks and uncertainties, and to mitigate such risks when appropriate. Risk management is an integral part of TeliaSonera's business planning process and monitoring of business performance. Main risks relate to industry and market conditions, operations and strategic activities, associated companies and joint operations, ethics and sustainability, ownership of TeliaSonera shares, financial management and financial reporting.

Risks and uncertainties related to business, ethics and sustainability as well as shareholder issues are described in Note C34, key sources of estimation uncertainty in Note C2 and financial risks in Note C26 to the consolidated financial statements. TeliaSonera's enterprise risk management, governance and process as well as internal controls over financial reporting are described in the Corporate Governance Statement.

Ethics and Sustainability

TeliaSonera's ethical and sustainability work encompasses all efforts to realize economic, environmental and social responsibilities and opportunities through responsible business practices.

This involves ensuring environmental and social sustainability along the supply chain, respecting human rights, complying with ethical business practices in all markets, improving the protection of customers' privacy, taking care of the well-being of the employees, reducing TeliaSonera's and its customers' carbon footprint, protecting children online, and supporting research related to exposure to electromagnetic fields.

TeliaSonera recognizes its duty to have a positive effect on society, the environment, the employees and the value chain, and to minimize and mitigate any negative impacts TeliaSonera's operations might have.

In 2013, among other actions taken, a new Board of Directors committee, the Sustainability and Ethics Committee, was established as well as extended quarterly Group Management meetings focusing on governance, risk, ethics and compliance issues (GREC meetings). The main sustainability focus areas in 2013 were:
- Freedom of expression and privacy
- Customer privacy
- Anti-corruption
- Sustainability along the supply chain
- Environmental responsibility

See also section "Significant events in 2013" and the Corporate Governance Report, sections "Sustainability and Ethics Committee," "Sustainability, ethics and compliance," "Group policies" and "Enterprise Risk Management" for information on actions taken in 2013.

Already in April, the Board of Directors launched a review of transactions in Eurasia, led by the international law firm Norton Rose Fulbridgt (NRF). For additional information, see the Sustainability Report, section "Review of Eurasian transactions". As a consequence of the ongoing review, four senior employees had to leave TeliaSonera in late November as it was evident to the Board of Directors and the CEO that the processes for conducting some transactions had not been in line with sound business practices.

Board of Directors' Report

TeliaSonera annually reports its sustainability performance in the Sustainability Report. The external auditors submit a review report on the Sustainability Report. TeliaSonera applies the Global Reporting Initiative guidelines for reporting on sustainability including the telecommunications sector supplement pilot. The report is intended to respond to internal and external stakeholders' interest for information and request for increased transparency regarding the sustainability work. Internally, TeliaSonera uses the Sustainability Report to collect, highlight and share information about best practices across the group.

The **TeliaSonera Sustainability Report** is available at:
www.teliasonera.com/Sustainability-Report
(Information on the TeliaSonera website does not form part of this Report).

Group Development in 2013

Financial highlights

- Net sales in local currencies, excluding acquisitions and disposals, decreased 0.2 percent. In reported currency, net sales decreased 3.0 percent to SEK 101,700 million (104,898).
- The total number of subscriptions increased by 6.0 million to 189.0 million. In the consolidated operations the number of subscriptions increased by 1.3 million to 72.5 million and in the associated companies by 4.7 million to 116.5 million.
- The addressable cost base in local currencies, excluding acquisitions and disposals, decreased 1.6 percent. In reported currency, the addressable cost base decreased 4.3 percent to SEK 28,380 million (29,644).
- EBITDA, excluding non-recurring items, increased 1.7 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 1.6 percent to SEK 35,584 million (36,171). The EBITDA margin, excluding non-recurring items, increased to 35.0 percent (34.5).
- Operating income, excluding non-recurring items, decreased 0.5 percent to SEK 28,534 million (28,682). Income from associated companies, excluding non-recurring items, increased to SEK 5,986 million (5,488).
- Net income attributable to owners of the parent company decreased 24.7 percent to SEK 14,970 million (19,886) and earnings per share to SEK 3.46 (4.59).
- Free cash flow was SEK 16,310 million (23,740). Free cash flow excluding dividends from MegaFon was SEK 14,370 million (12,014).

SEK in millions, except key ratios, per share data and changes	2013	2012	Change (%)
Net sales	101,700	104,898	-3.0
Addressable cost base[1] excl. non-recurring items[3]	-28,380	-29,644	-4.3
EBITDA[2] excl. non-recurring items[3]	35,584	36,171	-1.6
Margin (%)	35.0	34.5	
Depreciation, amortization and impairment losses	-15,215	-20,542	-25.9
Income from associated companies	6,021	13,868	-56.6
Non-recurring items[3] within EBITDA	-1,928	-1,097	75.8
Operating income	24,462	28,400	-13.9
Financial income and expenses, net	-3,094	-3,918	-21.0
Income taxes	-4,601	-3,314	38.8
Net income	16,767	21,168	-20.8
of which attributable to owners of the parent company	14,970	19,886	-24.7
Earnings per share (SEK)	3.46	4.59	-24.6
Operating income excluding non-recurring items[3]	28,534	28,682	-0.5
Margin (%)	28.1	27.3	
Return on equity (%)	15.9	20.5	
CAPEX-to-sales (%)[4]	16.1	15.0	
Free cash flow	16,310	23,740	-31.3

[1] See section "Expenses" for details on addressable cost base
[2] EBITDA is an abbreviation of Earnings Before Interest, Tax, Depreciation and Amortization and is in TeliaSonera defined as operating income before depreciation, amortization and impairment losses, and before income from associated companies
[3] See section "Non-recurring items" for details on non-recurring items
[4] Including license and spectrum fees

Restated financial information

In this Report, prior periods have been restated to reflect the application of the amended standard IAS 19 "Employee Benefits" as of January 1, 2013. For additional information, see Note C1 to the consolidated financial statements.

Significant events in 2013

In March, TeliaSonera in Sweden, as one of the first operators in Europe, offered the opportunity to connect multiple mobile devices to one subscription, including unlimited calls and text messages, with the possibility to share data volumes within certain buckets. At the end of the year, data-centric pricing had been launched in Sweden, Norway, Denmark and Lithuania.

During the year, TeliaSonera continued to invest in network capacity and coverage and to improve cost efficiency in the networks, as follows:

- In May, Telia in Sweden announced that it will further invest in 4G and mobile coverage, expand within fiber and selectively target acquisitions of existing fiber networks. Telia will significantly expand the 4G network in Sweden, targeting 92 percent geographical coverage in the next two years, utilizing existing 2G/3G infrastructure to ensure a cost efficient roll-out. The investment amounts to approximately SEK 5 billion annually during a three-year period.

Board of Directors' Report

- In May, TeliaSonera secured 800 MHz spectrum enabling faster 4G roll-out in Estonia. By mid-June, the 4G network was ready to use and has a territorial coverage of over 95 percent.
- In August, TeliaSonera's Spanish operator Yoigo (Xfera Móviles S.A.) had reached a series of agreements with Telefónica's subsidiary Movistar enabling Yoigo to sell combined fixed-mobile services to its customers. In addition, Movistar will be able to offer its customers better and faster mobile services on Yoigo's 4G network. In parallel, Yoigo and Telefónica have reached an agreement with Abertis Telecom to acquire mobile telephone towers from Yoigo and Telefónica, with the aim to improve cost efficiency.
- In October, TeliaSonera's Finnish operator Sonera (TeliaSonera Finland Oyj) invested in new 4G frequencies in the 800 MHz band. Sonera secured 2*10 MHz frequencies in the 800 MHz band. The licenses granted for the 800 MHz band are valid for 20 years starting from 2014, and the price for the new frequency blocks was EUR 41.2 million including the administrative fees for the auction. Payment to the Finnish regulatory authority Ficora will be made in equal installments during the next five years.
- In December, TeliaSonera's Norwegian operator NetCom (TeliaSonera Norge AS) invested in new 4G frequencies in the 800 MHz band. Along with prolonged licenses in 900 MHz band and more 4G frequencies in the 1,800 MHz band, the investment of NOK 626.7 million underlined the ambition to support customers with high-speed data connections across Norway.
- At year-end, TeliaSonera had launched 4G services in 10 countries and been awarded 4G licenses in 2 more countries. The 3G licenses in Georgia and Nepal were renewed during the year.

During the year, the Board of Directors and management further increased the efforts to develop principles and processes that respect human rights and protect TeliaSonera from corruption.

- On February 1, the Swedish law firm Mannheimer Swartling (MSA), finalizing the assignment given by the Board of Directors in October 2012, presented its review of TeliaSonera's investments in Uzbekistan. The investigation was not able to establish that bribery or money laundering had occurred; however, the suspicions of crime expressed by the Swedish Prosecution Authority could not be dismissed by the investigation. Serious criticism was directed at TeliaSonera for shortcomings in the investment process and that the internal controls were not sufficient. On the same day, the Board of Directors issued a statement, concluding that the investments were not carried out in a satisfactory manner and that the Board concurred with and shared MSA's criticism.
- On March 12, TeliaSonera announced that the company, and its fellow founding members of the Telecommunication Industry Dialogue, had published the signed guiding principles on telecommunication and freedom of expression and privacy. The principles are the result of two years of dialogue. In addition, the Global Network Initiative (GNI) announced a two-year collaboration with the Industry Dialogue group. By working together, the Industry Dialogue and GNI aim to advance freedom of expression and privacy rights in the Information and Communication Technology (ICT) sector more effectively.
- On April 3, the Board of Directors at its statutory meeting decided to establish a Sustainability and Ethics Committee, tasked to work forward with sustainability issues to safeguard that TeliaSonera is doing the right things and is working in a correct way.
- On April 18, the Board of Directors launched a review of transactions in Eurasia, led by the international law firm Norton Rose Fulbright (NRF). For additional information, see the Corporate Governance Report, section "Review of Eurasian transactions."
- On November 29, four senior employees had to leave TeliaSonera as a consequence of the ongoing review regarding transactions made in Eurasia. On the basis of the information and conclusions to that date it was evident to the Board of Directors and the CEO that the processes for conducting some transactions had not been in line with sound business practices. The Board also decided to hand over the material from the NRF review to the Swedish Prosecution Authority as part of the continuous dialogue and information-sharing started in 2012.
- Other actions during the year included, but was not limited to, the establishment of an Ethics and Compliance Office, headed by a Chief Ethics and Compliance Officer reporting to the CEO; the establishment of an extended Group Management meeting, assembled quarterly to discuss and decide on governance, risk, ethics and compliance issues (GREC meeting); group-wide roll-out of an e-learning tool to enforce the implementation of TeliaSonera's Code of Ethics and Conduct with focus on anti-corruption and issuing and initiating the implementation of new group policies on freedom of expression in telecommunications and sponsorships. For additional information, see the Corporate Governance Report, sections "Sustainability, ethics and compliance", "Group policies" and "Enterprise Risk Management."

In December 2013, TeliaSonera announced a change of its operating model to be launched April 1, 2014. The new operating model will improve TeliaSonera's local operations' ability to provide an even better customer experience and at the same time clarify performance accountability. The countries will be the leading dimension and the current business area layer is removed from the existing organization. The country structure will be grouped in three geographical areas; Europe, Eurasia and Sweden. It will also strengthen the ability to enforce and follow up the sustainability, compliance

Board of Directors' Report

and governance agendas, and support local management and staff in this regard. Until April 1, 2014, TeliaSonera will prepare by appointing heads of the new key functions, and by adapting processes and supporting systems. The new Group Management team will consist of twelve members with a mix of international experience and relevant industry background, combining new people and outside experience with high performing existing members. TeliaSonera will report according to the new structure as of the second quarter of 2014.

During 2013, changes in the Board of Directors and TeliaSonera Group Management were as follows:

- On April 3, six new members of the Board of Directors were elected and the Board members are Marie Ehrling, Chair, Olli-Pekka Kallasvuo, Vice-Chair, Mats Jansson, Mikko Kosonen, Nina Linander, Martin Lorentzon, Per-Arne Sandström and Kersti Strandqvist.
- On February 1, Lars Nyberg resigned from his position as President and CEO of TeliaSonera and Per-Arne Blomquist, Executive Vice President and CFO, was appointed acting President and CEO.
- On February 6, Veysel Aral, CEO of AO Kcell and Regional Head of Central Asia, was appointed President of Business area Eurasia. In this role, he succeeded Tero Kivisaari, who managed dual roles since his appointment as President of Business area Mobility Services in October 2012.
- On February 6, Christian Luiga, Head of Corporate Control, was appointed acting CFO as a consequence of Per-Arne Blomquist being appointed acting President and CEO.
- On June 14, it was announced that Cecilia Edström would leave her position as Head of Group Communications at TeliaSonera during the summer of 2013 and on November 5, Peter Borsos was appointed new Head of Group Communications.
- On June 16, the Board of Directors appointed Johan Dennelind to the position of President and CEO of TeliaSonera. Johan Dennelind assumed the position on September 1.
- On August 15, Jonas Bengtsson was appointed General Counsel of TeliaSonera.
- On October 3, Sverker Hannervall was appointed acting President of Business area Mobility Services. He assumed the position with immediate effect and remained in his position as member of Group Management and Head of Business Services. He succeeded Tero Kivisaari, whose role in TeliaSonera's criticized investments in Uzbekistan, and the attention surrounding them, made it impossible for him to act with the internal and external authority necessary.
- On November 29, TeliaSonera's Executive Vice President and CFO Per-Arne Blomquist had to leave his position effective immediately. Christian Luiga, previously Head of CEO Office, assumed the position as acting CFO.
- On December 16, Erik Hallberg, President of TeliaSonera International Carrier within Business area Broadband Services, replaced Veysel Aral as President of Business Area Eurasia.

In March, the Turkish Capital Markets Board (CMB) decided to appoint three independent members to the Board of Directors of TeliaSonera's associated company Turkcell, replacing three Board members representing each of the major shareholders. In August, CMB took further action and resolved on two issues. Firstly, CMB terminated the tenures of all remaining members of the Turkcell Board of Directors elected by the shareholders and directly appointed two new members. Secondly, each major shareholder was requested to nominate two independent board member candidates each. On September 2, TeliaSonera applied to CMB and nominated Mr. Erik Belfrage and Mr. Jan Rudberg as independent candidates. The application was accepted and CMB appointed TeliaSonera's independent candidates as members of the Board of Directors in Turkcell on September 13.

In April, TeliaSonera acquired 90,000 own shares to cover commitments under its Long term incentive program 2010/2013. For more information on these programs, see section "Long-term incentive program 2013/2016" and Note C31 to the consolidated financial statements.

In 2013, TeliaSonera made a number of targeted acquisitions and divestitures (see section "Acquisitions and Divestitures" for further information). In April, TeliaSonera also announced that it had decided to continue developing its Spanish operator Yoigo.

During the year, TeliaSonera in line with its funding strategy of diversification and increasing the duration of the debt portfolio issued bonds under its existing EUR 11 billion EMTN (Euro Medium Term Note) program:

- In August, a 20-year Eurobond of EUR 350 million, maturing in September 2033. The re-offer yield was set at 3.558 percent per annum equivalent to Euro Mid-swaps +85 basis points.
- In November, a 10-year bond issue of SEK 1,850 million in the Swedish market, maturing in November 2023. The three tranche deal was in one fixed tranche with an annual coupon of 3.625 percent and two floating tranches with a spread of 100 basis points to 3-month Stibor.

Board of Directors' Report

Net sales SEK in millions	2013	2012	Change (SEK million)	Change (%), total	Change (%), of which local organic[1]	M&A effects	FX effects[2]
Mobility Services	48,873	50,637	-1,764	-3.5	-2.5	0.0	-1.0
Broadband Services	33,510	35,723	-2,213	-6.2	-3.2	-2.6	-0.4
Eurasia	20,414	19,731	683	3.5	11.5	0.4	-8.4
Other operations	3,556	3,799	-243	-6.4	-6.1	0.0	-0.3
Elimination of internal sales	-4,653	-4,992	339	-6.8	n/a	n/a	n/a
Group	**101,700**	**104,898**	**-3,198**	**-3.0**	**-0.2**	**-0.7**	**-2.1**

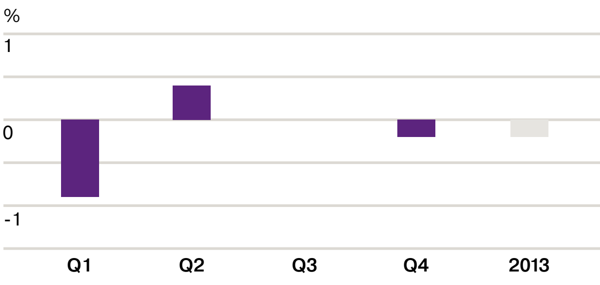
[1] In local currencies and excluding acquisitions and disposals (M&A effects)
[2] Effects of exchange rate fluctuations

Net sales

Net sales decreased 3.0 percent to SEK 101,700 million (104,898). Net sales in local currencies and excluding acquisitions and disposals decreased 0.2 percent (increased 1.2). The negative effect of exchange rate fluctuations was 2.1 percent (1.1). Continuing sales growth in Eurasia, Yoigo in Spain and the international carrier operations did not compensate for a general slow-down in other areas and the divestment of the Norwegian broadband operation.

Over the year, net sales change rate, in local currencies and excluding acquisitions and disposals, was negative in the first quarter, positive in the second quarter and flattish in the third and fourth quarters.

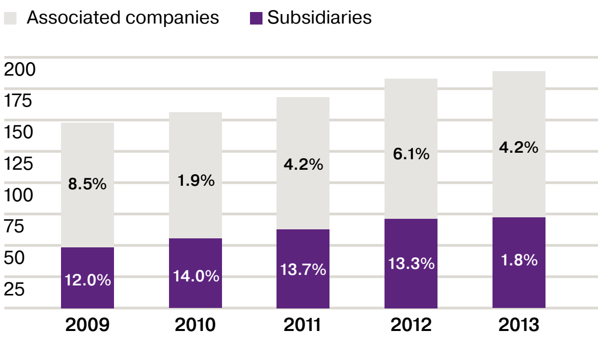
NET SALES GROWTH IN LOCAL CURRENCIES AND EXCLUDING ACQUISITIONS, QUARTERLY CHANGE YEAR-ON-YEAR (%)



Subscription growth

The total number of subscriptions increased by 6.0 million to 189.0 million. In the consolidated operations, the number of subscriptions increased by 1.3 million to 72.5 million, of which Eurasia increased by 1.6 million to 44.2 million. Broadband Services' exit from Norway reduced the number of subscriptions by 0.2 million. In the associated companies, the number of subscriptions increased by 4.7 million to 116.5 million.

SUBSCRIPTIONS (MILLIONS) AND CHANGE YEAR-ON-YEAR (%)



Expenses

Cost of goods and services sold (COGS) was SEK 38,040 million (39,505), 3.7 percent down compared to 2012, mainly due to reduced interconnect expenses. COGS decline exceeded net sales decline, improving the gross margin to 62.6 percent (62.3).

Expenses SEK in millions	2013	2012	Change (SEK million)	Change (%)
COGS	-38,040	-39,505	1,465	-3.7
Goods and sub-contracting services purchased	-18,576	-17,635	-941	5.3
Interconnect and roaming expenses	-10,694	-12,671	1,977	-15.6
Other network expenses	-5,829	-5,791	-38	0.7
Change in inventories	-2,941	-3,408	467	-13.7
Addressable cost base	-28,429	-29,885	1,456	-4.9
Personnel expenses	-12,226	-12,438	212	-1.7
Marketing expenses	-6,134	-6,829	695	-10.2
Other expenses	-10,069	-10,618	549	-5.2
Total	**-66,469**	**-69,390**	**2,921**	**-4.2**
Amortization, depreciation and impairment losses, total	-15,215	-20,542	5,327	-25.9
Other operating income and expenses, net[1]	-1,575	-434	-1,141	
Total expenses	**-83,259**	**-90,366**	**7,107**	**-7.9**

[1] Excluding amortization, depreciation and impairment losses

Board of Directors' Report

The addressable cost base, in local currencies and excluding acquisitions and disposals, decreased 1.6 percent compared to last year, with decreases in both Mobility Services (-3.4 percent) and Broadband Services (-2.9 percent) offsetting the slight increase in Eurasia (0.6 percent). Excluding Spain, which was not part of the efficiency measures (see below), the group's addressable cost base decreased 2.8 percent and Mobility Services 7.8 percent.

Personnel expenses, in local currencies and excluding acquisitions and disposals, increased 0.6 percent compared to 2012. Both Mobility Services and Broadband Services lowered personnel expenses, while Eurasia increased. Also Group functions reported an increase, to a large extent due to a decrease in capitalized wages related to IT projects. Group headcount was reduced by 1,825 employees during the year.

Marketing expenses, in local currencies and excluding acquisitions and disposals, declined 7.4 percent, with Mobility Services driving the development for equipment subsidies, sales commissions and advertising. Other expenses were reduced in almost all spend categories except energy, most notably in IT expenses.

Amortization, depreciation and impairment losses decreased 25.9 percent to SEK 15,215 million (20,542), where 2012 included goodwill impairment charges of SEK 7,534 million related to Mobility Services' operations in Norway and Lithuania, and Broadband Services' operations in Norway. In 2013, goodwill impairment charges were related to Mobility Services' operations in Denmark and Lithuania, and Broadband Services' operations in Denmark. Amortization and depreciation excluding non-recurring items increased 0.5 percent to SEK 13,036 million (12,977). In local currencies and excluding acquisitions and disposals, the decrease was 2.5 percent.

Other operating income and expenses, net excluding amortization, depreciation and impairment losses, was SEK -1,575 million (-434).

Non-recurring items

Non-recurring items affecting operating income totaled SEK -4,072 million (-282), mainly related to goodwill impairment charges in Denmark and Lithuania, asset write-downs in Kazakhstan, a capital loss in connection with the divestment of Nepal Satellite, settlement of an interconnect court case in Azerbaijan, scrapping of old IT legacy systems and restructuring charges in connection with the cost efficiency program.

The following table presents non-recurring items for 2013 and 2012. These items are not included in "EBITDA excluding non-recurring items" or in "Operating income excluding non-recurring items," but included in the total results for TeliaSonera and for each of the business areas.

Non-recurring items SEK in millions	**2013**	**2012**
Within EBITDA	**-1,928**	**-1,097**
Restructuring charges, synergy implementation costs, etc.:		
Mobility Services	-373	-228
Broadband Services	-486	-633
Eurasia	-349	-287
Other operations	-331	-147
of which TeliaSonera Holding	-3	-48
Capital gains/losses	-389	198
Within Amortization, depreciation and impairment losses	**-2,179**	**-7,565**
Impairment losses, accelerated depreciation:		
Mobility Services	-1,048	-5,984
Broadband Services	-462	-1,555
Eurasia	-500	–
Other operations	-169	-26
Within Income from associated companies	**35**	**8,380**
Capital gains/losses	35	8,380
Total	**-4,072**	**-282**

Earnings

EBITDA, excluding non-recurring items, decreased 1.6 percent to SEK 35,584 million (36,171). In local currencies and excluding acquisitions and disposals, EBITDA, excluding non-recurring items, increased 1.7 percent. The main reason is the continued net sales volume-decrease in Broadband Services aggravated by a negative product mix shift from high-margin to low-margin products. The decline in Broadband Services is partly offset by the net sales increase in Eurasia, driven by Uzbekistan and Nepal. The EBITDA margin increased to 35.0 percent (34.5) as a result of the cost efficiency program and supported by interconnect rate reductions.

EBITDA excluding non-recurring items SEK in millions	**2013**	**2012**	**Change (SEK million)**	**Change (%)**
Mobility Services	14,689	14,718	-29	-0.2
Broadband Services	9,778	11,004	-1,226	-11.1
Eurasia	10,796	9,976	820	8.2
Other operations	321	483	-162	-33.5
Eliminations	–	-10	10	
Group	**35,584**	**36,171**	**-587**	**-1.6**

Operating income, excluding non-recurring items, decreased 0.5 percent to SEK 28,534 million (28,682), mainly due to the EBITDA drop in Broadband Services which, however, is largely compensated for by the increase in Eurasia. Income from associated companies contributed positively with a strong operational improvement in Turkcell. The contribution from MegaFon was flattish as the negative impact on earnings from a lower effective ownership canceled out the underlying performance improvement. The operating margin, excluding income from associated companies and non-recurring items affecting operating income, was 22.2 percent (22.1).

Board of Directors' Report

Operating income excluding non-recurring items SEK in millions	2013	2012	Change (SEK million)	Change (%)
Mobility Services	10,433	10,429	4	0.0
Broadband Services	4,970	6,242	-1,272	-20.4
Eurasia	13,714	12,340	1,374	11.1
Other operations	-583	-319	-264	82.8
Eliminations	–	-10	10	
Group	**28,534**	**28,682**	**-148**	**-0.5**

Financial net, taxes and non-controlling interests

Financial items totaled SEK -3,094 million (-3,918). Net interest expenses decreased to SEK -2,918 million (-3,181) due to lower average indebtedness. Financial items were negatively impacted by exchange rate effects related to the operations in Eurasia.

Income taxes increased to SEK 4,601 million (3,314). The effective tax rate was 21.5 percent (13.5). Following the Finnish Parliament decision in December 2013 to reduce the corporate income tax rate in Finland from 24.5 percent to 20.0 percent, a negative one-time effect of SEK 675 million due to net releases of deferred tax assets was recorded in the fourth quarter of 2013. In the fourth quarter of 2012, income taxes were positively impacted by SEK 1,225 million as a one-time effect of the income tax rate cut in Sweden. The effective tax rate going forward is expected to be around 20 percent.

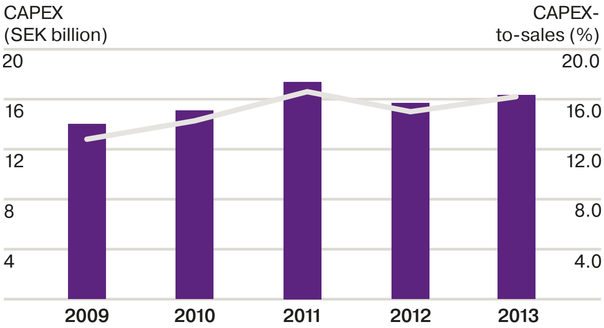
Net income attributable to non-controlling interests in subsidiaries increased to SEK 1,797 million (1,282), of which SEK 1,619 million (1,042) was related to the Eurasian operations and SEK 133 million (197) to the LMT Group and the TEO Group.

Net income attributable to owners of the parent company decreased 24.7 percent to SEK 14,970 million (19,886) and earnings per share to SEK 3.46 (4.59).

CAPEX

CAPEX (capital expenditures) increased to SEK 16,332 million (15,685) and the CAPEX-to-sales ratio to 16.1 percent (15.0). CAPEX included continued investments in network capacity, coverage and modernization, and increased investments in fiber roll-out. In addition, telecom licenses and frequency permits were acquired or renewed in Finland, Norway, Estonia, Georgia and Nepal. Fees for the commercial license in Uzbekistan, terminating in 2016, were capitalized. CAPEX, excluding license and spectrum fees, amounted to SEK 14,565 million (15,332) and the CAPEX-to-sales ratio was 14.3 percent (14.6).

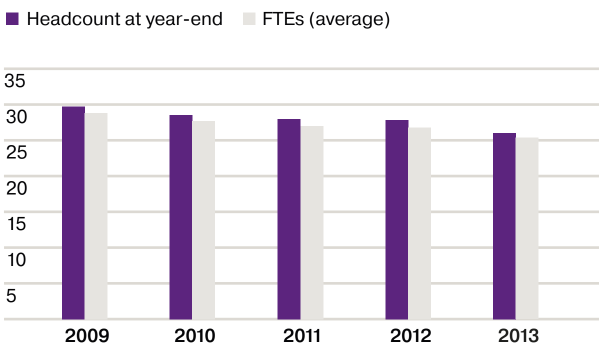
CAPEX AND CAPEX-TO-SALES



Human resources

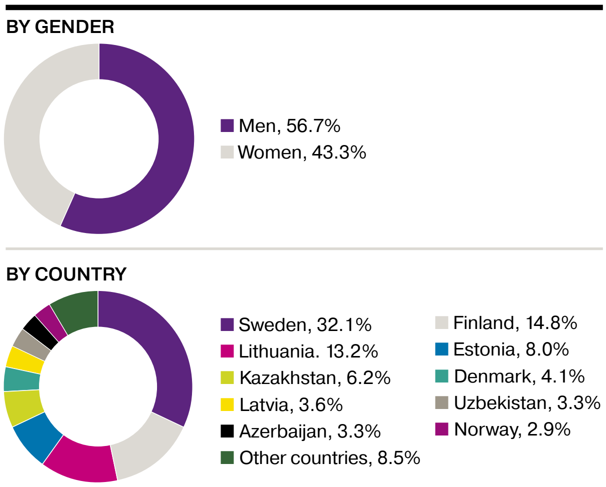
In 2013, mainly as a result of the efficiency measures implemented during the year, the number of employees decreased 6.6 percent from 27,838 to 26,013 at year-end. The net reduction from divestitures and minor business combinations in 2013 was 165 employees.

EMPLOYEES (THOUSANDS)



The average number of full-time employees in 2013 was 25,321 (26,793). In total, operations were conducted in 29 countries (29). See also Note C31 to the consolidated financial statements.

EMPLOYEES (FTEs, %)



For **additional information** on labor practices and decent work, see the TeliaSonera Sustainability Report available at: www.teliasonera.com/Sustainability-Report
(Information on the TeliaSonera website does not form part of this Report)

Financial Position, Capital Resources and Liquidity

Financial position

In total, the financial position remained stable year-on-year, although certain balance sheet items showed significant increases or decreases.

Financial position SEK in millions	2013	2012	Change (SEK million)	Change (%)
Goodwill and other intangible assets	81,522	83,278	-1,756	-2.1
Property, plant and equipment	64,792	62,657	2,135	3.4
Financial assets	47,552	49,738	-2,186	-4.4
Total non-current assets	**193,866**	**195,673**	**-1,807**	**-0.9**
Current assets	27,241	27,568	-327	-1.2
Cash and cash equivalents	31,721	29,805	1,916	6.4
Total current assets	**58,962**	**57,373**	**1,589**	**2.8**
Total assets	**252,828**	**253,046**	**-218**	**-0.1**
Total equity	112,934	109,106	3,828	3.5
Borrowings	90,723	91,587	-864	-0.9
Provisions and other liabilities	49,171	52,353	-3,182	-6.1
Total equity and liabilities	**252,828**	**253,046**	**-218**	**-0.1**

Goodwill decreased by SEK 1.9 billion to SEK 67.3 billion, mainly due to impairment charges of SEK 1.2 billion related to the operations in Denmark and Lithuania and negative exchange rate differences of SEK 0.9 billion. Additional goodwill from business combinations was SEK 0.3 billion. Other intangible assets were stable at SEK 14.2 billion. Capital expenditures (CAPEX) in other intangible assets were SEK 3.7 billion, of which licenses and spectrum fees SEK 1.8 billion. Amortization amounted to SEK 2.8 billion and impairment losses on frequency permits and obsolete IT systems and platforms to SEK 1.1 billion. The currency effects were immaterial.

Property, plant and equipment increased by SEK 2.1 billion through CAPEX and advances totaling SEK 12.7 billion and decreased due to depreciation and impairment losses amounting to SEK 10.2 billion. Exchange rate differences were negative at SEK 0.4 billion.

Financial assets comprise investments in associated companies and joint ventures, deferred tax assets, pension obligation assets and other non-current assets. The carrying value of associated companies and joint ventures was stable at SEK 29.4 billion. Share of net income in the companies amounting to SEK 5.9 billion added value, as did treasury share transactions in MegaFon and acquisitions totaling SEK 0.6 billion, offset by dividends received, in total SEK 2.2 billion. Mainly due to the depreciation of the Turkish lira, currency effects had a negative impact of SEK 4.4 billion.

Deferred tax assets decreased by utilizing differences between tax base and carrying value related to amortization and depreciation of non-current assets. The enacted Finnish corporate income tax rate cut as of 2014 resulted in one-off net releases of deferred tax assets of SEK 0.7 billion. Deferred tax liabilities (included in Provisions) declined slightly. All in all, the net deferred tax liability of SEK 2.9 billion in 2012 increased to SEK 4.6 billion at year-end 2013.

Other non-current assets include a SEK 3,956 million (5,675) receivable on AF Telecom, representing the not yet paid consideration for the 2012 sale of shares in the associated company OAO Telecominvest in Russia. The current portion of the not yet paid consideration was SEK 1,978 million (1,884).

Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities and excluding foreign exchange rate derivatives and accrued interest) ended at SEK -0.0 billion (-0.3).

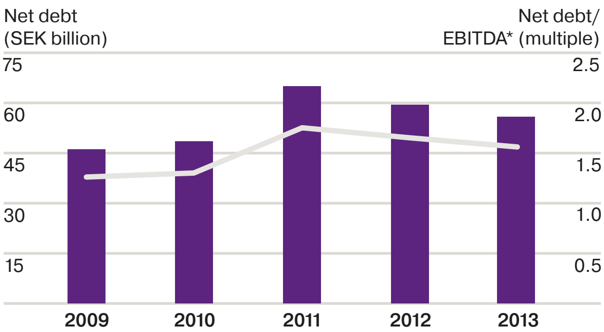
Total equity increased 3.5 percent to SEK 112.9 billion (109.1). Shareholders' equity rose to SEK 108.3 billion (105.2), positively impacted by net income of SEK 15.0 billion and remeasurement effects on pension obligations amounting to SEK 3.4 billion. Dividends of SEK 12.3 billion and exchange rate differences of SEK 3.2 billion had a negative impact. Equity attributable to non-controlling interests increased to SEK 4.6 billion (4.0). Dividends to non-controlling interests were SEK 1.0 billion, down from the SEK 3.1 billion reported in 2012 following the one-off dividends made in conjunction with the IPO of Kcell in Kazakhstan.

In 2013, rising yields on mortgage bonds, used as reference rates when discounting pension obligations, resulted in remeasurement effects reducing the present value of the pension obligations. At year-end 2012, the total pension liability (included in Provisions) was SEK 4.7 billion, while at year-end 2013, certain pension plans had turned to an overfunded status (reported in Financial assets) totaling SEK 1.6 billion and liabilities in the underfunded plans had declined to SEK 1.5 billion, leading to a reported total net pension obligation asset of SEK 0.1 billion.

Total gross borrowings decreased slightly, with some shift towards short-term borrowings totaling SEK 10.6 billion (9.4). Long-term borrowings were SEK 80.1 billion (82.2). Positively impacted by a satisfactory free cash flow generation in 2013, cash and cash equivalents increased to SEK 31.7 billion (29.8). Net debt decreased from SEK 59.4 billion to SEK 55.8 billion.

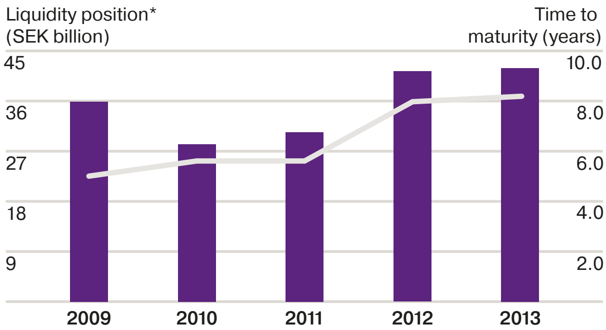
Board of Directors' Report

NET DEBT AND NET DEBT/EBITDA



* Excluding non-recurring items

LIQUIDITY POSITION AND TIME TO MATURITY OF THE DEBT PORTFOLIO



* Liquidity position: Surplus liquidity plus available unutilized amounts under committed credit facilities

The equity/assets ratio, adjusted for the proposed dividend, increased to 39.5 percent (38.2). The net debt/EBITDA rate decreased to 1.57 (1.64), at the low end of TeliaSonera's target range which is between 1.5 and 2.0. The net debt/equity ratio decreased to 55.8 percent (61.4).

See Consolidated Statements of Financial Position, Consolidated Statements of Changes in Equity and related notes to the consolidated financial statements for further details.

Credit facilities

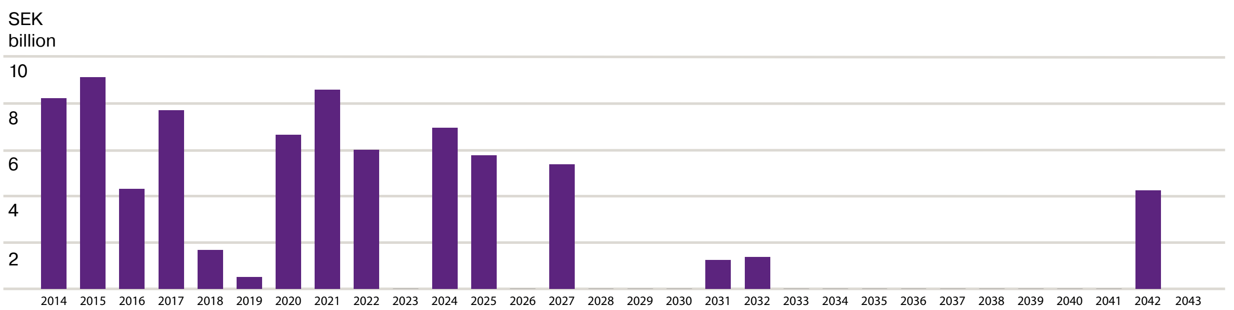
TeliaSonera believes that its bank credit facilities and open-market financing programs are sufficient for the present liquidity requirements. At year-end, Telia-Sonera's surplus liquidity (short-term investments and cash and bank) totaled SEK 32.1 billion (30.0). In addition, the total available unutilized amount under committed bank credit facilities as well as overdraft and short-term credit facilities at year-end was SEK 10.2 billion (11.3).

TeliaSonera retained its good credit ratings. Standard & Poor's Ratings Services and Moody's Investors Service, respectively, confirmed its credit rating on TeliaSonera AB of A-/A3 for long-term borrowings and A2/Prime-2 for short-term borrowings, with a stable outlook.

TeliaSonera generally seeks to arrange its financing through the parent company TeliaSonera AB. The primary means of external borrowing are described in Notes C20 and C26 to the consolidated financial statements. In 2013, TeliaSonera AB issued some SEK 4.9 billion equivalent in the debt capital markets under its EMTN (Euro Medium Term Note) program. The new funding was denominated in EUR and SEK and issued on a long-term basis. At year-end, the average time to maturity of TeliaSonera AB's overall debt portfolio was approximately 8.2 years.

At the end of 2013, TeliaSonera AB had no Commercial Papers outstanding.

DEBT PORTFOLIO MATURITY SCHEDULE – 2014 AND ONWARDS



Cash repatriation

In general, TeliaSonera has no cash repatriation issues related to its operations in emerging market countries. As of December 31, 2013, such issues existed in three countries: Uzbekistan due to ongoing foreign exchange restrictions and currency conversion issues, Nepal due to administrative issues regarding a dividend distribution and Turkey due to ongoing corporate governance issues on shareholder level in the associated company Turkcell prohibiting dividend distribution.

Cash flow

Free cash flow generation, excluding dividends from the associated company MegaFon, increased 19.6 percent to SEK 14.4 billion in 2013 from SEK 12.0 billion in 2012.

Cash flow SEK in millions	2013	2012	Change (SEK million)	Change (%)
Cash flow from operating activities	31,036	38,879	-7,843	-20.2
Cash CAPEX	-14,726	-15,139	413	-2.7
Free cash flow	**16,310**	**23,740**	**-7,430**	**-31.3**
Cash flow from other investing activities	361	8,780	-8,419	-95.9
Cash flow before financing activities	**16,671**	**32,520**	**-15,849**	**-48.7**
Cash flow from financing activities	-15,013	-15,231	218	-1.4
Cash and cash equivalents, opening balance	**29,805**	**12,631**	**17,174**	**136.0**
Net cash flow for the period	**1,658**	**17,289**	**-15,631**	**-90.4**
Exchange rate differences	258	-115	373	
Cash and cash equivalents, closing balance	**31,721**	**29,805**	**1,916**	**6.4**

Cash flow from operating activities decreased to SEK 31.0 billion (38.9). The positive impact of dividends from MegaFon was, net of taxes, SEK 1.9 billion in 2013 and SEK 11.7 billion in 2012 as a result of one-off payments ahead of MegaFon's IPO in November this year. Lower cash inflow from underlying operations was compensated for mainly by lower tax payments and a positive impact from changes in working capital. After a number of years with negative cash flow generation from changes in working capital, 2013 ended positively at SEK 0.7 billion (-1.1).

Cash CAPEX (cash used in capital expenditures) decreased by SEK 0.4 billion. Payments for the acquired Finnish license will be made according to a 5-year installment plan. In total, free cash flow (cash flow from operating activities less capital expenditures) decreased to SEK 16.3 billion (23.7).

Cash inflow from other investing activities, totaling SEK 0.4 billion (8.8), consists of acquisitions and divestments, changes in loans receivable and in short term investments, and repayments from or additional contributions to pension funds. Cash paid for acquisitions was SEK 1.4 billion (0.6), while cash received for divesting equity instruments and other assets was SEK 1.9 billion in 2013 compared to SEK 9.4 billion in 2012, mainly related to the MegaFon transactions. Net cash used for granting loans was SEK 0.1 billion (0.2).

Cash outflow from financing activities in 2013, totaling SEK 15.0 billion (15.2), includes dividends paid to shareholders of the parent company of SEK 12.3 billion (12.3) and to non-controlling interests of SEK 1.3 billion (3.9). In 2012, other transactions with non-controlling interests resulted in a net outflow of SEK 8.8 billion. Net outflow from new and repaid borrowings in 2013 was SEK -2.7 billion (inflow 11.9). Settlement of hedging activities was positive at SEK 1.3 billion (negative 2.1).

See Consolidated Statements of Cash Flows and related notes to the consolidated financial statements for further details.

Outlook for 2014

Net sales in local currencies, excluding acquisitions and disposals, are expected to be around the same level as in 2013. Currency fluctuations may have a material impact on reported figures in Swedish krona.

The EBITDA margin, excluding non-recurring items, is expected to be around the same level as in 2013 (35.0 percent).

The CAPEX-to-sales ratio is expected to be approximately 15 percent, excluding license and spectrum fees.

Efficiency Measures

In the third quarter report of 2012, TeliaSonera announced efficiency measures with a target to reduce the cost base by SEK 2 billion net over a period of two years ending 2014, affecting 2,000 employees.

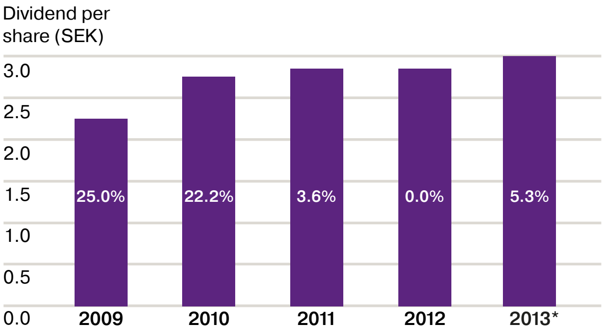
The redundancies related to the efficiency measures have been completed and the non-recurring costs amounted to SEK 1.2 billion in 2013.

The accumulated savings amounted to approximately SEK 1 billion at the end of 2013.

Ordinary Dividend to Shareholders

For 2013, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 3.00 (2.85) per share, totaling SEK 12,990 million (12,341), or 86.8 percent (62.1) of net income attributable to owners of the parent company.

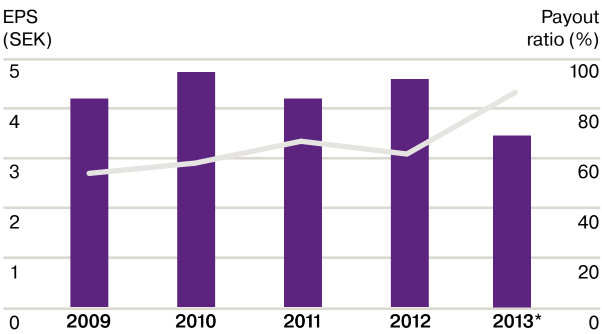
ORDINARY DIVIDEND PER SHARE AND CHANGE YEAR-ON-YEAR (%)



* For 2013 as proposed by the Board of Directors

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 2, 2014, and that the first day of trading in shares excluding rights to dividend be set for April 3, 2014. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 7, 2014. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 10, 2014.

EARNINGS PER SHARE (EPS) AND PAY-OUT RATIO



* Pay-out ratio for 2013 according to the Board of Directors' dividend proposal

According to its dividend policy, 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 50 percent of net income attributable to owners 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 has, according to Chapter 18 Section 4 of the Swedish Companies Act, assessed 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. 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 AGM documents. See also Proposed Appropriation of Earnings.

AGM related documents are available at:
www.teliasonera.com/AGM
(Information on the TeliaSonera website does not form part of this Report)

Proposal for Share Repurchase Authorization

In order to provide the Board of Directors with an instrument to adapt and improve TeliaSonera's capital structure, the Board of Directors proposes that the Annual General Meeting on April 2, 2014, resolves to authorize the Board of Directors to acquire the company's own shares. The authorization may be exercised on one or more occasions before the Annual General Meeting 2015. The maximum number of treasury shares held by the company may not exceed 10 percent of all shares in the company.

TeliaSonera Share

The TeliaSonera share is listed on NASDAQ OMX Stockholm and Helsinki. In 2013, the share price in Stockholm rose 21.5 percent, to SEK 53.55. During the same period, the OMX Stockholm 30 Index rose 20.7 percent and the STOXX 600 Telecommunications Index rose 32.1 percent.

At year-end 2013, TeliaSonera's market capitalization was SEK 231.9 billion. Besides NASDAQ OMX Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes on BATS Chi-X and Boat xoff.

Holdings outside Sweden and Finland increased from 22.4 percent to 25.6 percent and TeliaSonera had 529,394 shareholders at the end of the year, of which two shareholders held more than 10 percent of the shares and votes: the Swedish State with 37.3 percent and the Finnish State with 10.1 percent.

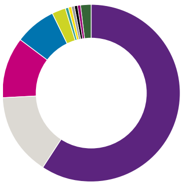
SHAREHOLDER STRUCTURE, DECEMBER 31, 2013

	Number of shareholders	Number of oustanding shares	Percent of outstanding shares/votes
1 – 500	446,006	79,904,823	1.85
501 – 1,000	34,122	26,799,220	0.62
1,001 – 5,000	39,840	88,782,990	2.05
5,001 – 10,000	4,887	35,873,133	0.83
10,001 – 15,000	1,332	16,540,147	0.38
15,001 – 20,000	726	13,245,749	0.31
20,001 –	2,481	4,068,938,719	93.97
Total	**529,394**	**4,330,084,781**	**100.00**

MAJOR SHAREHOLDERS, DECEMBER 31, 2013

Shareholder	Number of oustanding shares	Percent of outstanding shares/votes
Swedish State	1,614,513,748	37.3
Finnish State	437,123,642	10.1
Capital Group Funds	153,677,692	3.5
Swedbank Robur Funds	90,902,714	2.1
AMF Insurance & Funds	83,270,740	1.9
Alecta	75,577,322	1.7
Nordea Funds	62,828,753	1.5
SEB Funds	56,269,429	1.3
SHB Funds	52,550,976	1.2
BNY Mellon Investment Fund	48,926,037	1.1
Total other shareholders	1,654,443,728	38.3
Total outstanding shares	**4,330,084,781**	**100.0**

MAJOR SHAREHOLDER COUNTRIES BY NUMBER OF SHARES, AS OF DECEMBER 31, 2013



Quarterly **updated shareholder information** is available at:
www.teliasonera.com/Shareholdings
(Information on the TeliaSonera website does not form part of this Report)

Share data	2013	2012
Paid at year-end (SEK)	53.55	44.06
Highest paid during the year (SEK)	54.90	49.33
Lowest paid during the year (SEK)	41.80	41.43
Number of shares at year-end (millions)	4,330.1	4,330.1
Number of shareholders at year-end	529,394	553,631
Earnings per share (SEK)	3.46	4.59
Dividend per share (SEK)[1]	3.00	2.85
Pay-out ratio (%)[1]	86.7	62.1
Equity per share (SEK)	25.02	24.28

[1] For 2013 as proposed by the Board of Directors

Sources: Euroclear Sweden and SIS Ägarservice

As of December 31, 2013, TeliaSonera's issued and outstanding share capital totaled SEK 13,856,271,299 distributed among 4,330,084,781 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. TeliaSonera holds no own shares. As of December 31, 2013, TeliaSonera's Finnish pension fund held 0.01 percent of the company's shares and votes.

There are no provisions in either the Swedish legislation or in TeliaSonera AB's Articles of Association that would limit the possibility to transfer TeliaSonera shares. TeliaSonera is not aware of any agreements between major shareholders of the company regarding the TeliaSonera shares.

The Board of Directors does not currently have any authorization by the general meeting of shareholders to issue new shares but has the authorization to repurchase a maximum of 10 percent of the company's total number of outstanding shares.

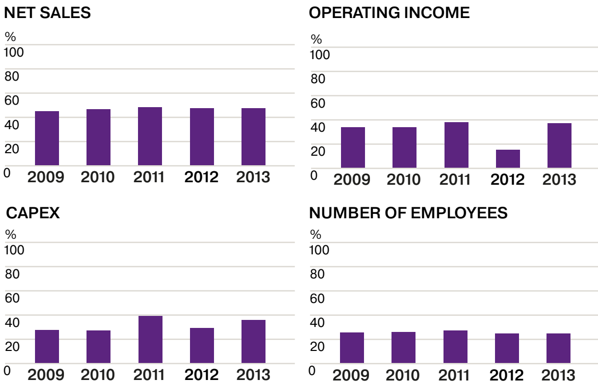
In case of a change of control in TeliaSonera AB, the company could have to repay certain loans at short notice, since some of TeliaSonera's financing agreements contain customary change-of-control clauses. These clauses generally also contain other conditions including, for example, that the change of control has to cause a negative change in TeliaSonera's credit rating in order to be effective.

