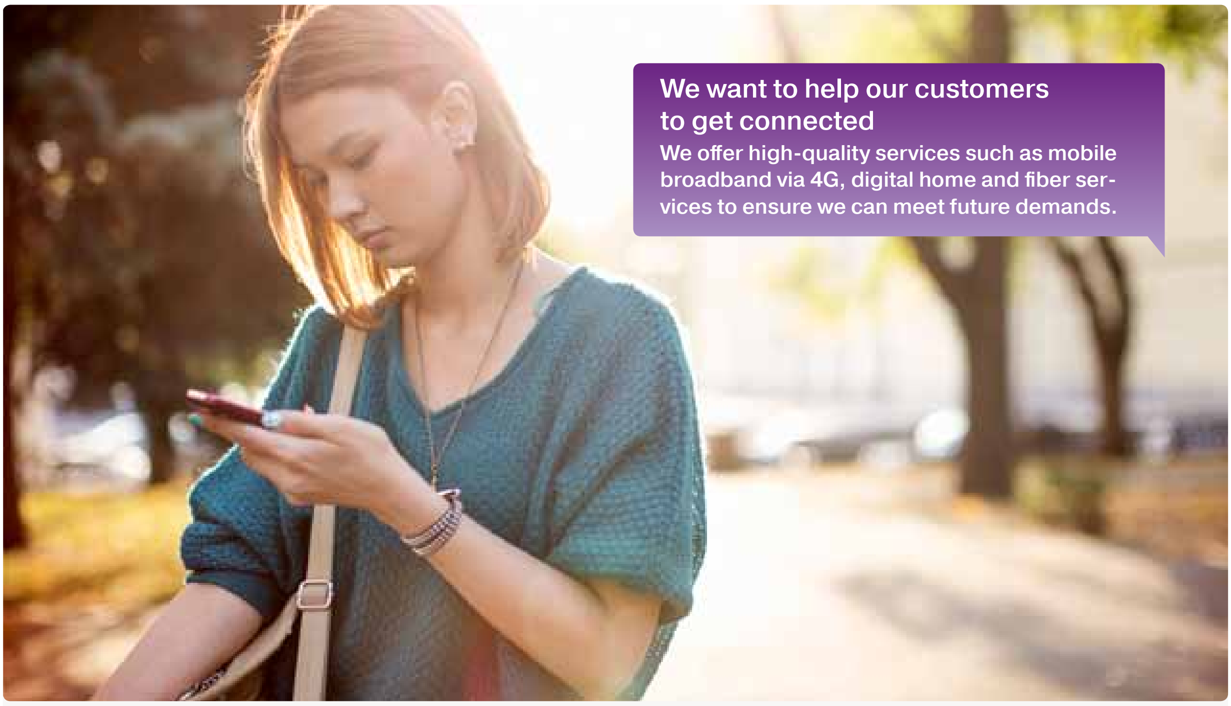
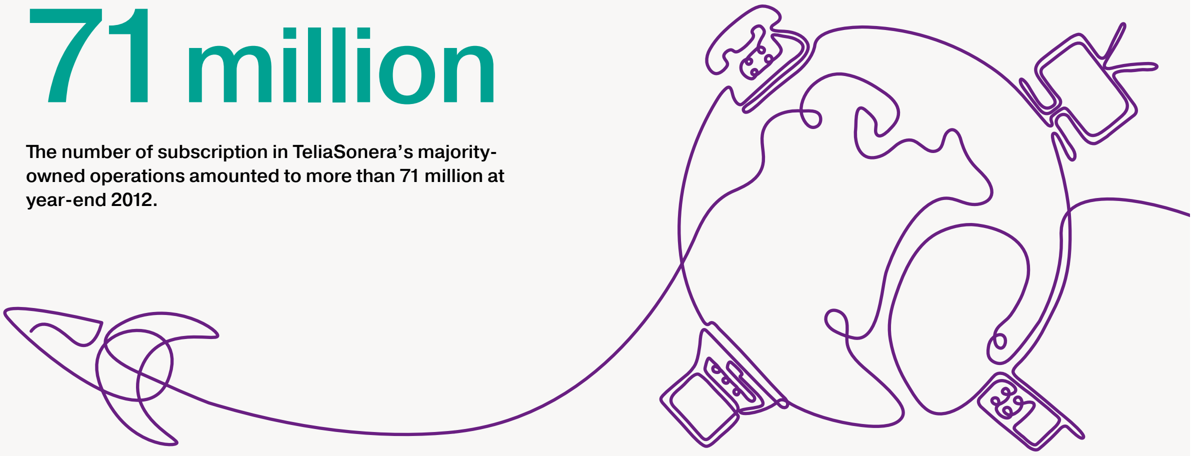
TeliaSonera

Annual Report 2012



71 million

The number of subscription in TeliaSonera's majority-owned operations amounted to more than 71 million at year-end 2012.



Contents

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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.

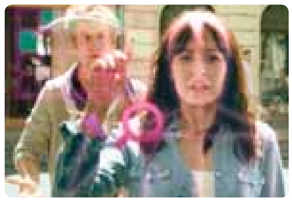
We are an international group

We have majority-owned operations from the Nordics to Nepal, with more than 71 million subscriptions at year-end 2012 as well as almost 112 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 regions 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 27,838 employees at year-end.

27,838

The year in brief

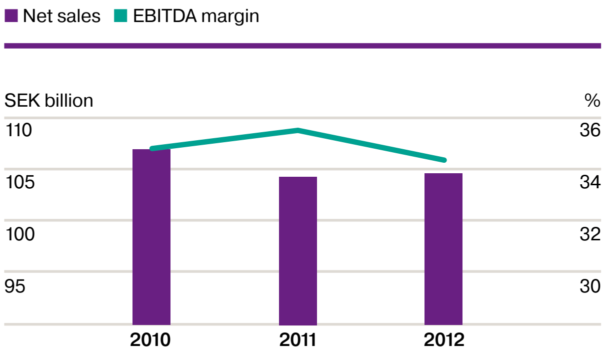
2012 – an eventful year

- We continued the roll-out of both fiber as well as 4G and extended our TV offerings, by for example introducing HBO and Play+. Reduced dataroaming prices were brought to new destinations and Spotify was launched in several markets.
- We initiated an efficiency program that will lead to cost reductions of SEK 2 billion net over the coming two years, including personnel reductions net of 2,000 employees in the Nordics and Baltics. At the same time, we see a need to recruit new competence.
- We partnered with the Danish Institute for Human Rights (DIHR) to define and support an internal assessment of risks that could potentially lead to involvement in human rights violations. In particular, freedom of expression and privacy are growing in importance for companies across the ICT sector.
- We successfully managed to settle a long standing ownership dispute in Russian MegaFon and completed an initial public offering of the company by the end of the year. It is amazing that our investment of a mere SEK 1.2 billion since the company's inception in 1994 has grown to around SEK 55 billion including dividends, sale of shares and the value of our remaining 25 percent ownership.
- We successfully completed an initial public offering of Kazakh Kcell during the fall and decided to divest Norwegian NextGenTel.
- We were accused of bribery and money laundering in connection with our investments in Uzbekistan in 2007 and 2010. The Board appointed an external investigation that could neither prove nor completely reject the accusations. The investigation complained of deficiencies in the implementation of the deal and that the company violated its own ethical guidelines. In a statement, the Board agreed in the criticism, and shared the same.
- Our financial position is solid and at year-end free cash flow was record high and we delivered the second highest earnings per share, at SEK 4.59, since the merger between Telia and Sonera in 2002.

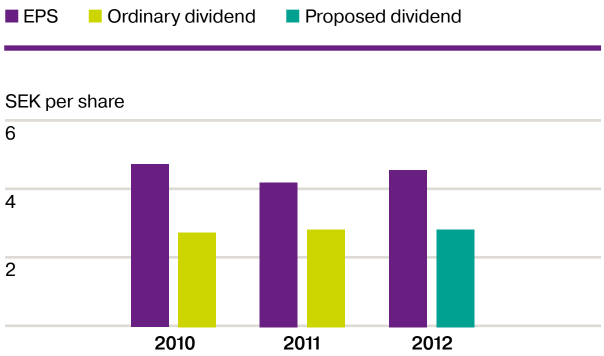
Financial highlights

SEK in millions, except key ratios, per share data and margins	2012	2011	2010
Net sales	104,898	104,804	106,979
EBITDA, excluding non-recurring items	36,059	37,222	36,897
margin (%)	34.4	35.5	34.5
Operating income	28,288	29,720	32,003
Operating income, excluding non-recurring items	28,570	29,889	31,935
Net income	21,168	21,119	23,562
of which attributable to owners of the parent company	19,886	18,388	21,257
Earnings per share (SEK)	4.59	4.21	4.73
Return on equity (%, rolling 12 months)	19.8	17.1	17.8
CAPEX-to-sales (%)	15.0	16.6	14.0
Free cash flow	23,740	9,415	12,901

NET SALES AND EBITDA MARGIN, EXCLUDING NON-RECURRING ITEMS, 2010–2012



EPS AND DIVIDENDS, 2010–2012



Letter from the CEO

Dear shareholders,
The year of 2012 was a strong one, both financially and operationally. We delivered a good profit, despite a downturn in the global economy. We resolved the ownership conflict at MegaFon, which has dragged on for many years, and carried out stock-market flotations that helped to produce a strong cash flow. At the same time, some of our investments in Eurasia were criticized.

Second best result in ten years

We have a lot to be proud of. Despite an uncertain and troubling macroeconomic climate, last year we succeeded in achieving our second best result in the ten years that have elapsed since Telia and Sonera merged. Amidst the global economic downturn, we managed to consolidate and strengthen our position. All operations in Business area Eurasia reported higher sales, generating growth of 14 percent. This compensated for slightly lower sales in the Mobility Services and Broadband Services business areas.

Since the merger in 2002, TeliaSonera has delivered dividends totaling SEK 117 billion. This corresponds to SEK 26 per share, excluding share buy-backs. The number of subscriptions has risen from 19 million to nearly 71 million in our majority-owned businesses and to a total of 183 million if we include businesses in which we hold a minority stake.

High pressure for change and strong pressure on prices

The customers' appetite for bandwidth is more or less unlimited. In practically every home and in just about every workplace, the need for mobile and fixed data communications is growing, as new services and communication tools enter everyday use.

Ten years ago, telephones were used exclusively for voice calls and texting. In the workplace, e-mail was the only form of electronic communication, and the computer was the only terminal connected to the internet. In the evening, all the family got together around the same TV.

Today, every member of the family uses broadband services via their own computer, smartphone or tablet. Businesses and organizations communicate with customers and personnel via apps, social media, video-conferencing and Twitter.

In 2012, mobile data traffic on TeliaSonera's network expanded by nearly 80 percent. That is a very substantial increase but income is not keeping pace, rising by only a little over 20 percent. Our income from mobile voice calls fell by 10 percent, while the volume remained largely unchanged.

Dealing with pressure on prices and constantly rising demand for capacity, while coping with falling income from voice calls, will be the major challenge for TeliaSonera and the industry as a whole. We will meet this challenge in three ways:

We will continue to invest in our networks and services in order to always have the market's most attractive offerings. We will introduce a new pricing structure that better reflects our customers' patterns of consumption and we will reduce our costs.

In 2012, we invested nearly SEK 16 billion in infrastructure, licenses for mobile network and fiber. We have now launched 4G in all the Nordic and Baltic markets, as well as in several countries in Eurasia. In 2013, we will continue to expand our 4G networks. No other company is investing more in infrastructure in Sweden than TeliaSonera.

We will carry on developing new applications and services with the leading players in the market. During the year, we were the first Nordic operator to sign an agreement with the USA TV channel HBO, which offers new series the day after showing in the USA. We partnered with Samsung in developing IPTV technology enabling our customers to watch TV without a set-top box.

In 2012, we embarked on a program aimed at savings of SEK 2 billion. The savings will be achieved partly by introducing new, more efficient ways of working and partly by exploiting the benefits of new technology.

The high pressure for change in the industry is not a negative factor; it is an opportunity to develop competitiveness. TeliaSonera possesses a unique combination of business volume, financial strength, expertise and a long-term perspective. We are one of the biggest telecom operators in Europe. We have a very strong balance sheet. We have expert personnel and a long tradition of being at the cutting edge of technology.

Successful stockmarket flotations

During the year, we succeeded in resolving the deadlocked ownership situation at MegaFon, a situation that had lasted for many years. Now that we have clear ownership conditions and have floated the company on the London and Moscow stockmarkets, we have achieved our aim of transparent direct ownership of Russia's second-largest mobile operator. Our investment of SEK 1.2 billion since the company was formed in 1994 has yielded around SEK 55 billion, an outstandingly good return.

In line with the strategy of increasing the level of ownership in our core holdings, we acquired a minority stake in Kcell, our biggest operator in Eurasia, early in the year. Just before year-end, we also fulfilled our commitment to float the company in London and Almaty, Kazakhstan stock exchanges.

The flotations contributed to a record-high cash flow, which was used primarily to reduce our indebtedness. In addition, we were able to maintain an unchanged dividend of SEK 2.85 per share. This is in an era when many operators are cutting, or opting not to pay, dividend.

Eurasia – growth but criticism too

TeliaSonera's seven companies in Eurasia remain our engines of growth, with high margins and four times as many subscriptions today as in 2007.

Through our presence in Eurasia, we are generating growth for our shareholders, but even more important are the opportunities that our services create in the countries where we have set up business. Few tools are better for economic and personal development than access to the internet and mobile telephony. They enable people to communicate with each other and the outside world in a way that was not possible a few years ago, and they open up previously closed societies to the outside world. Our contribution is through our investment in important infrastructure, and through provision of communication services at affordable prices to the vast majority of the population.

In September, allegations were made in the media that TeliaSonera had been involved in bribery during establishment of operations in Uzbekistan in 2007. The Board of Directors immediately ordered an external investigation by help of the lawfirm Mannheimer Swartling. The findings, presented on February 1, this year, showed no evidence to support the allegations of criminal activity. On the other hand, the company was criticized for the way in which the investments had been made.

In a statement made on presentation of the report, the Board of Directors agreed with the conclusions.

The Office of the Prosecutor General at Sweden's National Anti-Corruption Unit initiated a preliminary investigation in September that is still in progress.

The task of living up to the expectations the outside world places on us is not something that an organization such as TeliaSonera can complete at a stroke. It is a continuously ongoing process. A series of measures to bolster our work on sustainability have been ongoing during the last years.

For example, we have developed our processes and tightened our risk assessment procedures in connection with new investments. We have also included sustainability risks into our decision-making procedures. Counterparty risks and frameworks for evaluation are analyzed both by ourselves and by qualified independent experts.

In association with other leading international telecom companies, we have drafted principles laying down how we can respect the right to freedom of expression and integrity. By working together, and with the Global Network Initiative (GNI), we will be better able to safeguard fundamental rights.

We have also, with the support of the Danish Institute for Human rights (DIHR), analyzed which areas we need to improve in, if we are to live up to the UN Declaration on Human Rights.

In 2013, we will maintain a close focus on sustainability issues. In January, we adopted environmental targets for the whole group for the first time. Our ambition is, by no later than 2020, to cut our carbon dioxide emissions and our energy consumption by 20 percent per subscription from current levels. In February, we signed up to The Global Compact, which embraces the UN's Principles on Human Rights, Labor Law and the Environment etc.

Issues relating to sustainability, business ethics and responsibility will be a natural part of everything we do. The knowledge and experience we have now acquired at great cost will further sharpen our focus on a sustainable and ethical approach to business throughout the organization.

We are proud to be driving development of the communication society in a way that will enable even more people to communicate with each other.

"We have a lot to be proud of. Despite an uncertain and troubling macroeconomic climate, last year we succeded in achieving our second best result in the ten years that have elapsed since Telia and Sonera merged."

Stockholm, March 6, 2013

Per-Arne Blomquist
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 with a different marketing strategy. We have majority-owned operations in the Nordics and Baltics 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.

Majority-owned companies

Country	Trademark	Ownership	Service	Market position	Market share[1]
Sweden					
Telia, halebop	Telia, Halebop	100%	Mobile	1	40%
	Telia	100%	Broadband	1	38%
	Telia	100%	Fixed Voice incl. VoIP	1	61%
	Telia	100%	TV	4	13%
Finland					
Sonera, tele finland	Sonera, TeleFinland	100%	Mobile	2	34%
	Sonera	100%	Broadband	2	30%
	Sonera	100%	Fixed Voice	2	22%
	Sonera	100%	TV	2	21%
Norway					
NetCom, Chess	NetCom, Chess	100%	Mobile	2	25%
Denmark					
Telia, Call me, dlg	Telia, Call me, DLG Tele[2]	100%	Mobile	3	18%
	Telia, DLG Tele[2]	100%	Broadband	5	3%
	Telia, Call me, DLG Tele[2]	100%	Fixed Voice incl. VoIP	2	8%
	Telia	100%	TV	>5	<1%

Majority-owned companies

Country	Trademark	Ownership	Service	Market position	Market share[1]
Lithuania					
	Omnitel, Ezys	100%	Mobile	1	39%
	TEO	88.2%	Broadband	1	50%
	TEO	88.2%	Fixed Voice	1	90%
	TEO	88.2%	TV	1	24%
Latvia					
	LMT, Okarte, Amigo	60.3%	Mobile	1	43%
Estonia					
	EMT, Diil	100%	Mobile	1	44%
	Elion	100%	Broadband	1	58%
	Elion	100%	Fixed Voice incl. VoIP	1	78%
	Elion	100%	TV	1	34%
Spain					
	Yoigo	76.6%	Mobile	4	5%
Kazakhstan					
	Kcell, Activ	61.9%	Mobile	1	47%
Azerbaijan					
	Azercell	38.1%	Mobile	1	52%
Uzbekistan					
	Ucell	94%	Mobile	2	43%
Tajikistan					
	Tcell	60%	Mobile	1	36%
Georgia					
	Geocell, Lailai	74.3%	Mobile	1	42%
Moldova					
	Moldcell	74.3%	Mobile	2	33%
Nepal					
	Ncell	60.4%	Mobile	1	53%

Associated companies

Country	Trademark	Ownership	Service	Market position	Market share[1]
Latvia					
lattelecom	Lattelecom	49%	Broadband	1	67%
	Lattelecom	49%	Fixed Voice incl. VoIP	1	74%
	Lattelecom	49%	TV	1	34%
Russia					
MegaFon	MegaFon	25.2%	Mobile	2	27%
Turkey					
TURKCELL	Turkcell	38%	Mobile	1	52%

[1] 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.

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

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 Corporate functions, which are all reported collectively. TeliaSonera's corporate functions are Communications, Finance (including M&A and Procurement), Human Resources, IT, Legal Affairs and Internal Audit.

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 2011, unless otherwise stated.

Mission, Vision and Strategy

Vision and strategy – Making it possible
Customers value the freedom and flexibility to do more and get closer via the internet. TeliaSonera provides network access and telecommunication services that enable people and businesses to achieve what's important to them. Seeing the big picture is important, but the little details are just as essential in meeting customers' 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 world-class 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 – a world-class customer experience
Today communication services are an integral part of people's daily lives. Since the arrival of smartphones and tablets, we rely increasingly on digital communication for social and business interaction. A trend which will only grow stronger in the coming years. Communication services have moved from being expensive and exclusive to being available, affordable and personal. Our ambition is to translate our strategy to provide a world-class customer experience, industry leading network quality and to have a competitive cost structure.

We believe that our industry is faced with three main challenges:
1. Introducing new business models to rebalance pricing towards data
2. Fixed-mobile convergence and bundling of services
3. Development of value-added services linked to the core business

Rising to the challenges
We are leading the move towards pricing that better reflects how customers use their devices. Convergence is a growing part of our offering, for example giving customers access to their subscribed TV channels via computers and mobile devices, bringing video services such as HBO and Netflix to mobile devices, and integrating Spotify into mobile and TV services.

While maintaining our primary role as an enabler and access provider, we create added value for private and business customers through services such as cloud storage and virtual meetings. The focus here is on applications closely linked to network access, and that reduce churn and increase data traffic in our networks.

Data traffic per customer is increasing
Our strategy is based on growth in data traffic beyond what would be expected from new customers coming into the network, and an unlimited demand for bandwidth. This has two major consequences:
- Established fixed networks remain competitive, with strong growth in new services such as IPTV and video-on-demand
- The pricing model will evolve. We will move from a voice-based model to a focus on charging for access, usage and speed

Our promise

We want our networks and services to be firmly based on customer needs. This is our promise to customers:

- High quality networks, ensuring our services are reliable in terms of coverage, speed and up-time
- A world-class experience, with services that look and feel great and are easy to use
- A business-to-business product portfolio that gives customers competitive advantage
- Early implementation of new technology and services
- Efficient operations with the benefits of economies of scale

Risks and Risk Management

TeliaSonera operates in several geographic 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 business, financial and sustainability 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 ventures, sustainability, ownership of TeliaSonera shares, financial management and financial reporting.

Risks and uncertainties related to business, sustainability and shareholder issues are described in Note C35, key sources of estimation uncertainty in Note C2 and financial risks in Note C27 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.

Sustainability reporting

TeliaSonera annually reports its sustainability performance in the Sustainability Report. As of 2012, the external auditors submitted 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 2012

Financial highlights

- Net sales in local currencies and excluding acquisitions increased 1.2 percent. In reported currency, net sales were unchanged at SEK 104,898 million (104,804).
- The number of subscriptions grew by 8.4 million in the consolidated operations and by 6.4 million in the associated companies. The total number of subscriptions was 183.0 million.
- The addressable cost base in local currencies and excluding acquisitions decreased 0.3 percent. In reported currency, the addressable cost base decreased 1.5 percent to SEK 29,671 million (30,113).
- EBITDA, excluding non-recurring items, decreased 2.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.1 percent to SEK 36,059 million (37,222). The EBITDA margin, excluding non-recurring items, decreased to 34.4 percent (35.5).
- Operating income, excluding non-recurring items, decreased 4.4 percent to SEK 28,570 million (29,889).
- Net income attributable to owners of the parent company increased 8.1 percent to SEK 19,886 million (18,388) and earnings per share to SEK 4.59 (4.21).
- Free cash flow increased to SEK 23,740 million (9,415), including a dividend from MegaFon of SEK 11,726 million net of taxes.

SEK in millions, except key ratios, per share data and changes	2012	2011	Change (%)
Net sales	104,898	104,804	0.1
Addressable cost base[1]	-29,671	-30,113	-1.5
EBITDA[2] excl. non-recurring items[3]	36,059	37,222	-3.1
Margin (%)	34.4	35.5	
Depreciation, amortization and impairment losses	-20,542	-13,263	54.9
Income from associated companies	13,868	5,802	139.0
Non-recurring items[3] within EBITDA	-1,097	-41	
Operating income	28,288	29,720	-4.8
Financial income and expenses, net	-3,806	-2,848	33.6
Income taxes	-3,314	-5,753	-42.4
Net income	21,168	21,119	0.2
of which attributable to owners of the parent company	19,886	18,388	8.1
Earnings per share (SEK)	4.59	4.21	9.0
Operating income excluding non-recurring items[3]	28,570	29,889	-4.4
Margin (%)	27.2	28.5	
Return on equity (%)	19.8	17.1	
CAPEX-to-sales (%)[4]	15.0	16.6	
Free cash flow	23,740	9,415	152.2

[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 (a) the change of accounting principle for joint ventures from the equity method to proportionate consolidation affecting business area Mobility Services, (b) the change to one-quarter lag reporting of the associated company OAO MegaFon within business area Eurasia, (c) correction of certain classification errors, referring to certain equipment sales within business area Mobility Services and (d) the transfer of the internal server operations from business area Broadband Services to reportable segment Other operations. For additional information, see Note C1 to the consolidated financial statements.

Significant events

In February, the first 4G smartphone from Samsung was launched. TeliaSonera currently has more than 400,000 4G dongle and smartphone users in the Nordic and Baltic countries. TeliaSonera estimates that in five years an average smartphone user will use more than 3 Gigabyte of data monthly, compared to around 0.5 Gigabyte today.

In June, TeliaSonera launched the first commercial 4G services in Azerbaijan and in November TeliaSonera launched the first commercial 4G services in Moldova. TeliaSonera was the first operator in the world to commercially launch 4G in 2009 and currently offers 4G services in 9 countries; Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia, Azerbaijan and Moldova. TeliaSonera has also made 4G live connections in Kazakhstan and Uzbekistan, and continues to roll out superfast mobile internet everywhere, to the benefit of its customers.

In July, TeliaSonera announced that it had engaged the Danish Institute for Human Rights to support and review its human rights impact assessment. Together, DIHR and TeliaSonera developed a tool tailored to TeliaSonera and the human rights risk profile of the telecom sector. It includes freedom of expression and privacy issues and is benchmarked on the United Nations' Guiding Principles on Business and Human Rights. DIHR will also assess TeliaSonera's consequential mitigation plan in 2013. Other ongoing sustainability activities initiated in 2012 included, but were not limited to:

- TeliaSonera, a founding member of the 'Industry Dialogue', counting eleven leading telecom companies, active participant in defining common principles for respecting privacy and freedom of expression; and
- Strengthening of anti-corruption processes and supply chain management.

In September, TeliaSonera confirmed that the Swedish Prosecuting Authorities had initiated an investigation regarding TeliaSonera's investments in Uzbekistan and, in October, TeliaSonera assigned Mannheimer Swartling, one of Sweden's most respected law firms, to lead an external review of these investments. TeliaSonera's net exposure in Uzbekistan is approximately SEK 6 billion. Mannheimer Swartling presented its review report on February 1, 2013 (see section "Significant Events after Year-End 2012").

In the third quarter of 2012, TeliaSonera announced its intention to fundamentally change the business by simplifying the way of working. These efficiency measures, including personnel reductions net of 2,000 employees, will lower the cost base by SEK 2 billion net over the coming two years.

In November, the Swedish Parliament decided on a reduction of the corporate income tax in Sweden from 26.3 percent to 22.0 percent, which will have a positive effect on TeliaSonera's overall tax position. A one-time SEK 1,225 million net release of deferred tax liabilities was recognized in the fourth quarter of 2012, and the group's effective tax rate going forward will be reduced by approximately 1.5 percentage points to around 20 percent, based on current earnings distribution.

In November, Telia in Sweden was the first Nordic operator to include HBO in its TV offering. This means that Telia's close to 600,000 TV customers can watch new episodes of HBO's series, subtitled in Swedish, one day after world premiere. The service also includes all past seasons of classic HBO series and a selection of library movies and is available on multiple devices, on TV, also in HD quality, as well as computers, smartphones and tablets. In late December, the HBO service was also launched in Finland. The goal is to extend the offering also to Norway and Denmark.

In 2012, some notable business area milestones were reached:

- Mobility Services passed the 20 million subscription mark in the third quarter;
- Broadband Services' revenues from IP services surpassed revenues from traditional services during the year; and
- Eurasia passed the 40 million subscription mark in the third quarter.

In 2012, TeliaSonera made a number of targeted acquisitions and divestitures (see section "Acquisitions and Divestitures" for further information).

In 2012, TeliaSonera in line with its funding strategy of diversification and increasing the duration of the debt portfolio issued a number of bonds under its existing EUR 11 billion EMTN (Euro Medium Term Note) program:

- In February, a 12-year Eurobond of EUR 750 million with a coupon at 3.625 percent;
- In August, a 15-year Eurobond of EUR 500 million with a coupon at 3.000 percent; and
- In December, a 30-year Benchmark bond in the Sterling market of GBP 400 million with a coupon at 4.375 percent.

In 2012, the following changes in TeliaSonera Group Management were made:

- In April, Robert Andersson was appointed President and Chief Executive Officer of Sonera in Finland and member of TeliaSonera Group Management; and
- In September, Tero Kivisaari was appointed President of business area Mobility Services. In addition, he continued his position as President of business area Eurasia until February 6, 2013 (see section "Significant Events after Year-End 2012").

Net sales SEK in millions	2012	2011	Change (SEK million)	Change (%), total	Change (%), of which local organic[1]	M&A effects	FX effects[2]
Mobility Services	50,637	51,556	-919	-1.8	0.1	0.0	-1.9
Broadband Services	35,723	36,677	-954	-2.6	-1.7	0.2	-1.1
Eurasia	19,731	17,330	2,401	13.9	13.5	0.0	0.4
Other operations	3,799	3,992	-193	-4.8	-3.3	-0.8	-0.7
Elimination of internal sales	-4,992	-4,751	-241	5.1	n/a	n/a	n/a
Group	**104,898**	**104,804**	**94**	**0.1**	**1.2**	**0.0**	**-1.1**

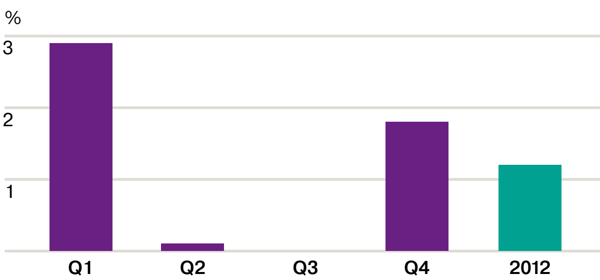
[1] In local currencies and excluding acquisitions and divestitures (M&A effects)
[2] Effects of exchange rate fluctuations

Net sales

Net sales increased 0.1 percent to SEK 104,898 million (104,804). Net sales in local currencies and excluding acquisitions increased 1.2 percent (2.6). The negative effect of exchange rate fluctuations was 1.1 percent (4.2). Growth was driven by continuing positive development in Eurasia, while other positive contributions from Nordic and Baltic mobile equipment sales, Yoigo in Spain and the international carrier operations did not compensate for the slow-down in other areas.

Over the year, the net sales growth rate, in local currencies and excluding acquisitions, was high in the first quarter, dropped in the second and third quarters and recovered in the fourth quarter.

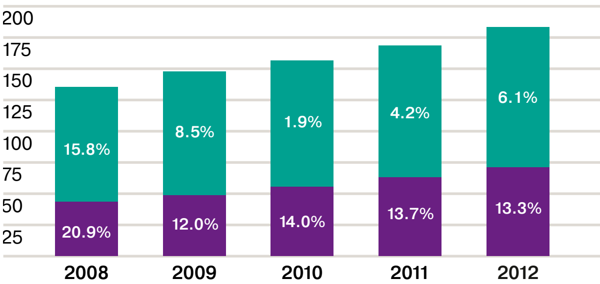
NET SALES GROWTH IN LOCAL CURRENCIES AND EXCLUDING ACQUISITIONS, QUARTERLY CHANGE YEAR-ON-YEAR (%)



Subscription growth

The total number of subscriptions rose by 14.8 million to 183.0 million. In the consolidated operations, the number of subscriptions increased by 8.4 million to 71.2 million, of which Eurasia rose by 7.7 million to 42.5 million. In the associated companies, the number of subscriptions increased by 6.4 million to 111.8 million.

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



Expenses

Cost of goods and services sold (COGS) was SEK 39,590 million (38,284), a 3.4 percent rise compared to 2011, with the largest effect from higher equipment sales in Sweden and Spain, and the general net sales growth in Eurasia. COGS growth exceeded net sales growth, reducing the gross margin to 62.3 percent (63.5).

Expenses SEK in millions	2012	2011	Change (SEK million)	Change (%)
COGS	-39,590	-38,284	-1,306	3.4
Goods and sub-contracting services purchased	-17,690	-15,289	-2,401	15.7
Interconnect and roaming expenses	-12,671	-13,387	716	-5.3
Other network expenses	-5,821	-5,932	111	-1.9
Change in inventories	-3,408	-3,676	268	-7.3
Addressable cost base	-29,671	-30,113	442	-1.5
Personnel expenses	-12,550	-12,636	86	-0.7
Marketing expenses	-6,829	-7,554	725	-9.6
Other expenses	-10,292	-9,923	-369	3.7
Total	**-69,261**	**-68,397**	**-864**	**1.3**
Amortization, depreciation and impairment losses	-20,542	-13,263	-7,279	54.9
Other operating income and expenses, net[1]	-675	774	-1,449	
Total expenses	**-90,478**	**-80,886**	**-9,592**	**11.9**

[1] Including non-recurring other expenses and excluding amortization, depreciation and impairment losses

The addressable cost base, in local currencies and excluding acquisitions, decreased 0.3 percent compared to last year, with increases in Eurasia offset mainly by decreases in Mobility Services, but to some extent also by decreases in Broadband Services and Corporate functions.

Personnel expenses, in local currencies and excluding acquisitions, increased 0.3 percent compared to 2011. Despite increases in both Broadband Services and Mobility Services, the decrease in Corporate functions kept the overall level flattish with small increases in Eurasia.

Marketing expenses, in local currencies and excluding acquisitions, declined 8.4 percent, with the key driver being reduced equipment subsidies in Mobility Services. Other costs, such as facility costs, IT, travel and consultants, increased.

Amortization, depreciation and impairment losses increased 54.9 percent to SEK 20,542 million (13,263), 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. Amortization and depreciation excluding non-recurring items decreased 1.7 percent to SEK 12,977 million (13,197). In local currencies and excluding acquisitions, the decrease was 0.6 percent.

Other operating income and expenses, net, was negative at SEK 675 million (positive 774).

Non-recurring items

Non-recurring items affecting operating income totaled SEK -282 million (-170), mainly related to the sale of shares in MegaFon which resulted in a net capital gain of SEK 8,391 million and to goodwill impairment charges in Mobility Services Norway and Lithuania of SEK -5,984 million and in Broadband Services Norway of SEK -1,550 million. Restructuring charges, mainly related to staff redundancy costs, amounted to SEK -917 million (-934).

The following table presents non-recurring items for 2012 and 2011. 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	2012	2011
Within EBITDA	**-1,097**	**-41**
Restructuring charges, synergy implementation costs, etc.:		
Mobility Services	-228	-221
Broadband Services	-633	-575
Eurasia	-287	-19
Other operations	-147	-177
of which TeliaSonera Holding	-48	28
Capital gains/losses	198	951
Within Amortization, depreciation and impairment losses	**-7,565**	**-66**
Impairment losses, accelerated depreciation:		
Mobility Services	-5,984	–
Broadband Services	-1,555	-66
Other operations	-26	–
Within Income from associated companies	**8,380**	**-63**
Impairment losses	–	-63
Capital gains/losses	8,380	–
Within Financial net	**–**	**–**
Total	**-282**	**-170**

Earnings

EBITDA, excluding non-recurring items, decreased 3.1 percent to SEK 36,059 million (37,222). The decrease in local currencies and excluding acquisitions was 2.4 percent. The main reasons were loss of high-margin service revenue in Mobility Services and net sales volume decrease in Broadband Services, partly offset by the net sales increase in Eurasia. The EBITDA margin declined to 34.4 percent (35.5).

EBITDA excluding non-recurring items SEK in millions	2012	2011	Change (SEK million)	Change (%)
Mobility Services	14,689	16,053	-1,364	-8.5
Broadband Services	10,953	11,961	-1,008	-8.4
Eurasia	9,976	8,850	1,126	12.7
Other operations	451	397	54	13.6
Eliminations	-10	-39	29	-74.4
Group	**36,059**	**37,222**	**-1,163**	**-3.1**

Operating income, excluding non-recurring items, decreased 4.4 percent to SEK 28,570 million (29,889) mainly due to the EBITDA drop and lower income from associated companies which, excluding non-recurring items, decreased 6.4 percent to SEK 5,488 million (5,864). Income from associates was negatively impacted by currency fluctuations, while higher underlying results from operations in Turkcell compensated for the negative effects of a changed capital structure and lower effective ownership in MegaFon. The operating margin, excluding non-recurring items, decreased to 27.2 percent (28.5).

Operating income excluding non-recurring items SEK in millions	2012	2011	Change (SEK million)	Change (%)
Mobility Services	10,400	11,322	-922	-8.1
Broadband Services	6,191	7,168	-977	-13.6
Eurasia	12,340	11,842	498	4.2
Other operations	-351	-408	57	14.0
Eliminations	-10	-35	25	71.4
Group	**28,570**	**29,889**	**-1,319**	**-4.4**

Financial net, taxes and non-controlling interests

Financial items totaled SEK -3,806 million (-2,848). Net interest expenses increased to SEK -3,069 million (-2,419) due to higher average indebtedness. Financial items were also negatively impacted by exchange rate effects related to the operations in Eurasia.

Income taxes decreased to SEK 3,314 million (5,753). The effective tax rate was 13.6 percent (21.4). Following the Swedish Parliament decision in November 2012 to reduce the corporate income tax in Sweden from 26.3 percent to 22.0 percent, a one-time SEK 1,225 million net release of deferred tax liabilities was recorded in the fourth quarter of 2012. The effective tax rate going forward is expected to be around 20 percent.

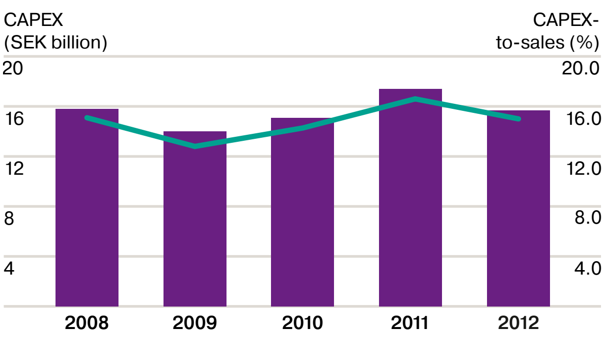
Mainly as a result of increased shareholdings in Kcell in Kazakhstan and TEO LT in Lithuania during the year, net income attributable to non-controlling interests in subsidiaries decreased to SEK 1,282 million (2,731) of which SEK 1,042 million (2,420) was related to the operations in Eurasia and SEK 197 million (262) to LMT and TEO.

Net income attributable to owners of the parent company increased 8.1 percent to SEK 19,886 million (18,388) and earnings per share to SEK 4.59 (4.21).

CAPEX

CAPEX (capital expenditures) decreased to SEK 15,685 million (17,384) and the CAPEX-to-sales ratio to 15.0 percent (16.6). CAPEX included continued investments in network capacity, coverage and modernization, and increased investments in fiber roll-out, while investments in telecom and frequency licenses declined significantly. CAPEX, excluding license and spectrum fees, amounted to SEK 15,333 million (14,701) and the CAPEX-to-sales ratio was 14.6 percent (14.0).