Business Area Development in 2013

Increased margin within Mobility Services

Business area Mobility Services provides communication services to the consumer and enterprise mass markets. Services include mobile voice and data for phones, mobile broadband, mobile content, data access through WLAN Hotspots and Wireless Office. The business area comprises operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2013	2012	Change (%)
Net sales	48,873	50,637	-3.5
EBITDA excl. non-recurring items	14,689	14,718	-0.2
Margin (%)	30.1	29.1	
Operating income	9,012	4,229	113.1
Operating income excl. non-recurring items	10,433	10,429	0.0
CAPEX	5,811	4,496	29.2
Subscriptions, period-end (thousands)	20,497	20,537	-0.2
Employees, period-end	6,347	6,720	-5.6

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group Development in 2013" for information on restated financial information.

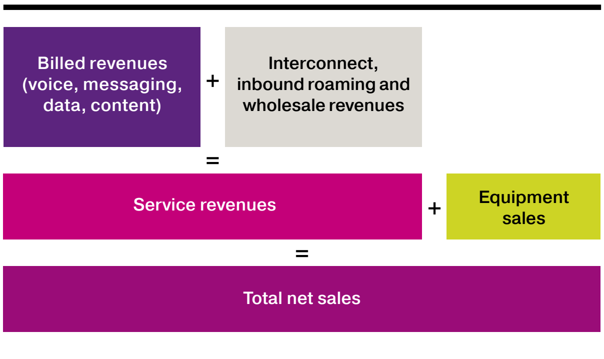
Market development

During the year, several important steps were taken to monetize on the continued growth in data traffic. In Sweden, Norway, Denmark and Lithuania, new offerings were introduced, combining free voice and messaging with data pricing correlated to data consumption. This is a key business model to secure revenue from data traffic in the long term, and will enable further investments necessary to provide high network quality. As competition followed suit and responded by similar offerings, the conclusion is that these markets are moving into a clear data-centric business model. In addition, offerings pooling usage of data for several mobile devices were introduced. The growth rates for data were coming down from previously very high levels, indicating that users are becoming increasingly aware of data usage and more mature in their way of using mobile data. It indicates that the era of free data is coming to an end also in the mind of the consumer.

Price pressure continued, especially in the enterprise segment, while the consumer segment showed more resilience. In particular, the public sector put pressure on prices in tenders during the year.

A 4G-enabled Iphone 5 model was released in Sweden in October, giving additional uplift to the 4G demand.

Net sales



Net sales in local currencies and excluding acquisitions and disposals were down 2.5 percent. Several markets were hit by reductions in interconnect rates – excluding interconnect revenue, net sales increased 1.2 percent. In reported currency, net sales decreased 3.5 percent to SEK 48,873 million (50,637). The negative effect of exchange rate fluctuations was 1.0 percent. A slight decrease by 0.2 percent of the number of subscriptions was mainly due to a change of churn policy in Lithuania. Billed revenues were flat (±0.0 percent).

Only Spain managed to grow the operations in terms of net sales during the year, with much of the growth coming from increased equipment sales. Many markets were negatively impacted by interconnect price reductions, especially Sweden, Spain, Denmark and Estonia. In the Nordics, billed revenue growth stabilized during the year as new offerings were well received.

The number of subscriptions was 20.5 million (20.5). Spain continued to grow, although at a lower rate than in prior years (4.9 percent). Finland also showed an increased number of subscriptions (3.0 percent) following the introduction of new competitive offerings in the fall of 2012. Also Denmark managed to show a positive development (4.1 percent) in a continuously tough market. Sweden on the other hand struggled to maintain the subscription base and ended the year slightly below last year (-0.6 percent). ARPU fell in all markets, mainly explained by the interconnect rate cuts.

Earnings

EBITDA, excluding non-recurring items, increased 0.7 percent in local currencies and excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, declined 0.2 percent to SEK 14,689 million (14,718). The EBITDA margin increased to 30.1 percent (29.1).

The main reason for the EBITDA margin increase was the initiative during the year to reduce the addressable cost base in order to secure earnings despite top line challenges. Although all markets except Spain were affected, the main savings were visible in Sweden and Finland. Equipment margin was strengthened in Finland, Norway and Denmark, contributing to the improvement. The EBITDA margin was also positively affected by the interconnect rate reductions, hitting both top line and the cost side.

Operating income, excluding non-recurring items, was stable at SEK 10,433 million (10,429), as a result of the EBITDA margin improvement efforts. Depreciation increased in Sweden as 4G roll-out speed was intensified, while it declined in Norway and in Denmark, where the network-sharing operation with Telenor is implemented.

Non-recurring items amounted to SEK -1,421 million (-6,200), mainly due to goodwill impairment charges in the Danish operations related to the material goodwill amount originating from various acquisitions in the beginning of the millennium, and the challenging competitive situation in Denmark combined with rising interest rates. Also in Lithuania, goodwill impairment charges were recognized as a consequence of tough market conditions and higher long-term CAPEX-to-sales assumptions.

Board of Directors' Report

CAPEX

CAPEX increased to SEK 5,811 million (4,496) and the CAPEX-to-sales ratio to 11.9 percent (8.9). CAPEX, excluding licenses and spectrum fees, amounted to SEK 4,842 million (4,397) and the CAPEX-to-sales ratio increased to 9.9 percent (8.7). During the year, 4G licenses were acquired in Finland, Norway and Estonia.

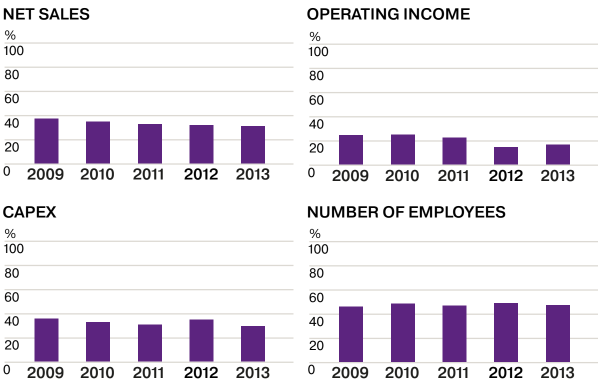
SEK in millions, except margins and changes	2013	2012	Change (%)
Net sales	48,873	50,637	-3.5
of which Sweden	16,853	17,297	-2.6
of which Finland	7,523	8,173	-8.0
of which Norway	6,797	7,582	-10.4
of which Denmark	4,350	4,835	-10.0
of which Lithuania	1,158	1,277	-9.3
of which Latvia	1,492	1,608	-7.2
of which Estonia	1,284	1,515	-15.2
of which Spain	9,467	8,382	12.9
EBITDA excl. non-recurring items	14,689	14,718	-0.2
of which Sweden	7,458	7,382	1.0
of which Finland	2,637	2,446	7.8
of which Norway	2,148	2,414	-11.0
of which Denmark	639	549	16.4
of which Lithuania	280	339	-17.4
of which Latvia	449	543	-17.3
of which Estonia	388	417	-7.0
of which Spain	690	627	10.0
Margin (%), total	30.1	29.1	
Margin (%), Sweden	44.3	42.7	
Margin (%), Finland	35.1	29.9	
Margin (%), Norway	31.6	31.8	
Margin (%), Denmark	14.7	11.4	
Margin (%), Lithuania	24.2	26.5	
Margin (%), Latvia	30.1	33.8	
Margin (%), Estonia	30.2	27.5	
Margin (%), Spain	7.3	7.5	

Net sales in local currencies and excluding acquisitions and disposals	2013
Change (%), total	-2.5
Change (%), Sweden	-2.6
Change (%), Finland	-7.4
Change (%), Norway	-5.9
Change (%), Denmark	-9.2
Change (%), Lithuania	-8.8
Change (%), Latvia	-6.2
Change (%), Estonia	-14.8
Change (%), Spain	13.6

Regained momentum for fiber deployment and reduced costs within Broadband Services

Business area Broadband Services provides mass-market services for connecting homes and offices. Services include broadband over copper, fiber and cable, TV, voice over internet, home communications services, IP-VPN/Business internet, leased lines and traditional telephony. The business area operates the group-common core network, including the data network of the international carrier business. The business area comprises operations in Sweden, Finland, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2013	2012	Change (%)
Net sales	33,510	35,723	-6.2
EBITDA excl. non-recurring items	9,778	11,004	-11.1
Margin (%)	29.2	30.8	
Operating income	4,023	4,054	-0.8
Operating income excl. non-recurring items	4,970	6,242	-20.4
CAPEX	4,755	5,445	-12.7
Subscriptions, period-end (thousands)			
Broadband	2,474	2,532	-2.3
Fixed voice and VoIP	3,918	4,269	-8.2
TV	1,429	1,332	7.3
Employees, period-end	12,263	13,571	-9.6

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group Development in 2013" for information on restated financial information.

Market development

Fixed lines remain a core part of the portfolio and the customer demand for fixed line solutions increases as the demand for bandwidth boosts. At the same time, the customer base for traditional services such as copper-based telephone services continues to decrease. Consumer demand for fiber is higher than supply in Sweden, which stands for 56 percent of Broadband Services' net sales, which leads to a situation where the ability to efficiently build a fiber network is becoming increasingly important. During the year, over 60,000 SDUs (Single Dwelling Units) were passed in the effort to build out the fiber network in Sweden. The ratio of accepted offers in areas of network build-out is increasing and the process is thereby becoming more efficient. In all markets, approximately 180,000 new homes were connected to fiber networks during the year.

The enterprise segment remained tough also on the Broadband Services' side and price pressure was evident in all key markets.

In December 2013, TeliaSonera strengthened its position in the Swedish fiber market through agreements to acquire the communication operator Zitius Service Delivery, as well as Quadracom Networks and the service provider Riksnet. Closing of the transactions are subject to regulatory approval.

Net sales

Net sales in local currencies and excluding acquisitions and disposals decreased 3.2 percent. In reported currency, net sales decreased 6.2 percent to SEK 33,510 million (35,723). The negative effect of exchange rate fluctuations was 0.4 percent and the negative effect of acquisitions and disposals (related to the divestment of the Norwegian operation NextGenTel in January) was 2.6 percent.

Subscription growth (adjusted for the divestment of NextGenTel) continued in all areas except fixed voice, with broadband subscriptions increasing 5.4 percent, VoIP subscriptions increasing 18.8 percent and TV subscriptions increasing 8.2 percent. During the second quarter, TeliaSonera became the second largest TV-service provider in Sweden, surpassing 600,000 subscriptions. Broadband ARPU in Sweden also increased 5.3 percent, another sign of consumer appetite for fixed line and associated services. Meanwhile, the fixed voice subscriptions decreased 12.4 percent, representing a fairly steady decline rate compared to last year.

Earnings

EBITDA, excluding non-recurring items, decreased 9.7 percent in local currencies and excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, declined 11.1 percent to SEK 9,778 million (11,004). The EBITDA margin decreased to 29.2 percent (30.8).

Sweden continued to lead the EBITDA decline as the shift away from high-margin traditional products continued. The cost reduction program to reduce the addressable cost base, launched in the end of 2012, continued during the year. Headcount was reduced by 1,308 employees, which helped to defend margins.

The restructuring measures took place throughout the year and the full effect was not seen until the end of 2013. Only International Carrier managed to improve EBITDA, excluding non-recurring items, during the year.

Operating income was flat at SEK 4,023 million (4,054). However, in 2012 operating income was negatively affected by the write-down of goodwill related to NextGenTel. Operating income, excluding non-recurring items, was SEK 4,970 million (6,242), in line with the EBITDA decline.

CAPEX

CAPEX decreased to SEK 4,755 million (5,445) and the CAPEX-to-sales ratio to 14.2 percent (15.2). Fiber investments remained a major investment area. Compared to 2012, investments decreased in IT development as well as in fiber build-out in Finland.

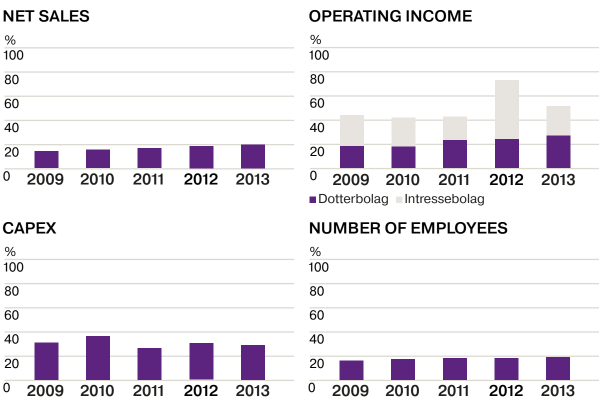
SEK in millions, except margins and changes	2013	2012	Change (%)
Net sales	33,510	35,723	-6.2
of which Sweden	19,120	20,043	-4.6
of which Finland	5,232	5,584	-6.3
of which Norway	89	1,083	–
of which Denmark	1,009	1,092	-7.6
of which Lithuania	1,805	1,915	-5.7
of which Estonia	1,692	1,761	-3.9
of which International Carrier	5,584	5,388	3.6
EBITDA excl. non-recurring items	9,778	11,004	-11.1
of which Sweden	6,916	7,747	-10.7
of which Finland	1,198	1,351	-11.3
of which Norway	-4	184	–
of which Denmark	92	125	-26.4
of which Lithuania	747	774	-3.5
of which Estonia	461	463	-0.4
of which International Carrier	368	361	1.9
Margin (%), total	29.2	30.8	
Margin (%), Sweden	36.2	38.7	
Margin (%), Finland	22.9	24.2	
Margin (%), Norway	-4.5	17.0	
Margin (%), Denmark	9.1	11.4	
Margin (%), Lithuania	41.4	40.4	
Margin (%), Estonia	27.2	26.3	
Margin (%), International Carrier	6.6	6.7	

Net sales in local currencies and excluding acquisitions and disposals	2013
Change (%), total	-3.2
Change (%), Sweden	-4.7
Change (%), Finland	-5.8
Change (%), Norway	-16.0
Change (%), Denmark	-6.9
Change (%), Lithuania	-5.2
Change (%), Estonia	-3.4
Change (%), International Carrier	5.2

Continued growth and improved margins within Eurasia

Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area also includes TeliaSonera's shareholding in Russian MegaFon (25 percent) and Turkish Turkcell (38 percent). The main strategy is to create shareholder value by increasing mobile penetration and introducing value-added services in each respective country.

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2013	2012	Change (%)
Net sales	20,414	19,731	3.5
EBITDA excl. non-recurring items	10,796	9,976	8.2
Margin (%)	52.9	50.6	
Income from associated companies	5,926	13,815	-57.1
Russia	3,128	11,542	-72.9
Turkey	2,779	2,280	21.9
Operating income	12,510	20,629	-39.4
Operating income excl. non-recurring items	13,714	12,340	11.1
CAPEX	4,712	4,739	-0.6
Subscriptions, period-end (thousands)			
Subsidiaries	44,177	42,535	3.9
Associated companies	115,500	110,700	4.3
Employees, period-end	4,904	4,980	-1.5

Additional (unaudited) segment information available at www.teliasonera.com.

Market development

The number of subscriptions in the consolidated operations grew 3.9 percent during the year, including churning out passive subscriptions in Uzbekistan in the first quarter. Adjusted for this measure, subscription growth was 7.7 percent. All markets except Georgia grew in local currencies.

The market in Uzbekistan continued to show exceptional growth during 2013 in the absence of a third operator, following the events in 2012 where the competitor MTS lost its license.

In September 2013, TeliaSonera announced that it for regulatory reasons had exited Nepal Satellite and focuses on Ncell, which reduces the business risk and complexity of TeliaSonera's involvement in Nepal. TeliaSonera reached an agreement to sell back its indirect ownership in Nepal Satellite, a regional operator in Nepal, to Zhodar Investment. The transaction generated a capital loss of SEK 389 million.

In January 2013, TeliaSonera acquired a Kazakh company holding frequency permits in the 2.5/2.6 GHz band, which are compatible for use with WiMAX and other mobile data transmission technologies. Based on the view that it will take longer than expected to achieve full use of these frequency permits due to the current lack of a 4G license in Kazakhstan, TeliaSonera recognized a non-cash impairment charge of SEK 500 million in December.

Mobile data increased in importance as a net sales driver during the year and in the fourth quarter represented 13 percent of net sales. Increased smartphone penetration is expected to lead to continued high data-volume growth in Eurasia.

Net sales

Net sales in local currencies and excluding acquisitions and disposals increased 11.5 percent. In reported currency, net sales increased 3.5 percent to SEK 20,414 million (19,731). The negative effect of exchange rate fluctuations was 8.4 percent.

In Kazakhstan, the largest market in the business area, net sales increased 3.2 percent in local currency. Growth in the subscription base continued, up 0.8 million to 14.3 million, while minutes of use decreased. The price erosion is slowing down but is still at high levels, leading to reduced ARPU.

Nepal continued to be an important growth engine with a 20.1 percent expansion of the subscription base while minutes of use decreased slightly. Net sales growth reached 27.0 percent in local currency through increased ARPU in addition to the subscription intake. In Azerbaijan, growth was slow at 1.0 percent in local currency. Both the subscription base and minutes of use decreased.

Uzbekistan showed exceptional growth with a 51.2 percent net sales growth in local currency. However, in reported currency growth stopped at 31.6 percent and the difficulties to repatriate cash have continued throughout the year. The lower subscription base compared to 2012 reflects a revised churn-out policy in order to free up capacity.

Earnings

EBITDA, excluding non-recurring items, increased 17.0 percent in local currencies and excluding acquisitions and disposals. Growth has been achieved while simultaneously keeping control of the addressable cost base, resulting in strengthened margins. The EBITDA margin was 52.9 percent (50.6), while the EBITDA growth in reported currency stopped at an 8.2 percent increase reflecting the strengthening of the Swedish krona in relation to many of the Eurasian currencies. Azerbaijan was negatively affected by a lost court case regarding interconnect pricing, with a total effect of SEK 308 million of which SEK 103 million was recorded in EBITDA, excluding non-recurring items.

Operating income, excluding non-recurring items, increased to SEK 13,714 million (12,340). Amortization and depreciation was slightly lower than last year, especially in Azerbaijan and Uzbekistan. Income from associates increased due to improved operational performance in Turkcell. Income from MegaFon was lower due to the lower effective ownership following the IPO in the end of 2012, but improved operational performance offset a large part of the ownership-related decline.

Non-recurring items totaled SEK -1,204 million (8,289), mainly related to write-downs in Kazakhstan and Nepal. In 2012, the MegaFon structural changes and IPO generated significant positive effects.

CAPEX

CAPEX was flat at SEK 4,712 million (4,739) and the CAPEX-to-sales ratio decreased to 23.1 percent (24.0). In 2013, licenses in Georgia and Nepal were renewed. CAPEX, excluding licenses and spectrum fees, was SEK 3,914 million (4,486) and the CAPEX-to-sales ratio 19.2 percent (22.7). Compared to last year, investments increased in Uzbekistan to meet capacity and coverage demand in the two-player market, but declined in Nepal, partly due to late equipment deliveries.

SEK in millions, except margins and changes	2013	2012	Change (%)
Net sales	20,414	19,731	3.5
of which Kazakhstan	8,111	8,256	-1.8
of which Azerbaijan	3,824	3,934	-2.8
of which Uzbekistan	3,118	2,369	31.6
of which Tajikistan	932	927	0.5
of which Georgia	915	1,011	-9.5
of which Moldova	512	536	-4.5
of which Nepal	3,023	2,716	11.3
EBITDA excl. non-recurring items	10,796	9,976	8.2
of which Kazakhstan	4,481	4,602	-2.6
of which Azerbaijan	1,912	1,964	-2.6
of which Uzbekistan	1,680	904	85.8
of which Tajikistan	472	470	0.4
of which Georgia	385	397	-3.0
of which Moldova	185	193	-4.1
of which Nepal	1,803	1,614	11.7
Margin (%), total	52.9	50.6	
Margin (%), Kazakhstan	55.2	55.7	
Margin (%), Azerbaijan	50.0	49.9	
Margin (%), Uzbekistan	53.9	38.2	
Margin (%), Tajikistan	50.6	50.7	
Margin (%), Georgia	42.1	39.3	
Margin (%), Moldova	36.1	36.0	
Margin (%), Nepal	59.6	59.4	

Net sales in local currencies and excluding acquisitions and disposals	2013
Change (%), total	11.5
Change (%), Kazakhstan	3.1
Change (%), Azerbaijan	1.0
Change (%), Uzbekistan	51.2
Change (%), Tajikistan	5.8
Change (%), Georgia	-5.3
Change (%), Moldova	3.3
Change (%), Nepal	27.0

Associated companies – Russia

MegaFon (TeliaSonera holds 25.2 percent and consolidates 27.2 percent, reported with a one-quarter lag) in Russia reported a subscription base of 68.3 million, an increase of 3.5 million.

TeliaSonera's income from Russia, excluding non-recurring items, decreased to SEK 3,093 million (3,151), as a consequence of the lower effective ownership after the IPO. The Russian ruble depreciated 4.1 percent against the Swedish krona which had a negative impact of SEK 36 million.

Dividends paid by MegaFon were SEK 1,940 million net of taxes (11,726). In 2012, MegaFon paid one-off dividends in conjunction with the structural changes ahead of the IPO.

Associated companies – Turkey

Turkcell (TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey reported a subscription base of 35.0 million, a decrease of 0.2 million. In Ukraine, the number of subscriptions increased by 1.5 million to 12.2 million.

TeliaSonera's income from Turkey increased to SEK 2,779 million (2,280), or a reported growth of 22.0 percent. The Turkish lira depreciated 7.8 percent against the Swedish krona, which had a negative impact of SEK 173 million.

As in the previous year, no dividend from Turkcell was decided and paid in 2013.

Other operations

Segment Other operations comprises Other Business Services, TeliaSonera Holding and Group functions. Other Business Services is responsible for sales of managed-services solutions to business customers in the Nordic countries.

SEK in millions, except changes	2013	2012	Change (%)
Net sales	3,556	3,799	-6.4
EBITDA excl. non-recurring items	321	483	-33.5
Income from associated companies	-1	-50	-98.0
Operating income	-1,083	-503	115.3
Operating income excl. non-recurring items	-583	-319	82.8
CAPEX	1,054	1,014	3.9

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group Development in 2013" for information on restated financial information.

Net sales in local currencies and excluding acquisitions and disposals decreased 6.1 percent, mainly as a result of winding-up the retail chain Veikon Kone. In reported currency, net sales decreased to SEK 3,556 million (3,799).

EBITDA, excluding non-recurring items declined to SEK 321 million (483), mainly due to increased costs for Group functions.

Income from associated companies increased to SEK -1 million (-50).

Operating income was SEK -1,083 million (-503). Non-recurring items of SEK -500 million were recorded (-183), related to both the restructuring program and to write-downs of obsolete IT systems and platforms.

Acquisitions and Divestitures

Date	Country	Comments
January 11, 2013	Kazakhstan	On December 28, 2012, TeliaSonera announced that the formal conditions to complete the acquisition of the WiMAX operations of Alem Communications, from its owner Midas Telecom, and an indirect minority investment in TOO KazTransCom, a company listed on the Kazakhstan Stock Exchange and owning, among other businesses, a fiber optics network in Kazakhstan, through the purchase of shares from its owner Alatau, had been met. The transactions were completed on January 11, 2013. According to the closing provisions of the agreements, the consideration paid was USD 106 million for the WiMAX operations, TOO KazNet Media, which also received a USD 64 million shareholder contribution from TeliaSonera. The consideration paid for the indirect holding in KazTransCom was USD 22 million.
January 31, 2013	Norway	On December 20, 2012, TeliaSonera announced the signing of an agreement to divest its subsidiary NextGenTel AS to Telio Holding, a company listed on the Oslo Stock Exchange, for a total consideration of NOK 601 million (approximately SEK 700 million) on a cash and debt free basis (enterprise value). The transaction was closed on January 31, 2013.
Second quarter 2013	Norway	TeliaSonera divested its remaining 2.46 million shares in Telio Holding for a total consideration of NOK 55 million. The shares were part of the payment when TeliaSonera divested NextGenTel to Telio on January 31, 2013.
September 11, 2013	Nepal	TeliaSonera announced that it for regulatory reasons had exited Nepal Satellite Telecom Pvt. Ltd. and focuses on Ncell, which reduces the business risk and complexity of TeliaSonera's involvement in Nepal. TeliaSonera reached an agreement to sell back its indirect ownership in Nepal Satellite, a regional operator in Nepal, to Zhodar Investment. The transaction generated a capital loss of SEK 389 million. Norton Rose Fulbright, K&L Gates and UBS were the principal advisors in the transaction.
December 18, 2013	Sweden	TeliaSonera announced that it had signed agreements to acquire a group of companies within open fiber networks. By acquiring the communication operator Zitius Service Delivery AB, TeliaSonera continues to invest in the Swedish fiber business. The acquisition also comprised Quadracom Networks AB and the service provider Riksnet AB. The operations will be part of TeliaSonera's Fiber Business unit in Sweden. In total, the agreed upon purchase price was SEK 473 million on a cash and debt-free basis. Closing of the transactions are subject to regulatory approval.
December 23, 2013	Estonia	TeliaSonera acquired 25 percent of the shares in the Estonian companies Yoga AS and ZeroGroup Holding OÜ, respectively, suppliers of TeliaSonera's home control solution offered in Estonia and Finland. In total, the purchase price was SEK 20 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 matters relating to telecommunications regulations and competition law. For further information, see Note C29 to the consolidated financial statements.

Innovation, Research and Development

Innovation, research and development (R&D) activities are performed to ensure TeliaSonera's leading position in the telecom industry as well as to support future profitable growth and cost efficiency. In 2013, TeliaSonera accentuated the importance of innovation and initiated studies and pilots to strengthen the innovation culture and process. Innovation activities typically target new business models and solutions, offering excellent customer experience by being based on deep customer and market insight. The solutions are often based on open standards and prepared in cooperation with different types of partners.

The main focus is on developing the core network access and telecommunication service solutions. To support the core business, value-added services are facilitated in partnership with leading brands and players to enhance the offerings to various customer segments. In 2013, several new partnerships have been agreed and also one new investment in a partner. To strengthen TeliaSonera's market leadership, key focus has been on world-class network quality in mobile and fiber, mobile and fiber network enhancements, online, value-added services and IT enhancements through improved business and operational support systems and processes.

The consumer portfolio is developed with new functionality and services regarding data, digital home, IPTV, media and applications. TeliaSonera acquired a 25 percent stake in the Estonian partner Yoga, supplier of TeliaSonera's home control solution offered in Finland and Estonia. Business models are adapted to new needs, exemplified by the new mobile data-centric subscriptions that have been introduced in several markets. To facilitate further revenues, the subscription user interfaces and processes for value-added services are enhanced as well as the interfaces for integrating third-party services.

The business portfolio is developed with emphasis on data, cloud-based services, applications and net-based communication solutions. TeliaSonera launched TeliaSonera CDN as an internal venture in a partnership model, serving OTT traffic for media delivery and web performance, securing a faster and more reliable end-user experience. TeliaSonera is launching a cloud application marketplace based on a platform from AppDirect, where partnerships are also agreed with service providers to fill the cloud marketplace for SMEs with relevant services. Cooperation with PGi has been established regarding cloud-based conferencing and collaboration solutions. TeliaSonera is also working with partners to develop the M2M (machine-to-machine) area in the TeliaSonera M2M Partner Program and in separate innovation projects. A new M2M platform has been put in operation which will support innovation and business up-scaling. More and more things are connected as for example shown by the partnership with Tesla Motors.

TeliaSonera has innovation partnerships with large customers, for example with the Swedish city of Uppsala, working together on enabling innovation with third parties including the citizens of Uppsala, and is also looking into an innovations test-bed partnership.

As of December 31, 2013, TeliaSonera had 423 patent "families" and 2,590 patents and patent applications, none of which, individually, is material to its business. In 2013, TeliaSonera sold some patents as part of an effort to increase the commercialization of the patent portfolio.

In 2013, TeliaSonera incurred R&D expenses of SEK 294 million (382).

Environment

TeliaSonera is committed to environmental responsibility. The work is guided by TeliaSonera's Code of Ethics and Conduct which serves as an overall policy document, also covering the majority-owned subsidiaries. Annually, TeliaSonera also publicly reports on its environmental performance in a separate Sustainability Report.

The **TeliaSonera Sustainability Report** is available at:
www.teliasonera.com/Sustainability-Report
(Information on the TeliaSonera website does not form part of this Report)

The environmental impact from TeliaSonera's operations is mainly associated with energy utilization and material usage. Customers demand 24/7 mobile and internet connectivity and even if using cutting-edge technology, the energy consumption required to meet this demand and to run the operations currently represent the greatest part of TeliaSonera's calculated carbon footprint. One permanent priority is to continuously strive to find more energy-efficient solutions for networks and data centers. With 2012 as the base year, group common targets are to:

- Reduce carbon dioxide (CO_2) emissions by 20 percent per subscription equivalent by 2020; and
- Increase energy efficiency (measured as kWh electricity purchased in operations) by 20 percent by 2020.

The progress on the targets will be reported to Group Management bi-annually as well as annually in the Sustainability Report.

TeliaSonera's operations also generate waste of various kinds, including hazardous waste, electronic equipment, networks devices and cables, and waste from office premises. Technology shifts currently represent a considerable challenge in terms of waste management, particularly in relation to the handling of disused poles, which contain hazardous substances, and to the recycling of valuable copper cables.

TeliaSonera's indirect environmental impacts include various ways in which customers can use TeliaSonera's services to reduce their CO_2 emissions. Other indirect environmental impacts related to TeliaSonera's value chain include activities such as the manufacturing of the equipment and devices used by customers and TeliaSonera's own network equipment, as well as the end-of-life treatment of these products.

As a minimum, TeliaSonera companies shall comply with local legal requirements wherever they operate. TeliaSonera in Sweden does not conduct any operations subject to environmental permits from authorities according to the Swedish Environmental Code, Chapter 9.

Remuneration to Executive Management

Proposed remuneration principles for Group Management 2014

The Board of Directors proposes that the Annual General Meeting on April 2, 2014, resolves on the following principles for remuneration to Group Management. Group Management is defined as the President and the other members of the Management Team.

Objective of the principles

The objective of the principles is to ensure that the company can attract and retain the best people in order to support the vision and strategy of the company. Remuneration to Group Management should be built on a total reward approach and be market relevant, but not leading. The remuneration principles should enable international hiring and should support diversity within Group Management. The market comparison should be made against a set of peer-group companies with comparable sizes, industries and complexity. The total reward approach should consist of fixed salary, pension benefits, conditions for notice and severance pay and other benefits.

Fixed salary

The fixed salary of a Group Management member should be based on competence, responsibility and performance. The company uses an international evaluation system in order to evaluate the scope and responsibility of the position. Market benchmark is conducted on a regular basis. The individual performance is monitored and used as a basis for annual reviews of fixed salaries.

Pension

Pension and retirement benefits should be based on a defined contribution model, which means that a premium is paid amounting to a certain percentage of the individual's annual salary. When deciding the size of the premium, the level of total remuneration should be considered. The level of contribution should be benchmarked and may vary due to the composition of fixed salary and pension. The retirement age is normally 65 years of age.

Other benefits

The company provides other benefits in accordance with market practice. A Group Management member may be entitled to a company car, health and care provisions, etc. Internationally hired Group Management members and those who are asked to move to another country can be offered mobility related benefits for a limited period of time.

Notice of termination and severance pay

The termination period for a Group Management member may be up to six months (12 months for the President) when given by the employee and up to twelve months when given by the Company. In case the termination is given by the company, the individual may be entitled to a severance payment up to twelve months. Severance pay shall not constitute a basis for calculation of vacation pay or pension benefits. Termination and severance pay will also be reduced if the individual will be entitled to pay from a new employment or if the individual will be conducting own business during the termination period or the severance period.

The Board of Directors may make minor deviations on an individual basis from the principles stated above.

Long-term incentive program 2013/2016

The Annual General Meeting held on April 3, 2013, decided to launch a long-term incentive program which includes approximately 100 key employees. This program is not available for the members of Group Management. A long-term incentive program should strengthen TeliaSonera's ability to recruit and retain talented key employees, create a long-term confidence in and commitment to the group's long-term development, strengthen the group's efforts to be more of a united company – "One Group", align key employees' interests with those of the shareholders, increase the part of the remuneration that is linked to the company's performance and encourage shareholding of key employees.

The program rewards performance measured over a minimum of a three year period, is capped to a maximum of 37.5 percent of the annual base salary and is equity based (invested and delivered in TeliaSonera shares with the ambition that the employees should remain shareholders also after vesting). A prerequisite for payout from such a program is the continuous employment at the end of the performance period.

The program measures performance over a 3-year period in relation to Earnings Per Share (EPS, weight 50 percent) and Total Shareholder Return (TSR, weight 50 percent) compared to a corresponding TSR development of a pre-defined peer-group of companies. The program may be annually repeated. Equal programs were launched in 2010-2012. The prevalence of a long-term incentive program is subject to the approval of the Annual General Meeting.

For more information on TeliaSonera's long-term incentive programs, see Note C31 to the consolidated financial statements.

Parent Company

The parent company TeliaSonera AB (Corporate Reg. No. 556103-4249), which is domiciled in Stockholm, comprises group executive management functions including the group's internal banking operations. The parent company has no foreign branches.

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board.

Net sales decreased to SEK 7 million (61), of which SEK 3 million (58) was billed to subsidiaries. Income before taxes improved to SEK 17,862 million (13,954) due to increased dividends partly offset by lower capital gains from associates and exchange rate losses. Net income was SEK 16,860 million (12,327).

Total investments were SEK 1,090 million (21,723), of which SEK 1,052 million (20,695) referred to shareholder contributions to subsidiaries and associates. Cash and cash equivalents totaled SEK 26,782 million (26,802) at year-end. The balance sheet total decreased to SEK 243,680 million (265,965). Shareholders' equity was SEK 86,661 million (81,871), of which non-restricted equity SEK 70,950 million (66,160). The equity/assets ratio was 33.8 percent (29.9). Net debt decreased to SEK 113,578 million (140,152).

As of December 31, 2013, the number of employees was 239 (241).

Significant Events after Year-End 2013

- On February 11, 2014, TeliaSonera announced that it had issued a Eurobond of EUR 500 million in a 5-year deal maturing in February 2019, under its existing EUR 11 billion EMTN (Euro Medium Term Note) program. The re-offer yield was set at 1.483 percent per annum equivalent to Euro Mid-swaps + 45 basis points.
- On February 14, 2014, TeliaSonera announced that Hélène Barnekow had been appointed Senior Vice President and Chief Commercial Officer to lead the Group Commercial function in TeliaSonera's new organization to be launched on April 1, 2014. Hélène Barnekow will be a member of TeliaSonera Group Management, reporting to the CEO.

Corporate Governance Statement

TeliaSonera operates in a dynamic industry with many challenges. At the time the current Board of Directors was elected, the company was facing intense scrutiny and was strongly questioned. The Board's mission was to take the required steps to regain trust from the outside world and to ensure sustainable operations.

In order to attain good profitability, we must secure a long-term view of sustainability issues and build a strong platform to meet future challenges. In 2013, the Board's work focused on three main areas.

One of the Board's first actions was to initiate a review of transactions and agreements made in Eurasia. The aim was to gain an understanding of the facts and risks, and, where appropriate, take the necessary measures to establish suitable conditions in order to act appropriately and ethically today and in the future. The review will be concluded during the first quarter of 2014 and to fulfil the goal of transparency, a summary of the findings and conclusions will be presented at the Annual General Meeting. The Board has also appointed a new committee, the Sustainability and Ethics Committee, tasked to work forward with sustainability issues to safeguard that we are doing the right things and are working in a correct way.

A board's main tasks are to ensure that there is a functioning management team that exerts a strong and good leadership – it's a prerequisite for a solid corporate culture. A second key priority was therefore to start the process of recruiting a permanent CEO. In June, Johan Dennelind was appointed CEO and he assumed his position on September 1.

The third area we worked intensively with is the strategy – our future focus and long-term goals as well as our geographical footprint. The telecommunications industry is undergoing rapid change and our role on the Board is to build a stronger platform to address future challenges and opportunities in order to continue to deliver profitable growth through sustainable business. I am convinced that we will have an interesting year ahead of us.

Marie Ehrling
Chair of the Board

Introduction

This Corporate Governance Statement was adopted by the Board of Directors at its meeting on March 5, 2014. It was prepared according to the Swedish Corporate Governance Code and the Swedish Annual Reports Act and has been examined by the external auditors. The Statement presents an overview of TeliaSonera's corporate governance model and includes the Board's description of the internal controls environment and risk management regarding financial reporting.

TeliaSonera's strategy means that the company does business in some of the world's most challenging markets when it comes to corruption and violations of human rights. The importance of a zero tolerance across the entire organization against corruption and human rights abuses can therefore not be overestimated. In 2013, a large part of the work of the Board of Directors and Group Management was devoted to strategic development issues and to sharpening the focus on sustainability, ethics and compliance issues. Significant new measures were implemented and announced.

In addition, development work in corporate governance during 2013 included implementing risk catalogues in all major entities in which TeliaSonera has management responsibility in order to establish a consistent approach to and a group-common view of risks related to incorrect financial reporting.

Compliance

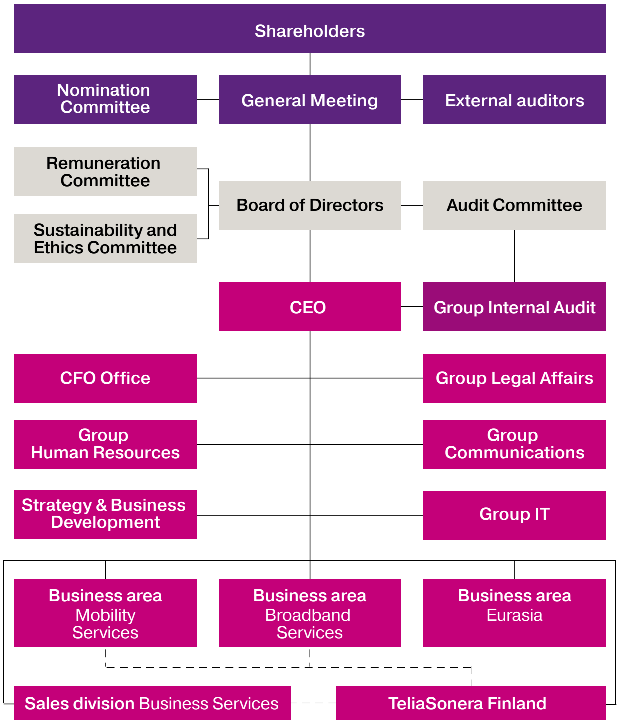
It is the opinion of the Board of Directors that TeliaSonera has complied with the Swedish Corporate Governance Code during 2013.

Further, there was no infringement of applicable stock exchange rules and no breach of good practice on the securities market reported by the NASDAQ OMX Stockholm's Disciplinary Committee or the Swedish Securities Council.

Updated information required by the Swedish Corporate Governance Code is available at: www.teliasonera.com/Corporate-Governance (Information on the TeliaSonera website does not form part of this Statement)

Governing Bodies

TeliaSonera's main governing bodies are:
- The Shareholders' General Meeting
- The Board of Directors
- The CEO, assisted by Group Management



A new operating model effective April 1, 2014, was announced on December 16, 2013. For additional information, see the Board of Directors' Report, section "Significant events in 2013."

Shareholders

Shareholders' General Meeting

TeliaSonera is a Swedish public limited liability company and is governed by the Swedish Companies Act, the NASDAQ OMX Stockholm Rule Book for Issuers, the Swedish Corporate Governance Code and the company's Articles of Association. The Shareholders' General Meeting is the company's highest decision-making forum where the owners exercise their shareholder power.

For **further information** regarding:
- Swedish Companies Act (2005:551), Annual Reports Act (1995:1554), Securities Market Act (2007:528): www.riksdagen.se/en, www.government.se
- NASDAQ OMX Stockholm (issuer rules and surveillance): www.nasdaqomx.com
- Swedish Corporate Governance Code and specific features of Swedish corporate governance: www.corporategovernanceboard.se

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. At year-end 2013, TeliaSonera had 529,394 shareholders. For more information on the shareholder structure, see the Board of Directors' Report.

The Annual General Meeting 2013 was held in Stockholm on April 3, 2013. Among other issues, the Annual General Meeting 2013 decided upon the following:
- Composition of the Board of Directors
- Distribution of profits
- Remuneration policy for the executive management
- Authorization for the Board to decide upon acquisitions of the company's shares within certain limits
- Long-term incentive program for key employees
- Election of auditors

TeliaSonera's **Articles of Association** are available at: www.teliasonera.com/Corporate-Governance, and **AGM minutes and related documents** at: www.teliasonera.com/AGM (Information on the TeliaSonera website does not form part of this Statement)

Nomination Committee

TeliaSonera's Nomination Committee consists of representatives of the company's four largest shareholders at the time of notice of the Annual General Meeting and which also wish to participate in the nomination process, and the Chair of the Board of Directors. The Nomination Committee presently consists of:
- Magnus Skåninger, Chair (the Swedish State)
- Kari Järvinen (the Finnish State through Solidium Oy)
- Per Frennberg (Alecta)
- Jan Andersson (Swedbank Robur Fonder)
- Marie Ehrling, Chair of the Board

The Nomination Committee shall in accordance with its instruction:
- Propose the number of Board members elected by the Annual General Meeting
- Nominate the Chair, the Vice-Chair and other members of the Board of Directors

- Propose the Board remuneration that is divided among the Chair, the Vice-Chair and other members and remuneration for serving on committees
- Nominate the Chair of the Annual General Meeting
- Nominate the external auditors
- Nominate members of the Nomination Committee until the next Annual General Meeting

The Nomination Committee receives information from the Chair of the Board, other Board members and the CEO on TeliaSonera's position, strategic direction and other relevant circumstances. Based on this information, the Committee assesses the competences needed in the Board as a whole. The Committee has concluded that competences currently needed are experience from:

- The telecommunications industry and industries closely related to it
- Internet-based operations
- Relevant markets
- Market and consumer oriented operations
- Operational sustainability work
- Major listed companies

On the basis of these competence needs, the Nomination Committee evaluates the competences of the present Board members. Taking into account the competences needed in the future, the gender distribution on the Board, the competences of present Board members and the present Board members' availability for re-election, the Committee nominates Board members to the Annual General Meeting.

The Nomination Committee has reported that it complies with the guidelines in the Swedish Corporate Governance Code and that it intends to report its activities at the Annual General Meeting and on the company's website.

> Shareholders are welcome to send **nomination proposals** to the Nomination Committee. Proposals can be sent by e-mail to: forslagtillstyrelseledamot@teliasonera.com

Board of Directors

Responsibilities

The Board of Directors is responsible for the organization of the company and the administration of the company's affairs. The Board shall regularly assess the company's financial position and shall ensure that the company's organization is structured in such a manner that accounting, management of funds and the company's finances in general are monitored in a satisfactory manner. In that role the Board makes decisions on inter alia:

- The strategic direction and key strategic initiatives of the group
- Major investments
- The capital structure and dividend policy
- Appointment and dismissal of the CEO
- The delegation of authority
- The development of group policies
- The overall organization of the group
- The internal controls environment and risk management model of the group
- The core content of the group's external communication

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, the tasks of the Chair of the Board, the division of responsibilities between the Board and the CEO and how work is to be carried out in committees.

Members and independence

The Board of Directors consists of eight members elected by the Annual General Meeting, serving one-year terms, and three employee representatives (with three deputies) from the Swedish operations. A Finnish employee representative is present at the Board meetings, but without voting rights. Marie Ehrling is Chair of the Board. The other members of the Board, elected by the Annual General Meeting, are Olli-Pekka Kallasvuo (Vice-Chair), Mats Jansson, Mikko Kosonen, Nina Linander, Martin Lorentzon, Per-Arne Sandström and Kersti Strandqvist.

In accordance with the guidelines of the Swedish Corporate Governance Code, all members elected by the Annual General Meeting 2013 are considered to be independent in relation to the company, to the administration of the company and to major shareholders.

The members of the Board of Directors are presented in more detail, including meeting attendance, remuneration and holdings of TeliaSonera shares, at the end of this Statement.

Annual work cycle

The work of the Board follows an annual cycle. This enables the Board to appropriately address each of its duties and to keep strategic issues, risk assessment and value creation high on the agenda.

Board meetings are normally held in Stockholm, but one meeting a year is held in Helsinki and at least one other meeting is held elsewhere to be able to discuss local issues more deeply, make specific site visits, etc. In 2013, one meeting was held in Kazakhstan.

Statutory meeting

The annual cycle starts with the statutory Board meeting which is held immediately after the AGM. At this meeting, members of the Committees are appointed and the Board resolves on matters such as signatory powers.

Corporate Governance Statement

Q1 report meeting
At the next ordinary meeting, the Board approves the interim financial report and reviews the risk report for the first quarter of the year.

Strategy input meeting
At the third ordinary meeting, the Board is updated on and discusses various strategic issues.

Q2 report meeting
The Board convenes to approve the interim financial report and review the risk report for the second quarter of the year.

First strategic planning meeting
A Board meeting focused on the first step of the strategic planning process by discussing the scope and key assumptions.

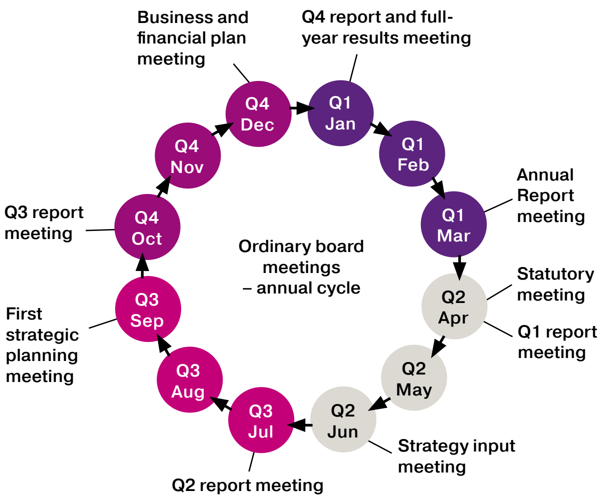
Q3 report meeting
A Board meeting is held to approve the interim financial report and review the risk report for the third quarter of the year and to discuss the second step of the strategic planning process – the strategic options. This meeting is also devoted to the annual evaluation of the Board's internal work.

Business and financial plan meeting
As the final step of the strategic planning process, a meeting is held for the Board to approve management's business and financial plan and to discuss target setting for executive management. This meeting also comprises an annual review of the capital structure and dividend policy.

Q4 report and full-year financial results meeting
Following the end of the calendar year, this Board meeting focuses on the financial results of the entire year and the fourth-quarter financial report and risk report, also including a final decision on target setting for executive management and the dividend proposal for the year.

Annual Report meeting
This meeting closes the annual work cycle of the Board of Directors by an approval of the Annual Report and a review of the Sustainability Report.

THE BOARD'S ANNUAL WORK CYCLE



In addition, ordinary Board meetings include:
- As the Board is responsible for financial oversight, a report by the CEO on business and market developments as well as on the financial performance
- Reports on Committee work by the respective Committee Chair
- Information on developments in significant legal and regulatory matters
- A closed session without management being present

Organization
To improve board work efficiency, the Board of Directors has appointed a Remuneration Committee, an Audit Committee and a Sustainability and Ethics Committee. The committees prepare recommendations for the Board.

The Remuneration Committee handles issues regarding salary and other remuneration to the CEO and Group Management, incentive programs that target a broader group of employees and succession planning. The Remuneration Committee has the authority to approve remuneration to the members of TeliaSonera Group Management, except for the CEO remuneration which is decided by the entire Board of Directors.

The Audit Committee reviews for example financial statements, accounting, internal controls and auditing. The Audit Committee has the authority to decide on audit scope and audit fees and to approve purchase of non-audit services from the external auditors.

The Sustainability and Ethics Committee was established on April 3, 2013. The Ethics and Sustainability committee primarily reviews the progress of the Sustainability Priority Action Plan and the Ethics and Compliance programs as well as the Sustainability Report.

Corporate Governance Statement

Board work during 2013

In 2013, the Board of Directors held 9 ordinary meetings and 10 extra meetings. In addition to following up on the day-to-day business of the group, the Board of Directors paid special attention to:

- Strategic options, with specific review of the changing business environment in the telecom industry
- Follow-up of major strategic initiatives within the business areas, including for example pricing strategy and fiber roll-out
- Comprehensive and detailed review of the overall sustainability risks for the group, including decisions on a new ethics and compliance function and updated group policies
- Initiation and close follow-up of the review of transactions in Eurasia performed by the international law firm Norton Rose Fulbright (for further information, see section ”Review of Eurasian transactions”)
- Follow-up of the severe corruption and money-laundering allegations related to the investments in Uzbekistan, currently under criminal investigation by the Swedish Prosecution Authority
- Reviewing efficiency programs aiming at a cost reduction of some SEK 2 billion net over a two-year period
- Regulatory developments in the telecom industry
- Structure for target model and financial targets
- Potential acquisitions and increase of ownership in subsidiaries
- Divestments of NextGenTel and Nepal Satellite
- Investments in frequencies, in particular in Finland and Norway
- Follow-up of CAPEX, in particular related to network investments
- Developments in the associated companies in Turkey and Russia
- Development and governance of IT projects in the group
- Funding and debt structure
- Operational model and organizational issues
- Human Resources issues, in particular succession planning and performance management
- Recruitment of a new CEO

In addition, the Board of Directors devoted a number of meetings to training activities, in order to get a comprehensive introduction to the group’s operations.

Further, the Board of Directors evaluated its internal work during 2013 by self-assessment. The results of the evaluation were reported to the Nomination Committee.

Review of Eurasian transactions

In connection with the Annual General Meeting on April 3, 2013, the Board of Directors announced its intention to conduct a thorough review of transactions and agreements made in the past few years and TeliaSonera’s partners in Eurasia. On April 18, the Board announced that the international law firm Norton Rose Fulbright had been assigned to conduct the review.

The review will give the Board of Directors a clear picture of transactions in Eurasia and a risk assessment from a business ethical perspective. TeliaSonera’s present processes and routines have also been analyzed in order to assess whether they are suitable and sufficient for managing the identified risks.

The review project has been performed in stages, country by country. Assessments regarding risks for participation in corruption and money laundering are made under the laws of the jurisdictions involved in or affected by the transactions. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms.

The review project will be finalized in the first quarter of 2014. Initially, the review project was steered by the Sustainability and Ethics Committee. As of September 1, 2013, project governance was changed by establishing a separate Steering Group. Marie Ehrling is Chair of the Steering Group and informs the entire Board of Directors on the progress of the project and other relevant issues at every Board meeting or as and when required.

See also the Board of Directors’ Report, section “Significant events in 2013.” and Note C34 to the consolidated financial statements, section “Review of Eurasian transactions”.

ORGANIZATION OF THE BOARD WORK

Board of Directors
11 members

Remuneration Committee
3 members

- Group remuneration policy
- Executive compensation
- Incentive programs
- Succession planning

Audit Committee
3 members

Oversight over
- Financial reporting
- Internal controls
- Auditing
- Area-related group policies, processes and systems

Sustainability and Ethics Committee
4 members

Oversight over
- Area-related reporting
- Area-related group policies, processes and systems
- Area-related action and implementation plans

Corporate Governance Statement

Remuneration Committee

Marie Ehrling is Chair of the Remuneration Committee. In 2013, the Committee handled, amongst others, the following issues:

- Initiating and finalizing the recruitment of a new CEO
- Structure for target model and financial targets
- Succession planning
- Performance management
- Remuneration to the CEO and Group Management

In 2013, the Remuneration Committee held 17 meetings, of which a considerable number devoted to the CEO recruitment. In addition, the Committee members were engaged in interviews with a number of CEO candidates.

Audit Committee

Nina Linander is Chair of the Audit Committee. In 2013, the Committee held 10 meetings. At each Board meeting following a Committee meeting, the Chair of the Audit Committee reported a summary of the issues raised, proposals as well as assessments and reviews performed within the Committee. When identifying risk areas related to the financial reporting, the Committee collaborates with the CEO and CFO, the external auditors as well as the internal audit and internal control functions. The input forms the basis when deciding on future focus areas.

Committee work in 2013 included, amongst others, the following issues:

- Overseeing improvements of financial reporting and financial processes, with specific focus on risk identification and assessment of the internal controls environment
- Assessment and review of the quality and integrity of the enterprise risk reporting
- Reviews of the company's external financial reporting
- Reviews of reports issued by the external auditors and follow-up of recommended actions
- Reviews of reports issued by the internal auditors and follow-up of recommended actions
- Review of internal audit methodology development to include fraud detection capability
- Review and follow-up of whistle-blower cases
- Reviews of important risk areas, e.g. treasury, taxes, litigation, mergers & acquisitions, insurance and pensions
- Review of the annual impairment testing process and significant testing parameters
- Review of IT structure and development
- Review of the CAPEX process and quarterly follow-up of CAPEX programs
- Reviews of significant accounting policies and key sources of estimation uncertainty, e.g. revenue recognition, asset valuation and pension accounting
- Reviews of group policies as preparation for Board approval
- Assessment of the group's capital structure and review of its dividend policy
- Assessment and approval of the external and internal auditors' audit plans
- Closed sessions with the external as well as the internal auditors without management being present
- Assessment of the independence of the external auditors
- External auditor selection process

In 2013, the Committee devoted 2 extra meetings to get a comprehensive introduction to the group's financial position and financial reporting as well as to the group's IT environment and governance.

Further, the Audit Committee evaluated its internal work during 2013 by self-assessment. The results of the evaluation were reported to the Board of Directors. A summary of the evaluation was also presented to the Nomination Committee.

Sustainability and Ethics Committee

The Sustainability and Ethics Committee was established on April 3, 2013. Marie Ehrling was Chair of the Committee until August 31, 2013. As of September 1, 2013, Mikko Kosonen is Chair of the Sustainability and Ethics Committee. The Committee held 10 meetings during 2013. At each Board meeting following a Committee meeting, the Chair of the Sustainability and Ethics Committee reported on key discussion items

MEMBERS OF THE COMMITTEES

Members of the Committees of the Board of Directors in 2013

Remuneration Committee	Audit Committee	Sustainability and Ethics Committee
Marie Ehrling (Chair) Mats Jansson Olli-Pekka Kallasvuo	Nina Linander (Chair) Marie Ehrling* Martin Lorentzon Per-Arne Sandström	Mikko Kosonen (Chair as of September 1, 2013) Marie Ehrling (Chair April 3–August 31, 2013) Martin Lorentzon Kersti Strandqvist

* Not a formally elected member, but attending all meetings.

and brought proposals on decision items to the Board agenda.

Committee work in 2013 included, amongst others, the following issues:

- Map and review the status of ongoing ethics, compliance and sustainability initiatives in TeliaSonera
- Establish a vision of leadership in sustainability
- Initial steering of the Eurasian transaction review performed by the international law firm Norton Rose Fulbright (for further information, see section "Review of Eurasian transactions")
- Review of the establishment of an ethics and compliance function, including forensic capabilities
- Approval of the sustainability priority action plan and regular follow-up, with special attention on the anti-corruption program status and actions, including e.g. corruption risk-assessment by country, instructions and training, whistle-blower tools, etc.
- Reviews of sustainability risks in the quarterly risk reports
- Follow-up of the compliance with the OECD Guidelines for Multinational Enterprises
- Review of the TeliaSonera Sustainability Report

CEO and Group Management

The CEO is responsible for the company's business development and leads and coordinates the day-to-day operations in accordance with the decisions of the Board of Directors.

Headed by the CEO, the Group Management currently comprises the CEO, CFO, General Counsel, Head of Group Human Resources, Head of Group Communications, Head of Stategy and Business Development, CIO, Presidents of the business areas, Head of business sales division Business Services and Head of TeliaSonera Finland. Group Management meets on a monthly basis. These meetings are devoted to follow-up on strategic and business performance, major change programs, risks and other issues of strategic nature and group-wide importance.

The members of Group Management are presented in more detail, including remuneration and holdings of TeliaSonera shares, at the end of this Statement.

A new operating model effective April 1, 2014, was announced on December 16, 2013. For additional information, see the Board of Directors' Report, section "Significant events in 2013."

Group-wide Governance Framework

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

Setting the boundaries for how we act

↓

Follow-up of our performance

TeliaSonera's group-wide governance framework is designed to ensure that operational 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. This governance framework has been decided by the Board of Directors.

Deciding what we shall achieve

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

- Mission
- Vision
- Strategy
- Operational and financial targets

↓

Setting the boundaries for how we act

↓

Follow-up of our performance

In order to provide general guidance to the employees, the Board of Directors has issued mission and vision statements. Further, the Board yearly adopts a strategy, setting more specific directions for a three-year period as well as yearly operational and financial targets.

Corporate Governance Statement

Mission: To provide network access and telecommunication services

TeliaSonera's mission is to help people and companies communicate in an easy, efficient and environmentally-friendly way, by providing network access and telecommunication services. Our focus is to deliver a first-rate customer experience, while ensuring the quality of our networks and maintaining a cost-efficient structure. TeliaSonera is an international group with a global strategy, but wherever we operate we act as a local company.

Our focus areas

- Providing world-class customer experience
- High-quality networks
- Driving cost efficiency

Vision: To contribute to a world with better opportunities

TeliaSonera is a world-class service company, recognized as an industry leader. We are proud pioneers of the telecom industry, a position we have gained by being innovative, reliable and customer-friendly. Wherever we operate, we act in a responsible way, based on a firm set of values and business principles. Our services form a major part of people's daily lives – for business, education and pleasure.

Strategy: Solutions based on deep understanding

Widespread access to reliable communication services has become pivotal in our daily lives both at home and at work. Since the arrival of smartphones and tablets, we rely increasingly on digital transmission for social and business communication. New pricing models have contributed to making communication services effective, transparent and personal. We expect this trend to increase and evolve in the coming years. TeliaSonera's strategy is to deliver tailored products and services to best meet the core requirements of our diverse customer segments. We provide solutions formed by our in-depth understanding of our customers' present and future needs. We create shareholder value by delivering services in a cost-effective and sustainable manner, which leads to improved profitability and strong cash flow.

Operational and financial targets

Operational and financial targets are set for the group as a whole and for each business area, business unit and multi-market operations.

Setting the boundaries for how we act

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

Setting the boundaries for how we act

- Shared values
- Sustainability, ethics and compliance
- Group policies
- Organization
- Delegation of obligations and authority

↓

Follow-up of our performance

The Board of Directors sets the boundaries on how the employees shall act. Key elements in setting the boundaries are shared values, code of ethics and conduct, group policies, organizational structure and delegation of obligations and authority.

Shared values – making us stronger together

TeliaSonera's shared values – "Add value," "Show respect" and "Make it happen" – shape the way we work every day.

Add value

We are customer focused and business minded. Innovation and pioneering are important aspects of our heritage and culture. By collaborating in teams and across borders, we share knowledge and use our resources efficiently. We take ownership, follow up and give feedback to ensure that we foster simple and sustainable solutions that deliver value for our customers.

Show respect

We demonstrate trust, courage and integrity in everything we do. We place a high value on our employees' knowledge and diversity, and share the responsibility for creating a good working climate. We treat others the way we want to be treated; in a professional and fair manner. We carefully protect customer privacy and network integrity, and always act in the best interests of our customers and our company.

Make it happen

We constantly make decisions to drive development and change; planning and fast implementation are crucial to our business. We make the best use of our employees' competence and commitment to maintain

Corporate Governance Statement

a dynamic business climate where everyone contributes. We make it easy and rewarding to do business with us, and always deliver on our promises.

Sustainability, ethics and compliance

TeliaSonera strives for sustainability throughout the value chain, and aims to be fully accountable to the stakeholders. The term sustainability is used as an umbrella term covering all efforts to realize economic as well as environmental and social sustainability through responsible business operations.

TeliaSonera's sustainability work involves ensuring environmental and social sustainability along the supply chain, taking care of the well-being of the employees, reducing its own carbon footprint and those of the customers, respecting human rights, complying with ethical business practices in all markets, improving the protection of customer privacy and protecting children online.

In 2013, follow-up of sustainability-related risks and opportunities as well as compliance with ethical and sustainability-related requirements were discussed within the Board's newly established Sustainability and Ethics Committee. TeliaSonera aims to ensure that the sustainability management practices are constantly updated on present and future issues and developments, and that the stakeholders can play a proactive role. To enforce compliance with ethical and legal requirements an Ethics and Compliance Office was established.

The Chief Ethics and Compliance Officer reports to the CEO. The Ethics and Compliance Office is responsible for ensuring that there is a systematic and consistent approach towards managing sustainability related ethical and legal requirements, risks and opportunities.

For additional information, see section "Enterprise Risk Management."

Code of Ethics and Conduct

The TeliaSonera Code of Ethics and Conduct serves as an overall policy document for guiding the behavior of the employees. The Code defines how TeliaSonera's employees should interact with different stakeholders, including customers, business partners, competitors, co-workers, shareholders, governments and regulatory bodies, as well as local communities wherever TeliaSonera operates. The policy document covers all entities in which TeliaSonera holds more than a 50 percent ownership and is available in 21 languages.

To enforce the implementation efforts, increase the understanding and to further ensure full compliance with the Code, a related e-learning tool has been rolled-out. The training tool focuses on anti-corruption and human rights. Further work to expand the understanding of TeliaSonera's ethical standards and values has also been undertaken by the Ethics and Compliance Office.

The **TeliaSonera Code of Ethics and Conduct** is available at:
www.teliasonera.com/Code-of-Ethics
(Information on the TeliaSonera website does not form part of this Statement)

Policies on anti-corruption and supply chain conduct

TeliaSonera has a clear position against corruption. The group Anti-Corruption Policy and related guiding principles are implemented through an anti-corruption program. The Ethics and Compliance Office is responsible for the program execution.

To ensure sustainability in the supply chain, the TeliaSonera Supplier Code defines the conduct expected from suppliers in relation to protecting human and labor rights, promoting occupational health and safety, environmental management and ethical business practices. The conduct rules are mandatory to major suppliers. Implementation of the Supplier Code is applicable for all entities in which TeliaSonera has management responsibility. To implement the Supplier Code, targeted training has been held by Group Procurement specialists.

The **TeliaSonera Supplier Code** is available at:
www.teliasonera.com/Supplier-Code
(Information on the TeliaSonera website does not form part of this Statement)

Sustainability reporting

TeliaSonera annually reports its sustainability performance in the Sustainability Report, which is reviewed by the external auditors. TeliaSonera applies the Global Reporting Initiative guidelines for reporting on sustainability including the telecommunications sector supplement pilot. The report is intended to respond to internal and external stakeholders' interest for information and request for increased transparency regarding the sustainability work. Internally, TeliaSonera uses the Sustainability Report to collect, highlight and share information about best practices across the group.

The **TeliaSonera Sustainability Report** is available at:
www.teliasonera.com/Sustainability-Report
(Information on the TeliaSonera website does not form part of this Statement)

Whistle-blower process

The Board of Directors has established a process which enables employees and others to anonymously report violations in accounting, reporting or internal controls, as well as non-compliance with the TeliaSonera Code of Ethics and Conduct and some other group policies, a

Corporate Governance Statement

so called whistle-blower system. In 2013, a project was initiated to implement an external hotline to replace the current whistle-blower system. The hotline will be maintained by an accredited external service provider to guarantee confidentiality and professionalism.

> To the reader of this Statement: If **you believe there are deficiencies** in TeliaSonera's financial reporting or if **you suspect any misconduct** within the TeliaSonera group, you may address your concerns to:
> TeliaSonera AB, Board of Directors
> Att: Michaela Ahlberg, Chief Ethics and Compliance Officer
> SE-106 63 Stockholm, Sweden

Group policies

The heads of group functions shall secure that necessary group policies, instructions and guidelines are issued within their respective area of responsibility. Group policies are relatively short and mainly principles-based. Group instructions are normally more detailed and operational and shall be in line with group policies. Group policies and group instructions are binding for all entities in which TeliaSonera has management responsibility. Group policies are approved by the Board of Directors and group instructions by the CEO. Group guidelines are non-binding recommendations that should be in line with group policies and instructions and are approved by the heads of group functions. All valid policies, instructions and guidelines on group level are posted to a common intranet page available to all employees.

Currently – in addition to the TeliaSonera Code of Ethics and Conduct – the Board has issued the following group policies.

GROUP POLICIES ISSUED BY THE BOARD – AREA AND PURPOSE

■ **Financial management**	To set the rules for credit ratings and how financial risks shall be managed
■ **Risk management**	To describe the enterprise risk management framework
■ **Procurement**	To minimize the total cost of purchased goods and services by setting rules for how to use the purchasing power of the group
■ **Insurance**	To have an insurance cover for management, employees and business activities in line with peers within the telecom industry
■ **Privacy**	To respect and safeguard customer privacy by setting high and consistent standards
■ **Security**	To describe the governance as well as control, facilitation and implementation of security measures
■ **Communication**	To ensure that all communication of the group is accurate and provided in a professional and timely manner
■ **Freedom of Expression in Telecommunications**	To define our commitments in relation to requests or demands with potentially serious impacts on freedom of expression in telecommunications
■ **Remuneration**	To set the strategic direction and clarify the approach on designing and implementing remuneration practices for employees at all levels
■ **Recruitment**	To ensure that recruitment is used as an enabler for continued business success
■ **Pensions**	To assist in providing pension benefits by clarifying the structure, design and management of pension plans
■ **Anti-corruption**	To set the standards for ethical business practices throughout the operations
■ **Sponsorships**	To define a consistent and group-wide approach to sponsorships and donations
■ **Insider trading**	To ensure a high standard of ethical behavior towards the capital markets by defining trading and reporting rules
■ **Patents**	To protect the investments in research and development and to utilize the patent portfolio effectively

Organization

TeliaSonera's largest businesses are mobile operations in the Nordics and Baltics, broadband and fixed-line operations in the Nordics and Baltics, and mobile operations in Eurasia.

In order to ensure strong leverage for profitable growth and cross-border synergies, TeliaSonera is organized in three international business areas. The business areas have full profit and loss responsibilities for their assigned businesses. The Finnish business operation in total is also separated into one consolidated reporting area, managed in a matrix with business areas Mobility Services and Broadband Services. A separate sales unit for all sales to business customers is established in Sweden and Finland.

A new operating model effective April 1, 2014, was announced on December 16, 2013. For additional information, see the Board of Directors' Report, section "Significant events in 2013."

Business area Mobility Services

The business area comprises operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.

Business area Broadband Services

The business area comprises operations in Sweden, Finland, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.

Business area Eurasia

The business area comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area also includes TeliaSonera's shareholdings in Russian MegaFon (25 percent) and Turkish Turkcell (38 percent).

Corporate Governance Statement

Group functions
The group functions assist the CEO in setting the framework for the activities of the business areas and provide the business areas with process development support and common platforms within the areas communication, finance (including M&A and procurement), human resources, strategy and business development, IT and legal affairs.

Delegation of obligations and authority
The CEO has issued a delegation of obligations and authority, which defines the obligations imposed on the heads of business areas, including the heads of sales division Business Services and TeliaSonera Finland, and group functions, and within which limits they may make decisions.

Follow-up of our performance

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

Setting the boundaries for how we act

↓

Follow-up of our performance
- Business reviews
- Performance management

Performance follow-up is essential in order to be able to take corrective measures and plan for the future. Performance follow-up is performed on organizational units as well as on an individual level.

Business reviews
The CEO sets goals for the operations based on the decisions of the Board of Directors. To ensure performance, managers have annual targets for their respective operation. The plan for each business is documented in annual operating plans and the follow-up is conducted on a monthly basis, complemented with forecasts and quarterly business review meetings on business unit and business area levels. The business review meetings are held as physical meetings and include financial and business reviews for the reporting period and forecast period, risks and operations performance metrics on network quality and customer service levels. At the business area review meetings, the CEO, CFO, Group Controller and selected members of Group Management attend in addition to the respective business area management.

The Board of Directors receives reports on operational performance on a monthly basis, and at each regular Board meeting the group's operational and financial performance is presented in detail by the CEO and the CFO. The business area heads also regularly present their view on the business development to the Board.

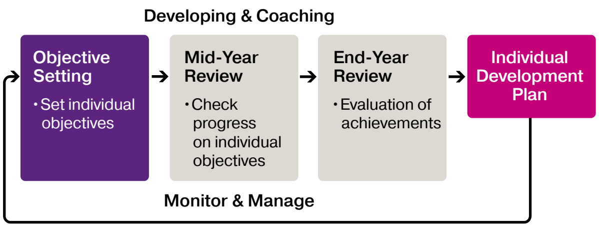
Performance management
TeliaSonera is developing a high performance company culture in order to outperform competition and reach challenging goals. Setting individual objectives linked to strategic business goals and providing frequent feedback are crucial activities for managers at all levels. TeliaSonera has established a group-wide performance management model currently valid for the five highest management levels in the organization.

The model, which aims to focus on TeliaSonera's business objectives and to cascade them into the different business areas, is designed to:
- Help managers to set and cascade business objectives
- Review individual performance
- Develop and reward high performance
- Address poor performance

In TeliaSonera, performance is not only about what to achieve but also how to achieve objectives, i.e. what kind of competences and behaviors the employee applies in order to reach results. A group-wide competence framework is established that outlines successful leadership competences for different roles and levels. The framework offers support to leaders when providing feedback to individuals on performance and on which competences to develop. In order to establish shared principles and expectations on competences and behaviors, TeliaSonera's shared values are used as a platform for the evaluation of preferred behaviors.

TeliaSonera's performance management process is annual. The year starts with setting objectives and ends with a performance evaluation. Consequence management is applied, which means that high performance is rewarded and poor performance addressed. Performance has a direct impact on compensation as well as career and development opportunities.

PERFORMANCE MANAGEMENT PROCESS



The Board of Directors' Remuneration Committee reviews the individual performance of Group Management members on a yearly basis.

Enterprise Risk Management

Operating in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry, TeliaSonera is subject to a variety of risks and uncertainties. TeliaSonera has defined risk as anything that could have a material adverse effect on the achievement of TeliaSonera's goals. Risks can be threats, uncertainties or lost opportunities relating to TeliaSonera's current or future operations or activities. Risks and uncertainties related to business, ethics and sustainability as well as shareholder issues are described in Note C34 and financial risks in Note C26 to the consolidated financial statements.

Integrated governance, risk management and compliance

Three-line defense

Risk management in TeliaSonera can be illustrated as a three-line defense being an integral part of the group's operational activities, business planning process and monitoring of business performance. Risks that may pose a threat to achieving business objectives are identified and assessed, and measures are implemented to mitigate and monitor the identified risks. The aim is not only to focus on risks from a negative perspective, but also to acknowledge that successful risk management is essential for strategy execution and sustainable growth.

ENTERPRISE RISK MANAGEMENT – LINES OF DEFENSE

According to the TeliaSonera Risk Management Policy, all TeliaSonera employees are responsible for acknowledging the risks that are taken as part of the daily work.

First and third-line defense roles and responsibilities for operational risk management, internal controls as well as assurance activities are as follows:

- The line organization has the ownership, responsibility and accountability for assessing, controlling and mitigating risks
- The group internal audit function provides independent assurance on the risk management process and internal controls environment
- External parties, such as the external auditors and regulatory bodies provide assurance in relation to specific objectives and requirements, e.g. on the information presented in the consolidated financial statements or reported to the Swedish Financial Supervisory Authority

Second-line defense transition in 2013

In 2013, the Risk Management Committee facilitated and monitored the implementation of effective risk management practices within the operations as well as set the reporting requirements and coordinated compliance assessments throughout the group. At the end of 2013, the Risk Management Committee was replaced by the Governance, Risk, Ethics and Compliance (GREC) meeting.

To support line management and enable a consistent risk view throughout the group, the risk management work in 2013 was divided into three function-based risk areas:

- Business and Finance – Group CFO
- Sustainability – Head of Group Communications
- IT and Security – Group CIO

The function-based responsibility included e.g. issuing guidelines regarding risk identification, mitigation, execution as well as monitoring and reporting. The risk areas were also responsible for reporting to the Chief Risk Officer (CRO). In 2014, the function-based responsibilities will be merged into the GREC meeting to further facilitate an integrated risk management process.

Corporate Governance Statement

GREC MEETING – RISK AREAS AND RESPONSIBILITIES

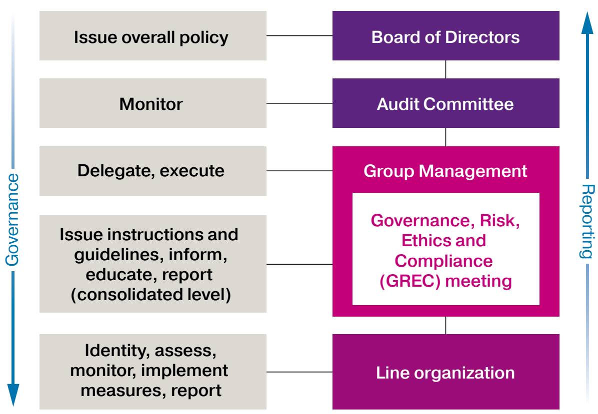
Governance, Risk, Ethics and Compliance (GREC) meeting

Head of Strategy & Business Development	CFO	CIO	Head of Legal Affairs	Heads of Business Areas	Ethics & compliance programs
Strategic & emerging risks	Financial risks	Technology & security risks	Legal risks	Business risks	Ethics & compliance risks
Sustainability					

Governance, Risk, Ethics and Compliance (GREC) meeting

To further integrate risk management into the business operations, facilitate risk awareness and a risk-based decision making process, a quarterly GREC meeting was established at the end of 2013. The meeting replaced the Risk Management Committee.

RISK MANAGEMENT – REPORTING AND GOVERNANCE



The GREC meeting is chaired by the CEO and consists of the members of Group Management extended with the Head of CEO Office, the Chief Ethics and Compliance Officer as well as the Head of Internal Audit. The main focus will initially be on implementing a consistent approach towards the ongoing ethics and compliance programs as well as on improving the strategic risk management process.

The GREC meeting agenda is risk-based, where all members are accountable for a specific risk area. The ethics and compliance program managers also report to the meeting.

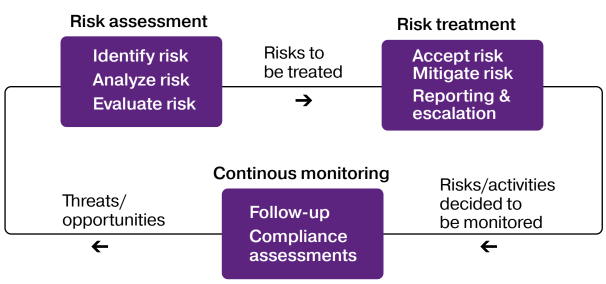
Chief Risk Officer (CRO) role

The group-level CRO role comprises responsibility for coordinating and monitoring the group's risk management processes, and for ensuring a consistent approach throughout the line organization. The CRO role also includes responsibility for ensuring a structured approach towards risk management and reporting as well as ensuring a holistic view on risk for the group.

Risk management process

The main components of the risk management process are risk assessment, risk treatment and continuous monitoring.

RISK MANAGEMENT – PROCESS FLOW



The objective of the continuous risk management process is to regularly assess, treat and monitor all risks that may harm the achievement of TeliaSonera's objectives. The line organization is responsible for assessing, mitigating and reporting risks. The risk reporting is integrated into the business planning process and risks shall be reviewed at business reviews and escalated to the GREC meeting through the line organization.

The Audit Committee and the Board of Directors receives a consolidated risk report on a quarterly basis, aligned with the Board's annual work cycle as described in section "Board of Directors." The consolidated risk report is divided into Financial, Business, Country, and Legal and Regulatory risks. Under each section, risks are presented on group level and by business area, described, valued when possible and graded (high, medium and low risk).

Compliance evaluations and assessments shall be conducted proactively, repeatedly and timely by management in order to ensure that all employees are aware of and take steps to comply with the relevant requirements. Compliance means conforming to both external and internal requirements such as the applicable legislation, commitments to international norms and internal policies, instructions and guidelines. The most significant areas are included in the ethics and compliance programs and monitored by the Ethics and Compliance Office.

In 2013, the following actions were taken:

- Implementing risk catalogues for risks related to financial reporting in all major entities in which TeliaSonera has management responsibility
- A tool for bottom-up risk reporting for technology and security-related risks were implemented
- Reporting of sustainability-related risks was integrated into the business review process
- The most significant areas related to ethical and compliance risks were structured into the ethics and compliance programs

Ethics and compliance framework

An effective ethics and compliance framework is the primary mean to ensure awareness and management of the critical ethical and legal risks. TeliaSonera's Ethics and Compliance Framework consists of eight compliance dimensions and is built on the model described as "effective compliance" and "adequate procedures" set by e.g. the Society of Corporate Compliance and Ethics, the U.S. Sentencing Guidelines, the UK Bribery Act and Competition Authorities throughout Europe.

ETHICS AND COMPLIANCE FRAMEWORK

Risk assessment	Organization	Policies & procedures	Training & communication
Due care	Internal reporting/ hotline	Investigations & disciplinary/ corrective actions	Continuous improvement

The most significant risks are systematically managed according to the ethics and compliance framework through subject-specific ethics and compliance programs. The prioritized areas are identified based on risk assessment and will in 2014 be consisting of, but not limited to, the following programs:

- Anti-Corruption Program
- Customer Privacy Program
- Privacy and Freedom of Expression Program
- Occupational Health and Safety Program

Internal Controls over Financial Reporting

In accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for internal controls over financial reporting. The Board continually reviews the performance of internal controls and initiates activities to foster continuous improvement of internal controls.

TeliaSonera's risk management framework includes internal controls over financial reporting, and is in line with the renewed COSO framework for internal controls. It consists of interrelated areas, which are control environment, risk assessment, control activities, information and communication, and monitoring. To establish a consistent approach to and a group-common view of risks related to incorrect financial reporting, development work in 2013 included implementing risk catalogues in all major entities in which TeliaSonera has management responsibility.

Internal control is an integral part of TeliaSonera's corporate governance and enterprise risk management which involves the Board of Directors, executive management and other employees. It is a process which includes methods and processes to:

- Safeguard the group's assets
- Ensure the reliability and correctness of financial reporting
- Secure compliance with applicable legislation and guidelines
- Ensure that objectives are met and continuous improvement of operational efficiency

The objective for TeliaSonera's financial reporting is to be in line with the highest professional standards and to be full, fair, accurate, punctual and understandable.

Control environment

The most essential parts of TeliaSonera's control environment are the group policies. Management at all levels is responsible for ensuring that group policies and requirements are implemented and applied. Group-wide controls exist and are reviewed on an annual basis. The purpose of the group-wide controls is to ensure that the organization complies with Delegation of obligations and authority, financial policies and the reporting framework.

Management at each business unit or group function is responsible for ensuring that:

- Monthly and quarterly financial statements comply with TeliaSonera's accounting policies
- Financial reports are delivered on time
- Activities to mitigate the risks, as specified in the group risk catalogues, have been implemented and are performed
- Required reconciliations are properly performed
- Material business and financial risks are identified and reported

The TeliaSonera financial shared services unit supports harmonized and standardized financial accounting processes and controls across large wholly-owned units.

Risk assessment

TeliaSonera has a risk-based approach towards internal controls over financial reporting. As described in section “Enterprise Risk Management,” risk management related to financial reporting is incorporated in the risk management framework. As such, assessment and management of risks that may result in inaccurate financial reporting is a natural part of the daily work. As a baseline, the group risk catalogues are used. Risk assessments are performed both from a top-down and bottom-up perspective. Outcome from the risk assessments are documented in the group risk catalogues.

Control activities

All business processes across TeliaSonera include controls regarding the initiation, approval, recording and accounting of financial transactions. Major processes, including related risks and key controls (also IT controls), are described and documented in a common and structured way, based on the requirements set in the group risk catalogues. Controls are either automated or manual and designed to ensure that necessary actions are taken to either prevent or detect material errors or misstatements and to safeguard the assets of the company. Controls for the recognition, measurement and disclosure of financial information are included in the financial closing and reporting process, including controls for IT applications used for accounting and reporting.

Information and communication

Instructions, guidelines and requirements regarding accounting and reporting as well as performing internal controls are made accessible to all relevant employees through the use of TeliaSonera’s regular internal communication channels. In recent years, staff at group level has also significantly increased internal training activities to ensure harmonization within important areas such as revenue recognition, distinction between capital and operating expenditure, etc.

Financial performance metrics in the business operations are reported monthly and the results for all entities are shared with all business unit managers and their management teams. The sharing gives a good opportunity for benchmark and learning within the group.

TeliaSonera promotes an open, honest and transparent flow of information, especially regarding the performance of internal controls. Control performers are encouraged to disclose any problems concerning their controls in the monthly reporting, so that any problem can be taken care of before it, possibly, causes errors or misstatements.

Monitoring of control activities

TeliaSonera has implemented a structured process for performance monitoring of internal controls. This process includes all major business units, business areas and group functions and consists of a self-assessment of the risk mitigating activities. A risk-based compliance review of key risks is carried out on behalf of management in order to assess the quality of the self-assessment, risk mitigation and overall internal controls environment.

The results of the self-assessment and compliance review are communicated to all relevant business units and the GREC meeting as well as to the Audit Committee. The Audit Committee receives reports directly from both external and internal auditors. The reports are discussed and follow-up observations are made by the Committee. Both the external and internal auditors are represented at the Committee meetings.

At least once a year, the entire Board of Directors meets with the external auditors, in part without the presence of management.

Control Activities in Business Operations

The purpose of internal controls over business operations is to monitor and support the development within TeliaSonera’s strategic focus areas. The monitoring of business operations performance is supported by defined metrics measurements; the Six Sigma framework. The metrics target, amongst others, customer experience, network performance and cost efficiency.

MAIN MEASURES

Customer Care	Network Quality	Costs of Poor Quality
• Unwanted calls ratio • Abandoned calls • First call resolution • Answered calls within 1 minute	• Network/service unavailability • Service defect ratio • Media stream disturbance • Network data speed	• Bad invoicing • Costs of sanctions and compensations

Monthly, the Board of Directors receives a summary of metrics measures by business unit.

Six Sigma is a systematic problem-solving methodology that utilizes a broad set of statistical tools to measure, analyze and improve a company’s operational performance, practices and systems. Lean Six Sigma focuses on identifying waste and defects in operations by means of statistical analysis. It also focuses on finding out and removing the root causes of problems.

At the end of 2013, TeliaSonera had altogether more than 60 certified Six Sigma black belts and close to 300 green belts. In 2013, 7 green belt courses were either finalized or started and as a result 17 new green belts graduated and additionally over 50 green belts are expected to graduate shortly. In addition, 3 black belt courses were started during 2013 with 27 candidates.

SIX SIGMA

Understand the problem			Remove the root cause and hold the gain	
Define	Measure	Analyze	Improve	Control
Define what business problem to solve	**Measure & Analyze** Current performance levels for fact-based decision making on actions to remove root cause		**Implement improvement** actions in the line organization across the relevant function	**Establish control** mechanisms to hold the achieved gain

IT Governance Approach

The TeliaSonera IT strategy was further developed during 2013, utilizing a new capability model now connecting all nine IT domains to the business demand. The IT strategy stipulates how IT shall enable business success, in particular when addressing business demand for improved customer experience, business growth, cost efficiency and the One TeliaSonera approach.

IT supply is managed through four revised strategic focus areas, as follows:

- World Class Information Management
- Agile and Speedy IT Services
- Operational Excellence
- One IT Service Company

IT Governance stipulates the governing bodies with their roles and responsibilities in TeliaSonera, enabling one common decision and efficient communication.

IT GOVERNANCE BODIES AND THEIR RESPONSIBILITIES

Board of Directors	IT Strategic Focus Areas
Enterprise Information and Technology Board	IT Strategy, IT Roadmap, IT Strategic Financial Plan
Chief Information Officer	Validates IT roadmaps and IT financial plans
Enterprise Steering Groups	Validate common projects, information processes and technology decisions in line with IT roadmaps and security instructions
Business Steering Groups	Validate business projects and business processes in line with IT roadmaps

The Enterprise Information and Technology Board consists of selected members of Group Management. There are common area steering groups (SGs) for the areas Enterprise Process and Information, and Enterprise Technology and Security. Whereas the Enterprise Process and Information SG, chaired by the CFO, is to focus on the overall process and information governance including Master Data, the Enterprise Technology and Security SG, chaired by the CIO, is to focus on the overall technology and security governance including Enterprise IT Architecture. The business area steering groups are to focus on business process and information governance.

Group Internal Audit

The internal audit function reviews the group operations and makes proposals aiming at improving the internal controls environment as well as efficiency in processes and systems. Through operational reviews, a systematic, disciplined approach to evaluate and improve the effectiveness of governance is achieved.

The direction of the work of the internal audit function is stated in the annual audit scope. In order to reflect the overall business objectives and risks, the audit scope is aligned with the group's business plan and strategy. The audit scope determines priorities, timing and resource allocation. It is approved by the Audit Committee and presented to the external auditors on an annual basis. Within the audit scope, the detailed audit assignments are defined on a quarterly basis. The quarterly audit assignments are discussed with the external auditors in order to identify areas for mutual reliance and to avoid duplicate work.

The Eurasian operations are an important part of the audit scope, including on-site reviews with focus on revenue assurance, processes and governance. In 2013, other focus areas were:

- Procurement and logistics
- IT and information security
- Investment process and CAPEX

The Head of Group Internal Audit reports administratively to the CEO and functionally to the Audit Committee. The results from each specific audit assignment are reported to the line manager responsible for the audited area or unit, and in addition to the relevant function-related area manager and to the external auditors. A summary of audit findings is reported to the Audit Committee on a quarterly basis.

The Head of Group Internal Audit is also responsible, together with two external members acting within the Equality of Access Board, for overseeing developments in relation to equal treatment of internal and external wholesale customers in Sweden.

Auditors

Number of auditors and duties

According to its Articles of Association, TeliaSonera AB shall have no less than two and no more than three auditors and no more than the same number of deputy auditors. The Annual General Meeting can also appoint only one auditor, if the auditor in question is a public accounting firm. The auditors report to the shareholders at General Meetings. The duties of the auditors include:

- Updating the Board of Directors on the planning, scope and content of the annual audit
- Examining financial statements to assess accuracy and completeness of the accounts and adherence to applicable financial reporting standards
- Advising the Board of Directors of non-audit services performed, the consideration paid and other issues determining the auditors' independence

The auditors quarterly submit a report to the Audit Committee and Group Management on TeliaSonera's financial statements and issue a review report on the third quarter consolidated financial statements. For further information on the contacts between the Board and the auditors, see sections "Board of Directors" and "Internal Controls over Financial Reporting."

Current auditors and fees

At the Annual General Meeting 2013, PricewaterhouseCoopers AB was re-elected as auditor until the end of the Annual General Meeting 2014. PricewaterhouseCoopers AB has appointed Anders Lundin (born 1956), Authorized Public Accountant, and Jeanette Skoglund (born 1958), Authorized Public Accountant, to serve as auditors, with Anders Lundin as the auditor in charge. PricewaterhouseCoopers AB is often engaged by TeliaSonera's largest shareholder, the Swedish State, for both audit and advisory services. Anders Lundin is also auditor of AB Electrolux and Svenska Cellulosa AB SCA. Jeanette Skoglund is also auditor of Ratos AB. Neither Anders Lundin nor Jeanette Skoglund holds any shares in TeliaSonera AB.

For information on fees paid for audit-related and other services, see Note C32 to the consolidated financial statements.

Board of Directors

Marie Ehrling
(Born 1955)
Chair of the Board. Elected to the Board of Directors in 2013. She is Chair of the Remuneration Committee of TeliaSonera and was Chair of the Sustainability and Ethics Committee of TeliaSonera until September 1, 2013. Ms. Ehrling was President of TeliaSonera's Swedish operations between 2002 and 2006. Prior to that she was employed by SAS AB 1982 - 2002. Today, Ms. Ehrling has several board assignments. She is Vice-Chair of Nordea Bank AB and serves as member of the boards of Securitas AB, Axel Johnson AB and Schibsted ASA, among others. Marie Ehrling holds a BSc in Business and Economics.
Shares in TeliaSonera: 15,000.

Olli-Pekka Kallasvuo
(Born 1953)
Vice-Chair of the Board. Elected to the Board of Directors in 2012. He is a member of the Remuneration Committee of TeliaSonera. Mr. Kallasvuo was CEO and board member of Nokia Oyj from 2006 to 2010. Previously, he held various executive positions at Nokia, including the positions of COO, CFO, Head of Mobile Phones Division and Head of Nokia Americas. Mr. Kallasvuo is today Vice-Chair of SRV Group Plc. and he is also a board member of Aperios Partners Ltd, Zenterio AB, Cleantech Industries Global N.V. and Foundation for Economic Education. Mr. Kallasvuo holds a Master of Law and an honorary doctorate.
Shares in TeliaSonera: 35,896.

Mats Jansson
(Born 1951)
Elected to the Board of Directors in 2013. He is a member of the Remuneration Committee of TeliaSonera. Mr. Jansson was CEO of SAS AB between 2007 and 2010 and prior to that worked as CEO of Axel Johnson AB 2005 - 2006 and served as Chair of the Board and CEO of Axfood AB 2000 - 2005. Currently, Mr. Jansson is Chair of the Board of Delhaize Group and senior advisor of JP Morgan and Prime, respectively. Mr. Jansson has studied economical history, geography and sociology.
Shares in TeliaSonera: 4,500.

Mikko Kosonen
(Born 1957)
Elected to the Board of Directors in 2013. He is Chair of the Sustainability and Ethics Committee of TeliaSonera since September 1, 2013. Mr. Kosonen is since 2008 the president of the Finnish Innovation Fund Sitra. Prior to that, he held several leading positions at Nokia between 1984 and 2007, where his final role was that of Senior Vice President, Strategy and Business Infrastructure. He is a member of the boards of Fifth Element Oy, Technology Academy Finland and Foundation for Economic Education. Mr. Kosonen holds a doctorate degree in Economics/International business.
Shares in TeliaSonera: 0.

Nina Linander
(Born 1959)
Elected to the Board of Directors in 2013. She is Chair of the Audit Committee of TeliaSonera. Ms. Linander is a former partner at Stanton Chase International between 2006 and 2012 and prior to that SVP and Head of Treasury at Electrolux AB 2001 – 2005. Nina Linander is currently a board member of Specialfastigheter AB and Awapatent AB, among others. Ms. Linander holds a BSc degree in Economics and a MBA (IMD) degree.
Shares in TeliaSonera: 5,700.

Martin Lorentzon
(Born 1969)
Elected to the Board of Directors in 2013. He is a member of the Audit Committee and the Sustainability and Ethics Committee, respectively, of TeliaSonera. Mr. Lorentzon is founder and Chair of the Board of Spotify AB. He was also founder of TradeDoubler AB where he also served as a board member. Mr. Lorentzon holds a Master of Science in Engineering.
Shares in TeliaSonera: 229,500[1].

Per-Arne Sandström
(Born 1947)
Elected to the Board of Directors in 2010. He is a member of the Audit Committee of TeliaSonera. Mr. Sandström has been deputy CEO and Chief Operating Officer of Telefonaktiebolaget L M Ericsson and has held a number of managerial positions in the Ericsson Group. He is a board member of SAAB AB. Mr. Sandström studied engineering.
Shares in TeliaSonera: 400.

Kersti Strandqvist
(Born 1963)
Elected to the Board of Directors in 2013. She is a member of the Sustainability and Ethics Committee of TeliaSonera. Ms. Strandqvist is Head of Corporate Sustainability since 2010 and a member of the Group Management of SCA AB. Prior to that she served in several different managerial positions including R&D and as business area director within the SCA Group 1997 - 2010. Ms. Strandqvist holds a Master of Science in Chemical Engineering and Licentiate of technology.
Shares in TeliaSonera: 4,280.

Board of Directors

Agneta Ahlström

(Born 1960)
Employee representative, appointed by the trade union to the Board of Directors in 2007. Ms. Ahlström is Chair of the Swedish Union for white-collar workers in the private labour market, Telecommunications section (Unionen-Tele). Previously, she was Chair of the section of SIF-TELE at TeliaSonera International Carrier.
Shares in TeliaSonera: 200.

Stefan Carlsson

(Born 1956)
Employee representative, appointed by the trade union to the Board of Directors in November 2009. Mr. Carlsson is deputy Chair of the Swedish Union for white-collar workers in the private labour market, Telecommunications section (Unionen-Tele) and member of the federal board of Unionen. Previously, he was second deputy Chair of SIF and Unionen.
Shares in TeliaSonera: 650.

Peter Wiklund

(Born 1968)
Employee representative, appointed by the trade union to the Board of Directors in 2014. In addition, Mr. Wiklund is Chair of the Union of Service and Communication Employees within TeliaSonera, SEKO klubb TeliaSonera.
Shares in TeliaSonera: 0.

Magnus Brattström
(born 1953)
Employee representative, Union of Service and Communication Employees within TeliaSonera, SEKO klubb TeliaSonera, was a member of the Board until December 31, 2013.

Deputy employee representatives

Marianne Johansson
(born 1957)
Unionen-Tele
Shares in TeliaSonera: 1,500.

Arja Kovin
(born 1964)
Unionen-Tele
Shares in TeliaSonera: 0.

Finnish employee respresentative without voting rights

Eva-Marie Penttilä
(born 1977)
Trade Union Pro
Shares in TeliaSonera: 0.

[1] Via companies
Information on the members of the Board of Directors is also available at www.teliasonera.com/Corporate-Governance
Shares in TeliaSonera include shareholdings by spouse and/or affiliated persons when appropriate. Holdings as of the publication date of this Annual Report. The information is regularly updated at www.teliasonera.com/Insiders

Remuneration during 2013, attendance and number of shares

			Meeting attendance					
Name	Elected year	Position	Board	Remuneration committee	Audit committee	Sustainability & ethics committee	Total remuneration (SEK)	Shares in TeliaSonera
Marie Ehrling	2013	Chair of the Board and Chair of the Remuneration Committee	14/14	15/15	8/8 [1]	9/10	1,031,733	15,000
Olli-Pekka Kallasvuo	2012	Vice-Chair of the Board	19/19	15/15			700,125	35,896
Mats Jansson	2013	Director	11/14	15/15			366,788	4,500
Mikko Kosonen	2013	Director and Chair of the Sustainability and Ethics Committee	14/14			8/10	424,170	0
Nina Linander	2013	Director and Chair of the Audit Committee	14/14		8/8		444,551	5,700
Martin Lorentzon	2013	Director	13/14		8/8	9/10	481,591	229,500
Per-Arne Sandström	2010	Director	19/19		8/8		533,129	400
Kersti Strandqvist	2013	Director	14/14			10/10	407,502	4,280
Agneta Ahlström	2007	Employee Representative	18/19					200
Magnus Brattström	2009	Employee Representative	15/19					20
Stefan Carlsson	2009	Employee Representative	18/19					650
Peter Wiklund	2014	Employee Representative	–					0

All board members elected by the Shareholders´ General Meeting are considered to be independent in relation to the company, the administration of the company and to major shareholders.
[1] Not a formally elected member of the Audit Committee, but attending all meetings.

See also Note C31 to the consolidated financial statements.
Shares in TeliaSonera include shareholdings by spouse and/or affiliated persons when appropriate. Holdings as of the publication date of this Annual Report. The information is regularly updated at www.teliasonera.com/Insiders

Group Management

Johan Dennelind
(Born 1969)
President and Chief Executive Officer since September 2013. Between 2010 and 2013, Mr. Dennelind was International CEO South Africa at Vodacom. Previously he had several managerial positions at Telenor in Sweden and Malaysia, i. a. CEO of DiGi Telecommunications Malaysia between 2008 and 2010. Prior to that he had several managerial positions at Telia. Mr. Dennelind is a board member of GSMA. Mr. Dennelind holds a Master of Science in Business Administration.
Shares in TeliaSonera: 76,000.

Robert Andersson
(Born 1960)
President and Chief Executive Officer of Sonera in Finland since May 2012. Prior to joining TeliaSonera, Mr. Andersson held several managerial positions within Nokia in different international business and support roles, including Executive Vice President of Customer and Market Operations, Executive Vice President, Devices Finance, Strategy and Sourcing and Senior Vice President Corporate Alliances and Business Development. He is a board member of Enea AB. Mr. Andersson holds a Master of Science in Economics and a Master in Business Administration.
Shares in TeliaSonera: 10,000.

Jonas Bengtsson
(Born 1970)
Senior Vice President and General Counsel since January 2014. Prior to joining TeliaSonera, Mr. Bengtsson was the Group General Counsel at Tele2 between 2007 and 2013. Mr. Bengtsson has over 18 years' experience as a commercial lawyer, of which approximately 15 years as a General Counsel in the telecom industry and has worked for, i.a. Telenor Sweden, Utfors and the law firm Mannheimer Swartling.
Mr. Bengtsson holds a law degree.
Shares in TeliaSonera: 18,000.

Peter Borsos
(Born 1969)
Senior Vice President and Head of Group Communications since 2014. Previously, Mr. Borsos was EVP and Director of Communications at Swedbank Group. Prior to that he held various managerial positions within Swedbank and Kaupthing Bank. He started his career at Nordiska Fondkommission AB. Mr. Borsos holds a Master of Science in Management and Economics.
Shares in TeliaSonera: 10,000.

Karin Eliasson
(Born 1961)
Senior Vice President and Head of Group Human Resources since 2008. Prior to joining TeliaSonera, Ms. Eliasson was Senior Vice President Human Resources at Svenska Cellulosa Aktiebolaget, SCA AB and before that CEO of Novare Human Capital AB and Vice President Organizational Development at Stora Enso AB. Ms. Eliasson is a board member of Proffice AB and PRI Pensionsgaranti. Ms. Eliasson holds a Bachelor of Science in Human Resources.
Shares in TeliaSonera: 2,100.

Malin Frenning
(Born 1967)
President of business area Broadband Services since January 2011 and previously deputy since February 2010. Ms. Frenning has more than ten years of experience from senior managerial positions in TeliaSonera with specific focus on the carrier business, international business strategy and product management. Ms. Frenning holds a Master of Science in Mechanical Engineering and is Honorary Doctor of Technology at Luleå University of Technology.
Shares in TeliaSonera: 400.

Erik Hallberg
(Born 1956)
President of Business area Eurasia since December 2013. Mr. Hallberg was President of TeliaSonera International Carrier until December 2013. He joined TeliaSonera in 1999 and has held various positions within Mobility Services and Broadband Services. He served as Senior Vice President and Head of Market area Baltic countries for four years.
Mr. Hallberg studied engineering.
Shares in TeliaSonera: 3,522.