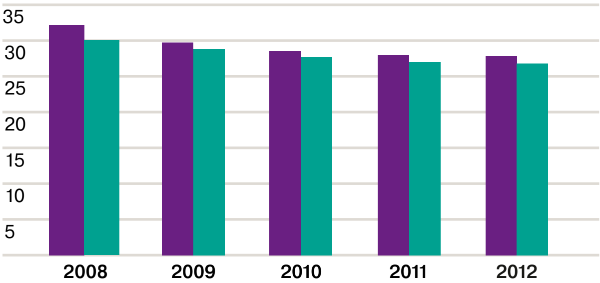
CAPEX AND CAPEX-TO-SALES



Human resources

In 2012, the number of employees decreased 0.5 percent from 27,983 to 27,838 at year-end. Minor business combinations in 2012 added 41 employees.

EMPLOYEES (THOUSANDS)

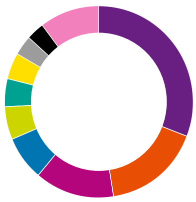


The average number of full-time employees in 2012 was 26,793 (27,005). In total, operations were conducted in 29 countries (30). See also Note C32 to the consolidated financial statements.

EMPLOYEES (FTEs, %)

BY GENDER

BY COUNTRY



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	2012	2011	Change (SEK million)	Change (%)
Goodwill and other intangible assets	83,278	92,016	-8,738	-9.5
Property, plant and equipment	62,657	61,292	1,365	2.2
Financial assets	51,033	62,865	-11,832	-18.8
Total non-current assets	**196,968**	**216,173**	**-19,205**	**-8.9**
Current assets	27,568	24,079	3,489	14.5
Cash and cash equivalents	29,805	12,631	17,174	136.0
Total current assets	**57,373**	**36,710**	**20,663**	**56.3**
Total assets	**254,341**	**252,883**	**1,458**	**0.6**
Total equity	113,396	122,942	-9,546	-7.8
Borrowings	91,587	79,842	11,745	14.7
Provisions and other liabilities	49,358	50,099	-741	-1.5
Total equity and liabilities	**254,341**	**252,883**	**1,458**	**0.6**

Goodwill decreased by SEK 7.7 billion to SEK 69.2 billion, mainly due to impairment charges of SEK 7.5 billion related to the operations in Norway and Lithuania and negative exchange rate differences of SEK 2.1

billion. Additional goodwill from business combinations was SEK 1.2 billion. Other intangible assets decreased by SEK 1.0 billion to SEK 14.1 billion. Capital expenditures (CAPEX) in other intangible assets were SEK 2.2 billion and amortization SEK 2.7 billion. Currency effects impacted negatively by SEK 0.5 billion.

Property, plant and equipment increased by SEK 1.4 billion through CAPEX of SEK 13.5 billion and decreased due to negative exchange rate differences of SEK 2.1 billion. Depreciation and impairment losses were SEK 10.3 billion.

Financial assets comprise investments in associated companies, deferred tax assets and other non-current assets. The carrying value of associated companies decreased to SEK 29.4 billion (46.3). Mainly as a result of the transactions related to OAO MegaFon in Russia, the value declined by dividends received, in total SEK 12.5 billion, and through the effects of lower effective shareholdings, totaling SEK 10.7 billion, partly offset by income from the companies of SEK 5.8 billion. Currency effects had a limited positive impact of SEK 0.4 billion.

Deferred tax assets decreased from utilization of tax losses and deferred tax liabilities (included in Provisions) declined as a result of the transactions related to MegaFon. The enacted Swedish corporate income tax rate cut as of 2013 resulted in a one-off net release of deferred tax liabilities of SEK 1.2 billion. All in all, the net deferred tax liability of SEK 5.3 billion in 2011 decreased to SEK 4.0 billion at year-end 2012.

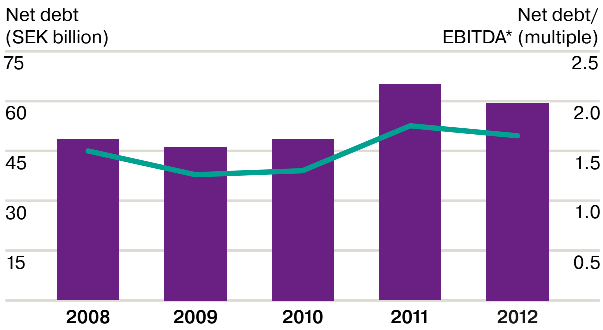
Other non-current assets include a SEK 5,675 million (0) receivable on AF Telecom, representing the not yet paid consideration for the sale of shares in the associated company OAO Telecominvest in Russia. The current portion of the not yet paid consideration was SEK 1,884 million (0).

Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities and excluding foreign exchange rate derivatives and accrued interest) was SEK 0.1 billion (-0.2).

Total equity declined 7.8 percent to SEK 113.4 billion (122.9). Shareholders' equity decreased to SEK 109.4 billion (115.6), positively impacted by net income of SEK 19.9 billion (18.3) and negatively by dividends of SEK 12.3 billion (12.3), the effects of transactions with other owners in subsidiaries and associated companies totaling SEK 11.0 billion (0) and negative exchange rate differences of SEK 2.6 billion (5.2). Equity attributable to non-controlling interests decreased to SEK 4.0 billion (7.4), impacted by the effects of increased shareholdings in Kcell in Kazakhstan and TEO LT in Lithuania. Dividends to non-controlling interests were SEK 3.1 billion (2.0).

Total gross borrowings increased, with a shift towards long-term borrowings totaling SEK 82.2 billion (68.1). Short-term borrowings were SEK 9.4 billion (11.7). Positively impacted by proceeds from the MegaFon-related transactions, cash and cash equivalents more than doubled, ending at SEK 29.8 billion. As a result, net debt decreased from SEK 65.0 billion to SEK 59.4 billion.

NET DEBT AND NET DEBT/EBITDA



* Excluding non-recurring items

The equity/assets ratio, adjusted for the proposed dividend, decreased to 39.7 percent (43.7). The net debt/EBITDA rate decreased to 1.65 (1.75), at the low end of TeliaSonera's target range which is between 1.5 and 2.0. The net debt/equity ratio was unchanged at 58.8 percent.

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

Pension obligations

As of 2013, TeliaSonera's accounting for pension obligations will change following the implementation of certain IFRS amendments (IAS 19). Among a number of changes impacting TeliaSonera, the most significant is the elimination of the "corridor approach." As a result, historical accumulated actuarial gains and losses will increase recognized pension liabilities and decrease shareholders' equity. Future re-measurements (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. As of 2013, TeliaSonera has chosen to classify these interest components as financial items in the statement of comprehensive income. In summary, the estimated impact of applying the provisions of the revised IAS 19 already in 2012 was as follows.

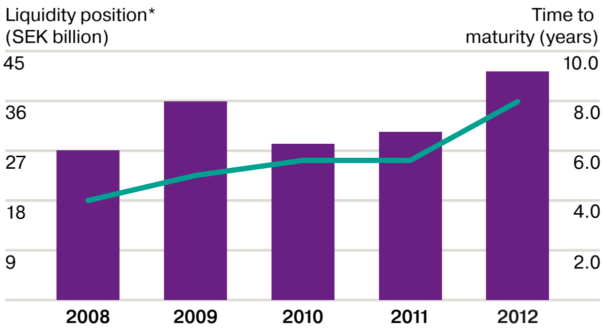
Consolidated Statements of Comprehensive Income SEK in millions	**Change, Jan-Dec 2012**
EBITDA excluding non-recurring items	112
Operating income	112
Income after financial items	0
Net income	**0**
Other comprehensive income	**-1,274**
Total comprehensive income	**-1,274**
Attributable to owners of the parent:	
Net income	*0*
Total comprehensive income	*-1,274*

Consolidated Statements of Financial Position SEK in millions	Change, Dec 31, 2012
Non-current assets	-1,286
Total assets	**-1,286**
Total equity	-4,281
Attributable to owners of the parent	*-4,281*
Non-current liabilities	3,023
Current liabilities	-28
Total equity and liabilities	**-1,286**

Credit facilities

TeliaSonera believes that its bank credit facilities and open-market financing programs are sufficient for the present liquidity requirements. At year-end, TeliaSonera's surplus liquidity (short-term investments and cash and bank) totaled SEK 30.0 billion (12.7). 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 11.3 billion (17.7).

LIQUIDITY POSITION AND TIME TO MATURITY OF THE DEBT PORTFOLIO



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

TeliaSonera retained its good credit ratings. In the spring, Moody's Investors Service changed the outlook from negative back to stable for its credit rating on TeliaSonera AB of A3 for long-term borrowings and Prime-2 for short-term borrowings. Standard & Poor's Ratings Services confirmed its rating of A- for long-term borrowings and A2 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 C21 and C27 to the consolidated financial statements. In 2012, TeliaSonera AB issued some SEK 19.9 billion equivalent in the debt capital markets under its EMTN (Euro Medium Term Note) program. Most of the new funding was denominated in EUR and GBP and most of it was issued on a long-term basis. At year-end, the average time to maturity of TeliaSonera AB's overall debt portfolio was approximately 7.9 years.

At the end of 2012, TeliaSonera AB had no Commercial Papers outstanding.

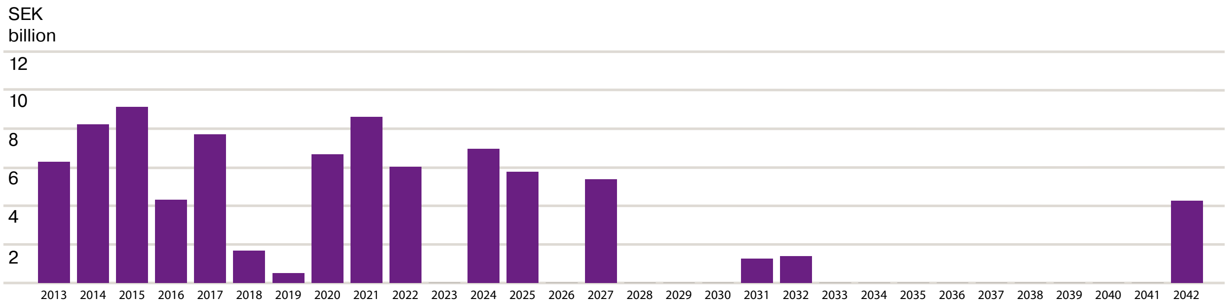
Cash flow

Transactions related to the associated company OAO MegaFon contributed to a more than doubled free cash flow generation in 2012 compared to the previous year.

Cash flow SEK in millions	2012	2011	Change (SEK million)	Change (%)
Cash flow from operating activities	38,879	26,950	11,929	44.3
Cash CAPEX	-15,139	-17,535	2,396	-13.7
Free cash flow	**23,740**	**9,415**	**14,325**	**152.2**
Cash flow from other investing activities	8,780	1,568	7,212	
Cash flow before financing activities	**32,520**	**10,983**	**21,537**	**196.1**
Cash flow from financing activities	-15,231	-13,295	-1,936	14.6
Cash and cash equivalents, opening balance	**12,631**	**15,369**	**-2,738**	**-17.8**
Net cash flow for the period	**17,289**	**-2,312**	**19,601**	
Exchange rate differences	-115	-426	311	-73.0
Cash and cash equivalents, closing balance	**29,805**	**12,631**	**17,174**	**136.0**

Cash flow from operating activities increased significantly to SEK 38.9 billion (27.0), primarily driven by dividends from associated companies increasing to SEK 12.5 billion (0.1), of which MegaFon contributing SEK 11.7 billion net of taxes (0). Lower cash inflow from underlying operations was compensated for mainly by lower tax payments and a positive impact from changes in working capital. However, cash flow from changes in working capital remained negative at SEK -1.2 billion (-1.8).

DEBT PORTFOLIO MATURITY SCHEDULE – 2013 AND ONWARDS



Cash CAPEX (cash used in capital expenditures) decreased by SEK 2.4 billion or 13.7 percent, primarily due to lower investments in telecom and frequency licenses. As a result, free cash flow (cash flow from operating activities less capital expenditures) increased to a total of SEK 23.7 billion (9.4).

Cash flow from other investing activities, totaling SEK 8.8 billion (1.6), consists of acquisitions and divestments, changes in loans receivable and in short term investments, and repayments from or additional contributions to pension funds. The improvement in 2012 was mainly due to the MegaFon-related transactions, generating proceeds totaling SEK 9.2 billion from the divestment of the shares in OAO Telecominvest in April and from the reduction in ownership to 25.2 percent (35.6) in the November IPO. Cash paid for acquisitions was SEK 0.6 billion (0.3), and net cash used for granting loans was SEK 0.2 billion (0.5).

Cash outflow from financing activities in 2012, totaling SEK 15.2 billion (13.3), included dividends paid to shareholders of the parent company of SEK 12.3 billion (12.3) and to non-controlling interests of SEK 3.9 billion (2.5). Transactions with non-controlling interests in 2012 resulted in a net outflow of SEK 8.8 billion, of which the transactions related to Kcell in Kazakhstan, i.e. acquisition of 49 percent in January and divestment of 25 percent in the December IPO, and to TEO LT in Lithuania net totaled SEK 7.9 billion. Net inflow from new borrowings was SEK 11.9 billion (12.5). In 2011, payment for repurchased treasury shares had a negative impact of SEK 10.0 billion.

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

Outlook for 2013

The growth in net sales in local currencies and excluding acquisitions is expected to be flat. Currency fluctuations may have a material impact on reported figures in Swedish krona.

The EBITDA margin, excluding non-recurring items, is expected to increase slightly compared to last year (2012: 34.4 percent).

The CAPEX-to-sales ratio is expected to be approximately 14 percent, excluding license and spectrum fees (2012: 14.6 percent).

Efficiency Measures

As announced in the third quarter of 2012, efficiency measures including personnel reductions net of 2,000 employees, will lower the cost base by SEK 2 billion net over the coming two years, of which approximately SEK 0.2 billion was recorded in the fourth quarter of 2012.

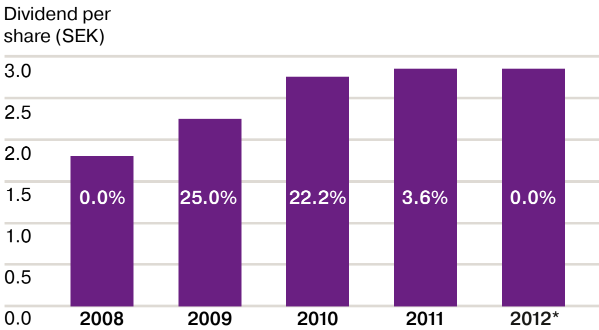
In 2013, the addressable cost base, excluding Mobility Services Spain, is expected to be reduced to SEK 26.3 billion in local currencies and excluding acquisitions (addressable cost base excluding Mobility Services Spain 2012: SEK 27.1 billion). In 2014, it will be lowered to SEK 25.3 billion.

During 2013, 1,800 employees in the Nordics and Baltics will be effected (total number of employees 2012: 27,838 of which 22,537 in the Nordics and Baltics). These efficiency measures will be completed by early 2014 at the latest. Total cost for these reductions in 2013 is estimated to SEK 1.7 billion. At the same time, TeliaSonera sees a need to recruit new competence.

Ordinary Dividend to Shareholders

For 2012, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.85 (2.85) per share, totaling SEK 12,341 million (12,341), or 62 percent (68) of net income attributable to owners of the parent company.

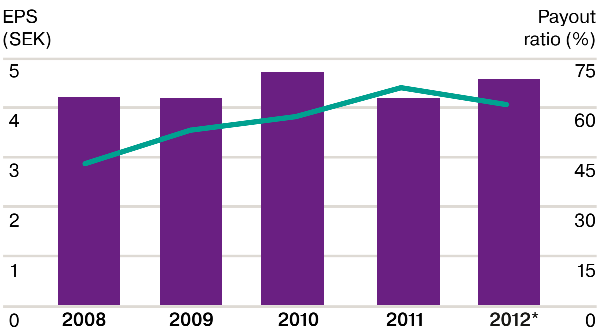
ORDINARY DIVIDEND PER SHARE AND CHANGE YEAR-ON-YEAR (%)



* For 2012 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 3, 2013, and that the first day of trading in shares excluding rights to dividend be set for April 4, 2013. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 8, 2013. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 11, 2013.

EARNINGS PER SHARE (EPS) AND PAY-OUT RATIO



* Pay-out ratio for 2012 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 Chapter 18 Section 4 of the Swedish Companies Act, to assess whether the proposed dividend is justified. The Board of Directors assesses that:

- The parent company's restricted equity and the group's total equity attributable to the shareholders of the parent company, after the distribution of profits in accordance with the proposal, will be sufficient in relation to the scope of the parent company's and the group's business.
- The proposed dividend does not jeopardize the parent company's or the group's ability to make the investments that are considered necessary. 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 TeliaSonera with an additional instrument to adjust the company's capital structure, the Board of Directors proposes that the Annual General Meeting resolve to authorize the Board of Directors to repurchase a maximum of 10 percent of the company's total number of outstanding shares, with the intention of cancelling repurchased shares.

TeliaSonera Share

The TeliaSonera share is listed on NASDAQ OMX Stockholm and Helsinki. In 2012, the share price in Stockholm declined 5.8 percent, to SEK 44.06. During the same period, the OMX Stockholm 30 Index rose 11.8 percent and the STOXX 600 Telecommunications Index declined 10.7 percent.

At year-end 2012, TeliaSonera's market capitalization was SEK 190.8 billion. Besides NASDAQ OMX Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes at BATS Chi-X CXE and Boat xoff.

Holdings outside Sweden and Finland increased from 18.2 percent to 22.4 percent and TeliaSonera had 553,631 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 11.7 percent.

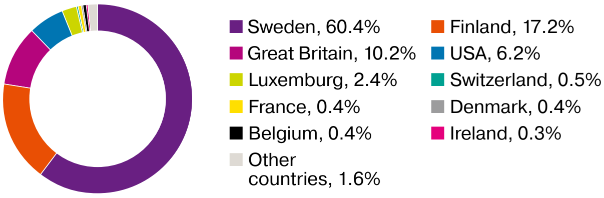
SHAREHOLDER STRUCTURE, DECEMBER 31, 2012

	Number of shareholders	Number of oustanding shares	Percent of outstanding shares/votes
1 – 500	469,342	84,165,974	1.94
501 – 1,000	34,467	27,049,872	0.62
1,001 – 5,000	40,247	89,905,319	2.08
5,001 – 10,000	5,002	37,015,995	0.85
10,001 – 15,000	1,398	17,363,896	0.40
15,001 – 20,000	752	13,661,566	0.32
20,001 –	2,423	4,060,922,159	93.78
Total	**553,631**	**4,330,084,781**	**100.00**

MAJOR SHAREHOLDERS, DECEMBER 31, 2012

Shareholder	Number of oustanding shares	Percent of outstanding shares/votes
Swedish State	1,614,513,748	37.3
Finnish State	505,123,642	11.7
Capital Group Funds	153,876,977	3.6
Alecta	112,272,322	2.6
Swedbank Robur Funds	111,387,612	2.6
AMF Insurance & Funds	80,445,164	1.9
SHB Funds	53,624,855	1.2
SEB Funds	51,063,691	1.2
Fourth Swedish National Pension Fund	45,541,893	1.1
Bank of Norway Investment Management	33,957,410	0.8
Total other shareholders	1,568,277,487	36.0
Total outstanding shares	**4,330,084,781**	**100.0**

MAJOR SHAREHOLDER COUNTRIES BY NUMBER OF SHARES, DECEMBER 31, 2012



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	2012	2011
Paid at year-end (SEK)	44.06	46.77
Highest paid during the year (SEK)	49.33	55.70
Lowest paid during the year (SEK)	41.43	40.60
Number of shares at year-end (millions)	4,330.1	4,330.1
Number of shareholders at year-end	553,631	580,076
Earnings per share (SEK)	4.59	4.21
Dividend per share (SEK)[1]	2.85	2.85
Pay-out ratio (%)[1]	62	68
Equity per share (SEK)	25.27	26.69

[1] For 2012 as proposed by the Board of Directors
Sources: Euroclear Sweden and SIS Ägarservice

As of December 31, 2012, 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, 2012, 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.

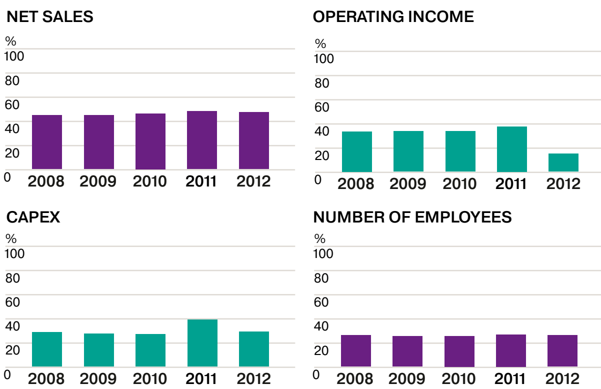
In case of a change of control in TeliaSonera AB, the company could have to repay certain loans at short notice, since some of TeliaSonera's financing agreements contain customary change-of-control clauses. These clauses generally also contain other conditions including, for example, that the change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

Business Area Development in 2012

Always being online drives increase of mobile data within Mobility Services

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

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2012	2011	Change (%)
Net sales	50,637	51,556	-1.8
EBITDA excl. non-recurring items	14,689	16,053	-8.5
Margin (%)	29.0	31.1	
Operating income	4,200	11,122	-62.2
Operating income excl. non-recurring items	10,400	11,322	-8.1
CAPEX	4,496	6,742	-33.3
Subscriptions, period-end (thousands)	20,537	19,520	5.2
Employees, period-end	7,245	7,456	-2.8

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group Development in 2012" for information on restated financial information

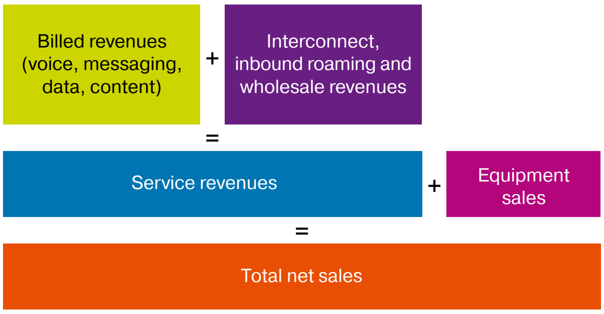
Market development

The year was characterized by a continuous increase in data traffic. Customer demand for bandwidth appears to be unlimited. At the same time, the willingness to pay for voice traffic is decreasing and the whole industry is struggling with the challenge to capitalize from the increase in data traffic to compensate for lost voice revenue. During the year, 4G was established as one of the key enablers to allow data growth to continue while maintaining a pleasant customer experience with sufficient data speed. Price wars occurred in several markets during the year, putting pressure on margins.

After the successful launch of 4G tablets before Christmas 2011, the first 4G smartphone from Samsung was launched in February 2012. At the end of the year, in Sweden, 4G handsets represented around 10 percent of all handsets sold.

In the second quarter of 2012, TT-Netværket, the network-sharing joint venture with Telenor was established in Denmark and secured 800 MHz frequencies which will allow further roll-out of the 4G network.

Net sales



Net sales in local currencies and excluding acquisitions were unchanged. In reported currency, net sales decreased 1.8 percent to SEK 50,637 million (51,556). The negative effect of exchange rate fluctuations was 1.9 percent. The number of subscriptions increased 5.2 percent and passed 20 million while prices generally declined, leaving billed revenues more or less flat (+0.5 percent). Also interconnect rate reductions contributed to the net sales decrease.

Only the operations in Sweden and Spain grew during the year. In Sweden, growth came from both service revenues and equipment sales. Data volume conversion to revenues was in decline during the year but stabilized towards the end of the year.

Strong net intake of 668,000 subscriptions, an increase in the subscriber base of 22.0 percent, generated growth in Spain. Market conditions in Denmark continued to be challenging and although the subscriber base increased, an ARPU decline caused falling net sales.

Earnings

EBITDA, excluding non-recurring items, decreased 7.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, declined 8.5 percent to SEK 14,689 million (16,053). The EBITDA margin decreased to 29.0 percent (31.1).

The EBITDA decline was strongest in Finland and Norway, where both markets saw falling service revenue volumes. In Finland, the service margin was strengthened whereas in Norway, also the service margin declined however compensated for by decreasing addressable costs. Spain continued to improve both gross margin and EBITDA. Denmark had a challenging year with net sales losses which was compensated for by improved equipment margins and reduced addressable costs, but still the EBITDA development was negative.

Operating income, excluding non-recurring items, declined to SEK 10,400 million (11,322), mainly due to the negative EBITDA development. Amortization and depreciation was lower than previous year in Norway and the Baltic countries, as investment levels were adjusted to the deteriorating market conditions.

Non-recurring items amounted to SEK -6,200 million (-200), primarily comprising goodwill impairment charges in the Norwegian operations related to the substantial goodwill amount originating from the acquisition of NetCom ASA in 2000, and the current assessment of the achievable long-term return on investment. Towards the end of the year, non-recurring charges related to the cost savings program increased.

CAPEX

CAPEX decreased to SEK 4,496 million (6,742) and the CAPEX-to-sales ratio to 8.9 percent (13.1). CAPEX, excluding licenses and spectrum fees, amounted to SEK 4,397 million (4,468) and the CAPEX-to-sales was flat at 8.7 percent (8.7). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 10,193 million (9,311).

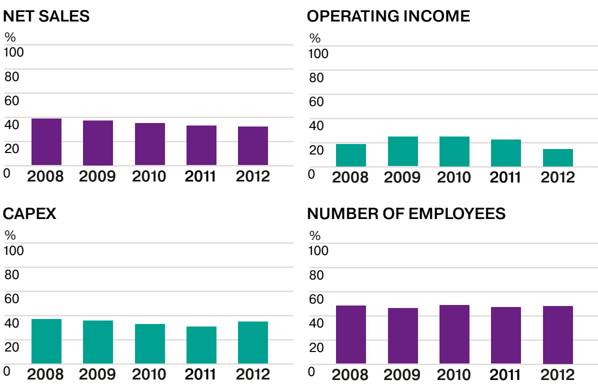
SEK in millions, except margins and changes	2012	2011	Change (%)
Net sales	50,637	51,556	-1.8
of which Sweden	17,297	16,695	3.6
of which Finland	8,173	8,885	-8.0
of which Norway	7,582	8,261	-8.2
of which Denmark	4,835	5,525	-12.5
of which Lithuania	1,277	1,451	-12.0
of which Latvia	1,608	1,722	-6.6
of which Estonia	1,515	1,608	-5.8
of which Spain	8,382	7,451	12.5
EBITDA excl. non-recurring items	14,689	16,053	-8.5
of which Sweden	7,367	7,545	-2.4
of which Finland	2,438	2,843	-14.2
of which Norway	2,409	2,891	-16.7
of which Denmark	549	744	-26.2
of which Lithuania	339	405	-16.3
of which Latvia	543	653	-16.8
of which Estonia	417	553	-24.6
of which Spain	627	420	49.3
Margin (%), total	29.0	31.1	
Margin (%), Sweden	42.6	45.2	
Margin (%), Finland	29.8	32.0	
Margin (%), Norway	31.8	35.0	
Margin (%), Denmark	11.4	13.5	
Margin (%), Lithuania	26.5	27.9	
Margin (%), Latvia	33.8	37.9	
Margin (%), Estonia	27.5	34.4	
Margin (%), Spain	7.5	5.6	

Net sales in local currencies and excluding acquisitions	2012
Change (%), total	0.1
Change (%), Sweden	3.6
Change (%), Finland	-4.1
Change (%), Norway	-8.6
Change (%), Denmark	-9.2
Change (%), Lithuania	-8.6
Change (%), Latvia	-4.3
Change (%), Estonia	-2.1
Change (%), Spain	16.9

Fiber roll-out is gaining momentum 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, Norway, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2012	2011	Change (%)
Net sales	35,723	36,677	-2.6
EBITDA excl. non-recurring items	10,953	11,961	-8.4
Margin (%)	30.7	32.6	
Operating income	4,003	6,582	-39.2
Operating income excl. non-recurring items	6,191	7,168	-13.6
CAPEX	5,445	5,263	3.5
Subscriptions, period-end (thousands)			
Broadband	2,532	2,481	2.1
Fixed voice and VoIP	4,269	4,805	-11.2
TV	1,332	1,177	13.2
Employees, period-end	13,277	13,071	1.6

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group Development in 2012" for information on restated financial information.

Market development

Customers continue to move from traditional to IP-based services and during the year, revenues from IP services surpassed traditional revenues. In Sweden, TV ARPU (average revenue per user) and broadband ARPU increased more than 5 percent in 2012.

In August, TeliaSonera and Samsung launched a Smart TV solution, unique in terms of easy to use and customer friendly, as it does not require any external set-top-box. The Smart TV solution was launched in Estonia in late 2012 and will be launched in Sweden and Finland during 2013. In 2012, TeliaSonera also signed an agreement with HBO Nordic enabling TeliaSonera's TV customers to see a number of the world's best TV series the day after the US premiere of each episode. At year-end, half of TeliaSonera's Swedish consumer broadband customers were also using the TV service.

TeliaSonera continues to invest in fiber network roll-out, and during the year almost 200,000 new homes were connected to the fiber network. In Sweden, four out of ten single-dwelling households being offered TeliaSonera's services sign up for them. Roll-out will be selective to ensure a good return on investment. By the end of 2014, TeliaSonera aims to expand the coverage by fiber to 2.3 million connected homes in the Nordic and Baltic countries, of which almost 1 million in Sweden. Currently, the average TeliaSonera fiber customer in Sweden uses two services.

In December, TeliaSonera decided that its subsidiary in Norway, NextGenTel, did not constitute the appropriate platform to compete successfully in the Norwegian broadband market and that other parts of the business would be prioritized. As a result of the divestment, TeliaSonera recognized a goodwill write-down of SEK 1.6 billion in the fourth quarter of 2012.

Net sales

Net sales in local currencies and excluding acquisitions decreased 1.7 percent. In reported currency, net sales decreased 2.6 percent to SEK 35,723 million (36,677). The negative effect of exchange rate fluctuations was 1.1 percent and the positive effect of acquisitions and disposals was 0.2 percent.

The number of broadband subscriptions rose above 2.5 million, an increase of 51,000 during the year. The change in mix from traditional services to IP based services results in both net sales and margin pressure. Sweden and Finland stand for the largest part of the decline. The number of TV subscriptions increased by 155,000 to 1.3 million, of which 0.6 million in Sweden. Total fixed-voice subscriptions decreased by 673,000 to 3.6 million, offset by an increase of VoIP subscriptions of 137,000, to 0.7 million.

Earnings

EBITDA, excluding non-recurring items, decreased 7.8 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, declined 8.4 percent to SEK 10,953 million (11,961). The EBITDA margin decreased to 30.7 percent (32.6).

The EBITDA decline was strongest in Sweden, down by 8.9 percent, as the net sales and gross margin decrease following the unfavorable product mix shift could not be met by lower addressable costs. In local currency excluding acquisitions, Norway, Denmark, Lithuania and International Carrier managed to improve EBITDA. Finland lost 14.3 percent of the 2011 EBITDA as a consequence of both lower net sales and lower gross margins.

Operating income decreased to SEK 4,003 million (6,582). A large part of the decline was caused by the write-down of goodwill related to NextGenTel. Operating income, excluding non-recurring items, was SEK 6,191 million (7,168), in line with the EBITDA decline. Due to the fiber investments, amortization and depreciation was slightly higher than previous year.

CAPEX

CAPEX increased to SEK 5,445 million (5,263) and the CAPEX-to-sales ratio increased to 15.2 percent (14.3). About SEK 1.7 billion was spent on fiber investments. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 5,508 million (6,698).

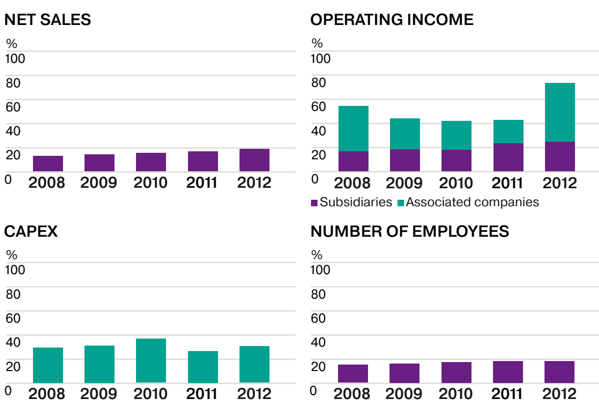
SEK in millions, except margins and changes	2012	2011	Change (%)
Net sales	35,723	36,677	-2.6
of which Sweden	20,043	20,767	-3.5
of which Finland	5,584	6,055	-7.8
of which Norway	1,083	1,063	1.9
of which Denmark	1,092	1,150	-5.0
of which Lithuania	1,915	1,962	-2.4
of which Estonia	1,761	1,903	-7.5
of which International Carrier	5,388	5,036	7.0
EBITDA excl. non-recurring items	10,953	11,961	-8.4
of which Sweden	7,715	8,473	-8.9
of which Finland	1,336	1,608	-16.9
of which Norway	183	174	5.2
of which Denmark	125	83	50.6
of which Lithuania	774	791	-2.1
of which Estonia	463	539	-14.1
of which International Carrier	357	293	21.8
Margin (%), total	30.7	32.6	
Margin (%), Sweden	38.5	40.8	
Margin (%), Finland	23.9	26.6	
Margin (%), Norway	16.9	16.4	
Margin (%), Denmark	11.4	7.2	
Margin (%), Lithuania	40.4	40.3	
Margin (%), Estonia	26.3	28.3	
Margin (%), International Carrier	6.6	5.8	

Net sales in local currencies and excluding acquisitions	2012
Change (%), total	-1.7
Change (%), Sweden	-3.7
Change (%), Finland	-4.4
Change (%), Norway	1.5
Change (%), Denmark	-1.4
Change (%), Lithuania	1.4
Change (%), Estonia	-3.9
Change (%), International Carrier	6.8

All countries delivering positive growth within Eurasia

Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area is also responsible for developing 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	2012	2011	Change (%)
Net sales	19,731	17,330	13.9
EBITDA excl. non-recurring items	9,976	8,850	12.7
Margin (%)	50.6	51.1	
Income from associated companies	13,815	5,828	137.0
Russia	11,542	4,504	156.3
Turkey	2,280	1,331	71.3
Operating income	20,629	12,593	63.8
Operating income excl. non-recurring items	12,340	11,842	4.2
CAPEX	4,739	4,538	4.4
Subscriptions, period-end (thousands)			
Subsidiaries	42,535	34,840	22.1
Associated companies	110,700	104,325	6.1
Employees, period-end	4,980	4,994	-0.3

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group Development in 2012" for information on restated financial information.

Market development

The number of subscriptions in the consolidated operations reached 40 million during the third quarter 2012. All markets grew in local currencies.

In order to meet the increasing demand for mobile data services in Kazakhstan, TeliaSonera signed an agreement to acquire valuable frequencies in the 2.5/2.6 GHz band, which are compatible for use with WiMax and other mobile data transmission technologies, during the fourth quarter. In addition, TeliaSonera agreed to make an indirect minority investment in KazTransCom, a listed company that owns, among other businesses, a fiber optics network in Kazakhstan.

The market conditions in Uzbekistan changed significantly during the second half of the year. The competitor MTS lost its license which caused a massive inflow of former MTS customers, both to Ucell and to the other remaining player. It is unclear for how long these market conditions will be maintained.

As expected, mobile data growth has continued at a high rate. During the year, data revenues increased 46 percent and data volumes by some 300 percent.

Net sales

Net sales in local currencies and excluding acquisitions increased 13.5 percent. In reported currency, net sales increased 13.9 percent to SEK 19,731 million (17,330). The positive effect of exchange rate fluctuations was 0.4 percent.

In Kazakhstan, the largest market in the business area, sales increased by 1.8 percent in local currency. Growth was generated by continued strong increase in the subscriber base by 2.6 million to 13.5 million and increased usage. The reduction in average revenue per user as a result of price pressure on voice and data services was compensated for by the increase in subscriptions and a 38 percent growth in minutes of use. The main three mobile operators in Kazakhstan have agreed on a 15 percent annual reduction in interconnect prices for the coming three years.

In Azerbaijan, net sales increased 9.4 percent in local currency despite relatively small growth in the customer base as minutes of use increased 36 percent. Azercell has successfully launched several new offers to promote and increase mobile data penetration and data revenues represented 9 percent of total revenues in the fourth quarter.

In Uzbekistan, the new market situation where the competitor MTS lost its license resulted in high inflow of new customers during the second half of the year. Revenue grew 44.1 percent in local currency, as customer growth was 23 percent and average revenue per user increased at the same time.

In Nepal, net sales in local currency increased 51.3 percent to the equivalent of SEK 2,716 million (1,916) as a result of the higher subscription base which increased 32 percent and an increase in average revenue per user.

Earnings

EBITDA, excluding non-recurring items, increased 12.7 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 12.7 percent to SEK 9,976 million (8,850). The EBITDA margin was 50.6 percent (51.1). The growth in EBITDA, in local currencies, was mainly driven by increased net sales in Azerbaijan, Uzbekistan and Nepal. In Kazakhstan, gross margin was under pressure due to high interconnect costs. Uzbekistan and Nepal were negatively impacted by taxes and fees introduced during the year.

Operating income, excluding non-recurring items, increased to SEK 12,340 million (11,842). The EBITDA improvement was offset by increased amortization and depreciation, mainly in Azerbaijan and Uzbekistan. Income from associates decreased, mainly due to lower income from MegaFon as a consequence of the changed capital structure of the company and currency effects, in combination with reduced ownership. Turkcell showed steady improvement.

Non-recurring items totaled SEK 8,289 million (750), of which SEK 8,391 million related to the MegaFon transactions during the year.

CAPEX

CAPEX increased to SEK 4,739 million (4,538) and the CAPEX-to-sales ratio decreased to 24.0 percent (26.2). CAPEX, excluding licenses and spectrum fees, was SEK 4,486 million (4,129) and the CAPEX-to-sales ratio 22.7 percent (23.8). CAPEX was used to improve capacity and coverage, and particularly to support the rapid growth in Uzbekistan and Nepal. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 5,237 million (4,312).