Sverker Hannervall
(Born 1960)
Senior Vice President and Head of sales division Business Services in Sweden and Finland since 2008 and acting Head of Business area Mobility Services since October 2013. 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. Mr. Hannervall holds a Master of Science in Engineering.
Shares in TeliaSonera: 0.

Group Management

Christian Luiga

(Born 1968)
Acting Chief Financial Officer of TeliaSonera since November 2013. Head of Corporate Control since March 2009. Prior to joining TeliaSonera, Mr. Luiga was CFO of Teleca AB since 2004 and between 2002 and 2004 he served as CFO of Framfab AB. Mr. Luiga has his background as controller in several companies. Mr. Luiga holds a Bachelor of Science in Economics.
Shares in TeliaSonera: 6,370.

Åke Södermark

(Born 1954)
Senior Vice President and Chief Information Officer at TeliaSonera since December 2008. 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 1984 and 1997. Mr. Södermark started his career at VPC (Swedish Central Security Depository) and his educational back-ground is in computer technology.
Shares in TeliaSonera: 6,000.

Information on the members of Group Management is also available at www.teliasonera.com/Corporate-Governance
Shares in TeliaSonera include shareholdings by spouse and/or affiliated persons when appropriate. Holdings as of the publication date of this Annual Report.
The information is regularly updated at www.teliasonera.com/Insiders

Remuneration and other benefits during 2013, capital value of pension commitments

SEK	Base salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Johan Dennelind, CEO from Sep 1	4,533,336	–	46,171	1,777,252	**6,356,759**	–
Other members of Group Management (9 individuals)	23,628,175	5,796,923	761,379	7,931,108	**38,117,585**	**16,471,041**

See also Note C31 to the consolidated financial statements and the Board of Directors' Report (Remuneration to Executive Management).

Consolidated Statements of Comprehensive Income

SEK in millions, except per share data	Note	Jan–Dec 2013	Jan–Dec 2012
Net sales	C5, C6	101,700	104,898
Cost of sales	C1, C7	-57,883	-58,350
Gross profit	C1	**43,817**	**46,548**
Selling and marketing expenses	C1, C7	-15,935	-16,996
Administrative expenses	C1, C7	-6,402	-6,659
Research and development expenses	C1, C7	-294	-382
Other operating income	C8	1,228	1,007
Other operating expenses	C8	-3,973	-8,986
Income from associated companies and joint ventures	C14	6,021	13,868
Operating income	C1, C5	**24,462**	**28,400**
Finance costs	C1, C9	-3,905	-4,715
Other financial items	C9	811	797
Income after financial items	C1	**21,368**	**24,482**
Income taxes	C1, C10	-4,601	-3,314
Net income	C1	**16,767**	**21,168**
Items that may be reclassified to net income:			
Foreign currency translation differences	C11	-3,809	-2,432
Income from associated companies	C11	-153	-260
Cash flow hedges	C11	334	28
Available-for-sale financial instruments	C11	-2	24
Income taxes relating to items that will be reclassified	C10, C11	367	-439
Items that will not be reclassified to net income:			
Remeasurement of defined benefit pension plans	C1, C21	4,402	-1,635
Income tax relating to items that will not be reclassified	C1, C10	-966	361
Associates' remeasurements of defined benefit pension plans		-9	–
Other comprehensive income	C1	**164**	**-4,353**
Total comprehensive income	C1	**16,931**	**16,815**
Net income attributable to:			
Owners of the parent	C1	14,970	19,886
Non-controlling interests	C19	1,797	1,282
Total comprehensive income attributable to:			
Owners of the parent	C1	15,260	15,797
Non-controlling interests	C19	1,671	1,018
Earnings per share (SEK), basic and diluted	C1, C19	3.46	4.59

Consolidated Statements of Financial Position

SEK in millions	Note	Dec 31, 2013	Dec 31, 2012
Assets			
Goodwill	C12	67,313	69,162
Other intangible assets	C12	14,209	14,116
Property, plant and equipment	C13	64,792	62,657
Investments in associated companies and joint ventures	C1, C14	29,350	29,341
Deferred tax assets	C1, C10	5,493	7,410
Pension obligation assets	C1, C21	1,551	–
Long-term interest bearing receivables	C15	9,479	10,880
Other non-current assets	C1, C15	1,679	2,107
Total non-current assets	C1	**193,866**	**195,673**
Inventories	C16	1,582	1,623
Trade and other receivables	C1, C17	19,222	22,189
Current tax receivables		124	109
Interest-bearing receivables	C18	6,313	3,647
Cash and cash equivalents	C18	31,721	29,805
Total current assets	C1	**58,962**	**57,373**
Total assets	C1	**252,828**	**253,046**
Equity and liabilities			
Equity attributable to owners of the parent	C1	108,324	105,150
of which capital		*35,474*	*35,460*
of which reserves and retained earnings	C1	*72,850*	*69,690*
Equity attributable to non-controlling interests	C19	4,610	3,956
Total equity	C1	**112,934**	**109,106**
Long-term borrowings	C20	80,089	82,184
Deferred tax liabilities	C1, C10	10,063	10,287
Provisions for pensions and employment contracts	C1, C21	1,468	4,703
Other long-term provisions	C22	10,250	10,045
Other long-term liabilities	C23	1,356	1,190
Total non-current liabilities	C1	**103,226**	**108,409**
Short-term borrowings	C20	10,634	9,403
Short-term provisions	C22	1,005	1,348
Current tax payables		355	247
Trade payables and other current liabilities	C1, C24	24,674	24,533
Total current liabilities	C1	**36,668**	**35,531**
Total equity and liabilities	C1	**252,828**	**253,046**
Contingent assets	C29	–	–
Guarantees	C29	315	344
Collateral pledged	C29	210	387

Consolidated Statements of Cash Flows

SEK in millions	Note	Jan–Dec 2013	Jan–Dec 2012
Net income	C1	16,767	21,168
Adjustments for:			
Amortization, depreciation and impairment losses		15,230	20,556
Capital gains/losses on sales/disposals of non-current assets		466	-81
Income from associated companies and joint ventures, net of dividends received	C14	-3,851	-1,356
Pensions and other provisions	C1	-447	-520
Financial items		492	1,489
Income taxes	C1	1,550	-1,279
Miscellaneous non-cash items		99	-25
Cash flow before change in working capital	C1	**30,306**	**39,952**
Increase (-)/Decrease (+) in operating receivables	C1	1,244	-1,671
Increase (-)/Decrease (+) in inventories		66	-194
Increase (+)/Decrease (-) in operating liabilities	C1	-580	792
Change in working capital	C1	**730**	**-1,073**
Cash flow from operating activities	C1, C30	**31,036**	**38,879**
Intangible assets and property, plant and equipment acquired		-14,726	-15,139
Intangible assets and property, plant and equipment divested		269	56
Business combinations and other equity instruments acquired	C30	-1,363	-623
Subsidiaries and other equity instruments divested	C30	1,629	9,318
Loans granted and other similar investments		-673	-674
Repayment of loans granted and other similar investments		547	515
Compensation from pension fund		–	195
Net change in short-term investments		-48	-7
Cash flow from investing activities		**-14,365**	**-6,359**
Cash flow before financing activities		**16,671**	**32,520**
Repurchased treasury shares including transaction costs		-4	–
Dividends paid to owners of the parent		-12,340	-12,341
Dividends paid to holders of non-controlling interests	C30	-1,279	-3,929
Non-controlling interests acquired	C30	–	-12,031
Sale of interest in a subsidiary to a non-controlling interest		–	3,406
Capital contributions from holders of non-controlling interests		–	-187
Proceeds from long-term borrowings		4,863	20,723
Repayment of long-term borrowings		-5,904	-10,614
Net change in short-term borrowings		-1,634	1,832
Settlement of derivative contracts for economic hedges and CSA		1,285	-2,090
Cash flow from financing activities		**-15,013**	**-15,231**
Net change in cash and cash equivalents		**1,658**	**17,289**
Cash and cash equivalents, opening balance		**29,805**	**12,631**
Net change in cash and cash equivalents for the year		1,658	17,289
Exchange rate differences in cash and cash equivalents		258	-115
Cash and cash equivalents, closing balance	C18	**31,721**	**29,805**
Dividends received	C30	2,170	12,513
Interest received	C30	606	480
Interest paid	C30	-3,127	-2,897
Income taxes paid	C30	-3,051	-4,593

Consolidated Statements of Changes in Equity

SEK in millions	Note	Share capital	Other con-tributed capital	Hedging reserve	Fair value reserve	Foreign currency translation reserve	Revalu-ation reserve	Inflation reserve	Equity transac-tions in associates	Retained earnings	Total own-ers of the parent	Non-con-trolling interests	Total equity
Closing balance, December 31, 2011	C1	**13,856**	**21,588**	**-219**	**-17**	**-12,735**	**423**	**4,909**	–	**87,784**	**115,589**	**7,353**	**122,942**
Effect of changes in accounting principles	C19	–	–	–	–	–	–	–	–	-2,906	-2,906	–	-2, 906
Dividends	C19	–	–	–	–	–	–	–	–	-12,341	-12,341	-3,127	-15,468
Business combinations	C19, C33	–	–	–	–	–	–	–	–	–	–	-9	-9
Non-controlling interests acquired	C30	–	–	–	–	–	–	–	–	-10,724	-10,724	-1,970	-12,694
Non-controlling interests divested	C30	–	–	–	–	–	–	–	–	2,639	2,639	748	3,387
Share-based payments	C31	–	16	–	–	–	–	–	–	–	16	–	16
Other transactions with owners		–	–	–	–	–	–	–	–	–	–	-57	-57
Total transactions with owners		–	*16*	–	–	–	–	–	–	*-20,426*	*-20,410*	*-4,415*	*-24,825*
Net income	C19	–	–	–	–	–	–	–	–	19,886	19,886	1,282	21,168
Other comprehensive income	C11, C19	–	–	8	22	-2,845	–	–	–	-1,274	-4,089	-264	-4,353
Total comprehensive income		–	–	*8*	*22*	*-2,845*	–	–	–	*-18,612*	*15,797*	*1,018*	*16,815*
Transfer of amortiza-tion and depreciation for the year		–	–	–	–	–	-121	–	–	121	–	–	–
Effect of transaction with treasury shares in MegaFon	C14	–	–	–	–	–	–	–	-2,920	–	-2,920	–	-2,920
Closing balance, December 31, 2012		**13,856**	**21,604**	**-211**	**5**	**-15,580**	**302**	**4,909**	**-2,920**	**83,185**	**105,150**	**3,956**	**109,106**
Dividends	C19	–	–	–	–	–	–	–	–	-12,340	-12,340	-1,017	-13,357
Share-based payments	C31	–	18	–	–	–	–	–	–	–	18	–	18
Other transactions with owners	C19	–	-4	–	–	–	–	–	–	–	-4	–	-4
Total transactions with owners		–	*14*	–	–	–	–	–	–	*-12,340*	*-12,326*	*-1,017*	*-13,343*
Net income	C19	–	–	–	–	–	–	–	–	14,970	14,970	1,797	16,767
Other comprehensive income	C11, C19	–	–	267	-2	-3,402	–	–	–	3,427	290	-126	164
Total comprehensive income		–	–	*267*	*-2*	*-3,402*	–	–	–	*18,397*	*15,260*	*1,671*	*16,931*
Transfer of amortization and depreciation for the year		–	–	–	–	–	-36	–	–	36	–	–	–
Effect of transaction with treasury shares in MegaFon	C14	–	–	–	–	–	–	–	240	–	240	–	240
Closing balance, December 31, 2013		**13,856**	**21,618**	**56**	**3**	**-18,982**	**266**	**4,909**	**-2,680**	**89,278**	**108,324**	**4,610**	**112,934**

Notes to Consolidated Financial Statements

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Consolidated Financial Statements

C1. Basis of Preparation

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 5, 2014. The income statement and the balance sheet of the parent company and the statement of comprehensive income and the statement of financial position of the Group are subject to adoption by the Annual General Meeting on April 2, 2014.

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 "Supplementary Accounting Rules for Groups" and other statements. The standard is applicable to Swedish legal entities whose securities are listed on a Swedish stock exchange or authorized equity market place at the end of the reporting period and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Accounts Act.

Measurement bases and accounting policies

The consolidated financial statements have been prepared mainly under the historical cost convention. Other measurement bases used and applied accounting policies 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 items related to comprehensive income and cash flows, and as of December 31 for items related to financial position.

Recently issued accounting standards

New and amended standards (or interpretations) effective in 2013 or pre-adopted

As of January 1, 2013, TeliaSonera has changed its accounting principles and disclosures based on the following new or amended standards and any consequential amendments in other standards.

IAS 1, "Financial Statement Presentation" requires other comprehensive income (OCI) items to be split into items that might be reclassified to net income and those that will not.

"Improvements to IFRSs (2009–2011)" introducing amendments to IFRSs that had not been included in any other projects. The amendments relevant to TeliaSonera are in certain cases in line with already applied interpretations and otherwise will have no or very limited impact on results or financial position.

IFRS 10 Consolidated Financial Statements introduces a single consolidation model for all entities based on control, irrespective of whether an entity is controlled through voting rights of investors or through other contractual arrangements. Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The adopting of the new standard has not changed TeliaSonera's current classification of subsidiaries, associated companies or joint arrangements.

IFRS 11 "Joint Arrangements," The option to apply the proportional consolidation method is removed and IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. Joint operations are arrangements whereby the parties have rights to the assets and obligations for the liabilities and accounts for their share of the assets, liabilities, revenue and expenses of the joint operation. Joint ventures on the other hand are arrangements where the parties have rights to the net assets of the arrangement and the investment is accounted for under the equity method. The majority of joint arrangements held by TeliaSonera are classified as joint operations. The proportionate consolidation method was previously applied by TeliaSonera and is similar to the requirements under IFRS 11 hence no restatements have been made.

IFRS 12 "Disclosure of Interests in Other Entities" requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective is that financial statement users should be able to evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IFRS 13 "Fair Value Measurement" defines fair value and sets out the framework for measuring fair value but does not change the requirements regarding which items should be measured at fair value. The introduction of IFRS 13 had no major impact on the Group's carrying values or valuation techniques but might in the future increase the volatility in comprehensive income. The new standard also requires additional disclosures for financial instrument. IFRS 13 also added disclosure requirements on the recoverable amount for non-financial assets under IAS 36 "Impairment of Assets". However the "Amendments to IAS 36, Impairment of Assets", published in 2013 removes certain disclosure requirements of the recoverable amount of CGUs. The amendment is not mandatory until January 1, 2014, however the group has decided to early adopt the amendment as of January 1, 2013.

IFRS 7 "Financial Instruments: Disclosures" has added disclosure requirements on financial assets and financial liabilities that are set off in the financial statements and for financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in the financial statements or not.

The most significant amendment is in IAS 19 "Employee Benefits" and the elimination of the "corridor approach" for defined benefit pension plans. As a result, historical accumulated actuarial gains and losses will increase recognized pension liabilities and decrease shareholders' equity. Future remeasurements (including actuarial gains and losses) will not be deferred, but immediately impact shareholders' equity through other comprehensive income (OCI). Further, the expected return on plan assets affecting net income should not be assessed separately, but equal the rate used to discount pension obligations. The amendements had no effect on net income since the decrease on expected return on plan assets was offset by the removal of amortization of actuarial gains and losses. As of 2013, TeliaSonera also has chosen to classify the interest component as financial items instead of operating expenses, the amounts for 2012 have been restated. IAS 19 revised also introduces enhanced disclosure requirements.

The impact of applying the revised IAS 19 in 2012 was as follows:

Condensed Consolidated Statements of Comprehensive Income SEK in millions	Jan-Dec 2012
Cost of sales	38
Gross profit	**38**
Selling, admin and R&D expenses	74
Operating income	**112**
Finance costs and other financial items, net	-112
Income after financial items	**0**
Income taxes	0
Net income	**0**
Remeasurements of defined benefit pension plans	-1,635
Income tax relating to items that will not be reclassified	361
Other comprehensive income	**-1,274**
Total comprehensive income	**-1,274**

Condensed Consolidated Statements of Financial Position SEK in millions	Dec 31, 2012
Assets	
Receivables for pension obligations	-1,571
Other long non-interest bearing receivables	-403
Deferred tax assets	688
Total assets	**-1,286**
Equity and liabilities	
Equity attributable to owners of the parent	-4,281
Total equity	*-4,281*
Provisions for pensions	3,494
Deferred tax liabilities	-471
Other current liabilities	-28
Total equity and liabilities	**-1,286**

Condensed Consolidated Statements of Cash Flows SEK in millions	Jan-Dec 2012
Cash flow before change in working capital	-136
Change in working capital	136
Cash flow from operating activities	**0**

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

Recently issued new or revised/amended standards and interpretations effective for TeliaSonera on or after January 1, 2014, are as follows:

IFRS 9 "Financial Instruments", when completed will replace IAS 39 "Financial Instruments: Recognition and Measurement." For financial assets, classification under IFRS 9 is driven by the entity's business model for managing these assets and the contractual characteristics of the assets. IFRS 9 replaces the current multiple-category classification with the two categories: "amortized cost" and "fair value." The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument but IFRS 9 requires all equity instruments within scope to be measured at fair value and removes the cost exemption for unquoted equities. The main principle is that a financial asset shall be measured at amortized cost.

For financial liabilities, the existing amortized cost measurement is maintained for most liabilities. For liabilities designated as category fair value through profit and loss, IFRS 9 requires that the portion of the change in its fair value due to changes in the entity's own credit risk is recognized in other comprehensive income, rather than in net income. IFRS 9 also amends many other standards, including the disclosure requirements of IFRS 7.

In November IASB also published IFRS 9 "Financial Instruments: Hedge Accounting" and amendments to IFRS 7 "Financial Instruments: Disclosures" and IAS 39 "Financial Instruments: Recognition and Measurement". Summary of key changes: The new model in IFRS 9 more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The change in accounting would mean that gains, caused by a worsening in an entity's own credit risk on liabilities recognized at fair value, are no longer recognized in profit or loss but in other comprehensive income (OCI). The amendments will facilitate earlier application (of this accounting principle without full IFRS 9 application) and will allow an entity to continue to measure its financial instruments in accordance with IAS 39 but to choose to recognize changes in own credit in OCI. The mandatory effective date of IFRS 9 January 1, 2015, has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements and decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion. TeliaSonera is presently analyzing the effects of the amendments of IAS 39 and IFRS 7. TeliaSonera is yet to assess IFRS 9's full impact and will consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Tentatively, for financial assets, the change into two categories would in most cases have no major effect on the measurement of a specific financial asset since the measurement bases already today are amortized cost or fair value, even though IAS 39 specifies more than two categories and, for financial liabilities, the changes are expected to have no impact on TeliaSonera.

Amendments on investment entities to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements (2011)" (effective for annual periods beginning on or after January 1, 2014; earlier application permitted). The amendments are not applicable to TeliaSonera.

Amendments on offsetting financial assets and financial liabilities to IAS 32 "Financial Instruments: Presentation" (effective for annual periods beginning on or after January 1, 2014; to be applied retrospectively), clarifying the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. TeliaSonera is currently analyzing the effects, if any, of applying the amendments.

In May 2013, the International Accounting Standards Board (IASB) issued IFRIC 21 "Levies". The interpretation clarifies when to recognize a liability for levies (taxes imposed by government and government bodies whether national local or international other than income taxes, penalties and fines). The interpretation concerns levies that are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and also those where the timing and amount of the levy is certain. A liability is recognized progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The effective date for IFRIC 21 is January 1, 2014, with earlier application permitted and is expected to have minor impact on TeliaSonera.

IASB has also published a minor amendment to IAS 39 "Financial instruments: Recognition and measurement: Novation of Derivatives and Continuation of Hedge Accounting". The amendment will allow hedge accounting to continue when novation of a hedging instrument to a central counter party meets specified criteria. This is a response to legislative changes across many jurisdictions. The change is applicable for annual periods beginning on or after January 1, 2014, with retrospective application. The amendment is currently not applicable to TeliaSonera.

In November IASB published amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" applicable for annual periods beginning on or after July 1, 2014. IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments explain that the methods permitted for attributing contributions from employees or third parties will differ depending on if the contributions are dependent on the number of years of the employee's service or not. TeliaSonera is presently analyzing the effects of the amendments if any.

EU endorsement status

As of the beginning of March 2014, all standards, revisions/amendments to standards, and interpretations mentioned above had been adopted by the EU, except for IFRS 9 and consequential amendments to IFRS 7 and IAS 39 along with IAS 19 "Defined Benefit Plans: Employee Contributions" and IFRIC 21, The EU Commission has announced that, if an IFRS (or equivalent) is endorsed after the end of the reporting period 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.

C2. 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 comprise the most difficult, subjective or complex judgments it has to make in the preparation of the financial statements. For information on accounting policies applied, see the respective sections of Note C3 "Significant Accounting Policies."

Revenue recognition

For a telecom operator, to determine fair values and if or when revenue should be recognized requires management judgment in a number of cases, 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 (IRUs); and in assessing the degree of completion in service and construction contracts.

Income taxes

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

Currently, the following amortization and depreciation rates are applied.

Trade names	Individual evaluation, minimum 10 percent
Telecom and frequency licenses, numbering rights	Remaining license period, minimum 5 percent
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
Capitalized development expenses	20 percent
Other intangible assets	20–33 percent or individual evaluation
Buildings	2–10 percent
Land improvements	2 percent
Capitalized improvements on leased premises	Remaining term of corresponding lease
Mobile networks (base stations and other installations)	14.5–20 percent
Fixed networks	
– Switching systems and transmission systems	10–20 percent
– Transmission media (cable)	5–10 percent
– Equipment for special networks	10 percent
– Usufruct agreements of limited duration	Agreement term or time corresponding to the underlying asset
– Other installations	2–33 percent
Equipment, tools and installations	10–33 percent
Customer premises equipment under service arrangements	33 percent, or agreement term if longer

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 end of the reporting period, see Note C10 "Income Taxes."

Valuation of intangible and other non-current assets

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

Useful lives

Determination of the useful lives of asset classes involves taking into account historical trends and making assumptions related to future socio-economic 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.

In 2013 and 2012, amortization, depreciation and impairment losses totaled SEK 15,215 million and SEK 20,542 million, respectively. For additional information on intangible and tangible assets subject to amortization and depreciation and their carrying values as of the end of the reporting period see Note C12 "Goodwill and Other Intangible Assets" and Note C13 "Property, Plant and Equipment."

Impairment testing

A number of significant assumptions and estimates are involved when measuring value in use based on the expected future discounted cash flows attributable to an asset, 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 end of the reporting period, see Note C12 "Goodwill and Other Intangible Assets."

Collectability of trade receivables

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 management" in Note C26 "Financial Risk Management" for a description of how risks related to trade receivables are mitigated. For additional information on the allowance for doubtful receivables and its carrying value as of the end of the reporting period, see Note C17 "Trade and Other Receivables."

Provisions for pensions and employment contracts

The most significant assumptions that management has to make in connection with the actuarial calculation of pension obligations and pension expenses affects the discount rate, the expected annual adjustments to pensions, and the longevity. The assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. Changes 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 assumptions made, sensitivity analysis related to change in assumptions and pension obligations and their present values as of the end of the reporting period, see Note C21 "Provisions for Pensions and Employment Contracts."

Put options related to non-controlling interests, provisions for restructuring activities, contingent liabilities and litigation

The determination of redemption amounts for put options related to non-controlling interests involves management judgment and estimates of vital 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 and cash flows.

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 "Valuation of intangible and other non-current assets" above). Should the actual amounts differ from these estimates, future results could be materially impacted.

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 put options related to non-controlling interests and restructuring provisions, including their carrying values as of the end of the reporting period, and on contingencies and litigation, see Notes C22 "Other Provisions" and C29 "Contingencies, Other Contractual Obligations and Litigation," respectively.

C3. Significant Accounting Policies

Consolidated financial statements

General – Subsidiaries

The consolidated financial statements comprise the parent company TeliaSonera AB and all entities over which TeliaSonera has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled or not. TeliaSonera is assumed to have control if the group owns the majority of shares and the shares have equal voting rights attached, and a proportionate entitlement to a share of the returns of the entity and decisions about relevant activities are determined by majority votes. TeliaSonera is also assumed to have control if TeliaSonera selects the majority of the board contractually even if not holding the majority of the shares (see Notes C4 “Group Composition and Events after the Reporting Period” and C19 “Equity and Earnings per Share”).

Acquisitions are accounted for using the acquisition method which measures goodwill at the acquisition date as: the fair value of the consideration transferred; plus the amount of any non-controlling interest in the acquiree recognized in the transaction; plus if the business combination is achieved in stages, the fair value of the previously held equity interest in the acquiree; less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the difference is negative, a bargain purchase gain would be recognized in net income. Costs related to the acquisition are expensed as incurred.

Any contingent consideration payable would be recognized at fair value at the acquisition date. If the contingent consideration would be classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in net income. Acquisition of additional shares in a subsidiary after obtaining control as well as a partial disposal of shares in a subsidiary while retaining control are accounted for as equity transactions with owners (see section “Non-controlling interests” below).

Assets (including any goodwill and fair value adjustments) and liabilities for entities acquired or divested during the year are included in the consolidated financial statements from the date on which control is obtained and excluded from the date on which control is lost.

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.

Non-controlling interests

Prior to 2010, transactions involving non-controlling interests were treated as transactions with non-related parties. Disposals of non-controlling interests resulted in capital gains or losses which were recognized in net income. Purchases of non-controlling interests resulted 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. Prospectively as of 2010, transactions with non-controlling interests are treated as equity transactions, including any transaction-related costs. Gains or losses on disposals as well as any excess or deficit of consideration paid over the carrying amount of non-controlling interests when acquiring additional shares in a subsidiary are recognized in retained earnings. Consideration paid for a call option or other similar contract giving TeliaSonera the right to acquire a fixed non-controlling interest in exchange for a fixed amount of cash or another financial asset is deducted from retained earnings.

Commitments to purchase non-controlling interests (NCI) made prior to 2010 and put options granted to holders of non-controlling interests (taking into account any subsequent capital contributions from or dividends to such shareholders) prior to 2010 are recognized as contingent consideration (provisions). Where the amount of the liability exceeds the amount of the non-controlling interest, the difference is recorded as goodwill. Subsequent changes in the value of put option liabilities are recognized as an adjustment to goodwill. Commitments entered into on or after 2010 are considered financial liabilities with subsequent changes in the value recognized as other operating income/expense. For each business combination the Group elects to measure any non-controlling interest in a subsidiary either at fair value (goodwill recognized on non-controlling interest) or only at the proportionate share of the identifiable net assets (goodwill recognized only on acquired interest). If TeliaSonera has a commitment of a NCI option linked to a receivable from the same counter party and the shares are held as collateral for the receivable, then the receivable and liability is recognized and offset in the statement of financial position. The change in fair value of the option is assumed to equal the return on the shares held as collateral (see Note C26 “Financial Risk Management”).

Joint arrangements

Joint arrangements are entities over which the Group has joint control by virtue of contractual arrangements. Joint arrangements are classified as either joint operations or joint ventures. Joint operations are arrangements whereby TeliaSonera has the right to the assets and obligation for the liabilities and accounts for its share of the assets, liabilities, revenue and expenses of the joint operation line by line in the consolidated financial statements. Joint ventures on the other hand are arrangements where TeliaSonera has right to the net assets of the arrangement and the investment is accounted for under the equity method. Assets (including any goodwill and fair value adjustments) and liabilities for joint ventures acquired or divested during the year are included in the consolidated financial statements from the date on which joint control is obtained and excluded from the date on which joint control is lost.

Sales and other transactions with joint ventures have been eliminated in the consolidated financial statements. Profits and losses resulting from transactions with joint ventures are eliminated unless a loss indicates impairment.

Associated companies

Associated companies are 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. Holdings in associated companies are accounted for using the equity method and are initially recognized at cost, including any transaction costs. The Group’s share of net income in associated companies 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 entity’s most recent accounts, adjusted for any discrepancies in accounting policies, and with estimated adjustments for significant events and transactions up to TeliaSonera's close of books.

The line item Income from associated companies also includes amortization of fair value adjustments and other consolidation adjustments made upon the acquisition of associated companies 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 is eliminated.

Dividend received reduces the carrying amount of an investment. Negative equity participations in associated companies are recognized only to the extent contractual obligations to contribute additional capital exist and are then recorded as Other provisions.

The Group's share of associated entities equity transactions such as the acquisition or sale of treasury shares from third parties are recognized directly in equity.

Cash flow reporting

Cash flows from operating activities are reported using the indirect method and include dividends received from associated companies and other equity instruments, interest paid or received (except for paid interest capitalized as part of the acquisition or construction of non-current assets and therefore included in cash flows from investing activities), provisions and taxes paid or refunded. Changes in non-interest bearing receivables and liabilities are reported in working capital, except for IRU-related prepayments made or received which are included in cash flows from investing activities. Terminal financing receivables are also included in working capital.

Cash flows from investing activities include payments to acquire or receipts from the sale of joint ventures, associates, subsidiaries (obtaining or losing control) net of cash and cash equivalents acquired or disposed of and other equity instruments. Further, cash flows from investing activities include compensation from or contributions to the Swedish pension fund, payments related to leasing receivables as well as changes in short-term investments with maturities over 3 months.

Cash flows from financing activities include dividends paid to owners of the parent and to holders of non-controlling interests, payments and receipts from changes in ownership of non-controlling interest and cash flows from settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances including any payments or receipts from CSA. Proceeds from and repayment of long-term borrowings include cash flows from derivatives hedging such borrowings.

Cash and cash equivalents include cash at hand, bank deposits and highly-liquid short-term investments (including blocked amounts) with maturities up to and including 3 months.

Cash flows of a foreign entity are translated at the average exchange rate for the reporting period, except for certain transactions like dividends from associates, dividends paid to holders of non-controlling interests, acquisitions or disposals of subsidiaries and associated companies, and other major non-recurring transactions which are translated at the rate prevailing on the transaction day.

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 markets. 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 C5 "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 restated.

Foreign currency translation and inflation adjustments

Currency translation is based on the fixing rates published daily by Sveriges Riksbank (the Swedish central bank) and, for currencies where a fixing rate is not available, conversion of official exchange rates versus the US dollar (USD).

Separate financial statements of a Group entity are presented in the entity's functional currency, being the currency of the primary economic environment in which the entity operates, normally the local currency. In preparing the financial statements, foreign currency transactions are translated at the exchange rates prevailing at the date of each transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rates existing at that date. Exchange rate differences arising from operating receivables or liabilities are recognized in operating income, while differences attributable to financial assets or liabilities are recognized in finance costs. Exchange rate differences on available-for-sale equity instruments and on cash flow hedges are recognized in other comprehensive income.

The consolidated financial statements are presented in Swedish krona (SEK), which is the functional currency of the parent company. For consolidation purposes, income and expenses of foreign operations (subsidiaries, joint ventures and associated companies, and branch offices) are translated at the average exchange rates for the period. However, for items related to dividends, gains or losses on disposal of operations or other major transactions or if exchange rates fluctuated significantly during the period, the exchange rates at the date of the transactions are used. Assets and liabilities, including goodwill and fair value adjustments arising on acquisition of foreign operations, are translated at closing rates at the end of the reporting period except for equity components, which are translated at historical rates. Translation differences are recognized in other comprehensive income and accumulated in equity attributable to owners of the parent or to non-controlling interests, as appropriate.

When a foreign operation is sold, any related cumulative exchange rate difference is recycled to net income as part of the gain or loss on the sale, except for accumulated exchange rate differences related to non-controlling interests which are derecognized but not recycled to net income. However, if TeliaSonera would dispose of a non-controlling interest in a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the functional currency for a foreign operation is the currency of a hyperinflationary economy, prior to translating the financial statements, the reported non-monetary assets and liabilities, and equity are restated in terms of the measuring unit current at the end of the reporting period.

Consolidated Financial Statements

Revenue recognition

Net sales principally consist of traffic charges including interconnect and roaming, subscription fees, connection and installation fees, service charges and equipment sales. Sales revenues are recognized at fair value of the consideration received, 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 TeliaSonera, 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 when the services are used by the customer. Revenue from interconnect 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. For open access fiber installed at customer's premises, non-refundable customer fees and related installation costs, including planning, trenching, cabling, splicing, mounting, connection, cross connect equipment and media converter, are recognized when the installation is finalized. Connection fees are separately recognized 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 (award credits) relating to services and goods provided by TeliaSonera. Based on relative fair values, proceeds are allocated between services and goods provided and the award credits for future services and goods. For the proportion of award credits expected to be redeemed, revenue is deferred and subsequently recognized when the award credits are redeemed and the obligations to supply the awards are fulfilled. 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. Services invoiced based on usage are not included in the allocation. 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).

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 debt 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 services, products, processes or systems are 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.

All pension benefit costs are recognized as personnel expenses. For equity-settled share-based payments to employees, such as TeliaSonera's Performance Share Programs, cost, being the fair value at the allotment date of the equity instruments allotted, is recognized as personnel expenses allocated over the vesting period and with a corresponding increase in equity. Cost is based on the best available estimate of the number of equity instruments to vest. If necessary, the estimate is revised during the vesting period and finally revised at the end of the vesting period.

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 (cf. section "Associated companies" above) and on disposal or retirement of intangible assets or property, plant and equipment.

Also included in other operating income and expenses are impairment losses of goodwill, government grants, exchange rate differences on operating transactions, results from court-settled disputes with other operators regarding historical interconnect and roaming fees, 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). Increases in provisions due to passage of time are recognized as interest expenses.

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 net income or in other comprehensive income, to the extent relating to items recognized in other comprehensive income. 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, joint ventures and associated companies 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 is recognized, calculated by applying the respective withholding tax rate on undistributed earnings. In certain countries, income tax is not levied on profits, but 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 end of the reporting period 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. Deferred tax assets and liabilities are offset when a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interest on current tax payable or refundable calculated by tax authorities is classified as Interest expenses and Other interest income, respectively.

Intangible assets, and property, plant and equipment

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.

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. Fair values of intangible assets acquired in a business combination are determined as follows. Patents and trademarks are valued based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. Customer relationships are valued using the multi-period excess earnings method. For other intangible assets, income, market and cost approaches are considered in a comprehensive valuation analysis, by which the nature of the intangible asset, any legal and contractual circumstances and the availability of data will determine which approach(es) ultimately to be utilized to derive each asset's fair value.

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 in net income. The change in depreciation charge is recognized prospectively.

Fair values for property, plant and equipment acquired in a business combination are determined as follows. Commercial real estate is normally valued using an income or market approach, while technical buildings, plant and equipment are normally valued using a cost approach, in which the fair value is derived based on depreciated replacement cost for the asset.

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 received as compensation for the cost of an asset are initially measured at fair value, normally being the consideration received. A government grant reduces the carrying value of the related asset and the depreciation charge recognized over the asset's useful life.

Amortization and depreciation

Amortization of 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.

Mobile and fixed telecommunication licenses to operate a specific network are regarded as integral to the network and amortization does not commence until the related network is ready for use. Amortization of network-independent licenses to use specific radio frequencies (spectrum) commences when the related frequency block is available for use. License fees based on future services, i.e. relating to the on-going performance of the entity are not capitalized but expensed as incurred.

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.

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 and convertible bonds. Assets included in the categories are reported under the statement of financial position items Other non-current assets (Note C15), Trade and Other receivables (Note C17), Interest-bearing Receivables, Cash and Cash Equivalents (Note C18).

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. 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 the statement of financial position items Long-term and Short-term Borrowings (Note C20), Other Provisions (Note C22), Other Long-term Liabilities (Note C23) and Trade Payables and Other Current Liabilities (Note C24).

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities measured at fair value were determined based on a three-level fair value hierarchy, as follows.

Level	Fair value determination	Comprises
1	Quoted (unadjusted) prices in active markets for identical assets or liabilities	Primarily quoted equity instruments classified as available-for-sale or held-for-trading
2	Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)	Derivatives designated as hedging instruments or held-for-trading and borrowings in fair value hedge relationships
3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs)	Unquoted equity instruments classified as available-for-sale or held-for-trading

Inputs for fair value measurements disclosed for assets and liabilities that are not carried at fair value are categorized to fair level hierarchy 2.

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. Evidence of impairment include that debtors, individually or collectively, default in payments or other indications that they experience significant financial difficulty, including the probability of entering bankruptcy or other financial reorganization.

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 canceled 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 net income.

Fair value estimation
The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. 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 end of the reporting period.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows (DCF analyses), are used to determine fair value for the remaining financial instruments. DCF analyses are performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows, estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The carrying value less impairment provision of trade receivables and payables are assumed for disclosure purposes to approximate their fair values. The fair value of financial liabilities is for disclosure purposes estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments with adjustment for credit purposes based on known credit spreads from exchange traded TS bonds. The fair value of loans and receivables is for disclosure purposes estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments with adjustment for credit purposes based on known credit spreads, where available and if not available, individual estimates.

Current/non-current distinction, offsetting
Financial assets and liabilities maturing more than one year from the end of the reporting period 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 and liabilities are offset only if there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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 other comprehensive income and accumulated in the fair value reserve. 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. Evidence of impairment is a significant or prolonged decline in the fair value below the cost of the instrument. 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 and impairment losses on equity instruments classified as available-for-sale are never reversed through net income.

Government bonds and treasury bills held-to-maturity are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method, less impairment. 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 end of the reporting period 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.

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. For hedging of net investments in foreign operations, TeliaSonera also uses financial liabilities.

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 statement of comprehensive income, 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 net income.

For cash flow hedges, the effective portion of the change in fair value of the derivative is recognized in other comprehensive income until the underlying transaction is reflected in net income, at which time any deferred hedging gains or losses are recycled to net income. The ineffective portion of the change in fair value of a derivative used as a cash flow hedge is recognized in net income. However, when the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gains and losses are 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 other comprehensive income. The gain or loss relating to the ineffective portion is recognized in net income. Gains and losses deferred in the foreign currency translation reserve are recycled to net income 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 net income.

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 net income 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 net income 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 cost of sales. The fair value of inventories acquired in a business combination is determined based on the estimated selling price less the estimated cost of sale and a reasonable profit margin.

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.

Equity attributable to owners of the parent
Equity attributable to owners of the parent is divided into share capital, other contributed capital, hedging reserve, fair value reserve, foreign currency translation reserve, revaluation reserve, inflation adjustment reserve, equity transaction in

associates 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). The hedging reserve as well as the fair value reserve and the foreign currency translation reserve are reclassified to net income. Cash flow hedges may also adjust the initial cost of a non-financial asset or liability. The revaluation reserve is used in connection with step acquisitions made before 2010 and the inflation adjustment reserve when accounting for operations in hyperinflationary economies. Equity transactions in associates are the effect on the Group from equity transactions such as buyback of shares from third parties by an associated entity. 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 2013 will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts

TeliaSonera provides defined contribution plans or defined benefit pension plans to its employees. Contributions to defined contributions plans are normally set at a certain percentage of the employee's salary and are expensed as incurred. TeliaSonera pays fixed contributions into separate entities and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits. Contributions to defined contributions plans are expensed when employees provide services entitling them to the contribution.

Defined benefit pension plans, provided to most of TeliaSonera employees in Sweden, Finland and Norway, means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plans mainly include retirement pension, disability pension and family pension. The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method, which distributes the cost over the employee´s service period. The pension cost is recognized in three components, service cost, net interest and remeasurements. Service cost is recognized in operating income and net interest, based on discount rate, on defined benefit obligation and plan assets is reported as interest income or interest expenses in financial items. Changes in actuarial assumptions and experience adjustments of obligations and changes in fair value of plan assets, deviations from discount rate, results in remeasurements and are recognized in Other Comprehensive Income at the end of the reporting period.

Actuarial assumptions are determined at the end of the reporting period. The assets of TeliaSonera's pension funds constitute pension plan assets and are valued at fair value at the end of the reporting period.

Net provisions or assets for post-employment benefits in the statement of financial position represent the present value of obligations at the end of the reporting period less the fair value of plan assets.

Other provisions and contingencies

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 resources 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, at the end of the reporting period, of the expenditure required to settle the obligation, 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.

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.

Other provisions comprise contingent consideration resulting from business combinations or from put options granted to holders of non-controlling interests in existing subsidiaries (for additional information, see section "Consolidated financial statements – Non-controlling interests" above) as well as restructuring provisions which include termination benefits, onerous contracts and other expenses related to cost reduction programs, post-acquisition 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.

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.

Other provisions also include warranty commitments, environmental restoration, litigation, onerous contracts not related to restructuring activities, etc. These provisions are recognized as Cost of sales, Selling and marketing expenses, Administrative expenses or Research and development expenses as applicable.

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 leased asset is recognized as a tangible non-current asset and the future obligation to the lessor as a liability, capitalized at the inception of the lease at the lower of the fair value of the leased property or 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 net 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.

C4. Changes in Group Composition and Events after the Reporting Period

Group composition
Subsidiaries
TeliaSonera's principal operating subsidiaries as of December 31, 2013, are disclosed in section Markets and Brands. Ownership in addition to shares held directly or indirectly by TeliaSonera takes into account shares held by associated companies. Consolidated share also includes commitments to acquire non-controlling interests (NCI put options). Subsidiaries with material non-controlling interests are disclosed in Note C19 "Equity and Earnings per Share."

Associated companies
Material associated companies are disclosed in Note C14 "Investments in Associated Companies and Joint Ventures."

Joint arrangements
TeliaSonera owns two joint arrangements that are classified as joint operations, Svenska UMTS-nät AB (SUNAB) in Sweden and TT-Netværket P/S (TT) in Denmark. Both companies are network-sharing operations, within business area Mobility Services, with Tele2 (SUNAB) and Telenor (TT) . TeliaSonera holds 50 percent of the shares in each entity.

Business combinations
KazNet Media
On December 28, 2012, TeliaSonera announced that the formal conditions to complete the acquisition of the WiMAX operations of the Kazakh Company Alem Communications, from its owner Midas Telecom had been met. The transactions were completed in early January, 2013. (See also Note C33 "Business Combinations")

Minor business combinations
For additional information on acquisitions, see Note C33 "Business Combinations."

Other acquisitions
TOO Rodnik
TeliaSonera has acquired 25 percent of the associated company TOO Rodnik Ink, holding 79.9 percent in the publicly quoted subsidiary AO KazTransCom. Rodnik is included in TeliaSonera's reporting with a one-quarter lag in line item "Income from associated companies and joint ventures." Based on agreement a share of 50 percent is included.

Divestitures
NextGenTel
In 2012 TeliaSonera signed an agreement to divest its Norwegian subsidiary NextGenTel AS to Telio Holding, a company listed on the Oslo Stock Exchange. The agreement was subject to approval from authorities. The transaction was closed on January 31, 2013. Part of the payment for NexGenTel was made by shares in Telio Holding. The shares in Telio Holding had been fully divested by the end of June 2013. The transactions generated a loss close to zero.

Nepal Satellite
On September 11, 2013, TeliaSonera announced that it for regulatory reasons had exited Nepal Satellite Telecom Pvt. Ltd. and will focus on Ncell Pvt. Ltd., which reduces the business risk and complexity of TeliaSonera's involvement in Nepal. TeliaSonera reached an agreement to sell back its indirect ownership in Nepal Satellite, a regional operator in Nepal, to Zhodar Investment. The transaction generated a capital loss of SEK 389 million.

Events after the reporting period
In December 2013 TeliaSonera signed an agreement to acquire a group of companies (Zitius Service Delivery AB, Quadracom Networks AB and Riksnet AB) within open fiber networks. The agreed purchase price amounts to SEK 473 million on a cash and debt-free basis. The transactions are pending regulatory approval. See also Board of Directors' Report section "Acquisitions and Divestures".

C5. Segment Information

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

- Business area Mobility Services provides services to the consumer and enterprise mass markets. Services include mobile voice and data, mobile content, WLAN Hotspots, mobile broadband 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. Services include broadband over copper, fiber and cable, TV, 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, Denmark, Lithuania, Latvia (shareholding 49 percent, consolidated share 60 percent), Estonia and international carrier operations.
- Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area also includes TeliaSonera's shareholding in Russian MegaFon (shareholding 25 percent, consolidated share 27 percent) and Turkish Turkcell (38 percent).
- Reportable segment Other operations comprises Other Business Services, TeliaSonera Holding and Group functions. Other Business Services is responsible for sales of managed-services solutions to business customers in the Nordic countries. TeliaSonera Holding is responsible for the Group's non-core/non-strategic operations. Group functions comprise the Group 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 the Definitions section). As further described in section "Change of accounting principles and correction of prior period classification errors" to Note C1 "Basis of Preparation," segment figures for 2012 have been restated to reflect the change of accounting principle for employment benefits and pensions (Revised IAS19). For information on impairment losses in 2013 see Note C12 "Goodwill and Other Intangible Assets."

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	January–December 2013 or December 31, 2013					
SEK in millions	**Mobility Services**	**Broadband Services**	**Eurasia**	**Other operations**	**Eliminations**	**Group**
Net sales	48,873	33,510	20,414	3,556	-4,653	**101,700**
External net sales	47,767	31,411	19,797	2,725	–	**101,700**
EBITDA excluding non-recurring items	14,689	9,778	10,796	321	–	**35,584**
Non-recurring items	-373	-485	-738	-332	–	**-1,928**
Amortization, depreciation and impairment losses	-5,295	-5,375	-3,474	-1,071	–	**-15,215**
of which impairment losses	*-1,109*	*-605*	*-500*	*-253*	–	***-2,467***
Income from associated companies and joint ventures	-9	105	5,926	-1	–	**6,021**
Operating income	9,012	4,023	12,510	-1,083	–	**24,462**
Financial items, net						**-3,094**
Income taxes						**-4,601**
Net income						**16,767**
Investments in associated companies and joint ventures	55	708	28,340	247	–	**29,350**
Other operating segment assets	84,971	48,014	33,756	12,490	-1,305	**177,926**
Unallocated operating assets						**5,617**
Other unallocated assets						**39,935**
Total assets						**252,828**
Operating segment liabilities	14,315	9,759	10,088	4,161	-1,380	**36,942**
Unallocated operating liabilities						**23,418**
Other unallocated liabilities						**92,534**
Adjusted equity						**99,934**
Total equity and liabilities						**252,828**
Investments	5,933	4,916	5,861	1,083	–	**17,793**
of which CAPEX	*5,811*	*4,755*	*4,712*	*1,054*	–	***16,332***
Number of employees	6,347	12,263	4,904	2,499	–	**26,013**
Average number of full-time employees	6,330	11,605	4,984	2,402	–	**25,321**

	January–December 2012 or December 31, 2012					
SEK in millions	**Mobility Services**	**Broadband Services**	**Eurasia**	**Other operations**	**Eliminations**	**Group**
Net sales	50,637	35,723	19,731	3,799	-4,992	**104,898**
External net sales	49,281	33,370	19,302	2,945	–	**104,898**
EBITDA excluding non-recurring items	14,718	11,004	9,976	483	-10	**36,171**
Non-recurring items	-216	-633	-102	-147	1	**-1,097**
Amortization, depreciation and impairment losses	-10,263	-6,431	-3,059	-788	-1	**-20,542**
of which impairment losses	*-6,018*	*-1,556*	–	*-29*	–	***-7,603***
Income from associated companies and joint ventures	-10	114	13,815	-50	-1	**13,868**
Operating income	4,229	4,054	20,629	-503	-9	**28,400**
Financial items, net						**-3,918**
Income taxes						**-3,314**
Net income						**21,168**
Investments in associated companies and joint ventures	30	673	28,408	229	1	**29,341**
Other operating segment assets	84,050	48,294	32,901	13,695	-1,716	**177,224**
Unallocated operating assets						**6,830**
Other unallocated assets						**39,651**
Total assets						**253,046**
Operating segment liabilities	13,995	10,515	9,991	4,247	-1,796	**36,952**
Unallocated operating liabilities						**23,346**
Other unallocated liabilities						**95,983**
Adjusted equity						**96,765**
Total equity and liabilities						**253,046**
Investments	4,973	5,730	5,831	1,064	-9	**17,590**
of which CAPEX	*4,496*	*5,445*	*4,739*	*1,014*	*-9*	***15,685***
Number of employees	6,720	13,571	4,980	2,567	–	**27,838**
Average number of full-time employees	6,642	12,671	4,933	2,547	–	**26,793**

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C6. Net Sales

External net sales were distributed by product area as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Mobile communications	57,521	59,136
Fixed communications	30,853	32,662
Other services	13,326	13,100
Total	**101,700**	**104,898**

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

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

	Jan–Dec 2013		Jan–Dec 2012		Dec 31, 2013		Dec 31, 2012	
	Net sales				Non-current assets			
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Sweden	35,585	35.0	36,715	35.0	28,423	19.4	28,425	19.3
Finland	12,328	12.1	13,600	13.0	37,537	25.6	36,224	24.6
Norway	7,047	6.9	8,699	8.3	20,343	13.9	22,158	15.1
All other countries	46,740	46.0	45,884	43.7	61,144	41.2	60,384	41.0
Total	**101,700**	**100.0**	**104,898**	**100.0**	**147,447**	**100.0**	**147,191**	**100.0**

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

	Jan–Dec 2013		Jan–Dec 2012	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	79,489	78.2	83,525	79.6
of which European Union (EU) member states	*72,426*	*71.2*	*74,777*	*71.3*
Rest of Europe	2,432	2.4	3,039	2.9
North-American Free Trade Agreement (NAFTA)	522	0.5	489	0.5
Rest of world	19,257	18.9	17,845	17.0
Total	**101,700**	**100.0**	**104,898**	**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.

C7. Expenses by Nature

Operating expenses are presented on the face of the statement of comprehensive income 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	Jan–Dec 2013	Jan–Dec 2012
Goods and sub-contracting services purchased	-18,576	-17,635
Interconnect and roaming expenses	-10,694	-12,671
Other network expenses	-5,829	-5,791
Change in inventories	-2,941	-3,408
Personnel expenses (see also Note C31)	-12,226	-12,438
Marketing expenses	-6,134	-6,829
Other expenses	-10,069	-10,618
Amortization, depreciation and impairment losses	-14,045	-12,997
Total	**-80,514**	**-82,387**

The main components of Other expenses are rent and leasing fees, consultants' services, IT expenses, energy expenses and travel expenses. In conjunction with measuring the outcome of efficiency measures, TeliaSonera uses the concept Addressable cost base, which comprises Personnel expenses, Marketing expenses and Other expenses, excluding non-recurring items, and totaled SEK 28,830 million in 2013 and SEK 26,644 million in 2012.

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Amortization, depreciation and impairment losses by function were as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Cost of sales	-12,559	-11,111
Selling and marketing expenses	-1,015	-1,305
Administrative expenses	-466	-545
Research and development expenses	-5	-36
Total	**-14,045**	**-12,997**

Impairment charges in Mobility Services Denmark and Lithuania and goodwill write-downs in Broadband Services Denmark are included in Note C8 "Other Operating Income and Expenses." Other write-downs are included in Cost of sales with SEK 1,297 million.

Amortization, depreciation and impairment losses are broken down by reportable segment in Note C5 "Segment Information." For information on impairment testing, see Note C12 "Goodwill and Other Intangible Assets."

C8. Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Other operating income		
Capital gains	232	82
Exchange rate gains	376	279
Commissions, license and patent fees, etc.	222	92
Grants	21	19
Gains from business combinations	–	209
Recovered accounts receivable	95	119
Court-settled fees with other operators	220	140
Damages received	62	67
Total other operating income	**1,228**	**1,007**
Other operating expenses		
Capital losses	-695	-141
Provisions for onerous contracts	-100	-9
Exchange rate losses	-447	-303
Restructuring costs	-1,234	-938
Amortization, depreciation and impairment losses	-1,170	-7,545
Court-settled fees with other operators	-312	–
Damages paid	-15	-50
Total other operating expenses	**-3,973**	**-8,986**
Net effect on income	**-2,745**	**-7,979**
of which net exchange rate losses on derivative instruments held-for-trading	*-6*	*-11*

In 2012, amortization, depreciation and impairment losses included impairment charges in Mobility Services Norway and Lithuania of SEK 5,984 million and a goodwill write-down in Broadband Services Norway of SEK 1,550 million, see also Note C12 "Goodwill and Other Intangible Assets." In 2013, impairment charges of SEK 756 million, SEK 269 million and SEK143 million were recognized in Mobility Services Denmark, Mobility Services Lithuania and Broadband Services Denmark, respectively. Capital gains included a net gain of SEK 179 million from sale of mobile towers in Yoigo, Spain. In the third quarter, TeliaSonera sold back its indirect ownership in Nepal Satellite. The transaction generated a net capital loss of SEK 389 million. Restructuring costs mainly comprised staff redundancy costs.

C9. Finance Costs and Other Financial Items

Finance costs and other financial items were distributed as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Finance costs		
Interest expenses	-3,597	-3,849
Interest expenses on finance leases	-3	-3
Unwinding of provision discounts	-71	-103
Capitalized interest	60	75
Net exchange rate gains and losses	-147	-723
Net interest on the net defined liability (asset)	-147	-112
Total finance costs	**-3,905**	**-4,715**
Other financial items		
Interest income	686	694
Interest income on finance leases	100	98
Credit losses on finance leases	-14	-14
Capital losses on equity instruments available-for-sale	–	-24
Dividends on venture capital investments	–	1
Capital gains on venture capital instruments	4	28
Changes in fair value of venture capital investments	–	2
Unwinding of discounts, receivables	55	19
Financial losses on financial instruments	-20	-7
Total other financial items	**811**	**797**
Net effect on income	**-3,094**	**-3,918**

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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	Jan–Dec 2013	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2012
	Interest expenses		Net exchange rate gains and losses		Interest income	
Fair value hedge derivatives	366	482	-176	-129	–	–
Cash flow hedge derivatives	-83	-156	97	-71	–	–
Derivatives held-for-trading	-411	-921	2,322	-2,149	–	–
Held-to-maturity investments	–	–	–	–	18	4
Loans and receivables	–	–	-3,314	1,776	652	667
Borrowings in fair value hedge relationships	-1,606	-1,055	176	129	–	–
Borrowings and other financial liabilities at amortized cost	-1,855	-2,188	748	-279	–	–
Other	-8	-11	–	–	16	23
Total	**-3,597**	**-3,849**	**-147**	**-723**	**686**	**694**

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

C10. Income Taxes

Tax items recognized in comprehensive income and directly in equity

Tax items recognized in comprehensive income and directly in equity were distributed as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Tax items recognized in net income		
Current tax expense relating to current year	-3,614	-3,950
Underprovided or overprovided current tax expense in prior years	81	-34
Deferred tax expense originated or reversed in current year	-594	-449
Recognition of previously unrecognized deferred taxes	217	-105
Effect on deferred tax from changes in tax rates	-691	1,224
Total tax expense recognized in net income	**-4,601**	**-3,314**
Tax items recognized in other comprehensive income		
Current tax relating to current year	367	-419
Deferred tax originated or reversed in current year	-966	341
Total tax recognized in other comprehensive income	**-599**	**-78**
Tax items recognized directly in equity		
Deferred tax related to treasury share repurchase made by associated company	6	-39
Total tax recognized directly in equity	**6**	**-39**

Pre-tax income was SEK 21,368 million in 2013 and SEK 24,482 million in 2012. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2013	Jan–Dec 2012
Swedish income tax rate	22.0	26.3
Effect of higher or lower tax rates in subsidiaries	0.1	-1.4
Withholding tax on earnings in subsidiaries and associated companies	2.0	1.0
Underprovided or overprovided current tax expense in prior years	-0.4	0.1
Recognition of previously unrecognized deferred taxes	-1.0	0.4
Effect on deferred tax expense from changes in tax rates	3.2	-5.0
Income from associated companies	-6.2	-14.9
Current year losses for which no deferred tax asset was recognized	0.5	0.6
Non-deductible expenses	2.0	8.0
Tax-exempt income	-0.7	-1.6
Effective tax rate in net income	**21.5**	**13.5**
Effective tax rate excluding effects from associated companies	*25.7*	*28.3*

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Recently enacted changes in tax legislation affecting TeliaSonera were as follows.

Country	Enacted	Change in corporate income tax legislation	Effective
Sweden	November 2012	Tax rate cut from 26.3 percent to 22.0 percent	January 1, 2013
Denmark	June 2012/2013	To the extent taxable income exceeds DKK 7.5 million, a maximum of 60.0 percent of taxable income for tax assessment periods beginning on or after July 1, 2012, could be offset against accumulated tax losses in previous years. Tax rate has gradually decreased from 25.0 percent to 24.5 percent on January 1, 2014, 23.5 percent in 2015 and 22.0 percent from 2016	January 1, 2013/2014/ 2015/2016
Finland	December 2013	Tax rate cut from 24.5 percent to 20.0 percent	January 1, 2014
France	December 2012	To the extent taxable income exceeds EUR 1 million, a maximum of 50.0 percent of taxable income from year 2013 could be offset against accumulated tax losses in previous years	January 1, 2013
Norway	December 2013	Tax rate cut from 28.0 percent to 27.0 percent	January 1, 2014
Spain	July 2012/October 2013	If turnover exceeds EUR 60 million, a maximum of 25.0 percent of taxable income from year 2012 could be offset against accumulated tax losses in previous years. The temporary limitations were valid until 2013 and has been prolonged until 2015. In addition, for tax assessment periods beginning on or after January 1, 2012, the utilization period for tax losses is extended from 15 years to 18 years. The extension is valid on tax losses accumulated in previous years	January 1, 2012/2014
United Kingdom	March/July 2012/ July 2013	Tax rate cut from 26.0 percent to 24.0 percent in 2012 with further reduction to 23.0 percent in 2013, 21.0 percent in 2014 and 20.0 percent in 2015	April 1, 2012/2013/ 2014/2015
Uzbekistan	December 2013	Tax rate cut from 9.0 percent to 8.0 percent	January 1, 2014

The reduction of the Swedish and Finnish corporate income tax rate effective from January 1, 2013, and January 1, 2014, triggered a recalculation of existing deferred tax assets and liabilities in TeliaSonera's operations, resulting in a net deferred tax expense of SEK 675 million in 2013 and deferred tax income of SEK 1,225 million in 2012.

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Deferred tax assets		
Opening balance	7,410	8,164
Change of accounting principle	–	688
Comprehensive income period change	-1,907	-916
Operations divested	-2	–
Reversals of offset tax liabilities/assets, other reclassifications	-135	-285
Exchange rate differences	127	-241
Deferred tax assets, closing balance	**5,493**	**7,410**
Deferred tax liabilities		
Opening balance	10,287	13,414
Change of accounting principle	–	-471
Comprehensive income period change	127	-1,927
Change of withholding taxes recognized directly in equity	-6	39
Operations acquired	7	64
Operations divested	-48	-829
Reversals of offset tax assets/liabilities, other reclassifications	-2	106
Exchange rate differences	-302	-109
Deferred tax liabilities, closing balance	**10,063**	**10,287**

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

SEK in millions	Dec 31, 2013	Dec 31, 2012
Gross deferred tax assets		
Delayed depreciation, impairment losses and fair value adjustments, other non-current assets	3,932	5,215
Delayed expenses for provisions	980	1,843
Doubtful current receivables	93	91
Tax loss carry-forwards	4,736	4,525
Subtotal	**9,741**	**11,674**
Valuation allowances		
Delayed depreciation, other non-current assets	-5	–
Doubtful current receivables	-16	–
Tax loss carry-forwards	-3,834	-3,697
Subtotal	**-3,855**	**-3,697**
Offset deferred tax liabilities/assets	-393	-567
Total deferred tax assets	**5,493**	**7,410**
Deferred tax liabilities		
Withholding taxes subsidiaries and associated companies	1,960	1,999
Accelerated depreciation and fair value adjustments, other non-current assets	5,183	5,319
Fair value adjustments, provisions	796	672
Delayed revenue recognition, current receivables	22	39
Profit equalization reserves	2,495	2,825
Subtotal	**10,456**	**10,854**
Offset deferred tax assets/liabilities	-393	-567
Total deferred tax liabilities	**10,063**	**10,287**
Net deferred tax assets (+)/liabilities (-)	**-4,570**	**-2,877**
Net increase (+)/decrease (-) in valuation allowance	**158**	**-230**

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2013, were expected to expire as follows.

Expected expiry, SEK in millions	2014	2015	2016	2017	2018	2019-2031	Unlimited	Total
Unrecognized deferred tax assets	17	10	16	27	30	3,113	621	**3,834**

As of December 31, 2013 and 2012, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated such income tax that is levied on dividends paid, totaled SEK 751 million and SEK 677 million, respectively.

Tax loss carry-forwards

Deferred tax assets originating from tax loss carry-forwards mainly relate to Spain and the international carrier operations.

Tax losses in Spain refer to the Spanish 3G mobile network operator Xfera Móviles S.A. (Yoigo), acquired in 2006. Xfera has reported tax losses since its incorporation in 2000, due to annual spectrum fees paid to the Spanish government, depreciation and write-downs of earlier investments, other pre-operating costs and additional operating losses incurred thereafter. As of December 31, 2013, Xfera had tax losses and taxable temporary differences totaling SEK 11.6 billion.

Under current 3G market conditions 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 18 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, 2013, based on these projections, management has recognized a deferred tax asset of SEK 564 million after valuation allowance.

Tax losses in the international carrier operations refer mainly to impairment losses on plant and machinery incurred in 2002. Most of these tax losses have no expiry dates.

TeliaSonera's accumulated tax loss carry-forwards were SEK 16,912 million in 2013 and SEK 16,307 million in 2012. Tax loss carry-forwards as of December 31, 2013, were expected to expire as follows.

Expected expiry, SEK in millions	2014	2015	2016	2017	2018	2019-2031	Unlimited	Total
Tax loss carry-forwards	200	116	199	319	358	12,410	3,310	**16,912**

C11. Other Comprehensive Income

Other comprehensive income that may be reclassified to net income was distributed as follows. See note C21 for details of "remasurements of defined benefit pensions plans".

SEK in millions	Equity component	Jan–Dec 2013	Jan–Dec 2012
Foreign currency translation differences			
Translation of foreign operations	Foreign currency translation reserve	-1,559	-5,197
Translation of foreign non-controlling interests	Non-controlling interests	-126	-264
Divestitures transferred to net income	Foreign currency translation reserve	139	1,435
of which line items other operating income/expenses		*139*	*-6*
of which line item income from associated companies		–	*1,441*
Hedging of foreign operations	Foreign currency translation reserve	-2,263	1,594
Income tax effect	Foreign currency translation reserve	434	-419
Total foreign currency translation differences		**-3,375**	**-2,851**
of which attributable to owners of the parent		*-3,249*	*-2,588*
Income from associated companies			
Net changes in fair value of available-for-sale financial instruments	Fair value reserve	1	-2
Translation of foreign operations	Foreign currency translation reserve	-154	-258
Total income from associated companies		**-153**	**-260**
Cash flow hedges			
Net changes in fair value	Hedging reserve	344	-51
Transferred to finance costs in net income	Hedging reserve	-10	79
Effect of changed tax rate		–	-12
Income tax effect	Hedging reserve	-67	-8
Total cash flow hedges		**267**	**8**
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	-2	0
Divestitures transferred to other financial items in net income	Fair value reserve	–	24
Total available-for-sale financial instruments		**-2**	**24**
Total other comprehensive income that may be reclassified to net income		**-3,263**	**-3,079**
of which total income tax effects (see also Note C10)		*367*	*-439*
of which attributable to non-controlling interests		*-126*	*-264*

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure, with a positive net effect in equity of SEK 267 million as of December 31, 2013. Future gains or losses will affect net income in 2014, 2016–2017, 2019 and later, when the hedged items mature. No hedging reserve transfer necessitated adjustment of the cost of acquisition. See also section "Financial Instruments" in Note C3 "Significant Accounting Policies."

C12. Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
	Goodwill		Other intangible assets	
Accumulated cost	74,261	76,997	39,473	36,816
Accumulated amortization	–	–	-23,603	-21,785
Accumulated impairment losses	-6,948	-7,835	-2,005	-957
Advances	–	–	344	42
Carrying value	**67,313**	**69,162**	**14,209**	**14,116**
of which work in progress	–	–	*761*	*1,385*
Carrying value, opening balance	69,162	76,850	14,116	15,167
Change of accounting principle	–	–	–	–
Investments	268	1,206	3,682	2,136
of which capitalized interest	–	–	*15*	*39*
Sales and disposals	–	–	-50	-73
Operations acquired	–	–	–	–
Operations divested	-263	-21	-198	-1
Reclassifications	-89	255	233	78
Adjustments related to put options and contingent considerations	239	544	–	–
Amortization for the year	–	–	-2,785	-2,724
Impairment losses for the year	-1,171	-7,552	-1,072	-7
Advances	–	–	302	30
Exchange rate differences	-833	-2,120	-19	-490
Carrying value, closing balance	**67,313**	**69,162**	**14,209**	**14,116**

In 2013 and 2012, investments in telecom and frequency licenses amounted to SEK 1,767 million and SEK 352 million, respectively.

For comments on impairment losses for goodwill for the year, see section "Impairment testing" below.

Of the impairment loss for intangible assets SEK 500 million relate to the Kazakh operations acquired in January 2013. The loss is related to frequency permits in the WiMAX operation in Kazakhstan and is based on the view that it will take longer than expected to achieve full use of the acquired frequencies due to the current lack of a 4G license.

Apart from goodwill, there are currently no intangible assets with indefinite useful lives. No general changes of useful lives were made in 2013. For amortization rates applied, see section "Useful lives" in Note C2 "Key Sources of Estimation Uncertainty." In the statement of comprehensive income, amortization and impairment losses are included in all expense line items by function as well as in line item Other operating expenses.

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

SEK in millions	Dec 31, 2013	Dec 31, 2012
Business area Mobility Services	44,740	46,956
of which Finland	*20,105*	*19,371*
of which Norway	*16,529*	*18,236*
of which Denmark	*3,797*	*4,381*
Business area Broadband Services	10,300	10,182
of which Finland	*8,075*	*7,781*
Business area Eurasia	11,585	11,341
of which Azerbaijan	*5,981*	*5,115*
of which Uzbekistan	*1,483*	*1,706*
of which Nepal	*2,945*	*3,565*
Other operations	688	683
Total goodwill	**67,313**	**69,162**

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

SEK in millions	Dec 31, 2013	Dec 31, 2012
Trade names	98	105
Telecom and frequency licenses	8,117	7,236
Customer and vendor relationships, interconnect and roaming agreements	1,128	1,476
Capitalized development expenses	2,737	2,442
Patents, etc.	5	8
Leaseholds, etc.	1,023	1,422
Work in progress, advances	1,101	1,427
Total other intangible assets	**14,209**	**14,116**

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 (for impairment testing purposes defined as operating capital and notionally adjusted for non-controlling interests in goodwill) 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.

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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 forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. Management believes that fair value based on own business plan gives a better picture of the value for TeliaSonera and of the long-term valuation, compared to the current equity market values that in some cases can be below the fair values derived from TeliaSoneras own long-term business plans.

The forecasted cash flows were discounted at an appropriate rate (WACC), reflecting TeliaSonera's cost of capital for the relevant business unit. WACC is derived from the risk free interest rate in local currency, the business risk represented by the estimated beta, the local market risk premium and TeliaSonera's cost of borrowing above the risk free rate.

The forecast period was 5 years. However, a forecast period of 10 years was used for cash-generating units where the investment is of a start-up nature and/or put options have been granted to holders of non-controlling interests.

The forecast periods used, and the post-tax WACC rates and the terminal growth rates of free cash flow used to extrapolate cash flows beyond the forecast period varied by reportable segment and geographic area as follows.

Years/Percent	Sweden	Finland	Norway	Denmark	Lithuania	Latvia	Estonia	Spain
Business area Mobility Services								
Forecast period (years)	*5*	*5*	*5*	*5*	*5*	*5*	*5*	*10*
WACC rate (%)	*6.0*	*5.6*	*6.4*	*5.6*	*8.0*	*7.9*	*7.1*	*8.4*
Terminal growth rate (%)	*2.0*	*2.0*	*2.0*	*1.0*	*2.0*	*2.0*	*2.0*	*2.0*
Business area Broadband Services								
Forecast period (years)	*5*	*5*	–	*5*	*5*	*5*	*5*	–
WACC rate (%)	*5.8*	*5.4*	–	*6.3*	*7.7*	*7.6*	*6.7*	–
Terminal growth rate (%)	*1.0*	*0.5*	–	*0.5*	*1.0*	*1.0*	*1.0*	–
Other operations								
Forecast period (years)	*5*	*5*	–	–	–	–	–	–
WACC rate (%)	*5.8*	*5.4*	–	–	–	–	–	–
Terminal growth rate (%)	*1.0*	*1.0*	–	–	–	–	–	–
Years/Percent	**Wholesale**	**Kazakhstan**	**Azerbaijan**	**Uzbekistan**	**Tajikistan**	**Georgia**	**Moldova**	**Nepal**
Business area Broadband Services								
Forecast period (years)	*5*	–	–	–	–	–	–	–
WACC rate (%)	*6.8*	–	–	–	–	–	–	–
Terminal growth rate (%)	*1.0*	–	–	–	–	–	–	–
Business area Eurasia								
Forecast period (years)	–	*5*	*10*	*10*	*5*	*5*	*5*	*10*
WACC rate (%)	–	*13.9*	*12.7*	*19.1*	*19.5*	*12.9*	*17.4*	*19.4*
Terminal growth rate (%)	–	*5.0*	*3.5*	*8.0*	*4.0*	*3.0*	*4,0*	*7.0*

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

In the last quarter of 2013, following the annual impairment tests, goodwill write-downs of SEK 756 million and SEK 269 million were recognized in cash-generating units Mobility Services Denmark and Lithuania, respectively. In cash-generating unit Broadband Services Denmark, goodwill write-downs of SEK 143 million were recognized. For Mobility Services Denmark, operating under challenging competitive conditions, the impairment charge was primarily related to increasing interest rates impacting WACC (prior year WACC 5.1 percent) and higher long-term CAPEX-to-sales assumptions. The goodwill impairment charge in Lithuania was based on a continuing decrease of the total value of the Lithuanian mobile market related to competition and price pressure as well as higher long-term CAPEX-to-sales assumptions (prior year WACC 8.9 percent). The write-down of goodwill in Broadband Services Denmark is related to the overall performance in the business unit.

For cash-generating units Mobility Services Norway, with a carrying value for impairment testing purposes of SEK 19,790 million (of which goodwill SEK 16,739 million) and Broadband Services Finland, with a carrying value for impairment testing purposes of SEK 12,460 million (of which goodwill SEK 7,834 million), the estimated recoverable values, based on value in use are in the proximity of the carrying values. The impairment tests assumed, in addition to the post-tax WACC rates and the terminal growth rates stated above, the following sales-growth and EBITDA margin ranges during the next 5 years.

	Sales growth		EBITDA margin	
Percent	**From**	**To**	**From**	**To**
Mobility Services Norway	-6.5	0.0	28.6	30.6
Mobility Services Denmark	-10.7	+2.0	14.9	18.9
Mobility Services Lithuania	-7.4	+2.0	25.9	26.8
Broadband Services Finland	-5.6	+2.1	22.3	28.8
Broadband Services Denmark	-7.2	+1.6	8.7	15.0

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For Mobility Services Norway, a change by SEK -0.4 billion of the recoverable value would equal the carrying value. For Broadband Services Finland, a change by SEK -1.4 billion of the recoverable value would equal the carrying value. The following table sets out to what extent each key assumption approximately must change, all else being equal, in order for recoverable values to equal carrying values. Mobility Services Denmark, Mobility Services Lithuania and Broadband Services Denmark are not included in the table since recoverable value equals carrying value after the goodwill write-downs in these cash-generating units.

Percentage points	Mobility Services Norway	Broadband Services Finland
Sales growth in the 5-year period	-2.2	-10.0
EBITDA margin in the 5-year period and beyond	-0.4	-1.7
Terminal sales growth rate	-0.1	-0.6
Post-tax WACC rate	+0.1	+0.5

A one percentage point upward shift in WACC would reduce the recoverable values of the cash-generating units as follows.

SEK in billions	Change
Mobility Services Norway	-3.8
Mobility Services Denmark	-1.4
Mobility Services Lithuania	-0.4
Broadband Services Finland	-2.4
Broadband Services Denmark	-0.1

C13. Property, Plant and Equipment

The carrying value was distributed and changed as follows.

	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
			Plant and machinery							
SEK in millions	**Property**		**Mobile networks**		**Fixed networks**		**Equipment, tools and installations**		**Total**	
Accumulated cost	8,661	8,557	76,358	71,652	127,198	125,800	9,310	10,394	221,527	**216,403**
Accumulated depreciation	-4,325	-4,086	-47,754	-44,543	-87,685	-86,643	-6,246	-7,420	-146,010	**-142,692**
Accumulated impairment losses	-411	-394	-457	-406	-10,262	-10,266	-385	-317	-11,515	**-11,384**
Advances	60	40	701	285	–	–	29	5	790	**330**
Carrying value	**3,985**	**4,117**	**28,848**	**26,988**	**29,251**	**28,891**	**2,708**	**2,662**	**64,792**	**62,657**
of which assets under construction	–	–	*4,495*	*4,840*	*1,889*	*1,729*	–	–	*6,384*	***6,569***
Carrying value, opening balance	4,117	3,894	26,988	26,110	28,891	28,653	2,662	2,634	62,657	**61,291**
Change of accounting principle	–	–	–	–	–	–	–	–	–	**–**
Investments	125	179	7,179	7,821	4,100	4,346	858	823	12,262	**13,168**
of which capitalized interest	*0*	*2*	*24*	*9*	*22*	*21*	–	*4*	*46*	***36***
Sales and disposals	-5	-11	-199	-1,445	-51	-34	-38	-16	-293	**-1,506**
Dismantling and restoration	–	–	92	406	62	211	–	–	154	**617**
Operations acquired	–	1	237	1,209	–	–	22	250	259	**1,460**
Operations divested	-91	–	-13	–	–	–	-202	–	-306	**–**
Grants received	-1	–	-16	-1	-25	-4	–	–	-42	**-5**
Reclassifications	55	485	162	50	-423	-300	419	-14	213	**221**
Depreciation for the year	-247	-290	-5,241	-5,304	-3,548	-3,668	-927	-962	-9,963	**-10,224**
Impairment losses for the year	–	-4	-69	-34	-47	9	-108	-6	-224	**-35**
Advances	20	40	416	-309	–	-9	23	5	459	**-273**
Exchange rate differences	12	-177	-688	-1,515	292	-313	-1	-52	-385	**-2,057**
Carrying value, closing balance	**3,985**	**4,117**	**28,848**	**26,988**	**29,251**	**28,891**	**2,708**	**2,662**	**64,792**	**62,657**

No general changes of useful lives were made in 2013. For depreciation rates applied, see section "Useful lives" in Note C2 "Key Sources of Estimation Uncertainty." In the statement of comprehensive income, depreciation and impairment losses are included in all expense line items by function as well as in line item Other operating expenses. For information on contractual obligations regarding future acquisitions of property, plant and equipment, see Note C29 "Contingencies, Other Contractual Obligations and Litigation."

Property

TeliaSonera's real estate holdings include some 3,900 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 total carrying value of property was distributed by depreciable/non-depreciable assets as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Depreciable property (buildings, etc.)	3,551	3,539
Non-depreciable property (land)	434	578
Total property	**3,985**	**4,117**

C14. Investments in Associated Companies and Joint ventures

The amounts recognized in the Consolidated Statements of Financial Position are as follows:

	December 31,	
SEK in millions	2013	2012
Interests in associated companies	29,311	29,326
Interest in joint ventures	39	15
Total carrying value investments in associated companies and joint ventures	**29,350**	**29,341**

The amounts recognized in the Consolidated statements of Total Comprehensive Income are as follows:

	January-December	
SEK in millions	2013	2012
Share of Income from associated companies	6,000	5,494
Gains/losses from disposals of shares in associates	35	8,384
Income from joint ventures	-14	-9
Recognized in net income	**6,021**	**13,869**
Other comprehensive income associated companies	-153	-261
Recognized in total comprehensive income	**5,868**	**13,608**

Details of material associated companies

TeliaSonera has two material associated companies. OAO MegaFon has its operations in Russia. The ownership interest and voting power is 25 percent and the consolidated share is 27 percent (25 percent/28 percent). MegaFon's holding of treasury shares is included in TeliaSonera's consolidated share. Turkcell Iletisim Hizmetleri A.S, in which TeliaSonera's ownership and voting power as well as consolidated share is 38 percent (38 percent), operates in Turkey, Ukraine and Belarus. Both companies are mobile operators. MegaFon and Turkcell, reported in TeliaSonera's financial statements using the equity method, are publicly listed companies and therefore included with a one-quarter lag with adjustments made for the effects of significant transactions or events that occur between TeliaSonera's closing date and the date of the respective company's financial statements. Market values of TeliaSonera's holdings at year-end were:

SEK in millions	Dec 31, 2013	Dec 31, 2012
OAO MegaFon, Russia	35,374	24,230
Turkcell Iletisim Hizmetleri A.S., Turkey	28,980	35,451

The following table summarizes the financial information of MegaFon and Turkcell as included in the companies' own financial statements adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the group's interests in the companies. Information on other, non-material, associated companies and joint ventures are not disclosed separately. TeliaSonera has two joint arrangements classified as joint operations. For additional information on those, see Note C4 "Changes in Group Composition and Events after the Reporting Period".

Statements of Financial Position	December 31,					
	MegaFon		Turkcell		Total	
SEK in millions	2013	2012	2013	2012	2013	2012
Percentage voting/ownership	25	25	38	38		
Precentage consolidation	27	28	38	38		
Non-current assets	55,132	54,784	30,527	35,960	85,659	90,744
Current assets	16,694	10,439	33,491	31,296	50,185	41,735
Non-current liabilities	31,476	31,401	4,386	4,236	35,862	35,637
Current liabilities	14,985	15,556	13,492	15,952	28,477	31,508
Net assets (100 percent)	25,365	18,266	46,140	47,068	71,505	65,334
Non controlling interests	-78	-133	-551	-503	-629	-636
Net assets excluding non controlling interests	25,287	18,133	45,589	46,565	70,876	64,698
Adjustment for differences in accounting principles	-599	-301	1,030	1,543	431	1,242
Adjustment for events after the entity's financial statements	–	4,447	–	–	–	4,447
Net assets after adjustments	24,688	22,279	46,619	48,108	71,307	70,387
Group's share	6,725	6,151	17,734	18,300	24,459	24,451
Adjustment Turkcell part of Fintur equity	–	–	-1,128	-1,127	-1,128	-1,127
Adjustment fair values	660	468	4,035	4,617	4,695	5,085
Carrying amount of the interest in MegaFon and Turkcell	**7,385**	**6,619**	**20,641**	**21,790**	**28,026**	**28,409**
Carrying amount of other associated companies not individually material (group's share)					1,285	917
Carrying amount of joint ventures (group's share)					39	15
Total carrying amount of interests in associated companies and joint ventures					**29,350**	**29,341**

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Statements of Comprehensive Income	January–December					
	2013	2012	2013	2012	2013	2012
	MegaFon		Turkcell		Total	
Revenue	60,526	56,341	40,366	38,347	100,892	94,687
Profit and loss from continuing operations	11,059	7,515	8,123	7,403	19,182	14,918
Other comprehensive income	21	-83	-420	-914	-399	-997
Total comprehensive income (100 percent)	11,080	7,432	7,703	6,489	18,783	13,920
Total comprehensive income (group's share)	3,028	3,044	2,930	2,468	5,958	5,512
Adjustment Turkcell part of Fintur total comprehensive income	–	–	-370	-350	-370	-350
Amortization of fair value adjustments	70	71	61	-146	131	-75
Total comprehensive income after adjustments, group's share	3,098	3,115	2,621	1,972	5,719	5,087
Gains/losses from sale of shares in associates	35	8,404	–	–	35	8,404
Other associated companies not individually material						
Revenue (100 percent)					2,105	2,197
Profit and loss from continuing operations (group's share)					128	75
Other comprehensive income (group's share)					0	71
Total comprehensive income from other associated companies					128	146
Gains/losses from sale of shares in other associates					–	-20
Join ventures not individually material						
Revenue (100 percent)					–	–
Profit and loss from continuing operations (group's share)					-14	-9
Other comprehensive income (group's share)					–	–
Total comprehensive income joint ventures (group's share)					-14	-9
Group's share of total comprehensive income for associated companies and joint ventures					**5,868**	**13,608**
Dividends received from MegaFon and Turkcell	2,043	12,366	–	–	2,043	12,366
Dividends received from other associated companies					127	146
Dividends received from joint ventures					–	–
Total dividends received from associated companies and joint ventures					**2,170**	**12,512**

The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Goodwill and similar assets on consolidation	4,746	5,328
Share of equity	24,604	24,013
Carrying value	**29,350**	**29,341**
Carrying value, opening balance	29,341	46,323
Change of accounting principles	–	-10
Shareholder contributions	33	18
Share of net income for the year	5,929	5,560
Share of other comprehensive income for the year	-153	-261
Amortization and write-downs of fair value adjustments	57	-76
Dividends received	-2,170	-12,512
Acquisitions and operations acquired	321	10
Divestments and operations divested	–	-7,784
Transactions in equity	240	-2,889
Reclassifications	146	597
Exchange rate differences	-4,394	365
Carrying value, closing balance	**29,350**	**29,341**

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The carrying value is broken down by reportable segment in Note C5 “Segment Information” and by company as follows.

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Equity participation in consolidated accounts 2013	Equity participation in consolidated accounts 2012	Carrying value in each parent company 2013	Carrying value in each parent company 2012
			SEK in millions			
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	227	228	198	198
4T Sverige AB, 556857-8495, Stockholm	25	25	14	11	37	20
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
Non-Swedish companies						
MPAYMENT AS; 999504655, Oslo	33	1	11	4	11	4
Other operating, dormant and divested companies			0	0	0	0
Total parent company					**247**	**223**
Subsidiaries’ holdings						
Swedish companies						
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	32	13	9	4	4
4T af 1. oktober 2012 ApS, 32348882, Copenhagen	25		14	6	14	6
SIA Lattelecom, 00030527, Riga	49	71,581,000	694	663	979	979
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	394	403	1,682	1,682
Turkcell Iletisim Hizmetleri A.S., 304844-252426, Istanbul	14	308,531,984	20,247	21,387	1,765	1,765
OAO MegaFon, 7812014560, Moscow	25	155,020,400	7,385	6,619	6,785	6,785
OCH A/S, 18936909, Copenhagen	33	1,333	8	4	4	4
Voicecom OÜ, 10348566, Tallinn	26		2	2	1	1
TOO Rodnik Ink, 78071-1910-TOO, Almaty	25		315	–	167	–
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3	1	0	0	0
SCF Huolto Oy, 1892276-7, Loimaa	20	20	0	0	0	0
Other operating, dormant and divested companies			21	2	0	0
Total Group			**29,350**	**29,341**		

The share of voting power in Overseas Telecom AB is 42 percent. Turkcell Holding A.S. owns 51 percent of the shares in Turkcell Iletisim Hizmetleri A.S.

For additional information related to associated companies, see Note C28 “Related Party Transactions,” Note C29 “Contingencies, Other Contractual Obligations and Litigation” and Note C33 “Business Combinations”

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C15. Other Non-current Assets

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

	Dec 31, 2013		Dec 31, 2012	
SEK in millions	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Equity instruments available-for-sale	190	190	189	189
Equity instruments held-for-trading	70	70	69	69
Convertible bonds available-for-sale	2	2	4	4
Interest rate and cross currency interest rate swaps at fair value	2,102	2,102	1,927	1,927
of which designated as fair value hedges	*1,176*	*1,176*	*1,782*	*1,782*
of which held-for-trading	*690*	*690*	*145*	*145*
of which designated as cash flow hedge	*236*	*236*	–	–
Currency swaps and forward exchange contracts held-for-trading	0	0	1	1
Subtotal *(see Fair value hierarchy levels – Note C25)*	***2,364***	***2,364***	***2,190***	***2,190***
Government bonds and treasury bills held-to-maturity	30	30	60	60
Loans and receivables at amortized cost	7,108	7,108	9,228	9,228
Subtotal *(see Categories – Note C25)*	***9,502***	***9,502***	***11,478***	***11,478***
Finance lease receivables	670	670	608	608
Subtotal *(see Credit risk – Note C26)/* **Total fair value**	***10,172***	**10,172**	***12,086***	**12,086**
Equity instruments at cost	45		49	
Deferred expenses	941		852	
Total other non-current assets	**11,158**		**12,987**	
of which interest-bearing	*9,479*		*10,880*	
of which non-interest-bearing	*1,679*		*2,107*	

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 end of the reporting period (fair value hierarchy level 2). As of December 31, 2013, contractual cash flows for Government bonds and treasury bills and Loans and receivables represented the following expected maturities.

Expected maturity, SEK in millions	2015	2016	2017	2018	Later years	Total
Government bonds and treasury bills	10	8	12	–	–	**30**
Loans and receivables	4,869	2,101	30	38	70	**7,108**

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, see Note C25 “Financial Assets and Liabilities by Category and Level” and section “Credit risk management” in Note C26 “Financial Risk Management,” respectively. For information on leases, see Note C27 “Leasing Agreements.”

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The total carrying value of equity instruments is broken down by company as follows.

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying/fair value in consolidated accounts 2013	Carrying/fair value in consolidated accounts 2012	Carrying value in each parent company 2013	Carrying value in each parent company 2012
			SEK in millions			
Parent company holdings						
Swedish companies						
Accumulate AB, 556583-7118, Stockholm	13	54,365	13	11	13	11
Other operating, dormant and divested companies			0	4	0	4
Non-Swedish companies						
NorthID Oy, 2155137-0, Helsinki	13	18,387	0	3	0	3
ONSET VI, L.P., 4604207, Dover, DE	2	–	18	15	18	15
Vision Extension L.P., LP180, Saint Helier, Jersey	2	–	0	1	0	1
Other operating, dormant and divested companies			0	0	0	0
Total parent company					**31**	**34**
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies		–	0	0	0	0
Non-Swedish companies						
Eesti Lairiba Arenduse Sihtasutus, 90010094, Tallinn	13	–	1	1	1	1
Telecom Development Company Afghanistan B.V., 34183985, Amsterdam	12	1,225	189	189	189	189
Magma Venture Capital I Annex Fund, L.P., Cayman Islands	7	–	0	1	0	1
Oy Merinova Ab, 0778620-2, Vaasa	6	800	1	1	1	1
Vierumäki Golf Village Oy, 1927979-3, Helsinki	5	0	13	12	13	12
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	3	3	3	3
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	4	4	4	4
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	36	34	36	34
Digital Media & Communications II L.P., 3037042, Boston, MA	0	–	0	1	0	1
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	1	1	1	1
Holdings in other real estate and housing companies, Finland	–	–	22	22	22	22
Holdings in local phone companies, etc., Finland	–	–	3	3	3	3
Other operating, dormant and divested companies			0	0	0	0
Total Group			**304**	**306**		

The parent company's holdings of Other Swedish and non-Swedish holdings was impacted in 2013 by the divestment of Lindholmen science park and the liquidation of Slottsbacken Fund Two KB.

C16. Inventories

After deductions for obsolescence amounting to SEK 35 million in 2013 and SEK 47 million in 2012, the total carrying value was distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Goods for resale	1,446	1,485
Other inventories and expense incurred on construction contracts	136	138
Total	**1,582**	**1,623**

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 194 million in 2013 and SEK 247 million in 2012.

C17. Trade and Other Receivables

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

SEK in millions	Dec 31, 2013	Dec 31, 2012
Currency swaps, forward exchange contracts and currency options held-for-trading	524	412
Subtotal *(see Fair value hierarchy levels – Note C25)*	***524***	***412***
Accounts receivable at amortized cost	11,856	13,509
Loans and receivables at amortized cost	4,552	4,634
Subtotal *(see Categories – Note C25 and Credit risk – Note C26)*	***16,932***	***18,555***
Other current receivables	920	2,488
Deferred expenses	1,370	1,146
Total trade and other receivables	**19,222**	**22,189**

For accounts receivable and loans and receivables, including claims on associated companies, 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 end of the reporting period, concentration of credit risk by geographical area and by customer segment was as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Geographical area		
Nordic countries	11,742	12,742
Baltic countries	1,356	1,484
Eurasia	434	795
Other countries	2,876	3,122
Total carrying value	**16,408**	**18,143**
Customer segment		
Consumers	5,618	6,716
Business customers	7,149	7,265
Other operators	2,605	3,392
Distributors	1,036	770
Total carrying value	**16,408**	**18,143**

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 Note C25 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note C26 "Financial Risk Management" for more information on financial instruments classified by category/fair value hierarchy level and exposed to credit risk, respectively.

As of the end of the reporting period, allowance for doubtful and ageing of accounts receivable, respectively, were as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Accounts receivable invoiced	13,405	14,794
Allowance for doubtful accounts receivable	-1,549	-1,285
Total accounts receivable	**11,856**	**13,509**
Accounts receivable not due	9,012	10,033
Accounts receivable past due but not impaired	2,844	3,476
of which less than 30 days	*1,749*	*1,746*
of which 30–180 days	*759*	*989*
of which more than 180 days	*336*	*741*
Total accounts receivable	**11,856**	**13,509**

As of the end of the reporting period, ageing of loans and receivables were as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Loans and receivables not due	2,774	2,788
Loans and receivables past due but not impaired	1,778	1,846
of which less than 30 days	*1,740*	*1,825*
of which 30–180 days	*7*	*2*
of which more than 180 days	*31*	*19*
Total loans and receivables	**4,552**	**4,634**

Receivables past due as of the end of the reporting period were not provided for as there had been no 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 C26 "Financial Risk Management" for information on mitigation of risks related to accounts receivable.

Total bad debt expenses were SEK 689 million in 2013 and SEK 628 million in 2012. Recovered accounts receivable in these years were SEK 95 million and SEK 119 million, respectively.

The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Opening balance	1,285	1,229
Net of charges for doubtful receivables in the period and receivables written off	238	134
Operations divested	-8	-29
Unused allowances reversed	-2	-5
Exchange rate differences	36	-44
Closing balance	**1,549**	**1,285**

C18. 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	Dec 31, 2013	Dec 31, 2012
Interest rate swaps and cross currency interest rate swaps at fair value	281	20
of which designated as fair value hedges	*121*	*8*
of which held-for-trading	*160*	*12*
Subtotal *(see Fair value hierarchy levels – Note C25)*	***281***	***20***
Short-term investments with maturities over 3 months	351	163
of which bonds and commercial papers held-to-maturity	*337*	*150*
of which bank deposits at amortized cost	*14*	*13*
Loans and receivables at amortized cost	5,424	3,136
Subtotal *(see Categories – Note C25)*	***6,056***	***3,319***
Finance lease receivables	257	328
Total *(see Credit risk – Note C26)*	**6,313**	**3,647**

Carrying values for items measured at amortized cost and finance lease receivables are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Note C25 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note C26 "Financial Risk Management" for more information on financial instruments classified by category/fair value hierarchy level and exposed to credit risk, respectively. For information on leases, see Note C27 "Leasing Agreements."

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Short-term investments with maturities up to and including 3 months	22,268	25,762
of which bank deposits at amortized cost	*22,268*	*25,762*
Cash and bank	9,453	4,043
Total *(see Categories – Note C25 and Credit risk – Note C26)*	**31,721**	**29,805**

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Note C25 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note C26 "Financial Risk Management" for more information on financial instruments classified by category and exposed to credit risk, respectively, and to Note C29 "Contingencies, Other Contractual Obligations and Litigation" for information on blocked funds in bank accounts.

C19. 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, 2008 and 2009	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2010	14,369,463,082	4,490,457,213	3.20
Cancellation of shares repurchased in 2011, July 19, 2011	-513,191,783	-160,372,432	3.20
Issued share capital, December 31, 2011	13,856,271,299	4,330,084,781	3.20
Issued share capital, December 31, 2012	13,856,271,299	4,330,084,781	3.20
Issued share capital, December 31, 2013	13,856,271,299	4,330,084,781	3.20

Treasury shares

In May 2013, TeliaSonera AB acquired 90,000 shares at an average price of SEK 42.7536. The shares were distributed to the participants in the "Long Term Incentive Program 2010/2013".

As of December 31, 2013, no TeliaSonera shares were held by the company itself or by its subsidiaries.

Subsidiaries with material non-controlling interests

Summarized financial information on subsidiaries with material non-controlling interests (NCI) is presented below. The amounts disclosed for each subsidiary are based on those included in the consolidated financial statements before inter-company eliminations and only the net asset in which the NCI has a share. Other comprehensive income (OCI) only comprise exchange rate differences arising on translation to SEK. Kcell and Azercell are held partly by intermediate holding companies and partly by the associated company Turkcell.

Based on a put option granted, the NCI in Azercell is accounting-wise reduced to 30.5 percent. Similarly, based on put options granted on 6 percent of the share capital in OOO Coscom (Ucell) in Uzbekistan and on 23.4 percent of the share capital in Xfera Móviles S.A. (Yoigo) in Spain, the two entities are accounting-wise treated as a wholly-owned subsidiaries of TeliaSonera (see section "Put options and contingent consideration" in Note C22 "Other Provisions").

The group holds 49 percent of the shares in Latvijas Mobilais Telefons SIA (LMT). However, according to shareholders' agreement TeliaSonera has the board majority in LMT and the company is therefore regarded as a subsidiary. In addition, LMT is held partly by the associated company Lattelecom SIA which decreases NCI to 39.7 percent.

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Dividends paid to NCIs are disclosed in Note C30 "Cash Flow Information". See also Note C34 "Risk and Uncertainties", section "Shareholder matters in partly-owned subsidiaries".

Dec 31, 2013 **SEK in millions, except percentage**	**TEO LT AB, Lithuania**	**Latvijas Mobilais Telefons SIA, Latvia**	**AO Kcell, Kazakhstan**	**Azercell Telekom BM, Azerbaijan**	**Other subsidiaries**	**Total**
Assets						
Non-current assets	2,140	1,541	5,455	4,199		
Current assets	837	457	1,272	616		
Liabilities						
Non-current liabilities	-75	-85	-282	-163		
Current liabilities	-240	-752	-2,352	-376		
Net assets	2,662	1,161	4,092	4,276		
NCI percentage	11.8	39.7	38.1	30.5		
Carrying amount of NCI	**315**	**461**	**1,559**	**1,305**	**970**	**4,610**
Net sales	1,805	1,333	8,041	3,772		
Net income	374	201	2,717	982		
Net income allocated to NCI	**44**	**80**	**1,035**	**300**	**338**	**1,797**
Cash flows from operating activities	391	316	4,200	1,511		
Free cash flow	20	114	3,454	927		

Dec 31, 2012 **SEK in millions, except percentage**	**TEO LT AB, Lithuania**	**Latvijas Mobilais Telefons SIA, Latvia**	**AO Kcell, Kazakhstan**	**Azercell Telekom BM, Azerbaijan**	**Other subsidiaries**	**Total**
Assets						
Non-current assets	1,996	1,372	5,570	3,922		
Current assets	871	537	860	783		
Liabilities						
Non-current liabilities	-61	-48	-263	-125		
Current liabilities	-225	-604	-3,333	-1,205		
Net assets	2,581	1,256	2,833	3,375		
NCI percentage	11.8	39.7	38.1	30.5		
Carrying amount of NCI	**306**	**499**	**1,079**	**1,030**	**1,042**	**3,956**
Net sales	1,915	1,475	8,256	3,889		
Net income	396	328	2,805	1,101		
Net income allocated to NCI*	**78**	**130**	**492**	**336**	**246**	**1,282**
Cash flows from operating activities	789	393	3,995	2,650		
Free cash flow	434	168	2,760	1,812		

*) In 2012, through acquisitions, NCI in TEO and Kcell was reduced by 19.86 percent and 24 percent, respectively.

Changes in accounting principles

	Jan 1, 2013	**Jan 1, 2012**
Effect of changes in accounting for defined benefit plans net of tax	–	-2,878
Effect of changes in tax rates on changes in defined benefit plans	–	-129
Effect of changes in accounting for defined benefit plans in associates	–	-9
Adjustment of opening balance related to Turkcell (inflation accounting in Belarus)	–	110
Total effect on opening balance	–	**-2,906**

Earnings per share and dividends

	Jan–Dec 2013	**Jan–Dec 2012**
Net income attributable to owners of the parent (SEK million)	14,970	19,886
Average number of outstanding shares, basic and diluted (thousands)	4,330,085	4,330,085
Earnings per outstanding share, basic and diluted (SEK)	3.46	4.59
Ordinary cash dividend (for 2013 as proposed by the Board of Directors)		
– Per share (SEK)	3.00	2.85
– Total (SEK million)	12,990	12,341

C20. 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	Dec 31, 2013 Limit (in millions)	Utilized (in millions)	Interest rate type Floating	Fixed	Average maturity (years)	Dec 31, 2012 Limit (in millions)	Utilized
TeliaSonera AB	Euro Medium Term Note (EMTN)	Uncommitted, International, Long-term	EUR	11,000	9,145	1,029	8,116	8.0	11,000	9,744
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	–	–	–	–	12,000	–

Borrowings

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

SEK in millions	Dec 31, 2013 Carrying value	Fair value	Dec 31, 2012 Carrying value[1]	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	19,289	20,225	17,600	18,016
Interest rate swaps at fair value	254	254	340	340
of which designated as hedging instruments	*220*	*220*	*340*	*340*
of which held-for-trading	*34*	*34*	–	–
Cross currency interest rate swaps at fair value	1,630	1,630	1,956	1,956
of which hedging net investments	*594*	*594*	*225*	*225*
of which designated as hedging instruments	*245*	*245*	*193*	*193*
of which held-for-trading	*791*	*791*	*1,538*	*1,538*
Subtotal *(see Fair value hierarchy levels – Note C25)*	***21,173***	***22,109***	***19,896***	***20,312***
Open-market financing program borrowings	57,026	60,698	59,915	67,234
of which hedging net investments	*40,967*	*44,432*	*46,246*	*50,606*
of which at amortized cost	*16,059*	*16,266*	*13,669*	*16,628*
Other borrowings at amortized cost	1,834	1,834	2,311	2,311
Subtotal *(see Categories – Note C25)*	***80,033***	***84,641***	***82,122***	***89,857***
Finance lease agreements	56	56	62	62
Total long-term borrowings	**80,089**	**84,697**	**82,184**	**89,919**
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	2,735	2,818	401	413
Interest rate swaps designated as hedging instruments	31	31	29	29
Interest rate swaps held for trading	–	–	42	42
Cross currency interest rate swaps held-for trading	17	17	343	343
Subtotal *(see Fair value hierarchy levels – Note C25)*	***2,783***	***2,866***	***815***	***827***
Utilized bank overdraft and short-term credit facilities at amortized cost	811	811	423	423
Open-market financing program borrowings	5,954	5,995	5,204	5,280
of which hedging net investments	*2,308*	*2,329*	–	–
of which at amortized cost	*3,646*	*3,666*	*5,204*	*5,280*
Other borrowings at amortized cost	1,083	1,083	2,958	2,909
Subtotal *(see Categories – Note C25)*	***10,631***	***10,755***	***9,400***	***9,439***
Finance lease agreements	3	3	3	3
Total short-term borrowings	**10,634**	**10,758**	**9,403**	**9,442**

[1] Carrying values for 2012 have been re-distributed between "of which hedging net investments" and "of which at amortized cost".