SEK in millions, except margins and changes	2012	2011	Change (%)
Net sales	19,731	17,330	13.9
of which Kazakhstan	8,256	7,913	4.3
of which Azerbaijan	3,934	3,449	14.1
of which Uzbekistan	2,369	1,738	36.3
of which Tajikistan	927	834	11.2
of which Georgia	1,011	926	9.2
of which Moldova	536	518	3.5
of which Nepal	2,716	1,960	38.6
EBITDA excl. non-recurring items	9,976	8,850	12.7
of which Kazakhstan	4,602	4,687	-1.8
of which Azerbaijan	1,964	1,682	16.8
of which Uzbekistan	904	688	31.4
of which Tajikistan	470	384	22.4
of which Georgia	397	362	9.7
of which Moldova	193	179	7.8
of which Nepal	1,614	1,084	48.9
Margin (%), total	50.6	51.1	
Margin (%), Kazakhstan	55.7	59.2	
Margin (%), Azerbaijan	49.9	48.8	
Margin (%), Uzbekistan	38.2	39.6	
Margin (%), Tajikistan	50.7	46.0	
Margin (%), Georgia	39.3	39.1	
Margin (%), Moldova	36.0	34.6	
Margin (%), Nepal	59.4	55.3	

Net sales in local currencies and excluding acquisitions	2012
Change (%), total	13.5
Change (%), Kazakhstan	1.8
Change (%), Azerbaijan	9.4
Change (%), Uzbekistan	44.1
Change (%), Tajikistan	8.8
Change (%), Georgia	3.0
Change (%), Moldova	2.9
Change (%), Nepal	51.3

Associated companies – Russia

MegaFon (associated company, in which TeliaSonera holds 25.2 percent and consolidates 27.6 percent, reported with a one-quarter lag since the fourth quarter of 2012; historical figures have been restated) in Russia reported a subscription base of 64.8 million, an increase of 4.2 million.

TeliaSonera's income from Russia increased to SEK 11,542 million (4,504), including net capital gains of SEK 8,391 million. Excluding capital gains, TeliaSonera's income from Russia decreased to SEK 3,151 million (4,504), negatively affected by a changed capital structure and lower effective ownership. The Russian ruble depreciated 2.7 percent against the Swedish krona, which had a negative impact of SEK 85 million.

Associated companies – Turkey

Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey reported a subscription base of 35.2 million, an increase of 0.8 million. In Ukraine, the number of subscriptions increased by 1.4 million to 10.7 million.

TeliaSonera's income from Turkey increased to SEK 2,280 million (1,331). The Turkish lira depreciated 9.1 percent against the Swedish krona, which had a negative impact of SEK 209 million.

As in the previous year, no dividend from Turkcell was decided and paid in 2012.

Other operations

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

SEK in millions, except changes	2012	2011	Change (%)
Net sales	3,799	3,992	-4.8
EBITDA excl. non-recurring items	451	397	13.6
Income from associated companies	-50	-114	56.1
Operating income	-534	-541	1.3
Operating income excl. non-recurring items	-351	-408	14.0
CAPEX	1,014	842	20.4

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group Development in 2012" for information on restated financial information

Net sales in local currencies and excluding acquisitions and divestments decreased 3.3 percent, mainly as a result of winding-up the retail chain Veikon Kone. In reported currency, net sales decreased to SEK 3,799 million (3,992).

EBITDA, excluding non-recurring items increased to SEK 451 million (397) mainly driven by improvements in the customer financing operation TeliaSonera Finans.

Income from associated companies increased to SEK -50 million (-114). 2011 was impacted by a SEK 63 million impairment charge.

Operating income was SEK -534 million (-541). The improvement in EBITDA excluding non-recurring items was neutralized by restructuring charges and write-downs in connection with winding-up Veikon Kone.

Acquisitions and Divestitures

Date	Country	Comments
February/-December 2012	Kazakhstan	On February 1, TeliaSonera completed the first phase of its previously announced transaction to increase its ownership in Kcell (then TOO GSM Kazakhstan, later converted to AO Kcell), by acquiring a 49 percent stake in the company from Kazakhtelecom at a purchase price of USD 1,519 million (approximately SEK 10.5 billion). TeliaSonera further agreed to sell 25 percent of the shares in Kcell in an Initial Public Offering (IPO). On December 12, TeliaSonera confirmed the IPO of Kcell and received USD 525 million (approximately SEK 3.5 billion) in proceeds from the offering. TeliaSonera now holds a direct and indirect interest of 61.9 percent (37.9) in Kcell.
February 29, 2012	Sweden	TeliaSonera acquired all shares in Svenska Stadsnät AB, a company providing fiber capacity to municipalities, companies and households.
April 5, 2012	Cambodia/ Nepal	TeliaSonera announced that it had sold its 18.6 percent stake in Smart Mobile (Latelz Co. Ltd.) in Cambodia, and entered into an agreement in order to further increase its ownership in Ncell Pvt. Ltd. in Nepal.
April/ November 2012	Russia	On April 24, TeliaSonera announced that OAO MegaFon's shareholders, TeliaSonera, AF Telecom and Altimo had resolved the governance disputes in Russia's second largest mobile operator and agreed that the company would pay a dividend of USD 5.15 billion and pursue an Initial Public Offering (IPO). In the second quarter of 2012, TeliaSonera recognized a net capital gain of SEK 3,013 million and received a one-time dividend of SEK 12,366 million. On November 28, 2012, TeliaSonera confirmed the IPO of MegaFon and recognized a net capital gain of SEK 5,378 million from the offering. TeliaSonera now owns 25.2 percent in MegaFon (35.6).

April 26, 2012	Nepal	TeliaSonera, through its 75.45 percent owned Dutch subsidiary TeliaSonera Asia Holding B.V., acquired the remaining 49 percent of the shares and votes in the Cypriot holding company Airbell Services Ltd., which in conjunction increased its ownership from 50 to 75 percent of the shares in the Nepalese regional mobile operator Nepal Satellite Telecom Pvt. Ltd. According to the agreement, the purchase price was partly paid in cash, while the remaining consideration was contingent on the fulfillment of certain conditions. All conditions are not yet fulfilled. Further, after signing the agreement, new provisions in Nepal regarding telecom company crossholdings have been announced. TeliaSonera is also a shareholder in Ncell Pvt. Ltd., which means that a formal approval of the transaction by the Nepalese authorities is needed. This approval has not yet been received but discussions and negotiations with the authorities are currently ongoing. For further information on the preliminary purchase price allocation, see Note C34 to the consolidated financial statements.
May-July 2012	Lithuania	On May 10, TeliaSonera announced the agreement to acquire 7.87 percent of the shares in TEO LT, AB from East Capital for EUR 0.637 (LTL 2.20) per share and the transaction was completed on May 10. Since May 8, TeliaSonera also acquired an additional 6.55 percent of the outstanding shares in TEO through open market purchases at the same price. On June 5, TeliaSonera launched a voluntary takeover bid to acquire the outstanding shares in TEO for the price of EUR 0.637 per share in cash. Following the completion of the takeover bid and including open market transactions, TeliaSonera since July 4 holds 88.15 percent of TEO. The total value of the share purchases amounted to SEK 875 million.
August 31, 2012	Sweden	TeliaSonera, through its subsidiary Cygate Group AB, acquired Information Infrastructure Management Nordic AB, a Swedish system integrator specialized in the datacenter market.
December 20, 2012	Norway	TeliaSonera announced the signing of an agreement to divest its subsidiary NextGenTel AS to Telio Holding, a company listed on the Oslo Stock Exchange. The sales price was NOK 601 million (approximately SEK 700 million) on a cash and debt free basis (enterprise value). The transaction was closed on January 31, 2013.
December 28, 2012	Kazakhstan	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, mainly after net debt adjustments, was USD 106 million for the WiMax operations, TOO KazNet Media, which also received a USD 64 million shareholder contribution from TeliaSonera, and USD 22 million for the indirect holding in KazTransCom.

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 C30 to the consolidated financial statements.

Innovation, Research and Development

Innovation, research and development (R&D) activities are performed to ensure TeliaSonera's pioneering position in the telecom industry as well as support future profitable growth and cost efficiency. 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.

A key tool for innovation is partnership with external actors. The possibility to leverage such a partnership by investing in the partner was re-introduced in 2012 and two investments were made. The innovation and R&D activities strive to develop high-quality and innovative services, products and systems that offer a world-class user experience. Customer focus, cooperation with partners and innovation clusters, open standards, integration of third party solutions, holistic approach and business models are specifically considered in the innovation and R&D work.

The key focus for innovation and R&D during 2012 has been world-class network quality in mobile and fiber, mobile data development, substantially improved business support systems and to strengthen TeliaSonera's market leadership. OTT (over-the-top) communication and video solutions in combination with the ever-growing use of data has increased the attention on new solutions and business models to rebalance the revenues from voice to data. The consumer portfolio is developed with new functionality and services regarding digital home, IPTV, media and applications. The business portfolio is being further developed with emphasis on cloud-based services, applications and net-based communication solutions, where TeliaSonera intends to continue to explore opportunities to work closely with partners. TeliaSonera is also working with partners to develop the M2M (machine-to-machine) area to facilitate new useful services.

As of December 31, 2012, TeliaSonera had 446 patent "families" and 2,628 patents and patent applications, none of which, individually, is material to its business. TeliaSonera has increased the efforts regarding commercialization of the patent portfolio.

In 2012, TeliaSonera incurred R&D expenses of SEK 385 million (508).

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
- To 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.

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 policy for executive management 2013
The Board of Directors' proposal for the remuneration policy for executive management, to be adopted at the Annual General Meeting on April 3, 2013, is as follows.

Remuneration principles
TeliaSonera's objective is to offer remuneration levels and other employment conditions required to attract, retain and motivate high caliber 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
3. Other benefits

Remuneration structure
Base salary
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
Pension and other retirement benefits should be based on the defined contribution method.

Other benefits
The termination period may be up to six months when given by the executive and up to 12 months when given by the employer (in relation to the CEO six 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.

Long-term variable pay program

The Annual General Meeting held on April 3, 2012, decided to launch a long-term variable pay program which includes approximately 100 key employees. This program is not available for the members of Group Management. A long-term variable pay program should ensure long-term sustainability of the company, secure a joint interest in increased shareholder value and provide an alignment between key employees and the shareholders by sharing risks and rewards of the TeliaSonera share price.

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. In 2011, an equal program was launched for approximately 90 key employees. The prevalence of a long-term variable pay program is subject to the approval of the Annual General Meeting. For more information, see Note C32 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 increased to SEK 61 million (30), of which SEK 58 million (30) was billed to subsidiaries. Income after financial items ended at SEK 13,414 million (11,034), due to lower other operating expenses and improved financial net. Income before taxes was SEK 13,954 million (10,972) and net income was SEK 12,327 million (9,691).

Total investments were SEK 21,723 million (4,042), of which SEK 20,695 million referred to shareholder contributions to subsidiaries. Cash and cash equivalents totaled SEK 26,803 million (8,847) at year-end. The balance sheet total increased to SEK 265,965 million (221,309). Shareholders' equity was SEK 81,871 million (81,848), of which non-restricted equity SEK 66,160 million (66,137). The equity/assets ratio was 29.9 percent (35.8). Net debt amounted to SEK 140,152 million (112,574).

As of December 31, 2012, the number of employees was 241 (249).

Significant Events after Year-End 2012

- On February 1, 2013, Mannheimer Swartling (MSA), finalizing the assignment given by TeliaSonera in October 2012, presented its review of TeliaSonera's investments in Uzbekistan. MSA did not find any substance to the allegations that TeliaSonera committed bribery or participated in money laundering in connection with these investments but directed serious criticism at TeliaSonera for shortcomings in the investment process and that the internal controls were not sufficient.

  On the same day, TeliaSonera's 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. The Board also stated that it wants to increase its efforts in developing principles and processes that respect human rights and protect the company from corruption. The goal is to ensure that TeliaSonera's anti-corruption efforts attain high standards and stand up to a stringent international comparison.

The **full statement** of the Board of Directors is available at: http://bit.ly/11qVjx4
(Information on the TeliaSonera website does not form part of this Report)

- On February 1, 2013, Lars Nyberg resigned from his position as President and CEO of TeliaSonera AB and Per-Arne Blomquist, Executive Vice President and CFO, was appointed acting President and CEO.
- On February 6, 2013, Veysel Aral, CEO of AO Kcell and Regional Head of Central Asia, was appointed President of Business area Eurasia. Veysel Aral will keep his role as CEO of Kcell.
- On February 6, 2013, Christian Luiga, Head of Corporate Control, was appointed acting CFO of TeliaSonera.

Corporate Governance Statement

Introduction and Compliance

This Corporate Governance Statement has been adopted by the Board of Directors at its meeting on March 6, 2013. It presents an overview of TeliaSonera's corporate governance model and includes the Board's description of the internal control environment and risk management regarding financial reporting.

The 2012 Corporate Governance Statement has been prepared according to the Swedish Corporate Governance Code and the Swedish Annual Reports Act and has been audited by the external auditors.

It is the opinion of the Board of Directors that TeliaSonera has complied with the Swedish Corporate Governance Code during 2012. However, with respect to Section 8.1 of the Code, the annual evaluation of the work of the Board of Directors was performed by the Nomination Committee and not the Board itself. Further, there has been 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.

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 for corruption and human rights abuses can therefore not be underestimated. In 2012, a large part of the work of the Board of Directors and Group Management was devoted to sharpening the focus on these sustainability risk issues and significant new measures were implemented and announced.

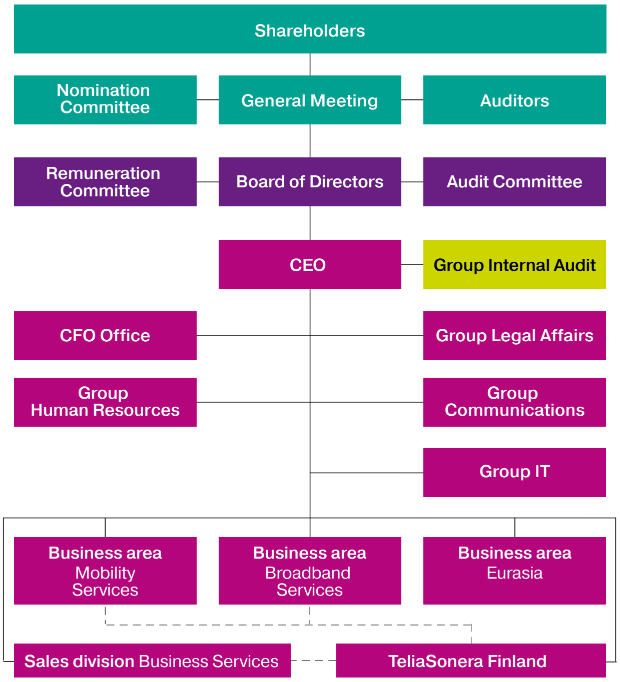
In addition, development work in corporate governance during 2012 primarily focused on risk management related to IT risks and on improved financial reporting processes, in particular as regards process harmonization and cash-flow reporting.

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



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 2012, TeliaSonera had 553,631 shareholders. For more information on the shareholder structure, see the Board of Directors' Report.

The Annual General Meeting 2012 was held in Stockholm on April 3, 2012. Among other issues, the Annual General Meeting 2012 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 Chairman of the Board of Directors. The Nomination Committee presently consists of:
- Kristina Ekengren, Chairman (the Swedish State)
- Kari Järvinen (the Finnish State through Solidium Oy)
- Per Frennberg (Alecta)
- Jan Andersson (Swedbank Robur Fonder)
- Anders Narvinger, Chairman of the Board

The Nomination Committee shall in accordance with its instruction:
- Nominate the Chairman and other members of the Board of Directors
- Propose the Board remuneration that is divided among the Chairman and other members and remuneration for serving on committees
- Nominate the Chairman of the Annual General Meeting
- Nominate the external auditors

The Nomination Committee receives information from the Chairman of the Board and the CEO on TeliaSonera's position and strategic direction. Based on that information, the committee assesses the competences needed in the Board of Directors as a whole and evaluates the competences of the present Board members. Taking into account the competences needed in the future, the competences of present Board members and the present Board members availability for re-election, the committee nominates Board members to the 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-wide policies
- The overall organization of the group
- The internal control 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 Chairman 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. Anders Narvinger is Chairman of the Board. The other members of the Board, elected by the Annual General Meeting, are Timo Peltola (Vice-Chairman), Maija-Liisa Friman, Ingrid Jonasson Blank, Olli-Pekka Kallasvuo, Lars Renström, Jon Risfelt and Per-Arne Sandström.

In accordance with the guidelines of the Swedish Corporate Governance Code, all members elected by the Annual General Meeting 2012 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 at the end of this Statement.

Meeting structure for strategic planning and external reporting

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.

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.

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.

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. This meeting is also combined with Board training activities, such as visiting specific sites, etc.

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.

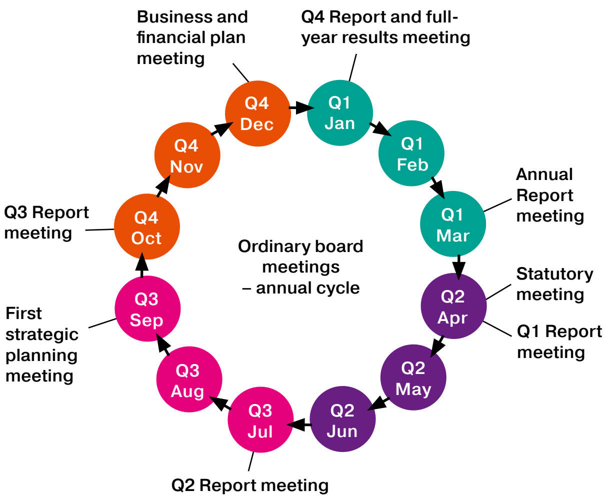
Q4 report and full-year financial results meeting

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

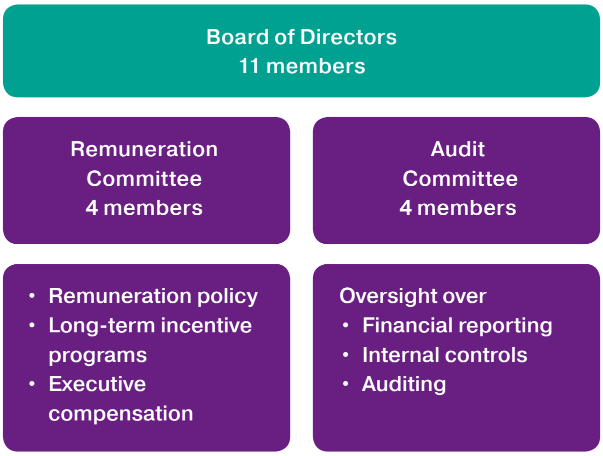


As the Board is responsible for financial oversight, financials are presented and evaluated at each Board meeting. Furthermore, each Board meeting generally includes reports on Committee work by the respective Committee Chairman. At each Board meeting, the President and CEO reports on business and market developments as well as on the financial performance. The Board is regularly informed of any whistle-blower cases and developments in significant legal and regulatory matters.

Organization

To improve board work efficiency, the Board of Directors has appointed a Remuneration Committee and an Audit Committee. The committees prepare recommendations for the Board. The Remuneration Committee handles issues regarding salary and other remuneration to the CEO and Group Management and incentive programs that target a broader group of employees. The Remuneration Committee has the authority to approve remuneration to persons in TeliaSonera's Group Management, except for the CEO. 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 auditors.

ORGANIZATION OF THE BOARD WORK



Board work during 2012

In 2012, the Board of Directors held 8 ordinary meetings as well as 9 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 an updated mergers and acquisitions (M&A) process, a new compliance function and updated policies and guidelines
- Close follow-up and attention to the severe corruption and money-laundering allegations related to the investments in Uzbekistan, including initiating an external review by a well-renowned law firm
- Reviewing efficiency programs aiming at a cost reduction of some SEK 2 billion net over the coming two years
- Regulatory developments in the telecom industry
- Structure for target model and financial targets
- Potential acquisitions and increase of ownership in subsidiaries
- Follow-up of the initial public offerings (IPOs) of Kcell and MegaFon
- Investments in frequencies, in particular in Finland, Denmark and Norway
- Follow-up of CAPEX, in particular related to network investments
- Development in associated companies in Turkey and Russia
- Development and governance of IT projects in the group
- Funding and debt structure
- Organizational issues
- Human Resources issues, in particular succession planning and performance management
- Follow-up of the compliance with the OECD Guidelines for Multinational Enterprises
- Sustainability Priority action plan approval and regular follow-up
- Reviewing the TeliaSonera Sustainability Report
- Continuous evaluation of the performance of the CEO

According to Section 8.1 of the Swedish Corporate Governance Code, the Board of Directors is to evaluate its work annually, using a systematic and structured process, and make the results of the evaluation available to the Nomination Committee where relevant. In TeliaSonera, the Nomination Committee itself initiates and performs such an evaluation of the Board work.

Remuneration Committee

Anders Narvinger is Chairman of the Remuneration Committee. In 2012, the Committee handled, amongst others, the following issues:

- Initiating and pursuing the recruitment process for a new CEO, as the contract with the then CEO was to expire in December 2013
- Structure for target model and financial targets
- Succession planning
- Performance management
- Remuneration to the CEO and Group Management

In 2012, the Remuneration Committee held 7 minuted meetings and 2 extra meetings devoted to the CEO recruitment. In addition, the Committee members were engaged in interviews with a number of CEO candidates.

Members of the Committees of the Board of Directors in 2012	
Remuneration Committee	Audit Committee
Anders Narvinger (Chairman) Timo Peltola Lars Renström Per-Arne Sandström	Maija-Liisa Friman (Chairman) Anders Narvinger Ingrid Jonasson Blank Jon Risfelt

Audit Committee

Maija-Liisa Friman is Chairman of the Audit Committee. In 2012, the Committee held 6 meetings. At each following Board meeting, the Chairman of the Audit Committee reports 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. For 2012, five focus areas were identified by the Committee for monitoring and assessment:

- Financial reporting and process, with specific focus on risk identification and the internal controls process
- Large projects
- Mergers and acquisitions, with special attention to the Kcell and MegaFon initial public offerings (IPOs)
- Financial and operational risks in Eurasia, including developments in the associated companies
- Impact of revised international pension accounting standards and potentially sharpened capital ratio requirements for the Swedish pension fund

Work in 2012 included, amongst others, the following issues:

- Increased focus on sustainability from a control and risk perspective
- Assessment of the environment of internal controls over financial reporting as well as over business operations, including the whistle-blower process
- Assessment of the quality and integrity of the enterprise risk reporting
- Reviews of the company's external financial reporting
- Reviews of the reports issued by the external auditors
- Review and follow-up of whistle-blower cases
- Overseeing developments in large operational risk areas such as the Eurasian operations, procurement and large projects
- Reviews of head office functions, e.g. Financial Shared Services, Group Treasury and Group Procurement
- Overseeing improvements of financial reporting processes
- Reviews of accounting principles of importance to the company
- Reviews of corporate policies as preparation for Board approval
- Assessment of the group's capital structure
- Assessment and approval of the audit plans of external and internal auditors
- Assessment of the independence of external auditors

In 2012, follow-up of the main large projects and sustainability risk management were added as permanent topics to the agenda of the 2013 Audit Committee meetings.

In 2012, the Committee attended an internal special training session focused on the accounting for financial and hedging transactions, and transactions related to mergers and acquisitions. The Committee was also updated on IFRS developments by the group finance function and the external auditors.

The Audit Committee applied a systematic and structured evaluation of its internal work. The result of this evaluation was reported to the Board of Directors. A summary of the evaluation was also presented to the Nomination Committee.

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 consists of eleven members: the CEO, CFO, General Counsel, Head of Group Human Resources, Head of Group Communications, 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 at the end of this Statement.

Group-wide Governance Framework

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
- Mission
- Vision
- Strategy
- Operational and financial targets

Setting the boundaries for how we act
- Shared values
- Sustainability
- Group policies
- Organization
- Delegation of obligations and authority

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

Deciding what we shall achieve

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.

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 world-class 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 – a world class customer experience

Today communication services are an integral part of people's daily lives. Since the arrival of smartphones and tablets, we rely increasingly on digital communication for social and business interaction. A trend which will only grow stronger in the coming years. Communication services have moved from being expensive and exclusive to being available, affordable and personal. Our ambition is to translate our strategy to provide a world-class customer experience, industry leading network quality and to have a competitive cost structure.

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

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 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

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 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, protecting children online, and supporting research related to exposure to electromagnetic fields.

Managing sustainability opportunities and risks is an integral part of TeliaSonera's operations and one of the main risk areas within the enterprise risk management framework. Since 2012, compliance with sustainability-related requirements, as well as sustainability risk management is a permanent item on the Audit Committee agenda. 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.

Code of ethics and conduct

Sustainability work is guided by the TeliaSonera Code of Ethics and Conduct, which serves as an overall policy document. 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.

In order to continue the implementation efforts which started in 2011 and to further ensure full compliance with the Code, a related e-learning tool has been created and the roll-out will start in 2013. The training tool focuses on anti-corruption and human rights.

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, and prioritizes anti-corruption work. In 2012, TeliaSonera prepared a new group policy on anti-corruption, which is due to be finalized by early 2013. In order to further develop anti-corruption practices, cooperation with Transparency International was initiated, with the aim of reaching a best-practice international standard.

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.

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. As of 2012, the external auditors submitted 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 Statement)

Whistle-blower process

The Board of Directors has established a process which enables employees to anonymously report violations in accounting, reporting or internal controls, as well as non-compliance with the TeliaSonera Code of Ethics and Conduct, a so called whistle-blower process. The employees' whistle-blower tool is based on an intranet solution.

To the reader: 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: Jan Henrik Ahrnell, Secretary of the Board
SE-106 63 Stockholm, Sweden

Group policies

The heads of head office functions shall secure that necessary group policies, instructions and guidelines are issued within their respective area of responsibility. Group policies are decided by the Board of Directors and 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
Sourcing	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
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
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 Mobility Services, Broadband Services and the holdings of TeliaSonera in Eurasia, Russia and Turkey. 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.

Business area Mobility Services

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

Business area Broadband Services

The business area comprises operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, 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 is also responsible for developing TeliaSonera's shareholdings in Russian MegaFon and Turkish Turkcell.

Head office functions

The head office 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, 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 corporate functions, and within which limits they may make decisions.

Follow-up of our performance

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 particular operations. The planning of the 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

In order to outperform competition and reach challenging goals, TeliaSonera is developing a high performance company culture. 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 you achieve but also how you achieve your objectives, i.e. what kind of competences and behaviors the employee applies in order to reach results. A group-wide competency 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.

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

Enterprise Risk Management

Integrated risk management and governance

Risk management is 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 measures are implemented to mitigate and monitor the identified risks. The aim is not only to focus on negative risks, but also to acknowledge that successful risk management is essential for grasping business opportunities and growth.

ENTERPRISE RISK MANAGEMENT – LINES OF DEFENSE

The roles and responsibilities for operational risk management, monitoring and compliance as well as assurance activities are as follows:

- The line organization has the ownership, responsibility and accountability for assessing, controlling and mitigating risks
- The Risk Management Committee facilitates and monitors the implementation of effective risk management practices within the operations as well as sets the reporting requirements and coordinates compliance assessments throughout the group
- The group internal audit function provides independent assurance on effective corporate governance, internal controls and risk management procedures
- 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

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. Line management is responsible for implementing risk management in the ordinary line organization. To support line management, and enable a consistent risk view throughout the group, the risk management work has been divided into three function-based risk areas which are:

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

RISK MANAGEMENT – REPORTING AND GOVERNANCE

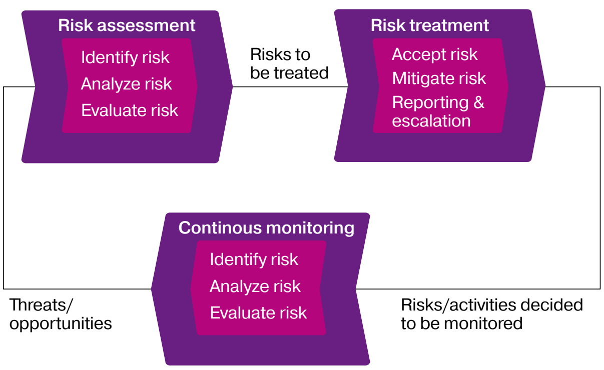
The function-based risk areas are responsible for deciding on how to manage risks, i.e. issuing guidelines regarding identification, mitigation, execution and reporting. The risk areas are also responsible for monitoring risks as well as monitoring compliance assessments and reporting to the Chief Risk Officer (CRO).

The CRO is responsible for coordinating and monitoring the risk management processes in the group, monitoring the compliance with the group policy for risk management and reporting to Group Management and the Board of Directors. The CRO coordinates the work through the Risk Management Committee with members from Group Legal Affairs, Corporate Security, Sustainability and Group Internal Audit.

Risk management process

The main components of the risk management process are risk assessment, risk treatment and continuous monitoring. Formal procedures and processes are established within each function-based risk area and line management is responsible for follow-up on the agreed upon and reported risk treatment activities.

RISK MANAGEMENT – PROCESS FLOW



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.

In 2012, the function-based risk areas and the Risk Management Committee amongst others:

- Conducted group-wide risk assessments to establish a baseline for further compliance work, e.g. Human Rights Impact Assessments
- Initiated work to strengthen the compliance efforts, e.g. deciding on coordination of vendor audits and assessments

The objective of the continuous risk management process is to regularly assess, treat and monitor business/finance, sustainability and IT/security risks that may harm the achievement of TeliaSonera's objectives. The line organization is responsible for assessing, mitigating and reporting risks. The reporting and follow-up is facilitated by each risk area. Quarterly, the CRO consolidates risk reporting to Group Management and the Board of Directors. The consolidated report is divided into Financial, Business, Country, Legal and Regulatory, and Sustainability risks.

Business & Finance

A process exists to regularly identify business and financial risks that could lead to material misstatements of financial information. The risks are reported by each subentity and presented in quarterly business review meetings.

Sustainability

The Board of Directors has the overall responsibility for sustainability issues and the TeliaSonera Code of Ethics and Conduct. In operational terms, management at all levels is responsible for putting the Code into practice. At TeliaSonera group level, sustainability issues are the responsibility of the Head of Group Communications, who is a member of TeliaSonera Group Management. Function-related activities are managed by the Head of Sustainability, who reports to the Head of Group Communications.

Sustainability risk management is integrated with the line organization. A sustainability risk is an event, uncertainty or threat scenario that might harm TeliaSonera's goal to be economically, environmentally and socially responsible throughout the business operations. The risks are related to failing to e.g. respect human rights, apply ethical business behavior, take care of the well-being of the employees, ensure customer privacy and freedom of expression as well as protect children online.

Issues related to human rights, such as lawful interception, network shutdowns, content-blocking, personal data-storing, government relations and license agreements, pose a high risk to the telecom industry. TeliaSonera is one of the initiators of an industry dialogue established among telecoms companies for the purpose of developing guiding principles for actions to be taken when their operations might be used for violations of freedom of expression and privacy.

Risks may also arise from merger and acquisition (M&A) activities and the supply chain. To mitigate risks arising from M&A activities, TeliaSonera has developed sustainability-related due diligence work, e.g. by improving risk assessments in relation to countries and potential business partners. The TeliaSonera Supplier Code governs sustainability work and acting in the supply chain. To improve quality and efficiency of assuring adherence to the Code, TeliaSonera in 2012 engaged in the Joint Audit Cooperation (JAC) scheme for the ICT sector.

Sustainability risk management is prioritized within three sub-risk areas: Privacy and Freedom of Expression, Anti-corruption and Supply Chain. In 2013, the risk and compliance work will focus on improvements within all three areas.

IT & Security

Within IT and security, potential risks and threats are continuously identified and mitigated to ensure that TeliaSonera's business strategies and objectives are not jeopardized due to security and IT risks.

The risk and security work aims to control, facilitate and implement well-balanced security measures throughout the operations. In TeliaSonera, security measures are characterized by appropriate security and risk awareness, prevention, preparedness, and the ability to respond to, and recover from, incidents and changes in the environment. Products, services, and key strategic and operational processes must continuously, throughout their life cycles, undergo thorough analysis to identify risks and threats affecting the business. The analysis aims to guide decision making and ensure proper implementation of measures to meet compliance and balance risk exposure.

Details about risks and uncertainties

Risks and uncertainties related to business, sustainability and shareholder issues are further described in Note C35 and financial risks in Note C27 to the consolidated financial statements.

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 COSO framework for internal controls. It consists of interrelated areas, which are control environment, risk assessment, control activities, information and communication, and monitoring.

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 obligation and authority, financial policies and the reporting framework.

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

- Monthly and quarterly financial statements comply with TeliaSonera's accounting policies
- Financial reports are delivered on time
- Sufficient internal controls exist and are performed
- Required reconciliations are properly done
- 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," the management of risks relating to the financial reporting is incorporated in the risk management framework, risk area Business & Finance. As such, assessment and management of risks that may result in inaccurate financial reporting is a natural part of the daily work. Risk assessments are performed both from a top-down and bottom-up perspective.

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. 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.

Business operations performance metrics 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 monthly process for the monitoring of the performance of internal controls. This process includes all major business units, business areas and corporate functions and consists of a self-assessment of the performance of all controls in the group. A risk-based testing of key controls is carried out on behalf of management in order to assess the quality of the internal controls.

The results of the monitoring and testing activities are communicated to all relevant business units 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.

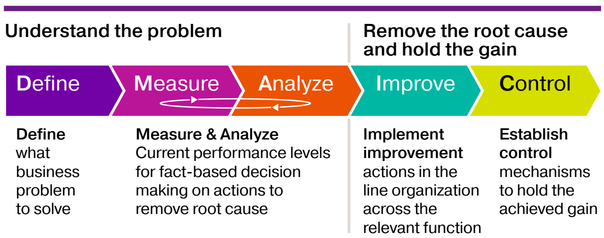
Control Activities in Business Operations

The purpose of internal controls over business operations is to monitor and support the development within TeliaSonera's corporate strategic focus areas. The monitoring of business operations performance is supported by defined metrics measurements; the Six Sigma framework. The metrics measure, amongst others, performance in networks and customers' experience with TeliaSonera.

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 2012, TeliaSonera had altogether more than 60 certified Six Sigma black belts and 370 green belts. During 2012, 13 green belt courses and 1 black belt course were arranged and as a result 93 new green belts and 4 new black belts were certified.

SIX SIGMA



IT Governance Approach

The TeliaSonera IT strategy was further developed during 2012. 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 strategic focus areas, as follows:

- Improve customer experience
- Provide agile and speedy IT services
- Improve operational efficiency
- 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
Business IT Board	IT Strategy, IT Roadmap, IT Strategic Financial Plans
Chief Information Officer	Validates IT Roadmaps and Financial plans
Common area Steering Groups, Business area Steering Groups	Common Projects managed in line with IT Roadmaps

The Business IT Board consists of the members of Group Management. There are common area steering groups for the areas Enterprise, Customer and Common IT. One of these, the Enterprise Area Steering Group, which is chaired by the CFO, shall focus on the overall process governance and development roadmap. Two of the business area steering groups are the Mobility Product Steering Committee and the Broadband Development Steering Committee. As an example, the Mobility Product Steering Committee shall monitor and manage the business area's all global and local product/offering- and process projects.

Group Internal Audit

The internal audit function reviews the group operations and makes proposals aiming at improving internal control environments 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 Eurasian operations are an important part of the audit scope, including on-site reviews with focus on revenue assurance, processes and governance.

The work of group internal audit is defined in the annual audit scope. The audit scope determines the priorities and is also aligned with the business plan and strategy in order to consider the overall business objectives and risks. The audit scope is approved by the Audit Committee and presented to the external auditors on an annual basis. The detailed internal audit assignments, within the audit scope, 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 Head of Group Internal Audit reports administratively to the CEO and CFO, and in addition, function-based also to the Audit Committee on a quarterly basis. 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.

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 submit a report to the Audit Committee and Group Management on TeliaSonera's quarterly 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 2012, PricewaterhouseCoopers AB was re-elected as auditor until the end of the Annual General Meeting 2013. 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 AarhusKarlshamn AB, AB Electrolux, Husqvarna AB, Melker Schörling AB 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 C33 to the consolidated financial statements.

Board of Directors

Anders Narvinger

(Born 1948)

Chairman of the Board of Directors. Elected to the Board in 2010. He is Chairman of the Remuneration Committee of TeliaSonera and a member of the Audit Committee. Mr. Narvinger has been CEO of Association of Swedish Engineering Companies and he has previously also served as President and CEO of ABB AB and is Chairman of the Boards in Trelleborg AB, Alfa Laval AB, Coor Service Management AB and Capio AB. He is also a board member of JM AB, Pernod Ricard S.A. and ÅF AB. Mr. Narvinger holds a Master of Science in Engineering and a Bachelor of Science in Business and Economics.

Shares in TeliaSonera: 20,000.

Timo Peltola

(Born 1946)

Vice-Chairman of the Board of Directors. Elected to the Board in 2004. He is a member of the Remuneration Committee of TeliaSonera. In addition, Mr. Peltola is a board member of SAS AB, AW-Energy Oy and Securities Market Association. He is also a member of the Advisory Boards of CVC Capital Partners Svenska AB and Citigroup Nordic. Mr. Peltola served as President and CEO of Huhtamäki Oyj between 1989 and 2004. Mr. Peltola holds a Doctor degree in Economics hc.

Shares in TeliaSonera: 7,140.

Maija-Liisa Friman

(Born 1952)

Elected to the Board of Directors in 2007. She is Chairman of the Audit Committee of TeliaSonera. Ms. Friman is Chairman of the Boards of Ekokem and Helsinki Deaconess Institute and Vice-Chairman in Neste Oil Oyj. In addition, she has board assignments in Finnair Oyj and LKAB. She is also a board member and partner of Boardman Oy. Previously Ms. Friman was CEO of Aspocomp Group Oyj. Ms. Friman holds a Master of Science in Chemical Engineering.

Shares in TeliaSonera: 5,597.

Ingrid Jonasson Blank

(Born 1962)

Elected to the Board of Directors in 2010. She is a member of the Audit Committee of TeliaSonera. Ms. Jonasson Blank has been Executive Vice President of ICA Sverige AB and has held a number of managerial positions in the ICA Group. She is also a board member of Bilia AB, Fiskars Oy, ZetaDisplay AB, Forex Bank AB, TravelSupport AB, Ambea Group and Hellefors Bryggeri AB. Ms. Jonasson Blank holds a Bachelor of Science in Business Administration and Economics.

Shares in TeliaSonera: 1,000.

Olli-Pekka Kallasvuo

(Born 1953)

Elected to the Board of Directors in 2012. 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-Chairman of SRV Group Plc. and he is also a board member of Aperios Group, Zenterio AB and Foundation for Economic Education. Mr. Kallasvuo holds a Master of Law and an honorary doctorate.

Shares in TeliaSonera: 35,896.

Lars Renström

(Born 1951)

Elected to the Board of Directors in 2009. He is a member of the Remuneration Committee of TeliaSonera. Mr. Renström is since 2004 President and CEO of Alfa Laval AB. He has previously served as President and CEO of Seco Tools AB and has held several senior managerial positions within Atlas Copco AB, Telefonaktiebolaget L M Ericsson and ABB AB. Mr. Renström is the Chairman of the Board of ASSA ABLOY AB and a board member of Alfa Laval AB. Mr. Renström holds a Master of Science in Engineering and a Bachelor of Science in Business and Economics.

Shares in TeliaSonera: 10,000.

Jon Risfelt

(Born 1961)

Elected to the Board of Directors in 2007. He is a member of the Audit Committee of TeliaSonera. In addition, Mr. Risfelt holds board assignments in Ortivus AB, Bilia AB, Braganza AS, including Chairman in its subsidiary Ticket Business Travel AB, and Vanna AB. He has earlier served as CEO of Europolitan AB, Nyman & Schultz AB and Gambro Renal. He has held various managerial positions within the American Express Group, Scandinavian Airlines and Ericsson. Mr. Risfelt holds a Master of Science in Chemical Engineering.

Shares in TeliaSonera: 10,000.

Per-Arne Sandström

(Born 1947)

Elected to the Board of Directors in 2010. He is a member of the Remuneration 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.

Board of Directors

Agneta Ahlström

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

Magnus Brattström

(Born 1953)
Employee representative, appointed by the trade union to the Board of Directors in 2009. Mr. Brattström is Chairman of Union of Service and Communication Employees within TeliaSonera, SEKO klubb TeliaSonera, and a member of the European Work Council at TeliaSonera. He is also a board member of Telia Pension Fund.
Shares in TeliaSonera: 20.

Stefan Carlsson

(Born 1956)
Employee representative, appointed by the trade union to the Board of Directors in November 2009. Mr. Carlsson is deputy Chairman 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 Chairman of SIF and Unionen.
Shares in TeliaSonera: 650.

Deputy employee representatives
Marianne Johansson (born 1957), Unionen-Tele. Shares in TeliaSonera: 1,500.
Arja Kovin (born 1964), Unionen-Tele. Shares in TeliaSonera: 0.
Peter Wiklund (born 1968), SEKO klubb TeliaSonera. Shares in TeliaSonera: 0.

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 and other benefits during 2012, attendance and number of shares

Name	Elected year	Independent[1]	Position	Presence board meetings	Committee	Presence committee meetings	Total remuneration and benefits (SEK)	Shares in TeliaSonera
Anders Narvinger	2010	Yes	Chairman of the Board and Chairman of the Remuneration Committee	17/17	Remuneration Audit	9/9 6/6	1,255,020	20,000
Timo Peltola	2004	Yes	Vice-Chairman of the Board	17/17	Remuneration	9/9	485,004	7,140
Maija-Liisa Friman	2007	Yes	Director and Chairman of the Audit Committee	17/17	Audit	6/6	600,000	5,597
Ingrid Jonasson Blank	2010	Yes	Director	17/17	Audit	4/4	525,006	1,000
Olli-Pekka Kallasvuo[2]	2012	Yes	Director	12/13			334,650	35,896
Conny Karlsson[3]	2007	Yes	Director	3/4	Audit	2/2	142,040	–
Lars Renström	2009	Yes	Director	15/17	Remuneration	9/9	485,004	10,000
Jon Risfelt	2007	Yes	Director	17/17	Audit	6/6	550,008	10,000
Per-Arne Sandström	2010	Yes	Director	15/17	Remuneration	9/9	485,004	400
Agneta Ahlström	2007	–	Employee Representative	17/17				200
Magnus Brattström	2009	–	Employee Representative	13/17				20
Stefan Carlsson	2009	–	Employee Representative	15/17				650

[1] Independent in relation to the company, the administration of the company and to major shareholders.
[2] Member of the Board of Directors since April 3, 2012.
[3] Member of the Board of Directors until April 3, 2012.

See also Note C32 to the consolidated financial statements.
Information on the members of the Board of Directors is also available at www.teliasonera.com/Corporate-Governance
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The information is regularly updated at www.teliasonera.com/Insiders

Group Management

Lars Nyberg

(Born 1951)
President and Chief Executive Officer since 2007. Mr. Nyberg is also Chairman of DataCard Corp. and Autoliv Inc. and a board member of OAO MegaFon[1], GSMA and the University of Stockholm. Between 1995 and 2003 he was Chairman and CEO of NCR Corp, where he continued as Chairman until 2005. Previously, Mr. Nyberg held several managerial positions in Philips, and was a member of Philips Group Management Committee. Mr. Nyberg holds a Bachelor of Science in Business Administration.
Shares in TeliaSonera: 50,000[2].

Mr. Nyberg resigned from his position as President & CEO on February 1, 2013.

Per-Arne Blomquist

(Born 1962)
Executive Vice President and Chief Financial Officer of TeliaSonera since September 2008. Prior to joining TeliaSonera, Mr. Blomquist was Executive Vice President and CFO of SEB, from 2006, and Head of Group Finance of SEB between 2001 and 2006. Between 1997 and 2000 he held various positions at Telia, e.g. as managing director of Telia Företag. Mr. Blomquist started his career at Alfa Laval AB in 1989. He is a board member of Lernia AB and Djurgården Hockey AB. Mr. Blomquist holds a Bachelor of Science in Business Administration and Economics.
Shares in TeliaSonera: 50,300.

Mr. Blomquist was appointed acting President & CEO on February 1, 2013.Mr. Christian Luiga, Head of Corporate Control, was appointed acting CFO and member of Group Management on February 6, 2013.

Jan Henrik Ahrnell

(Born 1959)
Senior Vice President, General Counsel and Head of Group Legal Affairs since 1999. He has been employed by TeliaSonera since 1989. Prior to serving as General Counsel, Mr. Ahrnell was the head of various legal departments within the TeliaSonera Group and served as corporate counsel in various TeliaSonera companies. He is a board member of Swedish IT & Telecom Industries. Mr. Ahrnell holds a Master of Law.
Shares in TeliaSonera: 12,000.

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.

Cecilia Edström

(Born 1966)
Senior Vice President and Head of Group Communications since May 2008. Previously, Ms. Edström was Senior Vice President and Head of Corporate Relations at Scania AB, where she held a number of senior positions since 1995. Ms. Edström started her career in corporate finance at SEB in 1989. She is a board member of OAO MegaFon and BE Group AB. Ms. Edström holds a Bachelor of Science in Finance and Business Administration.
Shares in TeliaSonera: 2,800[3].

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 and before that CEO of Novare Human Capital AB and Vice President Organizational Development at Stora Enso AB. She is a board member of Turkcell Iletisim Hizmetleri A.S. Ms. Eliasson holds a Bachelor of Science in Human Resource.
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.

Sverker Hannervall

(Born 1960)
Senior Vice President and Head of sales division Business Services in Sweden and Finland since 2008. 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

Tero Kivisaari

(Born 1972)
President of business areas Mobility Services (since 2012) and Eurasia (since 2007). Mr. Kivisaari was previously Chief Financial Officer and Vice President of business area Eurasia. Mr. Kivisaari has also been CFO of SmartTrust AB. Before that he held the position of Vice President of Sonera Oyj's International Operations. He is a board member of Turkcell Iletisim Hizmetleri A.S., Fintur Holdings B.V. and Nurminen Logistics Oyj. Mr. Kivisaari holds Master Degrees in Science and Economics.
Shares in TeliaSonera: 0..

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 background is in computer technology.
Shares in TeliaSonera: 6,000.

Mr. Veysel Aral, CEO of AO Kcell and Regional Head of Central Asia, was appointed President of business area Eurasia and member of Group Management on February 6, 2013.

[1] As of December 31, 2012, Mr. Nyberg held 100,000 shares in OAO MegaFon
[2] By way of pension insurance
[3] Partly by way of pension insurance

Information on the members of Group Management is also available at www.teliasonera.com/Corporate-Governance
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Remuneration and other benefits during 2012, capital value of pension commitments

SEK	Base salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Lars Nyberg, CEO	10,504,008	3,064,776	81,727	9,046,776	**22,697,287**	–
Per-Arne Blomquist, EVP	5,278,524	2,247,356	86,195	2,006,984	**9,619,059**	–
Other members of Group Management (8 individuals)	25,254,661	8,496,848	678,360	10,291,669	**44,721,538**	**16,355,779**

See also Note C32 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 2012	Jan–Dec 2011
Net sales	C1, C5, C6	104,898	104,804
Cost of sales	C1, C7	-58,388	-57,362
Gross profit	C1	**46,510**	**47,442**
Selling and marketing expenses	C7	-17,039	-17,318
Administrative expenses	C7	-6,687	-6,461
Research and development expenses	C7	-385	-508
Other operating income	C8	1,007	2,443
Other operating expenses	C8	-8,986	-1,680
Income from associated companies	C1, C9	13,868	5,802
Operating income	C1, C5	**28,288**	**29,720**
Finance costs	C1, C10	-4,603	-3,631
Other financial items	C1, C10	797	783
Income after financial items	C1	**24,482**	**26,872**
Income taxes	C1, C11	-3,314	-5,753
Net income	C1	**21,168**	**21,119**
Foreign currency translation differences	C12	-2,432	-5,319
Income from associated companies	C1,C12	-260	92
Cash flow hedges	C12	28	-118
Available-for-sale financial instruments	C12	24	-1
Income taxes relating to other comprehensive income	C11, C12	-439	5
Other comprehensive income	C1	**-3,079**	**-5,341**
Total comprehensive income	C1	**18,089**	**15,778**
Net income attributable to:			
Owners of the parent	C1	19,886	18,388
Non-controlling interests	C20	1,282	2,731
Total comprehensive income attributable to:			
Owners of the parent	C1	17,071	13,167
Non-controlling interests		1,018	2,611
Earnings per share (SEK), basic and diluted	C1, C20	4.59	4.21

Consolidated Statements of Financial Position

SEK in millions	Note	Dec 31, 2012	Dec 31, 2011
Assets			
Goodwill	C13	69,162	76,850
Other intangible assets	C1, C13	14,116	15,167
Property, plant and equipment	C1, C14	62,657	61,291
Investments in associated companies	C1, C15	29,350	46,323
Deferred tax assets	C1, C11	6,722	8,164
Pension obligation assets	C22	1,571	1,031
Long-term interest bearing receivables	C16	10,880	5,407
Other non-current assets	C1, C16	2,510	1,940
Total non-current assets	C1	**196,968**	**216,173**
Inventories	C17	1,623	1,475
Trade and other receivables	C1, C18	22,189	21,040
Current tax receivables		109	111
Interest-bearing receivables	C1, C19	3,647	1,453
Cash and cash equivalents	C1, C19	29,805	12,631
Total current assets	C1	**57,373**	**36,710**
Total assets	C1	**254,341**	**252,883**
Equity and liabilities			
Equity attributable to owners of the parent	C1	109,440	115,589
of which capital		*35,444*	*35,444*
of which reserves and retained earnings	C1	*73,996*	*80,145*
Equity attributable to non-controlling interests		3,956	7,353
Total equity	C1	**113,396**	**122,942**
Long-term borrowings	C21	82,184	68,108
Deferred tax liabilities	C1, C11	10,758	13,414
Provisions for pensions and employment contracts	C22	1,209	1,030
Other long-term provisions	C23	10,045	9,696
Other long-term liabilities	C24	1,190	1,409
Total non-current liabilities	C1	**105,386**	**93,657**
Short-term borrowings	C21	9,403	11,734
Short-term provisions	C23	1,348	725
Current tax payables		247	318
Trade payables and other current liabilities	C1, C25	24,561	23,507
Total current liabilities	C1	**35,559**	**36,284**
Total equity and liabilities	C1	**254,341**	**252,883**
Contingent assets	C30	–	–
Guarantees	C30	344	305
Collateral pledged	C30	387	259

Consolidated Statements of Cash Flows

SEK in millions	Note	Jan–Dec 2012	Jan–Dec 2011
Net income	C1	21,169	21,119
Adjustments for:			
Amortization, depreciation and impairment losses	C1	20,556	13,207
Capital gains/losses on sales/disposals of non-current assets		-81	-230
Other items related to investing activities		0	-636
Income from associated companies, net of dividends received	C1	-1,356	-5,681
Pensions and other provisions		-384	-668
Financial items		1,489	875
Income taxes	C1	-1,279	754
Miscellaneous non-cash items	C1	-26	-8
Cash flow before change in working capital	C1	**40,088**	**28,732**
Increase (-)/Decrease (+) in operating receivables	C1	-1,835	-852
Increase (-)/Decrease (+) in inventories		-194	-80
Increase (+)/Decrease (-) in operating liabilities	C1	820	-850
Change in working capital	C1	**-1,209**	**-1,782**
Cash flow from operating activities	C1, C31	**38,879**	**26,950**
Intangible assets and property, plant and equipment acquired	C1, C31	-15,139	-17,535
Intangible assets and property, plant and equipment divested		56	304
Business combinations	C31	-423	-79
Other equity instruments and operations acquired	C31	-200	-207
Subsidiaries divested	C31	-2	188
Other equity instruments and operations divested	C31	9,320	670
Loans granted and other similar investments	C1	-674	-927
Repayment of loans granted and other similar investments		515	399
Compensation from pension fund		195	170
Net change in short-term investments	C1	-7	1,050
Cash flow from investing activities	C1	**-6,359**	**-15,967**
Cash flow before financing activities	C1	**32,520**	**10,983**
Repurchased treasury shares including transaction costs		–	-9,983
Dividends paid to owners of the parent		-12,341	-12,349
Dividends paid to holders of non-controlling interests		-3,929	-2,490
Non-controlling interests acquired	C31	-12,031	-9
Sale of interest in a subsidiary to a non-controlling interest		3,406	–
Capital contributions from holders of non-controlling interests		-187	155
Proceeds from long-term borrowings		20,723	17,912
Repayment of long-term borrowings	C1	-10,614	-5,666
Net change in short-term borrowings		1,832	264
Settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances		-2,090	-1,129
Cash flow from financing activities	C1	**-15,231**	**-13,295**
Net change in cash and cash equivalents	C1	**17,289**	**-2,312**
Cash and cash equivalents, opening balance		**12,631**	**15,344**
Change of accounting principle	C1	–	25
Net change in cash and cash equivalents for the year	C1	17,289	-2,312
Exchange rate differences in cash and cash equivalents		-115	-426
Cash and cash equivalents, closing balance	C1, C19	**29,805**	**12,631**
Dividends received	C31	12,513	121
Interest received	C31	480	439
Interest paid	C31	2,897	-2,587
Income taxes paid	C31	-4,593	-4,999

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, 2010		**14,369**	**31,047**	**-132**	**-19**	**-7,350**	**548**	**4,909**	**–**	**82,535**	**125,907**	**6,758**	**132,665**
Change of accounting principle	C1	–	–	–	–	-249	–	–	–	-913	-1,162	–	-1,162
Dividends	C20	–	–	–	–	–	–	–	–	-12,349	-12,349	-2,018	-14,367
Repurchased and canceled treasury shares	C20	-513	-9,470	–	–	–	–	–	–	–	-9,983	–	-9,983
Non-controlling interests acquired	C20, C4	–	–	–	–	–	–	–	–	-2	-2	2	0
Total transactions with owners		*-513*	*-9,470*	–	–	–	–	–	–	*-12,351*	*-22,334*	*-2,016*	*-24,350*
Net income	C1, C20	–	–	–	–	–	–	–	–	18,388	18,388	2,731	21,119
Other comprehensive income	C1, C12, C20	–	–	-87	2	-5,136	–	–	–	–	-5,221	-120	-5,341
Total comprehensive income	*C1*	–	–	*-87*	*2*	*-5,136*	–	–	–	*18,388*	*13,167*	*2,611*	*15,778*
Share-based payments		–	11	–	–	–	–	–	–	–	11	–	11
Transfer of amortization and depreciation for the year		–	–	–	–	–	-125	–	–	125	–	–	–
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**
Adjustment of opening balance related to Turkcell (inflation accounting in Belarus)	C20	–	–	–	–	–	–	–	–	110	110	–	110
Dividends	C20	–	–	–	–	–	–	–	–	-12,341	-12,341	-3,127	-15,468
Business combinations	C20, C34	–	–	–	–	–	–	–	–	–	0	-9	-9
Non-controlling interests acquired	C20, C4	–	–	–	–	–	–	–	–	-10,724	-10,724	-1,970	-12,695
Non-controlling interests divested	C20, C4	–	–	–	–	–	–	–	–	2,639	2,639	748	3,387
Other transaction with owners										0	0	-57	-57
Total transactions with owners		–	–	–	–	–	–	–	–	*-20,426*	*-20,426*	*-4,415*	*-24,841*
Net income	C20	–	–	–	–	–	–	–	–	19,886	19,886	1,282	21,168
Other comprehensive income	C12, C20	–	–	8	22	-2,845	–	–	–	–	-2,815	-264	-3,079
Total comprehensive income		–	–	*8*	*22*	*-2,845*	–	–	–	–	*17,071*	*1,018*	*18,089*
Share-based payments		–	16	–	–	–	–	–	–	–	16	–	16
Transfer of amortization and depreciation for the year		–	–	–	–	–	-121	–	–	121	–	–	0
Effect of transaction with Treasury shares in MegaFon	C4, C15	–	–	–	–	–	–	–	-2,920	–	-2,920	–	-2,920
Closing balance, December 31, 2012		**13,856**	**21,604**	**-211**	**5**	**-15,580**	**302**	**4,909**	**-2,920**	**87,474**	**109,440**	**3,956**	**113,396**

Notes to Consolidated Financial Statements

Contents

C1. Basis of Preparation

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 6, 2013. 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 3, 2013.

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.

Change of accounting principles and correction of prior period classification errors

As of January 1, 2012, TeliaSonera changed its accounting principle for joint ventures from the equity method to proportionate consolidation. The change of accounting principle is expected to improve the information and better reflect the substance and economic reality of the joint ventures. The major part of joint ventures held by TeliaSonera will be classified as joint operations according to the recently issued IFRS 11 "Joint Arrangements." The equity method will not be allowed for joint operations but instead a venture shall recognize its share of the assets, liabilities, revenues and expenses of the joint operation. The proportionate consolidation method is not described in detail in current IFRSs but, similar to the method described in IFRS 11, TeliaSonera has included its share line by line of the assets, liabilities, revenues and expenses of the joint ventures. Previously TeliaSonera only recognized its share of the net income of joint ventures on a separate line. The change had no impact on net income. Comparative information for prior periods has been restated and refers to business area Mobility Services.

In the fourth quarter of 2012, TeliaSonera changed the equity accounting treatment for its holding in the Russian associated company OAO MegaFon in such a manner that TeliaSonera's consolidated financial statements for a certain quarter are based on the last available quarterly financial statements of MegaFon. Previously, TeliaSonera's consolidated financial statements for the quarter included its share of the preliminary estimated net income in MegaFon for the same period. The change in principle was made following the November 2012 MegaFon stock exchange listing in Moscow and London, after which TeliaSonera no longer has any other information available for the preparation of its consolidated financial statements than the information published by MegaFon simultaneously to all of its shareholders. Comparative information for prior periods have been restated and refers to business area Eurasia. During the second quarter of 2012, TeliaSonera sold its investment in OAO Telecominvest which held shares in OAO MegaFon. However, no restatements of net income for prior periods related to this indirect MegaFon shareholding were performed, since it was disposed prior to the stock exchange listing of MegaFon.

Further in the consolidated financial statements, prior periods have been restated to reflect the discovery of certain classification errors, referring to certain equipment sales in business area Mobility Services. Finally, the internal server operations were transferred from business area Broadband Services to reportable segment Other operations, only impacting the allocation between segments.

The combined effects on the consolidated statements of comprehensive income from the change of accounting principle for joint ventures and for the holding in MegaFon as well as correction of the classification errors were as follows. There was no effect on the Consolidated Statements of Cash Flows from the change of accounting principle related to MegaFon.

Consolidated Statements of Comprehensive Income	Jan–Dec 2011		
SEK in millions	Reported	Restated	Change
Net sales	104,354	104,804	450
Cost of sales	-56,980	-57,362	-382
Gross profit	**47,374**	**47,442**	**68**
Selling, admin. and R&D expenses	-24,287	-24,287	–
Other items, net	6,480	6,565	85
Operating income	**29,567**	**29,720**	**153**
Finance costs and other financial items, net	-2,793	-2,848	-55
Income after financial items	**26,774**	**26,872**	**98**
Income taxes	-5,702	-5,753	-51
Net income	**21,072**	**21,119**	**47**
Other comprehensive income	**-5,365**	**-5,341**	**24**
Total comprehensive income	**15,707**	**15,778**	**71**
Attributable to owners of the parent:			
Net income	18,341	18,388	47
Total comprehensive income	13,096	13,167	71
Earnings per share, basic and diluted (SEK)	4.20	4.21	0.01

The separate and total effects from the change of accounting principle for joint ventures and for the holding in MegaFon were as follows.

Consolidated Statements of Comprehensive Income SEK in millions	Jan-Dec 2011 Joint ventures	MegaFon	Total
Net sales	-113	–	-113
Cost of sales	181	–	181
Gross profit	**68**	**–**	**68**
Income from associated companies	-9	94	85
Other items, net	-	–	–
Operating income	**59**	**94**	**153**
Finance costs and other financial items, net	-55	–	-55
Income after financial items	**4**	**94**	**98**
Income taxes	-4	-47	-51
Net income	**–**	**47**	**47**
Foreign currency translation differences	–	20	20
Income from associated companies	–	4	4
Other comprehensive income	–	24	24
Total comprehensive income	**–**	**71**	**71**
Attributable to owners of the parent:			
Net income	–	47	47
Total comprehensive income	–	71	71
Earnings per share, basic and diluted (SEK)	–	0.01	0.01

Consolidated Statements of Financial Position SEK in millions	Dec 31, 2011 Joint ventures	MegaFon	Total
Assets			
Goodwill and other intangible assets	102	–	102
Property, plant and equipment	1,711	–	1,711
Investments in associates, deferred tax assets and other non-current assets	-1,764	-1,114	-2,878
Total non-current assets	*49*	*-1,114*	*-1,065*
Trade receivables, current tax assets and other receivables	116	–	116
Interest-bearing receivables	-80	–	-80
Cash and cash equivalents	31	–	31
Total current assets	*67*	*–*	*67*
Total assets	**116**	**-1,114**	**-998**
Equity and liabilities			
Equity attributable to owners of the parent	–	-1,091	-1,091
Total equity	*–*	*-1,091*	*-1,091*
Deferred tax liabilities, other long-term provisions	–	-23	-23
Total non-current liabilities	*–*	*-23*	*-23*
Short-term borrowings	–	–	–
Trade payables, current tax liabilities, short-term provisions and other current liabilities	116	–	116
Total current liabilities	*116*	*–*	*116*
Total equity and liabilities	**116**	**-1,114**	**-998**

Consolidated Statements of Cash Flows SEK in millions	Jan-Dec 2011 Joint ventures
Cash flow before change in working capital	-123
Change in working capital	50
Cash flow from operating activities	**-73**
Cash CAPEX	-141
Free cash flow	***-214***
Cash flow from other investing activities	1,480
Total cash flow from investing activities	**1,339**
Cash flow before financing activities	***1,266***
Cash flow from financing activities	**-1,260**
Cash flow for the period	**6**
Cash and cash equivalents, opening balance	**25**
Cash flow for the period	6
Cash and cash equivalents, closing balance	**31**

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 or revised/amended standards and interpretations, effective in 2012 or pre-adopted

- Amendments on transfers of financial assets to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after July 1, 2011; earlier application permitted, comparative information not required at initial application), requiring enhanced disclosures of risk exposures relating to transferred financial assets when an entity has continuing involvement in those assets (contractual obligations to pay or receive cash flows). Examples are guarantees and options (other than at fair value) from agreements such as factoring of receivables, securitization, and sale or lend of financial assets. Disclosures are also required if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
- Amendments on deferred tax: recovery of underlying assets to IAS 12 "Income Taxes" (effective for annual periods beginning on or after January 1, 2012; earlier application permitted; involves the concurrent withdrawal of SIC-21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets"). IAS 12 requires that deferred tax relating to an asset should be measured depending on whether recovery of the asset's carrying amount is expected through use or sale. The amendments to IAS 12 refer to assets accounted for under IAS 40 "Investment Property" and revalued assets accounted for under IAS 16 "Property, Plant and Equipment," respectively. IAS 40 is not applicable to TeliaSonera and the revaluation model under IAS 16 is not used. Consequently, the amendments to IAS 12 are not applicable to TeliaSonera.

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, 2013, are as follows:

- Amendments on offsetting financial assets and financial liabilities to IFRS 7 "Financial Instruments: Disclosures" (effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods; retrospective application), also addressing reporting of how credit risks are mitigated, including disclosure of related collateral pledged or held.
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2015; earlier application permitted; additional transition disclosures required at initial application). When completed, IFRS 9 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 main principle is that a financial asset shall be measured at amortized cost if both of the following conditions are met: (a) the objective is to hold the financial asset in order to collect the contractual cash flows, and (b) the contractual terms give rise on specified dates to cash flows that solely represent payments of principal and interest. All other financial assets within scope are measured at fair value. Reclassifications between the categories are only allowed when the entity's business model for managing financial assets is changed. IFRS 9 requires all equity instruments within scope to be measured at fair value and removes the cost exemption for unquoted equities. Still, IFRS 9 states that in limited cases cost may be an appropriate estimate of fair value and includes a table of indicators that cost might not be representative of fair value. There is also an irrevocable option to recognize in other comprehensive income unrealized and realized fair value gains and losses on equity instruments that are not held-for-trading. There is no subsequent recycling to profit or loss; but dividends from such investments will continue to be recognized in profit or loss.
  For financial liabilities, the existing amortized cost measurement is maintained for most liabilities, limiting change to addressing the volatility in net income arising from choosing to measure own debt at fair value. 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. TeliaSonera is currently analyzing the effects, if any, of adopting the issued parts of IFRS 9. 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 will not impact TeliaSonera.
- IFRS 10 "Consolidated Financial Statements," which replaces the consolidation guidance in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" by introducing 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.

- IFRS 11 "Joint Arrangements," which replaces IAS 31 "Interests in Joint Ventures" by introducing new accounting requirements for joint arrangements. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities. The parties account for their respective interests of assets, liabilities, revenues and expenses. A joint venture on the other hand is a joint arrangement whereby the parties have rights to the net assets and the investment is accounted for using the equity method.
- IFRS 12 "Disclosure of Interests in Other Entities," which 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 10, IFRS 11, IFRS 12 (including certain later established amendments on transition guidance) and the related amendments to IAS 27 and IAS 28 (see below) are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other four standards are also early applied and if IFRS 9 is not early applied any reference to IFRS 9 should be read as IAS 39. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of IFRS 12 (and thereby each of the other four standards). When adopting the new standards, TeliaSonera's current classification of subsidiaries and associated companies will not change. However, an analysis of the contractual terms related to TeliaSoneras's jointly controlled entities as being either joint operations or joint ventures under IFRS 11 has led to certain accounting treatment changes already as of January 1, 2012. For further information, see section "Change of accounting principle and correction of prior period classification errors" above.
- 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.
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after January 1, 2013; earlier application permitted), replacing the guidance on fair value measurement in existing IFRSs. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements but does not change the requirements regarding which items should be measured or disclosed at fair value. TeliaSonera is presently analyzing the effects of applying IFRS 13. Tentatively, current measurement principles will not change. However, calculation methods will be reviewed and adjusted if needed.
- Amendments on the presentation of items of other comprehensive income (OCI) to IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after July 1, 2012; early adoption permitted), requiring such items to be grouped based on whether they might subsequently be reclassified to profit or loss or not and if tax is disclosed separately in OCI, it must be split between items that might be reclassified to profit and loss and those that will not. The amendments to IAS 1 will only have limited editorial effects on TeliaSonera's current presentation of items of OCI.
- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after January 1, 2013; earlier application permitted; modified retrospective application). The amendments 1) require immediate recognition of actuarial gains and losses (renamed "remeasurements") in other comprehensive income; 2) change the recognition of past service costs/curtailments and the measurement of benefit expense; 3) change the presentation in the statement of comprehensive income and introduce enhanced disclosure requirements; and 4) clarify miscellaneous issues, including the classification of employee benefits, estimates of mortality rates, tax and administration costs, etc. See the Board of Directors' Report for a description of the effects on TeliaSonera's financial position and results of operations when applying the amended IAS 19.
- Amended and renamed IAS 27 "Separate Financial Statements (2011)." The requirements relating to separate financial statements are unchanged, while the other portions of IAS 27 are replaced by IFRS 10 (see above).
- Amended IAS 28 "Investments in Associates and Joint Ventures (2011)" for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12 (see above).
- 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.
- "Improvements to IFRSs (2009–2011)" (effective for annual periods beginning on or after January 1, 2013; earlier application permitted) 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.
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after January 1, 2013; earlier application permitted). IFRIC 20 is not applicable to TeliaSonera.

EU endorsement status

As of the beginning of March 2013, all standards, revisions/amendments to standards, and interpretations mentioned above had been adopted by the EU, except for IFRS 9, the amendments on transition guidance to IFRS 10, 11 and12, the amendments on investment entities to IFRS 10, IFRS 12 and IAS 27 and "Improvements to IFRSs (2009-2011).

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 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 C11 "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.

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

In 2012 and 2011, amortization, depreciation and impairment losses totaled SEK 20,542 million and SEK 13,263 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 C13 "Goodwill and Other Intangible Assets" and Note C14 "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 C13 "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 C27 "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 C18 "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 affect the discount rate, the expected annual rate of compensation increase, the expected employee turnover rate, the expected average remaining working life, the expected annual income base amount increase (only for Swedish entities), the expected annual adjustments to pensions, and the expected annual return on plan assets. These assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. A change in any of these key assumptions may have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost. For additional information on assumptions made and on pension obligations and their present values as of the end of the reporting period, see Note C22 "Provisions for Pensions and Employment Contracts."

The discount rate reflects the rates at which the pension obligations could be effectively settled, which means a period somewhere from 15 to 30 years. The rate used to discount pension obligations shall be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the pension obligations. For Sweden, which represents approximately 85 percent of TeliaSonera's pension obligations, historical practice has been to reference long-term nominal government bonds in setting the discount rate, due to the perceived lack of a deep market in high-quality corporate bonds. In 2010, however, a review of the Swedish covered mortgage bond market was carried out, with the objective of determining whether this market satisfied the requirements of IAS 19 in serving as a reference for setting the discount rate. The covered mortgage bond market, which has grown steadily over the last few years, consists of bonds issued mainly by affiliates of Swedish banks and covered by pools of mortgages, and contains a large number of bonds rated AA or higher by the major credit rating agencies. Following this review, management, along with many other employers in Sweden, concluded that the covered bond market is in fact a deep corporate bond market, as defined in IAS 19, paragraph 78, and as such, is an appropriate reference in determining the discount rate. Management adjusts the reference rate derived from covered bond market yields to reflect any difference between the inflation rate used to estimate expected annual adjustments to pensions (see below) and the implied inflation rate indicated by the financial markets at the end of the reporting period.

See section "Pension obligation risk" in Note C27 "Financial Risk Management" for a sensitivity analysis related to a change in the weighted average discount rate used in calculating pension provisions.

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

The estimate for expected average remaining working life is based on current employee age distribution and the expected employee turnover rate. The income base amount, existing only in Sweden, is set annually and inter alia used for determining the ceiling for pensionable income in the public pension system. The estimate for the expected annual income base amount increase is based on the expected future inflation rate and the historical annual rate of compensation increase on the total labor market.

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

The expected annual return on plan assets is the average rate of earnings expected on the investments made (or to be made) to provide for the pension benefit obligations that are secured by the pension funds. Plan assets chiefly consist of fixed income instruments and equity instruments. The expected nominal net return from the Swedish pension fund portfolio, representing approximately 85 percent of total plan assets, is currently 4.1 percent per annum over a 10-year period, where inflation is assumed to be 2.0 percent per annum. The strategic allocation of plan assets is composed to give the expected average return. More specifically, the expected gross nominal return is based on the following assumptions; domestic and global fixed income 3.0 percent, domestic and global equities 7.0 percent and other investments 7.0 percent. The assumptions used in the non-Swedish pension funds are similar.

As from 1 of January 2013 when the revised IAS 19 is to be applied the expected annual return on plan assets accounted for in the net income, will be the same percentage as the discount rate used for pension obligations.

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 C23 "Other Provisions" and C30 "Contingencies, Other Contractual Obligations and Litigation," respectively.

C3. Significant Accounting Policies

Consolidated financial statements

General

The consolidated financial statements comprise the parent company TeliaSonera AB and all entities over which TeliaSonera has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. 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.

Joint ventures

Joint ventures are entities over which the Group has joint control by virtue of contractual arrangements. Joint ventures are accounted for using proportionate consolidation, meaning that TeliaSonera's share of the assets, liabilities, revenues and expenses of the joint ventures are included line by line in the consolidated financial statements. 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.

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. 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.

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 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.

Financial components of pension costs, such as interest cost and the expected return on plan assets, are included in Operating expenses (see above).

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 in terms of reported revenue, wages paid, etc., 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 C16), Trade and Other receivables (Note C18), Interest-bearing Receivables, Cash and Cash Equivalents (Note C19).

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 C21), Other Provisions (Note C23), Other Long-term Liabilities (Note C24) and Trade Payables and Other Current Liabilities (Note C25).

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

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 for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

Current/non-current distinction, 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 2012 will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts

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

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

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.

The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method. 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.

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

Net provisions or assets for post-employment benefits in the statement of financial position represent the present value of obligations at the end of the reporting period less the fair value of plan assets, unrecognized actuarial gains and losses and unrecognized past-service costs.

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

Business combinations

Nepal Satellite

On April 26, 2012, TeliaSonera, through its 75.45 percent owned subsidiary TeliaSonera Asia Holding B.V. acquired the remaining 49 percent of the shares in the Cypriot holding company Airbell Services Ltd., which in conjunction increased its ownership from 50 to 75 percent of the shares in the Nepalese regional mobile operator Nepal Satellite Telecom Pvt. Ltd.

(See also Note C34 "Business Combinations").

Minor business combinations

In 2012 and in order to strengthen its market position, TeliaSonera acquired all shares in Svenska Stadsnät AB in Sweden, providing fiber capacity to municipalities, companies and households, and Information Infrastructure Management Nordic AB in Sweden, a niche system integrator company in the datacenter market.

For additional information on acquisitions, see Note C34 "Business Combinations".

Acquisitions of non-controlling interests

Kcell

On February 2, 2012, TeliaSonera announced that it had completed the first phase of its previously announced transaction to increase ownership in GSM Kazakhstan LLP, operating under the brand Kcell, by acquiring a 49 percent stake in the company from Kazakhtelecom at a purchase price of USD 1.519 billion (approximately SEK 10.5 billion). TeliaSonera further agreed to sell 25 percent of the shares minus one share in Kcell in an Initial Public Offering (IPO). On December 12, 2012, TeliaSonera confirmed the IPO of Kcell in Kazakhstan and received USD 525 million (approximately SEK 3.5 billion) in proceeds from the offering. TeliaSonera now holds directly and indirectly an interest of 61.9 percent (37.9) in Kcell.

TEO LT

On May 10, 2012, TeliaSonera announced the agreement to acquire 7.87 percent of the shares in TEO LT from East Capital for EUR 0.637 (LTL 2.20) per share and the transaction was completed on May 10. Since May 8, TeliaSonera has also acquired an additional 6.55 percent of the outstanding shares in TEO LT through open market purchases at the same price (EUR 0.637/LTL 2.20) as paid to East Capital. On June 5, TeliaSonera launched a voluntary takeover bid to acquire the outstanding shares in TEO LT for the price of EUR 0.637 per share in cash. Including open market transactions, TeliaSonera holds 88.15 percent of TEO LT. The total value of the purchases during 2012 amounts to SEK 875 million.

For additional information on acquisitions of non-controlling interest, see Note C31 "Cash Flow Information".

Cambodia/Nepal

On April 5, 2012 TeliaSonera announced that it had sold its 18.6 percent stake in Smart Mobile (Latelz Co. Ltd.) in Cambodia, and entered into an agreement in order to further increase its ownership in Ncell in Nepal.

Divestitures

MegaFon

On April 24, 2012, TeliaSonera announced that the shareholders of its Russian associated company OAO MegaFon, TeliaSonera, AF Telecom and Altimo had resolved the governance disputes and agreed that the company would pay a dividend of USD 5.15 billion and pursue an Initial Public Offering (IPO). The parties had also agreed that AF Telecom would get majority control in MegaFon, Altimo exit and TeliaSonera reduce its ownership whilst keeping a long term strategic ownership of 25 percent in MegaFon after an IPO. TeliaSonera has also agreed to pay USD 200 million to Altimo in order to complete the transaction. Following the agreement and the IPO in December 2012, TeliaSonera recognized a net capital gain of SEK 8,391million and received a one-time dividend of SEK 12,366 million. The capital gain includes a negative non-cash exchange rate effect of SEK 1,441 million from the ownership reduction to 25.2 percent (43.8). Altimo partly made their exit by selling shares to Megafon that recognized the treasury shares in equity. For additional information on divestitures, see Note C31 "Cash Flow Information" and Consolidated Statements of Changes in Equity.