The fair values of borrowings above relate to hierarchy level 2. For a description of valuation techniques, see Note C3 "Significant Accounting Principles", section "Fair value estimation".

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. As of December 31, 2013, long-term borrowings in fair value hedge relationships also included borrowings hedging net investments. These loans have final maturities in 2017 (SEK 4,310 million), 2020 (SEK 2,751 million) and 2021 (SEK 2,267 million).

The nominal value of TeliaSonera AB's portfolio of interest rate swaps and cross currency interest rate swaps as of the end of the reporting period was as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Nominal portfolio value	72,100	74,500
of which intended for overall management of the funding portfolio structure and hence not included in hedge relationships	*300*	*300*

Refer to Note C25 "Financial Assets and Liabilities by Category and Level" for more information on financial instruments classified by category/fair value hierarchy level and to Note C26 "Financial Risk Management" for information on maturities and management of liquidity risk, currency risk, interest rate risk and financing risk, respectively.

C21. Provisions for Pensions and Employment Contracts

Post-employment benefits

TeliaSonera provides defined benefit pension plans 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 (ITP 2 plan) defined benefit plan. However, all employees born in 1979 and later are covered by a defined contribution pension plan (the ITP 1 plan). The part of the ITP 2 multi-employer pension plan that is secured by paying pension premiums to Alecta is accounted for as a defined contribution plan as the plan administrator does not provide sufficient information necessary to account for the plan as a defined benefit plan. TeliaSonera´s portion of total premiums in the Alecta ITP 2 plan is 0.2 percent and the share of total number of active insured in ITP 2 is 1.0 percent. Expected contributions to the ITP 2 plan for 2014 are SEK 29 million.

TeliaSonera's employees in Finland are entitled to statutory pension benefits pursuant to the Finnish Employees Pensions Act, a defined benefit pension arrangement with retirement, disability, unemployment and death benefits (TyEL pension). In addition, certain employees have additional pension coverage through a supplemental pension 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).

TeliaSonera Norway operates a defined benefit pension, which was closed for new entrants in 2011, and is also member of the union negotiated AFP scheme which is a complement to the state pension.

The pension obligations are secured mostly by pension funds, but also by provisions in the statements of financial position combined with pension credit insurance.

TeliaSonera's defined benefit plan members are approximately divided between the following groups; 20 percent active members, 37 percent vested deferreds and 43 percent retirees.

TeliaSonera'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.

Pension obligations and pension expenses

Total amounts recognized in the statements of financial position for pension obligations were as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Present value of funded pension obligations	21,431	24,467
Fair value of plan assets	-22,269	-21,002
Surplus/Deficit of funded plans	**-838**	**3,465**
Present value of unfunded pension obligations	755	1,238
Net assets (-)/provisions (+) for pension obligations	**-83**	**4,703**
of which recognized as provisions	*1,468*	*4,703*
of which recognized as assets	*-1,551*	–

Total pension expenses were distributed as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Current service cost	553	495
Curtailment of pension obligations	-104	-52
Termination benefits	128	151
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	623	638
Pension-related social charges and taxes, other pension expenses	109	117
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring charges	-181	-198
Total pension expenses in operting income	**1,128**	**1,151**
of which defined benefit pension plans	*449*	*443*
of which pension premiums paid to the ITP pension plan	*36*	*73*
Net interest on the net defined liability (asset)	147	112
Total pension expense in financial items	**147**	**112**
Remeasurements gains (-)/losses (+)		
Gain/loss from change in financial assumptions	-3,002	2,221
Experience gains/losses	-996	116
Gain/loss from change in demographic assumptions	31	–
Return on plan assets (excluding interest income)	-435	-702
Total pension expenses recorded in OCI, defined benefit pension plans	**-4,402**	**1,635**

The pension expense for 2013 and 2012 was reduced due to curtailment effects, for more information see note C22 "Other Provisions".

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Specifications to defined benefit obligations and fair value of plan assets

Movements in the present value of the defined benefit obligation were as follows.

SEK in millions	2013	2012
Opening balance	25,705	22,942
Opening balance adjustment new accounting principle	–	229
Present value of pension obligations	**25,705**	**23,171**
Current service cost	553	495
Interest expenses	876	902
Benefits paid	-1,159	-1,180
Benefits paid, early retirement	-13	-14
Termination benefits	128	151
Curtailment of pension obligations	-104	-52
Reclassification	59	–
Remeasurements gains (-)/losses (+)		
Gain/loss from change in financial assumptions	-3,002	2,221
Experience gains/losses	-996	116
Gain/loss from change in demographic assumptions	31	–
Exchange rate differences	108	-105
Closing balance, present value of pension obligations	**22,186**	**25,705**

Movements in the fair value of plan assets were as follows.

SEK in millions	2013	2012
Opening balance, fair value of plan assets	21,002	19,774
Interest income	729	790
Contribution to pension funds	64	72
Payment from pension funds	-69	-251
Remeasurements gains (-)/losses (+)		
Return on plan assets (excl. interest income)	435	702
Exchange rate differences	108	-85
Closing balance, fair value of plan assets	**22,269**	**21,002**

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. These assumptions are the significant assumptions based on the risk for changes in pension obligation for TeliaSonera. The discount rate reflects the rates at which the pension obligation could be effectively settled and affects the value of the defined benefit obligation.

As in previous years the discount rate for Sweden is determined by the covered bond market. Management adjusts the reference rate derived from the covered bond market yields to reflect any differences between the inflation rate used to estimate expected annual adjustments to pensions and the implied inflation rate indicated by the financial markets at the end of the reporting period. The discount rate for Finland is based on high-quality corporate bonds with long duration. Norway set the discount rate after the same basis as Sweden.

The expected annual adjustments and increased longevity have an impact on future pension payments and therefore the pension obligation. The management has chosen to use the annual inflation target rates set by the national and European central banks. See below for a sensitivity analysis related to a change in the significant assumptions used in calculating the pension provision.

Percentages, except longevity	Dec 31, 2013	Dec 31, 2012
Discount rate	4.18	3.50
Annual adjustments to pensions	2.00	2.00
Longevity		
life expectancy 65 year old male (year)	*20*	*20*
life expectancy 65 year old female (year)	*23*	*23*

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows.

	Change in assumption (p.p.)	Impact on defined benefit obligation (SEK in millions)
Discount rate	+0.50	-1,827
Discount rate	-0.50	+1,980
Annual adjustments to pensions	+0.50	+2,061
Annual adjustments to pensions	-0.50	-1,841
Longevity	+1 year	+904

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may by correlated.

Investment strategy

The assets of TeliaSonera´s pension funds constitute pension plan assets and are valued at fair value. The pension fund assets are used as prime funding source for the pension obligations, and primarily exist in Sweden and Finland. The pension funds invest the assets in such a manner that the liquidity of the pension funds is ensured. The investment horizons are long-term and are aiming for covering the growth of pension liability. The weighted average duration for the pension obligation plans is

Plan-asset allocation

As of the end of the reporting period, plan assets were allocated as follows.

SEK in millions	Dec 31, 2013				Dec 31, 2012			
Asset category	Quoted	Unquoted	Total	Percent	Quoted	Unquoted	Total	Percent
Equity instruments	7,181	109	7,290	33	7,503	98	7,601	36
Debt instruments	11,058	345	11,403	51	9,948	240	10,188	49
Real estate	–	282	282	1	–	266	266	1
Cash & cash equivalents	266	16	282	1	267	22	289	1
Alternative investments	81	2,795	2,876	13	76	2,440	2,516	12
Other	–	136	136	1	–	142	142	1
Total	**18,586**	**3,683**	**22,269**	**100**	**17,794**	**3,208**	**21,002**	**100**
of which shares in TeliaSonera AB	*19*		*19*	*0.1*	*15*		*15*	*0.1*

approximately 17 years. Investment plans are approved by the pension fund boards. The investment activities shall also comply with the rules and regulations issued by the authorities governing pension foundations. For the Swedish pension fund there is a minimum funding requirement that TeliaSonera apply.

As of December 31, 2013, the strategic asset allocation decided by the Board of the Swedish Fund, which represents approximately 85 percent of the total Group plan assets, was 60 percent fixed income, 32 percent equities and 8 percent alternative investments. Alternative investments include hedge funds and private equity. The actual allocation may fluctuate from the strategic allocation in a range of +15/-15 percentage points for fixed income and in a range of +10/-10 percentage points for equities.

The portion of the pension obligations not covered by plan assets is recognized in the statements of financial position.

Future contributions

For companies in Sweden, pension liabilities are secured also by pension credit insurance. This means that, should the net provision for pension obligation increase, each company can choose if and when to contribute to the pension fund or otherwise to recognize a provision. To pension fund outside of Sweden, TeliaSonera expects to contribute SEK 86 milion in 2014.

C22. Other Provisions

Changes in other provisions were as follows.

	December 31, 2013					
SEK in millions	Put options and contingent consideration	Restructuring provisions	Asset retirement obligations	Warranty provisions	Other provisions	Total
Opening balance	7,541	686	2,529	208	429	**11,393**
of which financial liabilities at amortized cost	*532*	–	–	–	–	***532***
Provisions for the period, net	–	1,252	151	19	55	**1,477**
Operations divested	-519	–	–	–	–	**-519**
Utilized provisions	–	-948	-93	-5	-64	**-1,110**
Reversals of provisions	–	-17	10	–	-5	**-12**
Adjustments related to goodwill	239	–	–	–	–	**239**
Reclassifications	-11	-238	55	-177	64	**-307**
Timing and interest-rate effects	55	–	44	–	–	**99**
Exchange rate differences	-21	3	7	3	3	**-5**
Closing balance	**7,284**	**738**	**2,703**	**48**	**482**	**11,255**
of which non-current portion	7,284	157	2,635	48	126	**10,250**
of which current portion	–	581	68	–	356	**1,005**
of which financial liabilities at amortized cost (see Categories – Note C26)	–	–	–	–	*25*	***25***

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note C25 “Financial Assets and Liabilities by Category and Level” for more information on financial instruments classified by category. As of December 31, 2013, contractual undiscounted cash flows for the financial liabilities represented the following expected maturities. Expected maturity refers to the earliest point in time, based on the agreement terms, at which the counterpart might call for settlement.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total	Carrying value
Financial liabilities	–	–	–	25	–	–	–	–	–	25	**25**

Put options and contingent consideration

The non-current portion of provisions for put options and contingent consideration relates to Xfera Móviles S.A. (Xfera), Azertel Telekomünikasyon Yatirim ve Dis Ticaret A.S. (Azertel) and TeliaSonera Uzbek Telecom Holding B.V. (Uzbek Holding).

For Xfera, which was acquired in 2006, the closing balance comprises in total SEK 903 million (SEK 1,381 million in 2012) 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 holders of non-controlling interests 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 8.4 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 Azertel, the parent company of the mobile operator Azercell Telekom B.M. (Azercell) in Azerbaijan, the closing balance comprises SEK 5,891 million (SEK 5,146 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 Fintur Holdings B.V will apply. In such circumstances, the put option gives the largest holder of non-controlling interests the right to sell its 42 percent holding in Azertel to Fintur Holdings B.V. TeliaSonera consolidates 74.3 percent of Fintur. 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 10-year business plan with a post-tax discount rate (WACC) of 12.7 percent and a terminal growth rate of free cash flow of 3.5 percent. The provision may vary as a result of changes in Azertel'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 487 million (SEK 482 million) for a put option originally 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 gave the existing holder of the non-controlling interest the right to sell its 26 percent interest in Uzbek Holding to TeliaSonera. In 2010, TeliaSonera acquired 20 percent of the shares in Uzbek Holding resulting in a total holding of 94 percent. Following this transaction, the terms of the put option were amended. The put option refers to 6 percent of the shares and is exercisable after February 15, 2013. The exercise price is equal to the higher of either a fixed amount of USD 75 million or the fair value at the time of exercise as determined by independent appraisal. The provision represents the present value of management's best estimate of the amount required to settle the liability.

The 2012 closing balance of the contingent consideration regarding Nepal Satellite Telecom Pvt. Ltd was SEK 521 million. Nepal Satellite was sold during 2013, hence the contingent consideration is zero as of December 31, 2013.

Put options and financial receivables are offset when there is an enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to settle the put option and financial receivable simultaneously (Ncell and Rodnik).

Restructuring provisions

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.

OPEX savings programs

Efficiency measures have been initiated, mainly in the Nordics and Baltics, that affected over 2,100 employees since the program was initiated in the fourth quarter of 2012. The program will lower the cost base by SEK 2 billion over two years. The total cost for the reductions was SEK 1.2 billion in 2013. In addition, there are provisions related to previous restructuring programs in Finland starting in 2009.

Asset retirement obligations, Warranty provisions, Other provisions

Asset retirement obligations mainly refer to handling hazardous waste such as worn-out telephone poles impregnated with creosote or arsenic and to dismantling and restoration of mobile and fixed network sites. Remaining provisions as of December 31, 2013, are expected to be fully utilized in the period 2014–2062, depending on factors such as any contractual renewal options for site leases and dismantling plans decided by management.

Warranty provisions mainly comprise estimated future expenses for warranties related to products and services sold. Full utilization of these provisions is expected in the period 2014-2015.

Other provisions include provisions for damages and court cases, for payroll taxes on future pension payments and for onerous and other loss-making contracts, and insurance provisions as well as estimated expenses related to fulfilling representations made and warranties given and to potential litigation, etc. in connection with disposals and winding-up of group entities, associated companies and other equity holdings. Full utilization of these provisions is expected in the period 2014–2024.

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.

C23. Other Long-term Liabilities

Other long-term non-interest-bearing liabilities were distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Danish license fee liabilities at amortized cost	145	171
Finnish license fee liability at amortized cost	162	–
Other liabilities at amortized cost	12	3
Liabilities at amortized cost *(see Categories – Note C25)*	***319***	***174***
Prepaid operating lease agreements	372	397
Other liabilities	665	619
Total other long-term liabilities	**1,356**	**1,190**

For liabilities at amortized cost, the carrying value approximates fair value as the impact of discounting using market interest rates at the end of the reporting period was insignificant. Refer to Note C25 "Financial Assets and Liabilities by Category and Level" for more information on financial instruments classified by category and to Note C26 "Financial Risk Management" on management of liquidity risk.

As of December 31, 2013, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	2015	2016	2017	2018	Later years	Total	Carrying value
Liabilities at amortized cost	120	118	116	42	9	405	**319**

For information on leases, see Note C27 "Leasing Agreements". Other liabilities mainly comprise customer advances for broadband build-out. Further included was deferred "day 1 gains" which changed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012[1]
Opening balance	104	127
Recognized in net income	-18	-18
Exchange rate differences	4	-5
Closing balance	**90**	**104**
of which current portion	*18*	*18*

[1] 2012 restated for comparability.

C24. Trade Payables and Other Current Liabilities

Trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Currency swaps, forward exchange contracts and currency options held-for-trading	171	135
of which hedging net investments	–	*15*
Subtotal *(see Fair value hierarchy levels – Note C25)*	***171***	***135***
Accounts payable at amortized cost	11,691	10,433
Current liabilities at amortized cost	2,496	2,406
Subtotal *(see Categories – Note C25)*	***14,358***	***12,974***
Other current liabilities	6,459	6,899
Deferred income	3,857	4,660
Total trade payables and other current liabilities	**24,674**	**24,533**

For accounts payable and current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Refer to Note C25 "Financial Assets and Liabilities by Category and Level" for more information on financial instruments classified by category/fair value hierarchy level and to Note C26 "Financial Risk Management" on management of liquidity risk. As of December 31, 2013, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	Total
Liabilities at amortized cost	12,929	1,034	28	196	**14,187**

Corresponding information for currency derivatives held-for-trading are presented in section "Liquidity risk management" to Note C26 "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 subscription and other telecom charges. Included is also the current portion of deferred "day 1 gains" (refer to Note C23 "Other Long-term Liabilities").

C25. Financial Assets and Liabilities by Category and Level

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Excluded are financial instruments which are discussed in Note C14 "Investments in Associated Companies and Joint Ventures", Note C21 "Provisions for Pensions and Employment Contracts" and Note C27 "Leasing Agreements", respectively.

SEK in millions	Note	Dec 31, 2013	Dec 31, 2012
Financial assets			
Derivatives designated as hedging instruments	C15, C18	1,533	1,790
Financial assets at fair value through profit and loss		1,444	639
of which derivatives not designated as hedging instruments	*C15, C17, C18*	*1,374*	*570*
of which held-for-trading investments	*C15*	*70*	*69*
Held-to-maturity investments	C15, C18	367	210
Loans and receivables	C15, C17, C18	60,675	60,326
Available-for-sale financial assets	C15	192	193
Total financial assets by category		**64,211**	**63,158**
Financial liabilities			
Derivatives designated as hedging instruments	C20, C24	1,090	802
Derivatives not designated as hedging instruments	C20, C24	1,013	2,044
Borrowings in fair value hedge relationships	C20	22,025	18,001
Borrowings hedging net investments	C20	40,967	46,246
Financial liabilities measured at amortized cost	C20, C22, C23, C24	37,939	38,110
Financial guarantees	C22	25	–
Total financial liabilities by category		**103,059**	**105,203**

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities measured at fair value were distributed by fair value hierarchy level as follows.

		December 31, 2013				December 31, 2012			
		Carrying	of which			Carrying	of which		
SEK in millions	Note	value	Level 1	Level 2	Level 3	value	Level 1	Level 2	Level 3
Financial assets at fair value									
Equity instruments available-for-sale	C15	190	–	–	190	**189**	–	–	189
Equity instruments held-for-trading	C15	70	–	–	70	**69**	–	–	69
Convertible bonds available-for-sale	C15, C18	162	160	–	2	**4**	–	–	4
Derivatives designated as hedging instruments	C15, C18	1,533	–	1,533	–	**1,790**	–	1,790	–
Derivatives held-for-trading	C15, C17, C18	1,374	–	1,374	–	**570**	–	569	–
Total financial assets at fair value by level		**3,329**	**160**	**2,907**	**262**	**2,622**	**–**	**2,359**	**262**
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	C20	22,025	–	22,025	–	**18,001**	–	18,001	–
Derivatives designated as hedging instruments	C20	1,090	–	1,090	–	**802**	–	802	–
Derivatives held-for-trading	C20, C24	1,013	–	1,013	–	**2,044**	–	2,044	–
Total financial liabilities at fair value by level		**24,128**	**–**	**24,128**	**–**	**20,847**	**–**	**20,847**	**–**

There were no transfers between Level 1 and 2 in 2013 and 2012. Level 3 financial assets changed as follows.

	December 31, 2013				December 31, 2012			
SEK in millions	Equity instruments available-for-sale	Equity instruments held-for-trading	Convertible bonds available-for-sale	Total	Equity instruments available-for-sale	Equity instruments held-for-trading	Convertible bonds available-for-sale	Total
Level 3, opening balance	189	69	4	**262**	200	52	4	**256**
Changes in fair value	–	-1	-2	**-3**	–	2	–	**2**
of which recognized in net income	*–*	*-1*	*-2*	***-3***	*–*	*2*	*–*	***2***
Purchases/capital contributions	2	–	–	**2**	–	16	–	**16**
Exchange rate differences	-1	2	–	**1**	-11	-1	–	**-12**
Level 3, closing balance	**190**	**70**	**2**	**262**	**189**	**69**	**4**	**262**

Changes in fair value recognized in net income are included in line item Other financial items, see specification in Note C9 "Finance Costs and Other Financial Items".

C26. 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 Group Treasury unit of TeliaSonera AB, which functions as TeliaSonera's internal bank and is responsible for the management of financing and financial risks.

Group Treasury is responsible for financial risk management including group policies and instructions and netting or pooling of capital requirements and cash. Group Treasury also seeks to optimize the cost of financial risk management, which in certain cases may mean that e.g. an intercompany 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, CFO has a clearly defined deviation mandate which is capped at the equivalent of a nominal SEK +/-500 million, expressed as the long/short SEK counter-value amount that may be exposed to currency fluctuations.

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.

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 50 percent of net income attributable to owners 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 counterparts (including price risks as regards investments in equity instruments), with a maximum exposure equal to the carrying amount of these instruments (detailed in the respective note), as follows.

SEK in millions	Note	Dec 31, 2013	Dec 31, 2012
Other non-current assets	C15	10,172	12,086
Trade and other receivables	C17	16,932	18,555
Interest-bearing receivables	C18	6,313	3,647
Cash and cash equivalents	C18	31,721	29,805
Total		**65,138**	**64,093**

When entering into financial transactions such as interest rate swaps, cross currency swaps and other transactions in derivatives, TeliaSonera AB accepts only creditworthy counterparts with a solid investment grade rating. 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 the end of the reporting period, the aggregate exposure to counterparts in derivatives was distributed by counterpart long-term rating with Standard & Poor's as follows. In line with recommendations issued by the Basel Committee on Banking Supervision, exposures are calculated as the net claim on each counterpart with an add-on amount intended to give a margin for a potential future exposure.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Counterpart rating AA-	472	245
Counterpart rating A+	776	571
Counterpart rating A	1,219	943
Counterpart rating A-	867	242
Counterpart rating BBB+	–	7
Total exposure to counterparts in derivatives	**3,334**	**2,008**

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 0.7 percent in 2013 and 0.6 percent in 2012.

Surplus cash in TeliaSonera may be invested in bank deposits, commercial papers issued by banks or corporates with at least a rating of A1 (Standard & Poors) or P1 (Moody´s), government bonds and treasury bills issued by Swedish, Finnish, Norwegian or Danish governments and municipals, and investment funds and securitized assets with AAA rating. There are no limits for investments in government papers. For deposits 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 and for other investments the maturity is limited to 3 years. Furthermore, for maturities longer than 1 month, the exposure per bank is limited to SEK 2,500 million and for other investments the maximum exposure is MSEK 200 for banks and corporates, MSEK 500 for municipals and MSEK 1,000 for Investment Funds and Securitized Assets.

Liquidity risk management

Liquidity risk is the risk that TeliaSonera will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. TeliaSonera has internal control processes and contingency plans for managing liquidity risk. A centralized daily cash pooling process enables TeliaSonera to manage liquidity surpluses and deficits according to the actual needs on group and subsidiary level. The short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from operations.

TeliaSonera's policy is to have a strong liquidity position in terms of available cash and/or unutilized committed credit facilities.

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SEK in millions	Dec 31, 2013	Dec 31, 2012
Surplus liquidity		
Short-term investments (see also Note C18)	22,618	25,925
Cash and bank (see also Note C18)	9,453	4,043
Total surplus liquidity	**32,071**	**29,968**
Committed credit facilities		
Revolving credit facilities (limit amount)	8,943	10,017
Bank overdraft and short-term credit facilities (limit amount)	1,929	1,718
Utilized credit facilities	-617	-388
Total unutilized committed credit facilities	**10,255**	**11,347**
Liquidity position	**42,326**	**41,315**

TeliaSonera's surplus liquidity is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. As of December 31, 2013, TeliaSonera AB had short-term investments in interest-bearing securities with maturities exceeding 3 months of SEK 180 million (2012, SEK 75 million). The average yield on bank deposits and short-term investments at the end of the reporting period was 1.02 percent in 2013 and 0.4 percent in 2012.

TeliaSonera's committed bank credit facilities and overdraft facilities, intended for short-term financing and back-up purposes, were as follows.

In millions of the respective currency					Dec 31, 2013	Dec 31, 2012
Group entity	Type	Characteristics	Final maturity	Currency	Limit	Limit
TeliaSonera AB	Revolving credit facility	Committed, syndicated	December 2017	EUR	1,000	1,000
TeliaSonera AB	Revolving credit facility	Committed, bilateral	June 2013	SEK	–	1,400
TeliaSonera AB and subsidiaries	Bank overdraft facility	Committed, bilateral	–	SEK (various)	1,929	1,718

As of December 31, 2013, 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 as of the end of the reporting period. 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.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Utilized bank overdraft and short-term credit facilities	308	308	–	–	–	–	–	–	–	**616**
Open-market financing program borrowings	9,517	338	302	1,490	11,283	6,834	10,184	3,553	67,551	**111,052**
Other borrowings	1,098	0	0	867	296	1,019	341	294	600	**4,515**
Finance lease agreements	1	1	1	1	11	9	9	9	17	**59**
Cross currency interest rate swaps and interest rate swaps										
Payables	356	1,560	1,621	556	11,932	5,430	3,209	1,730	17,380	**43,774**
Receivables	-543	-1,678	-1,553	-592	-11,896	-5,507	-3,299	-1,579	-18,147	**-44,794**
Currency swaps and forward exchange contracts										
Payables	71,123	–	8	142	16	–	–	–	–	**71,289**
Receivables	-71,048	–	-8	-144	-16	–	–	–	–	**-71,216**
Total, net	**10,812**	**529**	**371**	**2,320**	**11,626**	**7,785**	**10,444**	**4,007**	**67,401**	**115,295**

Expected maturities for and additional information on non-interest-bearing provisions and liabilities, guarantees and other contractual obligations are presented in Notes C22 "Other Provisions", C23 "Other Long-term Liabilities", C24 "Trade Payables and Other Current Liabilities" and C29 "Contingencies, Other Contractual Obligations and Litigation", respectively.

Currency risk management

Currency risk is the risk that fluctuations in foreign exchange rates will adversely affect the group's results, financial position 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). 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 may also be used from time to time.

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As of December 31, 2013, 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	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct– Dec 2014	2015	2016	2017	2018	Later years	Total
Buy EUR	–	1,326	–	–	9,131	2,482	2,378	465	–	**15,782**
Buy GBP	–	–	–	–	–	–	–	–	5,183	**5,183**
Buy JPY	–	–	–	–	–	–	298	657	–	**955**
Buy NOK	–	–	–	–	–	–	–	–	446	**446**
Buy foreign currencies total	–	***1,326***	–	–	***9,131***	***2,482***	***2,676***	***1,122***	***5,629***	***22,366***
Buy SEK	–	–	1,181	–	1,195	2,928	–	–	4,973	**10,277**
Buy total	–	**1,326**	**1,181**	–	**10,326**	**5,410**	**2,676**	**1,122**	**10,602**	**32,643**
Sell NOK	–	-1,074	-1,098	–	-3,331	-4,605	-903	–	–	**-11,011**
Sell EUR	–	–	–	–	–	–	–	–	-5,567	**-5,567**
Sell USD	–	–	–	–	–	-422	–	–	–	**-422**
Sell foreign currencies total	–	***-1,074***	***-1,098***	–	***-3,331***	***-5,027***	***-903***	–	***-5,567***	***-17,000***
Sell SEK	–	-193	–	–	-7,423	–	-1,812	-1,372	-5,433	**-16,233**
Sell total	–	**-1,267**	**-1,098**	–	**-10,754**	**-5,027**	**-2,715**	**-1,372**	**-11,000**	**-33,233**
Net position, cross currency interest rate swaps	–	**59**	**83**	–	**-428**	**383**	**-39**	**-250**	**-398**	**-590**

As of December 31, 2013, the TeliaSonera'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	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct– Dec 2014	2015	2016	2017	2018	Later years	Total
Buy EUR	45,677	–	–	–	–	–	–	–	–	**45,677**
Buy DKK	1,046	–	–	–	–	–	–	–	–	**1,046**
Buy NOK	745	–	–	–	–	–	–	–	–	**745**
Buy USD	115	–	–	–	–	–	–	–	–	**115**
Buy GBP	34	–	–	–	–	–	–	–	–	**34**
Buy foreign currencies total	***47,617***	–	–	–	–	–	–	–	–	***47,617***
Buy SEK	23,431	–	8	144	16	–	–	–	–	**23,599**
Buy total	**71,048**	–	**8**	**144**	**16**	–	–	–	–	**71,216**
Sell USD	-10,924	–	–	-134	–	–	–	–	–	**-11,058**
Sell DKK	-6,402	–	-8	-8	-16	–	–	–	–	**-6,434**
Sell NOK	-6,236	–	–	–	–	–	–	–	–	**-6,236**
Sell EUR	-3,833	–	–	–	–	–	–	–	–	**-3,833**
Sell LVL	-715	–	–	–	–	–	–	–	–	**-715**
Sell CZK	-105	–	–	–	–	–	–	–	–	**-105**
Sell other currencies	-74	–	–	–	–	–	–	–	–	**-74**
Sell foreign currencies total	***-28,289***	–	***-8***	***-142***	***-16***	–	–	–	–	***-28,455***
Sell SEK	-42,835	–	–	–	–	–	–	–	–	**-42,835**
Sell total	**-71,124**	–	**-8**	**-142**	**-16**	–	–	–	–	**-71,290**
Net position, currency swaps and forward exchange contracts	**-76**	–	**0**	**2**	**0**	–	–	–	–	**-74**

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Conversion exposure relates to net investments in foreign operations. TeliaSonera´s basic principle is not to hedge its conversion exposure. However, the CEO has a mandate to implement hedging up to a specific nominal limit. TeliaSonera's net investments in foreign operations were distributed by currency as follows.

	Dec 31, 2013		Dec 31, 2012	
Currency	Amount in SEK million	Percent	Amount in SEK million	Percent
EUR	96,482	62.1	108,652	63.8
of which hedged through borrowings	*40,939*	*26.4*	*41,084*	*24.1*
of which hedged through derivatives	*7,233*	*4.7*	*7,281*	*4.3*
RUB	6,963	4.5	6,259	3.7
TRY	19,755	12.7	21,306	12.5
DKK	2,303	1.5	11,154	6.5
NOK	5,117	3.3	2,858	1.7
of which hedged through borrowings	*413*	*0.3*	*430*	*0.3*
LTL	5,345	3.4	5,481	3.2
UZS	3,010	1.9	3,109	1.8
NPR	4,862	3.1	5,320	3.1
USD	-846	-0.5	-4,068	-2.4
AZN	3,511	2.3	2,759	1.6
KZT	3,584	2.3	2,031	1.2
LVL	2,140	1.4	2,190	1.3
GEL	1,206	0.8	1,204	0.7
TJS	879	0.6	772	0.5
MDL	512	0.3	–	–
GBP	234	0.2	690	0.4
Other currencies	269	0.1	696	0.4
Total	**155,326**	**100.0**	**170,413**	**100.0**

Transaction exposure sensitivity

In most cases, TeliaSonera customers are billed in their respective 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 net income would be approximately SEK 455 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 2013, and provided that no hedging measures were taken and not including any potential impact due to currency translation of other net income related items. Applying the same assumptions, the positive impact on net income would be approximately SEK 360 million on a full-year basis, should the Euro weaken by 10 percentage point and SEK 225 million if the Danish krone would weaken by the same amount against the Swedish krona.

Conversion exposure sensitivity

The positive impact on group equity would be approximately SEK 10.7 billion if the Swedish krona weakened by 10 percentage points against all conversion exposure currencies, based on the exposure as of December 31, 2013, 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 net income related items. TeliaSonera's conversion exposure is expected to grow due to ongoing expansion of the international business operations.

Interest rate risk management

TeliaSonera's sources of funds are primarily equity attributable to owners of the parent, cash flows from operating activities, and borrowings. 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.

Average interest rates, including relevant hedges, on TeliaSonera AB's outstanding long-term and short-term borrowings as of the end of the reporting period was as follows.

Percent	Dec 31, 2013	Dec 31, 2012
Long-term borrowings	3.46	3.73
Short-term borrowings	4.45	2.80

As of December 31, 2013, approximately 46 percent of total borrowings, including relevant hedges, was subject to interest rate adjustment within one year.

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 between 3 to 7 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, 2013, the TeliaSonera'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	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Interest received										
Fixed interest rate	2,738	1,326	1,181	–	12,335	4,962	5,497	657	15,634	**44,330**
Floating interest rate	701	–	–	–	6,770	1,724	2,205	766	1,064	**13,230**
Total received	**3,439**	**1,326**	**1,181**	**–**	**19,105**	**6,686**	**7,702**	**1,423**	**16,698**	**57,560**
Interest paid										
Fixed interest rate	-732	-193	-1,098	–	–	-1,369	-1,473	–	-11,610	**-16,475**
Floating interest rate	-2,617	-1,074	–	–	-18,899	-5,027	-5,847	-1,703	-5,465	**-40,632**
Total paid	**-3,349**	**-1,267**	**-1,098**	**–**	**-18,899**	**-6,396**	**-7,320**	**-1,703**	**-17,075**	**-57,107**
Net position	**90**	**59**	**83**	**–**	**206**	**290**	**382**	**-280**	**-377**	**453**

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TeliaSonera 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 (also including certain long-term borrowings hedging net investments, see Note C20 "Long-term and Short-term Borrowings"). Hedge ineffectiveness related to outstanding cash flow hedges was immaterial and recognized in net income. Net changes in fair value recognized in other comprehensive income are offset in a hedging reserve as a component of equity (see Note C11 "Other Comprehensive Income"). In 2013, 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, 2013, TeliaSonera had interest-bearing debt of SEK 86.9 billion with duration of interest of approximately 6 years, including derivatives. The volume of loans exposed to changes in interest rates over the next 12-month period was at the same date approximately SEK 39 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, 2014, at a one percentage point higher interest rate than the prevailing rate as per December 31, 2013, and remained at that new level during 12 months, the post-tax interest expense would increase by some SEK 305 million. Fair value of the loan portfolio would change by approximately SEK 5,760 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 2013.

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 refinancing risk. The Group's policy is that the average maturity of borrowings should normally exceed 4 years. In order to reduce refinancing risk, the Group aims to spread loan maturity dates over a longer period. As of December 31, 2013, TeliaSonera AB borrowings had an average time to maturity of approximately 8.2 years.

TeliaSonera AB enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's. In May 2013, Moody's Investors Service confirmed the stable outlook for its assigned credit rating on TeliaSonera AB of A3 for long-term borrowings and Prime-2 for short-term borrowings. In January 2014, Standard & Poor's Ratings Services 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. 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 mainly 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 1 percent of the Group's total borrowing as of December 31, 2013. The communicated funding strategy themes have been to increase duration and diversify funding sources. This increase flexibility and ensures access to markets to enable attractive pricing. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing.

Pension obligation risk

See note C21 "Provisions for Pensions and Employment Contracts" for details on the pension obligation risks.

Pension obligation risk sensitivity

See note C21 "Provisions for Pensions and Employment Contracts" for details on sensitivity analysis for pension obligations.

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.

Master netting arrangements and similar agreements

For derivatives in the financial operations, CSAs (credit support annex) may be entered into as an annex to the respective master agreement, and are recognized as other current receivables/liabilities. Under the CSA, the parties agree to provide each other with eligible support, which is calculated based on a weekly exposure under the specific agreement Funds transferred and interest accrued under a CSA agreement is not considered collateral.

TeliaSonera have executed ISDA Master Agreements for its OTC derivative business, i.e. interest rate and currency derivatives, with all of its core banks. These ISDA Master Agreements allow the parties to do close-out nettings. If TeliaSonera has a commitment of a NCI option linked to a receivable from the same counter party and the shares are held as collateral for the receivable, then the receivable and liability is recognized and offset in the statement of financial position.

		December 31, 2013					
SEK in millions	**Note**	**Gross amounts, financial assets**	**Gross amounts, financial liabilites**	**Net amounts of financial assets in the statement of financial position**	**Related financial liabilities that are not set off**	**CSA**	**Net amount**
Interest and cross currency interest rate swaps	C15, C18	2,383	–	2,383	-597	–	1,786
Currency swaps and forward exchange contracts	C15, C17	524	–	524	-164	–	360
Receivables set off by NCI options	C22	1,475	-1,475	0	0	–	0
Other receivables		22	-9	13	–	–	13
Total		**4,404**	**-1,484**	**2,920**	**-761**	–	**2,159**

		December 31, 2013					
SEK in millions	**Note**	**Gross amounts, financial liabilities**	**Gross amounts, financial assets**	**Net amounts of financial liabilities in the statement of financial position**	**Related financial assets that are not set off**	**CSA**	**Net amount**
Interest and cross currency interest rate swaps	C20	1,931	–	1,931	-597	-494	840
Currency swaps and forward exchange contracts	C24	171	–	171	-164	–	7
Other liabilites		25	-8	17	–	–	17
Total		**2,127**	**-8**	**2,119**	**-761**	**-494**	**864**

		December 31, 2012					
SEK in millions	**Note**	**Gross amounts, financial assets**	**Gross amounts, financial liabilites**	**Net amounts of financial assets in the statement of financial position**	**Related financial liabilities that are not set off**	**CSA**	**Net amount**
Interest and cross currency interest rate swaps	C15, C18	1,948	–	1,948	-658	–	1,290
Currency swaps and forward exchange contracts	C15, C17	413	–	413	-104	–	309
Receivables set off by NCI options	C22	1,499	-1,499	0	0	–	0
Total		**3,694**	**-1,499**	**2,361**	**-762**	**–**	**1,599**

		December 31, 2012					
SEK in millions	**Note**	**Gross amounts, financial liabilities**	**Gross amounts, financial assets**	**Net amounts of financial liabilities in the statement of financial position**	**Related financial assets that are not set off**	**CSA**	**Net amount**
Interest and cross currency interest rate swaps	C20	2,710	–	2,710	-658	-227	1,825
Currency swaps and forward exchange contracts	C24	135	–	135	-104	–	31
Total		**2,845**	**–**	**2,845**	**-762**	**-227**	**1,856**

C27. 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 end of the reporting period was as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Cost	167	163
Less accumulated depreciation and impairment losses	-117	-111
Net carrying value of finance lease agreements	**50**	**52**

In 2013 and 2012, depreciation and impairment losses totaled SEK 43 million and SEK 10 million, respectively. Leasing fees paid in these years totaled SEK 10 million and SEK 12 million, respectively.

As of the end of the reporting period, the present value of future minimum leasing fees under non-cancelable finance lease agreements was as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Total future minimum leasing fees	74	83
Less interest charges	-8	-13
Present value of future minimum leasing fees	**66**	**70**

As of December 31, 2013, future minimum leasing fees and their present values as per finance lease agreements that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Future minimum leasing fees	1	1	1	1	14	12	12	12	20	**74**
Present value of future minimum lease payments	1	1	1	1	11	9	9	9	17	**59**

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, 2013, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Future minimum leasing fees	637	403	389	562	1,240	1,100	941	581	1,673	**7,526**
Minimum sublease payments	4	3	3	3	11	10	1	–	–	**35**

In 2013 and 2012, total rent and leasing fees paid were SEK 1,271 million and SEK 1,300 million, respectively. In these years, revenue for subleased items totaled SEK 13 million and SEK 16 million, respectively.

At the end of 2013, office space and technical site leases covered approximately 729,000 square meters, including approximately 5,700 square meters of office space for TeliaSonera's principal executive offices, located at Stureplan 8 in Stockholm, Sweden. Apart from certain short-term leases, leasing terms range between 3 months 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, Norway, Denmark and Estonia comprises financing related to TeliaSonera's product offerings. The term of the contract stock is approximately 15 quarters. The term of new contracts signed in 2013 was 15 quarters. Of all contracts, 64 percent carry a fixed interest rate and 36 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 it carries a fixed interest rate.

As of the end of the reporting period, the present value of future minimum lease payment receivables under non-cancelable finance lease agreements was as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Minimum lease payments receivable	1,064	1,072
Unguaranteed residual values accruing to the benefit of the lessor	8	0
Gross investment in finance lease contracts	**1,072**	**1,072**
Unearned finance income	-151	-136
Present value of future minimum lease payments receivable (net investment in finance lease contracts)	**921**	**936**

As of December 31, 2013, 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	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Gross investment	62	89	88	88	278	150	85	69	163	**1,072**
Present value of future minimum lease payments receivable	23	79	74	74	269	141	77	52	132	**921**

As of December 31, 2013 and 2012, the accumulated allowance for uncollectible minimum lease payments receivable totaled SEK 8 million and SEK 0 million, respectively. Credit losses on leasing receivables are reduced by gains from the sale of equipment returned.

Operating leases

The leasing portfolio refers mainly to the international carrier business and includes 20 agreements with other international operators and 79 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years. In addition, 379 operating lease agreements are related to TeliaSonera's product offerings to end-customers in Sweden and Finland. Contract periods range between 3 and 5 years, with an average term of approximately 3 years.

The carrying value of the leased assets as of the end of the reporting period was as follows:

SEK in millions	Dec 31, 2013	Dec 31, 2012
Cost	3,323	3,485
Less accumulated depreciation and impairment losses	-2,044	-2,210
Gross carrying value	**1,279**	**1,275**
Plus prepaid sales costs	–	–
Less prepaid lease payments	-404	-418
Net value of operating lease agreements	**875**	**857**

Depreciation and impairment losses totaled SEK 607 million in 2013 and SEK 585 million in 2012.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2013, that could not be canceled in advance and were in excess of one year were as follows:

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Future minimum lease payment receivables	56	81	89	89	249	126	37	8	7	742

C28. Related Party Transactions

The Swedish State and the Finnish State

The Swedish State holds 37.3 percent and the Finnish State currently holds 10.1 percent of the outstanding shares in TeliaSonera AB. The remaining 52.6 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 44 million in 2013 and SEK 45 million in 2012. 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 51 million in 2013 and SEK 49 million in 2012.

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 2013 and 2012, TeliaSonera paid EUR 2.0 million and EUR 2.3 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 2013 and 2012, TeliaSonera paid EUR 0.2 million and EUR 0.2 million, respectively, for data privacy supervision and EUR 1.2 million and EUR 1.0 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. These transactions are based on commercial terms.

Summarized information on transactions and balances with associated companies was as follows:

SEK in millions	January–December or December 31, 2013	2012
Sales of goods and services		
OAO MegaFon	197	73
Other	29	41
Total sales of goods and services	**226**	**114**
Total purchases of goods and services	**137**	**88**
Total trade and other receivables	**38**	**37**
Total loans receivable	**0**	**0**
Total trade and other payables	**19**	**60**

Pension and personnel funds

As of December 31, 2013, TeliaSonera's Finnish pension fund held 366,802 shares in TeliaSonera AB, or 0.01 percent of the voting rights. For information on transactions and balances, see Note C21 "Provisions for Pensions and Employment Contracts".

Commitments

TeliaSonera has made certain commitments on behalf of group companies and associated companies. See Note C29 "Contingencies, Other Contractual Obligations and Litigation" for further details.

Key management

See section "Remuneration to corporate officers" in Note C31 "Human Resources" for further details.

C29. Contingencies, Other Contractual Obligations and Litigation

Contingent assets and financial guarantees

As of the end of the reporting period, TeliaSonera had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Credit and performance guarantees, etc.	31	26
Subtotal *(see Liquidity risk – Note C26)*	***31***	***26***
Guarantees for pension obligations	284	318
Total financial guarantees	**315**	**344**

As of December 31, 2013, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Credit and performance guarantees	–	–	–	–	–	–	–	15	16	**31**

Some loan covenants agreed limit the scope for divesting or pledging certain assets. Some of TeliaSonera AB's more recent bond issuances include change-of-control provisions which under certain conditions allow the lenders to call back the bond before scheduled maturity. Conditions stipulated include a new owner taking control of TeliaSonera AB, as such also resulting in a lowering of TeliaSonera AB's official credit rating to a "non-investment grade" level.

For all financial guarantees issued, stated amounts equal the maximum potential future payments that TeliaSonera could be required to make under the respective guarantee.

Collateral held

In 2012, TeliaSonera sold all its shares in OAO Telecominvest (TCI) to AF Telecom Holding (AFT). The purchase price has not been fully paid and in order to secure the value of TeliaSonera´s receivable, currently SEK 5,934 million (of which SEK 1,978 million short-term), OAO MegaFon shares held by TCI, representing 4.9 percent of MegaFon's shares, are currently pledged to TeliaSonera. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to TeliaSonera.

Collateral pledged

As of the end of the reporting period, collateral pledged was distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
For long-term borrowings: Chattel mortgages	–	8
For pension obligations: Real estate mortgages	2	9
For pension obligations: Current receivables	–	35
For other provisions: Bonds and short-term investments	94	247
For operating leases: Real estate mortgages	–	2
For operating leases: Blocked funds in bank accounts	41	42
For deposits from customers: Blocked funds in bank accounts	24	24
For commitments under a shareholders' agreement: Shares in Mobile Payments AS	12	–
For commitments under a shareholders' agreement: Shares in 4T Sverige AB	37	20
Total collateral pledged	**210**	**387**

Under an agreement, all shareholders of 4T Sverige AB have mutually pledged their shares in the company in favor of the company's other shareholders.

Other unrecognized contractual obligations

As of December 31, 2013, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected investment period SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Intangible assets	136	45	21	5	1	–	–	–	–	**208**
Property, plant and equipment	1,201	608	174	305	187	182	180	151	–	**2,988**
Other holdings of securities	1	1	1	1	4	4	–	–	–	**12**
Total *(see Liquidity risk – Note C26)*	**1,338**	**654**	**196**	**311**	**192**	**186**	**180**	**151**	–	**3,208**

Most of the obligations with respect to property, plant and equipment refer to contracted build-out of TeliaSonera's fixed networks in Sweden.

TeliaSonera's Spanish subsidiary Xfera Móviles S.A. (Yoigo) 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 2014 is set to SEK 407 million (EUR 46 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 matters relating 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.

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 had abused its dominant position. The Authority demands a fine of SEK 144 million. In December 2011, the Stockholm District Court decided in accordance with the Competition Authority's demands. After TeliaSonera's appeal, the Market court decided in April 2013, to change the district court's ruling and ordered TeliaSonera to pay a fine of SEK 35 million. Following the Competition Authority's lawsuit, Tele2 has in April 2005, and Spray Network in June 2006, respectively, claimed substantial damages from TeliaSonera due to the alleged abuse of dominant market position. TeliaSonera has vigorously contested Tele2's and Spray Network's claims. The actions for damages are on-going.

TeliaSonera is currently involved in court cases with Primav Construcoes e Comercio, former shareholder of the Brazilian mobile operator Tess, relating to such shareholder's disposal of its investment 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 has vigorously contested all claims in connection with the disputes. On September 13, 2013, the court of first instance in Sao Paolo-SP, decided to dismiss all the pleadings made in the law suit and related proceedings, terminating the case. On October 4, 2013, Primav filed an appeal to the State Appellate Court against this decision.

In September 2013, Tele2 initiated an arbitral proceeding against TeliaSonera related to TeliaSonera's building of a UMTS network using 900 MHz frequencies. Tele2 claims that TeliaSonera's roll out of the network constitutes a breach of the agreement package regarding the parties jointly owned network company, Svenska UMTS nät AB (SUNAB). TeliaSonera's opinion is that the new network falls outside of the scope of the cooperation in SUNAB. TeliaSonera has vigorously contested Tele2's claims.

In 2013, certain subscribers of AO Kcell, TeliaSonera's subsidiary in Kazakhstan, complained on having been charged for voicemail services provided by Kcell without having signed for the services. The Kazakh Agency of Competition Protection (ACP) made an investigation and fined Kcell for KZT 10.9 billion. Kcell considered the amount of the fine to be excessive as it was calculated from total voice revenues, rather than from the specific revenues in question and therefore, Kcell filed a petition to the Administrative Court, which in December 2013 required the ACP to reconsider the amount of the fine. Kcell provided the ACP with information on revenues from the "Always Available" services for 2012 and 2013. However, due to lack of clarity in the legislation, the amount of a potential fine is subject to varying interpretations by the ACP, including the methodology of calculation and a wide range of application time periods. Therefore, Kcell management believes that it is not possible to reliably estimate the amount of a potential fine. Kcell expects to receive a new order from the ACP with the revised amount of the fine. Additionally, Kcell disagrees with the alleged violation and will challenge the position of the ACP in court. No provision has been recorded as of December 31, 2013.

Further, the ACP in September 2013 initiated an investigation on alleged violations by Kcell of the anti-monopoly law in respect to the "Daytime Unlimited" tariff plan. In January 2014, the ACP finalized the investigation and claimed abuse of market dominant position by Kcell leading to violation of customer rights, and fined Kcell for KZT 16.1 billion based on total voice revenue. Kcell does not agree with the allegations and will apply to the court to limit the fine to be based on the Kazakh Code of Administrative Offence Article 147 (part 3). However, due to different interpretations of the potential fine calculation methodology and the wide range of time scopes that the ACP may apply for its calculations, Kcell management believes that the outcome and amount of the fine is uncertain. Moreover, Kcell disagrees with the alleged violation and will challenge the position of the ACP in court. Therefore, no provision has been recorded as of December 31, 2013.

C30. Cash Flow Information

Cash flow from operating activities under the direct method presentation

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Cash receipts from customers	102,990	103,623
Cash paid to employees and suppliers	-68,552	-70,247
Cash flow generated from operations	**34,438**	**33,376**
Dividends received	2,170	12,513
Interest received	606	480
Interest paid	-3,127	-2,897
Income taxes paid	-3,051	-4,593
Cash flow from operating activities	**31,036**	**38,879**

Non-cash transactions

Asset retirement obligations (AROs)

In 2013 and 2012, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 220 million and SEK 651 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 189 million in 2013 and SEK 346 million in 2012.