Events after the reporting period

NextGenTel

In 2012 TeliaSonera signed an agreement to divest its Norwegian subsidiary NextGenTel to Telio, a company listed on the Oslo Stock Exchange. The agreement was subject to approval from authorities. The transaction was closed on January 31, 2013.

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, and an indirect minority investment in KazTransCom, through the purchase of shares from Alatau LLP, had been met. The transactions were completed in early January 2013.

(See also Note C34 "Business Combinations")

See the Board of Directors' Report; section "Significant Events after Year-End 2012.

C5. Segment Information

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

- Business area Mobility Services provides mobility services to the consumer and enterprise mass markets. Services include mobile voice and data, mobile content, WLAN Hotspots, mobile 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, Norway, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.
- Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon (shareholding 25%, consolidated share 28 percent) and Turkish Turkcell (38 percent).
- Reportable segment Other operations comprises Other Business Services, TeliaSonera Holding and Corporate 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. Corporate functions comprise the Corporate Head Office and certain shared service functions on Group level, BA level and country level.
- Segment consolidation is based on the same accounting principles as for the Group as a whole, except for inter-segment finance leases which are treated as operating leases. Inter-segment transactions are based on commercial terms. Besides Net sales and Operating income, principal segment control and reporting concepts are EBITDA excluding non-recurring items and Operating segment capital, respectively (see 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 2011 have been restated to reflect (a) the change of accounting principle for joint ventures from the equity method to proportionate consolidation affecting business area Mobility Services, (b) the change to one-quarter lag reporting of the associated company OAO MegaFon within business area Eurasia, (c) correction of certain classification errors, referring to certain equipment sales within business area Mobility Services and (d) the transfer of the internal server operations from business area Broadband Services to reportable segment Other operations. For information on impairment losses in 2012 see Note C13 "Goodwill and Other Intangible Assets."

	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	14,689	10,953	9,976	451	-10	36,059
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
Income from associated companies	-10	114	13,815	-50	-1	13,868
Operating income	4,200	4,003	20,629	-534	-10	28,288
Financial items, net						-3,806
Income taxes						-3,314
Net income						21,168
Investments in associated companies	30	673	28,417	229	1	29,350
Other operating segment assets	84,563	49,194	32,906	14,250	-1,715	179,198
Unallocated operating assets						6,830
Other unallocated assets						38,963
Total assets						254,341
Operating segment liabilities	14,009	10,529	9,991	4,247	-1,796	36,980
Unallocated operating liabilities						23,346
Other unallocated liabilities						92,961
Adjusted equity						101,054
Total equity and liabilities						254,341
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	7,245	13,277	4,980	2,336		27,838
Average number of full-time employees	7,161	12,381,	4,933	2,318		26,793

	January–December 2011 or December 31, 2011 (restated)					
SEK in millions	Mobility Services	Broadband Services	Eurasia	Other operations	Eliminations	Group
Net sales	51,556	36,677	17,330	3,992	-4,751	104,804
External net sales	50,092	34,230	17,247	3,235	–	104,804
EBITDA excluding non-recurring items	16,053	11,961	8,850	397	-39	37,222
Non-recurring items	-199	-520	750	-72	–	-41
Amortization, depreciation and impairment losses	-4,735	-4,943	-2,836	-753	4	-13,263
Income from associated companies	3	85	5,829	-114	–	5,802
Operating income	11,122	6,583	12,592	-542	-35	29,720
Financial items, net						-2,848
Income taxes						-5,753
Net income						21,119
Investments in associated companies	15	678	45,301	329	–	46,323
Other operating segment assets	89,608	50,738	32,292	5,844	-1,032	177,450
Unallocated operating assets						8,275
Other unallocated assets						20,835
Total assets						252,883
Operating segment liabilities	12,590	10,502	9,175	3,561	-1,085	34,743
Unallocated operating liabilities						26,074
Other unallocated liabilities						81,466
Adjusted equity						110,600
Total equity and liabilities						252,883
Investments	6,809	5,579	4,808	861	-1	18,056
of which CAPEX	*6,742*	*5,263*	*4,538*	*841*	*–*	*17,384*
Number of employees	7,456	13,071	4,994	2,462	–	27,983
Average number of full-time employees	7,252	12,519	4,762	2,472	–	27,005

External net sales were distributed by product area as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Mobile communications	59,136	59,161
Fixed communications	32,662	33,613
Other services	13,100	12,030
Total	**104,898**	**104,804**

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 2012		Jan–Dec 2011		Dec 31, 2012		Dec 31, 2011	
	Net sales				Non-current assets			
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Sweden	36,715	35.0	36,509	34.8	28,425	19.3	28,137	18.3
Finland	13,600	13.0	15,079	14.4	36,224	24.6	38,953	25.3
Norway	8,699	8.3	9,378	9.0	22,158	15.1	28,706	18.6
All other countries	45,884	43.7	43,838	41.8	60,384	41.0	58,221	37.8
Total	**104,898**	**100.0**	**104,804**	**100.0**	**147,191**	**100.0**	**154,017**	**100.0**

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

	Jan–Dec 2012		Jan–Dec 2011	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	83,525	79.6	85,826	81.9
of which European Union (EU) member states	*74,777*	*71.3*	*76,431*	*72.9*
Rest of Europe	3,039	2.9	2,220	2.1
North-American Free Trade Agreement (NAFTA)	489	0.5	487	0.5
Rest of world	17,845	17.0	16,271	15.5
Total	**104,898**	**100.0**	**104,804**	**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.

C6. Net Sales

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

Percent	Jan–Dec 2012	Jan–Dec 2011
Change in net sales, total	0.1	-2.3
– volume growth	*11.8*	*8.7*
– price reductions	*-10.6*	*-6.0*
– structural changes	*0.0*	*-0.8*
– exchange rate effects	*-1.1*	*-4.2*

TeliaSonera experiences volume growth mainly within mobile communications. Besides a robust development in Sweden, volume growth was especially strong in Spain and in the Eurasian operations due to ongoing high customer intake. In 2012 and 2011, however, total volume growth was offset by continued overall price pressure on telecom services and exchange rate effects.

Structural changes in 2012 mainly related to the acquisitions of Nepal Satellite Telecom Pvt. Ltd in Nepal and the Swedish companies Svenska Stadsnät AB and Information Infrastructure Management Nordic AB, as well as the 2011 acquisition of Oy Turun Kaapelitelevisio – Åbo Kabeltelevision Ab in Finland and the 2011 divestment of North Sea Communications AS in Norway, while 2011 was also impacted by the 2010 divestitures of Telia Stofa A/S in Denmark and Applifone Company Ltd. in Cambodia.

Net sales are broken down by reportable segment, by product area, by individually material countries and by economic region in Note C5 "Segment Information."

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 2012	Jan–Dec 2011
Goods and sub-contracting services purchased	-17,690	-15,289
Interconnect and roaming expenses	-12,671	-13,387
Other network expenses	-5,821	-5,932
Change in inventories	-3,408	-3,676
Personnel expenses (see also Note C32)	-12,550	-12,636
Marketing expenses	-6,829	-7,554
Other expenses	-10,534	-9,923
Amortization, depreciation and impairment losses	-12,996	-13,252
Total	**-82,499**	**-81,649**

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 29,671 million in 2012 and SEK 30,113 million in 2011.

Amortization, depreciation and impairment losses by function were as follows. Impairment charges in Mobility Norway and Lithuania and Write-downs of goodwill in Broadband Norway are included in Other Operating Expenses, see note C8.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Cost of sales	-11,111	-11,087
Selling and marketing expenses	-1,305	-1,287
Administrative expenses	-545	-847
Research and development expenses	-36	-31
Total	**-12,996**	**-13,252**

Amortization, depreciation and impairment losses are broken down by reportable segment in Note C5 "Segment Information." For information on impairment testing, see Note C13 "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 2012	Jan–Dec 2011
Other operating income		
Capital gains	82	439
Exchange rate gains	279	407
Commissions, license and patent fees, etc.	92	295
Grants	19	23
Gains from business combinations	209	–
Recovered accounts receivable	119	303
Court-settled fees with other operators	140	300
Damages received	67	676
Total other operating income	**1,007**	**2,443**
Other operating expenses		
Capital losses	-141	-212
Transaction costs in business combinations	–	-10
Provisions for onerous contracts	-9	-2
Exchange rate losses	-303	-429
Restructuring costs	-938	-930
Amortization, depreciation and impairment losses	-7,545	-11
Court-settled fees with other operators	–	-50
Damages paid	-50	-36
Total other operating expenses	**-8,986**	**-1,680**
Net effect on income	**-7,979**	**763**
of which net exchange rate losses on derivative instruments held-for-trading	*-11*	*5*

In 2012 Amortization, depreciation and impairment losses included impairment charges in Mobility Norway and Lithuania of SEK 5,984 million and a write-down of goodwill in Broadband Services Norway of SEK 1,550 million, see also note C13. SEK 185 million of Gains from business combinations comes from re-measurement of existing interest in Nepal Satellite Pvt. Ltd. when acquiring the remaining 49 percent of the shares in its holding company, Airbell Services Ltd which in conjunction increased its holding from 50 to 75 percent in Nepal Satellite. The additional MSEK 24 million comes from sale of the network in Mobility Denmark to the Joint Operator TT Netvaerket P/S. In 2011, damages received included SEK 617 million as compensation for meeting certain milestones in fulfilling the agreement with Altimo signed in November 2009. Restructuring costs mainly comprised staff redundancy costs.

C9. Income from Associated Companies

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

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Share in net income for the year	5,560	5,881
Amortization of fair value adjustments	-76	-90
Net capital gains/losses	8,384	11
Net effect on income	**13,868**	**5,802**

Income is broken down by reportable segment in Note C5 "Segment Information." Large individual stakes (including capital gains/losses and intermediate holding companies, when applicable) impacted earnings as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
SIA Lattelecom, Latvia	111	82
OAO MegaFon, Russia	11,542	4,504
Turkcell Iletisim Hizmetleri A.S., Turkey	2,280	1,331
Overseas Telecom AB, Sweden	-12	-120
Glasswold Holdings Ltd.	-32	-6
FT Sverige AB	-9	0
Other holdings	-12	11
Net effect on income	**13,868**	**5,802**

MegaFon and Turkcell are publicly quoted companies and included in TeliaSonera's reporting with a one-quarter lag.

C10. Finance Costs and Other Financial Items

Finance costs and other financial items were distributed as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Finance costs		
Interest expenses	-3,849	-3,014
Interest expenses on finance leases	-3	-4
Unwinding of provision discounts	-103	-181
Capitalized interest	75	73
Net exchange rate gains and losses	-723	-505
Total finance costs	**-4,603**	**-3,631**
Other financial items		
Interest income	694	611
Interest income on finance leases	98	96
Credit losses on finance leases	-14	-12
Capital losses on equity instruments available-for-sale	-24	–
Dividends on venture capital investments	1	17
Capital gains on venture capital instruments	28	–
Changes in fair value of venture capital investments	2	-10
Reversals of provisions for collateral pledged	–	79
Unwinding of discounts, receivables	19	–
Financial losses on financial instruments	-7	–
Remitted long-term vendor financing	–	2
Total other financial items	**797**	**783**
Net effect on income	**-3,806**	**-2,848**

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

	Jan–Dec 2012	Jan–Dec 2011	Jan–Dec 2012	Jan–Dec 2011	Jan–Dec 2012	Jan–Dec 2011
SEK in millions	Interest expenses		Net exchange rate gains and losses		Interest income	
Fair value hedge derivatives	482	239	-129	66	–	–
Cash flow hedge derivatives	-156	-72	-71	5	–	–
Derivatives held-for-trading	-921	-217	-2,149	74	–	–
Held-to-maturity investments	–	–	–	–	4	–
Loans and receivables	–	–	1,776	43	667	602
Borrowings in fair value hedge relationships	-1,055	-1,206	129	-66	–	–
Borrowings and other financial liabilities at amortized cost	-2,188	-1,732	-279	-627	–	–
Other	-11	-26	–	–	23	9
Total	**-3,849**	**-3,014**	**-723**	**-505**	**694**	**611**

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

C11. 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 2012	Jan–Dec 2011
Tax items recognized in net income		
Current tax expense relating to current year	-3,950	-3,404
Underprovided or overprovided current tax expense in prior years	-34	-10
Deferred tax expense originated or reversed in current year	-449	-2,556
Recognition of previously unrecognized deferred taxes	-105	527
Effect on deferred tax income (+)/expense (-) from changes in tax rates	1,224	-310
Total tax expense recognized in net income	**-3,314**	**-5,753**
Tax items recognized in other comprehensive income		
Current tax relating to current year	-419	-26
Deferred tax originated or reversed in current year	-20	31
Total tax recognized in other comprehensive income	**-439**	**5**
Tax items recognized directly in equity		
Current tax related to treasury share repurchase transaction costs	–	14
Deferred tax related to treasury share repurchase made by associated company	-39	–
Total tax recognized directly in equity	**-39**	**14**

Pre-tax income was SEK 24,482 million in 2012 and SEK 26,872 million in 2011. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2012	Jan–Dec 2011
Swedish income tax rate	26.3	26.3
Effect of higher or lower tax rates in subsidiaries	-1.4	-1.0
Withholding tax on earnings in subsidiaries and associated companies	1.0	2.7
Underprovided or overprovided current tax expense in prior years	0.1	0.0
Recognition of previously unrecognized deferred taxes	0,4	-1.9
Effect on deferred tax expense from changes in tax rates	-5.0	1.2
Income from associated companies	-14.9	-5.7
Current year losses for which no deferred tax asset was recognized	0.6	0.8
Non-deductible expenses	8.0	0.3
Tax-exempt income	-1.6	-1.3
Effective tax rate in net income	**13.5**	**21.4**
Effective tax rate excluding effects from associated companies	*28.3*	*24.8*

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	To the extent taxable income exceeds DKK 7.5 million, a maximum of 60 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	January 1, 2013
Moldova	December 2011	Tax rate increase from 0 percent to 12 percent	January 1, 2012
Finland	December 2011	Tax rate cut from 26 percent to 24.5 percent	January 1, 2012
France	September 2011/ December 2012	To the extent taxable income exceeds EUR 1 million, a maximum of 60 percent (2011) and 50% (2013) of taxable income for the year could be offset against accumulated tax losses in previous years	January 1, 2011/2013
Spain	August 2011/ July 2012	If turnover exceeds EUR 60 million, a maximum of 50 percent (2011) and 25 percent (2012), respectively, of taxable income for the year could be offset against accumulated tax losses in previous years. 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, 2011/2012
United Kingdom	March/July 2011/ March/July 2012	Tax rate cut from 28 percent to 26 percent in 2011 with a further reduction to 24 percent in 2012 and to 23 percent in 2013	April 1, 2011/2012/2013
Kazakhstan	November 2009/ November 2010	Previously decided tax rate cuts postponed from 2010 and 2011 to 2013 (from 20 percent to 17.5 percent) and 2014 (to 15.0 percent), respectively. Decided tax rate cuts have been withdrawn.	January 1, 2011

The reduction of the Swedish corporate income tax rate effective January 1, 2013 triggered a recalculation of existing deferred tax assets and liabilities in TeliaSonera's Swedish operations, resulting in a net 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, 2012	Dec 31, 2011
Deferred tax assets		
Opening balance	8,164	9,048
Change of accounting principle	–	95
Comprehensive income period change	-1,277	-1,028
Operations divested	–	1
Reversals of offset tax liabilities/assets, other reclassifications	76	76
Exchange rate differences	-241	-28
Deferred tax assets, closing balance	**6,722**	**8,164**
Deferred tax liabilities		
Opening balance	13,414	12,526
Change of accounting principle	–	-70
Comprehensive income period change	-1,927	1,280
Change of withholding taxes recognized directly in equity	39	–
Operations acquired	64	17
Operations divested	-829	-21
Reversals of offset tax assets/liabilities, other reclassifications	106	-74
Exchange rate differences	-109	-244
Deferred tax liabilities, closing balance	**10,758**	**13,414**

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

SEK in millions	Dec 31, 2012	Dec 31, 2011
Gross deferred tax assets		
Delayed depreciation, impairment losses and fair value adjustments, other non-current assets	5,215	6,111
Delayed expenses for provisions	1,155	1,118
Doubtful current receivables	91	121
Tax loss carry-forwards	4,525	5,396
Subtotal	**10,986**	**12,746**
Valuation allowances		
Tax loss carry-forwards	-3,697	-3,927
Subtotal	**-3,697**	**-3,927**
Offset deferred tax liabilities/assets	-567	-655
Total deferred tax assets	**6,722**	**8,164**
Deferred tax liabilities		
Withholding taxes subsidiaries and associated companies	1,999	3,430
Accelerated depreciation and fair value adjustments, other non-current assets	5,319	5,948
Fair value adjustments, provisions	1,143	1,132
Delayed revenue recognition, current receivables	39	38
Profit equalization reserves	2,825	3,521
Subtotal	**11,325**	**14,069**
Offset deferred tax assets/liabilities	-567	-655
Total deferred tax liabilities	**10,758**	**13,414**
Net deferred tax assets (+)/liabilities (-)	**-4,036**	**-5,250**
Net increase (+)/decrease (-) in valuation allowance	**-230**	**142**

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2012, were expected to expire as follows.

Expected expiry, SEK in millions	2013	2014	2015	2016	2017	2018-2030	Unlimited	Total
Unrecognized deferred tax assets	20	12	20	39	46	2,913	647	**3,697**

As of December 31, 2012 and 2011, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated such income tax that is levied on dividends paid, totaled SEK 677 million and SEK 679 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 is a start-up operation that 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, 2012, Xfera had tax losses and taxable temporary differences totaling SEK 11.1 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, 2012, based on these projections, management has recognized a deferred tax asset of SEK 552 million after valuation allowance.

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

TeliaSonera's accumulated tax loss carry-forwards were SEK 16,307 million in 2012 and SEK 19,459 million in 2011. Tax loss carry-forwards as of December 31, 2012 were expected to expire as follows.

Expected expiry, SEK in millions	2013	2014	2015	2016	2017	2018-2030	Unlimited	Total
Tax loss carry-forwards	245	134	221	431	511	11,616	3,149	**16,307**

C12. Other Comprehensive Income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2012	Jan–Dec 2011
Foreign currency translation differences			
Translation of foreign operations	Foreign currency translation reserve	-5,197	-5,305
Translation of foreign non-controlling interests	Non-controlling interests	-264	-120
Divestitures transferred to net income	Foreign currency translation reserve	1,435	9
of which line items other operating income/expenses		*-6*	*9*
of which line item income from associated companies		*1,441*	*–*
Hedging of foreign operations	Foreign currency translation reserve	1,594	97
Income tax effect	Foreign currency translation reserve	-419	-26
Total foreign currency translation differences		**-2,851**	**-5,345**
of which attributable to owners of the parent		*-2,588*	*-5,225*
Income from associated companies			
Net changes in fair value of available-for-sale financial instruments	Fair value reserve	-2	3
Translation of foreign operations	Foreign currency translation reserve	-258	89
Total income from associated companies		**-260**	**92**
Cash flow hedges			
Net changes in fair value	Hedging reserve	-51	-120
Transferred to finance costs in net income	Hedging reserve	79	2
Effect of changed tax rate		-12	–
Income tax effect	Hedging reserve	-8	31
Total cash flow hedges		**8**	**-87**
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	0	-1
Divestitures transferred to other financial items in net income	Fair value reserve	24	–
Total available-for-sale financial instruments		**24**	**-1**
Total other comprehensive income		**-3,079**	**-5,341**
of which total income tax effects (see also Note C11)		*-439*	*5*
of which attributable to non-controlling interests		*-264*	*-120*

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 8 million as of December 31, 2012. Future gains or losses will affect net income in 2013-2014, 2016–2017 and 2019 when the hedged items mature. No hedging reserve transfer necessitated adjustment of the cost of acquisition. See also section "Financial Instruments" in Note C3 "Significant Accounting Policies."

C13. Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
	Goodwill		Other intangible assets	
Accumulated cost	76,997	77,143	36,816	36,113
Accumulated amortization	–	–	-21,785	-19,933
Accumulated impairment losses	-7,835	-293	-957	-1,025
Advances	–	–	42	12
Carrying value	**69,162**	**76,850**	**14,116**	**15,167**
of which work in progress	–	–	*1,385*	*1,249*
Carrying value, opening balance	76,850	77,207	15,167	13,324
Change of accounting principle	–	–	–	113
Investments	1,206	17	2,136	4,591
of which capitalized interest	–	–	*39*	*32*
Sales and disposals	–	–	-73	-9
Operations acquired	–	33	–	63
Operations divested	-21	–	-1	-4
Reclassifications	255	-10	78	373
Adjustments related to put options	544	-107	–	–
Amortization for the year	–	–	-2,723	-2,729
Impairment losses for the year	-7,552	–	-7	-9
Advances	–	–	30	-236
Exchange rate differences	-2,120	-290	-491	-310
Carrying value, closing balance	**69,162**	**76,850**	**14,116**	**15,167**

For comments on Impairment losses for the year see below in the section Impairment testing.

In 2012 and 2011, investments in telecom and frequency licenses amounted to SEK 352 million and SEK 2,682 million, respectively.

Apart from goodwill, there are currently no intangible assets with indefinite useful lives. No general changes of useful lives were made in 2012. 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, 2012	Dec 31, 2011
Business area Mobility Services	46,956	53,640
of which Finland	*19,371*	*20,109*
of which Norway	*18,236*	*23,568*
of which Denmark	*4,381*	*4,462*
Business area Broadband Services	10,182	12,038
of which Finland	*7,781*	*8,077*
Business area Eurasia	11,341	10,495
of which Azerbaijan	*5,115*	*4,894*
of which Uzbekistan	*1,706*	*1,951*
of which Nepal	*3,565*	*2,636*
Other operations	683	677
Total goodwill	**69,162**	**76,850**

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

SEK in millions	Dec 31, 2012	Dec 31, 2011
Trade names	171	328
Telecom and frequency licenses	6,763	8,360
Customer and vendor relationships, interconnect and roaming agreements	2,446	2,253
Capitalized development expenses	2,335	2,044
Patents, etc.	8	11
Leaseholds, etc.	966	912
Work in progress, advances	1,427	1,259
Total other intangible assets	**14,116**	**15,167**

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.

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. 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 (%)	*5.2*	*5.3*	*5.8*	*5.1*	*8.9*	*7.9*	*7.6*	*10.0*
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*	*5*	–
WACC rate (%)	*5.0*	*5.1*	*6.5*	*5.8*	*8.6*	*7.6*	*7.2*	–
Terminal growth rate (%)	*1.0*	*0.5*	*1.0*	*0.5*	*1.0*	*1.0*	*1.0*	–
Other operations								
Forecast period (years)	*5*	*5*	–	–	–	–	–	–
WACC rate (%)	*5.0*	*5.1*	–	–	–	–	–	–
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 (%)	*5.9*	–	–	–	–	–	–	–
Terminal growth rate (%)	*1.0*	–	–	–	–	–	–	–
Business area Eurasia								
Forecast period (years)	–	*5*	*10*	*10*	*5*	*5*	*5*	*10*
WACC rate (%)	–	*14.1*	*13.9*	*19.7*	*20.6*	*15.1*	*16.1*	*17.7*
Terminal growth rate (%)	–	*3.0*	*3.0*	*10.2*	*6.6*	*6.1*	*4,4*	*7.6*

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

In mid-2012, following impairment tests, goodwill write-downs of SEK 2,752 million and SEK 318 million were recorded in business area Mobility Services operations in Norway and Lithuania, respectively. In Q4 2012 additional writedowns of goodwill in Mobility Services Norway and Broadband Services Norway were recorded with SEK 2,914 million and SEK 1,550 million. For Mobility Services Norway, the total impairment charge of SEK 5,666 million was primarily related to the substantial goodwill amount originating from the acquisition of NetCom ASA in 2000, and the current assessment of the achievable long-term return on investment. 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. The write-down of goodwill in Broadband Norway is related to the subsidiary NextGenTel AS. An agreement was signed to divest this company to Telio Holding, a company listed on the Oslo Stock exchange. The transaction was closed on January 31, 2013.

For cash-generating units Mobility Services Denmark, with a carrying value for impairment testing purposes of SEK 7,854 million (of which goodwill SEK 4,436 million) and Broadband Services Denmark, with a carrying value for impairment testing purposes of SEK 939 million (of which goodwill SEK 289 million), the estimated recoverable values corresponded to 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.

	Mobility Services Denmark		Broadband Services Denmark		Mobility Services Norway	
Percent	**From**	**To**	**From**	**To**	**From**	**To**
Sales growth	-10.2	+0.1	-4.3	+0.2	-5.8	+1.0
EBITDA margin	+9.9	+18.7	+5.6	+14.6	+27.1	+30.0

The following table sets out to what extent each key assumption approximately must change, all else being equal, in order for the recoverable value to equal the carrying values, for Mobility Services Denmark to change by -12.5 percent, or by SEK -1.1 billion and the recoverable value of Broadband Services Denmark to change by -7.1 percent, or by SEK -0.1 billion. Mobility Services Norway is not included in the table since recoverable value equals carrying value after goodwill write down.

Percentage points	Mobility Services Denmark	Broadband Services Denmark
Sales growth in the 5-year period	-4.4	-1.1
EBITDA margin in the 5-year period and beyond	-1.5	-0.5
Terminal growth rate of free cash flow	-0.5	-0.4
Post-tax WACC rate	+0.5	+0.3

C14. Property, Plant and Equipment

The carrying value was distributed and changed as follows.

SEK in millions	Property Dec 31, 2012	Property Dec 31, 2011	Plant and machinery – Mobile networks Dec 31, 2012	Plant and machinery – Mobile networks Dec 31, 2011	Plant and machinery – Fixed networks Dec 31, 2012	Plant and machinery – Fixed networks Dec 31, 2011	Equipment, tools and installations Dec 31, 2012	Equipment, tools and installations Dec 31, 2011	Total Dec 31, 2012	Total Dec 31, 2011
Accumulated cost	8,557	8,289	71,652	69,778	125,800	123,994	10,394	11,891	216,403	**213,952**
Accumulated depreciation	-4,086	-3,985	-44,543	-43,858	-86,643	-84,906	-7,420	-8,932	-142,692	**-141,681**
Accumulated impairment losses	-394	-410	-406	-404	-10,266	-10,444	-317	-325	-11,384	**-11,583**
Advances	40	–	285	594	–	9	5	–	330	**603**
Carrying value	**4,117**	**3,894**	**26,988**	**26,110**	**28,891**	**28,653**	**2,662**	**2,634**	**62,657**	**61,291**
of which assets under construction	–	–	*4,840*	*5,434*	*1,729*	*1,689*	–	–	*6,569*	***7,123***
Carrying value, opening balance	3,894	3,762	26,110	23,214	28,653	29,205	2,634	2,172	61,291	**58,353**
Change of accounting principle	–	–	–	1,797	–	–	–	1	–	**1,798**
Investments	179	116	7,821	6,977	4,346	4,152	823	960	13,168	**12,205**
of which capitalized interest	*2*	*3*	*9*	*14*	*21*	*20*	*4*	*4*	*36*	***41***
Sales and disposals	-11	-182	-1,445	-65	-34	-73	-16	-16	-1,506	**-336**
Dismantling and restoration	–	–	406	69	211	-505	–	–	617	**-436**
Operations acquired	1	–	1,209	–	–	–	250	7	1,460	**7**
Operations divested	–	–	–	–	–	-137	–	–	–	**-137**
Grants received	–	–	-1	-1	-4	-19	–	–	-5	**-20**
Reclassifications	485	511	50	267	-300	-160	-14	547	221	**1,165**
Depreciation for the year	-290	-322	-5,304	-5,437	-3,668	-3,681	-962	-972	-10,224	**-10,412**
Impairment losses for the year	-4	–	-34	-39	9	-13	-6	-54	-35	**-106**
Advances	40	–	-309	-475	-9	-64	5	–	-273	**-539**
Exchange rate differences	-177	9	-1,515	-197	-313	-52	-52	-11	-2,057	**-251**
Carrying value, closing balance	**4,117**	**3,894**	**26,988**	**26,110**	**28,891**	**28,653**	**2,662**	**2,634**	**62,657**	**61,291**

No general changes of useful lives were made in 2012. 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 C30 “Contingencies, Other Contractual Obligations and Litigation.”

Property

TeliaSonera’s real estate holdings include some 3,600 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, 2012	Dec 31, 2011
Depreciable property (buildings, etc.)	3,539	3,539
Non-depreciable property (land)	578	355
Total property	**4,117**	**3,894**

C15. Investments in Associated Companies

The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Goodwill and similar assets on consolidation	5,328	6,167
Share of equity	24,022	40,156
Carrying value	**29,350**	**46,323**
Carrying value, opening balance	46,323	46,458
Change of accounting principles	–	-1,852
Shareholder contributions	18	–
Share of net income for the year	5,560	5,881
Share of other comprehensive income for the year	-261	92
Amortization and write-downs of fair value adjustments	-76	-90
Dividends received	-12,512	-121
Acquisitions and operations acquired	10	221
Divestments and operations divested	-7,784	-4
Equity transaction (see Note C4)	-2,889	–
Reclassifications	597	172
Exchange rate differences	364	-4,434
Carrying value, closing balance	**29,350**	**46,323**

"Dividens received", "divestments and operations divested" and "equity transactions" mainly relates to MegaFon.

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 2012	Equity participation in consolidated accounts 2011	Carrying value in each parent company 2012	Carrying value in each parent company 2011
			SEK in millions			
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	228	170	198	198
4T Sverige AB, 556857-8495, Stockholm	25	25,000	11	2	20	2
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	4	3	1	1
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
MPAYMENT AS, 999504655, Oslo	33	1,000	4	–	4	–
Other operating, dormant and divested companies			0	4,847	0	700
Total parent company					**223**	**901**
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	32	9	7	4	5
SIA Lattelecom, 00030527, Riga	49	71,581,000	663	670	979	1,344
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	13,913	12,653	1,682	1,747
Turkcell Iletisim Hizmetleri A.S., 304844-252426, Istanbul	14	308,531,984	7,885	6,786	1,765	1,833
OAO MegaFon, 7812014560, Moscow	25	155,020,400	6,619	20,842	6,785	470
OCH A/S, 18936909, Copenhagen	33	1,333	4	7	4	4
Voicecom OÜ, 10348566, Tallinn	26	–	2	1	1	1
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3,000	0	1	0	0
SCF Huolto Oy, 1892276-7, Loimaa	20	20	0	1	0	0
Other operating, dormant and divested companies			8	333	0	221
Total Group			**29,350**	**46,323**		

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.

The parent company's and the subsidiaries' holdings of Other Swedish and non-Swedish operating, dormant and divested companies for the comparative year (Group carrying value December 31, 2011 SEK 5,180 million, carrying value in the respective parent companies SEK 921 million) relate to OAO Telcominvest and Glasswool Holdings Pvt. Ltd. which were divested, Nepal Satellite Telecom Pvt. Ltd, which became a subsidiary and AUCS Communications Services v.o.f. , which was liquidated in 2012. Publicly quoted associated companies are included in TeliaSoneras's reporting with one-quater lag.

Market values were as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
OAO MegaFon, Russia	24,230	–
Turkcell Iletisim Hizmetleri A.S., Turkey	35,451	26,824

Summarized information on the associated companies' aggregate (100 percent) income statements and statements of financial position was as follows.

SEK in millions	January–December or December 31, 2012	2011
Net sales	96,884	94,128
Gross profit	62,743	62,190
Operating income	18,163	18,917
Net income	15,546	17,900
Non-current assets	132,368	143,581
Current assets	48,482	65,779
Provisions and long-term liabilities	35,907	22,598
Current liabilities	33,781	26,433

For additional information related to associated companies, see Note C29 "Related Party Transactions", Note C30 "Contingencies, Other Contractual Obligations and Litigation".

C16. Other Non-current Assets

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

	Dec 31, 2012		Dec 31, 2011	
SEK in millions	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Equity instruments available-for-sale	189	189	202	202
Equity instruments held-for-trading	69	69	52	52
Convertible bonds available-for-sale	4	4	4	4
Interest rate and cross currency interest rate swaps at fair value	1,927	1,927	1,910	1,910
of which designated as fair value hedges	*1,782*	*1,782*	*1,742*	*1,742*
of which held-for-trading	*145*	*145*	*168*	*168*
Currency swaps and forward exchange contracts held-for-trading	1	1	2	2
***Subtotal** (see Fair value hierarchy levels – Note C26)*	***2,190***	***2,190***	***2,170***	***2,170***
Government bonds and treasury bills held-to-maturity	60	60	62	62
Loans and receivables at amortized cost	9,228	9,228	3,327	3,683
***Subtotal** (see Categories – Note C26)*	***11,478***	***11,478***	***5,559***	***5,915***
Finance lease receivables	608	608	671	671
Subtotal** (see Credit risk – Note C27)/Total fair value**	***12,086***	**12,086**	***6,230***	**6,586**
Equity instruments at cost	49		52	
Deferred expenses	1,255		1,065	
Total other non-current assets	**13,390**		**7,347**	
of which interest-bearing	*10,880*		*5,407*	
of which non-interest-bearing	*2,510*		*1,940*	

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. As there had been no significant change in credit quality, Loans and receivables as of the end of the reporting period were not provided for. As of December 31, 2012, contractual cash flows for Government bonds and treasury bills and Loans and receivables represented the following expected maturities.

Expected maturity, SEK in millions	2014	2015	2016	2017	Later years	Total
Government bonds and treasury bills	29	6	15	10	–	**60**
Loans and receivables	5,027	2,217	1,934	20	30	**9,228**

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, see Note C26 “Financial Assets and Liabilities by Category and Level” and section “Credit risk management” in Note C27 “Financial Risk Management,” respectively. For information on leases, see Note C28 “Leasing Agreements.”

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 2012	Carrying/fair value in consolidated accounts 2011	Carrying value in each parent company 2012	Carrying value in each parent company 2011
			SEK in millions			
Parent company holdings						
Swedish companies						
Slottsbacken Fund Two KB, 969660-9875, Stockholm	18	–	1	2	1	2
Accumulate AB, 556583-7118, Stockholm	13	54,365	11	–	11	–
NorthID Oy, 2155137-0, Helsinki	13	18,387	3	–	3	–
Lindholmen Science Park AB, 556568-6366, Gothenburg	9	90	3	3	3	3
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
ONSET VI, L.P., 4604207, Dover, DE	2	–	15	12	15	12
Vision Extension L.P., LP180, Saint Helier, Jersey	2	–	1	1	1	1
Other operating, dormant and divested companies			0	3	0	3
Total parent company					**34**	**21**
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	200	189	200
Magma Venture Capital I Annex Fund, L.P., Cayman Islands	7	–	1	1	1	1
Oy Merinova Ab, 0778620-2, Vaasa	6	800	1	1	1	1
Vierumäki Golf Village Oy, 1927979-3, Helsinki	5	0	12	13	12	13
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	3	7	3	7
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	4	4	4	4
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	34	28	34	28
Digital Media & Communications II L.P., 3037042, Boston, MA	0	–	1	1	1	1
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	1	1	1	1
Holdings in other real estate and housing companies, Finland	–	–	22	23	22	23
Holdings in local phone companies, etc., Finland	–	–	3	5	3	5
Other operating, dormant and divested companies			0	0	0	0
Total Group			**306**	**306**		

The parent company's holdings of Other Swedish and non-Swedish operating, dormant and divested companies for the comparative year (Group carrying value SEK 3 million, carrying value in the respective parent company SEK 3 million) relate to Ullna Golf AB and Birdstep Technology ASA which were divested in 2012.

C17. Inventories

After deductions for obsolescence amounting to SEK 47 million in 2012 and SEK 4 million in 2011, the total carrying value was distributed as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Goods for resale	1,485	1,300
Other inventories and expense incurred on construction contracts	138	175
Total	**1,623**	**1,475**

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 247 million in 2012 and SEK 243 million in 2011.

C18. Trade and Other Receivables

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

SEK in millions	Dec 31, 2012	Dec 31, 2011
Currency swaps, forward exchange contracts and currency options held-for-trading	412	247
Subtotal *(see Fair value hierarchy levels – Note C26)*	***412***	***247***
Accounts receivable at amortized cost	13,509	13,051
Loans and receivables at amortized cost	4,634	4,246
Subtotal *(see Categories – Note C26 and Credit risk – Note C27)*	***18,555***	***17,544***
Other current receivables	2,488	1,980
Deferred expenses	1,146	1,516
Total trade and other receivables	**22,189**	**21,040**

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, 2012	Dec 31, 2011
Geographical area		
Nordic countries	12,742	12,876
Baltic countries	1,484	1,373
Eurasia	795	1,163
Other countries	3,122	1,885
Total carrying value	**18,143**	**17,297**
Customer segment		
Consumers	6,716	5,514
Business customers	7,265	7,213
Other operators	3,392	4,021
Distributors	770	549
Total carrying value	**18,143**	**17,297**

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 C26 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note C27 "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, 2012	Dec 31, 2011
Accounts receivable invoiced	14,794	14,280
Allowance for doubtful accounts receivable	-1,285	-1,229
Total accounts receivable	**13,509**	**13,051**
Accounts receivable not due	10,033	9,157
Accounts receivable past due but not impaired	3,476	3,894
of which less than 30 days	*1,746*	*1,717*
of which 30–180 days	*989*	*1,407*
of which more than 180 days	*741*	*770*
Total accounts receivable	**13,509**	**13,051**

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

SEK in millions	Dec 31, 2012	Dec 31, 2011
Loans and receivables not due	2,788	2,828
Loans and receivables past due but not impaired	1,846	1,418
of which less than 30 days	*1,825*	*1,358*
of which 30–180 days	*2*	*56*
of which more than 180 days	*19*	*4*
Total loans and receivables	**4,634**	**4,246**

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 C27 "Financial Risk Management" for information on mitigation of risks related to accounts receivable.

Total bad debt expenses were SEK 628 in 2012 and SEK 508 million in 2011. Recovered accounts receivable in these years were SEK 119 million and SEK 303 million, respectively.

The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Opening balance	1,229	1,207
Charges for doubtful receivables in the period	37	135
Operations divested	-29	-9
Receivables written-off as uncollectible	97	-59
Unused allowances reversed	-5	-44
Exchange rate differences	-44	-1
Closing balance	**1,285**	**1,229**

C19. 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, 2012	Dec 31, 2011
Interest rate swaps and cross currency interest rate swaps at fair value	20	174
of which designated as fair value hedges	*8*	*–*
of which held-for-trading	*12*	*174*
Subtotal *(see Fair value hierarchy levels – Note C26)*	***20***	***174***
Short-term investments with maturities over 3 months	163	78
of which bonds and commercial papers held-to-maturity	*150*	*78*
of which bank deposits at amortized cost	*13*	*–*
Loans and receivables at amortized cost	3,136	884
Subtotal *(see Categories – Note C26)*	***3,319***	***1,136***
Finance lease receivables	328	317
Total *(see Credit risk – Note C27)*	**3,647**	**1,453**

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 C26 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note C27 "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 C28 "Leasing Agreements."

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Short-term investments with maturities up to and including 3 months	25,762	7,596
of which commercial papers held-to-maturity	*–*	*28*
of which bank deposits at amortized cost	*25,762*	*7,568*
Cash and bank	4,043	5,035
Total *(see Categories – Note C26 and Credit risk – Note C27)*	**29,805**	**12,631**

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Note C26 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note C27 "Financial Risk Management" for more information on financial instruments classified by category and exposed to credit risk, respectively, and to Note C30 "Contingencies, Other Contractual Obligations and Litigation" for information on blocked funds in bank accounts.

C20. 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

Treasury shares

Through a repurchase offer directed to TeliaSonera's shareholders, a total of 160,372,432 shares were repurchased in March 2011. The price paid for each repurchased share was SEK 62.00 in cash and pre-tax transaction costs amounted to SEK 54 million. The repurchased shares were canceled in July 2011.

As of December 31, 2012, no TeliaSonera shares were held by the company itself or by its subsidiaries.

Inflation adjustment reserve

The inflation adjustment reserve refers to TeliaSonera's operations in Turkey. As of January 1, 2006, the Turkish economy is from an accounting perspective no longer considered to be hyperinflationary.

Non-controlling interests

Exchange rate differences in non-controlling interests changed as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Opening balance	-725	-605
Translation of foreign operations (Note C12)	-264	-120
Closing balance	**-989**	**-725**

Non-controlling interests were distributed as follows.

	January–December or December 31,					
	2012			2011		
SEK in millions	Non-controlling interest (%)	Net income	Equity	Non-controlling interest (%)	Net income	Equity
TEO LT, AB, Lithuania	11.85	78	309	31.71	128	855
Latvijas Mobilais Telefons SIA, Latvia	39.73	133	499	39.73	134	594
AO Kcell, Kazakhstan	38.10	492	1,088	62.10	1,830	3,480
Azercell Telekom B.M, Azerbaijan	30.30	340	719	30.30	288	973
Ncell Pvt. Ltd., Nepal	19.64	236	134	39.64	184	229
Other subsidiaries	–	3	1,207	–	167	1,222
Total non-controlling interests		**1,282**	**3,956**		**2,731**	**7,353**

In 2012, through acquisitions, the Group's non-controlling interest (NCI) in TEO and Kcell was reduced by 19.86 and 24 percent respectively. For information on changes of ownership in Kcell, see section "Acquisitions of non-controlling interests" in Note C4 "Changes in Group Compositions and Events after the Reporting Period."

The decrease in Ncell is due to change in agreements.

Based on a put option granted, the non-controlling interest in Azercell is accounting-wise reduced to 30.3 percent. Similarly, based on a put option granted on 6 percent of the share capital, OOO Coscom (Ucell) in Uzbekistan is accounting-wise treated as a wholly-owned subsidiary of TeliaSonera, see section "Put options and contingent consideration" in Note C23 "Other Provisions").

Earnings per share and dividends

	Jan–Dec 2012	Jan–Dec 2011
Net income attributable to owners of the parent (SEK million)	19,886	18,388
Average number of outstanding shares, basic and diluted (thousands)	4,330,085	4,366,992
Earnings per outstanding share, basic and diluted (SEK)	4.59	4.21
Ordinary cash dividend (for 2012 as proposed by the Board of Directors)		
– Per share (SEK)	2.85	2.85
– Total (SEK million)	12,341	12,341

C21. Long-term and Short-term Borrowings

Open-market financing programs

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

				Dec 31, 2012					Dec 31, 2011	
						Interest rate type		Average		
			Limit	Limit	Utilized	Floating	Fixed	maturity	Limit	Utilized
Program		Characteristics	currency	(in millions)				(years)	(in millions)	
TeliaSonera AB	Euro Medium Term Note (EMTN)	Uncommitted, International, Long-term	EUR	11,000	9,744	1,559	8,185	8.0	10,000	8,121
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.

	Dec 31, 2012		Dec 31, 2011	
SEK in millions	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	17,600	17,600	17,896	17,896
Interest rate swaps at fair value	340	340	421	421
of which designated as hedging instruments	*340*	*340*	*377*	*377*
of which held-for-trading	*–*	*–*	*44*	*44*
Cross currency interest rate swaps at fair value	1,956	1,956	1,005	1,005
of which hedging net investments	*225*	*225*	*41*	*41*
of which designated as hedging instruments	*193*	*193*	*–*	*–*
of which held-for-trading	*1,538*	*1,538*	*964*	*964*
***Subtotal** (see Fair value hierarchy levels – Note C26)*	***19,896***	***19,896***	***19,322***	***19,322***
Open-market financing program borrowings	59,915	71,146	46,958	53,396
of which hedging net investments	*54,379*	*53,786*	*33,377*	*38,868*
of which at amortized cost	*5,536*	*17,360*	*13,581*	*14,528*
Other borrowings at amortized cost	2,311	2,311	1,755	1,756
***Subtotal** (see Categories – Note C26)*	***82,122***	***93,353***	***68,035***	***74,474***
Finance lease agreements	62	62	73	73
Total long-term borrowings	**82,184**	**93,415**	**68,108**	**74,547**
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	401	401	–	–
Interest rate swaps designated as hedging instruments	29	29	8	8
Interest rate swaps held for trading	42	42	–	–
Cross currency interest rate swaps held-for trading	343	343	655	655
***Subtotal** (see Fair value hierarchy levels – Note C26)*	***815***	***815***	***663***	***663***
Utilized bank overdraft and short-term credit facilities at amortized cost	423	423	246	246
Open-market financing program borrowings	5,204	5,285	9,713	9,754
of which hedging net investments	*–*	*–*	*5,050*	*5,073*
of which at amortized cost	*5,204*	*5,285*	*4,663*	*4,681*
Other borrowings at amortized cost	2,958	2,909	1,106	1,107
***Subtotal** (see Categories – Note C26)*	***9,400***	***9,432***	***11,728***	***11,770***
Finance lease agreements	3	3	6	6
Total short-term borrowings	**9,403**	**9,435**	**11,734**	**11,776**

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, 2012, long-term borrowings hedging net investments included borrowings also included in fair value hedge relationships. These loans have final maturities in 2014 (SEK 2,662 million), 2017 (SEK 4,328 million) and after 2017 (SEK 509 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, 2012	Dec 31, 2011
Nominal portfolio value	74,500	72,000
of which intended for overall management of the funding portfolio structure and hence not included in hedge relationships	*300*	*300*

Refer to Note C26 "Financial Assets and Liabilities by Category and Level" for more information on financial instruments classified by category/fair value hierarchy level and to Note C27 "Financial Risk Management" for information on maturities and management of liquidity risk, currency risk, interest rate risk and financing risk, respectively.

C22. Provisions for Pensions and Employment Contracts

Pension obligations and pension expenses

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

SEK in millions	Dec 31, 2012	Dec 31, 2011
Present value of funded pension obligations	24,156	21,889
Fair value of plan assets	-21,002	-19,774
Deficit of funded plans	**3,154**	**2,115**
Present value of unfunded pension obligations	1,155	1,053
Total pension obligations less plan assets (funded status)	**4,309**	**3,168**
Unrecognized past service cost	-32	-37
Unrecognized actuarial gains (+)/losses (-)	-4,639	-3,132
Net assets (-)/provisions (+) for pension obligations	**-362**	**-1**
of which recognized as provisions	*1,209*	*1,030*
of which recognized as assets	*-1,571*	*-1,031*

For comments, see section "Pension obligation risk" in Note C27 "Financial Risk Management."

Total pension expenses were distributed as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Current service cost	443	424
Interest cost	902	962
Expected return on plan assets	-912	-971
Curtailment of pension obligations	-43	-38
Amortization of past service cost	4	-2
Amortization of actuarial gains (-)/losses (+)	100	7
Pension expenses, defined benefit pension plans	**494**	**382**
Termination benefits (excl. premiums and pension-related social charges)	151	170
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	638	584
Pension-related social charges and taxes, other pension expenses	178	164
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring charges	-198	-220
Total pension expenses	**1,263**	**1,080**
of which pension premiums paid to the ITP pension plan	*73*	*74*

Principal actuarial assumptions

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

Percentages, except remaining working life	Dec 31, 2012	Dec 31, 2011
Discount rate	3.5	4.0
Expected rate of compensation increase	3.2	3.2
Employee turnover rate	2.9	2.9
Average expected remaining working life, years	12.8	13.3
Increase in income base amount (only for Swedish entities)	2.8	2.8
Annual adjustments to pensions	2.0	2.0
Expected return on plan assets	3.5	4.6

Specifications to pension obligations and pension expenses

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

SEK in millions	Dec 31, 2012	Dec 31, 2011
Present value of pension obligations		
Opening balance	22,942	21,015
Current service cost	443	424
Interest cost	902	962
Benefits paid	-1,180	-1,167
Benefits paid, early retirement	-14	-14
Termination benefits	151	170
Curtailment of pension obligations	-54	-57
Actuarial gains (-)/losses (+)	2,216	1,629
Exchange rate differences	-95	-20
Closing balance, present value of pension obligations	**25,311**	**22,942**
Fair value of plan assets		
Opening balance	19,774	19,840
Expected return on plan assets	912	971
Contribution to pension funds	72	87
Payment from pension funds	-251	-221
Operations acquired/divested	0	-9
Actuarial gains (+)/losses (-)	580	-877
Exchange rate differences	-85	-17
Closing balance, plan assets	**21,002**	**19,774**
Return on plan assets		
Expected return on plan assets	912	971
Actuarial gains (+)/losses (-)	580	-877
Actual return on plan assets	**1,492**	**94**
Net assets/provisions for pension obligations		
Opening balance	-1	489
Pension expenses, defined benefit pension plans	494	382
Benefits paid	-1,180	-1,167
Benefits paid, early retirement	-14	-14
Contribution to pension funds	-72	-87
Payment from pension funds	251	221
Termination benefits	151	170
Exchange rate differences	9	5
Closing balance, net assets (-)/provisions (+) for pension obligations	**-362**	**-1**

SEK in millions	Dec 31, 2012	Dec 31, 2011
Unrecognized actuarial gains/losses		
Opening balance, actuarial gains (+)/losses (-)	-3,132	-645
Actuarial gains (-)/losses (+) to be recognized	100	7
Actuarial gains (-)/losses (+), settlement of pension obligations	10	7
Actuarial gains (-)/losses (+), acquired/divested operations	1	1
Actuarial gains (+)/losses (-), pension obligations	-2,216	-1,629
Actuarial gains (+)/losses (-), plan assets	580	-877
Exchange rate differences	18	4
Closing balance, unrecognized actuarial gains (+)/losses (-)	**-4,639**	**-3,132**
Operations divested		
Decrease in plan assets	0	9
Change in unrecognized actuarial gains(-)/losses (+)	1	1
Net position, operations divested	**1**	**10**

Plan-asset allocation

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

	Dec 31, 2012		Dec 31, 2011	
Asset category	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	10,714	51.0	10,021	50.7
Shares and other investments	10,288	49.0	9,753	49.3
Total	**21,002**	**100.0**	**19,774**	**100.0**
of which shares in TeliaSonera AB	*15*	*0.1*	*84*	*0.4*

Trend information

In the last 5-year period, trends for the defined benefit plans were as follows.

SEK in millions, except percentages	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Plan liabilities	25,311	22,942	21,015	23,503	22,814
Plan assets	-21,002	-19,774	-19,840	-19,401	-18,068
Deficit (funded status)	**4,309**	**3,168**	**1,175**	**4,102**	**4,746**
Plan liabilities					
Experience adjustments arising on plan liabilities (%)	-0.5	0.9	2.6	-1.0	-0.2
Effects of changes in actuarial assumptions (%)	-8.3	-8.0	8.4	-1.1	-4.6
Plan assets					
Experience adjustments arising on plan assets (%)	2.9	-4.4	4.0	7.8	-13.6
Actual return on plan assets (%)	7.5	0.5	8.9	12.5	-8.5

Future contributions

For companies in Sweden, pension liabilities are secured also by pension credit insurance. This means that, should the net provision for pension obligations increase, each company can choose if and when to contribute to the pension fund or otherwise to recognize a provision. To pension funds outside Sweden, TeliaSonera expects to contribute SEK 84 million in 2013.

C23. Other Provisions

Changes in other provisions were as follows.

	December 31, 2012					
SEK in millions	Put options and contingent consideration	Restructuring provisions	Asset retirement obligations	Warranty provisions	Other provisions	Total
Opening balance	7,089	538	2,188	218	388	**10,421**
of which financial liabilities at amortized cost	–	–	–	*4*	–	***4***
Provisions for the period, net	1,246	938	617	5	307	**3,113**
Utilized provisions	-919	-586	-146	0	-105	**-1,756**
Reversals of provisions	–	0	-150	-6	-150	**-306**
Reclassifications	544	-198	–	–	-9	**337**
Timing and interest-rate effects	26	0	39	–	–	**65**
Exchange rate differences	-445	-6	-19	-9	-2	**-481**
Closing balance	**7,541**	**686**	**2,529**	**208**	**429**	**11,393**
of which non-current portion	7,011	278	2,523	204	29	**10,045**
of which current portion	530	408	6	4	400	**1,348**
of which financial liabilities at amortized cost (see Categories – Note C26)	*532*	–	–	–	–	***532***

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note C26 “Financial Assets and Liabilities by Category and Level” for more information on financial instruments classified by category. As of December 31, 2012, 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 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total	Carrying value
Financial liabilities	521	–	–	8	–	3	–	–	–	532	**532**

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 1,381 million (SEK 1,408 million in 2011) 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 10.0 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 5,146 million (SEK 5,174 million) for a put option granted in 2008 in conjunction with the privatization of Azercell, now wholly-owned by Azertel. Should a deadlock regarding material decisions at the general assembly arise, the resolution supported by TeliaSonera will apply. In such circumstances, the put option gives the largest holder of non-controlling interests the right to sell its 42 percent holding in Azertel to TeliaSonera. The exercise price is equal to the fair value at the time of exercise and is to be determined by independent appraisal. The provision represents the present value of management’s best estimate of the amount required to settle the liability. The estimate of Azertel’s fair value has been made based on the Azercell 10-year business plan with a post-tax discount rate (WACC) of 13.9 percent and a terminal growth rate of free cash flow of 3.0 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 482 million (SEK 495 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 estimate has been made based on assumptions about the timing of the option exercise and about the fair value of Uzbek Holding at that date, using the Coscom 10-year business plan with a post-tax discount rate (WACC) of 19.7 percent and a terminal growth rate of free cash flow of 10.2 percent. The provision may vary as a result of changes in Uzbek Holding's estimated fair value and the timing of the option exercise.

During 2012, TeliaSonera, through its 75.45 percent owned Dutch subsidiary TeliaSonera Asia Holding B.V., acquired the remaining 49 percent of the shares and votes in the Cypriot holding company Airbell Services Ltd., which in conjunction increased its ownership from 50 to 75 percent of the shares in the Nepalese regional mobile operator Nepal Satellite Telecom Pvt. Ltd. According to the agreement, the purchase price was partly paid in cash, while the remaining consideration is contingent on the fulfillment of certain conditions. All conditions are not yet fulfilled, see further information in Board of Directors' Report. The closing balance of the contingent consideration is SEK 521 million.

Fair values for the put option liabilities and the contingent consideration are based on TeliaSonera's long-term business plans for such business units. During the downturn in the world economy, the global equity market values have decreased and, if applied to TeliaSonera's business units through a peer group multiple valuation, would in some cases be below the fair values derived from TeliaSonera's own long-term business plans. Management believes that fair value based on its own business plans gives a better picture of the value for TeliaSonera and of the long-term valuation, compared to the current equity market values.

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

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 and will affect approximately 2,000 employees and will lower the cost base by SEK 2 billion net over the coming two years. The remaining provision as of December 31, 2012 is expected to be fully utilized by 2013 and 2014. During 2013, 1,800 employees in the Nordics and Baltics will be effected and the total cost for these reductions is estimated to SEK 1.7 billion.

In the Swedish and Finnish operations, management in 2005 and in 2008 launched transition programs to keep the profitability by achieving competitive cost levels and focusing of the service offerings. The 2008 program included efficiency measures implemented in 2008 and 2009 aiming, among other things, at a reduction of approximately 2,900 employees in Sweden and Finland. As group-wide initiatives, the programs have been completed, but transition activities continued in 2010 and 2011 on business area level. The remaining provision as of December 31, 2012 is expected to be fully utilized by 2013.

Danish operations within business areas Mobility Services and Broadband Services

In the past several restructuring measures have been taken in relation to TeliaSonera's Danish operations. The remaining provision as of December 31, 2012 is SEK 7 million.

International carrier operations within business area Broadband Services

In 2002, TeliaSonera decided to change the strategic focus of Telia International Carrier and significantly restructure its operations. The remaining provision as of December 31, 2012 is SEK 10 million.

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, 2012 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 2013-2014.

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 2013–2024.

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.

C24. Other Long-term Liabilities

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

SEK in millions	Dec 31, 2012	Dec 31, 2011
Danish license fee liabilities at amortized cost	171	206
Other liabilities at amortized cost	3	4
Liabilities at amortized cost *(see Categories – Note C26)*	***174***	***210***
Prepaid operating lease agreements	397	422
Other liabilities	619	777
Total other long-term liabilities	**1,190**	**1,409**

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 C26 “Financial Assets and Liabilities by Category and Level” for more information on financial instruments classified by category and to Note C27 “Financial Risk Management” on management of liquidity risk.

As of December 31, 2012, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	2014	2015	2016	2017	Later years	Total	Carrying value
Liabilities at amortized cost	–	39	39	39	80	197	174

For information on leases, see Note C28 “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, 2012	Dec 31, 2011
Opening balance	567	465
Additional gains	123	124
Recognized in net income	-18	-18
Exchange rate differences	-21	-4
Closing balance	**651**	**567**
of which current portion	*454*	*363*

C25. Trade Payables and Other Current Liabilities

Trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Currency swaps, forward exchange contracts and currency options held-for-trading	135	577
of which hedging net investments	*15*	–
Subtotal *(see Fair value hierarchy levels – Note C26)*	***135***	***577***
Accounts payable at amortized cost	10,433	8,957
Current liabilities at amortized cost	2,406	2,240
Subtotal *(see Categories – Note C26)*	***12,974***	***11,774***
Other current liabilities	6,899	6,944
Deferred income	4,688	4,789
Total trade payables and other current liabilities	**24,561**	**23,507**

For accounts payable and current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Refer to Note C26 “Financial Assets and Liabilities by Category and Level” for more information on financial instruments classified by category/fair value hierarchy level and to Note C27 “Financial Risk Management” on management of liquidity risk. As of December 31, 2012, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	Total
Liabilities at amortized cost	11,556	1,141	71	71	12,839

Corresponding information for currency derivatives held-for-trading are presented in section “Liquidity risk management” to Note C27 “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 C24 “Other Long-term Liabilities”).

C26. 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 C15 “Investments in Associated Companies,” Note C22 “Provisions for Pensions and Employment Contracts” and Note C28 “Leasing Agreements,” respectively.

SEK in millions	Note	Dec 31, 2012	Dec 31, 2011
Financial assets			
Derivatives designated as hedging instruments	C16, C19	1,790	1,742
Financial assets at fair value through profit and loss		639	643
of which derivatives not designated as hedging instruments	*C16, C18, C19*	*570*	*591*
of which held-for-trading investments	*C16*	*69*	*52*
Held-to-maturity investments	C16, C19	210	168
Loans and receivables	C16, C18, C19	60,326	34,467
Available-for-sale financial assets	C16	193	206
Total financial assets by category		**63,158**	**37,226**
Financial liabilities			
Derivatives designated as hedging instruments	C21, C25	802	426
Derivatives not designated as hedging instruments	C21, C25	2,044	2,240
Borrowings in fair value hedge relationships	C21	18,001	17,896
Borrowings hedging net investments	C21	54,379	38,427
Financial liabilities measured at amortized cost	C21, C23, C24, C25	29,977	32,762
Total financial liabilities by category		**105,203**	**91,751**

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, 2012				December 31, 2011			
		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	C16	189	–	–	189	**202**	2	–	200
Equity instruments held-for-trading	C16	69	–	–	69	**52**	–	–	52
Convertible bonds available-for-sale	C16	4	–	–	4	**4**	–	–	4
Derivatives designated as hedging instruments	C16, C19	1,790	–	1,790	–	**1,742**	–	1,742	–
Derivatives held-for-trading	C16, C18, C19	570	–	569	–	**591**	–	591	–
Total financial assets at fair value by level		**2,622**	**–**	**2,359**	**262**	**2,591**	**2**	**2,333**	**256**
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	C21	18,001	–	18,001	–	**17,896**	–	17,896	–
Derivatives designated as hedging instruments	C21	802	–	802	–	**426**	–	426	–
Derivatives held-for-trading	C21, C25	2,044	–	2,044	–	**2,240**	–	2,240	–
Total financial liabilities at fair value by level		**20,847**	**–**	**20,847**	**–**	**20,562**	**–**	**20,562**	**–**

There were no transfers between Level 1 and 2 in 2012 and 2011. Level 3 financial assets changed as follows.

	December 31, 2012				December 31, 2011			
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	200	52	4	**256**	197	50	4	**251**
Changes in fair value	–	2	–	**2**	–	-10	–	**-10**
of which recognized in net income	–	*2*	–	***2***	–	*-10*	–	***-10***
of which related to assets held at reporting period-end	–	–	–	–	–	*-10*	–	***-10***
Purchases/capital contributions	–	16	–	**16**	–	13	–	**13**
Exchange rate differences	-11	-1	–	**-12**	3	-1	–	**2**
Level 3, closing balance	**189**	**69**	**4**	**262**	**200**	**52**	**4**	**256**

Changes in fair value recognized in net income are included in line item Other financial items, see specification in Note C10 “Finance Costs and Other Financial Items.”

C27. 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, 2012	Dec 31, 2011
Other non-current assets	C16	12,086	6,230
Trade and other receivables	C18	18,555	17,544
Interest-bearing receivables	C19	3,647	1,453
Cash and cash equivalents	C19	29,805	12,631
Total		**64,093**	**38,214**

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, 2012	Dec 31, 2011
Counterpart rating AA–	245	238
Counterpart rating A+	571	584
Counterpart rating A	943	1,195
Counterpart rating A-	242	–
Counterpart rating BBB+	7	36
Total exposure to counterparts in derivatives	**2,008**	**2,053**

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 0.6 percent in 2012 and 0.5 percent in 2011.

Surplus cash in TeliaSonera AB may only be invested in bank deposits, commercial papers issued by banks and/or in Swedish, Finnish, Norwegian or Danish government bonds and treasury bills. There are no limits for investments in government papers. For investments with banks, the rating should be at least A-1 (Standard & Poor's) or P-1 (Moody's) and the maturity is limited to 12 months. Furthermore, for maturities longer than 1 month, the exposure per bank is limited to SEK 2,500 million.

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.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Surplus liquidity		
Short-term investments (see also Note C19)	25,925	7,674
Cash and bank (see also Note C19)	4,043	5,035
Total surplus liquidity	**29,968**	**12,709**
Committed credit facilities		
Revolving credit facilities (limit amount)	10,017	16,293
Bank overdraft and short-term credit facilities (limit amount)	1,718	1,658
Utilized credit facilities	-388	-246
Total unutilized committed credit facilities	**11,347**	**17,705**
Liquidity position	**41,315**	**30,414**

TeliaSonera AB's surplus liquidity is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. As of December 31, 2012, TeliaSonera AB had short-term investments in interest-bearing securities with maturities exceeding 3 months of SEK 75 million (2011, none). The average yield on bank deposits and short-term investments at the end of the reporting period was 0.4 percent in 2012 and 1.2 percent in 2011.

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, 2012	Dec 31, 2011
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, syndicated	September 2013 (early terminated)	EUR	–	665
TeliaSonera AB	Revolving credit facility	Committed, bilateral	April 2013	SEK	1,400	1,400
TeliaSonera AB and subsidiaries	Bank overdraft facility	Committed, bilateral	–	SEK (various)	1,718	1,658

As of December 31, 2012, 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 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Utilized bank overdraft and short-term credit facilities	195	193	–	–	–	–	–	–	–	**388**
Open-market financing program borrowings	5,416	784	1,572	938	11,209	10,787	6,552	9,741	62,137	**109,136**
Other borrowings	768	551	2,101	526	259	1,127	335	283	229	**6,179**
Finance lease agreements	3	2	2	2	14	12	10	10	27	**82**
Cross currency interest rate swaps and interest rate swaps										
Payables	4,094	1,952	687	789	4,085	11,985	5,395	1,851	19,863	**50,701**
Receivables	-4,010	-2,064	-605	-765	-4,303	-11,558	-5,445	-1,977	-20,500	**-51,227**
Currency swaps and forward exchange contracts										
Payables	80,582	26	7	4,932	6	–	–	–	–	**85,553**
Receivables	-80,565	-26	-7	-4,872	-6	–	–	–	–	**-85,476**
Total, net	**6,483**	**1,418**	**3,757**	**1,550**	**11,264**	**12,353**	**6,847**	**9,908**	**61,756**	**115,336**

Expected maturities for and additional information on non-interest-bearing provisions and liabilities, guarantees and other contractual obligations are presented in Notes C23 "Other Provisions," C24 "Other Long-term Liabilities," C25 "Trade Payables and Other Current Liabilities" and C30 "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.

As of December 31, 2012, 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 2013	Apr–Jun 2013	Jul–Sep 2013	Oct– Dec 2013	2014	2015	2016	2017	Later years	Total
Buy EUR	3,450	1,107	–	–	1,646	8,907	2,459	961	452	**18,982**
Buy GBP	–	–	–	–	–	–	–	–	5,948	**5,948**
Buy JPY	–	–	–	–	–	–	–	363	767	**1,130**
Buy NOK	–	–	–	–	–	–	–	–	462	**462**
Buy foreign currencies total	***3,450***	***1,107***	–	–	***1,646***	***8,907***	***2,459***	***1,324***	***7,629***	***26,522***
Buy SEK	–	378	–	–	1,215	1,237	3,387	–	7,290	**13,507**
Buy total	**3,450**	**1,485**	–	–	**2,861**	**10,144**	**5,846**	**1,324**	**14,919**	**40,029**
Sell NOK	–	-1,185	–	–	-2,447	-3,755	-5,174	-1,003	–	**-13,564**
Sell EUR	–	-366	–	–	–	–	–	–	-7,320	**-7,686**
Sell USD	–	–	–	–	–	–	-762	–	–	**-762**
Sell foreign currencies total	–	***-1,551***	–	–	***-2,447***	***-3,755***	***-5,936***	***-1,003***	***-7,320***	***-22,012***
Sell SEK	-3,715	–	–	–	-573	-7,466	–	-418	-7,872	**-20,044**
Sell total	**-3,715**	**-1,551**	–	–	**-3,020**	**-11,221**	**-5,936**	**-1,421**	**-15,192**	**-42,056**
Net position, cross currency interest rate swaps	**-265**	**-66**	–	–	**-159**	**-1,077**	**-90**	**-97**	**-273**	-2,027

As of December 31, 2012, the TeliaSonera Group's portfolio of currency swap contracts and forward exchange contracts hedging loans, investments, and operational transaction exposures represented the following currencies and expected maturities. Amounts indicated represent settlement values.

Expected maturity SEK in millions	Jan–Mar 2013	Apr–Jun 2013	Jul–Sep 2013	Oct– Dec 2013	2014	2015	2016	2017	Later years	Total
Buy EUR	40,768	–	–	4,748	–	–	–	–	–	**45,516**
Buy USD	2,606	–	–	–	–	–	–	–	–	**2,606**
Buy DKK	2,418	–	–	–	–	–	–	–	–	**2,418**
Buy GBP	1,016	–	–	–	–	–	–	–	–	**1,016**
Buy NOK	845	–	–	–	–	–	–	–	–	**845**
Buy other currencies	10	–	–	–	–	–	–	–	–	**10**
Buy foreign currencies total	***47,663***	–	–	***4,748***	–	–	–	–	–	***52,411***
Buy SEK	32,904	26	7	124	6	–	–	–	–	**33,067**
Buy total	**80,567**	**26**	**7**	**4,872**	**6**	–	–	–	–	**85,478**
Sell USD	-13,270	-18	–	-4,925	–	–	–	–	–	**-18,213**
Sell EUR	-13,730	-1	-1	-1	-1	–	–	–	–	**-13,734**
Sell NOK	-9,209	-2	-2	-2	–	–	–	–	–	**-9,215**
Sell LTL	-726	–	–	–	–	–	–	–	–	**-726**
Sell GBP	-491	–	–	–	–	–	–	–	–	**-491**
Sell LVL	-146	–	–	–	–	–	–	–	–	**-146**
Sell CZK	-142	–	–	–	–	–	–	–	–	**-142**
Sell other currencies	-78	-4	-4	-4	-4	–	–	–	–	**-94**
Sell foreign currencies total	***-37,792***	***-25***	***-7***	***-4,932***	***-5***	–	–	–	–	***-42,761***
Sell SEK	-42,790	–	–	–	–	–	–	–	–	**-42,790**
Sell total	**-80,582**	**-25**	**-7**	**-4,932**	**-5**	–	–	–	–	**-85,551**
Net position, currency swaps and forward exchange contracts	**-15**	**1**	**0**	**-60**	**1**	–	–	–	–	-73

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, 2012		Dec 31, 2011	
Currency	Amount in SEK million	Percent	Amount in SEK million	Percent
EUR	108,652	63.8	83,937	49.6
of which hedged through borrowings	*41,084*	*24.1*	*29,992*	*17.7*
of which hedged through derivatives	*7,281*	*4.3*	*599*	*0.4*
RUB	6,259	3.7	24,579	14.5
TRY	21,306	12.5	18,922	11.2
DKK	11,154	6.5	12,085	7.2
NOK	2,858	1.7	7,912	4.7
of which hedged through derivatives	*430*	*0.3*	–	–
LTL	5,481	3.2	5,483	3.2
UZS	3,109	1.8	4,283	2.5
NPR	5,320	3.1	3,839	2.3
USD	-4,068	-2.4	-3,269	-1.9
AZN	2,759	1.6	3,114	1.8
KZT	2,031	1.2	2,597	1.5
LVL	2,190	1.3	2,288	1.4
GEL	1,204	0.7	1,409	0.8
TJS	772	0.5	735	0.4
GBP	690	0.4	689	0.4
Other currencies	696	0.4	647	0.4
Total	**170,413**	**100.0**	**169,250**	**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 390 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 2012, 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 300 million on a full-year basis, should the Euro, the Danish krone, the Lithuanian litas and the Latvian lats weaken by 10 percentage points against the Swedish krona and all other transaction currencies.

Conversion exposure sensitivity

The positive impact on Group equity would be approximately SEK 12.2 billion if the Swedish krona weakened by 10 percentage points against all conversion exposure currencies, based on the exposure as of December 31, 2012 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 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, 2012	Dec 31, 2011
Long-term borrowings	3.73	4.07
Short-term borrowings	2.80	3.14

As of December 31, 2012, approximately 41 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 from 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, 2012, the TeliaSonera Group's portfolio of interest rate swap contracts and cross currency interest rate swap contracts represented the following interest types and expected maturities. Amounts indicated represent carrying values.

Expected maturity SEK in millions	Jan–Mar 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Interest received										
Fixed interest rate	–	1,107	402	–	5,529	12,405	5,014	5,336	14,155	**43,948**
Floating interest rate	3,710	604	654	–	703	6,562	2,118	878	3,253	**18,481**
Total received	**3,710**	**1,711**	**1,056**	–	**6,232**	**18,967**	**7,132**	**6,214**	**17,408**	**62,430**
Interest paid										
Fixed interest rate	-303	-232	-676	–	-2,563	–	-1,405	-1,599	-13,711	**-20,488**
Floating interest rate	-3,715	-1,552	-394	–	-3,707	-19,097	-5,936	-4,219	-3,985	**-42,605**
Total paid	**-4,018**	**-1,784**	**-1,070**	–	**-6,270**	**-19,097**	**-7,341**	**-5,818**	**-17,696**	**-63,092**
Net position	**-308**	**-73**	**-14**	–	**-38**	**-130**	**-209**	**396**	**-288**	**-664**

TeliaSonera AB has designated certain interest rate swaps as cash flow hedges to hedge against changes in the amount of future cash flows related to interest payments on existing liabilities (also including certain long-term borrowings hedging net investments, see Note C21 "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 C12 "Other Comprehensive Income"). In 2012, 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, 2012, TeliaSonera AB had interest-bearing debt of SEK 87.3 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 31.3 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, 2013 at a one percentage point higher interest rate than the prevailing rate as per December 31, 2012, and remained at that new level during 12 months, the post-tax interest expense would increase by some SEK 324 million. Fair value of the loan portfolio would change by approximately SEK 6,270 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 2012.

Financing risk management

TeliaSonera's aggregate borrowings usually have a longer maturity than duration of interest (principal is fixed longer than interest rates). This allows the Group to obtain the desired interest rate risk without having to assume a high financing risk. The Group's policy is that the average maturity of borrowings should normally exceed 4 years. In order to reduce financing risk, the Group aims to spread loan maturity dates over a longer period. As of December 31, 2011, TeliaSonera AB borrowings had an average time to maturity of approximately 7.9 years.

TeliaSonera AB enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's. In May 2012, Moody's Investors Service changed the outlook from negative to stable for its assigned credit rating on TeliaSonera AB of A3 for long-term borrowings and Prime-2 for short-term borrowings. In July 2012, 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 chiefly by borrowing under its uncommitted open-market financing programs directly in Swedish and international money markets and capital markets. TeliaSonera also use some bank financing, which represented approximately 3 percent of the Group's total borrowing as of December 31, 2012. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing.

Pension obligation risk

As of December 31, 2012, the TeliaSonera Group had pension obligations which net present value amounted to SEK 25,311 million (see Note C22 "Provisions for Pensions and Employment Contracts"). To secure these obligations, the Group has pension funds, with plan assets of SEK 21,002 million based on market values as of December 31, 2012. The pension funds' assets are used as prime funding source for the pension obligations, and consisted of approximately 51 percent fixed income instruments and approximately 49 percent shares and other investments at year-end 2012. As from 1 of January 2013 the expected average net return on the pension funds' plan assets is the same percentage as the discount rate, for 2013 3.5 percent annually. The portion of the pension obligations not covered by plan assets is recognized in the statement of financial position, adjusted for unrecognized actuarial gains and losses, and unrecognized past service cost.

In 2012, accumulated actuarial losses increased from SEK 3,132 million to SEK 4,639 million, primarily driven by a lower discount rate increasing the present value of pension obligations. In addition, the actual net return on plan assets was 7.5 percent, 2.9 percentage points higher than the expected return.

As of December 31, 2012, the strategic asset allocation decided by the board of the Swedish pension fund, which represents approximately 85 percent of total plan assets, was 60 percent fixed income, 32 percent equities and 8 percent other investments. Other investments include primarily hedge funds and private equity. Out of the fixed income holdings, domestic government bonds represent 40 percentage points and domestic covered mortgage bonds 20 percentage points. Out of the equity holdings, domestic equities represent 10 percentage points and global equities 22 percentage points. The actual allocation may fluctuate from the strategic allocation in a range of +15/-15 percentage points for fixed income and in a range of +10/-10 percentage points for equities. All assets in the Swedish pension fund are managed by appointed external managers with specialist mandates.

Pension obligation risk sensitivity

The approximate impact on the pension obligations is SEK 4.5 billion, should the weighted average discount rate decrease by one percentage point from the 3.5 percent which is currently used. Such an increase in the obligations, were interest rates to fall, should be partly offset by a positive impact from the fixed income assets in the pension funds. Based on the existing asset structure and the duration of the pension funds' fixed income portfolios as of December 31, 2012, and assuming that the value of the other assets in the pension funds were unchanged, a similar reduction in interest rates is estimated to increase the value of the pension funds' assets by some SEK 0,6 billion.

Exogenous risk factors might from time to time lead to actuarial modifications increasing TeliaSonera's pension obligations. However, the impact on the obligations of such modifications cannot be quantified until realized.

Management of insurable risks

The insurance cover is governed by corporate guidelines and includes a common package of different property and liability insurance programs. The business units and other units being responsible for assessing the risks decide the extent of actual cover. Corporate Insurance at TeliaSonera AB manages the common Group insurance programs and uses a captive, TeliaSonera Försäkring AB, as a strategic tool in managing the insurance programs. The risks in the captive are in part reinsured in the international reinsurance market.

C28. 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, 2012	Dec 31, 2011
Cost	163	169
Less accumulated depreciation and impairment losses	-111	-110
Net carrying value of finance lease agreements	**52**	**59**

In 2012 and 2011, depreciation and impairment losses totaled SEK 10 million and SEK 32 million, respectively. Leasing fees paid in these years totaled SEK 12 million and SEK 22 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, 2012	Dec 31, 2011
Total future minimum leasing fees	83	95
Less interest charges	-13	-16
Present value of future minimum leasing fees	**70**	**79**

As of December 31, 2012, 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 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Future minimum leasing fees	3	2	2	2	14	12	10	10	27	**82**
Present value of future minimum lease payments	2	2	2	2	8	9	7	7	27	**66**

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, 2012 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Future minimum leasing fees	682	433	425	630	1,248	1,090	966	766	1,378	**7,618**
Minimum sublease payments	4	4	4	4	9	8	8	2	0	**43**

In 2012 and 2011, total rent and leasing fees paid were SEK 1,300 million and SEK 1,535 million, respectively. In these years, revenue for subleased items totaled SEK 16 million and SEK 10 million, respectively.