Dividend to non-controlling interest

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Subsidiaries		
AO KCell	-347	-1,591
Fintur Holdings	-284	-1,681
Latvijas Mobilais Telefons SIA	-168	-185
TEO LT AB	-46	-127
Azertel Telekomünikasyon Yatirim ve Dis Ticaret A.S.	-398	-322
Other subsidiaries	-36	-23
Total dividend to non-controlling interest	**-1,279**	**-3,929**

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Business combinations, other acquisitions and disposals

The TeliaSonera Group is continually restructured by acquiring and divesting equity instruments or operations. In 2012, net cash outflow from business combinations included SEK 293 million related to the acquisition of Nepal Satellite Pvt. Ltd. in Nepal and cash outflow within financing activities referres mainly to the acquisition of non-controlling interests in AO Kcell SEK 10,541 million and TEO LT SEK 875 million. For information on business combination in 2013, see Note C33 "Business Combinations".

In 2012, cash inflow from other divestitures included SEK 9,170 million referring to the two-step disposal of shares in the associated company OAO MegaFon in Russia and cash outflow within financing activities is the proceeds from the disposal of AO Kcell.

For information of disposals in 2013 see Note C4 "Changes in Group Composition and Events after the Reporting Period".

C31. Human Resources

Employees, salaries, and social security expenses

During 2013, the number of employees decreased by 1,825 to 26,013 at year-end from 27,838 at year-end 2012. Increases in some of the Eurasian operations due to ongoing high customer intake were offset by efficiency measures executed in the Nordic operations. The net deduction from minor business combinations in 2013 was 165 employees.
The average number of full-time employees by country was as follows.

	Jan–Dec 2013		Jan–Dec 2012	
Country	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	8,122	56.9	8,486	55.9
Finland	3,745	62.2	4,231	61.8
Norway	739	64.7	1,144	70.2
Denmark	1,044	68.4	1,099	68.1
Lithuania	3,336	49.7	3,503	50.6
Latvia	905	46.1	927	49.1
Estonia	2,023	56.1	2,079	57.8
Spain	110	67.3	107	69.2
Kazakhstan	1,584	42.4	1,573	42.7
Azerbaijan	832	57.2	833	60.1
Uzbekistan	835	61.3	854	61.4
Tajikistan	450	66.9	466	67.0
Georgia	322	43.5	321	48.0
Moldova	359	51.5	364	47.3
Nepal	491	74.3	507	75.1
Russian Federation	39	53.8	39	59.0
United Kingdom	45	75.6	45	73.3
Other countries	340	66.2	215	70.2
Total	**25,321**	**56.7**	**26,793**	**57.2**

In total, operations were conducted in 29 countries in 2013 and 29 countries in 2012.

The share of female and male Senior executives was as follows. Boards of directors refer to board members in all consolidated group companies. Other Senior executives include presidents and other members of executive management teams at the group level, business area level and company level.

	Dec 31, 2013		Dec 31, 2012	
Percent	Boards of directors	Other Senior executives	Boards of directors	Other Senior executives
Women	26.5	32.0	27.3	29.4
Men	73.5	68.0	72.7	70.6
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 in millions	Jan–Dec 2013	Jan–Dec 2012
Salaries and other remuneration	**9,400**	**9,863**
Social security expenses		
Employer's social security contributions	1,900	1,834
Pension expenses	1,128	1,151
Total social security expenses	**3,028**	**2,985**
Capitalized work by employees	-657	-938
Other personnel expenses	454	528
Total personnel expenses recognized by nature	**12,226**	**12,438**

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.

	Jan–Dec 2013		Jan–Dec 2012	
SEK in millions	Senior executives (of which variable pay)	Other employees	Senior executives (of which variable pay)	Other employees
Salaries and other remuneration	195 (11)	9,205	171 (18)	9,692

Pension expenses for all Senior executives totaled SEK 33 million in 2013 and SEK 32 million in 2012.

In 2013 and 2012, employee profit-sharing costs in TeliaSonera's Finnish subsidiaries totaled SEK 44 million and SEK 0 million, respectively.

Performance share programs

The 2010 to 2013 Annual General Meetings of shareholders in TeliaSonera AB resolved to implement performance share programs (PSP), which shall comprise certain senior executives and key positions within the Group (however, the members of Group Management are excluded). Provided that certain performance conditions, consisting of financial targets linked to earnings per share (EPS) and total shareholder return (TSR), are met during a defined performance period, participants in the programs shall be given the opportunity to receive final allotments of TeliaSonera shares without consideration (performance shares). The financial targets include a minimum level which must be achieved in order for any allotments to occur at all, as well as a maximum level in excess of which no additional allotments will occur. Each program shall in total comprise no more than 1,560,000 (PSP 2010), 1,560,000 (PSP 2011), 1,400,000 (PSP 2012) and 1,360,000 (PSP 2013) TeliaSonera shares, corresponding to approximately 0.03 percent of the total number of outstanding shares for each program. The final allotments of performance shares will be based 50 percent on EPS development for each of the three years of the performance period in relation to EPS for the preceding year, and 50 percent on TSR during the full performance period in relation to TSR in a group of comparable telecom companies defined by the Board of Directors. Participation in the program requires that the participant has invested in or allocated already held TeliaSonera shares to the program corresponding to a value of 2 percent of the participant's annual base salary. The maximum financial outcome for a participant, and the maximum number of performance shares that may finally be allotted in a program, shall be capped at such number of performance shares which aggregate market value corresponds to 37.5 percent of each participant's base salary. Recalculation of final allotments of performance shares shall take place in the event of an intervening bonus issue, split, rights issue and/or other similar events. PSP 2010 vested during the spring 2013 and shares were distributed to the participants in the program. TeliaSonera AB acquired 90,000 own shares in April 2013, to an average price of SEK 42.75 to cover the commitments under the PSP 2010 program which corresponds to a cost of SEK 3,847,500.

The summarized performance share program activity in 2013 was as follows.

Performance share program	2013/2016	2012/2015	2011/2014	2010/2013
Participants				
Number of participants, December 31, 2012	–	86	92	76
New participants in 2013	99	–	–	–
Terminated employments in 2013	-1	-5	-12	–
Number of participants, December 31, 2013	**98**	**81**	**80**	–
Allotted shares				
Preliminary allotments, December 31, 2012	–	–	–	114,131
Preliminary allotments in 2013	83,154	66,409	143,542	–
Cancelled shares	–	–	–	-24,131
Final allotments	–	–	–	-90,000
Number of allotted shares, December 31, 2013	**83,154**	**66,409**	**143,542**	–

The estimated fair values at the date of allotment and the assumptions used when estimating the achievements of the performance conditions were as follows.

Performance share program	2013/2016	2012/2015	2011/2014	2010/2013
Fair value at the date of allotment (SEK in millions)	15	16	18	18
Assumptions used (percentages)				
Achievement of EPS-based performance condition	50	50	50	50
Achievement of TSR-based performance condition was based on				
Estimated volatility, TeliaSonera	21	24	29	31
Estimated volatility, peer group companies	20-27	20-31	24-41	25-40
Average reciprocal correlation between TeliaSonera and the peer group companies	41	44	45	45
Risk-free interest rate	1.0	2.1	2.7	1.8

The achievement of the TSR-based performance condition was estimated using a Monte Carlo simulation model.

The estimated fair value of each performance share program and related social security expenses are amortized to expense over the performance period. Total personnel expenses were as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Salaries and other remuneration	18	16
Social security expenses	5	4
Total personnel expenses, performance share programs	**23**	**20**

Remuneration to corporate officers

Board of Directors

As resolved by the 2013 Annual General Meeting of shareholders (AGM) in TeliaSonera AB, annual remuneration is paid to the members of the Board of Directors in the amount of SEK 1,200,000 to the chair, SEK 750,000 to the vice-chair and SEK 450,000 to each of the other directors, elected by the AGM. In addition, annual remuneration is paid to the members of the Board's Audit Committee in the amount of SEK 150,000 to the chair and SEK 100,000 to each of the other members. Additional annual remuneration is also paid to the members of the Board's Remuneration Committee in the amount of SEK 65,000 to the chair and SEK 45,000 to each of the other members. A Sustainability and Ethics committee was established in 2013. Remuneration to the chair of the committee is SEK 150,000 and SEK 100,000 to each of the other members.

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.

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Remuneration to board members

SEK	Board[1]	Audit committee	Remuneration committee	Sustainability and Ethics committee	Total remuneration
Board of Directors, AGM 2013					
Marie Ehrling, Chair	889,100	–	48,162	94,471	**1,031,733**
Olli-Pekka Kallasvuo, Vice-Chair[2]	668,750	–	33,375	–	**702,125**
Mats Jansson	333,413	–	33,375	–	**366,788**
Nina Linander	333,413	111,138	–	–	**444,551**
Martin Lorentzon	333,413	74,089	–	74,089	**481,591**
Mikko Kosonen	333,413	–	–	90,757	**424,170**
Per-Arne Sandström[2]	450,000	74,089	9,040	–	**533,129**
Kersti Strandqvist	333,413	–	–	74,089	**407,502**
Board of Directors before 2012/2013					
Anders Narvinger, Chair	284,076	25,827	14,206	–	**324,109**
Timo Peltola, Vice-Chair	116,213	–	9,040	–	**125,253**
Maija-Liisa Friman	116,213	38,738	–	–	**154,951**
Ingrid Jonasson Blank	116,213	25,827	–	–	**142,040**
Lars Renström	116,213	–	9,040	–	**125,253**
Jon Risfelt	116,213	25,827	–	–	**142,040**
Total	**4,540,056**	**375,535**	**156,238**	**333,406**	**5,405,235**

Comments on the table:
1 Board remuneration, remuneration for Audit Committee, remuneration for Remuneration Committee and remuneration for Sustainability and Ethics committee (as of April 4, 2013) is presented in separate columns above. The remuneration is paid monthly. The following board members were elected at the AGM 2013, Marie Ehrling, Mats Jansson, Nina Linander, Martin Lorentzon, Mikko Kosonen and Kersti Strandqvist. Olli-Pekka Kallasvuo and Per-Arne Sandström were re-elected at the 2013 AGM.
2 Board remuneration for the full year 2013.

Group Management

The 2013 Annual General Meeting decided to approve the following guidelines for remuneration to the executive management.

TeliaSonera's objective is to offer remuneration levels and other employment conditions required to attract, retain and motivate high calibre executives needed to maintain the success of the business. Remuneration should be built upon a total reward approach allowing for a market relevant – but not market leading – and cost effective executive remuneration based on the following compensation components: (1) base salary; (2) pension; and (3) other benefits. The base salary should reflect the competence required in the position and the responsibility, complexity and the business contribution of the executive. The base salary should also reflect the performance of the executive and consequently be individual and differentiated. Pension and other retirement benefits should be based on the defined contribution method. The termination period may be up to 6 months when given by the executive and up to 12 months when given by the employer (in relation to the CEO 6 months). In case of termination given by the employer, the executive may be entitled to a severance payment of up to 12 months (in relation to the CEO 24 months). The severance payment shall not constitute a basis for calculation of vacation pay or pension benefits and shall be reduced should the executive be entitled to pay from a new employment or from conducting his own business during the period under which the severance is payable to the executive. The executive may be entitled to a company car benefit, health care provisions, travel insurance etc. in accordance with local labor market practice. The Board of Directors is allowed to make minor deviations on an individual basis from the principles stated above.

Remuneration to the Chief Executive Officer (CEO), the Executive Vice President (EVP) and other permanent members of Group Management consists of base salary, certain taxable benefits and pension benefits. As per December 31, 2013, TeliaSonera did not operate any share-related incentive program in relation to the CEO, the EVP and other permanent members of Group Management.

"Other members of the Group Management" refers to the 9 individuals who are directly reporting to the CEO and which, along with the CEO and the EVP, constituted the TeliaSonera Group Management. For acting positions previous terms regarding Short term and Long term variable pay, pensions and benefits remain during the acting period.

Remuneration and other benefits during the year, capital value of pension commitments

SEK	Base salary[2]	Other remuneration[3]	Other benefits[4]	Pension expense[5]	Total remuneration	Capital value of pension commitment[9]
Group Management						
Johan Dennelind, CEO from Sep 1[1]	4,533,336	–	46,171	1,777,252	**6,356,759**	–
Other members of Group Management (9 individuals)	23,628,175	5,796,923	761,379	7,931,108	**38,117,585**	**16,471,041**
Total	**28,161,511**	**5,796,923**	**807,550**	**9,708,360**	**44,474,344**	**16,471,041**
Former CEOs, EVPs and other members of Group Management						
Lars Nyberg, CEO until Feb 3[6]	998,182	5,633,796	35,775	5,405,281	**12,073,034**	–
Per-Arne Blomquist (CEO and EVP)[7]	7,244,500	13,517,775	78,990	4,000,928	**24,842,193**	–
Other former members of Group Management (4 individuals)[8]	14,173,683	34,373,914	1,582,742	9,614,618	**59,744,957**	**11,068,653**
Other former CEOs and EVPs (8 individuals)[9, 10]	–	–	–	–	–	**171,434,524**
Total	**22,416,365**	**53,525,485**	**1,697,507**	**19,020,827**	**96,660,184**	**182,503,177**
Grand total	**50,577,876**	**59,322,408**	**2,505,057**	**28,729,187**	**141,134,528**	**198,974,218**

Comments on the table:

1 Johan Dennelind's remuneration included in the column is from September 1 when he assumed as CEO of TeliaSonera. The total base salary for 2013 is SEK 5,666,670 since Dennelinds employment commenced July 1.

2 Two members of Group Management have received board remuneration from associated companies which is included in base salary.

3 Some Group Management members employment agreements, entered into before April 2013, has a remuneration component of 30 percent fixed salary addition which is included in Other remuneration. The former EVP and one other member of Group Management are compensated with an annual fixed amount instead of a Long Term Incentive Program, which is included in Other remuneration.

4 Other benefits refer to company cars and a number of other taxable benefits. One member of former Group Management is entitled to a housing allowance which is included in Other benefits.

5 See further disclosures concerning the terms and conditions of pension benefits below.

6 Costs during the six months' notice period for base salary, other benefits and pension costs are included in the figures. Cash settlement for unused vacation days, SEK 2,594,643 and days in work time account SEK 104,175 are not included in the figures.

7 Per-Arne Blomquist was acting CEO from February 1 to August 31 and EVP from January 1 until January 31 and from September 1 to November 29. Provision for the 12 months' notice period for base salary and pension costs are included in the figures as well as provision for base salary for the 12 months' severance period. The salary during the notice period and the severance pay will be reduced by any other income. The provision will then be reduced.

8 Other former members of Group Management include four individuals who have left TeliaSonera. Provision for the twelve months' notice period for base salary and pension costs are included in the figures as well as provision for base salary for the 12 months' severance period. The salary during the notice period and the severance pay will be reduced by any other income. The provision will then be reduced.

9 Capital value of pension commitment includes defined benefit plans for seven former CEOs and EVPs (left TeliaSonera before 2013).

10 Capital value of pension commitment of 7,650,764 for Marie Ehrlings period as president of TeliaSonera Sweden during 2002 - 2006 is included in the figure.

Pension benefits

TeliaSonera offers permanent members of the Group Management defined contribution pension schemes. 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. One acting person is offered a defined benefit plan.

CEO and EVP

The CEO is eligible to a defined contribution plan with premiums corresponding to 4.5 percent of base salary up to 7.5 income base amounts and to 30 percent for such salary above 7.5 income base amounts. In addition contributions of 10 percent of base salary are paid. These contributions add up to a total pension contribution per annum of SEK 5,331,753 (compared to base salary for 2013 SEK 13,600,000 representing 39.2 percent). The contributions into the plan are vested immediately. The income base amount is determined annually by the Swedish Government and was SEK 56,600 for 2013. The retirement age is variable.

For the former EVP, the contributions amount to 4.5 percent of the base salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts and an additional contribution of 10 percent of the base salary. The contributions into the plan are vested immediately. The normal retirement age is 65. Contributions to the pension scheme will cease at retirement or earlier if leaving the company for any other reason.

Other members of Group Management

Other members of Group Management have individual pension arrangements. All Swedish members are covered by defined contribution schemes similar to the ITP plan Section 1 providing contributions in the amount of 4.5 percent of the base salary up to 7.5 income base amounts and 30 percent of the base salary for the part exceeding 7.5 income base amounts. One Finnish member is eligible to the statutory Finnish TyEL-plan. Two members have additional contributions of 20 percent of the base salary and one member has an additional contribution of 15 percent of the base salary. One member is eligible to a fixed annual contribution of SEK 476,000. The contributions to the schemes are typically vested immediately. The retirement age for other members of Group Management is 65 or variable. Acting managers keep their existing pension plans.

Former other members of Group Management
There are four members of the Group Management who left their positions before or at the end of 2013. These former members also have individual pension arrangements. All Swedish members are covered by defined contribution schemes similar to the ITP plan Section 1 described above. Two of the former members have additional contributions of 20 percent of the base salary and one former member has an additional contribution of 14 percent of the base salary. One member is eligible to a defined contribution plan providing contributions of 15 percent of net base salary. The contributions to the schemes are typically vested immediately, however there is one exception where contributions are vested during a five year period. The retirement age for the former other members of Group Management is 65.

Severance pay
Termination of the CEO's employment by the Company or by the CEO requires that notice is given by either party in writing 12 months before the termination.

Termination of employment in relation to the EVP and the other members of Group Management 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 CEO, EVP or other Group Management member is entitled to a severance pay in the amount of one annual base salary to be paid in 12 equal monthly instalments. The severance pay is not pensionable. 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. Acting Group Management members keep their existing notice periods.

Planning and decision process
Applying the remuneration policy adopted at the AGM 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 Group Management are approved by the Remuneration Committee, based on the CEO's recommendation.

C32. Remuneration to Audit Firms

The following remuneration was billed by audit 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 billed 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 audit firms refer to subsidiaries 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 1-year term at the 2013 Annual General Meeting. The audit of the consolidated financial statements has been carried out throughout the year. No separate fee has been billed for the review of interim financial statements.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Remuneration expensed		
PwC		
Audits	38	36
Audit-related services	2	10
Tax services	2	1
All other services	1	1
Total PwC	**43**	**48**
EY		
Tax services	2	0
All other services	1	2
Total EY	**3**	**2**
KPMG		
Tax services	6	2
All other services	5	2
Total KPMG	**11**	**4**
Deloitte		
Tax services	1	0
All other services	4	3
Total Deloitte	**5**	**3**
Other audit firms		
Audits, audit-related services	1	3
Tax services and all other services	3	2
Total other audit firms	**4**	**5**
Total remuneration expensed	**66**	**62**
Total remuneration	**66**	**62**

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.

C33. Business Combinations

Business combination during the period - KazNet Media

Description of and reason for the acquisition
On January 11, 2013, TeliaSonera reaffirmed its strategic commitment to developing mobile technologies and services in Kazakhstan by acquiring 100 percent of TOO KazNet Media, operating a WiMAX network in Kazakhstan. Goodwill is explained by the future expected cash flows from the acquired business, the strengthened market position and opportunities for TeliaSonera in Kazakhstan.The results of the KazNet Media operations was included in the consolidated financial statements as of January 2013.

Cost of combination, goodwill and cash-flow effects
Details of the cost of combination, fair values of assets acquired and liabilities assumed, and goodwill were as follows.

SEK in millions	KazNet Media
Cost of combination	
Cash consideration	714
Contingent consideration	6
Total cost of the combination	**720**
Fair values of net assets acquired	
Intagible assets (mainly frequencies)	704
Property, plant and equipment	237
Inventories, receivables and other current assets	68
Cash and cash equivalents	40
Total assets acquired	***1,049***
Deferred income tax liabilities	-145
Short-term liabilities	-445
Total liabilities assumed	***-590***
Total fair value of net assets acquired	**459**
Goodwill (allocated to business area Eurasia)	**261**

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.

The cash-flow effects were as follows.

SEK in millions	KazNet Media
Total cost of the combination paid in cash	714
Less acquired cash and cash equivalents	-40
Net cash outflow from the combination	**674**

There were no contingent liabilities assumed or collateral pledged arising from the acquisition.

Other minor business combinations

For minor business combinations in 2013, the aggregate cost of combination was SEK 65 million and the net cash outflow SEK 77 million. Goodwill totaled SEK 7 million allocated to business area Broadband Services. Goodwill is explained by strengthened market positions. The total cost of combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

C34. Risks and Uncertainties

TeliaSonera operates in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry. As a result, TeliaSonera is subject to a variety of risks and uncertainties. TeliaSonera has defined risk as anything that could have a material adverse effect on the achievement of TeliaSonera's goals. Risks can be threats, uncertainties or lost opportunities relating to TeliaSonera's current or future operations or activities.

TeliaSonera has an established risk management framework in place to regularly identify, analyze, assess, and report business, financial as well as ethics and sustainability related risks and uncertainties, and to mitigate such risks when appropriate. Risk management is an integrated part of TeliaSonera's business planning process and monitoring of business performance. Set forth below is a description of factors that may affect TeliaSonera's business, brand perception, financial position, results of operations or the share price from time to time. See the Corporate Governance Statement for more information on risk management and the control environment, the Sustainability Report for more information about sustainability work and Note C26 for information on financial risk management.

Risks related to industry and market conditions

World economy changes

Changes in the global financial markets and the world economy are difficult to predict. TeliaSonera strives to have a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe or 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 aimed to be evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed bank credit lines that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, TeliaSonera's cost of funding might be higher should there be changes in the global financial markets or the world economy.

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 from time to time led to increasing customer churn, decreasing customer bases and to declines in the prices TeliaSonera charges for its products and services and may have similar effects in the future.

Transition to new business models in the telecom industry may lead to structural changes and different competitive dynamics. Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect TeliaSonera's customer relationships, service offerings and position in the value chain, and adversely impact its results of operations.

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. In a number of countries, TeliaSonera entities have been designated as a party with significant market power in one or several telecom submarkets. 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. Effects from regulatory intervention may be both retroactive and prospective.

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 of operations.

Emerging markets

TeliaSonera has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, Russia and Turkey. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in countries with more mature institutional structures. The political situation in each of the emerging market countries may remain unpredictable, and markets in which TeliaSonera operates may become unstable, even to the extent that TeliaSonera has to exit a country or a specific operation within a country. Another implication may be unexpected or unpredictable litigation cases.

Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent TeliaSonera from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. One example of this is TeliaSonera's operation in Uzbekistan in which the group has a net exposure of approximately SEK 7 billion, including group companies' receivables totalling approximately SEK 5 billion and cash and cash equivalent balances of approximately SEK 1 billion. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally.

Such negative political or legal developments or weakening of the economies or currencies in these markets might have a significantly negative effect on TeliaSonera's results of operations and financial position.

TeliaSonera will not enter into countries that are sanctioned for investments by the United Nations or the European Union, but may enter into countries with shifting political stability, provided that the business can be conducted in a responsible and financially sound way. During the project appraisal and due diligence process, a risk evaluation is performed to secure that the business to be acquired or market to be entered into will evolve in accordance with TeliaSonera's sustainability principles.

Risks related to TeliaSonera's operations and strategic activities

Impairment losses and restructuring charges

Factors generally affecting the telecom 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 financial position and results of operations. 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.

TeliaSonera has undertaken a number of restructuring and streamlining initiatives, mainly affecting the Nordic operations, which have resulted in substantial restructuring and streamlining charges.

TeliaSonera also has 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 impairment losses and restructuring 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 networks and telecom and frequency licenses, and also expects to invest substantial amounts over the next several years in the upgrading and expansion of networks. Normally, TeliaSonera also has to pay fees to acquire new licenses or to renew or maintain the existing licenses. In order to attract new customers, TeliaSonera has previously also engaged in start-up operations, such as Xfera Móviles S.A. (Yoigo) in Spain and Ncell Pvt. Ltd. in Nepal, and may continue to do so, which require substantial investments and expenditure in the build-up phase.

The success of these investments 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 may adversely affect TeliaSonera's results of operations.

Acquisitions, strategic alliances and business combinations

TeliaSonera is constantly reviewing its asset portfolio in line with the strategy of increasing ownership in core holdings. Over the years, TeliaSonera has made a number of targeted acquisitions in accordance with its strategy. TeliaSonera may continue to expand and grow its business through business combinations, strategic alliances, etc. The efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, are significant for the results of operations both in the long and short term. In case TeliaSonera will fail in integrating or managing any acquired company or strategic alliance there is a risk that management's attention will be diverted away from other business concerns. In addition, any potential acquisition could negatively affect TeliaSonera's financial position and its credit ratings, or, if made using TeliaSonera shares, dilute the existing shareholders.

Shareholder matters in partly-owned subsidiaries

TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through subsidiaries in which TeliaSonera does not have a 100 percent ownership. Under the governing documents for certain of these entities, the holders of non-controlling interests have protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. One example where TeliaSonera is dependent on a minority owner is Fintur Holdings B.V. (Fintur's minority shareholder is Turkcell) which owns the operations in Kazakhstan, Azerbaijan, Georgia and Moldova. As a result, actions outside TeliaSonera's control and adverse to its interests may affect TeliaSonera's position to act as planned in these partly owned subsidiaries.

Customer service and network quality

In addition to cost efficiency in all operations, TeliaSonera's focus areas include high-quality service to its customers and high-quality networks. 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. High-quality networks and services are also fundamental to 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.

Supply chain
TeliaSonera is reliant upon a limited number of suppliers to manufacture and supply network equipment and related software as well as terminals, 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 terminals 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.

In connection with signing supplier contracts for delivery of terminals, TeliaSonera may also grant the supplier a guarantee to sell a certain number of each terminal model to its customers. Should the customer demand for a terminal model under such a guarantee turn out to be smaller than anticipated, TeliaSonera's results of operations may be adversely affected.

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 competitive remuneration packages. If TeliaSonera fails to recruit or retrain necessary highly skilled employees, its ability to develop high growth business areas and new business areas or remain competitive in the traditional business areas may be limited.

Risks related to associated companies and joint operations

Limited influence in associated companies and joint operations
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 OAO MegaFon in Russia, Turkcell Iletisim Hizmetleri A.S. in Turkey and Lattelecom SIA in Latvia. 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 the timing and amount of cash distributions. The risk of actions outside TeliaSonera's or its associated companies' control and adverse to TeliaSonera's interests, or disagreement or deadlock, is inherent in associated companies and jointly controlled entities. One example of this is the current deadlock at the board level of Turkcell.

Further, TeliaSonera might not be able to assure that the associated companies apply the same sustainability principles, increasing the risk for wrongdoings and reputational and financial losses. TeliaSonera strives to use its board presence and active ownership practices to promote the implementation of its sustainability principles.

Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.

As part of its strategy, TeliaSonera may 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 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 operation, Svenska UMTS-nät AB, which has rights to a Swedish UMTS license. In Denmark, TeliaSonera has entered into a similar agreement with Telenor to build and operate a common radio access network through a 50 percent owned joint operation, TT-Netværket P/S. TeliaSonera has made significant financial investments in these operations. As they are jointly controlled, there is a risk that the partners may disagree on important matters, including the funding of the operations. This risk may be magnified because TeliaSonera and Tele2 and Telenor, respectively, are significant competitors. A disagreement or deadlock regarding these operations or a breach by one of the parties of the material provisions of the cooperation arrangements could have a negative effect on TeliaSonera.

Risks related to ethics and sustainability

Human rights – network integrity and data security
Issues related to human rights pose a high risk to the telecom industry. The main risks include: complicity in human rights violations due to failure to uphold customer privacy and network integrity; excessive governmental requests to the detriment of privacy and freedom of expression; and the risk that telecom services could be used in the sexual exploitation of children.

TeliaSonera is managing significant network and data volumes and therefore strives to ensure network integrity and data security and protect customers' personal data. TeliaSonera will only provide personal data to authorities to the extent required by law or with the customer's permission. To ensure privacy, TeliaSonera aims to protect assets such as personnel, customers, information, IT infrastructure, internal and public networks as well as office buildings and technical facilities. TeliaSonera implements measures to prevent and detect the disclosure of sensitive information to unauthorized parties. TeliaSonera takes measures to detect and promptly respond to security incidents.

TeliaSonera maintains a zero acceptance policy towards criminal activities and fraud. While TeliaSonera through appropriate measures avoids failure in its work to secure network integrity and data security, external or internal factors may negatively impact security and cause negative effects on customers' perception on how TeliaSonera handles these matters, possibly leading to an adverse impact on TeliaSonera's business and results of operations.

Corruption and unethical business practices
Some of the countries in which TeliaSonera operates are ranked as having high levels of corruption according to Transparency International's corruption perception index. Transparency International has also stated that corruption particularly poses a high risk to the telecom industry due to the likelihood of illegitimate financial transactions or inappropriate political contributions or bribes paid in connection with license negotiations. Corruption or perception of corruption or unethical business practices may damage the customers' or other stakeholders' perception of TeliaSonera and negatively impact TeliaSonera's business operations and its brand.

Consolidated Financial Statements

Review of Eurasian transactions
The Board of Directors announced on April 18, 2013, that it had assigned the international law firm Norton Rose Fulbright (NRF) to review transactions and agreements made in Eurasia by TeliaSonera in the past few years. The review will give the Board of Directors a clear picture of transactions in Eurasia and a risk assessment from a business ethics perspective. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms. In consultation with the law firms, TeliaSonera has promptly taken steps, and will continue to take steps, in its business operations as well as in its governance structure and with its personnel which reflect concerns arising from the review. In addition to the NRF review, the Swedish Prosecution Authority's investigation with respect to Uzbekistan is ongoing and TeliaSonera continues to cooperate with and provide assistance to the Prosecutor.

As TeliaSonera will carry on assessing its positions in the Eurasian jurisdictions, there is a risk that future actions taken by the company as a consequence of either the NRF review, the Swedish Prosecution Authority's investigation, or TeliaSonera's own successive improvements to its ethical standards and procedures may adversely impact the results of operations and financial position in TeliaSonera's operations in the Eurasian jurisdictions.

Another risk is presented by the Swedish Prosecution Authority's notification in the beginning of 2013 within the investigation of TeliaSonera's transactions in Uzbekistan, that the Authority is separately investigating the possibility of seeking a corporate fine against TeliaSonera, which under the Swedish Criminal Act can be levied up to a maximum amount of SEK 10 million, and forfeiture of any proceeds to TeliaSonera resulting from the alleged crimes. The Swedish Prosecution Authority may take similar actions with respect to transactions made or agreements entered into by TeliaSonera relating to operations in its other Eurasian markets.

Further, actions taken, or to be taken, by the police, prosecution or regulatory authorities in other jurisdictions against TeliaSonera's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, might directly or indirectly harm TeliaSonera's business, results of operations, financial position or brand reputation.

Supply chain
TeliaSonera needs to ensure that ethical business practices, environmental targets, human rights and labor laws are all fully respected by its suppliers. Failure or perception of failure of TeliaSonera's suppliers to adhere to ethical business practices, environmental targets, human rights and labor laws, may damage the customers' or other stakeholders' perception of TeliaSonera and negatively impact TeliaSonera's business operations and its brand.

Cases of emergency, climate change and environment
Emergencies, energy shortages and fluctuating energy prices are risks that, if eventuating, may cause a major negative financial impact on TeliaSonera's business. As a consequence of climate change, extreme weather conditions such as storms, heavy rainfalls and snow storms may prevent TeliaSonera from keeping its networks running for the customers.

Weather conditions and increasing regulation and taxation related to climate change may affect oil pricing and the availability of electricity, which may incur additional costs or lost revenues for TeliaSonera.

Health and safety
Concerns have been expressed that the electromagnetic fields 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. 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 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 position and results of operations.

Labor laws
According to TeliaSonera's risk assessment, the Eurasia region is considered to have the highest risks related to freedom of association and collective bargaining, as well as forced and compulsory labor. In these countries freedom of association and collective bargaining may be restricted by national governments. If a country has ratified the Core Conventions of the International Labour Organization (ILO), this at least signifies a public commitment to respect labor rights, such as freedom of association and collective bargaining. Yet this is not a guarantee that these rights will be fully realized.

Countries with low levels of human development are impoverished and have low education standards. This increases the risk of various rights violations, particularly when it comes to child labor. Nepal is the only country with a low level of human development where TeliaSonera is currently operating.

TeliaSonera complies with the United Nations' Human Rights Declaration and the ILO Core Conventions. This means, for example, guaranteeing the labor rights defined in the ILO Core Conventions for every TeliaSonera employee, wherever he or she works.

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 equities 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 policy.

Actions by the largest shareholders
The Swedish State holds 37.3 percent and the Finnish State holds 10.1 percent of TeliaSonera's outstanding shares. Accordingly, the Swedish State, acting alone, and the Swedish State and the Finnish State, if they should choose to act together, may 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.

Parent Company Income Statements

SEK in millions	Note	Jan–Dec 2013	Jan–Dec 2012
Net sales	P2	7	61
Costs of production	P3	-1	-3
Gross income		**6**	**58**
Selling and marketing expenses	P3	-63	-54
Administrative expenses	P3	-1,004	-430
Other operating income	P4	183	16
Other operating expenses	P4	-145	-25
Operating loss/income		**-1,023**	**-435**
Financial income and expenses	P5	8,824	6,621
Income after financial items		**7,801**	**6,186**
Appropriations	P6	1,484	541
Appropriations, Group Contribution	P6	8,578	7,228
Income before taxes		**17,862**	**13,954**
Income taxes	P6	-1,002	-1,627
Net income		**16,860**	**12,327**

Parent Company Statements of Comprehensive Income

SEK in millions	Note	Jan–Dec 2013	Jan–Dec 2012
Net income		**16,860**	**12,327**
Cash flow hedges		335	24
Available-for-sale financial instruments		-2	25
Income taxes relating to other comprehensive income		-65	-18
Total other comprehensive income	P7	**268**	**31**
Total comprehensive income		**17,128**	**12,358**

Parent Company Balance Sheets

SEK in millions	Note	Dec 31, 2013	Dec 31, 2012
Assets			
Goodwill and other intangible assets	P8	13	21
Property, plant and equipment	P9	6	11
Deferred tax assets	P6	171	226
Other financial assets	P10	179,188	201,831
Total non-current assets		**179,378**	**202,089**
Trade and other receivables	P11	37,155	36,744
Current tax receivables		263	329
Short-term investments	P12	21,858	25,496
Cash and bank	P12	5,026	1,307
Total current assets		**64,302**	**63,876**
Total assets		**243,680**	**265,965**
Shareholders' equity and liabilities			
Restricted equity			
Share capital		13,856	13,856
Other reserves		1,855	1,855
Non-restricted equity			
Retained earnings		54,090	53,833
Net income		16,860	12,327
Total shareholders' equity		**86,661**	**81,871**
Untaxed reserves	P6	**11,246**	**12,730**
Provisions for pensions and employment contracts	P14	488	469
Other provisions	P15	83	70
Total provisions		**571**	**539**
Interest-bearing liabilities			
Long-term borrowings	P16	78,597	93,511
Short-term borrowings	P16	64,743	75,619
Non-interest-bearing liabilities			
Long-term liabilities	P17	4	5
Short-term provisions, trade payables and other current liabilities	P18	1,858	1,690
Total liabilities		**145,202**	**170,825**
Total shareholders' equity and liabilities		**243,680**	**265,965**
Contingent assets	P23	–	–
Guarantees	P23	4,846	4 647
Collateral pledged	P23	48	20

Parent Company Cash Flow Statements

SEK in millions	Note	Jan–Dec 2013	Jan–Dec 2012
Net income		16,860	12,327
Adjustments for:			
Amortization, depreciation and impairment losses		8,708	663
Capital gains/losses on sales/discards of non-current assets		-900	-7,699
Pensions and other provisions		101	-221
Financial items		2,560	-763
Group contributions and appropriations		-10,062	-7,769
Income taxes		58	-50
Cash flow before change in working capital		**17,325**	**-3,512**
Increase (-)/Decrease (+) in operating receivables		-115	282
Increase (+)/Decrease (-) in operating liabilities		239	-201
Change in working capital		**124**	**81**
Cash flow from operating activities		**17,449**	**-3,431**
Intangible and tangible non-current assets acquired		-2	-10
Equity instruments acquired		-1,015	-21,485
Equity instruments and operations divested		12,570	691
Loans granted and other similar investments		-23,305	37,720
Compensation from pension fund		–	195
Net change in interest-bearing current receivables		-104	0
Cash flow from investing activities		**-11,856**	**17,111**
Cash flow before financing activities		**5,593**	**13,680**
Repurchased treasury shares including transaction costs		-4	0
Dividend to shareholders		-12,340	-12,341
Group contributions and dividends received		7,005	8,528
Proceeds from long-term borrowings		4,863	20,722
Repayment of long-term borrowings		-5,894	-10,213
Change in short-term borrowings		-650	-540
Settlement of derivative contracts for economic hedges and CSA		1,285	-2,090
Cash flow from financing activities		**-5,735**	**4,066**
Change in cash and cash equivalents		**-142**	**17,746**
Cash and cash equivalents, opening balance		**26,802**	**8,847**
Change in cash and cash equivalents		-142	17,746
Exchange rate differences in cash and cash equivalents		122	209
Cash and cash equivalents, closing balance	P12	**26,782**	**26,802**
Dividends received		21,298	1,010
Interest received		2,334	2,910
Interest paid		-4,431	-5,038
Income taxes paid		-941	-1,680

Parent Company Statements of Changes in Shareholders' Equity

SEK in millions	Note	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total share-holders' equity
Closing balance, December 31, 2011		**13,856**	**1,855**	**-244**	**66,381**	**81,848**
Dividend	P13	–	–	–	-12,341	-12,341
Total comprehensive income		–	–	31	12,327	12,358
Share-based payments	P25	–	–	–	6	6
Closing balance, December 31, 2012		**13,856**	**1,855**	**-213**	**66,373**	**81,871**
Dividend	P13	–	–	–	-12,340	-12,340
Total comprehensive income		–	–	268	16,860	17,128
Treasury shares		–	–	–	-4	-4
Share-based payments	P25	–	–	–	6	6
Closing balance, December 31, 2013		**13,856**	**1,855**	**55**	**70,895**	**86,661**

Notes to Parent Company Financial Statements

Contents

Parent Company Financial Statements

P1. 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 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board. The standard is applicable to Swedish legal entities whose equities at the end of the reporting period 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 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 C3).

Item	Note	Accounting treatment
Group contributions	P5	Under certain conditions, it is possible to transfer profits through group contributions between Swedish companies in a group. A group contribution is normally a deductible expense for the contributor and a taxable income for the recipient. Group contributions are recognized as appropriations in the income statement. This is a change compared to previous last year when the group contributions were recognized as financial income/expense, 2012 is restated accordingly.
Borrowing costs	P5, P8, P9	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	P5, P10	Shares in subsidiaries and associated companies are recognized at cost less any impairment. Dividends received are brought to income while a repayment of contributed capital reduces the carrying value.
Provisions for pensions and employment contracts	P5, P14	Pension obligations and pension expenses are recognized in accordance with FAR accounting recommendation No. 4 (RedR 4).
Untaxed reserves and appropriations	P6	Untaxed reserves and appropriations are reported gross excluding deferred tax liabilities related to the temporary differences.
Goodwill	P8	Goodwill is amortized systematically over a maximum of 5 years.
Leasing agreements	P21	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 C1).

Key sources of estimation uncertainty

For information relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (Note C2).

P2. Net Sales

Sales by customer location were distributed among economic regions as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
European Economic Area (EEA)	7	61
of which European Union (EU) member states	*7*	*61*
of which Sweden	*7*	*61*
Total	**7**	**61**

Net sales were broken down by product category as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Other	7	61
Total	**7**	**61**

P3. 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	Jan–Dec 2013	Jan–Dec 2012
Other network expenses	-8	0
Personnel expenses (see also Note P25)	-645	-405
Rent and leasing fees	-41	-39
Consultants' services	-260	-119
IT expenses	-149	-150
Invoiced and other expenses, net	49	244
Amortization, depreciation and impairment losses	-14	-18
Total	**-1,068**	**-487**

Administrative and other parent company expenses which are not classified as shareholder costs are invoiced to the subsidiaries recognized as cost reductions.

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

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Costs of production	-4	-4
Administrative expenses	-10	-14
Total	**-14**	**-18**

Parent Company Financial Statements

P4. Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Other operating income		
Exchange rate gains	49	10
Patents sold, commissions, etc.	13	0
Court settled fees with other operators	119	–
Damages received	2	6
Total other operating income	**183**	**16**
Other operating expenses		
Capital losses	-1	0
Exchange rate losses	-52	-8
Restructuring costs	-92	-17
Total other operating expenses	**-145**	**-25**
of which amortization, depreciation and impairment losses	–	–
Net effect on income	**38**	**-9**
of which net exchange rate gains/losses on derivative instruments held-for-trading	–	–

P5. Financial Income and Expenses

Financial income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Income from shares in subsidiaries		
Dividends	21,298	1,010
Capital gains	903	64
Impairment losses	-8,720	-644
Capital losses	0	-2
Total	**13,481**	**428**
Income from shares in associated companies		
Capital gains	1	7,660
Impairment losses	0	-1
Total	**1**	**7,659**
Income from other financial investments		
Dividends	0	1
Capital gains/losses, net	-2	-24
Changes in fair value	-6	1
Total	**-8**	**-22**
Other financial income		
Interest from subsidiaries	928	1,133
Other interest income	422	335
Exchange rate gains	49	1,436
Total	**1,399**	**2,904**
Other financial expenses		
Interest to subsidiaries	-354	-545
Other interest expenses	-3,388	-3,771
Interest component of pension expenses	-20	-20
Exchange rate losses	-2,287	-12
Total	**-6,049**	**- 4,348**
Net effect on income	**8,824**	**6,621**

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.

	Jan–Dec 2013	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2012
SEK in millions	**Other interest expenses**		**Net exchange rate gains and losses**		**Other interest income**	
Fair value hedge derivatives	-366	-482	-176	-129	–	–
Cash flow hedge derivatives	83	156	97	-71	–	–
Derivatives held-for-trading	411	921	3,372	-2,149	–	–
Loans and receivables	–	–	-3,513	1,496	422	335
Borrowings in fair value hedge relationships	1,486	930	176	129	–	–
Borrowings and other financial liabilities at amortized cost	1,724	2,179	-2,194	2,148	–	–
Other	50	67	–	–	0	–
Total	**3,388**	**3,771**	**-2,238**	**1,424**	**422**	**335**

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

P6. Income Taxes

Tax items recognized in comprehensive income

Tax items recognized in comprehensive income were distributed as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Tax items recognized in net income		
Current tax expense relating to current year	-935	-1,590
Underprovided or overprovided current tax expense in prior years	-12	-1
Deferred tax expense originated or reversed in current year	-55	-36
Total tax expense recognized in net income	**-1,002**	**-1,627**
Tax items recognized in other comprehensive income		
Current tax relating to current year	-65	–
Deferred tax originated or reversed in current year	0	-18
Total tax recognized in other comprehensive income	**-65**	**-18**

Pre-tax income was SEK 17,862 million in 2013 and SEK 13,954 million in 2012. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2013	Jan–Dec 2012
Swedish income tax rate	22.0	26.3
Underprovided or overprovided current tax expense in prior years	0.1	0.0
Effect on deferred tax expense from change in tax rate	–	0.2
Non-deductible expenses	11.1	0.4
Tax-exempt income	-27.6	-15.2
Effective tax rate in net income	**5.6**	**11.7**

Non-deductible expenses in 2013 consist mainly of write-downs of subsidiaries. In 2013 tax-exempt income consisted primarily of dividends from subsidiaries and in 2012 primarily of the capital gain from divesting the associated company OAO Telecominvest.

Deferred tax assets and liabilities

Deferred tax assets changed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Deferred tax assets		
Carrying value, opening balance	226	280
Comprehensive income period change	-55	-54
Carrying value, closing balance	**171**	**226**

No deferred tax liabilities existed in 2013 and 2012.

Temporary differences in deferred tax assets were as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Deferred tax assets		
Fair value adjustments for other financial assets	0	60
Delayed expenses for provisions	171	166
Total deferred tax assets	**171**	**226**

In 2013 and 2012, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2013 and 2012, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 2,474 million and SEK 2,801 million, respectively.

Untaxed reserves and appropriations

As of December 31, 2013 and 2012, untaxed reserves in the balance sheet consisted of profit equalization reserves totaling SEK 11,246 million and SEK 12,730 million, respectively.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Change in profit equalization reserves	1,484	541
Group contribution net received	8,578	7,228
Net effect on income	**10,062**	**7,769**

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P7. Other Comprehensive Income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2013	Jan–Dec 2012
Cash flow hedges			
Net changes in fair value	Fair value reserve	325	-55
Transferred to interest expenses in net income	Fair value reserve	10	79
Effect of changed tax rate		–	-12
Income tax effect	Fair value reserve	-65	-6
Total cash flow hedges		**270**	**6**
Available-for-sale financial instruments		-2	25
Total available-for-sale financial instruments		**-2**	**25**
Total other comprehensive income		**268**	**31**
of which total income tax effects (see also Note P6)		*-65*	*-18*

No fair value reserve transfer necessitated adjustment of the cost of acquisition.

P8. Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
SEK in millions	Goodwill		Other intangible assets	
Accumulated cost	–	–	67	83
Accumulated amortization	–	–	-54	-62
Carrying value	**–**	**–**	**13**	**21**
of which work in progress	–	–	*3*	*8*
Carrying value, opening balance	–	–	21	26
Investments and operations acquired	–	–	4	8
Sales and disposals		–	-4	–
Reclassifications	–	–	0	–
Amortization for the year	–	–	-8	-13
Impairment losses for the year	–	–	0	–
Carrying value, closing balance	**–**	**–**	**13**	**21**

No general changes of useful lives were made in 2013. Goodwill was amortized straight-line over 5 years. For other useful lives applied, see Notes to Consolidated Financial Statements (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated amortization, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations (see this section in Note P6 “Income Taxes”).

The carrying value of other intangible assets was distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Capitalized development expenses	10	13
Work in progress	3	8
Total carrying value	**13**	**21**

Capitalized development expenses and work in progress mainly refer to administrative IT support systems.

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P9. Property, Plant and Equipment

The total carrying value was distributed and changed as follows.

SEK in millions	Property Dec 31, 2013	Property Dec 31, 2012	Plant and machinery Dec 31, 2013	Plant and machinery Dec 31, 2012	Equipment, tools and installations Dec 31, 2013	Equipment, tools and installations Dec 31, 2012	Total Dec 31, 2013	Total Dec 31, 2012
Accumulated cost	–	–	6	5	22	22	**28**	**27**
Accumulated depreciation	–	–	-1	–	-21	-16	**-22**	**-16**
Carrying value	**–**	**–**	**5**	**5**	**1**	**6**	**6**	**11**
Carrying value, opening balance	–	–	5	5	6	10	**11**	**15**
Investments and operations acquired	–	–	1	5	–	–	**1**	**5**
Sales and disposals	–	–	–	-4	–	–	**–**	**-4**
Reclassifications	–	–	–	–	–	–	**–**	**–**
Depreciation for the year	–	–	-1	-1	-5	-4	**-6**	**-5**
Carrying value, closing balance	**–**	**–**	**5**	**5**	**1**	**6**	**6**	**11**

No general changes of useful lives were made in 2013. For useful lives applied, see Notes to Consolidated Financial Statements (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations (see this section in Note P6 "Income Taxes").

P10. Other Financial Assets

The total carrying value changed as follows.

SEK in millions	Investments in associated companies and joint ventures Dec 31, 2013	Investments in associated companies and joint ventures Dec 31, 2012	Investments in other equity instruments Dec 31, 2013	Investments in other equity instruments Dec 31, 2012	Investments in subsidiaries and other non-current financial assets Dec 31, 2013	Investments in subsidiaries and other non-current financial assets Dec 31, 2012	Total Dec 31, 2013	Total Dec 31, 2012
Carrying value, opening balance	223	901	34	21	201,574	176,405	**201,831**	**177,327**
New share issues and shareholder contributions	24	18	4	2	1,028	20,695	**1,056**	**20,715**
Additions	20	4	–	15	176	6,779	**196**	**6,798**
Divestitures	–	-700	-7	-4	-15,199	-37	**-15,206**	**-741**
Impairment losses	–	–	–	–	-8,689	-644	**-8,689**	**-644**
Reclassifications	–	–	–	–	–	-1,654	**–**	**-1,654**
Changes in fair value	–	–	–	–	–	30	**–**	**30**
Carrying value, closing balance	**267**	**223**	**31**	**34**	**178,890**	**201,574**	**179,188**	**201,831**

Parent Company Financial Statements

The total carrying and fair values of other financial assets by class were as follows.

	Dec 31, 2013		Dec 31, 2012	
SEK in millions	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Investments in other equity instruments held-for-trading	31	31	31	31
Convertible bonds available-for-sale	–	–	4	4
Interest rate and cross currency interest rate swaps at fair value	2,102	2,102	1,927	1,927
of which designated as fair value hedges	*1,175*	*1,175*	*1,782*	*1,782*
of which designated as cashflow hedges	*236*	*236*	*40*	*40*
of which held-for-trading	*691*	*691*	*105*	*105*
Currency swaps and forward exchange contracts held-for-trading	0	0	1	1
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***2,133***	***2,133***	***1,963***	***1,963***
Loans and receivables at amortized cost	3,959	3,959	5,678	5,678
***Subtotal** (see Categories – Note P19 and Credit risk – Note P20)*/**Total fair value**	***6,092***	***6,092***	***7,641***	**7,641**
Investments in subsidiaries	163,239		180,697	
Receivables from subsidiaries	9,590		13,266	
Investments in associated companies	267		223	
Investments in other equity instruments at cost	0		4	
Total other financial assets	**179,188**		**201,831**	
of which interest-bearing	*15,681*		*26,586*	
of which non-interest-bearing	*163,507*		*175,245*	

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 at the end of the reporting period.