At the end of 2012, office space and technical site leases covered approximately 718,000 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 1 year 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 12 quarters. The term of new contracts signed in 2012 was 12 quarters. Of all contracts, 62 percent carry a fixed interest rate and 38 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, 2012	Dec 31, 2011
Minimum lease payments receivable	1,072	1,133
Unguaranteed residual values accruing to the benefit of the lessor	0	-6
Gross investment in finance lease contracts	**1,072**	**1,127**
Unearned finance income	-136	-140
Present value of future minimum lease payments receivable (net investment in finance lease contracts)	**936**	**987**

As of December 31, 2012, 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 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Gross investment	93	94	93	93	235	156	68	48	192	**1,072**
Present value of future minimum lease payments receivable	81	82	82	82	208	141	59	39	162	**936**

As of December 31, 2012 and 2011, the accumulated allowance for uncollectible minimum lease payments receivable totaled SEK 0 million and SEK 17 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 19 agreements with other international operators and 77 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years. In addition, 328 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, 2012	Dec 31, 2011
Cost	3,485	4,034
Less accumulated depreciation and impairment losses	-2,210	-2,421
Gross carrying value	**1,275**	**1,613**
Plus prepaid sales costs	0	0
Less prepaid lease payments	-418	-435
Net value of operating lease agreements	**857**	**1,178**

Depreciation and impairment losses totaled SEK 585 million in 2012 and SEK 267 million in 2011.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2012 that could not be canceled in advance and were in excess of one year were as follows:

Expected maturity SEK in millions	Jan–Mar 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Future minimum lease payment receivables	152	123	104	83	180	103	24	2	1	772

C29. Related Party Transactions

The Swedish State and the Finnish State

The Swedish State holds 37.3 percent and the Finnish State currently holds 11.7 percent of the outstanding shares in TeliaSonera AB. The remaining 51.0 percent of the outstanding shares are widely held.

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

The Swedish telecommunications market is governed mainly by the Electronic Communications Act and ordinances, regulations and decisions in accordance with the Act. Notified operators are required to pay a fee to finance measures to prevent serious threats and disruptions to electronic communications during peacetime. The required fee from TeliaSonera was SEK 44 million in 2012 and SEK 45 million in 2011. 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 49 million in 2012 and SEK 44 million in 2011.

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 2012 and 2011, TeliaSonera paid EUR 2.3 million and EUR 2.5 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 2012 and 2011, TeliaSonera paid EUR 0.2 million and EUR 0.2 million, respectively, for data privacy supervision and EUR 1.0 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:

	January–December or December 31,	
SEK in millions	**2012**	**2011**
Sales of goods and services		
OAO MegaFon	73	62
Other	41	26
Total sales of goods and services	**114**	**88**
Total purchases of goods and services	**88**	**49**
Total trade and other receivables	**37**	**71**
Total loans receivable	**0**	**35**
Total trade and other payables	**60**	**136**

Pension and personnel funds

As of December 31, 2012, TeliaSonera's Finnish pension fund held 330,896 shares in TeliaSonera AB, or 0.01 percent of the voting rights. For information on transactions and balances, see Note C22 "Provisions for Pensions and Employment Contracts."

Commitments

TeliaSonera has made certain commitments on behalf of group companies and associated companies. See Note C30 "Contingencies, Other Contractual Obligations and Litigation" for further details.

Key management

See section "Remuneration to corporate officers" in Note C32 "Human Resources" for further details.

C30. 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, 2012	Dec 31, 2011
Credit and performance guarantees, etc.	26	32
Subtotal *(see Liquidity risk – Note C27)*	***26***	***32***
Guarantees for pension obligations	318	273
Total financial guarantees	**344**	**305**

As of December 31, 2012, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Credit and performance guarantees	–	–	–	–	–	18	–	–	8	**26**

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 7,599 million (of which SEK 1,884 million short-term), OAO MegaFon shares held by TCI, representing 6.53 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, 2012	Dec 31, 2011
For long-term borrowings: Chattel mortgages	8	–
For pension obligations: Real estate mortgages	9	9
For pension obligations: Current receivables	35	35
For other provisions: Blocked funds in bank accounts	–	10
For other provisions: Bonds and short-term investments	247	106
For operating leases: Real estate mortgages	2	2
For operating leases: Blocked funds in bank accounts	42	75
For deposits from customers: Blocked funds in bank accounts	24	20
For commitments under a shareholders' agreement: Shares in 4T Sverige AB	20	2
Total collateral pledged	**387**	**259**

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, 2012, 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 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Intangible assets	198	119	6	–	–	–	–	–	–	**323**
Property, plant and equipment	1,054	405	171	161	321	9	2	–	–	**2,123**
Other holdings of securities	1	1	1	1	4	4	3	–	–	**16**
Total *(see Liquidity risk – Note C27)*	**1,253**	**525**	**178**	**162**	**325**	**13**	**5**	–	–	**2,462**

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 2013 is set to SEK 392 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 fee of SEK 144 million. In December 2011, the Stockholm District Court decided in accordance with the Competition Authority's demands. TeliaSonera's position is that it has not engaged in any prohibited pricing activities and has appealed the District Court's decision. 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 will vigorously contest Tele2's and Spray Network's claims. The actions for damages have been stayed pending the case between TeliaSonera and the Competition Authority.

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 will vigorously contest any claims in connection with the disputes. Even if TeliaSonera believes that losing the disputes is not probable, but given the anticipated duration of the court proceedings, TeliaSonera has recognized a provision for estimated future legal fees.

C31. Cash Flow Information

Cash flow from operating activities under the direct method presentation

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Cash receipts from customers	103,623	103,629
Cash paid to employees and suppliers	-70,248	-69,653
Cash flow generated from operations	**33,375**	**33,976**
Dividends received	12,513	121
Interest received	480	439
Interest paid	-2,897	-2,587
Income taxes paid	-4,593	-4,999
Cash flow from operating activities	**38,878**	**26,950**

Non-cash transactions

Asset retirement obligations (AROs)

In 2012 and 2011, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 651 million and SEK 323 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 346 million in 2012 and SEK 296 million in 2011.

Business combinations, other acquisitions and disposals

The TeliaSonera Group is continually restructured by acquiring and divesting equity instruments or operations. The fair value of assets acquired and liabilities assumed in business combinations and the total cash flow from acquisitions were as follows.

Acquisitions SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Investing activities		
Goodwill and other intangible assets	-1,354	-100
Property, plant and equipment	-272	-10
Financial assets, accounts receivable, inventories etc.	259	-3
Cash and cash equivalents	-7	-32
Non-controlling interests	-8	-0
Provisions	551	27
Non-current liabilities	213	–
Current liabilities	188	25
Total purchase consideration	**-430**	**-93**
Less cash and cash equivalents acquired	7	32
Contingent consideration paid for prior period acquisitions	0	-18
Net cash outflow from business combinations	**-423**	**-79**
Purchase consideration for other acquisitions	-200	-207
Total cash outflow, investing activities	**-623**	**-286**
Financing activities		
Acquisitions of non-controlling interests	-12,031	-9
Total cash outflow, financing activities	**-12,031**	**-9**
Total cash outflow, acquisitions	**-12,654**	**-295**

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 additional information, see Note C34 "Business Combinations." In 2011, cash outflow from other acquisitions included SEK 191 million referring to the indirect acquisition of the stake in the then associated company Nepal Satellite Telecom.

The fair value of assets divested and liabilities transferred in subsidiaries and the total cash flow from divestitures were as follows.

Divestitures SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Investing activities		
Goodwill and other intangible assets	2	102
Property, plant and equipment	0	140
Financial assets, accounts receivable, inventories etc.	0	23
Cash and cash equivalents	4	0
Provisions	-4	-21
Non-current liabilities	-	-38
Current liabilities	0	-18
Total sales consideration	**2**	**188**
Less cash and cash equivalents divested	-4	-0
Net cash inflow from subsidiaries divested	**-2**	**188**
Sales consideration for other divestitures	9,320	670
Total cash inflow, investing activities	**9,318**	**858**
Total cash inflow, financing activities	**3,406**	**–**
Total cash inflow, divestitures	**12,724**	**858**

In 2012, cash inflow from other divestitures included SEK 9,170 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. In 2011, cash inflow from subsidiaries divested was related to North Sea Communications AS in Norway. Further, sales consideration for other divestitures included SEK 577 million related to a compensation for meeting certain milestones in fulfilling the agreement with Altimo signed in November 2009.

C32. Human Resources

Employees, salaries, and social security expenses

During 2012, the number of employees decreased by 145 to 27,838 at year-end from 27,983 at year-end 2011. 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 addition from minor business combinations in 2012 was 41 employees.

The average number of full-time employees by country was as follows.

	Jan–Dec 2012		Jan–Dec 2011	
Country	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	8,486	55.9	8,378	54.5
Finland	4,231	61.8	4,497	61.1
Norway	1,144	70.2	1,183	70.7
Denmark	1,099	68.1	1,241	64.4
Lithuania	3,503	50.6	3,657	51.0
Latvia	927	49.1	913	48.4
Estonia	2,079	57.8	2,043	56.7
Spain	107	69.2	102	68.6
Kazakhstan	1,573	42.7	1,526	41.0
Azerbaijan	833	60.1	812	60.1
Uzbekistan	854	61.4	831	60.9
Tajikistan	466	67.0	327	67.0
Georgia	321	48.0	333	43.2
Moldova	364	47.3	353	46.5
Nepal	507	75.1	528	76.3
Russian Federation	39	59.0	50	58.0
United Kingdom	45	73.3	40	70.0
Other countries	215	70.2	191	71.7
Total	**26,793**	**57.2**	**27,005**	**56.4**

In total, operations were conducted in 29 countries in 2012 and 30 countries in 2011.

The share of female and male Senior executives was as follows. Other Senior executives include presidents and other members of executive management teams at the corporate level, business area level and company level.

	Dec 31, 2012		Dec 31, 2011	
Percent	Boards of directors	Other Senior executives	Boards of directors	Other Senior executives
Women	29.9	27.3	31.1	32.7
Men	70.1	72.7	68.9	67.3
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 2012	Jan–Dec 2011
Salaries and other remuneration	**9,863**	**9,979**
Social security expenses		
Employer's social security contributions	1,834	1,821
Pension expenses	1,263	1,080
Total social security expenses	**3,097**	**2,901**
Capitalized work by employees	-938	-800
Other personnel expenses	528	556
Total personnel expenses recognized by nature	**12,550**	**12,636**

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 2012		Jan–Dec 2011	
SEK in millions	Senior executives (of which variable pay)	Other employees	Senior executives (of which variable pay)	Other employees
Salaries and other remuneration	171 (18)	9,692	176 (13)	9,803

Pension expenses for all Senior executives totaled SEK 32 million in 2012 and SEK 33 million in 2011.

In 2012 and 2011, employee profit-sharing costs in TeliaSonera's Finnish subsidiaries totaled SEK 0 million and SEK 44 million, respectively.

Performance share programs

The 2010, 2011 and 2012 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) and 1,400,000 (PSP 2012) 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.

The summarized performance share program activity in 2012 was as follows.

Performance share program	2012/2015	2011/2014	2010/2013
Participants			
Number of participants as of December 31, 2011	–	95	80
New participants in 2012	89	–	–
Terminated employments in 2012	3	3	4
Number of participants as of December 31, 2012	**86**	**92**	**76**
Allotted shares			
Preliminary allotments as of December 31, 2011	–	–	114,131
Preliminary allotments in 2012	–	–	–
Number of allotted shares as of December 31, 2012	**–**	**–**	**114,131**

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	2012/2015	2011/2014	2010/2013
Fair value at the date of allotment (SEK in millions)	16	18	18
Assumptions used (percentages)			
Achievement of EPS-based performance condition	50	50	50
Achievement of TSR-based performance condition was based on			
Estimated volatility, TeliaSonera	24	29	31
Estimated volatility, peer group companies	20-31	24-41	25-40
Average reciprocal correlation between TeliaSonera and the peer group companies	44	45	45
Risk-free interest rate	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 2012	Jan–Dec 2011
Salaries and other remuneration	16	11
Social security expenses	4	2
Total personnel expenses, performance share programs	**20**	**13**

Remuneration to corporate officers

Board of Directors

As resolved by the 2012 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 1,100,000 to the chairman 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 chairman 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 55,000 to the chairman and SEK 35,000 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.

Group Management

The 2012 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 caliber 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 members of Group Management consists of base salary, certain taxable benefits and pension benefits. As per December 31, 2012, TeliaSonera did not operate any share-related incentive program in relation to the CEO, the EVP and other members of Group Management. "Other members of the Group Management" refers to the 8 individuals who are directly reporting to the CEO and which, along with the CEO and the EVP, constituted the TeliaSonera Group Management on December 31, 2012.

Pension benefits and other benefits to the CEO, the EVP and other members of Group Management as described above form part of each individual's total remuneration package.

Remuneration and other benefits during the year, capital value of pension commitments

SEK	Board remuneration/ Base salary[1]	Other remuneration[2]	Other benefits[3]	Pension expense[4]	Total remuneration and benefits[5]	Capital value of pension commitment[6]
Board of Directors						
Anders Narvinger, Chairman	1,255,020	–	–	–	**1,255,020**	–
Timo Peltola, Vice-Chairman	485,004	–	–	–	**485,004**	–
Maija-Liisa Friman	600,000	–	–	–	**600,000**	–
Ingrid Jonasson Blank	525,006	–	–	–	**525,006**	–
Olli-Pekka Kallasvuo	334,650	–	–	–	**334,650**	–
Conny Karlsson	142,040	–	–	–	**142,040**	–
Lars Renström	485,004	–	–	–	**485,004**	–
Jon Risfelt	550,008	–	–	–	**550,008**	–
Per-Arne Sandström	485,004	–	–	–	**485,004**	–
Group Management						
Lars Nyberg, CEO	10,504,008	3,064,776	81,727	9,046,776	**22,697,287**	–
Per-Arne Blomquist, EVP	5,278,524	2,247,356	86,195	2,006,984	**9,619,059**	–
Other members of Group Management (8 individuals)	25,254,661	8,496,848	678,360	10,291,669	**44,721,538**	**16,355,779**
Former CEOs and EVPs (7 individuals)	–	–	–	–	**–**	**183,434,626**
Total	**45,898,929**	**13,808,980**	**846,282**	**21,345,429**	**81,899,620**	**199,790,405**

Comments on the table:

1 Board remuneration includes remuneration for Audit Committee and Remuneration Committee work. Remuneration is paid monthly. Board member Olli-Pekka Kallasvuo was elected at the 2012 AGM. At the same time, Conny Karlsson resigned from the Board.

2 In the absence of a short-term variable pay scheme all members of Group Management are compensated with an annual fixed amount of 30 percent of the base salary, which is included in Other remuneration. The compensation will be discontinued if and when a short-term variable pay scheme is introduced. In the absence of a long-term variable pay scheme, the EVP and one other member of Group Management are compensated with an annual fixed amount, which is also included in Other remuneration. The compensation will be discontinued if and when a long-term variable pay scheme is introduced.

3 Other benefits refer to company car and a number of other taxable benefits.

4 Pension expense refers to the expense that affected earnings for the year. See further disclosures concerning the terms and conditions of pension benefits below.

5 Two members of Group Management have received board remuneration from associated companies. Such board remuneration is taken into account when comparing an individual's total remuneration against the market and when deciding on remuneration and other benefits.

6 Capital value of pension commitment refers to closed defined benefit plans.

Pension benefits

TeliaSonera offers 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.

CEO and EVP

For the CEO, the pension plan provides a defined contribution arrangement which is two-fold. One part is providing base-salary related contributions of 4.5 percent of the salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts. The income base amount is determined annually by the Swedish Government and was SEK 54,600 for 2012. The second part is a fixed annual contribution of SEK 6,000,000. For the 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, although the Company may request the CEO to enter into early retirement not earlier than from age 62 and the CEO may enter into early retirement on his own request not earlier than from age 62. 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. Three members have additional contributions of 20 percent of the base salary, one member has an additional contribution of 15 percent of the base salary and one member has an additional contribution of 14 percent of the base salary. One member is eligible to a fixed annual contribution of SEK 478,000. All contributions to the schemes are vested immediately. The retirement age for 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 6 months before termination. Should a termination of employment be initiated by the Company more than two years before the CEO has turned the age of 62, the CEO is entitled to a severance pay in the amount of two annual base salaries to be paid in 24 equal monthly installments. If less than 24 months remains until the CEO turns 62, the salary payment during the notice period or the severance payment will cease at age 62. The salary during the notice period and the severance pay will be reduced by any other income. Should the CEO give notice of termination, he is not entitled to any severance pay.

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 member is entitled to a severance pay in the amount of one annual base salary to be paid in 12 equal monthly installments. 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.

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.

C33. 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 2012 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 2012	Jan–Dec 2011
Remuneration expensed		
PwC		
Audits	36	37
Audit-related services	10	1
Tax services	1	2
All other services	1	1
Total PwC	**48**	**41**
Ernst &Young (E&Y)		
Tax services	0	0
All other services	2	9
Total E&Y	**2**	**9**
KPMG		
Tax services	2	9
All other services	2	1
Total KPMG	**4**	**10**
Other audit firms		
Audits, audit-related services	6	1
Tax services and all other services	2	4
Total other audit firms	**8**	**5**
Total remuneration expensed	**62**	**65**
Remuneration recognized in equity		
PwC		
Audit-related services	0	0
Total PwC	**0**	**0**
Total remuneration recognized in equity	**0**	**0**
Total remuneration	**62**	**65**

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.

C34. Business Combinations

Business combination during the period - Nepal Satellite

Description of and reason for the acquisition

On April 26, 2012, TeliaSonera took a further step in executing its strategy to expand into new high-growth emerging markets by acquiring the remaining 49 percent of the shares and votes in the Cypriot holding company Airbell Services Ltd., which in conjunction increased its holding from 50 to 75 percent of the shares and votes in Nepal Satellite Telecom Pvt. Ltd., which owns licenses to operate in certain regions in Nepal. Goodwill is explained by synergies from subsequent restructuring of the operations and potential market opportunities from licenses and customer base.

The results of the Nepal Satellite operations were included in the consolidated financial statements as of April 26, 2012.

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	Nepal Satellite
Cost of combination	
Cash consideration	295
Contingent consideration	536
Fair value of existing interest in Nepal Satellite	359
Total cost of the combination	**1,190**
Fair values of net assets acquired	
Mobile networks	82
Inventories, receivables and other current assets	60
Cash and cash equivalents	2
Total assets acquired	***144***
Non-controlling interests	25
Deferred income tax liabilities	-1
Other long-term liabilities	-126
Short-term liabilities	-122
Total liabilities assumed	***-224***
Total fair value of net assets acquired	**-80**
Goodwill (allocated to business area Eurasia)	**1,270**

The total cost of combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to refinement.

The cash-flow effects were as follows.

SEK in millions	Nepal Satellite
Total cost of the combination paid in cash	295
Less acquired cash and cash equivalents	-2
Net cash outflow from the combination	**293**

There were no contingent liabilities assumed or collateral pledged arising from the acquisition.

The re-measurement of the existing interest in Airbell and Nepal Satellite resulted in a gain of SEK 185 million. This amount was included in other operating income in the consolidated statement of comprehensive income.

Other minor business combinations

For minor business combinations in 2012, the aggregate cost of combination was SEK 134 million and the net cash outflow SEK 130 million. Goodwill totaled SEK 84 million, of which SEK 52 million allocated to business area Broadband Services and SEK 32 million allocated to reportable segment Other operations.

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.

Business combination after the reporting period - KazNet Media

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 will be included in the consolidated financial statements as of January , 2013.

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)	344
Property, plant and equipment	580
Inventories, receivables and other current assets	68
Cash and cash equivalents	40
Total assets acquired	***1,032***
Deferred income tax liabilities	-142
Short-term liabilities	-445
Total liabilities assumed	***-587***
Total fair value of net assets acquired	**445**
Goodwill (allocated to business area Eurasia)	**275**

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**

The total cost of combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to refinement.

C35. Risks and Uncertainties

TeliaSonera operates in a broad range of geographic product and service markets in the highly competitive and regulated telecommunications industry. As a result, TeliaSonera is subject to a variety of risks and uncertainties. TeliaSonera has defined risk as anything that could have a material adverse effect on the achievement of TeliaSonera's goals. Risks can be threats, uncertainties or lost opportunities relating to TeliaSonera's current or future operations or activities.

TeliaSonera has an established risk management framework in place to regularly identify, analyze, assess, and report business, financial 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, 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, Sustainability Report for more information about sustainability work and Note C27 for information on financial risk management.

Risks related to the 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 lines of credit with banks 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.

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 future political situation in each of the emerging market countries may remain unpredictable, and markets in which TeliaSonera operates may become unstable.

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 business in Uzbekistan in which the group has a net exposure of approximately SEK 6 billion. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign owner-ship, formally or informally.

Weakening of the economies or currencies or other negative developments in these markets might have a significantly negative effect on TeliaSonera's results of operations.

TeliaSonera will not enter into countries that are sanctioned for investments by the United Nations or European Union, but may enter into countries with shifting political stability, provided that the business can be conducted in an 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 in due time be managed 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. Many times, 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 may also engage in start-up operations, such as Xfera Móviles S.A. (Yoigo) in Spain and Ncell Pvt. Ltd. in Nepal, 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 ongoing 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 of its 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. The high quality of networks and services is 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.

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 ventures

Limited influence in associated companies and joint ventures

TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through associated companies in which TeliaSonera does not have a controlling interest, such as 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 in the board work 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 venture, 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 venture, TT-Netværket P/S. TeliaSonera has made significant financial investments in these ventures. As these are jointly controlled ventures, there is a risk that the partners may disagree on important matters, including the funding of the companies. This risk may be magnified because TeliaSonera and Tele2 and Telenor, respectively, are significant competitors. A disagreement or deadlock regarding the companies 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 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 a 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, posing risks of being complicit in violating human rights due to failure to uphold customer privacy and network integrity and of telecom services being used as a vehicle for exploitation of children. TeliaSonera 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 ethical business practices

Some of the countries were 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 non ethical business practices may damage customer or other stakeholders' perception of TeliaSonera and negatively impact TeliaSonera's business operations and its brand.

Supply chain

TeliaSonera need to ensure that ethical business practices, environmental targets, human rights and labour laws are all fully respected by TeliaSonera suppliers. Failure or perception of failure of TeliaSoneras suppliers to adhere to ethical business practices, environmental targets, human rights and labour laws, may damage customer or other stakeholders' perception of TeliaSonera and negatively impact TeliaSonera's business operations and its brand.

Risks related to cases of emergency,climate change and environment

Emergencies, energy shortages and fluctuating energy prices are major climate change risks that, if eventuating, can 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 can prevent TeliaSonera from keeping its networks running for the customers.

Weather conditions and increasing regulation and taxation related to climate change can affect oil pricing and availability of electricity, which can incur additional costs or lost revenues for TeliaSonera.

Risks relating to health and safety

Concerns have been expressed that the electromagnetic signals from mobile handsets and base stations, which serve as the platform for transmitting radio signals, may pose health risks and interfere with the operation of electronic equipment. 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.

Labour laws

According to TeliaSonera 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 labour. 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 labour rights, such as freedom of association and collective bargaining. Yet this is not a guarantee that these rights will be fully realised.

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 labour. 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 Core Conventions of the International Labour Organization (ILO). This means, for example, guaranteeing the labour rights defined in the ILO core conventions for every TeliaSonera employee, wherever they work.

Risks related to owning TeliaSonera shares

Volatility in share prices

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

Actions by the largest shareholders

The Swedish State holds 37.3 percent and the Finnish State currently holds 11.7 percent of TeliaSonera's outstanding shares. Accordingly, the Swedish State, acting alone, may have and the Swedish State and the Finnish State, if they should choose to act together, will have the power to influence any matters submitted for a vote of shareholders. The interests of the Swedish State and the Finnish State in deciding these matters could be different from the interests of TeliaSonera's other shareholders.

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

Parent Company Income Statements

SEK in millions	Note	Jan–Dec 2012	Jan–Dec 2011
Net sales	P2	61	30
Costs of production	P3	-3	-15
Gross income		**58**	**15**
Selling and marketing expenses	P3	-54	-27
Administrative expenses	P3	-430	-207
Research and development expenses	P3	0	0
Other operating income	P4	16	79
Other operating expenses	P4	-25	-1,476
Operating loss/income		**-435**	**-1,616**
Financial income and expenses	P5	13,849	12,650
Income after financial items		**13,413**	**11,034**
Appropriations	P6	541	-62
Income before taxes		**13,954**	**10,972**
Income taxes	P6	-1,627	-1,281
Net income		**12,327**	**9,691**

Parent Company Statements of Comprehensive Income

SEK in millions	Note	Jan–Dec 2012	Jan–Dec 2011
Net income		**12,327**	**9,691**
Cash flow hedges		24	-118
Available-for-sale financial instruments		25	-1
Income taxes relating to other comprehensive income		-18	31
Total other comprehensive income	P7	**31**	**-88**
Total comprehensive income		**12,358**	**9,603**

Parent Company Balance Sheets

SEK in millions	Note	Dec 31, 2012	Dec 31, 2011
Assets			
Goodwill and other intangible assets	P8	21	26
Property, plant and equipment	P9	11	15
Deferred tax assets	P6	226	280
Other financial assets	P10	201,831	177,327
Total non-current assets		**202,089**	**177,648**
Trade and other receivables	P11	36,744	34,571
Current tax receivables		329	243
Short-term investments	P12	25,496	7,255
Cash and bank	P12	1,307	1,592
Total current assets		**63,876**	**43,661**
Total assets		**265,965**	**221,309**
Shareholders' equity and liabilities			
Restricted equity			
Share capital		13,856	13,856
Other reserves		1,855	1,855
Non-restricted equity			
Retained earnings		53,833	56,446
Net income		12,327	9,691
Total shareholders' equity		**81,871**	**81,848**
Untaxed reserves	P6	**12,730**	**13,271**
Provisions for pensions and employment contracts	P14	469	490
Other provisions	P15	70	80
Total provisions		**539**	**570**
Interest-bearing liabilities			
Long-term borrowings	P16	93,511	80,072
Short-term borrowings	P16	75,619	43,434
Non-interest-bearing liabilities			
Long-term liabilities	P17	5	8
Short-term provisions, trade payables and other current liabilities	P18	1,690	2,106
Total liabilities		**170,825**	**125,620**
Total shareholders' equity and liabilities		**265,965**	**221,309**
Contingent assets	P23	–	–
Guarantees	P23	4 647	4,915
Collateral pledged	P23	20	2

Parent Company Cash Flow Statements

SEK in millions	Note	Jan–Dec 2012	Jan–Dec 2011
Net income		12,327	9,691
Adjustments for:			
Amortization, depreciation and impairment losses		663	370
Capital gains/losses on sales/discards of non-current assets		-7,699	1,762
Pensions and other provisions		-221	-219
Financial items		-763	155
Group contributions and appropriations		-7,769	-8,466
Income taxes		-50	-1,147
Cash flow before change in working capital		**-3,512**	**2,146**
Increase (-)/Decrease (+) in operating receivables		282	2,218
Increase (-)/Decrease (+) in inventories		0	0
Increase (+)/Decrease (-) in operating liabilities		-201	-28
Change in working capital		**81**	**2,190**
Cash flow from operating activities		**-3,431**	**4,336**
Intangible and tangible non-current assets acquired		-10	-6
Equity instruments acquired	P24	-21,485	-4,035
Equity instruments and operations divested		691	12,998
Loans granted and other similar investments		37,720	-25,714
Compensation from pension fund		195	170
Net change in interest-bearing current receivables		0	1,045
Cash flow from investing activities		**17,111**	**-15,542**
Cash flow before financing activities		**13,680**	**-11,206**
Repurchased treasury shares including transaction costs		0	-9,983
Dividend to shareholders		-12,341	-12,349
Group contributions and dividends received		8,528	17,949
Proceeds from long-term borrowings		20,722	17,864
Repayment of long-term borrowings		-10,213	-4,321
Change in short-term borrowings		-540	197
Settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances		-2,090	-1,129
Cash flow from financing activities		**4,066**	**8,228**
Change in cash and cash equivalents		**17,746**	**-2,978**
Cash and cash equivalents, opening balance		**8,847**	**11,773**
Change in cash and cash equivalents		17,746	-2,978
Exchange rate differences in cash and cash equivalents		209	52
Cash and cash equivalents, closing balance	P12	**26,802**	**8,847**
Dividends received		1,010	7,029
Interest received		2,910	2,687
Interest paid		- 5,038	-4,831
Income taxes paid		- 1,680	-2,428

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, 2010		**14,369**	**1,855**	**-156**	**78,505**	**94,573**
Dividend	P13	–	–	–	-12,349	-12,349
Repurchased and canceled treasury shares	P13	-513	–	–	-9,470	-9,983
Total comprehensive income		–	–	-88	9,691	9,603
Share-based payments	P25	–	–	–	4	4
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**

Notes to Parent Company Financial Statements

Contents

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 financial income and expenses from shares in subsidiaries.
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 2012	Jan–Dec 2011
European Economic Area (EEA)	61	30
of which European Union (EU) member states	*27*	*30*
of which Sweden	*27*	*30*
Total	**61**	**30**

Net sales were broken down by product category as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Other	61	30
Total	**61**	**30**

There was no invoiced advertising tax in the years 2012 and 2011, respectively.

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 2012	Jan–Dec 2011
Goods and services purchased	0	-30
Other network expenses	0	-83
Personnel expenses (see also Note P26)	-405	-368
Rent and leasing fees	-39	-42
Consultants' services	-119	-149
IT expenses	-150	-78
Invoiced and other expenses, net	244	520
Amortization, depreciation and impairment losses	-18	-19
Total	**-487**	**-249**

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 2012	Jan–Dec 2011
Costs of production	-4	-5
Administrative expenses	-14	-14
Total	**-18**	**-19**

P4. Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Other operating income		
Capital gains	0	5
Exchange rate gains	10	1
Patents sold, commissions, etc.	0	5
Damages received	6	68
Total other operating income	**16**	**79**
Other operating expenses		
Capital losses	0	-1,459
Exchange rate losses	-8	-13
Restructuring costs	-17	-4
Total other operating expenses	**-25**	**-1,476**
of which amortization, depreciation and impairment losses	–	–
Net effect on income	**-9**	**-1,397**
of which net exchange rate gains/losses on derivative instruments held-for-trading	–	*0*

P5. Financial Income and Expenses

Financial income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Income from shares in subsidiaries		
Dividends	1,010	7,029
Group contributions received	16,829	16,085
Capital gains	64	1,922
Impairment losses	-644	-348
Group contributions rendered	-9,601	-7,557
Capital losses	-2	-2,246
Total	**7,656**	**14,885**
Income from shares in associated companies		
Capital gains	7,660	12
Impairment losses	-1	-1
Total	**7,659**	**11**
Income from other financial investments		
Dividends	1	3
Capital gains/losses, net	-24	5
Changes in fair value	1	-3
Total	**-22**	**5**
Other financial income		
Interest from subsidiaries	1,133	1,084
Other interest income	335	204
Exchange rate gains	1,436	427
Total	**2,904**	**1,715**
Other financial expenses		
Interest to subsidiaries	-545	-675
Other interest expenses	-3,771	-2,727
Interest component of pension expenses (see also Note P14)	-20	-23
Exchange rate losses	-12	-541
Total	**- 4,348**	**-3,966**
Net effect on income	**13,849**	**12,650**

In 2012, following a continuing decrease of the total value of the Lithuanian mobile market due to competition and price pressure, the value of the shares in the subsidiary UAB Omnitel was written down by SEK 674 million. Capital gains from shares in associated companies included SEK 7,481 million for the sale of shares in OAO Telecominvest to AF Telecom Holding.

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 2012	Jan–Dec 2011	Jan–Dec 2012	Jan–Dec 2011	Jan–Dec 2012	Jan–Dec 2011
SEK in millions	Other interest expenses		Net exchange rate gains and losses		Other interest income	
Fair value hedge derivatives	-482	239	-129	66	–	–
Cash flow hedge derivatives	156	-72	-71	5	–	–
Derivatives held-for-trading	921	-217	-2,149	112	–	–
Loans and receivables	–	–	1,496	89	335	201
Borrowings in fair value hedge relationships	930	-1,206	129	-66	–	–
Borrowings and other financial liabilities at amortized cost	2,179	-1,463	2,149	-320	–	–
Other	67	-8	–	–	–	3
Total	**3,771**	**-2,727**	**1,425**	**-114**	**335**	**204**

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 and directly in equity

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

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Tax items recognized in net income		
Current tax expense relating to current year	-1,590	-1,259
Underprovided or overprovided current tax expense in prior years	-1	1
Deferred tax expense originated or reversed in current year	-36	-23
Total tax expense recognized in net income	**-1,627**	**-1,281**
Tax items recognized in other comprehensive income		
Deferred tax originated or reversed in current year	-18	31
Total tax recognized in other comprehensive income	**-18**	**31**
Tax items recognized directly in equity		
Current tax related to treasury share repurchase transaction costs	–	14
Total tax recognized directly in equity	**–**	**14**

Pre-tax income was SEK 13,954 million in 2012 and SEK 10,972 million in 2011. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2012	Jan–Dec 2011
Swedish income tax rate	26.3	26.3
Underprovided or overprovided current tax expense in prior years	0.0	0.0
Effect on deferred tax expense from change in tax rates	0.2	–
Non-deductible expenses	0.4	10.7
Tax-exempt income	-15.2	-25.3
Effective tax rate in net income	**11.7**	**11.7**

In 2012, tax-exempt income consisted primarily of the capital gain from divesting the associated company OAO Telecominvest and in 2011 primarily of dividends received from subsidiaries.

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Deferred tax assets		
Carrying value, opening balance	280	271
Comprehensive income period change	-54	11
Reversals of offset tax liabilities/assets	–	-2
Carrying value, closing balance	**226**	**280**
Deferred tax liabilities		
Carrying value, opening balance	–	–
Comprehensive income period change	–	2
Reversals of offset tax assets/liabilities	–	-2
Carrying value, closing balance	**–**	**–**

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

SEK in millions	Dec 31, 2012	Dec 31, 2011
Deferred tax assets		
Fair value adjustments for other financial assets	60	78
Delayed expenses for provisions	166	204
Subtotal	**226**	**282**
Offset deferred tax liabilities/assets	–	-2
Total deferred tax assets	**226**	**280**
Deferred tax liabilities		
Accelerated depreciation, non-current assets	–	2
Subtotal	**–**	**2**
Offset deferred tax assets/liabilities	–	-2
Total deferred tax liabilities	**–**	**–**
Net deferred tax assets	**226**	**280**

In 2012 and 2011, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2012 and 2011, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 2,801 million and SEK 3,490 million, respectively.

Untaxed reserves and appropriations

As of December 31, 2012 and 2011, untaxed reserves in the balance sheet consisted of profit equalization reserves totaling SEK 12,730 million and SEK 13,271 million, respectively.

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary impacting excess amortization and depreciation as follows.

	Dec 31, 2012		Dec 31, 2011	
SEK in millions	Intangible assets	Plant and machinery	Intangible assets	Plant and machinery
Opening balance	–	–	113	1,399
Reversals	–	–	-113	-1,399
Closing balance	**–**	**–**	**–**	**–**

Appropriations brought to income were as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Change in profit equalization reserves	541	-1,574
Change in accumulated excess amortization and depreciation	–	1,512
Net effect on income	**541**	**-62**

P7. Other Comprehensive Income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2012	Jan–Dec 2011
Cash flow hedges			
Net changes in fair value	Fair value reserve	-55	-120
Transferred to interest expenses in net income	Fair value reserve	79	2
Effect of changed tax rate		-12	
Income tax effect	Fair value reserve	-6	31
Total cash flow hedges		**6**	**-87**
Available-for-sale financial instruments		25	–
Net changes in fair value	Fair value reserve	–	-1
Total available-for-sale financial instruments		**25**	**-1**
Total other comprehensive income		**31**	**-88**
of which total income tax effects (see also Note P6)		*-18*	*31*

No transfer necessitated adjustment of the cost of acquisition.

P8. Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

SEK in millions	Goodwill Dec 31, 2012	Goodwill Dec 31, 2011	Other intangible assets Dec 31, 2012	Other intangible assets Dec 31, 2011
Accumulated cost	–	–	83	77
Accumulated amortization	–	–	-62	-51
Carrying value	–	–	**21**	**26**
of which work in progress	–	–	*8*	*3*
Carrying value, opening balance	–	1	26	434
Investments and operations acquired	–	–	8	3
Sales and disposals	–	-1	–	-399
Reclassifications	–	–	–	1
Amortization for the year	–	–	-13	-13
Impairment losses for the year	–	–	–	-0
Carrying value, closing balance	–	–	**21**	**26**

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary. No general changes of useful lives were made in 2012. 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, 2012	Dec 31, 2011
Capitalized development expenses	13	23
Work in progress	8	3
Total carrying value	**21**	**26**

Capitalized development expenses and work in progress mainly refer to administrative IT support systems.

P9. Property, Plant and Equipment

The total carrying value was distributed and changed as follows.

SEK in millions	Property Dec 31, 2012	Property Dec 31, 2011	Plant and machinery Dec 31, 2012	Plant and machinery Dec 31, 2011	Equipment, tools and installations Dec 31, 2012	Equipment, tools and installations Dec 31, 2011	Total Dec 31, 2012	Total Dec 31, 2011
Accumulated cost	–	–	5	8	22	22	**27**	**30**
Accumulated depreciation	–	–	–	-3	-16	-12	**-16**	**-15**
Carrying value	–	–	**5**	**5**	**6**	**10**	**11**	**15**
Carrying value, opening balance	–	310	5	3,571	10	109	**15**	**3,990**
Investments and operations acquired	–	–	5	2	–	1	**5**	**3**
Sales and disposals	–	-317	-4	-3,559	–	-95	**-4**	**-3,971**
Reclassifications	–	7	–	-8	–	0	**–**	**-1**
Depreciation for the year	–	–	-1	-1	-4	-5	**-5**	**-6**
Carrying value, closing balance	–	–	**5**	**5**	**6**	**10**	**11**	**15**

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary. No general changes of useful lives were made in 2012. 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	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
	Investments in associated companies		Investments in other equity instruments		Investments in subsidiaries and other non-current financial assets		Total	
Carrying value, opening balance	901	899	21	18	176,405	168,679	**177,327**	**169,596**
New share issues and shareholder contributions	18	2	2	6	20,695	4,014	**20,715**	**4,022**
Additions	4	–	15	–	6,779	15,085	**6,798**	**15,085**
Divestitures	-700	–	-4	–	-37	-11,210	**-741**	**-11,210**
Impairment losses	–	–	–	–	-644	108	**-644**	**108**
Reclassifications	–	–	–	–	-1,654	-271	**-1,654**	**-271**
Changes in fair value	–	–	–	-3	30	–	**30**	**-3**
Carrying value, closing balance	**223**	**901**	**34**	**21**	**201,574**	**176,405**	**201,831**	**177,327**

The total carrying and fair values of other financial assets by class were as follows.

SEK in millions	Dec 31, 2012 Carrying value	Dec 31, 2012 Fair value	Dec 31, 2011 Carrying value	Dec 31, 2011 Fair value
Investments in other equity instruments available-for-sale	–	–	2	2
Investments in other equity instruments held-for-trading	31	31	15	15
Convertible bonds available-for-sale	4	4	4	4
Interest rate and cross currency interest rate swaps at fair value	1,927	1,927	1,910	1,910
of which designated as fair value hedges	*1,782*	*1,782*	*1,742*	*1,742*
of which designated as cashflow hedges	*40*	*40*	–	–
of which held-for-trading	*105*	*105*	*168*	*168*
Currency swaps and forward exchange contracts held-for-trading	1	1	2	2
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***1,963***	***1,963***	***1,933***	***1,933***
Loans and receivables at amortized cost	5,678	5,678	1,603	1,744
***Subtotal** (see Categories – Note P19 and Credit risk – Note P20)/* **Total fair value**	***7,641***	**7,641**	***3,536***	**3,677**
Investments in subsidiaries	180,697		159,705	
Receivables from subsidiaries	13,266		13,181	
Investments in associated companies	223		901	
Investments in other equity instruments at cost	4		4	
Total other financial assets	**201,831**		**177,327**	
of which interest-bearing	*26,586*		*16,719*	
of which non-interest-bearing	*175,245*		*160,608*	

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. As there had been no significant change in credit quality, Loans and receivables as of the end of the reporting period were not provided for.

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 C15 and C16).

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions) Dec 31, 2012	Dec 31, 2011
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	2,968	2,898
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	2,255
Telia International AB, 556352-1284, Stockholm	100	20,000	1,722	1,722
Cygate Group AB (publ), 556364-0084, Solna	100	532,724,280	815	681
TeliaSonera Mobile Holding AB, 556855-9040, Stockholm	100	50,000	476	0
TeliaSonera International Carrier AB, 556583-2226, Stockholm	100	1,000,000	453	453
TeliaSonera Finans AB, 556404-6661, Stockholm	100	1,000	229	229
TeliaSonera Försäkring AB, 516401-8490, Stockholm	100	1,000,000	200	200
TeliaSonera Sverige Net Fastigheter AB, 556368-4801, Stockholm	100	5,000	169	169
Svenska Stadsnät AB, 556577-9195, Landskrona	100	100,000	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	4
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	3	3
Other operating, dormant and divested companies			0	0
Non-Swedish companies				
TeliaSonera Finland Oyj, 1475607-9, Helsinki	100	1,417,360,515	97,202	77,206
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	6,835	6,835
TeliaSonera International Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
TEO LT, AB, 121215434, Vilnius	88.2	684,791,575	3,760	2,884
UAB Omnitel, 110305282, Vilnius	100	39,688,889	2,153	2,797
UAB Sergel, 125026242, Vilnius	100	1,500	7	7
SIA Telia Latvija, 000305757, Riga	100	328,300	123	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	1,000	1	1
AS Eesti Telekom, 10234957, Tallinn	100	137,954,528	6,702	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	–	1,329	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
Telia Telecommunications International B.V., 34135584, Rotterdam	100	45,000	4,785	4,785
TeliaSonera International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	60	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	20	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	58	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	100	136	136
TeliaSonera International Carrier Singapore Pte. Ltd, 200005728N, Singapore	100	1,200,002	1	1
Other operating, dormant and divested companies			0	34
Total			**180,697**	**159,705**

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.

Through its Norwegian branch, TeliaSonera Norge Holding AB 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.

Other operating and dormant companies do not control Group assets of significant value. Holdings of Other non-Swedish companies for the comparative year SEK 34 million refer to Sense Communications AB which was liquidated in 2012.

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, 2012	Dec 31, 2011
Interest rate and cross currency interest rate swaps designated as fair value hedges	8	–
Currency swaps and forward exchange contracts held-for-trading	425	421
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***433***	***421***
Accounts receivable at amortized cost	16	5
Receivables from associated companies and joint ventures at amortized cost	0	80
Loans and receivables at amortized cost	2,327	30
***Subtotal** (see Categories – Note P19 and Credit risk – Note P20)*	***2,776***	***536***
Receivables from subsidiaries	33,754	33,808
of which cash-pool balances and short-term deposits	*26,402*	*24,870*
of which trade and other receivables	*7,352*	*8,938*
Other current receivables	167	169
Deferred expenses	47	58
Total trade and other receivables	**36,744**	**34,571**
of which interest-bearing	*26,495*	*24,901*
of which non-interest-bearing	*10,249*	*9,670*

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, 2012	Dec 31, 2011
Geographical area		
Sweden	5	115
Other countries	2,337	0
Total carrying value	**2,343**	**115**
Customer segment		
Other customers	2,343	115
Total carrying value	**2,343**	**115**

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, 2012	Dec 31, 2011
Accounts receivable invoiced	16	13
Allowance for doubtful accounts receivable	0	-8
Total accounts receivable	**16**	**5**
Accounts receivable not due	15	3
Accounts receivable past due but not impaired	1	2
of which 30–180 days	*1*	–
of which more than 180 days	–	*2*
Total accounts receivable	**16**	**5**

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, 2012	Dec 31, 2011
Loans and receivables not due	2,327	110
Loans and receivables past due but not impaired	0	–
Total loans and receivables	**2,327**	**110**

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. TeliaSonera AB does not hold any significant collateral over these balances. See also Notes to Consolidated Financial Statements (section "Credit risk management" in Note C27) for information on mitigation of risks related to accounts receivable.

There were no bad debt expenses and no recovered accounts receivable in 2012 and in 2011. The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Opening balance	8	25
Provisions for receivables impaired	-8	8
Unused amounts reversed	–	-25
Closing balance	**0**	**8**

P12. Short-term Investments, Cash and Cash Equivalents

Short-term investments, cash and cash equivalents were as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Short-term investments with maturities up to and including 3 months	25,496	7,255
of which bank deposits at amortized cost	*25,496*	*7,255*
Total short-term investments	**25,496**	**7,255**
Cash and bank	1,307	1,592
Total *(see Categories – Note P19 and Credit risk – Note P20)*	**26,802**	**8,847**
of which Cash and cash equivalents	*26,802*	*8,847*

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, 2012, 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 C20).

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.

The parent company's fixed network and broadband operations and personnel were transferred to a subsidiary as of January 1, 2011. Consequently and after supervision authority approval, the related pension obligations and plan assets were transferred to the subsidiary during 2011.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Opening balance, pension obligations covered by plan assets	1,591	9,633
Opening balance, pension obligations not covered by plan assets	490	524
Opening balance, total pension obligations	**2,081**	**10,157**
Current service cost	38	36
Interest cost, paid-up policy indexation	108	111
Benefits paid	-154	-153
Divested operations	-1	-8,105
Other changes in valuation of pension obligations	-15	35
Termination benefits	5	–
Closing balance, pension obligations covered by plan assets	1,593	1,591
Closing balance, pension obligations not covered by plan assets	469	490
Closing balance, total pension obligations	**2,062**	**2,081**
of which PRI Pensionsgaranti pensions	*1,375*	*1,366*

The fair value of plan assets changed as follows.

SEK in millions, except percentages	Dec 31, 2012	Dec 31, 2011
Opening balance, plan assets	2,052	10,853
Actual return	145	30
Divested operations	0	-8,661
Payment from pension fund	-195	-170
Closing balance, plan assets	**2,002**	**2,052**
Actual return on plan assets (%)	*7.1*	*1.3*

Provisions for pension obligations were recognized in the balance sheet as follows.

SEK in millions	Dec 31, 2012	Dec 31, 2011
Present value of pension obligations	2,062	2,081
Fair value of plan assets	-2,002	-2,052
Surplus capital in pension fund	409	461
Provisions for pension obligations	**469**	**490**

Total pension income was distributed as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Current service cost	38	36
Interest cost, paid-up policy indexation	108	111
Less interest expenses recognized as financial expenses	-20	-23
Actual return on plan assets	-145	-30
Divested operations, plan assets	0	8,661
Divested operations, pension obligations	-1	-8,105
Other changes in valuation of pension obligations	-15	35
Termination benefits	5	–
Pension expenses (+)/income (-), defined benefit pension plans	**-30**	**685**
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	55	47
Changes in estimates	-3	-6
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	-5	–
Pension expenses (+)/income (-)	**17**	**726**
Decrease (-)/Increase (+) of surplus capital in pension fund	-51	-760
Recognized pension income	**-34**	**-34**
of which pension premiums paid to the ITP pension plan	*6*	*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 3.7 percent in 2012 and 3.7 percent in 2011. Obligations were calculated based on the salary levels prevailing at December 31, 2012 and 2011, respectively.

Plan-asset allocation

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

	Dec 31, 2012		Dec 31, 2011	
Asset category	**SEK in millions**	**Percent**	**SEK in millions**	**Percent**
Fixed income instruments, liquidity	993	49.6	1,010	49.2
Shares and other investments	1,009	50.4	1,042	50.8
Total	**2,002**	**100.0**	**2,052**	**100.0**
of which shares in TeliaSonera AB	*–*	*–*	*8*	*0.4*

Future contributions and pension payments

As of December 31, 2012, the fair value of plan assets exceeded the present value of pension obligations. Unless the fair value of plan assets during 2013 should fall short of the present value of pension obligations, TeliaSonera AB has no intention to make any contribution to the pension fund.

In 2013, pension payments from the defined benefit plans are expected to be SEK 155 million.

P15. Other Provisions

Changes in other provisions were as follows.

	December 31, 2012					
SEK in millions	**Payroll taxes on future pension payments**	**Restructuring provisions**	**Warranty provisions**	**Damages and court cases**	**Insurance provisions**	**Total**
Opening balance	45	5	4	240	35	**329**
of which financial liabilities at amortized cost	–	–	*4*	–	–	***4***
Provisions for the period	4	17	–	–	–	**21**
Utilized provisions	-11	-7	–	–	-3	**-21**
Reversals of provisions	–	–	-4	–	–	**-4**
Reclassifications	–	-5	–	–	–	**-5**
Closing balance	**38**	**10**	**0**	**240**	**32**	**320**
of which non-current portion	38	–	–	–	32	**70**
of which current portion	–	10	–	240	–	**250**

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, 2012 is expected to be fully utilized in 2013-2014. Warranty provisions include provisions for potential litigation and other provisions related to disposals and winding-up of group entities and associated companies. Full utilization of payroll taxes on future pension payments, warranty provisions, damages and court cases, and insurance provisions is expected in the period 2013-2024.

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 C21).

Borrowings

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

	Dec 31, 2012		Dec 31, 2011	
SEK in millions	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	17,600	17,600	17,896	17,896
Interest rate swaps at fair value	340	340	421	421
of which designated as hedging instruments	*340*	*340*	*377*	*377*
of which held-for-trading	*0*	*0*	*44*	*44*
Cross currency interest rate swaps at fair value	1,956	1,956	1,005	1,005
of which designated as hedging instruments	*193*	*193*	–	–
of which held-for-trading	*1,764*	*1,764*	*1,005*	*1,005*
Subtotal *(see Fair value hierarchy levels – Note P19)*	***19,896***	***19,896***	***19,322***	***19,322***
Open-market financing program borrowings at amortized cost	60,690	71,147	46,958	53,396
Other borrowings at amortized cost	0	0	375	376
Subtotal *(see Categories – Note P19)/***Total fair value**	***80,586***	**91,043**	***66,655***	**73,094**
Borrowings from subsidiaries	12,925		13,417	
of which other borrowings	*12,925*		*13,417*	
Total long-term borrowings	**93,511**		**80,072**	
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	401	401	–	–
Interest rate swaps designated as hedging instruments	29	29	8	8
Interest rate swaps held-for trading	42	42	–	–
Cross currency interest rate swaps held-for trading	343	343	655	655
Subtotal *(see Fair value hierarchy levels – Note P19)*	***815***	***815***	***663***	***663***
Open-market financing program borrowings at amortized cost	5,271	5,271	9,703	9,744
Other borrowings at amortized cost	652	652	697	698
Subtotal *(see Categories – Note P19)/***Total fair value**	***6,738***	**6,738**	***11,063***	**11,105**
Borrowings from subsidiaries	68,881		32,371	
of which cash pool balances	*67,085*		*30,704*	
of which other borrowings	*1,796*		*1,667*	
Total short-term borrowings	**75,619**		**43,434**	

As of December 31, 2012 and 2011, fully unutilized bank overdraft facilities had a total limit of SEK 1,065 million and SEK 1,038 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 P21 "Financial Risk Management." Refer to Notes to Consolidated Financial Statements (corresponding section in Note C21) 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, 2012	Dec 31, 2011
Liabilities to subsidiaries	2	6
Other liabilities	3	2
Total long-term liabilities	**5**	**8**

For the years 2012 and 2011, 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, 2012	Dec 31, 2011
Currency swaps, forward exchange contracts and currency options held-for-trading	135	577
Subtotal *(see Fair value hierarchy levels – Note P19)*	*135*	*577*
Accounts payable at amortized cost	198	172
Current liabilities at amortized cost	48	–
Subtotal *(see Categories – Note P19)*	*381*	*749*
Liabilities to subsidiaries	753	959
Other current liabilities	556	398
Total short-term provisions, trade payables and other current liabilities	**1,690**	**2,106**

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, 2012, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	Total
Liabilities at amortized cost	246	–	–	–	**246**

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 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, 2012	Dec 31, 2011
Financial assets			
Derivatives designated as hedging instruments	P10, P11	1,830	1,742
Financial assets at fair value through profit and loss		561	606
Derivatives not designated as hedging instruments	*P10, P11*	*530*	*591*
Held-for-trading investments	*P10*	*31*	*15*
Loans and receivables	P10, P11, P12	34,823	10,565
Available-for-sale financial assets	P10	5	6
Total financial assets by category		**37,219**	**12,919**
Financial liabilities			
Derivatives designated as hedging instruments	P16	562	385
Derivatives not designated as hedging instruments	P16, P18	2,284	2,281
Borrowings in fair value hedge relationships	P16	18,001	17,896
Financial liabilities measured at amortized cost	P15, P16, P18	66,859	57,909
Total financial liabilities by category		**87,706**	**78,471**

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, 2012				December 31, 2011			
		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	–	–	–	–	**2**	2	–	–
Investments in other equity instruments held-for-trading	P10	31	–	–	31	**15**	–	–	15
Convertible bonds available-for-sale	P10	4	–	–	4	**4**	–	–	4
Derivatives designated as hedging instruments	P10, P11	1,830	–	1,830	–	**1,742**	–	1,742	–
Derivatives held-for-trading	P10, P11	530	–	530	–	**591**	–	591	–
Total financial assets at fair value by level		**2,395**	**–**	**2,360**	**35**	**2,354**	**2**	**2,333**	**19**
Financial liabilities at fair value									
Borrowings in fair value hedge relation-ships	P16	18,000	–	18,000	–	**17,896**	–	17,896	–
Derivatives designated as hedging instruments	P16	562	–	562	–	**385**	–	385	–
Derivatives held-for-trading	P16, P18	2,284	–	2,284	–	**2,281**	–	2,281	–
Total financial liabilities at fair value by level		**20,846**	**–**	**20,846**	**–**	**20,562**	**–**	**20,562**	**–**

There were no transfers between Level 1 and 2 in 2012 and 2011.

Level 3 financial assets changed as follows.

SEK in millions	December 31, 2012 Investments in other equity instruments held-for-trading	Convertible bonds available-for-sale	Total	December 31, 2011 Investments in other equity instruments held-for-trading	Convertible bonds available-for-sale	Total
Level 3, opening balance	15	4	**19**	12	4	**16**
Changes in fair value	1	–	**–**	-3	–	**-3**
of which recognized in net income	–	–	**–**	*-3*	–	***-3***
of which related to assets held at reporting period-end	–	–	**–**	*-3*	–	***-3***
Purchases	15	–	**16**	6	–	**6**
Level 3, closing balance	**31**	**4**	**35**	**15**	**4**	**19**

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 C27).

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, 2012	Dec 31, 2011
Other financial assets	P10	7,641	3,536
Trade and other receivables	P11	2,776	536
Short-term investments, cash and cash equivalents	P12	26,802	8,847
Total		**37,219**	**12,919**

For information on credit risk management relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (corresponding section in Note C27).

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 C27).

As of December 31, 2012, 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 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Open-market financing program borrowings	-5,416	-784	-1,572	-938	-11,209	-10,787	-6,552	-9,741	-62,137	**-109,136**
Other borrowings	-376	-274	–	–	–	–	–	–	–	**-650**
Cross currency interest rate swaps and interest rate swaps	–	–	–	–	–	–	–	–	–	**–**
Payables	-80,582	-26	-7	-4,932	-6	–	–	–	–	**-85,553**
Receivables	80,565	26	7	4,872	6	–	–	–	–	**85,476**
Currency swaps and forward exchange contracts	–	–	–	–	–	–	–	–	–	**–**
Payables	-4,094	-1,952	-687	-789	-4,085	-11,985	-5,395	-1,851	-19,863	**-50,701**
Receivables	4,010	2,064	605	765	4,303	11,558	5,445	1,977	20,500	**51,227**
Total, net	**-5,893**	**-946**	**-1,654**	**-1,022**	**-10,991**	**-11,214**	**-6,502**	**-9,615**	**-61,500**	**-109,337**

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, 2012 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Future minimum leasing fees	8	8	6	1	1	0	0	0	–	**24**

In 2012 and 2011, total rent and leasing fees paid were SEK 38 million and SEK 42 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 2012 and 2011, sales to subsidiaries totaled SEK 58 million and SEK 30 million, respectively, while purchases from subsidiaries totaled SEK 230 million and SEK 487 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, 2012	Dec 31, 2011
Guarantees on behalf of subsidiaries	4,609	4,877
Guarantees for pension obligations	38	38
Total financial guarantees	**4,647**	**4,915**

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 3,418 million (EUR 397 million) related to Xfera Móviles S.A., of which counter guarantees of EUR 346 million as TeliaSonera's share on behalf of Xfera's performance requirements in relation to its telecom and frequency licenses and a counter guarantee of EUR 44 million as TeliaSonera's share to cover payment to a former Xfera shareholder, should the outcome of a legal dispute concerning Xfera's spectrum fee for 2001 be favorable. Guarantees on behalf of subsidiaries also include SEK 697 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, 2012	Dec 31, 2011
For commitments under a shareholders' agreement: Shares in 4T Sverige AB	20	2
Total collateral pledged	**20**	**2**

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, 2012, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2013	Apr–Jun 2013	Jul–Sep 2013	Oct–Dec 2013	2014	2015	2016	2017	Later years	Total
Other intangible assets	1	1	1	2	4	4	3	–	–	16
Total *(see Liquidity risk – Note P20)*	**1**	**1**	**1**	**2**	**4**	**4**	**3**	**–**	**–**	**16**

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 C30).

P24. Cash Flow Information

Non-cash transactions

In 2011, the liquidation of intermediate holding companies for the subsidiaries Telia Nättjänster Norden AB in Sweden and TEO LT, AB in Lithuania, respectively, resulted in non-cash share-barter transactions at fair value amounting to SEK 4,106 million.

P25. Human Resources

The number of employees decreased to 241 at December 31, 2012 (249 at year-end 2011).

The average number of full-time employees was as follows.

	Jan–Dec 2012		Jan–Dec 2011	
Country	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	234	48.7	239	50.6
Total	**234**	**48.7**	**239**	**50.6**

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 7 other members (2011: 8 members) of Group Management employed by the parent company.

	Dec 31, 2012		Dec 31, 2011	
Percent	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	27.3	30	27.3	30.0
Men	72.7	70	72.7	70.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan–Dec 2012	Jan–Dec 2011
Salaries and other remuneration	**305**	**281**
of which performance share programs	*6*	*4*
Social security expenses		
Employer's social security contributions	99	86
of which performance share programs	*2*	*1*
Pension expenses	-34	-34
Total social security expenses	**65**	**52**
Other personnel expenses	35	35
Total personnel expenses recognized by nature	**405**	**368**

Salaries and other remuneration were divided between Corporate Officers and other employees as follows.

	Jan–Dec 2012		Jan–Dec 2011	
SEK in millions	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Salaries and other remuneration	56 (–)	249	58 (–)	223

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 (2011: 8 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	2012	2011
Pension expenses	20	20
Outstanding pension commitments	154	156

For additional information, see sections "Performance Share Programs" and "Remuneration to corporate officers" in Notes to Consolidated Financial Statements (Note C32).

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 2012	Jan–Dec 2011
Remuneration expensed		
PricewaterhouseCoopers AB (PwC)		
Audits	8	8
Audit-related services	1	0
Tax services	0	0
All other services	0	1
Total PwC	**9**	**9**
Ernst & Young AB (E&Y)		
Tax services, all other services	1	8
Total E&Y	**1**	**8**
KPMG AB (KPMG)		
Tax services, all other services	2	1
Total KPMG	**2**	**1**
Other audit firms		
Tax services, all other services	3	3
Total other audit firms	**3**	**3**
Total remuneration expensed	**15**	**21**
Remuneration recognized in equity		
PwC		
Audit-related services	0	0
Total PwC	**0**	**0**
Total remuneration recognized in equity	**0**	**0**
Total remuneration	**15**	**21**

Proposed Appropriation of Earnings

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	53,795,890,149
Net income	12,327,390,108
Total	**66,123,280,257**

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.85 per share ordinary dividend to the shareholders	12,340,741,626
To be carried forward	53,782,538,631
Total	**66,123,280,257**

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 6, 2013

Anders Narvinger
Chairman of the Board

Timo Peltola
Vice-Chairman of the Board

Agneta Ahlström
Board member,
employee representative

Magnus Brattström
Board member,
employee representative

Stefan Carlsson
Board member,
employee representative

Maija-Liisa Friman
Board member

Ingrid Jonasson Blank
Board member

Olli-Pekka Kallasvuo
Board member

Lars Renström
Board member

Jon Risfelt
Board member

Per-Arne Sandström
Board member

Per-Arne Blomquist
President and CEO

Our auditors' report was rendered March 7, 2013
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 Reg. No. 556103-4249

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts TeliaSonera AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 11-128.

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 and 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 judgment, 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 opinion.

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 December 31, 2012 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 December 31, 2012 and of its 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. A corporate governance statement has been prepared. The statutory report of the directors and the corporate governance statement are 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 2012.

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.

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 opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory report of the directors and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 7, 2013

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)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Income (SEK in millions)										
Net sales	104,898	104,804	106,979	109,550	103,585	96,344	91,060	87,661	81,937	82,425
Operating income	28,288	29,720	32,003	30,242	28,648	26,155	25,489	17,549	18,793	14,710
Income after financial items	24,482	26,872	29,936	27,614	26,411	25,251	25,226	17,019	17,448	13,899
Net income	21,168	21,119	23,562	21,280	21,442	20,298	19,283	13,694	14,264	10,049
of which attributable to owners of the parent	19,886	18,388	21,257	18,854	19,011	17,674	16,987	11,697	12,964	9,080
EBITDA excluding non-recurring items	36,059	37,222	36,897	36,584	32,954	31,021	32,266	29,411	30,196	30,700
EBITDA	34,962	37,181	37,661	35,159	31,658	30,333	31,113	27,508	30,841	32,035
Amortization, depreciation and impairment losses	20,542	13,263	13,479	12,932	12,106	11,875	11,203	13,188	15,596	17,707
Financial position (SEK in millions)										
Goodwill and other intangible assets	83,278	92,017	90,531	100,239	100,968	83,909	74,172	74,367	69,534	61,820
Property, plant and equipment	62,657	61,291	58,353	61,222	61,946	52,602	48,195	48,201	47,212	49,161
Financial assets	51,034	62,865	62,458	60,849	62,265	48,633	41,826	40,526	35,353	42,061
Current assets and non-current assets held-for-sale	57,373	36,710	39,209	47,360	39,107	31,558	35,199	40,681	39,873	37,018
Total assets	*254,341*	*252,883*	*250,551*	*269,670*	*264,286*	*216,702*	*199,392*	*203,775*	*191,972*	*190,060*
Total equity	113,396	122,871	132,665	142,499	141,448	127,057	127,717	135,694	128,067	115,834
of which attributable to owners of the parent	109,440	115,518	125,907	135,372	130,387	117,274	119,217	127,049	121,133	112,393
Provisions	23,359	24,211	23,230	25,625	24,594	16,748	15,471	15,564	13,402	15,297
Interest-bearing liabilities	91,586	79,842	65,436	71,833	65,799	43,579	27,729	26,735	24,675	30,554
Non-interest-bearing liabilities	25,998	25,959	29,220	29,713	32,445	29,318	28,475	25,782	25,828	28,375
Total equity and liabilities	*254,341*	*252,883*	*250,551*	*269,670*	*264,286*	*216,702*	*199,392*	*203,775*	*191,972*	*190,060*
Capital employed	193,851	191,402	186,509	204,908	199,186	153,090	127,195	146,712	147,132	142,235
Operating capital	148,310	170,880	163,889	175,063	178,017	140,925	110,163	125,299	126,198	120,006
Net debt	59,444	65,048	47,309	46,175	48,614	34,155	14,892	7,879	6,580	17,648
Net interest-bearing liability	47,254	60,350	43,573	42,668	44,652	31,830	10,736	5,320	3,741	8,847
Cash flows (SEK in millions)										
Cash flow from operating activities	38,879	26,950	27,434	30,610	25,091	26,529	27,501	26,990	24,403	26,443
Cash flow from investing activities	-6,359	-15,967	-16,476	-17,627	-19,634	-15,705	-13,084	-12,236	-7,991	-3,443
Cash flow before financing activities	*32,520*	*10,983*	*10,958*	*12,983*	*5,457*	*10,824*	*14,417*	*14,754*	*16,412*	*23,000*
Cash flow from financing activities	-15,231	-13,295	-17,736	-2,187	-2,364	-14,726	-19,382	-15,653	-11,102	-16,412
Cash flow for the year	*17,289*	*-2,312*	*-6,778*	*10,796*	*3,093*	*-3,902*	*-4,965*	*-899*	*5,310*	*6,588*
Free cash flow	23,740	9,415	12,901	16,643	9,333	13,004	16,596	15,594	14,118	17,351
Investments (SEK in millions)										
CAPEX	15,685	17,384	14,934	14,007	15,795	13,531	11,101	11,583	10,331	9,267
Acquisitions and other investments	1,905	672	1,735	2,842	9,060	7,171	3,951	2,732	9,099	2,851
Total investments	*17,590*	*18,056*	*16,669*	*16,849*	*24,855*	*20,702*	*15,052*	*14,315*	*19,430*	*12,118*
Business ratios										
EBITDA margin (%)	34.4	35.5	34.5	33.4	31.8	32.2	35.4	33.6	36.9	37.2
Operating margin (%)	27.0	28.4	29.9	27.6	27.7	27.1	28.0	20.0	22.9	17.8
Return on sales (%)	20.2	20.2	22.0	19.4	20.7	21.1	21.2	15.6	17.4	12.2
Amortization, depreciation and impairment losses as a percentage of net sales	19.6	12.7	12.6	11.8	11.7	12.3	12.3	15.0	19.0	21.5
CAPEX-to-sales ratio (%)	15.0	16.6	14.0	12.8	15.2	14.0	12.2	13.2	12.6	11.2
Total asset turnover (multiple)	0.41	0.41	0.41	0.41	0.43	0.46	0.45	0.44	0.43	0.42
Turnover of capital employed (multiple)	0.54	0.55	0.55	0.54	0.59	0.69	0.67	0.60	0.57	0.55
Return on assets (%)	11.5	12.3	12.7	11.8	12.7	13.1	13.2	9.4	10.5	8.7
Return on capital employed (%)	15.1	16.4	16.9	15.5	17.3	19.4	19.5	12.6	13.9	11.6
Return on equity (%)	19.9	16.8	17.8	15.2	17.2	18.6	17.2	10.3	11.6	8.5
Equity/assets ratio (%)	39.7	44.0	48.0	49.1	50.5	50.3	49.9	58.9	63.8	58.5
Net debt/equity ratio (%)	58.8	58.8	39.3	34.9	36.5	31.3	15.0	6.6	5.4	15.9
Net debt/EBITDA rate (multiple)	1.65	1.75	1.28	1.26	1.48	1.10	0.46	0.27	0.22	0.57
Interest coverage ratio (multiple)	6.4	7.2	10.7	8.3	7.6	14.2	18.1	11.7	7.6	5.1
Self-financing rate (multiple)	2.21	1.50	1.65	1.82	1.01	1.28	1.83	1.89	1.26	2.18
Share data										
Number of outstanding shares (millions)										
– at the end of the period	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	4,675.2
– average, basic	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	4,667.6
– average, diluted	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	4,668.4
Basic and diluted earnings/loss per share (SEK)	4.59	4.21	4.73	4.20	4.23	3.94	3.78	2.56	2.77	1.95
Cash dividend per share (SEK) [1), 2)]	2.85	2.85	2.75	2.25	1.80	4.00	6.30	3.50	1.20	1.00
Total cash dividend (SEK in millions) [1), 2)]	12,341	12,341	12,349	10,104	8,083	17,962	28,290	15,717	5,610	4,675
Pay-out ratio (%)	62.1	67.7	58.1	53.6	42.5	101.6	166.5	136.9	43.3	51.4
Equity per share (SEK)	25.27	26.69	28.04	30.15	29.04	26.12	26.55	28.29	25.91	24.04

1) For 2012 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.

Ten-Year Summary – Operational Data

TeliaSonera Group Operational Data	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Mobility Services										
Total subscriptions (thousands)	20,537	19,520	18,384	16,963	15,900	14,501	13,434	13,000	11,545	9,519
of which Sweden										
Mobile telephony, total subscriptions (thousands)	6,587	6,290	5,869	5,666	5,334	4,807	4,603	4,387	4,243	3,838
Mobile telephony, outgoing traffic (millions of minutes)	10,060	9,854	9,499	8,493	7,849	6,635	5,335	4,456	3,814	3,313
Mobile telephony, incoming traffic (millions of minutes)	4,459	4,354	4,220	3,983	3,815	3,474	3,058	2,750	2,573	2,400
Mobile telephony, MoU (minutes)	244	242	237	218	191	178	157	139	131	128
Mobile telephony, blended churn (%)	15	15	17	13	14	15	17	15	11	13
Mobile telephony, ARPU (SEK)	190	196	196	192	189	194	204	213	227	252
of which Finland										
Mobile telephony, subscriptions (thousands)	3,249	3,231	3,237	2,874	2,676	2,449	2,407	2,507	2,297	2,428
Mobile telephony, outgoing traffic (millions of minutes)	5,476	5,471	5,575	5,604	5,618	5,473	5,936	5,642	4,820	4,743
Mobile telephony, incoming traffic (millions of minutes)	2,827	2,840	2,896	2,831	2,911	2,656	2,554	2,405	2,147	2,090
Mobile telephony, MoU (minutes)	268	255	266	280	276	284	285	277	253	232
Mobile telephony, blended churn (%)	26	28	25	22	17	16	19	24	28	17
Mobile telephony, ARPU (EUR)	19	21	22	24	26	29	29	30	38	38
of which Norway										
Mobile telephony, subscriptions (thousands)	1,641	1,657	1,680	1,658	1,581	1,577	1,641	1,651	1,308	1,195
Mobile telephony, MoU (minutes)	285	279	276	279	247	236	218	192	175	164
Mobile telephony, ARPU (NOK)	248	259	291	309	330	348	352	333	339	342
of which Denmark										
Mobile telephony, subscriptions (thousands)	1,462	1,426	1,450	1,460	1,493	1,449	1,123	1,154	1,115	472
of which Baltic countries										
Mobile telephony, subscriptions, Lithuania (thousands)	1,953	1,990	2,000	1,991	2,012	2,012	2,074	1,889	1,338	1,052
Mobile telephony, subscriptions, Latvia (thousands)	1,070	1,092	1,068	1,042	1,056	1,015	803	735	649	534
Mobile telephony, subscriptions, Estonia (thousands)	868	795	797	766	778	765	759	677	595	–
of which Spain										
Mobile telephony, subscriptions (thousands)	3,707	3,039	2,283	1,506	970	427	24	–	–	–
Broadband Services										
Broadband, total subscriptions (thousands)	2,532	2,481	2,402	2,348	2,284	2,164	1,828	1,278	897	571
Fixed telephony, total subscriptions (thousands)	3,594	4,267	4,666	5,212	5,806	6,218	6,497	7,064	8,312	8,087
of which Sweden										
Broadband, subscriptions (thousands)	1,175	1,149	1,129	1,125	1,122	1,061	915	711	526	394
Fixed telephony, total subscriptions (thousands)	2,415	2,948	3,214	3,604	4,000	4,295	4,586	5,036	6,115	6,283
of which Finland										
Broadband, subscriptions (thousands)	501	491	476	458	478	473	412	350	243	150
Fixed telephony, total subscriptions (thousands)	204	239	277	324	420	497	580	647	740	804
of which Norway										
Broadband, subscriptions (thousands)	184	188	195	223	176	177	172	–	–	–
of which Denmark										
Broadband, subscriptions (thousands)	74	80	67	47	34	31	7	5	1	2
Fixed telephony, prefix and contract customers (thousands)	132	148	153	205	226	251	165	195	212	172
of which Baltic countries										
Broadband, subscriptions, Lithuania (thousands)	385	372	345	313	298	259	181	105	50	25
Fixed telephony, subscriptions, Lithuania (thousands)	605	647	689	722	769	789	785	798	819	828
Broadband, subscriptions, Estonia (thousands)	213	201	190	182	176	163	141	107	77	–
Fixed telephony, subscriptions, Estonia (thousands)	238	285	333	357	391	386	381	388	426	–
Eurasia										
Mobile telephony, total subscriptions (thousands)	42,535	34,840	28,505	22,363	18,272	12,147	7,352	6,146	3,866	2,385
Mobile telephony, subscriptions, Kazakhstan (thousands)	13,463	10,850	8,921	7,165	7,083	6,017	3,539	3,320	1,795	990
Mobile telephony, subscriptions, Azerbaijan (thousands)	4,417	4,166	3,994	3,847	3,471	3,029	2,333	1,741	1,291	912
Mobile telephony, subscriptions, Uzbekistan (thousands)	9,475	7,688	6,832	5,074	2,683	690	–	–	–	–
Mobile telephony, subscriptions, Tajikistan (thousands)	2,809	2,139	1,723	1,523	1,154	611	–	–	–	–
Mobile telephony, subscriptions, Georgia (thousands)	2,074	2,066	2,044	1,892	1,582	1,296	1,032	715	481	307
Mobile telephony, subscriptions, Moldova (thousands)	1,251	1,089	907	660	550	504	448	370	299	176
Mobile telephony, subscriptions, Nepal (thousands)	9,046	6,842	4,084	2,202	1,749	–	–	–	–	–
Human Resources										
Number of employees as of December 31	27,838	27,983	28,945	29,734	32,171	31,292	28,528	28,175	29,082	26,694
Average number of full-time employees during the year	26,793	27,005	27,697	28,815	30,037	28,561	26,969	27,403	25,381	26,188
of whom, in Sweden	8,486	8,378	8,937	9,170	10,152	10,002	10,427	11,061	10,948	11,321
of whom, in Finland	4,231	4,497	4,686	4,981	5,258	5,697	5,936	6,369	6,750	6,408
of whom, in other countries	14,076	14,130	14,074	14,664	14,627	12,862	10,606	9,973	7,683	8,459
of whom, women	11,465	11,786	12,212	13,111	13,251	12,571	12,164	11,934	11,427	10,936
of whom, men	15,328	15,219	15,485	15,704	16,786	15,990	14,805	15,469	13,954	15,252
Salaries and remuneration (SEK in millions)	9,863	9,979	10,405	11,152	11,011	9,632	8,918	9,023	8,674	8,460
Employer's social security contributions (SEK in millions)	1,835	1,821	1,900	1,995	2,134	1,971	1,903	1,970	1,902	1,950
Salaries and employer's social security contributions as a percentage of operating costs	14.2	14.5	14.8	15.3	15.8	14.8	15.2	15.5	16.4	14.9
Net sales per employee (SEK in thousands)	3,915	3,881	3,862	3,802	3,449	3,373	3,376	3,199	3,228	3,147
Operating income per employee (SEK in thousands)	1,056	1,101	1,155	1,050	954	916	945	640	740	562
Change in labor productivity (%)	14.1	11.2	10.8	11.1	7.8	7.1	11.2	8.3	10.8	-4.9
Net income per employee (SEK in thousands)	790	782	851	738	714	711	715	500	511	347

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 interconnect, 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.

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 credit collateral, 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 2013

TeliaSonera's Annual General Meeting will be held on Wednesday, April 3, 2013 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 Wednesday, March 26, 2013, kept by Swedish central securities depository Euroclear Sweden AB and
- give notice of attendance to the Company no later than Wednesday, March 26, 2013.

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 26, 2013, 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 26, 2013 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 Wednesday, March 26, 2013.

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 2.85 per share be distributed to the shareholders, and that April 8, 2013 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 11, 2013.

Other information

The CEO's speech at the Annual General Meeting will be posted on the Company's website www.teliasonera.com after the meeting.

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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.

TeliaSonera