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, refer to Note P19 “Financial Assets and Liabilities by Category and Level” and section “Credit risk management” in Note P20 “Financial Risk Management”, respectively. Conventional commercial terms apply for receivables from subsidiaries.

Investments in subsidiaries are specified below, while corresponding information on associated companies and other equity instruments is presented in Notes to Consolidated Financial Statements (Notes C14 and C15).

Subsidiary, Corp. Reg. No., registered office	**Participation (%)**	**Number of shares**	**Carrying value (SEK in millions) Dec 31, 2013**	**Dec 31, 2012**
Swedish companies				
TeliaSonera Skanova Access AB, 556446-3734, Stockholm	100	21,255,000	34,003	34,003
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	68,512	7,006	7,006
TeliaSonera Sverige AB, 556430-0142, Stockholm	100	3,000,000	2,992	2,968
TeliaSonera Mobile Networks AB, 556025-7932, Nacka	100	550,000	2,698	2,698
TeliaSonera Norge Holding AB, 556591-9759, Stockholm	100	1,000	–	2,255
Telia International AB, 556352-1284, Stockholm	100	20,000	832	1,722
Cygate Group AB (publ), 556364-0084, Solna	100	532,724,280	815	815
TeliaSonera Mobile Holding AB, 556855-9040, Stockholm	100	50,000	476	476
TeliaSonera International Carrier AB, 556583-2226, Stockholm	100	1,000,000	453	453
TeliaSonera Finance 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
Svenska Stadsnät AB, 556577-9195, Landskrona	100	100,000	100	100
Sergel Kredittjänster AB, 556264-8310, Stockholm	100	5,000	8	8
Telia International Management AB, 556595-2917, Stockholm	100	1,000	5	5
TeliaSonera Asset Finance AB, 556599-4729, Stockholm	100	1,000	22	22
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	7	3
Other operating, dormant and divested companies			0	0

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Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions) Dec 31, 2013	Dec 31, 2012
Non-Swedish companies				
TeliaSonera Finland Oyj, 1475607-9, Helsinki	100	1,417,360,515	92,925	97,202
Sergel Oy, 1571416-1, Helsinki	100	267,966,000	277	277
TeliaSonera International Carrier Finland Oy, 1649304-9, Helsinki	100	100	98	98
TeliaSonera Danmark A/S, 18530740, Copenhagen	100	14,500	74	6,835
TeliaSonera International Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
TeliaSonera Norge Holding AS, 981929055, Oslo	100	1,000	3,255	–
TEO LT, AB, 121215434, Vilnius	88.2	684,791,575	3,760	3,760
UAB Omnitel, 110305282, Vilnius	100	39,688,889	2,153	2,153
UAB Sergel, 125026242, Vilnius	100	10,850	7	7
SIA Telia Latvija, 000305757, Riga	100	328,300	100	123
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	3,500	4	1
AS Eesti Telekom, 10234957, Tallinn	100	137,954,528	5,686	6,702
Xfera Móviles S.A., A82528548, Madrid	76.6	517,025,247	2,549	2,549
ZAO TeliaSonera International Carrier Russia, 102780919732, Moscow	100	220,807,825	200	200
TeliaSonera Telekomünikasyon Hizmetleri L.S., 381395, Istanbul	99	79,193	10	10
TeliaSonera International Carrier Telekomünikasyon L.S., 609188-556770, Istanbul	100	55,919	8	8
TeliaSonera International Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	–	629	1,329
TeliaSonera International Carrier France S.A.S., B421204793, Paris	100	2,700,000	681	681
TeliaSonera International Carrier Austria, FN191783i, Vienna	100	–	118	118
TeliaSonera International Carrier Switzerland AG, 2171000547-8, Zurich	100	1,000	54	54
TeliaSonera International B.V., 34135584, Rotterdam	100	45,000	0	4,785
TeliaSonera International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	59	60
TeliaSonera Assignments B.V., 24300363, Rotterdam	100	1,810,719,000	1	1
TeliaSonera International Carrier Belgium S.A., 469422293, Brussels	100	50,620	3	20
TeliaSonera International Carrier Italy S.p.A, 07893960018, Turin	100	530,211	17	17
TeliaSonera International Carrier Ireland Ltd., 347074, Dublin	100	27	6	6
TOV TeliaSonera International Carrier Ukraine, 34716440, Kyiv	100	–	6	6
TeliaSonera International Carrier Poland Sp. z o.o., KRS00000186, Warsaw	100	52,500	37	58
TeliaSonera International Carrier Czech Republic a.s., 26207842, Prague	100	20,000	126	126
TeliaSonera International Carrier Slovakia, s.r.o., 36709913, Bratislava	100	–	7	7
TeliaSonera International Carrier Hungaria Távközlési Kft., 01-09-688192, Budapest	100	–	19	19
TeliaSonera International Carrier Bulgaria EOOD, 175215740, Sofia	100	40,050	19	19
TeliaSonera International Carrier Romania S.R.L., 20974985, Bukarest	100	20,001	10	10
TeliaSonera International Carrier, Inc., 541837195, Herndon, VA	100	3,000,100	136	136
TeliaSonera International Carrier Singapore Pte. Ltd, 200005728N, Singapore	100	1,200,002	1	1
TeliaSonera International Carrier Canada, BC0968600, Vancouver British Columbia	100	100	1	–
Sergel A/S, 35481036, Copenhagen	100	500,000	1	–
Other operating, dormant and divested companies			0	0
Total			**163,239**	**180,697**

Telia Danmark is a branch of Telia Nättjänster Norden AB. TeliaSonera's stakes in the network-sharing operations in Sweden and Denmark are held through TeliaSonera Mobile Networks AB and TeliaSonera Mobile Holding AB, respectively.

TeliaSoneras holding in TeliaSonera Norge Holding AB has been merged into the norwegian subsidiary TeliaSonera Holding Norge AS. This company owns the vast majority of the TeliaSonera companies in Norway.

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 TeliaSonera Finland Oyj which also indirectly controls Fintur Holdings B.V. and TeliaSonera UTA Holding B.V.

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.

Shares in AS Eesti Telekom has during 2013 been written down with MSEK 1,016.

Other operating and dormant companies do not control group assets of significant value.

In addition to the companies mentioned above, TeliaSonera AB indirectly controls a number of operating and dormant subsidiaries of subsidiaries.

P11. Trade and Other Receivables

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

SEK in millions	Dec 31, 2013	Dec 31, 2012
Interest rate and cross currency interest rate swaps designated as fair value hedges	121	8
Currency swaps and forward exchange contracts held-for-trading	683	425
Subtotal *(see Fair value hierarchy levels – Note P19)*	***804***	***433***
Accounts receivable at amortized cost	10	16
Receivables from associated companies and joint ventures at amortized cost	0	0
Loans and receivables at amortized cost	2,584	2,327
Subtotal *(see Categories – Note P19 and Credit risk – Note P20)*	***3,398***	***2,776***
Receivables from subsidiaries	33,503	33,754
of which cash-pool balances and short-term deposits	*24,724*	*26,402*
of which trade and other receivables	*8,779*	*7,352*
Other current receivables	219	167
Deferred expenses	35	47
Total trade and other receivables	**37,155**	**36,744**
of which interest-bearing	*25,381*	*26,495*
of which non-interest-bearing	*11,773*	*10,249*

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 and joint ventures), at the end of the reporting period, concentration of credit risk by geographical area and by customer segment was as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Geographical area		
Sweden	0	5
Other countries	2,594	2,338
Total carrying value	**2,594**	**2,343**
Customer segment		
Other customers	2,594	2,343
Total carrying value	**2,594**	**2,343**

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, refer to Note P19 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note P20 "Financial Risk Management", respectively. Conventional commercial terms apply for receivables from subsidiaries.

As of the end of the reporting period, allowance for doubtful and ageing of Accounts receivable, respectively, were as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Accounts receivable invoiced	10	16
Allowance for doubtful accounts receivable	0	0
Total accounts receivable	**10**	**16**
Accounts receivable not due	1	15
Accounts receivable past due but not impaired	9	1
of which 30–180 days	*7*	*1*
of which more than 180 days	*2*	*–*
Total accounts receivable	**10**	**16**

As of the end of the reporting period, ageing of Loans and receivables (including receivables from associated companies) were as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Loans and receivables not due	2,584	2,327
Loans and receivables past due but not impaired	0	0
Total loans and receivables	**2,584**	**2,327**

Receivables past due at the end of the reporting period were not provided for as there had not been a significant change in credit quality and the amounts were still considered recoverable. See also Notes to Consolidated Financial Statements (section "Credit risk management" in Note C26) for information on mitigation of risks related to accounts receivable.

There were no bad debt expenses and no recovered accounts receivable in 2013 and in 2012. The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Opening balance	0	8
Provisions for receivables impaired	–	-8
Unused amounts reversed	–	–
Closing balance	**0**	**0**

P12. Short-term Investments, Cash and Cash Equivalents

Short-term investments, cash and cash equivalents were as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Short term investments with maturities longer then 3 months	102	–
Short-term investments with maturities up to and including 3 months	21,756	25,496
of which bank deposits at amortized cost	*21,755*	*25,496*
Total short-term investments	**21,858**	**25,496**
Cash and bank	5,026	1,307
Total *(see Categories – Note P19 and Credit risk – Note P20)*	**26,884**	**26,802**
of which Cash and cash equivalents	*26,782*	*26,802*

Cash and cash equivalents are defined as the sum of Short-term investments with maturities up to and including 3 months and the balance sheet item Cash and bank. The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. As of December 31, 2013, there were no blocked funds in TeliaSonera AB's bank accounts. For more information on financial instruments by category and exposed to credit risk, refer to Note P19 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note P20 "Financial Risk Management", respectively.

P13. Shareholders' Equity

Share capital, treasury shares, earnings per share and dividends

See Notes to Consolidated Financial Statements (corresponding sections in Note C19).

P14. 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. All employees born in 1979 or later are covered by a defined contribution pension plan (the ITP1 plan).

Most pension obligations are secured by Telia Pension Fund. Certain commitments, such as certain supplementary individual pension benefits and a right under the employment contracts for certain categories of personnel to retire at age 55, 60, or 63, are provided for by taxed reserves in the balance sheet.

Pension obligations are calculated annually, as of the end of the reporting period, based on actuarial principles.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Opening balance, pension obligations covered by plan assets	1,593	1,591
Opening balance, pension obligations not covered by plan assets	469	490
Opening balance, total pension obligations	**2,062**	**2,081**
Current service cost	26	38
Interest cost, paid-up policy indexation	156	108
Benefits paid	-141	-154
Divested operations	-1	-1
Other changes in valuation of pension obligations	-21	-15
Termination benefits	1	5
Closing balance, pension obligations covered by plan assets	1,594	1,593
Closing balance, pension obligations not covered by plan assets	488	469
Closing balance, total pension obligations	**2,082**	**2,062**
of which PRI Pensionsgaranti pensions	*1,360*	*1,375*

The fair value of plan assets changed as follows.

SEK in millions, except percentages	Dec 31, 2013	Dec 31, 2012
Opening balance, plan assets	2,002	2,052
Actual return	107	145
Payment from pension fund	–	-195
Closing balance, plan assets	**2,109**	**2,002**
Actual return on plan assets (%)	*5.4*	*7.1*

Provisions for pension obligations were recognized in the balance sheet as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Present value of pension obligations	2,082	2,062
Fair value of plan assets	-2,109	-2,002
Surplus capital in pension fund	515	409
Provisions for pension obligations	**488**	**469**

Total pension income was distributed as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Current service cost	26	38
Interest cost, paid-up policy indexation	156	108
Less interest expenses recognized as financial expenses	-20	-20
Actual return on plan assets	-107	-145
Divested operations, pension obligations	-1	-1
Other changes in valuation of pension obligations	-21	-15
Termination benefits	1	5
Pension expenses (+)/income (-), defined benefit pension plans	**34**	**-30**
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	48	55
Pension-related social charges and taxes	53	–
Changes in estimates	-5	-3
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	–	-5
Pension expenses (+)/income (-)	**130**	**17**
Decrease (-)/Increase (+) of surplus capital in pension fund	106	-51
Recognized pension income	**236**	**-34**
of which pension premiums paid to the ITP pension plan	*3*	*6*

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by PRI Pensionsgaranti 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 calculated yield tax, was 3.5 percent in 2013 and 3.7 percent in 2012. Obligations were calculated based on the salary levels prevailing at December 31, 2013 and 2012, respectively.

Plan-asset allocation

At the end of the reporting period, plan assets were allocated as follows.

	Dec 31, 2013		Dec 31, 2012	
Asset category	**SEK in millions**	**Percent**	**SEK in millions**	**Percent**
Fixed income instruments, liquidity	1,103	52.3	993	49.6
Shares and other investments	1,006	47.7	1,009	50.4
Total	**2,109**	**100.0**	**2,002**	**100.0**
of which shares in TeliaSonera AB	–	–	–	–

Future contributions and pension payments

As of December 31, 2013, the fair value of plan assets exceeded the present value of pension obligations. Unless the fair value of plan assets during 2014 should fall short of the present value of pension obligations, TeliaSonera AB has no intention to make any contribution to the pension fund.

In 2014, pension payments from the defined benefit plans are expected to be SEK 145 million.

P15. Other Provisions

Changes in other provisions were as follows.

	December 31, 2013				
SEK in millions	**Payroll taxes on future pension payments**	**Restructuring provisions**	**Damages and court cases**	**Insurance provisions**	**Total**
Opening balance	37	11	240	32	**320**
of which financial liabilities at amortized cost	–	–	–	–	–
Provisions for the period	4	92	–	-2	**94**
Utilized provisions	-9	-38	–	–	**-47**
Reversals of provisions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Closing balance	**32**	**65**	**240**	**30**	**367**
of which non-current portion	32	21	–	30	**83**
of which current portion	–	44	240	–	**284**

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note P19 “Financial Assets and Liabilities by Category and Level” for more information on financial instruments classified by category.

Restructuring provisions mainly refer to staff redundancy costs related to cost saving programs. The remaining provision as of December 31, 2013, is expected to be fully utilized in 2014-2015. Provisions for damages and court cases are related to disposals and winding-up of group entities and associated companies. Full utilization of payroll taxes on future pension payments, damages and court cases, and insurance provisions is expected in the period 2014-2024.

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 counterparts as well as the timing of such changes.

P16. 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 C20).

Borrowings

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

	Dec 31, 2013		Dec 31, 2012	
SEK in millions	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**[1)]
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	19,289	20,225	17,600	18,016
Interest rate swaps at fair value	254	254	340	340
of which designated as hedging instruments	*220*	*220*	*340*	*340*
of which held-for-trading	*34*	*34*	*0*	*0*
Cross currency interest rate swaps at fair value	1,630	1,630	1,956	1,956
of which designated as hedging instruments	*245*	*245*	*193*	*193*
of which held-for-trading	*1,385*	*1,385*	*1,764*	*1,764*
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***21,173***	***22,109***	***19,896***	***20,312***
Open-market financing program borrowings at amortized cost	57,026	60,698	60,690	67,234
Other borrowings at amortized cost	0	0	0	0
Subtotal** (see Categories – Note P19)/Total fair value**	***78,199***	**82,807**	***80,586***	**87,546**
Borrowings from subsidiaries	398		12,925	
of which other borrowings	*398*		*12,925*	
Total long-term borrowings	**78,597**		**93,511**	
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	2,735	2,819	401	413
Interest rate swaps designated as hedging instruments	31	31	29	29
Interest rate swaps designated as held-for trading	0	0	42	42
Cross currency interest rate swaps as held-for trading	17	17	343	343
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***2,783***	***2,867***	***815***	***827***
Open-market financing program borrowings at amortized cost	5,954	5,996	5,271	5,271
of which hedging net investments	*2,308*	*2,330*		
of which at amortized cost	*3,646*	*3,647*	*5,271*	*5,271*
Other borrowings at amortized cost	0	0	652	652
Subtotal** (see Categories – Note P19)/Total fair value**	***8,737***	**8,863**	***6,738***	**6,750**
Borrowings from subsidiaries	56,006		68,881	
of which cash pool balances	*41,669*		*67,085*	
of which other borrowings	*14,337*		*1,796*	
Total short-term borrowings	**64,743**		**75,619**	

1) Restated for comparability.

As of December 31, 2013 and 2012, fully unutilized bank overdraft facilities had a total limit of SEK 1,034 million and SEK 1,065 million, respectively.

For additional information on financial instruments classified by category/fair value hierarchy level, refer to Note P19 "Financial Assets and Liabilities by Category and Level", and for information on maturities and liquidity risks, refer to section "Liquidity risk management" in Note P20 "Financial Risk Management". Refer to Notes to Consolidated Financial Statements (corresponding section in Note C20) for further information on borrowings and the swap portfolio. Conventional commercial terms apply for borrowings from subsidiaries, which comprise cash-pool balances and other borrowings.

P17. Long-term Liabilities

The carrying value of long-term liabilities was distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Liabilities to subsidiaries	1	2
Other liabilities	3	3
Total long-term liabilities	**4**	**5**

For the years 2013 and 2012, no long-term liabilities fell due more than 5 years after the end of the reporting period.

P18. 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	Dec 31, 2013	Dec 31, 2012
Currency swaps, forward exchange contracts and currency options held-for-trading	171	135
Subtotal *(see Fair value hierarchy levels – Note P19)*	***171***	***135***
Accounts payable at amortized cost	61	198
Current liabilities at amortized cost	39	48
Subtotal *(see Categories – Note P19)*	***271***	***381***
Liabilities to subsidiaries	1,120	753
Other current liabilities	467	556
Total short-term provisions, trade payables and other current liabilities	**1,858**	**1,690**

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. For additional information on financial instruments classified by category/fair value hierarchy level and on liquidity risks, refer to Note P19 “Financial Assets and Liabilities by Category and Level” and section “Liquidity risk management” in Note P20 “Financial Risk Management”. As of December 31, 2013, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	Total
Liabilities at amortized cost	100	0	0	0	**100**

Corresponding information for currency derivatives held-for-trading are presented in section “Liquidity risk management” to Note P20 “Financial Risk Management”.

Conventional commercial terms apply for trading with subsidiaries. The main components of Other current liabilities are short-term provisions (see Note P15 “Other Provisions”) and accrued payroll expenses and social security contributions.

P19. Financial Assets and Liabilities by Category and Level

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Financial assets and liabilities relating to subsidiaries are not included. Excluded are also investments in associated companies and joint ventures as discussed in Note P10 “Other Financial Assets” and pension obligations as discussed in Note P14 “Provisions for Pensions and Employment Contracts”.

SEK in millions	Note	Dec 31, 2013	Dec 31, 2012
Financial assets			
Derivatives designated as hedging instruments	P10, P11	1,532	1,830
Financial assets at fair value through profit and loss		1,405	561
Derivatives not designated as hedging instruments	*P10, P11*	*1,374*	*530*
Held-for-trading investments	*P10*	*31*	*31*
Loans and receivables	P10, P11, P12	33,335	34,823
Available-for-sale financial assets	P12	102	5
Total financial assets by category		**36,374**	**37,219**
Financial liabilities			
Derivatives designated as hedging instruments	P16	496	562
Derivatives not designated as hedging instruments	P16, P18	1,607	2,284
Borrowings in fair value hedge relationships	P16	22,025	18,001
Financial liabilities measured at amortized cost	P16, P18	63,080	66,859
Total financial liabilities by category		**87,208**	**87,706**

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities were distributed by fair value hierarchy level as follows.

		December 31, 2013				December 31, 2012			
		Fair	of which			Fair	of which		
SEK in millions	Note	value	Level 1	Level 2	Level 3	value	Level 1	Level 2	Level 3
Financial assets at fair value									
Investments in other equity instruments available-for-sale	P10	–	–	–	–	–	–	–	–
Investments in other equity instruments held-for-trading	P10	**31**	–	–	31	**31**	–	–	31
Convertible bonds available-for-sale	P12	**102**	102	–	–	**5**	–	–	5
Derivatives designated as hedging instruments	P10, P11	**1,532**	–	1,532	–	**1,830**	–	1,830	–
Derivatives held-for-trading	P10, P11	**1,374**	–	1,374	–	**530**	–	530	–
Total financial assets at fair value by level		**3,039**	**102**	**2,906**	**31**	**2,396**	**–**	**2,360**	**36**
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	P16	**22,025**	–	22,025	–	**18,001**	–	18,001	–
Derivatives designated as hedging instruments	P16	**496**	–	496	–	**562**	–	562	–
Derivatives held-for-trading	P16, P18	**1,607**	–	1,607	–	**2,284**	–	2,284	–
Total financial liabilities at fair value by level		**24,128**	**–**	**24,128**	**–**	**20,847**	**–**	**20,847**	**–**

There were no transfers between Level 1 and 2 in 2013 and 2012.

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Level 3 financial assets changed as follows.

	December 31, 2013			December 31, 2012		
SEK in millions	Investments in other equity instruments held-for-trading	Convertible bonds available-for-sale	Total	Investments in other equity instruments held-for-trading	Convertible bonds available-for-sale	Total
Level 3, opening balance	31	4	**35**	15	4	**19**
Changes in fair value	–	–	–	1	–	–
of which recognized in net income	–	–	–	–	–	–
of which related to assets held at reporting period-end	–	–	–	–	–	–
Purchases/divestments	–	-4	**-4**	15	–	**16**
Level 3, closing balance	**31**	**0**	**31**	**31**	**4**	**35**

Changes in fair value recognized in net income are included in line item Financial income and expenses, see specification in Note P5 “Financial Income and Expenses”.

P20. Financial Risk Management

Principles, capital management and management of financial risks

For information relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (Note C26).

Credit risk management

TeliaSonera’s exposure to credit risk arises from default of counterparts (including price risks as regards investments in equity instruments), 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	Dec 31, 2013	Dec 31, 2012
Other financial assets	P10	6,092	7,641
Trade and other receivables	P11	3,398	2,776
Short-term investments, cash and cash equivalents	P12	26,884	26,802
Total		**36,374**	**37,219**

For information on credit risk management relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (corresponding section in Note C26).

Liquidity risk management

Liquidity risk is the risk that TeliaSonera AB will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. For information on liquidity risk management relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (corresponding section in Note C26).

As of December 31, 2013, contractual undiscounted cash flows for interest-bearing borrowings and non-interest-bearing currency derivatives (excluding intra-group derivatives) represented the following expected maturities, including installments and estimated interest payments. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Open-market financing program borrowings	9,517	338	302	1,490	11,283	6,834	10,184	3,553	67,551	**111,052**
Cross currency interest rate swaps and interest rate swaps										
Payables	356	1,560	1,621	556	11,932	5,430	3,209	1,730	17,380	**43,774**
Receivables	-543	-1,678	-1,553	-592	-11,896	-5,507	-3,299	-1,579	-18,147	**-44,794**
Currency swaps and forward exchange contracts										
Payables	71,123	–	8	142	16	–	–	–	–	**71,289**
Receivables	-71,048	–	-8	-144	-16	–	–	–	–	**-71,216**
Total, net	**9,405**	**220**	**370**	**1,452**	**11,319**	**6,757**	**10,094**	**3,704**	**66,784**	**110,105**

Expected maturities for and additional information on non-interest-bearing liabilities, guarantees and other contractual obligations are presented in Notes P15 “Other Provisions”, P18 “Short-term Provisions, Trade Payables and Other Current Liabilities” and P23 “Contingencies, Other Contractual Obligations and Litigation”, respectively.

P21. Operating Lease Agreements

TeliaSonera AB leases primarily office premises. Most of the leases are from outside parties. The leases are on commercial terms with respect to prices and duration. There was no subletting.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2013, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Future minimum leasing fees	7	7	7	7	30	20	0	0	0	**78**

In 2013 and 2012, total rent and leasing fees paid were SEK 34 million and SEK 38 million, respectively.

P22. 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 2013 and 2012, sales to subsidiaries totaled SEK 3 million and SEK 58 million, respectively, while purchases from subsidiaries totaled SEK 12 million and SEK 230 million, respectively.

Commitments on behalf of related parties

TeliaSonera AB has made certain commitments on behalf of group companies, associated companies and joint ventures. See Note P23 “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 C29).

P23. Contingencies, Other Contractual Obligations and Litigation

Contingent assets and financial guarantees

As of the end of the reporting period, TeliaSonera AB had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
Guarantees on behalf of subsidiaries	4,807	4,609
Guarantees for pension obligations	39	38
Total financial guarantees	**4,846**	**4,647**

Some loan covenants agreed limit the scope for divesting or pledging certain assets. For information on change-of-control provisions included in some of TeliaSonera AB’s more recent bond issuances, see Notes to Consolidated Financial Statements (corresponding section in Note C30).

For all financial guarantees issued, stated amounts equal the maximum potential future payments that TeliaSonera AB could be required to make under the respective guarantee.

Guarantees on behalf of subsidiaries include SEK 2,481 million (EUR 277 million) related to Xfera Móviles S.A., of which counter guarantees of EUR 177 million as TeliaSonera’s share on behalf of Xfera’s performance requirements in relation to its telecom and frequency licenses. Guarantees on behalf of subsidiaries also include SEK 799 million related to Swedish pension obligations.

In addition to financial 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 end of the reporting period, there was no indication that payment will be required in connection with any such contractual guarantee.

Collateral held

In 2012, TeliaSonera AB sold all its shares in OAO Telecominvest to AF Telecom Holding. The purchase price has not been fully paid and in order to secure the value of TeliaSonera AB’s receivable, certain pledges have been made in favor of the parent company, see Notes to Consolidated Financial Statements (corresponding section in Note C30).

Collateral pledged

As of the end of the reporting period, collateral pledged was distributed as follows.

SEK in millions	Dec 31, 2013	Dec 31, 2012
For commitments under a shareholders’ agreement: Shares in 4T Sverige AB and Mobile Payments AS	48	20
Total collateral pledged	**48**	**20**

Under an agreement, all shareholders of 4T Sverige AB have mutually pledged their shares in favor of the other shareholders.

Other unrecognized contractual obligations

As of December 31, 2013, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014	Oct–Dec 2014	2015	2016	2017	2018	Later years	Total
Other intangible assets	1	1	1	1	4	4	0	0	0	12
Total *(see Liquidity risk – Note P20)*	**1**	**1**	**1**	**1**	**4**	**4**	**0**	**0**	**0**	**12**

Reported obligations refer to licenses for and adaption of business support systems.

Legal and administrative proceedings

For additional information relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (corresponding section in Note C29).

P24. Cash Flow Information

Non-cash transactions

No non-cash transactions were performed during 2013 or 2012.

P25. Human Resources

The number of employees was 239 at December 31, 2013 (241 at year-end 2012).

The average number of full-time employees was as follows.

	Jan–Dec 2013		Jan–Dec 2012	
Country	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	224	46	234	48.7
Total	**224**	**46**	**234**	**48.7**

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 10 other members (2012: 7 members) of Group Management employed by the parent company.

	Dec 31, 2013		Dec 31, 2012	
Percent	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	36.4	20.0	27.3	30
Men	63.6	80.0	72.7	70
Total	**100.0**	**100.0**	**100.0**	**100.0**

Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Salaries and other remuneration	**290**	**305**
of which performance share programs	*6*	*6*
Social security expenses		
Employer's social security contributions	93	99
of which performance share programs	*2*	*2*
Pension expenses	236	-34
Total social security expenses	**329**	**65**
Other personnel expenses	26	35
Total personnel expenses recognized by nature	**645**	**405**

Salaries and other remuneration were divided between Corporate Officers and other employees as follows.

	Jan–Dec 2013		Jan–Dec 2012	
SEK in millions	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Salaries and other remuneration	90 (–)	200	56 (–)	249

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 7 other members (2012: 7 members) of Group Management 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.

	January–December or December 31,	
SEK in millions	2013	2012
Pension expenses	26	20
Outstanding pension commitments	194	154

For additional information, see sections "Performance Share Programs" and "Remuneration to corporate officers" in Notes to Consolidated Financial Statements (Note C31).

P26. Remuneration to Audit Firms

Remuneration billed by audit firms was as follows. See additional information in Notes to Consolidated Financial Statements (Note C33).

SEK in millions	Jan–Dec 2013	Jan–Dec 2012
Remuneration expensed		
PricewaterhouseCoopers AB (PwC)		
Audits	8	8
Audit-related services	1	1
Tax services	0	0
All other services	1	0
Total PwC	**10**	**9**
EY AB (EY)		
Tax services, all other services	2	1
Total EY	**2**	**1**
KPMG AB (KPMG)		
Tax services, all other services	4	2
Total KPMG	**4**	**2**
Other audit firms		
Tax services, all other services	4	3
Total other audit firms	**4**	**3**
Total remuneration	**20**	**15**

Proposed Appropriation of Earnings

At the disposal of the Annual General Meeting:

	SEK
Non-restricted equity	54,089,256,388
Net income	16,860,452,297
Total	**70,949,708,685**

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 3.00 per share ordinary dividend to the shareholders	12,990,254,343
To be carried forward	57,959,454,342
Total	**70,949,708,685**

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 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 5, 2014

Marie Ehrling
Chair of the Board

Olli-Pekka Kallasvuo
Vice-Chair of the Board

Agneta Ahlström
Board member, employee representative

Stefan Carlsson
Board member, employee representative

Mats Jansson
Board member

Mikko Kosonen
Board member

Nina Linander
Board member

Martin Lorentzon
Board member

Per-Arne Sandström
Board member

Kersti Strandqvist
Board member

Peter Wiklund
Board member, employee representative

Johan Dennelind
President and CEO

Our auditors' report was rendered on March 11, 2014. The report deviates from the standard format.
PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor in charge

Jeanette Skoglund
Authorized Public Accountant

Auditors' Report

To the annual meeting of the shareholders of TeliaSonera AB (publ),
corporate identity number 556103-4249

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of TeliaSonera AB (publ) for the year 2013, except for the corporate governance statement on pages 33–53. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 10–138.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 33-53. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of TeliaSonera AB (publ) for the year 2013. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Because of the matters described in the "Basis for Disclaimer of Opinion" section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for a recommendation as to whether one of the Managing Directors should, or should not, be discharged from liability.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Basis for Disclaimer of Opinion

As disclosed in the Annual Report (Board of Directors' Report, Corporate Governance Report and Note C34 to the Consolidated Financial Statements), the Board has engaged a law firm to undertake an examination of transactions in Eurasia. This examination has not yet been completed, and the company has presented the material to the Swedish Prosecution Authority.

The examination has given rise to a number of complex issues as regards both management measures and the potential risk of damage to the company. Based on the information available to date, it is not possible to assess such potential damage, nor whether – should damage arise – it has been caused, intentionally or negligently, through management measures undertaken by the Managing Director. However, it cannot be ruled out that the continuing examination, or an investigation by the Prosecutor, could result in the conclusion that this has been the case.

Opinions and Disclaimer of Opinion

We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the Managing Directors, Per-Arne Blomquist and Johan Dennelind, be discharged from liability for the financial year.

Due to the circumstances stated in the "Basis for Disclaimer of Opinion" section, we are unable to recommend whether the Managing Director, Lars Nyberg, should, or should not, be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, March 11, 2014

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor in charge

Jeanette Skoglund
Authorized Public Accountant

Ten-Year Summary – Financial Data

TeliaSonera Group Financial Data (IFRS)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Income (SEK in millions)										
Net sales	101,700	104,898	104,804	106,979	109,550	103,585	96,344	91,060	87,661	81,937
Operating income	24,462	28,400	29,720	32,003	30,242	28,648	26,155	25,489	17,549	18,793
Income after financial items	21,368	24,482	26,872	29,936	27,614	26,411	25,251	25,226	17,019	17,448
Net income	16,767	21,168	21,119	23,562	21,280	21,442	20,298	19,283	13,694	14,264
of which attributable to owners of the parent	14,970	19,886	18,388	21,257	18,854	19,011	17,674	16,987	11,697	12,964
EBITDA excluding non-recurring items	35,584	36,171	37,222	36,897	36,584	32,954	31,021	32,266	29,411	30,196
EBITDA	33,656	35,074	37,181	37,661	35,159	31,658	30,333	31,113	27,508	30,841
Amortization, depreciation and impairment losses	15,215	20,542	13,263	13,479	12,932	12,106	11,875	11,203	13,188	15,596
Financial position (SEK in millions)										
Goodwill and other intangible assets	81,522	83,278	92,017	90,531	100,239	100,968	83,909	74,172	74,367	69,534
Property, plant and equipment	64,792	62,657	61,291	58,353	61,222	61,946	52,602	48,195	48,201	47,212
Financial assets	47,715	49 738	62,865	62,458	60,849	62,265	48,633	41,826	40,526	35,353
Current assets and non-current assets held-for-sale	58,799	57,373	36,710	39,209	47,360	39,107	31,558	35,199	40,681	39,873
Total assets	*252,828*	*253,046*	*252,883*	*250,551*	*269,670*	*264,286*	*216,702*	*199,392*	*203,775*	*191,972*
Total equity	112,934	109,106	122,871	132,665	142,499	141,448	127,057	127,717	135,694	128,067
of which attributable to owners of the parent	108,324	105,150	115,518	125,907	135,372	130,387	117,274	119,217	127,049	121,133
Provisions	22,786	26,383	24,211	23,230	25,625	24,594	16,748	15,471	15,564	13,402
Interest-bearing liabilities	90,723	91,587	79,842	65,436	71,833	65,799	43,579	27,729	26,735	24,675
Non-interest-bearing liabilities	26,385	25,970	25,959	29,220	29,713	32,445	29,318	28,475	25,782	25,828
Total equity and liabilities	*252,828*	*253,046*	*252,883*	*250,551*	*269,670*	*264,286*	*216,702*	*199,392*	*203,775*	*191,972*
Capital employed	192,134	193,056	191,402	186,509	204,908	199,186	153,090	127,195	146,712	147,132
Operating capital	143,154	144,020	170,880	163,889	175,063	178,017	140,925	110,163	125,299	126,198
Net debt	55,774	59,444	65,048	47,309	46,175	48,614	34,155	14,892	7,879	6,580
Net interest-bearing liability	43,209	47,254	60,350	43,573	42,668	44,652	31,830	10,736	5,320	3,741
Cash flows (SEK in millions)										
Cash flow from operating activities	31,036	38,879	26,950	27,434	30,610	25,091	26,529	27,501	26,990	24,403
Cash flow from investing activities	-14,365	-6,359	-15,967	-16,476	-17,627	-19,634	-15,705	-13,084	-12,236	-7,991
Cash flow before financing activities	*16,671*	*32,520*	*10,983*	*10,958*	*12,983*	*5,457*	*10,824*	*14,417*	*14,754*	*16,412*
Cash flow from financing activities	15,013	-15,231	-13,295	-17,736	-2,187	-2,364	-14,726	-19,382	-15,653	-11,102
Cash flow for the year	*1,658*	*17,289*	*-2,312*	*-6,778*	*10,796*	*3,093*	*-3,902*	*-4,965*	*-899*	*5,310*
Free cash flow	16,310	23,740	9,415	12,901	16,643	9,333	13,004	16,596	15,594	14,118
Investments (SEK in millions)										
CAPEX	16,332	15,685	17,384	14,934	14,007	15,795	13,531	11,101	11,583	10,331
Acquisitions and other investments	1,461	1,905	672	1,735	2,842	9,060	7,171	3,951	2,732	9,099
Total investments	*17,793*	*17,590*	*18,056*	*16,669*	*16,849*	*24,855*	*20,702*	*15,052*	*14,315*	*19,430*
Business ratios										
EBITDA margin (%)	33.1	33.3	35.5	34.5	33.4	31.8	32.2	35.4	33.6	36.9
Operating margin (%)	24.1	27.0	28.4	29.9	27.6	27.7	27.1	28.0	20.0	22.9
Return on sales (%)	16.5	20.2	20.2	22.0	19.4	20.7	21.1	21.2	15.6	17.4
Amortization, depreciation and impairment losses as a percentage of net sales	15.0	19.6	12.7	12.6	11.8	11.7	12.3	12.3	15.0	19.0
CAPEX-to-sales ratio (%)	16.1	15.0	16.6	14.0	12.8	15.2	14.0	12.2	13.2	12.6
Total asset turnover (multiple)	0.40	0.41	0.41	0.41	0.41	0.43	0.46	0.45	0.44	0.43
Turnover of capital employed (multiple)	0.53	0.54	0.55	0.55	0.54	0.59	0.69	0.67	0.60	0.57
Return on assets (%)	10.6	11.5	12.3	12.7	11.8	12.7	13.1	13.2	9.4	10.5
Return on capital employed (%)	13.9	14.9	16.4	16.9	15.5	17.3	19.4	19.5	12.6	13.9
Return on equity (%)	15.9	20.5	16.8	17.8	15.2	17.2	18.6	17.2	10.3	11.6
Equity/assets ratio (%)	39.5	38.2	44.0	48.0	49.1	50.5	50.3	49.9	58.9	63.8
Net debt/equity ratio (%)	55.8	61.4	58.8	39.3	34.9	36.5	31.3	15.0	6.6	5.4
Net debt/EBITDA rate (multiple)	1.57	1.64	1.75	1.28	1.26	1.48	1.10	0.46	0.27	0.22
Interest coverage ratio (multiple)	4.7	6.3	7.2	10.7	8.3	7.6	14.2	18.1	11.7	7.6
Self-financing rate (multiple)	1.74	2.21	1.50	1.65	1.82	1.01	1.28	1.83	1.89	1.26
Share data										
Number of outstanding shares (millions)										
– at the end of the period	4,330.1	4,330.1	4,330.1	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,675.2
– average, basic	4,330.1	4,330.1	4,367.0	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2
– average, diluted	4,330.1	4,330.1	4,367.0	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2
Basic and diluted earnings/loss per share (SEK)	3.46	4.59	4.21	4.73	4.20	4.23	3.94	3.78	2.56	2.77
Cash dividend per share (SEK) [1), 2)]	3.00	2.85	2.85	2.75	2.25	1.80	4.00	6.30	3.50	1.20
Total cash dividend (SEK in millions) [1), 2)]	12,990	12,341	12,341	12,349	10,104	8,083	17,962	28,290	15,717	5,610
Pay-out ratio (%)	86.8	62.1	67.7	58.1	53.6	42.5	101.6	166.5	136.9	43.3
Equity per share (SEK)	25.02	24.28	26.69	28.04	30.15	29.04	26.12	26.55	28.29	25.91

1) For 2013 as proposed by the Board of Directors.
2) 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.

Only 2012 has been restated for changes in accounting for defined benefit pension plans in 2013 (see Note C1 to the consolidated financial statements).

Ten-Year Summary – Operational Data

TeliaSonera Group Operational Data	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Mobility Services										
Total subscriptions (thousands)	20,497	20,537	19,520	18,384	16,963	15,900	14,501	13,434	13,000	11,545
of which Sweden										
Mobile telephony, total subscriptions (thousands)	6,546	6,587	6,290	5,869	5,666	5,334	4,807	4,603	4,387	4,243
Mobile telephony, outgoing traffic (millions of minutes)	10,277	10,060	9,854	9,499	8,493	7,849	6,635	5,335	4,456	3,814
Mobile telephony, incoming traffic (millions of minutes)	4,550	4,459	4,354	4,220	3,983	3,815	3,474	3,058	2,750	2,573
Mobile telephony, MoU (minutes)	246	244	242	237	218	191	178	157	139	131
Mobile telephony, blended churn (%)	18	15	15	17	13	14	15	17	15	11
Mobile telephony, ARPU (SEK)	184	190	196	196	192	189	194	204	213	227
of which Finland										
Mobile telephony, subscriptions (thousands)	3,345	3,249	3,231	3,237	2,874	2,676	2,449	2,407	2,507	2,297
Mobile telephony, outgoing traffic (millions of minutes)	5,464	5,476	5,471	5,575	5,604	5,618	5,473	5,936	5,642	4,820
Mobile telephony, incoming traffic (millions of minutes)	2,799	2,827	2,840	2,896	2,831	2,911	2,656	2,554	2,405	2,147
Mobile telephony, MoU (minutes)	271	268	255	266	280	276	284	285	277	253
Mobile telephony, blended churn (%)	22	26	28	25	22	17	16	19	24	28
Mobile telephony, ARPU (EUR)	17	19	21	22	24	26	29	29	30	38
of which Norway										
Mobile telephony, subscriptions (thousands)	1,612	1,641	1,657	1,680	1,658	1,581	1,577	1,641	1,651	1,308
Mobile telephony, MoU (minutes)	283	285	279	276	279	247	236	218	192	175
Mobile telephony, ARPU (NOK)	243	248	259	291	309	330	348	352	333	339
of which Denmark										
Mobile telephony, subscriptions (thousands)	1,522	1,462	1,426	1,450	1,460	1,493	1,449	1,123	1,154	1,115
of which Baltic countries										
Mobile telephony, subscriptions, Lithuania (thousands)	1,634	1,953	1,990	2,000	1,991	2,012	2,012	2,074	1,889	1,338
Mobile telephony, subscriptions, Latvia (thousands)	1,083	1,070	1,092	1,068	1,042	1,056	1,015	803	735	649
Mobile telephony, subscriptions, Estonia (thousands)	865	868	795	797	766	778	765	759	677	595
of which Spain										
Mobile telephony, subscriptions (thousands)	3,889	3,707	3,039	2,283	1,506	970	427	24	–	–
Broadband Services										
Broadband, total subscriptions (thousands)	2,474	2,532	2,481	2,402	2,348	2,284	2,164	1,828	1,278	897
Fixed telephony, total subscriptions (thousands)	3,149	3,594	4,267	4,666	5,212	5,806	6,218	6,497	7,064	8,312
of which Sweden										
Broadband, subscriptions (thousands)	1,208	1,175	1,149	1,129	1,125	1,122	1,061	915	711	526
Fixed telephony, total subscriptions (thousands)	2,089	2,415	2,948	3,214	3,604	4,000	4,295	4,586	5,036	6,115
of which Finland										
Broadband, subscriptions (thousands)	532	501	491	476	458	478	473	412	350	243
Fixed telephony, total subscriptions (thousands)	177	204	239	277	324	420	497	580	647	740
of which Norway										
Broadband, subscriptions (thousands)	–	184	188	195	223	176	177	172	–	–
of which Denmark										
Broadband, subscriptions (thousands)	82	74	80	67	47	34	31	7	5	1
Fixed telephony, prefix and contract customers (thousands)	118	132	148	153	205	226	251	165	195	212
of which Baltic countries										
Broadband, subscriptions, Lithuania (thousands)	430	385	372	345	313	298	259	181	105	50
Fixed telephony, subscriptions, Lithuania (thousands)	565	605	647	689	722	769	789	785	798	819
Broadband, subscriptions, Estonia (thousands)	222	213	201	190	182	176	163	141	107	77
Fixed telephony, subscriptions, Estonia (thousands)	200	238	285	333	357	391	386	381	388	426
Eurasia										
Mobile telephony, total subscriptions (thousands)	44,177	42,535	34,840	28,505	22,363	18,272	12,147	7,352	6,146	3,866
Mobile telephony, subscriptions, Kazakhstan (thousands)	14,307	13,463	10,850	8,921	7,165	7,083	6,017	3,539	3,320	1,795
Mobile telephony, subscriptions, Azerbaijan (thousands)	4,379	4,417	4,166	3,994	3,847	3,471	3,029	2,333	1,741	1,291
Mobile telephony, subscriptions, Uzbekistan (thousands)	8,496	9,475	7,688	6,832	5,074	2,683	690	–	–	–
Mobile telephony, subscriptions, Tajikistan (thousands)	3,301	2,809	2,139	1,723	1,523	1,154	611	–	–	–
Mobile telephony, subscriptions, Georgia (thousands)	1,803	2,074	2,066	2,044	1,892	1,582	1,296	1,032	715	481
Mobile telephony, subscriptions, Moldova (thousands)	1,024	1,251	1,089	907	660	550	504	448	370	299
Mobile telephony, subscriptions, Nepal (thousands)	10,867	9,046	6,842	4,084	2,202	1,749	–	–	–	–
Human Resources										
Number of employees as of December 31	26,013	27,838	27,983	28,945	29,734	32,171	31,292	28,528	28,175	29,082
Average number of full-time employees during the year	25,319	26,793	27,005	27,697	28,815	30,037	28,561	26,969	27,403	25,381
of whom, in Sweden	8,122	8,486	8,378	8,937	9,170	10,152	10,002	10,427	11,061	10,948
of whom, in Finland	3,745	4,231	4,497	4,686	4,981	5,258	5,697	5,936	6,369	6,750
of whom, in other countries	13,452	14,076	14,130	14,074	14,664	14,627	12,862	10,606	9,973	7,683
of whom, women	10,958	11,465	11,786	12,212	13,111	13,251	12,571	12,164	11,934	11,427
of whom, men	14,361	15,328	15,219	15,485	15,704	16,786	15,990	14,805	15,469	13,954
Salaries and remuneration (SEK in millions)	9,400	9,863	9,979	10,405	11,152	11,011	9,632	8,918	9,023	8,674
Employer's social security contributions (SEK in millions)	1,900	1,835	1,821	1,900	1,995	2,134	1,971	1,903	1,970	1,902
Salaries and employer's social security contributions as a percentage of operating costs	14.0	14.2	14.5	14.8	15.3	15.8	14.8	15.2	15.5	16.4
Net sales per employee (SEK in thousands)	4,017	3,915	3,881	3,862	3,802	3,449	3,373	3,376	3,199	3,228
Operating income per employee (SEK in thousands)	966	1,056	1,101	1,155	1,05	954	916	945	640	740
Change in labor productivity (%)	5.6	14.1	11.2	10.8	11.1	7.8	7.1	11.2	8.3	10.8
Net income per employee (SEK in thousands)	662	790	782	851	738	714	711	715	500	511

Definitions

Concepts

Addressable cost base

Comprises personnel costs, marketing costs and all other operating expenses other than purchases of goods and sub-contractor services as well as inter-connect, roaming and other network-related costs. Addressable cost base does not include non-recurring items.

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 and joint ventures.

Non-recurring items

Non-recurring items comprise capital gains and losses, impairment losses, restructuring programs (costs for phasing out operations and personnel redundancy costs) or other costs with the character of not being part of normal daily operations.

Adjusted equity

Reported equity attributable to owners of the parent 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 items related to foreign currency derivatives and accrued interest as well as to deferred and current tax, respectively, and liabilities exclude the (proposed) dividend.

Net debt

Interest-bearing liabilities less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related CSA, and less short-term investments and cash and bank.

Net interest-bearing liability

Interest-bearing liabilities and provisions less interest-bearing assets but including investments in associated companies and joint ventures.

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

Operating income expressed as a percentage of net sales.

Return on sales

Net income expressed as a percentage of net sales.

Total asset turnover

Net sales divided by average total assets.

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 average total assets.

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

Return on equity
Net income attributable to owners of the parent expressed as a percentage of average adjusted equity.

Equity/assets ratio
Adjusted equity and equity attributable to non-controlling interests expressed as a percentage of total assets.

Net debt/equity ratio
Net debt expressed as a percentage of adjusted equity and equity attributable to non-controlling interests.

Net debt/EBITDA rate
Net debt divided by EBITDA excluding non-recurring items.

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

Self-financing rate
Cash flow from operating activities divided by gross investments.

Earnings and equity per share
Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while equity per share is based on the number of shares at the end of the period. Earnings equal net income attributable to owners of the parent and equity is equity attributable to owners of the parent.

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
CZK	Czech koruna	KZT	Kazakhstan tenge	TJS	Tajikistan somoni
DKK	Danish krone	LTL	Lithuanian litas	TRY	Turkish lira
EUR	European euro	LVL	Latvian lats	USD	U.S. dollar
GBP	Pound sterling	NOK	Norwegian krone	UZS	Uzbekistan som

Annual General Meeting 2014

TeliaSonera's Annual General Meeting will be held on Wednesday, April 2, 2014 at 14.00 CET at Cirkus, Djurgårdsslätten 43–45, Stockholm. The complete notification was published on TeliaSonera's website, www.teliasonera.com at the end of February. The meeting will be interpreted into 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 27, 2014, kept by Swedish central securities depository Euroclear Sweden AB and
- give notice of attendance to the Company no later than Thursday, March 27, 2014.

Notice to the Company

Notice of attendance can be made

- in writing to TeliaSonera AB, Box 7842, SE-103 98 Stockholm, Sweden,
- by telephone +46 (0)8 402 90 50 on weekdays between 09.00 CET and 16.00 CET, or
- via the company's website 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 as of March 27, 2014, 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 are nominee registered at Euroclear Sweden AB, these Finnish shareholders have to contact Euroclear Finland Oy, by email: thy@euroclear.eu or by phone: +358 (0)20 770 6609, for re-registration well in advance of March 27, 2014, 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 website 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 Thursday, March 27, 2014.

Decisions to be made by the Annual General Meeting

The Annual General Meeting determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and President from liability. The Annual General Meeting also appoints the Board of Directors and makes decisions regarding remuneration to the Board. The Board of Directors proposes that a dividend of SEK 3.00 per share be distributed to the shareholders, and that April 7, 2014, 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 will take place on April 10, 2014.

Other information

Marie Ehrling's and Johan Dennelind's speeches at the meeting will be posted on the Company's website www.teliasonera.com after the meeting.

Contact TeliaSonera

Contact TeliaSonera

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Production: TeliaSonera AB Investor Relations in cooperation with Narva
Photo of the Board of Directors and Group Management: TeliaSonera

TeliaSonera provides network access and telecommunication services that help our customers communicate in an easy, efficient and environmentally friendly way. International strength combined with local excellence is what makes us truly unique – and provides a world class customer experience, all the way from the Nordic countries to Nepal.